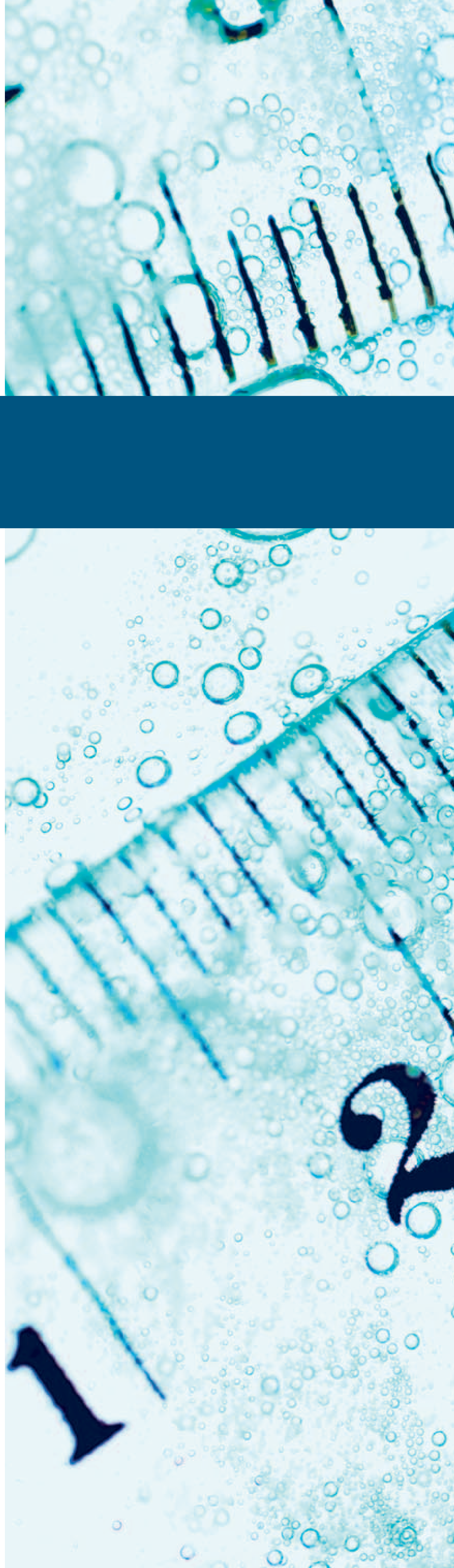
GAM | Holding AG

ANNUAL REPORT 2012



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KEY FIGURES

	2012	2011	CHANGE IN %
CLIENT ASSETS CHF BN			
Assets under management at the end of the year	116.2	107.0	9
Average assets under management[1]	112.7	112.9	-0
Net new money	2.4	-3.8	163
INCOME STATEMENT[2] CHF M			
Operating income	594.1	598.5	-1
Operating expenses	398.6	384.5	4
Underlying profit before taxes	**195.5**	**214.0**	**-9**
Underlying income taxes	33.5	48.3	-31
Underlying net profit	**162.0**	**165.7**	**-2**
UNDERLYING PROFIT BEFORE TAXES PER SEGMENT CHF M			
GAM	117.7	110.6	6
Swiss & Global Asset Management	90.4	104.5	-13
Group functions	-12.6	-1.1	-
Underlying profit before taxes	**195.5**	**214.0**	**-9**
KEY PERFORMANCE INDICATORS			
Gross margin (basis points)	52.7	53.0	-
Cost/income ratio	67.1%	64.2%	-
Pre-tax margin (basis points)	17.3	19.0	-
Return on tangible equity[3]	27.7%	22.8%	-
PERSONNEL			
Number of full-time equivalents at the end of the year	1,098	1,078	2
in Switzerland	343	324	6
in the United Kingdom	396	405	-2
in the rest of Europe	238	227	5
in the rest of the world	121	122	-1

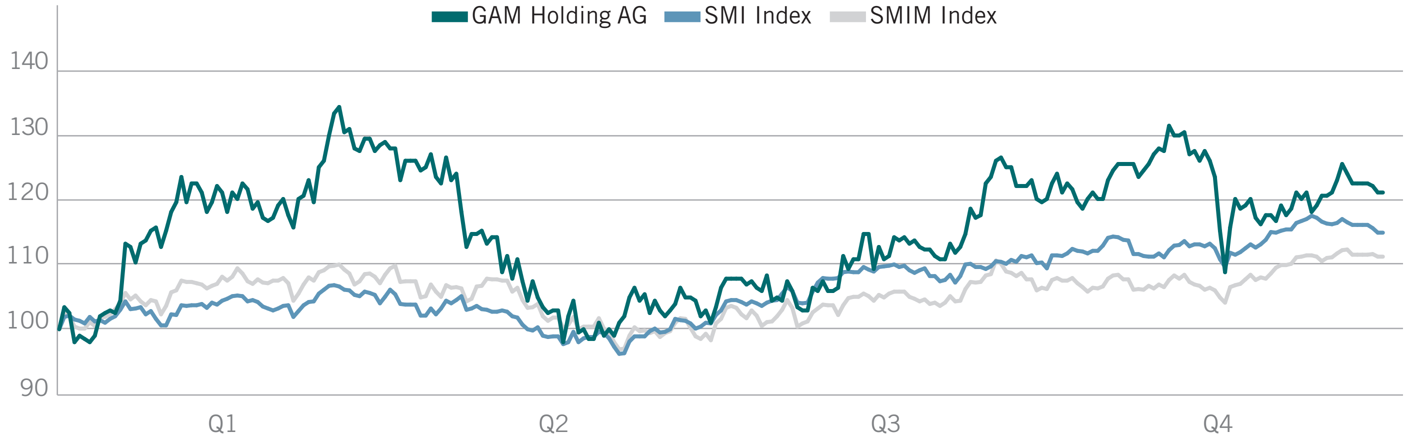
[1] Average calculated with 13 month-end values (December to December).

[2] The result for 2012 has been adjusted to exclude the impairment of investments of CHF 56.3 million (2011: CHF 249.1 million), the amortisation of customer relationships of CHF 11.7 million (2011: CHF 11.6 million) and defined benefit pension plan curtailment expenses (net of taxes) of CHF 6.0 million (2011: none). Including those non-cash items, the Group's net profit for 2012 amounted to CHF 88.0 million (2011: net loss of CHF 95.0 million), as shown in the Consolidated Financial Statements.

[3] Underlying net profit excluding non-controlling interests / tangible equity at the end of the year.

	31.12.2012	31.12.2011	CHANGE IN %
BALANCE SHEET CHF M			
Assets	2,294.7	2,425.7	-5
Equity	1,953.3	2,099.5	-7
Tangible equity[1]	581.3	726.3	-20

SHARE PRICE PERFORMANCE 2012 (INDEXED)



LISTING INFORMATION

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

	2012	2011	CHANGE IN %
SHARE INFORMATION CHF			
EPS[2]	0.94	0.91	3
Book value at the end of the year[3]	3.53	4.10	-14
Closing price	12.35	10.20	21
High price	13.70	18.25	-
Low price	10.00	9.35	-
Market capitalisation at the end of the year (CHF m)	2,264	2,002	13
Weighted average number of shares outstanding	171,232,257	183,105,923	-6

[1] Equity excluding non-controlling interests, goodwill, customer relationships and brand.
[2] Underlying net profit excluding non-controlling interests / 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, pure-play asset management group with a focus on active asset management, listed on the SIX Swiss Exchange
- Over 1,000 staff in ten countries, with multiple investment teams based in Europe, the US and Asia, and a global distribution network
- Comprises GAM and Swiss & Global Asset Management – two complementary businesses serving institutions, intermediaries as well as private clients, and offering investment products and solutions under the GAM and the Julius Baer brands

GAM HOLDING AG

BOARD OF DIRECTORS

EXECUTIVE BOARD

OPERATING BUSINESSES

GAM

SWISS & GLOBAL ASSET MANAGEMENT

LETTER FROM THE CHAIRMAN AND CEO

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

DEAR READER

While the past two years have been trying ones for investors and asset managers alike, I am pleased to report that our Group is in excellent shape. Our financial strength is intact and we have a business model geared to the future.

In 2012 we saw a return to solid asset growth, with assets under management rising to CHF 116.2 billion, a 9% year-on-year increase. This reflects renewed strength in our asset-gathering activities and the beneficial impact of positive market performance. It also follows a challenging 2011, during which net new money outflows were compounded by negative market movements.

Net new money inflows for the Group in 2012 were CHF 2.4 billion, with the most significant contributions coming from the emerging market and fixed income absolute return strategies (managed by GAM and distributed by Swiss & Global Asset Management) as well as our private label funds business. The result also includes CHF 0.7 billion of new assets as a result of our acquisition of a majority stake in Arkos Capital SA (Arkos) on 31 July 2012. The company has been fully integrated into GAM and renamed GAM Investment Management Lugano SA. As anticipated, the acquisition was accretive from day one with the Arkos products generating solid performance fees and attracting fresh inflows from our clients globally. Beyond these headline numbers, we were pleased to see certain equity funds, both GAM and Julius Baer-branded, achieving net inflows despite subdued demand for this asset class – an indication of the competitiveness of our equities offering. Our initiatives that target, for example, the UK independent financial adviser market with multi-asset model portfolio services, or institutional clients with customised funds of hedge funds solutions, are on track, with encouraging inflows. While these are not yet sufficient to compensate for the loss of some of our legacy business, we are very satisfied with the progress we see and convinced that we have now largely overcome most of our historic obstacles to growth.

We are also in excellent financial shape. Our balance sheet is strong and highly liquid, and the Group remains well-capitalised and free of debt. Driven by robust net fee and commission income of CHF 578.9 million in 2012 (up 5% year-on-year), our core business activities were highly profitable. At the same time we have maintained rigorous discipline with regards to costs. Although we have expanded our product lines and business activities, general expenses have remained flat year-on-year when adjusted for non-recurring positive effects in 2011. Personnel expenses were also tightly controlled: while increasing 3% due to a 2% rise in headcount, the increase was less than the revenue growth achieved in our core business activities.

Underlying net profit in 2012 was CHF 162.0 million, compared to CHF 165.7 million the previous year. The modest decline is fully explained by a fall in other income – including gains and losses on foreign exchange positions and seed capital investments – and a substantial decline in the contribution from our minority participation in Artio Global Investors Inc. (Artio). The stake was retained after the company's IPO in 2009. As announced by Artio in February, the company has entered into a merger agreement with Aberdeen Asset Management PLC (Aberdeen) under which Aberdeen intends to acquire Artio for USD 2.75 per share in cash. GAM Holding AG has signed a voting agreement with Aberdeen committing to vote all its shares in favour of the transaction. This step reflects the fact that we have always regarded our stake in Artio as a purely financial rather than strategic investment. The transaction, which is subject to customary closing conditions, is expected to close by the end of the second quarter or early in the third quarter of 2013 and would result in a gain of approximately USD 13.5 million for GAM Holding AG.

At our upcoming Ordinary Annual General Meeting (AGM) on 17 April 2013 in Zurich, the Board of Directors will recommend a dividend payment for 2012 of CHF 0.50 per share, unchanged from that paid for the past two financial years. If approved, the dividend will result in an overall pay-out of approximately CHF 82 million. Combined with the repurchase of our own shares under the ongoing buy-back programme, this corresponds to a total distribution of around CHF 199 million for the 2012 financial year. We are committed to remaining strongly capitalised, as demonstrated by our tangible equity of CHF 581 million. At the same time, we will ensure that our capital is employed in such a way that it creates the best results for our shareholders – either by investing it in growth opportunities or by paying it back. In 2012, our share buy-backs contributed to our earnings per share increasing to CHF 0.94 and return on tangible equity increasing to 27.7% – representing a year-on-year improvement of 3% and almost 5 percentage points respectively.

One of the primary responsibilities of our Board of Directors is to ensure its alignment with the interests of our shareholders, which includes the continuous assessment of the Group's long-term direction and operating model. This was one of the main drivers of the changes we communicated in mid-January, which included adjustments to our organisational structure and executive team, as well as the proposed re-election of Dieter Enkelmann, Hugh Scott-Barrett and myself as members of the Board of Directors. We also proposed the election of Tanja Weiher as an additional independent member. Her fifteen years of experience in the financial services industry, her personality, and her strategic acumen make her an ideal candidate to strengthen our Board. If approved by shareholders, the number of Board members after the elections will increase to six. Any future share-based compensation they receive will be in shares rather than in options.

As communicated in January, I will stand for re-election, retaining solely my position as Chairman. David M. Solo, who currently serves as the Chief Executive Officer of our two operating companies, will then assume the newly created role of Group Chief Executive Officer, reflecting our decision to move towards a more integrated Group structure. At the same time, the Executive Board of GAM Holding AG will become a Group Management Board and its membership expanded to include core operations and distribution functions. All new appointments to the Group Management Board are internal, with most of these individuals having been with the Group for more than seven years.

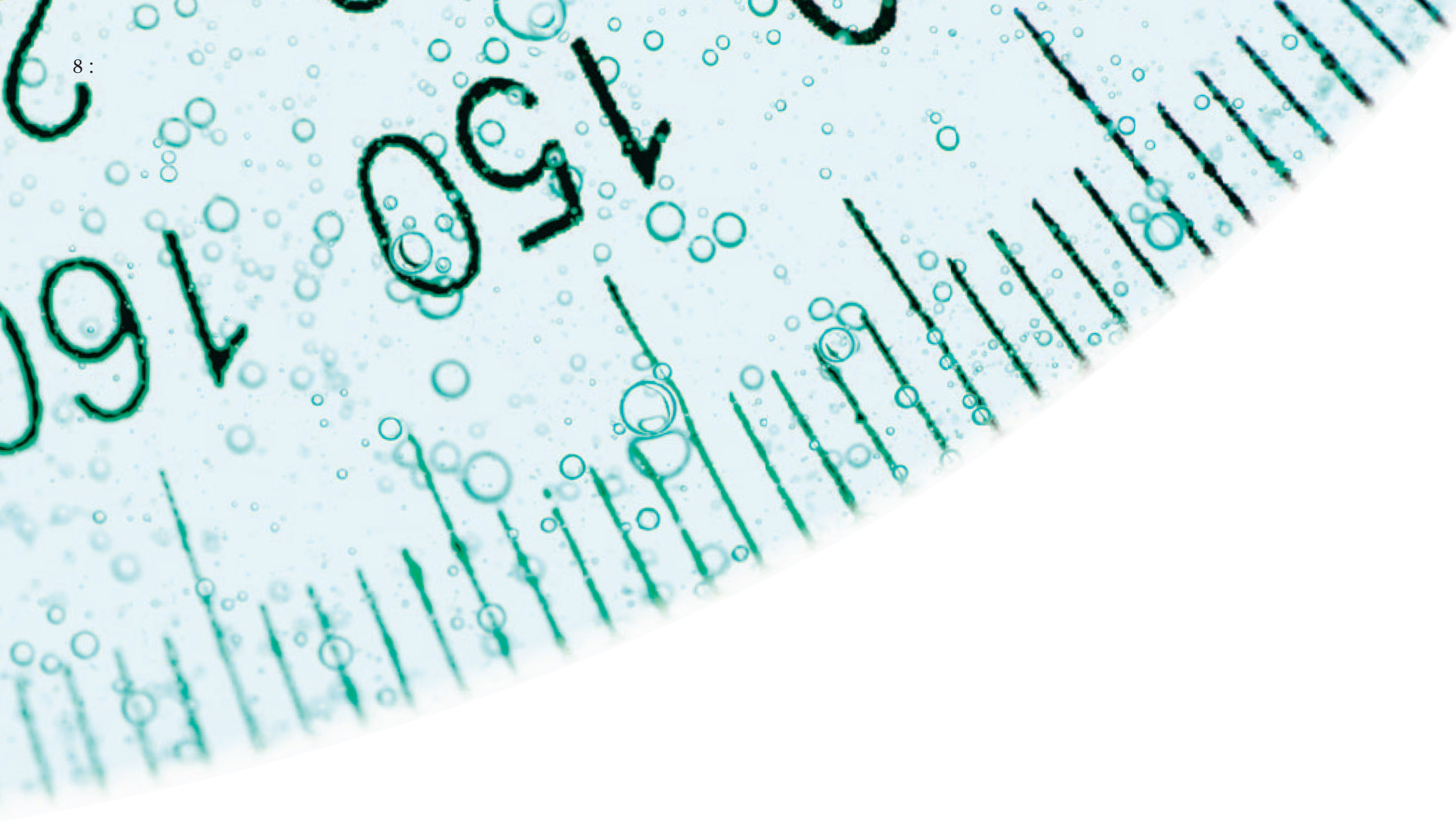
This move will simplify the Group's executive structure and facilitate its transition to a more streamlined and functional organisation, one which is more reflective of how our businesses have evolved over the last four years. Today, their activities increasingly converge towards the management of onshore regulated funds. As they face similar challenges, it makes sense to bundle our strengths. Further integration will allow us to manage our resources and increased industry complexity more effectively and efficiently. At the same time we will remain highly diversified, as evidenced by our broad group of investment managers, multiple distribution capabilities and our two strong product brands. Most importantly, our culture of independent thinking and our commitment to truly active investment management remains unchanged. All our investment management teams will continue to report directly to David M. Solo, freeing them as far as possible from operational management responsibilities and thereby allowing them to focus solely on generating superior investment performance for our clients.

Preserving and enhancing those factors that make us strong is crucial, especially at this time. I am convinced that we are entering a market cycle that should play to the strengths of companies like ours: autonomous, high-quality active asset managers that are well-managed and strongly capitalised, with unique perspectives and a strong performance track record.

Market and macroeconomic conditions may cause private and institutional investors less alarm than in 2011 and 2012, but safeguarding and growing their wealth will be anything but easy. I am convinced that we offer the products and solutions they need to respond to the many challenges and risks they face. We therefore have good reason to be optimistic and I look forward to sharing our success with our clients, shareholders and employees.

Johannes A. de Gier

Chairman and CEO, GAM Holding AG
Zurich, 5 March 2013



BUSINESS REVIEW

STRATEGY AND PERFORMANCE

STRATEGY

- Pure-play asset management group that benefits from independence, financial strength and capital discipline
- Attractive home for investment talent; discerning in selecting growth opportunities
- Highly diversified business mix, based on a broad range of truly active investment strategies targeting the needs of investors worldwide
- Multiple investment teams located in Europe, the US and Asia, and two distinct and prestigious product brands supported by global distribution and client servicing capabilities
- Built on the principles of uncompromising quality, continuity and independent thinking, as well as responsible business practices

POSITIONED FOR SUSTAINABLE PROFITABILITY

- Highly competitive in areas of emerging client demand and in businesses with attractive margins
- Diversified group that continues to innovate its offerings, 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

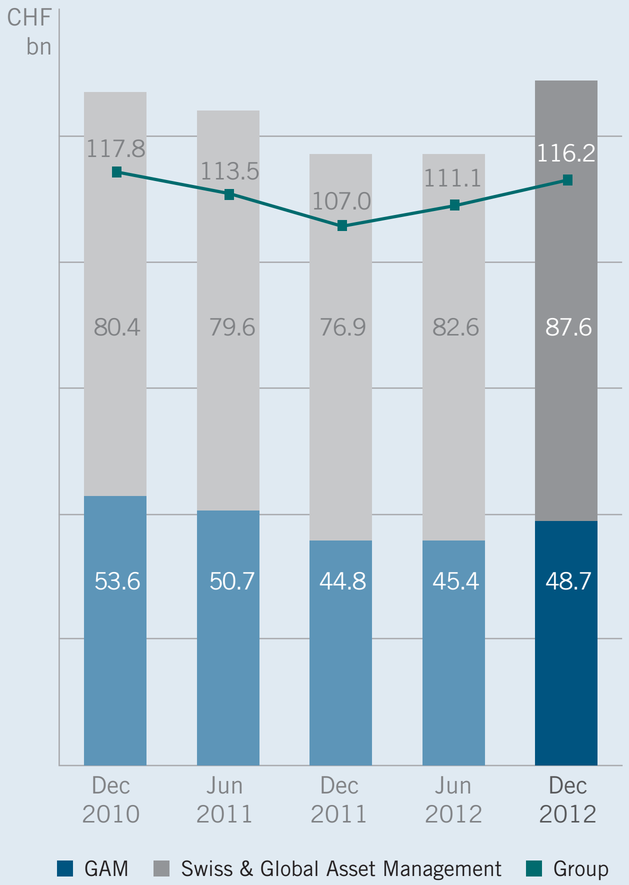
AUM AND NET NEW MONEY 2012

- Group **assets under management** (AuM) of CHF 116.2 billion as at 31 December 2012, up 9% year-on-year
- **Net new money** (NNM) inflows of CHF 2.4 billion: strong rebound from net outflows of CHF 3.8 billion in 2011 and positive contribution from both businesses
- **NNM** includes CHF 0.7 billion of assets acquired with GAM's majority stake in Arkos on 31 July 2012
- Positive **market performance** of CHF 7.5 billion
- Adverse **currency** impact of CHF 0.7 billion

GROUP PERFORMANCE 2012

- **Underlying net profit** of CHF 162.0 million (CHF 165.7 million in 2011)
- **Earnings per share** of CHF 0.94 and **return on tangible equity** of 27.7% (compared to CHF 0.91 and 22.8% respectively in 2011)
- **Cost/income ratio** at 67.1%: positive effects from cost management and higher fee revenues offset by lower income from non-core areas
- Shift in product mix towards internal single manager alternative funds led to a relative increase in performance fees versus asset-based fees
- Strong debt-free balance sheet with **tangible equity** of CHF 581.3 million and **cash** of CHF 504.0 million
- Proposed **dividend** of CHF 0.50 per share, unchanged from previous years

GROUP AUM CHF 116.2 BN[1] : AS AT 31 DECEMBER 2012



[1] Group assets under management exclude double-count of funds managed by GAM and distributed by Swiss & Global Asset Management (CHF 20.1 billion as at 31 December 2012), which are reported in both businesses.

GAM : AT A GLANCE

- Institutional, wholesale and private clients businesses
- Distinctive absolute return, directional equity and fixed income single manager strategies
- Market-leading hedge funds portfolio construction capability
- Discretionary and advisory portfolios across multiple asset classes

SWISS & GLOBAL ASSET MANAGEMENT : AT A GLANCE

- Institutional, wholesale and private label fund businesses
- Exclusive manager of Julius Baer-branded funds
- Theme-based and specialty funds: equity, fixed income, commodities and absolute return strategies
- Powerful product development and distribution capabilities

PERFORMANCE REVIEW

Marco Suter : Group Chief Financial Officer, GAM Holding AG

GROUP AUM AND NET NEW MONEY

Group assets under management amounted to CHF 116.2 billion[1] as at 31 December 2012, compared to CHF 107.0 billion a year earlier. The increase of 9% or CHF 9.2 billion resulted from net new money growth (CHF 2.4 billion) and the positive effect of market performance (CHF 7.5 billion). The impact on assets under management of foreign exchange movements during 2012 was negative CHF 0.7 billion, reflecting the weakening of the US dollar against the Swiss franc. Average assets under management for the full-year 2012 were slightly down from the previous year (CHF 112.7 billion compared to CHF 112.9 billion), as we started the year with assets well below those at the beginning of 2011.

The Group's **net new money** inflows for 2012 totalled CHF 2.4 billion[1] – a strong rebound from the outflows of CHF 3.8 billion recorded a year earlier.

GAM's net new money inflows for the year were CHF 0.3 billion. This includes the CHF 0.7 billion of assets acquired with its majority stake in Arkos Capital SA (Arkos) on 31 July 2012. After a slow first half, flows strengthened considerably, fuelled particularly by accelerating activity from institutional clients. GAM's fixed income range – its absolute return, emerging market and catastrophe bond strategies – continued to achieve substantial net inflows. The Arkos funds proved to be highly successful with GAM's global client base and have already made a strong contribution. While market-wide demand for equities was low in 2012 and the asset class overall recorded net outflows, certain of our directional equity products saw net new money inflows especially in the later part of the year. These include the strongly performing strategies for Continental Europe and China. New mandate wins for multi-manager funds in the institutional market and, to a much smaller extent, for discretionary fund management in the new UK IFA market initiative were not sufficient to compensate for the outflows in these products from our historic private banking channels.

Swiss & Global Asset Management reported net new money inflows of CHF 6.1 billion, demonstrating more normalised flows than the disappointing CHF 0.4 billion recorded in 2011. The strongest contributions came from the Julius Baer-branded fixed income funds as well as the private label fund business, driven by the growth of existing funds and the addition of newly established client relationships. The range of physical precious metal products continued to experience strong demand. In equities, net inflows in our luxury brands and the European absolute return strategies were broadly offset by redemptions elsewhere.

[1] Group assets under management and net new money totals exclude the double-count of the funds managed by GAM and distributed by Swiss & Global Asset Management which are reported in both businesses (assets under management of CHF 20.1 billion as at 31 December 2012 and net new money inflows of CHF 4.0 billion in 2012).

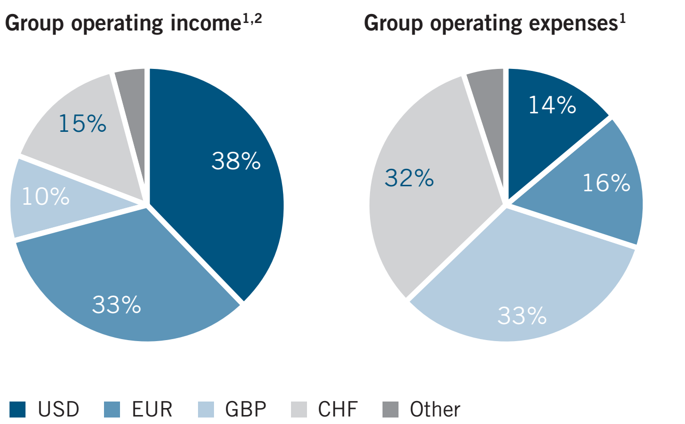
GROUP FINANCIAL RESULTS

The Group's **operating income** for 2012 totalled CHF 594.1 million, compared to CHF 598.5 million a year ago. Overall net fee and commission income rose 5%. Robust performance fees more than compensated for a decline in net management fees and commissions. This reflects the shift in our product offering towards a higher share of single manager alternative funds. Performance fees on these products, which now make up a sizeable part of our assets under management and are mainly managed by GAM, totalled CHF 82.1 million in 2012 – a strong rebound from the CHF 19.6 million recorded in 2011. This reflects more normalised fee levels, driven by the growth and strong performance of the range, as well as the first-time contribution from the Arkos strategies. Net management fees and commissions declined due to lower average asset levels in the first half and the impact of the evolving asset mix on the Group's blended gross margin. They amounted to CHF 496.8 million for 2012, 7% less than in 2011.

The contribution from our investment in Artio Global Investors Inc. (Artio) decreased by CHF 15.5 million to CHF 1.6 million. Following our efforts to reduce our Artio stake in the second half of 2012, it is now classified as a financial investment held for sale and our share of Artio's financial results will no longer be shown as income from associates[2]. Other operating income – which includes gains and losses on foreign exchange positions as well as realised gains and losses on financial and seed capital investments – also fell, by CHF 14.1 million, and amounted to CHF 13.6 million.

The Group's **gross margin** was 52.7 basis points, marginally lower than the 53.0 basis points reported in 2011. The decrease is fully attributable to the decline in other operating income and the absence of a meaningful contribution from Artio.

APPROXIMATE REVENUE & COST ANALYSIS BY CURRENCY, 2012



[1] Composition evolves over time, based on evolving fund performance.
[2] Based on currency of underlying share classes.

Operating expenses rose 4% to CHF 398.6 million in 2012. Personnel expenses were CHF 284.5 million, up 3%, following a 2% increase in headcount from the inclusion of the Lugano-based Arkos team and select hiring to support business growth. This was coupled with adverse foreign exchange movements mainly from the strengthening of the British pound. Contractual bonuses to investment professionals rose on the back of performance fees, while the overall impact from the 2009 long-term incentive plan declined substantially. The non-cash amortisation of the options awarded under the plan (over the vesting period, in line with IFRS 2) resulted in non-cash charges of CHF 8.4 million (CHF 16.3 million in 2011). The social security costs associated with the plan (accrued over the life of the options based on the development of GAM Holding AG's share price) increased compared to 2011. They were reduced by a total return swap over our own shares, held to mitigate the income statement volatility from these social security expenses and settled with a gain in the second half of 2012. The majority of the options vested at the end of October 2012 and will expire on 15 March 2013.

[2] Please refer to Note 14 of the Consolidated Financial Statements for details on the accounting treatment of the investment in Artio Global Investors Inc. and the adjustment of the carrying value, and to Note 26 for more information on the expected sale of the Artio stake.

CONSOLIDATED INCOME STATEMENT[1]

	2012 CHF M	2011 CHF M	CHANGE IN %
Net management fees and commissions	496.8	534.1	-7
Performance fees	82.1	19.6	319
Net fee and commission income	**578.9**	**553.7**	**5**
Income from investment in associates	1.6	17.1	-91
Other operating income	13.6	27.7	-51
Operating income	**594.1**	**598.5**	**-1**
Personnel expenses	284.5	277.2	3
General expenses	106.9	100.5	6
Depreciation and amortisation	7.2	6.8	6
Operating expenses	**398.6**	**384.5**	**4**
Underlying profit before taxes	**195.5**	**214.0**	**-9**
Underlying income taxes	33.5	48.3	-31
Underlying net profit	**162.0**	**165.7**	**-2**

[1] The result for 2012 has been adjusted to exclude the impairment of investments of CHF 56.3 million (2011: CHF 249.1 million), the amortisation of customer relationships of CHF 11.7 million (2011: CHF 11.6 million) and defined benefit pension plan curtailment expenses (net of taxes) of CHF 6.0 million (2011: none). Including those non-cash items, the Group's net profit for 2012 amounted to CHF 88.0 million (2011: net loss of CHF 95.0 million), as shown in the Consolidated Financial Statements.

RECONCILIATION OF UNDERLYING NET PROFIT TO FINANCIAL STATEMENTS

GAM Holding AG's consolidated financial statements are reported in accordance with International Financial Reporting Standards (IFRS). Additionally, in this section of the report, we provide comments and analysis on an adjusted basis, excluding certain items that are related to specific events and that are indicative neither of the underlying performance of our two operating businesses nor of their future growth potential. These adjustments reflect our internal approach to analysing our results and managing the Group.

For 2012, the following items are included in the Group's net profit of CHF 88.0 million reported in accordance with IFRS, but are excluded from the Group's underlying net profit of CHF 162.0 million discussed in this section.

- **Amortisation of customer relationships of CHF 11.7 million.** According to IFRS, we are required to amortise the customer relationships from the 2005 acquisition of GAM over their estimated useful life. These charges, however, do not represent cash outflows and are not relevant in assessing the value created by our operating businesses. The remaining balance of customer relationships as at 31 December 2012 was CHF 11.6 million and will continue to be amortised on a linear basis throughout 2013.

- **Impairment of investments of CHF 56.3 million.** This non-cash charge relates mainly to the reduction in the carrying value of financial investments, particularly of our minority interest in

General expenses, at CHF 106.9 million, rose 6% from 2011, when we benefited from the release of provisions and a one-off VAT reimbursement. Costs were tightly controlled across the Group: excluding these non-recurring effects they remained flat.

The **cost/income ratio** for 2012 was 67.1% compared to 64.2% a year earlier, as the positive impact from continued cost management and higher fee revenues from our core business activities was offset by the decline in income from non-core sources.

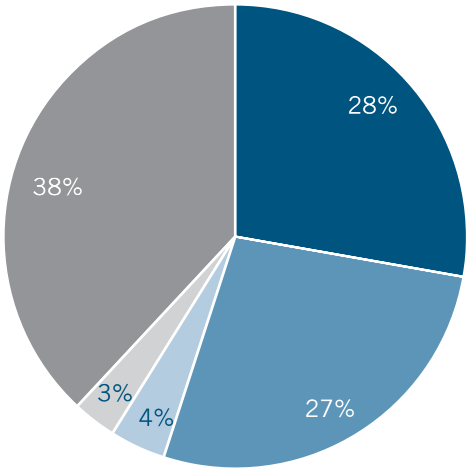
For 2012 the Group incurred a tax expense on its underlying net profit of CHF 33.5 million, reflecting a **tax rate** of 17.1%. The previous year's tax rate of 22.6% included a CHF 8 million tax charge due to the reversal of a deferred tax asset booked in 2010. The deferred tax asset – and its reversal – derive from the local tax treatment of the share-based payments for the 2009 long-term incentive plan. The tax expense for the plan in certain jurisdictions is driven by the value of the options awarded and hence fluctuates with the share price of GAM Holding AG.

The Group's **underlying net profit** in 2012 was CHF 162.0 million, 2% lower than in 2011. As a result of our ongoing share buy-backs and the reduction in shares outstanding, however, **earnings per share** improved from CHF 0.91 to CHF 0.94. **Return on tangible equity** improved from 22.8% to 27.7%.

Artio, a US-based asset management firm, which we retained after Artio's IPO in September 2009 and started to divest in the second half of 2012. Following the significant decline in the fair value of our stake, as reflected by Artio's share price, it was impaired by CHF 55.6 million.

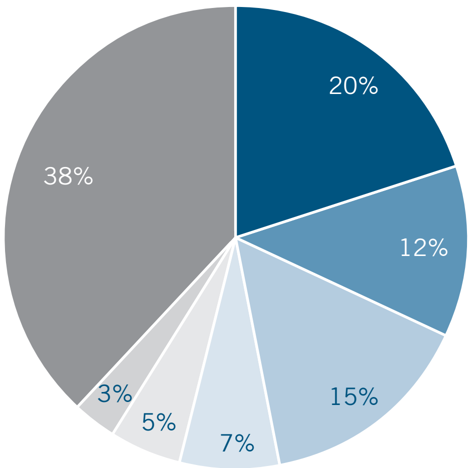
- **One-off non-cash charges of CHF 6.0 million (CHF 7.8 million pre-tax) following curtailment of existing defined benefit pension plans.** GAM made changes to the defined benefit schemes it operates for its UK and Hong Kong employees, which became effective in the first half of 2012. We anticipate that these changes will reduce the future financial risk of the schemes. The related adjustments in the actuarial valuations of past accrued benefits in the UK plan resulted in a one-time accounting charge for the Group of CHF 8.3 million before taxes. In Hong Kong, the retirement scheme was completely wound up and all the benefits under the scheme were transferred to the state-run Mandatory Provident Fund, which is a defined contribution plan. This led to a one-time pre-tax gain of CHF 0.5 million. The total pre-tax charge of CHF 7.8 million for the two changes (recorded as a personnel expense in the Consolidated Income Statement according to IFRS) is also excluded from the discussion of GAM's pre-tax results.

GROUP AUM CHF 116.2 BN, BY CLIENTS[1,2] : AS AT 31 DECEMBER 2012



	31.12.2012	31.12.2011
Wholesale fund distribution	28%	26%
Institutional clients	27%	28%
Private clients	4%	5%
Discretionary & advisory portfolios	3%	4%
Private label funds	38%	37%

GROUP AUM CHF 116.2 BN, BY PRODUCTS[1] : AS AT 31 DECEMBER 2012



	31.12.2012	31.12.2011
Fixed income	20%	21%
Equity	12%	13%
Absolute return single manager	15%	12%
Commodities	7%	7%
Multi-manager	5%	6%
Discretionary & advisory portfolios	3%	4%
Private label funds	38%	37%

[1] Group assets under management exclude CHF 20.1 billion of funds managed by GAM and distributed by Swiss & Global Asset Management.
[2] AuM breakdown by client has been corrected to accurately reflect positions held by institutional clients; prior periods have been restated.

GROUP BALANCE SHEET

Total assets for the Group as at 31 December 2012 were CHF 2,294.7 million, a reduction of 5% from the previous year. Our cash position at year-end 2012 amounted to CHF 504.0 million, CHF 96.1 million less than a year earlier. The strong cash flows from our operating activities contributed CHF 152.5 million to our cash resources, while we utilised CHF 87.8 million for dividend payments in April 2012 and CHF 152.1 million for share buy-backs over the first and the second trading lines. (Please see the paragraphs on treasury shares and the share buy-back programme for further details.)

The level of **financial investments** increased to CHF 151.6 million from last year's CHF 118.6 million, driven mainly by seed capital investments into new funds. The carrying value of our participation in Artio was reduced to CHF 27.6 million as at 31 December 2012, reflecting the decrease in its fair value following the sustained decline in Artio's share price. Following our efforts to reduce our stake in the second half of 2012, it is now classified as a financial investment held for sale[3]. The related non-cash charge of CHF 55.6 million is reflected in the Group's Consolidated Income Statement.

Goodwill, customer relationships and brand totalled CHF 1,370.0 million, CHF 3.2 million less than at year-end 2011, as the annual amortisation of customer relationships according to IFRS was partly offset by the inclusion of the goodwill from the Arkos acquisition.

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 over the long term whilst retaining a strong balance sheet, thereby providing confidence and reassurance to our various stakeholders. Our business is generally characterised by a low consumption of capital, allowing us to invest in growth opportunities – organic or acquisitions – or to return cash to our shareholders.

Total **equity** as at 31 December 2012 amounted to CHF 1,953.3 million. Excluding goodwill, customer relationships, brand and non-controlling interests, our **tangible equity** stood at CHF 581.3 million, compared to CHF 726.3 million a year earlier. This decline was mainly due to the repurchase of our own shares over the first and second trading line as well as the dividend payment for the 2011 financial year made in the first half of 2012. It also reflects the impairment of our stake in Artio.

DIVIDEND

At the upcoming Annual General Meeting (AGM) on 17 April 2013, the Board of Directors will propose a **dividend** payment of CHF 0.50 per share for the financial year 2012 – the same level as paid for the two previous financial years. This will result in a distribution to shareholders of approximately CHF 82 million. The Board of Directors intends to pay this dividend from our significant capital contribution reserves (CHF 1,736.0 million at year-end 2012), making it exempt from Swiss withholding tax of 35% and income tax-free for private investors resident in Switzerland.

[3] Please refer to Note 14 of the Consolidated Financial Statements for details on the accounting treatment of the investment in Artio Global Investors Inc. and the adjustment of the carrying value, and to Note 26 for more information on the expected sale of the Artio stake.

CONSOLIDATED BALANCE SHEET

	31.12.2012 CHF M	31.12.2011 CHF M	CHANGE IN %
Cash and cash equivalents	504.0	600.1	-16
Financial investments	151.6	118.6	28
Financial investment held for sale	27.6	-	-
Investment in associates	-	76.5	-100
Receivables, accrued income and prepaid expenses	197.0	213.6	-8
Other assets	44.5	43.7	2
Goodwill, customer relationships and brand	1,370.0	1,373.2	-0
Assets	**2,294.7**	**2,425.7**	**-5**
Debt	-	-	-
Other liabilities	341.4	326.2	5
Liabilities	**341.4**	**326.2**	**5**
Share capital	9.2	9.8	-6
Treasury shares	-241.9	-264.7	9
Other equity components	2,186.0	2,354.4	-7
Equity	**1,953.3**	**2,099.5**	**-7**
Liabilities and equity	**2,294.7**	**2,425.7**	**-5**
Tangible equity[1]	581.3	726.3	-20

[1] Equity excluding non-controlling interests, goodwill, customer relationships and brand.

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 2012, we held 18.8 million shares in treasury (10.2% of shares issued). Of these, 10.1 million shares (5.5% of shares issued) were bought back under our current 2011–2014 share buy-back programme, over a second trading line at the SIX Swiss Exchange, and are due to be cancelled at the 2013 AGM subject to shareholder approval. (Please see paragraph on share buy-back programme for details.)

The remaining 8.7 million shares were bought back over the regular trading line at the SIX (first trading line) and held as a hedge for the options granted under the 2009 long-term incentive plan. This hedge position increased by 2.7 million shares during 2012 following the settlement of a total return swap over the same number of our own shares. Options from the 2009 long-term incentive plan are net-settled and a substantial portion will expire on 15 March 2013. As this may result in a rise in trading volume in GAM Holding AG's shares, we will likely increase the number of shares that we are typically willing to purchase on a daily basis under our share buy-back programme over the second trading line.

CURRENT SHARE BUY-BACK PROGRAMME 2011 – 2014

At the April 2011 AGM, shareholders approved the current 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 both 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 in June 2012 we cancelled 12,945,000 shares repurchased during 2011. Over the course of 2012, we bought back 10,125,340 shares at an average price of CHF 11.59, representing a total value of CHF 117.4 million. Buy-backs are funded from capital contribution reserves, making the programme more attractive to both institutional and private shareholders than traditional repurchase schemes.

TREASURY SHARES

	31.12.2012	31.12.2011
Shares issued	**183,355,000**	**196,300,000**
Treasury shares held as a hedge for employee options[1]	-8,654,941	-6,290,910
Treasury shares bought back for cancellation (2011–2014 programme)	-10,125,340	-12,945,000
Shares outstanding	**164,574,719**	**177,064,090**

[1] In addition, the hedge as at 31 December 2011 also consisted of a total return swap over 2.7 million of GAM Holding AG's shares, and in total equated to 4.6% of shares issued.

STRATEGY AND LONG-TERM INDUSTRY TRENDS

OUR STRATEGY AT A GLANCE

Pure-play asset management group
- independent
- financially strong
- disciplined in the use of its capital
- discerning when selecting growth opportunities

Highly diversified business mix
- broad range of truly active investment strategies targeting the needs of investors worldwide
- multiple investment teams in Europe, the US and Asia
- two distinct and prestigious product brands
- global distribution and client servicing

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

OUR STRATEGY

BUSINESS MODEL AND ORGANISATION : 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, where we strive to be one of the world's highest-quality providers. Our success in maximising risk-adjusted portfolio returns within predefined investment parameters has earned us a reputation for consistent performance, leading to attractive results for both our clients and our shareholders.

Our structure with multiple investment teams, two prestigious product brands and global distribution capabilities allows for the diversification and operating freedom needed to exploit our growth potential. At the same time, the integrated management of our capital, as well as our audit, legal, finance and risk management functions, ensures financial and balance sheet discipline and stringent risk oversight.

GROWTH : ORGANIC, THROUGH PARTNERSHIPS OR ACCRETIVE ACQUISITIONS

Our autonomy and sole focus on asset management allow us to take advantage of growth opportunities in a consolidating and evolving industry. They make us an attractive employer and partner for talented investment professionals and enable us to expand our distribution partnerships in target markets and to make accretive and complementary acquisitions when such opportunities arise.

Our financial strength provides us with the foundations for sustainable growth in the future. It gives us the freedom and flexibility to actively shape our strategy and invest in our business, whilst providing confidence and reassurance to our clients, shareholders, staff and counterparties. As our business activities generally do not consume high amounts of capital, we are particularly committed to deploying our capital in a disciplined way so as to maximise shareholder value over the long term – either by investing it in growth opportunities or by returning it to our shareholders.

When evaluating potential growth investments – organic and M&A – as well as 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.

CORE BUSINESS : ACTIVE ASSET MANAGEMENT

Our Group is run with the long-term time horizon, performance targets and client servicing standards expected from successful active asset managers. This is reflected in our processes and structures, 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 – who are based in Europe, the US and Asia – to develop their independent market views and then fully realise the investment potential inherent in their typically non-consensus portfolios.

PRODUCT, CLIENT SERVICE AND DISTRIBUTION STRATEGY

Multiple investment management teams and global distribution capabilities create flexibility and diversification benefits by maximising our reach to clients and increasing the breadth of our investment offering. GAM and Swiss & Global Asset Management distribute their products and solutions under their own names and two well-established product brands – GAM and Julius Baer. Their highly diversified business mix appeals to a wide range of client segments such as institutions, wholesale intermediaries, financial advisers, private investors and third-party asset managers. This enables us to mitigate as far as possible the impact of cyclical fluctuations in financial markets and investor demand. Constant innovation is supported by our strong infrastructure and professional operations, providing us with a proven range of capabilities on which we can draw to create and launch new products at limited additional cost.

For an asset manager without a captive distribution arm, having a strong sales network is critical to success. We have established a competitive presence in our target markets, some of which have been core to our businesses for many years. This gives us the capability to expand into new and developing client segments and markets, either by expanding our in-house distribution teams, establishing a local presence, or by choosing high-quality distribution partners – all 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 client 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, both Augustus Asset Managers Ltd. and Arkos Capital SA were successfully integrated into GAM following their respective acquisitions, with full retention of investment talent and client relationships.

We strive to provide employees with a stimulating and attractive place to work – one where talent is nurtured and developed, employees feel confident in their abilities and empowered to take responsibility, and where acting in the best interests of the Group is recognised. We firmly believe in the importance of maintaining the open culture of a small company, aiming to avoid bureaucracy and encouraging a flexible, accessible and hands-on working style across the Group. In turn, our people reward us with their loyalty. The average length of employment across the Group is six years, with 24% of our employees having a tenure of over a decade.

We are convinced that promoting teamwork and responsible and independent thinking amongst our employees is beneficial for our clients and therefore a key ingredient in our success. For such a culture to emerge, it is essential to create a workplace where diversity and cooperation are valued, personal development is encouraged and individual dignity is safeguarded.

In addition to in-house training, we also support external education to help our employees gain qualifications relevant to their roles and advance their skills and careers. In our larger locations, our employees regularly gather for lunchtime open forum sessions where they exchange best practice and educate each other on their respective parts of the business. Recruitment, staff development and working practices (such as flexible working arrangements and childcare support, in line with local market practices) are set out in such a way as to promote diversity and equality. Our employees represent over 25 different nationalities and have an average age of 39 years. In 2012, 9% of our staff worked part-time and 24% of our employees in investment roles were women.

Our fringe employee benefits are competitive and in line with local market practices. All our offices regularly support charitable causes and organisations in their local communities, primarily through the active participation of our employees.

RESPONSIBLE BUSINESS PRACTICES

Responsible business behaviour is driven by long-term thinking. As a company, all our activities are designed to meet our obligations to our main stakeholders: our clients, employees, shareholders and regulators. If we take our responsibilities towards our clients seriously, protecting and enhancing the value of their investments – in line with both industry regulation and our own principles and guidelines – and if we treat clients 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 strong commitment to responsible 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.

CHANGES TO ORGANISATIONAL STRUCTURE EFFECTIVE IN 2013

At the time of our independent listing in October 2009, we continued with the financial holding company structure that had been in operation when the entity that is now GAM Holding AG was the parent of the Julius Baer Group. We considered this to be the most appropriate one for our Group, not least given the marked differences between GAM's and Swiss & Global Asset Management's historic core businesses (offshore products and funds of hedge funds versus traditional mutual funds). Over the past three years, however, the two businesses have increasingly converged, with GAM expanding its in-house range of regulated onshore single manager funds and Swiss & Global Asset Management enhancing the active investment management and absolute return orientation of its funds.

As a consequence, following the Ordinary Annual General Meeting (AGM) on 17 April 2013, we intend to combine the management responsibilities for the two operating businesses at Group level. This will simplify the Group's executive structure and facilitate a transition to a more streamlined, functional organisation, replacing our current status as a pure financial holding company. While GAM and Swiss & Global Asset Management will remain distinct areas with separately branded products, the new structure will allow the Group to further integrate common functions and exploit additional synergies. For further details on related changes in the senior management of the Group, please refer to the Corporate Governance section of this report.

The Group is and will remain under the consolidated supervision of the Swiss Financial Market Supervisory Authority (FINMA). Accordingly, the new organisation and associated personnel changes require FINMA's approval.

Policies, however, cannot address every situation that may arise. We firmly believe that the most successful approach to responsible behaviour is to strengthen the individual sense of responsibility of our employees. This allows them to make the right choices or seek the necessary guidance. As a result, we strive to achieve an appropriate balance between trusting the good judgment of our employees and setting standards where we feel it may be beneficial for them and the Group.

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. According to McKinsey, asset management remains the most attractive sector in the financial services industry, with healthy returns and profit growth. This is in stark contrast to banking and insurance, where the consulting firm predicts a reduction in profitability over the next three to five years[2].

Economic 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 will continue to present attractive opportunities. Opportunities will in particular arise from the need for improved retirement saving solutions – a need exacerbated by the financial market and economic developments experienced since 2008. 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 growing private wealth and nascent financial markets, offer significant untapped potential for professional asset managers. That said, barriers to entry for foreign providers are expected to remain high. The Asian market, for example, is highly fragmented in terms of consumer preference, regulation and distribution structures, while Latin American markets are still largely dominated by bank-related players. We believe that changes in regulation and economic policy that 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.

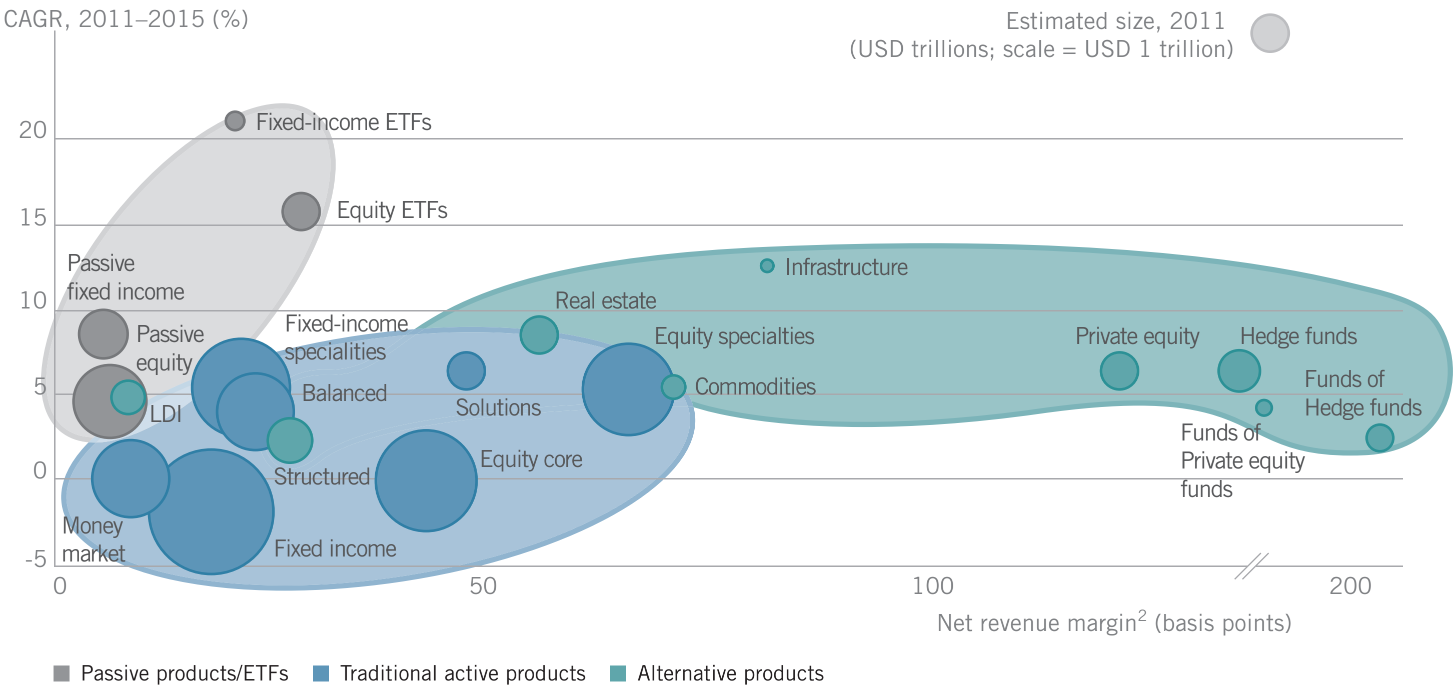
While passive products of large-scale providers will continue to claim substantial parts of the market, asset allocation trends indicate that demand for highly active investment products and solutions will represent an important future growth driver for our industry.

CLIENT DEMAND : VOLATILITY OF PRIVATE INVESTOR FLOWS

The investment activity of private individuals remains driven primarily by the performance of their own investments and financial markets in general. Since the 2008 financial crisis, the retail market has been particularly challenging for asset managers. While the global pool of investable assets has continued to expand, the asset management market has remained roughly at the levels of 2007. This is the result of retail investors moving their savings out of mutual funds into direct investments, particularly government bonds, or into bank deposits[3]. We anticipate that in future their demand for higher-yielding investment products will return. As long as volatility persists, however, asset flows into mutual funds will continue to be subject to cyclical fluctuations. 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. 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

[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] McKinsey, *The Hunt for Elusive Growth: Asset Management in 2012*, June 2012.
[3] The Boston *Consulting Group: Capturing Growth in Adverse Times – Global Asset Management 2012*, September 2012.

GROWTH BY PRODUCT TYPES : BY 2015[1]



LDI = Liability-driven investment

[1] Source: The Boston Consulting Group, *Global Asset Management Report*, July 2012. [2] Management fees net of distribution costs.

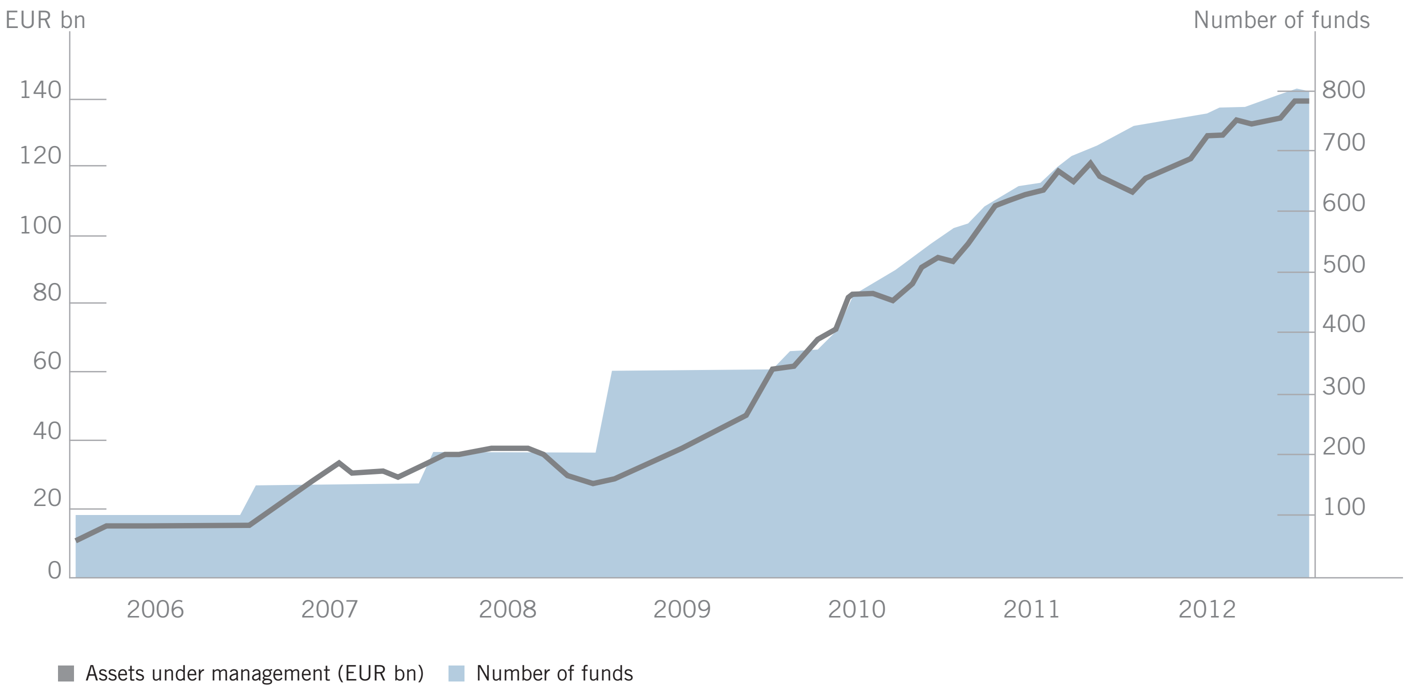
themselves. This will benefit global providers with broad product offerings, strong brands and the ability to support client servicing needs across different markets.

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 and have continued to grow since 2007[4]. 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 will tend to be relatively stable even through market downturns and periods of 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.

[4] McKinsey, *The Hunt for Elusive Growth: Asset Management in 2012*, June 2012

GROWTH OF SOPHISTICATED UCITS : 2006 — 2012[1]



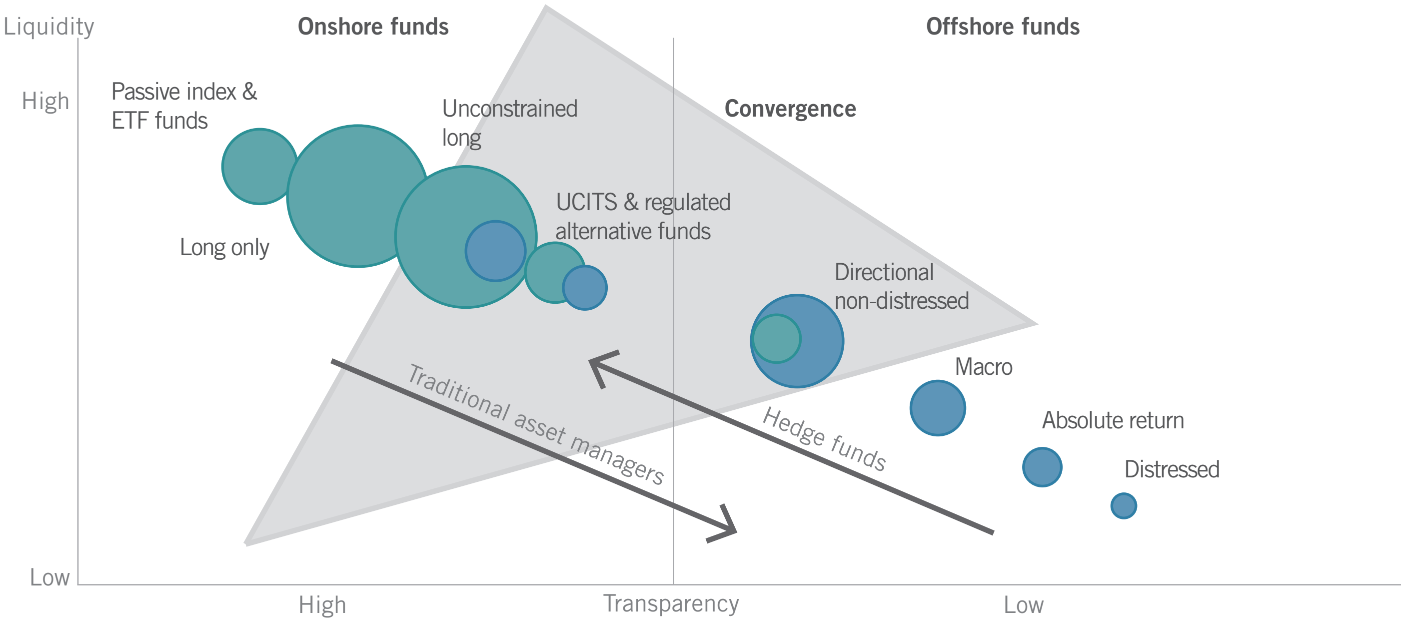
[1] Source: Alix Capital, *UCITS Alternative Industry Report Q4 2012*.

ASSET ALLOCATION : DISPLACEMENT OF TRADITIONAL MUTUAL FUNDS AND PRODUCT CONVERGENCE

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 are complemented by dynamic allocations to strongly performing active funds and alternative strategies. This reflects an approach that is aimed at the protection of capital across periods of market volatility without sacrificing asset growth. It is generally applied by institutions both in the US and in most European markets, particularly by pension funds that are under pressure to meet future liabilities. We believe this dynamic will become even more pronounced across investor segments, 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 and as a result of central bank policies, passive and traditional, long-duration fixed income strategies may come under increasing pressure, further fuelling the growth of actively managed absolute return strategies. We also believe that, over the short to medium term, the search for higher returns will drive investors back into equities – an asset class in which, due to the eurozone crisis and related insecurity, they are

CHANGES IN ASSET MANAGER PROFILES : 2012[1]



[1]Source: Citi Prime Finance, *Institutional Investment in Hedge Funds*, June 2012

massively under-invested at present. As equity markets will remain extremely volatile, and corporate earnings growth will continue to face significant headwinds from the broader macroeconomic environment, the demand for alternative solutions with low correlation to traditional bond and equity markets and lower volatility will continue to grow.

When it comes to alternative investments, private investors and certain institutions are showing a clear preference for transparent and tax-efficient onshore products that, as a result of their regulatory structures, are designed to offer a higher level of investor protection. Over the last three years UCITS funds in particular have developed from a 'nice-to-have' to a 'must-have' for asset managers looking to stay competitive. UCITS-compliant funds are granted an EU passport, allowing them to be marketed throughout member states. They are also recognised in many jurisdictions outside of the EU, fuelling their steady growth across regions. We expect this trend to continue, attracting an increasing number of alternative investment managers to the regulated onshore space. On the other hand, traditional active asset managers looking to defend their market share will strive to move away from the historic benchmark approach and create products that limit return volatility and drawdowns. This will continue to promote the convergence of traditional and alternative investments. According to research by Citi Prime Finance, institutional allocations to such 'convergence zone products' are estimated to reach USD 2 trillion by 2016, in addition to an estimated USD 1 trillion in institutional allocations to hedge funds[5]. We strongly believe that a credible track record of proven liquidity and investment expertise, sound investment management processes, a robust infrastructure, responsive client service and transparent reporting are essential if a fund is to succeed in this space.

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

[5]Citi Prime Finance: *Institutional Investment in Hedge Funds*, June 2012.

companies in developing economies. We believe these are long-term trends that will continue to make emerging market equities, debt and corporate credit 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. This can already be seen in the maturing US ETF market, which has been growing recently thanks not only to the penetration of the formerly reluctant financial adviser channel, but also to continued product innovation including active ETFs.

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, qualified employees and proven experience in dealing with multiple regulatory regimes are generally well-equipped to take advantage of growing industry complexity. Moreover, like other industry representatives, we are supportive of a sound regulatory regime that aims to create a level playing field internationally and safeguard the interests of investors and therefore the reputation of the asset management industry.

Certain key regulatory initiatives that have the potential to reshape the asset management industry and thereby affect our businesses are described below.

AIFMD and CISA – harmonising rules in Europe

Local implementation of the Alternative Investment Fund Managers Directive (AIFMD) in the EU member states is to be completed by July 2013. The directive is targeted at fund management companies and their products that are not subject to the UCITS directive. It will cover the distribution of alternative funds and the operations of fund management companies that manage and/or market them within the EU. AIFMD will include structural rules on the separation of risk management, front office and valuation activities, and increased liability of depositaries. In terms of reporting, it will require additional disclosure and transparency.

Together with UCITS IV, AIFMD has the potential to remove some of the remaining barriers to a single EU market for investment products. In Switzerland, the government amended the Swiss Collective Investment Schemes Act (CISA) with effect from January 2013 in order to bridge the gap to AIFMD and bring local regulation in line with UCITS IV. Importantly, under the new rules, all Swiss asset managers and distributors of Swiss and foreign collective investment schemes (CIS) need to be licensed by the Swiss Financial Markets Supervisory Authority (FINMA). Foreign providers who are subject to supervision in their home country will not need a distribution licence, but marketing to non-qualified investors will require a cooperation agreement between FINMA and the fund’s home country supervisory authority. The increase in the regulatory burden, particularly for small asset managers and independent financial advisers, may lead to accelerating industry consolidation in Switzerland. For our Group, we do not see a material impact from the revised CISA, given our asset management companies are already subject to supervision by FINMA, and the significant majority of our distribution activities within and from Switzerland relate to onshore CIS distributed through regulated channels.

Scott Sullivan : Group General Counsel, GAM Holding AG

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

The Retail Distribution Review (RDR), effective in the UK since the beginning of 2013, targets the following three objectives: a clearer description of services for consumers, increased transparency of industry charges and consistent professional standards amongst independent financial advisers (IFAs). While this will increase the qualification requirements of IFAs, it will also ban commission fees for IFAs in favour of negotiated fees 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, which is not expected to come into force until 2014, also deals with commissions as well as with disclosure requirements. Under the current proposals, investment advisers will need to inform their clients of whether the investment advice they provide is 'independent' or 'tied'. Where the client is provided with independent advice, advisers will be prohibited from accepting fees, commissions or any other monetary benefits from product providers. As a result, they will have to rely largely on income from fee-based advice instead of commission-based remuneration.

While we believe it is premature to speculate on how these regulatory developments will precisely impact business models in the financial services industry, we are convinced that greater transparency will shift competition increasingly towards the quality and performance of products and away from the level of commissions paid. Given that the principal concern of lawmakers and regulators is to safeguard the best interests of end-investors, we are confident that regulation will continue to provide scope for open architecture models and a level playing field between the distribution of third-party and in-house products.

Regulation principally affecting other parts of the financial services industry

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 requirements for proprietary trading, the over-the-counter (OTC) derivatives market and certain asset management activities, and will lead to structural changes. The Volcker rule is part of the Dodd-Frank Act, which is designed to reduce the systemic risks arising from the banking sector and other systemically important financial institutions. While the wider 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

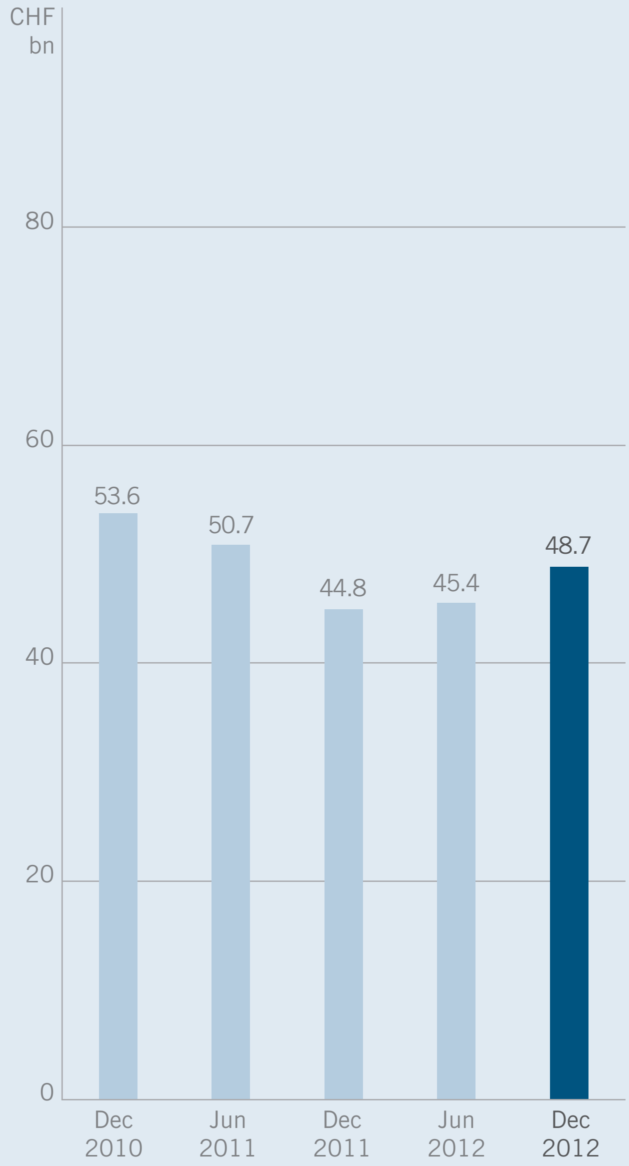
SNAPSHOT 2012

- **Assets under management** (AuM) up 9% year-on-year driven by positive market performance and net new money inflows
- **Net new money** (NNM) inflows of CHF 0.3 billion, including assets acquired from Arkos (CHF 0.7 billion)
- Positive growth trend re-established, with return to net inflows in second half of 2012
- Mid-term **NNM growth target** rate of 6–10% of AuM achievable with continued diversification of business
- **Underlying pre-tax profit** of CHF 117.7 million, up 6% from 2011, mainly due to higher fee income
- **Gross margin** of 82.4 basis points, well above the expected medium-term run rate of 73–80 basis points
- **Cost/income ratio** of 69.4%, above target range of 60–65%
- Long-term **performance track record** remains strong, with 77% of AuM in strategies outperforming their benchmarks over a three-year period (versus 76% in 2011)

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
- Promotion of multi-asset class product range for independent financial advisers in the UK

GAM :
TOTAL AUM : CHF 48.7 BN



AS AT 31 DECEMBER 2012

OPERATING BUSINESSES : SWISS & GLOBAL ASSET MANAGEMENT

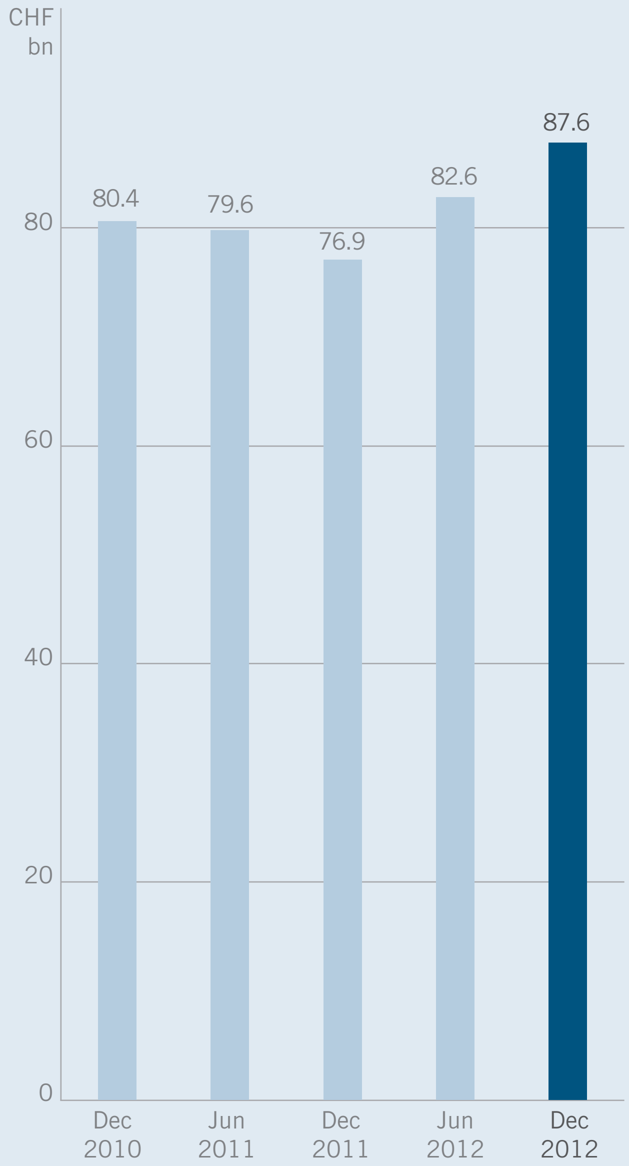
SNAPSHOT 2012

- **Assets under management** (AuM) up 14% year-on-year driven by strong net new money growth and positive market performance
- **Net new money** (NNM) inflows of CHF 6.1 billion
- Rebound from exceptionally low 2011 NNM inflows of CHF 0.4 billion
- **NNM growth rate** of 8%, in line with medium-term target rate of 8–12% of AuM
- **Underlying pre-tax profit** of CHF 90.4 million, down 13% year-on-year: net fee and commission income broadly stable, costs well-managed, offset by a decline in other income
- **Gross margin** of 24.8 basis points, compared to expected medium-term run rate of 26–29 basis points
- **Cost/income ratio** of 56.2%, within target range of 53–58%
- Long-term **performance track record** improved, with 69% of AuM in products outperforming their benchmarks over a three-year period (versus 66% in 2011)

STRATEGIC INITIATIVES

- Julius Baer-branded funds: growth through product development and innovation
- Penetration of new client segments in Continental Europe
- 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 87.6 BN



AS AT 31 DECEMBER 2012

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 seven years we have established an effective global distribution network. In particular, we have succeeded in developing substantial 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 83% 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 or an inappropriate focus on passive benchmarks. 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 is a key element of our business strategy, as is ensuring that our investment managers receive the highest levels of support and are able to focus solely on performance.

GAM employs over 770 staff based in nine locations globally, including London, Lugano, Zurich, Dublin, New York, Tokyo and Hong Kong.

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.

Our **multi-manager** investment team, which invests in approximately 100 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.

GAM : PRODUCT RANGE

Absolute return	Equity	Fixed income	Funds of hedge funds	Multi-Asset
• Macro/managed futures • Equity long/short • Fixed income • Multi-asset • 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 • Model portfolios
Single managers			Multiple managers	

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 our **discretionary management, advisory and model 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 AND ACHIEVEMENTS

DIVERSIFICATION AND BROADENING OF FUND RANGE

Private and institutional demand has shifted considerably towards direct access to high-quality absolute return funds as an alternative to 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. 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.

Expansion of alternative UCITS range

The regulated onshore market remains a core growth area for our absolute return as well as our enhanced long-only strategies, as private clients and certain institutions are increasingly considering UCITS funds as a means of accessing alternative strategies. The UCITS requirements 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.

The full UCITS alternative range managed by GAM had grown to USD 16.4 billion by 31 December 2012, of which USD 3.5 billion were onshore versions of classic hedge fund strategies. This compares to USD 11.0 billion and USD 2.1 billion respectively at the end of 2011. According to Alix Capital, this makes us the second-largest provider of alternative UCITS products globally, with a market share of around 9%. The majority of the 20 funds in the range are sizeable, exceeding USD 120 million in assets under management, further demonstrating our leading competitive position.

An example of our success in offering classic hedge fund strategies in a UCITS format is GAM Star Global Rates, a regulated version of our successful offshore global macro interest rate and currency strategy. The fund has returned 16.1% (USD class, as at 31 December 2012) since inception and its assets under management have grown to USD 1.1 billion, making it one of the largest sophisticated UCITS in the market. The range also includes the funds of our unconstrained fixed income absolute return strategy, which is distributed by Swiss & Global Asset Management under the Julius Baer brand, as well as our top-performing catastrophe bond fund launched in late 2011. At USD 360 million, the latter is one of the largest UCITS funds available in the insurance-linked securities space.

Bolt-on acquisitions of third-party investment teams or companies – such as the acquisition of a majority stake in Arkos mentioned below – will continue to be considered where they 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. 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.

The latest partnership we entered into, in February 2013, is with QFS Asset Management LP (QFS), a leading US-based alternative asset manager whose roots go back to 1988. As part of the agreement, GAM will acquire a minority stake in QFS. The partnership foresees a very close working relationship, with GAM being responsible for the global distribution and marketing of the QFS-managed strategies. In the coming months we plan to introduce a GAM-branded UCITS product based on QFS's flagship currency strategy. Launched in March 1999 and trading in highly liquid instruments, the strategy has an outstanding track record of delivering alpha, and we are convinced that it will prove highly appealing to our sophisticated investor base.

Successful integration of the non-directional equity team (formerly Arkos)

On 31 July 2012 we completed the acquisition of 74.95% of the issued share capital of Arkos Capital SA (Arkos), an investment boutique based in Lugano, Switzerland, and closed agreements with Arkos management for the future purchase of the remaining 25.05%.

At the closure of the transaction Arkos had assets under management of CHF 742 million. As anticipated, the addition of its range of strongly performing, low-volatility absolute return funds – offshore and UCITS – was received very positively by our clients, many of whom were immediate contributors of net new money. The Arkos team remains based in Lugano under the leadership of founder and Chief Investment Officer Gianmarco Mondani, and by the end of 2012 had been successfully integrated into GAM as its non-directional equity team. The offshore strategies have been rebranded, and in the first half of 2013 we expect the onshore strategies to be registered for sale under the GAM brand in all our key markets in Europe and Asia.

CONTINUED EXPANSION OF SUCCESSFUL FIXED INCOME FRANCHISE

Actively managed portfolios of fixed income instruments, including absolute return strategies, are in great demand by institutions. The promotion of our capabilities in this area – stemming from our successful acquisition of the former Augustus Asset Managers Ltd. in 2009 – therefore remains a key area for GAM in 2013. In response to growing client interest, and building on the success of our absolute return fixed income strategy (particularly in the European wholesale market, where it is sold by Swiss & Global Asset management under the Julius Baer brand), we introduced additional dedicated solutions and products for institutions within this strategy suite. These products, launched in the second quarter of 2012, have already attracted strong interest from institutional investors and their pension consultants in the UK and Australia. We also see evidence of growing recognition for absolute return fixed income strategies from their counterparts in the US market, especially as a number of them are re-assessing their allocations to traditional directional fixed income, given the limited yields available in this sector.

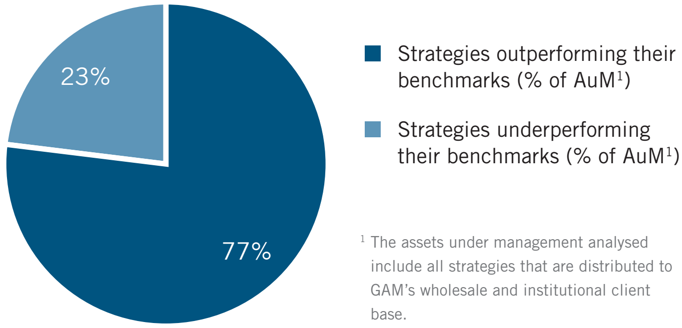
Our emerging market and global rates macro strategies, both of which have delivered notable performance, remain a successful part of our institutional offering in the fixed income space, and we are also seeing increasing interest in the dynamic global bond fund introduced in 2011.

LEVERAGE OF HEDGE FUNDS SELECTION CAPABILITY

GAM has always employed a very broad and detailed investment process to select and screen external hedge funds. For instance, in 2012, we evaluated around 800 hedge funds and invested in around 100 of them. This discerning approach has enabled us to avoid entanglement in fraud cases and industry scandals, and to maintain our liquidity commitments at all times. Our high-quality standards have also ensured we retained our credibility with institutional clients. Our approach has helped to offset the ongoing decline in demand for offshore funds of funds structures from private clients as well, something the industry has been experiencing since 2008. As a consequence, over the last four years we have concentrated on developing our institutional offering, building on the strength of our 20-year-plus expertise in the hedge fund industry. Typically, institutional 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.

Today we offer a full spectrum of multi-manager solutions, enhancing our established diversified and single strategy funds of hedge funds with customised solutions that match clients' desired return, correlation and volatility profile, seamlessly complementing their existing portfolios. We also offer strategic partnership relationships that include knowledge transfer and shared fiduciary investing with our clients. We continue to raise our profile with US and European pension fund advisers and consultants, the key gatekeepers in this market. Institutions such as pension funds, public bodies and endowments represent almost 60% of the assets in our multi-manager portfolios, and their need for customised solutions and segregated accounts will remain an important growth driver in 2013.

GAM : PERFORMANCE OF STRATEGIES AGAINST BENCHMARKS OVER 3 YEARS



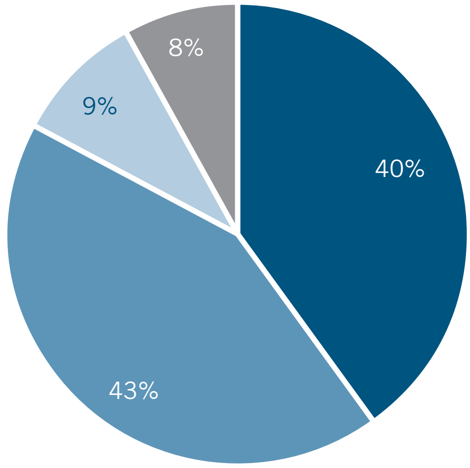
[1] The assets under management analysed include all strategies that are distributed to GAM's wholesale and institutional client base.

AS AT 31 DECEMBER 2012

A key differentiator in this market is our investment approach. Whereas other providers tend to emphasise larger multi-strategies, 'household' names and US-focused investments, GAM offers diversified portfolios. Typically, these portfolios are more than 50% invested outside the US and include niche strategies researched through our unmatched 'manager discovery' process. This allows for increased alpha opportunities and a solution that is more complementary to a client's existing portfolio.

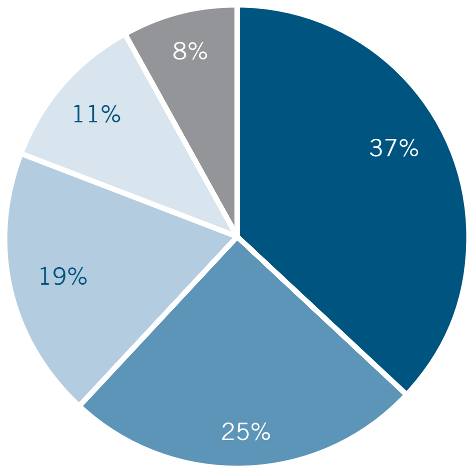
Our proprietary systems give us an additional competitive edge. These include an intuitive fund selection tool, driven by a substantial proprietary research database, which provides a comprehensive view across all the world's hedge funds. This database has been developed during our 20 years-plus of experience 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. This allows us to design solutions for optimal impact, rather than making offers that are product-centric, and gives us enhanced reporting capabilities for segregated mandates.

GAM AUM CHF 48.7 BN, BY CLIENTS[1] : AS AT 31 DECEMBER 2012



	31.12.2012	31.12.2011
Wholesale fund distribution	40%	36%
Institutional clients	43%	42%
Private clients	9%	11%
Discretionary & advisory portfolios	8%	11%

GAM AUM CHF 48.7 BN, BY PRODUCTS : AS AT 31 DECEMBER 2012



	31.12.2012	31.12.2011
Absolute return single manager	37%	28%
Fixed income	25%	25%
Equity	19%	21%
Multi-manager	11%	15%
Discretionary & advisory portfolios	8%	11%

[1] AuM breakdown by client has been corrected to accurately reflect positions held by institutional clients; prior periods have been restated.

EVOLUTION OF MULTI-ASSET CLASS PRODUCT RANGE

In 2011, we extended our existing discretionary fund management (DFM) service with the launch of a new, dedicated offering targeting independent financial advisers in the UK. This model portfolio service complements GAM's long-standing experience in managing discretionary portfolios for private clients and private banks. It is specifically designed to meet these advisers' need for high-quality investment outsourcing – a growing requirement given the introduction of the Retail Distribution Review (RDR) in the UK in January 2013.

Our model portfolio service consists of five risk-rated model portfolios that were launched in 2012. The investment approach is based on dynamic active allocations across asset classes and diligent manager selection encompassing both in-house and third-party products. Each portfolio is managed to meet a defined risk/return profile. The suite of products therefore caters to a range of client objectives, from capital preservation to capital growth. As part of our service, we provide transparent, tailored reporting and educational knowledge sharing, effectively supporting advisers in serving their clients.

The model portfolios are accessible through investment platforms, segregated accounts or personalised collective accounts (PCAs). PCAs distinguish GAM's offering from other collective vehicles and multi-manager funds in the market. They provide cost-effective access to our model portfolios within a fund structure, combined with fully bespoke reporting, without the time-consuming process for an adviser of setting up a fully segregated portfolio. The PCAs are exempt from VAT and do not have any restriction on the number of portfolio rebalances that can be completed on the available asset classes. Depending on the size of client assets and the required service levels, advisers seeking tailored solutions can also opt for GAM's established discretionary portfolio management service.

Market feedback on the enhanced DFM offering in the UK to date has been consistently positive, resulting in strong interest, small but prestigious early mandate wins and a promising pipeline. The build-up of a meaningful franchise in this market remains a key priority, but will require a multi-year effort. At the same time, we will continue to develop ways to leverage these ideas and strategies in markets outside the UK.

2012 DEVELOPMENTS

ASSETS UNDER MANAGEMENT AND NET NEW MONEY

GAM's **assets under management** were CHF 48.7 billion as at 31 December 2012, up 9% from CHF 44.8 billion a year earlier, reflecting the positive effect of market performance of CHF 4.0 billion and net new money inflows of CHF 0.3 billion. Currency movements had a negative impact of CHF 0.4 billion.

Net new money inflows, at CHF 0.3 billion, include the CHF 0.7 billion of assets acquired with Arkos as at 31 July 2012. Even excluding the impact from the acquisition, the result shows a marked improvement from the net outflows of CHF 4.9 billion experienced in 2011, with positive inflows in the second half of 2012 indicating the return to a healthy growth pattern.

As has been the case since 2008, the structural outflows from our legacy offshore private client business have masked the persistent strong growth from our newly developed products and channels, with gross inflows hitting an all-time high in 2012. With the greatly diminished size of the legacy business (evidenced by a reduction in the assets held by our previous private banking owners, UBS and Julius Baer), we have largely overcome these structural headwinds. While serving our historic partners continues to be an important part of our business, this development helps us to finally show the progress we have made over the last six years in building a solid, diversified business that is capable of growing at a rate in line with our targeted range of 6–10% of assets under management.

GAM's broad single manager fund range – the absolute return fixed income, global macro, discretionary FX and emerging market strategies – continued to grow with net inflows from institutions and wholesale intermediaries. The newly integrated non-directional equity funds of Arkos proved to be highly successful with our client base and made a significant contribution. While market-wide demand for equities during 2012 remained muted, some of our

GAM : KEY FIGURES[1]

	2012 CHF M	2011 CHF M	CHANGE IN %
Net management fees and commissions	291.6	324.6	-10
Performance fees	81.4	18.1	350
Net fee and commission income	**373.0**	**342.7**	**9**
Other operating income	11.2	16.6	-33
Operating income	**384.2**	**359.3**	**7**
Personnel expenses	209.1	195.8	7
General expenses	52.5	47.4	11
Depreciation and amortisation	4.9	5.5	-11
Operating expenses	**266.5**	**248.7**	**7**
Underlying profit before taxes	**117.7**	**110.6**	**6**
Assets under management at the end of the year (CHF bn)[2]	**48.7**	**44.8**	**9**
Change through net new money	*0.3*	*-4.9*	*106*
Change through market appreciation and currency movements	*3.6*	*-3.9*	*192*
Average assets under management (CHF bn)[3]	46.7	49.8	-6
Gross margin (basis points)	82.4	72.1	-
Cost/income ratio	69.4%	69.2%	-
Pre-tax margin (basis points)	25.2	22.2	-
Number of full-time employees at the end of the year	**776**	**766**	**1**

1 The result for 2012 has been adjusted to exclude the amortisation of customer relationships of CHF 11.7 million (2011: CHF 11.6 million) and defined benefit pension plan curtailment expenses (gross of taxes) of CHF 7.8 million (2011: none). Please refer to Note 10 of the 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 3.1 billion** (31.12.2011: CHF 3.7 billion) and from **Julius Baer** of **CHF 1.1 billion** (31.12.2011: CHF 1.4 billion).

3 Average calculated with 13 month-end values (December to December).

equity products saw net new money inflows, especially in the latter part of the year – for instance our directional strategies investing in Continental European and Chinese stocks. These inflows were offset by outflows elsewhere, particularly from our externally advised long-only US equity strategy, whose disappointing performance in 2012 has turned around since the beginning of 2013.

Institutions showed great interest in our ability to offer tailor-made solutions for uncorrelated, low-volatility portfolios of hedge funds, resulting in multi-manager mandate wins for 2012. Performance for certain funds of hedge funds strategies in 2012, however, was soft across the industry, leading to net outflows. Given the recent strong recovery in investment performance and the current pipeline, this area is expected to return to growth in 2013.

The trend seen in our historic private banking owners, UBS and Julius Baer, to transfer their managed portfolio solutions in-house, continued to lead to a decline in GAM's managed portfolio assets. However, our model portfolio service, which was launched as part of our DFM offering in the UK only in 2012, has already resulted in modest mandate wins from important networks of independent financial advisers. Based on the pipeline for new business and client feedback, we are confident that this offering has the potential to develop into a reliable contributor of inflows in the future.

FINANCIAL RESULTS

GAM's **operating income** in 2012 was CHF 384.2 million, 7% higher than in 2011, driven by an increase in net fee and commission income. With our strategic shift towards internal single manager products, the proportion of operating income made up of performance fees has increased. In 2012, performance fees amounted to CHF 81.4 million, a more normalised level compared to CHF 18.1 million a year ago. Net management fees and commissions on the other hand declined to CHF 291.6 million reflecting the reduction in average assets under management as measured in Swiss francs.

The **gross margin** improved from 72.1 basis points to 82.4 basis points with a return to robust levels of performance fee income, reflecting the strong growth and performance of the fixed income and global macro strategies, as well as the first-time contribution of the non-directional strategies of the newly integrated former Arkos business.

Operating expenses rose 7% to CHF 266.5 million. Personnel expenses were tightly managed, with the increase of 7% reflecting the inclusion of the Lugano-based Arkos team and higher contractual bonuses to investment professionals, which rose in line with strong performance fees. General expenses were up 11% from 2011, when we benefited from the release of provisions. As GAM incurs some of its operating expenses in British pounds, costs were also negatively impacted by the pound's strengthening against our Swiss franc reporting currency.

GAM's **underlying pre-tax profit** rose 6% year-on-year to CHF 117.7 million. The cost/income ratio for 2012 was 69.4%, largely in line with the previous year's 69.2%. Over the medium term we continue to expect that the operating leverage from GAM's scalable infrastructure will allow us to reduce the cost/income ratio to our target range of 60–65%.

CHALLENGING MARKETS ARE AN OPPORTUNITY

AN INTERVIEW WITH DAVID M. SOLO

WHAT DO YOU EXPECT FROM MARKETS IN THE MEDIUM TERM?

At present, the most acute stage of the crisis appears to have passed – investors are less alarmed than in 2011 and 2012. That said, a number of fundamental issues in the world's largest economies remain unresolved and geopolitical risk persists. This will prevent us from entering a benign investment environment for the foreseeable future. On the other hand, investors no longer fear an imminent, massively destructive event and are therefore much less likely to sit on the sidelines, which is certainly great progress from where we were in recent years. But again, this does not mean a return to roaring bull markets. There is little doubt that the 30-year bond bull market, which powered virtually all financial assets, will come to an end. I think we will be confronted with what I would describe as an extended period of 'muddling through' – challenging markets with very low or even negative real yields as a result of economic and central bank policies, and slow economic growth. It will be a challenging environment for corporate earnings, meaning investing in equities – although the right investment decision for the long term – will certainly demand a willingness to tolerate volatility. All this may not sound particularly positive – but in terms of our businesses, I am actually quite upbeat, as this is an environment where our capabilities should make us successful.

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

CAN YOU EXPLAIN WHAT MAKES YOU CONFIDENT ABOUT THIS ENVIRONMENT?

I think we have overcome the most significant obstacles to growth. First, we see investors coming back to the markets. Second, in this environment I believe our diligent efforts to broaden and expand the product offering at GAM and Swiss & Global Asset Management will pay off. We offer exactly the type of building blocks clients will need in their portfolios to ride out the difficulties ahead. In fixed income, investors will have to convert their existing long bond exposures into something that delivers positive real returns. The most rational options are emerging market bonds for longer-term directional exposure, or highly active, unconstrained fixed income portfolios that are duration-neutral. In both areas we have demonstrated that we have some of the strongest capabilities in the industry. In equities, due to the challenges I described before, a discerning active investment approach will be critical to achieving strong returns. In the absence of a bull market tide lifting broad stock markets in an indiscriminate way, only a selective approach makes sense. This presents great opportunities for truly active equity managers like ourselves, who enter this market cycle with a credible track record and differentiated investment ideas. Investors will also need low-volatility alternative products which offer them a high probability of achieving stable positive returns across a range of risk scenarios – another area where we have some highly attractive propositions.

WHAT ARE THE CHALLENGES FOR THE BUSINESS GOING FORWARD?

Performance is always the key to success. In fixed income, it is always challenging to produce strong results without the support of positive yields. As for equities, returns here will be volatile. Volatility means that we will inevitably see intermittent periods of underperformance on the road to superior results. Our ability to articulate our investment strategies in such a way that investors understand them will therefore be crucial. We have to find ways to give clients a better perspective on the risks they are facing in the medium term, especially if they are not prepared to suffer a certain degree of short-term volatility in their portfolios. It means being there for them when the inevitable periods of underperformance occur. Otherwise they will not have the confidence to stick with us – even if our bets turn out to be right. When we work with intermediaries, the objective is the same. We have to make it easy for them to understand and endorse our products, especially in periods of soft performance. We have to share our knowledge and insights with them, so they understand the thinking behind our allocations and how it impacts performance. This will not only increase their loyalty to us, it will also help them to be better advisers to their clients. Ultimately, this kind of transparency should also help our industry earn back some of the trust it has lost over the last couple of years.

HOW WILL THIS IMPACT THE DEVELOPMENT OF GAM AND SWISS & GLOBAL?

Since the separation from Bank Julius Baer, both businesses have been very successful in overcoming their specific challenges. We have broadly delivered appealing and distinctive investment performance, we have expanded our offering in areas of growing demand and we have rejuvenated and repositioned areas facing structural challenges. We have established ourselves as a viable, diversified stand-alone asset management group that is not dependent on single distributors, products or businesses to generate inflows. What's more, all of this has been achieved in a difficult environment, at a time when investors have been giving a cold shoulder to many of our historic core businesses. I think we can be very proud of that. The evolution of our business mix means that in many areas GAM and Swiss & Global face similar challenges. Bundling some of our capabilities, as we will increasingly do, therefore makes sense. Our diversified business mix and our strong product brands – GAM and Julius Baer – will benefit from more integrated and hence more effective support functions. This will allow us to compete more successfully, take advantage of more opportunities and further enhance the quality of our service, making us an even more compelling choice for clients and talented professionals.

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.

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 2012, we employed over 300 staff in eight countries (Switzerland, Germany, Italy, Luxembourg, Spain, UK, Hong Kong and the Cayman Islands).

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.

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.

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 • Corporates		• High yield • Convertibles • Inflation-linked • ABS
Equities	• Global • Regional • Active ETFs	• Europe	• Global • Regional • Active ETFs	• Agriculture • Natural resources	• Energy • Luxury • Life science
Balanced	• Relative	• Asymmetric			
Alternatives		• Commodities		• Commodities • Precious metals	
Money market	• Regional				

GLOBAL DISTRIBUTION

Swiss & Global Asset Management maintains a network of around 1,000 distribution contracts in over 30 countries, underlining its global distribution strength. Over the last three 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. Luxembourg, Austria and Liechtenstein remain important markets where we actively offer our products and services. Additionally, we extended our reach to new markets in the north of Europe with the official registration of the majority of our Julius Baer-branded funds in Sweden and the Baltics. In 2012, a first batch of funds was also registered for distribution in Portugal, strengthening our presence on the Iberian Peninsula, as well as in Cyprus.

Outside Europe, we continually strengthen our positioning in Asia. From our Hong Kong office we serve institutional clients in Hong Kong, Korea, Singapore, Taiwan and mainland China. Thanks to a partnership with Concord Capital Management and a distribution cooperation with GAM, we also have access to the retail market in Taiwan and to the wholesale market in Japan. In Latin America we have long-standing distribution cooperations in Chile and Peru, which have highly sophisticated institutional markets, and are exploring opportunities in Colombia where we see promising growth potential.

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

STRATEGIC INITIATIVES AND ACHIEVEMENTS

JULIUS BAER-BRANDED FUNDS : GROWTH THROUGH PRODUCT DEVELOPMENT AND INNOVATION

Interesting investment ideas, smart product design, a strong product brand and quick time-to-market are essential if we are to capture evolving trends in client demand. In June 2012, we listed four new, actively managed equity exchange traded funds (ETFs) on the German stock exchange. In launching these products, we were among the first providers to give European investors access to actively managed equity portfolios in an ETF format. The suite of funds – distributed under the Julius Baer brand – covers global, emerging market, European and Asian equities. Each fund aims to outperform its benchmark by combining two proprietary systematic strategies in one portfolio to effectively exploit price trends and valuation anomalies. Each position is subject to a qualitative check before implementation. Capitalising on our proven 20-year track record in systematic stock-picking, the new funds combine this expertise with the advantages of exchange traded products – namely transparency, cost efficiency and liquidity. At the same time, their active investment strategy eliminates some of the obvious weaknesses of purely passive index replication.

A key driver in product development for our Julius Baer-branded fund offering 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. One of the most successful strategies capturing these long-term trends is our equity fund investing in the luxury goods sector. Another example is the ongoing development and expansion of our Zurich-managed fixed income range. Complementary to the established Julius Baer funds managed by GAM (absolute return and local currency emerging markets), they cover areas such as total return, credit opportunities, hard currency emerging market debt and emerging market inflation-linked bonds. The latest addition is a fund focusing on emerging market corporate credit launched in 2012. Given investors' need for an alternative to traditional high-grade bond investments in a low-yield environment, this remains a focus area for our marketing activities and one where we expect further growth.

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, with total assets under management of CHF 6.2 billion at year-end 2012.

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, successful track records. In 2011, we complemented our equities offering with a new specialty market-neutral absolute return approach, which has delivered impressive results with considerably lower volatility than equity markets. Building on this concept, in 2012 we launched a market-neutral absolute return product in the commodity space. 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 INSTITUTIONAL 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 pension funds. As the assets and coverage ratio of many institutions have suffered in the volatile market environment of the last few years, an active risk-based as opposed to a passive return-based approach is starting to find its place in institutional portfolios. We continue to position ourselves as a trusted provider with long-term experience in this field.

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

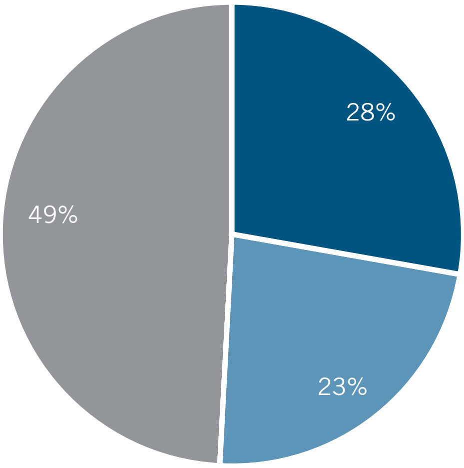
CAPTURING DEMAND FOR PRIVATE LABEL SOLUTIONS

The private label funds business celebrated its 20th anniversary in 2012. The first private label fund was established in 1992 by what was at the time a team of two. Today, the team of twelve services more than 50 international clients. The private label funds business has reached a substantial size, making up 49% of Swiss & Global Asset Management's asset base. Given our high-quality service offering and the considerable joint effort involved in setting up tailored solutions, client assets in this business are typically quite 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 becomes more complex, with increased requirements for asset managers and other institutions, such as pension funds that 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 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 this competitive marketplace.

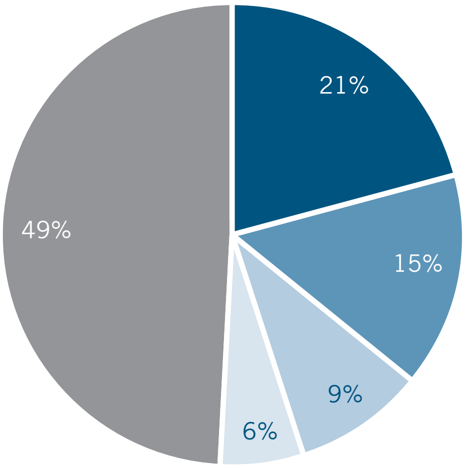
While the Swiss market remains the most important region for this business, we see further growth in Luxembourg, one of Europe's key fund industry hubs. Our continued market development efforts are focused on extending our positioning as a trusted management company provider for private label partners.

SWISS & GLOBAL AUM CHF 87.6 BN, BY CLIENTS[1] : AS AT 31 DECEMBER 2012



	31.12.2012	31.12.2011
Wholesale fund distribution	28%	26%
Institutional clients	23%	23%
Private label funds	49%	51%

SWISS & GLOBAL AUM CHF 87.6 BN, BY PRODUCTS : AS AT 31 DECEMBER 2012



	31.12.2012	31.12.2011
Fixed income	21%	22%
Absolute return single manager	15%	12%
Commodities	9%	9%
Equity	6%	6%
Private label funds	49%	51%

[1] AuM breakdown by client has been corrected to accurately reflect positions held by institutional clients; prior periods have been restated.

PENETRATING NEW CLIENT SEGMENTS

While the business-to-business (B2B) relationships with wholesale intermediaries are and will remain the main distribution channel for Swiss & Global Asset Management, over the coming years we plan to further extend our focus to incorporate independent financial advisers and bank relationship managers in some of our core markets, thus positioning our offering closer to the end-investor.

In Italy, where we have pursued this strategy since 2010, we have been extremely successful in penetrating this market segment. Today our network includes 6,200 individual adviser relationships across the country, allowing us to cover approximately a third of the Italian adviser market. Building on this success, we are now looking at the Swiss and German market. In January 2013 we hired an experienced team in Switzerland to strengthen our service proposition for Swiss independent financial advisers and family offices. As one of the leading local asset managers not tied to a bank, we are a particularly attractive partner for this segment. Beyond the distribution of our investment funds, we see further potential for cooperations in the area of private labelling solutions. In Germany, we are looking at expanding our footprint by targeting savings and cooperative banks.

2012 DEVELOPMENTS

ASSETS UNDER MANAGEMENT AND NET NEW MONEY

At Swiss & Global Asset Management, **assets under management** at the end of 2012 were CHF 87.6 billion, CHF 10.7 billion or 14% higher than a year earlier. The increase was driven by net new money inflows (CHF 6.1 billion) and positive market performance (CHF 5.1 billion), only marginally offset by currency movements (CHF –0.5 billion).

At CHF 6.1 billion, **net new money** inflows recovered to normalised levels after the exceptionally low CHF 0.4 billion recorded in 2011. Relative to the asset base at the beginning of 2012, this corresponds to a growth rate of 8%, close to a return to the growth rate of 8–12% we are targeting over the medium term.

Inflows were predominantly driven by the Julius Baer-branded fixed income funds. The absolute return and local emerging market bond funds managed by GAM led results for 2012, with the Zurich-managed range also attracting net inflows, mainly across the total return, credit opportunities and hard currency emerging market bond funds. Our physical precious metal ETFs, particularly the gold fund, continued to enjoy strong levels of inflows. Low-margin money market funds, on the other hand, saw outflows, as money market yields fell to record lows. Interest in equity investments remained subdued, and strong inflows in select funds such as our strategies investing in the luxury goods sector or the market-neutral absolute return European fund were broadly offset by outflows from more traditional regional strategies.

In the institutional business, we achieved a number of mandate wins for highly liquid fund solutions investing in higher-yielding fixed income strategies focused on emerging markets or corporate debt. These inflows, driven by our focus on clients with a real interest in active management, were however not sufficient to compensate for the closure of lower-margin mandates, which had a negative effect on assets under management, particularly during the first half of the year, but only a limited impact on profitability.

After a slow 2011, the private label fund business resumed its strong growth pattern. In addition to the continued expansion of existing mandates, we established new partnerships, including the servicing of a number of funds on behalf of the Royal Bank of Canada (Suisse) S.A.

SWISS & GLOBAL ASSET MANAGEMENT : KEY FIGURES[1]

	2012 CHF M	2011 CHF M	CHANGE IN %
Net management fees and commissions	205.2	209.5	-2
Performance fees	0.7	1.5	-53
Net fee and commission income	**205.9**	**211.0**	**-2**
Other operating income	0.4	9.1	-96
Operating income	**206.3**	**220.1**	**-6**
Personnel expenses	65.8	68.0	-3
General expenses	47.8	46.3	3
Depreciation and amortisation	2.3	1.3	77
Operating expenses	**115.9**	**115.6**	**0**
Underlying profit before taxes	**90.4**	**104.5**	**-13**
Assets under management at the end of the year (CHF bn)	**87.6**	**76.9**	**14**
of which traditional business	*44.0*	*37.7*	*17*
of which private label funds	*43.6*	*39.2*	*11*
Change through net new money	*6.1*	*0.4*	*-*
Change through market appreciation and currency movements	*4.6*	*-3.9*	*218*
Average assets under management (CHF bn)[2]	83.3	79.3	5
Gross margin (basis points)	24.8	27.8	-
Cost/income ratio	56.2%	52.5%	-
Pre-tax margin (basis points)	10.9	13.2	-
Number of full-time employees at the end of the year	**308**	**297**	**4**

[1] The result for 2012 has been adjusted to exclude the impairment of investments of CHF 0.7m. Please refer to Note 10 of the Consolidated Financial Statements for a breakdown of segmental reporting.

[2] Average calculated with 13 month-end values (December to December).

FINANCIAL RESULTS

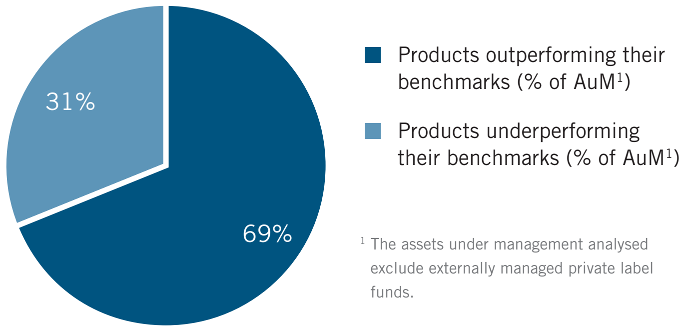
Operating income in 2012 was CHF 206.3 million, 6% lower than in 2011. Net fee and commission income declined 2% to CHF 205.9 million, mainly reflecting the impact of the changes in the asset mix on Swiss & Global Asset Management's blended gross margin. Other income also fell by CHF 8.7 million to CHF 0.4 million, reflecting the impact of gains on certain foreign exchange positions recorded in 2011.

Swiss & Global Asset Management's **gross margin** was 24.8 basis points, compared to 27.8 basis points in 2011 and to our expected medium-term run-rate of 26–29 basis points. This reflects the decline in other income and the lower share of high-margin assets in our asset base, particularly our equity funds, relative to the precious metal and private label funds, which have grown substantially over the last three years.

Operating expenses were essentially flat at CHF 115.9 million (CHF 115.6 million in 2011). Personnel expenses declined 3% to CHF 65.8 million, despite hiring in select areas to support our business initiatives, as the non-cash charges for our 2009 long-term incentive plan decreased. General expenses rose CHF 1.5 million to CHF 47.8 million, mainly due to a one-off VAT reimbursement in 2011.

Swiss & Global Asset Management's **underlying pre-tax profit** fell by 13% to CHF 90.4 million (CHF 104.5 million in 2011). The **cost/income ratio** was 56.2%, higher than the 52.5% ratio recorded in 2011 but still in line with our targeted range of 53–58%.

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



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

AS AT 31 DECEMBER 2012

CORPORATE GOVERNANCE

BACKGROUND

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

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

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

The corporate governance information in this Annual Report is presented in accordance with (a) the Corporate Governance Directive of the SIX Swiss Exchange dated 29 October 2008 (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 addresses transparency with respect to the compensation of the members of the Board of Directors and the 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 2012 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

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[1]
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] This role was assumed by Marco Suter with effect from 16 January 2013 (see further section 9 of this report).

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 2012.[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]	10.24% [9]	-	**10.24%**
Silchester International Investors LLP[4]	10.09%	-	**10.09%**
BlackRock Inc.[5]	5.01% [10]	0.004%	**5.01%**
Credit Suisse Funds AG[6]	4.51%	-	**4.51%**
FIL Limited[7]	3.10%	-	**3.10%**
T. Rowe Price Associates Inc.[8]	3.06%	-	**3.06%**

[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 2012).
[4] Silchester International Investors LLP, London, UK (reported on 3 July 2012).
[5] BlackRock Inc., New York, USA (reported on 21 September 2012).
[6] Credit Suisse Funds AG (formerly named Credit Suisse Asset Management Funds AG), Zurich, Switzerland (reported on 27 November 2012).
[7] FIL Limited, Hamilton, Bermuda (reported on 20 March 2012).
[8] T. Rowe Price Associates Inc., Baltimore, USA (reported on 6 December 2012).
[9] As at 31 December 2012, GAM Holding AG also had a sale position of GAM Holding AG shares of 13.66% 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 the Consolidated Financial Statements.
[10] In addition, BlackRock Inc. also reported on 21 September 2012 a sale position of GAM Holding AG shares of 0.13% of shares issued.

Notifications of significant shareholdings in GAM Holding AG, or disposal of such, that were disclosed during 2012 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 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 7 of the Consolidated Financial Statements.

1.3 CROSS-SHAREHOLDINGS

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

2. CAPITAL STRUCTURE

2.1 CAPITAL

As at 31 December 2012, ordinary share capital existed in the amount of CHF 9,167,750.00. There is no authorised capital.

The share capital, which is fully paid, consists of 183,355,000 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/aoi2012. 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 period of seven years, and warrant rights only during a maximum period of four years from the date of issue of the relevant bond.
b) The new shares shall be issued according to the applicable conversion or warrant conditions. The convertible or warrant bonds must be issued in conformity with market conditions (including the usual market conditions with regard to protection against dilution). The conversion or option price must not be less than the average of the last prices paid on the SIX Swiss Exchange during the five days preceding the determination of the final issue conditions for the relevant convertible or warrant bonds.

2.3 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

	2012 [1]	2011
Number of shares as of 31 December		
Registered shares with par value of CHF 0.05 (all entitled to dividends)	183,355,000	196,300,000

[1] By resolution of the Ordinary Annual General Meeting on 18 April 2012, 12,945,000 GAM Holding AG registered shares held by the Company itself were cancelled in connection with a corresponding decrease of the share capital.

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

There are no participation certificates.

2.5 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 2012, 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: Diego du Monceau, Hugh Scott-Barrett, Johannes A. de Gier, Daniel Daeniker, Dieter A. Enkelmann

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

JOHANNES A. DE GIER, CHAIRMAN OF THE BOARD 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 2014). He also serves as a member of the Compensation Committee and of the Governance and Nomination Committee. Daniel Daeniker has spent most of his professional career with Homburger AG, one of Switzerland's leading law firms based in Zurich, which he joined in 1991 and was made partner in 2000. His practice focuses on mergers & acquisitions, equity capital markets, financial services regulation and corporate governance. Daniel Daeniker has a PhD from the University of Zurich (1992) and an LL.M. from The Law School of the University of Chicago (1996). He has been a lecturer in law at the University of Zurich since 2001. 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 2014). 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). 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 at 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). 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 18 April 2012, Daniel Daeniker and Diego du Monceau 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 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 members of the Board of Directors is, as a general rule, twelve years. Individuals will, as a general rule, not be nominated by the Board of Directors for election after they have reached the age of seventy. In exceptional cases, the Board of Directors can extend these term and age limits. 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 inalienable and non-delegable duties:

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

In line with these duties, the Board of Directors assumes responsibility for the 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-delegable 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.

In addition to the inalienable and non-delegable duties, 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; and
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, for on average approximately half a day. The presence of a majority of its members is necessary for resolutions to be passed, with the exception of decisions confirming and amending resolutions relating to capital increases where no such quorum is required. Resolutions are passed by an absolute majority of votes of members present. The members of the Board of Directors may also be present by telephone or electronic means. Resolutions of the Board of Directors may also be passed by way of written consent (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 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, carries out an annual self-assessment exercise. The aim is to review and assess what has been achieved relative to the objectives formulated at the beginning of the year. The results of the self-assessments carried out by the Board of Directors' Committees are brought to the attention of the full Board of Directors.

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

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

JANUARY TO DECEMBER 2012

	FEB	FEB	MAR	APR	MAY	AUG	SEP	OCT	OCT	NOV
Johannes A. de Gier	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Daniel Daeniker	✓	E	✓	✓	✓	✓	✓	✓	✓	✓
Diego du Monceau	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Dieter A. Enkelmann	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
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; and
i) monitoring compliance with applicable laws and regulations as well as internal policies and procedures, including via the receipt of regular reporting from the operating 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 approximately 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 five 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; and
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 four meetings. All the members of the Compensation Committee participated at all 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) assisting in the 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; and
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, for about two hours on average. During the year under review the Governance and Nomination Committee held five meetings. 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 2012, 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. As of 16 January 2013 the role of Group Chief Financial Officer was assumed by Marco Suter (see further section 9 of this report).

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 Audit Committee as well as, from time to time, at meetings of the Governance and Nomination Committee and the Compensation Committee, in order to support those bodies in their decision-making processes and provide regular reporting on the day-to-day activities and risks facing the Company, and on their oversight of the operating businesses.

The Board of Directors is responsible for the appointment and 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 (UNTIL 16 JANUARY 2013)

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 remained unchanged during 2012. For relevant events after the reporting period, see section 9 of this report.

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 2012 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 meetings of the Compensation Committee.

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 any 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 that paid for 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 that have been needed to attract employees with 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/her 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 payments 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 2012 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 2012 was not increased from the previous year.

Members of the Board of Directors do not receive any annual variable compensation but may participate in any 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. In light of the financial holding company structure and their role within it, no fixed targets were set but key performance indicators established. The variable component of compensation paid to members of the Executive Board specifically took into account the extent to which these individuals:

a) assisted the Board of Directors in setting the overall strategy for the Group and in its implementation;
b) successfully oversaw the control functions for which they have functional responsibility, such as Legal & Compliance, Finance & Accounting;
c) demonstrated effective leadership, including helping to establish the appropriate tone and culture for the Group as a whole;
d) demonstrated technical expertise across all their various areas of responsibility;
e) maintained an appropriate information flow to, and relationship with, the Board of Directors;
f) effectively managed investor relations and any shareholder issues that arose during the year;
g) upheld the reputation of the Group including across shareholders, the investor community and the media;
h) implemented the Risk and Capital Management Framework and other Group policies and monitored adherence to them across the Group; and
i) attained goals relating to personal development, such as the enhancement of particular capabilities and expertise within or outside of their particular areas of specialty.

The variable component of compensation paid to members of the Executive Board amounted to an average of 66% 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 2012. 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 of aligning 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. From 2010 to 2012, certain additional options were granted under this plan, principally to certain 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/aoi2012), 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. Effective 3 February 2011, 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 2012 financial year. In the previous financial year, audit fees totalled CHF 1.5 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 2012 financial year. In the previous financial year, the additional fees totalled CHF 0.3 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. Furthermore, 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. EVENTS AFTER THE REPORTING PERIOD

On 16 January 2013, the Company announced a shift from its operating model as a financial holding company to a more integrated organisational structure by combining the management responsibility for its operating businesses at Group level. The change is intended to come into effect after the Company's 2013 Ordinary Annual General Meeting. At the 2013 Ordinary Annual General Meeting and the end of his current term of office, Johannes A. de Gier, current Chairman of the Board of Directors and Chief Executive Officer of GAM Holding AG, will stand for re-election to the Board of Directors solely retaining his position as the Company's Chairman. David M. Solo, who currently serves as the Chief Executive Officer of the two operating businesses, GAM and Swiss & Global Asset Management, will then assume the newly created role of Group Chief Executive Officer.

Johannes A. de Gier, Dieter A. Enkelmann and Hugh Scott-Barrett, whose current terms of office as members of the Board of Directors of GAM Holding AG will expire in April 2013, have all agreed to stand for re-election. The Board of Directors will also nominate Tanja Weiher for election as a new independent member of the Board of Directors. Assuming a positive shareholder vote on these proposals, the Board of Directors would increase from five to six members.

Consistent with the planned changes to the operating model, the finance and risk functions across the Group have been combined as of 16 January 2013 in an expanded Group Chief Financial Officer role under Marco Suter, previously Head of Internal Audit & Group Risk Control. The role of the Head of Internal Audit & Group Risk Control was changed to Head of Group Internal Audit.

Marco Suter was appointed Group Chief Financial Officer of GAM Holding AG and became a member of its Executive Board on 16 January 2013. He joined the Group in June 2010 and was Head of Internal Audit & Group Risk Control of GAM Holding AG from March 2011 to January 2013. Prior to joining GAM Holding AG, he held various senior positions at UBS, such as Chief Financial Officer (2007 to 2008), a member of the Board of Directors (2005 to 2007) and Group Chief Credit Officer (1999 to 2005). He joined UBS's predecessor Swiss Bank Corporation in 1974 as an apprentice and later held various management roles in Switzerland and abroad, mainly in its corporate and commercial banking as well as in its investment banking divisions. Marco Suter was born in 1958 and is a Swiss citizen.

Andrew M. Wills, the former Group Chief Financial Officer for GAM Holding AG, left the Group at the end of February 2013.

On 5 March 2013, the Company also announced that with effect from the day following its 2013 Ordinary Annual General Meeting the Executive Board of GAM Holding AG will become a Group Management Board and its membership expanded to include core operations and distribution functions. The designated new members have all served in senior positions with the Group's operating businesses for several years. As of 18 April 2013 the Group Management Board will be comprised as follows:

David M. Solo, Group Chief Executive Officer (new)
Marco Suter, Group Chief Financial Officer, with responsibility for risk (since 16 January 2013)
Scott Sullivan, Group General Counsel (since 1 October 2009)
Craig Wallis, Head Global Distribution and Marketing (new)
Michele Porro, Head Distribution Swiss & Global Asset Management / Region Head Switzerland (new)
Andrew Hanges, Head Operations GAM / Region Head UK (new)
Martin Jufer, Head Operations Swiss & Global Asset Management (new)

The Group is and will remain under the consolidated supervision of the Swiss Financial Market Supervisory Authority (FINMA). Accordingly, the new organisation and associated personnel changes require the approval of FINMA.

10. 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.

10.1 CORPORATE CALENDAR

17 April 2013	Ordinary Annual General Meeting, Zurich
17 April 2013	Interim Management Statement
13 August 2013	Release of half-year results
22 October 2013	Interim Management Statement

10.2 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

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED INCOME STATEMENT

NOTES TO THE CONSOLIDATED BALANCE SHEET

ADDITIONAL NOTES

CONSOLIDATED INCOME STATEMENT

	NOTE	2012 CHF M	2011 CHF M	CHANGE IN %
Fee and commission income		1,040.9	1,029.4	1
Distribution, fee and commission expenses		-462.0	-475.7	-3
Net fee and commission income	*5*	**578.9**	**553.7**	**5**
Income from investment in associates	*14*	1.6	17.1	-91
Other operating income	*6*	13.6	27.7	-51
Operating income		**594.1**	**598.5**	**-1**
Personnel expenses	*7*	292.3	277.2	5
General expenses	*8*	106.9	100.5	6
Depreciation and amortisation	*17*	18.9	18.4	3
Impairment of investments	*14.2*	56.3	249.1	-77
Operating expenses		**474.4**	**645.2**	**-26**
Profit/(loss) before taxes		**119.7**	**-46.7**	**356**
Income taxes	*9*	31.7	48.3	-34
Net profit/(loss)		**88.0**	**-95.0**	**193**
Net profit/(loss) attributable to:				
- the shareholders of the Company		86.7	-95.0	191
- non-controlling interests		1.3	-	-
		88.0	**-95.0**	**193**
Earnings per share				
Basic earnings per share	*11*	0.51	-0.52	198
Diluted earnings per share	*11*	0.51	-0.52	198

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	NOTE	2012 CHF M	2011 CHF M	CHANGE IN %
Net profit/(loss)		**88.0**	**-95.0**	**193**
Net gains/(losses) on financial assets available-for-sale		8.9	-3.8	334
Net (gains)/losses on financial assets available-for-sale reclassified to the income statement		-3.9	5.8	-167
Translation differences		2.8	-9.6	129
Net (gains)/losses on translation differences reclassified to the income statement		7.0	-	-
Other comprehensive income, net of taxes	*9*	**14.8**	**-7.6**	**295**
Total comprehensive income		**102.8**	**-102.6**	**200**
Total comprehensive income attributable to:				
- the shareholders of the Company		101.5	-102.6	199
- non-controlling interests		1.3	-	-
		102.8	**-102.6**	**200**

CONSOLIDATED BALANCE SHEET

	NOTE	31.12.2012 CHF M	31.12.2011 CHF M	CHANGE IN %
Cash and cash equivalents		504.0	600.1	-16
Trade and other receivables		53.7	107.8	-50
Accrued income and prepaid expenses	*12*	143.3	105.8	35
Financial investments	*13.1*	150.8	118.1	28
Financial investment held for sale	*14.1*	27.6	-	-
Current assets		**879.4**	**931.8**	**-6**
Financial investments and other financial assets	*13.1*	1.5	0.8	88
Investment in associates	*14.1*	-	76.5	-100
Pension assets	*15*	6.5	5.6	16
Deferred tax assets	*16.1*	12.1	9.1	33
Property and equipment	*17*	22.4	26.4	-15
Goodwill and other intangible assets	*17*	1,372.8	1,375.5	-0
Non-current assets		**1,415.3**	**1,493.9**	**-5**
Assets		**2,294.7**	**2,425.7**	**-5**

CONSOLIDATED BALANCE SHEET *(CONTINUED)*

	NOTE	31.12.2012 CHF M	31.12.2011 CHF M	CHANGE IN %
Trade and other payables		17.1	16.9	1
Other financial liabilities	*13.2*	1.1	13.5	-92
Accrued expenses and deferred income	*18*	237.2	235.1	1
Tax liabilities		46.3	44.9	3
Provisions	*19*	0.2	0.2	0
Current liabilities		**301.9**	**310.6**	**-3**
Financial liabilities	*13.2*	22.3	4.0	458
Provisions	*19*	1.9	1.7	12
Pension liabilities	*15*	14.0	8.6	63
Deferred tax liabilities	*16.2*	1.3	1.3	0
Non-current liabilities		**39.5**	**15.6**	**153**
Liabilities		**341.4**	**326.2**	**5**
Share capital		9.2	9.8	-6
Capital reserves		1,736.0	1,998.4	-13
Retained earnings		529.8	452.6	17
Other components of equity		-81.8	-96.6	15
Treasury shares		-241.9	-264.7	9
Equity attributable to the shareholders of the Company	*20*	**1,951.3**	**2,099.5**	**-7**
Non-controlling interests		2.0	-	-
Equity		**1,953.3**	**2,099.5**	**-7**
Liabilities and equity		**2,294.7**	**2,425.7**	**-5**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	NOTE	SHARE CAPITAL CHF M	CAPITAL RESERVES CHF M	RETAINED EARNINGS CHF M
Balance at 1 January 2011		10.3	83.7	2,694.9
Net profit/(loss)		-	-	-95.0
Net gains/(losses) on financial assets available-for-sale		-	-	-
Net (gains)/losses on financial assets available-for-sale reclassified to the income statement		-	-	-
Translation differences		-	-	-
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 shareholders of the Company		-	-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**
Net profit/(loss)		-	-	86.7
Net gains/(losses) on financial assets available-for-sale		-	-	-
Net (gains)/losses on financial assets available-for-sale reclassified to the income statement		-	-	-
Translation differences		-	-	-
Net realised (gains)/losses on translation differences reclassified to the income statement		-	-	-
Other comprehensive income		**-**	**-**	**-**
Total comprehensive income		**-**	**-**	**86.7**
Capital reduction	*20*	-0.6	-174.6	4.7
Dividends paid to the shareholders of the Company	*20*	-	-87.8	-
Acquisition of subsidiary	*25*	-	-	-18.2
Share-based payment transactions	*9/22*	-	-	8.4
Acquisitions of own shares and derivatives on own shares	*20*	-	-	-
Disposals of own shares and derivatives on own shares	*20*	-	-	-4.4
Balance at 31 December 2012		**9.2**	**1,736.0**	**529.8**

	OTHER COMPONENTS OF EQUITY					
	FINANCIAL ASSETS AVAILABLE-FOR-SALE, NET OF TAXES CHF M	FOREIGN CURRENCY TRANSLATION RESERVE CHF M	TREASURY SHARES CHF M	**EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY** CHF M	NON-CONTROLLING INTERESTS CHF M	**EQUITY** CHF M
	-4.4	-84.6	-248.2	**2,451.7**	-	**2,451.7**
	-	-	-	**-95.0**	-	**-95.0**
	-3.8	-	-	**-3.8**	-	**-3.8**
	5.8	-	-	**5.8**	-	**5.8**
	-	-9.6	-	**-9.6**	-	**-9.6**
	2.0	**-9.6**	**-**	**-7.6**	**-**	**-7.6**
	2.0	**-9.6**	**-**	**-102.6**	**-**	**-102.6**
	-	-	-	**-**	-	**-**
	-	-	150.9	**-0.1**	-	**-0.1**
	-	-	-	**-94.1**	-	**-94.1**
	-	-	-	**12.4**	-	**12.4**
	-	-	-167.8	**-167.8**	-	**-167.8**
	-	-	0.4	**-**	-	**-**
	-2.4	**-94.2**	**-264.7**	**2,099.5**	**-**	**2,099.5**
	-	-	-	**86.7**	1.3	**88.0**
	8.9	-	-	**8.9**	-	**8.9**
	-3.9	-	-	**-3.9**	-	**-3.9**
	-	2.8	-	**2.8**	-	**2.8**
	-	7.0	-	**7.0**	-	**7.0**
	5.0	**9.8**	**-**	**14.8**	**-**	**14.8**
	5.0	**9.8**	**-**	**101.5**	**1.3**	**102.8**
	-	-	170.5	**-**	-	**-**
	-	-	-	**-87.8**	-	**-87.8**
	-	-	-	**-18.2**	0.7	**-17.5**
	-	-	-	**8.4**	-	**8.4**
	-	-	-152.1	**-152.1**	-	**-152.1**
	-	-	4.4	**-**	-	**-**
	2.6	**-84.4**	**-241.9**	**1,951.3**	**2.0**	**1,953.3**

CONSOLIDATED STATEMENT OF CASH FLOWS

	NOTE	2012 CHF M	2011 CHF M
Net profit/(loss)		**88.0**	**-95.0**
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		-1.6	-17.1
- Impairment of investments	*14.2*	56.3	249.1
- Depreciation and amortisation	*17*	18.9	18.4
- Share-based payment expenses		8.4	16.3
- Other non-cash items		0.5	-21.5
Net increase/decrease in operating assets and liabilities:			
- Financial investments and other financial assets		-23.2	30.9
- Operating financial liabilities		-12.5	13.8
- Trade and other receivables (excluding tax receivable)		55.8	-53.3
- Accrued income and prepaid expenses (excluding accrued interest)		-36.6	13.6
- Trade and other payables		-0.2	-25.4
- Accrued expenses and deferred income (excluding accrued interest)		-1.5	-33.3
Dividends received from investment in associates		1.6	3.6
Adjustment for interest income and expenses		-0.4	-1.5
Interest received		0.9	2.8
Interest paid		-0.5	-1.7
Adjustment for income tax expenses		31.7	48.3
Income taxes paid		-33.1	-29.4
Cash flow from operating activities		**152.5**	**118.6**
Acquisition of subsidiary (net of cash)	*25*	-5.8	-
Purchase of property, equipment and intangible assets	*17*	-3.7	-14.4
Disposal of property, equipment and intangible assets	*17*	-	0.1
Cash flow from investing activities		**-9.5**	**-14.3**
Purchase of treasury shares	*20*	-152.1	-167.8
Dividends paid to the shareholders of the Company	*20*	-87.8	-94.1
Repayment of debt		-	-63.0
Cash flow from financing activities		**-239.9**	**-324.9**
Effects of exchange rate changes on cash and cash equivalents		0.8	1.6
Net decrease in cash and cash equivalents		**-96.1**	**-219.0**
Cash and cash equivalents at the beginning of the year		600.1	819.1
Cash and cash equivalents at the end of the year		**504.0**	**600.1**

	2012 CHF M	2011 CHF M
Cash and cash equivalents at the beginning of the year	600.1	819.1
Cash flow from operating activities	152.5	118.6
Cash flow from investing activities	-9.5	-14.3
Cash flow from financing activities	-239.9	-324.9
Effects of exchange rate changes on cash and cash equivalents	0.8	1.6
Cash and cash equivalents at the end of the year	**504.0**	**600.1**

Cash and cash equivalents are structured as follows:

	31.12.2012 CHF M	31.12.2011 CHF M
Cash at bank	422.2	451.8
Short-term deposits	81.8	148.3
Cash and cash equivalents	**504.0**	**600.1**

Additional information:

	2012 CHF M	2011 CHF M
Dividends received (including from investment in associates)	2.0	3.9

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 2012 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 have been prepared in accordance with International Financial Reporting Standards (IFRS). Generally, the historical cost principle is applied, with the exception of financial assets at fair value through profit or loss, derivative financial instruments and financial 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 the Group 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 (please refer to section 3.2.6 below) 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. Foreign currency 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	
	31.12.2012	31.12.2011	**2012**	2011
USD/CHF	0.9154	0.9351	0.9326	0.8805
EUR/CHF	1.2068	1.2139	1.2038	1.2310
GBP/CHF	1.4879	1.4532	1.4850	1.4166

3.2.3. INCOME RECOGNITION

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

Fee and commission income includes client management fees and fund management fees 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, ie 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 that are not held for trading purposes and are not initially designated at fair value through profit or loss are reported as financial assets available-for-sale and are measured at fair value. Unrealised gains and losses are recognised in other comprehensive income and reported in 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 that consists of a host and an embedded derivative component;
b) it is part of a portfolio that is risk-managed on a fair value basis; or
c) the application of the fair value option significantly reduces or eliminates an accounting mismatch that would otherwise arise.

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

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

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

IMPAIRMENT

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

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

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

HEDGE ACCOUNTING

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

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

3.2.7. PROPERTY AND EQUIPMENT

Property and equipment 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 up to a maximum period of ten years.

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

Subsequent expenditure on an item of property and equipment is recognised in the carrying value of the item if it is probable that additional future economic benefits associated with the item will flow to the Group. 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 in 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 up to a maximum period of ten years using the straight-line method.

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

Software: The Group capitalises costs relating to the acquisition, installation and development of software if it is probable that the future economic benefits that are attributable to the asset will flow to the Group and that the costs of the asset can be identified and measured reliably. The capitalised software is amortised over its estimated useful life up to a maximum period of five years using the straight-line method.

On each balance sheet date, the intangible assets are reviewed for indications of impairment. If such indications exist, it is determined whether the carrying amount of 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 an announcement been made to employees affected about the main features of the restructuring 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. NON-CURRENT ASSETS (OR DISPOSAL GROUPS) HELD FOR SALE

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of the carrying amount and fair value less costs to sell.

3.2.14. INCOME TAXES

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

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

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

Deferred tax assets and deferred tax liabilities are calculated at tax rates expected to apply in the period in which the tax assets 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.

3.2.15. 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.

3.2.16. 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.

3.2.17. SEGMENT REPORTING

The Group comprises two businesses – namely the active asset managers GAM and Swiss & Global Asset Management. In addition, Group functions are responsible for the typical corporate functions, such as corporate governance, finance and control functions. These segments reflect the Group’s organisation, management and internal reporting structure. Assets, liabilities, income and expenses that are not directly related to the businesses are attributed to Group functions.

Income and expenses are assigned to the segments based on the principle of accountability based on the client relationships. Costs for internal service relationships between the segments are charged at internal transfer prices, which are based on effective costs and are recorded as a cost reduction for the service provider and as a cost increase for the service beneficiary.

The Executive Board takes the role of ‘Chief Operating Decision-Maker’, ie 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 standard for the first time in 2012:

- Disclosures – Transfers of financial assets (amendment to IFRS 7)

The adoption of this accounting pronouncement 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 (ie 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 consolidated financial statements of the newly published IFRS 9.

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. Apart from additional disclosures that will be required, no other impact is expected based on the information available as at 31 December 2012.

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 that may be 'recycled' (eg gains or losses on financial assets available-for-sale, cash-flow hedging, foreign currency translation), and those elements that will not.

The amendments are 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, ie 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 immediately through other comprehensive income, resulting in future volatility of equity. Therefore the pension assets and liabilities presented in the balance sheet are now equal to the actual surplus or deficit of the defined benefit pension plans.

The expected return on the plan assets will be replaced by a 'net interest' calculation, equalling the discount rate of the defined benefit obligation, with a direct impact on expenses and profit or loss. Service cost (including past service cost) and net interest are recognised in profit or loss, whereas remeasurements of the net defined benefit liability are recognised in other comprehensive income within equity.

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

The Group has evaluated the effect of these amendments to IAS 19 on the Group's consolidated financial statements. Given the unrecognised actuarial losses and unrecognised past service cost as at 31 December 2012, the removal of the 'corridor mechanism' will lead to a reduction of current pension assets and an increase in current pension liabilities with a corresponding reduction in equity, as unrecognised actuarial gains and losses will be recognised in other comprehensive income in the future. Based on the latest actuarial valuations, the overall impact of the first-time application of the amendment will lead to a reduction in equity of CHF 63 million before taxes as at 31 December 2012. Considering the positive impact on deferred taxes of CHF 13 million, a net reduction in equity of CHF 50 million will result. The replacement of the expected return on plan assets by a net interest expense on the net defined benefit obligation and no further required amortisation of actuarial losses represent the main impact on profit or loss. Had the amended IAS 19 already been applied for the financial year 2012 the overall impact on personnel expenses would amount to an additional expense of CHF 0.7 million. 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 has evaluated the effect of the newly published IFRS 10 to 12 and the amendments to IAS 27 and 28 on the Group's consolidated financial statements. Apart from additional disclosures that will be required and changes in presentation, no other significant impact is expected based on the information available as at 31 December 2012.

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:

- The definition of fair value (eg exit price, price is not adjusted for transaction costs).
- The provision of 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 new standard is expected to have no impact on the Group's consolidated financial statements based on the information available as at 31 December 2012.

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 that 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 that identifies, measures, reports, mitigates and controls risk. It is designed to identify potential changes in the risk profile of the business and is built on 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 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 assessment 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, such as 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 fall 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.

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.

The Group's risk landscape is dynamic and continually evolves as the Group's business mix and the market environment change. The identification of existing and potentially newly emerging risks is a continuous task, involving all management levels within our operating businesses and control functions, as well as the Executive Board and the Board of Directors. On a more formal basis, we undertake an annual risk landscape analysis, with the aim of assessing the potential impact on the Group of internal and external events that might give rise to direct or indirect losses. This analysis starts with the identification of the significant inherent risks and is followed by the assessment of the effectiveness of our existing controls and/or other mitigating measures taken and ultimately results in an assessment of the remaining residual risks. The resulting annual risk landscape reports are discussed with the Executive Board and the Board of Directors and are also used for strategic planning purposes by the operating businesses, the Executive Board, the Board of Directors as well as for our risk-based internal audit planning.

Relevant events after the reporting period:

On 16 January 2013, the Company announced a shift from its operating model as a financial holding company to a more integrated organisational structure by combining the management responsibility for its operating businesses at Group level. This change is intended to come into effect after the Company's 2013 Ordinary Annual General Meeting. The new organisational structure will simplify the Group's executive structure, facilitate a transition to a more streamlined, functional organisation and allow the Group to further integrate common functions. Consistent with the planned changes to the operating model, the finance and risk functions across the Group were combined as of the announcement date in an expanded Group Chief Financial Officer role. The role of the Head of Internal Audit & Group Risk Control was changed to Head of Group Internal Audit.

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 represent those events that could lead to an erosion in our market position and result in the future profitability of the Group being reduced or the sustainability of our franchise becoming impaired. Strategic and business risks arise when our revenues fall and any offsetting reduction in costs is insufficient to offset the decline in revenues. These risks can by driven by many events, both industry-wide or specific to our Group, which could adversely affect investment performance, have an adverse effect on our net new money flows, assets under management, related fee income and capital basis. Strategic and business risks can also arise if events such as regulatory changes result in an increase in costs, or if the competitive dynamics lead to an erosion in profit margins or if the effective corporate tax rate increases.

The key 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 professionals, in particular of investment professionals from the operating businesses, could result in a loss of knowledge or expertise and, among other things, lead to a fall in assets under management and therefore a fall in our revenues and profitability. We manage this risk by providing our investment professionals with a platform and an environment within which they can prosper and succeed. Furthermore, our incentive packages are designed to be competitive and to recognise and reward good performance. 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 that could lead to a reduction in historical product profit margins. Our business model, however, gives us flexibility to mitigate the effects of this risk. Our focus is on delivering investment outperformance so our products enjoy continued demand from clients and investors. Providing quality client services – for example, transparent and comprehensive reporting – adds value for investors in our products. We constantly look to develop new investment opportunities and to develop new products so that we can ensure the breadth of our product range is differentiated and attractive to potential clients and investors.

CLIENT AND INVESTOR CONCENTRATION

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

FOREIGN EXCHANGE RISK

The Group reports its results in Swiss francs. It is exposed to foreign exchange risk, as a large proportion of its revenue and expenses relate to currencies other than its Swiss franc reporting currency. Fluctuations in exchange rates against the Swiss franc will impact 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.

SOUNDNESS OF FINANCIAL INSTITUTIONS

The financial crisis has highlighted the interconnection of the global markets and demonstrated how the deteriorating financial condition of one institution may materially and adversely impact the performance of other institutions. The Group, and the fund products and client accounts that we manage, have exposure to many different industries and counterparties and routinely execute transactions with counterparties in the financial industry. We, and the fund products and client accounts that we manage, may be exposed to credit, operational or other risks in the event of any default by a counterparty, or in the event of other unrelated systemic failures in the markets.

USE OF JULIUS BAER BRAND

Based on an arm's-length agreement with Julius Baer entered into in 2009, 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 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. Should we decide that it is not in our interests to implement the fund re-branding exercise, Julius Baer'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, we continuously maintain the right to terminate the brand licence with twelve months' notice to Julius Baer over which time all named Julius Baer funds would need to be re-branded and after which the licence fee payments would terminate.

REGULATORY CHANGES

Regulatory changes may affect the investment management sector either directly or indirectly. The environment in which we operate is a highly regulated one that frequently changes. It has experienced major changes over the last few years, and this is likely to continue. We constantly monitor our products and sales practices to ensure that they are compliant with existing and emerging regulations. Legal and regulatory considerations impact all areas of our business, from our corporate governance, to the structuring and distribution of our products and to the way we undertake business in many jurisdictions. We have in place a strong legal and regulatory framework to address these requirements, built into our businesses and underpinned by our Legal and Compliance function, which comprises individuals with experience across the entire range of legal and regulatory topics that affect our businesses.

FISCAL CHANGES

Fiscal changes could either increase our long-term effective corporate tax rate or adversely affect our investment funds compared with other forms of investment products. We monitor relevant fiscal developments and, in particular, regularly review our transfer pricing policies and procedures in order to comply with applicable local tax and transfer pricing regulations.

CHANGES IN ACCOUNTING RULES

During the past few years we have experienced a heavy agenda of changes in internationally accepted accounting rules. These changes can affect the way we present our economic results in our income statements and equally how we recognise assets and liabilities in our balance sheets (see Notes 3.3 and 3.4). For instance, the introduction of IAS 19 (employee benefits) for the accounting of pension plans will result in a reduction of our equity and a corresponding increase of our net pension liabilities. Going forward, any changes in the market value of the pension plan assets or actuarial valuations of our pension plan obligations will directly affect our equity and thus increase its volatility.

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, compliance and tax 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 and pricing errors or fraud and financial crime.

Asset managers have to address conflicts between themselves and their customers, and between the interests of their different customers. The Group has procedures and controls in place that are reasonably designed to appropriately address conflicts of interest.

The contracts under which we manage clients' assets contain diverse investment guidelines and other contractual requirements that we are obliged to comply with in providing our asset management services. We have systems and processes in place that shall ensure compliance with these investment guidelines. In order to meet increasing demands we are continuously improving the resilience of our ex ante and ex post controls by enhancing our systems and processes.

The Group'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 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 IT systems, including formal business continuity plans and remote data back-up and disaster recovery facilities for its key locations. Business continuity for its core activities is regularly tested to maintain its effectiveness.

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 that management believes are the most significant in terms of the Group's risk profile and where there are key controls on which the Group relies. An insurance programme provided by a syndicate of third-party insurers is tailored to the Group's risk profile and designed to increase the breadth of cover and certainty of response in respect of certain potential material liabilities arising.

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 that 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 or equity price risks, 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 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 meet their obligations. For financial assets, these exposures are typically the gross carrying amount, net of any amounts offset on the balance sheet or any impairment losses recognised.

MAXIMUM EXPOSURE TO CREDIT RISK

	31.12.2012 MAXIMUM EXPOSURE CHF M	31.12.2011 MAXIMUM EXPOSURE CHF M
Cash and cash equivalents	504.0	600.1
Trade and other receivables	53.2	107.4
Accrued income	128.9	93.5
Financial investments and other financial assets	1.0	4.4
Total	**687.1**	**805.4**

As at the balance sheet date, there are no financial assets that are impaired (31 December 2011: none) 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 2012.

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

AGEING OF FINANCIAL ASSETS WITH CREDIT RISK EXPOSURE

	31.12.2012		31.12.2011	
	GROSS AMOUNT CHF M	IMPAIRMENT CHF M	GROSS AMOUNT CHF M	IMPAIRMENT CHF M
Not past due	685.3	-	804.8	-
Past due less than 3 months	1.1	-	0.2	-
Past due 3–12 months	0.5	-	0.2	-
Past due more than 12 months	0.2	-	0.2	-
Total	**687.1**	**-**	**805.4**	**-**

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 and also comprises its interest in Artio Global Investors Inc.

Currency risk is the risk that the value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. As a result of its worldwide operations, the Group is exposed to movements in foreign exchange rates in relation to its operating results as well as to assets and liabilities contained within each entity's balance sheet which can lead to foreign currency gains or losses. The Group's revenues are predominantly generated in US dollars and euros, whereas its expenses are incurred mainly in the British pound and Swiss francs. In accordance with the Group's risk policy, each entity within the Group continually monitors its foreign currency exposure and actively seeks to minimise its net 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 as (i) equity financial assets available-for-sale, and (ii) financial assets designated at fair value through profit or loss. The Group makes seed capital investments in certain fund products in order to establish track records for new products, to test new investment strategies or to launch a new product at a viable minimum size. In addition, the Group may hold – from time to time – a limited amount of product management investments in fund products to facilitate investor redemptions and switches, and to avoid the need for certain funds to gate redeeming investors. All seed capital and product management investments require the approval of the Group Chief Financial Officer and they 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

	31.12.2012 CHF M	31.12.2011 CHF M
Variable rate instruments		
Financial assets	504.0	608.7
Financial liabilities	-	-
Net amount	**504.0**	**608.7**
Fixed rate instruments		
Financial assets	5.0	1.3
Financial liabilities	-	-
Net amount	**5.0**	**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	422.2	81.8	-	-	-	**504.0**
Trade and other receivables	1.8	44.4	7.0	-	-	**53.2**
Accrued income	-	126.7	2.2	-	-	**128.9**
Financial investments	-	0.1	-	-	0.2	**0.3**
Other financial assets	-	-	-	0.6	0.1	**0.7**
Financial assets at 31 December 2012	**424.0**	**253.0**	**9.2**	**0.6**	**0.3**	**687.1**
Derivatives – inflows	-	9.3	47.6	-	-	**56.9**
Derivatives – outflows	-	-9.2	-47.6	-	-	**-56.8**
Non-derivatives	424.0	252.9	9.2	0.6	0.3	**687.0**
Financial assets at 31 December 2012	**424.0**	**253.0**	**9.2**	**0.6**	**0.3**	**687.1**
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**
Financial assets 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**
Financial assets at 31 December 2011	**452.3**	**308.3**	**44.4**	**0.2**	**0.2**	**805.4**

REMAINING CONTRACTUAL MATURITIES OF FINANCIAL LIABILITIES

	ON DEMAND CHF M	DUE WITHIN 3 MONTHS CHF M	DUE WITHIN 3–12 MONTHS CHF M	DUE WITHIN 1–5 YEARS CHF M	DUE AFTER 5 YEARS CHF M	**TOTAL** CHF M
Trade and other payables	-	12.3	4.8	-	-	**17.1**
Accrued expenses	-	231.6	5.6	-	-	**237.2**
Other and non-current financial liabilities	-	0.6	0.5	14.6	7.7	**23.4**
Financial liabilities at 31 December 2012	**-**	**244.5**	**10.9**	**14.6**	**7.7**	**277.7**
Derivatives – inflows	-	-32.6	-95.0	-	-	**-127.6**
Derivatives – outflows	-	33.2	95.5	-	-	**128.7**
Non-derivatives	-	243.9	10.4	14.6	7.7	**276.6**
Financial liabilities at 31 December 2012	**-**	**244.5**	**10.9**	**14.6**	**7.7**	**277.7**
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**
Financial liabilities 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**
Financial liabilities at 31 December 2011	**2.7**	**243.0**	**19.8**	**3.1**	**0.9**	**269.5**

NET REMAINING CONTRACTUAL MATURITIES OF FINANCIAL ASSETS AND LIABILITIES

	ON DEMAND CHF M	DUE WITHIN 3 MONTHS CHF M	DUE WITHIN 3–12 MONTHS CHF M	DUE WITHIN 1–5 YEARS CHF M	DUE AFTER 5 YEARS CHF M	**TOTAL** CHF M
Financial assets	424.0	253.0	9.2	0.6	0.3	**687.1**
Financial liabilities	-	-244.5	-10.9	-14.6	-7.7	**-277.7**
Net financial assets/(liabilities) at 31 December 2012	**424.0**	**8.5**	**-1.7**	**-14.0**	**-7.4**	**409.4**
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**
Net financial assets/(liabilities) at 31 December 2011	**449.6**	**65.3**	**24.6**	**-2.9**	**-0.7**	**535.9**

4.3. CAPITAL MANAGEMENT

The Group continues to actively and prudently manage its capital. In determining our capital targets we abide by the following basic principles:

- we maintain sufficient capital to ensure that our assets are at all times financed with a commensurate amount of capital, taking into consideration the strategic importance of these assets to the Group as well as their respective liquidity and tail risks;
- our capital should at all times provide us with a sufficiently robust buffer to absorb severe unexpected losses (or other calls on capital) in those remote instances when they could exceed our earnings capacity;
- the Group and all of its legal entities will at all times maintain sufficient regulatory capital to meet all applicable local regulatory requirements;
- the Group believes that a strong capital position is of critical importance in retaining the confidence of its clients and ensuring maximum financial and strategic flexibility; and
- excess capital not required for organic growth or for targeted accretive acquisitions will be returned to shareholders as efficiently as possible.

The Group is supervised and regulated on a consolidated basis by the Swiss Financial Market Supervisory Authority FINMA. Consequently, the Group's governance, internal controls and available capital are reviewed on a regular basis. 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 factors such as an entity's level of assets under management, its fixed expenditures and/or the size and quality of its financial assets and liabilities. All Group entities currently maintain an appropriate level of capital resources relative to their respective applicable capital requirements. The aggregation of the current regulatory minimum capital requirements across the Group amounts to approximately CHF 92 million (31 December 2011: CHF 75 million). This amount is, however, impacted by, among other things, 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

	2012 CHF M	2011 CHF M	CHANGE IN %
Investment management fees	945.4	996.6	-5
Performance fees	82.1	19.6	319
Other fund-related fees and commissions	13.4	13.2	2
Fee and commission income	**1,040.9**	**1,029.4**	**1**
Distribution, fee and commission expenses	462.0	475.7	-3
Net fee and commission income	**578.9**	**553.7**	**5**

6. OTHER OPERATING INCOME

	2012 CHF M	2011 CHF M	CHANGE IN %
Foreign exchange gains/(losses)	-3.9	2.8	-239
Interest income	0.9	2.8	-68
Interest expenses	-0.5	-1.3	62
Net gains/(losses) on financial assets available-for-sale	5.4	10.1	-47
Other income	11.7	13.3	-12
Other operating income	**13.6**	**27.7**	**-51**

7. PERSONNEL EXPENSES

	2012 CHF M	2011 CHF M	CHANGE IN %
Salaries and bonuses	233.2	208.1	12
Social security expenses	14.6	24.9	-41
Defined benefit pension plan expenses	18.5	12.0	54
Defined contribution pension plan expenses	8.4	7.1	18
Share-based payment expenses	8.4	16.3	-48
Other personnel expenses	9.2	8.8	5
Personnel expenses	**292.3**	**277.2**	**5**

In certain jurisdictions the share options granted under the Group's 2009 Long-Term Incentive Plan can result in increased social security expenses when the value of these options rises as a result of an increase in the share price of GAM Holding AG. In 2010, GAM Holding AG had entered into a total return swap over own shares to economically hedge such events. As this swap was entered into with the sole intent and purpose of mitigating the increased social security costs resulting from an increase in our share price, the fair value increase or decrease of this swap is recognised in social security expenses. On 14 September 2012, the swap with a reference price of CHF 12.55 was settled at a share price of CHF 12.85. In 2012, the aggregate total social security expenses amounted to CHF 22.9 million, with only minor social security expenses relating to the Long-Term Incentive Plan. These costs were reduced by CHF 8.3 million as a result of the positive change in the fair value of the swap. In 2011, the aggregate total social security expenses (excluding the impact of the swap) amounted to only CHF 11.9 million, because previously accrued social security expenses relating to the Long-Term Incentive Plan of CHF 7.3 million have been reversed following the decline in the value of those options. In that year, however, the negative development of the fair value of the swap added CHF 13.0 million to our social security expenses.

8. GENERAL EXPENSES

	2012 CHF M	2011 CHF M	CHANGE IN %
Occupancy expenses	27.6	27.9	-1
IT expenses	22.1	22.8	-3
Communication and marketing expenses	28.3	26.5	7
Service and other fees and charges	17.1	16.4	4
Other general expenses	11.8	6.9	71
General expenses	**106.9**	**100.5**	**6**

9. INCOME TAXES

	2012 CHF M	2011 CHF M	CHANGE IN %
Expected income tax expense/(income) on profit/(loss) before taxes	25.3	-9.9	356
Applicable tax rates differing from Swiss statutory rate	20.0	58.4	-66
Non-taxable and lower taxed income	-13.5	-15.7	14
Previously unrecorded tax losses now utilised	-2.1	-3.4	38
Tax effects of losses not recognised	0.2	0.4	-50
Adjustments related to prior years	0.2	-1.0	120
Non-deductible expenses	1.3	12.2	-89
Other effects	0.3	7.3	-96
Income taxes	**31.7**	**48.3**	**-34**

A Swiss statutory tax rate of 21% (2011: 21%) was applied in the calculation of expected income tax expense/(income).

The Group has accumulated unrecognised tax loss carry-forwards amounting to CHF 16.6 million (2011: CHF 23.0 million). CHF 6.6 million (2011: CHF 6.7 million) of this amount will expire within ten years and the remainder amounting to CHF 10.0 million (2011: CHF 16.3 million) has no expiry date.

	2012 CHF M	2011 CHF M	CHANGE IN %
Current income taxes	34.5	42.4	-19
Deferred income taxes	-2.8	5.9	-147
Income taxes	**31.7**	**48.3**	**-34**

TAX EFFECTS RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME

	PRE-TAX AMOUNT CHF M	TAX AMOUNT CHF M	2012 NET OF TAX AMOUNT CHF M
Net gains/(losses) on financial assets available-for-sale	9.0	-0.1	**8.9**
Net (gains)/losses on financial assets available-for-sale reclassified to the income statement	-3.9	-	**-3.9**
Translation differences	2.8	-	**2.8**
Net (gains)/losses on translation differences reclassified to the income statement	7.0	-	**7.0**
Other comprehensive income	**14.9**	**-0.1**	**14.8**

	PRE-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 on financial assets available-for-sale reclassified to the income statement	4.0	1.8	**5.8**
Translation differences	-9.6	-	**-9.6**
Other comprehensive income	**-7.6**	**-**	**-7.6**

TAX CHARGED OR CREDITED DIRECTLY TO EQUITY

There were no tax effects on share-based payment expenses recognised in equity in 2012 (2011: tax effects of CHF 3.9 million, which effectively reduced the impact of the share-based payment expenses included in the respective line item within equity).

10. REPORTING BY SEGMENT

	GAM		SWISS & GLOBAL ASSET MANAGEMENT		GROUP FUNCTIONS		TOTAL GROUP	
	2012 CHF M	2011 CHF M	2012 CHF M	2011 CHF M	2012 CHF M	2011 CHF M	2012 CHF M	2011 CHF M
Operating income	**384.2**	**359.3**	**206.3**	**220.1**	**3.6**	**19.1**	**594.1**	**598.5**
Personnel expenses	216.8	195.8	65.8	68.0	9.7	13.4	292.3	277.2
General expenses	52.5	47.4	47.8	46.3	6.6	6.8	106.9	100.5
Depreciation and amortisation	16.6	17.1	2.3	1.3	-	-	18.9	18.4
Impairment of investments	-	-	0.7	-	55.6	249.1	56.3	249.1
Operating expenses	**285.9**	**260.3**	**116.6**	**115.6**	**71.9**	**269.3**	**474.4**	**645.2**
Profit/(loss) before taxes	**98.3**	**99.0**	**89.7**	**104.5**	**-68.3**	**-250.2**	**119.7**	**-46.7**
Income taxes							31.7	48.3
Net profit/(loss)							**88.0**	**-95.0**
Assets under management	48,743	44,761	87,559	76,852	-20,072 [1]	-14,653 [1]	116,230	106,960
Assets	1,720	1,688	310	304	265	434	2,295	2,426
Liabilities	178	157	156	143	7	26	341	326
Investment in associates	-	-	-	-	-	77	-	77
Interest in profit or loss of associate	-	-	-	-	1.6	17.1	1.6	17.1

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

INFORMATION ABOUT GEOGRAPHICAL AREAS

	2012 OPERATING INCOME CHF M	2011 OPERATING INCOME CHF M	31.12.2012[1] NON-CURRENT ASSETS CHF M	31.12.2011[1] NON-CURRENT ASSETS CHF M
Europe	530.3	523.3	1,391.8	1,397.6
Americas	47.9	54.8	3.0	3.8
Rest of the world	15.9	20.4	0.4	0.5
Total	**594.1**	**598.5**	**1,395.2**	**1,401.9**

[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 of the service provider.

MANAGEMENT ACCOUNTING POLICIES

The Group comprises two businesses – namely the active asset managers GAM and Swiss & Global Asset Management. In addition, Group functions are responsible for the typical corporate functions, such as corporate governance, finance and control functions. These segments reflect the Group's organisation, management and internal reporting structure. Assets, liabilities, income and expenses that are not directly related to the businesses are attributed to Group functions.

Income and expenses are assigned to the segments based on the principle of accountability based on the client relationships. Costs for internal service relationships between the segments are charged at internal transfer prices, which are based on effective costs and are recorded as a cost reduction for the service provider and as a cost increase for the service beneficiary.

11. EARNINGS PER SHARE AND SHARES OUTSTANDING

11.1. EARNINGS PER SHARE

	2012	2011
Basic earnings per share		
Net profit/(loss) attributable to the shareholders of the Company (CHF m)	86.7	-95.0
Weighted average number of shares outstanding	171,232,257	183,105,923
Basic earnings per share (CHF)	**0.51**	**-0.52**
Diluted earnings per share		
Net profit/(loss) attributable to the shareholders of the Company for diluted EPS (CHF m)	86.7	-95.0
Weighted average number of shares outstanding	171,232,257	183,105,923
Dilution effect	-	-
Weighted average number of shares outstanding for diluted EPS	171,232,257	183,105,923
Diluted earnings per share (CHF)	**0.51**	**-0.52**

11.2. SHARES OUTSTANDING

	2012	2011
Shares issued at the beginning of the year	196,300,000	206,630,756
Cancelled during the year	-12,945,000	-10,330,756
Shares issued at the end of the year	**183,355,000**	**196,300,000**
Treasury shares – share buy-back programme[1]	-10,125,340	-12,945,000
Treasury shares – 2009 Long-Term Incentive Plan[2]	-8,654,941	-6,290,910
Shares outstanding at the end of the year	**164,574,719**	**177,064,090**

[1] These treasury shares are bought back for cancellation. For further information see section 'Treasury Shares – Share buy-back programme' in Note 20.

[2] These treasury shares are held as an economic hedge in respect of the 2009 Long-Term Incentive Plan. For further information see section 'Treasury Shares – 2009 Long-term Incentive Plan' in Note 20.

NOTES TO THE CONSOLIDATED BALANCE SHEET

12. ACCRUED INCOME AND PREPAID EXPENSES

	31.12.2012 CHF M	31.12.2011 CHF M	CHANGE IN %
Accrued fee and commission income	128.9	93.4	38
Prepayments	14.4	12.3	17
Accrued other income	-	0.1	-100
Accrued income and prepaid expenses	**143.3**	**105.8**	**35**

13. FINANCIAL INSTRUMENTS

13.1. FINANCIAL INVESTMENTS AND OTHER FINANCIAL ASSETS

	NOTE	31.12.2012 CHF M	31.12.2011 CHF M	CHANGE IN %
Debt financial assets available-for-sale		0.2	1.3	-85
Equity financial assets available-for-sale		109.0	114.5	-5
Derivative financial instruments	*13.3*	0.1	0.8	-88
Financial assets designated at fair value through profit or loss		42.3	2.0	-
Other non-current financial assets		0.7	0.3	133
Financial investments and other financial assets		**152.3**	**118.9**	**28**
Current		150.8	118.1	28
Non-current		1.5	0.8	88
Financial investments and other financial assets		**152.3**	**118.9**	**28**

13.2. OTHER AND NON-CURRENT FINANCIAL LIABILITIES

	NOTE	31.12.2012 CHF M	31.12.2011 CHF M	CHANGE IN %
Derivative financial instruments	*13.3*	1.1	14.0	-92
Financial liabilities designated at fair value through profit or loss		19.5	-	-
Other financial liabilities measured at amortised cost		2.8	3.5	-20
Other and non-current financial liabilities		**23.4**	**17.5**	**34**
Current		1.1	13.5	-92
Non-current		22.3	4.0	458
Other and non-current financial liabilities		**23.4**	**17.5**	**34**

13.3. DERIVATIVE FINANCIAL INSTRUMENTS

	CONTRACT/ NOTIONAL AMOUNT CHF M	POSITIVE REPLACEMENT VALUE CHF M	NEGATIVE REPLACEMENT VALUE CHF M
			2012
Foreign exchange derivative financial instruments	112.4	-	0.4
Equity derivative financial instruments (index futures)	39.3	-	-
Derivative financial instruments held for trading	**151.7**	**-**	**0.4**
Derivative financial instruments designated as fair value hedges (foreign exchange forwards)	72.3	0.1	0.7
Derivative financial instruments designated as hedging instruments	**72.3**	**0.1**	**0.7**
Derivative financial instruments	**224.0**	**0.1**	**1.1**

	CONTRACT/ NOTIONAL AMOUNT CHF M	POSITIVE REPLACEMENT VALUE CHF M	NEGATIVE REPLACEMENT VALUE CHF M
			2011
Foreign exchange derivative financial instruments	137.4	0.8	2.1
Equity derivative financial instruments[1]	33.9	-	6.4
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
Derivative financial instruments designated as hedging instruments	**77.0**	**-**	**5.5**
Derivative financial instruments	**248.3**	**0.8**	**14.0**

[1] For further information see section 'Treasury Shares - 2009 Long-term Incentive Plan' in Note 20.

Gains of CHF 0.9 million (2011: losses of CHF 5.7 million) on derivative financial instruments designated as hedging instruments and losses of CHF 1.6 million (2011: 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 in other operating income.

13.4. FINANCIAL INSTRUMENTS BY CATEGORY

	31.12.2012		31.12.2011	
	CARRYING AMOUNT CHF M	FAIR VALUE CHF M	CARRYING AMOUNT CHF M	FAIR VALUE CHF M
Cash and cash equivalents	504.0	504.0	600.1	600.1
Trade and other receivables	53.2	53.2	107.4	107.4
Accrued income	128.9	128.9	93.5	93.5
Other financial assets	0.6	0.6	0.3	0.3
Financial assets measured at amortised cost	**686.7**	**686.7**	**801.3**	**801.3**
Financial assets available-for-sale[1]	136.8	136.8	115.8	115.8
Derivative financial instruments held for trading	-	-	0.8	0.8
Derivative financial instruments designated as hedging instruments	0.1	0.1	-	-
Financial assets designated at fair value through profit or loss	42.3	42.3	2.0	2.0
Financial assets measured at fair value	**179.2**	**179.2**	**118.6**	**118.6**
Financial assets	**865.9**	**865.9**	**919.9**	**919.9**
Trade and other payables	17.1	17.1	16.9	16.9
Accrued expenses	237.2	237.2	235.1	235.1
Other financial liabilities	2.8	2.8	3.5	3.5
Financial liabilities measured at amortised cost	**257.1**	**257.1**	**255.5**	**255.5**
Derivative financial instruments held for trading	0.4	0.4	8.5	8.5
Derivative financial instruments designated as hedging instruments	0.7	0.7	5.5	5.5
Financial liabilities designated at fair value through profit or loss	19.5	19.5	-	-
Financial liabilities measured at fair value	**20.6**	**20.6**	**14.0**	**14.0**
Financial liabilities	**277.7**	**277.7**	**269.5**	**269.5**

[1] This category includes the balance sheet line item 'financial investment held for sale', which represents the Group's interest in Artio Global Investors Inc. and is accounted for as a financial asset available-for-sale. See Note 14 for more information.

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 and credit risk.

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

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

If one or more of the significant inputs 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	31.12.2012 TOTAL CHF M
Derivative financial instruments	-	0.1	-	**0.1**
Financial assets designated at fair value through profit or loss	42.3	-	-	**42.3**
Financial assets available-for-sale[1]	122.1	-	14.7	**136.8**
Financial assets measured at fair value	**164.4**	**0.1**	**14.7**	**179.2**
Derivative financial instruments	-	1.1	-	**1.1**
Financial liabilities designated at fair value through profit or loss	-	-	19.5	**19.5**
Financial liabilities measured at fair value	**-**	**1.1**	**19.5**	**20.6**

[1] This category includes the balance sheet line item 'financial investment held for sale', which represents the Group's interest in Artio Global Investors Inc. and is accounted for as a financial asset available-for-sale. See Note 14 for more information.

	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**
Financial assets measured at fair value	**103.0**	**0.8**	**14.8**	**118.6**
Derivative financial instruments	-	14.0	-	**14.0**
Financial liabilities measured at fair value	**-**	**14.0**	**-**	**14.0**

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 FINANCIAL ASSETS** CHF M	**TOTAL FINANCIAL LIABILITIES** CHF M
Balance at 1 January 2011	0.8	2.2	**3.0**	**-**
Additions	-	29.3	**29.3**	**-**
Disposals/settlements	-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**	**-**
Additions	-	1.2	**1.2**	**19.0**
Disposals/settlements	-	-0.3	**-0.3**	**-**
Total gains/losses:				
- in profit or loss	-	-0.2	**-0.2**	**0.5**
- in other comprehensive income	-	-0.9	**-0.9**	**-**
Translation differences	-	0.1	**0.1**	**-**
Balance at 31 December 2012	**-**	**14.7**	**14.7**	**19.5**

All realised gains and losses recognised in profit or loss are reported in other operating income. In 2011 impairment losses of CHF 2.6 million were reported separately in impairment of investments. In 2012, net losses of CHF 0.3 million (2011: losses of CHF 2.6 million) 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 ARTIO GLOBAL INVESTORS INC. AND IMPAIRMENT OF INVESTMENTS

The Group has an interest in Artio Global Investors Inc. (Artio), a company that provides investment management services to institutional and mutual fund clients and has been listed on the New York Stock Exchange since 24 September 2009.

14.1. RECLASSIFICATION OF INVESTMENT IN ASSOCIATES TO FINANCIAL INVESTMENT HELD FOR SALE

Following management's decision to divest its investment in Artio and the subsequent partial sale of Artio shares in the second half of 2012, the investment in Artio ceased to be equity accounted due to the loss of significant influence and has been reclassified from investment in associates to financial investment held for sale measured at fair value and presented separately in the consolidated balance sheet. It is now accounted for as a financial asset available-for-sale with fair value changes recognised in other comprehensive income until sold or impaired.

The reporting date of Artio is 31 December.

In 2011, Artio was held as an investment in associates and accounted for using the equity method. The following table provides summarised financial information on the Group's investment in Artio for comparative purposes:

	31.12.2011 CHF M
Carrying amount of the investment in associates	76.5
Summary financial information of investment in associates	
Assets	406.2
Liabilities	238.9
Equity	**167.3**
Interest in Artio	29%

	2011 CHF M
Revenue	243.0
Profit or loss	50.9

14.2. IMPAIRMENT OF INVESTMENTS

Subsequent to the reclassification of the investment in Artio from investment in associates to financial investment held for sale, the fair value of the Group's investment in Artio – reflected by the share price as of 31 December 2012 – declined significantly below its carrying amount. As there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in other comprehensive income has been reclassified from equity to the income statement and presented as impairment.

	2012 CHF M	2011 CHF M
Impairment of investment in associates	35.4	235.0
Impairment of financial investment held for sale	20.2	-
Impairment of investment in Artio	**55.6**	**235.0**
Impairment of financial assets available-for-sale	0.7	14.1
Impairment of investments	**56.3**	**249.1**

IMPAIRMENT TESTING 2011

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 was objective evidence of an impairment and the Group's investment in Artio was therefore tested for impairment.

The Group used a model based on the discounted cash flow method to calculate the value in use of its investment in Artio. The Group estimated 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 were applied in order to calculate the projected free cash flows. The resulting free cash flows were discounted to present value, using a pre-tax discount rate of 18.1%. The data used in calculating the discount rate originated 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 was based on management's reasonable expectations of future business, using external market information and other relevant information. For that purpose, the Group used 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 applied 1.5% as the terminal growth rate.

As the fair value less costs to sell was higher than the value in use, the estimated recoverable amount of the investment in Artio equalled 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 resulted.

15. PENSION PLANS

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.

	2012 CHF M	2011 CHF M
1. Movement in pension plan obligations and assets		
Present value of funded obligations at the beginning of the year	-306.1	-291.1
Service cost	-12.2	-15.6
Past service cost	-	-2.3
Interest cost	-12.5	-12.6
Plan curtailments and settlements	-3.3	4.4
Benefits paid/(received)	8.6	5.0
Actuarial gains/(losses)	-27.4	5.4
Translation differences	-4.4	0.7
Present value of funded obligations at the end of the year	**-357.3**	**-306.1**
Fair value of plan assets at the beginning of the year	246.8	253.4
Expected return on plan assets	13.8	14.0
Employer's contributions	14.2	12.9
Employees' contributions	3.3	3.1
Settlements	-4.0	-4.4
Benefits (paid)/received	-8.6	-5.0
Actuarial gains/(losses)	12.6	-26.3
Translation differences	3.4	-0.9
Fair value of plan assets at the end of the year	**281.5**	**246.8**

	31.12.2012 CHF M	31.12.2011 CHF M
2. Balance sheet		
Fair value of plan assets	281.5	246.8
Present value of funded obligations	-357.3	-306.1
Surplus/(deficit) of funded plans	**-75.8**	**-59.3**
Unrecognised past service cost	2.0	2.1
Unrecognised actuarial (gains)/losses	66.3	54.2
Net pension assets/(liabilities)	**-7.5**	**-3.0**
Deferred tax assets/(liabilities)	1.9	1.0
Net amount recognised in the balance sheet	**-5.6**	**-2.0**

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

	2012 CHF M	2011 CHF M
3. Income statement		
Service cost	-12.2	-15.6
Interest cost	-12.5	-12.6
Expected return on plan assets	13.8	14.0
Amortisation of actuarial gains/(losses)	-3.0	-0.7
Past service cost recognised in the year	-0.1	-0.2
Losses on plan curtailments and settlements	-7.8	-
Net pension cost for the period	**-21.8**	**-15.1**
Employees' contributions	3.3	3.1
Expense recognised in the income statement	**-18.5**	**-12.0**

	2012 CHF M	2011 CHF M
4. Movement in the net pension assets/(liabilities)		
Net pension assets/(liabilities) at the beginning of the year	-3.0	-3.9
Translation differences	-0.2	-
Expense recognised in the income statement	-18.5	-12.0
Employer's contributions	14.2	12.9
Net pension assets/(liabilities) at the end of the year	**-7.5**	**-3.0**
Pension assets	6.5	5.6
Pension liabilities	-14.0	-8.6
Net pension assets/(liabilities) at the end of the year	**-7.5**	**-3.0**
Actual return on plan assets	26.4	-12.3

	2012 %	2011 %
5. Asset allocation		
Cash	3.6	5.1
Bonds	28.5	22.7
Equity instruments	50.7	50.3
Real estate	5.6	5.4
Other	11.6	16.5
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.

	31.12.2012 CHF M	31.12.2011 CHF M	31.12.2010 CHF M	31.12.2009 CHF M	31.12.2008 CHF M
6. Historical information					
Fair value of plan assets	281.5	246.8	253.4	237.7	1,406.9
Present value of funded obligations	-357.3	-306.1	-291.1	-264.7	-1,573.9
Surplus/(deficit) of funded plans	**-75.8**	**-59.3**	**-37.7**	**-27.0**	**-167.0**
Experience adjustment on funded obligations	-14.0	-3.6	-9.1	66.9	-9.7
Change in assumptions adjustment on funded obligations	-13.4	9.0	-13.3	-28.3	47.2
Experience adjustment on plan assets	12.6	-26.3	6.7	46.4	-298.3
Actuarial gains/(losses)	**-14.8**	**-20.9**	**-15.7**	**85.0**	**-260.8**

ACTUARIAL CALCULATION OF PENSION ASSETS AND FUNDED OBLIGATIONS

The latest actuarial calculation was carried out as of 31 December 2012. The actuarial assumptions are based on local economic conditions.

	UK		SWITZERLAND	
	2012	2011	**2012**	2011
Discount rate	4.75%	5.00%	1.90%	2.45%
Expected return on plan assets	6.65%	6.70%	3.75%	3.75%
Average future salary increases	0.00%	0.00–1.00%	1.50%	1.50%
Future pension increases	2.00–4.10%	2.20–4.30%	0.00%	0.00%

The expected return on 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 2013 financial year are estimated at CHF 9.5 million.

CURTAILMENT TO EXISTING DEFINED BENEFIT PENSION PLANS

As at 1 April 2012 changes were made to the scheme of GAM UK. The majority of active members chose to become deferred members of the defined benefit section of the scheme in the UK from April 2012 onwards and accrue future benefits in the defined contribution section. The resulting effect of the curtailment was a non-cash charge of CHF 8.3 million before taxes.

Considering a further curtailment and settlement of the defined benefit pension plan of GAM Hong Kong, which resulted in a gain of CHF 0.5 million before taxes, the net expense due to curtailments amounted to CHF 7.8 million before taxes.

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 8.4 million during the 2012 financial year (2011: CHF 7.1 million).

16. DEFERRED TAX ASSETS AND LIABILITIES

16.1. DEFERRED TAX ASSETS

	2012 CHF M	2011 CHF M
Balance at the beginning of the year	9.1	20.5
Income statement – credit	3.6	2.2
Income statement – charge	-0.8	-8.0
Recognised directly in equity	-	-4.0
Translation differences and other adjustments	0.2	-1.6
Balance at the end of the year	**12.1**	**9.1**
Components of deferred tax assets		
Employee compensation and benefits	4.4	2.0
Share-based payments	0.2	0.1
Property and equipment	1.9	1.8
Tax loss carry-forwards	5.4	4.3
Other	0.2	0.9
Deferred tax assets at the end of the year	**12.1**	**9.1**

16.2. DEFERRED TAX LIABILITIES

	2012 CHF M	2011 CHF M
Balance at the beginning of the year	1.3	1.2
Income statement – charge	0.1	0.4
Income statement – credit	-0.1	-0.3
Translation differences and other adjustments	-	-
Balance at the end of the year	**1.3**	**1.3**
Components of deferred tax liabilities		
Employee compensation and benefits	1.3	1.2
Property and equipment	-	0.1
Deferred tax liabilities at the end of the year	**1.3**	**1.3**

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	GOODWILL AND OTHER INTANGIBLE ASSETS CHF M
Historical cost						
Balance at 1 January 2011	**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**
Additions	**1.8**	-	-	-	1.8	**1.8**
Acquisition of subsidiary	**0.1**	8.5	-	-	-	**8.5**
Disposals[1]	**-0.6**	-	-	-	-	**-**
Translation differences	**-**	-	-	-	0.2	**0.2**
Balance at 31 December 2012	**76.2**	**1,849.8**	**995.6**	**273.0**	**28.0**	**3,146.4**
Accumulated depreciation and amortisation						
Balance at 1 January 2011	**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**
Additions	**5.8**	-	11.7	-	1.4	**13.1**
Disposals[1]	**-0.6**	-	-	-	-	**-**
Translation differences	**0.1**	-	-	-	0.1	**0.1**
Balance at 31 December 2012	**53.8**	**764.4**	**984.0**	**-**	**25.2**	**1,773.6**
Carrying amounts						
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**
Historical cost	**76.2**	1,849.8	995.6	273.0	28.0	**3,146.4**
Accumulated depreciation and amortisation	**53.8**	764.4	984.0	-	25.2	**1,773.6**
Balance at 31 December 2012	**22.4**	**1,085.4**	**11.6**	**273.0**	**2.8**	**1,372.8**

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

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

GOODWILL IMPAIRMENT TESTING

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 business 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.

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 (ie 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 9.4% (2011: 10.4%) for GAM. The data used in calculating the discount rate originates from information obtained from data service providers and external professional service providers.

To calculate the recoverable amount of the goodwill relating to the GAM segment, the Group applies 2.0% (2011: 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 (2011: 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 2012 there is no indication that customer relationships may be impaired. Therefore, the recoverable amount has not been estimated and no impairment loss resulted (2011: 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' (ie 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 9.4% (2011: 10.4%), and the rate used for the 'royalty savings' is 4.8% (2011: 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 the client mix, profitability, required types and intensity of personnel resources, general and company-specific personnel cost developments 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

	31.12.2012 CHF M	31.12.2011 CHF M	CHANGE IN %
Accrued commission expenses	105.9	103.1	3
Accrued operating expenses	131.3	132.0	-1
Accrued expenses and deferred income	**237.2**	**235.1**	**1**

19. PROVISIONS

			2012
	REINSTATEMENT OF LEASEHOLD IMPROVEMENTS CHF M	OTHER CHF M	TOTAL CHF M
Balance at the beginning of the year	1.7	0.2	**1.9**
Utilised during the year	-	-	**-**
Provisions made during the year	0.2	-	**0.2**
Balance at the end of the year	**1.9**	**0.2**	**2.1**
Current	-	0.2	**0.2**
Non-current	1.9	-	**1.9**
Provisions at the end of the year	**1.9**	**0.2**	**2.1**

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

Other provisions relate to issues that 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 2010	206,630,756	10.3
Changes	-	-
Balance at 31 December 2010	**206,630,756**	**10.3**
Capital reduction	-10,330,756	-0.5
Balance at 31 December 2011	**196,300,000**	**9.8**
Capital reduction	-12,945,000	-0.6
Balance at 31 December 2012	**183,355,000**	**9.2**
of which treasury shares	*-18,780,281*	

All registered shares are fully paid.

On 27 June 2012, the Company executed the capital reduction resolved by its shareholders at the Company's Annual General Meeting on 18 April 2012 and cancelled 12,945,000 shares repurchased under its current share buy-back programme. The share capital of the Company now amounts to CHF 9,167,750 (183,355,000 registered shares at a par value of CHF 0.05 per share).

CONDITIONAL CAPITAL

	NUMBER	CHF M
For warrant and convertible bonds		
Resolution of the 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.

In 2012 and 2011, capital reserves were 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 unrealised gains and losses arising from fair value changes of financial investments available-for-sale, net of taxes. When such financial investments are derecognised or impaired the related cumulative amount in the financial asset available-for-sale reserve is transferred to the income statement.

FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations into the presentation currency, Swiss francs.

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.

TREASURY SHARES — 2009 LONG-TERM INCENTIVE PLAN

The number of shares held by GAM Holding AG in relation to the Group's 2009 Long-Term Incentive Plan as at 31 December 2012 amounted to 8.7 million, equating to 4.7% of shares in issue (31 December 2011: 6.3 million, equating to 3.2% of shares in issue).

TREASURY SHARES — SHARE BUY-BACK PROGRAMME

The 2011–2014 share buy-back 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.

12.9 million treasury shares purchased by GAM Holding AG as part of its 2011–2014 share buy-back were cancelled in 2012 as described above under the section Share Capital.

The number of shares held by GAM Holding AG as part of its 2011–2014 share buy-back programme as at 31 December 2012 amounted to 10.1 million. A request to cancel these shares will be put to the Ordinary Annual General Meeting to be held on 17 April 2013.

DISTRIBUTION OF DIVIDENDS

In 2012, a dividend of CHF 87.8 million was paid for the financial year 2011 (dividend per share: CHF 0.50). In 2011, a dividend of CHF 94.1 million was paid for the financial year 2010 (dividend per share: CHF 0.50). For the financial year 2012, 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]

	2012 CHF M	2011 CHF M
Salaries and other short-term employee benefits	6.0	6.0
Share-based payments	1.6	2.9
Post-employment benefits	0.1	0.1
Social security expenses	1.0	0.6
Key management personnel compensation	**8.7**	**9.6**
Liabilities at the end of the period to associated companies	-	0.3
Expense from services provided by associated companies	1.0	1.9

[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 10 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 2012. The registered shares that 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. Since 2010, further options have been 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 that 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 (with the exception of those modified, as detailed below) will expire on 15 March 2013.

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. The options for participants who took up this offer are exercisable from 28 March 2014 for a one-year period.

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:

	2012		2011	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE CHF	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE CHF
Outstanding at the beginning of the year	29,718,283	12.32	30,464,423	12.31
Granted during the year	425,732	12.28	1,330,972	12.35
Exercised during the year	-4,355,755	12.28	-186,166	12.28
Cancelled due to modification	-	-	-1,102,129	12.28
Forfeited/cancelled during the year	-735,092	12.29	-788,817	12.28
Outstanding at the end of the year	**25,053,168**	**12.32**	**29,718,283**	**12.32**
of which exercisable at the end of the year	*17,066,559*	*12.28*	-	-

The weighted average share price at the date of exercise for share options exercised in 2012 was CHF 13.36 (2011: CHF 15.07).

SHARE OPTIONS GRANTED IN 2012

	OPTIONS VESTED ON 19 JAN 2012	OPTIONS VESTING ON 19 JAN 2013	OPTIONS VESTING ON 19 JAN 2014	OPTIONS VESTING ON 19 JAN 2015
Fair value of share options and assumptions				
Fair value of options at grant date	1.18	1.27	1.32	1.34
Average remaining contractual life (in months)	28	28	28	28
Share price at grant date	10.65	10.65	10.65	10.65
Exercise price	12.28	12.28	12.28	12.28
Expected volatility	34.50%	34.50%	34.50%	34.50%
Expected dividend yield	5.00%	5.00%	5.00%	5.00%
Risk-free interest rate	0.10%	0.10%	0.10%	0.10%
Expense recognised for the period (CHF m)	0.1	0.1	0.1	0.1

SHARE OPTIONS GRANTED IN 2011

	OPTIONS VESTED ON 20 JULY 2011	OPTIONS VESTED 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)	22	22	22	22
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)	-	0.3	0.3	0.2

SHARE OPTIONS GRANTED IN 2010

	OPTIONS VESTED 13 APRIL TO 16 AUGUST 2010	OPTIONS VESTED 13 APRIL TO 16 AUGUST 2011	OPTIONS VESTED 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)	6–11	6–11	6–11	6–11
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)	-	-	0.1	0.1

SHARE OPTIONS GRANTED IN 2009

	OPTIONS VESTED ON 28 OCTOBER 2009	OPTIONS VESTED ON 28 OCTOBER 2010	OPTIONS VESTED ON 28 OCTOBER 2011	OPTIONS VESTED 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)	1	1	1	1
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)	-	-	-	4.4

MODIFICATIONS TO 2009 LONG-TERM INCENTIVE PLAN

In September 2012, 20.5 million options were modified by extending the duration of the options originally granted to employees who did not participate in the 2011 modification offer. These options continued to vest on the existing schedule, at an unchanged exercise price, but can now be exercised until 15 March 2013 instead of 26 January 2013. The short extension was agreed by the Board of Directors to reflect the considerable overlap between the original exercise period, which commenced on 28 October 2012, and the Group's internal restriction on employees trading shares or derivatives over shares of the Company ahead of the publication of its annual results. A revaluation of these options was performed at the date of modification. The resulting increase in fair value of CHF 2.2 million was charged to the income statement 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 VESTED ON 28 OCTOBER 2012
Incremental fair value of share options and assumptions				
Incremental fair value per modified option	0.10	0.10	0.10	0.11
Average remaining contractual life (in months)	2.5	2.5	2.5	2.5
Share price at modified grant date	11.50	11.50	11.50	11.50
Exercise price	12.28	12.28	12.28	12.28
Expected volatility	31.02%	31.02%	31.02%	31.02%
Expected dividend yield	5.00%	5.00%	5.00%	5.00%
Risk-free interest rate	0.01%	0.01%	0.01%	0.01%
Incremental expense recognised for the period (CHF m)	0.5	0.5	0.6	0.6

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 was performed at the date of modification. The resulting increase in fair value of CHF 2.0 million was charged to the income statement over the remaining vesting period (CHF 1.6 million in 2011 and CHF 0.4 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 VESTED 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)	27	27	27	27
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)	-	-	-	0.4

23. FUTURE COMMITMENTS UNDER OPERATING LEASES

	31.12.2012 CHF M	31.12.2011 CHF M
Maturity of up to 1 year	18.8	19.5
Maturity within 1–5 years	62.6	69.1
Maturity within 5–10 years	24.4	33.7
Maturity within 10–15 years	10.4	10.6
Maturity of over 15 years	9.2	11.4
Future commitments under operating leases	**125.4**	**144.3**

For 2012, operating leases in the gross amount of CHF 18.9 million are included in operating expenses (2011: CHF 19.7 million).

Future sublease payments of CHF 0.8 million are expected to be received.

24. COMPANIES CONSOLIDATED AS OF 31 DECEMBER 2012

LISTED COMPANY

	PLACE OF LISTING	CAPITALISATION AS OF 31.12.2012 CHF M	HEAD OFFICE	SHARE CAPITAL CHF M
GAM Holding AG	SIX Swiss Exchange	2,264	Zurich	9.168

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

UNLISTED COMPANIES

	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	-	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
GAM Investment Management Lugano SA	Lugano	CHF	1,000,000	75
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. (including branch offices in the United Kingdom and Spain)	Luxembourg	EUR	4,125,000	100
Swiss & Global Asset Management Kapital AG	Frankfurt	EUR	2,600,000	100

CHANGES TO COMPANIES CONSOLIDATED

GAM Investment Management Lugano SA (formerly Arkos Capital SA), acquired on 31 July 2012

25. ACQUISITION

On 31 July 2012, GAM Group AG, a wholly owned subsidiary of GAM Holding AG, acquired Arkos Capital SA – subsequently renamed GAM Investment Management Lugano SA (GAM Lugano) – a Swiss investment manager with assets under management of CHF 742 million as at 31 July 2012. Under the terms of the underlying agreements, GAM Group AG acquired 74.95% of the issued share capital and voting rights in GAM Lugano immediately. The remaining stake of 25.05%, currently held by the management of GAM Lugano, will be acquired in the future.

Details of the consideration transferred are as follows:

	CHF M
Cash consideration	9.8
Contingent consideration	1.0
Fair value of consideration transferred	**10.8**
Non-controlling interest	0.7
Fair value of net assets:	
- Cash acquired	-4.0
- Other assets acquired and liabilities assumed	1.0
Goodwill	**8.5**

26. EVENTS AFTER THE REPORTING PERIOD

The Board of Directors approved these consolidated financial statements on 4 March 2013. In addition, they must be approved by the Ordinary Annual General Meeting on 17 April 2013.

On 6 February 2013, our operating business GAM acquired a minority interest in QFS Asset Management L.P., a US-based alternative asset manager.

As announced by Artio Global Investors Inc. (Artio) and Aberdeen Asset Management PLC (Aberdeen) on 14 February 2013, GAM Holding AG has signed a voting agreement to vote its shares in favour of the acquisition of Artio by Aberdeen. This implies that the Company will tender its interest in Artio at the price offered by Aberdeen of USD 2.75 per share, as announced by the two transacting parties.

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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 for the year ended 31 December 2012.

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 2012 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

KPMG

Report on Other Legal Requirements

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

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

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

KPMG AG

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

Zurich, 4 March 2013

PARENT COMPANY FINANCIAL STATEMENTS


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INCOME STATEMENT

	2012 CHF M	2011 CHF M	CHANGE IN %
Income from investments	41.5	119.4	-65
Financial income	8.6	4.9	76
Other operating income	7.2	74.0	-90
Operating income	**57.3**	**198.3**	**-71**
Personnel expenses	6.7	24.5	-73
General expenses	5.0	5.4	-7
Financial expenses	1.4	78.7	-98
Operating expenses	**13.1**	**108.6**	**-88**
Profit before taxes	**44.2**	**89.7**	**-51**
Taxes	1.7	1.5	13
Net profit	**42.5**	**88.2**	**-52**

BALANCE SHEET

	31.12.2012 CHF M	31.12.2011 CHF M	CHANGE IN %
Cash and cash equivalents	182.8	219.9	-17
Securities	47.9	102.9	-53
Trade and other receivables	2.7	0.7	286
Accrued income and prepaid expenses	34.1	114.2	-70
Loans	-	9.4	-100
Other financial assets	3.8	33.7	-89
Current assets	**271.3**	**480.8**	**-44**
Investments	1,728.8	1,729.2	-0
Treasury shares	213.1	197.9	8
Non-current assets	**1,941.9**	**1,927.1**	**1**
Assets	**2,213.2**	**2,407.9**	**-8**
Due from group companies	34.7	123.3	-72
Accrued expenses and deferred income	7.4	12.6	-41
Other liabilities	2.6	13.6	-81
Liabilities	**10.0**	**26.2**	**-62**
Share capital	9.2	9.8	-6
General legal reserve			
General reserve	5.3	5.3	0
Capital contribution reserve			
Reserve for treasury shares	234.3	261.1	-10
Other capital contribution reserve	1,501.7	1,737.3	-14
Other reserve for treasury shares transferred from other reserve	-	33.4	-100
Other reserve	410.2	100.2	309
Retained earnings			
Balance brought forward	-	146.4	-100
Net profit for the year	42.5	88.2	-52
Equity	**2,203.2**	**2,381.7**	**-7**
Liabilities and Equity	**2,213.2**	**2,407.9**	**-8**
Due to group companies	1.8	0.2	800

NOTES

1. ACCOUNTING PRINCIPLES

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

2. CONTINGENT LIABILITIES

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

Please refer to Notes 14 and 24 of the 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 2,092.5 million 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.

	CHF M
Balance at 1 January 2011	**2,092.5**
Distribution to shareholders	-94.1
Balance at 31 December 2011	**1,998.4**
Thereof reserve for treasury shares	261.1
Thereof other capital contribution reserve	1,737.3
Cancellation of 12,945,000 shares	-174.6
Distribution to shareholders	-87.8
Balance at 31 December 2012	**1,736.0**
Thereof reserve for treasury shares	234.3
Thereof other capital contribution reserve	1,501.7

6. TREASURY SHARES

	NUMBER OF SHARES	AVERAGE PRICE CHF	TOTAL VALUE CHF M
Balance at 1 January 2011	**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[1]	-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[2]	12,945,000	13.54	175.2
Revaluation as per 31 December 2011[3]			-63.2
Balance at 31 December 2011	**19,235,910**	**10.29**[3]	**197.9**
Purchase of treasury shares to cover the Group's 2009 Long-Term Incentive Plan	2,700,000	12.86	34.7
Delivery of shares due to exercise of options	-335,969	11.27	-3.7
Cancellation of shares approved at the Ordinary Annual General Meeting on 18 April 2012	-12,945,000	10.29	-133.2
Share buy-back programme	10,125,340	11.59	117.4
Balance at 31 December 2012	**18,780,281**	**11.35**	**213.1**

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

[2] This includes the 4 million shares initially bought to cover the Group's 2009 Long-Term Incentive Plan. (Please refer to footnote 1 above).

[3] In accordance with the accounting principles, the shares were 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 refer to the Consolidated Financial Statements, Note 4: Comment on Risk and Capital Management.

9. EVENTS AFTER THE REPORTING PERIOD

As announced by Artio Global Investors Inc. (Artio) and Aberdeen Asset Management PLC (Aberdeen) on 14 February 2013, GAM Holding AG has signed a voting agreement to vote its shares in favour of the acquisition of Artio by Aberdeen. This implies that the Company will tender its interest in Artio at the price offered by Aberdeen of USD 2.75 per share, as announced by the two transacting parties.

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 2012.[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]	10.24%[9]	-	**10.24%**
Silchester International Investors LLP[4]	10.09%	-	**10.09%**
BlackRock Inc.[5]	5.01%[10]	0.004%	**5.01%**
Credit Suisse Funds AG[6]	4.51%	-	**4.51%**
FIL Limited[7]	3.10%	-	**3.10%**
T. Rowe Price Associates Inc.[8]	3.06%	-	**3.06%**

[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 2012).

[4] Silchester International Investors LLP, London, UK (reported on 3 July 2012).

[5] BlackRock Inc., New York, USA (reported on 21 September 2012).

[6] Credit Suisse Funds AG (formerly named Credit Suisse Asset Management Funds AG), Zurich, Switzerland (reported on 27 November 2012).

[7] FIL Limited, Hamilton, Bermuda (reported on 20 March 2012).

[8] T. Rowe Price Associates Inc., Baltimore, USA (reported on 6 December 2012).

[9] As at 31 December 2012, GAM Holding AG also had a sale position of GAM Holding AG shares of 13.66% 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 the Consolidated Financial Statements.

[10] In addition, BlackRock Inc. also reported on 21 September 2012 a sale position of GAM Holding AG shares of 0.13% of shares issued.

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]

Shareholder/participant[2]	VOTING RIGHTS CONFERRED BY SHARES/EQUITY SECURITIES	VOTING RIGHTS CONFERRED BY CONVERSION RIGHTS, SHARE PURCHASE RIGHTS AND GRANTED SHARE SALE RIGHTS AND FINANCIAL INSTRUMENTS	**RESULTING TOTAL PERCENTAGE HOLDING OF VOTING RIGHTS AT TIME OF CREATION OF THE OBLIGATION TO NOTIFY**
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 7 of the Consolidated Financial Statements.

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

		BASE PAY[2] CHF	PERFORMANCE PAYMENT CHF	SHARE-BASED PAYMENTS[3] CHF	PENSION FUND CONTRIBUTION AND VARIA CHF	**TOTAL** CHF
Compensation of the members of the Board of Directors						
Johannes A. de Gier, Chairman[1]	2012	258,500	-	32,648	-	**291,148**
	2011	258,500	-	-	-	**258,500**
Daniel Daeniker	2012	117,000	-	-	-	**117,000**
	2011	117,000	-	-	-	**117,000**
Diego du Monceau	2012	128,500	-	-	-	**128,500**
	2011	125,050	-	-	-	**125,050**
Dieter Enkelmann	2012	128,500	-	32,911	-	**161,411**
	2011	125,050	-	-	-	**125,050**
Hugh Scott-Barrett	2012	128,500	-	32,911	-	**161,411**
	2011	125,050	-	-	-	**125,050**
Total	**2012**	**761,000**	**-**	**98,470**	**-**	**859,470**
	2011	**750,650**	**-**	**-**	**-**	**750,650**

1 This member received additional compensation for the years 2012 and 2011 in his role as Chief Executive Officer of GAM Holding AG. Details of this compensation can be found on page 154.

2 The base pay included CHF 8,500 per Committee of the Board of Directors of which the recipient is a member. For the membership of the Audit Committee this amount was increased to CHF 20,000 as of 1 May 2011.

3 No options were granted to the members of the Board of Directors in the years 2012 and 2011. The share-based payments in 2012 resulted from the modification of the Group's 2009 Long-Term Incentive Plan implemented in September 2012 (see Note 22 of the Consolidated Financial Statements).

In 2012, no compensation was paid to members of the Board of Directors who left the Board of Directors in 2011 or earlier.
No compensation was paid 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 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 2012 or were outstanding at year-end 2012.

		Number of shares	Number of vested options (all option holdings are call options)		
			Exercise prices CHF		Exercisable as of
			12.28 [2]	13.93 [3]	
Share and option holdings of the members of the Board of Directors[1]					
Johannes A. de Gier, Chairman	2012	-	-	-	-
	2011	-	2,351,382	-	28.10.12
Daniel Daeniker	2012	-	-	235,137	13.04.13
	2011	-	-	156,758	13.04.13
Diego du Monceau	2012	-	-	235,137	13.04.13
	2011	-	-	156,758	13.04.13
Dieter Enkelmann	2012	30,869	313,517	-	28.10.12
	2011	38,000	235,137	-	28.10.12
Hugh Scott-Barrett	2012	5,000	313,517	-	28.10.12
	2011	5,000	235,137	-	28.10.12
Total	**2012**	**35,869**	**627,034**	**470,274**	
	2011	**43,000**	**2,821,656**	**313,516**	

[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 (see Note 22 of the Consolidated Financial Statements). The options are exercisable as of 28 October 2012 until 15 March 2013.

[3] These vested options were granted on 13 April 2010 based on the Group's 2009 Long-Term Incentive Plan (see Note 22 of the Consolidated Financial Statements). The options will be exercisable as of 13 April 2013 during the following 90 days.

		BASE PAY CHF	PERFORMANCE PAYMENT CHF	SHARE-BASED PAYMENTS [2] CHF	PENSION FUND CONTRIBUTION AND VARIA CHF	**TOTAL** CHF
Compensation of the members of the Senior Management[1]						
Total	2012	2,996,041	1,968,600	450,339	269,372	**5,684,352**
Total	2011	2,981,523	1,951,411	-	245,068	**5,178,002**

[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 152.

[2] No options were granted to the members of the Senior Management in the years 2012 and 2011. The share-based payments in 2012 resulted from the modification of the Group's 2009 Long-Term Incentive Plan implemented in September 2012 (see Note 22 of the Consolidated Financial Statements).

		BASE PAY CHF	PERFORMANCE PAYMENT CHF	SHARE-BASED PAYMENTS [3] CHF	PENSION FUND CONTRIBUTION AND VARIA CHF	**TOTAL** CHF
Details of the compensation of the highest paid member of the Senior Management						
Johannes A. de Gier[1]	2012	2,347,330	-	296,467	65,848	**2,709,645**
Johannes A. de Gier[2]	2011	2,347,330	-	-	48,319	**2,395,649**

[1] The compensation disclosed includes payments for the year 2012 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 152. The aggregate total of all such compensation amounts to CHF 3,000,793.

[2] 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 152. The aggregate total of all such compensation amounts to CHF 2,654,149.

[3] No options were granted to this member in the years 2012 and 2011. The share-based payments in 2012 resulted from the modification of the Group's 2009 Long-Term Incentive Plan implemented in September 2012 (see Note 22 of GAM Holding AG's Consolidated Financial Statements).

In 2012, no compensation was paid to former members of the Senior Management who left the Senior Management in 2011 or earlier. No compensation was paid to closely linked parties of members of the Senior Management or former members of the Senior Management. No termination fees were paid to any member of the Senior Management who left 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 2012 or were outstanding at year-end 2012.

		NUMBER OF SHARES	NUMBER OF VESTED OPTIONS (ALL OPTION HOLDINGS ARE CALL OPTIONS)	
			EXERCISE PRICE CHF	EXERCISABLE AS OF
			12.28 [2]	
Share and option holdings of the members of the Senior Management [1]				
Johannes A. de Gier (Chief Executive Officer)	2012	-	-	-
	2011	-	2,351,382	28.10.12
Scott Sullivan (Group General Counsel)	2012	-	732,899	28.10.12
	2011	-	549,672	28.10.12
Andrew Wills (Group Chief Financial Officer)	2012	185,000	732,899	28.10.12
	2011	185,000	549,672	28.10.12
Total	**2012**	**185,000**	**1,465,798**	
	2011	**185,000**	**3,450,726**	

1 Including share and option holdings of closely linked parties.

2 The members of the Senior Management hold vested options that were granted to them on 28 October 2009 based on the Group's 2009 Long-Term Incentive Plan (see Note 22 of the Consolidated Financial Statements). The options are exercisable as of 28 October 2012 until 15 March 2013.

PROPOSED APPROPRIATION OF RETAINED EARNINGS AND DISTRIBUTION PAYMENT

	2012 CHF M	2011 CHF M
Retained earnings		
Balance brought forward	-	146.4
Net profit for the year	42.5	88.2
Retained earnings available for appropriation	**42.5**	**234.6**
Allocation to other reserve	-42.5	-234.6
Balance to be carried forward	**-**	**-**
Distribution to the shareholders out of capital contribution reserve[1]	**82.3**	**88.5**

[1] The distribution total of CHF 82.3 million corresponds to a distribution of CHF 0.50 per registered share (excluding 18,780,281 treasury shares held by the Company as at 31 December 2012).

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 42.5 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 2012 financial year will be paid on 24 April 2013, 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, 4 March 2013

KPMG

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

GAM Holding AG, Zurich

As statutory auditor, we have audited the accompanying financial statements of GAM Holding AG, which comprise the balance sheet, income statement and notes for the year ended 31 December 2012.

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 2012 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, 4 March 2013

'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.

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