

**ONE**

**GLOBAL**

**FORCE**

## **Presentation of 2009 full year results**

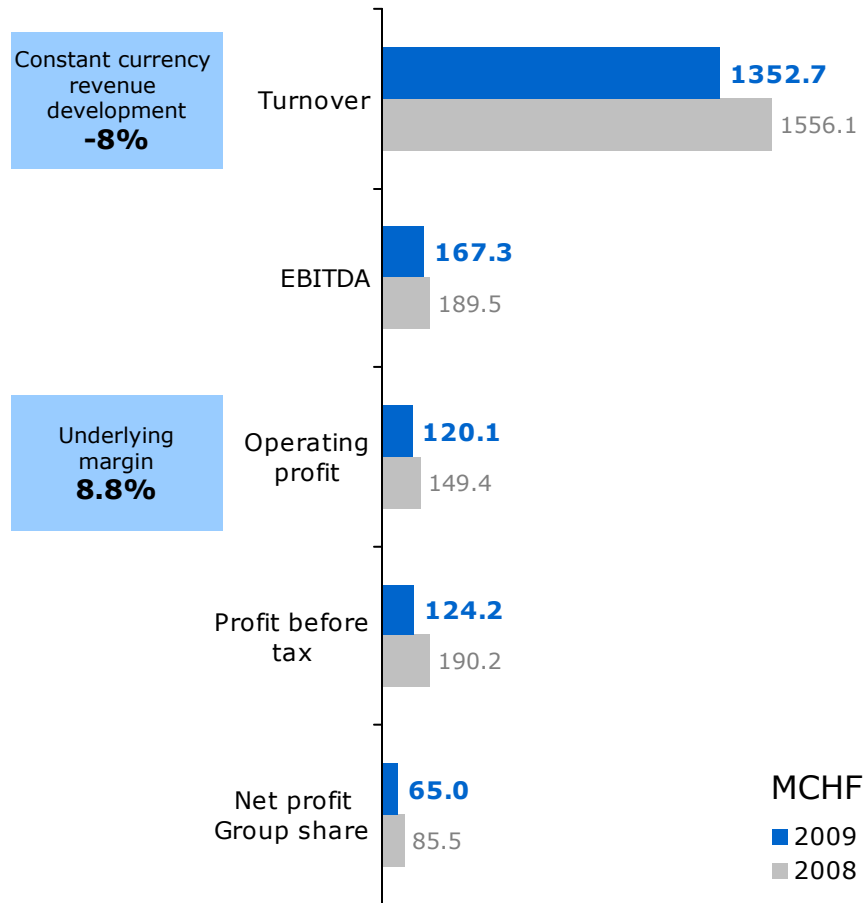
Global Leaders In Interdealer Broking



Compagnie Financière Tradition

# Financial highlights

## Financial highlights



## Instability in the financial services entering its 2nd year

- IDBs are key components of market infrastructure

## Market slowdown in 2009

- Typical post crisis slowdown after record months in H2 2008
  - Operating profit impacted by H2 slowdown
- Unprecedented level of political and regulatory activism in OTC markets reform plans
  - Lack of focus on the causes of the crisis and unresolved or new imbalances

## 2010: a year of adjustment

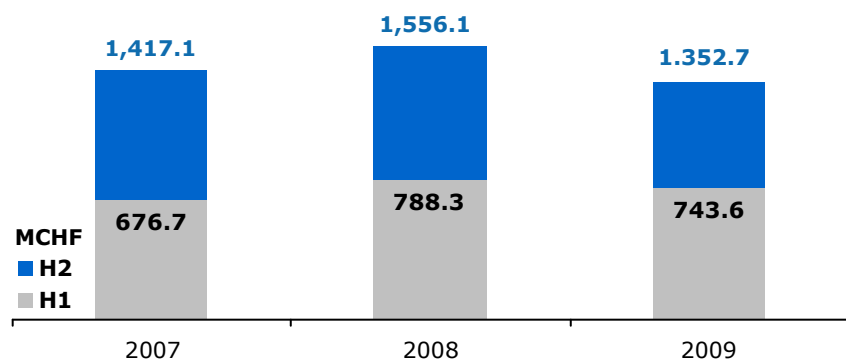
## Key areas of focus

- In-house culture for more operating efficiency and flexibility in business model
- New regulations as they unravel
- Structural evolutions and consolidation opportunities
  - Development of product profile and market presence
  - Objective to be an influential market participant as one of the few global IDBs

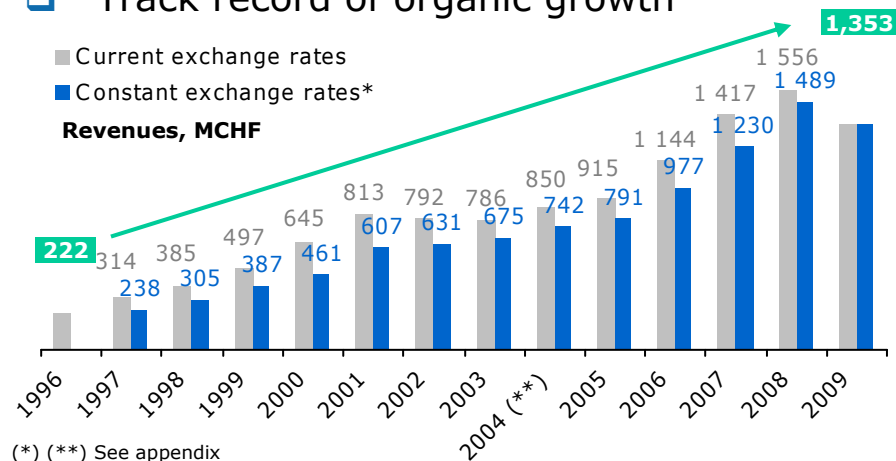
## Proposed dividend of CHF 8 per share

# Revenues

## □ Half year / yearly turnover



## □ Track record of organic growth



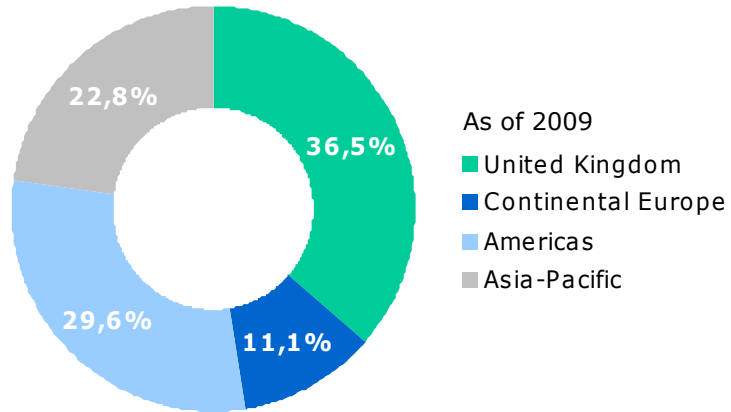
## □ Highlights

- Varied patterns depending upon market segment
- Lower level of trading on the back of de-leveraging
- Severe year end slowdown
- Unsettling regulatory action in OTC markets
- Voice negotiated products favoured during the crisis
- Intermediary's role crucial in markets where there is little liquidity

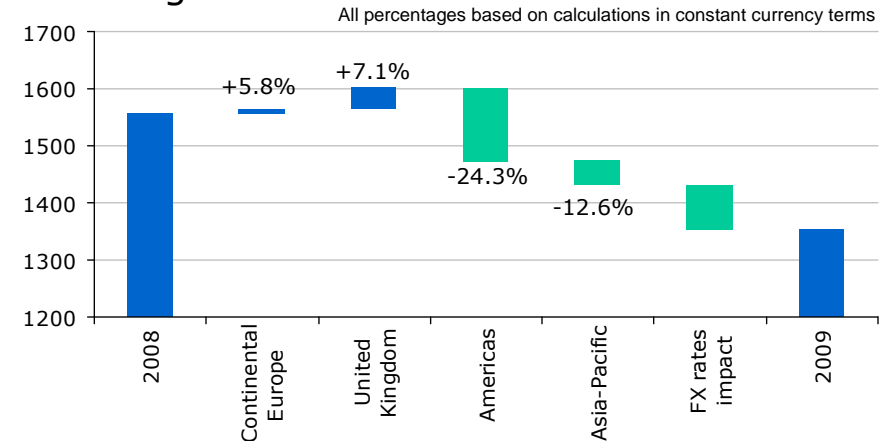
# Strategic diversification

## Geography

### Turnover by region



### Bridge



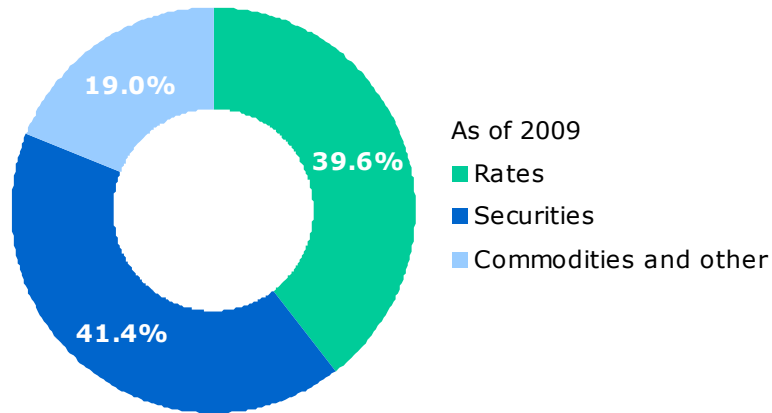
### Highlights

- Benefit of diversification
- Highest rate of growth in Europe
- Americas impacted by regulatory uncertainty and product mix
- Japan lagging the rest of Asia in retail and wholesale activities
- Mainland China operations started in 2009
- Further opportunities to enhance market share and coverage

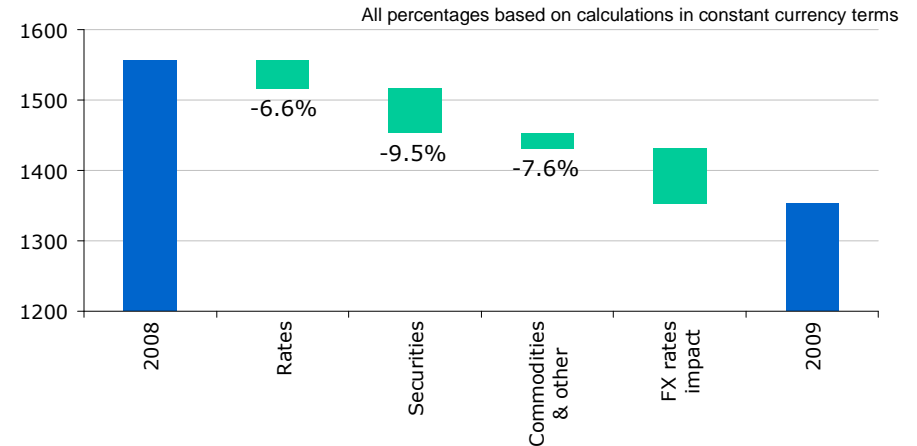
# Strategic diversification

## Product

### Turnover by product



### Bridge



### Highlights

- FX options expected to be more active again in 2010
- More activity in cash than derivatives in rates products
- Objective to build market share in bonds
- Signs of recovery in the CDS markets
- Strong performance in cash equities
- Continued resilience in energy products
- Gaitame retaining its high profile but competition and regulatory headwinds for the moment in FX retail sector in Japan

# Operating performance

## Underlying operating margin

### Underlying results

MCHF	2009	2008	Variation
<b>Turnover</b>	<b>1,352.7</b>	<b>1,556.1</b>	<b>-13.1%</b>
Net operating expenses	-1,207.2	-1,328.9	-9.2%
<b>Underlying EBITDA</b>	<b>145.5</b>	<b>227.2</b>	<b>-36.0%</b>
	<b>10.8%</b>	<b>14.6%</b>	
Depreciation and amortisation	-26.8	-25.4	
<b>Underlying EBIT</b>	<b>118.7</b>	<b>201.8</b>	
	<b>8.8%</b>	<b>13.0%</b>	
Gains on disposal of Group entities	32.0	-	
Exceptional expenses	-10.2	-37.7	
Amortisation of intangibles	-20.4	-14.7	
<b>Reported EBIT</b>	<b>120.1</b>	<b>149.4</b>	<b>-19.6%</b>
	<b>8.9%</b>	<b>9.6%</b>	

### Cost savings action plan

- First tranche target set at CHF40m
  - Decrease costs base in mature markets
    - Continued focus on underperforming businesses and low producers
    - Reduction of infrastructure, administration, technology and professional services
    - Reduction of non compensation variable costs, primarily travel/business/marketing
- Ring fence investments in a selected number of future growth areas

# Operating performance

## Operating ratios

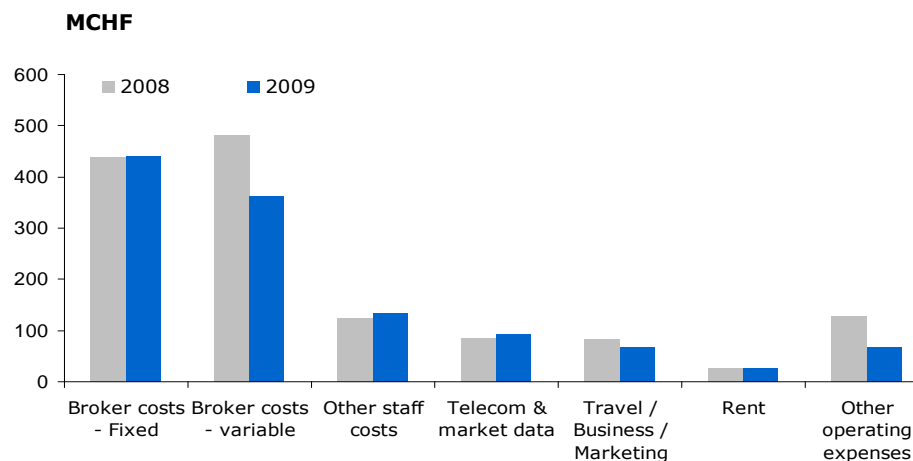
### Key underlying operating ratios

In % of turnover	2009	2008
<b>Compensation costs</b>	<b>68.7</b>	<b>66.8</b>
- Operational	58.9	59.0
- Administrative	9.8	7.8
<i>Variable/total</i>	<i>42.1%</i>	<i>50.2%</i>
<b>Non-compensation costs</b>	<b>20.5</b>	<b>18.6</b>
Telecom & market data	6.7	5.5
Travel/Business/Marketing	5.0	5.3
Rent	2.0	1.6
Other net operating expenses	6.8	6.2
<b>Underlying EBITDA</b>	<b>10.8</b>	<b>14.6</b>

### Other KPIs

Number of brokers and other front office staff	<b>1768</b>
<i>Of which number of brokers</i>	<i>1634</i>
Brokers - Yoy variation	<b>+78 / +5.0%</b>
Brokers average productivity (CHF)	<b>790 k</b>
Yoy variation in constant currencies	<b>-13.4%</b>
Total staff	<b>2530</b>
Total Staff - Yoy variation	<b>+80 / +3.3%</b>

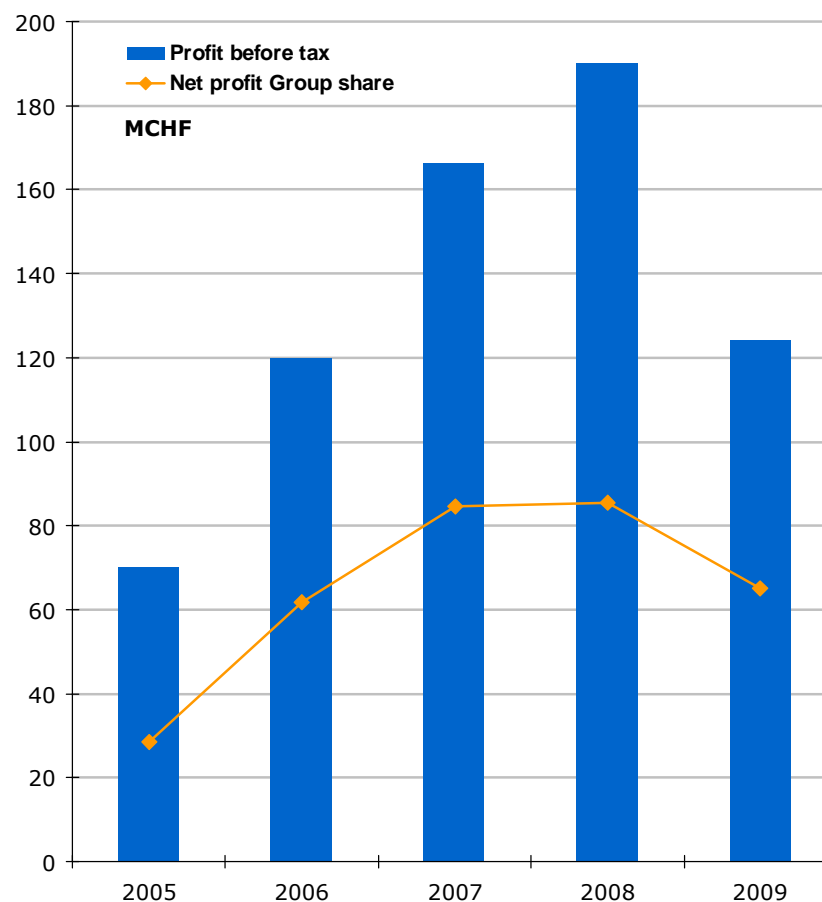
### Cost base evolution



# Net profit Group share

MCHF	2009	2008	Variation
<b>Reported EBIT</b>	<b>120.1</b>	<b>149.4</b>	-19.6%
Net financial income	-1.3	30.1	
Share of profit from equity participation	5.4	10.7	-49.5%
<b>Profit before tax</b>	<b>124.2</b>	<b>190.2</b>	-34.7%
Income tax	-45.4	-81.3	-44.2%
<b>Profit from continuing operations</b>	<b>78.8</b>	<b>108.9</b>	-27.6%
After tax results from discontinued operations	-	-2.9	
<b>Profit for the period</b>	<b>78.8</b>	<b>106.0</b>	-25.7%
<b>Net profit group share</b>	<b>65.0</b>	<b>85.5</b>	-24.0%

Profit before tax and net profit Group share evolution





# Capital management

## Balance sheet and dividend

### Cash and leverage – Tradition

MCHF	31.12.09	31.12.08
Cash & cash equivalents	399.2	378.8
Financial assets @ fair value	9.6	8.7
Financial debt (*)	-167.4	-185.3
Adjustments linked to variances in AH & MP activities	9.7	-1.3
Net funds adjusted	251.1	200.9

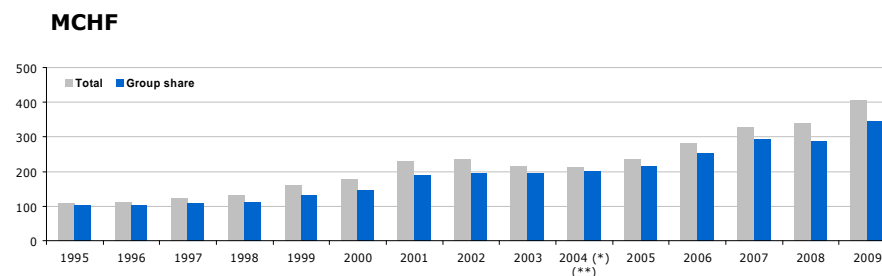
(\*) Excluding debt linked to matched principal activities

### Other key metrics – As of 31.12.09

Book value per share	CHF 56.3
Intangible assets (*)	CHF 89.9m
<i>of which Goodwill</i>	<i>CHF 43.6m</i>
Tangible shareholders' equity	CHF 315.7m

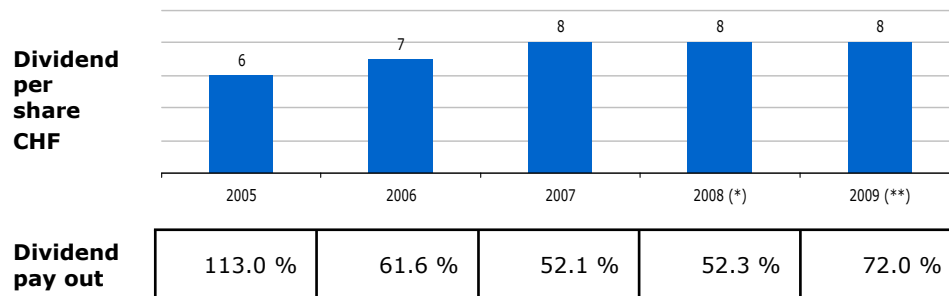
(\*) Amortisation of intangibles finished by end of April 2011

### Shareholders' Equity



(\*) IFRS since 2004, (\*\*) Treasury shares deducted from shareholders equity since 2004

### Dividend

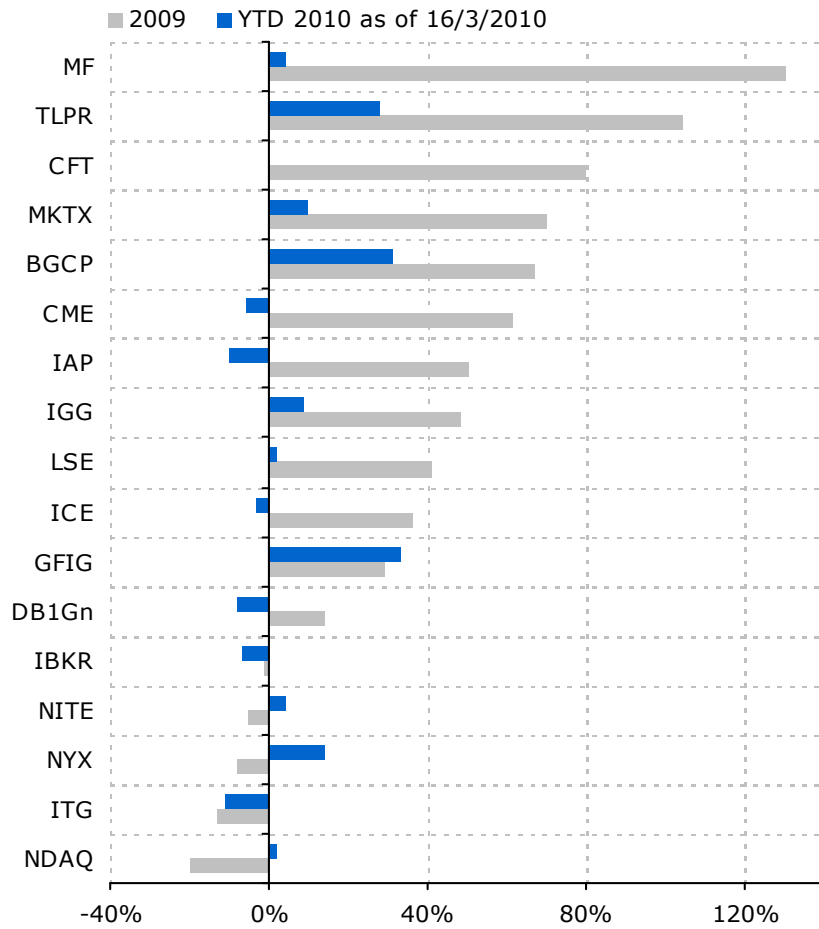


(\*) In addition, distribution of a subscription right with a ratio of 11 rights for 1 new share,

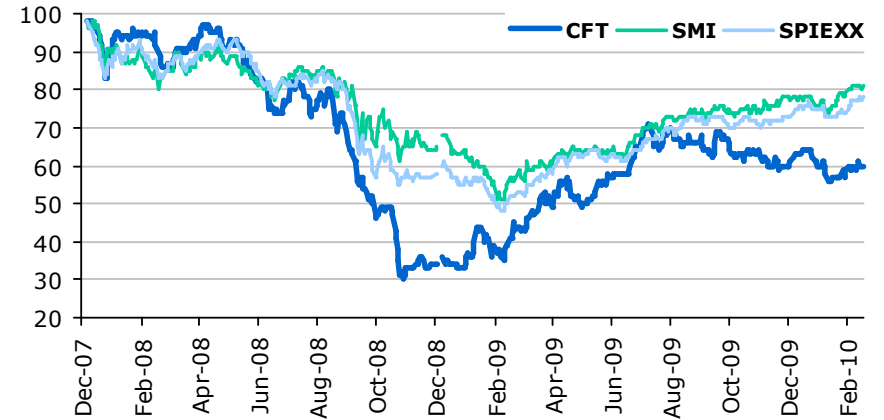
(\*\*) Subject to AGM approval on 6 May 2010

# Stock performance

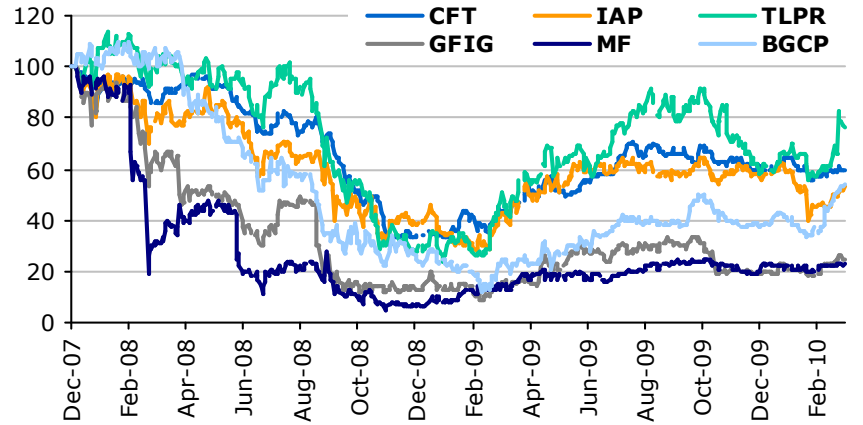
## Stock performance



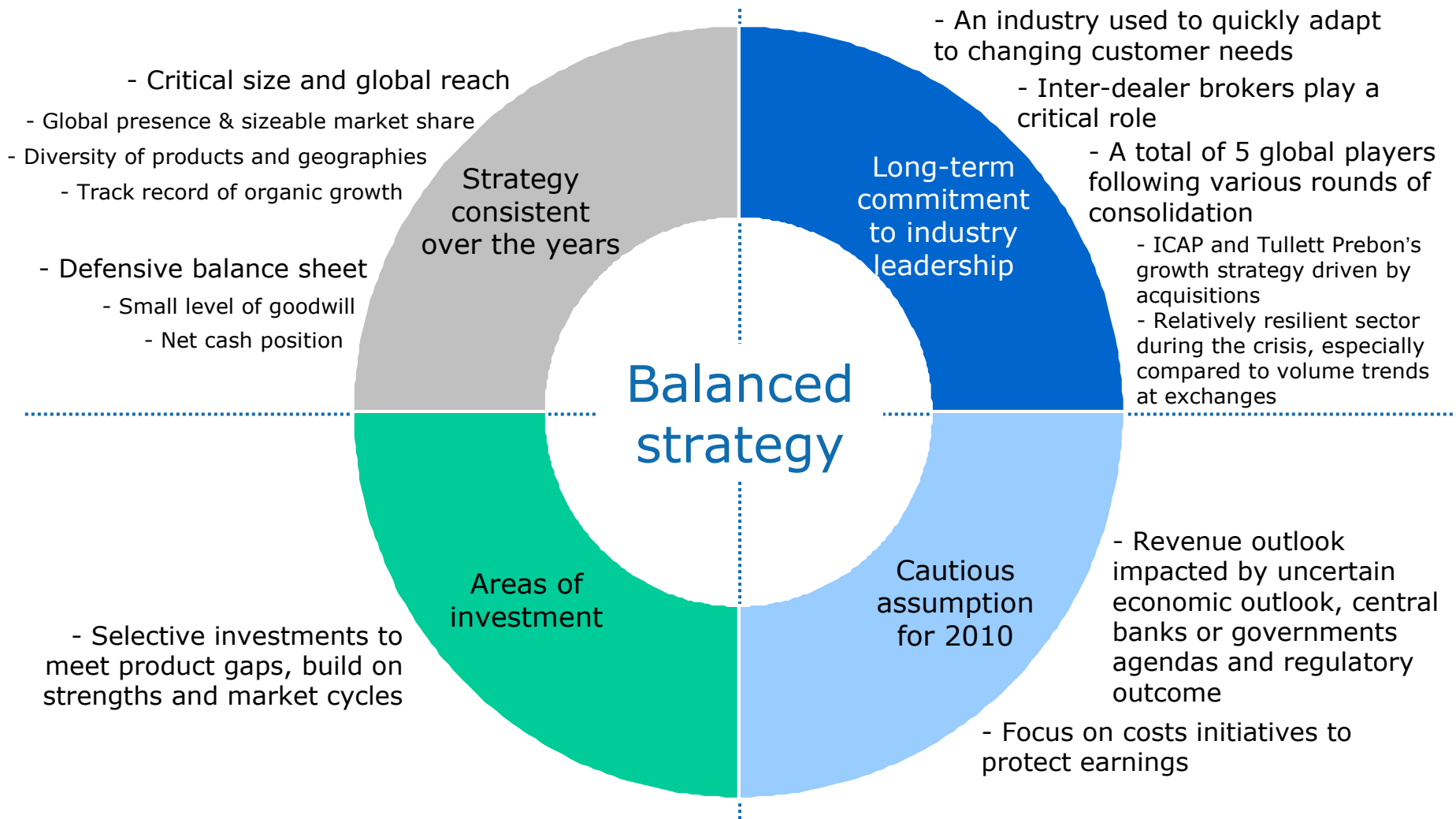
## Tradition's share price versus indices



## Tradition's share price versus peer group



# Strategy

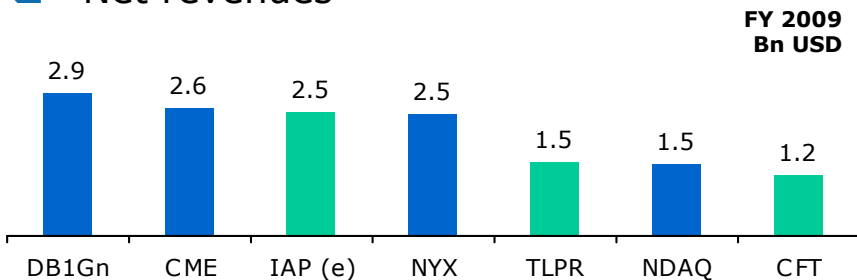


# Further convergence / consolidation

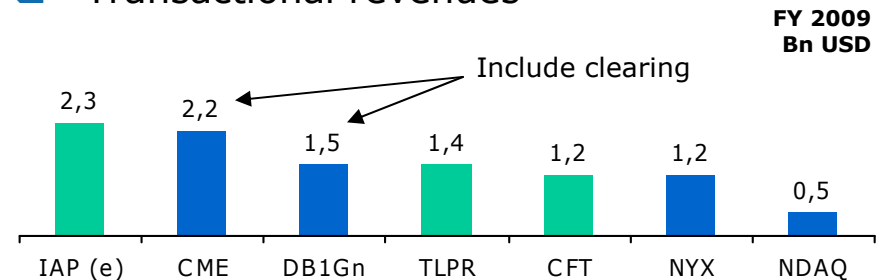


- Global IDBs have a leading positioning in the transactional value chain
  - IDBs are decentralised and fungible pools of liquidity
    - Provide necessary transparency without detriment to liquidity for both listed and OTC instruments
    - Increasingly involved in listed instruments
  - IDBs are market infrastructure per se
- A long established industry used to market cycles, competition, product innovation, product and geographic expansion
  - Structural growth drivers include budget imbalances, emerging economies, risk management techniques
  - Pace of change historically driven by financial innovation, technology and regulation
  - The restructuring of global financial market infrastructure will create opportunities
- Consolidation, what is next?
  - Market structure valuations impacted
  - Compelling costs synergies in transactions among IDBs
  - Possible alliances between IDBs and exchanges in the future

## Net revenues



## Transactional revenues



# Market structure reform

## Ongoing process

- ❑ Focus on Systemic risk and Transparency
  - Regulation to take time but clarity a big help
  - Global coordination both a requirement and a challenge
- ❑ Capital and liquidity requirements / Resolution mechanisms / New regulatory bodies
- ❑ Limits on positions, size or scope of activities / Bank and other proposed levies
- ❑ OTC derivatives
  - Objective to ensure efficient, safe and sound derivatives markets
    - Focus on clearing, trade reporting, regulation of trading venues
  - A different approach taken in the US, Europe and Asia
  - Tradition is participating in the public debate as well as other IDBs
- ❑ Hedge funds, Rating agencies etc.
- ❑ Equity market structure
  - Short selling - Type of orders - High Frequency Traders - Dark pools

Agenda	Impact on Tradition
Shift from bilateral OTC trades to centrally cleared	Positive impact – IDBs already used to OTC clearing by CCPs
New capital requirements - Stricter speculative position limits – Other bans/limits or taxes	Impact on trading volumes difficult to predict
Reporting of trades to trade repositories	Neutral impact – IDBs support trade reporting to regulators and in general, transparency that is not detrimental to liquidity
Shift from bilateral OTC trades to regulated trading venues	IDBs are regulated trading venues “On exchange” trading unlikely to be mandated across the board Complementary models rather than substitutes Electronic trading likely to be evolutionary not revolutionary

## In summary

- ❑ Objective to be an influential participant in the consolidation and rationalisation of the market infrastructure in the wholesale financial markets
- ❑ Continued investments in growth initiatives to secure future competitiveness
  - Secular drivers ranging from macroeconomic to market structure factors
  - Professional market information and execution to be rewarded
  - Complementary external growth opportunities constantly evaluated
- ❑ And focus on operating efficiency
  - A plan corresponding to a 1<sup>st</sup> tranche of CHF 40m
  - In a very competitive environment
- ❑ While maintaining sound capital position
  - Very low level of goodwill on the balance sheet contrary to some other competitors
- ❑ And keeping in mind the profound impacts of the financial crisis
  - Road to economic recovery still uncertain and continued challenged governments and central banks policies
  - Little chance to go back to a global economic model based on unprecedented economic imbalances
  - 2010: a year of adjustment

# Notes and tickers

## □ Notes on revenue

- CFT: IFRS since 2004, EBFL excluded in 2001, 2005-2006-2007 exclude discontinued activities
- ICAP transactional revenue excludes post-trade and information services
- Tullett Prebon transactional revenue excludes information services

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## □ Tickers

Company Ticker		Company Ticker	
CME Group	CME	Investment Technology Group	ITG
Compagnie Financière Tradition (Tradition)	CFT	Knight Capital Group	NITE
Deutsche Börse	DB1Gn	London Stock Exchange	LSE
GFI Group	GFIG	Marketaxess	MKTX
ICAP	IAP	MF Global	MF
IG Group	IGG	Nasdaq OMX Group	NDAQ
IntercontinentalExchange	ICE	NYSE Euronext	NYX
Interactive Brokers	IBKR	Tullett Prebon	TLPR