# ANNUAL REPORT 2009

Compagnie Financière Tradition

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*With a presence in 27 countries, Compagnie Financière Tradition SA is a leading interdealer broker (IDB) in the international market. The Group 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 (precious metals, and energy and environmental products). Compagnie Financière Tradition is listed on the SIX Swiss Exchange.*

# CHAIRMAN'S MESSAGE

The beginning of 2009 was particularly complex, with global stock markets continuing to slide and widespread uncertainty over the future of the financial sector. The year was also marked by the massive intervention of central banks and governments in the economy. Although the markets recovered strongly towards the end of the year, the global economic landscape remains uncertain, in an environment featuring high national debt and world growth driven by emerging markets. Against this backdrop, Compagnie Financière Tradition reported turnover of CHF 1.35 billion, down 8.0% from the previous year at constant exchange rates.

Profit before tax on continuing operations was CHF 124.2 million, giving a pre-tax return of 9.2%, net profit was CHF 78.8 million. Net profit attributable to shareholders of the Company was CHF 65.0 million. Consolidated shareholders' equity stood at CHF 405.6 million at 31 December 2009, of which CHF 345.1 million was attributable to shareholders of the parent.

I would like to extend my warmest thanks to all our shareholders for their continued trust and loyalty, as well as to our teams for their dedication and their dynamic contribution to the success of our Company.

The Board will be seeking shareholder approval at the Annual General Meeting on 6 May 2010 for a dividend payment of CHF 8.0 per share.

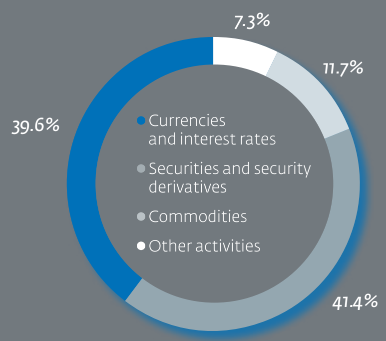
**Patrick Combes**

# KEY FIGURES

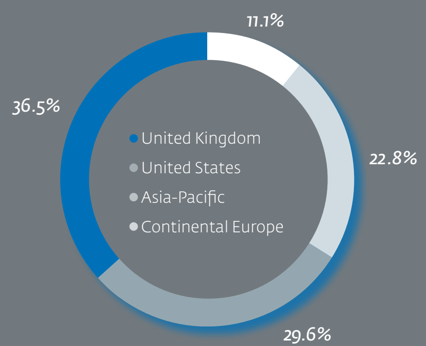
*In 2009, turnover was CHF 1,352.7 million.*

*Operating profit was CHF 120.1 million and net profit attributable to company shareholders rose to CHF 65.0 million.*

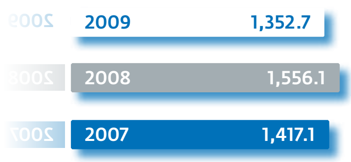
### TURNOVER IN 2009
*(by product segment)*



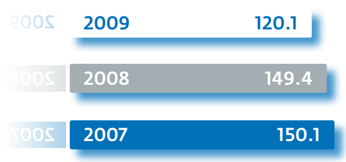

### TURNOVER IN 2009
*(by geographic region)*



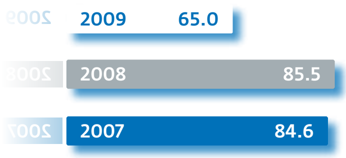

### CONSOLIDATED TURNOVER
(CHF m)



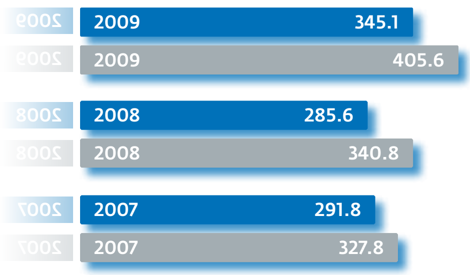

### CONSOLIDATED OPERATING PROFIT
(CHF m)




### NET PROFIT ATTRIBUTABLE TO COMPANY SHAREHOLDERS
(CHF m)



### CONSOLIDATED EQUITY
*(CHF m)*



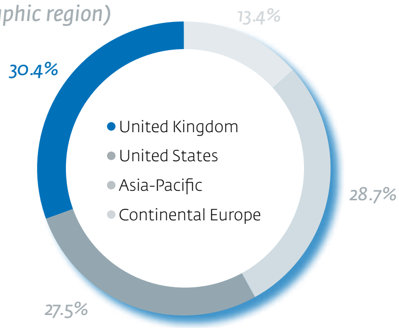

- Consolidated equity attributable to company shareholders
- Total consolidated equity

Return on equity in 2009: 22.7%

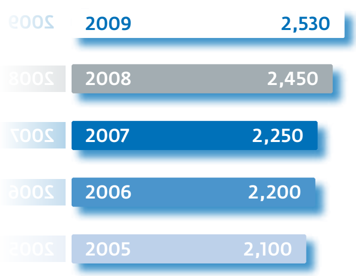
***Company shareholders'equity of CHF 405.6 million confirms Compagnie Financière Tradition's sound financial position.***

***With a presence in 27 countries, Compagnie Financière Tradition employed close to 2,530 staff worldwide at end-2009, including almost 1,650 brokers.***

### HEADCOUNT AT 31 DECEMBER 2009
*(by geographic region)*




### HEADCOUNT
*(at 31 December)*



# INFORMATION FOR SHAREHOLDERS

Compagnie Financière Tradition shares have risen almost sixty-fold since 1996, the year the Company's majority shareholder took control. After falling sharply in 2008, a year marked by upheavals in the stock markets, the shares regained traction in 2009 and ended the year up 78.4%.

Compagnie Financière Tradition's benchmark indices, the Swiss Market Index (SMI)® and SPI EXTRA®, gained 18.3% and 30.4% respectively over the same period.

## SHARE PERFORMANCE

CFT shares began the year at CHF 73.35, and rose steadily during the first six months, putting on 56% between January and June 2009.

The lowest closing price of the year was CHF 66.5, registered on 23 January, and the shares hit their highest closing price of CHF 143.5 on 6 August.
The share price stabilised above the CHF 100.0 mark during the second half and ended the year up 78.4%, at CHF 123.1 on 31 December 2009.

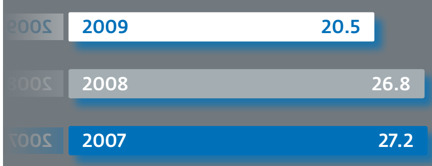
On that date, CFT had a market capitalisation of CHF 754.3 million.

## STOCK MARKET DATA

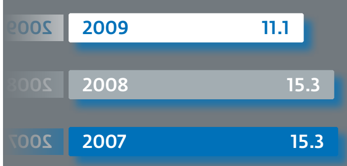
| | **2009** | 2008 |
|---|---|---|
| Number of shares at 31 December | **6,127,870** | 5,619,451 |
| Market capitalisation at 31 December | **CHF 754,341,000** | CHF 387,742,000 |
| Highest price | **CHF 143.5** | CHF 200.0 |
| Lowest price | **CHF 66.5** | CHF 60.9 |
| Closing price at year-end | **CHF 123.1** | CHF 69.0 |
| Average daily volume of shares | **4,352** | 3,314 |
| PER* at 31 December | **11.6** | 4.5 |
| PTB** at 31 December | **2.2** | 1.4 |
| Operating profit per share*** | **20.5** | CHF 26.8 |
| Net profit attributable to Company shareholders per share*** | **11.1** | CHF 15.3 |
| Dividend per share | **CHF 8.0** | CHF 8.0 |

* *Price Earnings Ratio.*
** *Price to Book - Group Share.*
*** *Based on weighted average number of shares outstanding during the period, after deducting the average number of treasury shares.*

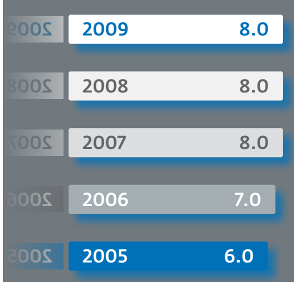
### *CONSOLIDATED OPERATING PROFIT PER SHARE*
(CHF)




### *NET PROFIT ATTRIBUTABLE TO COMPANY SHAREHOLDERS PER SHARE*
(CHF)




### *DIVIDEND PER SHARE*
(CHF)




# SIMPLIFIED GROUP STRUCTURE AT 31 DECEMBER 2009

| | |
|---|---|
| **Public** 31.49% | **VIEL & Cie** 67.56% |
| **COMPAGNIE FINANCIÈRE TRADITION** Own shares: 0.95% | |
| **TFS** 99.92% | **TSH** 100.00% |

## FACT FILE

Financial year runs from 1 January to 31 December
ISIN Code: CH0014345117
Unit of trade: 1 share
Nominal value: CHF 2.50
Shares are traded on the SIX Swiss Exchange and on the third compartment of the Frankfurt Stock Exchange

## PROVISIONAL FINANCIAL CALENDAR

| | |
|---|---|
| *28 January* | Announcement of 2009 FY consolidated turnover |
| *18 March* | Announcement of 2009 FY consolidated results |
| *27 April* | Announcement of 1st quarter 2010 consolidated turnover |
| *6 May* | Annual General Meeting |
| *29 July* | Announcement of 1st half 2010 consolidated turnover |
| *25 August* | Announcement of 1st half 2010 consolidated results |
| *28 October* | Announcement of 3rd quarter 2010 consolidated turnover |

A detailed financial calendar is updated regularly on **www.traditiongroup.com**.

## CONTACTS

*General enquiries:*

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Tél. : 41 (0)21 343 52 90 - Fax : 41 (0)21 343 55 00

*Website:* **www.traditiongroup.com**
A dedicated communication platform for Compagnie Financière Tradition's shareholders:
Share price - Announcements - Calendar of events - Key figures - Presentations

*Contact us:* **actionnaire@tradition.ch**

# COMPAGNIE FINANCIÈRE TRADITION'S BUSINESS

Compagnie Financière Tradition (CFT) is one of the world's top interdealer broking firms, with a presence in 27 countries. In the last decade, the Company has significantly expanded, primarily through organic growth.

Acting as a marketplace and an intermediary, CFT facilitates transactions between financial institutions and other professional traders in the capital markets. These transactions vary in scale and liquidity, from the simplest to the most sophisticated, the most liquid to the most illiquid.

The key to our success has been our ability to understand the evolving needs of our extensive and long-established network of clients, together with our strong capabilities in derivative markets.

## INTERDEALER BROKING: A CRITICAL ROLE IN THE CAPITAL MARKETS

### *Adding value, always independent*

An interdealer broker (IDB) is a neutral intermediary that facilitates transactions between buyers and sellers in a wide variety of financial instruments. Purely focused on matching trades, an IDB helps clients source both prices and counterparties, and provides execution services. An IDB's revenues come from commissions earned by bringing together commercial banks, investment banks and other market participants. By using an IDB, clients benefit from access to in-depth market intelligence, a pool of liquidity, and anonymity that reduces the market impact of placing orders.

### *Revenue growth: driven by cyclical and structural factors*

Activity in the IDB sector is driven by trading volumes, and trading volumes are, in turn, influenced by a range of factors: macroeconomic performance, budget imbalances, the interest-rate environment, corporate and government bond issuance, credit cycles, market volatility and emerging economies.

Financial and technical innovations also play an important role in capital markets. In the last few years, volumes have grown in many asset classes, due to the emergence of new and more sophisticated customers, and clients' increasing need to source the best pools of liquidity.

The underlying trend for banks, other financial institutions and corporates to offload risk, as well as the demand for yield, have also fuelled transaction volumes.

## COMPAGNIE FINANCIÈRE TRADITION: GLOBAL LEADERS

### *A global and diverse product offering*

We provide brokerage services in a comprehensive range of financial and commodity-related markets.

The financial markets we cover include money markets, interest rate and currency derivatives, equities and equity derivatives, bonds and repurchase agreements, and credit derivatives.

Our commodity-related markets include derivatives in oil, natural gas, power, coal, freight, weather, emissions, precious metals, pulp and paper, and property.

We are a member of several exchanges, operating in both exchange-traded and over-the-counter markets. While we are a leading specialist in derivatives, we have also expanded our brokerage offering in cash bonds and equities.

### *Matching clients across five continents*

We have developed a worldwide network of offices spanning 27 countries. We cover all the key financial centres around the globe, where we have close and long-term relationships with a wide range of counterparties. We can therefore provide clients with a liquidity hub, as well as intimate knowledge of local markets and products.

## COMPAGNIE FINANCIÈRE TRADITION, A DIVERSIFIED GEOGRAPHIC PRESENCE


## A STRATEGY BASED ON A LONG-TERM VIEW OF THE INDUSTRY

### *Recent industry trends*

Since the end of the 1990s, IDBs have been consolidating around a few major international groups that have become quasi exchanges. Exchanges themselves are also consolidating and expanding into the over-the-counter space.

In recent years, increasing globalisation and the convergence of clients and markets have led to increased interest in market structure issues.

The short- and long-term impact of the unprecedented credit crisis that started in 2007 is likely to lead to further shifts in the organisation of the markets and may provide new opportunities for global transactional platforms.

### *Well positioned to respond to fast-changing markets*

We have an established track record of responding to the evolving needs of our customers. With our sizeable market share, diversified revenues across time zones and asset classes, and a balance sheet reflecting our strategy of organic growth, we believe that we will continue to anticipate the evolution of the markets, in terms of products, geography, customers and regulation.

## KEY DEVELOPMENTS

### 2009

JV in China with Ping An Trust & Investment Co Ltd started operations

### 2008

Launch of an Islamic and Capital Markets desk in Dubai and London

Office opened in Philippines

JV established in China with Ping An Trust & Investment Co Ltd

Bruce Collins, ex CEO of Tullett Liberty and Head of Asia at ICAP, appointed Deputy Chairman

### 2007

4 new locations (India, Malaysia, South Korea, Columbia)

### 2006

Office opened in Dubai

### 2005

1st weather derivative trade broker

### 2002

Launch of Gaitame.com, which has since become a market leader in Japan in online retail FX

Buyout of minority partner in Singapore

### 2001

Successfully pioneered the 1st hybrid brokerage model in a JV with banks and ICAP (FX options)

### 1997

1st IDB to open a representative office in China

One of the 1st brokers member of the GSCC (now FICC)

Becomes a majority shareholder in its Japanese wholesale operations

# CORPORATE GOVERNANCE

Compagnie Financière Tradition SA is and always has been committed to the highest standards of corporate governance. As part of this ongoing commitment, the Company adopted and developed a number of measures to enhance transparency in its shareholder relations, and it fully complies with the provisions of the new "Directive on Information Relating to Corporate Governance" (DCG) published by the SIX Swiss Exchange in July 2002, and the revised Directive which entered into effect on 1 January 2007.

## CAPITAL STRUCTURE

The Company's capital consists of a single class of bearer shares. All shares carry the right to a dividend. Share structure, authorised capital, conditional capital, and changes in share capital over the past three years, as well as information on options issued by the Company on Compagnie Financière Tradition SA shares, are presented in the Notes to the Company Financial Statements on pages 74 and 75. Compagnie Financière Tradition SA had no dividend-right certificates or participation certificates, and the Company had no convertible loans outstanding at 31 December 2009. There is no restriction on the transfer of Compagnie Financière Tradition shares.

## GROUP STRUCTURE AND MAJOR SHAREHOLDINGS

A simplified Group structure is presented on page 5 and the basis of consolidation is set out on pages 67 and 68. Major shareholders are shown on page 75. To the best of our knowledge, no other shareholder held over 3.00% of the voting rights at 31 December 2009. There were no shareholders' agreements and there were no cross-shareholdings exceeding 5.00% of the voting rights or share capital at that date.

## GENERAL MEETING AND SHAREHOLDER RIGHTS

In accordance with Article 18 of the Articles of Association, each share carries the right to one vote. The Company's Articles of Association do not provide for any restriction on shareholders' statutory rights, other than in respect of attendance at a general meeting. Article 17 of the Articles stipulates that "a shareholder may only be represented at the General Meeting by his legal representative or by another shareholder attending that Meeting, in possession of an instrument of proxy". Furthermore, Article 20 provides that "A resolution of the General Meeting shall require the affirmative vote of no less than two-thirds of the votes attached to the shares represented and an absolute majority of the nominal values of the shares represented at a General Meeting where no less than 51% of the nominal value of all shares is represented, for the purpose of: (a) an alteration to the corporate object; (b) the extension or restriction of the scope of Company operations; (c) the introduction of voting right shares; (d) a restriction on the transferability of registered shares; (e) an authorised or conditional increase in share capital; (f) an increase in share capital by means of equity, against investments in kind or with a view to a takeover of assets and the granting of special advantages; (g) a restriction or abrogation of a pre-emptive right; (h) the transfer of the registered office of the Company; (i) a merger with another company; (j) the dissolution of the Company without winding up.

Pursuant to Sec. 699(3) of the Swiss Code of Obligations (CO), shareholders whose shares together represent a nominal value of one million Swiss francs, may request in writing the inclusion of an item of business on the agenda. According to Article 14(2) of the Articles of Association, an Extraordinary General Meeting of shareholders must convene within forty days following the request for a meeting. The General Meeting is convened at least twenty days prior to the appointed date, by notice published in the Swiss Official Trade Gazette. The notice convening the meeting must indicate the items of business on the agenda, as well as any motions of the Board of Directors and shareholders who have requested the convening of the meeting or an item of business to be included on the agenda, and, in case of elections, the names of the candidates standing for election.

## BOARD OF DIRECTORS AND EXECUTIVE BOARD

### *Board of Directors*

The Board of Directors is composed of twelve Directors.

The Chairman, Patrick Combes, is an executive director. He heads the Executive Board. Bruce Collins, an executive director, is Deputy Chairman and a member of the Executive Board. Pierre-Yves Bournet, an executive director, is Secretary-General and President of Tradition Service Holding S.A. and TFS S.A. The other directors are non-executive and independent, and have not previously belonged to any governing bodies of Compagnie Financière Tradition SA or of any of its subsidiaries.

No directors had any business relations with Compagnie Financière Tradition SA or any of its subsidiaries at 31 December 2009, with two exceptions:

- Robert Pennone, is Vice-President of Banque Bénédict Hentsch & Cie S.A., with which Compagnie Financière Tradition SA concluded a liquidity contract on 18 May 2007. Under this contract the bank was appointed market maker for the Company's shares.
- the Group uses the services of François Carrard's law firm as and when necessary.

A detailed career history and the terms of office of each of the directors are shown on pages 13 and 14.
Directors are elected en bloc for a term of three years, which commences at the Annual General Meeting at which the directors are elected and terminates at the Annual General Meeting following the expiry of their term. They are eligible for re-election. When a director ceases to hold office, irrespective of the reason, a new director is elected for the remainder of the term of the outgoing director.

The Board of Directors is invested with powers and obligations under the law (Sec. 716(a) of the Code of Obligations), the Articles of Association and the Company by-laws. In particular, it takes all decisions in all areas that are not reserved to the General Meeting or any other governing body. It exercises at all times the highest level of management and strict control over the Management and people empowered to represent the Company, to ensure they comply with the law, the memorandum and articles of association, the by-laws, and issued instructions. It may at any time appoint and dismiss the persons responsible for managing and representing the Company. It may at any time and with immediate effect, withdraw their right to represent the Company in dealings with third parties, subject to their rights under an employment contract.

The Board of Directors has the following non-transferable and inalienable powers and duties:

- exercise the highest level of management of the Company and issue the necessary instructions;
- establish the organisation;
- establish the accounting and auditing principles and the financial plan;
- appoint and dismiss the persons responsible for managing and representing the Company;
- exercise strict control over those persons responsible for managing and representing the Company to ensure, in particular, that they comply with the law, the memorandum and articles of association, the by-laws, and issued instructions;
- prepare the annual report, the Company accounts and the Group accounts;
- prepare the General Meeting and carry out its resolutions
- determine the method of payment of the dividend;
- create and close subsidiaries and branches;
- inform the Court in the event of over indebtedness.

The Board of Directors delegates all day to day management of the Company to the Executive Board. The Board of Directors supervises the Executive Board, and at each of its meetings it is briefed by the Chairman and the executive directors on the Executive Board's management of the Company. The Board of Directors meets when the half-year and annual accounts are closed, at each General Meeting, and as required by Company business. The Board held three meetings in 2009; two directors were excused, each from one meeting. These meetings lasted an average of three hours.

***Audit Committee*** consists of four members: Robert Pennone (Chairman), Christian Baillet, Jean-Marie Descarpentries and Pierre Languetin. All the members are independent and non-executive. They all have the required experience and knowledge in matters of accounting standards, finance, and auditing to carry out their remit. The role of the Audit Committee is to assist the Board of Directors in its task of supervising the financial reporting process, the internal auditing of financial reporting, the auditing process, and Company procedures aimed at ensuring compliance with the law, regulations and the code of best practice.

# CORPORATE GOVERNANCE

The Audit Committee also reviews the performance, efficiency and fees of the external auditors, and ensures that they maintain their independence. Lastly, it examines the effectiveness of the financial and risk management departments' cooperation with the external auditors. The Committee has the power and authority to carry out or approve investigations into all areas relating to its sphere of competence. The Chief Financial Officer, the Group Financial Controller, and the heads of Risk Management, Compliance and Internal Audit attend Committee meetings as necessary. The auditors are invited to attend all meetings at which the Committee reviews the half-year and annual accounts. They submit a report on the accounts at each of these meetings. Minutes of the Audit Committee meetings are forwarded to the Board of Directors. The Committee held four meetings in 2009, which lasted an average of three and a half hours.

***The Remuneration Committee*** is made up of three independent, non-executive members: Christian Baillet (Chairman), François Carrard and Christian Goecking. The Committee makes recommendations to the Board of Directors regarding remuneration schemes and policies and, more specifically, regarding the remuneration of members of the Executive Board, share option schemes and other incentive schemes. It held one meeting in 2009, which lasted two hours.

Board Committees have an advisory role; they have no decision-making powers. Their responsibility is to make recommendations to the Board of Directors, which then takes decisions.

The Board of Directors and its committees are fully supported in their tasks by the Executive Board, which attends meetings of the Board of Directors when invited. At these meetings the Executive Board briefs the directors on its management, business operations, important events affecting the Company, and subsidiaries in which the Company holds a direct or indirect interest. Depending on the agenda set by the Chairman of each of the Committees, one or more Executive Board members or department heads are invited to attend the meetings, to provide information required by the Committee members and to answer questions. Outside these meetings, the Chairman of the Board of Directors is kept regularly informed on the day-to-day management of the Company. In particular, performance is regularly monitored by means of a Management Information System (MIS), and compared with objectives. This control is carried out on a daily, monthly, quarterly or annual basis, depending on the criteria, and encompasses all Group subsidiaries. It entails comparisons with the previous year's results and, more particularly, comparisons with budgets and objectives for the current year.

The Chief Legal Officer is Secretary to the Board of Directors and its committees.

### *Executive Board*

The Executive Board is made up of eight people, including the Executive Chairman of the Board of Directors. They meet on a regular basis and exercise the powers conferred on them by the by-laws. The Board of Directors delegates all day-to-day management of the Company to the Executive Board. The members of the Executive Board report individually to the Chairman of the Board of Directors on the everyday management of the Company, and provide him with timely information on all material events and changes within the Group.

The Executive Board meets as an Executive Committee at least once each quarter, under the chairmanship of the Chairman of the Board of Directors. This Committee is joined by the Chief Legal Officer (Secretary to the Board and to the Executive Committee). Biographical details of each of the Executive Board members, including their education, career history, and positions held within Compagnie Financière Tradition SA are shown on page 15. With the exception of Michael Leibowitz, who was appointed to the Federal Foreign Exchange Committee (FXC) in January 2007, and Stephen Jack, Chairman of the Board of Trustees of the Independent Living Fund, a non-departmental public body in the U.K., none of the members of the Executive Board holds any other positions in governing or supervisory bodies of any large public or private, Swiss or foreign corporations, foundations or institutions.

None of the members hold any directorships or perform any consultancy functions for any significant Swiss or foreign interest groups, and none have any official duties or any political mandates. There were no management contracts between Compagnie Financière Tradition SA and any companies outside the Group at 31 December 2009.

### *Shareholdings of members of the Board of Directors and the Executive Board*

Shareholdings in the Company, conversion rights and share options held at 31 December 2009 by members of the Board of Directors, the Executive Board, and others in a close relationship with them, are disclosed on page 79, pursuant to Section 663c(3) of the Swiss Code of Obligations.

### *Remuneration of members of the Board of Directors and the Executive Board*

Compensation paid, and guarantees, loans, advances or credit granted by Compagnie Financière Tradition SA or any of its subsidiaries to members of the Board of Directors, the Executive Board, and others in a close relationship with them, are disclosed on pages 77 and 78, pursuant to Section 663bbis of the Swiss Code of Obligations.
The terms of directors' remuneration are decided by the Board of Directors on the recommendation of the Remuneration Committee. They are presently defined in the form of directors' fees.
The annual remuneration for each director comprises a fixed fee of CHF 20,000 and a variable fee of up to CHF 10,000 related to attendance at Board meetings during the year. In addition, four non-executive directors receive additional remuneration of CHF 20,000 each for their duties on the Audit Committee, and three non-executive directors receive an additional fee of CHF 10,000 each for their duties on the Remuneration Committee.
Remuneration packages for Executive Board members are determined by the Chairman of the Board of Directors, in consultation with the Remuneration Committee. In setting remuneration, the Committee takes account of market conditions, without relying on formal benchmarks, on the basis of a multi-year employment contract. The total remuneration packages of operational members include a fixed salary as well as a performance-related payment linked to the operational performance of the subsidiaries they manage (without weighting for other objectives), or a discretionary bonus with a minimum guarantee where appropriate. Functional members receive a fixed salary and a discretionary bonus, which may be associated with a minimum guarantee. The variable element may represent up to 80% of the total remuneration. These remuneration elements are paid in cash. The Board of Directors is informed of Executive Board remuneration at least once a year.
Any allocation of options to members of the Board of Directors or the Executive Board is decided on a discretionary, case-by-case basis, by the Board of Directors in consultation with the Remuneration Committee. There is no defined frequency for such allocations. No options (to purchase or subscribe shares) were granted to members of the Board of Directors or the Executive Board in 2009. The exercise of existing options is subject to the person still being present in the Group on the exercise date. The status of existing options is set out on page 52.
No members of the Board of Directors or the Executive Board, with the exception of Hervé de Carmoy, received any additional fees from Compagnie Financière Tradition amounting to or exceeding half of their ordinary remuneration. Mr. de Carmoy was appointed to carry out a study into the organisation of the Group's risk management, compliance and internal audit, and details of this remuneration can be found on page 77. The Company did not resort to external consultants when setting any of this remuneration.

## TAKEOVERS AND DEFENSIVE MEASURES

The Articles of Association contain no "opting out" or "opting up" clause. The employment contracts of Executive Board members and senior executives of the Group do not generally contain any specific provision concerning a change in control of Compagnie Financière Tradition SA, with the exception of employment contracts of three members of the Executive Board. These contracts contain a clause providing for the executives to retain office under identical employment conditions for the duration of their contracts in the event of a change in control of the Company, or, for two of them, a right to early termination of the contract with or without compensation.

## INFORMATION POLICY

Compagnie Financière Tradition SA announces consolidated turnover figures on a quarterly basis, and consolidated results on a half-yearly and annual basis. It also discloses all price-sensitive facts in accordance with the requirements of Article 72 of the SIX Listing Rules. A Company Fact File and contact addresses can be found on page 5 of this Report and on our website at www.traditiongroup.com.

## RISKS

### *General risks involved in broking operations conducted by Compagnie Financière Tradition SA and its subsidiary undertakings*

The Group's exposure to the principal risks inherent in broking operations, and the methods it uses to measure risk are disclosed on pages 60 and 61.

### *Risk Management, Compliance and Internal Audit*

Three independent bodies are responsible for managing the financial risks, compliance and periodical auditing of the Group's business entities.
The Risk Management department is responsible for risk analysis, implementing risk measurement methodologies, and monitoring financial risks taken by Group entities. The department analyses counterparties, recommends limits to the Credit Committee, monitors compliance with those limits, and sets up reporting tools to identify, quantify and limit financial risks.

# CORPORATE GOVERNANCE

The Compliance Department is responsible for proactively identifying, assessing and preventing compliance risks.

The Internal Audit department is responsible for evaluating the effectiveness of the Group's control environment. Its work programme concentrates on the most significant business risks within the Group's entities. The conclusions and recommendations are examined by the Group's Audit Committee.

These functions, which report regurlarly to the Audit Committee, enable it to supervise the ongoing process of improving the internal control environment within the Tradition Group.

## EXTERNAL AUDITORS

The independent auditors for Compagnie Financière Tradition SA's consolidated and statutory financial statements are Ernst & Young SA, Lausanne.

### *Term of office*

They were first appointed in 1996, and were re-appointed at the Annual General Meeting of 13 May 2009, for a one-year term. The firm is represented by Hans Isler, auditor-in-charge, who took up his duties during the audit of the 2003 accounts, and Julien Meylan. A new auditor-in-charge is appointed every seven years, as required by Swiss law.

### *Auditing fees*

Ernst & Young, in its capacity of auditor of the Group's financial statements, billed total auditing fees of CHF 3,802,000 for the 2009 financial year (2008: CHF 3,923,000).

### *Additional fees*

Ernst & Young billed additional fees totalling CHF 81,000, which were mainly for tax services (2008: CHF 406,000).

### *Monitoring and control of the external auditors*

Fees for auditing the consolidated and statutory financial statements must be approved beforehand by the Audit Committee. The justifiability of these fees is assessed by the Audit Committee in conjunction with senior financial management based on an evaluation of the services provided by the external auditors. The Audit Committee evaluates the services of the external auditors on the basis of its knowledge of the important issues relating to the business, control environment and accounting standards. In order to ensure the auditor's independence, fees other than for auditing the financial statements must be approved beforehand by the Audit Committee when such additional fees amount to more than 10% of Ernst & Young's total remuneration.

The auditors are invited to attend each of the meetings of the Audit Committee and those of the Board of Directors at which the half-year and annual accounts are reviewed. Ernst & Young submits a detailed report to the Audit Committee on its audit, important issues related to the accounting and reporting, and the results of the examination of the internal control system.

The auditors attended three meetings of the Audit Committee and one Board meeting in 2009.

The Board of Directors recommends that the General Meeting of Shareholders appoint auditors from among the «big four» international auditing firms, and each year ensures that its proposal is justified.

# BOARD OF DIRECTORS

## PATRICK COMBES - *French national, aged 57 - Chairman of the Board of Directors/Executive Director*

**Appointment at Compagnie Financière Tradition SA:** First elected on 7 January 1997. Re-elected on 25 April 2007 for a three-year term.
**Offices held in governing and supervisory bodies of large public or private, Swiss or foreign corporations, foundations or institutions at 31 December 2009:** Chairman of the Boards of Directors of VIEL & Cie (France), VIEL et Compagnie Finance (France), and Financière Vermeer B.V. (Netherlands), Director of Bourse Direct (France) and of Swiss Life Banque (France). Member of the Steering Committee of Paris Europlace (France), the Board of Directors of Planet Finance (France), and the International Strategy Committee of Columbia Business School, New York (USA).
**Operational management appointments within the Group at 31 December 2009:** Heads the Executive Board of Compagnie Financière Tradition SA.
**Education:** Ecole des Affaires Européennes (ESCP-EAP), Paris. MBA from Columbia University.
**Career history:** On his return from New York in 1979, Patrick Combes took over VIEL & Cie, gradually transforming the Company through organic and acquisition-led growth, first in France and then on the international level, into a global player on the world's financial markets. In 1996, when VIEL & Cie took control of Compagnie Financière Tradition SA, he became Chairman of the Board of Directors. Patrick Combes is a Knight of the Legion of Honour.

## CHRISTIAN BAILLET - *French national, aged 59 - Director/Chairman of the Remuneration Committee and member of the Audit Committee*

**Appointment at Compagnie Financière Tradition:** First elected on 7 January 1997. Re-elected on 25 April 2007 for a three-year term.
**Offices held in governing and supervisory bodies of large public or private, Swiss or foreign corporations, foundations or institutions at 31 December 2009:** President of Quilvest France and Anglo-Française (France). Director of VIEL & Cie (France), VIEL et Compagnie Finance (France), Director and Vice Chairman of Quilvest S.A. (Luxembourg), Chairman of Quilvest Switzerland (Switzerland) and Vice Chairman of the Supervisory Board of Quilvest Banque Privée (France).
**Education:** Graduate of the Ecole Centrale de Lyon; MBA from Wharton School, University de Pennsylvania.
**Career history:** Christian Baillet joined the Corporate banking division of Citicorp in New York in 1975. From 1978, he was with the Bemberg Group, based in Paris, where he was Manager of French and European Investments before becoming Group Finance Director. In 1994, he was appointed Chief Executive of Quilvest S.A. Luxembourg, in charge of global investments. Since 1 January 2009, he is Vice Chairman of the Quilvest Group and holds a number of consulting and Board appointments in subsidiaries or affiliates.

## PIERRE-YVES BOURNET - *French national, aged 45 - Executive Director*

**Appointment at Compagnie Financière Tradition SA:** First elected on 25 April 2007 for a three-year term.
**Offices held in governing and supervisory bodies of large public or private, Swiss or foreign corporations, foundations or institutions at 31 December 2009:** None.
**Operational management appointments within the Group at 31 December 2009:** Secretary-General of Compagnie Financière Tradition SA, Lausanne, and President of Tradition Service Holding S.A. and TFS S.A., Lausanne.
**Education:** Institut Supérieur de Commerce, Paris.
**Career history:** Pierre-Yves Bournet joined the Bouygues Group in Paris in 1987 as Finance Director of SCREG groupe et travaux publics. In 1994, he joined the Finance Department of Losinger AG, Bern, where he held the position of Finance Director until the end of 1999. He was appointed assistant to the Group CFO at Compagnie Financière Tradition SA in 2000, and in 2004 was made Secretary-General.

## HERVÉ DE CARMOY - *French national, aged 72 - Director*

**Appointment at Compagnie Financière Tradition:** First elected on 29 May 1997. Re-elected on 25 April 2007 for a three-year term.
**Offices held in governing and supervisory bodies of large public or private, Swiss or foreign corporations, foundations or institutions at 31 December 2009:** Chairman of the Supervisory Boards of Sydney & London Properties (U.K.) and Etam Développement (France).
**Education:** Graduate of the Institut d'Etudes Politiques, Paris. MBA from Cornell University.
**Career history:** Hervé de Carmoy joined Chase Manhattan Bank in 1963, where he was Chief Executive for western Europe. In 1978, he joined Midland Bank plc, and in 1984 was appointed Chief Executive, Director and member of the Executive Committee of the Midland plc Group, London. From 1988 to 1991, he was Deputy Director of Société Générale of Belgium. In 1992 he was appointed President and Chief Executive of the BIMP, and then from 1998 to 2004, he was Managing Partner of Rhône Group LLC, New York. He was appointed Executive Chairman and then Chairman of the Supervisory Board of Almatis GmbH Frankfurt, world leader in alumina chemical products, then Executive Chairman of Almatis Holding B.V. (Netherlands). He is presently Chairman of the Supervisory Boards of Sydney & London Properties (U.K) and Etam Développement (France).

## FRANÇOIS CARRARD - *Swiss national, aged 71 - Director/member of the Remuneration Committee*

**Appointment at Compagnie Financière Tradition SA:** First elected on 7 January 1997. Re-elected on 25 April 2007 for a three-year term.
**Offices held in governing and supervisory bodies of large public or private, Swiss or foreign corporations, foundations or institutions at 31 December 2009:** Chairman of the Boards of Directors of Beau-Rivage Palace S.A., Lausanne (Switzerland) and Groupe PCL Holding (imprimeries) (Switzerland), member of several boards of directors, including Bank of China (Suisse) S.A. (Switzerland), Groupe Brugg Holding et filiales (industries) (Switzerland), OBS Olympic Broadcasting Services S.A. (Switzerland) and IOC Television & Marketing Services S.A. (Switzerland).
**Education:** LL.D., University of Lausanne.
**Career history:** François Carrard has been a practicing attorney since 1967. He is a partner in the law firm of Carrard & Associés, Lausanne. He is a specialist in corporate law, particularly banking and finance, and sports law - he is legal counsel to the International Olympic Committee, and was its former Director General from 1989 to 2003. He also specialises in international arbitration and mediation.

## BRUCE COLLINS - *British national, aged 57 - Executive Director*

**Appointment at Compagnie Financière Tradition SA:** First elected on 13 April 2009, for a term expiring at the General Meeting to be held in 2010.
**Offices held in governing and supervisory bodies of large public or private, Swiss or foreign corporations, foundations or institutions at 31 December 2009:** None.
**Operational management appointments within the Group at 31 December 2009:** Deputy Chairman.
**Education:** High school.
**Career history:** After leaving high school, Bruce Collins began his career in financial services where he has 36 years' experience. He was Managing Director at Tullett and Tokyo (which became Tullett Liberty in 1999), responsible for the Asia-Pacific region, and then for operations in London and Continental Europe. He held the position of Global Chief Executive at Tullett Liberty from 2000 to 2004, and in 2005 was appointed CEO of ICAP, responsible for the Asia-Pacific region. Bruce Collins joined Compagnie Financière Tradition SA in January 2008 as Deputy Chairman.

## JEAN-MARIE DESCARPENTRIES - *French national, aged 73 - Director/member of the Audit Committee*

**Appointment at Compagnie Financière Tradition SA:** First elected on 7 January 1997. Re-elected on 25 April 2007 for a three-year term.
**Offices held in governing and supervisory bodies of large public or private, Swiss or foreign corporations, foundations or institutions at 31 December 2009:** Chairman of the Supervisory Board of PC 30, Honorary President of the FNEGE (France), President of the Observatoire de l'Immatériel (France), Director of Assurances et Conseils St-Honoré (France), Banque de Vizille (France), VIEL & Cie (France), GINGER (France), Censeur de Parsys (France), member of the Strategy Committee of Bolloré (France), and member of the Advisory Board of British Telecom (France).
**Education:** Graduate of the Ecole Polytechnique (Paris).
**Career history:** Jean-Marie Descarpentries has been a senior executive of some of Europe's major industrial groups (Shell, Danone, St Gobain, Interbrew). From 1982 to 1991, he was CEO of Carnaud Metalbox, and then from 1994 to 1997, he was CEO of Bull, and was responsible for turning the company around and its privatization.

## CHRISTIAN GOECKING - *Swiss national, aged 66 - Director/member of the Remuneration Committee*

**Appointment at Compagnie Financière Tradition SA:** First elected on 7 January 1997. Re-elected on 25 April 2007 for a three-year term.
**Offices held in governing and supervisory bodies of large public or private, Swiss or foreign corporations, foundations or institutions at 31 December 2009:** Deputy Director of Berney & Associés S.A. (Switzerland) (member of Crowe Horwath International), Vice Chairman of the Board of Directors of CIM Banque (Suisse) S.A. (Switzerland) and Chairman of its Audit Committee.
**Education:** Graduate of the Ecole des Hautes Etudes Commerciales (HEC) of the University of Lausanne.
**Career history:** Christian Goecking has spent 42 years in banking and finance, particularly in financial broking. He has worked in senior management and as deputy director at major Swiss banks and English brokerage houses, and was Manager of private asset management at Banque Julius Baer in Geneva and Lugano.

## PIERRE LANGUETIN - *Swiss national, aged 87 ans - Director/member of the Audit Committee*

**Appointment at Compagnie Financière Tradition SA:** First elected on 4 May 1995. Re-elected on 25 April 2007 for a three-year term.
**Offices held in governing and supervisory bodies of large public or private, Swiss or foreign corporations, foundations or institutions at 31 December 2009:** None.
**Education:** Degree in economics and business administration and Docteur Honoris Causa from the University of Lausanne.
**Career history:** Pierre Languetin began his career in Paris at the Secretariat of the Organisation for European Economic Cooperation, from 1949 to 1954. He then moved to Bern, where he worked for the Department of Economic Affairs from 1955 to 1976. He was Ambassador Delegate of the Federal Council for International Trade Agreements from 1966, and a member, then Chairman of the Governing Board of the Swiss National Bank from 1976 to 1988. He was a member of the Board of Directors of the BIS from 1985 to 1988.

## ROBERT PENNONE - *Swiss national, aged 65 - Director / Chairman of the Audit Committee*

**Appointment at Compagnie Financière Tradition SA:** First elected on 7 January 1997. Re-elected on 25 April 2007 for a three-year term.
**Offices held in governing and supervisory bodies of large public or private, Swiss or foreign corporations, foundations or institutions at 31 December 2009:** Director of Pennone & Partners S.A. (Switzerland), Vice President of Banque Bénédict Hentsch & Cie S.A. (Switzerland), Vice Chairman of the Board of Directors of Genolier Swiss Medical Network S.A. (Switzerland).
**Education:** Certified accountant.
**Career history:** Robert Pennone joined Deloitte as a partner in 1975. In 1979, he partnered with Lenz law firm, Geneva, to develop Revex / Audiba until that company merged with Ernst & Whinney in 1987. He then became Deputy Director of the Swiss entity until 1989, when Ernst & Whinney merged with Arthur Young to become Ernst & Young. He was a member of the Board of Directors and the Executive Board of Ernst & Young from 1989 until end-1993. During that time he was also a member of the Worldwide Banking Committee, and Managing Director of Ernst & Young M&A Europe. In 1994, he created Pennone & Partners S.A. and participated in developing the MC Securities Group. More recently, he became co-founder of Banque Bénédict Hentsch & Cie S.A..

## DAVID PINCHIN - *U.S. national, aged 62 – Director until 31 December 2009*

**Appointment at Compagnie Financière Tradition SA:** First elected on 25 April 2007 for a three-year term.
**Operational management appointments within the Group at 31 December 2009:** None.
**Education:** Honours degree in Business Studies from the City of London College, U.K.
**Career History:** David Pinchin, one of the founders of the OTC currency options market in the early eighties, was also one of the two co-founders of TFS in 1985. He was previously Managing Director of International Treasury Management Ltd., a subsidiary of HSBC and Marine Midland bank, where he traded interest rate swaps. Mr. Pinchin was a member of the Executive Board until 31 August 2009 and retained his directorship until 31 December 2009.

## URS SCHNEIDER - *Swiss national, aged 64 - Director*

**Appointment at Compagnie Financière Tradition SA:** First elected on 7 January 1997. Re-elected on 25 April 2007 for a three-year term.
**Offices held in governing and supervisory bodies of large public or private, Swiss or foreign corporations, foundations or institutions at 31 December 2009:** President of Finance Watch (Switzerland) and member of the Board of Directors of the bank Hottinger & Associés Appenzell S.A. (Switzerland).
**Education:** Graduate of the Hochschule für Wirtschafts-, Rechts- und Sozialwissenschaften (HSG) of the University of St. Gallen.
**Career history:** Urs Schneider spent two years at LEICA, Heerbrugg, before joining the IMI/IMD (International Management Institute), Lausanne, where he held different posts from 1971 to 1984, including Administrative Director and Director of the MBA programme. He was Director of the IFCI Foundation - International Financial Risk Institute from 1985 to 2004. Since 1989, he has been on the academic staff of the Swiss Finance Institute and, since 2006, teaches international finance and risk management at the International University, Geneva.

No directors held any official or political positions at 31 December 2009.

# EXECUTIVE BOARD

## PATRICK COMBES - *French national, aged 57 - Chairman of the Board of Directors*

On his return from New York in 1979, he took over VIEL & Cie, gradually transforming the Company through organic and acquisition-led growth, first within France and then on the international level, into a global player on the world's financial markets. In 1996, when VIEL & Cie took control of Compagnie Financière Tradition SA, he became Chairman of the Board of Directors. Patrick Combes is a Knight of the Legion of Honour.

## EMIL ASSENTATO - *U.S. national, aged 60 - Managing Director TSH Americas*

Emil Assentato graduated from Hofstra University in 1971 with an economics degree as well as being inducted into the National Business Honor Society. In 1973 he started his career on Wall Street at M.W. Marshall Inc., which was a firm that focused on OTC markets. He joined Tradition (North America) Inc. (TNA) in 1986 as Money Market and Short Term Derivative manager, and in 1991 was appointed CEO of TNA. A few years later he became President of Tradition Government Securities which was renamed Tradition Asiel Securities (TAS). In 2006, as the retail forex platform formed by TNA, FXDirectDealer LLC (FXDD) grew, he was named Chairman and in 2008 he was also appointed Chairman of Standard Credit LLC.
Currently, Emil Assentato is Chief Executive of TNA and TAS, and Chairman of FXDD and Standard Credit LLC.

## ADRIAN BELL - *Australian national, aged 48 - Managing Director TSH Asia-Pacific*

Adrian Bell is a native of Sydney Australia. He studied Japanese and Mandarin after leaving high school, and moved to Tokyo, Japan where, in 1986, he began his career in the money markets. He has experienced first hand many of the changes that have occurred over the past twenty-three years in the money markets throughout Asia. He worked in Singapore in 1991, and has overseen the expansion of Tradition's presence in Asia and Australia, first in Tokyo, then encompassing all the major Foreign Exchange and Money Market trading cities throughout Asia, where Tradition is now known as a pre-eminent Interdealer broking firm.

## BRUCE COLLINS - *British national , aged 57, Deputy Chairman*

After leaving high school, Bruce Collins began his career in the financial services sector where he has 36 years of experience. He was Managing Director at Tullett and Tokyo (which became Tullett Liberty in 1999), responsible for the Asia region, and then for operations in London and Continental Europe. He held the position of Global Chief Executive at Tullett Liberty from 2000 to 2004, and in 2005 was appointed CEO of ICAP, responsible for the Asia-Pacific region.
He joined Compagnie Financière Tradition in January 2008 as Deputy Chairman.

## DONALD P. FEWER - *U.S. national, aged 46 - Senior Managing Director of Standard Credit Group, New York*

Donald Fewer served as Senior Vice President at Prebon Yamane (USA) Inc., where he headed the Treasury Group, responsible for all non-trading operations; he was also a member of the firm's North American Executive Committee. He later joined Garvin Guy Butler where he served as Senior Vice President of Structured Products, before joining the GFI Group in 1996 to establish its global credit derivatives business. He served as Senior Managing Director of the GFI Group from June 2000 and its Head of North America brokerage operations, prior to joining the Standard Credit Group. Donald Fewer graduated from Pace University and holds a Bachelor of Business Administration. He is a member of Omicron Delta Epsilon - International Economic Honor Society.

## STEPHEN JACK - *British national, aged 51, Chief Financial Officer*

Before joining the Tradition Group as Chief Financial Officer in June 2009, Stephen Jack was Chief Financial Officer of Straumur Investment Bank, a position he had held since November 2007. Before that, he had been Group Financial Director of Collins Stewart Tullett plc, the U.K. listed international brokerage firm, CFO at Tullett & Tokyo Liberty plc and Global CFO at ING Barings. Prior to ING Barings, Stephen Jack had a 13-year career at Dresdner Kleinwort Benson where he held a number of senior finance positions. He is an associate member of the Institute of Chartered Accountants in England and Wales, and holds a Bachelor's degree in Modern History from Durham University. He is also Chairman of the Board of Trustees of the Independent Living Fund, a non-departmental public body in the U.K.

## MICHAEL LEIBOWITZ - *U.S. national, aged 44 - CEO Europe, Middle East and Africa*

Michael Leibowitz began his career at Tradition Financial Services in 1991, and in 1993 became head of TFS Global Foreign Exchange operations in London. From 2000 to 2005, he was CEO of TFS-ICAP Volbroker, the leading liquidity provider in Global Foreign Exchange Options, and in 2006 he was appointed CEO of TFS Europe and Director of Global Group Equity Products. In November 2007, he was appointed CEO of Tradition Group's combined brokerage operations in London (TFS Europe and Tradition UK), and then CEO of Tradition Group's European operations in December 2008. He holds a Juris Doctor degree from Hofstra University, New York, and an economics degree from New York State University. Michael Leibowitz is a member of the Federal Foreign Exchange Committee (FXC).

## DOMINIQUE VELTER - *French national, aged 44 - Strategic Marketing Director*

Dominique Velter holds a Master's degree in economics from Paris-Dauphine University (Paris). She joined BATIF, the capital market banking arm of Thomson, when it was formed in 1986. In 1989, she was appointed Director of Financing at the Bernard HAYOT Group, specialists in wholesale and retail distribution.
She obtained an MBA from ISAHEC in 1996, and joined VIEL & Cie to assist the Chairman on development projects. In 1999, she created the Group's online broker, Capitol.fr, and was its President until April 2001, when she was appointed Strategic Marketing Director of Compagnie Financière Tradition SA.

Larry Rosenshein, recently appointed Chairman of TFS Energy, Stamford (USA), and Co-manager of TFS' operations in North America, joined the Group's Executive Board on 25 March 2010.

# ECONOMIC REVIEW

## PANGLOSS OU CASSANDRE ?

The economic and financial crisis in 2008 was followed by a particularly complex and difficult period at the beginning of 2009, featuring another plunge in global stock markets, widespread fears of a catastrophic recession and a second wave of systemic crises. Central banks and governments introduced a new series of measures to contain these risks. Emergency meetings of the G20 succeeded in stabilising the situation and conveying the image that things were being taken in hand by the governments representing almost 9/10 of the world's gross domestic product. This extraordinary shot in the arm created the conditions needed for the various economic sectors to regain lost ground. Equity market indices rose sharply, while the various risk indicators slid back to less dangerous levels. An endless debate arose over the graphic shape of the recovery, using the famous alphabet soup and the signs V, W, L or square root to describe the various theories. The global economy had certainly come within a hair's breadth of a debacle, with a fall to levels not seen since the thirties. After the first catastrophic estimates, world growth figures were revised upwards, and the year ended much better than it had begun. But the remedies applied have only treated the pain; they have not gone to the root of the disease. Many of the measures taken, or merely announced, alter the form but have no impact on the substance. The consequences of this terrible crisis are going to be felt for a long time to come, while a new (and probably historic) distribution of the cards of power has been made among the economic macro-regions, companies, financial institutions, regulatory authorities, central banks and even social classes.

## FIN CH'HAN DAL VINO CALDA LA TESTA...

"Until their heads are hot with wine", sang Don Giovanni when talking of his guests... and the economic players still live in a world where interest rates remain extremely low and governments dig deep into the public purses to cover their spending. The political authorities and central bankers talk of exit strategies and a future return to normal, but the date is becoming ever more distant and a stable and solid recovery for the global economy is by no means certain. Central banks are applying particularly aggressive and accommodating monetary policies. Although they say that they want to return to normal gradually, they have no tried and tested models with which to carry this out effectively. What we do know is that this approach created additional problems in the U.S. in 1937, and that the experience was repeated in Japan in the nineties with catastrophic results. Massive injections of liquidity into the system encourage carry trade operations in risky financial products and, once again, the creation of speculative bubbles. To what extent does the rise in asset values throughout the world reflect reality? Central banks have a significant responsibility in the creation and management of these bubbles.

Governments, which have been and still are spending heavily and are steadily increasing public debt, will run into serious problems in the coming years as they struggle with debt service payments and exploding primary deficits. Their room for manoeuvre is shrinking all the time and only a solid recovery will enable them to regain a degree of independence from the market. The impact of public spending on the real economy will obviously diminish to some extent, even if spending remains substantial, because an increasing part of it will automatically go towards servicing the debt. There are persistent fears about the solvency of certain countries, and one must hope that some of them, particularly the biggest ones, do not act out the fable of "The Emperor's New Clothes". As far as the emerging countries are concerned, they appear to have played their cards well. Even if they have suffered a few setbacks in growth rates, they have successfully manoeuvred to protect their development and shown that they can continue to advance towards their objectives. The old developed countries, on the other hand, have demonstrated just how weak and inflexible they are in the face of the crisis. For the moment, the emerging nations are the driving force behind world growth. In this respect, the progressive and inexorable integration of China into the global economy, which will be followed later by other large emerging countries, poses a serious problem. These new participants play on the same pitch as the developed countries, but the two teams apply different rules and each team claims to abide by its own… and there is no referee. The themes of national debt and the

integration of these emerging nations into the world economy are likely to occupy a central role in debates and reality during the years ahead.

## PANGLOSS ET CASSANDRE

Optimists and pessimists enliven discussions, shape markets, and determine the world of the future. Once again, the tussle between Cassandra and Pangloss has influenced the psychology of the economic players. "Cheap" money encourages thoughtless risk-taking. After the speculative bubbles that we have seen early this century, other bubbles are developing that could be dangerous. The measures contemplated to "moralise" financial capitalism are welcome, but they must be applied by all the countries, tactfully and flexibly. Market regulators, who bear a heavy responsibility for the gravity of the crisis, are being given extra powers but probably not the resources they need. This could, once again, create a major problem, since the system believes its watchdog mechanisms are efficient and has faith in them. As for the rating agencies, which are independent, they must stop acting like "pyromaniac firemen", since they risk losing both their power and respectability in the long run.

This gargantuan crisis and the choices made in terms of monetary, budgetary and fiscal policies have completely altered the world's economic architecture. The biggest mistake would be to keep driving while watching the rear-view mirror - and that is the risk at present. Clearly, there are lots of lessons to be drawn from the events of 2009. The G7 countries have lost a good deal of their power to the G20, which is gradually taking charge of global governance. Many banks and financial institutions have been unable to carry out their roles of credit transformers and - once again - have taken substantial risks in order to generate profits at any price. Furthermore, using the crisis as an excuse, governments have embarked on spending sprees which bring to mind delusions of grandeur, and are creating colossal debts that will have to be financed over the coming years and paid back one day. The transfer of risks and private sector debt to the public sector has had an immediate consequence - the solvency of States is becoming a major problem, with a worrying risk for the currencies of certain developed countries.

***Text by Alessandro Giraudo***
*Chief Economist TSAF*

# OPERATING REVIEW

## REVENUES

The group is active in all the major financial markets and conducts business in a number of currencies. Its results are therefore affected by movements in foreign exchange rates used to translate local figures into CHF. In the tables below the changes in business activity compared with 2008 are presented at constant exchange rates, in order to present a clearer analysis of underlying performance, as well as at the average exchange rates used to prepare the income statement.

Turnover for 2009 was CHF 1,352.7m compared with CHF 1,556.1m for the twelve months ended 31 December 2008, a decrease of 8.0% at constant exchange rates and a decrease of 13.1% using average exchange rates.

An analysis of turnover by product group is shown below:

| CHFm | **2009** | 2008 | Change *At current exchange rates* | Change *At constant exchange rates* |
|---|---|---|---|---|
| Currencies and interest rates | **535.8** | 610.7 | -12.3% | **-6.6%** |
| Securities and security derivatives | **560.2** | 665.3 | -15.8% | **-9.5%** |
| Commodities and other activities | **256.7** | 280.1 | -8.4% | **-7.6%** |
| **Total** | **1,352.7** | 1,556.1 | -13.1% | **-8.0%** |

The risk appetite of many of our major customers changed during 2009 leading to a move away from more complicated structures to vanilla products and relatively more activity in cash instruments – Deposits, Forward Foreign Exchange, Bonds and Equities rather than derivative products. We believe that these are market trends and that we still retain a strong competitive position in most derivative products. The second half of 2009 saw low levels of volatility and activity in virtually all product areas leading to lower revenues compared with the second half of 2008, where extreme volatility and high spreads in a number of areas were a positive influence on turnover. Revenues from Commodities, with the exception of Freight, held up better year on year than revenues from financial products. Our retail activity in Japan also saw a decline in activity levels and revenues in 2009, compared with 2008 whilst still retaining its strong market share.

An analysis of turnover by region is a set out below:

| CHFm | **2009** | 2008 | Change *At current exchange rates* | Change *At constant exchange rates* |
|---|---|---|---|---|
| Currencies and interest rates | **643.5** | 688.7 | -6.5% | **+6.8%** |
| Securities and security derivatives | **400.9** | 531.4 | -24.6% | **-24.3%** |
| Commodities and other activities | **308.3** | 336.0 | -8.3% | **-12.6%** |
| **Total** | **1,352.7** | 1,556.1 | -13.1% | **-8.0%** |

### *Europe*

The Group's largest operation is in London with revenues accounting for 36.5% of consolidated turnover in 2009 compared with 34.6% in 2008. Lower revenues from Interest Rate related products were offset by better results from Fixed Income products and Equities; areas which we will look to develop further in 2010. Revenues from most Commodities, excluding Freight, were in line with those achieved in 2008.

Revenues from Continental Europe were more significant than in 2008 accounting for 11.1% of Group turnover, compared with 9.6% in the prior year. In particular, and as in the United Kingdom, we saw good activity levels and stronger revenues from our cash Fixed Income and Equities businesses.

Broker headcount in Europe increased by close to 10% over the year reflecting net investment in new product areas.

### *Americas*

Revenues were down in most of our financial products in the Americas, as activity levels reduced in the wake of the political and regulatory response to the financial crisis in the United States. By contrast, revenues from Commodities products and from Latin America held up well year on year. Overall broker headcount in the region was the same at the end of 2009 as it had been at the end of 2008.

Our profitability in the Americas continues to be modest as we amortise our 2008 investment in our Credit Derivatives activity.

### *Asia Pacific*

Again, markets were less active in Asia Pacific in 2009 than they were in 2008. Whilst Interest Rate Derivative revenues were down in most centres year on year, the group did develop its Credit Derivative and Equity Derivative activities in the region. Revenues were generally lower in the more mature centres but we performed well in some of the developing centres.

As noted above, revenues from our Retail activity in Japan were lower in 2009 than in 2008. This was largely related to new limits on client leverage.

## OPERATING PROFIT

Operating profit for 2009 was CHF 120.1m compared with CHF 149.4m for 2008, and the operating margin 8.9% compared with 9.6% for the prior year with lower revenues, particularly in the second half the most significant factor behind this reduced result. The Group has also maintained a commitment to invest in specific product areas – including certain Credit and Equities areas – and for the first 12 to 24 months these new areas tend to produce returns lower than those achieved by the Group's more mature activities.

The operating result benefited from a CHF 20.5m gain on the realisation of the Group's investment in Reset Holdings (Pte) Ltd in April and a CHF 6.4m gain on the part-disposal of its investment in Ong First Tradition (Pte) Ltd in December. At the same time, the 2009 operating results were reduced by a CHF 20.4m (2008: CHF 14.7m) charge in respect of the amortisation of its investment in 2008 in its North American Credit Derivatives business. This charge is a non cash item and therefore should be set aside when calculating the underlying operating profit of the business. Furthermore the business incurred net costs of CHF 10.2m which we consider to be exceptional (including reorganisation and legal expenses). Excluding the gains, charges and costs noted above, the underlying operating profit for 2009 was CHF 118.7m compared with CHF 201.8m for the prior year and the underlying operating margin 8.8% compared with 13.0%.

| *CHFm* | **2009** | 2008 | Change<br>*At current exchange rates* |
|---|---|---|---|
| **Underlying operating profit** | **118.7** | 201.8 | -41.2% |
| Operating margin in % | **8.8%** | 13.0% | |
| Gains on disposal of Group entities | **32.0** | - | |
| Amortisation of intangibles | **-20.4** | -14.7 | |
| Exceptional expenses | **-10.2** | -37.7 | |
| **Operating profit as reported** | **120.1** | 149.4 | -17.2% |
| Operating margin in % | **8.9%** | 9.6% | |

The Group recognises that in order to improve performance in the near term it has to restructure its cost base, therefore in the second half of the year the Group intensified its initiative to reduce costs. This process included a continued focus on underperforming businesses and low producers, reductions in infrastructure, administration, technology and professional services and decreases in non compensation variable costs, primarily travel, business and marketing. The benefits from these actions and the continuing programme of cost reduction initiatives should be realised in 2010.

## NET PROFIT

The net financial result for the year was an expense of CHF 1.3m compared with income of CHF 30.1m in 2008. The financial result for the prior year also included a fair value gain of CHF 23.9m relating to a put option on the Group's stake in its associate, Reset Holding (Pte) Ltd. In 2009, net exchange losses were CHF 0.1m and interest expense, net of interest income related to the investment of short term cash, was CHF 2.3m.
The share of profits from associates was CHF 5.4m, down from CHF 10.7m in 2008 due to the disposal of the Group's investment in Reset Holdings (Pte) Ltd in April 2009.
Profit before tax from continuing operations was CHF 124.2m compared with CHF 190.2 in 2008, giving a pre-tax return of 9.2% (2008: 12.2%).
The consolidated tax charge for the year was CHF 45.4m, or 36.6% of profit before tax, compared with CHF 81.3m and 42.7% respectively in 2008.
Consolidated net profit was CHF 78.8m, producing a net margin of 5.8% of consolidated turnover compared to CHF 106.0m and 6.8% for the prior year.

# OPERATING REVIEW

Net profit Group share was CHF 65.0m compared to CHF 85.5m in 2008, for a return on consolidated equity of 22.7 % (2008: 29.3%). Consolidated shareholders' equity totalled CHF 405.6m at 31 December 2009 of which CHF 345.1m was Group share. This reflects the Group's very solid financial situation, with a cash position, financial assets held for trading and financial assets available for sale, net of financial debts, standing at CHF 251.1m at 31 December 2009 (2008: CHF 200.9m).

### REGULATORY DEVELOPMENTS

During the course of 2009, we have seen significant policy developments directed at our clients and the OTC markets. In Europe and United States, lawmakers and regulators have initiated broad reform plans aimed at strengthening financial regulation and supervision, market infrastructure and safety and soundness of OTC derivatives markets.

The subset of topics that are of particular relevance to our business is as follows:

- revised bank capital charges or new levies to the extent those could restrict their trading activity;
- more clearing of OTC derivatives, generally well supported by IDBs, already large users of CCPs;
- mandatory reporting of OTC derivatives to trade repositories, with the objective to increase information made available to regulators;
- more trading of OTC derivatives on exchanges or other types of regulated trading venues.

We support trade reporting to regulators and in general, pre-trade and/or post-trade transparency to the extent it is not detrimental to liquidity. On the other hand, we do not necessarily believe in a radical shift of the transactions from either voice to pure electronic venues or from brokers to exchanges. Price formation and discovery are complex mechanisms. Exchange traded and OTC instruments are in our view complementary rather than substitutes.

These reform plans continue to be debated. New laws are expected to be passed in the coming year. Regulators will then be in charge of their practical articulation before final implementation. Whilst we still await final legislation, it is clear that these developments did depress activity in some of the markets in which we operate. It remains difficult at this stage to assess the impacts these proposals will have.

While we will continue to carefully monitor our environment as new regulations unravel, we believe OTC derivatives markets, which are not at the origin of the crisis, will remain critical for the financial system at large to operate efficiently and smoothly. We also believe professional and unconflicted market information and execution will continue to be rewarded. IDBs have over time, proved to be critical components of market infrastructure, including at the height of the markets turmoil. Our business is also highly regulated and has been historically used to adapt to rapidly evolving market conditions or client needs and fierce competition.

# OUTLOOK

Compagnie Financière Tradition will continue to position the Group as a leading international player in its sector. The financial market landscape, however, is likely to continue to be challenging in 2010. In particular political and regulatory interest in OTC products and markets will continue to create uncertainties for participants in those markets. Whilst we will look for opportunities to invest in specific product areas we will also focus on the reduction of our cost base in order to position the Group appropriately.

# CONSOLIDATED FINANCIAL STATEMENTS

# REPORT OF THE GROUP AUDITORS

**To the General Meeting of**

**Compagnie Financière Tradition SA, Lausanne**

Lausanne, 15 March 2010

## Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Compagnie Financière Tradition SA, Lausanne, which comprise the income statement, statement of comprehensive incomne, balance sheet, cash flow statement, statement of changes in equity and notes, included on pages 23 to 68, for the year ended 31 December 2009.

### *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 and 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 2009 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with IFRS and comply with Swiss law.

## Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Over-sight 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.

**Ernst & Young Ltd**

**Hans Isler**
Licensed audit expert
(Auditor in charge)

**Julien Meylan**
Licensed audit expert

# CONSOLIDATED INCOME STATEMENT

| *CHF 000* | Notes | 2009 | 2008 |
|---|---|---|---|
| **Continuing operations** | | | |
| Turnover | 1 | 1,352,726 | 1,556,052 |
| Other net operating income | 2 | 35,218 | 3,072 |
| **Operating income** | | **1,387,944** | **1,559,124** |
| Personnel costs | | -934,218 | -1,041,165 |
| Other operating expenses | 3 | -286,466 | -328,491 |
| Amortisation and depreciation | | -47,047 | -38,864 |
| Impairment losses | 8 | -158 | -1,158 |
| **Operating expenses** | | **-1,267,889** | **-1,409,678** |
| **Operating profit** | | **120,055** | **149,446** |
| Net financial income/(expense) | 4 | -1,262 | 30,088 |
| Share of profits of associates | 9 | 5,366 | 10,692 |
| **Profit before tax** | | **124,159** | **190,226** |
| Income tax | 5 | -45,390 | -81,269 |
| **Net profit for the year from continuing operations** | | **78,769** | **108,957** |
| **Discontinued operations** | | | |
| Profit/(loss) after tax from discontinued operations | 13 | - | -2,955 |
| **Net profit for the year** | | **78,769** | **106,002** |
| Attributable to: | | | |
| Shareholders of the parent | | 64,971 | 85,491 |
| Minority interests | | 13,798 | 20,511 |
| Earnings per share (in CHF): | 6 | | |
| Basic earnings per share | | 11.12 | 15.31 |
| Diluted earnings per share | | 10.75 | 14.72 |
| Earnings per share from continuing operations (in CHF): | 6 | | |
| Basic earnings per share from continuing operations | | 11.12 | 15.84 |
| Diluted earnings per share from continuing operations | | 10.75 | 15.23 |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| *CHF 000* | Notes | 2009 | 2008 |
|---|---|---|---|
| **Net profit for the year recognised in the income statement** | | **78,769** | **106,002** |
| Fair value adjustments on cash flow hedges | 18 | | |
| - Recognised in hedging reserve | | -724 | -4,172 |
| - Transferred to income statement | | 1,969 | 503 |
| Fair value adjustment on available-for-sale financial assets | 18 | | |
| - Recognised in revaluation reserve | | 2,519 | -3,645 |
| Currency translation | | -6,885 | -32,153 |
| Transfer of exchange adjustments to income statement | | -5,788 | -1,424 |
| **Other comprehensive income, net of tax** | | **-8,909** | **-40,891** |
| **Comprehensive income for the period** | | **69,860** | **65,111** |
| Attributable to: | | | |
| Shareholders of the parent | | 58,369 | 40,211 |
| Minority interests | | 11,491 | 24,900 |

The tax impact on each of the other items of comprehensive income is presented in Note 5.

# CONSOLIDATED BALANCE SHEET

| CHF 000<br>ASSETS | Notes | 31/12/2009 | 31/12/2008 |
|---|---|---|---|
| Tangible fixed assets | 7 | **51,530** | 54,595 |
| Intangible fixed assets | 8 | **89,922** | 103,544 |
| Investments in associates | 9 | **15,003** | 13,047 |
| Available-for-sale financial assets | 16 | **22,502** | 18,282 |
| Other financial assets | 10 | **9,015** | 9,055 |
| Deferred tax assets | 5 | **21,314** | 26,321 |
| Unavailable cash | 11 | **18,596** | 18,782 |
| **Total non-current assets** | | **227,882** | **243,626** |
| Other current assets | | **14,098** | 12,402 |
| Derivative financial instruments | 26 | **615** | 23,582 |
| Tax receivables | 25 | **5,851** | 7,528 |
| Trade and other receivables | 14 | **822,781** | 825,660 |
| Available-for-sale financial assets | 16 | **6,992** | 6,280 |
| Financial assets at fair value | 15 | **2,603** | 2,492 |
| Cash and cash equivalents | 17 | **399,247** | 378,849 |
| **Total current assets** | | **1,252,187** | **1,256,793** |
| Assets held for sale | 13 | **-** | 3,558 |
| **TOTAL ASSETS** | | **1,480,069** | **1,503,977** |

## EQUITY AND LIABILITIES

| | | | |
|---|---|---|---|
| Capital | 18 | **15,320** | 14,049 |
| Share premium | | **48,839** | 4,310 |
| Treasury shares | 18 | **-7,682** | -7,135 |
| Currency translation | | **-67,719** | -57,353 |
| Consolidated reserves | 18 | **356,331** | 331,761 |
| **Total equity attributable to shareholders of the parent** | | **345,089** | **285,632** |
| Minority interests | | **60,519** | 55,119 |
| **Total equity** | | **405,608** | **340,751** |
| Financial debts | 21 | **3,078** | 7,187 |
| Provisions | 22 | **29,108** | 28,656 |
| Deferred tax liabilities | 5 | **6,376** | 8,579 |
| Deferred income | | **2,033** | 2,277 |
| **Total non-current liabilities** | | **40,595** | **46,699** |
| Financial debts | 21 | **165,484** | 184,422 |
| Trade and other payables | 24 | **842,373** | 895,757 |
| Tax liabilities | 25 | **21,325** | 21,440 |
| Derivative financial instruments | 26 | **4,197** | 14,432 |
| Deferred income | | **487** | 476 |
| **Total current liabilities** | | **1,033,866** | **1,116,527** |
| Liabilities directly related to assets held for sale | 13 | **-** | - |
| **Total liabilities** | | **1,074,461** | **1,163,226** |
| **TOTAL EQUITY AND LIABILITIES** | | **1,480,069** | **1,503,977** |

# CONSOLIDATED CASH FLOW STATEMENT

| CHF 000 | Note | 2009 | 2008 |
|---|---|---|---|
| Cash flows from operating activities | | | |
| Profit before tax on continuing operations | | 124,159 | 190,226 |
| Profit/(loss) before tax on discontinued operations | | - | -1,579 |
| Amortisation and depreciation | | 47,047 | 38,864 |
| Impairment losses | | 158 | 1,158 |
| Net financial income | | -10,590 | -17,682 |
| Share of profits of associates | | -5,366 | -10,692 |
| Increase in provisions | | 2,952 | 19,288 |
| Movements in deferred income | | -434 | -3,119 |
| Expense related to share-based payments | | 3,734 | 3,361 |
| Gains on disposals of subsidiaries and associates | | -31,973 | - |
| Net (gains)/losses on disposal of fixed assets | | 160 | -228 |
| (Increase)/decrease in working capital | | -44,794 | 68,383 |
| Interest paid | | -6,438 | -10,333 |
| Interest received | | 3,736 | 11,743 |
| Income tax paid | | -51,494 | -93,705 |
| **Net cash flows from operating activities** | | **30,857** | **195,685** |
| Cash flows from investing activities | | | |
| Acquisition of financial assets | | -1,525 | -18,821 |
| Proceeds from disposal of financial assets | | 1,290 | 21,850 |
| Acquisition of subsidiaries, net of cash acquired | | -100 | -10,635 |
| Disposal of subsidiaries, net of cash disposed | | 47,619 | 1,175 |
| Purchases of tangible fixed assets | | -16,137 | -37,852 |
| Proceeds from disposal of tangible fixed assets | | 178 | 94 |
| Purchases of intangible fixed assets | | -14,584 | -39,175 |
| Dividends received | | 3,988 | 11,998 |
| Increase in unavailable cash | | -136 | -854 |
| **Net cash flows from investing activities** | | **20,593** | **-72,220** |
| Cash flows from financing activities | | | |
| Increase in short-term financial debts | | - | 54,000 |
| Decrease in short-term financial debts | | -13,196 | -9,600 |
| Decrease in long-term financial debts | | -5,778 | -5,367 |
| Increase in capital and share premium | | 46,775 | 2,418 |
| Acquisition of treasury shares | | -6,283 | -9,342 |
| Proceeds from disposal of treasury shares | | 4,761 | 2,207 |
| Dividends paid to minority interests | | -6,057 | -5,603 |
| Dividends paid to shareholders of the parent | | -44,638 | -44,915 |
| **Net cash flows from financing activities** | | **-24,416** | **-16,202** |
| Movements in exchange rates | | -1,347 | -32,049 |
| Increase in cash and cash equivalents | | 25,687 | 75,214 |
| Cash and cash equivalents at start of year | | 368,332 | 293,118 |
| Cash and cash equivalents at year-end | 17 | 394,019 | 368,332 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| *CHF 000 (except for number of shares)* | Number of shares | Capital | Share premium | Treasury shares | Currency translation | Consolidated reserves | Total | Minority interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| | Attributable to shareholders of the parent | | | | | | | | |
| **At 1 January 2008** | **5,594,451** | **13,986** | **32,717** | **-** | **-19,387** | **264,487** | **291,803** | **36,001** | **327,804** |
| Net profit for the year | - | - | - | - | - | 85,491 | **85,491** | 20,511 | **106,002** |
| Other comprehensive income/(expense) | - | - | - | - | -37,966 | -7,314 | **-45,280** | 4,389 | **-40,891** |
| **Comprehensive income/(expense) for the period** | **-** | **-** | **-** | **-** | **-37,966** | **78,177** | **40,211** | **24,900** | **65,111** |
| Transfer to the general reserve | - | - | -30,651 | - | - | 30,651 | **-** | - | **-** |
| Capital increase | 25,000 | 63 | 2,244 | - | - | - | **2,307** | 111 | **2,418** |
| Acquisition of treasury shares | - | - | - | -9,342 | - | - | **-9,342** | - | **-9,342** |
| Disposal of treasury shares | | | | 2,207 | | | **2,207** | - | **2,207** |
| Dividends paid | - | - | - | - | - | -44,915 | **-44,915** | -5,603 | **-50,518** |
| Effect of changes in basis of consolidation | - | - | - | - | - | - | **-** | -290 | **-290** |
| Impact of recognition of share options | - | - | - | - | - | 3,361 | **3,361** | - | **3,361** |
| **At 31 December 2008** | **5,619,451** | **14,049** | **4,310** | **-7,135** | **-57,353** | **331,761** | **285,632** | **55,119** | **340,751** |
| Net profit for the year | - | - | - | - | - | 64,971 | **64,971** | 13,798 | **78,769** |
| Other comprehensive income/(expense) | - | - | - | - | -10,366 | 3,764 | **-6,602** | -2,307 | **-8,909** |
| **Comprehensive income/(expense) for the period** | **-** | **-** | **-** | **-** | **-10,366** | **68,735** | **58,369** | **11,491** | **69,860** |
| Capital increase | 508,419 | 1,271 | 45,504 | - | - | - | **46,775** | - | **46,775** |
| Acquisition of treasury shares | - | - | - | -6,283 | - | - | **-6,283** | - | **-6,283** |
| Disposal of treasury shares | - | - | -975 | 5,736 | - | - | **4,761** | - | **4,761** |
| Dividends paid | - | - | - | - | - | -44,638 | **-44,638** | -6,057 | **-50,695** |
| Changes in equity of associates | - | - | - | - | - | -5,632 | **-5,632** | - | **-5,632** |
| Effect of changes in basis of consolidation | - | - | - | - | - | 2,371 | **2,371** | -34 | **2,337** |
| Impact of recognition of share options | - | - | - | - | - | 3,734 | **3,734** | - | **3,734** |
| **At 31 December 2009** | **6,127,870** | **15,320** | **48,839** | **-7,682** | **-67,719** | **356,331** | **345,089** | **60,519** | **405,608** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## GENERAL

Compagnie Financière Tradition SA is a public limited company with its registered office at 11 Rue de Langallerie, 1003 Lausanne. With a presence in 27 countries, the Compagnie Financière Tradition Group ("the Group") is one of the world's leading interdealer brokers of both 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 (precious metals, and energy and environmental products). Its shares are listed on the SIX Swiss Exchange and the Third Market Segment of the Frankfurt Stock Exchange.

Compagnie Financière Tradition SA is indirectly owned by VIEL & Cie, which holds a 67.56% controlling interest. VIEL & CIE is itself held by VIEL et Compagnie Finance SA.

Publication of the consolidated financial statements for the year ended 31 December 2009 was approved by the Board of Directors on 15 March 2010.

## BASIS OF PREPARATION

The consolidated financial statements have been prepared in thousands of Swiss francs unless stated otherwise; the Swiss franc is the functional currency and presentation currency. The financial statements have been prepared under the historical cost convention, with the exception of certain financial instruments revalued at fair value. The consolidated financial statements have also been prepared in accordance with International Financial Reporting Standards (IFRS).

## CHANGES IN ACCOUNTING POLICIES

The accounting policies applied in the 2009 financial year are identical to those applied at 31 December 2008, except for the following standards, revisions, amendments and interpretations, which have been applied since 1 January 2009:

| | |
|---|---|
| IAS 39 (amendment) and IAS 7 (amendment) | - Reclassification of Financial Assets |
| IFRS 1 (amendment) and IAS 27 (revised) | - First-time Adoption of International Financial Reporting Standards: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate |
| IFRS 2 (amendment) | - Share-based Payment: Vesting Conditions and Cancellations |
| IFRS 8 | - Operating Segments |
| IAS 1 (amendment) | - Presentation of Financial Statements |
| IAS 23 (amendment) | - Borrowing Costs |
| IAS 32 (amendment) and IAS 1 (amendment) | - Financial Instruments Puttable at Fair Value and Obligations Arising on Liquidation |
| IFRIC 13 | - Customer Loyalty Programmes |
| IFRIC 15 | - Agreements for the Construction of Real Estate |
| IFRIC 16 | - Hedges of a Net Investment in a Foreign Operation |

Moreover, as a result of the first IFRS improvements project, the IASB made a number of changes to the IAS and IFRS. These have also been applied since 1 January 2009.
The adoption of these new provisions did not have any material valuation impact on the Group's consolidated financial statements.
The application of IFRS 8 did not involve a significant change in the presentation of segments previously identified under IAS 14 - Segment Reporting.
Following the adoption of the amended IAS 1, the Group presents movements that affect equity separately from transactions with shareholders. The comparative figures for 2008 were adjusted to reflect the presentation changes arising from application of IFRS 8 and IAS 1 as amended.

## KEY ACCOUNTING ESTIMATES AND JUDGMENTS

When preparing the consolidated financial statements, the Management makes certain assumptions and estimates in applying its accounting policies. As a result of the uncertainties inherent in the Group's activities, some items in the consolidated financial statements cannot be measured with precision and must therefore be estimated. Estimates involve judgments based on the latest reliable information available.
The key estimates and assumptions concerning the future, and other important sources of uncertainty regarding estimates at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

### *Goodwill impairment*

The Group tests goodwill for impairment at each balance sheet date. The value in use of goodwill is estimated using discounted cash flow projections on the cash-generating units (CGUs) to which the goodwill has been allocated. Future cash flow projections and the discount rate to be used in calculating their present value are based on estimates made by Management. Total goodwill at 31 December 2009 was CHF 44,880,000 (2008: CHF 46,566,000). Additional information is given in Note 8.

### *Impairment losses on customer relationships*

This intangible asset is reviewed at each balance sheet date to determine whether there is any indication of impairment. Should this be the case, its recoverable amount is estimated using a discounted cash flow method based on estimates of future cash flows over the remaining useful life. Future cash flow projections and the discount rate to be used in calculating their present value are based on estimates made by Management. A total of CHF 25,665,000 was recognised for customer relationships at 31 December 2009 (2008: CHF 46,642,000). Additional information is disclosed in Note 8.

### *Deferred tax assets*

Deferred tax assets are recognised for tax loss carryforwards to the extent that it is probable that taxable profits will be available in the foreseeable future against which the temporary differences can be utilised. Management estimates the deferred tax assets to be recognised on the basis of forecasts of future taxable profits. Total deferred tax assets relating to tax losses carried forward amounted to CHF 6,251,000 at 31 December 2009 (2008: CHF 2,347,000). Additional information is disclosed in Note 5.

### *Employee benefits obligations*

The Group's obligations in respect of defined benefit plans are measured each year using actuarial valuations. This type of valuation implies the use of assumptions, the most important of which are the discount rate, expected return on plan assets, future salary and benefit increases, and the mortality rate. Because of the long-term perspective, these estimates involve a degree of uncertainty. Net defined benefit obligations were CHF 3,472,000 at 31 December 2009 (2008: CHF 5,603,000). Additional information is disclosed in Note 23.

### *Contractual put option*

At 31 December 2008, the Group had elected to exercise a put option to sell a 15% interest in an associate, Reset Holding (Pte) Ltd, granted under the terms of a contract. The fair value of this option at 31 December 2008 corresponded to its intrinsic value, which represented the difference between its exercise price and the fair value of the stake. As there was no observable active market, the fair value of the stake was estimated using an appropriate alternative valuation technique based on the sector's average price/earnings ratio. A discount was applied to take account of a number of factors such as the size of the company, product structure, the absence of an active market, as well as our minority shareholding. Additional information is disclosed in Note 26, and a sensitivity analysis of the fair value of the stake using various assumptions is described in Note 32.

## SIGNIFICANT ACCOUNTING POLICIES

### *Basis of consolidation*

The consolidated financial statements include Compagnie Financière Tradition SA , its subsidiaries, joint ventures and associates ("the Group"). A list of consolidated companies, together with the controlling interest, equity interest, and method of consolidation for each one, is shown in Note 34.

### *Business Combinations*

The acquisition of companies is accounted for using the purchase method. Acquisition cost is measured as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group, in exchange for control of the acquired company, plus any costs directly attributable to the acquisition.
The assets, liabilities and contingent liabilities of the acquired company, which meet the recognition criteria, are recognised at fair value on the acquisition date. Goodwill is recognised as an asset and initially measured at cost, which is the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities so recognised. If, after revaluation, the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the acquisition, the excess is immediately recognised in profit or loss.
After initial recognition, goodwill is measured at cost less any accumulated impairment losses.
Goodwill on subsidiaries is shown on the balance sheet under intangible fixed assets. As part of the half-yearly impairment testing, goodwill is allocated to cash-generating units. Its value in use is estimated using discounted cash flow projections.
Minority interests in the acquired company are initially measured on the basis of their proportion of the fair value of the net assets acquired.

### *Consolidation methods*

#### *Subsidiaries*

All companies in which Compagnie Financière Tradition SA directly or indirectly holds a controlling interest are fully consolidated in the financial statements. Control is the power to govern, directly or indirectly, the financial and operating policies of the entity so as to obtain benefits from its activities. To determine the existence of control, potential voting rights that are currently exercisable or convertible are taken into consideration. The financial statements of subsidiaries are incorporated in the consolidated financial statements from the date on which control is obtained until the date on which control ceases. Minority interests in the net assets and in the profit or loss of consolidated subsidiaries are identified and presented separately in the consolidated balance sheet and income statement. Losses applicable to minority interests that exceed their stake in a subsidiary's equity are allocated against the Group's equity except to the extent that the minority shareholders have a binding obligation and are able to make an additional investment to cover the losses.

*Joint ventures*

The financial statements of jointly controlled companies (joint ventures) are consolidated using the proportionate consolidation method. The consolidated balance sheet and income statement combine, on a line-by-line basis, Compagnie Financière Tradition SA's equity holding in each of the jointly controlled entities from the date on which it obtains control until the date on which control ceases. The consolidated financial statements of these companies are prepared using the same accounting policies as the parent company; adjustments are recognised to compensate for any dissimilar accounting policies that may exist.

*Associates*

Associates in which Compagnie Financière Tradition SA has a significant but not controlling influence on the financial and operating policies are accounted for using the equity method. Significant influence is presumed when Compagnie Financière Tradition SA directly or indirectly holds over 20% of the equity voting rights in these companies. The consolidated financial statements include the Group's share in the net assets and the profit or loss of associates. Goodwill identified on associates is included in the carrying amount of the investment and is tested half-yearly for impairment as a share of the investment.

***Elimination of intercompany transactions***

When preparing the consolidated financial statements, significant balances, transactions and unrealised gains and losses between Group companies are eliminated. Unrealised gains and losses on transactions with associates and jointly controlled companies are eliminated to the extent of the Group's interest in these entities.

***Foreign currency translation***

The Group's consolidated financial statements are presented in Swiss francs. Foreign currency transactions are translated into the functional currency of each entity of the Group using the exchange rate prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rate prevailing at that date. Translation differences resulting from such transactions are recognised under "Net financial income/(expense)" in the income statement. Non-monetary assets and liabilities denominated in foreign currencies and recognised at their historic cost are translated at the exchange rate prevailing on the date of the transaction. Those recognised at fair value are translated at the exchange rate prevailing on the date on which fair value is determined.
On consolidation, assets and liabilities of foreign subsidiaries denominated in foreign currencies, including goodwill and fair value adjustments, are translated into Swiss francs at the exchange rate prevailing on the reporting date. Income and expenses of foreign subsidiaries denominated in foreign currencies are translated into Swiss francs at average rates of exchange during the year.

Translation differences resulting from exchange rate fluctuations between years, applied to the net position of foreign subsidiaries denominated in foreign currencies, and differences between the average exchange rate during the year and the year-end exchange rate applied to the results of subsidiaries, are charged directly to equity, under "Currency translation". When a foreign subsidiary is sold, the relevant cumulative exchange difference recognised in equity is recognised in the income statement.

The main year-end and average exchange rates used for the 2009 and 2008 financial years are presented in Note 33.

## TURNOVER

Turnover consists of brokerage revenues and commissions from broking activities conducted by the Group's operating subsidiaries with third parties. For transactions in which we act as agents, turnover is presented net of rebates, discounts, and charges paid to correspondents, and is recognised at the time of the transaction. With matched principal activities, where the Group acts as principal to simultaneously purchase and sell securities for the account of third parties, commission revenues represent the difference between the buying and selling price of the securities, and are recognised at the time of delivery.

## NET FINANCIAL INCOME

Net financial income includes interest from reinvestment of short-term cash flows, interest paid on short- and long-term financial debts, and interest related to account holder activities, as well as gains and losses on financial assets and liabilities. This item also includes exchange rate gains and losses on financial assets and liabilities. Interest income and expense is recognised in the income statement pro rata over the relevant period using the effective interest method.

## INCOME TAX

Income tax comprises both current and deferred income tax. The tax effect of items directly recognised in consolidated equity is recognised in consolidated equity.

Current tax is the income tax payable on taxable income for the period, using tax rates enacted, or substantially enacted by the balance sheet date, as well as tax adjustments for previous years.

Deferred tax is recognised on temporary differences between the carrying amount of a balance sheet asset or liability and its tax base. It is measured using the liability method on the basis of the tax rate expected to apply when the asset is realised or the liability is settled. Any change in tax rate is recognised in the income statement, except if it relates directly to items in equity. Deferred tax is measured and recognised on all taxable temporary differences, except non-deductible goodwill. Deferred tax assets are recognised on all deductible temporary differences when it is probable that taxable profits will be available in the foreseeable future against which the deferred tax asset can be utilised. Where this is not the case, they are only carried in the amount of the deferred tax liabilities for the same taxable entity.

## TANGIBLE FIXED ASSETS

Tangible fixed assets are stated on the balance sheet at cost less accumulated depreciation and any impairment losses. Depreciation is accounted for on a straight-line basis over the estimated useful life of the asset as follows:

| | |
|---|---|
| Fixtures and fittings: | 5 to 10 years |
| Computing and telephone equipment: | 2 to 5 years |
| Other tangible fixed assets: | 3 to 5 years |

When elements of the same fixed asset have different estimated useful lives, they are recognised separately under tangible fixed assets and depreciated over their respective estimated useful lives.
Maintenance and repair expenses are charged to profit or loss in the year in which they are incurred. Expenses incurred for increasing future economic benefits related to tangible fixed assets are capitalised and amortised.
The fair value of tangible fixed assets recognised following a business combination, is determined on the basis of market data. The market value is the amount that could be obtained from the sale of an asset under normal competitive market conditions between knowledgeable, willing parties in an arm's length transaction.

## LEASES

A lease is recognised as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the Group. It is classified as an operating lease if this transfer does not take place.
Fixed assets acquired under finance leases are recognised on the balance sheet at the lower of the fair value of the leased asset and the present value of the minimum rents payable at the start of the lease. They are depreciated over the shorter of the term of the lease or the useful life of the assets, in accordance with Group valuation principles for tangible fixed assets. Related liabilities are recorded under financial debts.
Future liabilities arising from operating leases are recognised as an expense in the income statement over the term of the lease.

## INTANGIBLE FIXED ASSETS

Intangible fixed assets are stated on the balance sheet at cost less accumulated depreciation and any impairment losses.
Amortisation is accounted for on a straight-line basis over the estimated useful life, except where this is indefinite. Intangible fixed assets with indefinite useful lives are reviewed half-yearly for impairment. Estimated useful lives are as follows:

| | |
|---|---|
| Software: | 3 to 5 years |
| Client relationships: | 3 years |
| Other intangible fixed assets: | 3 to 5 years |
| Business assets: | indefinite |
| Goodwill: | indefinite |

## IMPAIRMENT LOSSES ON NON-FINANCIAL ASSETS

Assets subject to amortisation or depreciation are reviewed at each balance sheet date to determine whether there is any indication of impairment. Should this be the case, the asset's recoverable amount is estimated. To determine this amount, the Group uses market data or, where this is unavailable or unreliable, discounted future cash flow techniques.
For goodwill and intangible fixed assets with indefinite useful lives, the recoverable amount is estimated at each balance sheet date, regardless of whether there is any indication of impairment.

An impairment loss is recognised in the income statement when the carrying amount of an asset or the cash-generating unit (CGU) is greater than its recoverable amount. The recoverable amount of an asset is the higher of its net selling price and its value in use. The value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.
An impairment loss is recognised on a CGU, first, to reduce the carrying amount of any goodwill allocated to the CGU (or group of units), and then on the other assets in the unit (or group of units) pro rata to the carrying amount of each asset in the unit (or group of units).
Impairment losses recognised in a previous period on non-financial assets, other than goodwill, are reviewed annually and reversed where necessary.

## FINANCIAL ASSETS

Regular purchases and sales of financial assets are initially recognised and subsequently derecognised on the trade date.
Financial assets are classified in four separate categories:

### *Financial assets at fair value through profit or loss*

These are financial assets held for trading and financial assets at fair value through profit or loss designated as such upon initial recognition. They are measured at fair value and changes in fair value are recognised in profit or loss for the period. Derivative financial instruments are deemed held for trading, except for derivatives that are designated as effective hedging instruments.

### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are initially recognised at fair value then measured at amortised cost using the effective interest method, less any impairment losses. Changes in value are recognised in the income statement for the period. Assets in this class are presented in current assets, except those with maturities of more than twelve months after the reporting date, which are carried in non-current assets under "Other financial assets". In current assets, loans and receivables include trade and other receivables as well as receivables related to account holder activities and receivables related to matched principal activities.

### *Held-to-maturity financial assets*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity, that the Group has the positive intention and ability to hold to maturity. They are carried at amortised cost including premiums, discounts, and other elements such as acquisition costs.

### *Available-for-sale assets*

These are non-derivative financial assets that are designated as available for sale or are not classified under any of the above three categories. Available-for-sale financial assets are measured at fair value. By way of exception, financial instruments for which quoted market prices are not available and for which the fair value cannot be reliably established, are held at cost, which includes transaction costs after deduction of any impairment losses. Gains and losses arising from changes in the fair value of available-for-sale assets are recognised directly in equity. When these assets are sold, received or transferred, gains or losses that were recognised in equity are recognised in the income statement. Where a decline in the fair value of available-for-sale assets is other than temporary, the market value is adjusted and an impairment is recognised in the income statement under "Net financial income/(expense)".

#### *Fair value*

The fair value of financial assets traded on an active market is determined by reference to the bid price on the valuation date. If there is no observable active market, fair value is estimated using an appropriate valuation technique. Such techniques include the use of recent transactions, reference to the current fair value of another substantially identical instrument, discounted cash flow analysis and option pricing models.

## ACCOUNT HOLDER ACTIVITIES

Some Group companies act as account holders, receiving deposits from their customers which in turn they deposit with clearing houses for the settlement of customer trades. Moreover, in connection with their online broking activities in forex trading, some Group companies receive deposits from customers, which in turn they deposit with their clearing banks. Receivables and payables related to these activities are carried on the balance sheet under "Trade and other receivables" or "Trade and other payables".

## MATCHED PRINCIPAL ACTIVITIES

Some Group companies act as principal in the simultaneous purchase and sale of securities for the account of third parties. Such trades are completed when both sides of the deal are settled, namely once payment is made and the securities are delivered (matched trades).

In order to reflect the substance of these transactions, they are recognised at the time of delivery. Counterparty receivables and payables arising on current transactions that have gone beyond the expected settlement date are carried gross on the balance sheet under "Trade and other receivables" or "Trade and other payables". Counterparty receivables and payables for matched principal transactions expected to be settled in the normal course of trading are presented off balance sheet in Note 29.

## IMPAIRMENT OF FINANCIAL ASSETS

At each balance sheet date, the Group assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

### *Financial assets carried at amortised cost*

If there is objective evidence that an impairment loss has been incurred on loans and receivables or on held-to-maturity investments accounted for at amortised cost, 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 calculated at initial recognition. The carrying amount of the asset is reduced through use of an allowance account. The loss is recognised in the income statement.
If, in a subsequent period, the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal is limited to the value of the amortised cost of the asset at the date the impairment is reversed. It is recognised in the income statement.

### *Available-for-sale financial assets*

If there is objective evidence that an impairment loss has been incurred on financial assets available for sale, the amount of the loss, equal to the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in profit or loss. For equity instruments, a significant or prolonged decline in the fair value of the instrument below its acquisition cost is considered to be objective evidence of an impairment loss.
Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale are not reversed through profit or loss.
Reversals of impairment losses on debt instruments classified as available for sale are recognised in profit or loss if the increase in fair value is objectively related to an event occurring after the impairment loss was recognised in profit or loss.

## DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING OPERATIONS

The Group uses derivative financial instruments on a selective and generally marginal basis, mainly to manage currency risk arising during the course of its activities. These instruments mostly consist of forward exchange contracts and currency options.
Financial instruments are initially recognised at their acquisition cost and are subsequently measured at fair value, either at the quoted market price for listed instruments or on the basis of generally accepted valuation models for unlisted instruments. Changes in the fair value of derivative financial instruments that do not qualify as hedging instruments are recognised in the income statement.
In order to reduce interest rate risk, the Group uses interest rate swaps on a selective basis to convert variable-rate bank borrowings into fixed-rate borrowings. These swaps are designated as cash flow hedges. At the inception of a hedging transaction, the Group documents the relationship between the hedged item and the hedging instrument together with its risk management objective and the strategy underlying the proposed transaction. In particular, the documentation includes identification of the hedging instrument, the hedged position, the nature of the risk being hedged and the way in which the Group will test the effectiveness of the hedging instrument. Hedges are expected to be highly effective in offsetting changes in cash flows and the Group regularly tests their effectiveness throughout the life of the hedge.
The effective portion of gains or losses on financial instruments that are designated and qualify as hedging instruments are recognised in equity, while those that do not qualify are recognised directly in the income statement.
Any cumulative gains and losses that have been recognised in equity are carried to the income statement in the same period or periods during which the hedging transaction affects profit or loss.

## OTHER CURRENT ASSETS

Other current assets mainly consist of prepayments related to the next financial year.

## CASH AND CASH EQUIVALENTS

Cash consists of cash in hand and sight deposits held with banks; cash equivalents are short-term bank deposits and short-term money-market investments with maturities of three months or less from the date of acquisition. Short-term money market investments are made up of short-term cash products such as government securities and money market investment funds. They are carried at fair value. All realised and unrealised profits and losses on these securities are recognised directly in the income statement. Bank overdrafts are included with short-term bank borrowings.
Bank overdrafts payable on demand are included in cash and cash equivalents for the purpose of the cash flow statement.

## ASSETS HELD FOR SALE

Assets or disposal groups are classified as held for sale if their carrying amount is recovered principally through a sale transaction rather than through continuing use. For this to be the case the sale must be highly probable and the assets or disposal groups must be available for immediate sale in their present condition. Management must be committed to selling the asset, and the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification of assets in this category.
Assets or disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.
An impairment loss on assets or disposal groups held for sale is recognised first to reduce the carrying amount of existing goodwill and then pro rata to the carrying amount of each asset.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## EQUITY

All shares issued are bearer shares and are presented in equity. Treasury shares are recognised on the balance sheet at their acquisition cost and presented as a deduction from consolidated equity. In the case of subsequent disposals, gains or losses have no effect on profit or loss but are recognised as an addition to or reduction in share premium reserves.

## FINANCIAL LIABILITIES

### *Interest-bearing financial liabilities*

Interest-bearing short- and long-term financial debts are included in this category and are recognised initially at fair value less attributable transaction costs. Subsequently, they are measured at amortised cost using the effective interest method and any difference between this amount and the maturity amount is recognised in the income statement over the period of the debt. Short-term financial debts are payable or renewable within one year.

### *Non-interest-bearing financial liabilities*

This category comprises trade and other payables that are due within one year. Trade and other payables are recognised at inception at fair value and subsequently measured at amortised cost using the effective interest method.

### *Financial liabilities at fair value through profit or loss*

These are financial liabilities held for trading and financial liabilities designated at fair value through profit or loss upon initial recognition. These liabilities are measured at fair value and changes in fair value are recognised in profit or loss for the period. Derivative financial instruments are deemed held for trading, except for derivatives that are designated as efficient hedging instruments.

#### *Fair value*

The fair value of financial liabilities traded on an active market is determined by reference to the selling price on the valuation date. If there is no observable active market, fair value is estimated using an appropriate valuation technique. Such techniques include the use of recent transactions, reference to the current fair value of another substantially identical instrument, discounted cash flow analysis and option pricing models.

## PROVISIONS

A provision is recognised when the Group has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources representing economic benefits will be required to settle the obligation, and the amount has been reliably estimated. Where the effect of the time value of money is material, the amount of the provision is the present value of expenditures expected to be required to settle the obligation, estimated using a pre-tax discount rate that reflects current market assessments of the time value of money and those risks specific to the liability.

## DEFERRED INCOME

Deferred income comprises income received in advance relating to future financial years.

## EMPLOYEE BENEFITS OBLIGATIONS

The Group operates both defined benefit and defined contribution plans, depending on the countries in which they are established and in accordance with local regulations on retirement benefit plans.
Defined contribution plans are those in which employees and Group companies pay contributions to an entity authorised to manage retirement funds. Payments by Group companies are recognised in the income statement in the period in which they are due.

The present value of the Group's defined benefit obligations is measured each year by qualified independent actuaries using the projected unit credit method. The actuarial assumptions used to determine obligations vary according to the country in which the plan operates.
Actuarial gains and losses arise mainly from changes in long-term actuarial assumptions (discount rates, increased services costs, etc.) and the effects of differences between previous actuarial assumptions and what has actually occurred. The Group uses the corridor approach to recognise actuarial gains and losses. A portion of the actuarial gains and losses is recognised in the income statement, if the cumulative gains and losses not recognised at the previous reporting date exceed 10% of the greater of the present value of the defined benefit plan obligation at the balance sheet date (before deduction of plan assets) and the fair value of plan assets at the reporting date. This excess falling outside the corridor is recognised in the income statement over the expected average remaining working lives of the relevant employees. Actuarial gains and losses not yet recognised in the income statement are reported on the balance sheet.
Other retirement obligations, such as termination benefits, are also determined by actuarial valuation using the projected unit credit method and are fully provisioned.

## SHARE-BASED PAYMENTS

Share options are granted to members of the Executive Board entitling them to receive shares at the end of the vesting period. The granting of options and conditions for employee participation are defined by the Board of Directors. When options are exercised, new shares are created using conditional capital (Note 20).

The fair value of options granted is recognised as a personnel expense with a corresponding increase in equity. Fair value is determined at the grant date and amortised over the vesting period. It is determined by an independent expert using the binomial option pricing model and takes account of the general vesting characteristics and conditions prevailing at that date.

At each balance sheet date, the Group revises its estimates of the number of share options that will be exercised in the near future. The impact of this revision is recognised in the income statement with a corresponding adjustment in equity.

## CONTINGENT ASSETS AND LIABILITIES

Contingent assets and liabilities arising from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the Group's control, are disclosed in the notes to the financial statements.

## EVENTS AFTER THE BALANCE SHEET DATE

Events after the balance sheet date are events that occur between the balance sheet date and the approval date of the financial statements. The value of assets and liabilities at the balance sheet date is adjusted to reflect events after the balance sheet date that help confirm situations that existed at the reporting date. Material post-balance sheet events that are indicative of conditions that arose after the balance sheet date are presented in the notes to the financial statements.

## NEW STANDARDS AND INTERPRETATIONS

The International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) published the following standards, amendments, revisions and interpretations which took effect within the Group after the balance sheet date: These were not early adopted for the consolidated financial statements at 31 December 2009.

| | |
|---|---|
| IFRS 3 (revision) | Business Combinations |
| IAS 27 (amendment) | Consolidated and Separate Financial Statements |
| IAS 39 (revision) | Financial Instruments: Recognition and Measurement: Eligible Hedged Items |
| IFRS 1 (revision) | Additional Exemptions for First-time Adopters |
| IFRS 2 (amendment) | Group Cash-settled Share-based Payment Transactions |
| IFRIC 17 | Distributions of Non-cash Assets to Owners |
| IFRIC 18 | Transfers of Assets from Customers |

These amended or revised standards and interpretations will be applied by the Group as of 1 January 2010. Furthermore, as a result of the IFRS improvements project, the IASB made a number of changes to the various IAS and IFRS standards in 2009. These will apply from 1 January 2010. The Group does not expect the initial application of these standards, amendments, revisions and interpretations to have any significant impact on the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. OPERATING SEGMENTS

The presentation of the Group's operating segments reflects information provided internally to the Executive Chairman of the Board of Directors, who is the chief operating decision-maker. He analyses the management reports in order to assess performances and allocate resources to the various operating segments.

The Group's internal organisation and management structure are based on a geographical approach. Management information is grouped into three geographic regions - Europe, the Americas and Asia-Pacific - and comprises generally similar products and services. The geographic approach is based on the location of the Group's offices and operating teams.

The chief operating decision-maker assesses segment performances and decides on the allocation of resources based on the evaluation of the segment's operating results, which differ in certain respects from the operating result presented in the consolidated financial statements.

The accounting policies applied in evaluating the operating results are identical to those used in preparing the consolidated financial statements, except for turnover realised on matched principal activities, which is recognised at the transaction date instead of at the delivery date of securities.

Certain operating expenses related to the Group's holding companies are not allocated to operating segments, nor are certain elements that are considered exceptional, such as gains or losses on the disposal of subsidiaries or associates, amortisation of intangible fixed assets, or restructuring charges.

Revenues generated by operating segments derive from three major groups of products, which present similar overall profitability profiles or transaction methods. All Compagnie Financière Tradition's historical broking activities, in the money markets, spot and forward forex trading, interest rate derivatives and currency options, are grouped under "Currencies and interest rates". "Securities and security derivatives" includes operations in the interest rate futures and equity markets, broking activities in government and corporate bonds, equities and equity derivatives traded in the OTC or regulated markets, repo transactions, and credit derivatives broking. Finally, "Commodities and other activities" comprises broking activities in energy, precious metals and environmental products, as well as activities catering to retail customers through trading platforms specialised in forex trading in Asia.

Turnover only includes income from transactions with external customers. No transactions between operating segments had any impact on turnover.

Segment assets are not included in management reports to the chief operating decision-maker, but are nevertheless presented below. The amounts presented in the "Adjustments" column represent unallocated assets related to Group holdings.

Information about operating segments is presented below:

### At 31 December 2009

| *CHF 000* | Europe | Americas | Asia-Pacific | Adjustments | **Consolidated total** |
|---|---|---|---|---|---|
| Turnover | 643,097 | 400,191 | 308,810 | 628 | **1,352,726** |
| **Operating profit** | **54,256** | **39,220** | **47,249** | **-20,670** | **120,055** |
| Net financial expense | | | | | **-1,262** |
| Share of profits of associates | | | | | **5,366** |
| **Profit before tax on continuing operations** | | | | | **124,159** |
| **Segment assets** | **409,512** | **220,287** | **748,742** | **101,528** | **1,480,069** |

### At 31 December 2008

| *CHF 000* | Europe | Americas | Asia-Pacific | Adjustments | **Consolidated total** |
|---|---|---|---|---|---|
| Turnover | 687,775 | 531,596 | 335,720 | 961 | **1,556,052** |
| **Operating profit** | **36,612** | **94,145** | **72,427** | **-53,738** | **149,446** |
| Net financial income | | | | | **30,088** |
| Share of profits of associates | | | | | **10,692** |
| **Profit before tax on continuing operations** | | | | | **190,226** |
| **Segment assets** | **443,861** | **276,932** | **719,589** | **63,595** | **1,503,977** |

The reconciliation of segment turnover to consolidated turnover is as follows:

| CHF 000 | 2009 | 2008 |
|---|---|---|
| **Segment turnover** | **1,352,098** | **1,555,091** |
| Recognition of turnover at the delivery date | 227 | 1,498 |
| Other | 401 | -537 |
| **Consolidated turnover** | **1,352,726** | **1,556,052** |

The reconciliation of the segment operating result to the consolidated operating result comprises the following items:

| CHF 000 | 2009 | 2008 |
|---|---|---|
| **Segment operating profit** | **140,725** | **203,184** |
| Recognition of turnover at the delivery date | 93 | 593 |
| Operating expenses of holding companies | -31,472 | -29,625 |
| Amortisation of customer relationships and associated expenses | -24,655 | -30,102 |
| Gains on disposals of subsidiaries and associates | 31,973 | - |
| Gains on curtailment in defined benefit pension schemes | 2,874 | - |
| Discontinued operations | - | 4,576 |
| Other unallocated items | 517 | 820 |
| **Consolidated operating profit** | **120,055** | **149,446** |

### *Other segment reporting*

An analysis of the depreciation/amortisation expense for each operating segment is shown below:

| CHF 000 | 2009 | 2008 |
|---|---|---|
| Europe | 9,719 | 11,314 |
| Americas | 3849 | 4,158 |
| Asia-Pacific | 5,601 | 2,852 |
| **Total** | **19,169** | **18,324** |

### *Information about products and services*

A segment analysis of consolidated turnover on continuing operations is shown below:

| CHF 000 | 2009 | 2008 |
|---|---|---|
| Currencies and interest rates | 535,846 | 610,666 |
| Securities and security derivatives | 560,222 | 665,293 |
| Commodities and other activities | 256,658 | 280,093 |
| **Total** | **1,352,726** | **1,556,052** |

### *Information about geographic regions*

The Group operates mainly out of the United Kingdom, the United States and Japan.
An analysis of turnover on continuing operations in the various countries is shown below:

| CHF 000 | 2009 | 2008 |
|---|---|---|
| Switzerland (country of domicile of the Group's holding company) | 33,413 | 16,582 |
| United Kingdom | 468,503 | 515,022 |
| United States | 385,781 | 514,710 |
| Japan | 173,685 | 199,305 |
| Other | 291,344 | 310,433 |
| **Total** | **1,352,726** | **1,556,052** |

Turnover is broken down among countries according to the location of the Group's subsidiaries.

Non-current assets for each country are shown below:

| CHF 000 | 2009 | 2008 |
|---|---|---|
| Switzerland (country of domicile of the Group's holding company) | 21,172 | 20,792 |
| United States | 40,140 | 57,572 |
| Japan | 38,949 | 37,595 |
| United Kingdom | 26,583 | 25,963 |
| Other | 14,608 | 16,217 |
| **Total** | **141,452** | **158,139** |

Non-current assets consist solely of tangible and intangible fixed assets.

### *Information about major customers*

No customer represents more than 10% of turnover on continuing operations for the financial years ended 31 December 2009 and 2008.

## 2. OTHER NET OPERATING INCOME

An analysis of this item is shown below:

| CHF 000 | 2009 | 2008 |
|---|---|---|
| Gains on disposals of subsidiaries and associates | 31,973 | - |
| Net gains/(losses) on disposal of fixed assets | -160 | 228 |
| Other operating income | 3,405 | 2,844 |
| **Total** | **35,218** | **3,072** |

The item "Gains on disposal of subsidiaries and associates" included an amount of CHF 26.9 million at 31 December 2009, for the disposal of interests in associates (Note 9).
A further amount, of CHF 5.1 million, concerned cumulative translation adjustments on the net assets of two companies in liquidation, which were sold in June (Note 15).

## 3. OTHER OPERATING EXPENSES

An analysis of this item is shown below:

| CHF 000 | 2009 | 2008 |
|---|---|---|
| Telecommunications and financial information | 90,602 | 84,931 |
| Travel and representation | 67,187 | 82,637 |
| Professional fees | 27,811 | 36,471 |
| Rental expenses | 33,239 | 33,318 |
| Other operating expenses | 67,627 | 91,134 |
| **Total** | **286,466** | **328,491** |

## 4. NET FINANCIAL INCOME

An analysis of this item is shown below:

| CHF 000 | 2009 | 2008 |
|---|---|---|
| **Financial income** | | |
| Interest income | 3,846 | 11,102 |
| Income from equity investments | 848 | 7 |
| Gains on financial assets at fair value | 254 | 23,919 |
| Gains on disposal of equity investments | 70 | - |
| Exchange gains | 6,943 | 23,025 |
| Other financial income | 189 | 1,012 |
| **Total** | **12,150** | **59,065** |
| **Financial expense** | | |
| Interest expense | -3,510 | -8,943 |
| Losses on financial assets at fair value | -147 | - |
| Exchange losses | -7,011 | -18,887 |
| Financial expense on assets under finance leases | -547 | -311 |
| Net change in fair value of cash flow hedges transferred from equity | -2,136 | -546 |
| Ineffective part of hedging instruments used in cash flow hedges | - | -83 |
| Other financial expense | -61 | -207 |
| **Total** | **-13,412** | **-28,977** |
| **Net financial income** | **-1,262** | **30,088** |

In 2008, "Gains on financial assets at fair value", represented the variation in fair value of a contractual derivative instrument (Note 9).

## 5. INCOME TAX

An analysis of tax expense on continuing operations is shown below:

| CHF 000 | 2009 | 2008 |
|---|---|---|
| **Current tax** | | |
| Taxation for the year | 43,627 | 74,216 |
| Tax relating to previous years | 3,292 | 5,208 |
| **Total** | **46,919** | **79,424** |
| **Deferred tax** | | |
| Origination and reversal of temporary differences | 2,747 | 3,439 |
| Use of adjusted tax loss carry-forwards | 913 | 98 |
| Adjusted tax loss for the year | -4,185 | - |
| Tax losses not previously recognised | -1,004 | -1,708 |
| Change in tax rate | - | 16 |
| **Total** | **-1,529** | **1,845** |
| **Income tax** | **45,390** | **81,269** |

Deferred tax in the income statement is made up of the following timing differences:

| CHF 000 | 2009 | 2008 |
|---|---|---|
| Tangible fixed assets | -2,617 | 50 |
| Intangible fixed assets | -168 | 12,529 |
| Provisions and accruals | 4,186 | -5,824 |
| Tax loss carry-forwards | -4,276 | -1,610 |
| Other | 1,346 | -3,300 |
| **Total deferred tax** | **-1,529** | **1,845** |

Deffered tax was recognised on other items of global income, as follows:

| CHF 000 | 2009 | 2008 |
|---|---|---|
| Cash flow hedges | -142 | 342 |
| Available-for-sale financial assets | -2,866 | 2,858 |
| Currency translation | - | - |
| **Total (expenses)/income on deffered tax** | **-3,008** | **3,200** |

An analysis of the difference between the effective tax rate and the standard tax rate is shown below:

| | 2009 | | 2008 | |
|---|---|---|---|---|
| | (%) | CHF 000 | (%) | CHF 000 |
| Profit before tax on continuing operations | | 124,159 | | 190,226 |
| Adjustment of the share of profits/(losses) of associates | | -5,366 | | -10,692 |
| Profit/(loss) before tax on discontinued operations | | | | -1,579 |
| **Profit before tax** | | **118,793** | | **177,955** |
| **Standard tax rate** | **25.6%** | **30,369** | **35.7%** | **63,547** |
| Tax effect of the following items: | | | | |
| Use of unadjusted tax loss carry-forwards | -1.3% | -1,640 | -0.2% | -327 |
| Unadjusted tax loss for the year | 2.0% | 2,446 | 1.6% | 2,783 |
| Adjusted tax loss for the year | 3.4% | 4,185 | - | - |
| Use of adjusted tax losses from previous years | -0.7% | -913 | -0.1% | -98 |
| Tax expense for fully consolidated fiscally transparent companies charged to minority interests | -1.0% | -1,201 | -0.9% | -1,591 |
| Deferred tax income/expense | -1.3% | -1,529 | 1.1% | 1,861 |
| Taxable income deferred in previous years | | | 1.3% | 2,228 |
| Non-taxable income | -1.3% | -1,525 | -1.6% | -2,818 |
| Non-deductible expenses | 9.8% | 11,604 | 11.8% | 21,030 |
| Other | 3.0% | 3,594 | -2.2% | -3,970 |
| **Group's effective tax rate** | **38.2%** | **45,390** | **46.5%** | **82,645** |
| Of which: | | | | |
| Tax expense on continuing operations | | 45,390 | | 81,269 |
| Tax income/expense on discontinued operations (Note 13) | | - | | 1,376 |

The average consolidated standard tax rate is measured as the weighted average of the rates in effect in the various tax jurisdictions in which the Group has subsidiaries. This varies from year to year in line with the relative weight of each entity in the Group's results and changes in statutory tax rates.

Deferred tax by balance sheet category is as follows:

| CHF 000 | 2009 | 2008 |
|---|---|---|
| **Deferred tax assets** | | |
| Tangible fixed assets | 5,356 | 2,782 |
| Intangible fixed assets | 1,269 | 1,302 |
| Provisions and accruals | 13,098 | 17,793 |
| Tax loss carry-forwards | 6,251 | 2,347 |
| Other | 2,113 | 6,215 |
| **Total** | **28,087** | **30,439** |
| **Deferred tax liabilities** | | |
| Tangible fixed assets | 349 | 339 |
| Intangible fixed assets | 11,512 | 12,097 |
| Other | 1,288 | 261 |
| **Total** | **13,149** | **12,697** |
| **Total net deferred tax** | **14,938** | **17,742** |
| Stated on the balance sheet as follows: | | |
| Deferred tax assets | 21,314 | 26,321 |
| Deferred tax liabilities | 6,376 | 8,579 |

Tax loss carry-forwards not capitalised on the consolidated balance sheet at 31 December 2009 represented an amount of CHF 14,741,000 (2008: CHF 15,388,000), which could reduce the Group's future consolidated tax charge. These carry-forwards were not recognised because of the history of recent losses at the companies concerned. Most of them are available indefinitely.

## 6. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit attributable to shareholders of the parent by the weighted average number of shares outstanding during the year, less the average number of treasury shares held by the Group.

Diluted earnings per share are calculated by dividing the profit attributable to shareholders of the parent by the weighted average number of shares outstanding during the year, including the weighted average number of shares which would be created in connection with the exercise of dilutive instruments, less treasury shares.

The items used to calculate earnings per share are shown below:

| CHF 000 | 2009 | 2008 |
|---|---|---|
| Net profit from continuing operations attributable to shareholders of the parent | 64,971 | 88,446 |
| Net profit/(loss) from discontinued operations attributable to shareholders of the parent | - | -2,955 |
| **Net profit attributable to shareholders of the parent** | **64,971** | **85,491** |

| | 2009 | 2008 |
|---|---|---|
| Weighted average number of shares outstanding | 5,842,385 | 5,583,977 |
| Adjustment for dilutive effect of share options | 200,299 | 222,672 |
| **Weighted average number of shares included for diluted earnings per share** | **6,042,684** | **5,806,649** |

Basic earnings per share are shown below:

| CHF | 2009 | 2008 |
|---|---|---|
| Basic earnings per share from continuing operations | 11.12 | 15.84 |
| Basic earnings per share from discontinued operations | - | -0.53 |
| **Basic earnings per share** | **11.12** | **15.31** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Diluted earnings per share are shown below:

| CHF | 2009 | 2008 |
|---|---|---|
| Diluted earnings per share from continuing operations | 10.75 | 15.23 |
| Diluted earnings per share from discontinued operations | - | -0.51 |
| **Diluted earnings per share** | **10.75** | **14.72** |

## 7. TANGIBLE FIXED ASSETS

| At 31 December 2009<br>CHF 000 | Fixtures and fittings | Computing and telephone | Other tangible fixed assets | Total |
|---|---|---|---|---|
| **Gross value at 1 January** | **48,811** | **74,928** | **3,421** | **127,160** |
| Acquisitions | 7,685 | 9,745 | 189 | **17,619** |
| Disposals | -5,855 | -2,471 | -550 | **-8,876** |
| Reclassifications | 21 | -30 | -49 | **-58** |
| Currency translation | 1,317 | -67 | -27 | **1,223** |
| **Gross value at 31 December** | **51,979** | **82,105** | **2,984** | **137,068** |
| **Accumulated depreciation and impairment losses at 1 January** | **-22,291** | **-48,667** | **-1,607** | **-72,565** |
| Depreciation | -6,675 | -14,277 | -273 | **-21,225** |
| Impairment losses | - | - | - | **-** |
| Disposals | 5,687 | 2,367 | 494 | **8,548** |
| Reclassifications | -2 | -37 | 12 | **-27** |
| Currency translation | -385 | 102 | 14 | **-269** |
| **Accumulated depreciation and impairment losses at 31 December** | **-23,666** | **-60,512** | **-1,360** | **-85,538** |
| **Net value at 31 December** | **28,313** | **21,593** | **1,624** | **51,530** |
| Of which assets under finance leases | - | 4,377 | 295 | **4,672** |

| At 31 December 2008<br>CHF 000 | Fixtures and fittings | Computing and telephone | Other tangible fixed assets | Total |
|---|---|---|---|---|
| **Gross value at 1 January** | **39,842** | **77,874** | **3,830** | **121,546** |
| Changes in basis of consolidation | -189 | 413 | 6 | **230** |
| Acquisitions | 24,740 | 17,583 | 337 | **42,660** |
| Disposals | -4,756 | -12,894 | -752 | **-18,402** |
| Reclassifications | -823 | 444 | 99 | **-280** |
| Currency translation | -10,003 | -8,492 | -99 | **-18,594** |
| **Gross value at 31 December** | **48,811** | **74,928** | **3,421** | **127,160** |
| **Accumulated depreciation and impairment losses at 1 January** | **-24,945** | **-53,305** | **-1,954** | **-80,204** |
| Changes in basis of consolidation | 210 | -306 | -4 | **-100** |
| Depreciation | -6,289 | -14,419 | -407 | **-21,115** |
| Impairment losses | -208 | - | - | **-208** |
| Disposals | 4,593 | 13,199 | 747 | **18,539** |
| Reclassifications | 411 | -107 | -50 | **254** |
| Currency translation | 3,937 | 6,271 | 61 | **10,269** |
| **Accumulated depreciation and impairment losses at 31 December** | **-22,291** | **-48,667** | **-1,607** | **-72,565** |
| **Net value at 31 December** | **26,520** | **26,261** | **1,814** | **54,595** |
| Of which assets under finance leases | - | 8,744 | 262 | **9,006** |

Depreciation of tangible fixed assets amounting to CHF 21,225,000 (2008: CHF 21,115,000) is recognised under "Amortisation and depreciation" in the income statement.
The Group acquired tangible fixed assets totalling CHF 1,482,000 (2008: CHF 4,180,000) under finance leases, which had no impact on the investing activities reported in the consolidated cash flow statement.

## 8. INTANGIBLE FIXED ASSETS

### At 31 December 2009

| CHF 000 | Business assets | Software | Goodwill | Customer relationships | Other intangible fixed assets | **Total** |
|---|---|---|---|---|---|---|
| **Gross value at 1 January** | **1,970** | **22,063** | **47,033** | **60,149** | **5,198** | **136,413** |
| Changes in basis of consolidation | - | - | - | - | - | **-** |
| Acquisitions | - | 14,450 | - | - | 134 | **14,584** |
| Disposals | - | -59 | - | - | -12 | **-71** |
| Reclassifications | - | -47 | - | - | - | **-47** |
| Currency translation | -32 | -689 | -1,203 | -2,097 | -6 | **-4,027** |
| **Gross value at 31 December** | **1,938** | **35,718** | **45,830** | **58,052** | **5,314** | **146,852** |
| **Accumulated amortisation and impairment losses at 1 January** | **-1,083** | **-12,754** | **-2,226** | **-13,507** | **-3,299** | **-32,869** |
| Changes in basis of consolidation | - | - | - | - | - | **-** |
| Impairment losses | - | - | - | - | -158 | **-158** |
| Amortisation | - | -5,459 | - | -20,363 | - | **-25,822** |
| Disposals | - | 48 | - | - | 12 | **60** |
| Reclassifications | - | 55 | - | - | - | **55** |
| Currency translation | 9 | 216 | - | 1,483 | 96 | **1,804** |
| **Accumulated amortisation and impairment losses at 31 December** | **-1,074** | **-17,894** | **-2,226** | **-32,387** | **-3,349** | **-56,930** |
| **Net value at 31 December** | **864** | **17,824** | **43,604** | **25,665** | **1,965** | **89,922** |

### At 31 December 2008

| CHF 000 | Business assets | Software | Goodwill | Customer relationships | Other intangible fixed assets | **Total** |
|---|---|---|---|---|---|---|
| **Gross value at 1 January** | **2,140** | **19,414** | **28,334** | **-** | **5,497** | **55,385** |
| Changes in basis of consolidation | - | 161 | 16,327 | - | - | **16,488** |
| Acquisitions | - | 5,648 | - | 61,009 | 152 | **66,809** |
| Disposals | - | -1,793 | - | - | - | **-1,793** |
| Reclassifications | - | 26 | - | - | - | **26** |
| Currency translation | -170 | -1,393 | 2,372 | -860 | -451 | **-502** |
| **Gross value at 31 December** | **1,970** | **22,063** | **47,033** | **60,149** | **5,198** | **136,413** |
| **Accumulated amortisation and impairment losses at 1 January** | **-1,193** | **-11,401** | **-2,048** | **-** | **-3,168** | **-17,810** |
| Changes in basis of consolidation | - | -75 | 533 | - | - | **458** |
| Impairment losses | - | - | -950 | - | - | **-950** |
| Amortisation | - | -4,049 | - | -13,700 | - | **-17,749** |
| Disposals | - | 1,792 | - | - | - | **1,792** |
| Currency translation | 110 | 979 | 239 | 193 | -131 | **1,390** |
| **Accumulated amortisation and impairment losses at 31 December** | **-1,083** | **-12,754** | **-2,226** | **-13,507** | **-3,299** | **-32,869** |
| **Net value at 31 December** | **887** | **9,309** | **44,807** | **46,642** | **1,899** | **103,544** |

In 2008, Compagnie Financière Tradition took a 60% stake in a new entity, Standard Credit Group LLC, set up in partnership with a team specialised in credit derivatives. As part of this operation, the Group invested CHF 61.0 million in customer relations developed by this team. This item is being amortised over an estimated useful life of 3 years. This intangible asset was tested for impairment at the balance sheet date, using a discounted cash flow method based on estimates of future cash flows over the remaining useful life. The discount rate used here was 9.4%. The estimated recoverable amount was higher than the carrying amount at 31 December 2009.

Amortisation of intangible assets amounting to CHF 25,822,000 (2008: CHF 17,749,000) is recognised under "Amortisation and depreciation" in the income statement.

An analysis of goodwill at 31 December 2009 is shown below:

| CHF 000 | 2009 | | | 2008 |
|---|---|---|---|---|
| | Gross value | Accumulated impairment losses | Net value | Net value |
| Gaitame.com Co., Ltd | 20,601 | - | 20,601 | 21,768 |
| TFS | 18,301 | - | 18,301 | 18,301 |
| Other | 6,928 | -2,226 | 4,702 | 4,738 |
| **Total included in intangible fixed assets** | 45,830 | -2,226 | 43,604 | 44,807 |
| **Total included in investments in associates (Note 9)** | 1,276 | - | 1,276 | 1,759 |
| **Total goodwill** | 47,106 | -2,226 | 44,880 | 46,566 |

### *Impairment tests*

Cash-generating units (CGU) are defined by the aggregate activities of entities that have generated this goodwill. Goodwill recognised on the balance sheet was tested for impairment, and the recoverable value was estimated using the discounted cash flow method for activities relating to each item of goodwill. The normalised cash flow is discounted to determine the value of the underlying activity compared to the recognised goodwill, based on a 5-year business plan. The discount rates for measuring these valuations vary between 6.5% and 13.2%, in order to reflect the risk in each of the markets. These rates also included an additional risk premium because of the sensitivity of this assumption when discounting future cash flows.

Growth rates of 0.0% to 2.0% were used to estimate cash flow projections beyond the period covered by operating forecasts. These rates were based on past experience in line with the market in which these companies operate.
The different assumptions used for discounting future cash flows of the main CGUs are as follows:

| % | Discount rate | Growth rate |
|---|---|---|
| Gaitame.com Co., Ltd | 6.5% | 2.0% |
| TFS | 7.5% | 1.0% |
| Other | 7.7% - 13.2% | 0.0% - 2.0% |

Since the valuations obtained using this method were greater than the carrying amounts, no goodwill impairment was recognised in 2009. In 2008, impairment of CHF 950,000 was recognised on goodwill carried on the balance sheet for Finacor Wertpapierhandel GmbH.

## 9. INVESTMENTS IN ASSOCIATES

This item covers the share of equity accounted associates. Details of these companies are disclosed in Note 34.
Changes in investments in associates are shown below:

| CHF 000 | 2009 | 2008 |
|---|---|---|
| **At 1 January** | 13,047 | 17,575 |
| Net profit for the year | 5,366 | 10,692 |
| Impact of taxation of fiscally transparent companies | 6,678 | - |
| Dividends paid | -3,139 | -14,790 |
| Acquisitions during the year | - | 2,569 |
| Changes in shareholders' equity | -5,632 | - |
| Change in basis of consolidation | -807 | - |
| Reclassifications | - | 51 |
| Transfer to assets held for sale | - | -3,610 |
| Currency translation | -510 | 560 |
| **At 31 December** | 15,003 | 13,047 |

### *Reset Holding (Pte) Ltd*

At 31 December 2008, the Group had elected to exercise a put option on this stake, granted under the terms of the contract. The fair value measurement of this derivative instrument resulted in recognition of financial income of CHF 23.9 million in the 2008 financial year (Note 4).

The option was exercised in March and the disposal was finalised in April 2009 at a price of CHF 47.6 million. A contingent receivable of CHF 1.5 million was also recognised at the disposal date.

The operation generated a gain of CHF 19.8 million in 2009, net of the fair value of the put option of CHF 23.9 million at 31 December 2008. An amount of CHF 700,000 relating to cumulative translation adjustments on the net assets of this company was transferred from equity to the income statement on the sale date (Note 2).

This interest was presented under "Assets held for sale" at 31 December 2008 (Note 13).

### *Ong First Tradition (Pte) Ltd*

In December 2009, the Group transferred 19.7% of the shares it held in Ong First Tradition (Pte) Ltd to its indirect shareholder, VIEL & Cie, for a consideration of CHF 9.8 million, thereby reducing its interest in this associate from 35.0% to 15.3%. A gain of CHF 6.4 million was recognised in the income statement (Note 2).

At 31 December 2009, the remaining 15.3% stake was carried on the balance sheet under "Investments in associates" because of the significant influence exercised by the Group through its seat on the company's board of directors.

### *FXDirectDealer LLC*

FXDirectDealer LLC, an associate in which the Group held a 15% interest at 31 December 2008, carried out a share buy-back in the first half of 2009; these shares were subsequently cancelled. The Group's share of the net movement in equity recognised by the company on that transaction was CHF 5.6 million, reported in the consolidated statement of changes in equity. Following this operation, the Group held 20% of the voting rights in the company.

Summary financial information on associates is shown below:

| *CHF 000* | **2009** | 2008 |
|---|---|---|
| Turnover | **111,381** | 183,201 |
| Net profit for the year | **23,418** | 72,000 |
| **Group share of net profit of associates** | **5,366** | **10,692** |
| of which Reset Holding (Pte) Ltd | **-** | 7,921 |

| *CHF 000* | **2009** | 2008 |
|---|---|---|
| Assets | **227,200** | 145,737 |
| Liabilities | **161,860** | 97,049 |
| Net assets | **65,340** | 48,688 |
| **Group share of net assets of associates** | **15,003** | **13,047** |

Interests in associates included goodwill of CHF 1,276,000 at 31 December 2009 (2008: CHF 1,759,000) (Note 8).

## 10. OTHER FINANCIAL ASSETS

| *CHF 000* | **2009** | 2008 |
|---|---|---|
| Employee loans | **2,136** | 3,194 |
| Related party receivables (Note 28) | **771** | - |
| Other financial assets | **6,108** | 5,861 |
| **Total** | **9,015** | **9,055** |

Loans to employees earn interest at 1.5% and have an average maturity of 23 months.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Other financial assets include receivables held by Compagnie Financière Tradition SA and its subsidiaries from its former ultimate shareholders, Comipar, Paris, and Banque Pallas Stern, Paris (Note 28).

The Group's exposure to credit risk, foreign currency risk and interest rate risk on other financial assets is disclosed in Note 32.

## 11. UNAVAILABLE CASH

| *CHF 000* | **2009** | 2008 |
|---|---|---|
| Call deposits and securities given as collateral in connection with broking activities | **18,596** | 18,782 |

In addition to these call deposits held as collateral with clearing houses such as Euroclear and the Fixed Income Clearing Corporation (FICC), certain subsidiaries are subject to minimum equity restrictions set by their regulatory authorities, which limit the availability or free use of their cash holdings within the Group.

The Group's exposure to credit risk, foreign currency risk and interest rate risk on unavailable cash is disclosed in Note 32.

## 12. SHARE IN JOINT VENTURES

Details of jointly controlled entities consolidated under the proportionate consolidation method are set out in Note 34. TFS, ICAP and Volbroker set up joint ventures in Tokyo, Singapore and Sydney, in which TFS Currencies Pte Ltd, TFS Australia Pty Ltd and Tradition Financial Services Japan Ltd book 25% of the assets, liabilities, income and expenses related to broking activities in currency options. Moreover, Tradition Financial Services Ltd, London, recognises 27.5% of the income and expenses of the Copenhagen joint venture between these same partners.

The joint venture in Frankfurt between TFS, ICAP and Volbroker was finalised in 2008. The 72.5% share of TFS' partners in the profits and losses from the currency options business of its German subsidiary, Tradition Financial Services GmbH, is now reported under "Minority interests".

The share in the assets, liabilities, income and expenses of joint ventures is shown below:

| *CHF 000* | **2009** | 2008 |
|---|---|---|
| **Share of joint ventures in the balance sheet** | | |
| Current assets | **583,833** | 543,255 |
| Non-current assets | **39,944** | 44,235 |
| **Total assets** | **623,777** | **587,490** |
| Current liabilities | **499,857** | 458,252 |
| Non-current liabilities | **3,845** | 8,033 |
| **Total liabilities** | **503,702** | **466,285** |
| **Share of profit of joint ventures** | | |
| Income | **135,406** | 162,799 |
| Expenses | **-111,017** | -121,147 |
| **Net profit for the year** | **24,389** | **41,652** |
| Attributable to: | | |
| Shareholders of the parent | **14,404** | 24,311 |
| Minority interests | **9,985** | 17,341 |

## 13. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

During the first half of 2008, Compagnie Financière Tradition wound down its retail operations in Europe and the Americas with the sale of its stake in S.P. Angel & Co. Ltd in June. This operation, for a consideration of CHF 205,000, generated a consolidated gain of CHF 445,000. An amount of CHF 1,424,000 relating to cumulative translation adjustments on the net assets of this company was transferred from equity to the income statement on the sale date.

The item "Tax in respect of gains/(losses)" on discontinued operations included an amount of CHF 2,258,000 at 31 December 2008, following a change in the accounting estimate of tax owing on the gain realised on the disposal of FXDirectDealer LLC in December 2006.

Finally, the item "Net gains/losses on the disposal of discontinued operations" includes an amount of CHF 501,000 from an earn-out related to the sale of ABC Clearing in April 2007. A consolidated loss of CHF 1.1 million was recognised in 2007.

Profit/loss from discontinued operations is as follows:

| *CHF 000* | **2009** | 2008 |
|---|---|---|
| Turnover | - | 436 |
| Other net operating income | - | 139 |
| **Operating income** | - | **575** |
| Personnel costs | - | -867 |
| Other operating expenses | - | -4,264 |
| Depreciation and amortisation | - | -20 |
| **Operating expenses** | - | **-5,151** |
| **Operating profit/(loss)** | - | **-4,576** |
| Net financial income | - | 157 |
| **Profit/(loss) before tax** | - | **-4,419** |
| Income tax | - | 882 |
| **Net profit/(loss) for the year** | - | **-3,537** |
| Gains/losses on disposal of discontinued operations | - | 2,840 |
| Tax in respect of gains/losses | - | -2,258 |
| **Profit/(loss) after tax from discontinued operations** | - | **-2,955** |
| Attributable to: | | |
| Shareholders of the parent | - | -2,955 |
| Minority interests | - | - |

Cash flows on discontinued operations are presented below:

| *CHF 000* | **2009** | 2008 |
|---|---|---|
| Net cash flows from operating activities | - | -3,080 |
| Net cash flows from investing activities | - | 1,175 |
| Net cash flows from financing activities | - | - |

The principal assets and liabilities of companies held for sale are shown below:

| *CHF 000* | **2009** | 2008 |
|---|---|---|
| Investments in associates | - | 3,558 |
| Other non-current assets | - | - |
| Other current assets | - | - |
| Trade and other receivables | - | - |
| Financial assets at fair value | - | - |
| Cash and cash equivalents (Note 17) | - | - |
| **Assets held for sale** | - | **3,558** |
| Trade and other payables | - | - |
| **Liabilities directly related to assets held for sale** | - | **-** |
| **Carrying amount of net assets** | - | **3,558** |

Assets held for sale at 31 December 2008 consisted solely of the carrying amount of the 15% stake in Reset Holding (Pte) Ltd (Note 9).

Cash flows from the disposal of discontinued operations are shown below:

| CHF 000 | 2009 | 2008 |
|---|---|---|
| Non-current assets | - | 8 |
| Other current assets | - | 107 |
| Tax receivables | - | 611 |
| Trade and other receivables | - | 8,276 |
| Cash and cash equivalents | - | - |
| Trade and other payables | - | -9,242 |
| **Carrying amount of net assets disposed** | - | **-240** |
| Net gain on disposal | - | 445 |
| **Net sale price** | - | **205** |
| Cash and cash equivalents disposed | - | - |
| Net sale price receivable | - | - |
| **Cash flow from disposal** | - | **205** |

## 14. TRADE AND OTHER RECEIVABLES

An analysis of this item is shown below:

| CHF 000 | 2009 | 2008 |
|---|---|---|
| Receivables related to account holder activities | 501,387 | 490,504 |
| Receivables related to matched principal activities | 90,256 | 64,954 |
| Trade debtors | 134,156 | 169,508 |
| Employee receivables | 48,853 | 60,456 |
| Related party receivables (Note 28) | 17,586 | 9,390 |
| Other short-term receivables | 30,543 | 30,848 |
| **Total** | **822,781** | **825,660** |

"Employee receivables" include bonuses paid in advance and subject to the employee remaining with the Group throughout the duration of the contract. Expense relating to these bonuses is recognised in the income statement on a straight-line basis over the life of the contract.

The Group's exposure to credit risk, foreign currency risk and interest rate risk on other trade and other receivables is disclosed in Note 32.

## 15. FINANCIAL ASSETS AT FAIR VALUE

An analysis of financial assets held for trading is shown below:

| CHF 000 | 2009 | 2008 |
|---|---|---|
| Bonds | 2,185 | 1,792 |
| Shares | 418 | 700 |
| **Total** | **2,603** | **2,492** |

Fair value of these financial assets is determined by reference to the bid price at the valuation date.

The Group's exposure to credit risk, foreign currency risk and interest rate risk on financial assets at fair value is disclosed in Note 32.

## 16. AVAILABLE-FOR-SALE FINANCIAL ASSETS

### Non-current

| CHF 000 | 2009 | 2008 |
|---|---|---|
| Shares | 22,502 | 18,282 |
| **Total** | **22,502** | **18,282** |

In 2008, the Group acquired a minority interest in a company listed in the United States. These marketable securities will be held for an indefinite period.

Fair value of this financial asset is measured on the basis of the bid price at the valuation date.

### Current

| CHF 000 | 2009 | 2008 |
|---|---|---|
| Short-term bank deposits | 6,992 | 6,280 |
| **Total** | **6,992** | **6,280** |

This item consists of short-term bank deposits with maturities of more than three months from the acquisition date.

The Group's exposure to credit risk, foreign currency risk and interest rate risk on financial assets held for sale is disclosed in Note 32.

## 17. CASH AND CASH EQUIVALENTS

| CHF 000 | 2009 | 2008 |
|---|---|---|
| Cash and call deposits with banks | 353,193 | 328,496 |
| Short-term bank deposits | 42,246 | 47,138 |
| Short-term money-market investments | 3,808 | 3,215 |
| **Cash and cash equivalents on the balance sheet** | **399,247** | **378,849** |
| less: Bank overdrafts (Note 21) | -5,228 | -10,517 |
| **Cash and cash equivalents in cash flow statement** | **394,019** | **368,332** |

Cash and deposits held on call with banks earn variable interest, based on daily bank rates. Short-term bank deposits have maturities of between one day and one month depending on the Group's liquidity requirements, and earn interest at the bank rate prevailing during the respective periods.

The Group's exposure to credit risk, foreign currency risk and interest rate risk on cash and cash equivalents is disclosed in Note 32.

## 18. CAPITAL, TREASURY SHARES AND CONSOLIDATED RESERVES

### *Composition of capital*

Share capital at 31 December 2009 was CHF 15,319,675 (2008: CHF 14,048,628) consisting of 6,127,870 (2008: 5,619,451) bearer shares with a nominal value of CHF 2.50.

Compagnie Financière Tradition SA issued 508,419 new shares during the 2009 financial year, following the conversion of subscription rights, at an issue price of CHF 92.00 per share. This operation increased capital by CHF 1,271,000, with a share premium of CHF 45,504,000.

In 2008, 25,000 new shares were created, following the exercise of share options, at a price of CHF 92.25 per share, increasing capital by CHF 62,500, with a share premium of CHF 2,244,000.

### *Major shareholders*

Financière Vermeer NV, Amsterdam held 67.56% of the voting rights in Compagnie Financière Tradition SA at 31 December 2009 (2008: 67.45%).

Financière Vermeer NV is wholly owned by VIEL & Cie, Paris, in which VIEL et Compagnie Finance held a 53.79% interest at 31 December 2009 (2008: 56.00%).

### Authorised capital

The Company's capital may be increased by up to CHF 5,758,327 through the issuance of up to 2,303,331 new bearer shares with a nominal value of CHF 2.50. The Board of Directors sets the issue price and the date from which the new shares are to carry dividend rights. This authority is valid until 13 May 2011.

The Board is empowered to suspend or limit current shareholders' pre-emptive rights to enable acquisitions or equity stakes. Subscription rights for which a pre-emptive right is granted but not exercised are available to the Board to be used in the Company's interest.

### Conditional capital

The Company's capital may be increased by up to CHF 2,379,795 through the issuance of up to 951,918 bearer shares with a nominal value of CHF 2.50. The increase shall take place through the exercise of a pre-emptive right by Company employees. The pre-emptive rights of existing shareholders are cancelled. The conditions under which employees may participate shall be defined by the Board of Directors. The characteristics of share options granted to Company employees are disclosed in Note 20.

Moreover, the Company's capital may be increased by up to CHF 3,600,000 through the issuance of up to 1,440,000 new bearer shares with a nominal value of CHF 2.50. The increase is carried out as follows:

- Up to CHF 2,500,000 through the exercise of conversion rights, granted in relation to the Company's issuance of bonds or similar convertible debt securities on the national and international capital markets. The pre-emptive rights of existing shareholders are cancelled. The conditions of issue of such borrowings shall be defined by the Board of Directors, with a conversion right based on an issue price of no less than the average market price during the twenty trading days preceding the issue. Shareholders' pre-emptive right to subscribe such borrowings is cancelled. Conversion rights must be exercised within five years of the issue date, after which they expire.
- Up to CHF 1,100,000 through the exercise of options independent of share subscriptions allocated free of charge to shareholders pro rata to their existing holdings of share capital. The terms and conditions for allocating and exercising share options by shareholders or future option holders (transferrable options) shall be defined by the Board of Directors.

Holders of conversion rights and/or options may subscribe for new shares.

### Treasury shares

The Group directly held 57,913 treasury shares at 31 December 2009, in an amount of CHF 7,682,000. These were allocated against equity at 31 December 2009.

| | Carrying amount<br>*CHF 000* | Acquisition or redemption price<br>*CHF 000* | No. of shares<br>*of CHF 2.50 nominal value* |
|---|---|---|---|
| **At 1 January 2008** | - | - | - |
| Acquisitions | 9,342 | 9,342 | 89,483 |
| Disposals | -2,207 | -2,207 | -47,074 |
| **At 31 December 2008** | **7,135** | **7,135** | **42,409** |
| Acquisitions | 6,283 | 6,283 | 52,672 |
| Disposals | -5.736 | -4.761 | -37,168 |
| Realised gains and losses | - | -975 | - |
| **At 31 December 2009** | **7,682** | **7,682** | **57,913** |

*Consolidated reserves*

An analysis of this item is shown below:

| CHF 000 | Retained earnings | General reserve | Reserve for treasury shares | Reserve for share options | Hedging reserve | Revaluation reserve | Consolidated reserves |
|---|---|---|---|---|---|---|---|
| **At 1 January 2008** | **238,718** | **23,122** | **-** | **3,408** | **-761** | **-** | **264,487** |
| Transfer of share premium | - | 30,651 | - | - | - | - | **30,651** |
| Reversal of general reserve | 40,704 | -40,704 | - | - | - | - | **-** |
| Dividends paid | -44,915 | - | - | - | - | - | **-44,915** |
| Appropriation to the reserve for treasury shares | -7,135 | - | 7,135 | - | - | - | **-** |
| Effect of recognition of share options | - | - | - | 3,361 | - | - | **3,361** |
| Effect of recognition of hedging instruments | - | - | - | - | -3,669 | - | **-3,669** |
| Effect of revaluation of available-for-sale financial assets | - | - | - | - | - | -3,645 | **-3,645** |
| Net profit for the year | 85,491 | - | - | - | - | - | **85,491** |
| **At 31 December 2008** | **312,863** | **13,069** | **7,135** | **6,769** | **-4,430** | **-3,645** | **331,761** |
| Allocation to the general reserve | -114 | 114 | - | - | - | - | **-** |
| Dividends paid | -44,638 | - | - | - | - | - | **-44,638** |
| Appropriation to the reserve for treasury shares | -547 | - | 547 | - | - | - | **-** |
| Changes in equity of associates | -5,632 | - | - | - | - | - | **-5,632** |
| Effect of changes in basis of consolidation | 2,371 | - | - | - | - | - | **2,371** |
| Effect of recognition of share options | - | - | - | 3,734 | - | - | **3,734** |
| Effect of recognition of hedging instruments | - | - | - | - | 1,245 | - | **1,245** |
| Effect of revaluation of available-for-sale financial assets | - | - | - | - | - | 2,519 | **2,519** |
| Net profit for the year | 64,971 | - | - | - | - | - | **64,971** |
| **At 31 December 2009** | **329,274** | **13,183** | **7,682** | **10,503** | **-3,185** | **-1,126** | **356,330** |

The general reserve and the reserve for treasury shares are not available for distribution. The reserve for treasury shares includes the acquisition cost of Compagnie Financière Tradition SA shares held by the Group.

The share options reserve is used to recognise the fair value of own equity instruments granted to Group employees.
The hedging reserve includes the effective portion of net cumulative changes in the fair value of hedging instruments used in cash flow hedges which relate to hedged positions that have not yet impacted the income statement.
The revaluation reserve comprises net cumulative variations in fair value of available-for-sale financial assets until they are sold or an impairment is recognised.
The currency translation reserve comprises foreign exchange differences arising from the translation into Swiss francs of the financial statements of Group companies denominated in foreign currencies. It is shown separately in "Consolidated statement of changes in equity".

## 19. DIVIDENDS

Dividends are not recognised until after they have received shareholder approval. The Board of Directors is recommending the following dividend:

| CHF 000 | 2009 | 2008 |
|---|---|---|
| Dividend of CHF 8.0 per share for the 2009 financial year (2008: CHF 8.00) | **49,023** | 44,638 |

## 20. SHARE-BASED PAYMENTS

An analysis of the Group's employee share options at 31 December 2009 is shown below:

| Grant date | Number of options *of CHF 2.50 nominal value* | Potential increase in capital *CHF* | Start of exercise date(1) | Expiry date | Exercise price *CHF* | Exercise terms(2) |
|---|---|---|---|---|---|---|
| 10.03.00 | 266,000 | 665,000 | 88,800 securities on 10.03.01<br>88,800 securities on 10.03.02<br>88,400 securities on 10.03.03 | 09.03.12 | 60.00 | - |
| 17.05.02 | 20,000 | 50,000 | 17.05.04 | 16.05.16 | 97.50 | - |
| 08.09.03 | 25,000 | 62,500 | 08.09.05 | 08.09.13 | 92.25 | - |
| 24.04.06 | 75,000 | 187,500 | 24.04.09 | 23.04.16 | 129.90 | - |
| 14.12.07 | 25,000 | 62,500 | 14.12.09 | 14.12.17 | 2.50 | - |
| 21.05.08 | 15,000 | 37,500 | 21.05.11 | 21.05.13 | 2.50 | 190.00 |
| 15.09.08 | 30,000 | 75,000 | 21.01.11 | 21.01.16 | 2.50 | 156.00 |
| 23.09.08 | 30,000 | 75,000 | 21.01.11 | 21.01.16 | 2.50 | 156.00 |
| **Total** | **486,000** | **1,215,000** | - | - | - | - |

### *Exercise conditions*

(1)These options may only be exercised if the employee is still employed by the Group.
(2)The share price must have been above these thresholds for 10 consecutive days in the 12 months preceding the exercise date.

No share options were granted to Group employees in 2009 (2008: 75,000 options). Fair value is determined on the date the options are granted, applying a binomial option pricing model, and takes account of the general vesting characteristics and conditions prevailing at that date.
The following valuation parameters, based on historical observations, were used to determine the fair value of share options granted:

| *Weighted average* | **2009** | 2008 |
|---|---|---|
| Dividend yield | - | 5.07% |
| Expected volatility | - | 28.68% |
| Risk-free interest rate | - | 2.65% |
| Share price on the grant date (in CHF) | - | 154.4 |

The exercise of share options granted in 2008 is contingent on the achievement of share price targets. These market conditions were taken into account when calculating the fair value of the options. In 2008, the weighted average fair value of options on the grant date was CHF 45.43.
The following share options were exercised during the 2008 financial year:

| Grant date | Number of options | Exercise date | Exercise price *CHF* | Share price on exercise date *CHF* |
|---|---|---|---|---|
| 08.09.03 | 25,000 | 7 April 2008 | 92.25 | 185.00 |

An analysis of the number and weighted average exercise price of employee share options is shown below:

| *CHF* | **2009** | | 2008 | |
|---|---|---|---|---|
| | **Weighted average exercise price** | **Number of options** | Weighted average exercise price | Number of options |
| **Outstanding at beginning of the year** | **62.16** | **486,000** | **74.15** | **436,000** |
| Granted | - | - | 2.50 | 75,000 |
| Exercised | - | - | 92.25 | -25,000 |
| Lapsed | - | - | - | - |
| Cancelled | - | - | - | - |
| **Outstanding at end of the year** | **62.16** | **486,000** | **62.16** | **486,000** |
| **Exercisable at end of the year** | **73.04** | **411,000** | **65.00** | **311,000** |

Options exercised only give the right to receive shares. Costs of share-based payments in 2009 amounted to CHF 3,734,000 (2008: CHF 3,361,000).

## 21. FINANCIAL DEBTS

| CHF 000 | 2009 | 2008 |
|---|---|---|
| **Short-term** | | |
| Bank overdrafts | 5,228 | 10,517 |
| Bank borrowings | 155,958 | 167,302 |
| Short-term portion of long-term bank borrowings | - | 1,701 |
| Short-term obligations under finance leases. | 4,298 | 4,902 |
| **Total** | **165,484** | **184,422** |
| **Long-term** | | |
| Bank borrowings | - | 567 |
| Obligations under finance leases | 3,078 | 6,620 |
| **Total** | **3,078** | **7,187** |
| **Total financial debts** | **168,562** | **191,609** |

Bank borrowings at 31 December 2009 included a multicurrency credit line of CHF 124 million (2008: CHF 132 million), consisting of two types of facilities:

### *Facility A*

A term loan facility of CHF 34 million (2008: CHF 42 million) maturing on 1 June 2012, declining by CHF 8 million a year over 2 years and CHF 18 million at maturity, fully drawn down at 31 December 2009 and 2008.

### *Facility C*

A revolving loan facility of CHF 90 million, renewable automatically on a daily basis for a period of 364 days, fully drawn down (drawdown of CHF 40 million at 31 December 2008). Elsewhere, a revolving loan facility of CHF 50 million (Facility B) maturing on 1 June 2010, fully drawn down at 31 December 2008 was transferred to Facility C on 1 June 2009.

Although the residual term of loan facility A is greater than 12 months, it is presented under short-term bank loans because the amounts are drawn down over 6-month periods.

The credit lines are secured by a pledge of equity investments in some of the Group's subsidiaries.

The Group also has two bilateral credit lines which are unsecured and renewable automatically on a daily basis for a period of 364 days and 180 days. The first is for CHF 22.7 million and was fully drawn down at 31 December 2009 (2008: CHF 25.0 million, fully drawn down), the second is for CHF 9.3 million, fully drawn down at 31 December 2009 (2008: CHF 10 million, fully drawn).

Long-term bank borrowings included an amount of CHF 567,000 at 31 December 2008 repayable in monthly instalments of CHF 142,000, and maturing in April 2010. This loan was repaid early, in full, in 2009.

Unused credit facilities at year-end amounted to CHF 15,367,000 (2008: CHF 6,208,000).

### *Finance leases*

An analysis of future minimum commitments relating to the non-cancellable contract period and discounted value of minimum payments is shown below:

| | 2009 | | | 2008 | | |
|---|---|---|---|---|---|---|
| CHF 000 | Minimum lease commitments | Interest | Principal | Minimum lease commitments | Interest | Principal |
| Less than 1 year | 4,298 | 194 | 4,492 | 4,902 | 255 | 5,157 |
| Between 1 and 5 years | 3,078 | 78 | 3,156 | 6,620 | 172 | 6,792 |
| Over 5 years | - | - | - | - | - | - |
| **Total** | **7,376** | **272** | **7,648** | **11,522** | **427** | **11,949** |

The Group's exposure to liquidity risk, foreign currency risk and interest rate risk on financial debts is disclosed in Note 32.

## 22. PROVISIONS

An analysis of provisions is shown below:

| CHF 000 | Pensions and post-employment benefits | Litigation | Tax | Total |
|---|---|---|---|---|
| **At 1 January 2008** | **17,707** | **2,856** | **3,334** | **23,897** |
| Change in basis of consolidation | 108 | - | - | **108** |
| Recognised | 2,371 | 17,996 | - | **20,367** |
| Used | -5,585 | -9,526 | - | **-15,111** |
| Reversed | -293 | -786 | - | **-1,079** |
| Currency translation | 1,146 | -330 | -342 | **474** |
| **At 31 December 2008** | **15,454** | **10,210** | **2,992** | **28,656** |
| Recognised | 5,085 | 560 | - | **5,645** |
| Used | -464 | -1,396 | - | **-1,860** |
| Reversed | -2,576 | -118 | - | **-2,694** |
| Reclassifications | 34 | 211 | - | **245** |
| Currency translation | -618 | -263 | -3 | **-884** |
| **At 31 December 2009** | **16,915** | **9,204** | **2,989** | **29,108** |

### *Pensions and post-employment benefits*

Provisions for pensions and post-employment benefits recognised in the balance sheet cover the Group's obligations arising under defined contribution and defined benefit plans. Details of net liabilities under defined benefit plans are disclosed in Note 23.

### *Litigation*

In the course of their business activities, the Group's subsidiaries may become involved in litigation with former employees over termination of their employment contract, or with competitors over the hiring of new employees.
Provisions are recognised for pending lawsuits if this is considered necessary. The timing of cash outflows relating to these provisions is uncertain, since it will depend on the outcome of the relevant cases. Consequently, they are not discounted, since their present value would not be a reliable estimate.
In April 2008, a series of litigations were commenced by a number of former employees of a competitor against that competitor. In those litigations, and others commenced by that competitor at that time, following the hiring of new employees in the US, that competitor applied to a New York State Court for injunctive relief to prevent these people from starting work with the Group. In August, that application was denied and certain parts of that lawsuit were dismissed, enabling the employees to continue working for the Group's subsidiaries. Some time thereafter, this competitor initiated arbitration proceedings with the Financial Industry Regulatory Authority (FINRA) against the Group's subsidiaries, certain of its executives, and a number of employees in New York, for breach of contract and unfair competition in particular. The parties concerned rejected the claims, and in certain cases counterclaims were filed against this competitor. Arbitration proceedings are still pending before the FINRA, and no hearing on the merits has been held so far.

### *Tax*

French subsidiaries of Compagnie Financière Tradition were subject to tax audits in 2003 and 2006, involving the 2000 to 2003 financial years. In December 2003 and 2006, they received tax adjustment notices, mainly concerning the tax treatment of some of these provisions. The accepted tax adjustments were covered by a provision of CHF 2,989,000 at 31 December 2009 (2008: CHF 2,992,000).

## 23. EMPLOYEE BENEFITS OBLIGATIONS

Pension benefits for most Compagnie Financière Tradition employees are insured under defined contribution plans. Defined benefit plans are confined mainly to employees based in Switzerland, where benefits depend on the insured salary at the end of their career and their length of service. Provisions for pensions and post-employment benefits are broken down as follows:

| CHF 000 | 2009 | 2008 |
|---|---|---|
| Defined contribution plans | **13,443** | 9,851 |
| Provisions for defined benefit plans | **3,472** | 5,603 |
| **Total provisions for pensions and post-employment benefits** | **16,915** | **15,454** |

Expenses related to defined benefit and defined contribution plans are shown under "Personnel costs". In 2009, expenses related to defined contribution plans amounted to CHF 9,531,000 (2008: CHF 6,709,000).

## *Provisions for defined benefit plans*

### *Assets and liabilities recognised in the balance sheet*

| CHF 000 | 2009 | 2008 |
|---|---|---|
| Present value of obligations | 45,966 | 41,532 |
| Fair value of plan assets | -34,954 | -26,581 |
| **Excess of plan obligations** | **11,012** | **14,951** |
| Unrecognised net actuarial losses | -7,540 | -9,348 |
| **Net defined benefit plan liabilities** | **3,472** | **5,603** |

### *Movements in present value of obligations*

| CHF 000 | 2009 | 2008 |
|---|---|---|
| **Present value of obligations at 1 January** | **41,532** | **35,262** |
| *of which funded obligations* | 40,628 | 33,607 |
| *of which non-funded obligations* | 904 | 1,655 |
| Current service cost | 2,318 | 1,399 |
| Financial cost | 1,323 | 1,283 |
| Actuarial (gains)/losses | 2,340 | 4,268 |
| Employee contributions | 926 | 630 |
| Benefits paid | 1,321 | -562 |
| Past service cost | -307 | - |
| Curtailment | -3,549 | - |
| Reclassifications | 126 | -618 |
| Currency translation | -64 | -130 |
| **Present value of obligations at 31 December** | **45,966** | **41,532** |
| *of which funded obligations* | 45,038 | 40,628 |
| *of which non-funded obligations* | 928 | 904 |

In 2009, the Group undertook a recovery plan in order to guarantee pension benefits in one of the pension plans; this led to a reduction of CHF 3,549,000 in the present value of the liability.

### *Movements in fair value of plan assets*

| CHF 000 | 2009 | 2008 |
|---|---|---|
| **Fair value of plan assets at 1 January** | **26,581** | **31,558** |
| Expected return on plan assets | 1,035 | 1,351 |
| Actuarial gains/(losses) | 3,124 | -8,128 |
| Employer contributions | 1,900 | 1,349 |
| Employee contributions | 926 | 630 |
| Benefits paid | 1,413 | -210 |
| Currency translation | -25 | 31 |
| **Fair value of plan assets at 31 December** | **34,954** | **26,581** |

Group contributions to benefit plans in 2010 are estimated at CHF 1,984,000.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*Fair value of asset classes as a percentage of total plan assets*

| % | 2009 | 2008 |
|---|---|---|
| Shares | 23.4% | 25.9% |
| Bonds | 44.2% | 51.8% |
| Property | 6.2% | 6.9% |
| Insurance contracts | 2.0% | 2.2% |
| Cash and cash equivalents | 16.9% | 6.3% |
| Other | 7.3% | 6.9% |
| **Total** | **100.0%** | **100.0%** |

Expected return on plan assets is based on long-term forecasts for inflation, interest rates and risk premiums for the various asset classes. These forecasts take account of long-term historical returns.

*Expenses recognised in the income statement*

| CHF 000 | 2009 | 2008 |
|---|---|---|
| Current service cost | 2,318 | 1,399 |
| Financial cost | 1,323 | 1,283 |
| Expected return on plan assets | -1,035 | -1,351 |
| Net recognised actuarial (gains)/losses for the year | 306 | -100 |
| Past service cost | -307 | - |
| Gains on curtailments | -2,874 | - |
| **Cost of defined benefit plans** | **-269** | **1,231** |

| CHF 000 | 2009 | 2008 |
|---|---|---|
| Actual return on plan assets | 4,141 | -6,777 |

*Main actuarial assumptions*

| % | 2009 | 2008 |
|---|---|---|
| Discount rate | 3.10% | 3.14% |
| Expected return on plan assets | 3.86% | 3.84% |
| Future salary increases | 3.94% | 3.93% |
| Future pension increases | 0.04% | 0.05% |

*Additional disclosures*

| CHF 000 | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|
| Present value of obligations | 45,966 | 41,532 | 35,262 | 36,704 | 36,067 |
| Fair value of plan assets | -34,954 | -26,581 | -31,558 | -30,496 | -26,787 |
| **Excess of plan obligations** | **11,012** | **14,951** | **3,704** | **6,208** | **9,280** |
| Experience adjustments on plan liabilities | -2,158 | -1,880 | -1,802 | -497 | -521 |
| Experience adjustments on plan assets | 3,124 | -8,128 | -506 | 1,363 | -2 |

## 24. TRADE AND OTHER PAYABLES

An analysis of this item is shown below:

| CHF 000 | 2009 | 2008 |
|---|---|---|
| Payables related to account holder activities | 499,295 | 499,853 |
| Payables related to matched principal activities | 82,189 | 50,612 |
| Accrued liabilities | 179,824 | 240,985 |
| Related party payables (Note 28) | 2,218 | 11,953 |
| Other short-term payables | 78,847 | 92,354 |
| **Total** | **842,373** | **895,757** |

The Group's exposure to liquidity risk, foreign currency risk and interest rate risk on trade and other payables is disclosed in Note 32.

## 25. TAX PAYABLES AND RECEIVABLES

Consolidated tax payables at 31 December amounted to CHF 21,325,000 (2008: CHF 21,440,000).

Tax receivables of CHF 5,851,000 at 31 December (2008: CHF 7,528,000) consisted mainly of tax instalments paid by Group companies.

## 26. DERIVATIVE FINANCIAL INSTRUMENTS

The fair value of derivative financial instruments at 31 December is analysed below:

| | 2009 | | 2008 | |
|---|---|---|---|---|
| CHF 000 | Assets | Liabilities | Assets | Liabilities |
| Forward foreign exchange contracts | 615 | 563 | - | 9,410 |
| Interest rate swaps | - | 3,634 | - | 5,022 |
| Put option | - | - | 23,582 | - |
| **Total** | **615** | **4,197** | **23,582** | **14,432** |

Derivative currency instruments are used on a selective basis to manage short-term foreign exchange risks arising in the Group's principal currencies. The fair value of derivative financial instruments is their carrying amount.

The put option concerns the disposal of a stake in an associate (Note 9). The fair value of this option at 31 December 2008 was its intrinsic value, which represented the difference between its exercise price of CHF 47.7 million and the fair value of the stake of CHF 24.1 million.

A sensitivity analysis of the fair value of the stake using various assumptions is described in Note. 32.

### *Interest rate swaps*

The Group has used interest rate swaps since 2007 to manage its exposure to interest rate movements compared with fixed rates. These instruments are designated as cash flow hedges.

Contracts with a notional principal of CHF 84 million (CHF 92 million at 31 December 2008) carry average fixed interest rates of 3.34% and variable interest rates based on 6-month LIBOR. These contracts mature on 1 June 2010 and 2012.

The fair value of interest rate swaps is their carrying amount. This is based on market prices at the balance sheet date, received from third parties for similar instruments.

The effective portion of losses on these hedging instruments was CHF 3,455,000 at 31 December (2008: CHF 4,843,000), which was recognised directly in equity.

The Group's exposure to liquidity risk, credit risk, foreign currency risk and interest rate risk on derivative financial assets is disclosed in Note 32.

## 27. OPERATING LEASES

Future minimum lease payments under non-cancellable operating leases for each of the following periods are:

| CHF 000 | 2009 | 2008 |
|---|---|---|
| Less than 1 year | 21,342 | 20,652 |
| Between 1 and 5 years | 51,004 | 42,261 |
| Over 5 years | 29,762 | 37,917 |
| **Minimum future lease payments** | **102,108** | **100,830** |

These lease commitments, which are not carried on the balance sheet, mainly concern office rentals for Group companies. The amounts shown relate to the non-cancellable period only.

Operating lease charges in 2009 amounted to CHF 27,122,000 (2008: CHF 27,166,000) and are included under "Other operating expenses".

## 28. RELATED PARTY TRANSACTIONS

### *Nature of duties of key management personnel*

Key management personnel are the members of the Group's Executive Board. Their duties encompass managing all operating teams across the Group's various geographical zones, and executive management functions.

### *Key management remuneration*

| CHF 000 | 2009 | 2008 |
|---|---|---|
| Salaries and bonuses | 30,650 | 30,954 |
| Share options | 3,734 | 3,361 |
| Fringe benefits | 477 | 521 |
| **Total** | **34,861** | **34,836** |

No compensation in the form of post-employment benefits, termination benefits, share-based payments, or in any other form of short- or long-term benefits was received by key management personnel in 2009 and 2008.

No share options were granted to members of the Group's Executive Board in 2009 (2008: 75,000). An expense of CHF 3,734,000 (2008: CHF 3,361,000) was recognised in relation to share-based payments granted to key management personnel (Note 20).

### *Related party receivables*

| CHF 000 | 2009 | 2008 |
|---|---|---|
| **Non-current** | | |
| Receivables from associates | 771 | - |
| **Total** | **771** | **-** |
| **Current** | | |
| Receivables from associates | 672 | 3,002 |
| Receivables from joint ventures | 1,118 | 212 |
| Receivables from shareholder and associated companies | 15,796 | 6,176 |
| **Total** | **17,586** | **9,390** |

### *Related party payables*

| CHF 000 | 2009 | 2008 |
|---|---|---|
| Payables to associates | 273 | 141 |
| Payables to joint ventures | 447 | 479 |
| Payables to shareholder and associated companies | 1,498 | 11,333 |
| **Total** | **2,218** | **11,953** |

"Receivables from shareholder and associated companies" and "Payables to shareholder and associated companies" include all receivables and payables due to or by Compagnie Financière Tradition SA and its subsidiaries in respect of their ultimate majority shareholder, VIEL et Compagnie Finance, Paris, and subsidiaries of that company.

### *Related party transactions*

In June 2009, Compagnie Financière Tradition sold its interest in two London companies in liquidation - Tradition Bond Brokers Ltd and Tradition Beaufort House Ltd - to a related company of its ultimate shareholder. No consideration was received on the transaction. These companies had no assets at the disposal date. The related company handled the liquidation procedures for both companies until they were finally removed from the Commercial Register in December 2009. Cumulative translation adjustments of CHF 5.1 million arising on the net assets of the companies were transferred from equity to income in the income statement at the disposal date (Note 2).

In December 2009, the Group transferred 19.7% of the shares it held in Ong First Tradition (Pte) Ltd to its indirect shareholder, VIEL & Cie, for a consideration of CHF 9.8 million, thereby reducing its stake in this associate from 35.0% to 15.3% (Note 9). A gain of CHF 6.4 million was recognised in the income statement (Note 2).

On 1 July 2004, Compagnie Financière Tradition SA and its direct majority shareholder signed a 5-year lease based on rental values prevailing in the market. In 2009, a rental charge of CHF 1,049,000 (2008: CHF 960,000) was recognised under "Other operating expenses". The Company's lease was tacitly renewed for five years from 1 July 2009.

A liquidity contract was signed in May 2000 with a company related to one of the Group's directors, under which it was appointed marketmaker for Compagnie Financière Tradition's shares. No fees or commissions were paid in relation to this mandate in either 2009 or 2008. A service company owned by the ultimate shareholder billed the Group for travel expenses amounting to CHF 1,432,000 in 2009 (2008: CHF 1,579,000).

### *Guarantees and conditional commitments to related parties*

Compagnie Financière Tradition SA, until 31 December 2008, had guaranteed an amount of CHF 2,325,000 in respect of annual interest payments and scheduled repayments on a mortgage loan granted to its majority shareholder, Financière Vermeer NV. The mortgage loan was repaid in 2009, and this surety has now lapsed.

### *Guarantees and conditional commitments from related parties*

When VIEL and Compagnie Finance purchased the shares of Compagnie Financière Tradition SA held by Banque Pallas Stern, it undertook to pay Compagnie Financière Tradition SA and its subsidiaries the difference between aggregate receivables due from Comipar and Banque Pallas Stern and the liquidation dividends to be received by Compagnie Financière Tradition SA and its subsidiaries in respect of such receivables. The total balance of these receivables, guaranteed by VIEL et Compagnie Finance, parent company of VIEL & Cie, was counter-guaranteed by VIEL & Cie.

This undertaking relates to receivables of EUR 16,444,000 declared by Compagnie Financière Tradition SA and its subsidiaries at the time Comipar and Banque Pallas Stern went into receivership. VIEL et Compagnie Finance will honour this undertaking when these two entities pay the final liquidation dividend in connection with these receivables.

Between 1999 and 2009, Compagnie Financière Tradition SA and its subsidiaries received partial repayments from Banque Pallas Stern and Comipar, bringing total unsecured dividends received since the liquidation of these companies to CHF 20,332,000, or 81.4% of declared receivables (CHF 19,250,000 at 31 December 2008). This brought the Group's remaining receivables to CHF 4,629,000 at 31 December 2009 (2008: CHF 5,861,000).

### *Consolidation of Compagnie Financière Tradition SA*

Compagnie Financière Tradition SA is consolidated in the financial statements of VIEL & Cie, whose registered office is at 253 Boulevard Pereire, 75017 Paris.

## 29. OFF-BALANCE SHEET OPERATIONS

### *Commitments to deliver and receive securities*

| *CHF 000* | **2009** | 2008 |
|---|---|---|
| Commitments to deliver securities | **30,898,835** | 45,767,334 |
| Commitments to receive securities | **30,894,380** | 45,762,174 |

Commitments to deliver and receive securities reflect buy and sell operations on securities entered into before 31 December and closed out after that date, in connection with the matched principal activities of Group companies.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 30. GUARANTEES AND CONDITIONAL COMMITMENTS

Guarantees and conditional commitments at 31 December 2009 and 2008 concern related parties and are disclosed in Note 28.

## 31. FINANCIAL RISK MANAGEMENT

The Group is exposed to three main types of risk:
- credit risk
- liquidity risk
- market risk

This note details the Group's exposure to each of these risk areas, its risk management objectives, policy and procedures, and the methods it uses to measure risk. There was no change in the Group's risk management in 2009.

The Board of Directors is ultimately responsible for establishing the Group's risk management policies and for monitoring the Executive Board. It is assisted in this task by the Audit Committee, whose role is to supervise the internal control of financial reporting, risk management, and compliance with local laws and regulations. Internal Audit conducts timely reviews of risk management and internal control procedures, and reports its findings to the Audit Committee.
The Credit Committee, made up of 3 members, is responsible for approving counterparties for matched principal activities.

### *Credit risk*

Credit risk is the risk of financial loss for the Group in the event of non-performance by customers or counterparties to financial instruments. This risk mainly concerns the item "Trade and other receivables".

Compagnie Financière Tradition is an interdealer broker in the financial and non-financial markets, serving a predominantly institutional clientele. This broking business consists of facilitating contact between two counterparties to a trade, and receiving a commission for services rendered. The Group therefore has very limited exposure to credit risk in these activities. The quality of counterparties is assessed locally by the subsidiaries in line with Group guidelines, and commission receivables are closely monitored. Provisions for impairment losses on receivables are recognised where necessary.

Some Group companies act as principal in the simultaneous purchase and sale of securities for the account of third parties. Such trades are completed when both sides of the deal are settled, namely once payment is made and the securities are delivered (matched trades). Compagnie Financière Tradition is therefore exposed to counterparty risk if one side of the transaction remains unmatched. However, virtually all transactions are settled within a very short period and delivery risk is minimal.

Having executed the transactions, the broker must then ensure that the clearing is carried out correctly. The risk is that technical delays may occur or that the counterparty may default before the clearing takes place. There are two essential inputs in this operation: the quality of the counterparties involved in the trade, and the efficiency of the administrative organisation behind the clearing.

Regarding the first point, all counterparties must be approved by the Credit Committee. Appropriate credit limits are set, taking into account the creditworthiness of the counterparty and the nature of the transactions. Most counterparties are major financial institutions with excellent credit ratings. An essential part of the approval process for counterparties is the segregation of operating functions from risk assessment and authorisation. The Group has established a method for assessing credit risk, in line with Standard & Poor's rating system. The Risk Management Department regularly monitors compliance with decisions, and reviews the effectiveness of control procedures for counterparties and clearing operations.

The clearing itself is handled by specialised teams. Compagnie Financière Tradition's indirect subsidiary, Tradition (London Clearing Ltd), is a dedicated clearing company, and the pivot for the Group's matched principal transactions for Europe and Asia. Tradition Asiel Securities Inc., one of the Group's US companies, performs all clearing operations in the United States. This company is a member of the FICC (Fixed Income Clearing Corporation), a central settlement counterparty for US government securities. Membership in the FICC considerably reduces the risk of a counterparty default, since it guarantees settlement of all trades entering its net.

### *Liquidity risk*

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. As part of liquidity risk management, the Group focuses on maintaining cash and cash equivalents at its operating subsidiaries at a level that complies with regulatory standards and that meets their needs for working capital. Emphasis is also placed on steady funding through the use of, and access to bank loans.

### *Market risk*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, and affect the Group's net profit or the value of its financial instruments. Market risk includes currency risk and interest rate risk.

### *Currency risk*

Because of its international standing, the Group is exposed to currency risk, This risk arises when subsidiaries conduct transactions in a currency other than their functional currency. Transactions are principally conducted in US dollars (USD), sterling (GBP), yen (JPY), euros (EUR) and Swiss francs (CHF).

Currency risk is analysed globally and its management is the responsibility of the Executive Board. Group policy for hedging this risk is not part of a long-term hedging policy, but is dealt with on a timely basis depending on economic trends and conditions.

### *Interest rate risk*

The Group's exposure to interest rate risk arises mainly from the structure of its financial debt. However, since over 90% of the debt is short term, this risk is very marginal. Financial debt commitments within the Group must be approved by the Executive Board.

In order to reduce interest rate risk, interest rate swaps are used in certain cases to hedge variable interest rate debts.

### *Capital management*

The Group's capital management strategy aims to maintain sufficient equity to ensure operating continuity and produce a return on investment for shareholders.

The Board of Directors monitors return on equity, which is defined as the relationship between net operating income and shareholders' equity, net of minority interests' share. The Board also monitors dividends paid to shareholders.

The Group manages the capital structure and makes adjustments in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

No changes were made in the Group's approach to managing capital in 2009.

Compagnie Financière Tradition SA is not subject to any externally imposed capital requirements. However, on the local level, some Group subsidiaries are subject to capital requirements imposed by regulators in the countries concerned. Monitoring and compliance with regulatory directives are the responsibility of local compliance officers.

## 32. FINANCIAL INSTRUMENTS

Information given in this note includes both continuing and discontinued operations.

### *Credit risk*

#### *Exposure to credit risk*

The carrying amount of financial assets represents the Group's maximum exposure to credit risk. At year-end, exposure to credit risk was as follows:

| *CHF 000* | **2009** | 2008 |
|---|---|---|
| Available-for-sale financial assets | **29,494** | 24,562 |
| Financial assets at fair value | **2,603** | 2,492 |
| Loans and receivables | **793,549** | 785,821 |
| Derivative financial instruments | **615** | 23,582 |
| Cash and cash equivalents | **399,247** | 378,849 |
| Unavailable cash | **18,596** | 18,782 |
| **Total** | **1,244,104** | **1,234,088** |

### *Impairment losses*

An analysis of trade debtors' aging is shown below:

| CHF 000 | 2009 Gross value | 2009 Impairment losses | 2008 Gross value | 2008 Impairment losses |
|---|---|---|---|---|
| Not overdue | 75,604 | - | 77,281 | - |
| Overdue by less than 30 days | 26,426 | - | 32,567 | - |
| Overdue by 31 to 60 days | 12,138 | - | 24,730 | - |
| Overdue by 61 to 90 days | 6,482 | -296 | 18,639 | -261 |
| Overdue by 91 to 180 days | 7,322 | -114 | 12,945 | -589 |
| Overdue by more than 180 days | 8,554 | -1,960 | 7,090 | -2,894 |
| **Total** | **136,526** | **-2,370** | **173,252** | **-3,744** |

Based on our experience of payment default, the Group does not consider it necessary to write down receivables that are not yet overdue or are overdue by less than 60 days.

An impairment loss is recognised on receivables when there is objective evidence that the Group will not be able to collect amounts due under the original terms of the receivable. Objective evidence includes serious financial difficulties of the debtor, the growing probability of bankruptcy or financial reorganisation, and payment default.

Movements in the provision for impairment losses on customer receivables and trade debtors during the period are shown below:

| CHF 000 | 2009 | 2008 |
|---|---|---|
| **At 1 January** | **-3,744** | **-3,855** |
| Changes in basis of consolidation | - | 188 |
| Recognised | -1,932 | -2,935 |
| Used | 3,154 | 1,990 |
| Reversed | 296 | - |
| Currency translation | -144 | 868 |
| **At 31 December** | **-2,370** | **-3,744** |

The aging of receivables related to matched principal activities is shown below:

| CHF 000 | 2009 | 2008 |
|---|---|---|
| Overdue by less than 5 days | 68,969 | 39,418 |
| Overdue by between 6 and 15 days | 18,293 | 25,442 |
| Overdue by between 16 and 30 days | 751 | 94 |
| Overdue by between 31 and 45 days | 2,243 | - |
| Overdue by more than 45 days | - | - |
| **Total** | **90,256** | **64,954** |

Based on an analysis of historical data on losses incurred, the Group does not consider it necessary to write down receivables related to matched principal activities. Most counterparties are major financial institutions with excellent credit ratings. Moreover, transactions are subject to appropriate credit limits, established on the basis of the creditworthiness of the counterparty.

### *Liquidity risk*

An analysis of remaining contractual maturities of financial liabilities, including estimated interest payments, is shown below:

| 31 December 2009<br>CHF 000 | Less than 3 months | 3 to 6 months | 6 to 12 months | 1 to 5 years | Total |
|---|---|---|---|---|---|
| Long-term financial debts | - | - | - | - | **-** |
| Finance leases - minimum future payments | 1,231 | 1,190 | 2,071 | 3,156 | **7,648** |
| Trade and other payables | 832,618 | 2,826 | 6,929 | - | **842,373** |
| Derivative financial instruments | 1,546 | 966 | 474 | 1,211 | **4,197** |
| Short-term financial debts | 37,186 | 124,000 | - | - | **161,186** |
| **Total** | **872,581** | **128,982** | **9,474** | **4,367** | **1,015,404** |

| 31 December 2008<br>CHF 000 | Less than 3 months | 3 to 6 months | 6 to 12 months | 1 to 5 years | Total |
|---|---|---|---|---|---|
| Long-term financial debts | - | - | - | 567 | **567** |
| Finance leases - minimum future payments | 1,310 | 1,303 | 2,544 | 6,792 | **11,949** |
| Trade and other payables | 858,088 | 31,154 | 6,515 | - | **895,757** |
| Derivative financial instruments | 1,422 | 3,937 | 6,578 | 2,495 | **14,432** |
| Short-term financial debts | 46,245 | 132,425 | 850 | - | **179,520** |
| **Total** | **907,065** | **168,819** | **16,487** | **9,854** | **1,102,225** |

### *Currency risk*

#### *Sensitivity analysis*

The Group is exposed to currency risk, particularly the US dollar (USD), sterling (GBP), yen (JPY), euro (EUR) and Swiss franc (CHF).
The table below details the Group's sensitivity to a 10% change in a transaction currency compared with corresponding functional currencies. This analysis shows monetary assets and liabilities denominated in a currency other than the functional currency of the Group's entities, and adjusts their value at the end of the period for a 10% change in the foreign exchange rate.
It is based on the assumption that all other variables remain constant and has been prepared on the same basis as the previous financial year. At 31 December, an appreciation of 10% in a transaction currency compared with other corresponding functional currencies would have increased/(decreased) net profit for the period as shown below, with no impact on equity:

| 31 December 2009 | | | Transaction currencies | | | |
|---|---|---|---|---|---|---|
| CHF 000 | USD | GBP | EUR | CHF | Other currencies | Total |
| **Functional currencies** | | | | | | |
| USD | - | 5 | 163 | - | 238 | **406** |
| GBP | 3,259 | - | 3,403 | 244 | 727 | **7,633** |
| EUR | 230 | 180 | - | 96 | 39 | **545** |
| CHF | 3,397 | 935 | 3,788 | - | 1,920 | **10,040** |
| Other currencies | 292 | 5 | 116 | 4 | - | **417** |
| **Total** | **7,178** | **1,125** | **7,470** | **344** | **2,924** | **-** |

| 31 December 2008 | | | Transaction currencies | | | |
|---|---|---|---|---|---|---|
| CHF 000 | USD | GBP | EUR | CHF | Other currencies | Total |
| **Functional currencies** | | | | | | |
| USD | - | 2 | 16 | - | 231 | **249** |
| GBP | 3,171 | - | 2,513 | 109 | 217 | **6,010** |
| EUR | -89 | 201 | - | 85 | 31 | **228** |
| CHF | 3,298 | 1,213 | 1,219 | - | -46 | **5,684** |
| Other currencies | 1,588 | 81 | 243 | -211 | - | **1,701** |
| **Total** | **7,968** | **1,497** | **3,991** | **-17** | **433** | **-** |

### Interest rate risk

#### Profile

The profile of interest-bearing financial instruments at 31 December is as follows:

| CHF 000 | 2009 | 2008 |
|---|---|---|
| **Fixed rate instruments** | | |
| Financial assets | 53,619 | 52,733 |
| Financial liabilities | 10,900 | 16,544 |
| **Net** | **42,719** | **36,189** |
| **Variable rate instruments** | | |
| Financial assets | 657,312 | 565,551 |
| Financial liabilities | 176,436 | 244,607 |
| **Net** | **480,876** | **320,944** |
| Of which: | | |
| Variable rate financial debts | 161,186 | 180,087 |

#### Sensitivity analysis of cash flows for variable rate instruments

Interest rate risk on financial liabilities arises mainly from variable rate financial debts. The sensitivity analysis of financial debts considered a 50 basis point change in interest rates.
Variable rate financial assets and liabilities, excluding financial debts, mainly consist of receivables and payables related to account holder activities. Since these assets and liabilities are by nature less subject to interest rate risk than financial debts, the sensitivity analysis considered a 25 basis point change in interest rates.
A 50 bps increase in interests rates (25 bps for net financial assets excluding financial debts) at 31 December would have increased/(decreased) net profit and equity by the amounts shown below. This analysis is based on the assumption that all other variables remain constant and has been prepared on the same basis as the previous financial year.

#### 31 December 2009

| CHF 000 | Net profit | Equity |
|---|---|---|
| Net financial assets excluding financial debts | 1,605 | - |
| Financial debts | -386 | - |
| Interest rate swaps | - | 211 |

For interest rate swaps, a 50 basis point reduction in interest rates would have reduced equity by CHF 214,000 at 31 December 2009, without impacting net profit.

#### 31 December 2008

| CHF 000 | Net profit | Equity |
|---|---|---|
| Net financial assets excluding financial debts | 1,253 | - |
| Financial debts | -440 | - |
| Interest rate swaps | - | 500 |

For interest rate swaps, a 50 basis point reduction in interest rates would have reduced equity by CHF 696,000 at 31 December 2008, without impacting net profit.

### *Fair value*

The fair value and carrying amount of financial assets and liabilities at 31 December are presented below:

| 31 December 2009<br>CHF 000 | Carrying amount | Fair value |
|---|---|---|
| Available-for-sale financial assets | 29,494 | 29,494 |
| Financial assets at fair value | 2,603 | 2,603 |
| Loans and receivables | 793,549 | 793,549 |
| Derivative financial instruments | 615 | 615 |
| Cash and cash equivalents | 399,247 | 399,247 |
| Unavailable cash | 18,596 | 18,596 |
| **Total financial assets** | **1,244,104** | **1,244,104** |
| Short-term financial debts | 165,484 | 165,484 |
| Trade and other payables | 842,373 | 842,373 |
| Derivative financial instruments | 4,197 | 4,197 |
| Long-term financial debts | 3,078 | 3,100 |
| **Total financial liabilities** | **1,015,132** | **1,015,154** |

| 31 December 2008<br>CHF 000 | Carrying amount | Fair value |
|---|---|---|
| Available-for-sale financial assets | 24,562 | 24,562 |
| Financial assets at fair value | 2,492 | 2,492 |
| Loans and receivables | 785,821 | 785,821 |
| Derivative financial instruments | 23,582 | 23,582 |
| Cash and cash equivalents | 378,849 | 378,849 |
| Unavailable cash | 18,782 | 18,782 |
| **Total financial assets** | **1,234,088** | **1,234,088** |
| Short-term financial debts | 184,422 | 184,422 |
| Trade and other payables | 895,757 | 895,757 |
| Derivative financial instruments | 14,432 | 14,432 |
| Long-term financial debts | 7,187 | 7,151 |
| **Total financial liabilities** | **1,101,798** | **1,101,762** |

### *Sensitivity analysis of the fair value of derivative financial instruments (assets) at 31 December 2008*

This item includes the fair value of a contractual put option, the amount of which is influenced by the estimated market value of the underlying interest. The valuation principles used are disclosed under the section "Key accounting estimates and judgments". This estimate is based on a number of assumptions, a change in any of which would have a direct impact on net profit.

A one-unit increase in the p/e ratio and a 500 bps reduction in the percentage decrease in value would reduce the net profit by the amounts shown below. This analysis is based on the assumption that all other variables remain constant.

| CHF 000 | Net profit |
|---|---|
| Price/earnings ratio | -4,888 |
| Decrease in value | -2,222 |

A one-unit decrease in the p/e ratio and a 500 bps increase in the percentage decrease in value would increase the net profit by the same amounts.

The methods used to measure fair value are disclosed in the section on significant accounting policies.

### *Fair value hierarchy*

The table below analyses financial instruments measured at fair value within different hierarchal levels depending on the methods used. The following value hierarchy was used:

- Level 1: quoted prices (unadjusted) in active markets for an identical instrument.
- Level 2: fair values determined on the basis of a valuation model using inputs which are directly observable in a market (level 1) or derived from prices observed.
- Level 3: fair values determined on the basis of a valuation model using inputs which are not observable in a market.

| 31 December 2009<br>CHF 000 | Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Available-for-sale financial assets | **29,494** | 21,927 | 6,908 | 659 |
| Financial assets at fair value | **2,603** | 1,262 | - | 1,341 |
| Derivative financial instruments | **615** | - | 615 | - |
| **Total financial assets** | **32,712** | **23,189** | **7,523** | **2,000** |
| Derivative financial instruments | **4,197** | - | 4,197 | - |
| **Total financial liabilities** | **4,197** | **-** | **4,197** | **-** |

### *Reconciliation of Level 3 financial assets and liabilities*

| CHF 000 | Available-for-sale financial assets | Financial assets at fair value | Total |
|---|---|---|---|
| **At 1 January** | **358** | **1,486** | **1,844** |
| Acquisitions during the year | 301 | - | **301** |
| Issues | - | - | **-** |
| Disposals | - | - | **-** |
| Gains/(losses) recognised in profit or loss | - | -254 | **-254** |
| Gains/(losses) recognised in other items of global income | - | - | **-** |
| Transfers out of Level 3 | - | - | **-** |
| Currency translation | - | 109 | **109** |
| **At 31 December** | **659** | **1,341** | **2,000** |

Losses recognised in profit or loss are presented as financial expense under "Losses on financial assets at fair value".

All losses recognised in profit or loss relate to financial instruments held at year-end.

## 33. EXCHANGE RATES

The main exchange rates against the Swiss franc used in the consolidation are shown below:

| | | **2009** | | 2008 | |
|---|---|---|---|---|---|
| | | **Year-end rate** | **Average rate** | Year-end rate | Average rate |
| 1 euro | EUR | **1.48** | **1.51** | 1.49 | 1.59 |
| 1 pound sterling | GBP | **1.67** | **1.69** | 1.56 | 2.01 |
| 100 Japanese yen | JPY | **1.11** | **1.16** | 1.18 | 1.04 |
| 1 US dollar | USD | **1.03** | **1.08** | 1.07 | 1.08 |

## 34. BASIS OF CONSOLIDATION

The table below shows consolidated companies, percentage interests held directly or indirectly, and the method of consolidation used for each company.

| | New companies | Country | Controlling interest | Equity interest | | Capital *in thousands* | FCM/PCM/EM method |
|---|---|---|---|---|---|---|---|
| **COMPAGNIE FINANCIERE TRADITION** | | Switzerland | | | CHF | 15 320 | Consolidating company |
| **1. FINANCIAL COMPANIES** | | | | | | | |
| TRADITION SERVICE HOLDING S.A., LAUSANNE | | Switzerland | 100.00% | 100.00% | CHF | 21 350 | FCM |
| Tradition (UK) Ltd, London | | United Kingdom | 100.00% | 100.00% | GBP | 21 050 | FCM |
| Tradition London Clearing Ltd, London | | United Kingdom | 100.00% | 100.00% | GBP | 2 250 | FCM |
| Tradition Data Analytics Services (Pty) Ltd, Fourways | ✓ | South Africa | 100.00% | 100.00% | ZAR | n/s | FCM |
| Tradition Government Bond Brokers and Derivative Brokers (Pty) Ltd, Johannesburg | | South Africa | 100.00% | 100.00% | ZAR | 1 000 | FCM |
| Tradition Luxembourg S.A., Luxembourg | | Luxembourg | 100.00% | 100.00% | EUR | 3 042 | FCM |
| Tradition Eurobond S.A., Luxembourg | | Luxembourg | 100.00% | 100.00% | EUR | 500 | FCM |
| Finance 2000 S.A., Paris | | France | 100.00% | 100.00% | EUR | 4 575 | FCM |
| Tradition Securities And Futures S.A., Paris, and London branch | | France | 99.90% | 99.90% | EUR | 13 325 | FCM |
| TSAF OTC S.A., Paris | | France | 100.00% | 99.90% | EUR | 10 601 | FCM |
| Finacor & Associés S.A., Brussels | | Belgium | 100.00% | 99.90% | EUR | 497 | FCM |
| Finacor Belgique S.A., Brussels | | Belgium | 100.00% | 100.00% | EUR | 149 | FCM |
| Finacor Wertpapierhandel GmbH, Frankfurt | | Germany | 100.00% | 100.00% | EUR | 2 531 | FCM |
| Finacor Deutschland GmbH, Munich | | Germany | 100.00% | 100.00% | EUR | 547 | FCM |
| Tradition S.A., Lausanne, and Zurich branch | | Switzerland | 100.00% | 100.00% | CHF | 100 | FCM |
| Tradition Italia Sim S.p.A., Milan | | Italy | 100.00% | 100.00% | EUR | 1 550 | FCM |
| Fincor SGPS, Lisbon | | Portugal | 20.00% | 20.00% | EUR | 1 347 | EM |
| Tradition (North America) Inc., New York | | United States | 100.00% | 100.00% | USD | 14 500 | FCM |
| Tradition Securities And Futures Inc., New York | | United States | 100,00% | 100.00% | USD | n/s | FCM |
| Tradition Asiel Securities Inc., New York | | United States | 100.00% | 100.00% | USD | 5 | FCM |
| Standard Credit Holding Inc., New York | | United States | 100.00% | 100.00% | USD | n/s | FCM |
| Standard Credit Securities Inc., New York | | United States | 100.00% | 100.00% | USD | n/s | FCM |
| Standard Credit Group LLC, New York | | United States | 60.00% | 60.00% | USD | 2 500 | FCM |
| Tradition Services (Delaware) Corp., Delaware | | United States | 100.00% | 100.00% | USD | n/s | FCM |
| Govdesk LLC, Redondo Beach, | | United States | 35.00% | 35.00% | USD | 75 | EM |
| FXDirectDealer LLC, New York | | United States | 20.00% | 20.00% | USD | 750 | EM |
| VIEL Debeausse & Co. Inc., New York | | United States | 91.00% | 91.00% | USD | 50 | FCM |
| Asesorias e Inversiones Tradition Chile Ltda, Santiago | | Chile | 100.00% | 100.00% | CLP | 2 150 262 | FCM |
| Tradition Chile Agentes de Valores Ltda, Santiago | | Chile | 100.00% | 100.00% | CLP | 476 805 | FCM |
| Elite Broker S.A. de C.V., Mexico | | Mexico | 100.00% | 100.00% | MXN | 50 | FCM |
| Tradition Services S.A. de C.V., Mexico | | Mexico | 100.00% | 100.00% | MXN | 50 | FCM |
| Tradition Brasil Escritorio de Representacao Ltda, Sao Paulo | | Brazil | 100.00% | 100.00% | BRL | 508 | FCM |
| Tradition Colombia S.A., Bogota | | Colombia | 100.00% | 100.00% | COP | 90 000 | FCM |
| Tradition Argentina S.A., Buenos Aires | | Argentina | 100.00% | 100.00% | ARS | 12 | FCM |
| Meitan Tradition Co. Ltd, Tokyo | | Japan | 55.34% | 55.34% | JPY | 300 000 | FCM |
| Gaitame.com Co., Ltd, Tokyo | | Japan | 43.35% | 25.58% | JPY | 799 354 | PCM |
| InfoCure Co., Ltd, Tokyo | | Japan | 43.35% | 25.58% | JPY | 50 000 | PCM |
| Gaitame.com Research Institute Ltd, Tokyo | ✓ | Japan | 43.35% | 25.58% | JPY | 50 000 | PCM |
| Tradition (Asia) Ltd, Hong Kong | | China | 100.00% | 100.00% | HKD | 25 001 | FCM |
| Tradition Korea Ltd, Seoul | | South Korea | 100.00% | 100.00% | KRW | 5 000 000 | FCM |
| Tradition Singapore (Pte) Ltd, Singapore | | Singapore | 100.00% | 100.00% | SGD | 300 | FCM |
| Tradition Asia Pacific (Pte) Ltd, Singapore | | Singapore | 100.00% | 100.00% | SGD | n/s | FCM |
| Ong First Tradition (Ptes) Ltd, Singapore | | Singapore | 15.34% | 15.34% | SGD | 3 000 | EM |
| Tradition Financial Services Philippines Inc., Makati | | Philippines | 100.00% | 100.00% | PHP | 14 000 | FCM |
| Tradition Securities Japan Co Ltd, Tokyo | | Japan | 100.00% | 100.00% | JPY | 199 000 | FCM |
| Sasithorn Tradition Co Ltd, Bangkok | ✓ | Thailand | 49.00% | 49.00% | THB | 1 250 | PCM |
| Tradition Australia Pty Ltd, Sydney | | Australia | 100.00% | 100.00% | AUD | n/s | FCM |
| First Taz Money Brokers Sdn Bhd, Kuala Lumpur | | Malaysia | 40.00% | 40.00% | MYR | 500 | EM |
| Derivium Capital & Securities Private Ltd, Mumbai | | India | 50.00% | 50.00% | INR | 6 000 | PCM |
| Tradition CIS LLC, Moscow | | Russia | 100.00% | 100.00% | USD | n/s | FCM |
| Ping An Tradition International Money Broking Company Ltd, Shenzhen | | China | 33.00% | 33.00% | CNY | 50 000 | EM |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

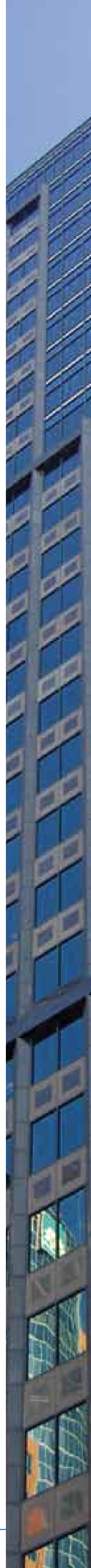
| | New companies | Country | Controlling interest | Equity interest | Capital *in thousands* | | FCM/PCM/EM method |
|---|---|---|---|---|---|---|---|
| TFS, LAUSANNE | | Switzerland | 99.92% | 99.92% | CHF | 3 916 | FCM |
| Tradition Financial Services Ltd, London, and Tel Aviv branch | | United Kingdom | 100.00% | 99.92% | GBP | 250 | FCM |
| TFS-ICAP Holdings Ltd, London | | United Kingdom | 50.00% | 54.96% | GBP | 10 | PCM |
| TFS-ICAP Ltd, London | | United Kingdom | 51.00% | 27.48% | GBP | 20 | FCM |
| TFS-ICAP Currency Options Ltd, London | | United Kingdom | 100.00% | 27.48% | GBP | 550 | FCM |
| TFS Derivatives Ltd, London | | United Kingdom | 100.00% | 99.92% | GBP | 1 200 | FCM |
| Equitek Capital Ltd, London | | United Kingdom | 100.00% | 99.92% | GBP | 1 300 | FCM |
| TFS Futures & Options S.A. (Pty) Ltd, Johannesburg | | South Africa | 100.00% | 99.92% | ZAR | 250 | FCM |
| TFS Securities (Pty) Ltd, Johannesburg | | South Africa | 74.90% | 74.84% | ZAR | n/s | FCM |
| Tradition Financial Services GmbH, Frankfurt | | Germany | 100.00% | 99.92% | EUR | 204 | FCM |
| Tradition Financial Services Inc., New York | | United States | 100.00% | 99.92% | USD | 50 | FCM |
| TFS Derivatives Corp., New York | | United States | 100.00% | 99.92% | USD | 95 | FCM |
| TFS Services (Texas) Inc., Houston | | United States | 100.00% | 99.92% | USD | n/s | FCM |
| Tradition Financial Services (Texas) LP, Houston | | United States | 100.00% | 99.92% | USD | n/s | FCM |
| TFS-ICAP Holdings LLC, New York | | United States | 50.00% | 54.96% | USD | n/s | PCM |
| TFS-ICAP LLC, New York | | United States | 51.00% | 27.48% | USD | n/s | FCM |
| TFS Energy LLC, Stamford | | United States | 53.00% | 52.96% | USD | n/s | FCM |
| TFS Energy Futures LLC, Stamford | | United States | 100.00% | 52.96% | USD | n/s | FCM |
| TFS Energy Inc., Houston | | United States | 100.00% | 52.96% | USD | n/s | FCM |
| TFS Energy (Texas) LP, Houston | | United States | 100.00% | 52.96% | USD | n/s | FCM |
| TFS Energy Solutions (Texas) LP, Houston | | United States | 100.00% | 52.96% | USD | n/s | FCM |
| TFS Energy Solutions LLC, Houston | | United States | 100.00% | 52.96% | USD | n/s | FCM |
| Energy Curves LLC, Houston | | United States | 25.00% | 13.24% | USD | n/s | EM |
| Equitek Capital Inc., Delaware | | United States | 100.00% | 99.92% | USD | n/s | FCM |
| Equitek Capital LLC, Delaware | | United States | 50.00% | 49.96% | USD | n/s | FCM |
| Tradition Re Inc., Stamford | | United States | 100.00% | 52.96% | USD | 2 | FCM |
| TFS Dubaï Ltd, Dubai | | United Arab Emirates | 100.00% | 99.92% | USD | 450 | FCM |
| TFS Australia Pty Ltd, Sydney | | Australia | 100.00% | 99.92% | AUD | 5 | FCM |
| Tradition Financial Services Japan Ltd, Tokyo | | British Virgin Islands | 100.00% | 99.92% | USD | 50 | FCM |
| Tradition Financial Services (Hong Kong) Ltd, Hong Kong | | China | 100.00% | 99.92% | HKD | 200 | FCM |
| TFS Derivatives HK Ltd, Hong Kong | | China | 100.00% | 99.92% | HKD | 5 000 | FCM |
| TFS Energy (S) Pte Ltd, Singapore | | Singapore | 100.00% | 99.92% | USD | 60 | FCM |
| TFS Currencies Pte Ltd, Singapore | | Singapore | 100.00% | 99.92% | USD | 700 | FCM |
| The Recruitment Company Holdings Inc., Delaware | | United States | 79.00% | 78.94% | USD | n/s | FCM |
| The Recruitment Company Pty Ltd, Sydney | | Australia | 89.90% | 70.96% | AUD | n/s | FCM |
| Equitek Capital Limited, Georgetown | | Cayman Islands | 50.00% | 49.96% | USD | n/s | FCM |
| Rubens Investments Services Inc., British Virgin Islands | | British Virgin Islands | 100.00% | 100.00% | USD | 50 | FCM |
| **2. NON-FINANCIAL COMPANIES** | | | | | | | |
| Tradificom International, Lausanne | | Switzerland | 100.00% | 100.00% | CHF | 200 | FCM |
| StreamingEdge.com Inc., New Jersey | | United States | 80.00% | 80.00% | USD | n/s | FCM |
| StreamingEdge (Canada) Inc., Toronto | | Canada | 100.00% | 80.00% | CAD | n/s | FCM |
| StreamingEdge UK Ltd, London | | United Kingdom | 100.00% | 80.00% | GBP | n/s | FCM |
| GIE VIEL Gestion, Paris | | France | 78.05% | 77.97% | EUR | n/s | FCM |
| GIE VCF Gestion, Paris | | France | 90.00% | 89.91% | EUR | n/s | FCM |

FCM: Full consolidation method - PCM: Proportional consolidation method - EM: Equity method

All new companies were incorporated during the 2009 financial year. The main changes in the basis of consolidation in 2009 were as follows:

***Reset Holding (Pte) Ltd, Singapore:*** in April 2009, the Group finalised the disposal of its 15% interest in this associate (Note 9).

***Ong First Tradition (Pte) Ltd, Singapore:*** in December 2009, the Group reduced its stake in this associate from 35.0% to 15.3% (Note 9).



# COMPANY FINANCIAL STATEMENTS

# REPORT OF THE STATUTORY AUDITORS

**To the General Meeting of**

**Compagnie Financière Tradition SA, Lausanne**

Lausanne, 15 March 2010

## Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of Compagnie Financière Tradition SA, which comprise the income statement, balance sheet and notes included on pages 71 to 80, for the year ended 31 December 2009.

### *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 2009 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 Over-sight Act (AOA) and independence (Art. 728 Code of Obligations (CO) and Art. 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.

**Ernst & Young Ltd**

**Hans Isler**
Licensed audit expert
(Auditor in charge)

**Julien Meylan**
Licensed audit expert

# INCOME STATEMENT

| CHF 000 | Notes | 2009 | 2008 |
|---|---|---|---|
| Income from equity investments | III.1 | 49,641 | 36,525 |
| Other income | | 35,526 | 34,639 |
| Financial income | | 1,796 | 5,727 |
| Decrease in unrealised losses on treasury shares | | 3,656 | - |
| Reversal of the provision for bad debts | | - | 331 |
| **Total income** | | **90,619** | **77,222** |
| Personnel costs | | -11,160 | -11,997 |
| Other expenses | | -13,001 | -12,994 |
| Financial expense | | -6,802 | -8,295 |
| Provision for impairment of receivables | | -167 | - |
| Unrealised losses on treasury shares | | - | -4,209 |
| Depreciation and amortisation | | -228 | -299 |
| **Total expenses** | | **-31,358** | **-37,794** |
| **Profit before tax** | | **59,261** | **39,428** |
| Income tax | | -986 | -3,576 |
| **Net profit for the year** | | **58,275** | **35,852** |

# BALANCE SHEET

| CHF 000<br>ASSETS | Notes | 31/12/2009 | 31/12/2008 |
|---|---|---|---|
| Cash and call deposits | | 25,306 | 761 |
| Short-term receivables from Group companies | | 72,934 | 67,864 |
| Short-term receivables from shareholders | | 280 | 32 |
| Other short-term receivables | | 3,768 | 2,539 |
| Treasury shares | II.5 | 7,129 | 2,926 |
| Prepayments and accrued income | | 811 | 537 |
| **Total current assets** | | **110,228** | **74,659** |
| Long-term receivables from Group companies | | 106,955 | 87,744 |
| Other long-term receivables | | 3,923 | 4,967 |
| Equity investments | II.1 | 75,560 | 75,434 |
| Tangible fixed assets | | 1,215 | 1,161 |
| Intangible fixed assets | | 534 | 230 |
| **Total fixed assets** | | **188,187** | **169,536** |
| **TOTAL ASSETS** | | **298,415** | **244,195** |

# BALANCE SHEET

| CHF 000<br>LIABILITIES | Notes | 31/12/2009 | 31/12/2008 |
|---|---|---|---|
| Short-term bank borrowings | | **134,259** | 143,144 |
| Short-term payables to Group companies | | **17,272** | 8,707 |
| Short-term payables to shareholders | | **130** | 5,566 |
| Other short-term payables | | **1,122** | 1,777 |
| Accruals and deferred income | | **6,606** | 6,385 |
| **Total payables** | | **159,389** | **165,579** |
| Share capital | II.4 | **15,320** | 14,049 |
| General reserve | | **50,780** | 5,278 |
| Reserve for treasury shares | | **7,682** | 7,135 |
| Retained earnings | | **65,244** | 52,154 |
| **Total equity** | | **139,026** | **78,616** |
| **TOTAL LIABILITIES** | | **298,415** | **244,195** |

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

## I. BASIS OF PREPARATION

The Company financial statements of Compagnie Financière Tradition SA have been prepared in accordance with valuation principles prescribed by Swiss law. The accounting principles applied in the preparation are the same as those applied at 31 December 2008.

## II. NOTES TO THE BALANCE SHEET

### *II.1 Equity investments*

Compagnie Financière Tradition SA holds significant interests in the following companies:

| | Capital *in thousands* | Shareholding % | | Acquisition price *CHF 000* | |
|---|---|---|---|---|---|
| | | **2009** | 2008 | **2009** | 2008 |
| Tradition Service Holding S.A., Lausanne | CHF 21 350 | **100.00** | 100.00 | **21,242** | 21,242 |
| TFS, Lausanne | CHF 3 916 | **99.92** | 99.92 | **50,106** | 50,106 |
| Tradificom International, Lausanne | CHF 200 | **100.00** | 100.00 | **200** | 200 |
| StreamingEdge.com Inc., New Jersey | USD n/s | **80.00** | 80.00 | **2,872** | 2,872 |
| Ping An Tradition International Money Broking Company Ltd, Shenzhen | CNY 50 000 | **33.00** | 33.00 | **2,610** | 2,484 |
| Other equity investments | | | | **981** | 981 |
| **GROSS TOTAL** | | | | **78,011** | **77,885** |
| Depreciation allowance | | | | **-2,451** | -2,451 |
| **NET TOTAL** | | | | **75,560** | **75,434** |

Tradition Service Holding S.A. and TFS are sub-holding companies, which in turn hold significant interests in companies broking financial and non-financial products for a wide range of clients consisting mainly of financial institutions and large corporations.

The net asset value, used for estimating appropriate provisions, was determined on the basis of the company or consolidated financial statements of these subsidiaries at 31 December 2009 and 2008, translated at the exchange rates prevailing on those dates. The resulting provisions amounted to CHF 2,451,000 at 31 December 2009, unchanged from the previous year.

### *II.2 Fire insurance value of tangible fixed assets*

The insurance value of tangible fixed assets was CHF 13,169,000 at 31 December 2009 (2008: 12,526,000), for furniture and installations.

### *II.3 Liabilities to pension plans*

There were no liabilities to occupational pension plans at 31 December 2009 and 2008.

### *II.4 Shareholder's equity*

*Share capital*

The Company's capital at 31 December 2009 was CHF 15,319,675, consisting of 6,127,870 bearer shares with a nominal value of CHF 2.50. Compagnie Financière Tradition SA issued 508,419 new shares during the 2009 financial year, following the conversion of subscription rights, at an issue price of CHF 92.00 per share. This operation increased capital by CHF 1,271,000, with a share premium of CHF 45,504,000.

The share capital at 31 December 2008 was CHF 14,048,628, consisting of 5,619,451 bearer shares with a nominal value of CHF 2.50. The Company issued 25,000 new bearer shares during the 2008 financial year, at an issue price of CHF 92.25 per share, resulting in an increase in capital of CHF 62,500 and a share premium of CHF 2,243,750.

The share capital at 31 December 2007 was CHF 13,986,127, consisting of 5,594,451 bearer shares with a nominal value of CHF 2.50. During the 2007 financial year, 126,094 new bearer shares were issued at a weighted average price of CHF 84.00 per share, with a share premium of CHF 10,281,000.

At 31 December 2006, the share capital was CHF 13,670,892, consisting of 5,468,357 bearer shares with a nominal value of CHF 2.50.

### *Major shareholders*

Financière Vermeer NV, Amsterdam held 67.56% of the voting rights in Compagnie Financière Tradition SA at 31 December 2009 (2008: 67.45%).

Financière Vermeer NV is wholly owned by VIEL & Cie, Paris, in which VIEL et Compagnie Finance held a 53.79% interest at 31 December 2009 (2008: 56.00%).

### *Authorised capital*

The Company's capital may be increased by up to CHF 5,758,327 through the issuance of up to 2,303,331 new bearer shares with a nominal value of CHF 2.50. The Board of Directors sets the issue price and the date from which the new shares are to carry dividend rights. This authority is valid until 13 May 2011.

The Board is empowered to suspend or limit current shareholders' pre-emptive rights to enable acquisitions or equity stakes. Subscription rights for which a pre-emptive right is granted but not exercised are available to the Board to be used in the Company's interest.

### *Conditional capital*

The Company's capital may be increased by up to CHF 2,379,795 through the issuance of up to 951,918 bearer shares with a nominal value of CHF 2.50. An increase takes place through the exercise of a pre-emptive right by Company employees. The pre-emptive rights of existing shareholders are cancelled. The Board of Directors defines the conditions for employee participation.

There were 486,000 employee share options outstanding at 31 December 2009 (2008: 486,000), representing a potential capital increase of CHF 1,215,000. An option entitles the holder to subscribe one share with a nominal value of CHF 2.50.

| Grant date | Number of options *of CHF 2.50 nominal value* | Potential increase in capital *CHF* | Start of exercise date | Expiry date | Exercise price *CHF* |
|---|---|---|---|---|---|
| Plan of 10.03.00 | 266,000 | 665,000 | 88,800 securities on 10.03.01<br>88,800 securities on 10.03.02<br>88,400 securities on 10.03.03 | 09.03.12 | 60.00 |
| Plan of 17.05.02 | 20,000 | 50,000 | 17.05.04 | 16.05.16 | 97.50 |
| Plan of 08.09.03 | 25,000 | 62,500 | 08.09.05 | 08.09.13 | 92.25 |
| Plan of 24.04.06 | 75,000 | 187,500 | 24.04.09 | 23.04.16 | 129.90 |
| Plan of 14.12.07 | 25,000 | 62,500 | 14.12.09 | 14.12.17 | 2.50 |
| Plan of 21.05.08 | 15,000 | 37,500 | 21.05.11 | 21.05.13 | 2.50 |
| Plan of 15.09.08 | 30,000 | 75,000 | 21.01.11 | 21.01.16 | 2.50 |
| Plan of 23.09.08 | 30,000 | 75,000 | 21.01.11 | 21.01.16 | 2.50 |
| **Total** | **486,000** | **1,215,000** | - | - | - |

Moreover, the Board of Directors may decide to increase share capital by up to CHF 3,600,000 through the issuance of up to 1,440,000 new bearer shares with a nominal value of CHF 2.50. The increase is carried out as follows:

- Up to CHF 2,500,000 through the exercise of conversion rights, granted in relation to the Company's issuance of bonds or similar convertible debt securities on the national and international capital markets. The pre-emptive rights of existing shareholders are cancelled. The conditions of issue of such borrowings is defined by the Board of Directors, with a conversion right based on an issue price of no less than the average market price during the twenty trading days preceding the issue. Shareholders' pre-emptive right to subscribe such borrowings is cancelled. Conversion rights must be exercised within five years of the issue date, after which they expire.
- Up to CHF 1,100,000 through the exercise of options independent of share subscriptions allocated free of charge to shareholders pro rata to their existing holdings of share capital. The terms and conditions for allocating and exercising share options by shareholders or future option holders (transferrable options) shall be defined by the Board of Directors.

Holders of conversion rights and/or options may subscribe for new shares.

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

### *II.5 Treasury shares*

Compagnie Financière Tradition SA directly held 57,913 treasury shares, amounting to CHF 7,129,000, at 31 December 2009. Movements in treasury shares over the past two financial years are shown below:

| | Book value CHF 000 | Acquisition or redemption price CHF 000 | No. of shares *of CHF 2.50 nominal value* |
|---|---|---|---|
| **At 1 January 2008** | **-** | **-** | **-** |
| Acquisitions | 9,342 | 9,342 | 89,483 |
| Disposals | -2,207 | -2,207 | -47,074 |
| Change in unrealised losses | -4,209 | - | - |
| **At 31 December 2008** | **2,926** | **7,135** | **42,409** |
| Acquisitions | 6,283 | 6,283 | 52,672 |
| Disposals | -5,736 | -4,761 | -37,168 |
| Realised gains and losses | - | -975 | - |
| Changes in unrealised losses | 3,656 | - | - |
| **At 31 December 2009** | **7,129** | **7,682** | **57,913** |

Treasury shares are measured at the lower of their acquisition cost and the market price on the reporting date.
An amount of CHF 7,682,000, equivalent to the acquisition price of own shares, was transferred from available earnings to the reserve for treasury shares.

## III. NOTES TO THE INCOME STATEMENT

### *III.1 Operating income*

The Company received dividends from subsidiaries of CHF 49,641,000 in 2009 (2008: CHF 36,525,000).

## IV. ADDITIONAL DISCLOSURES

### *IV.1 Guarantees and contingent liabilities*

The Company guaranteed credit limits granted to its subsidiary, Tradition Service Holding S.A., by means of a joint surety bond of CHF 25,000,000, unchanged from last year. It also guaranteed, until 31 December 2008, an amount of CHF 2,325,000 in respect of annual interest payments and scheduled repayments on a mortgage loan granted to its majority shareholder, Financière Vermeer NV. The mortgage loan was repaid in 2009, and this surety has now lapsed.

Comfort letters were issued in favour of a number of the Company's indirect subsidiaries, in connection with their activities.

#### *Lease commitments*

| *CHF 000* | **2009** | 2008 |
|---|---|---|
| Remaining term of contract less than 1 year | **719** | 360 |
| Remaining term of contract between 1 and 5 years | **2,518** | - |
| Remaining term of contract more than 5 years | **-** | - |
| **Total** | **3,237** | **360** |

These liabilities concern office rentals and are not carried on the balance sheet. The amounts shown relate to the non-cancellable period only. The Company's lease was tacitly renewed for five years from 1 July 2009.

### *IV.2 Guarantees and contingent assets*

When VIEL and Compagnie Finance purchased the shares of Compagnie Financière Tradition SA held by Banque Pallas Stern, it undertook to pay Compagnie Financière Tradition SA the difference between aggregate receivables due from Comipar and Banque Pallas Stern and the liquidation dividends to be received by Compagnie Financière Tradition SA in respect of such receivables. The total balance of these receivables, guaranteed by VIEL et Compagnie Finance, parent company of VIEL & Cie, was counter-guaranteed by VIEL & Cie.

This undertaking relates to receivables of EUR 14,032,000 declared by Compagnie Financière Tradition SA and its subsidiaries at the time Comipar and Banque Pallas Stern went into receivership. VIEL et Compagnie Finance will honour this undertaking when these two entities pay the final liquidation dividend in connection with these receivables.

Between 1999 and 2009, Compagnie Financière Tradition SA received partial repayments from Banque Pallas Stern and Comipar, bringing total unsecured dividends received since the liquidation of Banque Pallas Stern and Comipar to 81.7% of declared receivables. This brought the Company's remaining receivables to CHF 3,923,000 at 31 December (2008: CHF 4,967,000).

### IV.3 Derivative financial instruments

The Company uses interest rate swaps to manage its exposure to fluctuations in interest rates.

Contracts with a notional principal of CHF 84 million (CHF 92 million at 31 December 2008) carry average fixed interest rates of 3.34% and variable interest rates based on 6-month LIBOR.

At year-end, the fair value of these contracts was CHF 3,634,000 in favour of the bank (2008: CHF 5,022,000). This unrealised loss was not recognised in the accounts.

### IV.4 Risk assessment

Compagnie Financière Tradition SA, the Group's parent company, is totally integrated into the internal risk assessment process applied throughout the Group. This process consists of periodically reporting identified risks to the Company's Board of Directors. The Risk Management, Internal Audit and Compliance departments have primary responsibility for implementing procedures and measures for identifying and managing risks.

Information on the processes used to evaluate financial risks across the Group is disclosed in Note 31 of the consolidated financial statements.

### IV.5 Compensation and loans granted to members of the Board of Directors and Executive Board

Pursuant to the requirements of Section 663$^{bis}$ of the Swiss Code of Obligations, compensation and loans granted to members of the Board of Directors and Executive Board for the 2009 and 2008 financial years are disclosed below.

The amounts shown only include compensation received by the members for their respective Board duties. Share options are measured at fair value on the grant date in accordance with IFRS principles. These options are amortised over the vesting period and amortisation for the year is included in the compensation amounts shown below.

*Compensation and loans granted to members of the Board of Directors for the 2009 financial year*

| Name<br>*CHF 000* | Position | Fees | Loans and advances outstanding |
|---|---|---|---|
| P. Combes | Chairman of the Board of Directors/Executive Director | - | - |
| C. Baillet | Director/member of the Audit Committee and Chairman of the Remuneration Committee. | 57 | - |
| P.Y. Bournet | Executive Director | 30(1) | 62 |
| F. Carrard | Director/member of the Remuneration Committee | 40 | - |
| H. de Carmoy | Director | 68(2) | - |
| J.M Descarpentries | Director/member of the Audit Committee. | 47 | - |
| C. Goecking | Director/member of the Remuneration Committee | 40 | - |
| P. Languetin | Director/member of the Audit Committee | 50 | - |
| R. Pennone | Director/Chairman of the Audit Committee | 50 | - |
| B. Collins | Director/Deputy Chairman | 23(1) | - |
| D. Pinchin | Executive Director | 30(1) | - |
| U. Schneider | Director | 30 | - |
| **Total** | | **465** | **62** |

*(1) Compensation as a member of the Board of Directors. (2) Includes CHF 38,000 in relation to additional work.*

*Compensation and loans granted to members of the Executive Board for the 2009 financial year*

| Name and position<br>CHF 000 | Salaries and bonuses | Share options | Fringe benefits | Total compensation paid | Loans and advances outstanding |
|---|---|---|---|---|---|
| E. Assentato - Managing Director TSH Americas | 4,996 | 2,173 | - | 7,169 | - |
| Other members | 25,654 | 1,561 | 477 | 27,692 | - |
| **Total** | 30,650 | 3,734 | 477 | 34,861 | - |

*Compensation accorded to former members of the Executive Board*

CHF 1,877,000 was granted to a former Executive Board member in 2009, whose appointment had ended during the 2007 financial year.

*Compensation and loans granted to members of the Board of Directors for the 2008 financial year*

| Name<br>CHF 000 | Position | Fees paid | Loans and advances outstanding |
|---|---|---|---|
| P. Combes | Chairman of the Board of Directors/Executive Director | - | - |
| C. Baillet | Director/member of the Audit Committee and Chairman of the Remuneration Committee. | 60 | - |
| P.Y. Bournet | Executive Director | 30 (1) | 49 |
| F. Carrard | Director/member of the Remuneration Committee | 40 | - |
| H. de Carmoy | Director | 30 | - |
| J.M Descarpentries | Director/member of the Audit Committee. | 50 | - |
| C. Goecking | Director/member of the Remuneration Committee | 40 | - |
| P. Languetin | Director/member of the Audit Committee | 50 | - |
| R. Pennone | Director/Chairman of the Audit Committee | 48 | - |
| D. Pinchin | Executive Director | 30 (1) | - |
| U. Schneider | Director | 30 | - |
| **Total** | | 408 | 49 |

*(1) Compensation as a member of the Board of Directors.*

*Compensation and loans granted to members of the Executive Board for the 2008 financial year*

| Name and position<br>CHF 000 | Salaries and bonuses | Share options | Fringe benefits | Total compensation paid | Loans and advances outstanding |
|---|---|---|---|---|---|
| E. Assentato - Managing Director TSH Americas | 6,789 | 2,279 | - | 9,068 | - |
| Other members(1) | 24,165 | 1,082 | 521 | 25,768 | - |
| **Total** | 30,954 | 3,361 | 521 | 34,836 | - |

*(1) The other members of the Executive Board received 75,000 share options during the financial year.*

*Compensation accorded to former members of the Executive Board*

CHF 2,247,000 was granted to a former Executive Board member in 2008, whose appointment had ended during the previous financial year.

### IV.6 Shareholdings, conversion rights and share options of members of the Board of Directors and Executive Board

Pursuant to the requirements of Section 663c of the Swiss Code of Obligations, the shareholdings and share options held by each member of the Board of Directors and Executive Board at 31 December 2009 and 2008 are disclosed below. No conversion rights were held at those dates.

*Shareholdings and share options of members of the Board of Directors at 31 December 2009*

| Name *(Number of shares/ options of CHF 2.50 nominal value)* | Position | **Shareholdings** | **Share options** |
|---|---|---|---|
| P. Combes | Chairman of the Board of Directors/Executive Director | **4,139,226** | **266,000** |
| C. Baillet | Director/member of the Audit Committee and Chairman of the Remuneration Committee. | **30,000** | - |
| P.Y. Bournet | Executive Director | - | - |
| F. Carrard | Director/member of the Remuneration Committee | **7,906** | - |
| H. de Carmoy | Director | - | - |
| J.M Descarpentries | Director/member of the Audit Committee | **7,282** | - |
| C. Goecking | Director/member of the Remuneration Committee | **300** | - |
| P. Languetin | Director/member of the Audit Committee | **7,944** | - |
| R. Pennone | Director/Chairman of the Audit Committee | **200** | - |
| B. Collins | Director/Deputy Chairman | - | -[1] |
| D. Pinchin | Executive Director | -[1] | -[1] |
| U. Schneider | Director | **4,000** | - |
| **Total** | | **4,196,858** | **266,000** |

[1] *Information disclosed below.*

*Shareholdings and share options of members of the Executive Board at 31 December 2009*

| Name *(Number of shares/ options of CHF 2.50 nominal value)* | Position | **Shareholdings** | **Share options** |
|---|---|---|---|
| E. Assentato | Managing Director TSH Americas | **3,807** | **50,000** |
| A. Bell | Managing Director TSH Asia-Pacific | **20,090** | **30,000** |
| B. Collins | Deputy Chairman | - | **15,000** |
| S. Jack | Group CFO | - | - |
| D. Fewer | Senior Managing Director of Standard Credit Group, New York | - | - |
| M. Leibowitz | CEO Europe, Middle East and Africa | **2,282** | **80,000** |
| D. Pinchin | Managing Director of Compagnie Financière Tradition SA and President of TFS *(resigned in August 2009)* | **14,400** | **45,000** |
| D. Velter | Strategic Marketing Director | - | - |
| **Total** | | **40,579** | **220,000** |

*Shareholdings and share options of members of the Board of Directors at 31 December 2008*

| Name *(Number of shares/ options of CHF 2.50 nominal value)* | Position | Shareholdings | Share options |
|---|---|---|---|
| P. Combes | Chairman of the Board of Directors/Executive Director | 3,780,449 | 266,000 |
| C. Baillet | Director/member of the Audit Committee and Chairman of the Remuneration Committee. | 30,000 | - |
| P.Y. Bournet | Executive Director | - | - |
| F. Carrard | Director/member of the Remuneration Committee | 7,906 | - |
| H. de Carmoy | Director | - | - |
| J.M Descarpentries | Director/member of the Audit Committee | 7,282 | - |
| C. Goecking | Director/member of the Remuneration Committee | 200 | - |
| P. Languetin | Director/member of the Audit Committee | 7,282 | - |
| R. Pennone | Director/Chairman of the Audit Committee | 200 | - |
| D. Pinchin | Executive Director | -[1] | -[1] |
| U. Schneider | Director | 3,849 | - |
| **Total** | | **3,837,168** | **266,000** |

[1] *Information disclosed below.*

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

*Shareholdings and share options of members of the Executive Board at 31 December 2008*

| Name<br>*(Number of shares/options of CHF 2.50 nominal value)* | Position | Shareholdings | Share options |
|---|---|---|---|
| E. Assentato | Managing Director TSH Americas | 3,490 | 50,000 |
| A. Bell | Managing Director TSH Asia-Pacific | 23,000 | 30,000 |
| B. Collins | Deputy Chairman | - | 15,000 |
| D. Fewer | Senior Managing Director of Standard Credit Group, New York | - | - |
| M. Leibowitz | CEO Europe, Middle East and Africa | 2,282 | 80,000 |
| D. Pinchin | Managing Director of Compagnie Financière Tradition SA and President of TFS | 14,400 | 45,000 |
| D. Velter | Strategic Marketing Director | - | - |
| **Total** | | **43,172** | **220,000** |

# PROPOSED APPROPRIATION OF AVAILABLE EARNINGS

| *CHF 000* | **2009** | 2008 |
|---|---|---|
| **AVAILABLE EARNINGS** | | |
| Retained earnings brought forward | **7,516** | 23,437 |
| Movements in the reserve for treasury shares | **-547** | -7,135 |
| Net profit for the year | **58,275** | 35,852 |
| **AVAILABLE EARNINGS** | **65,244** | **52,154** |
| **APPROPRIATION OF 2008 AVAILABLE EARNINGS AND PROPOSED APPROPRIATION OF 2009 AVAILABLE EARNINGS** | | |
| Dividend | **-49,023** | -44,638 |
| **RETAINED EARNINGS** | **16,221** | **7,516** |

A dividend of CHF 8.00 per share was paid for the 2008 financial year, bringing the total dividend payment to CHF 44,638,000, net of the dividend on treasury shares.

At the Annual General Meeting of Shareholders of Compagnie Financière Tradition SA to be held on 6 May 2010, the Board of Directors will be recommending a dividend of CHF 8.00 per share for the year ended 31 December 2009, bringing the total dividend payment for the 2009 financial year to CHF 49,023,000.

Photos : gettyimages - Print : DRIDE

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