



LOMBARD ODIER
LOMBARD ODIER DARIER HENTSCH

2022 Financial Report Lombard Odier Group

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Message from the Senior Managing Partner

Throughout this unusual year, we did everything in our power to preserve and grow our clients' wealth and assets. We achieved this in a market context unseen since the 1930s, coupled with a geopolitical conflict in Europe that shows no signs of abating, not to mention the repercussions on the cost of living and on food and energy supplies. Despite these multiple challenges, our Group managed to preserve its financial results and remain robust.

The negative market impact led to a decline in client assets within the Group. Total client assets amounted to CHF 300 billion at the end of the year, compared to CHF 358 billion at the end of 2021. Assets under management were CHF 192 billion, down 12% on 2021. Operating income was CHF 1.38 billion, a decline of 5%, while consolidated net profit stood at CHF 243 million, down 10% on 2021.

Our balance sheet remains solid, liquid and conservatively invested. We are well capitalised, with a CET1 ratio of 30% and a liquidity coverage ratio of 202%. In August 2022, ratings agency Fitch confirmed the Group's AA- rating with a stable outlook. This is the best possible rating for a Group of our size.

In a turbulent market, new and existing clients recognised the quality of our advice and the stability of our business model. We attracted net new money of CHF 3 billion through our private banking and asset management activities.

Our resilience reflects our strategy which, more than ever before, is to build a Group focussed on the core business of wealth and asset management for private and institutional clients. We continue to invest in recruiting new talent across the Group and to concentrate on organic growth, a strategy that helps sustain the identity and value proposition our clients particularly appreciate.

Sustainability is more than ever at the heart of our approach, both in the way we do business and in our investment philosophy. This requires transitioning to a circular, lean, inclusive and clean economic model. Our role is to identify and analyse the investment opportunities thrown up by these changes, so our clients can not only take advantage of them, but can also manage the risks associated with this transition.

In our private client business, we continued to develop our long-standing offering in private assets – including private equity, real estate, infrastructure and private debt. We have adapted our strategic asset allocation framework to reflect a world that faces a rapid rise in interest rates and high market instability.

Assets under management at Lombard Odier Investment Managers (LOIM) stood at CHF 62 billion at the end of the year. We launched several innovative investment strategies in 2022, in particular our New Food Systems and Global Carbon Opportunity strategies. At the end of December 2022, 69% of LOIM funds were ranked in the first or second quartile over five years.

Our in-house banking platform enabled us to stay close to our clients and provide them with a transparent and secure service. Our Business Process Outsourcing (BPO) clients also praised the service they received. We continued with our digital events and developed our “My LO” client interface even further. We are still investing heavily in the modernisation and security of our e-banking platform, especially through the GX programme. This will allow us to continue to offer our clients cutting-edge technology.

Once again this year we strove to help those in need during these troubled times. Our philanthropic actions were geared towards local initiatives to help refugees, migrants and the homeless through the Lombard Odier Foundation, assisted by our local offices.

Message from the Senior Managing Partner

Our achievements were rewarded by numerous prizes, particularly in the WealthBriefing awards in Switzerland, Europe, Asia and the MENA region. We were honoured in several categories, namely: Best Domestic Private Bank, Best Ultra High Net Worth Team and Best Private Banking ESG Offering. We are also proud to have won the prize for Best Private Bank for ESG Technology at the PWM Wealth Tech Awards, organised by the *Financial Times* Group.

The investment environment remains complex in 2023. With energy prices falling and China re-opening, the global macroeconomic outlook has improved, helping to reduce inflation and the likelihood of a major recession. Nonetheless, given that monetary conditions are restrictive, inflation is still high and developed markets risk being hit by a moderate recession, it is probably too soon to expect to see a sustainable recovery.



Hubert Keller – *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'. None of the Group's entities is listed and there is no cross-shareholding.

Holders of qualified participations

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

At 31 December 2022, the seven Managing Partners of Compagnie Lombard Odier SCmA are Mr Patrick Odier, Mr Hubert Keller, Mr Frédéric Rochat, Mr Denis Pittet, Mrs Annika Falkengren, Mr Alexandre Zeller and Mr Jean-Pascal Porcherot.

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.

Jean A. Bonna

Mr Jean Bonna has been a member of the Supervisory Board of the Lombard Odier Group since 2014, first as Vice-Chairman and since 1 January 2021 as Chairman.

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 to 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 and was appointed Vice-Chairman since 1 January 2021.

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.

Christophe Hentsch

Christophe Hentsch was appointed a member of the Supervisory Board on 1 January 2021.

Previously, Christophe Hentsch was a Managing Partner of the Lombard Odier Group from 2004 to 2020.

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 has overseen the Human Resources, Legal and Compliance Units up to 31 August 2020.

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

Other activities and mandates

(situation at 31.12.2022)

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 Télévrier S.A.
- Vice-Chairman of the Board of Directors of Sportbahnen Elm AG
- Member of the Board of Stellaria Holding SA
- Member of the Board of Schuhe Jenny AG

Christophe Hentsch

- Member of the Board of Fondation Lombard Odier
- Managing Partner of PTIC Sàrl
- Committee member of Société Nautique de Genève

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 Managing 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 Administration's 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 Managing Partners (*Collège des Associés*) act 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 Managing Partners have 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 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 Board of Managing Partners

Members of the Board of Managing Partners

The Administration is the Lombard Odier Group's management body. It consists of seven Partners in Compagnie Lombard Odier SCA, who together form the Managing Partners.

The Managing 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.

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.

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

Mr Odier is Chairman of Swiss Sustainable Finance (SSF).

He is a member of the Board of *economiesuisse* (federation of Swiss business).

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

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

Hubert Keller (Senior Managing Partner)

Hubert Keller has been a Managing Partner of the Lombard Odier Group since 2006 and Senior Managing Partner since 2021.

Hubert Keller has been primarily involved with the Group's Asset Management business since 2009 and acted as the CEO of Lombard Odier Investment Managers until 2020.

He also coordinates the Group's sustainable investment activities, including the alignment of investment strategies and portfolios with the environmental transition.

Mr Keller started his career at Compagnie Financière Tradition and SG Warburg Group. He subsequently moved to Deutsche Bank, working in corporate finance and capital markets before assuming global responsibility for Equity Capital Markets and becoming a member of the Executive Committee of its Global Banking division.

Frédéric Rochat

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

Mr Rochat, who holds a master degree in economics and business administration 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 Managing Partner of the Lombard Odier Group on 1 January 2012; he is co-head, together with Denis Pittet, of the Group's 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 Rochat. Within this Unit, he focuses on supervising the departments in charge of External Asset Managers, Global Assets+ and Wealth Planning.

Mr Pittet is Chairman of Philanthropia foundation and board member of several philanthropic organisations. He is also a member of the committee of the Association of Swiss Private Banks and Chairman of the Geneva Financial Center Foundation.

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 Chairman 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 Chairman and CEO in 2005.

Mrs Falkengren manages the Group's Risk Management, Logistics, Marketing and Communication Units. She is responsible for the One Roof Project, which will see Lombard Odier move to its new headquarters in Geneva in 2024, 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

Alexandre Zeller has been a Managing Partner of the Lombard Odier Group since March 2019. He was also a member of the Board of Directors of Bank Lombard Odier & Co Ltd 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 (Suisse) SA in Geneva.

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

Mr. Zeller manages the Technology & Operations Unit at Lombard Odier Group level. As of 1 September 2020, he manages the Legal, Compliance and Human Resources Units.

Jean-Pascal Porcherot

Jean-Pascal Porcherot joined the Lombard Odier Group in May 2009 and was primarily involved in the development of the Firm's alternative investment strategies within LOIM. He was appointed CEO of its hedge fund business (1798 Alternatives) in 2014 and became a Managing Partner of the Group in January 2022. He looks after the LOIM division and is Co-Head along with Nathalia Barazal.

Mr Porcherot began his career at JPMorgan in 1997 before joining Lazard Frères in 1998 as an Associate, and eventually becoming Vice President (Mergers and Acquisitions). He has also held the position of Managing Director in the Equity Capital markets team at Deutsche Bank, where he started in 2002 as Vice President.

During his career, Mr Porcherot has advised numerous businesses, private equity funds and governments across Europe.

Mr Porcherot earned a Master's Degree in Financial Markets from Pierre et Marie Curie University in 1995 and holds a degree in Engineering from École Nationale Supérieure des Télécommunications in Paris.

Other activities and mandates

(situation at 31.12.2022)

Patrick Odier

- Chairman of the Board of Directors of Bank Lombard Odier & Co Ltd
- Chairman of the Board of Directors of LO Holding SA
- Chairman of the Board of Directors of LO IP SA
- Chairman of the Board of Fondation Lombard Odier
- Member of the Board of the patronage pension institution Fondation patronale du groupe Lombard Odier
- Member of the Board of Philanthropia foundation
- Chairman of Swiss Sustainable Finance (SSF)
- Chairman of the Board of Fondation Dr Henri Dubois-Ferrière Dinu Lipatti for the fight against leukaemia and blood diseases
- Member of the Board of economiesuisse
- Member of the Board of Fondation Brocher and Fondation Louis-Jeantet

Hubert Keller

- Chairman of the Board of Directors of Lombard Odier Asset Management (Switzerland) SA
- Chairman of the Board of Directors of Lombard Odier Asset Management (Europe) Limited
- Chairman of the Board of Directors of Lombard Odier Asset Management (USA) Corp
- Member of the Board of Directors of LO Holding SA
- 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 Rochat

- CEO of Bank Lombard Odier & Co Ltd
- Chairman of the Board of Directors of Lombard Odier (Europe) S.A.
- 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 Bank Lombard Odier & Co Ltd
- Member of the Board of Directors of Lombard Odier (Europe) S.A.
- Member of the Board of Directors of LO IP SA
- Chairman of the Board of Directors of Lombard Odier Trust (Bermuda) Limited
- Chairman of the Board of Directors of Lombard Odier & Cie (Bahamas) 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 Philanthropia foundation
- Member of the Board of Fondation Lombard Odier
- Member of the Committee of the Swiss Private Bankers Association
- Chairman of the Board of Geneva Financial Center Foundation
- Chairman of the Board of Fondation André & Cyprien
- Member of the Board of Fondation Pro Victimis, Franklinia and Fondation Saint-Michel

Annika Falkengren

- Member of the Board of Directors of LO Holding SA
- Chairman of the Board of Directors of Lombard Odier (Hong Kong) Limited
- Chairman of the Board of Directors of Lombard Odier (Singapore) Ltd.
- Chairman of the Board of Directors of Lombard Odier Trust (Japan) Limited
- Member of the Foundation Board of the International Institute for Management Development (IMD)
- Permanent Member of the Royal Swedish Academy of Engineering Sciences

Alexandre Zeller

- Member of the Executive Committee of Bank Lombard Odier & Co Ltd
- Member of the Board of Directors of Lombard Odier (Hong Kong) Limited
- Member of the Board of Directors of Lombard Odier (Singapore) Ltd.
- Member of the Board of Directors of Lombard Odier Trust (Japan) Limited
- Chairman of the Board of Directors of Lombard Odier T&O Services (Europe) S.A.
- Chairman of the Board of Directors of Lodati SA
- 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 Corporation of Geneva Private Banks (Corporation des Banques Privées Genevoises)
- Member of the Board of Directors of Maus Frères SA
- Chairman of the Board of Directors of Central Swiss Classic Cars SA
- Chairman of the Board of Directors of Garage Carrosserie Central SA
- Member of the Board of Foundation of the Study Center Gerzensee, Foundation of Swiss National Bank
- Member of the Board of Schweizer Berghilfe (Swiss Mountain Aid)

Jean-Pascal Porcherot

- 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

5. Compensation and shareholding programs

Annual remuneration for members of the Supervisory Board and the Administration is fixed. They receive no variable remuneration nor take part in any participation program.

6. Auditors

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

The ordinary general meeting of 14 April 2022 designated, for the financial period 2022, the company PricewaterhouseCoopers SA, which has held this position since 27 July 2001, as the external auditors. The mandate head is Mrs Marie-Eve Fortier, who has held this position since the 2022 financial period.

Audit fees

The audit fees paid in 2022 by the Lombard Odier Group amounted to CHF 2.8 million.

Additional fees

In 2022, the Lombard Odier Group paid fees for other services that amounted to CHF 1.0 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 Managing 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 (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 and approves the general risk framework at Group level, regularly assesses its appropriateness and make the necessary changes. The Group risk framework encompasses risk policy, risk tolerance and the corresponding risk limits for all the major risk categories.
- The Finance, Risk & Due Diligence Committee has decision-making powers and is responsible for establishing the Group risk framework and proposing it to the Administration. It monitors the Group's risk profile to ensure that it is consistent with the defined tolerance 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 agreed upon framework. The Committee also approves the global limits for liquidity, market risk, credit risk and counterparty risk on an individual and consolidated basis. 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' resolutions on risk management and control. More specifically, the CRO establishes an appropriate organisational structure dedicated to managing risk. 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.
- The Risk Management unit, under the supervision of the CRO, reports regularly to the management and to the governing bodies the level of risk compared to applicable limits and tolerance.
- The Compliance Unit is tasked with ensuring compliance with legal and regulatory provisions, as well as internal directives (in particular with respect to the prevention of money laundering and terrorism financing, investor protection, and integrity of the markets). As a second line of defence function, the Compliance Unit helps to ensure that the Group has a proper internal control system in place which adequately measures and manages the risks of non-compliance that it faces. Under the supervision of the Group Chief Compliance Officer, the primary responsibilities of the Unit are: the supervision of the Group's entities and staff to ensure compliance with Group Standards as well as the main legal and regulatory provisions, ensure business activities are carried out diligently, fairly and equitably in the overriding interests of clients and market integrity with a view to avoiding or managing any conflicts of interests. 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 defined as the risk of loss resulting from changes in general market factors (e.g. interest rates, exchange rates, equity prices, commodity prices and credit spreads) and from factors and events specific to individual issuers of debt and equity instruments. Market risk applies to both the trading and banking books of the Group. The framework for risk management is defined in the Group's market risk policy.

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 defence (e.g. trading desks), and then independently controlled by the second line of defence (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.

The 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 banking book of the Group.

Liquidity risk

Liquidity risk is defined as the risk that the Group or one of its entities is unable to meet both expected and unexpected current and future cash flow and collateral needs without affecting either its daily operations or its financial conditions. 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 of clients' deposits and is controlled independently by the Risk Management unit.

Credit risk

Credit risk is defined as the risk of loss resulting from the failure of a client or counterparty to meet its contractual obligations. The definition includes settlement risk. The framework for risk management is outlined in the Group's credit risk policy.

Credit risk arises in three main areas of the Group's activities:

- Default risk related to transactions with private clients (client credit risk). The banking entities of the Group / Bank only provide Lombard Loans on a fully secured basis to existing wealth management clients, where all lending transactions are secured by eligible collateral or guarantees.

- Default risk related to transactions conducted by any Group entity with financial institutions (counterparty risk). This includes mainly short-term FX and repo transactions that are all collateralised, together with cash placements that are mainly short-term.
- Default risk related to the Group / Bank's investment portfolio. This encompasses the risk of a bond issuer defaulting and relates to sovereign and corporate bond issuers.

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 risk

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

Over-the-counter (OTC) derivatives are traded exclusively on a collateralised basis: reverse repos and repos are used for liquidity management purposes, and all derivatives transactions

in which the Group is principal are governed by standard collateralisation agreements with strict parameters for margin calls and eligible collateral.

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

Counterparty risk is managed through a combination of limits that cover the various instrument types arising from the Group's activities.

Limits are set where the Group acts as principal towards counterparties (direct risk) but also where it acts as agent on its clients' behalf (indirect risk).

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

The Risk Management unit monitors the change in the quality of service of counterparties, their financial soundness and the macroeconomic situation. It proposes changes to the limits wherever necessary. Counterparty limits are monitored daily by both the first line (traders and treasurers) and the second line of defence (Risk Management Unit).

Investment portfolio risk

The Group's risk policy restricts the choice of the investments in the investment portfolio, to issuers that have to be rated A or better and bonds generally have to qualify as High Quality Liquid Assets ("HQLA") under liquidity risk rules.

Investments in the investment portfolio are selected by Treasury. Maximum duration, issuer risk, sectorial concentration and country risk limits are monitored by Treasury as first line of defence and by Risk Management Unit as second line of defence and monitored on a daily basis.

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 risks are defined as the risk of loss arising from deficiencies or failures relating to internal procedures, people, or systems or following external events due to intentional, accidental or natural causes. It includes all the important risk categories defined in the operational risk taxonomy.

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. The Legal Unit, with the assistance of external expert lawyers if necessary, assess individually legal risks associated with potential litigation.

Identification and assessment of operational risks is conducted using a systematic and structured process and appropriate tools and methods such as a process-level Risks and Controls Self-Assessment exercise ("RCSA"), analysis of internal and external events, analysis of relationship between operational incidents, underlying risks, processes and controls, and Key Risk Indicators.

The Group has defined principles and processes for the identification and evaluation of prevalent operational risks, their management and mitigation, the oversight 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.

Operational risk management and mitigation consist of defining and implementing strategic and operational measures in order to provide an appropriate response to a risk. Where relevant, the first line of defence defines and implements risk mitigation actions and projects. The second line of defence ensures oversight, follow-up, support and challenge of the risk management and mitigation actions implemented by the first line of defence.

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 type 2 and ISAE 3000 standards. In terms of external publication, the Group communicates on its management of operational risk through information provided in the Group financial annual report, the Pillar III disclosures and its Group Quarterly reporting to FINMA.

Every operational incident has to be notified by the concerned employee, with relevant data entered into an operational risk incident database. An Operational Incident may result in a financial loss/gain or might be a near miss or it may also have impacts other than a financial one (such as reputational risk, business risk, regulatory risk, etc.). The entries are analysed and validated in order to define, as necessary, mitigating actions or improvement projects.

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.

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 monitoring and the reaction and quick recover of normal activities in case of events. The technology, information security and cyber risk management framework relies on the three lines of defence model. The operational security is managed by the Chief Information Security Officer within the 1st line of defence, an independent Information Risk & Data Privacy Office function in the Risk Management Unit oversees the risks within the 2nd line of defence.

Reputational risk

This risk translates into a negative perception (image, trust) of business practices or internal controls, which could ultimately have an impact on the Group's finances. Reputational risk includes the risk of disclosure of confidential / private information.

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Consolidated balance sheet

		31.12.2022	31.12.2021
		In thousands	In thousands
	Notes	CHF	CHF
Assets			
Liquid assets		2,944,339	10,359,465
Amounts due from banks	1.10	512,341	1,075,293
Amounts due from securities financing transactions ¹	1.1	3,700,000	0
Amounts due from customers	1.2, 1.10	5,023,345	5,533,399
Trading portfolio assets		0	0
Positive replacement values of derivative financial instruments	1.4	833,196	390,160
Other financial instruments at fair value	1.3	614,207	560,735
Financial investments	1.5, 1.10	3,973,280	3,763,567
Accrued income and prepaid expenses		169,675	165,884
Non-consolidated participations	1.6, 1.7	10,305	11,177
Tangible fixed assets	1.8	371,525	272,854
Other assets	1.9	46,142	56,429
Total assets		18,198,355	22,188,963
Liabilities			
Amounts due to banks		797,592	1,098,562
Amounts due in respect of customer deposits		13,730,041	17,855,351
Negative replacement values of derivative financial instruments	1.4	850,982	468,177
Liabilities from other financial instruments at fair value	1.3, 1.13	686,629	595,568
Accrued expenses and deferred income		470,745	488,670
Other liabilities	1.9	72,876	106,652
Provisions	1.14	96,172	103,825
Total liabilities		16,705,037	20,716,805
Reserves for general banking risks	1.14	497,878	477,878
Share capital	1.16	73,710	73,710
Retained earnings reserve		717,235	679,809
Foreign currency translation reserve		(38,757)	(29,347)
Consolidated profit		243,252	270,108
Total equity		1,493,318	1,472,158
Total liabilities and equity		18,198,355	22,188,963
Total subordinated liabilities		50,780	71,030
Off-balance sheet transactions			
Contingent liabilities	1.2, 2.1	377,827	330,875
Irrevocable commitments	1.2	1,557,584	1,268,248

¹ Includes exclusively securities financing transactions executed with the Swiss National Bank.

Consolidated profit and loss account

		31.12.2022	31.12.2021
		In thousands	In thousands
	Notes	CHF	CHF
Interest and discount income	3.2	113,185	64,957
Interest and dividend income from financial investments		34,652	21,070
Interest expense	3.2	0	0
Gross result from interest operations		147,837	86,027
Changes in value adjustments for default risks and losses from interest operations		0	0
Net result from interest operations		147,837	86,027
Commission income from securities trading and investment activities		1,162,989	1,303,011
Commission income from lending activities		2,254	2,258
Commission income from other services		136,937	154,575
Commission expense		(179,255)	(201,460)
Result from commission business and services		1,122,925	1,258,384
Result from trading activities and the fair value option	3.1	106,469	102,576
Result from the disposal of financial investments		72	78
Income from participations		1,897	1,724
- of which from other non-consolidated participations		1,897	1,724
Result from real estate		1,120	1,524
Other ordinary expense		(1)	0
Result from ordinary activities		3,088	3,326
Total operating income		1,380,319	1,450,313
Personnel expenses	3.3	(805,184)	(844,956)
General and administrative expenses	3.4	(259,576)	(223,173)
Total operating expenses		(1,064,760)	(1,068,129)
Value adjustments on participations and depreciation of tangible fixed assets	1.6, 1.8	(6,434)	(5,573)
Changes to provisions and other value adjustments, losses	1.14	(840)	(1,510)
Operating result		308,285	375,101
Extraordinary income		2,303	909
Extraordinary expenses		0	(64)
Change in reserves for general banking risks	1.14	(20,000)	(54,210)
Taxes	3.6	(47,336)	(51,628)
Consolidated profit		243,252	270,108

Cash flow statement

	31.12.2022		31.12.2021	
	Source	Use	Source	Use
	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF
Consolidated profit	243,252		270,108	
Change in reserves for general banking risks	20,000		54,210	
Value adjustments on participations and depreciation of tangible fixed assets	6,434		5,573	
Provisions and other value adjustments	2,586	10,239	7,096	8,619
Accrued income and prepaid expenses		3,791	50,545	
Accrued expenses and deferred income		17,925	36,739	
Other assets	10,287		31,589	
Other liabilities		33,776		17,916
Dividend and others distributions		228,136		255,131
Cash flow from operating activities	282,559	293,867	455,860	281,666
Shareholder reimbursement				
Other contribution		4,546	3,947	
Foreign currency translation differences		9,410		3,845
Cash flow from shareholder's equity transactions	0	13,956	3,947	3,845
Non consolidated participations	184			4,077
Real estate		88,106		91,591
Other tangible fixed assets		16,311		4,092
Cash flow from investment activities	184	104,417	0	99,760
Cash flow from banking operations				
Amounts due to banks				
Amounts due in respect of customer deposits	9,000		5,750	
Amounts due from customers	45,665		10,138	
Financial investments		208,474	19,670	
Medium to long-term operations (> 1 year)	54,665	208,474	35,558	0
Amounts due to banks		300,970	461,333	
Amounts due in respect of customer deposits		4,134,310	2,020,085	
Negative replacement values of derivative financial instruments	382,805			112,345
Liabilities from other financial instruments at fair value	91,061			187,572
Amounts due from banks	562,952			223,433
Amounts due from securities financing transactions		3,700,000		
Amounts due from customers	464,389			846,033
Trading portfolio assets				
Positive replacement values of derivative financial instruments		443,036	184,875	
Other financial instruments at fair value		53,472	157,907	
Financial investments		1,239		110,465
Short-term operations	1,501,207	8,633,027	2,824,200	1,479,848
Liquidity				
Liquid assets	7,415,126			1,454,446
Balance	9,253,741	9,253,741	3,319,565	3,319,565

Statement of changes in equity

	Share capital	Retained earnings reserve	Reserves for general banking risks	Foreign currency translation reserve	Consolidated 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	679,809	477,878	(29,347)	270,108	1,472,158
Other contributions		(4,546)				(4,546)
Foreign currency translation differences				(9,410)		(9,410)
Dividends and others distributions					(228,136)	(228,136)
Allocation to the retained earnings reserve		41,972			(41,972)	0
Allocations to the reserves for general banking risks			20,000			20,000
Consolidated profit of the period					243,252	243,252
Shareholders' equity at the end of the reporting period	73,710	717,235	497,878	(38,757)	243,252	1,493,318

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 2022, the Group employed 2,679 full-time equivalents (FTEs), compared with 2,616 at the end of 2021.

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 Federal Act on Banks and its Ordinance, the Ordinance on Accounting of the Swiss Financial Market Supervisory Authority (FINMA) and the FINMA Circular 2020/1 “Accounting – Banks”.

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 any economically necessary value adjustments.

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:

	31.12.2022	31.12.2021
USD	0,9252	0,9112
EUR	0,9874	1,0362
GBP	1,1185	1,2341

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. Amounts due in respect of precious metal account deposits are valued at faire value.

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”.

Derivative financial instruments

Trading and cash management activities

All derivative financial instruments are measured at fair value. 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. Positive and negative replacement values are reported in the balance sheet.

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.

Client transactions

Client transactions in exchange traded derivatives are only accounted for in case the Group carries a risk of loss.

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 dividends or 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.

Shares of funds held to cover market risks resulting from liabilities related to deferred payments of variable compensation are recorded at the 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: 2%
- 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 economic benefits (excess assets) or economic obligations (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.

An economic benefit can be recorded, if it is permissible and intended to use the surplus to lower future employer contributions, to reimburse them or to utilise it outside of the benefits as provided for in the scheme's rules. Obligations are recognised in the balance sheet under "Provisions", while economic benefits are reported under "Other assets". The difference compared with the corresponding value in the prior period is recognised for each pension fund in "Personnel expenses".

Contingent liabilities, irrevocable commitments, liabilities for unpaid share capital and additional capital contributions

These items are presented at their nominal value in off-balance sheet transactions. The Group recognises provisions on the liabilities side of the balance sheet for foreseeable risks.

Notes to the annual financial statements

Notes that are not required or which do not provide any information are not presented.

Comparative figures

Some figures relating to the previous year have been adjusted, so as to be consistent with the presentation of the current year's figures. Amounts were reclassified between "Commission income from securities trading and investment activities" and "Commission expense", as well as between certain subcategories of the general and administrative expenses in note 3.4.

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.

If losses are to be expected due to events which have already occurred when the annual accounts are drawn up, but which cannot yet be attributed to individual loans, provisions or value adjustments for latent default risks are recorded. The Group does not constitute value adjustments for inherent default risks.

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 and (ii) by the Trustee of Bernard L. Madoff investments Securities

LLC (BLMIS) on the other hand. These proceedings aim for the restitution of the amounts received from the funds Fairfield 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 2022.

Events after the end of the reporting period

There were no events after the end of the reporting period capable of impacting the financial statements as at 31 December 2022.

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	3,700,000	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	6,359	90
- of which with unrestricted right to resell or pledge	6,359	90
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	3,736,229	94
- 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		5,004,242	19,103	5,023,345
Total loans (before netting with value adjustments)	Current year	5,004,242	19,103	5,023,345
	Previous year	5,516,122	17,277	5,533,399
Total loans (after after netting value adjustments)	Current year	5,004,242	17,277	5,021,519
	Previous year	5,516,122	17,277	5,533,399
Off-balance sheet				
Contingent liabilities		306,746	71,081	377,827
Irrevocable commitments		1,540,984	16,600	1,557,584
Total off-balance sheet	Current year	1,847,730	87,681	1,935,411
	Previous year	1,508,545	90,578	1,599,123

As of 31 December 2022, the Group had no impaired loans (2021: 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 instruments	209,209	64,120
Equity securities	368,410	462,878
Structured products	36,588	33,737
Total other financial instruments at fair value	614,207	560,735
Total assets	614,207	560,735
- of which determined using a valuation model	0	0
- of which securities eligible for repo transactions in accordance with liquidity requirements	2,985	320
LIABILITIES		
Other financial instruments at fair value		
Certificates	686,629	595,568
Total liabilities	686,629	595,568
- 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	487	487	106,230	0	6,319	100,000	
Options (OTC)	661	661	26,235				
Futures			5,240				
Foreign exchange/Precious metals							
Forward contracts	780,246	766,721	50,100,589	14,014	322	421,703	
Combined interest rate/currency swaps	29,740	69,503	3,716,214				
Options (OTC)	7,254	7,091	1,204,506				
Equity securities/Indices							
Futures			16,629				
Options (OTC)	346	346	9,185				
Options (exchange traded)	935	19	31,912				
Credit derivatives							
Credit default swap							
<hr/>							
Total before netting agreements	Current year	819,669	844,828	55,216,740	14,014	6,641	521,703
	<i>- of which, determined using a valuation model</i>	<i>818,734</i>	<i>844,809</i>	<i>-</i>	<i>14,014</i>	<i>6,641</i>	<i>-</i>
	Previous year	382,881	466,413	59,484,011	7,752	2,237	560,446
	<i>- of which, determined using a valuation model</i>	<i>382,726</i>	<i>466,398</i>	<i>-</i>	<i>7,752</i>	<i>2,237</i>	<i>-</i>
<hr/>							
			Positive replacement values (accumulated)	Negative replacement values (accumulated)			
			In thousands CHF	In thousands CHF			
Total after netting agreements	Current year		102,642			444,197	
	Previous year		84,304			84,319	
<hr/>							
Breakdown by counterparty:							
			Central clearing houses	Banks and securities firms	Other customers		
			In thousands CHF	In thousands CHF	In thousands CHF		
Positive replacement values (after netting agreements)			935	8,895	92,812		

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 instruments	3,932,496	3,681,782	3,732,727	3,733,677
- of which intended to be held to maturity	3,932,496	3,681,782	3,732,727	3,733,677
- of which available for sale	0	0	0	0
Equity securities	40,784	41,149	30,840	31,339
Total financial investments	3,973,280	3,722,931	3,763,567	3,765,016
- of which securities eligible for repo transactions in accordance with liquidity requirements	2,018,163	-	2,233,145	-

Breakdown of counterparties by rating

	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Lower than B-	No rating
Debt instruments at book value	3,719,669	212,827	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	Reclassification	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	In thousands CHF	
Non-consolidated participations										
Other participations										
- without market value	12,133	(956)	11,177	0	0	(184)	(688)	0	10,305	-
Total non-consolidated participations	12,133	(956)	11,177	0	0	(184)	(688)	0	10,305	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 %)		Direct/indirect ownership		
				Current year	Previous year	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
Lasphère SA	Geneva	Fiduciary company	CHF	250,000	100	100	indirect	indirect
LO Patrimonia SA	Geneva	Fiduciary company	CHF	1,000,000	100	100	indirect	indirect
LO IP SA	Geneva	Service company	CHF	700,000	100	100	indirect	indirect
Lodati SA	Geneva	Service company	CHF	300,000	100	100	indirect	indirect
Lombard Odier Asset Management (Switzerland) SA	Geneva	Investment advisory com	CHF	26,000,000	100	100	indirect	indirect
Lombard Odier Asset Management (Europe) Limited	London	Investment advisory com	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 Sàrl	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
LOIM Sustainable Private Credit GP S.à.r.l.	Luxembourg	Distributor of CIS	USD	20,000	100	100	indirect	indirect
LOIM Plastic Circularity Fund GP	Luxembourg	Distributor of CIS	USD	20,000	100	0	indirect	-
Lombard Odier T&O Services (Europe) S.A.	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
Lombard Odier Private Assets Belgium SRL	Brussels	Distributor of CIS	EUR	10,000	100	0	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 com	HKD	805,000,000	100	100	indirect	indirect
Lombard Odier (Singapore) Ltd.	Singapore	Bank	CHF	42,647,000	100	100	indirect	indirect
Lombard Odier Trust (Japan) Limited	Tokyo	Portfolio management	JPY	300,000,000	100	100	indirect	indirect
Lombard Odier Asset Management (USA) Corp.	New York	Investment advisory com	USD	2,000	100	100	indirect	indirect
Lombard Odier (Panama), Inc.	Panama City	Investment advisory com	USD	500,000	100	100	indirect	indirect
Lombard Odier (Uruguay) S.A.	Montevideo	Investment advisory com	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
Lombard Odier & Cie (Bahamas) Limited	Nassau	Bank	CHF	4,000,000	100	100	indirect	indirect
Lombard Odier (Brasil) Consultoria de Valores Mobiliários Ltda.	Sao Paulo	Investment advisory com	BRL	49,200,000	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 %) Current year	Proportion of holding/voting rights (in %) Previous year	Direct/indirect ownership Current year	Direct/indirect ownership Previous year
Non-consolidated participating interests							
Lombard Odier Services Inc. dissolved 31.12.2022	Montréal	Service company	CAD 5,749,244	0	100	-	indirect
Lombard Odier Securities (Canada) Inc., in liquidation	Montréal	Broker dealer	CAD 2,400,000	100	100	indirect	indirect
Lombard Odier Transatlantic Limited dissolved 31.12.2022	Montréal	Broker dealer	USD 719,969	0	100	-	indirect
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
Taurus SA	Geneva	Financial services	CHF 4,500,000	2	2	indirect	indirect
Elus SA	Lausanne	Financial services	CHF 1,500,000	23	23	indirect	indirect
SystemIQ Limited	London	Consulting company	GBP 1,037	6/7	6/7	indirect	indirect

The Group does not have any significant position in equity securities of undertakings recognised under financial investments (2021: none).

In addition, there are no commitments to purchase further shares or to dispose of shares (2021: 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	283,819	(15,982)	267,837	0	88,154	(48)	(1,723)	354,220
Proprietary or acquired software	16,250	(15,099)	1,151	0	3,392	0	(1,197)	3,346
Other tangible fixed assets	76,549	(72,683)	3,866	0	12,894	25	(2,826)	13,959
Total tangible fixed assets	376,618	(103,764)	272,854	0	104,440	(23)	(5,746)	371,525

Operational leasing

Current year Previous year

	In thousands CHF	In thousands CHF
Off balance sheet leasing commitments		
within 12 months	33,130	33,508
between 12 months and 5 years	43,625	95,060
after 5 years	14,984	22,829
Total off balance sheet leasing commitments	91,739	151,397
- of which cancelable within 12 months	7,414	3,918

1.9 Breakdown of other assets and other liabilities

	Current year	Previous year
	In thousands	In thousands
	CHF	CHF
Other assets		
Amount recognised as assets in respect of employer contribution reserves	2,414	13,400
Settlement accounts	16,063	19,087
Indirect taxes	12,540	8,224
Compensation account	259	0
Other assets	14,866	15,718
Total other assets	46,142	56,429
Other liabilities		
Settlement accounts	34,162	55,530
Indirect taxes	21,453	29,129
Compensation account	1,835	5,720
Other liabilities	15,426	16,210
Total other liabilities	72,876	106,589

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	61,945	61,945	68,112	68,112
Amounts due from customers	12,237	12,237	654	654
Financial investments	402,571	402,571	385,662	385,662

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	38,084	56,683
Total liabilities to own pension funds	38,084	56,683

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	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF
Patronage pension institution:						
Fondation patronale du groupe Lombard Odier	2,414	0	2,414	13,400	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	In thousands CHF	In thousands CHF	In thousands CHF	In thousands CHF
Pension plans with overfunding:						
Fondation de prévoyance du groupe Lombard Odier	3%	0	0	32,909	35,428	27,341
Fondation complémentaire de prévoyance du groupe Lombard Odier	-	0	0	218	14,296	14,709

Any surplus in the schemes belong to the pension institution and will be used for the benefit of the employees. The Group's governing bodies therefore consider that, as a result, there will be no economic benefit for the Group. At 31 December 2022, 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 2022, on the basis of the non-audited financial statements, to be 103% 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 Supplementary Pension 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), in extenso with a Swiss contract. 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 savings contributions vary between 7% and 27% 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	-	446,754	0	0	446,754
Interest-rate instruments with own debenture component	-	239,875	0	0	239,875
Total	0	686,629	0	0	686,629

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	92,397	0	0	0	-	0	(5,074)	87,323
Provisions for other business risks	11,290	(772)	(18)	0	0	2,546	(4,370)	8,676
Other provisions	138	0	(5)	0	0	40	0	173
Total provisions	103,825	(772)	(23)	0	0	2,586	(9,444)	96,172
Reserves for general banking risk	477,878	-	0	0	-	20,000	0	497,878
Value adjustment for default risks from impaired loans	0	0	0	0	0	0	0	0
Value adjustments for default and country risks	0	0	0	0	0	0	0	0

“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	383	549,590	595	485,507
Transactions with members of governing bodies	2,081	2,974	2,172	2,584

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	2,944,339	-	-	-	-	-	2,944,339
Amounts due from banks	392,864	0	119,477	0	0	0	512,341
Amounts due from securities financing tr	0	0	3,700,000	0	0	0	3,700,000
Amounts due from customers	155,061	152,377	3,322,862	1,297,906	95,139	0	5,023,345
Positive replacement values of derivatives financial instruments	833,196	-	-	-	-	-	833,196
Other financial instruments at fair value	614,207	-	-	-	-	-	614,207
Financial investments	40,784	0	249,114	501,552	3,096,605	85,225	3,973,280
Total current year	4,980,451	152,377	7,391,453	1,799,458	3,191,744	85,225	17,600,708
Total previous year	12,501,569	349,831	3,486,980	2,230,079	2,825,054	289,106	21,682,619
Liabilities/financial instruments							
Amounts due to banks	797,592	0	0	0	0	0	797,592
Amounts due in respect of customer deposits	13,316,321	236,600	155,120	0	22,000	0	13,730,041
Negative replacement values of derivatives financial instruments	850,982	-	-	-	-	-	850,982
Liabilities from other financial instruments at fair value	686,629	-	-	-	-	-	686,629
Total current year	15,651,524	236,600	155,120	0	22,000	0	16,065,244
Total previous year	19,571,508	205,350	227,550	250	13,000	0	20,017,658

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	2,921,956	22,383	9,431,316	928,149
Amounts due from banks	100,615	411,726	550,385	524,908
Amounts due from securities financing transactions	3,700,000	0	0	0
Amounts due from customers	1,260,121	3,763,224	1,400,588	4,132,811
Positive replacement values of derivatives financial instruments	257,637	575,559	123,164	266,996
Other financial instruments at fair value	25,293	588,914	20,417	540,318
Financial investments	119,107	3,854,173	125,182	3,638,385
Accrued income and prepaid expenses	45,069	124,606	61,252	104,632
Non-consolidated participations	6,506	3,799	7,197	3,980
Tangible fixed assets	365,424	6,101	268,588	4,266
Other assets	15,151	30,991	24,824	31,605
Total assets	8,816,879	9,381,476	12,012,913	10,176,050
Liabilities				
Amounts due to banks	250,118	547,474	643,796	454,766
Amounts due in respect of customer deposits	4,975,739	8,754,302	5,080,071	12,775,280
Negative replacement values of derivatives financial instruments	449,114	401,868	274,117	194,060
Liabilities from other financial instruments at fair value	277,828	408,801	297,108	298,460
Accrued expenses and deferred income	300,432	170,313	293,692	194,978
Other liabilities	56,436	16,440	84,638	22,014
Provisions	95,674	498	100,377	3,448
Reserves for general banking risks	497,878	0	477,878	0
Share capital	73,710	0	73,710	0
Retained earnings reserve	717,235	0	679,809	0
Foreign currency translation reserve	(38,757)	0	(29,347)	0
Consolidated profit	162,026	81,226	168,404	101,704
Total liabilities	7,817,433	10,380,922	8,144,253	14,044,710

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	8,816,879	48	12,012,913	54
Other European countries	5,628,486	31	6,783,460	31
North America	1,636,849	9	1,105,989	5
The Caribbean and South America	963,113	5	968,507	4
Asia and Middle East	993,511	6	1,110,374	5
Australia/Oceania	76,204	0	75,536	0
Africa	83,313	1	132,184	1
Total assets	18,198,355	100	22,188,963	100

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

	Foreign exposure / current year end		Foreign exposure / previous year end	
	Amount	Share	Amount	Share
	In thousands CHF	In percentage	In thousands CHF	In percentage
S&P				
AAA	3,061,979	37	3,644,985	43
AA+ – AA-	3,820,140	46	3,581,518	42
A+ – A-	452,721	6	417,580	5
BBB+ – BBB-	248,620	3	268,136	3
BB+ – BB-	153,603	2	45,357	1
B+ – B-	162,920	2	108,952	1
CCC+ – D	3,688	0	960	0
No rating	349,297	4	381,740	5
Total	8,252,968	100	8,449,228	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	2,919,294	24,478	375	192
Amounts due from banks	2,838	258,232	203,820	47,451
Amounts due from securities financing transactions	3,700,000	0	0	0
Amounts due from customers	1,298,068	1,953,285	1,250,266	521,726
Positive replacement values of derivatives financial instruments	543,513	27,964	155,694	106,025
Other financial instruments at fair value	42,894	52,919	397,894	120,500
Financial investments	113,381	1,173,322	2,616,065	70,512
Accrued income and prepaid expenses	43,478	29,218	81,304	15,675
Non consolidated participations	10,304	1	0	0
Tangible fixed assets	366,469	1,989	519	2,548
Other assets	11,119	9,621	12,362	13,040
Total balance sheet assets	9,051,358	3,531,029	4,718,299	897,669
Delivery entitlements from spot exchange transactions, foreign exchange forwards and foreign exchange options	19,371,962	9,831,414	20,169,030	5,758,718
Total assets	28,423,320	13,362,443	24,887,329	6,656,387
Liabilities				
Amounts due to banks	173,450	347,205	222,303	54,634
Amounts due in respect of customer deposits	4,892,914	4,140,187	3,653,752	1,043,188
Negative replacement values of derivatives financial instruments	576,128	80,783	89,229	104,842
Liabilities from other financial instruments at fair value	43,468	62,242	442,045	138,874
Accrued expenses and deferred income	300,285	30,969	59,112	80,379
Other liabilities	39,331	13,220	12,151	8,174
Provisions	95,920	252	0	0
Reserves for general banking risks	497,878	0	0	0
Share capital	73,710	0	0	0
Retained earnings reserve	717,235	0	0	0
Foreign currency translation reserve	(38,757)			
Consolidated profit	243,252	0	0	0
Total balance sheet liabilities	7,614,814	4,674,858	4,478,592	1,430,091
Delivery obligations from spot exchange transactions, foreign exchange forwards and foreign exchange options	21,080,099	8,532,921	20,343,748	5,174,356
Total liabilities	28,694,913	13,207,779	24,822,340	6,604,447
Net position by currency	(271,593)	154,664	64,989	51,940

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
Guarantees to secure loans and similar	377,827	330,875
Total contingent liabilities	377,827	330,875

2.2 Breakdown of fiduciary transactions

	Current year	Previous year
	In thousands	In thousands
	CHF	CHF
Fiduciary investments with third-party companies	9,726,333	7,192,881
Fiduciary transactions arising from securities lending and borrowing, which the Group conducts in its own name for the account of customers	1,466,209	1,388,181
Total	11,192,542	8,581,062

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	55,561	66,625
Assets under discretionary management agreements	61,036	69,292
Assets under advisory agreements	27,521	28,567
Other managed assets	47,462	52,868
Total managed assets (including double-counting)	191,580	217,352
- of which double-counted	36,796	45,205
Presentation of the development of managed assets		
Total managed assets (including double-counting) at the beginning of the year	217,352	193,980
+/- Net new money inflow/outflow	3,036	11,764
+/- Market price impact, interest, dividends and currency development	(29,227)	12,792
+/- Other impacts	419	(1,184)
Total managed assets (including double-counting) at the end of the year	191,580	217,352

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.

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	18,737	12,366
Trading for the account of the customers	87,732	90,210
Total trading results	106,469	102,576

	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	101,175	96,533
- equity securities	2,096	1,526
- precious metals	3,198	4,517
Total trading results	106,469	102,576
- of which from the fair value option	2,210	1,469
- of which from the fair value option on assets	2,210	1,469

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)	(29,702)	(53,057)
Negative interest on deposits		
Interest expense paid	(14,823)	(8,679)
Negative interest on deposits (decrease in interest expense)	19,431	32,042
Positive balance reported in interest and discount income	(4,608)	(23,363)
<i>Interest expenses</i>	<i>0</i>	<i>0</i>

3.3 Breakdown of personnel expenses

	Current year	Previous year
	In thousands CHF	In thousands CHF
Salaries	663,211	700,513
Social insurance obligations	124,406	126,268
Other personnel expenses	17,567	18,175
Total	805,184	844,956

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 2022, the amount of deferred payments amounted to CHF 57.5 million (2021: CHF 48.8 million).

3.4 Breakdown of general and administrative expenses

	Current year	Previous year
	In thousands CHF	In thousands CHF
Expenses relating to premises	48,826	47,495
Expenses relating to information and communication technologies	63,466	49,050
Expenses relating to financial information	30,295	29,819
Travel and entertainment expenses	19,095	7,289
Professional services	33,340	25,097
Fees of audit firm	3,739	3,476
- of which for financial and regulatory audits	2,763	2,330
- of which for other services	976	1,146
Taxes and indirect taxes	17,180	13,089
Office and insurance premium costs	14,443	19,154
Communications and sponsorship expenses	19,482	21,819
Other operating expenses	9,710	6,885
Total	259,576	223,173

3.5 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	In thousands	In thousands	In thousands
	CHF	CHF	CHF	CHF
Net result from interest operations	126,957	20,880	73,991	12,036
Result from commission business and services	775,289	347,636	815,261	443,123
Result from trading activities and the fair value option	91,736	14,733	91,252	11,324
Result from ordinary activities	2,813	275	4,688	(1,362)
Total income	996,795	383,524	985,192	465,121
Personnel expenses	(579,404)	(225,780)	(565,966)	(278,990)
General and administrative expenses	(194,567)	(65,009)	(164,403)	(58,770)
Total expenses	(773,971)	(290,789)	(730,369)	(337,760)
Value adjustments on participations and depreciation of tangible fixed assets	(4,656)	(1,778)	(3,800)	(1,773)
Changes to provisions and other value adjustments, losses	(2,554)	1,714	66	(1,576)
Operating result	215,614	92,671	251,089	124,012

3.6 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	0	5,925
Release of provisions for deferred taxes	(5,074)	(5,755)
Current year tax expense	52,410	51,458
Total income tax expense	47,336	51,628

Average tax rate on the basis of consolidated profit before tax 16.3% 16.0%

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 8.6 million (2021: 4.3 million).

Report of the statutory auditor

to the General Meeting of Compagnie Lombard Odier SCmA, Geneva

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Compagnie Lombard Odier SCmA and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2022, consolidated profit and loss account, cash flow statement, statement of changes in equity for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 13 to 49) give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting rules for banks and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the “Auditor’s responsibilities for the audit of the consolidated financial statements” section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Administration is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor’s report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Administration’s responsibilities for the consolidated financial statements

The Administration is responsible for the preparation of the consolidated financial statements, which give a true and fair view in accordance with accounting rules for banks and the provisions of Swiss law, and for such internal control as the Administration determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Administration is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Administration either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Administration use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate to the Administration or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

In accordance with art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the consolidated financial statements according to the instructions of the B Administration.

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

PricewaterhouseCoopers SA

Marie-Eve Fortier
Audit expert
Auditor in charge

Nicola Padula
Audit expert

Genève, 6 April 2023



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