

# 2011 Results

Zurich

March 16, 2012



Compagnie Financière Tradition

# Highlights

## *Market environment and CFT achievements*

### Market

- Global financial storm moved to Europe
- Financial and regulatory pressure on bank models
- OTC derivatives reform not yet finalised
- Activity/volatility best in Q1 and Q3

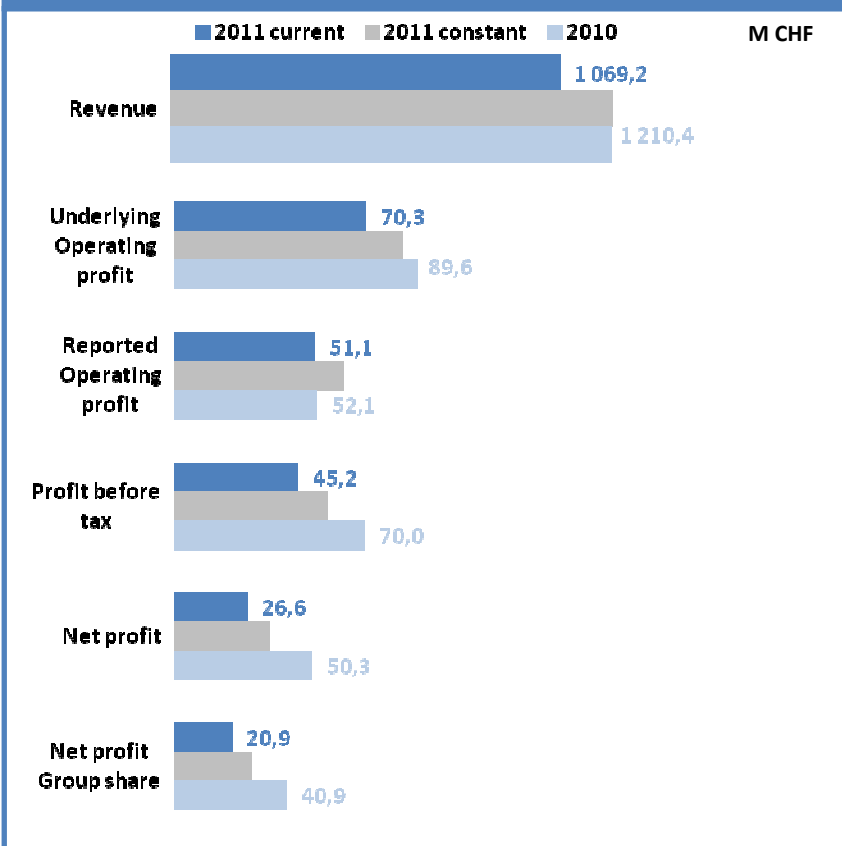
### CFT

- Results affected by strength of Swiss franc and the swing in contribution from Gaitame
- IDB revenue up yoy in constant currencies better than largest competitors
- Market leading position in Asia Pacific reinforced
- Strong performances from FX and Commodities products
- Cost saving actions continued in order to fund investments essential for the future
- Trad-X electronic platform launched in May in Euro swaps and more products on track
- Faster than expected recovery in revenue and profitability at Gaitame
- 2012 ytd revenue in line with the market

# Highlights

*Delivering stable results, adapting to a no growth environment, investing in technology*

## Performance



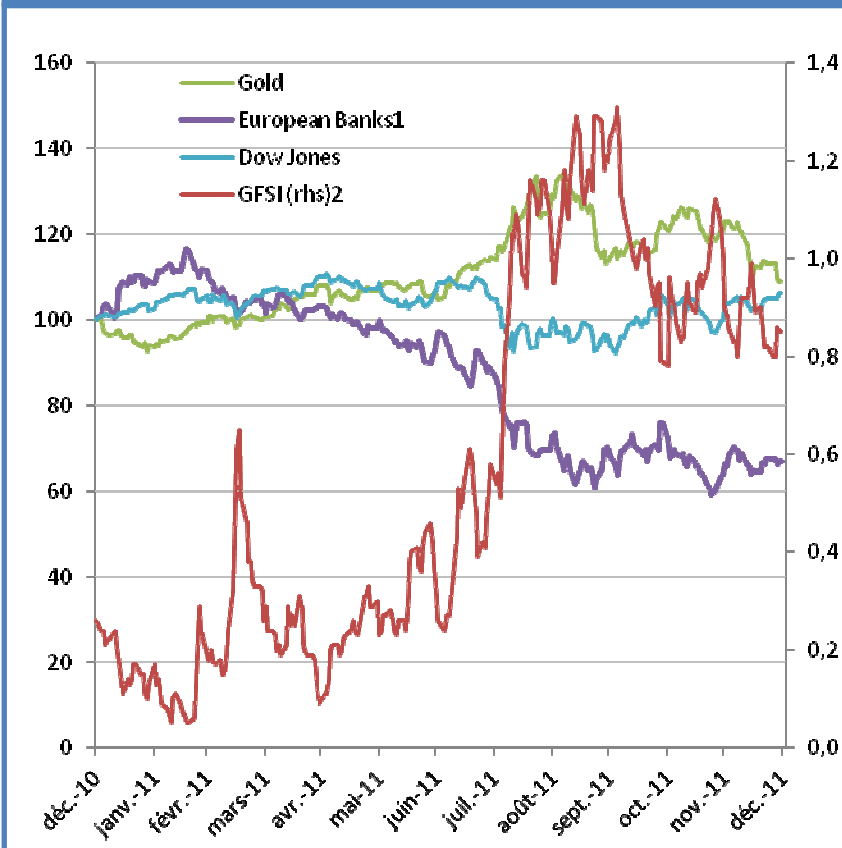
## 2011 results at a glance

- **Group revenues** up 0.3% in constant currencies
  - **IDB** +2.6% (4.0% H2 vs H2)
  - **Gaitame** in line with H2 2010
- **Underlying margin** of 6.6% in 2011, versus 7.4% in 2010
  - **IDB** 6.4% in 2011 versus 7.0% in 2011
  - **Gaitame** returned to profit in H2
- **Reported operating profit** down 1.9% in current currencies but up 18.9% in constant currencies
  - **IDB** +30.8% in constant currencies
  - **Gaitame's** profit down by CHF 4.1m yoy
- Excluding CHF 22m of non recurring and non operational profits in 2010, **Net profit Group share** up 9.8% in current currencies and up 47.7% in constant currencies
- **Proposed dividend** of CHF 4.0 per share

# Macro environment

Major regional events, heightened economic and financial uncertainty

## 2011 timeline

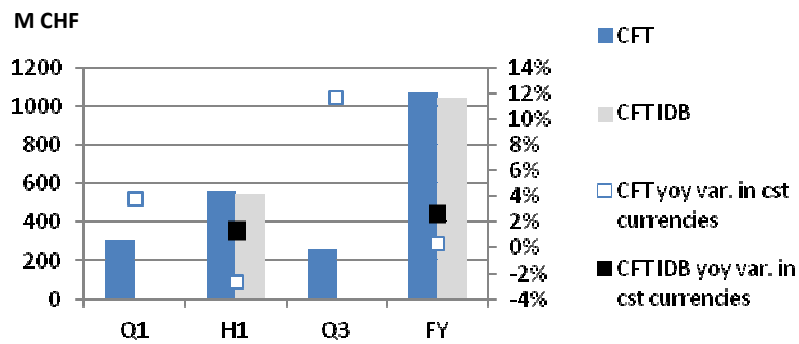


- 07/01 CFTC proposes Swap Execution Facilities (SEF) regulation
- 14/01 Arab Spring/Exit Ben Ali
- 10/02 NYSE and Deutsche Börse announce merger plan
- 11/03 Tsunami on Fukushima
- 13/06 Greece downgrade
- 07/07 ECB (last) rates increase
- 20/07 The European Commission proposes CRD IV
- 21/07 Euro summit on Greece, EFSF role enlarged
- 05/08 US downgrade
- 28/08 IMF calls for substantial recapitalisation of EU banks
- 06/09 SNB set minimum CHF-euro exchange rate
- 17/09 Occupy movements start in New York
- 19/09 Italy downgrade
- 21/09 Federal Reserve launches Operation Twist
- 12/10 US SEC and Banking Agencies propose Volcker rule regulations
- 21/10 The European Commission proposes MIFID II/MIFIR
- 26/10 Euro summit on Greek bonds haircut, increase in EFSF firepower
- 27/10 EBA second stress tests
- 31/10 MF Global demise
- 01/11 Draghi, new ECB chief
- 03/11 ECB cut rates
- 04/11 FSB names 29 systemically important banks
- 09/11 Greece/Exit Papandréou
- 30/11 Stance shifts sees China ease monetary policy
- 08/12 ECB cut rates
- 09/12 Euro summit (the 8<sup>th</sup> of the year) on Maastricht refoundation
- 19/12 Vickers report adopted in the UK
- 27/12 ECB launches LTRO

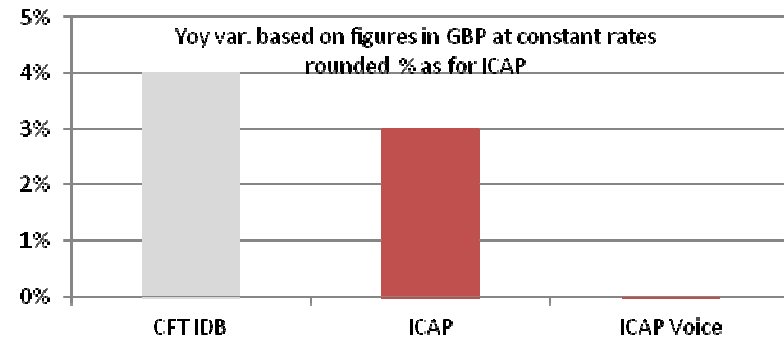
# Strategic positioning

2011 confirming market share gains against key competitors

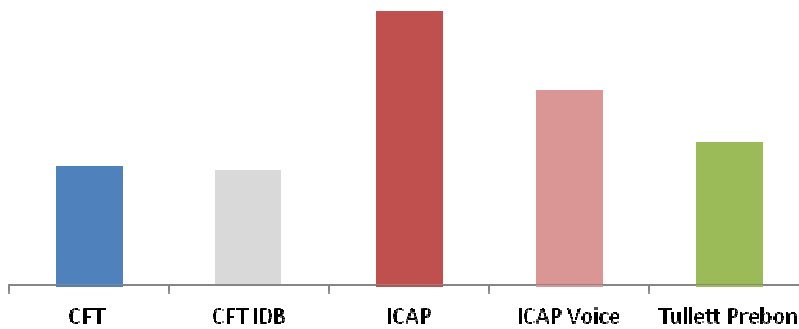
## CFT – 2011 quarterly performance



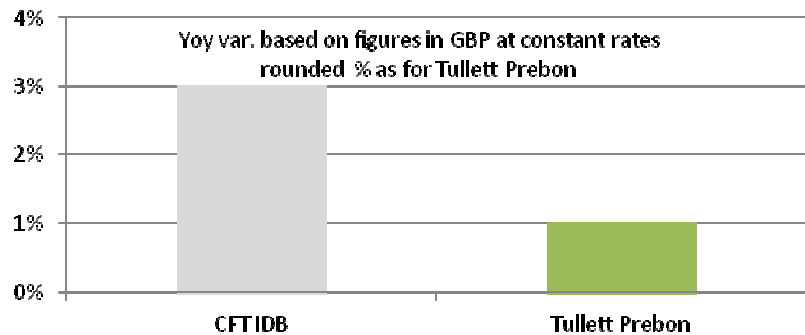
## CFT IDB vs ICAP – April/September



## Largest competitors - Relative size<sup>1</sup>



## CFT IDB vs Tullett Prebon – Full year

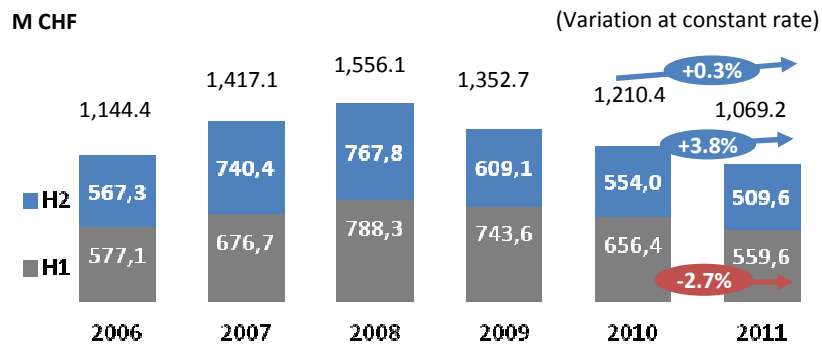


<sup>1</sup> –FY 2011 for CFT and Tullett Prebon, LTM Oct 2010/Sep 2011 for ICAP – Based on revenues in GBP

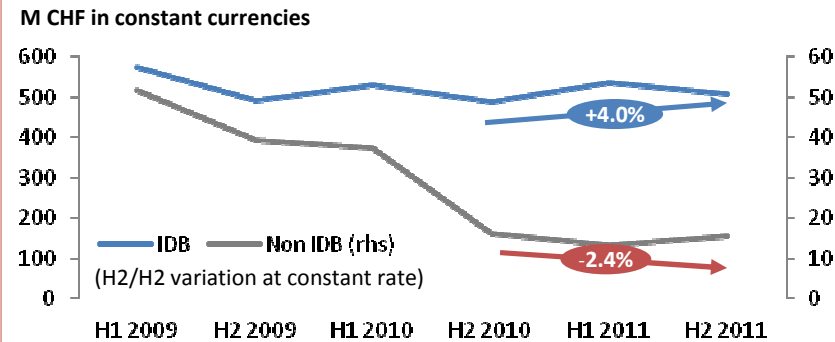
# Group revenue

Resilience of the IDB model amid negative news flow for the financial sector

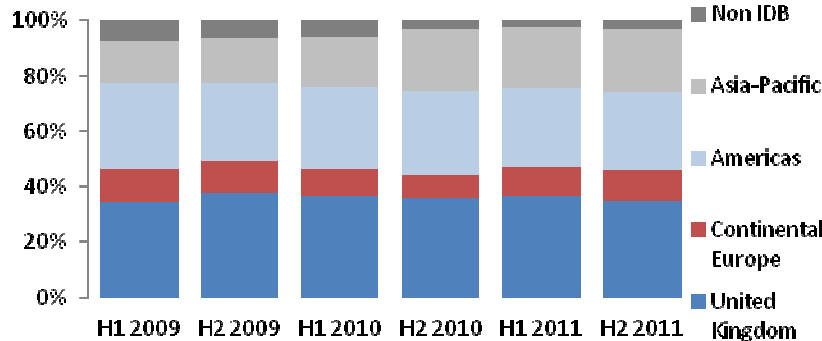
## Half yearly / yearly revenue



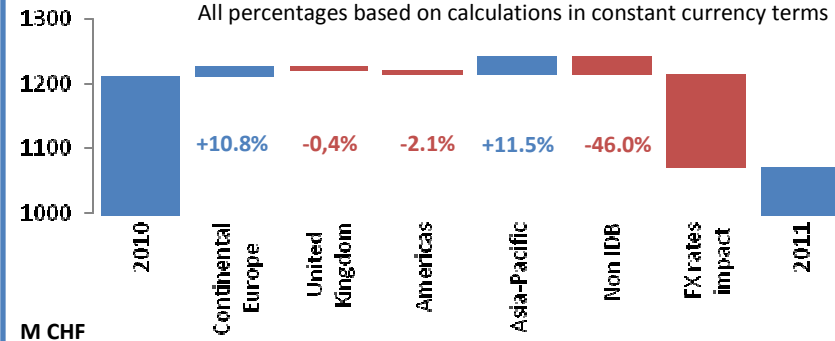
## Half-yearly trend by business line



## Revenue by region



## Regional bridge



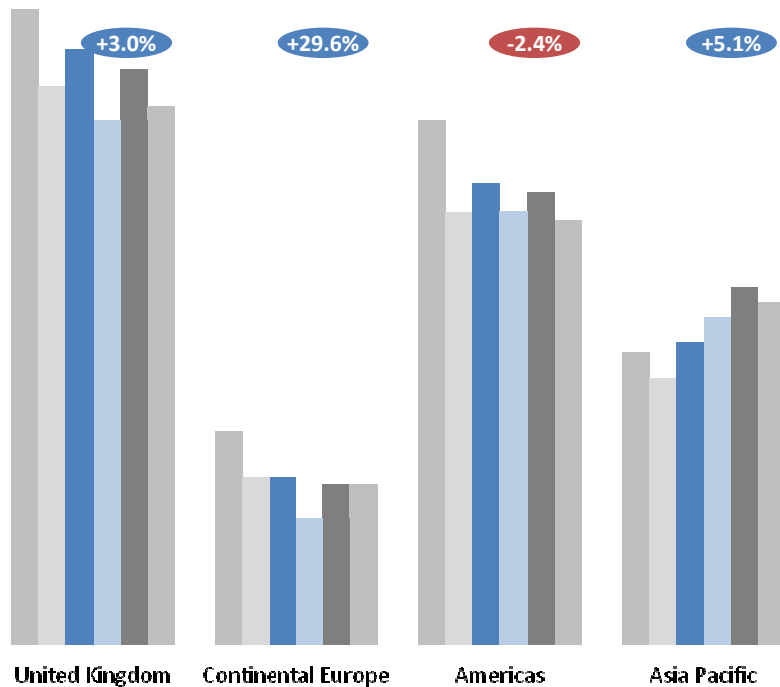
# IDB regional revenue

*Continued geographic expansion with an already long established presence across Asia*

## Trend by region

M CHF in constant currencies  
(H2/H2 variation at constant rate)

■ H1 2009   ■ H2 2009   ■ H1 2010  
■ H2 2010   ■ H1 2011   ■ H2 2011

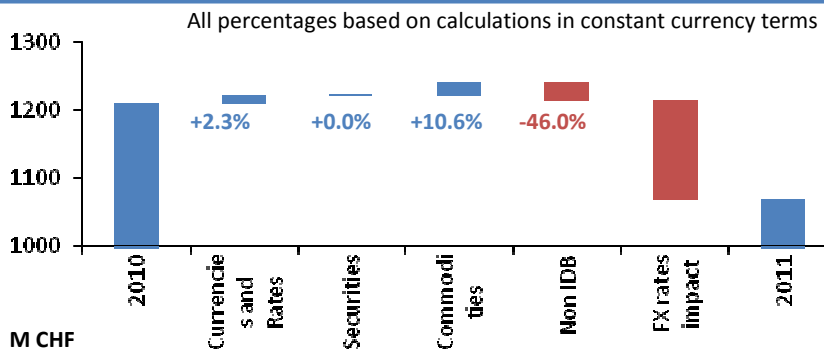


- United Kingdom
  - Good level of activity in Interest Rate Derivatives and FX
  - Landmark launch of Trad-X
  - Growth in Energy and Metals
  - Lower revenue from securities products
- Continental Europe
  - Mixed market conditions for bonds
  - Positive developments in listed products
- Americas
  - Growth in FX and Commodities
  - Difficult markets in Equities and CDS
  - Revenue from Financial products impacted by economic and regulatory backdrop
- Asia-Pacific
  - Generally favorable economic conditions
  - Leveraging strong franchise and footprint
  - Investment in staff in H2 2010 and 2011

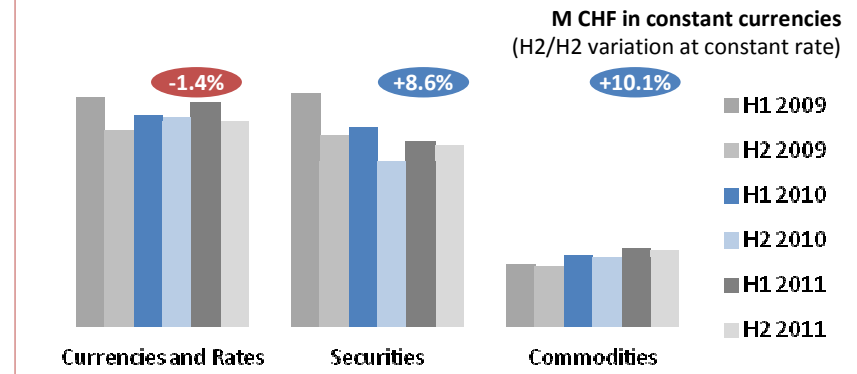
# IDB product mix

Continued efforts to fill the gaps and enhance market share for the existing 300+ desks

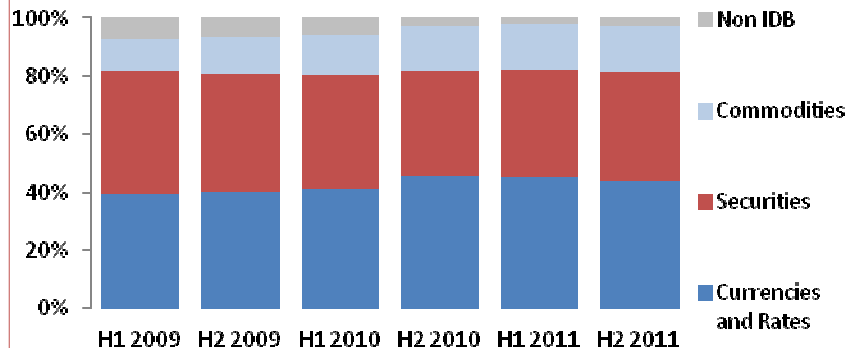
## Bridge by asset class



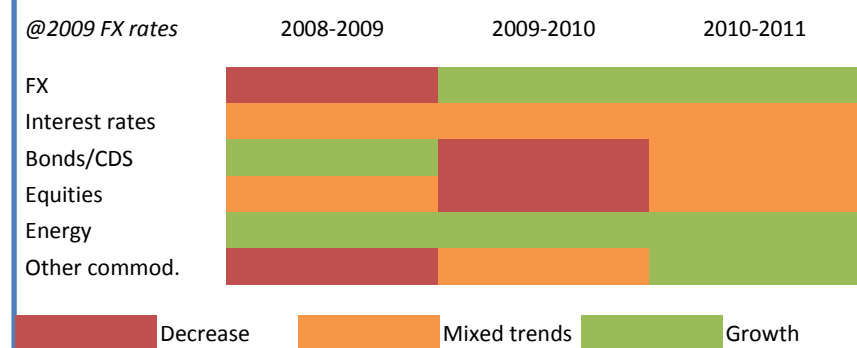
## Trend by asset class



## Revenue breakdown



## IDB products – Dynamics for CFT





# Electronic trading

*Successful launch of Trad-X amid regulatory plans to overhaul the OTC derivatives markets*

## Current regulatory initiatives

- G-20 Sep 2009 / Focus on systemic risk and transparency
  - Shift from bilateral OTC trades to centrally cleared
  - Reporting of trades to trade repositories
  - Shift from bilateral OTC trades to regulated trading venues, where appropriate
- Ongoing process, progress only modest in 2011
  - Industry gearing up to comply with new directions despite delays in rulemaking
- IDBs perceived as potential beneficiaries

## CFT's response – Trad-X

- Launch of the trading platform in May, initially available for Euro interest rate swaps
  - Significant volume and industry-wide recognition from the start
- Regulated as a Multilateral Trading Facility (MTF)
  - As much as possible designed to be compliant once new regulations are in force in Europe (MiFIR) and in the US (Dodd-Frank Act)

## Proprietary technology

- Market leading proprietary technology
- Fully electronic order entry and matching engine
- Multi asset class, rich and flexible functionalities
- Platform designed with the trading community's help
- Largest number of streaming participants
  - BNP Paribas, Citi, Credit Suisse, Goldman Sachs, HSBC, Morgan Stanley, Nomura, RBS, Société Générale, UBS
- Bank arrangements designed to enhance liquidity

## Other initiatives

- Development to customise the platform for more functionality and products continues
- Data-related initiatives
  - Trad-X data made available on Thomson Reuters and Bloomberg
  - Tradition-ICAP launch of Vol-Fix, a reference for FX volatility
- Feb 2012: Launch of Navesis-ETF in partnership with Nomura
  - The first MTF facilitating NAV-based trading of ETFs

# Operating performance

Cost cutting efforts supporting investment in the near term

## Group operating performance

M CHF	2011	2010	Variation constant	Variation current
Revenue	1,069.2	1,210.4	+0.3%	-11.7%
Net operating expenses	-1,018.1	-1,158.3	-0.2%	-12.1%
<b>Reported operating profit</b>	<b>51.1</b>	<b>52.1</b>	<b>+18.9%</b>	<b>-1.9%</b>
<b>Reported operating margin</b>	<b>4.8%</b>	<b>4.3%</b>		
Amort. and impairment of intangibles	8.5	20.3		
Exceptional expenses	17.1	17.2		
Exceptional income	-6.4	-		
<b>Underlying operating profit</b>	<b>70.3</b>	<b>89.6</b>	<b>-6.3%</b>	<b>-21.5%</b>
<b>Underlying operating margin</b>	<b>6.6%</b>	<b>7.4%</b>		

- Results affected by the strength of the Swiss franc and the performance of the Japanese retail business
  - IDB operating profit up 30.8% yoy in constant currencies
  - Gaitame profitable in H2 although operating profit down CHF 4.1m yoy
- Ongoing focus on reducing costs and improving flexibility amid similar plans in the rest of the industry
- Priority given to time to market for new electronic initiatives rather than infrastructure rationalisation

## IDB KPIs

Number of brokers	1 499
Brokers - Ytd variation (Hires/Terminations)	+22 +1.5% (+249/-227)/
Productivity (CHF) Yoy variation in cst curr.	616 k/ +0.3%
Support staff (o/w other front office staff)	938 (227)
Support staff - Ytd variation	+29/+3.2%

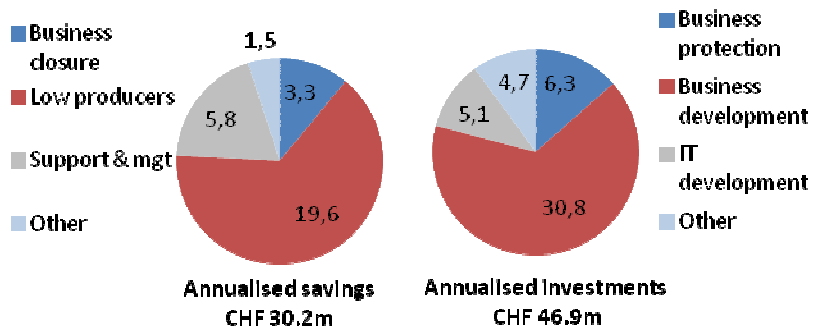
## Underlying IDB operating ratios

In %	2011	2010
Revenue	100.0	100.0
Compensation costs	73.7	73.1
Operational	61.4	61.4
Administrative	12.3	11.7
Operational: variable/ total compensation	42.7	42.9
Telecom & Market data	6.6	6.6
Travel / Business / Marketing	4.8	4.8
Rent and occupancy	2.6	2.6
Other net operating expenses	4.5	4.5
Amortisation/Depreciation and impairment losses	1.4	1.4
<b>Underlying operating margin</b>	<b>6.4</b>	<b>7.0</b>

# IDB business cost management

Ongoing effort – a continuing priority in 2012

## 2011 savings & investments



## Plan overview

- Savings mostly achieved in Europe

Region	Percentage	Region	Percentage	Region	Percentage
Europe	72%	Americas	22%	Asia-Pacific	6%

- Restructuring costs of around CHF 5m
- Investments realised to
  - Protect growing businesses in a competitive industry
  - Develop specific products and regions through broker hires
  - Develop IT for tomorrow's needs

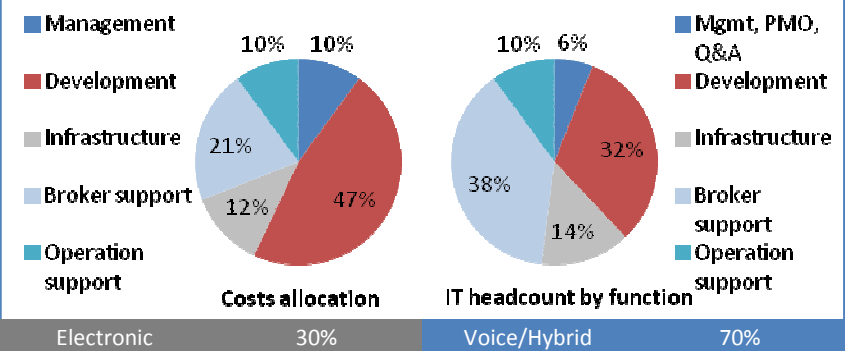
Region	Percentage	Region	Percentage	Region	Percentage
Europe	37%	Americas	20%	Asia-Pacific	43%

- Cost reduction efforts to continue in 2012 with focus on low producers and IT rationalisation

## Investments in technology

- Continued in 2011 in a changing regulatory environment where time to market is a key success factor
- Focus on increasing development capacity and building up the required infrastructure and operation support
- Some CHF 3.9m of internally developed trading platforms capitalised on the balance sheet during the year
- External trading platforms (Elysian, Fidessa, Trayport) currently used for specific products

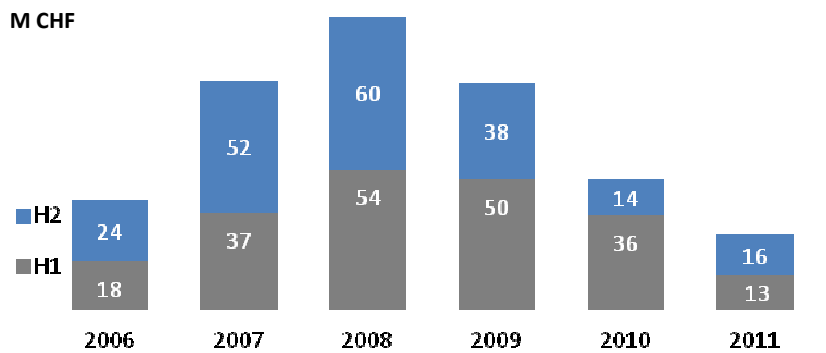
## IT internal resources



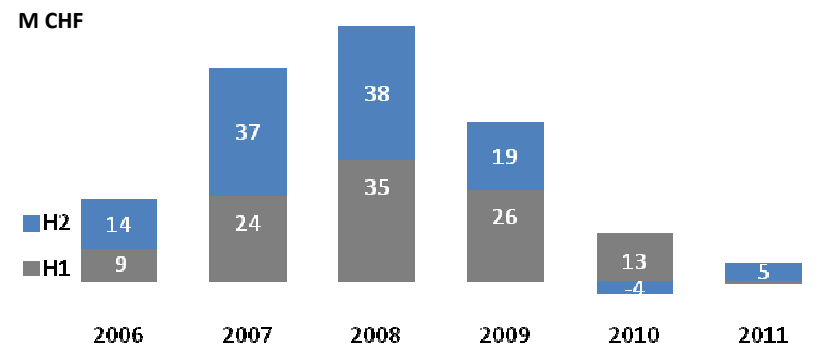
# Non IDB business

*Gaitame has scale and balance sheet in a key market*

## Non IDB revenue pro forma <sup>1</sup>



## Non IDB underlying op. profit pro forma <sup>1</sup>



- Launched in 2002, Gaitame.com quickly became a leader in the Japanese retail FX market
- Strategic challenges arose from increased competition and new regulations
  - Market moved to 25:1 leverage limit for retail traders (Aug 2011)
  - Medium term effect expected to be positive for number of trades, clients' deposits and customer churn
- Ahead of recovery plan for 2011
  - H2 revenues in line with 2010 and steps taken to reduce costs

## Gaitame's client deposits pro forma <sup>1</sup>



# Net profit and balance sheet

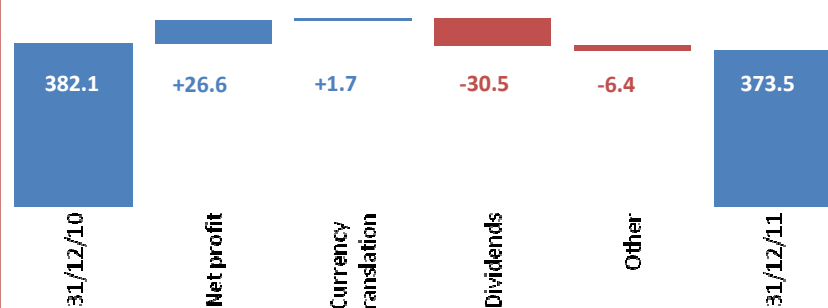
Transitioning from an organic growth strategy only in a post 2008 environment

## Net profit Group share

M CHF	2011	2010	Variation constant	Variation current
Reported operating profit	51.1	52.1	+18.9%	-1.9%
Net financial income	-5.8	-1.3		
Share of profit of associates	-0.1	19.2		
Profit before tax	45.2	70.0	-25.4%	-35.4%
Income tax	-18.6	-19.7		
Net profit for the period	26.6	50.3	-37.8%	-47.1%
Group share	20.9	40.9	-39.9%	-48.9%

## Total Equity

M CHF

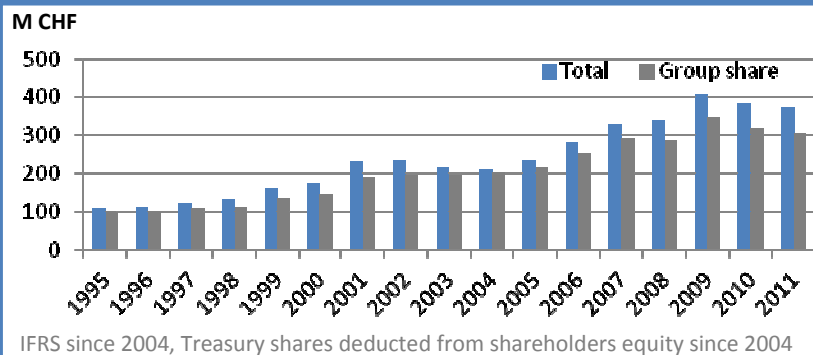


M CHF	Assets		M CHF	Liabilities	
	31.12.11	31.12.10		31.12.11	31.12.10
Tangible assets	30.4	36.0	Capital	15.4	15.4
Intangible assets	77.3	73.0	Share premium	55.6	53.1
Investments in associates	40.3	44.1	Treasury shares	-6.1	-5.8
Available-for-sale financial assets	8.9	7.5	Currency translation	-90.7	-92.3
Unavailable cash	34.0	33.2	Consolidated reserves	333.2	347.7
Other non-current assets	34.0	34.4	Minority interests	66.1	64.0
Non-current assets	224.9	228.2	Equity	373.5	382.1
Receivables related to MP activities	50.5	52.2	Non-current liabilities	43.9	38.2
Receivables related to AH activities	655.3	510.0	Short term financial debts	149.0	147.3
Trade & other receivables	209.9	210.3	Payables related to MP activities	52.4	50.5
Financial assets at fair value	12.6	10.5	Payables related to HA activities	656.0	511.8
Cash & Cash equivalents	333.0	352.3	Trade & other payables	234.1	253.9
Other current assets	22.7	20.3	Current liabilities	1,091.5	963.5
Current assets	1,284.0	1,155.6	TOTAL EQUITY AND LIABILITIES	1,508.9	1,383.8
TOTAL ASSETS	1,508.9	1,383.8			

# Shareholder's equity, cash and debt

Net tangible equity of CHF 296m, with the smallest % of goodwill in the sector

## Shareholders' equity

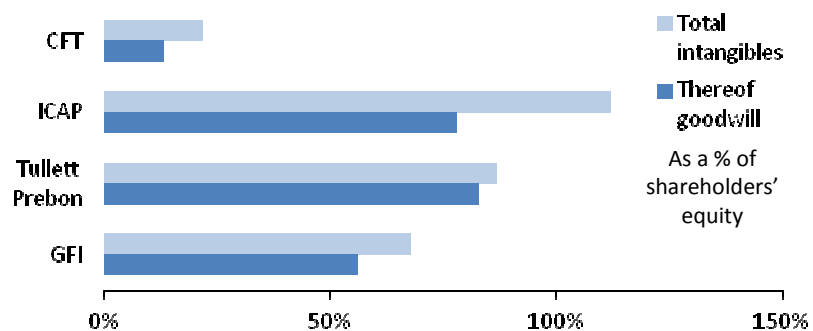


## Cash and debt

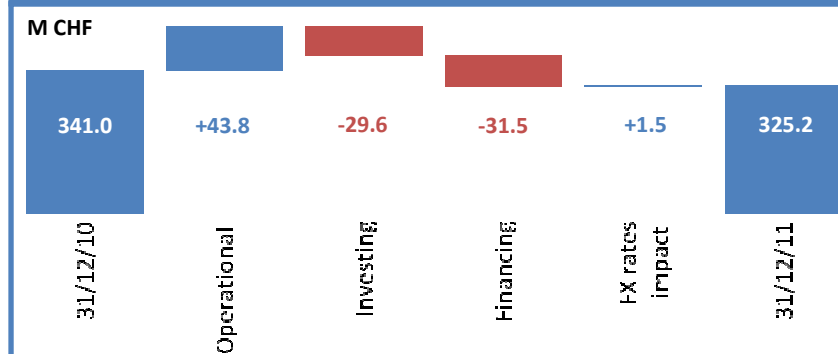
M CHF	31.12.2011	31.12.2010
Cash & cash equivalents	333.0	352.3
Bank overdraft (*)	-3.1	-9.2
Adjustments from changes in AH & MP activities	-4.7	-2.1
Adjusted gross cash for cash flow statement	325.2	341.0
Financial assets @ fair value	12.6	10.5
Financial debt (**)	-144.3	-137.0
Adjusted net cash	193.5	214.5

(\*) Excl. bank overdraft linked to matched principal activities (\*\*) Excl. bank overdraft

## Capital structure comparisons<sup>1</sup>



## Adjusted gross cash



# Outlook

## CFT in summary

- CFT is one of only five global IDBs in the world
  - Built mostly through organic growth
  - Industry leader in Asia Pacific
- Experts in price discovery and market structure, IDBs deploy a unique business model
  - Operating in unprecedented economic, regulatory and political environments since 2009
  - Seen as beneficiaries of structural shift to intermediation
  - Strong operating upside when volumes pick up
- In 2011, launched a major electronic initiative as it seeks to benefit from post-Lehman reforms
- Consistent focus on sound balance sheet and capital position
- Currently in the midst of an operating and cultural change in emphasis in order to improve flexibility and efficiency

## Roadmap

- Cost management remains key priority
  - Investments in development and infrastructure to be offset through further cost savings
  - Program centered around low producers and reducing number of IT platforms
  - If market growth returns, the leverage on margin can be significant
- Gaitame's reorganisation will continue and is aimed at reestablishing it as a reliable profit contributor
- Objective is to be an influential participant in the IDB sector
  - Consolidate market positions
  - Adapt to a changing landscape in terms of regulation and clients' business models
  - Continue to build-out electronic broking model across products and geographies

# 2011 Results

Zurich

March 16, 2012



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