



LOMBARD ODIER
LOMBARD ODIER DARIER HENTSCH

2019 Financial Report Lombard Odier Group

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Message from the Senior Managing Partner

We are pleased to report that 2019 was a positive year for the Group.

Our total client assets rose to CHF 299 billion at the end of 2019, up 16% from 2018. Operating income rose 3% to CHF 1.2 billion, driven by strong growth in net new money and positive market impacts. Consolidated net profit excluding one-off items rose 6%, to CHF 175 million. The positive net impact of one-off items amounted to CHF 28 million, giving total consolidated net profit of CHF 203 million.

Our balance sheet remains strong, highly liquid and conservatively invested. We remain well capitalised, with a CET1 ratio of 29.8% and a liquidity coverage ratio of 204%. Fitch reaffirmed our Group's credit rating during the year at AA-, the highest rating possible given our size.

We continued to focus on organic growth and on the strategic targeting of our business efforts. Our financial performance reflects our business model and our strategy to build a Group which has a strong foothold in Switzerland but which is increasingly international and diversified.

In March 2019, we were proud to become the first global wealth and asset manager to be awarded B Corp certification, one of the world's most advanced corporate sustainability ratings. Our core conviction in sustainability shapes everything we do, and we continue to embed it across our investment processes. We believe the shift to a circular, lean, inclusive and clean (CLIC) economy is creating the biggest investment opportunity of our lifetime.

Within our Private Clients unit, net new money was strong in all of our priority markets across Switzerland, Europe and selected Emerging Markets in 2019. We continued to invest in new talent – with a number of high quality bankers recruited throughout the year – and to enhance our client value proposition in areas including sustainability, wealth planning, goal-based investing and private assets.

In April 2019, we closed our strategic partnership with Vontobel, and they took over our existing US-based wealth management franchise. In the same month, we announced an agreement with J Safra Sarasin Group to acquire our domestic private banking business in Gibraltar, a transaction that closed in July. These moves are part of our philosophy to focus our growth on a limited number of strategic markets.

Assets under management at Lombard Odier Investment Managers (LOIM) reached an all-time high of CHF 55 billion at end-2019. LOIM funds continued to show strong performance, with 65% ranked in the first or second quartile over 3 years, and 80% over 5 years. Net new money flows from external investors were also very strong, with North America becoming a significant source of growth. We continued to expand and deepen our sustainability expertise, with 30% of LOIM investment professionals now dedicated to sustainability.

After two years of thorough analysis and careful planning of the development needs of our technology and operations platform, we have now decided to resume our Business Process Outsourcing strategy. Going forward, we will focus on small and medium-sized private banks that have a similar business model. Our target clients will be located in Switzerland and in Europe, the latter in countries where Lombard Odier has a presence. We are also embarking on a transformation of our G2 IT-platform to embrace the most modern technologies aiming at offering the best client and banker experience.

Our achievements in 2019 were recognised with a number of industry awards, including 'Western Europe's Best Bank for Wealth Management' at the Euromoney Awards for Excellence 2019. We won four awards at the Swiss WealthBriefing Awards, including 'Best Domestic Private Bank'; four awards at the European WealthBriefing Awards, including 'Best European Bank – Investment Management Platform'; two awards at the MENA WealthBriefing awards, including 'Best Overall International Bank' and were named 'Best Pure Play Private Bank' at the Asia WealthBriefing Awards. We also won our first ever awards for Islamic finance.

In 2020, our focus remains on delivering outstanding service and investment advice to all our private and institutional clients. At a group level, we remain committed to growing our business, both in Switzerland and internationally, and to conservatively managing our balance sheet. As ever, we remain conscious of the need to manage potential market risks, and will remain prudent and agile in our management of clients' assets.



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. It controls directly or indirectly all companies within the Lombard Odier Group.

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

Important shareholders

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

At 31 December 2019, the seven Managing Partners of Compagnie Lombard Odier SCmA were Mr Patrick Odier, Mr Christophe Hentsch, Mr Hubert Keller, Mr Frédéric M. Rochat, Mr Denis Pittet, Mrs Annika Falkengren and Mr Alexandre Zeller.

2. Supervisory Board

Members

The Supervisory Board (SB) 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 Managing 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 31.12.2019)

Jean Bonna

- Chairman of the Association Internationale de Bibliophilie
- 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
- Vice Chairman of the Board of Directors of Sportbahnen Elm AG
- Member of the Board of Stellaria SA
- Member of the Board of Schuhe Jenny AG

3. Internal organisation

Allocation of tasks within the Supervisory Board

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

Working methods

The SB 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 SB must be present.

The Chairman of the SB prepares the agenda for the meetings or, if he is unavailable, the Vice-Chairman performs this task. He informs the members of the SB of the dates and agenda at least ten days before each meeting. Any member of the SB can ask the Chairman of the SB to organise an extraordinary meeting. Third parties may be invited for all or part of the meeting. All SB meetings are subject to minutes sent to all members of the board.

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

The SB is responsible for checking whether management complies with the law, regulations and the articles of association (including the purpose of the company).

Its duties 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, in particular:
 - Monitoring the Group's risk management policy.
 - 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 issued by the Group's Internal Audit and External Audit.
- Checking the Group's financial results.
- Appointing the head of the Group Internal Audit, generally based on the Administration's proposal.

The Board of Managing Partners (*Collège des Associés*) acts as the Group's executive management and supervisory body. They define the Group's vision and strategy. They are also in charge of the consolidated supervision of the Group.

The Board of Managing Partners has the following responsibilities 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

In particular, the SB and its members are provided with the following reports:

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

Any member of the SB may request additional information from the Board of Managing Partners via the Chairman of the SB.

Group's Internal Audit

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

It performs its duties 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 the coordination with the external audit firm, and to provide a follow-up on points to note and priority recommendations.

Risk management

Additional information on the conduct, monitoring and risks management is available 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 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 manages 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.

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 departments in charge of External Asset Managers, Global Asset+ and Wealth Planning.

Mr Pittet is Chairman of Fondation Philanthropia and board member of several philanthropic organisations. 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, including Head of Global Trading & Capital Markets, Head of Merchant Banking and Deputy Group Chief Executive, before being appointed President and Chief Executive Officer in 2005.

Mrs Falkengren manages the Group's Finance & Corporate Tax, Risk Management, Logistics, Marketing and Communication Units. She is responsible for the OneRoof Project, which will see Lombard Odier move to its new headquarters in Geneva in 2022, as well as the Group's Corporate Social Responsibility Committee.

Mrs Falkengren was a member of the Board of Directors and then Chairman of the Swedish Bankers' Association from 2010 to 2017. 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 (IVA) and a member of the Foundation Board of the International Institute for Management Development (IMD).

Alexandre Zeller

Mr. Alexandre Zeller has been Managing Partner of the Lombard Odier Group since March 2019. He was also a member of the Board of Directors of Banque Lombard Odier & Cie SA from 2014 to 2016.

Mr. Zeller graduated from the University of Lausanne in Business Administration and holds an Executive MBA from Harvard Business School in Boston.

He began his career at Nestlé in 1984 in the field of international operational auditing. In 1987, he joined Credit Suisse, where he held various management positions until 2002, notably that of CEO of the Private Banking activity in Switzerland.

He then joined Banque Cantonale Vaudoise in 2002, of which he was CEO until 2008. From 2008 to 2012, he was President of the General Management of HSBC Private Bank (Switzerland) in Geneva.

Mr. Zeller was Chairman of the Board of Directors of Six Group in Zurich from 2013 to 2016. From 2016 to 2018, he was Chairman of the Board of Credit Suisse (Suisse) SA and a member of the Board of Directors of Credit Suisse Group SA.

Alexandre Zeller assumes functional responsibility for the Technology and Operations Unit at the Lombard Odier Group level.

Other activities and mandates

(situation at 31.12.2019)

Patrick Odier

- Chairman of the Board of Directors of Banque Lombard Odier & Cie SA
- Chairman of the Board of Directors of LO Holding SA
- Chairman of the Board of Directors of LO IP SA
- Member of the Board of the patronage pension institution Fondation patronale du groupe Lombard Odier
- Member of the Board of Fondation Philanthropia
- 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 Executive Committee 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 Directors of LO IP 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 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 Executive Committee 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
- Chairman of the Board of Fondation Philanthropia
- Member of the Committee of the Swiss Private Bankers Association

- Chairman of the Board of Fondation André & Cyprien
- Member of the Board of 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
- Chairman of the Board of Directors of Lombard Odier (Singapore) Ltd
- Chairman of the Board of Directors of Lombard Odier (Hong Kong) Limited
- Chairman of the Board of Directors of Lombard Odier Trust (Japan) Limited

Alexandre Zeller

- Member of the Executive Committee of Banque Lombard Odier & Cie SA
- Member of the Board of Directors of LO Holding SA
- Chairman of the Board of Directors of TBI (Europe) SA
- Chairman of the Board of Directors of Lodati SA
- Member of the Board of Directors of Maus Frères SA
- Non Executive Chairman of Central Swiss Classic Cars SA

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 any shareholding program.

6. Auditors

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

The ordinary general meeting of 18 April 2019 designated, for the financial period 2019, 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 2019 by the Lombard Odier Group amounted to CHF 2.9 million.

Additional fees

In 2019, the Lombard Odier Group paid fees for other services that amounted to CHF 1.1 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

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 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.
- 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 Administration. 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 Administration 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 Administration 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 defense 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 first line of defense (e.g. trading desks), and then independently controlled by the second line of defense (Risk Management unit) through daily 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, non-invested 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 listed and liquid securities of sufficient quality:

- 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 valued 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 defense (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 risk tolerance statements regarding the key operational risks that enables it 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 defense with respect to the identification, evaluation and management of these risks, and the proactive implementation of improvement measures.

The second line of defense, 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

		31.12.2019	31.12.2018
		In thousands	In thousands
	Notes	CHF	CHF
Assets			
Liquid assets		7,581,098	9,167,902
Amounts due from banks	1.10	434,185	358,205
Amounts due from customers	1.2, 1.10	5,038,766	4,110,231
Trading portfolio assets		0	0
Positive replacement values of derivative financial instruments	1.4	348,668	294,552
Other financial instruments at fair value	1.3	611,243	433,302
Financial investments	1.5, 1.10	2,932,851	2,748,663
Accrued income and prepaid expenses		191,837	168,448
Non-consolidated participations	1.6, 1.7	5,907	6,093
Tangible fixed assets	1.8	139,654	110,146
Other assets	1.9	146,012	148,856
Total assets		17,430,221	17,546,398
Liabilities			
Amounts due to banks		748,304	631,924
Amounts due in respect of customer deposits		13,817,372	14,351,496
Negative replacement values of derivative financial instruments	1.4	339,479	297,993
Liabilities from other financial instruments at fair value	1.3, 1.13	654,701	468,674
Accrued expenses and deferred income		374,869	362,373
Other liabilities	1.9	94,186	94,694
Provisions	1.14	104,432	159,607
Total liabilities		16,133,343	16,366,761
Reserves for general banking risks	1.14	330,327	254,693
Share capital	1.16	73,710	73,710
Retained earnings reserve		710,813	597,497
Foreign currency translation reserve		(21,026)	(18,404)
Consolidated profit		203,054	272,141
Total equity		1,296,878	1,179,637
Total liabilities and equity		17,430,221	17,546,398
Total subordinated liabilities		30,943	49,253
- of which with conversion obligation and/or debt waiver		13,043	8,783
Off-balance sheet transactions			
Contingent liabilities	1.2, 2.1	343,785	330,306
Irrevocable commitments	1.2	1,004,981	1,032,280

Consolidated profit and loss account

		31.12.2019	31.12.2018
		In thousands	In thousands
	Notes	CHF	CHF
Interest and discount income	3.2	91,248	82,413
Interest and dividend income from financial investments		26,920	28,405
Interest expense	3.2	0	0
Gross result from interest operations		118,168	110,818
Changes in value adjustments for default risks and losses from interest operations		0	0
Net result from interest operations		118,168	110,818
Commission income from securities trading and investment activities		1,061,492	1,036,216
Commission income from lending activities		2,348	2,352
Commission income from other services		122,260	123,673
Commission expense		(184,982)	(192,166)
Result from commission business and services		1,001,118	970,075
Result from trading activities and the fair value option	3.1	86,768	87,947
Result from the disposal of financial investments		686	1,735
Income from participations		8,111	2,826
- of which from other non-consolidated participations		8,111	2,826
Result from real estate		2,147	2,691
Other ordinary income		0	63
Other ordinary expense		(63)	0
Result from ordinary activities		10,881	7,315
Total operating income		1,216,935	1,176,155
Personnel expenses	3.3	(727,639)	(720,312)
General and administrative expenses	3.4	(226,312)	(232,923)
Total operating expenses		(953,951)	(953,235)
Value adjustments on participations and depreciation of tangible fixed assets	1.6, 1.8	(5,832)	(5,000)
Changes to provisions and other value adjustments, losses	1.14	(4,676)	(4,369)
Operating result		252,476	213,551
Extraordinary income	3.5	26,853	165,221
Extraordinary expenses		(32)	(269)
Change in reserves for general banking risks	1.14	(75,635)	(16,927)
Taxes	3.7	(608)	(89,435)
Consolidated profit		203,054	272,141

Cash flow statement

	31.12.2019		31.12.2018	
	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	203,054		272,141	
Change in reserves for general banking risks	75,634		16,927	
Value adjustments on participations and depreciation of tangible fixed assets	5,832		5,000	
Provisions and other value adjustments	7,772	62,947	45,600	13,118
Accrued income and prepaid expenses		23,389	1,936	
Accrued expenses and deferred income	12,496		31,975	
Other assets	2,844		11,642	
Other liabilities		508		19,228
Dividend and others distributions		165,140		154,349
Cash flow from operating activities	307,632	251,984	385,221	186,695
Shareholder reimbursement				
Other contribution	6,315		9,306	
Foreign currency translation differences		2,622		3,637
Cash flow from shareholder's equity transactions	6,315	2,622	9,306	3,637
Non consolidated participations	134			4,135
Real estate		33,046	134,432	
Other tangible fixed assets		2,242		5,445
Cash flow from investment activities	134	35,288	134,432	9,580
Cash flow from banking operations				
Amounts due to banks				20,000
Amounts due in respect of customer deposits	22,250		2,000	
Amounts due from customers	62,055		40,572	
Financial investments	372,217			171,552
Medium to long-term operations (> 1 year)	456,522	0	42,572	191,552
Amounts due to banks	116,380			631,513
Amounts due in respect of customer deposits		556,374	1,155,221	
Negative replacement values of derivative financial instruments	41,486		20,017	
Liabilities from other financial instruments at fair value	186,027			35,350
Amounts due from banks		75,980	696,466	
Amounts due from securities financing activities			48,724	
Amounts due from customers		990,590		48,541
Trading portfolio assets			981	
Positive replacement values of derivative financial instruments		54,116	12,383	
Other financial instruments at fair value		177,941	35,966	
Financial investments		556,405	365,505	
Short-term operations	343,893	2,411,406	2,335,263	715,404
Liquidity				
Liquid assets	1,586,804			1,799,926
Balance	2,701,300	2,701,300	2,906,794	2,906,794

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	597,497	254,693	(18,404)	272,141	1,179,637
Other contributions		6,315				6,315
Foreign currency translation differences				(2,622)		(2,622)
Dividends and others distributions					(165,140)	(165,140)
Allocations to the retained earnings reserve		107,001			(107,001)	0
Allocations to the reserves for general banking risks			75,634			75,634
Profit of the period					203,054	203,054
Shareholders' equity at the end of the reporting period	73,710	710,813	330,327	(21,026)	203,054	1,296,878

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 2019, the Group employed 2,449 full-time equivalents (FTEs), compared with 2,432 at the end of 2018.

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:

	31.12.2019	31.12.2018
USD	0.9684	0.9858
EUR	1.0870	1.1269
GBP	1.2828	1.2555

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 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.

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. Consequently, no provisions were recognised as at 31 December 2019, apart from those required to meet the cost of the Bank’s legal defence.

Events after the end of the reporting period

Subsequent to December 31st 2019, the COVID-19 has affected the economic activity and financial markets. The Group has taken health and safety measures for its employees and secured the continuity of the activities. The Group is also closely monitoring and actively managing operational, credit, market and client investment risks. At this point in time, the financial impact on the Group results cannot be measured with sufficient reliability. On March 31st 2020, FitchRatings has affirmed with stable outlooks the AA- rating of the Group.

1. Information on the balance sheet

1.1 Breakdown of securities financing transactions (assets and liabilities)

	Current year	Previous year
	In thousands	In thousands
	CHF	CHF
Book value of receivables from cash collateral delivered in connection with securities borrowing and reverse repurchase transactions	0	0
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	22,308	26,851
- of which with unrestricted right to resell or pledge	22,308	26,851
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	21,626	26,243
- of which repledged securities	0	0
- of which resold securities	0	0

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

		Type of collateral		Total
		Secured by other collateral	Unsecured	
		In thousands CHF	In thousands CHF	In thousands CHF
Loans (before netting with value adjustments)				
Amounts due from customers		5,018,197	20,569	5,038,766
Total loans (before netting with value adjustments)	Current year	5,018,197	20,569	5,038,766
	Previous year	4,084,545	25,686	4,110,231
Total loans (after after netting value adjustments)	Current year	5,018,197	20,569	5,038,766
	Previous year	4,084,545	25,686	4,110,231
Off-balance sheet				
Contingent liabilities		268,816	74,969	343,785
Irrevocable commitments		983,981	21,000	1,004,981
Total off-balance sheet	Current year	1,252,797	95,969	1,348,766
	Previous year	1,260,015	102,571	1,362,586

Impaired loans/receivables

As at 31 December 2019, the Group has no impaired loan or receivables (2018: 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
ASSETS		
Other financial instruments at fair value		
Debt securities	159,467	81,947
Equity securities	414,367	324,075
Structured products	37,409	27,280
Total other financial instruments at fair value	611,243	433,302
Total assets	611,243	433,302
- of which determined using a valuation model	0	0
- of which securities eligible for repo transactions in accordance with liquidity requirements	2,467	234
LIABILITIES		
Other financial instruments at fair value		
Certificates	654,701	468,674
Total liabilities	654,701	468,674
- of which determined using a valuation model	0	0

1.4 Presentation of derivative financial instruments (assets and liabilities)

	Trading instruments			Hedging instruments			
	Positive replacement values	Negative replacement values	Contract volume	Positive replacement values	Negative replacement values	Contract volume	
	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF	
Interest-rate related instruments							
Swaps	1,344	1,344	189,802	687	1,224	265,044	
Futures			761				
Options (OTC)	17	17	29,567				
Foreign exchange/Precious metals							
Forward contracts	272,149	268,606	37,497,108	6,989	767	373,421	
Combined interest rate/currency swaps	11,146	15,941	4,512,616				
Options (OTC)	39,166	39,032	2,983,761				
Equity securities/Indices							
Futures			46,614				
Options (OTC)	5,882	5,882	98,961				
Options (exchange traded)	9,850	5,228	732,866				
Credit derivatives							
Credit default swap	2,782	2,782	55,198				
Total before netting agreements							
	Current year	342,336	338,832	46,147,254	7,676	1,991	638,465
	<i>- of which, determined using a valuation model</i>	332,486	333,604	-	7,676	1,991	-
	Previous year	287,298	293,842	48,123,716	7,254	4,151	828,594
	<i>- of which, determined using a valuation model</i>	273,905	286,923	-	7,254	4,151	-
Total after netting agreements							
	Current year		145,226				150,922
	Previous year		132,001				137,827
Breakdown by counterparty:							
			Positive replacement values (accumulated)		Negative replacement values (accumulated)		
			In thousands CHF		In thousands CHF		
					Central clearing houses	Banks and securities dealers	Other customers
					In thousands CHF	In thousands CHF	In thousands CHF
					5,184	66,112	73,930

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	2,929,271	2,959,117	2,740,825	2,721,584
- of which intended to be held to maturity	2,929,271	2,959,117	2,740,825	2,721,584
- of which not intended to be held to maturity	0	0	0	0
Equity securities	3,580	3,740	7,838	9,139
Total financial investments	2,932,851	2,962,857	2,748,663	2,730,723
- of which securities eligible for repo transactions in accordance with liquidity requirements	1 526 379	-	1,163,305	-

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	2,823,309	105,962	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
Non-consolidated participations									
Other participations									
- without market value	6,430	(337)	6,093	0	(134)	(52)	0	5,907	-
Total non-consolidated participations	6,430	(337)	6,093	0	(134)	(52)	0	5,907	0

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 %)	Proportion of holding/voting rights (in %)	Direct/indirect ownership		
						Current year	Previous year	
Fully consolidated participating interests								
LO Holding SA	Geneva	Holding company	CHF	34,110,000	100	100	direct	direct
Banque Lombard Odier & Cie SA	Geneva	Bank	CHF	100,000,000	100	100	indirect	indirect
Laspère 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 IP SA	Geneva	Service company	CHF	700,000	100	100	indirect	indirect
Lodati SA	Geneva	Service company	CHF	300,000	100	0	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	20,000,000	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	EUR	2,810,205	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	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	0	100	-	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	805,000,000	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	4,419,969	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
Bershield 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	10,001	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	
Non-consolidated participating interests								
Parkgest holding SA	Geneva	Holding company	CHF 4,750,000	7	7	indirect	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 (2018: none)

In addition, there are no commitments to purchase further shares or to dispose of shares (2018: 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	242,363	(140,309)	102,054	0	33,145	(108)	(2,303)	132,788
Other real estate	15,787	(14,744)	1,043	0	0	9	(170)	882
Software	11,432	(10,482)	950	0	1,552	0	(1,000)	1,502
Other tangible fixed assets	73,874	(67,775)	6,099	0	977	(287)	(2,307)	4,482
Total tangible fixed assets	343,456	(233,310)	110,146	0	35,674	(386)	(5,780)	139,654

1.9 Breakdown of other assets and other liabilities

	Current year	Previous year
	In thousands CHF	In thousands CHF
Other assets		
Amount recognised as assets in respect of employer contribution reserves	102,546	102,546
Settlement accounts	9,073	12,108
Coupons	137	1,889
Indirect taxes	9,009	9,558
Compensation account	23	1,098
Other assets	25,224	21,657
Total other assets	146,012	148,856
Other liabilities		
Settlement accounts	47,762	43,834
Coupons	895	2,312
Indirect taxes	25,679	27,509
Compensation account	5,305	3,953
Other liabilities	14,545	17,086
Total other liabilities	94,186	94,694

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
Pledged assets				
Amounts due from banks	3,478	3,478	46,334	46,334
Amounts due from customers	33,027	33,027	4,606	4,606
Financial investments	387,102	387,102	506,730	506,730

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	56,161	46,131
Total liabilities to own pension funds	56,161	46,131

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	8.7%	0	0	26,179	26,179	24,524
Fondation complémentaire de prévoyance du groupe Lombard Odier	-	0	0	9,779	9,779	11,488

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 2019, 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 2019, on the basis of the non-audited financial statements, to be 108.7% 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, without capital guarantee. 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. Regulatory contributions vary between 7% and 32% divided between the affiliated employees and the employer, depending on the age and the level of contribution chosen (Art 51). Early retirement is possible for each affiliated employee between 58 and 65, according to legal and regulatory provisions.

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. These contributions apply to variable compensation only. Early retirement is possible for each affiliated employee between 58 and 65, according to legal and regulatory provisions. The benefit is only in the form of capital. This foundation does not offer a capital guarantee.

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	-	511,483	0	0	511,483
Interest-rate instruments with own debenture component	-	143,218	0	0	143,218
Total	0	654,701	0	0	654,701

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	145,300	0	0	0	-	6,846	(60,602)	91,544
Provisions for other business risks	13,163	(1,243)	(5)	0	0	926	(601)	12,240
Other provisions	1,144	(496)	0	0	0	0	0	648
Total provisions	159,607	(1,739)	(5)	0	0	7,772	(61,203)	104,432
Reserves for general banking risks	254,693	-	0	0	-	75,634	0	330,327
Value adjustments for default and country risks	0	0	0	0	0	0	0	0

The dissolution of provisions for deferred taxes results from the implementation of the corporate tax reform (TRAF) accepted by Canton of Geneva on 19 May.

“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
Holders of qualified participations	206	465,658	686	450,299
Transactions with members of governing bodies	2,266	12,097	200	20,263

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

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

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

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

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

1.17 Presentation of the maturity structure of financial instruments

	At sight	Callable	Residual term				Total
			within 3 months	between 3 and 12 months	between 12 months and 5 years	after 5 years	
	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF
Assets/financial instruments							
Liquid assets	7,581,098	-	-	-	-	-	7,581,098
Amounts due from banks	434,185	0	0	0	0	0	434,185
Amounts due from customers	972,866	224,849	2,363,020	1,335,218	142,813	0	5,038,766
Positive replacement values of derivatives financial instruments	348,668	-	-	-	-	-	348,668
Other financial instruments at fair value	611,243	-	-	-	-	-	611,243
Financial investments	3,580	0	267,123	563,317	1,461,068	637,763	2,932,851
Total current year	9,951,640	224,849	2,630,143	1,898,535	1,603,881	637,763	16,946,811
Total previous year	10,529,374	248,300	2,279,242	1,380,023	2,075,840	600,076	17,112,855
Liabilities/financial instruments							
Amounts due to banks	748,304	0	0	0	0	0	748,304
Amounts due in respect of customer deposits	13,311,705	186,390	270,127	21,400	27,750	0	13,817,372
Negative replacement values of derivatives financial instruments	339,479	-	-	-	-	-	339,479
Liabilities from other financial instruments at fair value	654,701	-	-	-	-	-	654,701
Total current year	15,054,189	186,390	270,127	21,400	27,750	0	15,559,856
Total previous year	15,361,455	173,024	169,638	40,470	5,500	0	15,750,087

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
Assets				
Liquid assets	6,911,151	669,947	8,661,700	506,202
Amounts due from banks	144,153	290,032	80,705	277,500
Amounts due from customers	1,672,209	3,366,557	834,253	3,275,978
Trading portfolio assets	0	0	0	0
Positive replacement values of derivatives financial instruments	136,974	211,694	118,563	175,989
Other financial instruments at fair value	24,599	586,644	32,211	401,091
Financial investments	279,740	2,653,111	408,366	2,340,297
Accrued income and prepaid expenses	87,931	103,906	88,457	79,991
Non-consolidated participations	5,906	1	6,092	1
Tangible fixed assets	136,643	3,011	104,833	5,313
Other assets	119,562	26,450	120,843	28,013
Total assets	9,518,868	7,911,353	10,456,023	7,090,375
Liabilities				
Amounts due to banks	333,756	414,548	188,128	443,796
Amounts due in respect of customer deposits	4,996,115	8,821,257	4,586,103	9,765,393
Negative replacement values of derivatives financial instruments	197,625	141,854	125,429	172,564
Liabilities from other financial instruments at fair value	380,381	274,320	245,532	223,142
Accrued expenses and deferred income	242,999	131,870	238,286	124,087
Other liabilities	70,557	23,629	64,003	30,691
Provisions	100,205	4,227	155,125	4,482
Reserves for general banking risks	330,327	0	254,693	0
Share capital	73,710	0	73,710	0
Retained earnings reserve	710,813	0	597,497	0
Foreign currency translation reserve	(21,026)	0	(18,404)	0
Consolidated profit	152,001	51,053	222,698	49,443
Total liabilities	7,567,463	9,862,758	6,732,800	10,813,598

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	9,518,868	55	10,456,023	60
Other European countries	4,352,488	25	3,693,772	21
North America	1,730,031	10	1,546,805	9
The Caribbean and South America	804,488	5	839,045	5
Asia and Middle East	853,664	5	875,629	5
Australia/Oceania	78,494	0	76,546	0
Africa	92,188	0	58,578	0
Total assets	17,430,221	100	17,546,398	100

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
S&P				
AAA	2,477,757	39	1,784,721	31
AA+ – AA-	3,051,526	48	3,030,964	53
A+ – A-	436,873	7	446,981	8
BBB+ – BBB-	87,950	1	113,085	2
BB+ – BB-	51,023	1	16,338	0
B+ – B-	69,511	1	78,974	2
CCC+ – D	1,518	0	1,245	0
No rating	201,457	3	214,958	4
Total	6,377,615	100	5,687,266	100

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
Assets				
Liquid assets	6,908,424	671,916	463	295
Amounts due from banks	105,136	58,721	192,254	78,074
Amounts due from customers	1,699,145	1,626,487	1,174,248	538,886
Trading portfolio assets	0	0	0	0
Positive replacement values of derivatives financial instruments	210,359	14,328	103,459	20,522
Other financial instruments at fair value	43,833	30,620	450,937	85,852
Financial investments	271,886	1,368,454	1,282,682	9,829
Accrued income and prepaid expenses	148,971	15,292	19,757	7,817
Non consolidated participations	5,906	1	0	0
Tangible fixed assets	136,643	1,548	312	1,151
Other assets	112,131	18,281	5,770	9,830
Total balance sheet assets	9,642,434	3,805,648	3,229,882	752,256
Delivery entitlements from spot exchange transactions, foreign exchange forwards and foreign exchange options	13,553,542	9,630,017	15,804,480	18,589,779
Total assets	23,195,976	13,435,665	19,034,362	19,342,035
Liabilities				
Amounts due to banks	183,455	174,883	171,500	218,466
Amounts due in respect of customer deposits	3,749,849	5,800,018	3,250,540	1,016,965
Negative replacement values of derivatives financial instruments	208,517	24,093	80,360	26,509
Liabilities from other financial instruments at fair value	65,236	33,807	467,659	87,999
Accrued expenses and deferred income	279,377	33,057	13,279	49,156
Other liabilities	31,096	25,187	28,318	9,585
Provisions	103,669	605	158	0
Reserves for general banking risks	330,327	0	0	0
Share capital	73,710	0	0	0
Retained earnings reserve	710,813	0	0	0
Foreign currency translation reserve	(21,026)	0	0	0
Consolidated profit	203,054	0	0	0
Total balance sheet liabilities	5,918,077	6,091,650	4,011,814	1,408,680
Delivery obligations from spot exchange transactions, foreign exchange forwards and foreign exchange options	17,434,040	7,264,385	14,981,662	17,897,731
Total liabilities	23,352,117	13,356,035	18,993,476	19,306,411
Net position by currency	(156,141)	79,630	40,886	35,624

2. Information on off-balance sheet transactions

2.1 Breakdown and explanation of contingent assets and liabilities

	Current year	Previous year
	In thousands	In thousands
	CHF	CHF
Irrevocable guarantees	343,785	330,306
Total contingent liabilities	343,785	330,306
Contingent assets arising from tax losses carried forward	13,225	14,890
Total contingent assets	13,225	14,890

2.2 Breakdown of fiduciary transactions

	Current year	Previous year
	In thousands	In thousands
	CHF	CHF
Fiduciary investments with third-party companies	9,698,063	7,164,748
Fiduciary transactions arising from securities lending and borrowing, which the Group conducts in its own name for the account of customers	1,001,702	1,259,080
Total	10,699,765	8,423,828

2.3 Breakdown of managed assets and presentation of their development

	Current year	Previous year
	In millions	In millions
	CHF	CHF
Breakdown of managed assets		
Assets in collective investment schemes managed by the Group	53,455	44,404
Assets under discretionary management agreements	72,071	61,230
Other managed assets	52,101	56,407
Total managed assets (including double-counting)	177,627	162,041
- of which double-counted	36,001	30,544
Presentation of the development of managed assets		
Total managed assets (including double-counting) at the beginning of the year	162,041	173,928
+/- Net new money inflow/outflow	12,051	4,197
+/- Market price impact, interest, dividends and currency development	15,437	(10,279)
+/- Other impacts	(11,902)	(5,805)
Total managed assets (including double-counting) at the end of the year	177,627	162,041

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.

The other impacts include reclassifications of accounts as well as divestments linked to the disposal of wealth management activities.

3. Information on the income statement

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

	Current year	Previous year
	In thousands	In thousands
	CHF	CHF
Breakdown by business area		
Trading for own account	9,297	15,042
Trading for the account of the customers	77,471	72,905
Total trading results	86,768	87,947

	Current year	Previous year
	In thousands	In thousands
	CHF	CHF
Breakdown by underlying risks and based on the use of the fair value option		
Trading results from:		
- foreign exchange	82,040	84,420
- equity securities	1,425	2,035
- precious metals	3,303	1,492
Total trading results	86,768	87,947
- of which from the fair value option	583	765
- of which from the fair value option on assets	583	765

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

	Current year	Previous year
	In thousands	In thousands
	CHF	CHF
Negative interest on lending business		
Negative interest on lending business (decrease in interest and discount income)	(45,801)	(48,958)
Negative interest on deposits		
Interest expense paid	(16,494)	(15,830)
Negative interest on deposits (decrease in interest expense)	24,181	21,246
Positive balance reported in interest and discount income	(7,687)	(5,416)
<i>Interest expenses</i>	<i>0</i>	<i>0</i>

3.3 Breakdown of personnel expenses

	Current year	Previous year
	In thousands	In thousands
	CHF	CHF
Salaries	600,052	587,510
Social insurance obligations	109,319	104,503
Other personnel expenses	18,268	28,299
Total	727,639	720,312

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 2019, the amount of deferred payments amounted to CHF 31.6 million (2018: CHF 36.1 million).

3.4 Breakdown of general and administrative expenses

	Current year	Previous year
	In thousands	In thousands
	CHF	CHF
Expenses relating to premises	47,199	46,871
Expenses relating to information and communication technologies	35,723	32,263
Expenses relating to financial information	28,493	28,247
Travel and entertainment expenses	22,285	23,623
Professional services	25,169	27,420
Fees of audit firm	3,987	3,529
- of which for financial and regulatory audits	2,865	3,011
- of which for other services	1,122	518
Taxes and indirect taxes	13,432	14,260
Office, telecommunications and insurance premium costs	18,054	19,927
Communications and sponsorship expenses	28,526	28,080
Other operating expenses	3,444	8,703
Total	226,312	232,923

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 2019, extraordinary income essentially consists of gains on disposals of wealth management activities and in 2018, extraordinary income were mainly composed of a gain from the sale of five real estate premises situated in Geneva (143,3 million) as well as the disposal of wealth management activities.

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 from interest operations	105,429	12,739	98,135	12,683
Result from commission business and services	688,604	312,514	657,090	312,985
Result from trading activities and the fair value option	77,141	9,627	76,772	11,175
Result from ordinary activities	10,004	877	4,850	2,465
Total income	881,178	335,757	836,847	339,308
Personnel expenses	(497,307)	(230,332)	(489,543)	(230,769)
General and administrative expenses	(161,503)	(64,809)	(167,436)	(65,487)
Total expenses	(658,810)	(295,141)	(656,979)	(296,256)
Value adjustments on participations and depreciation of tangible fixed assets	(4,169)	(1,663)	(3,235)	(1,765)
Changes to provisions and other value adjustments, losses	(2,785)	(1,891)	(2,895)	(1,474)
Operating result	215,414	37,062	173,738	39,813

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

	Current year	Previous year
	In thousands	In thousands
	CHF	CHF
Creation of provisions for deferred taxes	6,846	44,138
Release of provisions for deferred taxes	(60,602)	(4,937)
Current year tax expense	54,364	50,234
Total income tax expense	608	89,435

Average tax rate on the basis of consolidated profit before tax and TRAF (see note 1.14) 25.8% 24.7%

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 2.4 million (2018: CHF 3.6 million).

Report of the statutory auditor

to the General Meeting of Compagnie Lombard Odier SCmA, Geneva

Report on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of Compagnie Lombard Odier SCmA, which comprise the consolidated balance sheet, consolidated profit and loss account, cash flow statement, statement of changes in equity and notes (pages 18 to 49), for the year ended 31 December 2019.

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 2019 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, securities dealers, financial groups and conglomerates (ARB) and comply with 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

Genève, 16 April 2020



Marie-Eve Fortier
Audit expert

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