



**LOMBARD ODIER**  
LOMBARD ODIER DARIER HENTSCH

**Lombard Odier Group  
Basel III Pillar 3 Disclosures  
at 31 December 2021**



# Contents

Introduction	5
Consolidation scope	5
General information about risk management	7
Organisation	7
Governance and main responsibilities with regard to risk management	7
Internal Capital Adequacy Assessment Process and risk tolerance	8
Risk reporting and stress testing	8
Risk culture	8
Risk systems	8
Risk-weighted assets and minimum capital requirements	9
Linkage between financial statements and regulatory exposures	10
Capital components	12
Leverage Ratio	15
Liquidity Risk	17
Credit Risk	22
Counterparty Credit Risk	29
Market Risk	31
Interest rate risk in the banking book	32
Operational Risks	36



## 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, leverage exposures as well as information about Lombard Odier Group's approach to managing risk.

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.

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.

## Consolidation scope

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

In Note 1.7 of the 2021 Lombard Odier Group Financial Report there is a list of all subsidiaries of the Group as at 31 December 2021. No material change in the scope of consolidation has occurred during the second semester 2021.

## KM1 – Key metrics

In thousands CHF		a	c	e
		31.12.2021	30.06.2021	31.12.2020
<b>Available capital</b>				
1	Common Equity Tier 1 (CET1)	1,467,612	1,441,735	1,402,869
2	Tier 1	1,484,680	1,455,508	1,416,563
3	Total capital	1,484,680	1,455,508	1,416,563
<b>Risk weighted assets (RWA)</b>				
4	Total RWA	5,145,264	4,948,558	4,721,893
4a	Minimal capital requirement	411,621	395,885	377,751
<b>Risk-based capital ratios as a percentage of RWA</b>				
5	Common Equity Tier 1 ratio (%)	28.5%	29.1%	29.7%
6	Tier 1 ratio (%)	28.9%	29.4%	30.0%
7	Total capital ratio (%)	28.9%	29.4%	30.0%
<b>Additional CET1 buffer requirements as a percentage of RWA</b>				
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 Group's minimum capital requirements (i.e., after the CET1 allocated to cover minimum capital requirements and any TLAC requirements) (%)	20.9%	21.4%	22.0%
<b>FINMA capital ratio requirements as a percentage of RWA</b>				
12a	CET1 buffer (CAO, Annex 8)	4.0%	4.0%	4.0%
12b	Countercyclical buffer (CAO, Art. 44 and 44a) (%)	0.0%	0.0%	0.0%
12c	CET1 total requirement in accordance with Annex 8 of the CAO plus the countercyclical buffer (CAO, Art. 44 and 44a) (%)	7.8%	7.8%	7.8%
12d	Tier 1 total requirement in accordance with Annex 8 of the CAO plus the countercyclical buffer (CAO, Art. 44 and 44a) (%)	9.6%	9.6%	9.6%
12e	Total regulatory capital requirement in accordance with Annex 8 of the CAO plus the countercyclical buffer (CAO, Art. 44 and 44a) (%)	12.0%	12.0%	12.0%
<b>Basel III leverage ratio</b>				
13	Total Basel III leverage ratio exposure measure	23,330,227	21,793,889	11,746,290
14	Basel III leverage ratio (%) <sup>1</sup>	6.4%	6.7%	12.1%
<b>Liquidity coverage ratio</b>				
15	Three-month average for the 4 <sup>th</sup> quarter for high-quality liquid assets	13,179,717	13,013,645	12,755,503
16	Three-month average for the 4 <sup>th</sup> quarter for net cash outflow	6,410,787	5,987,872	5,580,781
17	Short-term liquidity coverage ratio (LCR) for the 4 <sup>th</sup> quarter (%)	205.6%	217.3%	228.6%
<b>Net stable funding ratio<sup>2</sup></b>				
18	Available stable funding	12,196,244		
19	Required stable funding	4,638,518		
20	Net stable funding ratio (NSFR)	263%		

<sup>1</sup> In accordance with FINMA Guidance 02/2020 “Temporary exemptions for banks due to the COVID-19 crisis” date 31 March 2020, deposits held at central banks in all currencies pursuant to margin nos. 5 and 7 of Annex 1 to FINMA Circular 2020/1 “Accounting – banks” are excluded in the calculation of the leverage ratio as at 31 December 2020.

<sup>2</sup> The Net stable funding ratio (NSFR) entered into force on July 1<sup>st</sup>, 2021 at the same time of the amendments to the Capital Adequacy Ordinance dated 11 September 2020.

# General information about risk management (OVA)

## Organisation

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

## Governance and main responsibilities with regard to risk management

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

- The Supervisory Board (SB) acts as the Risk Committee. The SB is notified by the 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.
- The Group 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.

## **Internal Capital Adequacy Assessment Process and risk tolerance**

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

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

## **Risk reporting and stress testing**

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

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

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

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

## **Risk culture**

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

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

## **Risk systems**

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

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

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



# Risk-weighted assets and minimum capital requirements

The following table provides an overview of risk-weighted assets (RWA) and the related minimum capital requirement by risk type. Capital requirements presented in the tables in this report are calculated based on 8% of RWA as at 31 December 2021.

## OV1 – Overview of risk-weighted assets

In thousands CHF				
	a	b	c	
	Risk Weighted Assets	Risk Weighted Assets	Minimum Capital requirements	
	31.12.2021	30.06.2021	31.12.2021	
<b>1</b>	<b>Credit risk (excluding CCR – counterparty credit risk)</b>	<b>2,239,893</b>	<b>2,084,514</b>	<b>179,191</b>
2	<i>of which standardised approach (SA)</i>	<i>1,967,038</i>	<i>1,868,910</i>	<i>157,363</i>
	<i>of which non-counterparty related risk</i>	<i>272,854</i>	<i>215,604</i>	<i>21,828</i>
<b>6</b>	<b>Counterparty credit risk</b>	<b>188,876</b>	<b>234,739</b>	<b>15,110</b>
7	<i>of which standardised approach for counterparty credit risk (SA-CCR)</i>	<i>188,876</i>	<i>234,739</i>	<i>15,110</i>
<b>10</b>	<b>Credit valuation adjustment (CVA)</b>	<b>63,165</b>	<b>67,142</b>	<b>5,053</b>
<b>14</b>	<b>Equity investments in funds – fall-back approach</b>	<b>1,868</b>	<b>2,060</b>	<b>149</b>
<b>20</b>	<b>Market risk</b>	<b>106,423</b>	<b>108,210</b>	<b>8,514</b>
21	<i>of which standardised approach</i>	<i>106,423</i>	<i>108,210</i>	<i>8,514</i>
<b>24</b>	<b>Operational risk</b>	<b>2,544,468</b>	<b>2,450,807</b>	<b>203,557</b>
	<i>of which basic indicator approach</i>	<i>2,544,468</i>	<i>2,450,807</i>	<i>203,557</i>
<b>25</b>	<b>Amounts below the thresholds for deduction (subject to 250% risk weight)</b>	<b>571</b>	<b>1,086</b>	<b>46</b>
<b>27</b>	<b>Total (1+6+10+12+14+15+20+24+25+26)</b>	<b>5,145,264</b>	<b>4,948,558</b>	<b>411,621</b>

Total RWAs increased by CHF 196.7 million between reporting periods 30.06.2021 and 31.12.2021 and this is mainly explained by the following:

- the increase of RWA for operational risk by CHF 93.7 million, what is explained by the growth of the average gross revenues calculated over the previous three years.
- RWA for credit risk increased by CHF 98.1 million and is linked to the growth of the credit activity in line with the Group strategy.
- RWA for non-counterparty rose by CHF 57.3 million mainly due to the investments made as part of the construction of a new headquarter in Geneva.
- RWA for counterparty credit risk decreased by CHF 45.9 million.

## Linkage between financial statements and regulatory exposures

This section provides information about the linkage between the carrying values presented in the financial statements and the regulatory exposures of the Group.

### LI1 – Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

	a	c	d	f	g
	According to the financial statements <sup>1</sup>	Carrying values of items:			
		Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to market risk framework	Not subject to capital requirements or subject to deduction from capital
	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF
<b>Assets</b>					
Liquid assets	10,359,465	10,359,465			
Amounts due from banks	1,075,293	1,007,181	68,112 <sup>2</sup>		
Amounts due from customers	5,533,399	5,532,745	654 <sup>2</sup>		
Positive replacement values of derivative financial instruments	390,160		390,160	355,537	
Other financial instruments at fair value	560,735			560,735	
Financial investments	3,763,567	3,733,212			30,355
Accrued income and prepaid expenses	165,884	165,884			
Non-consolidated participations	11,177	11,177			
Tangible fixed assets	272,854				
Other assets	56,429	56,429			
<b>Total assets</b>	<b>22,188,963</b>	<b>20,866,094</b>	<b>458,925</b>	<b>916,272</b>	<b>30,355</b>
<b>Liabilities</b>					
Amounts due to banks	1,098,562		78,940		1,019,622
Amounts due in respect of customer deposits	17,855,351		7,989		17,847,362
Negative replacement values of derivative financial instruments	468,177		468,177	342,823	
Liabilities from other financial instruments at fair value	595,568			560,193	35,375 <sup>3</sup>
Accrued expenses and deferred income	488,670				488,670
Other liabilities	106,652				106,652
Provisions	103,825				103,825
<b>Total liabilities</b>	<b>20,716,805</b>	-	<b>555,106</b>	<b>903,016</b>	<b>19,601,506</b>

There are no differences between accounting and regulatory scopes of consolidation.

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

<sup>2</sup> Margin accounts.

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

## LI2 – Main sources of differences between regulatory exposure amounts and carrying values in financial statements

	a	b	d	e
	Total	Positions subject to:		
		Credit risk framework	Counterparty credit risk framework	Market risk framework
	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF
1 Asset carrying value amount under regulatory scope of consolidation (as per table LI1)	22,188,963	20,866,094	458,925	916,272
2 Liabilities carrying value amount under regulatory scope of consolidation (as per Table LI1)	1,458,122		555,106	903,016
3 Total net amount under regulatory scope of consolidation	20,730,841	20,866,094	(96,181)	13,255
4 Off-balance-sheet amounts	1,599,123	931,205		
5 PFE, differences in netting and collateral mitigation on derivatives			531,626	
<b>6 Exposure amounts considered for regulatory purposes</b>	<b>22,329,963</b>	<b>21,797,299</b>	<b>435,446</b>	<b>13,255</b>

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

#### Off-balance sheet amounts

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

#### PFE, differences in netting and collateral mitigation on derivatives

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

#### Prudent valuation adjustments

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

# Capital components

## CC1 – Composition of regulatory capital

In thousands CHF		a	b
		31.12.2021	Reference <sup>1</sup>
<b>Common equity (CET1)</b>			
1	Issued and paid-in capital, fully eligible	73,710	b
2	Retained earnings reserves, including reserves for general banking risks, profit carry forward and profit for the period <sup>2</sup>	1,423,249	
3	Capital reserves and foreign currency translation reserve (+/-)	(29,347)	c
6	<b>Common Equity Tier 1 capital before regulatory adjustments</b>	<b>1,467,612</b>	
<b>CET1 regulatory adjustments</b>			
28	<b>Total regulatory adjustments to CET1</b>	-	
29	<b>Common Equity Tier 1 capital (net CET1)</b>	<b>1,467,612</b>	
<b>Additional Tier 1 capital (AT1)</b>			
30	Issued and paid in instruments, fully eligible	17,068	a
32	<i>of which: classified as liabilities</i>	17,068	
36	<b>Additional Tier 1 capital before regulatory adjustments</b>	<b>17,068</b>	
<b>Additional Tier 1 capital regulatory adjustments</b>			
43	<b>Total regulatory adjustments to AT1</b>	-	
44	<b>Additional Tier 1 capital (net AT1)</b>	<b>17,068</b>	
45	<b>Tier 1 capital (net Tier 1)</b>	<b>1,484,680</b>	
<b>Tier 2 capital (T2)</b>			
46	Issued and paid in instruments, fully eligible	-	
51	<b>Tier 2 capital before regulatory adjustments</b>	-	
<b>Tier 2 capital regulatory adjustments</b>			
57	<b>Total regulatory adjustments to T2</b>	-	
58	<b>Tier 2 capital (net T2)</b>	-	
59	<b>Total regulatory capital (net T1 &amp; T2)</b>	<b>1,484,680</b>	
60	<b>Total risk-weighted assets (RWA)</b>	<b>5,145,264</b>	
<b>Capital ratios</b>			
61	CET1 ratio (item 29, as a % of RWA)	28.5%	
62	T1 ratio (item 45, as a % of RWA)	28.9%	
63	Regulatory capital ratio (item 59, as a % of RWA)	28.9%	
64	Institution specific CET1 buffer (capital conservation buffer + countercyclical buffer + capital buffer for systemically important banks) (as a % of RWA)	2.5%	
65	<i>of which, capital buffer in accordance with Basel minimum standards (as a % of RWA)</i>	2.5%	
68	CET1 available to meet buffer requirements as per the Basel minimum standards, after deduction of the CET1 covering minimum requirements (as a % of RWA)	20.9%	
68a	CET1 total requirement target in accordance with Annex 8 of the CAO plus the countercyclical buffer in accordance with CAO, Art. 44 and 44a (as a % of RWA)	7.8%	
68b	<i>of which: countercyclical buffer in accordance with CAO, Art. 44 and 44a (as a % of RWA)</i>	0.0%	
68c	CET1 available (as a % of RWA)	24.7%	
68d	T1 total requirement in accordance with Annex 8 of the CAO plus the countercyclical buffer in accordance with CAO, Art. 44 and 44a (as a % of RWA)	9.6%	
68e	T1 available (as a % of RWA)	26.5%	
68f	Total requirement for regulatory capital as per Annex 8 of the CAO plus the countercyclical buffer in accordance with CAO, Art. 44 and 44a (as a % of RWA)	12.0%	
68g	Regulatory capital available (as a % of RWA)	28.9%	

<sup>1</sup> Reference is made to items reconciling to the balance sheet as disclosed in table CC2 “Reconciliation of financial statements and regulatory exposure”.

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

## CC2 – Reconciliation of financial statements and regulatory exposure

In thousands CHF

	a	c
<b>Consolidated balance sheet</b>	<b>31.12.2021</b>	
	According to the financial statements	Reference <sup>1</sup>
<b>Assets</b>		
Liquid assets	10,359,465	
Amounts due from banks	1,075,293	
Amounts due from customers	5,533,399	
Positive replacement values of derivative financial instruments	390,160	
Other financial instruments at fair value	560,735	
Financial investments	3,763,567	
Accrued income and prepaid expenses	165,884	
Non-consolidated participations	11,177	
Tangible fixed assets	272,854	
Other assets	56,429	
<b>Total assets</b>	<b>22,188,963</b>	
<b>Liabilities</b>		
Amounts due to banks	1,098,562	
Amounts due in respect of customer deposits	17,855,351	
Negative replacement values of derivative financial instruments	468,177	
Liabilities from other financial instruments at fair value	595,568	
Accrued expenses and deferred income	488,670	
Other liabilities	106,652	
Provisions	103,825	
<i>of which deferred tax</i>	-	
<b>Total liabilities</b>	<b>20,716,805</b>	
<i>of which subordinated liabilities eligible as Tier 2 capital (T2)</i>	-	
<i>of which subordinated liabilities eligible as additional Tier 1 capital (AT1) <sup>2</sup></i>	17,068	a
<b>Shareholders' equity</b>		
Reserves for general banking risks	477,878	
Capital	73,710	b
<i>of which recognized as CET1</i>	73,710	
<i>of which recognized as AT1</i>	-	
Retained earnings reserve	679,809	
Foreign currency translation reserve	(29,347)	c
Consolidated profit	270,108	
<b>Total shareholders' equity</b>	<b>1,472,158</b>	
<b>Total liabilities and shareholders' equity</b>	<b>22,188,963</b>	

<sup>1</sup> For the reconciliation of individual balance sheet amounts, the listed reference numbers in this table set a link to a corresponding reference number in table CC1 - Composition of regulatory capital.

<sup>2</sup> The amount of the subordinated liabilities is totaling CHF 22.8 million as at 31 December 2021, to which an haircut of 25% was applied in the regulatory capital calculation.

## CCA – Main features of regulatory capital instruments

1	Issuer	Compagnie Lombard Odier SCmA	LO Holding SA
3	Governing law of the instrument	Swiss Law	Swiss Law
<b>Regulatory treatment</b>			
4	Transitional Basel III rules	Common Equity Tier 1	Common Equity Tier 1
6	Eligible at single-entity, group/single-entity and group levels	Group	Group
7	Equity securities/debt securities/hybrid instruments/other instruments	Equity	Participation certificates
8	Amount recognised in regulatory capital (as per most recent capital adequacy report)	CHF 73,700,100	CHF 10,000
9	Par value of instrument	7,360,000 shares A at a par value of CHF 10 and 100,100 shares B at a par value of CHF 1	100 participation certificates at a par value of CHF 100
10	Accounting classification	Capital	Capital
11	Original date of issuance	23.12.1989	06.12.2016
12	Perpetual or dated	Perpetual	Perpetual
13	Original maturity date	No maturity date	No maturity date
14	Issuer call (subject to prior approval from supervisory authority)	No	No
<b>Coupons/dividends</b>			
17	Fixed or variable coupon or dividend	Variable	Variable
20	Fully discretionary, partially discretionary or mandatory	Class A shares : fully discretionary Class B shares : partially discretionary, preferred stocks with respect to a dividend of 50% of the par value.	Fully discretionary
21	Existence of step up or other incentive to redeem	No	No
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible
30	Write-down feature	No	No
36	Features that prevent full recognition under Basel III	No	No

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

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

# Leverage Ratio

## LR1 – Summary comparison of accounting assets vs leverage ratio exposure measure

In thousands CHF		a
<b>Object</b>		<b>31.12.2021</b>
1 Total consolidated assets as per published financial statements		22,188,963
4 Adjustment for derivative financial instruments		210,059
6 Adjustment for off-balance-sheet items (i.e. conversion to credit equivalent amounts of off-balance-sheet exposures)		931,205
<b>8 Leverage ratio exposure</b>		<b>23,330,227</b>

## LR2 – Leverage ratio common disclosure

In thousands CHF		a	b
		31.12.2021	31.12.2020
<b>On-balance-sheet exposures</b>			
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral) <sup>1</sup>	21,798,802	10,442,012
<b>3</b>	<b>Total on-balance sheet exposures within the leverage ratio framework, excluding derivatives and SFTs</b>	<b>21,798,802</b>	<b>10,442,012</b>
<b>Derivatives</b>			
4	Replacement costs associated with all derivatives transactions, including those with CCPs (net of eligible cash variation margin and/or with bilateral netting)	115,527	122,960
5	Add-on amounts for PFE associated with all derivatives transactions	530,678	487,619
7	(Deduction of receivables assets for cash variation margin provided in derivatives transactions)	(45,986)	(86,759)
<b>11</b>	<b>Total derivative exposures</b>	<b>600,219</b>	<b>523,820</b>
<b>Other off-balance-sheet exposures</b>			
17	Off-balance-sheet exposure at gross national amounts before application of credit conversion factors	1,599,122	1,418,798
18	(Adjustments for conversion to credit equivalent amounts)	(667,917)	(638,340)
<b>19</b>	<b>Total off-balance-sheet items</b>	<b>931,205</b>	<b>780,458</b>
<b>Eligible capital and total exposures</b>			
<b>20</b>	<b>Tier 1 capital</b>	<b>1,484,680</b>	<b>1,416,563</b>
<b>21</b>	<b>Total exposure</b>	<b>23,330,227</b>	<b>11,746,290</b>
<b>Leverage ratio</b>			
<b>22</b>	<b>Leverage ratio</b>	<b>6.4%</b>	<b>12.1%</b>

<sup>1</sup> In accordance with FINMA Guidance 02/2020 “Temporary exemptions for banks due to the COVID-19 crisis” dated 31 March 2020, deposits held at central banks in all currencies pursuant to margin nos. 5 and 7 of Annex 1 to FINMA Circular 2020/1 “Accounting – banks” were excluded in the calculation of the leverage ratio as at 31 December 2020.



# Liquidity Risk (LIQA)

## Governance

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

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

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

The Group Treasury is the counterparty for the Group legal entities regarding their financing operations.

## Risk assessment

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

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

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

## Contingency Plan

The Group Lombard Odier contingency plans relies on three pillars:

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

The contingency plan is reviewed on an annual basis.

## **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.

### **Derivative exposure and potential collateral calls**

Derivative exposures are mainly from, but not limited to foreign-exchange forwards and 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 45% of deposits are held into accounts with cash balances below CHF 5 million which represent more than 98% of the client accounts.

## LIQ1 – Liquidity coverage ratio

In thousands CHF

	Q4 2021		Q3 2021	
	3-month average		3-month average	
	unweighted values	weighted values	unweighted values	weighted values
<b>A. High-quality liquid assets (HQLA)</b>				
<b>1 Total high-quality liquid assets (HQLA)</b>		<b>13,179,717</b>		<b>12,968,815</b>
<b>B. Cash outflows</b>				
2 Retail deposits	8,914,828	1,297,933	8,779,598	1,268,605
4 <i>of which, less stable deposits</i>	<i>8,914,828</i>	<i>1,297,933</i>	<i>8,779,598</i>	<i>1,268,605</i>
5 Unsecured wholesale funding	9,824,066	6,657,894	9,286,370	5,947,342
7 <i>of which, non-operational deposits (all counterparties)</i>	<i>9,824,066</i>	<i>6,657,894</i>	<i>9,286,370</i>	<i>5,947,342</i>
9 Secured wholesale funding and collateral swaps	142,923	3,775	318,562	532
10 Other outflows	2,356,373	912,413	2,262,248	870,268
11 <i>of which, outflows related to derivative exposures and other transactions</i>	<i>1,139,766</i>	<i>698,881</i>	<i>1,137,891</i>	<i>678,328</i>
13 <i>of which, outflows related to committed credit and liquidity facilities</i>	<i>1,216,607</i>	<i>213,532</i>	<i>1,124,357</i>	<i>191,940</i>
15 Other contingent funding obligations	4,722,721	16,587	4,579,438	16,913
<b>16 Total cash outflows</b>		<b>8,888,602</b>		<b>8,103,660</b>
<b>C. Cash inflows</b>				
17 Secured lending (e.g. reverse repos)	1,615	1,615	794	794
18 Inflows from fully performing exposures	3,516,242	2,390,502	2,893,510	1,816,918
19 Other cash inflows	85,698	85,698	72,576	72,576
<b>20 Total cash inflows</b>	<b>3,603,556</b>	<b>2,477,816</b>	<b>2,966,880</b>	<b>1,890,288</b>
		<b>Adjusted values</b>		<b>Adjusted values</b>
<b>21 Total high-quality liquid assets (HQLA)</b>		<b>13,179,717</b>		<b>12,968,815</b>
<b>22 Total net cash outflows</b>		<b>6,410,787</b>		<b>6,213,372</b>
<b>23 Liquidity coverage ratio (in %)</b>		<b>205.6%</b>		<b>208.7%</b>

In the table above the LCR figures are disclosed as 3-month average value per quarter. The ratio remains significantly above the regulatory required minimum ratio of 100%.

## LIQ2 – Net Stable Funding Ratio (NSFR)

In thousands CHF

31.12.2021					
	a	b	c	d	e
Unweighted value by residual maturity					Weighted value
	No maturity	< 6 months	6 months to < 1 year	>= 1 year	
<b>Available stable funding (ASF)</b>					
1 Capital:	1,484,680	-	-	-	1,484,680
2 <i>Regulatory capital</i>	1,484,680	-	-	-	1,484,680
4 Retail deposits and deposits from small business customers:	8,907,625	111,068	250	13,000	8,130,049
6 <i>Less stable deposits</i>	8,907,625	111,068	250	13,000	8,130,049
7 Wholesale funding:	5,042,622	100,391	-	-	2,571,506
9 <i>Other wholesale funding</i>	5,042,622	100,391	-	-	2,571,506
11 Other liabilities:	5,963,062	288,492	54,540	161,017	10,009
12 <i>NSFR derivative liabilities</i>	-	272,402	54,540	1,004	-
13 <i>All other liabilities and equity not included in the above categories</i>	5,963,062	-	-	160,014	10,009
<b>14 Total ASF</b>					<b>12,196,244</b>
<b>Required stable funding (RSF)</b>					
15 Total NSFR high-quality liquid assets (HQLA)	10,358,759	210,702	533,016	2,650,261	457,715
17 Performing loans and securities:	1,627,981	4,103,239	884,076	871,467	3,497,219
18 <i>Performing loans to financial institutions secured by Level 1 and 2a HQLA</i>	-	-	-	-	-
19 <i>Performing loans to financial institutions secured by non-Level 1 or 2a HQLA and unsecured performing loans to financial institutions</i>	1,256,038	352,868	85,039	9,347	293,202
20 <i>Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:</i>	201,789	3,732,896	768,869	149,215	2,478,610
21 <i>With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk</i>	-	-	-	-	-
24 <i>Securities that are not in default and do not qualify as HQLA, including exchange-traded equities</i>	170,153	17,476	30,168	712,905	725,407
26 Other assets:	485,836	11,304	3,227	578,740	603,628
29 <i>NSFR derivative assets</i>	-	-	-	472,157	-
31 <i>All other assets not included in the above categories</i>	485,836	11,304	3,227	106,583	603,628
32 Off-balance sheet items	-	56,166	46,692	1,497,642	79,956
<b>33 Total RSF</b>					<b>4,638,518</b>
<b>34 Net Stable Funding Ratio (%)</b>					<b>263%</b>

## LIQ2 – Net Stable Funding Ratio (NSFR)

	30.09.2021				
	a	b	c	d	e
	Unweighted value by residual maturity				Weighted value
No maturity	< 6 months	6 months to < 1 year	>= 1 year		
<b>Available stable funding (ASF)</b>					
1 Capital:	1,456,364	-	-	-	1,456,364
2 <i>Regulatory capital</i>	1,456,364	-	-	-	1,456,364
4 Retail deposits and deposits from small business customers:	8,761,897	84,867	-	11,500	7,973,587
6 <i>Less stable deposits</i>	8,761,897	84,867	-	11,500	7,973,587
7 Wholesale funding:	5,806,040	90,018	-	-	2,948,029
9 <i>Other wholesale funding</i>	5,806,040	90,018	-	-	2,948,029
11 Other liabilities:	5,535,482	341,928	36,133	171,193	9,034
12 <i>NSFR derivative liabilities</i>	-	322,811	36,133	846	-
13 <i>All other liabilities and equity not included in the above categories</i>	5,535,482	-	-	170,347	9,034
<b>14 Total ASF</b>					<b>12,387,014</b>
<b>Required stable funding (RSF)</b>					
15 Total NSFR high-quality liquid assets (HQLA)	10,610,635	242,916	552,575	2,569,520	460,476
17 Performing loans and securities:	1,357,578	3,841,674	1,041,668	835,303	3,402,551
18 <i>Performing loans to financial institutions secured by Level 1 and 2a HQLA</i>	-	-	-	-	-
19 <i>Performing loans to financial institutions secured by non-Level 1 or 2a HQLA and unsecured performing loans to financial institutions</i>	981,854	281,401	129,671	10,633	264,957
20 <i>Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:</i>	237,563	3,535,444	876,295	122,413	2,428,703
21 <i>With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk</i>	-	-	-	-	-
24 <i>Securities that are not in default and do not qualify as HQLA, including exchange-traded equities</i>	138,161	24,829	35,701	702,257	708,891
26 Other assets:	464,182	10,716	3,613	936,030	813,774
29 <i>NSFR derivative assets</i>	-	-	-	822,499	224,272
31 <i>All other assets not included in the above categories</i>	464,182	10,716	3,613	113,531	589,502
32 Off-balance sheet items	-	35,189	60,408	1,241,118	74,986
<b>33 Total RSF</b>					<b>4,751,787</b>
<b>34 Net Stable Funding Ratio (%)</b>					<b>261%</b>

The Net stable funding ratio (NSFR) entered into force on July 1<sup>st</sup>, 2021 at the same time of the amendments to the Capital Adequacy Ordinance dated 11 September 2020.

In the fourth quarter of 2021, the NSFR increased 2 percentage point to 263%, remaining above the prudential requirement communicated by FINMA. This reflected a CHF 190.9 million increase in available stable funding, mainly driven by higher retail deposits and deposits from small business customers.

## Credit Risk (CRA)

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

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

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

### Client credit risk

The Group's client credit risk is generated through two forms of activity both secured by a pledge of 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 exposures, which may include credit commitments (bank guarantees and subscriptions on behalf of clients to Private Equity or other investment vehicles employing capital calls) and positions that require a credit margin such as derivatives.

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

The credit exposure amount, market value and lending value of the pledged assets are valued and monitored on a daily basis using a standard suite of haircuts specified in the credit-risk policy of Lombard Odier Group. Where coverage is insufficient, margin calls are made, and the Group may sell the pledged assets if needed to repay loans or cover other credit exposures.

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

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

### Counterparty credit risk

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

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

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

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

Counterparty risk is managed through a combination of limits that cover the various instrument types arising from the Group's activities. Limits are set where the Group acts as principal towards counterparties (direct risk) but also where it acts as agent on its clients' behalf (indirect risk).

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

The Risk Management unit monitors the change in the quality of service of counterparties, their financial soundness and the macroeconomic situation. It proposes changes to the limits wherever necessary. Counterparty risk limit usage is monitored daily, by both the 1<sup>st</sup> line (traders and treasurers) and the 2<sup>nd</sup> line of defense (Risk Management unit).

## **Governance**

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

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

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

## **Default risk (CR1)**

At the end of 2021 Lombard Odier Group had no credit provisions and no loans to clients were considered doubtful.

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

## **Credit risk mitigation (CRC)**

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

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

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

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

## CR2 – Credit risk: Changes in the stock of defaulted and impaired loans and debt securities

In thousands CHF		a
		<b>31.12.2021</b>
1	Defaulted loans and debt securities at end of previous reporting period	22
2	Loans and debt securities that have defaulted since the last reporting period	-
4	Amounts written down or written off	(22)
<b>6</b>	<b>Defaulted loans and debt securities at end of reporting period</b>	<b>-</b>

## CRB – Credit risk: Breakdown of exposures by geographical area

	Switzerland	Europe	Americas	Asia/Pacific	Other countries	Total
	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF
<b>Balance sheet / loans</b>						
Liquid assets	9,428,585	930,379	477	22	-	10,359,465
Amounts due from banks	519,517	455,139	9,078	21,834	1,613	1,007,181
Amounts due from customers	967,875	2,511,733	1,320,185	682,154	50,798	5,532,746
Financial investments	125,129	2,540,382	853,495	191,102	22,955	3,733,063
Other assets	93,756	88,182	42,600	9,092	223	233,853
<b>Total</b>	<b>11,134,863</b>	<b>6,525,815</b>	<b>2,225,835</b>	<b>904,205</b>	<b>75,589</b>	<b>20,866,308</b>
<b>Off-balance sheet exposures</b>						
Contingent liabilities	126,529	125,042	54,012	19,834	5,458	330,875
Irrevocable commitments	392,728	440,169	337,003	92,348	6,001	1,268,248
<b>Total current year</b>	<b>519,257</b>	<b>565,211</b>	<b>391,015</b>	<b>112,182</b>	<b>11,458</b>	<b>1,599,123</b>

The geographical distribution of risk is based on the risk domicile principle.



## CRB – Credit risk: Breakdown of exposures by sectors

	Central governments and central banks	Banks and brokers	Public bodies	Corporates	Retail	Other exposures	Total
	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF
<b>Balance sheet / loans</b>							
Liquid assets	10,351,620	-	-	-	-	7,844	10,359,465
Amounts due from banks	43,297	963,884	-	-	-	-	1,007,181
Amounts due from customers	-	-	-	684,135	4,848,610	-	5,532,746
Financial investments	2,012,759	410,204	685,805	612,644	-	11,650	3,733,063
Other assets	22,457	7,834	4,350	19,754	10,187	169,272	233,854
<b>Total</b>	<b>12,430,134</b>	<b>1,381,922</b>	<b>690,155</b>	<b>1,316,534</b>	<b>4,858,797</b>	<b>188,767</b>	<b>20,866,308</b>
<b>Off-balance sheet exposures</b>							
Contingent liabilities	-	69,323	-	9,754	251,798	-	330,875
Irrevocable commitments	-	1,805	14,597	213,928	1,037,918	-	1,268,248
<b>Total current year</b>	<b>-</b>	<b>71,128</b>	<b>14,597</b>	<b>223,682</b>	<b>1,289,716</b>	<b>-</b>	<b>1,599,123</b>

## CRB – Credit risk: Breakdown of exposures by maturity

	At sight	Callable	Residual term				Total
			within 3 months	between 3 and 12 months	between 12 months and 5 years	after 5 years	
	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF
<b>Balance sheet / loans</b>							
Liquid assets	10,359,465	-	-	-	-	-	10,359,465
Amounts due from banks	1,007,181	-	-	-	-	-	1,007,181
Amounts due from customers	84,422	349,831	3,357,625	1,600,064	140,804	-	5,532,746
Financial investments	8,639	-	121,053	630,016	2,684,250	289,106	3,733,063
Other exposures	233,853	-	-	-	-	-	233,853
<b>Total</b>	<b>11,693,559</b>	<b>349,831</b>	<b>3,478,678</b>	<b>2,230,080</b>	<b>2,825,054</b>	<b>289,106</b>	<b>20,866,308</b>
<b>Off-balance sheet exposures</b>							
Contingent liabilities	-	-	12,026	80,322	47,537	190,990	330,875
Irrevocable commitments	-	-	-	24,490	79,599	1,164,159	1,268,248
<b>Total current year</b>	<b>-</b>	<b>-</b>	<b>12,026</b>	<b>104,813</b>	<b>127,136</b>	<b>1,355,148</b>	<b>1,599,123</b>

## CR3 – Credit risk: Overview of mitigation techniques

	a	b1	b	d	f
	Exposures unsecured / carrying amount	Exposures secured / carrying amount	Of which : exposures secured by collateral	Of which : exposures secured by financial guarantees	Of which : exposures secured by credit derivatives
	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF
1 Loans (excluding debt securities)	969,338	5,570,589	4,687,841		
2 Debt securities	3,732,727	-	-		
<b>3 Total at 31 December 2021</b>	<b>4,702,065</b>	<b>5,570,589</b>	<b>4,687,841</b>	-	-
<i>of which defaulted</i>	-	-	-	-	-

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

## CR4 – Credit risk: Exposure and credit risk mitigation (CRM) effects under the standardised approach

Asset classes	a	b	c	d	e	f
	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA	RWA density
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount		
In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF		%	
1 Central governments and central banks	12,430,134	-	12,430,134	-	270	0
2 Banks and securities firms	1,381,922	71,128	948,563	34,493	211,642	22
3 Public sector entities and multilateral development banks	690,155	14,597	690,155	7,286	34,610	5
4 Corporates	1,316,533	223,682	786,987	35,300	375,155	46
5 Retail	4,858,797	1,289,716	1,127,311	104,336	1,180,986	96
6 Equity securities	11,878	-	11,878	-	17,812	150
7 Other assets	176,889	-	176,889	-	146,564	83
8 <b>Total at 31 December 2021</b>	<b>20,866,308</b>	<b>1,599,123</b>	<b>16,171,916</b>	<b>181,416</b>	<b>1,967,038</b>	<b>12</b>

### Use of external ratings (CRD)

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

Risk Weighted Assets relating to credit risk are impacted by changes in external credit ratings as the Group applies the AS-BRI approach. Indeed, the capital requirements for credit risks in the banking sector (FINMA Circular 2017/7 "Credit Risks – Banks") and the Capital Adequacy Ordinance (CAO) make use of external credit ratings. They impact respectively the weighting applicable for exposure towards financial counterparties, and the pledge value of the clients' pledged assets, indirectly impacting the Group client-credit RWA.

## CR5 – Credit risk: Exposures by category and risk weights under the standardized approach

In thousands CHF

Risk weight	a	b	c	d	e	f	g	h	j	
	0	10%	20%	35%	50%	75%	100%	150%	Total credit exposures amount (post-CCF and post-CRM)	
<b>Asset classes</b>										
1	Central governments and central banks	12,429,819		-		89	-	226	-	12,430,134
2	Banks and securities firms	1,000		938,345		39,478	-	4,234	-	983,057
3	Public sector entities and multilateral development banks	526,550		169,454		1,438	-	-	-	697,441
4	Corporates	18,846		399,596		215,737	-	188,108	-	822,288
5	Retail	-		-		-	202,644	1,029,002	-	1,231,647
6	Equity securities	-		-		-	-	8	11,869	11,878
7	Other exposures	21,732		11,667		-	-	143,490	-	176,889
8	<b>Total at 31 December 2021</b>	<b>12,997,946</b>	<b>-</b>	<b>1,519,062</b>	<b>-</b>	<b>256,742</b>	<b>202,644</b>	<b>1,365,068</b>	<b>11,869</b>	<b>16,353,332</b>

## Counterparty Credit Risk (CCRA)

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

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

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

### CCR3 – Counterparty credit risk: Standardized approach to CCR exposures by exposure category and risk weights

In thousands CHF

Risk weight	a	b	c	d	e	f	g	h	i
	0	10%	20%	50%	75%	100%	150%	Other	Total credit exposure
<b>Asset classes</b>									
1 Central governments and central banks			-	-		-			-
2 Banks and securities firms			131,771	136,414		5			268,190
3 Public sector entities and multilateral development banks			-	3		336			339
4 Corporates			-	-		52,966			52,966
5 Retail			-	-		37,765			37,765
7 Other exposures			-	-		1,753			1,753
8 <b>Total at 31 December 2021</b>	-	-	<b>131,771</b>	<b>136,418</b>	-	<b>92,824</b>	-	-	<b>361,013</b>

### CCR5 – Counterparty credit risk: Composition of collateral for CCR exposure

In thousands CHF

Type of collateral	a	b	c	d	e	f
	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Non-segregated	Segregated	Non-segregated		
Cash in CHF		10,070	-	7,690		-
Cash in other currencies		77,491	-	38,297		22,779
Other sovereign debt		-	208,764	-		10,486 <sup>1</sup>
Government agency debt		-	63,912	-		12,195 <sup>1</sup>
Corporate bonds		-	10,568	-		41,613 <sup>1</sup>
<b>Total at 31 December 2021</b>	-	<b>87,561</b>	<b>283,244</b>	<b>45,987</b>	-	<b>87,073</b>

<sup>1</sup> Collateral posted for SFTs executed for the account of our clients.

## CCR8 – Counterparty credit risk: Exposures to central counterparties

In thousands CHF

	a	b
	EAD (post-CRM)	RWA
1 Exposures to QCCPs (total)		1,489
2 Exposures for trades at QCCPs (excluding initial margin and default fund contribution)	51,654	1,033
4 of which exchange-traded derivatives	51,654	1,033
7 Segregated initial margin	283,244	
8 Non-segregated initial margin	22,779	456

## Market Risk (MRA)

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

### MR1 – Market risk: Minimal capital requirements under standardised approach

In thousands CHF

	a RWA 31.12.2021
<b>Outright products *</b>	
1 Interest-rate risk (general and specific)	32,673
2 Equity risk (general and specific)	1,461
3 Foreign-exchange risk	67,062
4 Commodity risk	649
<b>Options</b>	
6 Delta-plus method	4,577
<b>9 Total</b>	<b>106,423</b>

\*Outright refers to products that are not optional

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

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

Limits are defined for the banking book and the trading book at a global level; they are reviewed at least annually. For the latter, sub-limits are defined for each trading activity. Market risk associated with trading activities is managed and controlled by the bearer of the risk (trading desks as 1<sup>st</sup> line of defense), and then independently controlled by the Risk Management unit through daily and intraday controls.

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

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

# Interest rate risk in the banking book

## Qualitative disclosures (IRRBB)

### a) Definition of interest rate in the banking book for the purpose of risk control and measurement

The Group defines interest rate in the banking book (IRRBB) as risk of losses, or reduced income, due to mismatches in the sensitivity of the Group assets and liabilities to interest rate movements within the banking book.

IRRBB comprises:

Repricing risk (mismatch risk) - difference in the maturity and repricing of bank assets, liabilities and off-balance sheet positions.

Basis Risk - imperfect correlation in the adjustment of the rates earned and paid on different instruments with otherwise similar repricing characteristics.

Option Risk - the risk related to interest-related option embedded in bank products. Such embedded optionality may exist, where the bank or its customers can make elections such as prepayment of a loan or early redemption of a deposit that alter the timing and amount of their cash flows.

The main IRRBB risk factor for the Group is the dislocation of the main currencies yield curves impacting mismatches within the term structure of the Group's banking book from both balance-sheet and off-balance-sheet positions.

### b) Group IRRBB management and risk mitigation strategies

IRRBB is managed within the Group's market risk framework. The Administration defines the global business strategy and in particular, the investment strategies for the Group. In addition, it performs the annual review approval of the Group Market Risk Policy which includes the Market Risk Limit Framework where the risk tolerance for IRRBB sits.

Interest rate risk in the banking book is managed by the Finance, Risk & Due Diligence Committee (hereafter the "Group Risk Committee" or the "GRC") and monitored by the Risk Management Unit in accordance with the principles and maximum limits fixed in the Group Market Risk Policy.

### c) Risk assessment frequency and key indicators

IRRBB is assessed daily with primary risk indicators, such as duration and on/off-balance sheet exposures.

On a quarterly basis, the Group assesses the following interest rate risk indicators:

- Economic Value of Equity (EVE) measures the difference in the present value of the assets and liabilities excluding equity. The EVE sensitivity ( $\Delta$ EVE) measures the change in EVE resulting from an interest rate shock. EVE sensitivity is computed with the assumption that the maturing positions in the Banking book are not replaced by any new contracts. .
- Net Interest Income sensitivity ( $\Delta$ NII) is defined by the impact of changes in interest rate on the Group's earnings. The  $\Delta$ NII is measured by the changes in the net interest income assuming a constant balance sheet, where maturing or repricing cash flows are replaced by new contracts with identical features such as amount, repricing period and spread components.

### d) Interest rate shocks and stress scenarios

The Group applies the six interest rate shock scenarios as prescribed in the Basel guidance and by the FINMA (namely parallel up, parallel down, short rate up, short rate down, flattener and steepener), as well as 3 additional scenarios (2 specific for interest rates and 1 for credit spread). While all scenarios are applied for  $\Delta$ EVE computations, only the parallel shocks are utilized to compute the  $\Delta$ NII using the income approach.

### e) Model assumptions deviations

The Group's internal risk indicators are calculated based on the same assumptions than the one used to calculate the indicators given in table IRRBB1.

### f) Hedging strategies and accounting treatment

The Group primarily maintains its risk position within the desired level through adjustments to balance sheet composition. IRRBB hedging decisions are taken by the GRC and executed by the Treasury department.



The Group uses fair value hedges when a derivative financial instrument hedges the exposure to changes in the fair value of the hedged item, in order to mitigate interest rate risks of its assets and liabilities. The Group uses cash flow hedges when a derivative financial instrument hedges the exposure to variability in the cash flows from a hedged item, in order to mitigate a particular risk associated with an asset or liability or highly probable forecast transaction.

Hedging transactions are booked in accordance with FINMA circular 2020/1 “Accounting rules for banks, securities dealers, financial groups and conglomerates” (refer to the accounting and valuation principles described in the notes to the consolidated financial statements included in the 2021 Financial Report Lombard Odier Group available on our website [www.lombardodier.com](http://www.lombardodier.com)).

**g) Modelling and parameter assumptions used when calculating  $\Delta$ EVE and  $\Delta$ NII in table IRRBB1**

**g.1. Changes in the economic value of equity ( $\Delta$ EVE) - Determination of payment streams**

The EVE is computed under the assumption that maturing positions in the banking book are not replaced with new contracts. Nominal and interest cash flows are determined at single position level both for on/off-balance sheet instruments.

**g.2. Changes in the economic value of equity ( $\Delta$ EVE) - Mapping approach**

Cash flows are mapped to their exact effective payment or repricing date and then discounted.

**g.3. Changes in the economic value of equity ( $\Delta$ EVE) - Discounting and interpolation methods**

The curve used for discounting cash flows are risk-free rate curves, built with a bootstrapping method on market data.

**g.4. Changes in the net interest income ( $\Delta$ NII)**

The  $\Delta$ NII is computed under the assumption of a constant balance sheet, where maturing instruments are replaced with positions with the same characteristics. The Group computes the impact on on/off balance sheet under interest rate curve parallel shift up and down. Given current market conditions, the Group considers cash to central banks exceeding the exemption threshold, as sensitive to interest rate changes.

**g.5. Non-maturing exposures**

A statistical model based on historical data of volumes of client non-maturing deposits allows the Group to distinguish stable and non-stable client deposits. Stable deposits are defined as those where client behavior is not sensitive to interest rate. These stable deposits are modelled as a synthetic portfolio of term deposits. Non maturing deposits are slotted into the appropriate time bucket as follows:

- i. Non-stable volume is considered at overnight and accordingly placed into the shortest/overnight time bucket
- ii. Stable volume is slotted to the suitable short-to-mid term maturity

**g.6. Exposures with pay-back options**

Credit in the Group has a small duration (0.28 years as of 31.12.2021), therefore no early pay-back is modelled.

**g.7. Term deposits**

The Group structurally has very limited term deposits. Early redemption impact is negligible..

**g.8. Automatic interest rate options**

In the modelling of  $\Delta$ NII, automatic options are in place in order to reflect interest rate conditions applicable to deposits and loans. Client loans are floored at a zero interest rate. Client deposits and deposits to central banks are capped at zero interest rate. These automatic options have not been considered for EVE and  $\Delta$ EVE computation due to the very short duration of these balance sheet categories.

**g.9. Derivative exposure**

Hedging instruments mainly consist of interest rate swaps. Derivatives instruments are used for cash flow hedging purposes.

**g.10. Other assumptions**

EVE and NII are computed in detail for EUR, USD and CHF in accordance with FINMA’s prescriptions. For internal reporting, in addition to these currencies, NII is also computed for GBP. All other currencies are aggregated in the “Other currency” category, considering perfect correlation between currencies.

## Quantitative disclosures

### IRRBB A1 – Interest-rate risk – Quantitative information on the structure of positions, and maturity repricing

		a	b	c	d	e	f	g
		Volume in CHF thousands			Average repricing maturity (in years)		Longest repricing maturity (in years) assigned to non-maturity positions	
		Total	Of which CHF	Of which other significant currencies representing more than 10% of the balance sheet total CHF	Total	Of which CHF	Total	Of which CHF
<b>Positions with a set repricing maturity</b>	Amounts due from banks	-	-	-	0.00	0.00		
	Amounts due from customers	5,124,389	1,073,909	3,233,907	0.30	0.34		
	Financial investments	3,800,552	112,882	3,656,750	2.64	3.72		
	Other assets	-	-	-	0.00	0.00		
	Receivables from interest-rate derivatives	6,422,686	431,226	5,004,358	0.39	0.49		
	Amounts due to banks	-	-	-	0.00	0.00		
	Amounts due in respect of customer deposits	(42,805)	(42,805)	0	0.89	0.89		
	Other liabilities	-	-	-	0.00	0.00		
	Liabilities from interest-rate derivatives	(6,601,500)	(5,367,737)	(784,309)	0.44	0.48		
<b>Positions with no set repricing maturity</b>	Amounts due from banks	1,072,641	493,200	544,549	0.08	0.08		
	Amounts due from customers	451,835	58,954	174,082	0.08	0.08		
	Sight liabilities in personal and current accounts	(17,327,488)	(3,706,235)	(12,274,083)	0.95	0.95		
	Other liabilities	(1,601,119)	(351,932)	(914,869)	0.08	0.08		
	<b>Total</b>	<b>(8,700,810)</b>	<b>(7,298,538)</b>	<b>(1,359,615)</b>	<b>0.59</b>	<b>0.70</b>	<b>7.00</b>	<b>7.00</b>

Swap positions, such as for example interest rate swaps, cross-currency swaps and forex exchange swaps, are reported with two legs – a receivables leg and a payables leg – and are recorded, therefore, under both “Receivables from interest rate derivatives” and “Liabilities from interest rate derivatives”. Fixed income securities are reported in terms of nominal values (interest rate risk view).

## IRRBB1 – Interest-rate risk – Quantitative information on the economic value of equity and net interest income

In thousands CHF

	$\Delta$ EVE	$\Delta$ NII	$\Delta$ EVE	$\Delta$ NII
	<b>31.12.2021</b>		<b>31.12.2020</b>	
Parallel up	71,224	117,826	26,805	87,870
Parallel down	(89,174)	42,397	(37,847)	59,077
Steeper	82,234		63,563	
Flattener	(69,068)		(57,971)	
Short rate up	(40,567)		(43,608)	
Short rate down	41,712		44,856	
Maximum	71,224	42,397	26,805	59,077
Tier 1 capital	1,484,680		1,416,563	

The amounts reported in the table above have been calculated in accordance with FINMA Circular 2016/1, “Disclosure – banks.” The six interest-rate scenarios used are defined in FINMA Circular 2019/2, “Interest rate risk – banks.” A general description of significant modelling and parameter assumptions used when calculating  $\Delta$ EVE and  $\Delta$ NII in the table below are described in section G.

## Operational Risks (ORA)

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

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

The Group is prepared to accept operational risks on the strict condition that they are in line with the implementation of its strategy and business policy, and that compliance with the regulations and laws of the markets in which it operates is ensured at all times. The Group has issued 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 defence with respect to the identification, evaluation and management of these risks, and the proactive implementation of improvement measures.

The second line of defence, represented in particular by Risk Management and Compliance, is responsible for the supervision and monitoring of operational risk. They also offer specialist 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 notification, review, approval and escalation requirements. Such incidents are reported and analysed to ensure that suitable corrective and preventive measures can be taken to reduce the frequency and materiality 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 technology and cyber security, the Group has set up the technology, information security and cyber risk management framework according to FINMA's requirements. Processes and controls are implemented within the organization to ensure the confidentiality, the integrity and the availability of the Information Systems as well as the identification of potential threats, the protection of the technology infrastructure, the timely detection of security incidents based on systematic

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It is also available in PDF format for download from our website, [www.lombardodier.com](http://www.lombardodier.com).

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