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LOMBARD ODIER

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Lombard Odier Group
Basel III Pillar 3 Disclosures
at 31 December 2018

Contents

Introduction

This document aims to provide our counterparties, external analysts, rating agencies, control bodies and our clients with detailed information relating to Lombard Odier Group risk management.

In accordance with the liquidity disclosure requirements under Article 14, para 2 of FINMA Circular 2016/1 Lombard Odier Group has limited the disclosures included in the report to the quantitative and qualitative information considered to be pertinent. Furthermore, in conformity with FINMA Circular 2016/1, no interest rate risk disclosures are included in this report and the new tables IRRBBA, IRRBBA1 and IRRBB1 are going to be presented in the half year Pillar 3 report as at 30 June 2019.

It must be noted that the figures presented were individually rounded to the closest value depending on the scale chosen. They have not been adapted to match the totals, themselves also rounded to the closest value.

Table 1 – Key metrics (KM1)

	In thousands CHF	a	c	e
		31.12.2018	**30.06.2018**	**31.12.2017**
	Available capital			
1	Common Equity Tier 1 (CET1)	1,179,637	1,037,506	1,039,249
2	Tier 1	1,186,225	1,041,918	1,043,661
3	Total capital	1,186,225	1,041,918	1,043,661
	Risk weighted assets (RWA)			
4	Total RWA	3,939,393	3,920,850	3,916,525
4a	Minimal capital requirement	315,151	313,668	313,322
	Risk-based capital ratios as a percentage of RWA			
5	Common Equity Tier 1 ratio (%)	29.9%	26.5%	26.5%
6	Tier 1 ratio (%)	30.1%	26.6%	26.6%
7	Total capital ratio (%)	30.1%	26.6%	26.6%
	Additional CET1 buffer requirements as a percentage of RWA			
8	Capital conservation buffer requirement (2.5% from 2019) (%)	1.9%	1.9%	1.3%
9	Countercyclical buffer requirement (%)	0.0%	0.0%	0.0%
11	Total of bank CET1 specific buffer requirements (%)	1.9%	1.9%	1.3%
12	CET1 available after meeting the bank's minimum capital requirements (i.e., after the CET1 allocated to cover minimum capital requirements and any TLAC requirements) (%)	22.1%	18.6%	18.6%
	FINMA capital ratio requirements as a percentage of RWA			
12a	CET1 buffer (CAO, Annex 8)	4.0%	4.0%	4.0%
12b	Countercyclical buffer (CAO, Art. 44 and 44a) (%)	0.0%	0.0%	0.0%
12c	CET1 total requirement in accordance with Annex 8 of the CAO plus the countercyclical buffer (CAO, Art. 44 and 44a) (%)	7.8%	7.8%	7.8%
12d	Tier 1 total requirement in accordance with Annex 8 of the CAO plus the countercyclical buffer (CAO, Art. 44 and 44a) (%)	9.6%	9.6%	9.6%
12e	Total regulatory capital requirement in accordance with Annex 8 of the CAO plus the countercyclical buffer (CAO, Art. 44 and 44a) (%)	12.0%	12.0%	12.0%
	Basel III leverage ratio			
13	Total Basel III leverage ratio exposure measure	18,733,216	19,496,127	18,123,899
14	Basel III leverage ratio (%)	6.3%	5.3%	5.8%
	Liquidity coverage ratio			
15	Three-month average for the 4th quarter for high-quality liquid assets	11,260,028	9,935,458	9,047,734
16	Three-month average for the 4th quarter for net cash outflow	5,709,472	5,728,408	4,930,198
17	Short-term liquidity coverage ratio (LCR) for the 4th quarter (%)	197.2%	173.4%	183.5%

Risk-weighted assets and minimum capital requirements

Table 2 – Overview of risk-weighted assets (OV1)

In thousands CHF

		Risk Weighted Assets 31.12.2018	Risk Weighted Assets 30.06.2018	Minimum Capital requirements 31.12.2018
1	**Credit risk (excluding CCR – counterparty credit risk)**	**1,632,238**	**1,710,946**	**130,579**
2	*of which standardised approach (SA)*	*1,522,682*	*1,609,921*	*121,815*
	of which non-counterparty related risk	*109,556*	*101,025*	*8,764*
6	**Counterparty credit risk**	**134,521**	**88,679**	**10,762**
7	*of which standardised approach for counterparty credit risk (SA-CCR)*	*134,521*	-	*10,762*
7b	*of which current exposure method*	-	*88,679*	-
10	**Credit valuation adjustment (CVA)**	**44,616**	**26,400**	**3,569**
12	**Equity investments in funds – look-through approach**	-	-	-
14	**Equity investments in funds – fall-back approach**	**3,311**	-	**265**
15	**Settlement risk**	-	-	-
20	**Market risk**	**45,895**	**77,450**	**3,672**
21	*of which standardised approach*	*45,895*	*77,450*	*3,672*
24	**Operational risk**	**2,078,811**	**2,017,375**	**166,305**
20	*of which basic indicator approach*	*2,078,811*	*2,017,375*	*166,305*
25	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	-	-	-
26	Floor adjustment	-	-	-
27	**Total (1+6+10+12+14+15+20+24+25+26)**	**3,939,393**	**3,920,850**	**315,151**

As at 31 December 2018, the Group has adopted the new Standard Approach for Counterparty Credit Risk (SA-CCR). This change is at the origin of most of the increase of the RWA for counterparty credit risk and for CVA.

Furthermore, the simplified approach previously used for the calculation of capital requirements for market risks on commodities has been replaced by the maturity ladder approach, implying a reduction of the RWA for market risks by CHF 142.3 million as at 31.12.2018.

General information about risk management (OVA)

Organisation

Lombard Odier internal control system is organized around the three lines of defense model. The first line of defense includes the businesses and functions involved in risk taking and risk control. To support them with their risk management responsibilities, these businesses and functions have dedicated Business Risk Managers that report to the Unit Head. The second line of defense is composed of risk specialists. It includes Risk Management, Compliance, Human Resources, Finance and Legal, among others. These functions are independent from the business and are responsible for providing oversight, advice and challenge to the first line of defense. The third line of defense is the Group Internal Audit function.

Governance and main responsabilities with regard to risk management

Lombard Odier Group's governance and main responsibilities with regard to risk management are:

- The Supervisory Board (SB) acts as the Risk Committee. The SB is notified by the Administration1 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 policy 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 (hereafter the "Group Risk Committee" or the "GRC") 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 Administration's 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.
- The 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.
- The Group 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.

Internal Capital Adequacy Assessment Process and risk tolerance

On a yearly basis, the Group issues an Internal Capital Adequacy Assessment Process (ICAAP). The main purpose of the Group ICAAP report is to determine the adequate level of capital to support the residual risks that the Group faces while implementing its business strategy, as well as to demonstrate, based on a three-year capital plan, how the Group can meet its regulatory capital adequacy requirements, taking into account the event of an economic downturn. The ICAAP not only considers the risks required to be covered by capital for regulatory purposes (i.e. credit, market and operational risk) but also considers other risk types to which the Group is exposed, in particular business risk and interest rate risk in the banking books.

As part of its Enterprise Risk Management framework the Group has a common risk taxonomy for each category of risk and sets risk tolerance statements and risk tolerance measures for each risk. Risk tolerances are then cascaded to entities within the Group.

Risk reporting and stress testing

Risk reporting is in place from the Risk Management unit to the different governing bodies of the Lombard Odier Group and to the internal audit. Its objective is to provide a synthetic update and to identify changes in the Group risk profile. The responsibility for this reporting lies within the Risk Management unit, under the supervision of the Chief Risk Officer.

The risk reporting provides key indicators on financial risks (liquidity, market, investment, counterparty and credit) and operational risks. Current and historical risk indicators are compared to Group risk tolerance. Key insights are given on different components of the risks, including top counterparties or credit exposures and top operational events. The risk tolerance section of the reporting includes key risk metrics for individual risk types which form a dedicated part of the regular risk reporting communicated to a variety of stakeholders.

The Group performs stress testing as part of its capital planning to gauge the effect on the medium-term capital plan and key financials. These stress tests focus on the key risk areas of the Group, including business risk, operational risk and credit risk as well as interest rate risk. The Group also separately undertakes regularly stress tests on liquidity, interest rate risk and AUM (including inferred revenues impacts).

In addition, the Risk Management unit also performs ad-hoc analysis and stress tests were relevant (eg. Brexit).

Risk culture

Risk management is the responsibility of all staff within Lombard Odier Group. This is made clear through the onboarding process, staff handbook and code of conduct.

The risk culture is further reinforced through the risk management framework and governance, learning and development initiatives, internal communication and collaboration, appraisal process, consequence management and the constant effort to bring Risk Management closer to the Business with the objective of making it a value-adding factor in strategic decision-making.

Risk systems

Financial risks are monitored in the first place by front-office employees who form part of the first line of defence (relationship managers, traders and treasurers mainly) thanks to their operating systems. The risk management function, acting as the second line of defence, uses in-house risk management tools and systems to calculate risk exposures and to compare them to the limits. They are based on independent extractions from the front-office tools, accounting systems, global repository system and operation systems. Risk Management provides to the first line of defence regular reporting to reconcile with their risk views.

A dedicated in-house system, used for data gathering and depository, is in place to manage operational incidents. Users feed it directly and it has a group-wide scope. The data is consolidated and it sources the operational risk Key Risk Indicators. The respective risk type owners ensure consistency of reporting within the business lines. The second line of defense ensures a global monitoring.

Strong interactions between the different departments, including business, operations and finance, and a New Business Initiative process, ensure that all stakeholders are involved in new business developments and that systems keep up with them.

Consolidation scope

The Lombard Odier Group's consolidated financial statements comprise the financial statements of the companies which are directly or indirectly controlled by the Group, or over which it exercises a controlling influence. Those companies are fully consolidated.

In Note 1.7 of the 2018 Lombard Odier Group Financial Report there is a list of all subsidiaries of the Group as at 31 December 2018. No material change in the scope of consolidation has occurred during the second semester 2018.

The scope of consolidation for calculating capital adequacy is identical to that used in preparing the group financial statements.

Table 3 – Reconciliation of financial statements and regulatory exposure (CC2)

In thousands CHF

	a	c
Consolidated balance sheet	**31.12.2018**	
	According to the financial statements	Reference [1]
Assets		
Liquid assets	9,167,902	
Amounts due from banks	358,205	
Amounts due from securities financing transactions	-	
Amounts due from customers	4,110,231	
Trading portfolio assets	-	
Positive replacement values of derivative financial instruments	294,552	
Other financial instruments at fair value	433,302	
Financial investments	2,748,663	
Accrued income and prepaid expenses	168,448	
Non-consolidated participations	6,093	
Tangible fixed assets	110,146	
Other assets	148,856	
Total assets	**17,546,398**	
Liabilities		
Amounts due to banks	631,924	
Liabilities from securities financing transactions	-	
Amounts due in respect of customer deposits	14,351,496	
Negative replacement values of derivative financial instruments	297,993	
Liabilities from other financial instruments at fair value	468,674	
Accrued expenses and deferred income	362,373	
Other liabilities	94,694	
Provisions	159,607	
of which deferred tax relating to the reserves for general banking risks	*80,429*	
of which deferred tax relating to employer contribution reserves	*24,611*	
of which deferred tax relating to unrealized gains	*40,260*	
Total liabilities	**16,366,761**	
of which subordinated liabilities eligible as Tier 2 capital (T2)	-	
of which subordinated liabilities eligible as additional Tier 1 capital (AT1) [2]	*6,588*	a
Shareholders' equity		
Reserves for general banking risks	254,693	
Capital	73,710	b
of which recognized as CET1	*73,710*	
of which recognized as AT1	-	
Retained earnings reserve	597,497	
Foreign currency translation reserve	(18,404)	c
Consolidated profit	272,141	
Total shareholders' equity	**1,179,637**	

1 For the reconciliation of individual balance sheet amounts, the listed reference numbers in this table set a link to a corresponding reference number in table 6 “Composition of regulatory capital (CC1)”.

2 The amount of the subordinated liabilities is totaling CHF 8.8 million as at 31 December 2018 (30.06.2018 : CHF 5.9 million), to which an haircut of 25% was applied in the regulatory capital calculation.

Table 4 – Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories (LI1)

	a	c	d	e	f	g
		Carrying values of items:				
	According to the financial statements [1]	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to securitisation framework	Subject to market risk framework	Not subject to capital requirements or subject to deduction from capital
	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF
Assets						
Liquid assets	9,167,902	9,167,702				
Amounts due from banks	358,205	299,571	58,634 [2]			
Amounts due from customers	4,110,231	4,105,625	4,606 [2]			
Positive replacement values of derivative financial instruments	294,552		294,552		294,552	
Other financial instruments at fair value	433,302				433,302	
Financial investments	2,748,663	2,748,663				
Accrued income and prepaid expenses	168,448	168,448				
Non-consolidated participations	6,093	6,093				
Tangible fixed assets	110,146	110,146				
Other assets	148,856	148,856				
Total assets	**17,546,398**	**16,755,104**	**357,792**	**-**	**727,854**	**-**
Liabilities						
Amounts due to banks	631,924		27,200			604,724
Amounts due in respect of customer deposits	14,351,496		99			13,194,275
Negative replacement values of derivative financial instruments	297,993		297,993		297,993	
Liabilities from other financial instruments at fair value	468,674				434,523	34,151 [3]
Accrued expenses and deferred income	362,373					362,373
Other liabilities	94,694					94,694
Provisions	159,607					159,607
Total liabilities	**16,366,761**	**-**	**325,292**	**-**	**732,516**	**14,449,824**

There are no differences between accounting and regulatory scopes of consolidation. For this reason, column "b" is omitted.

1 The amounts shown in the column "According to the financial statements" do not equal the sum of the amounts shown in the remaining columns of this table for line items "Positive replacement values of derivative financial instruments", as some of the assets included in these items are subject to regulatory capital charges for both credit counterparty risk (CCR) and market risk.

2 Margin accounts

3 "Liabilities from other financial instruments at fair value" presented in the balance sheet, correspond to the value of the certificates issued by Bank Lombard Odier & Co Ltd. The certificates are booked on the liability side of the balance sheet. They are covered by positions booked on the asset side of the balance sheet. Those positions are bonds and securities, classified in "Other financial instruments at fair value", fair values of derivative instruments presented under "Positive/negative replacement values of derivative financial instruments", and cash.

Table 5 – Main sources of differences between regulatory exposure amounts and carrying values in financial statements (LI2)

		a	b	d	e
			Positions subject to:		
		Total	Credit risk framework	Counterparty credit risk framework	Market risk framework
		In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF
1	Asset carrying value amount under regulatory scope of consolidation (as per Table 4)	17,546,398	16,755,104	357,792	727,854
2	Liabilities carrying value amount under regulatory scope of consolidation (as per Table 4)	1,057,808		325,292	732,516
3	Total net amount under regulatory scope of consolidation	16,488,590	16,755,104	32,500	(4,662)
4	Off-balance-sheet amounts	1,362,586	805,995		
5	PFE, differences in netting and collateral mitigation on derivatives			257,365	
6	**Exposure amounts considered for regulatory purposes**	**17,851,176**	**17,561,099**	**289,865**	**(4,662)**

Explanations of differences between accounting and regulatory exposure amounts (LIA)

Off-balance sheet amounts

Off-balance sheet amounts subject to credit risk include undrawn portions of committed facilities and guarantees, by applying a credit conversion factor ('CCF') to these items.

PFE, differences in netting and collateral mitigation on derivatives

Potential future exposure (PFE) for derivatives, offset by netting where an enforceable master netting agreement is in place, and by eligible financial collateral deductions

Prudent valuation adjustments

There is no prudential valuation adjustments required and as such, Table PV1 is not applicable.

Composition of capital

Table 6 – Composition of regulatory capital (CC1)

In thousands CHF		a	b
Common equity (CET1)		**31.12.2018**	**Reference [1]**
1	Issued and paid-in capital, fully eligible	73,710	b
2	Retained earnings reserves, including reserves for general banking risks, profit carry forward and profit for the period [2]	1,124,331	
3	Capital reserves and foreign currency translation reserve (+/-)	(18,404)	c
6	**Common Equity Tier 1 capital before regulatory adjustments**	**1,179,637**	
CET1 regulatory adjustments			
28	**Total regulatory adjustments to CET1**	-	
29	**Common Equity Tier 1 capital (net CET1)**	**1,179,637**	
Additional Tier 1 capital (AT1)			
30	Issued and paid in instruments, fully eligible	6,588	a
32	*of which: classified as liabilities*	*6,588*	
36	**Additional Tier 1 capital before regulatory adjustments**	**6,588**	
Additional Tier 1 capital regulatory adjustments			
43	**Total regulatory adjustments to AT1**	-	
44	**Additional Tier 1 capital (net AT1)**	**6,588**	
45	**Tier 1 capital (net Tier 1)**	**1,186,225**	
Tier 2 capital (T2)			
46	Issued and paid in instruments, fully eligible	-	
51	**Tier 2 capital before regulatory adjustments**	-	
Tier 2 capital egulatory adjustments		-	
57	**Total regulatory adjustments to T2**	-	
58	**Tier 2 capital (net T2)**	-	
59	**Total regulatory capital (net T1 & T2)**	**1,186,225**	
60	**Total risk-weighted assets (RWA)**	**3,939,393**	

Capital ratios			
61	CET1 ratio (item 29, as a % of RWA)	29.9%	
62	T1 ratio (item 45, as a % of RWA)	30.1%	
63	Regulatory capital ratio (item 59, as a % of RWA)	30.1%	
64	Institution specific CET1 buffer (capital conservation buffer + countercyclical buffer + capital buffer for systemically important banks) (as a % of RWA)	1.9%	
65	*of which, capital buffer in accordance with Basel minimum standards (as a % of RWA)*	*1.9%*	
68	CET1 available to meet buffer requirements as per the Basel minimum standards, after deduction of the CET1 covering minimum requirements (as a % of RWA)	22.1%	
68a	CET1 total requirement target in accordance with Annex 8 of the CAO plus the countercyclical buffer in accordance with CAO, Art. 44 and 44a (as a % of RWA)	7.8%	
68b	*of which: countercyclical buffer in accordance with CAO, Art. 44 and 44a (as a % of RWA)*	0.0%	
68c	CET1 available (as a % of RWA)	25.9%	
68d	T1 total requirement in accordance with Annex 8 of the CAO plus the countercyclical buffer in accordance with CAO, Art. 44 and 44a (as a % of RWA)	9.6%	
68e	T1 available (as a % of RWA)	27.7%	
68f	Total requirement for regulatory capital as per Annex 8 of the CAO plus the countercyclical buffer in accordance with CAO, Art. 44 and 44a (as a % of RWA)	12.0%	
68g	Regulatory capital available (as a % of RWA)	30.1%	

[1] Reference is made to items reconciling to the balance sheet as disclosed in table 3 "Reconciliation of financial statements and regulatory exposure".
[2] Consolidated profit is not included as at 30 June 2018.

Lombard Odier Group regulatory capital is almost entirely Common Equity Tier 1 – CET1 – and for a minor amount Additional Tier 1 Capital -AT1-. The Common Equity Tier 1 is comprised only of disclosed reserves and share capital.

Table 7 – Main features of regulatory capital instruments (CCA)

1	Issuer	Compagnie Lombard Odier SCmA	LO Holding SA
3	Governing law of the instrument	Swiss Law	Swiss Law
	Regulatory treatment		
4	Transitional Basel III rules	Common Equity Tier 1	Common Equity Tier 1
6	Eligible at single-entity, group/single-entity and group levels	Group	Group
7	Equity securities/debt securities/hybrid instruments/other instruments	Equity	Participation certificates
8	Amount recognised in regulatory capital (as per most recent capital adequacy report)	CHF 73,710,000	CHF 10,000
9	Par value of instrument	7,360,000 shares A at a par value of CHF 10 and 100,100 shares B at a par value of CHF 1	100 participation certificates at a par value of CHF 100
10	Accounting classification	Capital	Capital
11	Original date of issuance	23.12.1989	06.12.2016
12	Perpetual or dated	Perpetual	Perpetual
13	Original maturity date	No maturity date	No maturity date
14	Issuer call (subject to prior approval from supervisory authority)	No	No
	Coupons/dividends		
17	Fixed or variable coupon or dividend	Variable	Variable
20	Fully discretionnary, partially discretionnay or mandatory	Class A shares : fully discretionnary Class B shares : partially discretionnary, preferred stocks with respect to a dividend of 50% of the par value.	Fully discretionnary
21	Existence of step up or other incentive to redeem	No	No
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible
30	Write-down feature	No	No
36	Features that prevent full recognition under Basel III	No	No

Lombard Odier Group has not issued any convertible bonds or options that could affect its capital structure and it does not have supplementary capital (Tier 2).

As long as the local regulatory requirements are met, there are no restrictions that could prevent the transfer of money or capital within the Group.

Credit Risk (CRA)

Lombard Odier Group faces credit risk against its clients ('Client credit risk') and against its financial counterparties ('Counterparty credit risk'). Lombard Odier also faces credit risk through its investment portfolio on the issuers. Dedicated group guidelines cover all credit risks.

In line with FINMA's regulations, RWA attached to counterparty credit risk only includes exposures linked to derivatives and exposure of securities financing transactions (SFT). All other credit exposures are reported in the Credit risk section. These rules have been applied to prepare the table 2 'Overview of risk-weighted assets (OV1)'.

From a Lombard Odier Group risk perspective, the definition of credit risk linked to client activities, and counterparty credit risk linked to market activities, is different and detailed below.

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 exposures, 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 the Risk Management Unit, and a conservative lending value is assigned to each pledged position based on relevant indicators of credit risk, market risk, as well as liquidity and country risk of the investment. Currency risk, as well as 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 valued and monitored on a daily basis using a standard suite of haircuts specified in the credit-risk policy of Lombard Odier Group. Where coverage is insufficient or a limit is exceeded, margin calls are made, and the Group may sell the pledged assets if needed to repay loans or cover other credit exposures.

Loans are classified as past due when the client has failed to make a payment when contractually due. The exposure is not considered impaired as the Group believes that on the basis of the collateral available it is still covered.

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 cautious 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 1st line (traders and treasurers) and the 2nd line of defence (Risk Management unit).

Governance

The Administration defines the global business strategy and in particular the credit strategy for the Group. The Finance, Risk & Diligence Committee monitors the credit risk and proposes potential changes to the credit risk management approach including credit calculation methodologies. The committee takes credit decisions within its authority.

Limit approval and credit delegations are in place, depending, in the case of counterparty credit risk, on criteria such as the maximum exposure to defaults per rating and counterparty type. Additional factors, for example country or sector classification, are also taken into account for the investment portfolio. Regarding client credit risk, credit delegation authorities are in place for credit facilities depending on the type of credit (standard / non-standard).

Monitoring reports are provided on a regular basis to the competent bodies (Finance, Risk & Diligence Committee, Administration and Supervisory Board). The reports are also communicated to the Group Internal Audit. A dedicated team, part of the Risk Management unit (2nd line of defence), is responsible for daily monitoring of the situation and the preparation of reports. Client credit-risk reporting includes the evaluation of the credit book by business unit, exposure type and type of collateral. It also presents the top clients with credit exposures and the term-loans maturity profile. The counterparty risk monitoring section includes breakdowns of indirect and direct exposures, as well as settlement risk top exposures. The section dedicated to the investment portfolio presents information such as creditworthiness, sectoral concentrations and top issuers.

Default risk (CR1)

At the end of 2018 Lombard Odier Group had no credit provisions and no loans to clients were considered doubtful.

In the unlikely event that a borrower is not able to meet its obligations, the Administration and/or the Finance, Risk & Diligence Committee decides whether a specific provision should be recognised, taking into account the detailed analysis of the pledged assets. The loan would be then considered doubtful.

Credit risk mitigation (CRC)

The client lending activity is essentially limited to loans and advances to clients secured by the pledging of first-rate negotiable securities (Lombard loans). Pledge agreements are put in place with clients which allow netting across all on- and off-balance sheet items the client held.

The regulation regarding eligible collaterals excludes some pledged assets, such as most funds and life insurance, which may be considered eligible within Lombard Odier credit policy.

Mitigation in place for counterparty credit risk includes the exchange of collateral when market practices allow it. For example it is the case for listed derivatives, cleared OTC derivatives and OTC derivatives for which an ISDA master netting agreement/CSA is in place (e.g. OTC derivatives are traded exclusively on a collateral basis). The settlement execution risk is managed, when possible, by the systematic usage of delivery versus payment (DvP) or payment versus payment (PvP) settlements. A dedicated team, attached to Treasury, is responsible for the daily management of collateral received by and given to market counterparts. The Finance, Risk & Diligence Committee is responsible for defining the types of collateral acceptable.

Lombard Odier does not use derivatives to cover its credit risk (CDS).

Table 8 – Credit risk mitigation techniques – overview (CR3)

		a	b1	b	d	f
		Exposures unsecured / carrying amount	**Exposures secured / carrying amount**	**Of which : exposures secured by collateral**	**Of which : exposures secured by financial guarantees**	**Of which : exposures secured by credit derivatives**
		In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF
1	Loans (excluding debt securities)	528,949	3,851,810	3,343,971		
2	Debt securities	2,740,845				
3	Total at 31 December 2018	**3,269,794**	**3,851,810**	**3,343,971**	-	-
	of which defaulted	-	-	-	-	-

The above table only includes collateral that are eligible under the Standardised approach. The Bank also holds additional collateral that it considers sufficient to provide credit risk mitigation in a default scenario.

Table 9 – Standardised approach – credit risk exposure and credit risk mitigation (CRM) effects (CR4)

		a	b	c	d	e	f
		Exposures before CCF and CRM		Exposures post-CCF and CRM			
		On-balance sheet amount	**Off-balance sheet amount**	**On-balance sheet amount**	**Off-balance sheet amount**	**RWA**	**RWA density**
	Asset classes	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF		%
1	Central governments and central banks	10,635,378		10,635,378		197	0
2	Banks and securities firms	494,291	77,515	355,826	37,388	88,660	23
3	Public sector entities and multilateral development banks	345,665	13,744	345,665	6,872	18,790	5
4	Corporates	2,521,963	638,197	1,170,719	82,422	674,750	54
5	Retail	2,421,815	633,129	567,553	40,973	576,190	95
6	Equity securities	6,885		6,885		10,327	150
7	Other Assets	176,849		176,849		153,768	87
8	**Total at 31 December 2018**	**16,602,847**	**1,362,586**	**13,258,876**	**167,655**	**1,522,682**	**11**

Use of external ratings (CRD)

Lombard Odier Group consistently uses the main three rating agencies: Fitch, Standard & Poor's and Moody's. Credit ratings are used to monitor counterparty credit risk resulting from direct exposure (mainly cash and investment portfolio) and to rate the collateral deposited or received from clients or market counterparts. For internal risk-monitoring purposes, and when no more complex models apply, it is the worst of the ratings available that is used.

Risk Weighted Assets relating to credit risk are impacted by changes in external credit ratings as the Group applies the AS-BRI approach. Indeed, the capital requirements for credit risks in the banking sector (FINMA Circular 2008/19 "Credit Risks – Banks") and the Capital Adequacy Ordinance (CAO) make use of external credit ratings. They impact respectively the weighting applicable for exposure towards financial counterparties, and the pledge value of the clients' pledged assets, indirectly impacting the Group client-credit RWA.

Table 10 – Standardized Approach – exposures by asset class and risk weight (CR5)

In thousands CHF

		a	b	c	d	e	f	g	h	i	j
	Risk weight	0	10%	20%	35%	50%	75%	100%	150%	Other	Total credit exposures amount (post-CCF and post-CRM)
	Asset classes										
1	Central governments and central banks	10,635,156		-		50	-	172	-		10,635,378
2	Banks and securities firms	19,668		327,382		45,961	-	203	-		393,214
3	Public sector entities and multilateral development banks	260,915		90,070		1,552	-	-	-		352,537
4	Corporates	12,844		620,557		138,205	-	481,536	-		1,253,141
5	Retail	-		-		-	129,346	479,181	-		608,527
6	Equity securities	-		-		-	-	-	6,885		6,885
7	Other Assets	7,874		19,010		-	-	149,966	-		176,849
8	**Total at 31 December 2018**	**10,936,456**	**-**	**1,057,019**	**-**	**185,768**	**129,346**	**1,111,058**	**6,885**	**-**	**13,426,531**

Counterparty Credit Risk (CRRA)

Positive and negative replacement values of derivative financial instruments are the main contributor to this risk, which is collateralized on a daily basis (see Credit-risk mitigation section above). Most of the replacement values exposure is generated by back-to-back activities as the bank faces its client on one-side and market counterparts on the other.

Lombard Odier is not a direct Central Counterparty Clearing house (CCP) member. It accesses this type of services through prime brokers.

A credit-rating downgrade would not have direct consequences on the quality or amount of collateral to be exchanged with our counterparties. A wrong-way-risk detailed analysis was conducted internally that lead us to conclude it was not material for Lombard Odier Group.

The Group has adopted the new Standard Approach for Counterparty Credit Risk (SA-CCR) as at 31 December 2018.

Table 11 – Standardized Approach – exposures by asset class and risk weight (CCR3)

In thousands CHF

		a	b	c	d	e	f	g	h	i
	Risk weight	0	10%	20%	50%	75%	100%	150%	Other	Total credit exposure
	Asset classes									
1	Central governments and central banks			-	-		-			-
2	Banks and securities firms			143,089	83,229		-			226,318
3	Public sector entities and multilateral development banks			-	6		-			6
4	Corporates			-	-		53,090			53,090
5	Retail			-	-		10,451			10,451
8	**Total at 31 December 2018**	-	-	**143,089**	**83,235**	-	**63,542**	-	-	**289,865**

Table 12 – Composition of collateral for CCR exposure (CCR5)

In thousands CHF

	a	b	c	d	e	f
	Collateral used in derivative transactions					
	Fair value of collateral received		**Fair value of posted collateral**		**Collateral used in SFTs**	
Type of collateral	Segregated	Non-segregated	Segregated	Non-segregated	Fair value of collateral received	Fair value of posted collateral
Cash in CHF		12,046	-	5,450		
Cash in other currencies		22,972	-	45,490		
Swiss sovereign debt		-	-	-		
Other sovereign debt		-	175,937	-		
Government agency debt		-	-	-		
Corporate bonds		-	-	-		
Equity securities		-	-	-		
Other collateral		-	-	-		
Total at 31 December 2018	-	**35,018**	**175,937**	**50,940**	-	-

Table 13 – Exposures to central counterparties (CCR8)

In thousands CHF

		a	b
		EAD (post-CRM)	RWA
1	**Exposures to QCCPs (total)**		
2	Exposures for trades at QCCPs (excluding initial margin and default fund contribution); of which:	37,236	745
3	of which OTC derivatives	-	-
4	of which exchange-traded derivatives	37,236	745
5	of which SFTs	-	-
6	of which netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	175,937	
8	Non-segregated initial margin	-	-
9	Pre-funded default fund contributions	-	-

Market Risks (MRA)

Market risk is the risk of loss due to value fluctuation 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 of derivatives contracts. The framework for risk management is defined in the market risk policy of the Lombard Odier Group.

Table 14 – Market risk under standardised approach (MR1)

In thousands CHF

		Risk-weighted assets (RWA)
		31.12.2018
	Outright products *	
1	Interest-rate risk (general and specific)	4,113
2	Equity risk (general and specific)	2,672
3	Foreign-exchange risk	33,325
4	Commodity risk	9
	Options	
6	Delta-plus method	5,776
9	**Total**	**45,895**

*Outright refers to products that are not optional

All assets (bonds, stocks, funds, ETFs, for example) have their prices sourced from market providers. Mark-to-model is used only in the case of unlisted derivatives, for example forex forwards. Standard pricing models are used in conjunction with end-of-day market data (interest rates, exchange rates, etc.) retrieved from market providers. Daily pricing reconciliation with our market counterparties are in place. A dedicated team in Operations is in charge of this reconciliation and investigates mismatches. In addition, centralized value systems generate alerts when daily variations above a certain threshold are detected. Another dedicated team in charge of the centralized valuation system investigates such alerts. The bank does not hold assets whose fair value is not determined by using observable inputs or measures ('Level 3 assets').

Currency risks are centralised in the Swiss bank entity of the Group whilst only minimal positions are allowed for the foreign entities.

Limits are defined for the banking book and the trading book at a 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 as 1st line of defense), and then independently controlled by the Risk Management unit through daily and intraday controls.

The risk report transmitted to the different governing bodies of the Group (Group Risk Committee, Administration and SB) includes a dedicated market risk section.

The strategy of Lombard Odier is to execute clients' orders and not to take proprietary trading positions. Trading limits are therefore limited. The certificates issued by Lombard Odier are fully covered by assets with little market risk remaining, mainly due to trading size limitations. The gross amount of certificates issued are reported in the assets whilst their hedges are on the liabilities. Both are netted to calculate the regulatory capital requirement of this activity.

The simplified approach previously used for the calculation of capital requirements for market risks on commodities has been replaced by the maturity ladder approach, implying a reduction of the RWA for market risks by CHF 142.3 million as at 31.12.2018.

Operational Risks (ORA)

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 tolerance 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 the Administration, 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 Circular 2008/10 "Self-regulation as a minimum standard").

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.

Leverage Ratio

Table 15 – Summary comparison of accounting assets vs leverage ratio exposure measure (LR1)

In thousands CHF

	Object	**31.12.2018**
1	Total consolidated assets as per published financial statements	17,546,398
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-
3	Adjustment for fiduciary assets recognised on the balance sheet for accounting purposes, but excluded from the leverage ratio exposure measure	-
4	Adjustment for derivative financial instruments	171,353
5	Adjustment for securities financing transactions (SFTs)	-
6	Adjustment for off-balance-sheet items (i.e. conversion to credit equivalent amounts of off-balance-sheet exposures)	1,015,465
7	Other adjustments	-
8	**Leverage ratio exposure**	**18,733,216**

Table 16 – Leverage ratio common disclosure (LR2)

In thousands CHF

		31.12.2018	30.06.218
On-balance-sheet exposures			
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	17,251,847	17,665,042
2	(Assets that must be deducted in determining the eligible Tier 1 capital)	-	-
3	**'Total on-balance sheet exposures within the leverage ratio framework, ex- cluding derivatives and SFTs**	**17,251,847**	**17,665,042**
Derivatives			
4	Replacement costs associated with all derivatives transactions, including those with CCPs (net of eligible cash variation margin and/or with bilateral netting)	121,485	298,639
5	Add-on amounts for PFE associated with all derivatives transactions	395,360	539,880
7	(Deduction of receivables assets for cash variation margin provided in derivatives transactions)	(50,940)	(256,288)
11	**Total derivative exposures**	**465,905**	**582,231**
Securities financing transaction exposures			
12	Gross SFT assets with no recognition of netting, including sale accounting transactions, less the items specified in margin no. 58 FINMA Circ. 2015/3	-	255,687
16	**Total securities financing transaction exposures**	**-**	**255,687**
Other off-balance-sheet exposures			
17	Off-balance-sheet exposure at gross national amounts before application of credit conversion factors	3,450,905	3,215,935
18	(Adjustments for conversion to credit equivalent amounts)	(2,435,442)	(2,222,768)
19	**Total off-balance-sheet items**	**1,015,464**	**993,167**
Eligible capital and total exposures			
20	**Tier 1 capital**	**1,186,225**	**1,041,918**
21	**Total exposure**	**18,733,216**	**19,496,127**
Leverage ratio			
22	**Leverage ratio**	**6.3%**	**5.3%**

Liquidity Risks (LIQA)

Governance

The Administration determines the liquidity management principles as well as the liquidity risk tolerance of Lombard Odier Group. The risk tolerance is expressed via regulatory metrics such as the liquidity coverage ratio (LCR) supplemented with internal indicators covering short term liquidity risk, sources of stable funding and sound balance sheet structure. The Finance, Risk & Diligence Committee reviews the liquidity risk appetite annually.

The Finance, Risk & Diligence Committee is responsible for the liquidity risk management in agreement with the principles set out by the Administration. This Committee monitors the liquidity risk evolution via the reporting produced by the Risk Management unit. This reporting is shared with the Administration on a monthly basis. The Group Risk Committee owns the liquidity risk management methodologies, definitions and principles. In particular, it determines the portion of stable client deposits that can be used for investments.

The liquidity management is centralised within the Treasury function, part of the Global Market Services department in the Investment Solution Business line.

The Group Treasury is the counterparty for the Group legal entities regarding their financing operations. Treasury produces the monthly ALCO reporting presented to the Group Risk Committee.

Risk assessment

Liquidity risk indicators are computed, monitored and presented to governing bodies on a regular basis. These risk indicators are stressed each year according to three scenarios reflecting possible evolution of the Group over a 3-year horizon. The results of these simulations are summarised in the Internal Liquidity Adequacy Assessment (ILAAP), which is presented each year to the Administration.

The following indicators are used to assess the liquidity situation and the robustness of balance sheet structure:

- Liquidity coverage ratio (LCR)
- Ratio of HQLA assets over the total size of the balance sheet
- Ratio of long term investments over the Group equity
- Concentration of funding sources (e.g. client deposits)
- Ratio of investments over stable client deposits
- Balance sheet excess liquidity according to two cash flow scenarios over a one-year horizon. The baseline scenario covers the business as usual regime and a stressed scenario assuming adverse liquidity conditions.

Contingency Plan

The Group Lombard Odier contingency plans relies on three pillars :

- a detection mechanism based on triggers (traffic light approach)
- escalation rules according to the trigger levels
- operational measures and liquidity management actions dealing with the liquidity crisis

The contingency plan is reviewed on an annual basis.

Table 17 – Information on the liquidity coverage ratio (LCR) – (LIQ1)

In thousands CHF

		Q4 2018 3-month average		Q3 2018 3-month average	
		unweighted values	**weighted values**	**unweighted values**	**weighted values**
High-quality liquid assets (HQLA)					
1	**Total high-quality liquid assets (HQLA)**		**11,260,028**		**10,516,073**
Cash outflows					
2	Retail deposits	7,212,373	1,046,472	6,828,370	997,913
3	*of which, stable deposits*				
4	*of which, less stable deposits*	7,212,373	1,046,472	6,828,370	997,913
5	Unsecured wholesale funding	8,178,719	5,597,484	8,181,885	5,782,621
6	*of which, operational deposits (all counterparties) and deposits in networks of cooperative banks*	-	-	-	-
7	*of which, non-operational deposits (all counterparties)*	8,157,476	5,595,360	8,165,679	5,781,000
8	*of which, unsecured debt*	-	-	-	-
9	Secured wholesale funding and collateral swaps	-	-	-	-
10	Other outflows	1,520,634	651,004	1,400,088	648,789
11	*of which, outflows related to derivative exposures and other transactions*	514,059	390,162	445,132	392,063
12	*of which, outflows related to loss of funding on asset-backed securities, covered bonds and other structured financing instruments, asset-backed commercial papers, conduits, securities investment vehicles and other such financing facilities*	-	-	-	-
13	*of which, outflows related to committed credit and liquidity facilities*	1,006,575	260,842	954,956	256,726
14	Other contractual funding obligations	-	-	-	-
15	Other contingent funding obligations	2,314,889	16,628	2,270,048	17,201
16	**Total cash outflows**		**7,311,588**		**7,446,524**
Cash inflows					
17	Secured lending (e.g. reverse repos)	77,269	11,378	163,464	11,427
18	Inflows from fully performing exposures	2,266,621	1,500,768	2,631,137	1,840,320
19	Other cash inflows	89,971	89,971	58,688	58,688
20	**Total cash inflows**	**2,433,860**	**1,602,116**	**2,853,288**	**1,910,435**
			Adjusted values		**Adjusted values**
21	**Total high-quality liquid assets (HQLA)**		**11,260,028**		**10,516,073**
22	**Total net cash outflows**		**5,709,472**		**5,536,089**
23	**Liquidity coverage ratio (in %)**		**197.2%**		**190.0%**

Switzerland's Liquidity Ordinance and FINMA circular 2015/2 "Liquidity risks – banks" make it a regulatory requirement for the Group to calculate and monitor its liquidity coverage ratio (LCR). The LCR provides banks with a metric to assist them in ensuring that they hold a sufficient quantity of highly liquid assets to enable them to withstand a short-term (30-day) company-specific stress situation which coincides with a period of general market stress. The regulatory limit for the LCR is set at 90% for the year 2018. This limit moves up to 100% in 2019.

Composition of High Quality Liquid Assets ("HQLA")

Lombard Odier Group holds a pool of unencumbered HQLA that are readily available to meet cash-flow obligations under stress scenarios, as defined in the LCR rules. The liquid assets mainly include Level 1 HQLA, which comprises cash deposited to the Swiss National Bank, highly rated bonds issued by governments and supranational entities, and mortgage bonds.

Derivative exposure and potential collateral calls

Derivative exposures are mainly from, but not limited to foreign-exchange forwards and swaps and interest rate swaps. All derivative positions are marked-to-market daily, affecting the collateral amounts posted to and received from interbank counterparties and/or exchanges. Cash flows resulting from potential changes in collateral amounts posted/received are incorporated into LCR net cash outflows.

Concentration of funding sources

In addition to capital, client deposits represent the main funding source. They are diversified across the clients base. More than 50% of deposits are held into accounts with cash balances below CHF 5 million which represent more than 90% of the client accounts.

This document is published in English.
It is also available in PDF format for download from our website, www.lombardodier.com.

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