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BONDPARTNERS SA

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Bondpartners SA, provisional figures before audit: Significant increases in annual operating profit and net income thanks to trading earnings and appreciation of the Company's securities portfolio.

(Summary)
Bondpartners' preliminary, pre-audit profit for the year 2023 rose sharply year-on-year to almost CHF +3 million vs. +0.05 million. Both securities trading and arbitrage (+27%), carried out in sustained volumes (+34%), and the revaluation of the proprietary securities portfolio (+3.3mio vs. -5.5mio), significantly improved operating income, which was positive at CHF +4.6mio (vs. -4.35mio at end 2022). Reserves for general banking risks (total CHF 39.2 million) were replenished by CHF 1.1 million, while voluntary retained earnings reserves remained unchanged at CHF 35 million. Operating expenses (CHF 6.5 million) rose slightly (+3%). Again, the marked strengthening of the Swiss franc adversely affected the currency result (CHF -2.2mio vs. -0.75mio). Finally, the balance sheet total rose by over 40% to CHF 165 million, in line with the increase in assets and commitments in connection with dealing activities.

After the sharp correction in equities and bonds in 2022, the year under review was clearly more favourable for financial markets, despite a few retracements in February, July and October. In addition to the economic uncertainties that persisted, inflation eased significantly and expectations of a severe recession failed to materialize, triggering, at the end of the year, a rally sparked by expectations of monetary easing by central banks.

The Swiss franc, a traditional safe-haven asset, dominated the global foreign exchange market. On the geopolitical front, however, events in Gaza exacerbated an already worrying situation of growing risks and tensions. The procession of unprecedented climatic disasters also continued, making 2023 the hottest year in history.

The good performance of markets and the increase in trading activities were therefore profitable for BPL, even though the strengthening of our national currency adversely affected products and assets expressed in foreign currencies, making 2023 a much more profitable year than the previous one.

The balance sheet structure and solvency ratios remained, as in the past, extremely solid, with equity of CHF 83.2 million, or almost 50% of the balance sheet total (reflected by a CET1 ratio of 46%), and current assets (CHF 156 million) representing 94% of the balance sheet total.

For the year ended December 31, 2023, Bondpartners (BPL) announces an individual, *provisional and unaudited* net income of CHF +3mio vs. +0.045mio at the end of 2022. *Gross* ordinary income (*including valuation of own positions and foreign exchange results*) amounted to CHF 12.1mio (vs. CHF 3.3mio in 2022) and operating income reached CHF +4.6mio (vs. -4.4mio in 2022).

Central banks, once again, continued to set the pace for the financial markets, as economic conditions improved in the second half of the year, with hikes slowing and rates remaining then unchanged. Inflation did indeed fall (albeit to a lesser extent in terms of underlying index adjustment), and growth, which nonetheless turned out to be more robust than expected, also declined in advanced countries without, at this stage, entering a full-blown recession (despite the significant drop in world trade sales). Geopolitical tensions (Ukraine, Middle East/Gaza, Taiwan, etc.) intensified further, while the emergence of protectionism and rising public debt were among the other negative factors giving cause for concern. Equity and bond markets experienced a succession of volatile spikes in response to announcements by issuing institutions, but generally rebounded more or less sharply, thanks to the momentum of the last two months of the year. This had a beneficial influence on BPL's trading operations, as well as on proprietary positions. Our national currency once again experienced a significant strengthening against most of its peers (USD -9%, EUR -6%, GBP -4%, JPY -15.5%), which adversely affected the foreign exchange result despite hedging operations.

In terms of *net* ordinary income, interest income rose by 7% to CHF 1.83 million, commission income fell by 17.5% to CHF 0.33 million, while trading income rose by 28% to CHF 7.7 million. Turnover grew by almost 34%, while margins shrunk by 13.5%. Results from the valuation of the securities portfolio were up significantly by CHF +3.26mio vs. -5.55mio, while those from foreign exchange were down again at CHF -2.2mio vs. -0.75mio.

Operating expenses were 3% higher at CHF 6.5m (vs. 6.3m), while total expenses, *including depreciation and excluding taxes*, came to CHF 7.5m (-1.5%).

Reserves for general banking risks were replenished by CHF 1.1 million, compared with a dissolution in favour of the income statement of CHF -4.5 million in 2022.

The statutory balance sheet rose by 42.5% to CHF 165.4mio from CHF 116.2mio, 94% of which was made up of current assets (i.e., due from banks: 47.5%, due from customers and non-banks: 16.5%, securities portfolios: 30% of the balance sheet total).

Non-current assets (consisting mainly of two properties owned by the Company) represent 5.75% of the balance sheet total.

On the liabilities side, total due to banks (including trading) amounted to CHF 27.8mio vs. 7.4mio at 31.12.23, while customer deposits and due to non-banks (including trading) totaled CHF 53mio vs. 27.7mio. Total commitments thus amounted to CHF 82.2mio vs. 36mio. Reserves for general banking risks stood at CHF 39.2m (+3%), other reserves at CHF 37.75m (unchanged), and individual shareholders' equity advanced by 4% to CHF 83.2m.

The parent company's provisional solvency ratio ("Tier One/CET1" according to Basel III principles) was lower, at 46% (vs. 65%), in line with the significant increase in the balance sheet. Eligible and required capitals amounted to almost CHF 75 million and CHF 13 million respectively, giving a total free equity of around CHF 62 million (vs. 66 million) based on preliminary figures, i.e. almost 6x the minimum prerequisite. As before, these capital adequacy figures remain well above regulatory requirements.

For the months ahead, the continuation of the Christmas rally triggered by a possible central bank "pivot" and easing on the interest rate front (perhaps later than hoped) would certainly be positive news for the financial markets (equities and bonds). However, a number of uncertainties remain: inflation, indebtedness and a soft landing for the economy, securing seaways and production means, as well as the geopolitical situation, which has not really improved, and the recurring climate problem. As for the Company's core business, bond trading, the increase in attractiveness has yet to be confirmed (along with the normalization of curves and the fall in yields), although the period of extremely low (or even negative) rates seems to be far over. Any increase in the flow of funds to the capital markets should therefore prove favourable for BPL.

About Bondpartners: BPL is a Swiss financial company founded in 1972 in Lausanne, whose activities are focused on three main areas: inter-professional securities trading, market maintenance and animation, and the execution of transactions on behalf of independent asset managers. As a securities firm, it is authorized and supervised by FINMA.

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