



**LOMBARD ODIER**  
LOMBARD ODIER DARIER HENTSCH

# 2018 Financial Report Lombard Odier Group



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# Message from the Senior Managing Partner

We are pleased to report positive results in 2018, despite difficult market conditions.

Our revenues grew 6%, and our net operating profit rose 13% for the year, thanks to a solid number of new clients joining Lombard Odier, and increased client activity across the business. However, our total client assets did not escape the fall in all asset classes seen over the course of 2018 – and particularly in its closing months – dipping to CHF 259 billion, from CHF 274 billion at the end of 2017.

We remain one of the strongest capitalised banks in our industry, with a solid and conservatively invested balance sheet. Fitch confirmed our AA- credit rating in July 2018, and our Common Equity Tier 1 (CET1) ratio rose three percentage points to 29.9% by end-December, mostly due to the sale of a portfolio of buildings in Geneva.

We continued to focus on organic growth and on the strategic targeting of our business efforts last year. We invested in the recruitment of high-quality private bankers, Lombard Odier Investment Managers' (LOIM) sales teams and in our proprietary technology. We closed the sale of our Amsterdam-based wealth management business to InsingerGilissen and entered into a partnership agreement with Vontobel to take over our US-based wealth management franchise.

Amid the global shift transforming our economies, we made further strides in embedding sustainability into all our investment processes across the Group. This reflects our firm conviction that investing according to the principles of sustainability will be one of the main drivers of return for our clients in the longer term.

Our private client business made impressive strides over the year, with net new money positive across all our priority markets, and differentiated solutions launched to meet our clients' long-term objectives. These included a new, holistic 'goal-based' approach to wealth management, and an expansion of our PrivilEdge platform, which gives clients exclusive access to externally managed investment strategies.

Profitability in our asset management business rose again, and 71% of LOIM's funds have performed in the first or second quartile of their peer group over the last three years. Our Technology & Operations (T&O) business successfully on-boarded another major client, and is now focussed on consolidating our technology platform, and prioritising the needs of our private client business.

Our achievements in 2018 were recognised with a number of industry awards, including 'Best Domestic Private Bank' at the Swiss WealthBriefing Awards and 'Best Private Bank for Customer Services, Europe' at Financial Times publication PWM's Global Private Banking Awards. For the seventh consecutive year, we also won top honours in the Middle East at the GCC WealthBriefing Awards.

Our focus remains on delivering excellence and value for our clients in 2019. As ever, we will continue to react nimbly to changing conditions, to re-think the world around us and develop innovative solutions for our clients' benefit. On the investment front, we are designing strategies to manage a complex backdrop of volatile markets, a slowdown in global growth, and the later stages of the economic cycle. At a group level, we remain committed to growing our business, both in Switzerland and internationally, and to conservatively managing our balance sheet.

We continue to strengthen our independent ownership model, which maintains our long-term vision and aligns our interests with those of our clients. In this context, we are pleased to have welcomed a new Managing Partner, Alexandre Zeller, to Lombard Odier in March 2019. Mr Zeller is one of the leading figures in Swiss banking, and we believe his values, his skills and experience, and his personality should greatly contribute to our Group development, for our clients' benefit, for many years to come.



Patrick Odier – Senior Managing Partner



# Corporate governance

## 1. Group structure and shareholding

### Group structure

Compagnie Lombard Odier SCmA is the parent company of the Lombard Odier Group. Directly or indirectly, it controls all companies in the Lombard Odier Group.

A detailed list of firms in the Lombard Odier Group can be found in note 1.7: 'Disclosure of companies in which the bank holds a permanent direct or indirect significant participation' (page 33). None of the Group's firms are listed and there is no cross-shareholding.

### Important shareholders

The Managing Partners of Compagnie Lombard Odier SCmA directly or indirectly hold almost all the capital stock of the Compagnie.

At 31 December 2018, the six Managing Partners of Compagnie Lombard Odier SCmA were Mr Patrick Odier, Mr Christophe Hentsch, Mr Hubert Keller, Mr Frédéric M. Rochat, Mr Denis Pittet and Mrs Annika Falkengren.

## 2. Supervisory Board

### Members

The Supervisory Board is made up of three members who are all independent in the sense of marginal number 17 ff of the FINMA Circular 17/1 'Corporate governance – banks'. Its members are elected for a renewable period of three years.

#### Jacques Rossier

Mr Jacques Rossier has chaired the Supervisory Board of the Lombard Odier Group since 2014.

He holds a law degree from the University of Zurich and an MBA from Harvard Business School. He began his career at McKinsey & Co in Zurich in 1967 before becoming a Partner in 1970.

In 1976, he joined Guyerzeller Bank in Zurich as Executive Vice-President.

From 1979 to 1988, he was Executive Vice-President at Société de Banque Suisse (Swiss Bank Corporation) in Basel and Geneva.

In 1989, Mr Rossier became Managing Partner of Hentsch & Cie and oversaw the merger with Darier & Cie in 1990.

In 2002, he led the merger between Lombard Odier & Cie and Darier Hentsch & Cie before he acted as a Partner of the Lombard Odier Darier Hentsch & Cie group from 2002 to 2006.

Later, from 2006 to 2009, he was Partner of Holding Privé Lombard Odier.

He was Chairman of Geneva Financial Center Foundation from 1999 to 2002 and a member of the Committee and Board of Directors of the Swiss Bankers Association from 2005 to 2009.

#### Jean A. Bonna

Mr Jean Bonna has been the Vice Chairman of the Supervisory Board of the Lombard Odier Group since 2014.

He graduated from the University of Geneva with a law degree and began his career between 1968 and 1970 in New York, at Morgan Guaranty Trust (today JP Morgan Chase & Co) and at US Trust Co, and in London, at Baring Brothers.

In 1971, he joined the Lombard Odier Group and became a Managing Partner in 1983. Until 2007, he held positions of responsibility in wealth management and was the Partner in charge of Financial Services, the Tax, Compliance and Legal Department, and all issues relating the Lombard Odier Group structure.

Mr Bonna was a member of the Committee of the Swiss Private Bankers Association from 1987 to 1997, holding the position of Chairman from 1993 to 1996.

From 1988 to 2002, he was a member of the Committee of the Board of Directors of the Swiss Bankers Association.

He represented the Lombard Odier Group in the Groupement des Banquiers Privés Genevois from 1987 to 2004. During this period, he was Chairman of this organisation on several occasions.

#### Klaus Jenny

Mr Klaus Jenny has been a member of the Supervisory Board since 2014.

He holds an economics degree (specialising in Banking) and an economics PhD from the University of St. Gallen, as well as a lawyer's certificate (Canton of Glarus). He also completed the Program for Senior Executives from the Massachusetts Institute of Technology.

He began his career at Credit Suisse in 1972 and became a member of the Executive Board in 1987. He then successively held responsibilities as a member of the Committee of the Executive Board, then as a member of the Executive Board of the Credit Suisse Group and as Chief Executive Officer of Credit Suisse Private Banking.

Since 1999, he has carried out independent activities in finance.

## Other activities and mandates

(situation at 31.12.2018)

### Jean Bonna

- Chairman of the Association Internationale de Bibliophilie
- Director of the Louvre Endowment Fund
- Honorary Trustee of the Metropolitan Museum of Art (New York).

### Klaus Jenny

- Member of the Board of Directors of Maus Frères SA
- Member of the Board of Directors of Téléverbier SA
- Member of the Board of Directors of Assivalor AG
- Member of the Board of Directors of Edmond de Rothschild Holding SA
- Member of the Board of Directors of Edmond de Rothschild (Suisse) SA
- Vice Chairman of the Board of Directors of Sportbahnen Elm AG

## 3. Internal organisation

### Allocation of tasks within the Supervisory Board

The positions held by the members of the Supervisory Board are stated in paragraph 2 of this section of the financial report. Moreover, the Supervisory Board acts in corpore as the Lombard Odier Group's Audit Committee and Risk Committee. A member of the Supervisory Board is appointed 'guarantor' for overseeing the Audit Committee function and another is appointed 'guarantor' for overseeing the Risk Committee function.

### Working methods

The Supervisory Board meets as often as required, but at least once every quarter. It makes decisions based on an absolute majority of votes cast by its members present. In the event of voting being equally split, the Chairman's vote takes precedence. For a decision to be valid, the majority of members of the Supervisory Board must be present.

The Chairman of the Supervisory Board prepares the agenda for the meetings or, if they are unavailable, the Vice-Chairman performs this task. They inform the members of the Supervisory Board of the dates and agenda at least ten days before each meeting. Any member of the Supervisory Board can ask the

Chairman of the Supervisory Board to organise an extraordinary meeting. Third parties may be invited for all or part of the meeting. All Supervisory Board meetings are subject of minutes sent to all members of the board.

### Powers of the Supervisory Board and the Administration (*Konzernleitung*) – the Partners

The Supervisory Board (SB) is responsible for checking that management is compliant with the law, regulations and the articles of association (including objects of association).

Its tasks are as follows:

- Checking that the Board of Managing Partners' performance of its consolidated supervisory duties complies with the law, regulations and articles of association.
- Checking that the Group's internal control system is working properly, including:
  - Checking the Group's risk management policies.
  - Checking the appropriateness and effectiveness of the Group's compliance system.
  - Checking the appropriateness and effectiveness of the Group's Internal Audit.
- Assessing the reports drawn up by the Group's Internal Audit and External Audit.
- Checking the Group's financial results.
- Appointing the head of the Group's internal audit, in principle based on the Administration's suggestion.

General management and supervision of the Group (*Konzernleitung*) is provided by the Partners (*Collège des Associés*). They define the Group's vision and strategy. They are also in charge of the consolidated supervision of the Group.

The Partners have the following duties and powers in particular:

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



## Information and control mechanisms

The SB and its members receive the following reports in particular:

- Audit Reports (internal and external).
- Half-Yearly Risk Reports
- Annual Risk Compliance Assessment Report
- Annual Budget of the Group and its main entities

Any member of the SB can ask, through the Chairman of the SB, for additional information from the Administration.

## Group's 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. It has meetings with the Supervisory Board every quarter, to discuss the internal audit reports issued since the previous period as well as coordination with the external audit firm, and to provide a follow-up on points for attention and priority recommendations.

## Risk management

Additional information on the coordination, control and management of risk is included on page 13 of this financial report.

## 4. Administration (*Konzernleitung*) – the Partners

### Partners

The Administration is the Lombard Odier Group's management body. It consists of seven Partners with unlimited liability for Compagnie Lombard Odier SCmA, who together form the Partners.

The Partners are:

#### Patrick Odier (Senior Managing Partner)

Patrick Odier has been a Managing Partner of the Lombard Odier Group since 1986 and a Senior Managing Partner since 1 July 2008. He has been Chairman of the Board of Directors of Bank Lombard Odier & Co Ltd. since 1 January 2014.

Mr Odier holds an economics degree from the University of Geneva and an MBA in finance from the University of Chicago.

He joined the Lombard Odier Group in 1982 and completed his training in Zurich, New York and Montreal before becoming a Managing Partner. Mr Odier has devoted most of his career to the strategic management of the Group and the development of business relationships with both private and institutional clients as well as external management companies.

Patrick Odier was Chairman of the Swiss Bankers Association from 2009 to 2016.

He is a member of the Board Group of *economiesuisse* (Swiss Business Federation).

He chairs Fondation Lombard Odier and the Dr Henri Dubois-Ferrière Dinu Lipatti Foundation. He is also a board member of the Louis-Jeantet Foundation and the Brocher Foundation in addition to many other Swiss and international philanthropic organisations and academic institutions.

#### Christophe Hentsch

Christophe Hentsch has been a Managing Partner of the Lombard Odier Group since 2004.

He holds an economics degree from the University of St. Gallen (HSG).

He started his career with Hewlett-Packard in 1984. In 1985, he joined the Corporate Finance division at Kleinwort Benson in London and then Geneva.

In 1991, Mr Hentsch moved to the Société Générale d'Affichage, where he was CFO and a member of senior management.

He joined the Lombard Odier Group in 1999, where he managed several departments in the Private Clients Unit before assuming responsibility for activities connected with the Group's Technology & Operations Unit. He currently oversees the Compliance, Legal and Human Resources Unit.

From 1996 to 1999, he was a member of the Board of Directors of the Swiss Electronic Stock Exchange.

Mr Hentsch is a member of the Boards of the Geneva Financial Centre Foundation and the Swiss Finance Institute.

#### Hubert Keller

Hubert Keller has been a Managing Partner of the Lombard Odier Group since 2006.

After graduating in business administration (HEC) from the University of Lausanne, Mr Keller started his career in derivatives trading at Compagnie Financière Tradition in Lausanne. He then joined the Corporate Finance division of the SG Warburg Group in London in 1991.

In 1995, he moved to Deutsche Bank in London, where he was involved in building up the convertible bonds sector and,

subsequently, corporate finance activities in Europe. He then assumed global responsibility for Equity Capital Markets. In 2004, he became a member of the Executive Committee of the Global Banking division at Deutsche Bank.

On 1 January 2006, Mr Keller joined the Lombard Odier Group as a Managing Partner, where he was primarily responsible for the Institutional Clients business line.

Hubert Keller and Annika Falkengren co-manage the activities of Lombard Odier Investment Managers for the Group.

### **Frédéric M. Rochat**

Frédéric M. Rochat has been a Managing Partner of the Lombard Odier Group since 2012.

Mr Rochat, who holds an economics and business administration degree from the University of St. Gallen (HSG), spent the first part of his career, working for the investment banking arm of Goldman Sachs Group in London and New York. In this capacity, he advised a number of banks, insurers, asset managers and other financial services firms on topics relating to asset hedging, financing, equity recapitalisation, debt restructuring, and mergers and acquisitions.

Mr Rochat joined the Lombard Odier Group in October 2010 to head up its private client activities based in London.

He was appointed a Managing Partner of the Lombard Odier Group on 1 January 2012; he is co-head, together with Denis Pittet, of the Group's Swiss and international private clients activity.

### **Hugo Bänziger**

Hugo Bänziger was a Managing Partner of the Lombard Odier Group from 2014 to 2018.

He holds a doctorate in history from the University of Berne. He began his career in 1983 with the Swiss Federal Banking Commission in Berne before joining Credit Suisse Group, in 1985, in Zurich and then London.

In 1996, he moved to Deutsche Bank, where, from 2006, he served as the Chief Risk Officer and a member of the Deutsche Bank Group's Management Board.

He joined the Lombard Odier Group in 2014, where he was primarily responsible for Risk Management and Compliance.

Up until 11 October 2018, he supervised the Group's Risk Management, Logistics, Marketing and Communications, as well as Technology & Operations Units.

Mr Bänziger has previously chaired the Board of Directors of Eurex Group and had numerous responsibilities in European inter-bank working groups. He is also a visiting professor at the London School of Economics and the University of Chicago Booth School of Business.

Mr Bänziger is a member of the International Committee of the Red Cross and sits on the Board of the philanthropic organisation John D. V. Salvador Foundation.

### **Denis Pittet**

Denis Pittet has been a Managing Partner of the Lombard Odier Group since 2017.

Mr Pittet, a qualified lawyer, holds a master's degree in law and a master's degree in economics from the University of Geneva. He has spent his entire career at the Lombard Odier Group. He joined the Group in 1993 as a lawyer, taking over responsibility for the Group's Legal, Tax & Wealth Advisory Unit in 1999.

In 2015, he joined the Private Clients Unit, which he co-manages with Frédéric M. Rochat. Within this Unit, he focuses on supervising the External Asset Managers and Wealth Planning departments.

Mr Pittet is Chairman of Fondation Philanthropia. He is also a member of the committee of the Association of Swiss Private Banks.

### **Annika Falkengren**

Annika Falkengren has been a Managing Partner of the Lombard Odier Group since August 2017.

Mrs Falkengren holds a Bachelor of Science in Business Administration and Economics from the University of Stockholm.

She was formerly President and CEO of Skandinaviska Enskilda Banken (SEB), one of the major financial groups in Scandinavia, where she spent her career from 1987 to 2017. She held several positions of responsibility, such as Head of Global Trading & Capital Markets, Head of Merchant Banking and Deputy Group Chief Executive, before being appointed Chief Executive Officer in 2005.

Annika Falkengren manages the Group's Finance & Corporate Tax Unit since she joined the Group. Following the departure of Hugo Bänziger, she has taken over the responsibility of Logistics as well as Marketing and Communications and ad interim of the Group's Risk Management and Technology & Operations Unit. She co-leads the activities of Lombard Odier Investment Managers for the Group with Managing Partner Hubert Keller.

Mrs Falkengren was a member of the Board of Directors of the Swedish Bankers' Association from 2010 to 2017 and its Chairman for four years. She has also been a member of the Boards of Directors of several large international companies.

She is a member of the Royal Swedish Academy of Engineering Sciences and a member of the Foundation Board of the International Institute for Management Development (IMD).

### **Other activities and mandates**

(situation at 31.12.2018)

#### **Patrick Odier**

- Chairman of the Board of Directors of Banque Lombard Odier & Cie SA
- Chairman of the Board of Directors of LO Holding SA
- Member of the Board of Directors of Lombard Odier Valeurs mobilières (Canada) Inc.
- Member of the Board of the patronage pension institution Fondation patronale du groupe Lombard Odier
- Chairman of the Dr Henri Dubois-Ferrière Dinu Lipatti Foundation for the fight against leukaemia and blood diseases
- Member of the Executive Board of economiesuisse
- Member of the Board of the Brocher Foundation and of the Louis-Jeantet Foundation

#### **Christophe Hentsch**

- Member of the General Management of Banque Lombard Odier & Cie SA
- Chairman of the Board of Directors of Lombard Odier & Cie (Bahamas) Limited
- Chairman of the Board of Directors of Lombard Odier & Cie (Gibraltar) Limited
- Member of the Board of the employee pension institution Fondation de prévoyance du groupe Lombard Odier
- Member of the Board of the complementary employee pension institution Fondation complémentaire de prévoyance du groupe Lombard Odier
- Member of the Board of Directors of LO Holding SA
- Member of the Board of Geneva Financial Center Foundation
- Member of the Foundation Board of the Swiss Finance Institute (SFI)

#### **Hubert Keller**

- Member of the Board of Directors of Lombard Odier Asset Management (Switzerland) SA
- Member of the Board of Directors of Lombard Odier Asset Management (Europe) Limited
- Member of the Board of Directors of Lombard Odier Asset Management (USA) Corp
- Chairman of the Board of Directors of Lombard Odier (Hong Kong) Limited
- Chairman of the Board of Directors of Lombard Odier (Singapore) Ltd
- Chairman of the Board of Directors of Lombard Odier Trust (Japan) Limited
- Chairman of the Board of the employee pension institution Fondation de prévoyance du groupe Lombard Odier
- Chairman of the Board of the complementary employee pension institution Fondation complémentaire de prévoyance du groupe Lombard Odier
- Chairman of the Board of the patronage pension institution Fondation patronale du groupe Lombard Odier

#### **Frédéric M. Rochat**

- CEO of Banque Lombard Odier & Cie SA
- Chairman of the Board of Directors of Lombard Odier (Europe) SA
- Chairman of the Board of Directors of Lombard Odier Gestion (España) S.G.I.I.C. S.A.
- Member of the Board of the employee pension institution Fondation de prévoyance du groupe Lombard Odier
- Member of the Board of the complementary employee pension institution Fondation complémentaire de prévoyance du groupe Lombard Odier
- Member of the Board of the patronage pension institution Fondation patronale du groupe Lombard Odier

#### **Denis Pittet**

- Member of the General Management of Banque Lombard Odier & Cie SA
- Member of the Board of Directors of Lombard Odier (Europe) SA

- Chairman of the Board of Directors of Lombard Odier Trust (Bermuda) Limited
- Chairman of the Board of Directors of LO Patrimonia SA
- Chairman of the Board of Directors of Bershield Insurance Limited
- Member of the Committee of the Swiss Private Bankers Association
- Member of the Board of the André & Cyprien Foundation and of the Pro Victimis Foundation

#### **Annika Falkengren**

- Member of the Board of Directors of LO Holding SA
- Chairman of the Board of Directors of Lombard Odier Asset Management (Switzerland) SA
- Chairman of the Board of Directors of Lombard Odier Asset Management (Europe) Limited
- Chairman of the Board of Directors of Lombard Odier Asset Management (USA) Corp
- Member of the Board of Directors of Lombard Odier (Singapore) Ltd
- Member of the Board of Directors of Lombard Odier (Hong Kong) Limited
- Member of the Board of Directors of Lombard Odier Trust (Japan) Limited
- Member of the Foundation Board of IMD (International Institute for Management Development)

## **5. Compensation and shareholding programs**

The members of the Supervisory Board and the Administration only receive fixed yearly pay. They receive no variable pay and take part in no shareholding program.

## **6. Auditors**

### **Duration of audit mandate and duration of the position of head auditor**

The ordinary general meeting of 26 April 2018 designated, for the financial period 2018, the company PricewaterhouseCoopers SA, which has held this position since 27 July 2001, as the external auditors. The mandate head is Mr Beresford Caloia, who has held this position since the 2015 financial period.

### **Audit fees**

The audit fees paid in 2018 by the Lombard Odier Group amounted to CHF 3.0 million.

### **Additional fees**

In 2018, the Lombard Odier Group paid fees for other services that amounted to CHF 0.5 million.

### **Supervision and control mechanisms relating to the auditors**

The reports drawn up by the external audit entity, as well as the assessment of risks and the scheduling of audits that result from this, are dealt with by the Audit Committee and discussed with the head auditor.

The members of the external audit entity have access, at all times, to the members of the Supervisory Board, the Partners (Collège des Associés) and the Internal Audit, with whom working sessions are regularly held.

# 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 the preservation of its financial interests and reputation, and ensures 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 (SB) acts as the Risk Committee. The SB 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 (ICS), supervising its implementation and monitoring its efficiency. It defines the general risk framework and regularly checks its suitability. It approves 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.

- Risk Management unit, under the supervision of the CRO, reports regularly to management and to the governing bodies the level of risk compared to applicable limits.
- The Compliance Unit is tasked with ensuring that business is carried out in a manner that is compliant with our regulatory environment, is fair and equitable, and is in the overriding interests of clients and in compliance with market conduct rules. As a second line of defence function, the Compliance Unit helps to ensure that the Group has a proper internal control system in place which adequately measures and manages the risks of non-compliance that it faces. Under the supervision of the Group Chief Compliance Officer, the primary responsibilities of the Unit are: the supervision of financial crime risks (including Anti-Money Laundering, compliance with international financial sanctions, measures against internal and external frauds, etc), compliance with the requirements of corporate governance, segregation of duties and the prevention of conflicts of interest, monitoring of trading activities and the adaptation of the internal organisation based on new requirements identified thanks to regulatory monitoring. The Group Chief Compliance Officer regularly reports to governing bodies in charge of management risk and compliance and draws their attention to any situation of non-compliance while proposing areas for improvement.

## Market risk

Market risk is the risk of loss due to fluctuations in the value of a position resulting from a change in the factors that determine its price, such as exchange rates, interest rates, equity prices, etc. It impacts the Group's results mainly through the balance sheet positions derivative contracts. 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 at global level; they are reviewed at least annually. For the latter sub-limits are defined for each trading activity. Market risk associated with trading activities is managed and controlled by the bearer of the risk (trading desks for a 1<sup>st</sup> level control), and then independently controlled by the Risk Management unit through daily and intraday 2<sup>nd</sup> level controls.

Currency risks are centralised in the Swiss bank entity of the Group where the FX positions are managed globally.

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.

## 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 and without cost that would affect the Group survival. 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 regulatory provisions, as well as internal requirements.

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 liquidity consumption of the loan book is monitored against the stable funding capacity from clients' deposits. The Risk Management unit carries out independent analysis. The liquidity approach is outlined in the Group's liquidity investment policy.

## 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 client credit risk is generated through two forms of activity both secured by a pledge of high quality, negotiable securities:

- 1) Lending, which is essentially limited to cash credit (loans and overdrafts) granted to clients (also known as "Lombard Credit").

- 2) Other credit exposure, which may include credit commitments (bank guarantees and subscriptions on behalf of clients to Private Equity or other investment vehicles employing capital calls) and trading positions that require a margin such as derivatives and any other financial instruments.

Pledged portfolios are analysed in depth by Risk Management, and a conservative lending value is assigned to each pledged position based on relevant indicators of credit risk, and market risk, as well as liquidity and country risk of the investment. Currency risk and concentration risk by issuer and by country are systematically taken into consideration with regard to each collateral portfolio.

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

It is not the Group's policy to grant mortgages 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.

Over-the-counter (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, analysed and approved 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 by both the first line (traders and treasurers) and the second line of defence (Risk Management Unit).

### **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. Legal risks associated with potential litigation are assessed individually by the Legal department and Partners, with the assistance of external expert lawyers if necessary.

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 certification based on ISAE 3402 (SSAE 16) type 2 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. The Business Continuity Manager is responsible for the methodology and the setup of a Crisis Management team 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).

Finally, with respect to cyber security, the Group has set up the cyber risk management framework according to FINMA's requirements and in line with the NIST cyber security framework. Processes and controls are implemented within the organization to ensure the identification of potential threats, the protection of the technology infrastructure, the timely detection of security incidents based on systematic monitoring and the reaction and quick recover of normal activities in case of events. The Chief Information Security Officer is responsible for the operational security. Risk management is responsible for the supervision and monitoring of the cyber risk profile.

### **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, its liquidity or its franchise. 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. A sound risk culture is a primary tool to manage this risk.



# Financial statements

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# Consolidated balance sheet

		<b>31.12.2018</b>	<b>31.12.2017</b>
	Notes	In thousands CHF	In thousands CHF
<b>Assets</b>			
Liquid assets		9,167,902	7,367,976
Amounts due from banks	1.10	358,205	1,054,671
Amounts due from securities financing transactions	1.1	0	48,724
Amounts due from customers	1.2, 1.10	4,110,231	4,102,262
Trading portfolio assets	1.3	0	981
Positive replacement values of derivative financial instruments	1.4	294,552	306,935
Other financial instruments at fair value	1.3	433,302	469,268
Financial investments	1.5, 1.10	2,748,663	2,942,616
Accrued income and prepaid expenses		168,448	170,384
Non-consolidated participations	1.6, 1.7	6,093	2,047
Tangible fixed assets	1.8, 1.10	110,146	244,044
Other assets	1.9	148,856	160,498
<b>Total assets</b>		<b>17,546,398</b>	<b>16,870,406</b>
<b>Liabilities</b>			
Amounts due to banks		631,924	1,283,437
Amounts due in respect of customer deposits		14,351,496	13,194,275
Negative replacement values of derivative financial instruments	1.4	297,993	277,976
Liabilities from other financial instruments at fair value	1.3, 1.13	468,674	504,024
Accrued expenses and deferred income		362,373	330,398
Other liabilities	1.9	94,694	113,922
Provisions	1.14	159,607	127,125
<b>Total liabilities</b>		<b>16,366,761</b>	<b>15,831,157</b>
Reserves for general banking risks	1.14	254,693	237,766
Share capital	1.16	73,710	73,710
Retained earnings reserve		597,497	596,445
Foreign currency translation reserve		(18,404)	(14,767)
Consolidated profit		272,141	146,095
<b>Total equity</b>		<b>1,179,637</b>	<b>1,039,249</b>
<b>Total liabilities and equity</b>		<b>17,546,398</b>	<b>16,870,406</b>
Total subordinated liabilities		49,253	53,823
- of which with conversion obligation and/or debt waiver		8,783	5,883
<b>Off-balance sheet transactions</b>			
Contingent liabilities	1.2, 2.1	330,306	338,031
Irrevocable commitments	1.2	1,032,280	767,405

# Consolidated profit and loss account

		31.12.2018	31.12.2017
		In thousands	In thousands
	Notes	CHF	CHF
Interest and discount income	3.2	82,413	66,278
Interest and dividend income from financial investments		28,405	36,212
Interest expense	3.2	0	0
<b>Gross result from interest operations</b>		<b>110,818</b>	<b>102,490</b>
Changes in value adjustments for default risks and losses from interest operations		0	0
<b>Net result from interest operations</b>		<b>110,818</b>	<b>102,490</b>
Commission income from securities trading and investment activities		1,036,216	989,293
Commission income from lending activities		2,352	1,918
Commission income from other services		123,673	114,040
Commission expense		(192,166)	(191,504)
<b>Result from commission business and services</b>		<b>970,075</b>	<b>913,747</b>
<b>Result from trading activities and the fair value option</b>	3.1	<b>87,947</b>	<b>88,976</b>
Result from the disposal of financial investments		1,735	236
Income from participations		2,826	2,737
- of which from other non-consolidated participations		2,826	2,737
Result from real estate		2,691	4,612
Other ordinary income		63	0
Other ordinary expense		0	(99)
<b>Result from ordinary activities</b>		<b>7,315</b>	<b>7,486</b>
<b>Total operating income</b>		<b>1,176,155</b>	<b>1,112,699</b>
Personnel expenses	3.3	(720,312)	(693,175)
General and administrative expenses	3.4	(232,923)	(216,739)
<b>Total operating expenses</b>		<b>(953,235)</b>	<b>(909,914)</b>
Value adjustments on participations and depreciation of tangible fixed assets	1.6, 1.8	(5,000)	(6,311)
Changes to provisions and other value adjustments, losses	1.14	(4,369)	(3,900)
<b>Operating result</b>		<b>213,551</b>	<b>192,574</b>
Extraordinary income	3.5	165,221	1,492
Extraordinary expenses		(269)	(317)
Change in reserves for general banking risks	1.14	(16,927)	(4,560)
Taxes	3.7	(89,435)	(43,094)
<b>Consolidated profit</b>		<b>272,141</b>	<b>146,095</b>

# Cash flow statement

	31.12.2018		31.12.2017	
	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	272,141		146,095	
Change in reserves for general banking risks	16,927		4,560	
Value adjustments on participations and depreciation of tangible fixed assets	5,000		6,311	
Provisions and other value adjustments	45,600	13,118	7,856	14,959
Accrued income and prepaid expenses	1,936			31,304
Accrued expenses and deferred income	31,975		26,629	
Other assets	11,642		3,450	
Other liabilities		19,228	9,081	
Dividend and others distributions		154,349		145,558
<b>Cash flow from operating activities</b>	<b>385,221</b>	<b>186,695</b>	<b>203,982</b>	<b>191,821</b>
Shareholder reimbursement				24,300
Other contribution	9,306		9,478	
Foreign currency translation differences		3,637	3,781	
<b>Cash flow from shareholder's equity transactions</b>	<b>9,306</b>	<b>3,637</b>	<b>13,259</b>	<b>24,300</b>
Non consolidated participations		4,135		185
Real estate	134,432			71,668
Other tangible fixed assets		5,445		5,016
<b>Cash flow from investment activities</b>	<b>134,432</b>	<b>9,580</b>	<b>0</b>	<b>76,869</b>
<b>Cash flow from banking operations</b>				
Amounts due to banks		20,000		
Amounts due in respect of customer deposits	2,000		3,500	
Amounts due from customers	40,572			62,816
Financial investments		171,552	925,882	
<b>Medium to long-term operations (&gt; 1 year)</b>	<b>42,572</b>	<b>191,552</b>	<b>929,382</b>	<b>62,816</b>
Amounts due to banks		631,513	742,644	
Amounts due in respect of customer deposits	1,155,221			39,439
Negative replacement values of derivative financial instruments	20,017			212,000
Liabilities from other financial instruments at fair value		35,350		30,834
Amounts due from banks	696,466			491,812
Amounts due from securities financing activities	48,724		155,273	
Amounts due from customers		48,541		883,258
Trading portfolio assets	981		381	
Positive replacement values of derivative financial instruments	12,383		193,483	
Other financial instruments at fair value	35,966		11,243	
Financial investments	365,505			207,068
<b>Short-term operations</b>	<b>2,335,263</b>	<b>715,404</b>	<b>1,103,024</b>	<b>1,864,411</b>
<b>Liquidity</b>				
Liquid assets		1,799,926		29,430
<b>Balance</b>	<b>2,906,794</b>	<b>2,906,794</b>	<b>2,249,647</b>	<b>2,249,647</b>

## 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	73,710	596,445	237,766	(14,767)	146,095	<b>1,039,249</b>
Other contributions		9,306				<b>9,306</b>
Foreign currency translation differences				(3,637)		<b>(3,637)</b>
Dividends and others distributions		(8,254)			(146,095)	<b>(154,349)</b>
Other allocations to the reserves for general banking risks			16,927			<b>16,927</b>
Profit of the period					272,141	<b>272,141</b>
<b>Shareholders' equity at the end of the reporting period</b>	<b>73,710</b>	<b>597,497</b>	<b>254,693</b>	<b>(18,404)</b>	<b>272,141</b>	<b>1,179,637</b>

# 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 2018, the Group employed 2,432 full-time equivalents (FTEs), compared with 2,347 at the end of 2017.

## 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:

	31.12.2018	31.12.2017
USD	0.9858	0.9745
EUR	1.1269	1.1701
GBP	1.2555	1.3182

### 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”.

The difference between the amount of certificates issued, in liabilities, and the hedging positions, in assets, is mainly due to the replacement values of derivatives financial instruments acquired as part of the certificates investment strategy and has a ‘cash’ component included in the liquidities.

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”.

Equities and shares of funds intended to be held as long-term investments are valued at the lower of their acquisition cost or market value on the balance-sheet date.

#### **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: up to 3 years

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**

Some figures relating to the previous year have been adjusted, so as to be consistent with the presentation of the current year's figures. Amounts were reclassified in 2017 between "Changes to provisions and other value adjustments, losses" and "Extraordinary income" as well as between "General and administrative expenses" and "Commission income from other services".

### **Changes in accounting and measurement policies**

There have been no changes in the accounting and valuation principles since the prior year.

### **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 be 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.

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 2018, 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 2018.

# 1. Information on the balance sheet

## 1.1 Breakdown of securities financing transactions (assets and liabilities)

	<b>Current year</b>	<b>Previous year</b>
	In thousands	In thousands
	CHF	CHF
Book value of receivables from cash collateral delivered in connection with securities borrowing and reverse repurchase transactions	0	48,724
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	26,851	17,610
- of which with unrestricted right to resell or pledge	26,851	17,610
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	26,243	66,779
- 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
<b>Loans (before netting with value adjustments)</b>				
Amounts due from customers		4,084,545	25,686	4,110,231
<b>Total loans (before netting with value adjustments)</b>	<b>Current year</b>	<b>4,084,545</b>	<b>25,686</b>	<b>4,110,231</b>
	Previous year	4,089,213	13,049	4,102,262
<b>Total loans (after after netting value adjustments)</b>	<b>Current year</b>	<b>4,084,545</b>	<b>25,686</b>	<b>4,110,231</b>
	Previous year	4,089,213	13,049	4,102,262
<b>Off-balance sheet</b>				
Contingent liabilities		254,172	76,134	330,306
Irrevocable commitments		1,005,843	26,437	1,032,280
<b>Total off-balance sheet</b>	<b>Current year</b>	<b>1,260,015</b>	<b>102,571</b>	<b>1,362,586</b>
	Previous year	1,007,346	98,090	1,105,436

### Impaired loans/receivables

As at 31 December 2018, the Group has no impaired loan or receivables (2017: none).

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

	Current year	Previous year
	In thousands	In thousands
	CHF	CHF
<b>ASSETS</b>		
<b>Trading portfolio assets</b>		
Debt securities, money market securities / transactions	0	981
- of which listed	0	981
<b>Total trading portfolio assets</b>	<b>0</b>	<b>981</b>
<b>Other financial instruments at fair value</b>		
Debt securities	81,947	74,373
Equity securities	324,075	362,687
Structured products	27,280	32,208
<b>Total other financial instruments at fair value</b>	<b>433,302</b>	<b>469,268</b>
<b>Total assets</b>	<b>433,302</b>	<b>470,249</b>
- of which determined using a valuation model	0	0
- of which securities eligible for repo transactions in accordance with liquidity requirements	234	705
<b>LIABILITIES</b>		
<b>Other financial instruments at fair value</b>		
Certificates	468,674	504,024
<b>Total liabilities</b>	<b>468,674</b>	<b>504,024</b>
- 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	
<b>Interest-rate related instruments</b>							
Swaps	3,843	3,843	280,817	1,137	1,505	418,320	
Futures			4,282				
Options (OTC)	157	157	131,127				
<b>Foreign exchange/Precious metals</b>							
Forward contracts	195,020	188,364	35,591,337	6,117	2,646	410,274	
Combined interest rate/currency swaps	10,905	34,652	5,290,311				
Options (OTC)	51,648	47,575	5,448,376				
<b>Equity securities/Indices</b>							
Futures			40,748				
Options (OTC)	11,684	11,684	169,276				
Options (exchange traded)	13,393	6,919	1,096,913				
<b>Credit derivatives</b>							
Credit default swap	648	648	70,529				
<b>Total before netting agreements</b>							
	<b>Current year</b>	<b>287,298</b>	<b>293,842</b>	<b>48,123,716</b>	<b>7,254</b>	<b>4,151</b>	<b>828,594</b>
	<i>- of which, determined using a valuation model</i>	273,905	286,923	-	7,254	4,151	-
	Previous year	301,683	266,164	45,122,566	5,252	11,812	806,195
	<i>- of which, determined using a valuation model</i>	301,289	265,898	-	5,252	11,812	-
<b>Total after netting agreements</b>							
	<b>Current year</b>		<b>132,001</b>			<b>137,827</b>	
	Previous year		161,040			136,778	
<b>Breakdown by counterparty:</b>							
			<b>Positive replacement values (accumulated)</b>			<b>Negative replacement values (accumulated)</b>	
			In thousands CHF			In thousands CHF	
				<b>Central clearing houses</b>	<b>Banks and securities dealers</b>	<b>Other customers</b>	
				In thousands CHF	In thousands CHF	In thousands CHF	
				6,475	25,052	100,474	

## 1.5 Breakdown of financial investments

	Current year		Previous year	
	Book value	Fair value	Book value	Fair value
	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF
Debt securities	2,740,825	2,721,584	2,941,849	2,930,471
- of which intended to be held to maturity	2,740,825	2,721,584	2,941,849	2,930,471
- of which not intended to be held to maturity	0	0	0	0
Equity securities	7,838	9,139	767	1,079
<b>Total financial investments</b>	<b>2,748,663</b>	<b>2,730,723</b>	<b>2,942,616</b>	<b>2,931,550</b>
- of which securities eligible for repo transactions in accordance with liquidity requirements	1 163 305	-	982,263	-

### 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	2,594,956	145,869	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 previous year end	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 end of current year	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
<b>Non-consolidated participations</b>									
Other participations									
- without market value	2,295	(248)	2,047	4,163	(28)	(89)	0	6,093	-
<b>Total non-consolidated participations</b>	<b>2,295</b>	<b>(248)</b>	<b>2,047</b>	<b>4,163</b>	<b>(28)</b>	<b>(89)</b>	<b>0</b>	<b>6,093</b>	<b>0</b>



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

Company name	Registered office	Business activity	Share capital	Proportion of holding/voting rights (in %)		Direct/indirect ownership		
				Current year	Previous year	Current year	Previous year	
<b>Fully consolidated participating interests</b>								
Compagnie Lombard Odier SCmA	Geneva	Holding company	CHF 73,700,100	100	100	direct	direct	
Banque Lombard Odier & Cie SA	Geneva	Bank	CHF 100,000,000	100	100	indirect	indirect	
Compagnie Immobilière Lombard	Geneva	Real estate company	CHF 2,700,000	0	10/53	-	indirect	
			CHF 24,300,000	0	90/47	-	indirect	
			CHF 98	0	0/0	-	indirect	
			CHF 2	0	0/0	-	direct	
Lasphère SA	Geneva	Fiduciary company	CHF 250,000	100	100	indirect	indirect	
LO Patrimonia SA	Geneva	Fiduciary company	CHF 1,000,000	100	100	indirect	indirect	
LO Holding SA	Geneva	Holding company	CHF 34,110,000	100	100	indirect	indirect	
LO IP SA	Geneva	Service company	CHF 700,000	100	100	indirect	indirect	
Lombard Odier Asset Management (Switzerland) SA	Geneva	Investment advisory comp.	CHF 26,000,000	100	100	indirect	indirect	
Lombard Odier Asset Management (Europe) Limited	London	Investment advisory comp.	GBP 59,000,000	100	100	indirect	indirect	
Lombard Odier (Europe) S.A.	Luxembourg	Bank	EUR 40,000,000	100	100	indirect	indirect	
Lombard Odier Funds (Europe) S.A.	Luxembourg	Distributor of CIS	CHF 3,000,000	100	100	indirect	indirect	
Lombard Odier Investment Managers Private Equity SARL	Luxembourg	Distributor of CIS	EUR 12,500	100	100	indirect	indirect	
LOIM PE Capital	Luxembourg	Distributor of CIS	EUR 12,000	100	100	indirect	-	
TBI (Europe) SA	Luxembourg	Banking and IT services	EUR 5,000,000	100	100	indirect	indirect	
Lombard Odier Gestión (España), SGIIC, S.A.	Madrid	Portfolio management	EUR 1,188,000	100	100	indirect	indirect	
Codati Limited	Gibraltar	Service company	GBP 100,000	100	100	indirect	indirect	
Lombard Odier & Cie (Gibraltar) Limited	Gibraltar	Bank	CHF 2,260,000	100	100	indirect	indirect	
LO Delta Explorer GP Limited	Jersey	Distributor of CIS	CHF 100,000	100	100	indirect	indirect	
Lombard Odier (Jersey) Limited	Jersey	Distributor of CIS	CHF 500,000	100	100	indirect	indirect	
Lombard Odier Infrastructure fund GP Limited	Jersey	Distributor of CIS	CHF 100,000	100	100	indirect	indirect	
Lombard Odier (Hong Kong) Limited	Hong Kong	Investment advisory comp.	HKD 790,000,000	100	100	indirect	indirect	
Lombard Odier (Singapore) Ltd.	Singapore	Bank	CHF 29,255,000	100	100	indirect	indirect	
Lombard Odier Trust (Japan) Limited	Tokyo	Portfolio management	JPY 300,000,000	100	100	indirect	indirect	
Lombard Odier Services Inc.	Montreal	Service company	CAD 4,999,244	100	100	indirect	indirect	
Lombard Odier Valeurs mobilières (Canada) Inc.	Montreal	Broker dealer	CAD 3,700,000	100	100	indirect	indirect	
Lombard Odier Transatlantic Limited	Montreal	Broker dealer	USD 9,478,957	100	100	indirect	indirect	
Lombard Odier Asset Management (USA) Corp.	New York	Investment advisory comp.	USD 2,000	100	100	indirect	indirect	
Lombard Odier (Panama), Inc.	Panama City	Investment advisory comp.	USD 500,000	100	100	indirect	indirect	
Lombard Odier (Uruguay) S.A.	Montevideo	Investment advisory comp.	USD 103,986	100	100	indirect	indirect	
Bershiel Insurance Limited	Bermuda	Insurance company	CHF 216,000	100	100	indirect	indirect	
Lombard Odier Trust (Bermuda) Limited	Bermuda	Trust company	CHF 1,350,000	100	100	indirect	indirect	
1798 Global Partners (Cayman Island) Ltd	Cayman	Management company	USD 1,000	100	100	indirect	indirect	
1798 Global Partners LLC	Delaware	Distributor of CIS	USD 500,000	100	100	indirect	indirect	
Lombard Odier & Cie (Bahamas) Limited	Nassau	Bank	CHF 4,000,000	100	100	indirect	indirect	

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

Company name	Registered office	Business activity	Share capital	Proportion of holding/voting rights (in %)		Direct/indirect ownership		
				Current year	Previous year	Current year	Previous year	
<b>Non-consolidated participating interests</b>								
Parkgest holding SA	Genève	Société holding	CHF 4,750,000	7	0	indirect	-	
SIX Group AG	Zurich	Financial services	CHF 19,521,905	2	2	indirect	indirect	

The Group does not have any significant position in equity securities of undertakings recognised under financial investments (2017: none)

In addition, there are no commitments to purchase further shares or to dispose of shares (2017: none).

## 1.8 Presentation of tangible fixed assets

	Acquisition cost	Accumulated depreciation	Book value previous year end	Reclassification	Additions	Disposals (including foreign exchange differences)	Depreciation	Book value as at end of current year
	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	381,632	(142,682)	238,950	24	14,306	(149,480)	(1,746)	102,054
Other real estate	15,069	(14,638)	431	(36)	759	(5)	(106)	1,043
Software	12,308	(11,626)	682	0	1,536	0	(1,268)	950
Other tangible fixed assets	76,912	(72,931)	3,981	12	4,241	(344)	(1,791)	6,099
<b>Total tangible fixed assets</b>	<b>485,921</b>	<b>(241,877)</b>	<b>244,044</b>	<b>0</b>	<b>20,842</b>	<b>(149,829)</b>	<b>(4,911)</b>	<b>110,146</b>

## 1.9 Breakdown of other assets and other liabilities

	Current year	Previous year
	In thousands CHF	In thousands CHF
<b>Other assets</b>		
Amount recognised as assets in respect of employer contribution reserves	102,546	102,546
Settlement accounts	12,108	12,758
Coupons	1,889	1,838
Indirect taxes	9,558	12,790
Compensation account	1,098	7,426
Other assets	21,657	23,140
<b>Total other assets</b>	<b>148,856</b>	<b>160,498</b>
<b>Other liabilities</b>		
Settlement accounts	43,834	22,002
Coupons	2,312	14,300
Indirect taxes	27,509	26,937
Compensation account	3,953	773
Other liabilities	17,086	49,910
<b>Total other liabilities</b>	<b>94,694</b>	<b>113,922</b>

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

	Current year		Previous year	
	Book value of pledge	Actual liabilities	Book value of pledge	Actual liabilities
	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF
<b>Pledged assets</b>				
Amounts due from banks	46,334	29,151	35,299	33,967
Amounts due from customers	4,606	7,092	3,329	5,184
Financial investments	506,730	506,730	180,657	180,657
Real estate	0	0	90,819	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

	Current year	Previous year
	In thousands CHF	In thousands CHF
Amounts due in respect of customer deposits	46,131	66,125
<b>Total liabilities to own pension funds</b>	<b>46,131</b>	<b>66,125</b>

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

Employer contribution reserves (ECR)	Nominal value at current year end	Waiver of use at current year end	Net amount at current year end	Net amount at previous year end	Influence of the ECR on personnel expenses	
					Current year	Previous year
					In thousands CHF	In thousands CHF
Patronage pension institution:						
Fondation patronale du groupe Lombard Odier	102,546	0	102,546	102,546	0	0

Presentation of the economic benefit/obligation and the pension expenses	Overfunding / underfunding at end of current year	Economical interest of the Group	Change in economical interest (economic benefit / obligation) compared to previous year	Contributions paid for the current period	Pension expenses in personnel expenses	
					Current year	Previous year
					In percentage	In thousands CHF
Pension plans with overfunding:						
Fondation de prévoyance du groupe Lombard Odier	107.3%	0	0	24,524	24,524	23,399
Fondation complémentaire de prévoyance du groupe Lombard Odier	-	0	0	11,488	11,488	11,343

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 2018, 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 2018, on the basis of the non-audited financial statements, to be 107.3% for the Pension Foundation. Since 1 January 2018, the Supplementary Pension Foundation offers several investment strategies whose performance is fully supported by the affiliated employees. As a result, the Foundation has no commitment towards the savings capital of affiliated employees, implying a systematic funding ratio of 100% in all future financial years.

## 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 58<sup>th</sup> and 65<sup>th</sup> 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	-	381,380	0	0	<b>381,380</b>
Interest-rate instruments with own debenture component	-	87,294	0	0	<b>87,294</b>
<b>Total</b>	<b>0</b>	<b>468,674</b>	<b>0</b>	<b>0</b>	<b>468,674</b>

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

	Balance at previous year end	Use in conformity with designated purpose	Foreign exchange differences	Changes in the scope of consolidation	Past due interest, recoveries	New creations charged to income statement	Releases to income statement	Balance at current year end
	In thousands CHF	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	106,099	0	0	0	-	44,138	(4,937)	145,300
Provisions for other business risks	13,710	(1,221)	(13)		0	1,462	(775)	13,163
Other provisions	7,316	(4,653)		0	0	0	(1,519)	1,144
<b>Total provisions</b>	<b>127,125</b>	<b>(5,874)</b>	<b>(13)</b>	<b>0</b>	<b>0</b>	<b>45,600</b>	<b>(7,231)</b>	<b>159,607</b>
<b>Reserves for general banking risks</b>	<b>237,766</b>	<b>-</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>16,927</b>	<b>0</b>	<b>254,693</b>
<b>Value adjustments for default and country risks</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

“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

	Current year		Previous year	
	Amounts due from	Amounts due to	Amounts due from	Amounts due to
	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF
Holdings of qualified participations	686	450,299	1,389	359,322
Transactions with members of governing bodies	200	20,263	2	8,486

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
<b>Assets/financial instruments</b>							
Liquid assets	9,167,902	-	-	-	-	-	9,167,902
Amounts due from banks	357,291	0	914	0	0	0	358,205
Amounts due from customers	268,489	248,300	2,224,996	1,163,578	204,868	0	4,110,231
Positive replacement values of derivatives financial instruments	294,552	-	-	-	-	-	294,552
Other financial instruments at fair value	433,302	-	-	-	-	-	433,302
Financial investments	7,838	0	53,332	216,445	1,870,972	600,076	2,748,663
<b>Total current year</b>	<b>10,529,374</b>	<b>248,300</b>	<b>2,279,242</b>	<b>1,380,023</b>	<b>2,075,840</b>	<b>600,076</b>	<b>17,112,855</b>
Total previous year	10,093,020	215,518	1,861,693	1,578,266	2,118,335	426,601	16,293,433
<b>Liabilities/financial instruments</b>							
Amounts due to banks	631,924	0	0	0	0	0	631,924
Amounts due in respect of customer deposits	13,962,864	173,024	169,638	40,470	5,500	0	14,351,496
Negative replacement values of derivatives financial instruments	297,993	-	-	-	-	-	297,993
Liabilities from other financial instruments at fair value	468,674	-	-	-	-	-	468,674
<b>Total current year</b>	<b>15,361,455</b>	<b>173,024</b>	<b>169,638</b>	<b>40,470</b>	<b>5,500</b>	<b>0</b>	<b>15,750,087</b>
Total previous year	14,730,149	107,023	351,640	47,400	23,500	0	15,259,712



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

	Current year		Previous year	
	Domestic	Foreign	Domestic	Foreign
	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF
<b>Assets</b>				
Liquid assets	8,661,700	506,202	7,356,450	11,526
Amounts due from banks	80,705	277,500	710,002	344,669
Amounts due from securities financing transactions	0	0	0	48,724
Amounts due from customers	834,253	3,275,978	1,301,436	2,800,826
Trading portfolio assets	0	0	522	459
Positive replacement values of derivatives financial instruments	118,563	175,989	121,065	185,870
Other financial instruments at fair value	32,211	401,091	24,798	444,470
Financial investments	408,366	2,340,297	417,029	2,525,587
Accrued income and prepaid expenses	88,457	79,991	74,662	95,722
Non-consolidated participations	6,092	1	2,046	1
Tangible fixed assets	104,833	5,313	240,008	4,036
Other assets	120,843	28,013	129,246	31,252
<b>Total assets</b>	<b>10,456,023</b>	<b>7,090,375</b>	<b>10,377,264</b>	<b>6,493,142</b>
<b>Liabilities</b>				
Amounts due to banks	188,128	443,796	950,305	333,132
Amounts due in respect of customer deposits	4,586,103	9,765,393	4,679,008	8,515,267
Negative replacement values of derivatives financial instruments	125,429	172,564	120,040	157,936
Liabilities from other financial instruments at fair value	245,532	223,142	253,064	250,960
Accrued expenses and deferred income	238,286	124,087	210,280	120,118
Other liabilities	64,003	30,691	70,970	42,952
Provisions	155,125	4,482	122,272	4,853
Reserves for general banking risks	254,693	0	237,766	0
Share capital	73,710	0	73,710	0
Retained earnings reserve	597,497	0	596,445	0
Foreign currency translation reserve	(18,404)	0	(14,767)	0
Consolidated profit	222,698	49,443	119,263	26,832
<b>Total liabilities</b>	<b>6,732,800</b>	<b>10,813,598</b>	<b>7,418,356</b>	<b>9,452,050</b>

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

	Current year		Previous year	
	Amount	Share	Amount	Share
	In thousands CHF	In percentage	In thousands CHF	In percentage
Switzerland	10,456,023	60	10,377,264	62
Other European countries	3,693,772	21	2,840,786	17
North America	1,546,805	9	1,916,962	11
The Caribbean and South America	839,045	5	689,531	4
Asia and Middle East	875,629	5	905,909	5
Australia/Oceania	76,546	0	85,463	1
Africa	58,578	0	54,491	0
<b>Total assets</b>	<b>17,546,398</b>	<b>100</b>	<b>16,870,406</b>	<b>100</b>

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

	Net foreign exposure / current year end		Net foreign exposure / previous year end	
	Amount	Share	Amount	Share
	In thousands CHF	In percentage	In thousands CHF	In percentage
<b>S&amp;P</b>				
AAA	1,784,721	31	1,391,722	27
AA+ – AA-	3,030,964	53	2,970,821	58
A+ – A-	446,981	8	261,285	5
BBB+ – BBB-	113,085	2	179,415	3
BB+ – BB-	16,338	0	26,842	1
B+ – B-	78,974	2	52,160	1
CCC+ – D	1,245	0	613	0
No rating	214,958	4	260,832	5
<b>Total</b>	<b>5,687,266</b>	<b>100</b>	<b>5,143,690</b>	<b>100</b>

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

	CHF	EUR	USD	Other
	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF
<b>Assets</b>				
Liquid assets	8,658,649	508,556	459	238
Amounts due from banks	61,041	110,892	106,438	79,834
Amounts due from securities financing transactions	0	0	0	0
Amounts due from customers	792,089	1,467,467	1,334,213	516,462
Trading portfolio assets	0	0	0	0
Positive replacement values of derivatives financial instruments	121,607	16,472	102,446	54,027
Other financial instruments at fair value	34,362	47,658	278,462	72,819
Financial investments	399,611	891,540	1,442,957	14,555
Accrued income and prepaid expenses	106,720	29,630	23,155	8,943
Non consolidated participations	6,092	1	0	0
Tangible fixed assets	105,874	1,981	589	1,702
Other assets	114,615	13,788	11,711	8,742
<b>Total balance sheet assets</b>	<b>10,400,660</b>	<b>3,087,985</b>	<b>3,300,430</b>	<b>757,322</b>
Delivery entitlements from spot exchange transactions, foreign exchange forwards and foreign exchange options	11,668,124	10,675,016	15,725,861	6,566,624
<b>Total assets</b>	<b>22,068,784</b>	<b>13,763,001</b>	<b>19,026,291</b>	<b>7,323,946</b>
<b>Liabilities</b>				
Amounts due to banks	123,322	125,888	228,603	154,111
Amounts due in respect of customer deposits	3,850,623	5,748,020	3,253,911	1,498,942
Negative replacement values of derivatives financial instruments	134,133	18,039	104,770	41,051
Liabilities from other financial instruments at fair value	43,290	57,281	292,870	75,233
Accrued expenses and deferred income	236,857	40,999	18,919	65,598
Other liabilities	46,006	17,868	20,654	10,166
Provisions	158,996	136	161	314
Reserves for general banking risks	254,693	0	0	0
Share capital	73,710	0	0	0
Retained earnings reserve	597,497	0	0	0
Foreign currency translation reserve	(18,404)	0	0	0
Consolidated profit	272,141	0	0	0
<b>Total balance sheet liabilities</b>	<b>5,772,864</b>	<b>6,008,231</b>	<b>3,919,888</b>	<b>1,845,415</b>
Delivery obligations from spot exchange transactions, foreign exchange forwards and foreign exchange options	16,422,043	7,708,334	15,079,702	5,425,544
<b>Total liabilities</b>	<b>22,194,907</b>	<b>13,716,565</b>	<b>18,999,590</b>	<b>7,270,959</b>
<b>Net position by currency</b>	<b>(126,123)</b>	<b>46,436</b>	<b>26,701</b>	<b>52,987</b>

## 2. Information on off-balance sheet transactions

### 2.1 Breakdown and explanation of contingent assets and liabilities

	<b>Current year</b>	<b>Previous year</b>
	In thousands	In thousands
	CHF	CHF
Irrevocable guarantees	330,306	338,031
<b>Total contingent liabilities</b>	<b>330,306</b>	<b>338,031</b>
Contingent assets arising from tax losses carried forward	14,890	18,518
<b>Total contingent assets</b>	<b>14,890</b>	<b>18,518</b>

### 2.2 Breakdown of fiduciary transactions

	<b>Current year</b>	<b>Previous year</b>
	In thousands	In thousands
	CHF	CHF
Fiduciary investments with third-party companies	7,164,748	6,657,745
Fiduciary transactions arising from securities lending and borrowing, which the Group conducts in its own name for the account of customers	1,259,080	1,240,618
<b>Total</b>	<b>8,423,828</b>	<b>7,898,363</b>

## 2.3 Breakdown of managed assets and presentation of their development

	Current year	Previous year
	In millions	In millions
	CHF	CHF
<b>Breakdown of managed assets</b>		
Assets in collective investment schemes managed by the Group	44,404	46,845
Assets under discretionary management agreements	61,230	66,677
Other managed assets	56,407	60,406
<b>Total managed assets (including double-counting)</b>	<b>162,041</b>	<b>173,928</b>
- of which double-counted	30,544	32,728
<b>Presentation of the development of managed assets</b>		
Total managed assets (including double-counting) at the beginning of the year	173,928	158,840
+/- Net new money inflow/outflow	4,197	5,574
+/- Market price impact, interest, dividends and currency development	(10,279)	14,549
+/- Other impacts	(5,805)	(5,035)
<b>Total managed assets (including double-counting) at the end of the year</b>	<b>162,041</b>	<b>173,928</b>

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

	<b>Current year</b>	<b>Previous year</b>
	In thousands	In thousands
	CHF	CHF
<b>Breakdown by business area</b>		
Trading for own account	15,042	20,351
Trading for the account of the customers	72,905	68,625
<b>Total trading results</b>	<b>87,947</b>	<b>88,976</b>

	<b>Current year</b>	<b>Previous year</b>
	In thousands	In thousands
	CHF	CHF
<b>Breakdown by underlying risks and based on the use of the fair value option</b>		
Trading results from:		
- foreign exchange	84,420	83,397
- equity securities	2,035	3,519
- precious metals	1,492	2,060
<b>Total trading results</b>	<b>87,947</b>	<b>88,976</b>
- of which from the fair value option	765	834

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

	<b>Current year</b>	<b>Previous year</b>
	In thousands	In thousands
	CHF	CHF
<b>Negative interest on lending business</b>		
Negative interest on lending business (decrease in interest and discount income)	(48,958)	(39,588)
<b>Negative interest on deposits</b>		
Interest expense paid	(15,830)	(12,451)
Negative interest on deposits (decrease in interest expense)	21,246	17,803
Positive balance reported in interest and discount income	(5,416)	(5,352)
<i>Interest expenses</i>	<i>0</i>	<i>0</i>

### 3.3 Breakdown of personnel expenses

	<b>Current year</b>	<b>Previous year</b>
	In thousands	In thousands
	CHF	CHF
Salaries	587,510	566,401
Social insurance obligations	104,503	106,951
Other personnel expenses	28,299	19,823
<b>Total</b>	<b>720,312</b>	<b>693,175</b>

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 2018, the amount of deferred payments amounted to CHF 36,1 million (2017: CHF 28,7 million).

### 3.4 Breakdown of general and administrative expenses

	<b>Current year</b>	<b>Previous year</b>
	In thousands	In thousands
	CHF	CHF
Expenses relating to premises	46,871	33,040
Expenses relating to information and communication technologies	32,263	36,647
Expenses relating to financial information	28,247	26,369
Travel and entertainment expenses	23,623	22,189
Professional services	27,420	29,459
Fees of audit firm	3,529	3,838
- of which for financial and regulatory audits	3,011	2,967
- of which for other services	518	871
Taxes and indirect taxes	14,260	14,652
Office, telecommunications and insurance premium costs	19,927	20,324
Communications and sponsorship expenses	28,080	26,728
Other operating expenses	8,703	3,493
<b>Total</b>	<b>232,923</b>	<b>216,739</b>

### 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 2018, extraordinary income essentially consists of a gain from the sale of five real estate premises situated in Geneva (143,3 million) as well as the disposal of the wealth management business in Amsterdam (CHF 20,1 million).

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

	Current year		Previous year	
	Domestic	Foreign	Domestic	Foreign
	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF
Net result fom interest operations	98,135	12,683	90,889	11,601
Result from commission business and services	657,090	312,985	616,941	296,806
Result from trading activities and the fair value option	76,772	11,175	80,705	8,271
Result from ordinary activities	4,850	2,465	6,190	1,296
<b>Total income</b>	<b>836,847</b>	<b>339,308</b>	<b>794,725</b>	<b>317,974</b>
Personnel expenses	(489,543)	(230,769)	(477,711)	(215,464)
General and administrative expenses	(167,436)	(65,487)	(150,196)	(66,543)
<b>Total expenses</b>	<b>(656,979)</b>	<b>(296,256)</b>	<b>(627,907)</b>	<b>(282,007)</b>
Value adjustments on participations and depreciation of tangible fixed assets	(3,235)	(1,765)	(4,936)	(1,375)
Changes to provisions and other value adjustments, losses	(2,895)	(1,474)	(1,846)	(2,750)
<b>Operating result</b>	<b>173,738</b>	<b>39,813</b>	<b>160,036</b>	<b>31,842</b>



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

	Current year	Previous year
	In thousands CHF	In thousands CHF
Creation of provisions for deferred taxes	44,138	1,692
Release of provisions for deferred taxes	(4,937)	0
Current year tax expense	50,234	41,402
<b>Total income tax expense</b>	<b>89,435</b>	<b>43,094</b>

Average tax rate on the basis of consolidated profit before tax 24.7% 22.8%

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 3.6 million (2017: CHF 7.0 million).

The Group considered the tax dispute resolution signed in 2015 with the US Department of Justice (DOJ) as fiscally deductible and has not recognised any provision for this purpose.

# ***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 accompanying consolidated financial statements of Compagnie Lombard Odier SCmA, which comprise the balance sheet, income statement, cash flow statement, statement of changes in equity and notes (pages 13 to 49), for the year ended 31 December 2018.

### ***Administration's responsibility***

The Administration is responsible for the preparation of the consolidated financial statements in accordance with accounting rules for banks, securities dealers, financial groups and conglomerates (ARB) 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 Administration 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 2018 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 accounting rules for banks, securities dealers, financial groups and conglomerates (ARB) and Swiss law.

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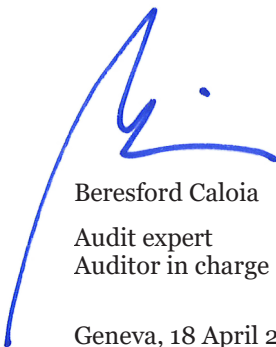
## ***Report on other legal requirements***

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 Administration.

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

PricewaterhouseCoopers SA



Beresford Caloia  
Audit expert  
Auditor in charge

Geneva, 18 April 2019



Marie-Eve Fortier  
Audit expert

# International presence

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<sup>3</sup> Branch of Lombard Odier Funds (Europe) S.A., a company established in the Grand Duchy of Luxembourg with registration No. B152886, with its registered office at 291, route d'Arlon, L-1150 Luxembourg, authorised and supervised in the Grand Duchy of Luxembourg by the Commission de Surveillance du Secteur Financier.

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Insurance intermediary authorised by the Commissariat aux Assurances (CAA) No.2014 CM002. The registration with the CAA can be verified at [www.orias.fr](http://www.orias.fr).

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