



Compagnie Financière Tradition

Revenue of CHF 837.5m; better trend than the IDB sector

Operating profit up, benefiting from costs reduction measures

Net profit Group share of CHF 27.7m; dividend increase to CHF 3.00

<i>CHF m</i>	2014	2013	Variation in constant currencies
Reported revenue	837.5	874.4	-3.5%
Operating profit	41.2	32.1	+31.1%
Operating margin	4.9%	3.7%	
Net profit Group share	27.7	15.5	+82.7%
Consolidated equity Group share	341.7	282.0	+21.2 %
Adjusted* revenue	894.5	934.1	-3.4%
Adjusted underlying operating profit **	67.9	60.0	+15.1%
Adjusted underlying operating margin	7.6%	6.4%	

* with proportionate consolidation method for joint ventures in line with the Group management reports ("Adjusted").

** before amortisation of customer relationships and other exceptional costs and income.

Overview

The Group still faced a challenging environment in 2014. After a slight decrease of activity levels in the first quarter, market conditions deteriorated in the second quarter and during the summer with low volatility on significant asset classes as well as a continued evolving market structure as a result of regulatory developments and related uncertainties, in particular regarding OTC derivative markets. The market environment improved from the month of September and the Group reported stronger revenues in the fourth quarter compared to the equivalent quarter last year, which was negatively impacted by the introduction of SEFs in the United States. In the context of the regulatory developments in the United States, the Group successfully developed the activities and positioning of Tradition SEF, especially through Trad-X, Tradition's market leading hybrid trading platform for interest rate swaps.

Against this backdrop, the Group posted consolidated revenue of CHF 837.5m compared with CHF 874.4m in 2013, a decrease of 3.5% in constant currencies which represents a better performance than that of the IDB sector. Activity levels in the second half of the year were stronger compared with the equivalent period in 2013, with consolidated adjusted revenue up 2.7% in constant currencies. Operating profit for the year increased by 31.1% in constant currencies to CHF 41.2m for

a margin of 4.9% compared with CHF 32.1m and a margin of 3.7% respectively in 2013, benefiting from costs reduction measures.

The Group remains focused on measures to adapt its cost base to this market environment, through cutting fixed costs while increasing its flexibility. Since 2012, net savings of more than CHF 180m were achieved through fixed cost reductions and this, with reorganisation costs well under control. The pay ratio of brokers now stands at 57.7% of revenue, with variable remuneration accounting for close to 44% of total pay.

At the same time, the Group continued its investments in technology, essential to the deployment of its electronic broking strategy to develop hybrid trading platforms using its proprietary technology. These platforms leverage innovative functionalities covering multi-asset classes and have been designed as a logical extension to Tradition's voice broking services. These substantial investments have a negative impact on the Group's short-term profitability but are critical in order to fully benefit from opportunities driven by the regulatory developments. Tradition's industry award-winning platforms, Trad-X and ParFX, are at the core of its electronic strategy.

Since the introduction of SEFs in October 2013 into the US marketplace as a component part of the Dodd Frank Act, Trad-X has formed the backbone of Tradition SEF's Interest Rate Swap. Total USD IRS trading volumes since launch in February 2013 exceeded CHF 1 trillion (single count).

Revenue

The Group's consolidated adjusted revenue was CHF 894.5m compared with CHF 934.1m in 2013, a decrease of 3.4% at constant exchange rates.

Adjusted revenue from IDB activity declined 3.1% in constant currencies with a decrease in all asset classes but foreign exchange products and emerging markets. However, results by asset classes varied according to the geographic regions.

Operating profit

The adjusted underlying operating profit (excluding exceptional costs) was CHF 67.9m, compared with CHF 60.0m in 2013, an increase of 15.1% in constant currencies. The adjusted underlying operating margin improved to 7.6% of consolidated revenue against 6.4% in 2013. The IDB adjusted underlying operating profit was up 22.3% in constant currencies to CHF 65.8m for a margin of 7.5% compared with 6.0% in 2013.

Net exceptional costs of CHF 18.7m (2013: CHF 13.7m) comprise mainly legal and reorganisation costs. In February 2015, the Group amicably resolved all disputes with a competitor which dismissed and discontinued all pending proceedings.

Reported operating profit for the year was CHF 41.2m compared with CHF 32.1m in 2013, an increase of 31.1% in constant currencies for an operating margin of 4.9% against 3.7% in 2013.

Net profit

Consolidated net profit was CHF 32.0m compared with CHF 21.7m in 2013 with a Group share of CHF 27.7m against CHF 15.5m in 2013, an increase of 82.7% at constant exchange rates.

Balance sheet

After the acquisition of the entire shareholding of a minority shareholder in a Japanese subsidiary in April, the Group concluded, in November, a new partnership to broke Japanese derivatives. These operations positively impacted equity attributable to shareholders of the parent by CHF 33.6m. Thus, consolidated equity totalled CHF 354.1m at 31 December 2014, of which CHF 341.7m was attributable to shareholders of the parent (31 December 2013: CHF 282.0m), compared with a stock market capitalisation of some CHF 300m¹. The Group's share of equity, net of goodwill and other intangible assets from acquisitions, is among the highest in the IDB industry.

Total adjusted cash, including financial assets at fair value, net of financial debt, rose by CHF 43.8m to CHF 118.7m at 31 December 2014 (31 December 2013 : CHF 74.9m), benefiting from an improvement in net adjusted cash flows from operating activities.

Dividend

At the Annual General Meeting to be held on 22 May 2015, the Board will be seeking shareholders' approval to pay a dividend of CHF 3.00 per share (yield close to 6.5%¹). Shareholders will be given the option of receiving their payment in cash or in shares.

Outlook

Since the beginning of the year, the Group's consolidated adjusted revenue is up by more than 3% at constant exchange rates compared to the same period in 2014. At this stage, it is still too early to confirm a real trend in the development of the Group's business. Nevertheless, the Group will continue to focus on the control of its costs in order to increase its flexibility while maintaining its investments in technologies.

¹ At 12 March 2015: CHF 46.15 per share

ABOUT COMPAGNIE FINANCIERE TRADITION SA

Compagnie Financière Tradition SA is one of the world's largest interdealer brokers in over-the-counter financial and commodity related products. Represented in 28 countries, Compagnie Financière Tradition SA employs 2,200 people globally and provides broking services for a complete range of financial products (money market products, bonds, interest rate, currency and credit derivatives, equities, equity derivatives, interest rate futures and index futures) and non-financial products (energy and environmental products, and precious metals). Compagnie Financière Tradition SA (CFT) is listed on the SIX Swiss Exchange.

For more information, please visit www.tradition.com.

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