BANQUE HAVILLAND

CONSOLIDATED ANNUAL REPORT 2018

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CONSOLIDATED MANAGEMENT REPORT

MANAGEMENT REPORT

In 2018, the Group continued to implement the strategy and the risk appetite framework developed in late 2017 and which has resulted in a repositioning towards core markets and in lowering the overall risk profile. Consequently, the Group focused its business development on low and medium risk activities, finalized the disposal of the representative office in Moscow and initiated the closure of the Bahamas operations. Private Banking staff was also reinforced to pursue the development of the activities on core European and UK markets.

Following the merger with Banque Havilland Institutional Services S.A. (Previously Banco Popolare (Luxembourg) S.A.) in October 2017 and the integration of institutional operations on the Group's IT platform, synergies across business lines have been successfully implemented, allowing the Group to propose a wide offer of solutions to both private and institutional clients.

The renewal of the governance initiated in 2017 was continued in 2018. The Board of Directors has been strengthened at the annual general meeting mid-2018 and is predominantly composed of independent directors. The Group is also pleased to announce the appointment of Lars Rejding as CEO, effective January 2019.

The financial performance of the Group in 2018 depicts the strategic moves, the diminution of the risk appetite and the evolution of financial markets, but at the same time the Group is pleased to announce another profitable year.

As part of the continued reduction in risk appetite the balance sheet has been reduced by 18% to EUR 1.560bn, mainly through the decrease of customer deposits from EUR 1.592bn in 2017 to EUR 1.190bn in 2018, this was mainly caused by the Group-initiated derisking programme. On the asset side, the loan book decreased from EUR 523m in 2017 to EUR 457m in 2018 following the new risk appetite and the non-renewal of some loans. Cash at the Central Bank decreased from EUR 328m in 2017 to EUR 211m in 2018, which is a result predominantly of institutional clients whose deposits have to be invested in the highest quality of assets. The Group's investment portfolio has been reduced, from EUR 755m in 2017 to EUR 717m in 2018. CFD activity was more muted due to the volatility in the markets and as a result shares held for hedging purposes fell from EUR 44.4m in 2017 to EUR 11.1m in 2018. To further the business development of Banque Havilland (Monaco) SAM, the Group increased the capital of its subsidiary by EUR 4m to EUR 13.6m.

The decrease in the risk profile of the Group resulted in a lowering of the interest margin achieved to EUR 24.3m from EUR 37.8m, mainly due to the new loan book profile. Commission income benefited from the diversification effect provided by the Institutional clients and fell only by EUR 0.6m to EUR 19.7m in 2018.

The financial environment in 2018 had been characterised by continued low levels of central bank interest rates in the Eurozone. The ECB rate has remained at -0.40%, a continued sign of an anaemic growth rate. However, US and UK economies follow a different path: the Fed raised its rate four times in 2018, from 1.5% to 2.5% and the Bank of England made its second rate rise since 2007 to take the rate to 0.75% (from 0.5% in 2017). Widespread jitters in the credit markets in late 2018 as a result of the uncertainties surrounding the European banking sector and also Brexit negatively affected the bond portfolio resulting in a net financial loss of 5.2m in 2018, against a profit of EUR 13.9m in 2017 driven by positive market effect. A substantial portion of these unrealised losses were reversed in the first quarter of 2019.

The Group continues to invest in its staff and in its operational platform. Staff cost rose from EUR 36.4m in 2017 to EUR 37.9m in 2018 as a consequence of the full year effect of the merger with Banque Havilland Institutional Services and numerous hirings performed since 2017 in the management, control functions and in operations to support subsidiaries. The Group had an average of 245 employees in 2018, against 219 in 2017. Other administrative expenses are reduced by EUR 3.7m to EUR 19.3m.

The selective lending policy, focusing on a client's repayment capacity and prime collateral, minimizes the cost of risk on loans and advances. In 2018, this resulted in a net value adjustment reversal of EUR 3.4m in 2017 (EUR 0.1m in 2017). The lending policy continues to be conservative, predominantly against primary homes in select locations and eligible security portfolios. At times, standalone asset-backed loans at modest loan to values are being granted to support our clients. Since the creation of the Group in 2009, loan losses from new origination have been negligible and this is a testament to the expertise in cross-border lending that the Group has established and continues to build upon.

As during previous years, the Group continues to invest heavily to comply with the evolving national and international regulatory environment. In the normal cycle of the regulatory process the Group, like all credit institutions, was subject to regulatory inspections and investigations in 2017. The outcome of these had already been provisioned in the 2017 accounts and so there is no impact on the 2018 consolidated annual accounts. The Group's decision of exiting the Bahamas market has had no impact on the valuation of the participation in the books of the Group.

Against the background of the strategic repositioning in 2018 and the continuous investment in internal and external resources to deal with the ever-changing regulatory environment, the Management of the Group is pleased to announce a profit for the year of EUR 2.4m.

The Group continues to maintain very strong ratios, with statutory capital adequacy finishing the year above 20 %, compared to a board mandated minimum of 17% and LCR (Liquidity Coverage Ratio) above 200 %.

On behalf of the Group's Authorized Management and the shareholder, we would like to express our thanks to the clients and employees of Banque Havilland S.A.

Capital and Risk Management

The Group's business is exposed to several risks, such as credit, market, liquidity, operational, reputational and other business risks. The Group continues to maintain a robust approach to risk management with an independent department reporting directly to the Authorized Management and the Board of Directors. The Risk Management Department ensures that each key risk of the business is identified and properly managed by applying a holistic view. Key risk areas are managed through a framework of policies, procedures and limits with regular reviews of such framework. During 2018, the Group has further enhanced its control framework both in terms of staff and technology to face the increase in business. The Group has no structured credit obligations or derivatives (such as CDOs, SIVs, CLOs or CDS) in its loan or bond portfolios, a position it has maintained since its inception. Additional information on risk management is available on request in accordance with part 8 of the EU Regulation No 575/2013 (CRR: "Capital Requirements Regulation"). For further information on the Group's exposure to risks, please refer to notes 7.3 and 7.4 of these annual accounts.

The Group has maintained its "Contracts For Differences" (CFD) activity. This activity consists of the issuing of CFD contracts to clients served by the Group or by other Banque Havilland Group entities. The CFDs issued are fully hedged by the acquisition of the underlying asset or by backing the operation with another CFD on the market.

Activities of the Group in the field of research and development

The Group did not undertake any activities in terms of Research and Development.

Acquisition of the Group's own shares

There were no shares in the company held by the company at any point during the financial year.

Branches & representation offices

As per the end of 2018, the Group operates one branch in the UK and one branch in Zurich. The branch engages in Private Banking activity and lending to Private Banking clients.

The Bank operates a representative office in Dubai.

Post-closing events

The Bank received regulatory approval for the acquisition of the remaining 47.5% of the share capital of Banque Havilland (Liechtenstein) A.G. not already held and successfully closed the transaction in January 2019.

Luxembourg, 20th May 2019

Lars Rejding
CEO

Frederic Genet
Chairman of the Board of Directors

Audit report

To the Board of directors of Banque Havilland S.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED ACCOUNTS

Opinion

We have audited the consolidated accounts of Banque Havilland S.A. and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at December 31, 2018, and the consolidated profit and loss account for the year then ended, and notes to the consolidated accounts, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated accounts present fairly, in all material respects, the financial position of the Company as at December 31, 2018, and the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the consolidated accounts.

Basis for Opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under those Regulation, Law and standards are further described in the "Responsibilities of the "Réviseur d'Entreprises Agréé" for the Audit of the Consolidated Accounts" section of our report. We are also independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated accounts, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated accounts of the current period. These matters were addressed in the context of the audit of the consolidated accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER

Value adjustments on loans and advances to customers

We refer to the summary of accounting policies in Note 2 and to the disclosure on credit risk in Note 7.3.

Lending activities represent a significant part of Group's business: on December 31, 2018, loans and advances to customers amount to EUR 188.933.288, net of value adjustments of EUR 7.335.657. Besides, the Group's loan portfolio is composed of mortgage loans for 54%, Lombard loans and credit facilities for 46%.

Loans and advances to customers are recorded at nominal value, less any value adjustments. The determination of value adjustments requires significant judgement, such as the identification of loans that are deteriorating, the assessment of objective evidence for value adjustments, the value of collateral and the assessment of the recoverable amount.

Value adjustments on loans and advances to customers is considered a key audit matter due to the significance of the balance to the annual accounts, combined with the level of judgement required to determine the value adjustments. Inappropriate judgement made in relation to the methodology and inputs used or the assumption taken may have a material impact on the valuation and timely identification of value adjustments of loans and advances to customers.

HOW THE MATTER WAS ADDRESSED IN THE AUDIT

We obtained an understanding of the lending activity processes and reviewed the key controls used as part of these processes. We considered in particular the ongoing monitoring on the loan portfolio, the correct application of haircuts, the use of external experts for the valuation of the real estate properties and the early warning process about valuation reports once they become outdated.

We have evaluated the competence, capabilities and objectivity of the external experts used by the management.

We reviewed the variation of most significant loans and advances between December 31, 2017 and December 31, 2018.

We tested a sample of loans in order to assess whether the collateral on Lombard loans or the value of the mortgages on real estate properties covers the loans and assessed the creditworthiness of the customers in case of insufficient coverage, to ensure timely recognition of impairments and appropriate impairment charges.

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Valuation of goodwill We refer to the summary of accounting policies in Note 2, to the disclosure on positive goodwill in Note 4.6 and to the disclosure on negative goodwill in Note 5.8. Goodwill represents the difference between the cost of the parents company's investment in a consolidated subsidiary and its share of the net assets of this subsidiary as at the date of the acquisition. On December 31, 2018, consolidated annual accounts shows a positive goodwill of EUR 379.976 and a negative goodwill EUR 6.931.486. Goodwill is considered a key audit matter due to the significance of the balances and because the impairment assessment requires significant judgement from the Board of Directors.	We obtained an understanding of the accounting policy and evaluated the valuation methods applied by the Group. Regarding positive goodwill: • We obtained and reviewed the amortisation schedules applied by the Group; • We performed our own independent assessment and verified the existence of any durable impairment. We verified that the Group correctly reverses the negative goodwill with the loss of the corresponding entity when applicable.

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Provisions for litigations and claims As described in Note 5.8 of these consolidated annual accounts, provisions for litigations and claims are EUR 5.653.038 as at December 31, 2018. In preparing the consolidated annual accounts, Management and those charged with governance perform an assessment of all legal matters to determine as to whether these require the recognition of a provision or need for a disclosure as contingent liability in the consolidated annual accounts. Such assessment involves significant degree of judgment and subjectivity. In accordance with methodology established by the Management, provisions are recognized for legal obligations arising from past events, if there is a probable outflow of resources and the amount can be reliably estimated. Given the significant balance, the judgement and subjectivity involved when determining provisions for litigations and claims, we determined provisions for litigations as a key audit matter.	We obtained an understanding of Group's process to determine provisions for litigations and claims, and reviewed the key controls. We reviewed Group's complaints register, the minutes of the Board of Directors' meetings and Group's committees in order to identify potential litigations or claims. We reviewed the variation of provisions (i.e. provisions used, released and new ones recorded) between December 31, 2017 and December 31, 2018. We challenged Management's assumptions against confirmation letters from Group's external lawyers and experts documentation available in order to assess the level of provisions recorded. We obtained Management's memorandum on provisions, discussed these provisions during formal meetings with the legal department and the Management, we challenged the judgment of the Management by independently assessing the probability and magnitude of the outcome of the pending legal proceedings. We finally assessed the fair presentation and disclosure in the annual accounts.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the consolidated management report but does not include the consolidated accounts and our report of the "Réviseur d'Entreprises Agréé" thereon.

Our opinion on the consolidated accounts 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 accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated accounts 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 this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and Those Charged with Governance for the Consolidated Accounts

The Board of Directors is responsible for the preparation and fair presentation of these consolidated accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the consolidated accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated accounts, the Board of Directors 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 Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Responsibilities of the "Réviseur d'Entreprises Agréé" for the Audit of the Consolidated Accounts

The objectives of our audit are to obtain reasonable assurance about whether the consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "Réviseur d'Entreprises Agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF 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 accounts.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated accounts, 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 by the Board of Directors.

- Conclude on the appropriateness of Board of Directors' 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 report of the "Réviseur d'Entreprises Agréé" to the related disclosures in the consolidated accounts 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 report of the "Réviseur d'Entreprises Agréé". 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 accounts, including the disclosures, and whether the consolidated accounts 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 and business activities within the Group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated accounts of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We have been appointed as "Réviseur d'Entreprises Agréé" by the Board of Directors on July 6, 2018 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 1 year.

The consolidated management report is consistent with the consolidated accounts and has been prepared in accordance with applicable legal requirements.

We confirm that the prohibited non-audit services referred to in the EU Regulation N° 537/2014, on the audit profession were not provided and that we remain independent of the Group in conducting the audit.

Luxembourg, 20th May 2019

For Deloitte Audit, Cabinet de Révision Agréé

Martin Flaunet, Réviseur d'Entreprises Agréé
Partner

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BANQUE HAVILLAND S.A.

CONSOLIDATED BALANCE SHEET AS AT 31ST DECEMBER 2018 (EXPRESSED IN EURO)

ASSETS	NOTES	31/12/2018	31/12/2017
Cash in hand, balances with central banks and post office banks	4.1, 7.1, 7.3	213 485 739	329 602 764
Loans and advances to credit institutions	4.2, 7.1, 7.3		
- repayable on demand		78 913 370	148 450 654
- other loans and advances		31 252 455	41 918 854
		110 165 825	**190 369 508**
Loans and advances to customers	2.8, 4.3, 7.1, 7.3	457 318 964	522 774 115
Debt securities and other fixed-income securities	2.6, 4.4, 7.1, 7.3		
- issued by public bodies		71 122 918	107 377 797
- issued by other borrowers		645 671 427	647 638 306
		716 794 346	**755 016 103**
Shares and other variable-yield securities	2.7, 4.5, 7.1, 7.3	21 887 414	56 145 156
Shares in affiliated undertakings	3	11 958	-
Intangible assets	2.4, 4.6	2 148 261	2 443 432
Goodwill of first consolidation	2.3, 4.6	379 977	1 139 930
Tangible assets	2.5, 4.6	15 858 695	21 781 373
Other assets	4.7	12 760 810	20 855 215
Prepayments and accrued income		8 857 889	11 520 706
TOTAL ASSETS	**4.8**	**1 559 669 879**	**1 911 648 302**

The accompanying notes form an integral part of these consolidated annual accounts.

BANQUE HAVILLAND S.A.

CONSOLIDATED BALANCE SHEET AS AT 31ST DECEMBER 2018 (EXPRESSED IN EURO) (CONTINUED)

LIABILITIES	NOTES	31/12/2018	31/12/2017
Amounts owed to credit institutions	5.1, 7.1		
- repayable on demand		45 503 305	724 193
- with agreed maturity dates or periods of notice		36 893 456	249 605
		82 396 762	**973 798**
Amounts owed to customers	5.2, 7.1		
other debts			
- repayable on demand		1 058 751 432	1 424 535 526
- with agreed maturity dates or periods of notice		131 398 092	167 707 737
		1 190 149 523	**1 592 243 263**
Other liabilities	5.3	27 954 354	50 762 016
Accruals and deferred income		4 129 164	3 896 776
Provisions			
- provisions for taxation		2 142 592	3 069 949
- other provisions	2.3, 5.8, 5.9	18 781 349	29 883 013
		20 923 941	**32 952 962**
Fund for general banking risks	2.11	13 013 585	12 834 615
Subscribed capital	5.4, 5.6	170 000 000	170 000 000
Share premium account	5.4, 5.6	1 260 709	1 260 709
Reserves	5.5, 5.6	11 061 700	2 868 049
Profit or loss brought forward	5.6	20 633 060	23 489 330
Profit for the financial year attributable to the Group	5.6	2 344 636	5 212 346
Minority interests	5.6	15 802 446	15 154 438
TOTAL LIABILITIES	**5.7**	**1 559 669 879**	**1 911 648 302**

The accompanying notes form an integral part of these consolidated annual accounts.

BANQUE HAVILLAND S.A.

CONSOLIDATED OFF BALANCE SHEET AS AT 31ST DECEMBER 2018

(EXPRESSED IN EURO)

OFF BALANCE SHEET	NOTES	31/12/2018	31/12/2017
Contingent liabilities	6.1, 7.3	11 096 952	11 246 867
of which:			
- Guarantees and assets pledged as collateral security		*11 096 952*	*11 246 867*
Commitments		259 205	-

The accompanying notes form an integral part of these consolidated annual accounts.

BANQUE HAVILLAND S.A.

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2018

(EXPRESSED IN EURO)

	NOTES	2018	2017
Interest receivable and similar income	8.1	32 632 915	45 600 013
of which: arising from fixed-income transferable securities		*9 342 759*	*8 550 216*
Interest payable and similar charges		(8 379 507)	(7 821 279)
Net interest income		**24 253 408**	**37 778 734**
Income from transferable securities			
Income from shares and other variable-yield securities		1 814	1 082
Commission receivable	8.1	38 550 625	41 008 932
Commission payable		(18 730 650)	(20 651 907)
Net commission income		**19 819 976**	**20 357 025**
Net profit or (loss) on financial operations	8.1	**(5 247 861)**	**13 940 884**
Other operating income	8.2	**21 267 539**	**13 361 725**
Total operating income		**60 094 876**	**85 439 450**
General administrative expenses			
Staff costs	9.3, 9.4	(37 857 441)	(36 352 933)
of which:			
- wages and salaries		*(30 375 076)*	*(29 629 441)*
- social security costs		*(4 598 449)*	*(4 396 870)*
of which: pension costs		*(1 856 311)*	*(1 664 245)*
Other administrative expenses	9.5	(19 267 569)	(22 926 931)
		(57 125 010)	**(59 279 864)**
Value adjustments in respect of tangible, intangible and goodwill of first consolidation		**(2 765 778)**	**(9 742 125)**
Other operating charges	8.3	**(3 716 408)**	**(9 774 378)**
Value adjustments in respect of loans and advances and provisions for contingent liabilities and commitments	8.4	**(562 469)**	**(1 974 396)**

The accompanying notes form an integral part of these consolidated annual accounts.

BANQUE HAVILLAND S.A.

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2018

(EXPRESSED IN EURO) (CONTINUED)

	NOTES	2018	2017
Value re-adjustments in respect of loans and advances and provisions for contingent liabilities and commitments	8.4	7 509 024	1 912 295
Profit before tax		**3 434 236**	**6 580 982**
Tax on profit or loss on ordinary activities	8.5	(2 078)	3 412
Profit or loss on ordinary activities after tax		**3 432 158**	**6 584 394**
Extraordinary income		0	80 389
Extraordinary charges		(9 957)	(40 542)
Extraordinary profit or loss after tax		(9 957)	39 847
Other taxes not shown in the preceding items		(1 037 807)	(1 212 133)
PROFIT OR LOSS FOR THE FINANCIAL YEAR		**2 384 394**	**5 412 108**
Thereof minority interests		*39 758*	*199 762*
Profit for the financial year attributable to the Group		*2 344 636*	*5 212 346*

The accompanying notes form an integral part of these consolidated annual accounts.

BANQUE HAVILLAND S.A.

Notes to the consolidated annual accounts as at 31st DECEMBER 2018

1. GENERAL

Banque Havilland S.A. (the "Bank") was incorporated in the Grand-Duchy of Luxembourg on July 10, 2009 as a limited liability company ("Société Anonyme"). The Ministry of Finance granted the company a banking licence on June 25, 2009.

The Bank was created through a non-cash contribution of assets and liabilities. This non-cash contribution was performed at as the lower of net book value or fair value as at the date of the contribution. As a consequence, the Bank is now carrying all contributed assets and liabilities and reflects the historical cost and accumulated depreciation.

The Bank is registered at the Luxembourg "Registre du Commerce et des Sociétés" under the number B147029. The head office is located 35a, Avenue J.F. Kennedy, L-1855 Luxembourg.

The share capital of the Bank prepared is expressed in Euro (EUR) and the accounting records are prepared and maintained in this currency. The Bank's accounting year is defined as the calendar year.

The Bank is permitted to carry out all banking activities. Its principal activity is private banking.

As of December 31, 2018, the Bank has one branch established in the UK (5 Savile Row, London, United Kingdom) with private banking activity.

The Bank and the subsidiaries described in note 3 are referred to as the "Group".

The Group is also consolidated by Havilland Group S.A. registered in Luxembourg at 35, Avenue J.F. Kennedy, L-1855 Luxembourg.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND VALUATION RULES

2.1. BASIS OF PRESENTATION

The Group prepares its consolidated annual accounts using the historical cost principle, in accordance with the laws and regulations in force in the Grand Duchy of Luxembourg and on the basis of accounting principles generally accepted by the banking sector in the Grand Duchy of Luxembourg. The accounting policies and the valuation principles are determined and applied by the Board of Directors, apart from those which are defined by law and by the Commission de Surveillance du Secteur Financier.

The preparation of consolidated annual accounts requires the use of a certain critical accounting estimates. It also requires the Board of Directors to exercise its judgment in the process of applying accounting policies.

The Board of Directors confirms the application of the going concern principle as appropriate, considering the items reported in the notes 5.8 and 9.6.

The Board of Directors makes estimates and assumptions that affect the reported amounts of assets and liabilities in the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Changes in assumptions may have a significant impact on the consolidated annual accounts in the period in which the assumptions changed. The Board of Directors believes that the underlying assumptions are appropriate and that the consolidated annual accounts therefore present the financial position and results fairly.

2.2. CONSOLIDATION METHOD

The Group has adopted the full consolidation method for its subsidiaries (direct or indirect holding of more than 50%).

2.3. GOODWILL

Goodwill represents the difference between the cost of the parent company's investment in a consolidated subsidiary and its share of the net assets of this subsidiary as at the date of acquisition.

Positive goodwill is disclosed on the asset side of the balance sheet and amortised over 5 years on a linear basis. In case of durable reduction in value, positive goodwill is subject to an accelerated amortization.

Negative goodwill is either disclosed in the consolidated reserves or disclosed under "Provisions" when it corresponds to future expected losses. Subsequently, a part of this provision is reversed into the profit and loss accounts for an amount corresponding to the financial year loss of the subsidiary. The provisions are not maintained if the reasons for which they were made no longer exists.

2.4. INTANGIBLE ASSETS

Intangible assets are included at purchase price less accumulated depreciation.

Intangible assets consist of:

- Software amortised over 4 years on a linear basis;
- Goodwill acquired for valuable consideration and amortised over 4 years on a linear basis;
- Formation expenses and costs in relation to capital increases are directly expensed when incurred.

In case of durable reduction in value, intangible assets are subject to value adjustments regardless of whether their utilisation is limited. The value adjustment is not maintained if the reasons for which the value adjustment were made no longer exist.

2.5. TANGIBLE ASSETS

Tangible assets are included at purchase price less accumulated depreciation. Tangible assets are depreciated over their expected useful life.

The rates and methods of depreciation are as follows:

	RATES	METHOD
Office equipment, fixtures and fittings	25.0%	linear
Company cars	25.0%	linear
Building	1.5% - 4.0%	linear

Fixtures and fittings costing less than EUR 867 or whose expected useful life does not exceed one year are charged directly to profit and loss account for the year.

In case of durable reduction in value, tangible assets are subject to value adjustments regardless of whether their utilisation is limited. The value adjustment is not maintained if the reasons for which the value adjustment were made no longer exist.

2.6. DEBT SECURITIES AND OTHER FIXED-INCOME SECURITIES

The Group has divided its portfolio of fixed-income transferable securities into three categories whose principal characteristics are the following:

- an investment portfolio of financial fixed assets which are intended to be used on a continuing basis in the Bank's activities;
- a trading portfolio of securities purchased with the intention of resale in the short term;
- a structural portfolio of securities which do not fall into either of the two other categories.

Fixed income securities are recorded at their acquisition price (weighted average price) and valued as follows at the balance sheet date:

Investment portfolio of financial fixed assets

Fixed-income transferable securities included in the investment portfolio of financial fixed assets are valued at acquisition price. In case of long-term depreciations, the securities concerned are subject to value adjustments in order to give them the lower value which is to be assigned to them on the balance sheet date.

When the purchase price of fixed-income transferable securities included in the Bank's investment portfolio exceed their redemption price or is below their redemption price, the difference is recorded in profit or loss in instalments over the period remaining to maturity.

As at December 31, 2018 and December 31, 2017, the Group does not hold fixed-income securities of this category.

Trading portfolio

Fixed-income transferable securities included in the trading portfolio are valued at the lower of cost or market value.

As at December 31, 2018 and December 31, 2017, the Group does not hold fixed-income securities of this category.

Structural portfolio

Fixed-income transferable securities included in the structural portfolio are valued at the lower of cost or market value.

Value adjustments are made for securities in the structural portfolio for which the valuation is lower than the purchase price. The valuation is the market value on the balance sheet date, the estimated realisable value or the quotation, which best represents the inherent value of the securities held.

As at December 31, 2018 the Group hold fixed income securities of this category for EUR 716 794 346 (2017 : EUR 755 016 103)

2.7. SHARES AND OTHER VARIABLE-YIELD SECURITIES

Shares and other variable-yield securities are classified in the structural portfolio of the Bank and recorded at purchase price. At the balance sheet date, they are valued at the lower of purchase price or market value. A value adjustement is recorded when the market value is lower than the purchase price.

2.8. LOANS AND ADVANCES

Loans and advances are disclosed at their nominal value. Accrued interests are recorded under the heading "Prepayments and accrued income" on the asset side of the consolidated balance sheet.

2.9. VALUE ADJUSTMENTS IN RESPECT OF CURRENT ASSETS

The policy of the Group is to establish specific provisions to cover the risk of loss and of the non-recovery of debtors.

Value adjustments are deducted from the relevant current assets.

2.10. PROVISION FOR ASSETS AT RISK

A tax deductible lump-sum provision is accounted for based on the Group's assets at risk. These assets are determined in accordance with the regulatory provisions governing the computation of the capital adequacy ratio. The lump-sum provision is split between the relevant assets at risk on a prorate basis in accordance with the provisions of the Luxembourg Monetary Institute circular letter dated December 16, 1997. The portion related to the assets at risk is deducted from these assets.

2.11. FUND FOR GENERAL BANKING RISKS ("FRGB")

The Group has established a fund for general banking risks to cover the particular risks associated with banking operations. Transfers to this fund are determined based on the profit after tax , but before determination of the profit for the financial year. This fund is not subject to any quantitative limit.

The difference between 2017 and 2018 is due to foreign exchange translation impact.

2.12. VALUATION OF FOREIGN CURRENCY BALANCES AND TRANSACTIONS

2.12.1. Foreign currency conversion

The share capital of the Group is expressed in Euro ("EUR") and the accounting records are maintained in that currency.

Intangible and tangible assets are converted at the historic rate. All other assets and liabilities denominated in a currency other than EUR are converted into EUR at the spot rate prevailing at the balance sheet date.

Income and charges in foreign currencies are converted into EUR at the spot rate prevailing on the date of the transaction.

Foreign currency differences arising from these valuation principles are taken to the consolidated profit and loss account.

The annual accounts of subsidiaries whose operating currency is not the EUR are converted using the closing rate method. Under this method, all assets, liabilities and result brought forward, both monetary and non-monetary, are converted using the spot rate at the balance sheet date. Minority interests included in reserves are converted at the spot rate at the balance sheet date. Income and expense items are converted at the average rate for the year.

2.12.2. Valuation of transactions not subject to currency risk

Swap transactions not linked to balance sheet items

The spot result realised in cash terms is offset by the result arising from the revaluation of the forward leg. The premium/discount is spread prorata temporis.

Over-the-counter closed forward transactions

Future profits that are certain to arise are deducted from future losses that are certain to arise in the same currency.

A provision is created for any excess losses; any excess profits are deferred.

2.12.3. Valuation of transactions subject to currency risk

Over-the-counter hedging forward transactions

Provision is made for unrealised losses on forward transactions, which do not represent the hedging of a spot position. Unrealised gains are not accounted for.

The Bank enters into financial instruments for hedging purposes.

3. SCOPE OF CONSOLIDATION

NAME OF THE COMPANY	REGISTERED OFFICE	PROPORTION OF THE CAPITAL HELD BY THE PARENT COMPANY AS OF 31/12/2018
Parent company		
Banque Havilland S.A.	Luxembourg	-
Full consolidation		
Banque Havilland (Monaco) S.A.M.	Monaco	100.0%
Banque Havilland (Liechtenstein) AG	Liechtenstein	52.5%
Banque Havilland (Bahamas) Ltd. (**)	Bahamas	100.0%
Banque Havilland (Suisse) S.A.	Switzerland	100.0%
Out of consolidation scope		
BR 26 S.A. (***)	Luxembourg	100.0%
		AS OF 31/12/2017
Parent company		
Banque Havilland S.A.	Luxembourg	-
Full consolidation		
Banque Havilland (Monaco) S.A.M.	Monaco	100.0%
Banque Havilland (Liechtenstein) AG	Liechtenstein	52.5%
Banque Havilland (Bahamas) Ltd. (**)	Bahamas	100.0%
BH International Limited Liability Company (*)	Russia	100.0%
Banque Havilland (Suisse) S.A.	Switzerland	100.0%

(*) On April 30, 2018 the Group sold its participation in BH International LLC at book value.

(**) Under winding down of the entity.

(***) BR26 S.A. out of scope due to its insignificant character.

4. DETAILED DISCLOSURES RELATING TO ASSET HEADINGS

4.1. CASH IN HAND, BALANCES WITH CENTRAL BANKS AND POST OFFICE BANKS

In accordance with the requirements of the European Central Bank, the Central Bank of Luxembourg implemented effective January 1, 1999, a system of mandatory minimum reserves which applies to all Luxembourg credit institutions. The reserve balance as at December 31, 2018 held by the Group with the Central Bank of Luxembourg amounted to EUR 144 971 528 (2017: EUR 270 380 521). The Group has no overnight deposit at the Central Bank of Luxembourg as at December 31, 2018 (2017: EUR 0). The reserve balance as at December 31, 2018 held by the Group with the Banque de France amounted to EUR 17 434 926 (2017: EUR 12 992 013). The reserve balance as at December 31, 2018 held by the Group with the Swiss National Bank amounted to EUR 48 642 602 (2017: EUR 44 640 172). The reserve balance as at December 31, 2018 held by the Group with the Central Bank of the Bahamas amounted to EUR 131 095 (2017: EUR 196 853).

4.2. LOANS AND ADVANCES TO CREDIT INSTITUTIONS

As at December 31, 2018, the Group has no loan granted to affiliated credit institutions (2017: EUR 0).

4.3. LOANS AND ADVANCES TO CUSTOMERS

As at December 31, 2018, loans and advances to related parties amount to EUR 537 (2017: EUR 1 710).

4.4. DEBT SECURITIES AND OTHER FIXED-INCOME SECURITIES

This heading includes debt securities, whether quoted on a recognised market or not, issued by public bodies, credit institutions or other issuers and which are not included under another balance sheet heading.

Quoted and non-quoted securities are analysed as follows:

	2018 (*) (EUR)	2017 (*) (EUR)
Securities quoted on a recognised market	712 742 923	726 407 414
Securities not quoted on a recognised market	4 051 423	28 608 689
TOTAL	**716 794 346**	**755 016 103**

(*) Including lump-sum provision.

Debt securities and other fixed-income securities held are included in the structural portfolio. The Group uses the European Central Bank Monetary Policy Operations to finance a part of its eligible securities portfolio.

As at December 31, 2018, the Group is committed in sale and repurchase agreements with a firm repurchase obligation. These securities still appear on the balance sheet of the Group for a total amount of EUR 56 448 940 with Luxembourg central bank (2017: nil) and EUR 36 635 128 with another credit institution (2017: nil).

4.5. SHARES AND OTHER VARIABLE-YIELD SECURITIES

This heading includes shares, holdings in investment funds and other variable-yield securities whether quoted on a recognised market or not which are not included in fixed asset investments.

Quoted and non-quoted shares and other variable-yield securities are analysed as follows:

	2018 (*) (EUR)	2017 (*) (EUR)
Securities quoted on a recognised market	21 844 949	56 130 744
Securities not quoted on a recognised market	42 466	14 412
TOTAL	**21 887 414**	**56 145 156**

(*) Including lump-sum provision.

All shares and other variable-yield securities held are included in the structural portfolio.

As at December 31, 2018, the Group holds shares and other variable-yield transferable securities amounting to EUR 11 109 194 for hedging purposes in the frame of contracts for differences ("CFD") with clients (2017: EUR 44 418 723).

4.6. MOVEMENTS IN FIXED ASSETS

FIXED ASSETS (EUR)	GROSS VALUE AT THE BEGINNING OF THE FINANCIAL YEAR	FOREIGN EXCHANGE IMPACT	ADDITIONS	DISPOSALS/ ADJUSTMENTS	GROSS VALUE AT THE END OF THE FINANCIAL YEAR	CUMULATIVE VALUE ADJUSTMENTS AT THE BEGINNING OF THE FINANCIAL YEAR (*)	CUMULATIVE VALUE ADJUSTMENT (*)	NET BOOK VALUE AS AT 31/12/2018	NET BOOK VALUE AS AT 31/12/2017
1. Positive Goodwill of first consolidation	15 109 620	-	-	-	15 109 620	(13 969 690)	(14 729 644)	379 977	1 139 930
2. Intangible assets of which:	20 274 196	329 590	649 055	(3 689 371)	17 563 471	(17 830 765)	(15 415 208)	2 148 261	2 443 433
- Goodwill acquired for valuable consideration	*2 875 358*	*-*	*-*	*(1 104 250)*	*1 771 108*	*(2 759 340)*	*(1 771 108)*	*-*	*116 018*
- Software	*11 479 435*	*120 211*	*502 589*	*(230 251)*	*11 871 983*	*(10 126 503)*	*(10 741 287)*	*1 130 696*	*1 352 933*
- Other intangible assets	*5 919 404*	*209 379*	*146 466*	*(2 354 869)*	*3 920 380*	*(4 944 922)*	*(2 902 815)*	*1 017 565*	*974 483*
3. Tangible assets of which:	57 773 811	1 715 312	397 711	(8 540 792)	51 346 042	(35 992 438)	(35 487 347)	15 858 695	21 781 372
a) Office equipment fixtures and fittings	*21 721 519*	*363 731*	*396 888*	*(652 618)*	*21 829 319*	*(20 691 606)*	*(20 781 921)*	*1 047 398*	*1 029 912*
b) Company cars	*413 844*	*9 520*	*-*	*(146 449)*	*276 915*	*(254 665)*	*(190 881)*	*86 034*	*159 180*
c) Building	*35 638 448*	*1 342 061*	*1 023*	*(7 741 724)*	*29 239 808*	*(15 046 167)*	*(14 514 545)*	*14 725 263*	*20 592 280*

(*) Including lump sum provision.

4.7. OTHER ASSETS

	2018 (*) (EUR)	2017 (*) (EUR)
Tax advances	1 998 183	3 721 530
Guarantee called	340 388	314 798
Margin calls on contracts for differences with clients	5 628 790	12 538 312
Invoices issued	527 022	909 876
Receivable on sales of securities	874 483	594 367
Cheques in transitory	584	809 562
Building available for sale	-	1 440 366
Intercompany receivables	622 601	-
Invoices recoverable related to a claim	1 819 785	-
Other receivables	948 974	526 404
TOTAL	**12 760 810**	**20 855 215**

(*) Including lump sum provision.

The Bank in Luxembourg centralised its activities to its headquarters on avenue J.F. Kennedy and sold the office space it owned on Boulevard Royal. This transaction generated a profit (see note 8.2).

4.8. ASSETS DENOMINATED IN FOREIGN CURRENCIES

Assets denominated in currencies other than EUR have a total value of EUR 204 116 704 (2017: EUR 883 769 519) as at December 31, 2018. The majority of the gap between non EUR denominated assets and non EUR denominated liabilities is covered by exchange rates derivatives instruments (note 7.2).

5. DETAILED DISCLOSURES RELATING TO LIABILITY HEADINGS

5.1. AMOUNTS OWED TO CREDIT INSTITUTIONS

As at December 31, 2018, the Group has no amount owed to affiliated credit institutions (2017: EUR 0).

As part of its liquidity management, the Bank may participate into Eurosystem's regular open market operations. As at December 31, 2018 the Bank entered into main refinancing operations (short-term liquidity providing operations) with Luxembourg Central Bank for EUR 45 000 000 (2017: EUR nil)

5.2. AMOUNTS OWED TO CUSTOMERS

As at December 31, 2018, amounts owed to related parties amount to EUR 66 159 290 (2017: EUR 68 744 350).

5.3. OTHER LIABILITIES

This heading consists of the following:

	2018 (EUR)	2017 (EUR)
Invoice payable	1 094 022	1 326 239
Guarantee payable	119 050	119 050
Payable on sales of securities	18 434 490	17 611 349
Business introducers commissions payables	2 693 879	2 933 585
Cheques in transitory	307 804	1 120 760
Other payable	1 711 535	1 729 597
Clients unclaimed assets	1 384 974	937 763
Accrued general expenses	672 255	307 423
Transitory margin accounts on contracts for differences	-	1 650 443
Payable on sales of structured products	415 151	22 231 274
Preferential creditors	1 121 194	794 533
TOTAL	**27 954 354**	**50 762 016**

5.4. SUBSCRIBED CAPITAL AND SHARE PREMIUM

As at December 31, 2018, the subscribed and fully paid share capital of the Group is EUR 170 000 000 made up of 170 000 shares with a nominal value of EUR 1 000 each.

The share premium amounts to EUR 1 260 709 and is made of valuation differences of the bank assets and liabilities at the date of its constitution.

5.5. LEGAL RESERVE

In accordance with article 461-1 of the Luxembourg company law, as amended, an amount of 5% of net profits should be allocated to a non distributable legal reserve, until this reserve reaches 10% of the subscribed capital. As a result, the Annual General Meeting of Banque Havilland S.A. held on July 6, 2018 has allocated an amount of EUR 9 453 to the legal reserve, in respect of the 2017 financial year.

5.6. CHANGES IN SHAREHOLDERS' EQUITY

The movements of shareholders' equity of Banque Havilland S.A. may be summarised as follows:

	SUBSCRIBED CAPITAL (EUR)	SHARE PREMIUM (EUR)	LEGAL RESERVE (EUR)	CONSOLIDATED RESERVES AND PROFIT BROUGHT FORWARD (EUR)	MINORITY INTERESTS (EUR)	PROFIT OF THE YEAR (GROUP) (EUR)	TOTAL OWN FUNDS (EUR)
Balance at 31st December 2017	**170 000 000**	**1 260 709**	**2 834 360**	**23 523 019**	**15 154 438**	**5 212 346**	**217 984 872**
Capital increase	-	-	-	-	-	-	-
Transfer to legal reserve	-	-	43 942	-	-	(43 942)	-
Translation impact on:							
- group reserves	-	-	-	125 035	-	-	**125 035**
-minority interests	-	-	-	-	608 250	-	**608 250**
Profit brought forward	-	-	-	5 168 404	-	(5 168 404)	-
Current year profit	-	-	-	-	39 758	2 344 636	**2 384 394**
BALANCE AT 31ST DECEMBER 2018	**170 000 000**	**1 260 709**	**2 878 302**	**28 816 458**	**15 802 446**	**2 344 636**	**221 102 550**

5.7. LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

Liabilities denominated in currencies other than EUR have a total value of EUR 203 536 413 (2017: EUR 901 821 977) as at December 31, 2018. The majority of the gap between non EUR denominated assets and non EUR denominated liabilities is covered by exchange rates derivative instruments.

5.8. OTHER PROVISIONS

As at December 31, 2018 "Other provisions" is mainly composed of :

	2018 (EUR)	2017 (EUR)
Clients claims	5 653 038	6 858 517
Legal and consultancy costs	949 037	3 897 367
Bonus	2 261 563	2 040 258
Negative goodwill	6 931 486	6 931 486
Other	2 986 225	10 155 385
TOTAL	**18 781 349**	**29 883 013**

5.9. LUXEMBOURG RESOLUTION FUND ("LRF") AND LUXEMBOURG DEPOSIT GUARANTEE SCHEME ("LDGS")

The law related to the resolution, reorganisation and winding-up measures of credit institutions and certain investment firms and on deposit guarantee and investor compensation schemes ("the Law"), transposing into Luxembourgish law the directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms and the directive 2014/49/EU related to deposit guarantee and investor compensation schemes, was passed on December 18, 2015.

The deposit guarantee and investor compensation scheme previously in place through the "Association pour la Garantie des Dépôts Luxembourg" (AGDL) has been replaced by a new contribution based system of deposit guarantee and investor compensation scheme. This new system covers eligible deposits of each depositor up to an amount of EUR 100,000 (Luxembourg Deposit Guarantee Scheme) and investments up to an amount of EUR 20,000 (Luxembourg Investors Compensation Scheme).

The Law also provides that deposits resulting from specific transactions or fulfilling a specific social or other purpose are covered for an amount above EUR 100,000 for a period of 12 months.

Provisions which were booked in the annual accounts of the credit institutions throughout the years in order to respect the obligations of the AGDL are reversed in proportion to the contribution paid on the new "Luxembourg Resolution Fund" (LRF) and "Luxembourg Deposit Guarantee Scheme" (LDGS).

The funded amount of the LRF shall reach by the end of 2024 at least 1% of covered deposits, as defined in article 107 (1) of the Law, of all authorised credit institutions all participating Member States. This amount will be collected from the credit institutions through annual contributions during the years 2015 to 2024 using the previously constituted AGDL provision.

The target level of funding of the LDGS is set at 0.8% of covered deposits, as defined in article 179 (1) of the Law, of the relevant credit institutions arid is to be reached by the end of 2018 through annual contributions using the previously constituted AGDL provision. When the level of 0.8% will be reached, the Luxembourgish credit institutions are to continue to contribute for 8 additional years in order to constitute an additional safety buffer of 0.8% of covered deposits as defined in article 180 (1) of the Law.

According to the Law, the Group decided to use the AGDL provision constituted up to December 31, 2015 to cover LRF and LDGS charges occurring during the year.

During 2018, the AGDL provision was used to cover LRF and LDGS charges for respectively EUR 440 038 and EUR 78 768 (2017: EUR 241 103 and EUR 80 642).

6. CONTINGENT LIABILITIES

6.1. CONTINGENT LIABILITIES

Contingent liabilities consist of guarantees for EUR 11 096 952 (2017: EUR 11 246 867) and other direct substitutes for loans for EUR nil (2017: EUR nil).

As at December 31, 2018, contingent liabilities to related parties amount to EUR Nil (2017: EUR Nil).

6.2. OPEN FORWARD AGREEMENTS AT THE BALANCE SHEET DATE

The Group is engaged in forward foreign exchange transactions (swaps, outrights) in the normal course of its banking business. A significant portion of these transactions has been contracted to hedge the effects of fluctuations in exchange rates (see notes 7.2. and 7.3. for additional information).

6.3. MANAGEMENT AND FIDUCIARY SERVICES

The Group's services to third parties consist of:

- Portfolio management and investment advice;
- Custody and administration of transferable securities;
- Credit activities;
- Fund administration.

6.4. OTHER COMMITMENTS

The following commitments outstanding at December 31, 2018 have not been included in the balance sheet nor in the off balance sheet accounts:

- The premises of the Bank in Luxembourg are rented from Kaytwo S.à r.l.. The total commitments in respect of fixed rental payments contracted on buildings amounts to EUR 9 691 846 (2017: EUR 4 928 214).

7. INFORMATION RELATING TO FINANCIAL INSTRUMENTS

7.1. DISCLOSURES RELATING TO PRIMARY FINANCIAL INSTRUMENTS IN RELATION TO NON TRADING ACTIVITIES

The following tables provide an analysis of the carrying amount of primary financial assets and financial liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment.

As at December 31, 2018, primary financial assets and liabilities are analysed as follows (in EUR):

FINANCIAL ASSETS	LESS THAN THREE MONTHS	BETWEEN THREE MONTHS AND ONE YEAR	BETWEEN ONE YEAR AND FIVE YEARS	MORE THAN FIVE YEARS	NO MATURITY	TOTAL
Cash in hand, balances with central banks and post office banks	213 485 739	-	-	-	-	213 485 739
Loans and advances to credit institutions	105 415 825	4 750 000	-	-	-	110 165 825
Loans and advances to customers	203 851 460	46 759 707	184 007 797	22 700 000	-	457 318 964
Debt securities and other fixed-income securities	28 028 021	74 382 925	528 552 613	80 913 702	4 917 085	716 794 346
Shares and other variable-yield securities	-	-	-	-	21 887 414	21 887 414
TOTAL	**550 781 046**	**125 892 632**	**712 560 410**	**103 613 702**	**26 804 499**	**1 519 652 288**

FINANCIAL LIABILITIES	LESS THAN THREE MONTHS	BETWEEN THREE MONTHS AND ONE YEAR	BETWEEN ONE YEAR AND FIVE YEARS	MORE THAN FIVE YEARS	NO MATURITY	TOTAL
Amounts owed to credit institutions	82 396 762	-	-	-	-	82 396 762
Amounts owed to customers	1 183 111 655	5 990 474	1 047 395	-	-	1 190 149 523
TOTAL	**1 265 508 417**	**5 990 474**	**1 047 395**	**-**	**-**	**1 272 546 285**

OFF BALANCE SHEET	LESS THAN THREE MONTHS	BETWEEN THREE MONTHS AND ONE YEAR	BETWEEN ONE YEAR AND FIVE YEARS	MORE THAN FIVE YEARS	NO MATURITY	TOTAL
Contingent liabilities	-	146 641	9 685 848	-	1 264 463	11 096 952
Commitments					259 205	259 205
Fiduciary transactions	14 225 018	3 755 200	-	-	-	17 980 218
TOTAL	**14 225 018**	**3 901 841**	**9 685 848**	**-**	**1 523 668**	**29 336 375**

The maturity mismatch between the assets and the liabilities of the Bank are mainly related to the Bank's bond portfolio. This portfolio mainly comprises of floating rate notes indexed on the 3 or 6 months Libor. A smaller portion relates to fixed-coupon bonds and structured-coupon bonds, which are interest sensitive. The modified duration of the entire portfolio is of 1.50.

As per end of year the Bank did not make use of source of funding available via the ECB Monetary Policy Operations (e.g. via Main Refinancing Operations (MRO's) and Long Term Refinancing Operations (LTRO's)).

A positive shift of 200 bps of the interest rate curve would mean a decrease of EUR 16 237 490 of the present value of our assets and liabilities. The portfolio is therefore slightly sensitive to the fluctuation of short term interest rates.

As at December 31, 2017, primary financial assets and liabilities are analysed as follows (in EUR):

FINANCIAL ASSETS	LESS THAN THREE MONTHS	BETWEEN THREE MONTHS AND ONE YEAR	BETWEEN ONE YEAR AND FIVE YEARS	MORE THAN FIVE YEARS	NO MATURITY	TOTAL
Cash in hand, balances with central banks and post office banks	329 602 764	-	-	-	-	329 602 764
Loans and advances to credit institutions	185 619 508	4 750 000	-	-	-	190 369 508
Loans and advances to customers	305 186 721	25 971 876	184 437 965	7 177 553	-	522 774 115
Debt securities and other fixed-income securities	55 539 275	48 915 154	503 455 689	131 908 052	15 197 933	755 016 103
Shares and other variable-yield securities	-	-	-	-	56 145 156	56 145 156
TOTAL	**875 948 268**	**79 637 030**	**687 893 654**	**139 085 605**	**71 343 089**	**1 853 907 646**

FINANCIAL LIABILITIES	LESS THAN THREE MONTHS	BETWEEN THREE MONTHS AND ONE YEAR	BETWEEN ONE YEAR AND FIVE YEARS	MORE THAN FIVE YEARS	NO MATURITY	TOTAL
Amounts owed to credit institutions	973 798	-	-	-	-	973 798
Amounts owed to customers	1 586 164 818	6 078 445	-	-	-	1 592 243 263
TOTAL	**1 587 138 616**	**6 078 445**	**-**	**-**	**-**	**1 593 217 061**

OFF BALANCE SHEET	LESS THAN THREE MONTHS	BETWEEN THREE MONTHS AND ONE YEAR	BETWEEN ONE YEAR AND FIVE YEARS	MORE THAN FIVE YEARS	NO MATURITY	TOTAL
Contingent liabilities	101 242	9 240 725	447 909	-	1 456 991	11 246 867
Fiduciary transactions	44 421 280	-	-	-	-	44 421 280
TOTAL	**44 522 522**	**9 240 725**	**447 909**	**-**	**1 456 991**	**55 668 147**

7.2. DISCLOSURES RELATING TO DERIVATIVE FINANCIAL INSTRUMENTS

The following tables provide an analysis of the derivative financial assets and liabilities of the Bank into relevant maturity groupings based on the remaining periods to repayment. As at December 31, 2018, over-the-counter derivative financial assets and liabilities are analysed as follows (in EUR):

INSTRUMENT CLASS	CONTRACT / NOTIONAL AMOUNT (EUR)	LESS THAN THREE MONTHS		BETWEEN THREE MONTHS AND ONE YEAR		BETWEEN ONE YEAR AND FIVE YEARS		TOTAL	
		FINANCIAL ASSETS (POSITIVE FAIR VALUE)	FINANCIAL LIABILITIES (NEGATIVE FAIR VALUE)	FINANCIAL ASSETS (POSITIVE FAIR VALUE)	FINANCIAL LIABILITIES (NEGATIVE FAIR VALUE)	FINANCIAL ASSETS (POSITIVE FAIR VALUE)	FINANCIAL LIABILITIES (NEGATIVE FAIR VALUE)	FINANCIAL ASSETS (POSITIVE FAIR VALUE)	FINANCIAL LIABILITIES (NEGATIVE FAIR VALUE)
Foreign Exchange									
OTC									
- Forward currency contracts	262 621 770	1 033 608	(998 902)	58 318	(69 314)	32 130	(25 990)	**1 124 057**	**(1 094 205)**
- Currency swap contracts	195 750 612	336 307	(532 418)	17 663	(22 076)	-	-	**353 970**	**(554 493)**
- Options	347 050	-	-	-	-	-	-	**-**	**-**
Equities									
OTC									
- Contracts for difference	16 194 737	7 609 971	(253 232)	-	-	-	-	**7 609 971**	**(253 232)**
Exchange-traded									
- Options	3 750 492	381 117	(402 477)	-	(6 327)	4 451	(4 451)	**385 568**	**(413 256)**
- Futures	133 909 623	443 787	(443 787)	-	-	-	-	**443 787**	**(443 787)**
Index									
Exchange-traded									
- Futures	28 501 004	257 580	(926 712)	-	-	-	-	**257 580**	**(926 712)**
Commodity									
Exchange-traded									
- Futures	14 946 491	108 301	(24 286)	-	-	-	-	**108 301**	**(24 286)**

As at December 31, 2017, over-the-counter derivative financial assets and liabilities are analysed as follows (in EUR):

INSTRUMENT CLASS	CONTRACT / NOTIONAL AMOUNT (EUR)	LESS THAN THREE MONTHS		BETWEEN THREE MONTHS AND ONE YEAR		BETWEEN ONE YEAR AND FIVE YEARS		TOTAL	
		FINANCIAL ASSETS (POSITIVE FAIR VALUE)	FINANCIAL LIABILITIES (NEGATIVE FAIR VALUE)	FINANCIAL ASSETS (POSITIVE FAIR VALUE)	FINANCIAL LIABILITIES (NEGATIVE FAIR VALUE)	FINANCIAL ASSETS (POSITIVE FAIR VALUE)	FINANCIAL LIABILITIES (NEGATIVE FAIR VALUE)	FINANCIAL ASSETS (POSITIVE FAIR VALUE)	FINANCIAL LIABILITIES (NEGATIVE FAIR VALUE)
Foreign Exchange									
OTC									
- Forward currency contracts	1 277 527 439	10 278 735	(10 807 455)	3 797	(15 610)	-	(2 345)	**10 282 531**	**(10 825 400)**
- Currency swap contracts	189 787 431	1 577 205	(363 327)	-	-	-	-	**1 577 205**	**(363 327)**
- Options	110 223	-	-	-	-	-	-	**-**	**-**
Equities									
OTC									
- Contracts for difference	67 262 865	12 965 258	(1 962 443)	-	-	-	-	**12 965 258**	**(1 962 443)**
Exchange-traded									
- Options	1 899 896	184 941	(221 845)	48 224	(24 096)	4 656	(4 656)	**237 821**	**(250 597)**
- Futures	53 973 289	160 940	(160 940)		-	-	-	**160 940**	**(160 940)**
Index									
Exchange-traded									
- Futures	7 210 092	126 240	(311 559)	-	-	-	-	**126 240**	**(311 559)**
Commodity									
Exchange-traded									
- Futures	32 651 169	214 965	(668 352)	189 510	(31 835)	-	-	**404 475**	**(700 187)**

7.3. DISCLOSURES RELATING TO CREDIT RISK

The Group is exposed to credit risk mainly through its lending, investing and hedging activities and in cases where the Group acts as an intermediary on behalf of customers and issues guarantees.

The Group's primary exposure to credit risk arises from its loans and advances and debt securities. The credit exposure in this regard is represented by the carrying amounts of the assets in the balance sheet.

The Group is also exposed to off-balance sheet credit risk through guarantees issued and instruments linked to exchange, interest and other market rates (forward transactions, swaps and option contracts). The credit exposure in respect of instruments linked to exchange, interest and other market rates are equal to the equivalent at risk according to the initial risk approach.

The credit risk exposure can be analysed as follows (in EUR):

	2018 CREDIT RISK EXPOSURE	2017 CREDIT RISK EXPOSURE
Cash in hand, balances with central banks and post office banks	213 485 739	329 602 764
Loans and advances to credit institutions	110 165 825	190 369 508
Loans and advances to customers	457 318 964	522 774 115
Debt securities and other fixed-income securities	716 794 346	755 016 103
Shares and other variable-yield securities	21 887 414	56 145 155
Contingent liabilities	11 096 952	11 246 867
Derivatives	21 065 190	65 245 867
Commitment	259 205	-
TOTAL	**1 552 073 637**	**1 929 525 134**

Loans and advances to customers are usually secured by cash, listed investments, third party guarantees and mortgage on real estate property.

Credit risk concentrations on total on and off balance sheet are analysed as follows:

	2018 (EUR)	2017 (EUR)
Corporates	545 823 783	556 996 220
Credit institutions	544 163 384	1 042 222 104
Individuals	190 271 017	210 340 006
Public sector	271 815 453	119 966 804
TOTAL	**1 552 073 637**	**1 929 525 134**

Credit institutions, corporates, individuals and public sector are essentially issued from OECD countries, main ones being Luxembourg, United States, Switzerland, France and the United Kingdom.

Geographical Concentration of credit risk (in EUR):

	2018 (EUR)	2017 (EUR)
Luxembourg	295 417 785	485 420 335
United States	199 264 822	192 996 787
United Kingdom	133 003 402	124 632 833
France	128 035 542	132 057 934
Monaco	121 297 100	60 078 396
Switzerland	87 004 047	159 540 942
Germany	63 610 357	114 121 992
Turkey	55 546 113	54 539 985
Belgium	52 253 392	41 612 044
Hong Kong	41 981 244	7 772 816
Netherlands	36 812 922	41 272 700
Japan	34 237 771	31 335 655
Canada	30 284 836	39 619 624
United Arab Emirates	28 552 342	21 860 736
British Virgin Islands	25 004 639	59 655 308
Russia	19 197 524	19 514 172
Italy	18 689 645	19 587 890
Sweden	15 819 304	17 637 682
Guernsey	14 753 981	5 737 016

	2018 (EUR)	2017 (EUR)
Finland	14 264 888	13 748 215
Poland	13 769 918	10 314 375
Mexico	12 114 750	2 394 072
Cyprus	11 861 217	17 060 505
Jersey	11 100 574	16 943 093
Spain	10 091 475	22 243 201
Cayman Islands	9 544 835	26 941 953
China	9 391 717	15 091 682
Norway	9 074 438	15 962 367
Seychelles	7 359 786	2 576 556
Panama	6 214 301	2 659 777
Ireland	5 401 851	4 465 543
Iceland	4 685 905	10 893 292
Ukraine	3 903 964	4 001 993
Estonia	3 895 626	2 376 561
South Korea	3 633 636	1 608 091
Liechtenstein	2 156 672	18 292 101
Other	12 841 316	112 956 910
TOTAL	**1 552 073 637**	**1 929 525 134**

7.4. INFORMATION ON THE MANAGEMENT OF OTHER RISKS

Liquidity Risk

A cash management system enables the Group to achieve a daily automatic "vostro-nostro" reconciliation of all correspondent accounts.

The Group is able to identify possible cash flow errors, to determine adjusted opening balances and generate an accurate liquidity gap to better channel short-term liquidity needs.

The Asset and Liability Committee ("ALCO") receives a daily report on the overall liquidity situation of the Group, the upcoming liquidity risks and the cash buffer.

Interest Rate Risk

The Group monitors its interest rate risk by analysing the different maturity gaps in the balance sheet.

Stress tests are performed quarterly by analysing parallel curve shifts.

Exchange Rate Risk

The Group's main exposure to foreign exchange risk ("FX") arises from USD, CHF and GBP.

A foreign exchange position system provides an overall view of the currency risk and related profit or loss impact by business line, turnover and margins.

The implementation of a Value at Risk ("VaR") model gives a view of the potential loss of the overnight position.

The ALCO members monitor and control the exchange rate risk through the daily report received from the risk department.

Market Risk

The Group's Market Risk is managed in both a qualitative and a quantitative manner. The profit and loss of the Group's investment and FX book is reported daily by the

Treasury to the ALCO members. An in-depth analysis of the Group's investment portfolio is performed monthly in terms of geographic segmentation, sector segmentation, type of products, last important news on the issuer, yield analysis, rating agency's views, liquidity, issuer's healthiness, etc. The FX overnight's risk is computed daily through a 99% Expected Shortfall. These documents are sent to the ALCO. All the investment's decisions need to be compliant with the Investment Guidelines as agreed by the Board of Directors.

The monitoring and control of CFD positions is operationalised, among others, through the production of two daily reports: a CFD control report and a CFD statement report. The details for each position, corresponding margin call, profit and loss, computed VaR are indicated in these documents.

In case of any breach the Relationship Manager of the client and the credit department are immediately informed. The Credit Department with the support of the Relation Manager has to solve the breach wether by margin calling the client, either by closing the CFD's contract.

The Treasury of the Group can hedge the client's CFDs either by backing the CFD on the market with a CFD provider, either by taking positions on the underlying. In any case, the Group's book has to be delta neutral.

8. INFORMATION ON THE PROFIT AND LOSS ACCOUNT

8.1. GEOGRAPHICAL ANALYSIS INCOME

Interest receivable and similar income, commission receivable and net profit on financial operations mainly originate from Western Europe.

8.2. OTHER OPERATING INCOME

Other operating income are analysed as follows:

	2018 (EUR)	2017 (EUR)
Gains on sales of buildings held in Luxembourg and Switzerland	15 744 234	-
Provisions reversed	3 058 488	669 536
Gains on deals/claims settled	204 003	1 935 488
Reversal of negative goodwill	-	8 733 782
Fees re-invoicing	750 519	803 404
Other	1 510 295	1 219 515
TOTAL	**21 267 539**	**13 361 725**

In 2018, the Group did not reversed its negative goodwill into the profit and loss accounts for an amount corresponding to the financial year loss of its subsidiary in Switzerland (2017: EUR 8.7m). This subsidiary being profitable in 2018.

Following the centralisation of its operations in Luxembourg to the headquarters on avenue J.F. Kennedy, the Bank sold in 2018 the office space held on Boulevard Royal. The transaction generated a profit of EUR 6 807 181. The building in Switzerland has also been sold for CHF 16 500 000. That transaction generated a profit of CHF 9 852 447.

Provisions reversed concern mainly the reduction of the risk with regards to claims (see note 5.8), provisions allocated by Banque Havilland institutional Services prior to the merger, provision for staff costs and provisions related to other risks ultimately not materialized.

8.3. OTHER OPERATING CHARGES

Other operating charges are analysed as follows:

	2018 (EUR)	2017 (EUR)
Write-off of receivables	502 726	308 159
Administrative fees reinvoiced	154 979	820 510
Provision for claims	2 113 610	2 608 579
Tax adjustments related to previous years	-	287 332
Provision for restructuring costs	-	1 018 000
Other	945 093	4 731 799
TOTAL	**3 716 408**	**9 774 378**

8.4. NET VALUE ADJUSTMENTS IN RESPECT OF LOANS AND ADVANCES AND PROVISION FOR CONTINGENT LIABILITIES AND FOR COMMITMENTS

This heading is analysed as follows:

	2018 (EUR)	2017 (EUR)
Specific value adjustments on loans to customers		
- Additions	562 468	1 974 396
- Reversals	(4 009 024)	(1 912 295)
Lump sum provision additions	(3 500 000)	-
TOTAL	**(6 946 556)**	**62 101**

As at December 31, 2018, the lump sum provision amounts to EUR 3 575 939 (2017: EUR 7 075 938).

8.5. TAX INFORMATION

The Parent company is liable to taxes on income and net wealth taxes in line with the Luxembourg legislation.

9. OTHER INFORMATION

9.1. COUNTRY BY COUNTRY INFORMATION

According to Article 38-3 of the law of April 5, 1993 as amended by the law of July 23, 2015, the credit institutions, financial holding companies and investment companies must publish information on their locations and activities, included in their scope of consolidation in each state or territory.

As at December 31, 2018, country by country information are analysed as follows (in EUR):

EU MEMBER COUNTRIES	STATUTORY OPERATING INCOME	STATUTORY PROFIT OR LOSS BEFORE TAX	STATUTORY TAX ON PROFIT OR LOSS	NUMBER OF EMPLOYEES
Luxembourg (*)	33 483 983	847 228	-	150
United Kingdom (*)	3 132 167	(578 659)	-	13

NON-EU MEMBER COUNTRIES	STATUTORY OPERATING INCOME	STATUTORY PROFIT OR LOSS BEFORE TAX	STATUTORY TAX ON PROFIT OR LOSS	NUMBER OF EMPLOYEES
Bahamas	2 392 785	252 279	-	9
Liechtenstein	8 558 259	406 741	(2 078)	21
Monaco	3 985 665	401 802	-	17
Switzerland	3 289 669	3 074 225	(301 460)	36

(*) Audited

No public subsidies have been received by the Group during the year that ended December 31, 2018.

As at December 31, 2017, country by country information are analysed as follows (in EUR):

EU MEMBER COUNTRIES	STATUTORY OPERATING INCOME	STATUTORY PROFIT OR LOSS BEFORE TAX	STATUTORY TAX ON PROFIT OR LOSS	NUMBER OF EMPLOYEES
Luxembourg (*)	50 115 190	387 349	(504 574)	125
United Kingdom (*)	4 733 063	405 841	(99 552)	15

NON-EU MEMBER COUNTRIES	STATUTORY OPERATING INCOME	STATUTORY PROFIT OR LOSS BEFORE TAX	STATUTORY TAX ON PROFIT OR LOSS	NUMBER OF EMPLOYEES
Bahamas	3 044 755	(1 204 251)	-	8
Liechtenstein	8 480 638	655 529	(1 024)	20
Monaco	4 237 952	141 473	-	14
Switzerland	5 487 688	(4 749 784)	(325 171)	41
Russia	-	(86 100)	8 178	3

(*) Audited

No public subsidies have been received by the Group during the year that ended December 31, 2017.

9.2. RETURN ON ASSETS

The return on assets of the Group for the year ended December 31, 2018 stands to 0.15% (0.27% for the previous year). The return on assets is calculated as being the net profit divided by the total balance sheet.

9.3. PERSONNEL EMPLOYED

The average number of persons employed during the financial year was as follows:

	2018	2017
Management	19	21
Employees	226	198
TOTAL	**245**	**219**

9.4. MEMBERS OF THE ADMINISTRATION, MANAGERIAL AND SUPERVISORY BODIES

Remuneration paid to the various bodies of the Group during the financial year was as follows:

	2018 (EUR)	2017 (EUR)
Management	5 899 767	5 547 841
Supervisory body	324 759	424 559
TOTAL	**6 224 526**	**5 972 400**

Loans and advances granted to members of the Management and the Board of Directors as at December 31, 2018 amount to nil (2017: EUR nil).

As at December 31, 2018, a guarantee of EUR 43 289 (2017: EUR 44 975) has been issued in favour of member of the Management and the Board of Directors.

It was decided at the Annual General Meeting held on July 6, 2018 that six Board members of the Bank in Luxembourg received emoluments in respect of their duties for a total gross amount of EUR 720 000 related to the fiscal year ended December 31, 2018 (2017: EUR 260 000).

9.5. INDEPENDENT AUDITOR'S FEES

Fees billed (excluding VAT) to the Group by the Réviseur d'Entreprises Agrée during the year are as follows:

	2018	2017
Audit fees	447 182	1 195 458
Audit-related fees	153 509	-
Tax-related fees	380 391	98 514
Other fees	351 222	68 497
TOTAL	**1 332 304**	**1 362 468**

9.6. SUBSEQUENT EVENT

The Group performed a strategic review of its international network and decided that Bahamas was non-core. The Management has been mandated to evaluate options to exit from the Bahamas. By the issuing date of this report, there were no client assets left in the Bahamas.

In January 2019, the Group bought the remaining 47.5% from the minority shareholder of Banque Havilland (Liechtenstein) AG.

In November 2017 a number of media articles referred to a financial plan concerning Qatar in which the Group's name was mentioned. The Group firmly denies any improper conduct and considers that the allegations are baseless.

In the second quarter of 2019, the State of Qatar issued proceedings in the High Court of London, England against the Group relating to allegations similar to those raised in the November 2017 media articles. The Group's position in relation to the allegations remains unchanged. The proceedings are still at an early stage and will be defended robustly. Appropriate measures have been taken to seek to ensure that any consequences of the proceedings would not affect the Group's financial position.

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