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LOMBARD ODIER

LOMBARD ODIER DARIER HENTSCH

2016 Financial Report
Lombard Odier Group

welcome.

introduction.

The Managing Partners: (left to right) Hugo Bänziger, Christophe Hentsch, Hubert Keller, Patrick Odier, Frédéric Rochat, Denis Pittet

In a year marked by political developments, macroeconomic uncertainties and sustained market volatility, we remained agile in our response to events. We took advantage of our financial strength to invest further in our businesses, pursuing a strategy of diversified growth across our three distinct, yet highly complementary, business lines.

Financial markets remained volatile in 2016, and our operating environment was marked by political upheavals, below-trend economic growth, low or negative interest rates and fast-paced regulatory change. Meanwhile, disruptive technologies reshaped industries and business models across the economic spectrum.

Lombard Odier has continued to navigate this complex environment skilfully, preserving client assets and maintaining a very solid capital base. Over the year, we generated returns for our clients in the evolving market conditions, advanced our industry-leading technology and redefined our image with the ‘Rethink Everything’ branding campaign.

We remain firmly committed to a differentiated ownership model, where our partners own and manage the firm, and continue to personally serve clients. In this context, we are pleased to welcome two new managing partners. Denis Pittet, co-head of our private client business, became a managing partner in January 2017, and Annika Falkengren, president and chief executive of Skandinaviska Enskilda Banken (SEB), will join us in July 2017.

After a 20 year career with us, our managing partner, Anne-Marie de Weck, retired on 31 December 2016. We would like to express our sincere gratitude to Anne-Marie for her dedicated service to the bank and its clients over the years. We are pleased that she will continue to act as vice chair of the Board of Directors of our bank in Switzerland (Bank Lombard Odier & Co Ltd).

As ever, in 2017 we will strive to continue delivering bespoke, high-quality solutions for our clients, by re-evaluating the world around us. This philosophy has driven us to grow and protect our clients’ wealth for over 220 years. We trust it will stand us in good stead for many more years to come.

Patrick Odier — *Senior Managing Partner*

2016 at a glance.

Our balance sheet remains highly liquid and conservatively invested.
Total client assets amounted to 233 billion Swiss francs (CHF) as of 31 December 2016.
Lombard Odier has no external debt and is one of the best-capitalised banks globally, with a Basel III Common Equity Tier 1 ratio of 29.3%.

As of 1 January 2017, Lombard Odier was owned and managed by six Managing Partners: Patrick Odier (Senior Partner), Christophe Hentsch, Hubert Keller, Frédéric Rochat, Hugo Bänziger and Denis Pittet.

our three business lines.

119 bn
Private Clients (CHF)
EUR 111 bn / USD 117 bn / GBP 94 bn

45 bn
Asset Management (CHF)
EUR 42 bn / USD 45 bn / GBP 36 bn

69 bn
Technology & Banking Services (CHF)
EUR 65 bn / USD 68 bn / GBP 55 bn

group key figures.

159 bn
Assets under management (CHF)
EUR 148 bn / USD 156 bn / GBP 126 bn

233 bn
Total client assets (CHF)
EUR 218 bn / USD 230 bn / GBP 186 bn

125 mn
Consolidated net profit (CHF)
EUR 114 mn / USD 126 mn / GBP 93 mn

29.3 %
Common Equity Tier 1 ratio (CET1)

26 offices

6 managing partners

2,294 employees

selected awards won in 2016.

Best Domestic Private Bank
(Bank Lombard Odier & Co Ltd)
Swiss WealthBriefing Awards

Best Innovative Client Solution
(Bank Lombard Odier & Co Ltd)
Swiss WealthBriefing Awards

Private Bank of the Year, Switzerland
(Bank Lombard Odier & Co Ltd)
Citywealth International Financial Centre Awards

Best United Arab Emirates Private Bank (International)
WealthBriefing Awards, Gulf Cooperation Council Region

Best Newcomer, Flexible Fund Category
(LO Funds – All Roads Multi-Asset)
Les Globes de la Gestion Awards

Best fund over 5 years, Absolute Return Bond Strategy
(LO Funds – Absolute Return Bond)
The Hedge Fund Journal – UCITS Hedge Fund Awards

Best fund over 3 years, Commodity Blended
(LO Funds – Commodities Risk Parity (USD) P A)*Thomson Reuters Lipper Fund Awards Europe*


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market overview.

Financial markets saw a poor start to the year in 2016, as investors worried about a possible hard landing in China, falling oil prices, an industry-led recession in the US and fragile solvency in the European banking sector. As the months went on, however, the global economy demonstrated its ability to avoid these pitfalls and maintain a modest but stable pace of growth, helped by supportive policies from central banks.

Political, rather than economic, events then came to dominate markets. At the end of June 2016, the outcome of the UK's 'Brexit' referendum brought home the structural challenges faced by the West: the rise of populism and protectionism, a tense social climate, and a threatened reversal of globalisation and its benefits. These elements subsequently helped propel Donald Trump to the American presidency.

Despite this backdrop, our conclusion for the year is relatively positive. Solid fundamentals proved enough of a support to the global economy: a conviction we held throughout the year and expressed through a balanced investment approach. It is interesting to note that a defensive stance would not have paid off, given the negative returns shown by the safest government bonds, while an aggressive approach would have suffered in volatile financial markets.

For 2017, provided the US Federal Reserve maintains its gradual approach to raising interest rates, we foresee a similar or slightly improved economic scenario, boosted by an expected US fiscal stimulus. Europe should continue to muddle through, despite a busy political agenda (including elections in the Netherlands, France and Germany) that promises a fair share of twists and turns. Emerging markets should continue to stabilise, despite protectionist threats from Donald Trump's administration.

We maintain a positive view of the macroeconomic climate, which in our opinion supports some risk-taking in our investment strategy. We intend to maintain a balanced, rigorous and proactive approach to portfolio management, in order to overcome inevitable episodes of volatility and seize opportunities that arise.

rethink everything.

In September 2016, we launched our new global branding campaign 'Rethink Everything.'

This highly visual campaign was designed to challenge conventions and engage a global audience through print, film, digital, editorial, outdoor and social media, and a new group website. It sought to stimulate reflection, to illustrate our intellectual curiosity, and link our interests with those of our clients through arresting words and contrasting visuals. We wanted to ask new questions, to appeal to the emotional and the rational, to both intrigue and inspire.

But 'Rethink Everything' is more than an advertising campaign for Lombard Odier. It is the articulation of a philosophy that has been at the heart of our business for 220 years. This philosophy has driven us to protect our clients' wealth through seven generations and 40 financial crises. We've grown stronger not by standing still and waiting for them to pass, but by re-evaluating, adapting and rethinking the world around us.

We constantly seek investment opportunities. Through a diverse team of experienced strategists, analysts and investment experts, in 26 offices worldwide, we support our clients through the complexities of today's world.

We've been innovating since 1796. Our dynamic approach has made us pioneers in risk-based and impact investing as well as in private equity. We continue to rethink our infrastructure and have developed a cutting-edge technology platform that is the envy of our peers. We were the first Swiss private bank to set up offices abroad; today we are present in four continents worldwide.

We constantly use imagination and innovation to create a different perspective on the world for our clients and ourselves.

This is what makes us different.

LOMBARD ODIER. RETHINK EVERYTHING.


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home.

our key developments.

In 2016, we redefined and articulated our group priorities. We forged ahead in building new markets, developing our digital ambitions, and improving our productivity.

Our 'Rethink Everything' campaign launched in September 2016, with advertising in leading traditional and digital media. Adverts in major airport terminals and financial publications helped prompt new business enquiries and revitalised conversations with existing clients.

Our progress in new markets, including Latin America, the Middle East, Africa and Asia showed attractive results over the year. In Asia, a sharpened focus on discretionary portfolio management resulted in strong revenue and asset growth, and a new regional partnership with UnionBank in the Philippines will help us navigate a new market. The strength of our institutional investment offering resulted in us winning several large mandates in 2016, in Switzerland, Japan, and Canada, the latter being a market that we have not previously penetrated.

We developed our digital strategy in 2016, improving both digital client interactions and the efficiency of our internal processes. We started investigating how machine-learning algorithms could help us better anticipate client needs and manage fraud risks. We fostered external innovation, signing a strategic partnership with French technology incubator 'France Digitale' and gaining representation on the board of the Swiss Fintech Innovations group.

We also worked hard to improve our productivity. Across the group, we continue to grow our teams with experienced bankers and portfolio managers to support the development of our client-facing activities. Across our European offices, we centralised some of our operations and internal processes in 2016, consolidating seven locations into one specialist hub. This should help us streamline execution and free up local teams to spend more time serving clients this year.

our strategy.

We are constantly evolving to give our clients added value. Our strategy today is to maintain our independent ownership model, continue our prudent risk management approach and develop our three distinct, yet highly complementary business lines: private clients, asset management, and technology and banking services. In 2016, we took advantage of our strong financial position to make significant investments in all three areas.

In our private client business, we continued to optimise our digital offering for clients. We broadened our credit offering, and enhanced our advisory portfolio management and socially responsible investment capabilities. We developed new investment strategies in open architecture, made selective hires across our markets, opened an office in Milan, and signed a new banking partnership to expand our Asian distribution.

In our asset management business, our ‘fundamental fixed income’ approach – which highlights the flaws of traditional bond investing – continued to gain traction, and our innovative solutions look well-placed to weather potential liquidity and monetary policy-induced storms. We launched new convertible bond products and expanded our alternative investment strategies through seeding new funds and acquiring an established UK small-cap equities team.

In our technology and banking services business, we cultivated a strong client pipeline and signed new partnership agreements with three banks, based in Switzerland, Luxembourg and France. We also built a second, Luxembourg-based hub to service our clients, to complement our base in Geneva. We believe there is significant opportunity for this business in the years ahead, as pressures on financial institutions’ margins and profits, and an increased regulatory burden, push them to pursue efficiency and qualitative gains by partnering with a cutting-edge technology and infrastructure business.


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Departure all gates
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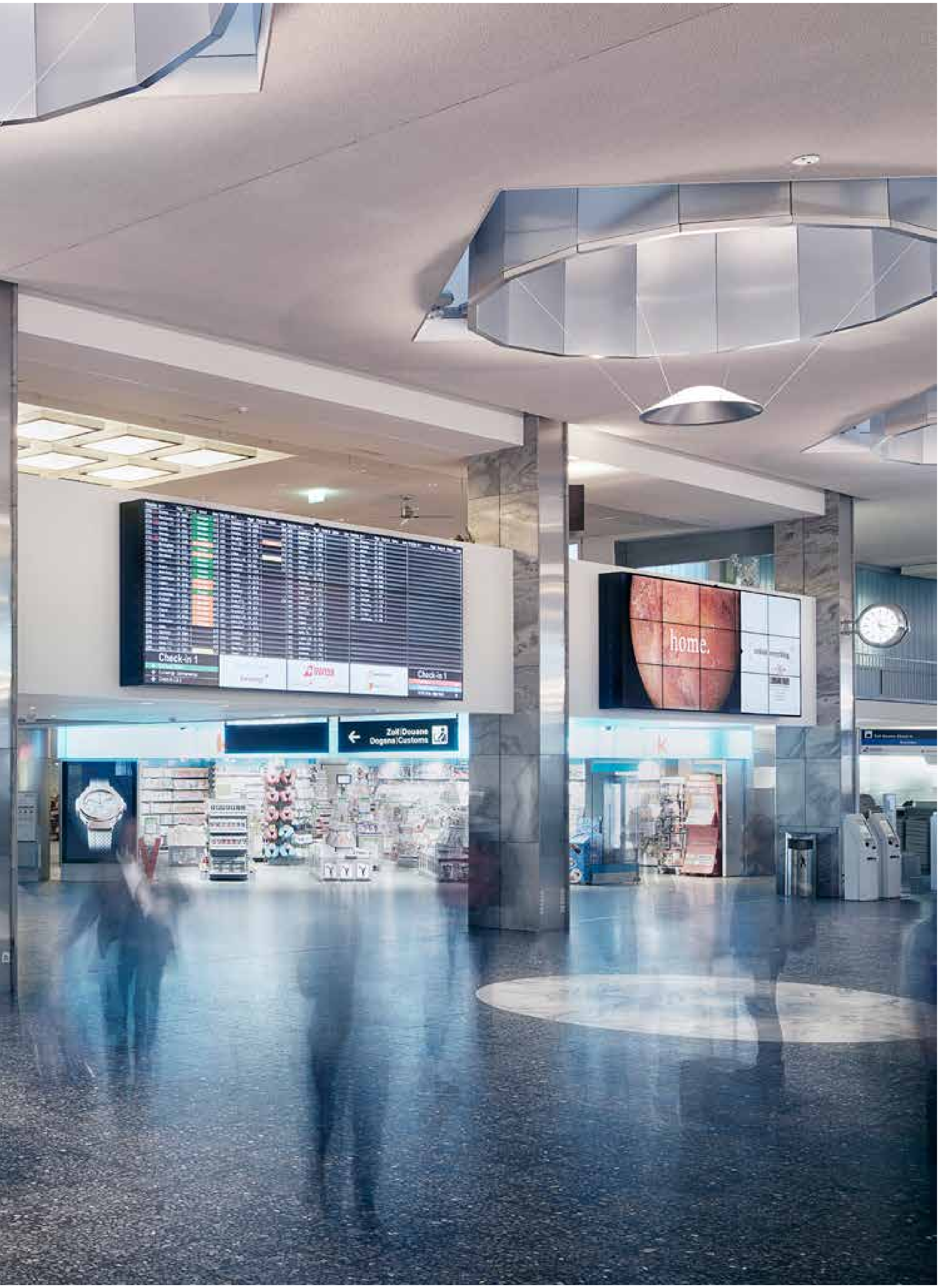
Toilets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private clients.

We seek to be the private bankers of reference for entrepreneurs and their families – not just today, but over the long term, generation after generation. Our ability to re-evaluate a changing world enables us to build stability, while our financial strength allows us to keep investing in the business and improve our client offering.

In 2016 we continued to improve our digital solutions for clients by launching an improved version of our 'My LO' web and mobile interface. We made progress in our ambition to enable all account openings, questionnaires and contractual documentation to be completed digitally to improve efficiency.

We broadened our credit capabilities to better serve our clients' financing needs. We combined our impact investing expertise and our progressive socially responsible investment reporting, to deliver a stronger joint offering. We also finalised the launch of an enhanced version of our advisory portfolio management system.

In difficult markets, our clients are seeking new sources of returns. In 2016, we launched a new private equity strategy, designed to widen our range of alternative investment solutions. We also created new investment strategies for our open architecture platform, including emerging market local currency debt, Japanese small-cap and European real estate expertise.

To better serve our clients locally, we strengthened teams across the group. Our European bank opened an office in Milan, while in Asia we signed a new banking partnership with UnionBank to expand our distribution.

116 bn

2015 Client assets (CHF)

119 bn

2016 Client assets (CHF)


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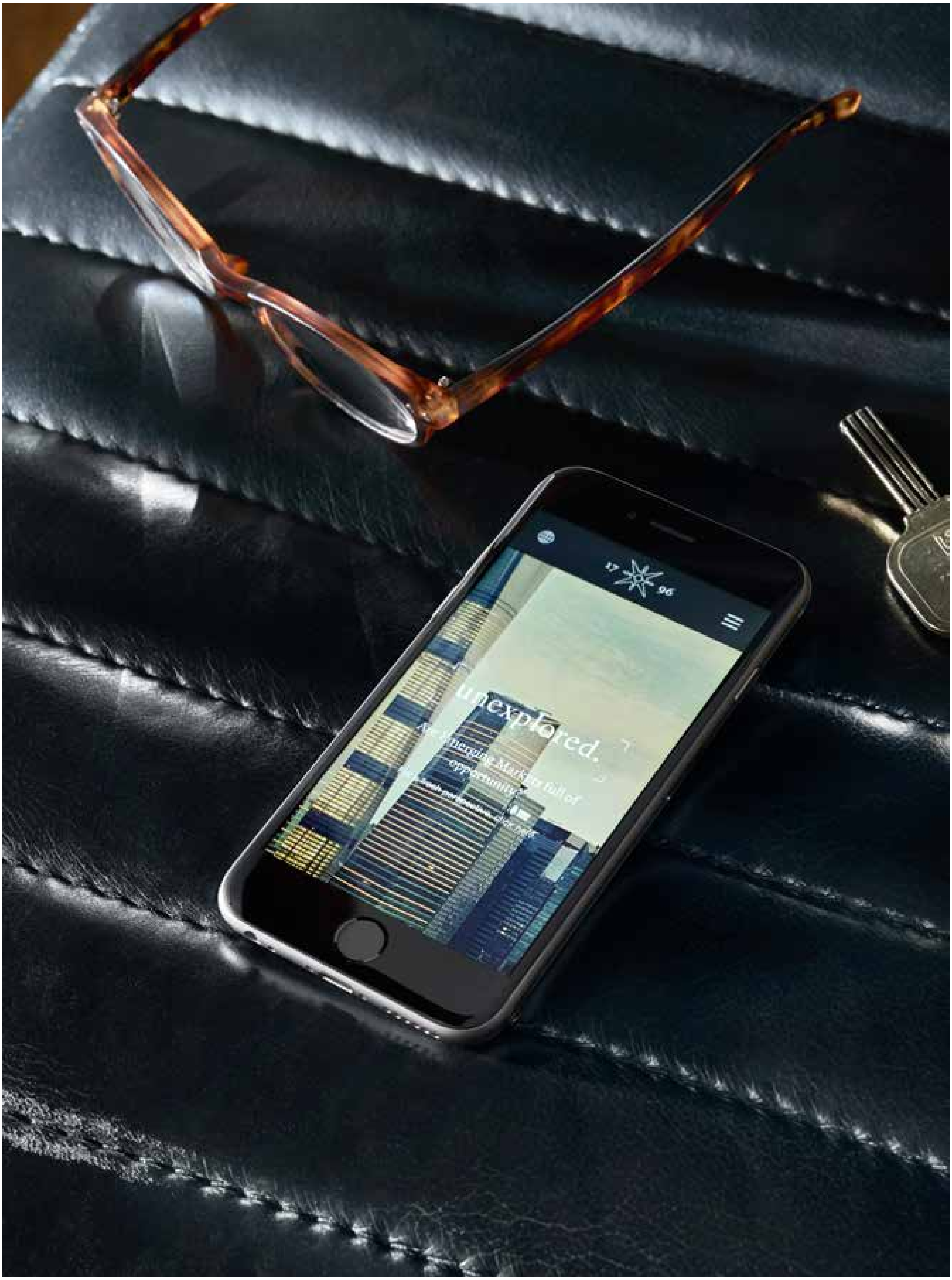
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unexplored.

asset management.

Through Lombard Odier Investment Managers (LOIM) we provide institutional investors and financial intermediaries with a range of innovative fixed income, equities, convertibles, alternatives and multi-asset solutions. We have a culture of creating fresh investment perspectives, and a long-standing heritage of generating performance while preserving clients' capital.

Our 'fundamental fixed income' approach continued to gain traction in 2016, becoming ever-more relevant in an environment of low yields, central bank dominance, tightening regulations and fractured liquidity. This approach highlights the flaws of traditional market capitalisation-based bond investing, which favours large, indebted borrowers rather than reflecting real contributions to the economy. Our innovative solutions – with quality-driven, low turnover portfolios – look well-placed to weather potential liquidity and policy-induced storms. Our strong views on the challenges investors face in today's markets were widely cited.

LOIM remained the market leader in convertible bonds by assets under management and launched new products in the asset class for Japanese investors. We expanded our alternative investment strategies by seeding three new funds, and through the acquisition of a team of eight with a strong track record in UK small-cap equities, who joined our hedge fund platform in early 2017. New partnerships with external fund platforms grew our distribution, while we strengthened our client relationships by developing segment-specific sales capabilities, and by adding to our teams in Germany, the UK, and the Netherlands.

The strength of our offering resulted in us winning several large mandates worldwide. For 2017, we plan to continue our strategy of focussed investment solutions, independent and entrepreneurial thinking, and agile responses to market events.

49 bn
2015 Client assets (CHF)

45 bn
2016 Client assets (CHF)

technology & banking services.

Over the past 25 years, Lombard Odier has developed cutting-edge banking infrastructure and technological solutions in software and services. Originally this technology was developed for our own use. We now offer it to other businesses through a growing division that employs more than 600 staff.

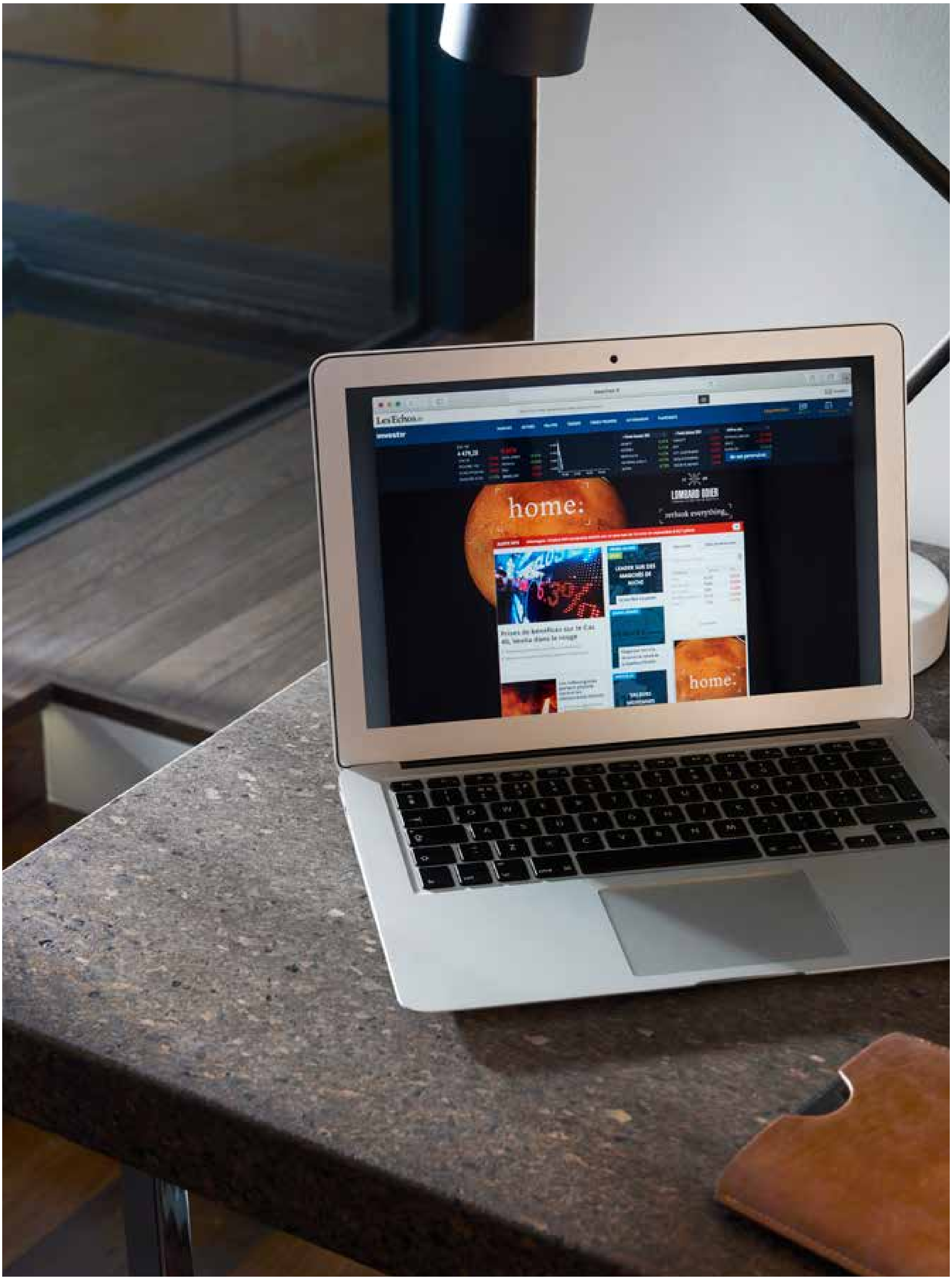
We provide infrastructure supporting all banking activities – from portfolio management, to trading, custody, reporting, operational and back-office services – with technology that combines our private wealth and asset management expertise. We have been offering this service to clients, including independent asset managers, family offices and other private banks, since 2001.

Nine external partners currently rely on our technology, and in 2016 we signed partnership agreements with three new banks, located in Switzerland, Luxembourg and France. We also built a second hub to service our clients, in Luxembourg, to complement our base in Geneva.

Private banks in Switzerland and Europe face challenging conditions, with pressure on margins and profits, as well as more complex regulatory burdens. As a result, such banks are becoming more open to purchasing third-party infrastructure solutions, as they look to streamline their processes. We believe the window of opportunity for our technology and banking services business over the next three-to-five years is therefore sizeable.

59 bn
2015 Client assets (CHF)

69 bn
2016 Client assets (CHF)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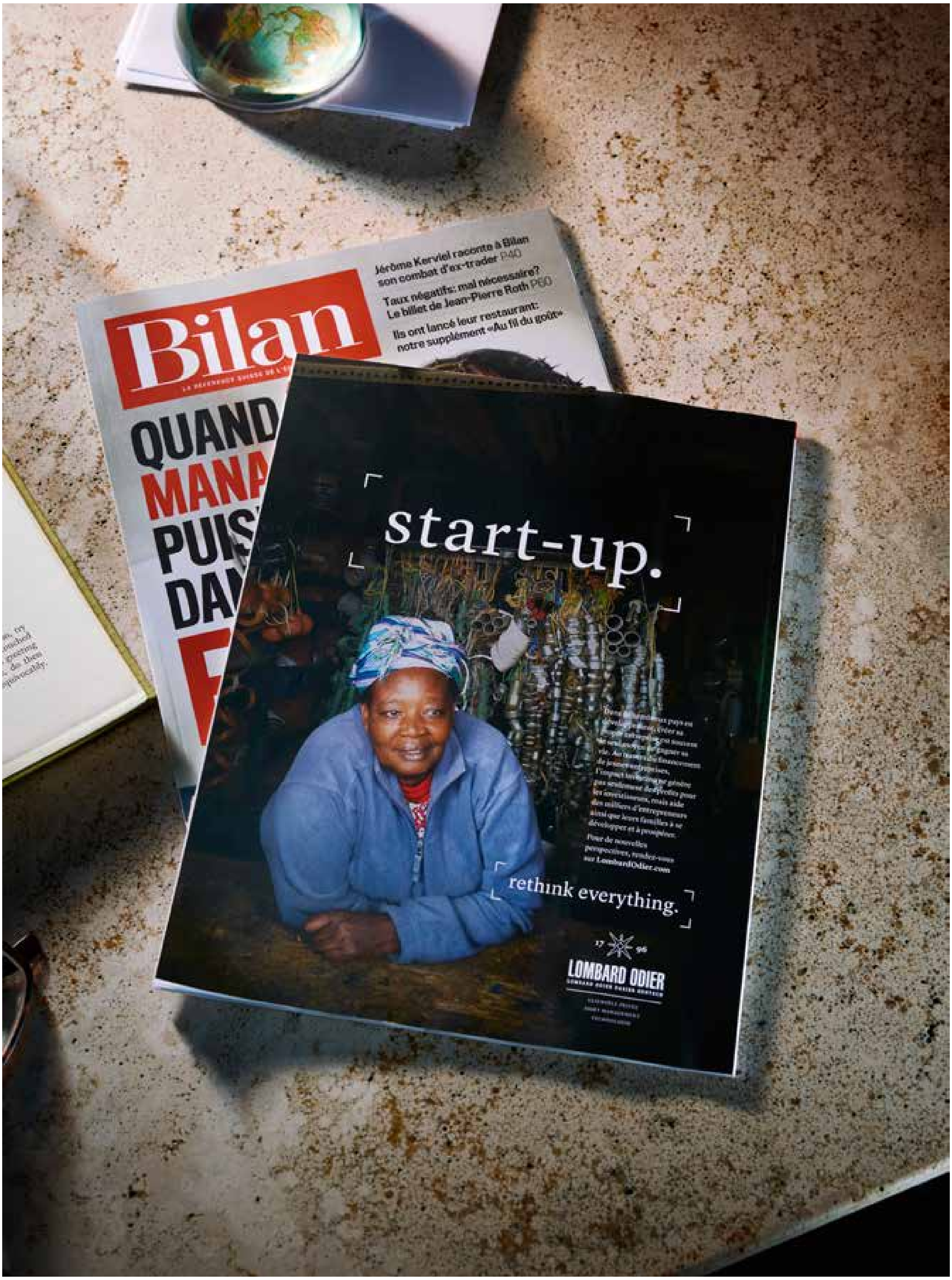
Jérôme Kerviel raconte à Bilan son combat d'ex-trader P40
Taux négatifs: mal nécessaire? Le billet de Jean-Pierre Roth P60
Ils ont lancé leur restaurant: notre supplément «Au fil du goût»
Bilan
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social responsibility.

At Lombard Odier, we strive to make a difference in the communities where we live, work and invest. Social responsibility is at the heart of our corporate culture, and we continue to design new ways for our clients to act in line with their values and have a positive impact on the world.

We focus our own charitable giving on innovation, including institutions such as the International Committee of the Red Cross (founded in 1859 with the help of our Partner Alexandre Lombard) and seed-financing programmes for young entrepreneurs, such as the Swiss Federal Institute of Technology in Lausanne's 'Innogrants' programme. The 50 start-ups which have received these grants to date have since raised more than 100 million Swiss francs in extra funding. In 2016, we also supported a pilot mentoring project for young asylum seekers arriving alone in Switzerland, offering literacy courses, psychoeducational support and activities to help them integrate into society.

Our umbrella foundation 'Fondation Philanthropia' offers our clients an efficient way of giving, and has been entrusted with more than 110 million Swiss francs since its 2008 launch. One of its key beneficiaries in 2016 – Europe's leading cancer centre, the 'Gustave Roussy' – conducted a pioneering robot-assisted thyroid operation, the first of its kind in France. The foundation also continued its support to charities such as WWF International, and Swiss development organisation Helvetas, through an improved food security project in Mozambique.

In 2016, we combined our impact and socially responsible investment expertise in order to better position and strengthen our offering. Our carbon intensity reporting can now be applied to all portfolios, and we are currently integrating environmental, social and governance (ESG) as well as impact criteria across our entire family of funds.

governance.

Lombard Odier Group's corporate governance has always been guided by best business practices and ongoing efforts to bring the Group's interests more perfectly into line with those of its clients. This has been fundamental to its success for more than 200 years and also acts to ensure its long-term future.

The main aspects of the Group's organisation and governance are described in the sections that follow.

Supervisory Board

The Supervisory Board comprises at least three members, all of whom must be independent. The members are elected for a three-year term of office. This body is responsible for checking whether the management of the Group complies with the law, regulations and its articles of association. The Supervisory Board is principally in charge of checking that the Group's internal control system is working properly and of checking the Group's financial performance.

The Supervisory Board acts in corpore as the Lombard Odier Group's Audit Committee and Risk Committee.

Chairman (and member) of the Supervisory Board as at 31 December 2016
Jacques Rossier

Members of the Supervisory Board as at 31 December 2016
Jean Bonna
Klaus Jenny

Group Internal Audit

The Group's Internal Audit reports directly to the Supervisory Board.

It acts entirely independently and in compliance with regulatory requirements. It coordinates its activities according to the annual audit schedule approved by the Supervisory Board.

The Group's Internal Audit is mainly responsible for i) reviewing the general conduct of business, ii) checking that legal and regulatory requirements are complied with, and iii) checking that the internal control system and corporate governance processes function properly.

It has full access to information across the Group.

Administration (*Konzernleitung*) – the Partners

Lombard Odier is a financial group that is organised into business lines which generate income and service units which are responsible for the internal control system and support activity.

The general management and supervision of the Group (*Konzernleitung*) is assured by the Partners (*Collège des Associés*).

The Partners define the Group's vision and strategy. They are also in charge of the consolidated supervision of the Group.

In particular, the Partners have the following duties and powers:

i. Defining the Group's strategy and managing the Group's business
ii. Determining the Group's organisational structure
iii. Defining the accounting and financial control principles of the Group
iv. Determining the Human Resources policy
v. Defining the principles and architecture of the Group's internal control system
vi. Determining the general framework of the Group's risk and compliance policies

Partners as at 31 December 2016

Patrick Odier, Senior Partner

Anne-Marie de Weck
Christophe Hentsch
Hubert Keller
Frédéric M. Rochat
Hugo Bänziger

a. Committees

The Partners delegate certain activities to strategic and operational committees. These committees have no fewer than three members, of whom at least one must be a Partner. As at 31 December 2016, the Partners rely on two committees:

- The Structure and Tax Committee, whose main duty is to submit proposals to the Administration on the most suitable means of optimising and adapting the Group's structure in order to ensure that it develops in a harmonious, sustainable manner

- The Finance, Risk & Due Diligence Committee, which is principally responsible for monitoring the Group's risk profile and overseeing the good governance of its internal control system

b. Business lines

The Lombard Odier Group generates income via three business lines:

- The Private Clients unit, which is responsible for the Group's private client activities
- The Asset Management unit, which covers the activities relating to institutional asset management and investment funds
- The Technology & Banking Infrastructure unit, which comprises technology, banking infrastructure and custodian bank activities

c. Service units

The Lombard Odier Group's service units are composed of:

- Central functions that are responsible for controlling and supervising the income-generating business lines, namely:
  - Finance
  - Risk
  - Compliance
  - Legal
- Support functions that support the business lines and key central functions, namely:
  - Human Resources
  - Marketing & Communication
  - Logistics

information on risk management.

Global risk management

By their very nature, the banking and financial industries involve direct and indirect risk-taking. The Lombard Odier Group is fully aware of this and makes every effort to take only risks that are in line with its business policy.

Risk management is an integral part of the Group's strategy; it contributes to preserve its financial interests and reputation, and to ensure the continuity and durability of its business.

The Group's global risk management is valued not just as a means of continually improving its activities and services, but also as a way of differentiating it from its competitors.

Governance and main responsibilities with regard to risk management

- The Supervisory Board (OC) acts in corpore as the Risk Committee. The OC is notified by the Administration of the risk profile of the Group and its entities, the state of the Group's equity capital, and of any major event that may alter the Group's risk profile, on a quarterly basis.
- The Administration is responsible for defining the principles and architecture of the Group's internal control system (SCI), supervising its implementation and monitoring its efficiency. They define the general risk policy framework and regularly check its suitability. They approve the overall limits for liquidity, market risk, credit risk and counterparty risk on an individual and consolidated basis.
- The Finance, Risk & Due Diligence Committee has decision-making powers and is responsible for establishing the Group's risk policy and proposing it to the Partners. It monitors the Group's risk profile to ensure that it is consistent with the defined policy and oversees the good governance of its internal control system. The Committee ensures that appropriate measures are taken and implemented when the risk profile deviates from the fixed framework. The Committee immediately informs the Partners and the Supervisory Board of any major event that could alter the Group's risk profile.
- The Chief Risk Officer (CRO) implements the Administrations' decisions on managing and controlling the risks. More specifically, the CRO establishes a suitable organisation for risk management. He or she proposes to the relevant governing bodies all measures necessary for consistent management of the Group's risks and monitors the changes in those risks. He or she sets up the management tools and methodologies necessary to manage the Group's risks. The CRO immediately informs the Partners of any event that might alter the Group's risk profile.

Market risk

Market risk is the risk of loss in the value of positions resulting from a change in the factors that determine the price of these positions, such as exchange rates, interest rates, equity prices, etc. It impacts the Group's results mainly via balance sheet positions. The framework for risk management is defined in the market risk policy of the Lombard Odier Group.

Limits are defined for the banking book and the trading book. For the latter, in particular, limits are defined for each trading activity and each category of market risk, and reviewed at least once a year. Market risk associated with trading activities is managed and controlled by the bearer of the risk (trading desks), and then independently controlled by the Risk Management unit through daily and intraday checks. The Risk Management unit reports regularly to the managing bodies about the usage of the trading limits.

Currency risks are managed in a centralised manner for the entire Group (for the trading book and the banking book).

Within the banking book, interest rate risks (i.e. potential risks relating to net interest income and variations in the economic value of own capital due to interest rate fluctuations) are managed in a centralised manner for the entire Group, taking into account the banking book as a whole.

Credit risk

Credit risk is the risk of loss arising from the failure by a client or counterparty to meet their contractual payment obligations. The framework for risk management is outlined in the Group's credit risk policy.

Client credit risk

The Group's lending activity is essentially limited to loans and advances to clients secured by the pledging of first-rate negotiable securities (lombard loans).

Credit exposure may include cash credits (current account loans and advances), credit commitments (bank guarantees and subscriptions on behalf of clients to investment vehicles using calls for capital, such as private equity funds) and risks inherent in transactions involving forex derivatives, securities and other financial instrument transactions.

Pledged portfolios are analysed in depth by the Credit Risk Department, and a conservative lending rate is assigned to each pledged position based on the instrument type, rating (if available), and the liquidity and country risks of the investments. Currency risk and concentration risk by issuer and by country are systematically taken into consideration.

The credit exposure amount, market value and lending value of the pledged assets are revalued and monitored on a daily basis. Where cover is insufficient or a limit is overrun, margin calls are made, and the Group may sell the pledged assets if needed to repay loans.

It is not the Group's policy to grant mortgage loans or commercial loans.

Counterparty credit risk

Counterparty risk is defined as the potential loss for the Group should its financial counterparties (banks or counterparties to transactions in its course of business) fail to meet their payment obligations.

The Group's risk policy restricts the choice of institutional counterparties in line with a cautionary approach, long-term vision and the objective of providing clients with a high-quality service. Institutions that play a major – or even systemic – economic role in their country or internationally are preferred.

OTC derivatives are traded exclusively on a collateralised basis: reverse repos and repos are used for liquidity management purposes, and all derivatives transactions in which the Group is principal are governed by standard collateralisation agreements with strict parameters for margin calls and eligible collateral.

All new counterparties are investigated thoroughly and independently by the Risk Management Unit. The eligibility, financial health and limits of counterparties are reassessed at least once a year.

Counterparty risk is managed through a combination of limits that cover the various instrument types arising from the Group's activities.

Limits are set where the Group acts as principal towards counterparties (direct risk) but also where it acts as agent on its clients' behalf (indirect risk).

The Group applies a maximum financial risk for each counterparty, which limits the total amount of acceptable exposure across all of its activities. The limits per activity and the maximum total amount authorised vary according to the counterparty's creditworthiness.

The Risk Management unit monitors the change in the quality of service of counterparties, their financial soundness and the macroeconomic situation. It proposes changes to the limits wherever necessary. Counterparty limits are monitored daily.

Settlement risk

Settlement risk is defined as the potential loss arising from the non-delivery of instruments following payment.

Settlements are generally executed on the basis of delivery versus payment (DvP). Limits are defined for each counterparty in order to manage the potential replacement risk should the instrument need to be purchased from another source. The limits are monitored on a daily basis.

Operational risk

Operational risk is defined as the risk of loss arising from inadequacy or failure on the part of internal processes, people or systems, or following external events due to intentional, accidental or natural causes. It includes legal, fiscal, regulatory and compliance risks.

Operational risk is inherent in the business activities of the Group. Operational risk may take various forms and have many causes, ranging from unintentional human error to fraudulent acts and external events.

The Group is prepared to accept operational risks on the strict condition that they are in line with the implementation of its strategy and business policy, and that compliance with the regulations and laws of the markets in which it operates is ensured at all times. The Group has issued a statement regarding operational risk appetite that enables the Partners to supervise and manage the operational risk profile at any time.

The Group believes that operational risk management is the responsibility of all employees and that it requires the commitment of managers at all levels, as well as a strong operational risk prevention culture within the Group.

In practice, this means that each business unit must take ownership of its operational risks as a first line of defence with respect to the identification, evaluation and management of these risks, and the proactive implementation of improvement measures.

The second line of defence, represented in particular by Risk Management and Compliance, is responsible for the supervision and monitoring of operational risk. They also offer specialist training and support to the units with regard to the implementation of the Group's risk management framework and the management of specific types of risk.

The Group has defined principles and processes for the identification and evaluation of prevalent operational risks, their management and mitigation, the surveillance and reporting of operational risks within the Group, and the promotion of a strong operational risk culture.

The Group's operational risk management framework complies with the standards defined by the Basel Committee and adopted by FINMA.

An independent assessment of the internal control system for back-office and IT activities is conducted annually on the basis of an external audit in order to obtain a Type II assurance opinion based on ISAE 3402 (SSAE 16) and ISAE 3000 standards.

Operational incidents trigger notifications that undergo a validation and escalation process. Such incidents are reported and analysed to ensure that suitable corrective and preventive measures can be taken to reduce the frequency and gravity of potential risk events in the future.

With regard to its business continuity plan, the Group believes that, in the event of an accident or major disaster, its ability to maintain and rapidly recover its critical activities is crucial to minimising the impact of such events on its operations. To this end, it has appointed a Business Continuity Manager with a view to adopting a common methodology, as well as a Crisis Committee to handle matters if such an event were to occur.

The Group also tests its business continuity plan at least once a year to ensure that it is suitable, especially as regards its sensitive activities (technological infrastructure, information system, access to markets, and executing and booking of orders). The Group abides by the Swiss Bankers Association's Recommendations for Business Continuity Management and applies the self-regulation recognised as a minimum standard by FINMA (FINMA Circ. 08/10).

Legal risk

Risks associated with potential litigation are assessed individually by the Partners, if necessary with the assistance of external expert lawyers.

Liquidity risk

Liquidity risk is defined as the risk of the Group not being able to meet its payment obligations at any time, for any of its entities and in any currency. Maintaining comfortable liquidity levels is one of the Group's primary objectives. The framework for liquidity risk management is set out in the Group's liquidity risk policy.

In the event of conflict between liquidity objectives and other commercial objectives, particularly with regard to profitability, measures aimed at ensuring a healthy liquidity position take precedence. Liquidity risks are monitored in accordance with the applicable legal provisions, as well as internal requirements and measures.

The Group has adopted a centralised approach to cash and balance sheet management, which falls within the remit of the Treasury/ALM Department. Accordingly, uninvested client assets are placed conservatively, in line with clearly established constraints. The Risk Management unit carries out independent inspections. The investment approach, outlined in the Group's liquidity investment policy, conforms to extremely strict limits in terms of concentration, credit quality and market liquidity.

Reputational risk

Reputational risk refers to a negative perception of the Group's business practices or internal controls that could have a financial impact on its operations. The Group considers reputation to be one of its key pillars, which is why reputational risk forms a separate risk category. This approach attests to the Group's determination to define pro-active measures wherever possible to minimise that risk.

financial statements.

consolidated balance sheet.

	Notes	31.12.2016 In thousands CHF	31.12.2015 In thousands CHF
Assets			
Liquid assets		7,338,546	7,917,975
Amounts due from banks	1.10	562,859	395,022
Amounts due from securities financing transactions	1.1	203,997	340,701
Amounts due from customers	1.2, 1.10	3,156,188	2,870,841
Trading portfolio assets	1.3	1,362	0
Positive replacement values of derivative financial instruments	1.4	500,418	380,037
Other financial instruments at fair value	1.3	480,511	609,516
Financial investments	1.5, 1.10	3,661,430	3,253,879
Accrued income and prepaid expenses		137,492	146,230
Non consolidated participations	1.6, 1.7	1,877	5,892
Tangible fixed assets	1.8, 1.10	173,656	177,073
Other assets	1.9	165,536	155,969
Total assets		**16,383,872**	**16,253,135**
Liabilities			
Amounts due to banks		540,793	573,074
Amounts due in respect of customer deposits		13,230,214	12,921,453
Negative replacement values of derivative financial instruments	1.4	489,976	344,807
Liabilities from other financial instruments at fair value	1.3, 1.13	534,858	627,363
Accrued expenses and deferred income		300,131	444,669
Other liabilities	1.9	108,479	121,152
Provisions	1.14	134,228	126,449
Total liabilities		**15,338,679**	**15,158,967**
Reserves for general banking risks	1.14	233,206	233,206
Share capital	1.16	98,010	105,685
Retained earnings reserve		608,021	630,426
Foreign currency translation reserve		(18,548)	(18,655)
Consolidated profit		124,504	143,506
Total equity		**1,045,193**	**1,094,168**
Total liabilities and equity		**16,383,872**	**16,253,135**
Total subordinated liabilities		49,000	171,000
- of which with conversion obligation and/or debt waiver		*0*	*0*
Off-balance sheet transactions			
Contingent liabilities	1.2, 2.1	283,715	303,216
Irrevocable commitments	1.2	588,162	422,200
Obligation to pay up shares and make further contributions	1.2	7	7

consolidated profit and loss account.

	Notes	31.12.2016 In thousands CHF	31.12.2015 In thousands CHF
Interest and discount income	3.2	56,863	52,119
Interest and dividend income from financial investments		37,974	17,010
Interest expense	3.2	0	(5,421)
Gross result from interest operations		**94,837**	**63,708**
Changes in value adjustments for default risks and losses from interest operations		0	0
Net result from interest operations		**94,837**	**63,708**
Commission income from securities trading and investment activities		928,634	974,747
Commission income from lending activities		1,617	1,963
Commission income from other services		88,260	77,478
Commission expense		(182,859)	(168,811)
Result from commission business and services		**835,652**	**885,377**
Result from trading activities and the fair value option	3.1	**100,053**	**101,098**
Result from the disposal of financial investments		393	5,740
Income from participations		4,500	16,183
- of which participations recognised using the equity method		*0*	*3,327*
- of which from other non-consolidated participations		*4,500*	*12,856*
Result from real estate		4,136	3,239
Other ordinary income		0	63
Other ordinary expense		(9)	(49)
Result from ordinary activities		**9,020**	**25,176**
Total operating income		**1,039,562**	**1,075,359**
Personnel expenses	3.3	(654,550)	(677,495)
General and administrative expenses	3.4	(207,497)	(230,198)
Total operating expenses		**(862,047)**	**(907,693)**
Value adjustments on participations and depreciation of tangible fixed assets	1.6, 1.8	(9,669)	(12,184)
Changes to provisions and other value adjustments, losses	1.14	(17,027)	(8,671)
Operating result		**150,819**	**146,811**
Extraordinary income	3.5	13,428	45,154
Extraordinary expenses		(204)	(533)
Change in reserves for general banking risks		0	(28,500)
Taxes	3.7	(39,539)	(19,426)
Consolidated profit		**124,504**	**143,506**

cash flow statement.

		31.12.2016		31.12.2015
	Source of funds	**Use of funds**	**Source of funds**	**Use of funds**
	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF
Profit of the period	124,504		143,506	
Change in reserves for general banking risks	5,700	5,700	28,500	
Value adjustments on participations and depreciation of tangible fixed assets	9,669		12,184	
Provisions and other value adjustments	14,694	6,915	12,711	114,232
Accrued income and prepaid expenses	8,738			80,717
Accrued expenses and deferred income		144,538	183,334	
Other assets		9,567	27,430	
Other liabilities		12,673		88,127
Dividend and others distributions		188,655		51,265
Cash flow from operating activities	**163,305**	**368,048**	**407,665**	**334,341**
Shareholder reimbursement		7,675		
Other contribution	22,744			
Foreign currency translation differences	107			5,186
Cash flow from shareholder's equity transactions	**22,851**	**7,675**	**0**	**5,186**
Non consolidated participations	4,000		2,567	
Real estate	720	934	139	1,993
Other tangible fixed assets	79	6,102	185	8,543
Cash flow from investment activities	**4,799**	**7,036**	**2,891**	**10,536**
Cash flow from banking operations				
Amounts due in respect of customer deposits		116,000		10,510
Amounts due from customers	189,724			131,058
Financial investments		342,964		1,954,235
Medium to long-term operations (> 1 year)	**189,724**	**458,964**	**0**	**2,095,803**
Amounts due to banks		32,281	202,591	
Amounts due in respect of customer deposits	424,761			2,223,293
Negative replacement values of derivative financial instruments				294,984
Liabilities from other financial instruments at fair value	145,169	92,505		40,871
Amounts due from banks		167,837	232,732	
Amounts due from securities financing activities	136,704		1,909,031	
Amounts due from customers		475,071		556,349
Trading portfolio assets		1,362		
Positive replacement values of derivative financial instruments		120,381	305,568	
Other financial instruments at fair value	129,005		14,855	
Financial investments		64,587		346,423
Short-term operations	**835,639**	**954,024**	**2,664,777**	**3,461,920**
Liquidity				
Liquid assets	579,429		2,832,453	
Balance	**1,795,747**	**1,795,747**	**5,907,786**	**5,907,786**

statement of changes in equity.

	Share capital	Retained earnings reserve	Reserves for general banking risks	Foreign currency translation reserve	Profit of the period	Total
	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF
Shareholders' equity as at the beginning of the reporting period	105,685	630,426	233,206	(18,655)	143,506	**1,094,168**
Capital increase/decrease	(7,675)					**(7,675)**
Other contributions		22,744				**22,744**
Foreign currency translation differences				107		**107**
Dividends and others ditributions		(45,149)			(143,506)	**(188,655)**
Profit of the period					124,504	**124,504**
Shareholders' equity at the end of the reporting period	**98,010**	**608,021**	**233,206**	**(18,548)**	**124,504**	**1,045,193**

notes to the consolidated financial statements.

Name, legal form and registered office of the Group

The ultimate parent company of the Lombard Odier Group is Compagnie Lombard Odier SCmA, a partnership limited by shares with its office in Geneva.

Headcount

At the end of 2016, the Group employed 2,249 full-time equivalents (FTEs), compared with 2,133 at the end of 2015.

Accounting principles for the preparation of the consolidated financial statements

Basic principles

These financial statements are the consolidated financial statements of the Lombard Odier Group (hereinafter "the Group") and give a true and fair view of the net assets, financial position and results of operations of the Group. They are presented in accordance with the Swiss Code of Obligations, the Swiss Banking Act, the Swiss Banking Ordinance and the Swiss Accounting rules for banks, securities dealers, financial groups and conglomerates (FINMA Circular 15/1).

Basis of consolidation

Scope and consolidation method

The Lombard Odier Group's consolidated financial statements comprise the financial statements of companies which are directly or indirectly controlled by the Group, or over which it exercises a controlling influence. The consolidated Group companies and investments accounted for using the equity method are presented in Note 1.7 "Companies in which the Group permanently holds direct or indirect equity interest of significance".

The companies directly or indirectly controlled by the Group or over which it exercises a controlling influence are fully consolidated. Capital is consolidated using the purchase method.

Non-controlling interests of 20% to 50% are accounted for in the consolidated financial statements using the equity method. Interests of less than 20% and those that are less significant in terms of capital and returns or which are not strategic in nature are not consolidated, but reported in the balance sheet at cost less depreciation over their useful economic lives.

Subsidiaries are consolidated with effect from the date on which the Group effectively obtains control and are no longer consolidated once control has ceased.

The period used for consolidation purposes corresponds to the calendar year.

Accounting and valuation principles

Currency translation

The financial statements of consolidated companies prepared in foreign currencies have been translated into Swiss francs at the rate applicable on the reporting date, with the exception of capital, which is converted at historical rates. Income statements are converted at the average monthly exchange rates.

Currency translation differences resulting from consolidation are recognised in the "Foreign currency translation reserve".

The exchange rates used to convert the main foreign currencies are as follows:

	31.12.2016	31.12.2015
USD	1.0164	1.0010
EUR	1.0720	1.0874
GBP	1.2559	1.4754

Liquidity, amounts due from banks, amounts due from customers and liabilities

These items are reported in the balance sheet at their nominal value. The receivables deemed to be doubtful are subject to value adjustments deducted directly from the assets side of the balance sheet.

Securities financing transactions

Securities that are purchased with an obligation to resell them in the future (reverse repurchase agreements) and borrowed securities are only reported in the balance sheet if the Group acquires beneficial ownership of the rights associated with the securities transferred. The cash exchanged to purchase these securities or provided as collateral in the case of securities borrowing are recognised in the balance sheet under "Amounts due from securities financing transactions".

Securities that are sold with an obligation to repurchase them in the future (repurchase agreements) and securities lending are reported in the balance sheet for as long as the Group retains beneficial ownership of the rights associated with the securities transferred.

The cash received in return for the sale of securities or as collateral in the case of securities lending is recognised in the balance sheet under “Liabilities from securities financing transactions”.

The interest income and expenses resulting from the amounts receivable and payable are accrued over the transaction period.

The securities lending and borrowing activities largely relate to securities lending transactions entered into as an agent acting on behalf of clients. The resulting revenue and expenses are therefore recognised in net commission income.

Trading portfolio assets and trading portfolio liabilities
Securities and precious metals held for trading are measured and reported in the balance sheet at fair value. Gains and losses on portfolios held for trading are recognised in the income statement under “Results from trading activities and the fair value option”.

The interest and dividend income from the portfolios held for trading is recognised under “Interest and dividend income from trading activities”.

Derivative financial instruments

Trading and cash management activities
All derivative financial instruments are measured at fair value. Positive and negative replacement values are reported in the balance sheet. The fair value is either the market price (if the instrument is traded on an efficient and liquid market) or the price quoted by market makers.

Realised and unrealised income from derivative financial instruments used for trading purposes or for the account of customers is recognised under “Results from trading activities and the fair value option”. Interest income from currency swaps included within cash management is reported under “Interest and discount income” and recognised using the accrual method.

Hedging transactions
The Group uses derivative financial instruments to manage interest rate and foreign exchange risk.

Hedging transactions are measured on the same basis as the underlying hedged transactions.

Gains/losses from hedges are reported in the same income statement item as the corresponding gains/losses from the underlying transaction.

Changes in value are entered in the offset accounts if no value adjustment is recorded for the underlying transactions.

The Group uses hedge accounting if the hedging effects and the strategic aims of the hedging transactions with regard to interest rate and foreign exchange risk are documented when the transactions are entered into and the effectiveness of the hedges is periodically verified.

Hedges that fail to fulfil, no longer fulfil or only partially fulfil their hedging function are deemed to be trading transactions – either in full or in proportion to the excess portion – and treated as such.

Other financial instruments at fair value
Certificates issued by the Group which represent a fraction of a basket of underlyings are reported in the balance sheet under “Liabilities from other financial instruments at fair value”. Debt and equity instruments and investment funds held in connection with these certificates are reported under “Other financial instruments at fair value”.

Any changes in the value of the certificates and underlyings, as well as any interest accruals, are recognised under “Results from trading activities and the fair value option”.

Financial investments
Debt securities to be held to maturity are recognised in the balance sheet on an amortised cost basis. Gains and losses resulting from an early sale or redemption are recorded proportionally up to the initial maturity date of the transaction under the items “Other assets” and “Other liabilities”.

Value adjustments in connection with default risk are recorded immediately under “Changes in value adjustments for default risks and losses resulting from interest operations”.

Debt securities not to be held to maturity are measured according to the principle of the lower of cost or market.

The remaining value adjustments are reported under “Other ordinary expense” or “Other ordinary income”.

Revaluation up to a maximum of the acquisition cost is recognised if the market price, which had fallen below the acquisition cost, subsequently rose again.

Value adjustments related to default risk are recorded under “Changes in value adjustments for default risks and losses resulting from interest operations”.

Non-consolidated participating interests
Non-consolidated participating interests are individually measured at cost less any economically necessary value adjustments.

Tangible fixed assets
Expenditure on new tangible fixed assets which are used for more than one accounting period and exceed the minimum value for capitalisation are recognised in the balance sheet at cost and depreciated on a straight-line basis. Depreciation is carried out on a scheduled basis over the expected useful life of the fixed asset. The accuracy of the valuations is reviewed on an annual basis. If this assessment reveals a change in the useful life or a reduction in the value of the fixed asset, the residual carrying amount is depreciated according to the new expected useful life or supplementary unscheduled depreciation is recognised. Scheduled as well as supplementary unscheduled depreciation is recognised in the income statement in "Value adjustments on participations and depreciation of tangible fixed assets".

The depreciation rates and periods expected and applied to the acquisition cost of the different categories of tangible fixed assets are as follows:

- Buildings used for own use: 1% to 5%
- Other buildings: 2% to 5%
- Work to fit-out buildings: up to 5 years
- Fixtures, machinery, large items of furniture: up to 5 years
- Technological equipment (IT, telecommunications) and software: depreciated in full on acquisition

Gains and losses from the disposal of tangible fixed assets are reported under "Extraordinary income" and "Extraordinary expenses", respectively.

Accrued income and prepaid expenses/accrued expenses and deferred income
With the exception of services that have been received and invoiced but not yet paid for, which are reported in the balance sheet as "Other assets" or "Other liabilities", all of the assets and liabilities resulting from the accrual of interest and other types of income and expenses on asset and liability items, and other accruals are disclosed in "Accrued income and prepaid expenses"/"Accrued expenses and deferred income".

Taxes
Taxes include taxes on the income and capital of Group companies and allocations to provisions for deferred taxes. Current income taxes are recognised on the liabilities side of the balance sheet under "Accrued expenses and deferred income".

The tax implications of temporary differences between the balance sheet value and tax value of the assets and liabilities are entered in the balance sheet under "Provisions", if the amounts are taxable, or under "Other assets", if the amounts are tax deductible.

Claims resulting from tax losses carried forward are only recorded if they are likely to be realised in the future through the existence of sufficient taxable profits. Deferred taxes are determined annually based on the actually expected tax rates or, if these are not yet known, on the tax rates in force at the time the balance sheet is prepared. Deferred tax income and expenditure are recognised in the income statement.

Provisions and value adjustments
Provisions or value adjustments are recognised for all foreseeable risks and unrealised losses in accordance with the principle of prudence.

Individual value adjustments are charged directly to the corresponding line items on the assets side of the balance sheet. Provisions for other risks are recognised in the balance sheet under "Provisions".

Reserves for general banking risks
The Group recognises "Reserves for general banking risks" as a preventive measure to cover the risks inherent in the banking business which are not covered by specific provisions. These reserves form part of equity and are subject to tax or deferred tax.

Pension fund obligations
Pension fund obligations are all plans, institutions and arrangements that provide benefits for retirement, death or disability.

An annual review is carried out to determine whether an economic benefit (excess assets) or economic obligation (shortfall) other than the contribution benefits and related adjustments arises from each pension fund. In Switzerland, this review is conducted on the basis of contracts, the annual financial statements of the pension funds (prepared in accordance with Swiss GAAP RPC 26), and other calculations that give a true and fair view of each fund's financial situation, excess cover or underfunding.

Obligations are recognised in the balance sheet under "Provisions", while economic benefits are reported under "Other assets". The difference compared with the corresponding value in the prior period is recognised for each pension fund in "Personnel expenses".

Contingent liabilities, irrevocable commitments, liabilities for unpaid share capital and additional capital contributions

These items are presented at their nominal value in off-balance sheet transactions. The Group recognises provisions on the liabilities side of the balance sheet for foreseeable risks.

Notes to the annual financial statements
Notes that are not required or which do not provide any information are not presented.

Comparative figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

Changes in accounting and measurement policies

There were no changes in the accounting principles in 2016.

Recording of transactions

All transactions are recorded on a trade-date basis and valued as of that date for the purposes of determining the result. All spot transactions entered into but not yet settled are recognised in the balance sheet according to the trade-date principle.

Explanations on the methods used for identifying default risk and determining the need for value adjustments

Given the pledge rate required for lombard loans to be granted, the risk of default for this lending category is low. The credit exposure amount, the market value and the loan to value ratio of pledge assets are revalued and monitored on a daily basis. If it becomes unlikely that the borrower will be able to meet its obligations, the loan is considered doubtful. In such situations, the Partners and/or the Group Risk Committee decides whether a specific provision should recognised on a case-by-case basis, taking into account detailed evaluation of any sureties.

Explanations on the valuation of collateral, in particular key criteria for the calculation of current market value and lending value

The lending business is essentially limited to lombard loans. The collateral provided is accepted as pledged at a percentage of its market value. This pledge rate depends on the nature, solvency, currency and tradability of the securities.

Policy on the use of derivative financial instruments

The Group does not issue options or any other kind of derivative product for its own account. Most of the derivatives trading activity relates to foreign exchange transactions (forward transactions and options) and options on securities, stock market indices carried out on clients' behalf.

The use of derivatives in discretionary portfolio management is restricted to the transactions authorised by the Swiss Bankers' Association guidelines and in accordance with the Group's investment policy.

In certain cases, the Group uses derivative financial instruments as part of its activities, primarily to manage its exposure to interest rate and foreign currency risks. In this context, it mainly uses forward currency transactions or currency options and interest rate swaps. These transactions are mostly recognised as micro and macro hedges in accordance with hedge accounting principles (see "Accounting and valuation principles").

Specific events and events after the end of the reporting period

Specific events

Like hundreds of other establishments, legal proceedings have been initiated against Bank Lombard Odier & Co Ltd (the Bank) in New York (i) by the liquidators of the Fairfield Sentry Ltd and Fairfield Sigma Ltd ("Fairfield") funds on the one hand for the restitution of the amounts received from the funds Fairfield on behalf of certain clients and (ii) by Bernard L. Madoff investments Securities LLC (BLMIS) on the other hand for the restitution of the amounts received from the funds Fairfield and Kingate Global USD on behalf of certain clients. These proceedings are still ongoing.

The Bank has also been actioned in justice in the British Virgin Islands (BVI) by the liquidators of the funds Fairfield for the restitution of the amounts received from these funds on behalf of certain clients. The proceedings brought in the BVI were definitively rejected by the Privy Council in April 2014.

From the outset, the Group has considered the risk resulting from these proceedings to be impossible to quantify. The development of the proceedings in New York has so far been favourable to the defendants (including the Bank), such that it can reasonably be assumed that the risk has declined since 2010. Consequently, no provisions were recognised as at 31 December 2016, apart from those required to meet the cost of the Bank's legal defence.

Events after the end of the reporting period

There were no events after the end of the reporting period capable of impacting the financial statements as at 31 December 2016.

1. Information on the balance sheet

1.1 Breakdown of securities financing transactions (assets and liabilities)

	31.12.2016 In thousands CHF	31.12.2015 In thousands CHF
Book value of receivables from cash collateral delivered in connection with securities borrowing and reverse repurchase transactions	203,997	340,701
Book value of obligations from cash collateral received in connection with securities lending and repurchase transactions	0	0
Book value of securities lent in connection with securities lending or delivered as collateral in connection with securities borrowing as well as securities in own portfolio transferred in connection with repurchase agreements	19,745	39,254
- of which with unrestricted right to resell or pledge	*19,745*	*39,254*
Fair value of securities received and serving as collateral in connection with securities lending or securities borrowed in connection with securities borrowing as well as securities received in connection with reverse repurchase agreements with an unrestricted right to resell or repledge	224,707	379,584
- of which repledged securities	*0*	*0*
- of which resold securities	*0*	*0*

1.2 Presentation of collateral for loans / receivables and off-balance-sheet transactions, as well as impaired loans / receivables

		Type of collateral		Total
		Secured by other collateral	**Unsecured**	
		In thousands CHF	In thousands CHF	In thousands CHF
Loans (before netting with value adjustments)				
Amounts due from customers		2,987,936	168,252	3,156,188
Total loans (before netting with value adjustments)	**31.12.2016**	**2,987,936**	**168,252**	**3,156,188**
	31.12.2015	2,639,075	231,766	2,870,841
Total loans (after after netting value adjustments)	**31.12.2016**	**2,987,936**	**168,252**	**3,156,188**
	31.12.2015	2,639,075	231,766	2,870,841
Off-balance sheet				
Contingent liabilities		207,873	75,842	283,715
Irrevocable commitments		559,300	28,862	588,162
Obligation to pay up shares and make further contributions		0	7	7
Total off-balance sheet	**31.12.2016**	**767,173**	**104,711**	**871,884**
	31.12.2015	584,558	140,865	725,423

Impaired loans/receivables

As at 31 December 2016, the Group has no impaired loan or receivables (2015: none).

1.3 Breakdown of trading portfolios and other financial instruments at fair value (assets and liabilities)

	31.12.2016 In thousands CHF	31.12.2015 In thousands CHF
ASSETS		
Trading portfolio assets		
Debt securities, money market securities / transactions	1,362	0
- of which listed	*1,362*	*0*
Total trading portfolio assets	**1,362**	**0**
Other financial instruments at fair value		
Debt securities	84,570	85,185
Equity securities	366,171	490,398
Structured products	29,770	33,933
Total other financial instruments at fair value	**480,511**	**609,516**
Total assets	**481,873**	**609,516**
- of which determined using a valuation model	*0*	*0*
- of which securities eligible for repo transactions in accordance with liquidity requirements	*0*	*0*
LIABILITIES		
Other financial instruments at fair value		
Certificates	534,858	627,363
Total liabilities	**534,858**	**627,363**
- of which determined using a valuation model	*0*	*0*

1.4 Presentation of derivative financial instruments (assets and liabilities)

		Trading instruments			Hedging instruments		
		Positive replacement values	Negative replacement values	Contract volume	Positive replacement values	Negative replacement values	Contract volume
		In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF
Interest-rate related instruments							
Swaps		729	729	60,982	2,089	3,145	458,843
Options (OTC)							
Foreign exchange/Precious metals							
Forward contracts		405,553	399,639	36,399,426	2,281	7,420	329,436
Combined interest rate/currency swaps		28,360	18,054	3,772,874			
Options (OTC)		43,009	42,954	2,137,911			
Equity securities/Indices							
Options (OTC)		15,695	15,707	473,176			
Futures				5,930			
Options (exchange traded)		374		6,652			
Credit derivatives							
Credit default swap		2,328	2,328	55,936			
Total before netting agreements	**31.12.2016**	**496,048**	**479,411**	**42,912,887**	**4,370**	**10,565**	**788,279**
	31.12.2015	379,570	332,049	41,916,969	467	12,758	520,582

		Positive replacement values (accumulated)	Negative replacement values (accumulated)
		In thousands CHF	In thousands CHF
Total after netting agreements	**31.12.2016**	**308,194**	**143,742**
	31.12.2015	181,688	178,053

	Breakdown by counterparty:		
	Central clearing houses	Banks and securities dealers	Other customers
	In thousands CHF	In thousands CHF	In thousands CHF
Positive replacement values (after netting agreements)	**0**	**7,596**	**300,598**

1.5 Breakdown of financial investments

	31.12.2016		31.12.2015	
	Book value	**Fair value**	**Book value**	**Fair value**
	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF
Debt securities	3,656,021	3,647,999	3,244,214	3,214,933
- of which intended to be held to maturity	*3,656,021*	*3,647,999*	*3,222,033*	*3,214,933*
- of which not intended to be held to maturity	*0*	*0*	*22,181*	*22,181*
Equity securities	5,409	6,049	9,665	9,681
Total financial investments	**3,661,430**	**3,654,048**	**3,253,879**	**3,224,614**
- of which securities eligible for repo transactions in accordance with liquidity requirements	*1,101,549*	-	*454,445*	-

Breakdown of counterparties by rating

	AAA to AA-	**A+ to A-**	**BBB+ to BBB-**	**BB+ to B-**	**Lower than B-**	**No rating**
Debt securities at book value	3,325,121	330,900	0	0	0	0

The Group uses the ratings of the three rating agencies Standard & Poor’s, Moody’s and Fitch. If each of the external agencies issues an instrument with a rating, the median is used, and if only two ratings are issued, the Group uses the more conservative value. In the absence of a specific rating for the instrument, the Group uses the Standard & Poor’s long-term issuer rating.

1.6 Presentation of non consolidated participations

	Acquisition cost	Accumulated value adjustments and changes in book value (valuation using the equity method)	Book value as at 01.01.2016	Investments	Disposals (including foreign exchange differences)	Value adjustments	Changes in book value in the case of participations valued using the equity method / depreciation reversals	Book value as at 31.12.2016	Market value
	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF
Non consolidated participations									
Participations valued using the equity method									
- without market value	4,000	0	4,000	0	(4,000)	0	0	0	-
Other participations									
- without market value	2,110	(218)	1,892	0	0	(15)	0	1,877	-
Total non consolidated participations	**6,110**	**(218)**	**5,892**	**0**	**(4,000)**	**(15)**	**0**	**1,877**	**0**

1.7 Disclosure of companies in which the group holds a permanent direct or indirect significant participation (1/2)

Company name	Registered office	Business activity		Share capital	Proportion of holding/voting rights (in %) 31.12.2016	Proportion of holding/voting rights (in %) 31.12.2015	Direct/indirect ownership
Fully consolidated participating interests							
Compagnie Lombard Odier SCmA	Geneva	Holding company	CHF	73,700,100	100	100	direct
Banque Lombard Odier & Cie SA	Geneva	Bank	CHF	100,000,000	100	100	indirect
Cité Gestion SA	Geneva	Portfolio management	CHF	11,000,000	100	100	indirect
Compagnie Immobilière Lombard Odier SCmA	Geneva	Real estate company	CHF	2,700,000	10/53	10/53	indirect
			CHF	24,300,000	90/47	90/47	direct
Favona SA, en liquidation	Geneva	Fiduciary company	CHF	150,000	0	100	indirect
Germinal IV SA	Geneva	Fiduciary company	CHF	200,000	100	100	indirect
Lasphère SA	Geneva	Fiduciary company	CHF	250,000	100	100	indirect
LO Patrimonia SA	Geneva	Fiduciary company	CHF	1,000,000	100	100	indirect
LO Holding SA	Geneva	Holding company	CHF	34,110,000	100	100	indirect
LO IP SA	Geneva	Service company	CHF	700,000	100	100	indirect
LO Participations SA	Geneva	Holding company	CHF	12,000,000	100	100	indirect
LOIM Holding SA	Geneva	Holding company	CHF	1,000,000	0	100	indirect
Lombard Odier Asset Management (Switzerland) SA	Geneva	Investment advisory company	CHF	26,000,000	100	100	indirect
Lombard Odier Asset Management (Europe) Limited	London	Investment advisory company	GBP	59,000,000	100	100	indirect
Lombard Odier (Europe) S.A.	Luxembourg	Bank	EUR	40,000,000	100	100	indirect
Lombard Odier Funds (Europe) S.A.	Luxembourg	Distributor of CIS	CHF	3,000,000	100	100	indirect
Lombard Odier Investment Managers Private Equity	Luxembourg	Distributor of CIS	EUR	12,500	100	100	indirect
TBI (Europe) SA	Luxembourg	Banking and IT services	EUR	5,000,000	100	100	indirect
Lombard Odier Gestión (España), SGIIC, S.A.	Madrid	Portfolio management	EUR	1,188,000	100	100	indirect
Codati Limited	Gibraltar	Service company	GBP	100,000	100	100	indirect
Lombard Odier & Cie (Gibraltar) Limited	Gibraltar	Bank	CHF	2,260,000	100	100	indirect
LO Delta explorer GP Limited	Jersey	Distributor of CIS	CHF	100,000	100	100	indirect
Lombard Odier (Jersey) Limited	Jersey	Distributor of CIS	CHF	500,000	100	100	indirect
Lombard Odier Infrastructure fund GP Limited	Jersey	Distributor of CIS	CHF	100,000	100	100	indirect
Lombard Odier (Hong Kong) Limited	Hong Kong	Investment advisory company	HKD	755,000,000	100	100	indirect
Lombard Odier (Singapore) Ltd.	Singapore	Bank	CHF	29,255,000	100	100	indirect
Lombard Odier Trust (Japan) Limited	Tokyo	Portfolio management	JPY	300,000,000	100	100	indirect
LO Holding (Canada) Inc	Montreal	Holding company	CAD	210,000	0	100	direct
Lombard Odier & Cie (Canada), Société en commandite	Montreal	Investment advisory company	CAD	8,240,000	0	100	direct
Lombard Odier Gestion (Canada) Inc.	Montreal	Investment advisory company	CAD	239,858	0	100	indirect
Lombard Odier Services Inc.	Montreal	Service company	CAD	4,999,244	100	100	indirect
Lombard Odier Valeurs mobilières (Canada) Inc.	Montreal	Broker dealer	CAD	3,700,000	100	100	indirect
Lombard Odier Transatlantic, L.P.	Montreal	Broker dealer	USD	7,200,000	0	100	indirect
Lombard Odier Transatlantic Limited	Montreal	Broker dealer	USD	9,478,957	100	100	indirect
Lombard Odier Asset Management (USA) Corp.	New York	Investment advisory company	USD	2,000	100	100	indirect
Lombard Odier (Panama), Inc.	Panama City	Investment advisory company	USD	500,000	100	100	indirect
Bershield Insurance Limited	Bermuda	Insurance company	CHF	216,000	100	100	indirect
LO Holdings (Bermuda) Limited	Bermuda	Holding company	USD	12,000	0	100	indirect
Lombard Odier (Bermuda) Limited	Bermuda	Administration services	USD	25,000	0	100	indirect
Lombard Odier Darier Hentsch Management (Bermuda) Limited	Bermuda	Portfolio management	CHF	16,098	0	100	indirect
Lombard Odier Trust (Bermuda) Limited	Bermuda	Trust company	CHF	1,350,000	100	100	indirect

1.7 Disclosure of companies in which the group holds a permanent direct or indirect significant participation (2/2)

Company name	Registered office	Business activity		Share capital	Proportion of holding/ voting rights (in %) 31.12.2016	Proportion of holding/ voting rights (in %) 31.12.2015	Direct/ indirect ownership
Fully consolidated participating interests							
1798 Global Partners (Cayman Island) Ltd	Cayman	Management company	USD	10,001	100	100	indirect
1798 Global Partners Founders Ltd	Cayman	Financial company	USD	10,000	0	100	indirect
1798 Global Partners LLC	Delaware	Distributor of CIS	USD	500,000	100	100	indirect
Lombard Odier & Cie (Bahamas) Limited	Nassau	Bank	CHF	4,000,000	100	100	indirect

Company name	Registered office	Business activity		Share capital	Proportion of holding/ voting rights (in %) 31.12.2016	Proportion of holding/ voting rights (in %) 31.12.2015	Direct/ indirect ownership
Consolidated holdings using the equity method							
Nahmani Partners & Cie	Geneva	Portfolio management	CHF	10,000,000	0	40	indirect

Company name	Registered office	Business activity		Share capital	Proportion of holding/ voting rights (in %) 31.12.2016	Proportion of holding/ voting rights (in %) 31.12.2015	Direct/ indirect ownership
Non-consolidated participating interests							
SIX Group AG	Zurich	Financial services	CHF	19,521,905	2	2	indirect

The Group does not have any significant position in equity securities of undertakings recognised under financial investments (2015: none).

In addition, there are no commitments to purchase further shares or to dispose of shares (2015: none).

1.8 Presentation of tangible fixed assets

	Acquisition cost	Accumulated depreciation	Book value as at 01.01.2016	Reclassifi-cation	Additions	Disposals (including foreign exchange differences)	Depreciation	Book value as at 31.12.2016
	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF
Bank buildings	309,149	(135,416)	173,733	(137)	920	40	(3,574)	170,982
Other real estate	15,546	(14,583)	963	0	14	(760)	(5)	212
Software	9,251	(9,251)	0	0	1,499	0	(1,499)	0
Other tangible fixed assets	69,053	(66,676)	2,377	137	4,603	(78)	(4,577)	2,462
Total tangible fixed assets	**402,999**	**(225,926)**	**177,073**	**0**	**7,036**	**(798)**	**(9,655)**	**173,656**

1.9 Breakdown of other assets and other liabilities

	31.12.2016	31.12.2015
Other assets	In thousands CHF	In thousands CHF
Amount recognised as assets in respect of employer contribution reserves	102,546	102,546
Settlement accounts	22,319	18,797
Indirect taxes	3,330	2,096
Compensation account	6,361	13,108
Other assets	30,980	19,422
Total other assets	**165,536**	**155,969**
Other liabilities		
Settlement accounts	47,178	48,309
Coupons	531	20,318
Indirect taxes	18,603	16,961
Compensation account	466	946
Other liabilities	41,701	34,618
Total other liabilities	**108,479**	**121,152**

1.10 Disclosure of assets pledged or assigned to secure own commitments and of assets under reservation of ownership

	31.12.2016		31.12.2015	
	Book value of pledge	**Actual liabilities**	**Book value of pledge**	**Actual liabilities**
	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF
Pledged assets				
Amounts due from banks	235,763	150,389	31,444	51,988
Amounts due in respect of clients deposits	2,111	2,187	0	0
Financial investments	418,495	251,330	275,784	98,495
Real estate	91,931	44,300	93,042	44,300

1.11 Disclosure of liabilities relating to own pension schemes, and number and nature of equity instruments of the bank held by own pension schemes

	31.12.2016	**31.12.2015**
	In thousands CHF	In thousands CHF
Amounts due in respect of customer deposits	288,312	52,349
Total liabilities to own pension funds	**288,312**	**52,349**

1.12 Disclosures on the economic situation of own pension schemes (1/2)

Employer contribution reserves (ECR)	Nominal value at 31.12.2016	Waiver of use at 31.12.2016	Net amount at 31.12.2016	Net amount at 31.12.2015	Influence of the ECR on personnel expenses	
					31.12.2016	31.12.2015
	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF
Patronage pension institution:						
Fondation patronale Lombard Odier & Cie	102,546	0	102,546	102,546	0	9,400

Presentation of the economic benefit/obligation and the pension expenses	Overfunding / underfunding at 31.12.2016	Economical interest of the Group	Change in economical interest (economic benefit / obligation) compared to 31.12.2015	Contributions paid for the current period	Pension expenses in personnel expenses	
					31.12.2016	31.12.2015
	In percentage	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF
Pension plans with overfunding:						
Pension Foundation of Lombard Odier Group	107.5%	0	0	23,706	23,706	20,321
Supplementary Pension Foundation of Lombard Odier Group	107.3%	0	0	10,721	10,721	12,095

The Group's governing bodies consider that any surplus in pension institutions will be used for the benefit of the employees and that, as a result, there will be no economic benefit for the Group. At 31 December 2016, there was no economic benefit or economic obligation to be recognised in the Group's balance sheet or income statement.

The governing bodies of the pension funds evaluated the funding ratio at 31 December 2016, on the basis of the non-audited financial statements, to be 107.5% for the Pension Foundation and 107.3% for the Supplementary Pension Foundation.

1.12 Disclosures on the economic situation of own pension schemes (2/2)

Pension funds

Pension Foundation of Lombard Odier Group

All employees whose activity is based in Switzerland must be affiliated to the Pension Foundation of Lombard Odier Group (Art. 5 of the regulations). The Foundation's objective is to protect all affiliated employees from the economic consequences of old age, disability and death; it is entered in the Register of Occupational Pensions Plan kept by the Supervisory Authority of the Canton of Geneva, pursuant to Article 48 LPP. Through this registration, the Foundation undertakes to satisfy the requirements of the LPP. Employees are free to choose their retirement age between 58 and 65 years.

Supplementary Pension Foundation of Lombard Odier Group

The Supplementary Pension Foundation's objective is to protect affiliated executives and employees from the economic consequences of old age, disability and death, supplementing the benefits they receive from the Pension Foundation of Lombard Odier Group. Members are free to choose between two options for their contribution rate, without any impact on the employer contribution. Employees can freely choose when their retirement benefits become due, between their 58th and 65th year.

1.13 Presentation of issued structured products

Underlying risk of the embedded derivative		**Book value**				**Total**
		Valued as a whole		**Valued separately**		
		Booked in trading portfolio	**Booked in other financial instruments at fair value**	**Value of the host instrument**	**Value of the derivative**	
		In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF
Equity securities	with own debenture component	-	443,833	0	0	**443,833**
	without own debenture component	0	0	0	0	**0**
Interest-rate instruments	with own debenture component	-	91,025	0	0	**91,025**
	without own debenture component	0	0	0	0	**0**
Total		**0**	**534,858**	**0**	**0**	**534,858**

1.14 Presentation of value adjustments and provisions, reserves for general banking risks, and changes therein during the current year

	Balance at 31.12.2015	Use in conformity with designated purpose	Foreign exchange differences	Past due interest, recoveries	New creations charged to income statement	Releases to income statement	Balance at 31.12.2016
	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF
Provisions for deferred taxes	104,404	0	0	0	1,803	(1,800)	**104,407**
Provisions for other business risks	12,742	(674)	4	2	12,888	(4)	**24,958**
Other provisions	9,303	(3,057)	(3)	0	0	(1,380)	**4,863**
Total provisions	**126,449**	**(3,731)**	**1**	**2**	**14,691**	**(3,184)**	**134,228**
Reserves for general banking risks	**233,206**	**0**	**0**	**0**	**5,700**	**(5,700)**	**233,206**
Value adjustments for default and country risks	**0**	0	0	0	0	0	**0**

"Provisions for other business risks" are intended to cover a variety of risks relating to litigation, including any associated legal expenses.

1.15 Disclosure of amounts due from / to related parties

	31.12.2016		31.12.2015	
	Amounts due from	**Amounts due to**	**Amounts due from**	**Amounts due to**
	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF
Holders of qualified participations	143	291,085	4,717	315,999
Transactions with members of governing bodies	307	2,406	1,158	417

The balance sheet and off-balance sheet transactions with related parties were concluded at arm's length.

1.16 Information on own equity shares and composition of own equity capital

The Group and its subsidiaries did not hold own equity securities during the reporting period and had no contingent liabilities for the sale or purchase of own equity securities.

Information on transactions with holders of participations in their capacity as holders of participations

The Group carries out transactions with holders of participations in its normal course of business. They notably include advance payments, deposits and transactions in financial instruments (currency transactions, security transactions, etc.). All transactions are carried out at the conditions prevailing on the market at the time they are initiated.

1.17 Presentation of the maturity structure of financial instruments

	At sight	Callable	Residual term				Total
			within 3 months	between 3 and 12 months	between 12 months and 5 years	after 5 years	
	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF
Assets/financial instruments							
Liquid assets	7,338,546	-	-	-	-	-	7,338,546
Amounts due from banks	561,787	0	1,072	0	0	0	562,859
Amounts due from securities financing transactions	0	0	203,997	0	0	0	203,997
Amounts due from customers	360,154	241,322	1,576,553	795,535	169,761	12,863	3,156,188
Trading portfolio assets	1,362	-	-	-	-	-	1,362
Positive replacement values of derivatives financial instruments	500,418	-	-	-	-	-	500,418
Other financial instruments at fair value	480,511	-	-	-	-	-	480,511
Financial investments	5,409	0	97,903	332,632	2,522,400	703,086	3,661,430
Total 31.12.2016	**9,248,187**	**241,322**	**1,879,525**	**1,128,167**	**2,692,161**	**715,949**	**15,905,311**
Total 31.12.2015	9,662,710	34,076	1,918,680	897,635	2,539,070	715,800	15,767,971
Liabilities/financial instruments							
Amounts due to banks	520,793	0	0	0	20,000	0	540,793
Amounts due in respect of customer deposits	12,844,939	107,283	228,992	49,000	0	0	13,230,214
Negative replacement values of derivatives financial instruments	489,976	-	-	-	-	-	489,976
Liabilities from other financial instruments at fair value	534,858	-	-	-	-	-	534,858
Total 31.12.2016	**14,390,566**	**107,283**	**228,992**	**49,000**	**20,000**	**0**	**14,795,841**
Total 31.12.2015	13,990,702	113,283	280,712	0	20,000	62,000	14,466,697

1.18 Presentation of assets and liabilities by domestic and foreign origin in accordance with the domicile principle

		31.12.2016		31.12.2015
	Domestic	Foreign	Domestic	Foreign
	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF
Assets				
Liquid assets	7,329,892	8,654	7,909,581	8,394
Amounts due from banks	240,819	322,040	90,466	304,556
Amounts due from securities financing transactions	77,425	126,572	251,134	89,567
Amounts due from customers	864,947	2,291,241	765,874	2,104,967
Trading portfolio assets	0	1,362	0	0
Positive replacement values of derivatives financial instruments	212,411	288,007	153,315	226,722
Other financial instruments at fair value	21,939	458,572	21,252	588,264
Financial investments	420,652	3,240,778	40,071	3,213,808
Accrued income and prepaid expenses	85,668	51,824	92,326	53,904
Non consolidated participations	1,876	1	5,891	1
Tangible fixed assets	169,611	4,045	173,484	3,589
Other assets	128,890	36,646	126,080	29,889
Total assets	**9,554,130**	**6,829,742**	**9,629,474**	**6,623,661**
Liabilities				
Amounts due to banks	334,338	206,455	269,909	303,165
Amounts due in respect of customer deposits	3,919,194	9,311,020	3,798,263	9,123,190
Negative replacement values of derivatives financial instruments	162,947	327,029	142,649	202,158
Liabilities from other financial instruments at fair value	276,102	258,756	311,639	315,724
Accrued expenses and deferred income	194,611	105,520	298,918	145,751
Other liabilities	82,276	26,203	99,384	21,768
Provisions	131,065	3,163	123,586	2,863
Reserves for general banking risks	233,206	0	233,206	0
Share capital	98,010	0	105,685	0
Retained earnings reserve	608,021	0	630,426	0
Foreign currency translation reserve	(18,548)	0	(18,655)	0
Consolidated profit	98,908	25,596	110,905	32,601
Total liabilities	**6,120,130**	**10,263,742**	**6,105,915**	**10,147,220**

1.19 Breakdown of total assets by country or group of countries (domicile principle)

		31.12.2016		31.12.2015
	Amount	**Share**	**Amount**	**Share**
	In thousands CHF	In percentage	In thousands CHF	In percentage
Switzerland	9,554,130	58	9,629,474	59
Other European countries	2,882,570	18	2,716,824	17
North America	2,496,016	15	2,589,593	16
The Caribbean and South America	726,135	4	757,012	5
Asia and Middle East	601,734	4	459,979	3
Australia/Oceania	76,046	0	61,291	0
Africa	47,241	0	38,962	0
Total assets	**16,383,872**	**100**	**16,253,136**	**100**

1.20 Breakdown of total assets by credit rating of country groups (risk domicile view)

		Net foreign exposure 31.12.2016		**Net foreign exposure 31.12.2015**
	Amount	**Share**	**Amount**	**Share**
	In thousands CHF	In percentage	In thousands CHF	In percentage
S&P				
AAA	1,296,993	24	1,031,084	20
AA+ – AA-	3,451,923	64	3,520,452	68
A+ – A-	211,774	4	144,581	3
BBB+ – BBB-	123,507	2	171,816	3
BB+ – BB-	39,849	1	23,857	0
B+ – B-	37,055	1	55,028	1
CCC+ – D	466	0	1,197	0
No rating	223,468	4	261,375	5
Total	**5,385,035**	**100**	**5,209,390**	**100**

1.21 Presentation of assets and liabilities broken down by the most significant currencies for the group

	CHF In thousands CHF	EUR In thousands CHF	USD In thousands CHF	Other In thousands CHF
Assets				
Liquid assets	7,325,124	12,214	652	556
Amounts due from banks	88,644	240,540	167,814	65,861
Amounts due from securities financing transactions	0	0	178,879	25,118
Amounts due from customers	856,595	967,778	989,540	342,275
Trading portfolio assets	0	0	0	1,362
Positive replacement values of derivatives financial instruments	206,949	29,980	118,252	145,237
Other financial instruments at fair value	21,101	61,135	295,437	102,838
Financial investments	417,887	637,546	2,576,700	29,297
Accrued income and prepaid expenses	91,847	21,142	19,714	4,789
Non consolidated participations	1,876	1	0	0
Tangible fixed assets	169,681	1,875	745	1,355
Other assets	119,728	13,492	17,327	14,989
Total balance sheet assets	**9,299,432**	**1,985,703**	**4,365,060**	**733,677**
Delivery entitlements from spot exchange transactions, foreign exchange forwards and foreign exchange options	11,106,061	10,498,296	15,335,498	6,473,469
Total assets	**20,405,493**	**12,483,999**	**19,700,558**	**7,207,146**
Liabilities				
Amounts due to banks	194,357	112,745	134,197	99,494
Amounts due in respect of customer deposits	3,688,553	3,541,312	4,931,219	1,069,130
Negative replacement values of derivatives financial instruments	198,219	24,579	129,924	137,254
Liabilities from other financial instruments at fair value	35,264	80,752	315,389	103,453
Accrued expenses and deferred income	208,703	19,042	24,444	47,942
Other liabilities	56,657	14,735	25,500	11,587
Provisions	133,832	230	166	0
Reserves for general banking risks	233,206	0	0	0
Share capital	98,010	0	0	0
Retained earnings reserve	608,021	0	0	0
Foreign currency translation reserve	(18,548)	0	0	0
Consolidated profit	124,504	0	0	0
Total balance sheet liabilities	**5,560,778**	**3,793,395**	**5,560,839**	**1,468,860**
Delivery obligations from spot exchange transactions, foreign exchange forwards and foreign exchange options	14,660,913	8,778,920	14,301,986	5,671,505
Total liabilities	**20,221,691**	**12,572,315**	**19,862,825**	**7,140,365**
Net position by currency	**183,802**	**(88,316)**	**(162,267)**	**66,781**

Net exposure by currency arising from this note is due essentially to cash flow hedges (see note 1.4).

2. Information on off-balance sheet transactions

2.1 Breakdown and explanation of contingent assets and liabilities

	31.12.2016 In thousands CHF	31.12.2015 In thousands CHF
Irrevocable guarantees	283,715	303,216
Total contingent liabilities	**283,715**	**303,216**
Contingent assets arising from tax losses carried forward	17,359	18,942
Total contingent assets	**17,359**	**18,942**

2.2 Breakdown of fiduciary transactions

	31.12.2016 In thousands CHF	31.12.2015 In thousands CHF
Fiduciary investments with third-party companies	7,068,952	7,369,458
Fiduciary transactions arising from securities lending and borrowing, which the Group conducts in its own name for the account of customers	1,789,372	2,171,962
Total	**8,858,324**	**9,541,420**

2.3 Breakdown of managed assets and presentation of their development

	31.12.2016 In millions CHF	31.12.2015 In millions CHF
Breakdown of managed assets		
Assets in collective investment schemes managed by the Group	38,173	40,008
Assets under discretionary management agreements	62,552	58,329
Other managed assets	58,115	61,768
Total managed assets (including double-counting)	**158,840**	**160,105**
- of which double-counted	*26,192*	*27,746*
Presentation of the development of managed assets		
Total managed assets (including double-counting) at the beginning of the year	160,105	160,994
+/- Net new money inflow/outflow	(1,909)	2,839
+/- Market price impact, interest, dividends and currency development	3,136	(4,154)
+/- Other impacts	(2,492)	426
Total managed assets (including double-counting) at the end of the year	**158,840**	**160,105**

Managed assets comprise all assets held or managed for investment purposes. As a result, assets held by the Group as part of its services as a global custodian are not shown in the figures above.

Assets under discretionary management agreements also comprise assets with an advisory mandate.

Interest, fees and expenses debited from managed assets and investment performance are not included in the inflows/outflows.

3. Information on the income statement

3.1 Breakdown of the result from trading activities and the fair value option

	31.12.2016 In thousands CHF	31.12.2015 In thousands CHF
Breakdown by business area		
Trading for own account	24,604	26,818
Trading for the account of the customers	75,449	74,280
Total trading results	**100,053**	**101,098**

	31.12.2016 In thousands CHF	31.12.2015 In thousands CHF
Breakdown by underlying risks and based on the use of the fair value option		
Trading results from:		
- foreign exchange	92,617	94,446
- equity securities	4,022	5,137
- precious metals	3,414	1,515
Total trading results	**100,053**	**101,098**
- of which from the fair value option	*1,640*	*2,487*

3.2 Disclosure of material refinancing income in the item Interest and discount income as well as material negative interest

	31.12.2016 In thousands CHF	31.12.2015 In thousands CHF
Negative interest on lending business		
Negative interest on lending business (decrease in interest and discount income)	(40,854)	(48,146)
Negative interest on deposits		
Interest expense payed	(13,059)	(17,295)
Negative interest on deposits (decrease in interest expense)	16,286	11,874
Positive balance reported in interest and discount income	(3,227)	0
Interest expenses	*0*	*(5,421)*

3.3 Breakdown of personnel expenses

	31.12.2016 In thousands CHF	31.12.2015 In thousands CHF
Salaries	536,857	557,288
Social insurance obligations	98,821	99,355
Other personnel expenses	18,872	20,852
Total	**654,550**	**677,495**

The compensation system includes programs for deferred payment of variable compensation for a period of up to five years, based on the amount of the variable portion of the salary, in a move to retain employees. For 2016, the amount of deferred payments amounted to CHF 27.4 million (2015: CHF 33.8 million).

3.4 Breakdown of general and administrative expenses

	31.12.2016 In thousands CHF	31.12.2015 In thousands CHF
Expenses relating to premises	34,089	30,595
Expenses relating to information and communication technologies	36,362	30,993
Expenses relating to financial information	23,908	24,605
Travel and entertainment expenses	22,218	20,766
Professional services	32,106	34,810
Audit fees	3,633	3,745
- of which for financial and regulatory audits	*2,831*	*3,027*
- of which for other services	*802*	*718*
Taxes and indirect taxes	14,910	14,481
Office, telecommunications and insurance premium costs	13,968	14,440
Communications and sponsorship expenses	23,785	19,150
Other operating expenses	2,518	36,613
Total	**207,497**	**230,198**

3.5 Explanations regarding material losses, extraordinary income and expenses, material releases of hidden reserves, reserves for general banking risks, and value adjustments and provisions no longer required

In 2016, extraordinary income essentially consists of a gain from the sale of a participation in the amount of CHF 11.0 million.

3.6 Presentation of the operating result broken down according to domestic and foreign origin, according to the principle of permanent establishment

		31.12.2016		**31.12.2015**
	Domestic	**Foreign**	**Domestic**	**Foreign**
	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF
Net result fom interest operations	84,106	10,731	54,563	9,145
Result from commission business and services	594,721	240,931	608,422	276,955
Result from trading activities and the fair value option	84,863	15,190	86,712	14,386
Result from ordinary activities	7,139	1,881	22,376	2,800
Total income	**770,829**	**268,733**	**772,073**	**303,286**
Personnel expenses	(474,595)	(179,955)	(470,000)	(207,495)
General and administrative expenses	(154,385)	(53,112)	(174,361)	(55,837)
Total expenses	**(628,980)**	**(233,067)**	**(644,361)**	**(263,332)**
Value adjustments on participations and depreciation of tangible fixed assets	(8,462)	(1,207)	(10,976)	(1,208)
Changes to provisions and other value adjustments, losses	(14,086)	(2,941)	(7,135)	(1,536)
Operating result	**119,301**	**31,518**	**109,601**	**37,210**

3.7 Presentation of current and deferred taxes with indication of the tax rate

	31.12.2016 In thousands CHF	31.12.2015 In thousands CHF
Creation of provisions for deferred taxes	1,803	9,072
Release of provisions for deferred taxes	(1,800)	(2,256)
Current year tax expense	39,536	12,610
Total income tax expense	**39,539**	**19,426**

Average tax rate on the basis of consolidated profit before tax	24.1%	11.9%

The effect of the use of losses carried forward that were not previously used on the total amount of taxes for the current year amounts to CHF 4.0 million (2015: 2.0 million).

4. Publication requirements related to capital adequacy and liquidity in accordance with finma circular 2016/1

4.1 Eligible capital

	31.12.2016 In thousands CHF	31.12.2015 In thousands CHF
Common Equity Tier 1 (CET1)	**1,035,689**	**1,000,712**
Instruments and reserves		
- of which share capital	98,010	105,685
- of which disclosed reserves	937,679	895,027
Regulatory adjustments		
- of which non-qualifying holdings in financial sector	0	0
Additional Tier 1 Capital (AT1)	**2,831**	**0**
Tier 2 Capital (T2)	**0**	**0**
Total eligible capital	**1,038,520**	**1,000,712**

4.2 Minimum capital requirements

	Approach applied	31.12.2016 In thousands CHF	31.12.2015 In thousands CHF
Minimum capital requirements for credit risks	AS-BRI	**108,357**	**126,611**
- of which price risk for equity interest in the banking book		446	3,800
Minimum capital requirements for non counterparty related risks	AS-BRI	**13,892**	**14,166**
Minimum capital requirements for market risks	Standard	**4,513**	**9,385**
- of which interest-rate instruments		1,571	3,270
- of which equity securities		160	275
- of which currency and precious metals		2,197	5,336
- of which commodities		450	199
- of which options		135	305
Minimum capital requirements for operational risks	Basis indicator	**156,019**	**160,835**
Total minimum capital requirements		**282,781**	**310,997**

4.3 Capital ratios

	31.12.2016 In percentage	31.12.2015 In percentage
Ratios		
CET1 ratio	29.3%	25.7%
T1 ratio	29.4%	25.7%
Total capital ratio	29.4%	25.7%
FINMA defined minimum CET1 ratio	7.8%	7.8%
FINMA defined minimum T1 ratio	9.6%	9.6%
FINMA defined minimum total equity ratio	12.0%	12.0%

4.4 Leverage ratio

		31.12.2016	31.12.2015
T1 capital	In thousands CHF	1,038,520	1,000,712
Total exposure	In thousands CHF	17,258,634	16,747,044
Leverage ratio	In %	6.0%	6.0%

4.5 Information on the liquidity coverage ratio (LCR)

		31.12.2016	31.12.2015
Short-term liquidity coverage ratio (LCR) for the 1st quarter	**In %**	**205.4%**	**266.4%**
Three-month average for the 1st quarter for high-quality liquid assets	In thousands CHF	10,473,921	11,243,056
Three-month average for the 1st quarter for net cash outflow	In thousands CHF	5,100,427	4,220,639
Short-term liquidity coverage ratio (LCR) for the 2nd quarter	**In %**	**203.4%**	**268.9%**
Three-month average for the 2nd quarter for high-quality liquid assets	In thousands CHF	10,665,912	10,863,784
Three-month average for the 2nd quarter for net cash outflow	In thousands CHF	5,244,485	4,039,438
Short-term liquidity coverage ratio (LCR) for the 3rd quarter	**In %**	**204.1%**	**272.5%**
Three-month average for the 3rd quarter for high-quality liquid assets	In thousands CHF	10,959,456	11,078,999
Three-month average for the 3rd quarter for net cash outflow	In thousands CHF	5,370,170	4,064,969
Short-term liquidity coverage ratio (LCR) for the 4th quarter	**In %**	**205.7%**	**231.0%**
Three-month average for the 4th quarter for high-quality liquid assets	In thousands CHF	9,936,045	11,023,361
Three-month average for the 4th quarter for net cash outflow	In thousands CHF	4,831,090	4,771,845

Report of the statutory auditor

to the General Meeting of Compagnie Lombard Odier SCmA

Geneva

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of Lombard Odier Group, which comprise the balance sheet, income statement, cash flow statement, statement of changes in equity and notes (pages 29 to 66), for the year ended 31 December 2016.

Group Executive Management's responsibility

The Group Executive Management is responsible for the preparation of the consolidated financial statements in accordance with accounting rules for banks and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Group Executive Management 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. 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 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 2016 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with accounting rules for banks and comply with Swiss law.

PricewaterhouseCoopers SA, avenue Giuseppe-Motta 50, case postale, CH-1211 Genève 2, Switzerland
Téléphone: +41 58 792 91 00, Téléfax: +41 58 792 91 10, www.pwc.ch

pwc

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (art. 728 CO and art. 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with art. 728a para. 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 Group Executive Management.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers SA

Beresford Caloia

Audit expert
Auditor in charge

Marie-Eve Fortier

Geneva, 27 April 2017


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CEO.
E
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Geneva
Bank Lombard Odier & Co Ltd[1]
T +41 22 709 21 11 · geneva@lombardodier.com

Lombard Odier Asset Management (Switzerland) SA
T +41 22 793 06 87
Support-Client-LOIM@lombardodier.com
Management Company regulated by the FINMA.

Cité Gestion SA[2]
T +41 22 820 60 00 · info@cite-gestion.com

LO Patrimonia SA
T +41 22 320 42 74 · lopatrimonia@lombardodier.com
Company subject to the regulations and supervision of the FINMA.

Fribourg
Banque Lombard Odier & Cie SA · Bureau de Fribourg[1]
T +41 26 347 55 55 · fribourg@lombardodier.com

Lausanne
Bank Lombard Odier & Co Ltd[1]
T +41 21 321 18 18 · lausanne@lombardodier.com

Cité Gestion SA · Succursale de Lausanne[2]
T +41 21 321 67 00 · info@cite-gestion.com

Vevey
Banque Lombard Odier & Cie SA · Agence de Vevey[1]
T +41 21 923 30 11 · vevey@lombardodier.com

Zurich
Bank Lombard Odier & Co Ltd[1]
T +41 44 214 11 11 · zurich@lombardodier.com

Lombard Odier Asset Management (Switzerland) SA
T +41 44 214 13 13
Support-Client-LOIM@lombardodier.com

Cité Gestion SA · Zweigniederlassung Zürich[2]
T +41 44 224 62 00 · info@cite-gestion.com

[1] *Private bank and securities dealer authorised and regulated by the Swiss Financial Market Supervisory Authority (FINMA).*

[2] *Custodian and securities dealer regulated by the FINMA.*

[3] *Branch of Lombard Odier (Europe) S.A., a credit institution based in Luxembourg, authorised and regulated by the Commission de Surveillance du Secteur Financier (CSSF) in Luxembourg.*

Europe

Luxembourg
Lombard Odier (Europe) S.A.
T +352 2778 50 00 · luxembourg@lombardodier.com
Credit institution authorised and regulated by the Commission de Surveillance du Secteur Financier (CSSF) in Luxembourg.

Lombard Odier Funds (Europe) S.A.
T +352 2778 10 00 · luxembourg-funds@lombardodier.com
Management company supervised by the Commission de Surveillance du Secteur Financier (CSSF) in Luxembourg.

Belgium
Lombard Odier (Europe) S.A. Luxembourg · Belgium branch[3]
T +32 2 543 08 30 · brussels@lombardodier.com
Credit institution supervised in Belgium by the Banque nationale de Belgique (BNB) and the Financial Services and Markets Authority (FSMA).

France
Lombard Odier (Europe) S.A. · Succursale en France[3]
T +33 (0)1 4926 46 00 · paris@lombardodier.com
Credit institution supervised in France by the Autorité de contrôle prudentiel et de résolution (ACP) and by the Autorité des Marchés Financiers (AMF) in respect of its investment services activities. Business permit No. 23/12. Registered in Luxembourg No. B169 907. Insurance company authorised by the Commissariat aux Assurances (CAA) No. 2014 CM002. The registration with the CAA can be verified at www.orias.fr.

Lombard Odier Asset Management (Europe) Limited · Succursale française
T +33 (0)1 4926 46 00
distribution.loim.fr@lombardodier.com
Branch of Lombard Odier Asset Management (Europe) Ltd (registered office: 3 Old Burlington Street, London) authorised and regulated by the Financial Conduct Authority (FCA register No. 515393) and by the Autorité des Marchés Financiers (AMF), RC in France: 803 958 313.

Germany
Lombard Odier Asset Management (Europe) Limited · Frankfurt Branch
T +49 69 66774 81 54 · frankfurt@lombardodier.com
Branch of Lombard Odier Asset Management (Europe) Ltd (registered office: 3 Old Burlington Street, London) authorised and regulated by the Financial Conduct Authority (FCA register No. 515393). Entered in the Commercial Register of Frankfurt, HRB 91031.

Gibraltar
Lombard Odier & Cie (Gibraltar) Limited
T +350 2007 33 50 · gibraltar@lombardodier.com
Authorised and regulated by the Gibraltar Financial Services Commission (FSC) to conduct banking and investment services business. Registration No. 14427.

Italy
Lombard Odier (Europe) S.A · Succursale in Italia[3]
T +39 02 0069 77 00 · milano-cp@lombardodier.com
Credit institution governed in Italy by the Italian Stock Market Regulator (Commissione Nazionale per la Società e la Borsa (CONSOB)) and the Bank of Italy.

Lombard Odier Asset Management (Europe) Limited · Italian Branch
T +39 02 3031 46 00 · milano-loim@lombardodier.com
Branch of Lombard Odier Asset Management (Europe) Ltd (registered office: 3 Old Burlington Street, London) authorised and regulated by the Financial Conduct Authority (FCA register No. 515393). Enrolled in the Milan Companies Register No. 97587010154, R.E.A. No. MI – 1958249. Roll of EU Financial Intermediaries with branch held by CONSOB No. 98.

Netherlands
Lombard Odier (Europe) S.A. · Netherlands Branch[3]
T +31 20 522 05 22 · amsterdam@lombardodier.com
Credit institution supervised in the Netherlands by De Nederlandsche Bank (DNB) and by Autoriteit Financiële Markten (AFM).

Lombard Odier Asset Management (Europe) Limited · Netherlands Branch, Amsterdam*
T +31 20 522 05 22 · amsterdam@lombardodier.com

Lombard Odier Asset Management (Europe) Limited · Netherlands Branch, Groningen*
T +31 50 364 27 69 · groningen@lombardodier.com
** Branches of Lombard Odier Asset Management (Europe) Ltd (registered office: 3 Old Burlington Street, London) authorised and regulated by the Financial Conduct Authority (FCA register No. 515393). Entered in the Commercial Register of Amsterdam, No. 52809609.*

Russia
Bank Lombard Odier & Co Ltd
Representative Office Moscow
T +7 495 225 93 13 · moscow@lombardodier.com
Under the supervisory authority of the Central Bank of the Russian Federation.

Spain
Lombard Odier (Europe) S.A. · Sucursal en España[3]
T +34 91 790 29 00 · madrid@lombardodier.com
Credit institution supervised in Spain by the Banco de España and the Comisión Nacional del Mercado de Valores (CNMV). Entered in the Commercial Register of Madrid, volume 31152, book 0, folio 1, section 8, page M560642. CIF W0183168D. CNMV registration Banco de España 1547.

Lombard Odier Gestión (España), SGIIC, S.A.
T +34 91 790 29 00 · madrid@lombardodier.com
Management Company supervised by the Comisión Nacional del Mercado de Valores (CNMV). Entered in the Commercial Register of Madrid, volume 27475, folio 183, section 4, page M495135. CIF A85921898. CNMV registration 231.

United Kingdom
Lombard Odier (Europe) S.A. · UK Branch[3]
T +44 (0)20 3206 60 00 · london@lombardodier.com
Credit institution in the UK subject to limited regulation by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA). Details of the extent of our authorisation and regulation by the PRA and regulation by the FCA are available from us on request. Registered in Luxembourg No. B169 907.

Lombard Odier Asset Management (Europe) Limited
T +44 (0)20 3206 60 00 · london@lombardodier.com
Investment firm authorised and regulated by the Financial Conduct Authority (FCA register No. 515393).

Middle East

United Arab Emirates
Bank Lombard Odier & Co Ltd
Representative Office Dubai
T +9714 509 01 11 · dubai@lombardodier.com
Under the supervisory authority of the Central Bank of the UAE.

Asia / Pacific

Hong Kong
Lombard Odier (Hong Kong) Limited
T +852 2501 85 00 · hongkong@lombardodier.com
A licensed entity regulated and supervised by the Securities and Futures Commission in Hong Kong.

Singapore
Lombard Odier (Singapore) Ltd.
T +65 6305 77 88 · singapore@lombardodier.com
A merchant bank regulated and supervised by the Monetary Authority of Singapore.

Japan
Lombard Odier Trust (Japan) Limited
T +81 (0)3 5114 17 96 · tokyo@lombardodier.com
Regulated and supervised by the Financial Services Agency (FSA) in Japan. It holds a trust business license (FSA No. 208) and is registered with Kanto Local Finance Bureau for Financial Instruments Business Operator (No. 470).

Americas

Bahamas
Lombard Odier & Cie (Bahamas) Limited
T +1 242 302 21 00 · nassau@lombardodier.com
Supervised by the Central Bank of the Bahamas and the Securities Commission of the Bahamas.

Bermuda
Lombard Odier Trust (Bermuda) Limited
T +1 441 292 78 17 · bermuda@lombardodier.com
Licensed to conduct Trust and Investment Business Supervised by the Bermuda Monetary Authority (BMA).

Canada
Lombard Odier & Cie (Canada), Limited Partnership
T +1 514 847 77 48 · montreal@lombardodier.com
Regulated by the Autorité des Marchés Financiers du Québec.

Lombard Odier Securities (Canada) Inc.
T +1 514 847 77 55 · scltmontreal@lombardodier.com
Regulated by the Investment Industry Regulatory Organization of Canada.

Lombard Odier Transatlantic, L.P.
T +1 514 847 77 45
contact@lombardodier-transatlantic.com
Regulated by Financial Industry Regulatory Authority and the U.S. Securities and Exchange Commission.

Panama
Lombard Odier & Cie (Bahamas) Limited · Representative Office in Panama
T +507 282 85 00
Supervised by the Central Bank of the Bahamas and the Superintendencia de Bancos de Panamá.

Lombard Odier (Panama) Inc.
T +507 282 85 40
Supervised by the Superintendencia del Mercado de Valores de Panamá. License to operate as an Investment Adviser. Res. SMV No.528-2013.

United States
Lombard Odier Asset Management (USA) Corp.
Institutional and Investment Funds – Investment Advisory Only
T+1 212 295 62 00
Authorised and regulated by the Securities and Exchange Commission SEC, No. LOAM USA 801-72554.

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