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BONDPARTNERS SA

Avenue de l'Elysée 24
Case postale / CH-1001 Lausanne
Tel. 021 613 43 43 / Fax 021 617 97 15
Web: www.bpl-bondpartners.ch

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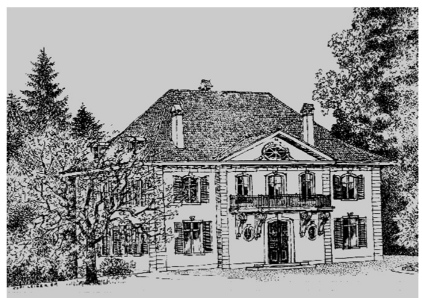

<u>PRESS RELEASE (No 139)</u> *(translation, French text prevails)*

<u>Bondpartners SA</u>: audited accounts as of 31.12.22

Confirmation of preliminary figures: the final net profit stood at CHF 47k (vs CHF 2.5m at 31.12.2021) penalized by the valuation of own positions which recorded an accounting loss of CHF -5.5m and consequently a decline in operating profit of CHF -4.4m. The balance sheet total reached CHF 116.2m (with current assets of CHF 106.6m and shareholders' equity of CHF 80.2m). The simplified leverage ratio (CET1) stood at 65% (min. required 8%).

While the adverse influence of equity and bond markets' step back in 2022 caused an unrealized loss with regard to securities held in Nostro, trading operations improved on the basis of significantly improved margins (+40%). The strengthening of the Swiss franc, even if mitigated by hedging measures, had an unfavourable impact on currency effects, similar to that of the previous year. Operating expenses remained contained during this jubilee year and reserves for general banking risks (CHF 38.1m vs. 42.6m) have been used. Given the exceptional circumstances that prevailed during the past financial year, this poor performance is nevertheless considered as moderate against the regulatory capital built up and planned in the event of sharp falls in financial markets.

Despite the circumstances which continue to be geopolitically and economically degraded to say the least, a dividend of 20% (vs 30% + 10% for 2021) will be proposed to shareholders.

Background and activities in 2022

The invasion of Ukraine by Russia has caused a historic upheaval and a deep exacerbation of dissension and threats. Added to this was a sharp rise in inflation which considerably radicalized the monetary policies of central banks and dampened expectations about economic growth. The hike in interest rates and the deleterious context had calamitous repercussions on the financial markets, with most assets recording significant losses.

For Bondpartners, the year under review was complex and ambiguous. On the one hand, positions held for own account, made up of equities and debentures, inevitably suffered from the corrections that did hurt the markets and greatly reduced operating income. On the other hand, trading operations benefited from higher margins, prompted by this same volatility, particularly in the context of bond trading, which during the second half of the year, at this price and yield level, once again generated a renewed appetite for some investors and, consequently, a profit significantly higher than that of the previous year. In terms of exchange rates and their impact on assets, the degraded context that prevailed strengthened our national currency and led to a loss relatively similar to that of last year, despite the systematic hedging operations that were continued. The balance sheet, for its part, presented an unchanged structure and solidity, despite the use of reserves for market risks, previously constituted in view of such type of event. The various ratios relating to equity and regulatory requirements have changed very little and still were strongly in excess as in the past. Finally, expenses remained contained and budgets respected. All useful details appear hereafter under the heading “Financial statements as of 31.12.2022”.

In terms of developments, the Company continued to perfect its IT and trading tools, a long-term task which received all the necessary attention, as well as the renovation of the premises and repairs in a building which, as a reminder, is listed. It also increased customer canvassing and retaining as bonds returned to the front stage.

The Company's ordinary registered share, listed on the BCBE's OTC-X electronic platform, rose against the tide in 2022 by 12.5% to CHF 910.-. The highest and lowest were respectively CHF 1,050.- and 800.-, although in lower volumes.

Despite the poor market performance and the volatile environment, the Board of Directors, considering the satisfactory level of shareholders' equity, will propose the payment of a gross ordinary dividend of 20% for 2022 (as a reminder, for 2021, 30% in ordinary dividend and 10% for the Company’s jubilee).

Financial statements as of 31.12.2022

BALANCE SHEET

The statutory balance sheet total declined 5% to CHF 116.2 million; its overall structure as well as its composition did not change significantly, except for the decline in equity positions and its impact on the result.

On the asset side, cash and cash equivalents combined with sight and term deposits in banks reached CHF 27.9 million (-17%), while receivables from trading operations, ranging from banks to customers and non-banks, rose by 27.5% to CHF 31.1 million.

In terms of securities held in proprietary positions, the trading portfolio, including currency exchange effect, declined significantly by almost 13.5% to CHF 47.2 million following the major corrections in both share and bond prices; the financial investments (precious metals) remained unchanged at CHF 0.5 million. Current assets amounted to CHF 106.6 million (-5.5%) still representing almost 92% of the balance sheet, a percentage that is constant compared with previous financial years, irrespective of the size of the latter, while fixed assets, essentially consisting of two buildings owned by the Company (total land area of 4,625 m2, with a fire insurance aggregate value of CHF 19.5m), remained more or less the same at CHF 9.6 million (+0.5%).

Regarding liabilities, commitments with banks decreased 8.5% to CHF 7.4 million (consisting of CHF 2.5m related to unchanged mortgages on the two above-mentioned properties and an amount of CHF 4.9m with regard to open trading transactions with banking counterparts); total commitments issuing from securities dealing (overlapping transactions as of the closing date, to be compared with the receivables from aforesaid operations, resulting in a net positive balance of CHF 0.17m), for its part, amounted to CHF 20.4 million (-9.5%). In terms of commitments to customers (current accounts at sight with a credit balance and trading with non-banking correspondents) extended to CHF 27.7 million (+4%). Accrued expenses and deferred income receded 25% to CHF 0.8 million, in line with the lower tax burden. Consequently, total liabilities remained stable at CHF 36 million (+0.25%), an amount almost three times covered by current assets, also a fairly stable proportion, compared to prior periods.

Reserves for general banking risks decreased by 10.5% to CHF 38.1 million, following the release of provisions. The other reserves, including the general statutory reserve and voluntary reserves, experienced no variation and remained unchanged at CHF 37.75 million. The reserve for own shares (portion of capital held by the Company) appears negative and came to CHF -4 million (+0.25%). Total individual shareholders' equity (before distributions) thus totaled CHF 80.25 million (-7.5%) or 69% of the parent company balance sheet, a slightly lower percentage compared to the previous financial year (71%). The prudential standards recommended by the Basel Committee are thus amply met, as they are every year. On a stand-alone basis, core capital amounted to CHF 75 million, against regulatory requirements of CHF 9.2 million, leaving a surplus of nearly CHF 66 million and a coverage ratio eight times higher than the minimum requested. The simplified leverage ratio (CET1) rose to 65.2%, virtually unchanged from last year's financial strength ratio (64.7%).

PROFIT AND LOSS ACCOUNT

The net profit, as published by the Company, is just about break-even at CHF +0.05 million (vs CHF +2.5m in 2021). Total *gross* ordinary income reached CHF 9.6 million (+11.5%),
-excluding the foreign exchange result, which had a negative impact of CHF -0.75 million (virtually unchanged from the previous year) and excluding the valuation result of the securities portfolio, which thus showed a marked deterioration of CHF -5.5 million, whereas it had registered a nice progression of CHF 3.75m by the end of December 2021-. The *net* trading income (arbitrage as well as dealing) stood at CHF 6.2 million (+11.5%), although volumes contracted 21% in a volatile and undermining context for the financial markets, to say the least; margins, for their part, rose by 40%, following the gradual return to favour in bond trading and concurrently the decrease in the intermediation in structured instruments, which is proving to be less lucrative. On the other hand, the gross interest and dividend income, before expenses, showed some progress (+6%) to CHF 1.7 million, in a rate background that has changed dramatically, in the face of high inflation and rising bond yields. The gross income from commissions and services fell by 40% to around CHF 0.75 million in a depressing atmosphere for the stock markets which suffered from a series of disappointments. Interest and commission expenses, as well as retrocessions and miscellaneous costs (including write-offs, banking and settlement costs), stood overall at CHF 1.25 million, up 19% over the previous financial year.

Total operating expenses increased moderately to CHF 6.3 million (+3.25%), an amount covered almost 13 times by shareholders' equity, a relatively sustainable multiple compared to previous periods. Even though trading showed progress, the clearly negative evolution of the securities held in the Company's *Nostro* portfolios, as well as the unfavorable behavior of our national currency, which, maintaining its status as a safe-haven, strengthened against the euro, the pound sterling and the yen, to name but a few, weighted on the operating result, which fell sharply to CHF -4.4 million (vs CHF +4.4 million in 2021). With regard to changes in provisions, the reserves for general banking risks were affected and more particularly the reserve for market risks, which was dissolved in favor of the income statement in an amount of CHF -4.5 million (vs constitution of +1.5mio in 2021). Lastly, total expenses, after taxes, without the impact of currency or holdings movements and excluding fluctuations in reserves, came to CHF 7.8 million (+1.5%), a figure which is covered almost 14 times by current assets, also a steady multiple over the last years. The ratio of expenses to revenues (excluding currency effect, valuation of holdings and variations in reserves) stood therefore at 81% (vs 88.5%).

Outlook

Clear perspectives are obviously difficult to establish in view of the many questions and mixed signals currently assailing the markets: paradigm shift for central banks, evolution of inflation and economic growth, recent banking tensions, of course, but also the dramatic turn of the conflict in Ukraine and geopolitical developments with China. In other words, the uncertainties have neither disappeared nor even diminished, nor have the crises, for that matter, sources of volatility that is still very present. These assumptions could again be detrimental to the accounting valuation of the Company's assets and, conversely, favor transactional activities. Be that as it may, every effort will be made to manage the risks and preserve the solidity of Bondpartners' equity, while promoting an increase in bond trading, the core business, which is once again becoming attractive after a long period of low rates.

About Bondpartners: BPL is a Swiss financial company founded in 1972 in Lausanne, whose business hinges on three main axes: the inter-professional dealing of securities, the market making and market keeping, and the execution of orders issued by independent managers. It is authorized and supervised by the Swiss Financial Market Supervisory Authority (FINMA) as a securities house. Its bearer shares are quoted on BEKB's OTC-X electronic platform.

Statutory accounts as at 31.12.22/31.12.2021

(Audited Accounts according to rules BAG/FINMA)

Statutory income statement

	31.12.2022 CHF	31.12.2021 CHF
Income from trading operations	455.362,-	8.890.430,-
Results from currencies and forex	-749.664,-	-705.840,-
Commission income from securities trading and investment activities	608.156,-	858.405,-
Net result from interest operations	1.713.308,-	1.626.768,-
Total operating expenses	-6.321.300,-	-6.122.497,-
Operating result	-4.354.750,-	4.396.287,-
Extraordinary income	33.908,-	0,-
Extraordinary expenses	0,-	0,-
Result of the period	46.623,-	2.517.881,-

Statutory balance sheet

	31.12.2022 CHF	31.12.2021 CHF
ASSETS		
Cash and amounts due from banks	43.796.286,-	47.759.734,-
Amounts due from customers and non-banks	15.187.500,-	10.323.979,-
Trading portfolios assets	47.191.817,-	54.487.268,-
Financial investments and precious metals	472.450,-	472.450,-
Participations	1.152.500,-	1.152.500,-
Tangible fixed assets	7.900.000,-	7.900.000,-
LIABILITIES		
Amounts due to banks	7.394.614,-	8.092.700,-
Amounts due in respect to customer deposits and due to non-banks	27.743.735,-	26.693.710,-
Accrued expenses and deferred income	761.000,-	1.013.600,-
Reserves for general banking risks	38.108.000,-	42.595.000,-
Own shares	-4.013.236,-	-4.002.548,-
Statutory capital reserve and voluntary retained earnings reserve	37.750.000,-	37.750.000,-
Total balance-sheet	116.241.175,-	122.594.660,-
Total current assets	106.648.053,-	113.043.431,-
Total shareholders' equity	80.255.999,-	86.708.144,-

Contacts:
Management: Christian Plomb/Olivier Perroud
Tel. +41 (0)21 613 43 43
E-mail : christian.plomb@bpl-bondpartners.ch/olivier.perroud@bpl-bondpartners.ch

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