

H1 results - 3 September, 2012 - Zurich



Compagnie Financière Tradition

Executive summary

Market

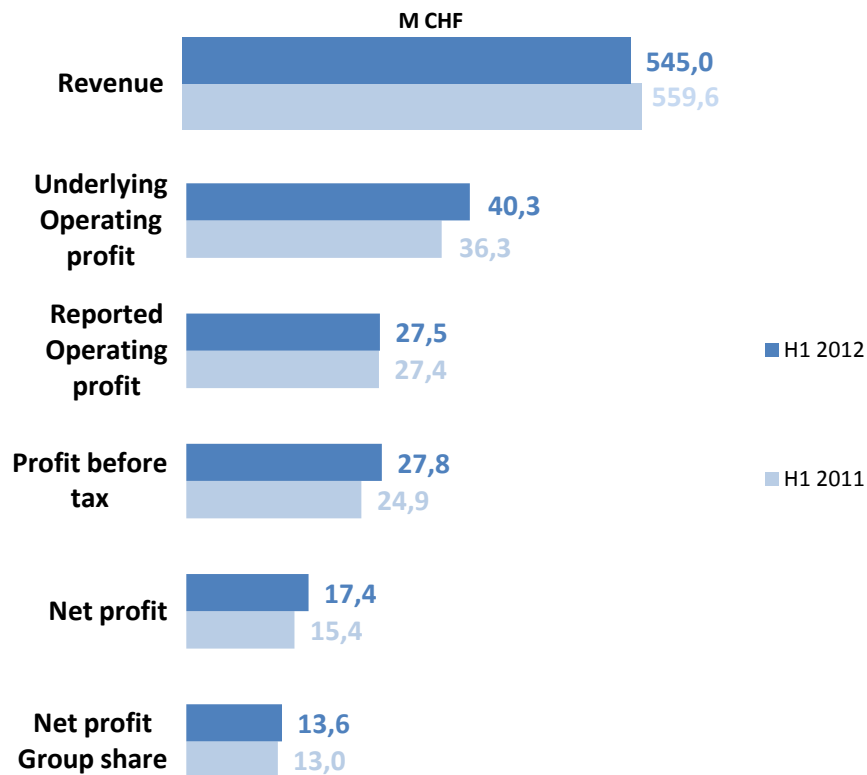
- Soft trading activity backdrop especially in Q2. Unhinged financial markets and surge in risk aversion prompted by elevated macro and political uncertainties
- Headwinds compounded with regulatory uncertainty surrounding the outcome of key market structure reforms
- Banks' business models under strain
- Continuation of a period of adjustment to a new landscape for market participants in general and IDBs in particular

CFT

- Stable net income while revenues were down on challenging market conditions
- Resilience of CFT compared to revenue trends for the peer group at large
- Group technological migration under way with key milestones again in 2012
- Increased cost cutting efforts with more annualised savings implemented ytd than in the full prior year

Executive summary

Performance



Results at a glance

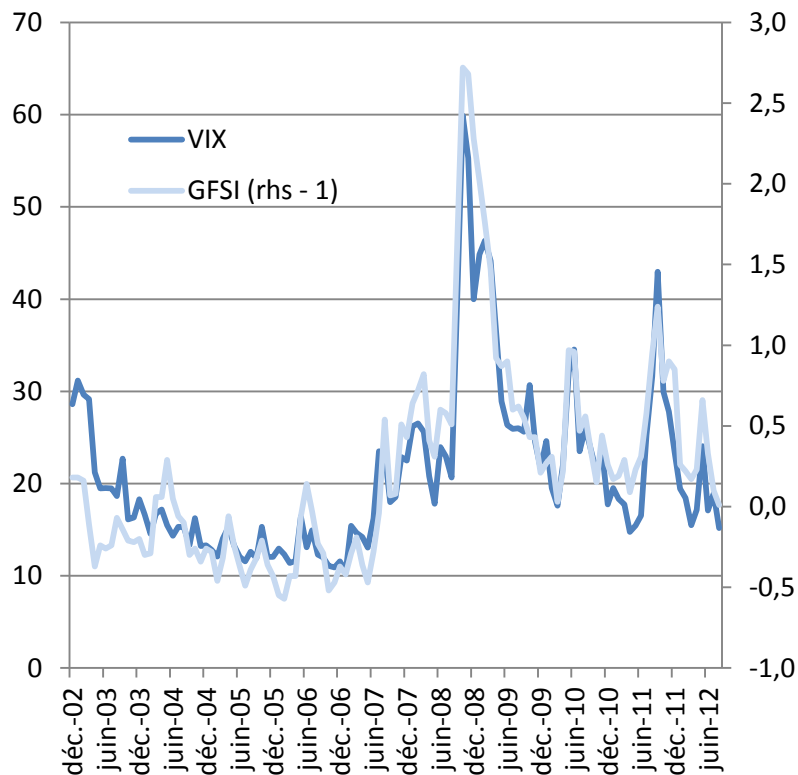
- Revenues down 3.7% in constant currencies
- Underlying operating profit up 10.6% in constant currencies leading to an underlying operating margin of 7.4%
- Negative impact of exceptional costs for an estimated amount of CHF 12.8m
 - Primarily severance and legal costs
- Continued investments in new electronic initiatives in excess of CHF 10m in H1 2012
- Net annualised savings of CHF 42.6m
 - Corresponding to measures implemented between January and July
 - CHF 6.2m effectively materialised in H1 accounts
- Gaitame's revenues down 3.7% with an operating profit of CHF 1.4m compared to a loss in H1 2011

Macro & regulatory environment

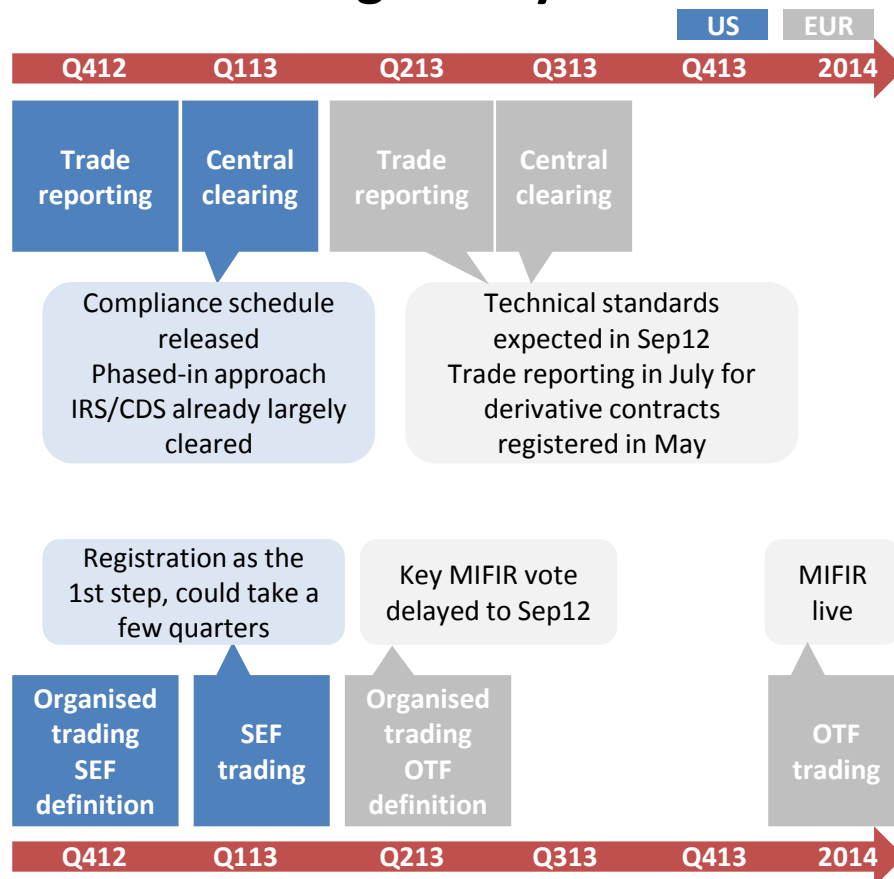
Risk aversion returned in Q2

Incremental progress toward the G20 commitments to reform OTC derivatives

Market « stress » measures



Tentative regulatory timeline



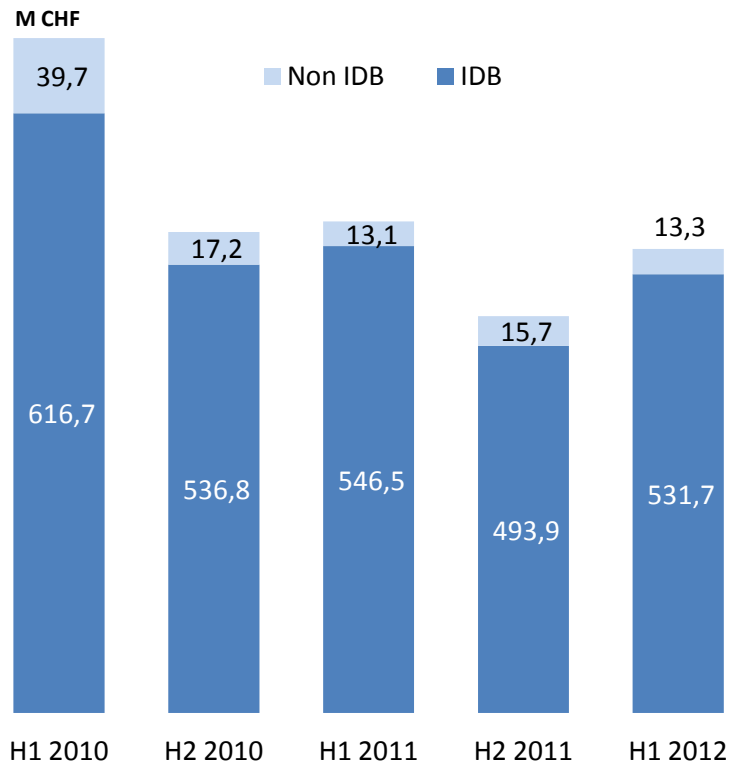
1- This index is a BofA Merrill Lynch calculated measure of risk, hedging demand and investor flows, made up of data from a range of asset classes. According to BofA Merrill Lynch, it is a helpful reflection of the overall « mood » of financial markets

Strategic positioning¹

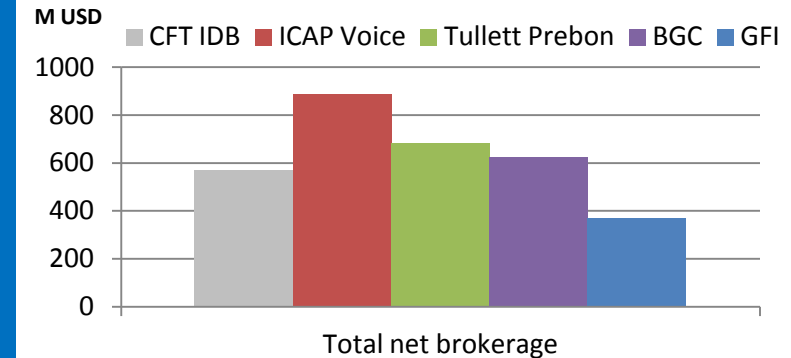
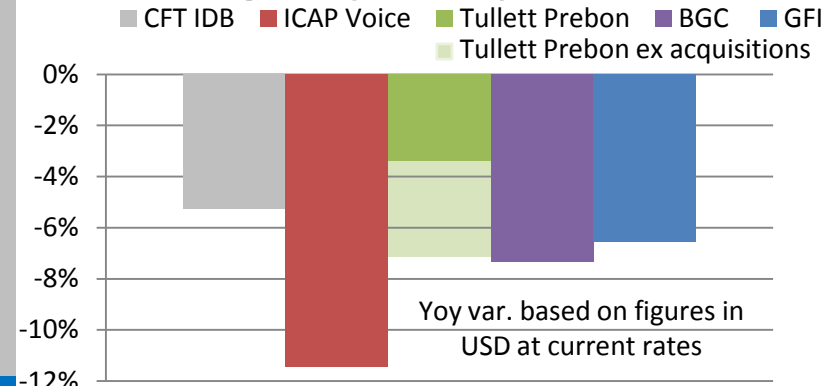
H1 down¹ across the IDB sector, cyclical and structural headwinds

CFT IDB resisting reasonably well

Half yearly revenues



Peer group – Yoy var & size



Transaction & Clearing	CME	ICE
H1 commission fees	1265	629

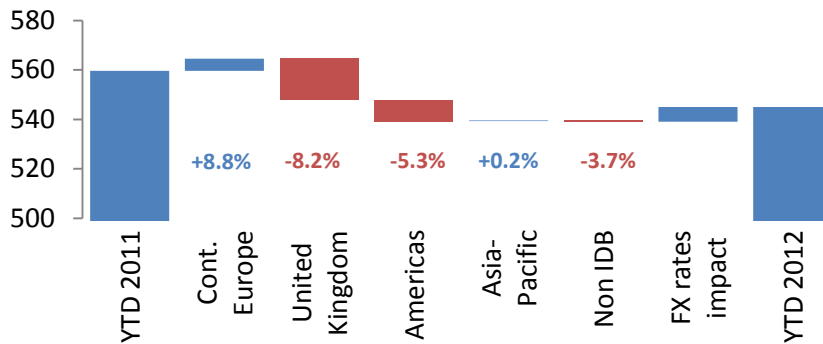
¹ – 6m revenue figures converted in \$ @ current FX rates - Total excluding IS&RMS for Tullett Prebon – Tullett Prebon’s acquisitions refer to Convenção and Chapdelaine munis - Net brokerage for GFI - Gross brokerage excluding “Real estate” less Floor brokerage expenses for BGC – ICAP Oct 11 March 12 for relative size and yoy var

IDB regional revenues

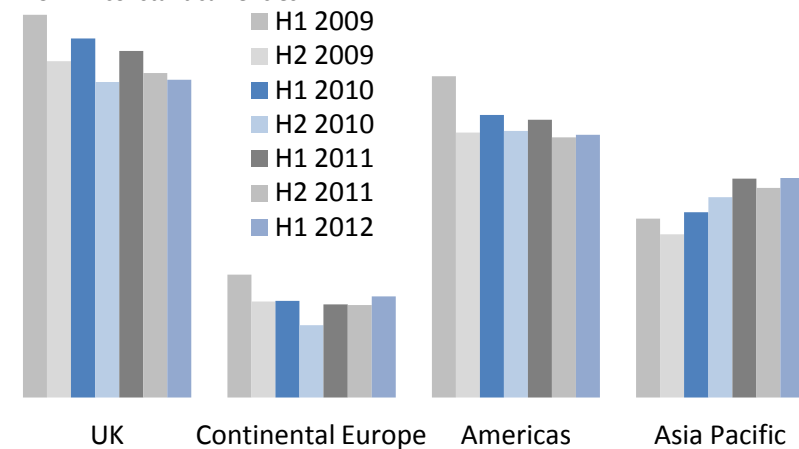
Well balanced mix - Strong franchise in Asia Pacific – Indonesia opened

Trend by region

M CHF All percentages based on calculations in constant currency terms

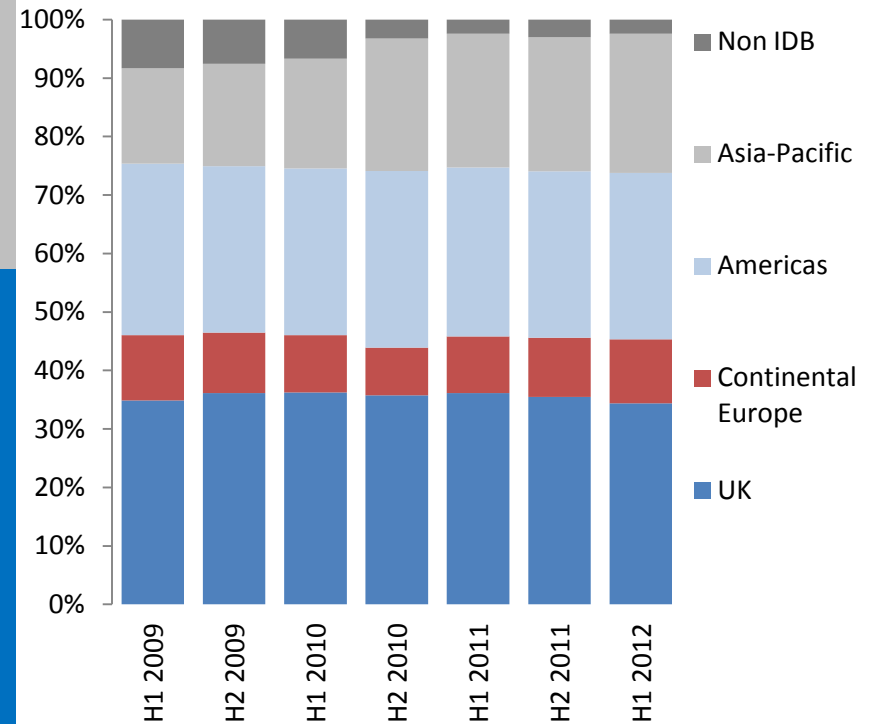


M CHF in constant currencies



Breakdown by region

In constant currencies

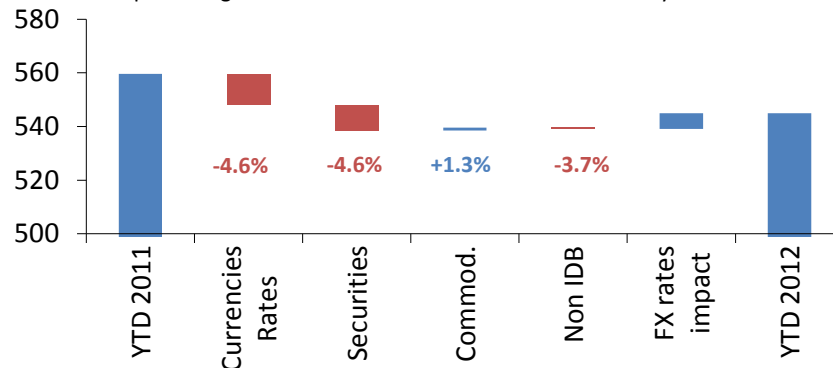


IDB product mix

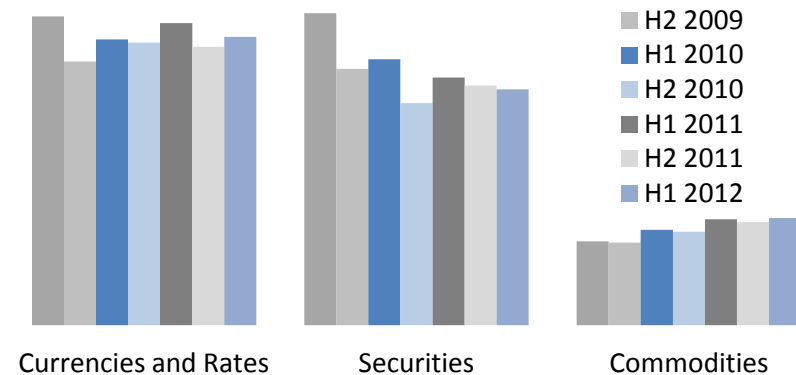
Benefit of diversification - Complementary trends across time zones

Trend by asset class

M CHF All percentages based on calculations in constant currency terms

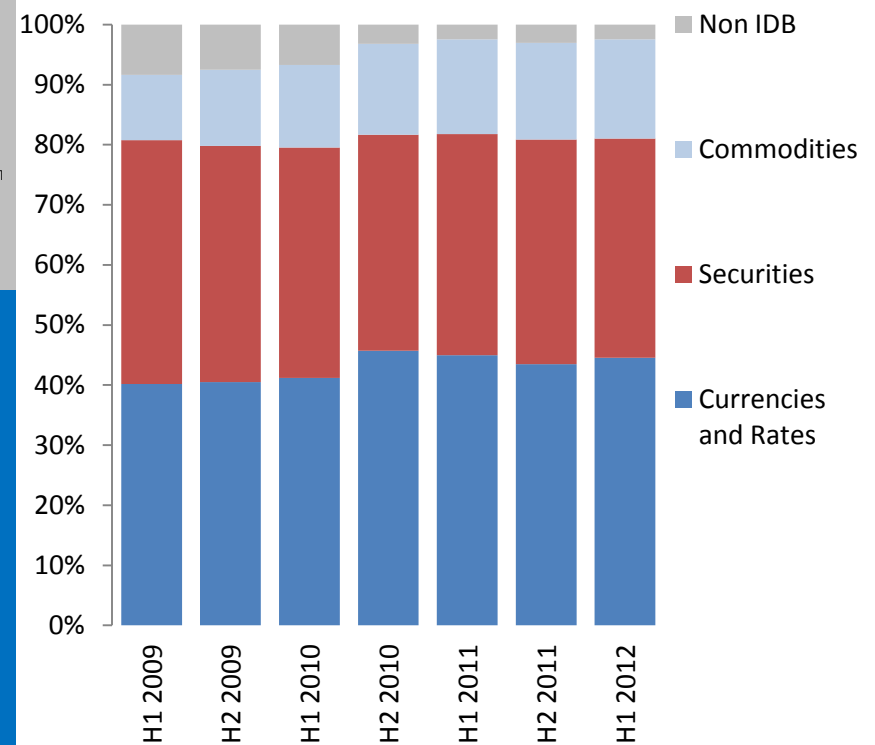


M CHF in constant currencies



Breakdown by asset class

In constant currencies



Electronic trading

Clear strategy based on anticipated electronification of markets

Market opportunities

- Regulatory environment increasingly dominates clients' decision-making processes
- Mitigated counterparty risk due to central clearing
- Trend towards fragmentation of players
- Aggregation of liquidity key for the functioning of the markets
- Reduced levels of banks' inventories
- ECM/DCM as a substitute for shortage of bank lending to corporates
- Development of industry-wide market standards
- IDBs foreseen to retain critical role in price discovery and price formation

Electronic global strategy

- Ensure that its services are provided as cost effectively as possible
- Deliver electronic or hybrid capability across all relevant products, taking into account:
 - Product
 - Competitive positioning
 - Customer base
 - Jurisdiction and legislation
- Focus on delivering liquidity to any electronic initiatives
- Partner with key liquidity providers when appropriate

Electronic trading

Key initiatives

Tradition-ICAP Volbroker

- Pioneer and long time global market leader in FX options
- CLOB, RFQ, Auction, Hybrid
- Further deployment in light of MIFIR, EMIR, DFA

Trad-X EUR

- Live 1 year, leading Euro IRS platform
- 5500 orders and over €375bn volume matched
- Largest number of streaming participants
- High message volumes with an average of 1.6bn per day
- CLOB, Auction service, Hybrid, Implied message generation
- Positive impact on existing business with increased voice volumes

TraFXpure

- Build phase in process, senior management on board, numerous bank partners
- CLOB
- New totally electronically traded asset class for the group
- High volumes expected with committed liquidity from partners

Projects in the pipeline

- Further developments for Tradition-ICAP Volbroker and Trad-X
- Demo and business model close to be finalised in 2 other asset classes with innovative offerings

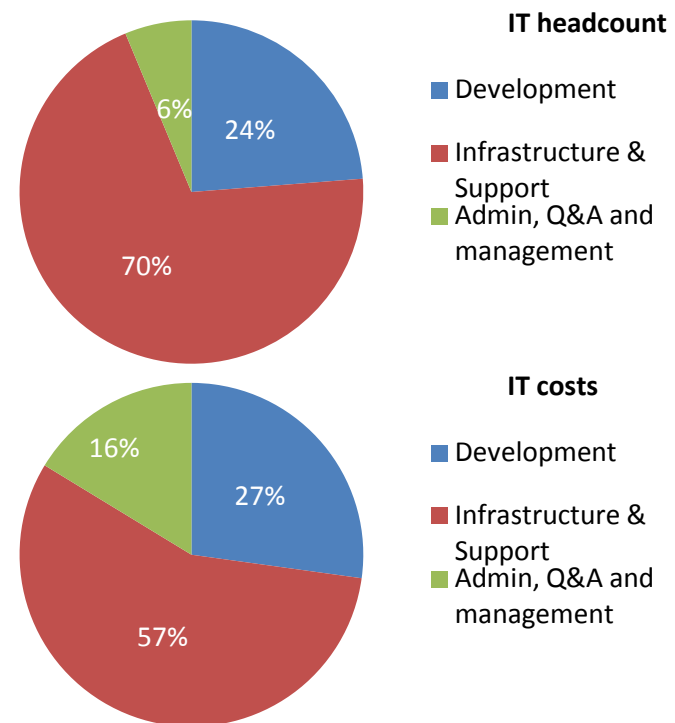
Electronic trading

Own technology and ongoing investments

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
- Investments continued in 2012 in a changing regulatory environment where time to market is a key success factor
- Focus on leveraging on development capacity and building up the required infrastructure and operation support

Resources and investments



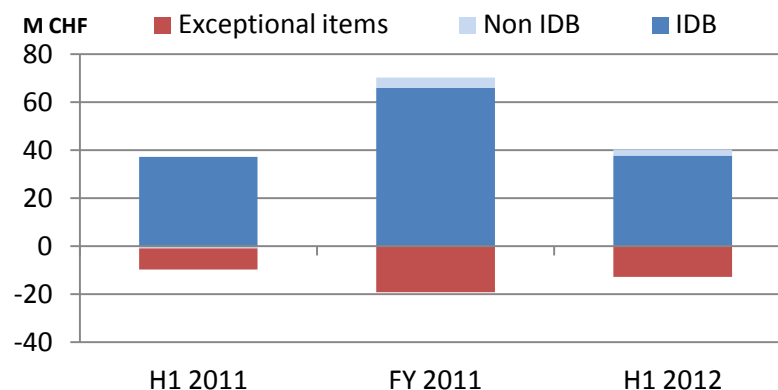
Operating performance

Underlying operating profit up 10.6% in constant currencies

Group operating profit

M CHF	H1 2012	H1 2011	Var cst.	Var cur.
Revenue	545.0	559.6	-3.7%	-2.6%
Net operating expenses	-517.5	-532.2	-3.8%	-2.8%
Reported operating profit	27.5	27.4	-0.1%	+0.4%
Reported operating margin	5.0%	4.9%		
Amort. and impairment of intangibles	2.8	7.9		
Exceptional expenses	10.0	6.4		
Exceptional income	-	-5.4		
Underlying operating profit	40.3	36.3	+10.6%	+11.0%
Underlying operating margin	7.4%	6.5%		

Operating profit by business



Underlying IDB operating ratios

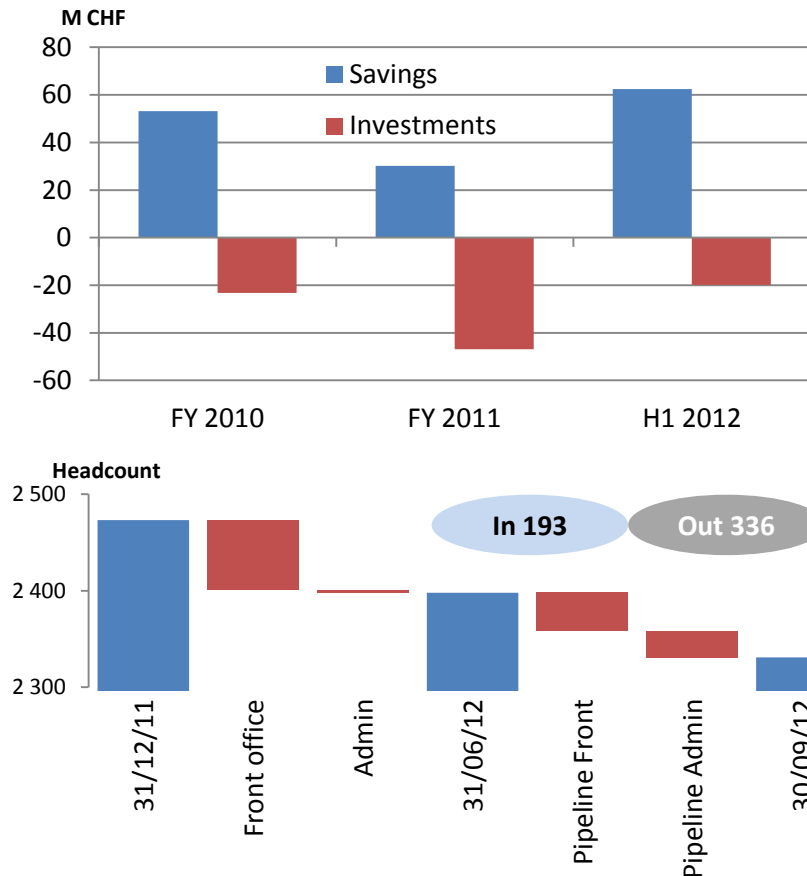
In % of Revenue	H1 2012	H1 2011
Compensation costs	-72,6	-74,8
Operational	-60,4	-61,8
Administrative	-12,2	-13,0
Operational: variable/ total compensation	42,6	44,2
Non compensation costs	20,3	18,4
Underlying operating margin	7,1	6,8

Gross savings and investments

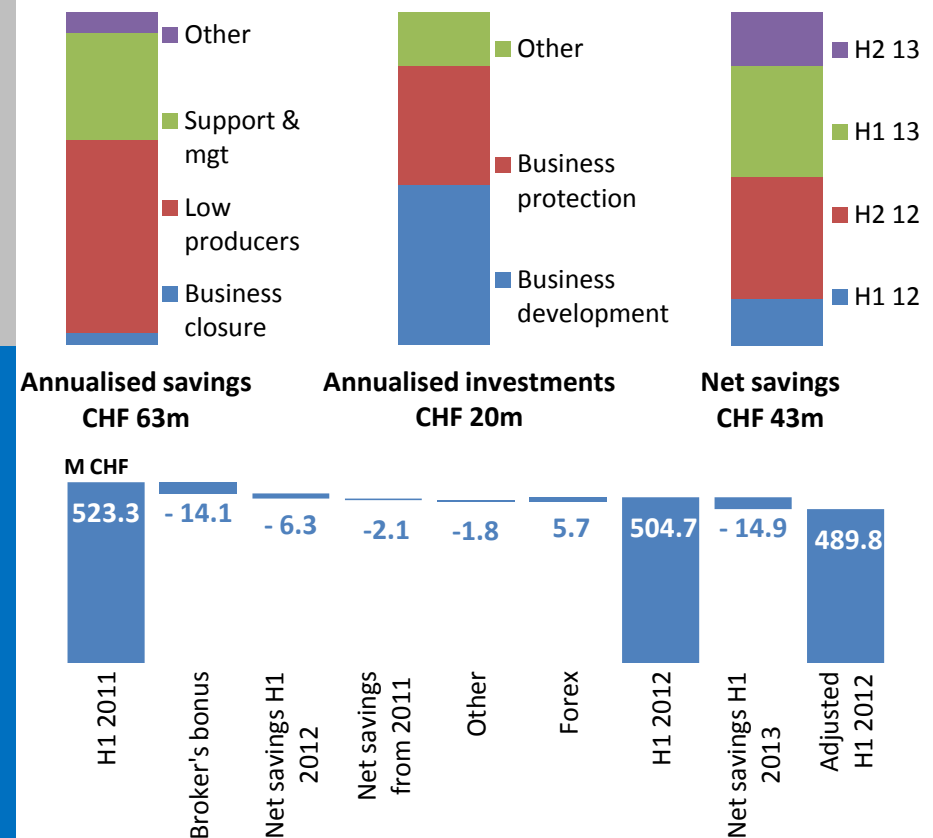
Proactive cost and headcount management

Year to date measures will continue to materialise in H2

Track record



Breakdown & H1 cost base¹ bridge

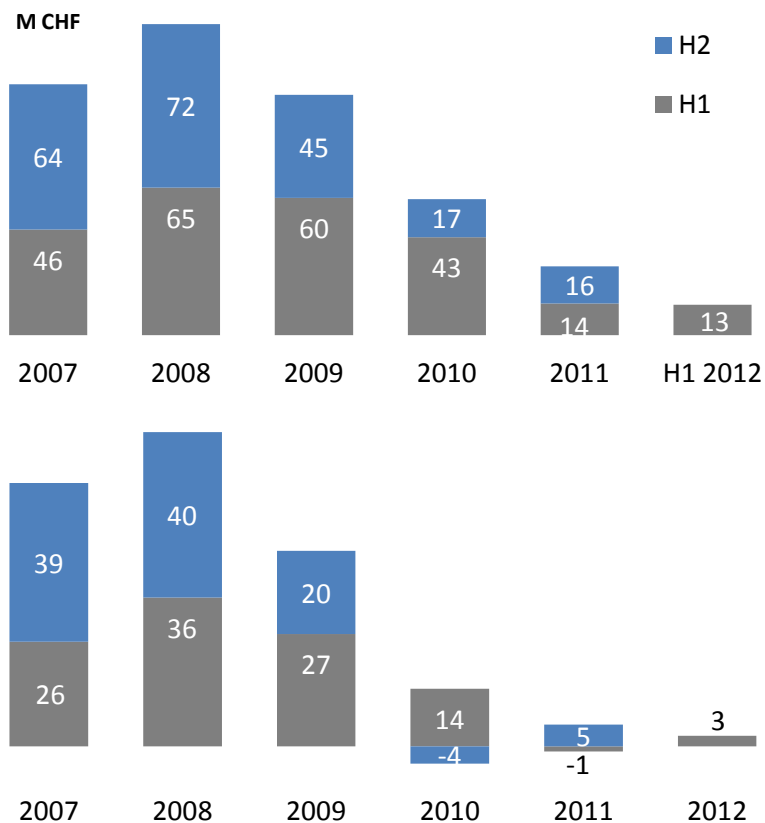


Non IDB business

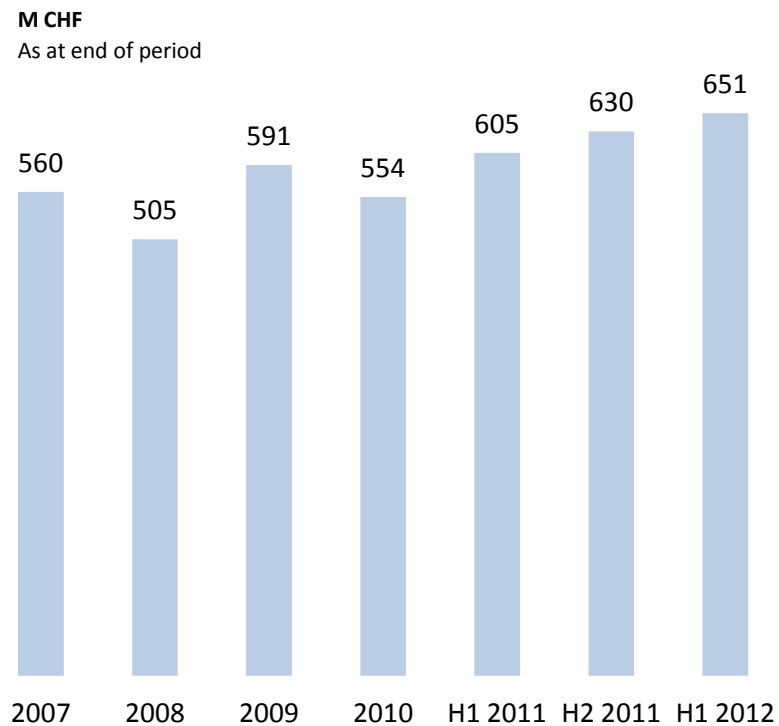
Q1 on track followed by a difficult business environment in Q2

Gaitame has scale and balance sheet

Revenues & underlying op. profit¹



Gaitame's clients deposits¹



Net profit

Stable results

M CHF	H1 2012	H1 2011	Var cst.	Var cur.
Reported operating profit	27.5	27.4	-0.1%	+0.4%
Net financial income	0.4	-1.7		
Share of profit of associates	-0.1	-0.8		
Profit before tax	27.8	24.9	+11.0%	+11.4%
Income tax	-10.4	-9.5	+7.9%	+9.6%
Net profit for the period	17.4	15.4	+12.9%	+12.5%
<i>Group share</i>	13.6	13.0	+5.2%	+4.0%

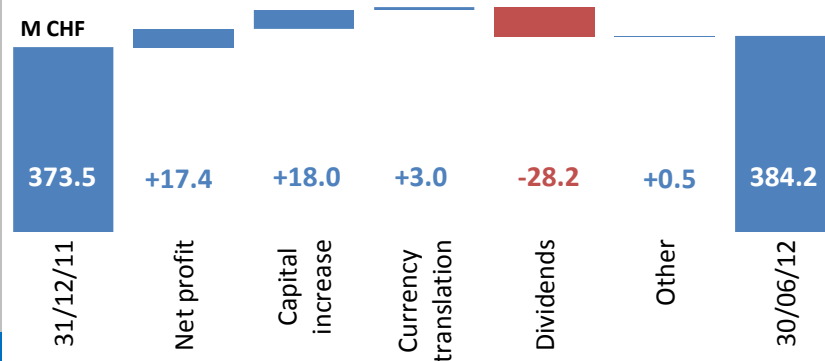
- No significant currency impact on H1 2012 P&L
- Satisfactory performance for Capital Markets Holding and strong synergies with CFT
- Revenues up 42% in Ping An Tradition (Mainland China)
- Effective tax rate @37,2% in line with prior year

Balance sheet

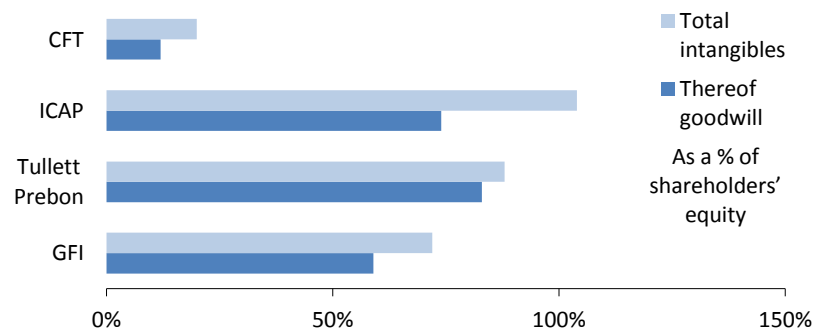
Consistent focus on sound balance sheet and capital position

M CHF	Assets		M CHF	Liabilities	
	30.06.12	31.12.11		30.06.12	31.12.11
Property, Plant & Equipment	29.1	30.4	Capital	16.2	15.4
Intangible assets	77.2	77.3	Share premium	47.9	55.6
Investments in associates	39.4	40.3	Treasury shares	-6.2	-6.1
Available-for-sale financial assets	7.9	8.9	Currency translation	-87.2	-90.7
Unavailable cash	43.5	34.0	Consolidated reserves	347.8	333.2
Other non-current assets	34.5	34.0	Minority interests	65.7	66.1
Non-current assets	231.6	224.9	Equity	384.2	373.5
Receivables related to MP activities	643.7	50.5	Non-current liabilities	44.8	43.9
Receivables related to AH activities	671.2	655.3	Short term financial debts	175.7	149.0
Trade & other receivables	243.3	209.9	Payables related to MP activities	619.9	52.4
Financial assets at fair value	13.1	12.6	Payables related to HA activities	673.3	656.0
Cash & Cash equivalents	305.1	333.0	Trade & other payables	229.1	234.1
Other current assets	19.0	22.7	Current liabilities	1,742.8	1,091.5
Current assets	1,895.4	1,284.0	TOTAL EQUITY AND LIABILITIES	2,127.0	1,508.9
TOTAL ASSETS	2,127.0	1,508.9			

Total equity



Capital structure comparison¹

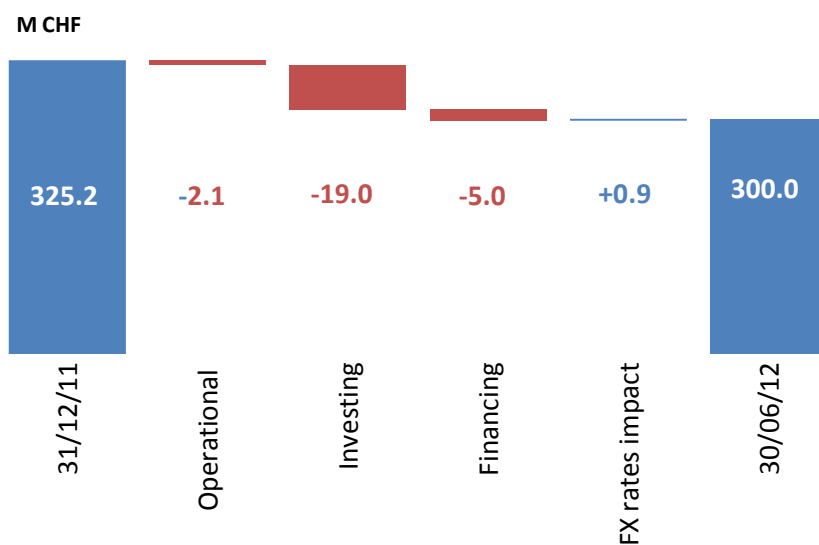


1 - ICAP as of March 2012, CFT, Tullett Prebon and GFI as of June 2012

Net cash

Typical pattern between December and June

Adjusted gross cash



Cash and debt

M CHF	2012	2011
Cash & cash equivalents	305.1	333.0
Bank overdraft	-26.8	-5.1
Adjustments from changes in AH & MP activities	+21.7	-2.7
Adjusted gross cash for cash flow statement	300.0	325.2
Financial assets @ fair value	13.1	12.6
Financial debt ¹	-149.1	-144.3
Adjusted net cash	164.0	193.5

Outlook

- Focus on technology and leverage on 2011 and 2012 key electronic initiatives to deploy group electronic strategy
- Continue to reduce cost base and prepare to accelerate in case of deterioration of market conditions
 - Investments in development and infrastructure to be offset through further cost savings
- Maintain consistent focus on sound balance sheet and capital position
- Objective is to be an influential participant in the IDB sector
 - CFT is one of only five global IDBs in the world
 - Consolidate market positions
 - Adapt to a changing landscape in terms of regulation and clients' business models
- Experts in price discovery and market structure, IDBs have 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

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