



LOMBARD ODIER
LOMBARD ODIER DARIER HENTSCH

**Lombard Odier Group
Basel III Pillar 3 Disclosures
at 30 June 2020**

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Introduction

This document aims to provide our counterparties, external analysts, rating agencies, control bodies and our clients with detailed information relating to Lombard Odier Group's risk profile, including its regulatory capital, risk weighted assets (RWAs), liquidity and leverage exposures.

This report is produced and published twice a year in accordance with FINMA requirements and as prescribed in the circular 2016/1 'Disclosure – banks' which includes the implementation of the revised Pillar 3 disclosure requirements issued by the Basel Committee on Banking Supervisions (BCBS) in March 2017, the reporting frequency for each disclosure requirement is either annual or semi-annual. In accordance with the marginal number 14.2 of FINMA Circular 2016/1, Lombard Odier Group (the "Group") has limited the disclosures included in the report to the quantitative and qualitative information considered to be pertinent. More information regarding qualitative and quantitative Pillar 3 disclosures can be found in the document "Lombard Odier Group, Basel III Pillar 3 Disclosures at 31 December 2019" published in the media relations section of the Lombard Odier website.

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

KM1 – Key metrics

| In thousands CHF | | a | c | e |
|---|---|------------|------------|------------|
| | | 30.06.2020 | 31.12.2019 | 30.06.2019 |
| Available capital | | | | |
| 1 | Common Equity Tier 1 (CET1) | 1,337,131 | 1,296,878 | 1,185,226 |
| 2 | Tier 1 | 1,346,913 | 1,306,660 | 1,191,813 |
| 3 | Total capital | 1,346,913 | 1,306,660 | 1,191,813 |
| Risk weighted assets (RWA) | | | | |
| 4 | Total RWA | 4,497,627 | 4,351,206 | 4,209,191 |
| 4a | Minimal capital requirement | 359,810 | 348,096 | 336,735 |
| Risk-based capital ratios as a percentage of RWA | | | | |
| 5 | Common Equity Tier 1 ratio (%) | 29.7% | 29.8% | 28.2% |
| 6 | Tier 1 ratio (%) | 29.9% | 30.0% | 28.3% |
| 7 | Total capital ratio (%) | 29.9% | 30.0% | 28.3% |
| Additional CET1 buffer requirements as a percentage of RWA | | | | |
| 8 | Capital conservation buffer requirement (2.5% from 2019) (%) | 2.5% | 2.5% | 2.5% |
| 9 | Countercyclical buffer requirement (%) | 0.0% | 0.0% | 0.0% |
| 11 | Total of bank CET1 specific buffer requirements (%) | 2.5% | 2.5% | 2.5% |
| 12 | CET1 available after meeting the bank's minimum capital requirements (i.e., after the CET1 allocated to cover minimum capital requirements and any TLAC requirements) (%) | 21.9% | 22.0% | 20.3% |
| FINMA capital ratio requirements as a percentage of RWA | | | | |
| 12a | CET1 buffer (CAO, Annex 8) | 4.0% | 4.0% | 4.0% |
| 12b | Countercyclical buffer (CAO, Art. 44 and 44a) (%) | 0.0% | 0.0% | 0.0% |
| 12c | CET1 total requirement in accordance with Annex 8 of the CAO plus the countercyclical buffer (CAO, Art. 44 and 44a) (%) | 7.8% | 7.8% | 7.8% |
| 12d | Tier 1 total requirement in accordance with Annex 8 of the CAO plus the countercyclical buffer (CAO, Art. 44 and 44a) (%) | 9.6% | 9.6% | 9.6% |
| 12e | Total regulatory capital requirement in accordance with Annex 8 of the CAO plus the countercyclical buffer (CAO, Art. 44 and 44a) (%) | 12% | 12.0% | 12.0% |
| Basel III leverage ratio | | | | |
| 13 | Total Basel III leverage ratio exposure measure | 13,793,508 | 18,519,912 | 19,987,729 |
| 14 | Basel III leverage ratio (%) | 9.8% | 7.1% | 6.0% |
| Liquidity coverage ratio (3-month average) | | | | |
| 15 | Total high-quality liquid assets | 12,751,132 | 9,745,592 | 11,220,640 |
| 16 | Total net cash outflow | 5,673,475 | 4,700,084 | 5,702,176 |
| 17 | Short-term liquidity coverage ratio (LCR) (%) | 224.7% | 207.3% | 196.8% |

OV1 – Overview of risk-weighted assets

In thousands CHF

| | Risk Weighted Assets 30.06.2020 | Risk Weighted Assets 31.12.2019 | Minimal Capital requirements 30.06.2020 |
|--|---------------------------------------|---------------------------------------|---|
| 1 Credit risk (excluding CCR – counterparty credit risk) | 1,895,642 | 1,855,958 | 151,651 |
| 2 <i>of which standardised approach (SA)</i> | 1,740,443 | 1,716,310 | 139,235 |
| <i>of which non-counterparty related risk</i> | 155,199 | 139,648 | 12,416 |
| 6 Counterparty credit risk | 188,123 | 188,215 | 15,050 |
| 7 <i>of which standardised approach for counterparty credit risk (SA-CCR)</i> | 188,123 | 188,215 | 15,050 |
| 10 Credit valuation adjustment (CVA) | 50,887 | 63,251 | 4,071 |
| 12 Equity investments in funds – look-through approach | - | - | 0 |
| 14 Equity investments in funds – fall-back approach | 2,049 | 1,142 | 164 |
| 15 Settlement risk | - | - | - |
| 20 Market risk | 86,934 | 55,079 | 6,955 |
| 21 <i>of which standardised approach</i> | 86,934 | 55,079 | 6,955 |
| 24 Operational risk | 2,272,531 | 2,187,562 | 181,803 |
| <i>of which basic indicator approach</i> | 2,272,531 | 2,187,562 | 181,803 |
| 25 Amounts below the thresholds for deduction (subject to 250% risk weight) | 1,462 | - | 117 |
| 26 Floor adjustment | 1,462 | - | 117 |
| 27 Total (1+6+10+12+14+15+20+24+25+26) | 4,497,627 | 4,351,206 | 359,810 |

The RWA for operational risk increased by CHF 85 million compared to year-end 2019 and is linked to growth of the activity during the first semester 2020.

Information on the liquidity coverage ratio (LCR)

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

Composition of High Quality Liquid Assets ("HQLA")

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

Derivative exposure and potential collateral calls

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

Concentration of funding sources

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

LIQ1 – Liquidity coverage ratio

In thousands CHF

| | Q2 2020 | | Q1 2020 | |
|--|-------------------|------------------------|-------------------|------------------------|
| | 3-month average | | 3-month average | |
| | unweighted values | weighted values | unweighted values | weighted values |
| High-quality liquid assets (HQLA) | | | | |
| 1 Total high-quality liquid assets (HQLA) | | 12,751,132 | | 11,073,941 |
| Cash outflows | | | | |
| 2 Retail deposits | 8,682,148 | 1,281,350 | 7,431,698 | 1,079,688 |
| 3 <i>of which, stable deposits</i> | | | | |
| 4 <i>of which, less stable deposits</i> | 8,682,148 | 1,281,350 | 7,431,698 | 1,079,688 |
| 5 Unsecured wholesale funding | 8,890,169 | 6,274,300 | 8,386,528 | 5,934,485 |
| 6 <i>of which, operational deposits (all counterparties) and deposits in networks of cooperative banks</i> | - | - | - | - |
| 7 <i>of which, non-operational deposits (all counterparties)</i> | 8,890,169 | 6,274,300 | 8,386,528 | 5,934,485 |
| 8 <i>of which, unsecured debt</i> | - | - | - | - |
| 9 Secured wholesale funding and collateral swaps | 69,771 | 561 | 214,439 | 87,430 |
| 10 Other outflows | 1,952,193 | 540,011 | 1,839,533 | 604,933 |
| 11 <i>of which, outflows related to derivative exposures and other transactions</i> | 945,008 | 347,037 | 833,945 | 406,404 |
| 12 <i>of which, outflows related to loss of funding on asset-backed securities, covered bonds and other structured financing instruments, asset-backed commercial papers, conduits, securities investment vehicles and other such financing facilities</i> | - | - | - | - |
| 13 <i>of which, outflows related to committed credit and liquidity facilities</i> | 1,007,184 | 192,974 | 1,005,588 | 198,528 |
| 14 Other contractual funding obligations | - | - | - | - |
| 15 Other contingent funding obligations | 2,770,787 | 16,909 | 3,061,519 | 16,817 |
| 16 Total cash outflows | | 8,113,131 | | 7,723,352 |
| Cash inflows | | | | |
| 17 Secured lending (e.g. reverse repos) | 46,359 | 46,359 | 68,581 | 68,581 |
| 18 Inflows from fully performing exposures | 3,185,277 | 2,327,752 | 3,213,407 | 2,260,024 |
| 19 Other cash inflows | 65,544 | 65,544 | 62,268 | 62,268 |
| 20 Total cash inflows | 3,297,181 | 2,439,656 | 3,344,256 | 2,390,873 |
| | | Adjusted values | | Adjusted values |
| 21 Total high-quality liquid assets (HQLA) | | 12,751,132 | | 11,073,941 |
| 22 Total net cash outflows | | 5,673,475 | | 5,332,479 |
| 23 Liquidity coverage ratio (in %) | | 224.7% | | 207.7% |

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

IMPORTANT INFORMATION

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