



LOMBARD ODIER
LOMBARD ODIER DARIER HENTSCH

**Lombard Odier Group
Basel III Pillar 3 Disclosures
at 30 June 2023**

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Introduction

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

This report is produced and published twice a year in accordance with FINMA requirements and as prescribed in the circular 2016/ 1 'Disclosure - banks' which includes the implementation of the revised Pillar 3 disclosure requirements issued by the Basel Committee on Banking Supervisions (BCBS) in March 2017, the reporting frequency for each disclosure requirement is either annual or semi- annual. In accordance with the marginal number 14.2 of FINMA Circular 2016/1, Lombard Odier Group (the "Group") has limited the disclosures included in the report to the quantitative and qualitative information considered to be pertinent. More information regarding qualitative and quantitative Pillar 3 disclosures can be found in the document "Lombard Odier Group, Basel III Pillar 3 Disclosures at 31 December 2022" published in the media relations section of the Lombard Odier website.

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

KM1 – Key metrics

In thousands CHF		a	c	e
		30.06.2023	31.12.2022	30.06.2022
Available capital				
1	Common Equity Tier 1 (CET1)	1,511,528	1,488,818	1,482,101
2	Tier 1	1,532,720	1,510,477	1,499,169
3	Total capital	1,532,720	1,510,477	1,499,169
Risk weighted assets (RWA)				
4	Total RWA	5,029,115	4,966,429	5,030,534
4a	Minimal capital requirement	402,329	397,314	402,443
Risk-based capital ratios as a percentage of RWA				
5	Common Equity Tier 1 ratio (%)	30.1%	30.0%	29.5%
6	Tier 1 ratio (%)	30.5%	30.4%	29.8%
7	Total capital ratio (%)	30.5%	30.4%	29.8%
Additional CET1 buffer requirements as a percentage of RWA				
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.5%	2.5%	2.5%
9	Countercyclical buffer requirement (%)	0.0%	0.0%	0.0%
11	Total of bank CET1 specific buffer requirements (%)	2.5%	2.5%	2.5%
12	CET1 available after meeting the bank's minimum capital requirements (i.e., after the CET1 allocated to cover minimum capital requirements and any TLAC requirements) (%)	22.5%	22.4%	21.8%
FINMA capital ratio requirements as a percentage of RWA				
12a	CET1 buffer (CAO, Annex 8)	4.0%	4.0%	4.0%
12b	Countercyclical buffer (CAO, Art. 44 and 44a) (%)	0.0%	0.0%	0.0%
12c	CET1 total requirement in accordance with Annex 8 of the CAO plus the countercyclical buffer (CAO, Art. 44 and 44a) (%)	7.8%	7.8%	7.8%
12d	Tier 1 total requirement in accordance with Annex 8 of the CAO plus the countercyclical buffer (CAO, Art. 44 and 44a) (%)	9.6%	9.6%	9.6%
12e	Total regulatory capital requirement in accordance with Annex 8 of the CAO plus the countercyclical buffer (CAO, Art. 44 and 44a) (%)	12.0%	12.0%	12.0%
Basel III leverage ratio				
13	Total Basel III leverage ratio exposure measure	16,650,852	18,866,774	25,540,694
14	Basel III leverage ratio (%)	9.2%	8.0%	5.9%
Liquidity coverage ratio (3-month average)				
15	Total high-quality liquid assets	6,667,070	11,264,745	13,849,714
16	Total net cash outflow	3,623,402	5,522,371	6,384,427
17	Short-term liquidity coverage ratio (LCR) (%)	184.0%	204.0%	216.9%
Net stable funding ratio				
18	Available stable funding	7,818,127	9,714,670	12,954,451
19	Required stable funding	4,453,318	4,573,603	5,064,885
20	Net stable funding ratio (NSFR)	176%	212%	256%

OV1 – Overview of risk-weighted assets

In thousands CHF

	Risk Weighted Assets 30.06.2023	Risk Weighted Assets 31.12.2022	Minimal Capital requirements 30.06.2023
1 Credit risk (excluding CCR – counterparty credit risk)	1,954,883	1,976,859	156,391
2 <i>of which standardised approach (SA)</i>	1,535,776	1,605,334	122,862
<i>of which non-counterparty related risk</i>	419,107	371,525	33,529
6 Counterparty credit risk	179,443	150,260	14,355
7 <i>of which standardised approach for counterparty credit risk (SA-CCR)</i>	179,443	150,260	14,355
10 Credit valuation adjustment (CVA)	96,998	53,092	7,760
14 Equity investments in funds – fall-back approach	5,409	1,528	433
20 Market risk	124,946	137,649	9,996
21 <i>of which standardised approach</i>	124,946	137,649	9,996
24 Operational risk	2,665,471	2,646,929	213,238
<i>of which basic indicator approach</i>	2,665,471	2,646,929	213,238
25 Amounts below the thresholds for deduction (subject to 250% risk weight)	86	112	7
27 Total (1+6+10+12+14+15+20+24+25+26)	5,027,236	4,966,429	402,179

Total RWAs increased by CHF 60.8million between reporting periods 31.12.2022 and 30.06.2023 and this is mainly explained by the following:

- RWA for credit risk decreased by CHF 69.6 million and is mainly linked to more eligible collateral in the loan book.
- RWA for non-counterparty rose by CHF 47.6 million mainly due to the investments made as part of the construction of a new headquarter in Geneva.
- Increase of RWA for Credit valuation adjustment by CHF 43.9 million.
- RWA for counterparty credit risk decreased by CHF 29.2 million.
- Increase of RWA for operational risk by CHF 18.5 million, which is explained by the growth of the average gross revenues calculated over the previous three years.
- RWA for market risks decreased by CHF 12.7 million mainly due to lower foreign currency risk.

Information on the liquidity coverage ratio (LCR)

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

Composition of High Quality Liquid Assets ("HQLA")

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

Derivative exposure and potential collateral calls

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

Concentration of funding sources

In addition to capital, client deposits represent the main funding source. They are diversified across the clients base. More than 50% of deposits are held into accounts with cash balances below CHF 5 million which represent more than 95% of the client accounts.

LIQ1 – Liquidity coverage ratio

In thousands CHF

	Q2 2023		Q1 2023	
	3-month average		3-month average	
	unweighted values	weighted values	unweighted values	weighted values
High-quality liquid assets (HQLA)				
1 Total high-quality liquid assets (HQLA)		6,667,070		8,381,364
Cash outflows				
2 Retail deposits	5,671,206	773,724	6,613,615	912,448
4 <i>of which, less stable deposits</i>	5,671,206	773,724	6,613,615	912,448
5 Unsecured wholesale funding	5,563,037	4,255,073	7,250,859	5,599,660
7 <i>of which, non-operational deposits (all counterparties)</i>	5,559,399	4,255,073	7,249,529	5,599,660
9 Secured wholesale funding and collateral swaps	24,363	-	503,196	306
10 Other outflows	2,522,460	745,194	2,520,461	739,747
11 <i>of which, outflows related to derivative exposures and other transactions</i>	883,642	489,428	921,114	491,420
13 <i>of which, outflows related to committed credit and liquidity facilities</i>	1,638,818	255,766	1,599,348	248,327
14 Other contractual funding obligations	-	-	-	-
15 Other contingent funding obligations	4,663,206	19,434	4,673,304	18,947
16 Total cash outflows		5,793,424		7,271,109
Cash inflows				
17 Secured lending (e.g. reverse repos)	-	-	441	441
18 Inflows from fully performing exposures	3,349,693	2,095,570	3,923,888	2,723,464
19 Other cash inflows	74,452	74,452	73,563	73,563
20 Total cash inflows	3,424,145	2,170,022	3,997,892	2,797,468
		Adjusted values		Adjusted values
21 Total high-quality liquid assets (HQLA)		6,667,070		8,381,364
22 Total net cash outflows		3,623,402		4,473,641
23 Liquidity coverage ratio (in %)		184.0%		187.3%

Information on the net stable funding ratio (NSFR)

The NSFR requires banks to maintain a stable funding profile in relation to its on- and off-balance sheet activities. The ratio is defined as the amount of available stable funding (the portion of capital and liabilities expected to be stable source of funding), relative to the amount of required stable funding (a function of the liquidity characteristics of various assets held). The minimum requirement for the NSFR is 100%. In accordance with art. 170 LiqO, the Group may also use the settlement-date accounting in the calculation of the NSFR, even if the Group follows the trade-date accounting principle.

In the second quarter compared to the previous quarter of 2023, the NSFR decreased 16 percentage point to 176%, remaining above the prudential requirement communicated by FINMA. This reflected a CHF 1.2 billion decrease in available stable funding, mainly driven by a decline of retail deposits and small business customers and, other wholesale funding.

LIQ2 – Net Stable Funding Ratio (NSFR)

In thousands CHF

	30.06.2023					Weighted value
	a	b	c	d	e	
	Unweighted value by residual maturity				Weighted value	
No maturity	< 6 months	6 months to < 1 year	>= 1 year			
Available stable funding (ASF)						
1 Capital:	1,532,720	-	-	-	-	1,532,720
2 <i>Regulatory capital</i>	1,532,720	-	-	-	-	1,532,720
4 Retail deposits and deposits from small business customers:	5,143,596	617,422	31,232	26,750	-	5,239,775
6 <i>Less stable deposits</i>	5,143,596	617,422	31,232	26,750	-	5,239,775
7 Wholesale funding:	1,961,022	118,260	3,184	-	-	1,041,233
9 <i>Other wholesale funding</i>	1,961,022	118,260	3,184	-	-	1,041,233
11 Other liabilities:	3,914,436	114,231	195	323,046	-	4,399
12 <i>NSFR derivative liabilities</i>	-	-	-	323,046	-	-
13 <i>All other liabilities and equity not included in the above categories</i>	3,914,436	114,231	195	-	-	4,399
14 Total ASF						7,818,127
Required stable funding (RSF)						
15 Total NSFR high-quality liquid assets (HQLA)	3,487,534	158,816	211,516	2,659,094	-	447,995
17 Performing loans and securities:	1,017,683	3,973,812	568,108	693,165	-	3,116,748
19 <i>Performing loans to financial institutions secured by non-Level 1 or 2a HQLA and unsecured performing loans to financial institutions</i>	467,290	266,337	31,790	700	-	126,639
20 <i>Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:</i>	425,004	3,676,430	444,713	51,962	-	2,317,242
24 <i>Securities that are not in default and do not qualify as HQLA, including exchange-traded equities</i>	125,389	31,045	91,605	640,502	-	672,867
26 Other assets:	641,319	23,583	4,518	346,946	-	763,089
29 <i>NSFR derivative assets</i>	-	-	-	320,277	-	-
30 <i>NSFR derivative liabilities before deduction of variation margin posted</i>	-	-	-	353,083	-	70,617
31 <i>All other assets not included in the above categories</i>	641,319	23,583	4,518	26,669	-	692,473
32 Off-balance sheet items	-	48,346	51,735	1,253,288	-	102,125
33 Total RSF						4,429,957
34 Net Stable Funding Ratio (%)						176%

LIQ2 – Net Stable Funding Ratio (NSFR)

In thousands CHF

	31.03.2023				
	a	b	c	d	e
	Unweighted value by residual maturity				Weighted value
No maturity	< 6 months	6 months to < 1 year	>= 1 year		
Available stable funding (ASF)					
1 Capital:	1,510,462	-	-	-	1,510,462
2 <i>Regulatory capital</i>	1,510,462	-	-	-	1,510,462
4 Retail deposits and deposits from small business customers:	6,328,020	186,350	22,030	26,750	5,909,510
6 <i>Less stable deposits</i>	6,328,020	186,350	22,030	26,750	5,909,510
7 Wholesale funding:	2,308,265	-	-	-	1,154,132
9 <i>Other wholesale funding</i>	2,308,265	-	-	-	1,154,132
11 Other liabilities:	4,804,896	-	-	351,731	7,377
12 <i>NSFR derivative liabilities</i>	-	-	-	351,731	-
13 <i>All other liabilities and equity not included in the above categories</i>	4,804,896	-	-	-	7,377
14 Total ASF					8,581,482
Required stable funding (RSF)					
15 Total NSFR high-quality liquid assets (HQLA)	4,872,979	438,195	211,412	2,731,101	438,451
17 Performing loans and securities:	957,335	3,959,929	649,404	793,488	3,170,923
19 <i>Performing loans to financial institutions secured by non-Level 1 or 2a HQLA and unsecured performing loans to financial institutions</i>	558,202	281,694	74,860	17,474	180,888
20 <i>Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:</i>	233,677	3,658,125	460,733	58,302	2,225,825
24 <i>Securities that are not in default and do not qualify as HQLA, including exchange-traded equities</i>	165,456	20,110	113,811	260,335	764,211
26 Other assets:	633,710	25,471	5,144	260,335	739,713
29 <i>NSFR derivative assets</i>	-	-	-	249,508	-
30 <i>NSFR derivative liabilities before deduction of variation margin posted</i>	-	-	-	374,462	74,892
31 <i>All other assets not included in the above categories</i>	633,710	25,471	5,144	10,827	664,821
32 Off-balance sheet items	-	61,310	60,706	1,285,838	99,712
33 Total RSF					4,448,799
34 Net Stable Funding Ratio (%)					193%

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

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