BANQUE HAVILLAND

CONSOLIDATED ANNUAL REPORT 2019

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CONSOLIDATED MANAGEMENT REPORT

MANAGEMENT REPORT

In 2019, the Group continued to implement the strategy and the risk appetite framework which had been put in place in order to achieve a repositioning towards core markets and in lowering the overall risk profile. Consequently, the Group has focused its business development on low and medium risk activities and finalised the closure of the Bahamas operations. Private Banking was also reinforced in order to pursue the development of activities in core European and UK markets.

The financial performance of the Group in 2019 reflects the strategic direction the Group has taken, the diminution of the risk appetite and the evolution of financial markets.

The balance sheet has decreased by 0.9% to EUR 1.546bn, mainly through the decrease of amounts owed to credit institutions from EUR 82m in 2018 to EUR 20m in 2019 and through the elimination of minority interest (EUR 16m) after the successful acquisition of the remaining minority shares in Banque Havilland Liechtenstein. Client deposits have however increased from EUR 1.190bn in 2018 to EUR 1 259m in 2019. On the asset side, the loan book increased from EUR 458m in 2018 to EUR 519m in 2019. The Group's investment portfolio has been reduced by EUR 112m to EUR 605m in 2019, in favour of placements with central Banks, which rose from EUR 213m in 2018 to EUR 311m in 2019. CFD activity was more muted due to the volatility in the markets and as a result shares held for hedging purposes fell from EUR 11.1m in 2018 to nil in 2019.

The decrease in the risk profile of the Group resulted in a lowering of the interest margin achieved to EUR 17.3m in 2019 from EUR 24.3m in 2018. Commission income increased from EUR 19.8m in 2018 to EUR 20.9m in 2019.

The financial environment in 2019 was characterised by continued low levels of central bank interest rates in the Eurozone. The ECB rate has decreased from -0.40% to -0.50%, a continued sign of an anaemic growth rate. The FED cut US rate by 0.75% to 1.75% while UK rates remained unchanged at 0.75%. The bond portfolio recovered the unrealized losses of 2018 resulting in a net financial profit of EUR 15.2m in 2019, against a loss of EUR 5.2m in 2018, driven by positive market effect.

The Group continues to invest in its staff and in its operational platform. Staff costs increased by 1.4%, from EUR 37.9m in 2018 to EUR 38.4m in 2019. The Group slightly decreased the number of employees after the closure of Bahamas operations, from an average of 245 employees in 2018 to 240 in 2019. Other administrative expenses increased by EUR 4.1m to EUR 23.4m.

Our selective lending policy, focusing on a client's repayment capacity and on prime collateral, minimizes the cost of risk on loans and advances. The lending policy continues to be conservative, predominantly against primary homes in select locations and eligible security portfolios. In 2019, the net cost of risk amounted to EUR 155k. 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. The Group's decision of exiting the Bahamas market has had no impact in the books of the Group. Further to the original disclosure that was made in our 2017 accounts, the state of Qatar issued proceedings in the High Court in London, England against the Group in early 2019. The proceedings cite allegations similar to those raised in the media articles of 2017. The Group's position towards these historic allegations remains unchanged. The proceedings are still at an early stage and will be defended robustly. Appropriate measure have been taken to seek to ensure that any consequences of these proceedings would not affect the group's financial position.

Against the background of the strategic repositioning which began in 2018 and the continuous investment in internal and external resources to deal with the ever-changing regulatory environment, the Group has recorded a net profit of EUR 0.5m in 2019.

The Group continues to maintain very strong ratios, with capital adequacy finishing the year above 30% for the scope of consolidation of these accounts, compared to a board mandated minimum of 17%. The LCR (Liquidity Coverage Ratio) is at 224%. The consolidated supervision of the Bank by the CSSF is performed at the level of Havilland Group S.A., which is the direct shareholder of Banque Havilland.

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 2019, 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.

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

The Group did not hold any own shares at any point during the financial year.

Branches & representation offices

As per the end of 2019, the Group operates one branch in the UK and one branch in Switzerland. The branches engage in Private Banking activity and lending to Private Banking clients.

The Group operates a representative office in Dubai.

Acquisition of remaining minority shareholding stake in Banque Havilland (Liechtenstein) A.G.

In 2018, the Group received regulatory approval for the acquisition of the remaining 47.5% of the share capital of Banque Havilland (Liechtenstein) A.G. which was not already held and successfully closed the transaction in January 2019.

Post-closing events

The Covid-19 crisis has impacted global markets and without exception all industries, including banking. This has generated market volatility and adverse sentiment with inevitably some impact on the treasury portfolio and business volume. The Group was well prepared - the business continuity plan has enabled almost 95% of the staff to work from home without any impact on the Group's normal operations. The impact from the global disruption has been mitigated by a measured risk appetite; all prudential ratios remain in line with regulatory and internal risk appetite requirements and the Group remains committed to continue developing its business in that manner.

Luxembourg, 8th May 2020

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, 2019, 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, 2019, 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 the EU Regulation No 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the "Réviseur d'Entreprises Agréé" for the Audit of the Annual accounts" section of our report. We are also independent of the Company 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 annual 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	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
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, 2019, loans and advances to customers amount to EUR 519.152.926, net of value adjustments of EUR 7.578.164. 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 consolidated 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.	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, 2018 and December 31, 2019. 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
Provisions for litigations and claims As described in Note 5.8 of these consolidated accounts, provisions for litigations and claims are EUR 5.501.088 as at December 31, 2019. In preparing the consolidated 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 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, 2018 and December 31, 2019. 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 consolidated 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 Shareholder of the Group on July 11, 2019 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 2 years.

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, 8th May 2020

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 2019 (EXPRESSED IN EURO)

ASSETS	NOTES	31/12/2019	31/12/2018
Cash in hand, balances with central banks and post office banks	4.1, 7.1, 7.3	310 517 910	213 485 739
Loans and advances to credit institutions			
- repayable on demand	4.2, 7.1, 7.3	51 798 058	78 913 370
- other loans and advances		15 403 837	31 252 455
		67 201 895	**110 165 825**
Loans and advances to customers	2.8, 4.3, 7.1, 7.3	519 152 926	457 318 964
Debt securities and other fixed-income securities			
- issued by public bodies	2.6, 4.4, 7.1, 7.3	97 130 181	71 122 918
- issued by other borrowers		507 633 157	645 671 427
		604 763 338	**716 794 346**
Shares and other variable-yield securities	2.7, 4.5, 7.1, 7.3	12 209 530	21 887 414
Shares in affiliated undertakings	3	2 004 426	11 958
Intangible assets	2.4, 4.6	2 210 050	2 148 261
Goodwill of first consolidation	2.3, 4.6	-	379 977
Tangible assets	2.5, 4.6	13 972 456	15 858 695
Other assets	4.7	6 288 717	12 760 810
Prepayments and accrued income		7 907 073	8 857 889
TOTAL ASSETS	**4.8**	**1 546 228 321**	**1 559 669 879**

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

BANQUE HAVILLAND S.A.

CONSOLIDATED BALANCE SHEET AS AT 31ST DECEMBER 2019 (EXPRESSED IN EURO)

(CONTINUED)

LIABILITIES	NOTES	31/12/2019	31/12/2018
Amounts owed to credit institutions	5.1, 7.1		
- repayable on demand		603 470	45 503 305
- with agreed maturity dates or periods of notice		18 973 902	36 893 456
		19 577 373	**82 396 762**
Amounts owed to customers	5.2, 7.1		
other debts			
- repayable on demand		1 107 308 272	1 058 751 432
- with agreed maturity dates or periods of notice		151 733 511	131 398 092
		1 259 041 783	**1 190 149 523**
Other liabilities	5.3	31 348 903	27 954 354
Accruals and deferred income		3 384 670	4 129 164
Provisions			
- provisions for taxation		1 624 632	2 142 592
- other provisions	2.3, 5.8, 5.9	12 999 755	18 781 349
		14 624 387	**20 923 941**
Fund for general banking risks	2.11	12 241 880	13 013 585
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	13 356 441	11 061 700
Profit or loss brought forward	5.6	20 881 877	20 633 060
Profit for the financial year attributable to the Group	5.6	510 298	2 344 636
Minority interests	5.6	-	15 802 446
TOTAL LIABILITIES	**5.7**	**1 546 228 321**	**1 559 669 879**

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

BANQUE HAVILLAND S.A.

CONSOLIDATED OFF BALANCE SHEET AS AT 31ST DECEMBER 2019

(EXPRESSED IN EURO)

OFF BALANCE SHEET	NOTES	31/12/2019	31/12/2018
Contingent liabilities	6.1, 7.3	6 980 303	11 096 952
of which:			
- Guarantees and assets pledged as collateral security		*6 980 303*	*11 096 952*
Commitments		220 854	259 205

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

BANQUE HAVILLAND S.A.

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2019

(EXPRESSED IN EURO)

	NOTES	2019	2018
Interest receivable and similar income	8.1	25 172 162	32 632 915
of which: arising from fixed-income transferable securities		*8 484 322*	*9 342 759*
Interest payable and similar charges		(7 849 216)	(8 379 507)
Net interest income		**17 322 946**	**24 253 408**
Income from transferable securities			
Income from shares and other variable-yield securities		1 705	1 814
Commission receivable	8.1	39 112 879	38 550 625
Commission payable		(18 198 071)	(18 730 650)
Net commission income		**20 914 808**	**19 819 976**
Net profit or (loss) on financial operations	8.1	**15 246 065**	**(5 247 861)**
Other operating income	8.2	**13 945 780**	**21 267 539**
Total operating income		**67 431 304**	**60 094 876**
General administrative expenses			
Staff costs	9.3, 9.4	(38 399 598)	(37 857 441)
of which:			
- wages and salaries		*(30 887 177)*	*(30 375 076)*
- social security costs		*(4 982 610)*	*(4 598 449)*
of which: pension costs		*(2 154 997)*	*(1 856 311)*
Other administrative expenses	9.5	(23 354 402)	(19 267 569)
		(61 754 000)	**(57 125 010)**
Value adjustments in respect of tangible, intangible and goodwill of first consolidation		**(2 557 240)**	**(2 765 778)**
Other operating charges	8.3	**(2 414 275)**	**(3 716 408)**
Value adjustments in respect of loans and advances and provisions for contingent liabilities and for commitments	8.4	**(3 812 199)**	**(562 469)**

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

BANQUE HAVILLAND S.A.

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2019

(EXPRESSED IN EURO) (CONTINUED)

	NOTES	2019	2018
Value re-adjustments in respect of loans and advances and provisions for contingent liabilities and commitments	8.4	3 657 541	7 509 024
Income from the reversal of amounts included in the fund for general banking risks	8.4	941 970	-
Profit before tax		1 493 100	3 434 236
Tax on profit or loss on ordinary activities	8.5	(17 287)	(2 078)
Profit or loss on ordinary activities after tax		1 475 813	3 432 158
Extraordinary income		-	-
Extraordinary charges		(146 613)	(9 957)
Extraordinary profit or loss after tax		(146 613)	(9 957)
Other taxes not shown in the preceding items		(818 901)	(1 037 807)
PROFIT OR LOSS FOR THE FINANCIAL YEAR		**510 298**	**2 384 394**
Thereof minority interests		*-*	*39 758*
Profit for the financial year attributable to the Group		*510 298*	*2 344 636*

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

BANQUE HAVILLAND S.A.

Notes to the consolidated accounts as at 31st DECEMBER 2019

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.

As at October 1, 2017, Banque Havilland Institutional Services S.A. ("BHIS"), a fully owned subsidiary of the Bank, has been merged by absorption with the Bank and became a dedicated business line of the Bank. All services to institutional investors have been maintained.

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, 2019, 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 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 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 accounts in the period in which the assumptions changed. The Board of Directors believes that the underlying assumptions are appropriate and that the consolidated 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, 2019 and December 31, 2018, 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, 2019 and December 31, 2018, 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, 2019 the Group hold fixed income securities of this category for EUR 604 763 338 (2018 : EUR 716 794 346)

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. The total lump-sum provison is EUR 3 575 939 in 2019 (2018: EUR 3 575 939).

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.

In 2019, the Group reversed an amount of EUR 941 970 from the FRBG.

The remaining difference between 2018 and 2019 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 Group only 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 31/12/2019
Parent company		
Banque Havilland S.A.	Luxembourg	-
Full consolidation		
Banque Havilland (Monaco) S.A.M.	Monaco	100.0%
Banque Havilland (Liechtenstein) AG(*)	Liechtenstein	100.0%
Banque Havilland (Suisse) S.A.	Switzerland	100.0%
BHB Ltd.(**)	Bahamas	100.0%
Out of consolidation scope		
BR 26 S.à r.l. (***)	Luxembourg	100.0%
		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%
BHB Ltd.(**)	Bahamas	100.0%
Banque Havilland (Suisse) S.A.	Switzerland	100.0%
Out of consolidation scope		
BR 26 S.à r.l. (***)	Luxembourg	100.0%

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

(**) Under winding down of the entity. The company surrendered its banking and securities licenses. It is out of scope due to its insignificant character

(***) BR26 S.à r.l. 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, 2019 held by the Group with the Central Bank of Luxembourg amounted to EUR 262 607 193 (2018: EUR 144 971 528). The Group has no overnight deposit at the Central Bank of Luxembourg as at December 31, 2019 (2018: EUR 0). The reserve balance as at December 31, 2019 held by the Group with the Banque de France amounted to EUR 14 994 638 (2018: EUR 17 434 926). The reserve balance as at December 31, 2019 held by the Group with the Swiss National Bank amounted to EUR 30 259 975 (2018: EUR 48 642 602).

4.2. LOANS AND ADVANCES TO CREDIT INSTITUTIONS

As at December 31, 2019, the Group has no loan granted to affiliated credit institutions (2018: EUR 0).

4.3. LOANS AND ADVANCES TO CUSTOMERS

As at December 31, 2019, loans and advances to related parties amount to EUR 1 499 741 (2018: EUR 537). Total loan loss allowances amounts to EUR 7 578 164 (2018: EUR 7 355 961).

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:

	2019 (*) (EUR)	2018 (*) (EUR)
Securities quoted on a recognised market	521 370 081	712 742 923
Securities not quoted on a recognised market	83 393 257	4 051 423
TOTAL	**604 763 338**	**716 794 346**

(*) 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, 2019, the Group is not committed in sale and repurchase agreements with a firm repurchase obligation. These securities still appear on the balance sheet of the Bank for a total amount of EUR nil with Luxembourg central bank (2018: EUR 56 448 940) and EUR nil with another credit institution (2018: EUR 36 635 128).

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:

	2019 (*) (EUR)	2018 (*) (EUR)
Securities quoted on a recognised market	11 869 326	21 844 949
Securities not quoted on a recognised market	340 204	42 466
TOTAL	**12 209 530**	**21 887 414**

(*) Including lump-sum provision.

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

As at December 31, 2019, the Group does not hold shares and other variable-yield transferable securities for hedging purposes in the frame of contracts for differences ("CFD") with clients (2018: EUR 11 109 614).

4.6. MOVEMENTS ON TANGIBLE AND TANGIBLE 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 31/12/2019	NET BOOK VALUE AS AT 31/12/2018
1. Positive Goodwill of first consolidation	**15 109 620**	**-**	**-**	**(11 309 851)**	**3 799 769**	**(13 969 690)**	**(3 799 769)**	**-**	**379 977**
2. Intangible assets of which:	**17 563 471**	**234 186**	**908 516**	**(3 920 030)**	**14 786 143**	**(15 415 208)**	**(12 576 093)**	**2 210 050**	**2 148 261**
- Goodwill acquired for valuable consideration	*1 771 108*	*-*	*-*	*-*	*1 771 108*	*(1 771 108)*	*(1 771 108)*	*-*	*-*
- Software	*11 871 983*	*115 936*	*908 516*	*(1 244 128)*	*11 652 307*	*(10 741 287)*	*(10 337 107)*	*1 315 200*	*1 130 696*
- Other intangible assets	*3 920 380*	*118 251*	*-*	*(2 675 903)*	*1 362 728*	*(2 902 815)*	*(467 878)*	*894 850*	*1 017 565*
3. Tangible assets of which:	**51 346 042**	**1 329 716**	**954 745**	**(4 311 161)**	**49 319 342**	**(35 488 252)**	**(35 346 886)**	**13 972 456**	**15 858 695**
a) Office equipment fixtures and fittings	*21 829 319*	*332 998*	*911 109*	*(2 103 094)*	*20 970 331*	*(20 782 921)*	*(19 740 910)*	*1 229 421*	*1 047 398*
b) Company cars	*276 915*	*3 690*	*43 636*	*(61 254)*	*262 987*	*(190 881)*	*(259 869)*	*3 118*	*86 034*
c) Building	*29 239 808*	*993 028*	*-*	*(2 146 813)*	*28 086 024*	*(14 514 545)*	*(15 346 107)*	*12 739 917*	*14 725 263*

(*) Including lump sum provision.

4.7. OTHER ASSETS

This heading consists of the following:

	2019 (*) (EUR)	2018 (*) (EUR)
Tax advances	2 935 276	1 998 183
Intercompany receivables	1 786 238	622 601
Other receivables	575 098	948 974
Invoices issued not yet paid	558 059	527 022
Receivable on sales of securities	310 284	874 483
Guarantee called	123 762	340 388
Margin calls on contracts for differences with clients	-	5 628 790
Invoices recoverable related to a claim	-	1 819 785
Cheques in transitory	-	584
TOTAL	**6 288 717**	**12 760 810**

(*) Including lump sum provision.

4.8. ASSETS DENOMINATED IN FOREIGN CURRENCIES

Assets denominated in currencies other than EUR have a total value of EUR 523 776 154 (2018: EUR 204 116 704) as at December 31, 2019. 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, 2019, the Group has no amount owed to affiliated credit institutions (2018: EUR 0).

As part of its liquidity management, the Bank may participate into Eurosystem's regular open market operations. As at December 31, 2019 the Bank did not enter into main refinancing operations (short-term liquidity providing operations) with Luxembourg Central Bank (2018: EUR 45 000 000)

5.2. AMOUNTS OWED TO CUSTOMERS

As at December 31, 2019, amounts owed to related parties amount to EUR 35 613 368 (2018: EUR 66 159 290).

5.3. OTHER LIABILITIES

This heading consists of the following:

	2019 (EUR)	2018 (EUR)
Payable on sales of securities	19 282 694	18 434 490
Payable on sales of structured products	5 269 474	415 151
Invoice payable	1 730 191	1 094 022
Clients unclaimed assets	1 558 155	1 384 974
Preferential creditors	1 253 320	1 121 194
Accrued general expenses	314 305	672 255
Business introducers commissions payables	255 648	2 693 879
Cheques in transitory	208 409	307 804
Guarantee payable	119 050	119 050
Other payable	1 357 657	1 711 535
TOTAL	**31 348 903**	**27 954 354**

5.4. SUBSCRIBED CAPITAL AND SHARE PREMIUM

As at December 31, 2019, 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 June 11, 2019 has allocated an amount of EUR 13 428 to the legal reserve, in respect of the 2018 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 2018	**170 000 000**	**1 260 709**	**2 878 302**	**28 816 458**	**15 802 446**	**2 344 636**	**221 102 550**
Capital increase	-	-	-	-	-	-	-
Transfer to legal reserve	-	-	33 661	-	-	(33 661)	-
Translation impact on:							
- Group reserves	-	-	-	198 922	-	-	**198 922**
- Change in participation percentage	-	-	-	-	(15 802 446)	-	**(15 802 446)**
Profit brought forward	-	-	-	2 310 975	-	(2 310 975)	-
Current year profit	-	-	-	-	-	510 298	**510 298**
BALANCE AT 31ST DECEMBER 2019	**170 000 000**	**1 260 709**	**2 911 963**	**31 326 355**	**-**	**510 298**	**206 009 325**

5.7. LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

Liabilities denominated in currencies other than EUR have a total value of EUR 618 204 479 (2018: EUR 203 536 413) as at December 31, 2019. 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, 2019 "Other provisions" is mainly composed of:

	2019 (EUR)	2018 (EUR)
Negative goodwill	1 590 060	6 931 486
Clients claims	5 501 088	5 653 038
Bonus	2 580 037	2 261 563
Legal and consultancy costs	657 241	949 037
Other	2 671 329	2 986 225
TOTAL	**12 999 755**	**18 781 349**

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 2019, the remaining AGDL provision of EUR 107 071 was used to partially cover LRF and LDGS charges for respectively EUR 445 414 and EUR 31 762 (2018: EUR 440 038 and EUR 78 768).

6. CONTINGENT LIABILITIES AND COMMITMENTS

6.1. CONTINGENT LIABILITIES

Contingent liabilities consist of guarantees for EUR 6 980 303 (2018: EUR 11 096 952) and other direct substitutes for loans for EUR nil (2018: EUR nil).

As at December 31, 2019, contingent liabilities to related parties amount to EUR 5 263 557 (2018: EUR Nil).

The current proceedings in the High Court in London, England against the Group relate to allegations similar to those raised in the media articles of November 2017, which has been disclosed in the 2017 accounts. At this stage of the proceedings and based on the evidence, it is not possible to quantify the impact. The Group's position with regard to these allegations remains unchanged. The Group denies any wrongdoing and has therefore not recorded any specific provision or liability in its accounts.

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, 2019 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 8 634 799 (2018: EUR 9 691 846).

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, 2019, 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	310 517 910	-	-	-	-	310 517 910
Loans and advances to credit institutions	67 201 895	-	-	-	-	67 201 895
Loans and advances to customers	187 201 693	25 907 539	284 943 694	21 100 000	-	519 152 926
Debt securities and other fixed-income securities	70 391 237	84 215 536	386 327 874	56 886 358	6 942 334	604 763 338
Shares and other variable-yield securities	-	-	-	-	12 209 530	12 209 530
TOTAL	**635 312 735**	**110 123 075**	**671 271 568**	**77 986 358**	**19 151 864**	**1 513 845 599**

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	19 577 373	-	-	-	-	19 577 373
Amounts owed to customers	1 224 739 353	23 868 663	10 433 767	-	-	1 259 041 783
TOTAL	**1 244 316 726**	**23 868 663**	**10 433 767**	**-**	**-**	**1 278 619 156**

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	-	5 543 827	256 557	-	1 179 919	6 980 303
Commitments	-	-	-		220 854	220 854
Fiduciary transactions	25 979 542	-	-	-	-	25 979 542
TOTAL	**25 979 542**	**5 543 827**	**256 557**	**-**	**1 400 773**	**33 180 699**

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 below 2 years.

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 16 214 215 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, 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**

BANQUE HAVILLAND S.A.

Notes to the consolidated accounts as at 31st DECEMBER 2019 (continued)

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**

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, 2019, 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	719 809 672	5 338 480	(5 338 248)	82 950	(89 774)	-	(8 695)	**5 421 430**	**(5 436 717)**
- Currency swap contracts	130 523 988	558 728	(367 700)	91 346	(87 671)	-	-	**650 074**	**(455 372)**
- Options	1 403 360	-	-	960	(640)	-	-	**960**	**(640)**
Equities									
OTC									
- Contracts for difference	2 242 210	100 332	(7 772)	-	-	-	-	**100 332**	**(7 772)**
Exchange-traded									
- Options	1 056 816	1 106	(6 212)	170 842	(170 842)	-	-	**171 948**	**(177 054)**
- Futures	-	-	-	-	-	-	-	**-**	**-**
Index									
Exchange-traded									
- Futures	35 964 784	282 552	(282 552)	-	-	-	-	**282 552**	**(282 552)**
Commodity									
Exchange-traded									
- Futures	2 002 494	19 239	(19 239)	7 215	(7 215)	-	-	**26 454**	**(26 454)**

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)**

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):

	2019 CREDIT RISK EXPOSURE	2018 CREDIT RISK EXPOSURE
Cash in hand, balances with central banks and post office banks	310 517 910	213 485 739
Loans and advances to credit institutions	67 201 895	110 165 825
Loans and advances to customers	519 152 926	457 318 964
Debt securities and other fixed-income securities	604 763 338	716 794 346
Shares and other variable-yield securities	12 209 530	21 887 414
Contingent liabilities	6 980 303	11 096 952
Derivatives	17 505 467	21 065 190
Commitment	220 854	259 205
TOTAL	**1 538 552 223**	**1 552 073 637**

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:

	2019 (EUR)	2018 (EUR)
Corporates	476 238 890	545 823 783
Credit institutions	446 557 122	544 163 384
Public sector	374 732 013	271 815 453
Individuals	241 024 198	190 271 017
TOTAL	**1 538 552 223**	**1 552 073 637**

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):

	2019 (EUR)	2018 (EUR)
Luxembourg	361 929 133	295 417 785
United Kingdom	154 122 629	133 003 402
United States	142 181 694	199 264 822
France	132 381 468	128 035 542
Switzerland	121 854 492	87 004 047
Monaco	109 078 855	121 297 100
Germany	67 686 354	63 610 357
United Arab Emirates	63 782 639	28 552 342
Belgium	48 316 809	52 253 392
Hong Kong	38 276 255	41 981 244
Sweden	38 241 035	15 819 304
Netherlands	33 008 007	36 812 922
Italy	25 439 330	18 689 645
Japan	22 145 812	34 237 771
Russia	19 932 859	19 197 524
Canada	17 899 537	30 284 836
British Virgin Islands	15 450 851	25 004 639
Turkey	12 226 536	55 546 113

	2019 (EUR)	2018 (EUR)
Cyprus	11 558 260	11 861 217
Finland	10 596 103	14 264 888
Poland	10 584 278	13 769 918
Spain	9 405 969	10 091 475
Guernsey	9 251 956	14 753 981
Mexico	8 166 892	12 114 750
China	8 122 415	9 391 717
Seychelles	8 042 963	7 359 786
Australia	7 901 154	-
Panama	4 618 107	6 214 301
Ukraine	4 142 250	3 903 964
South Korea	4 087 494	3 633 636
Singapore	2 545 120	2 086 551
Cayman Islands	2 491 239	9 544 835
Norway	2 196 443	9 074 438
Iceland	2 018 253	4 685 905
Jersey	1 994 181	11 100 574
Other	6 874 853	22 208 916
TOTAL	**1 538 552 223**	**1 552 073 637**

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 an Expected Shortfall ("ES") 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:

	2019 (EUR)	2018 (EUR)
Reversal of negative goodwill	5 341 426	-
Negative goodwill on purchase of minority interests	3 628 656	-
Provisions reversed	1 967 360	3 058 488
Fees re-invoicing	1 213 535	750 519
Gains on deals/claims settled	335 507	204 003
Client fees related to previous years	95 000	-
Gains on sales of buildings held in Luxembourg and Switzerland	-	15 744 234
Other	1 364 296	1 510 295
TOTAL	**13 945 780**	**21 267 539**

In 2019, the Group reversed its negative goodwill into the profit and loss accounts for an amount corresponding to the financial year loss of its subsidiary in Switzerland (2018: EUR nil).

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), provision for staff costs, provisions related to other risks ultimately not materialized and provision built for the deconsolidation of BHB Ltd.

8.3. OTHER OPERATING CHARGES

Other operating charges are analysed as follows:

	2019 (EUR)	2018 (EUR)
Write-off of receivables	744 624	502 726
Contributions to LRF and LDGS	372 614	-
Administrative fees reinvoiced	369 238	154 979
Invoices related to previous years	54 596	-
Provision for claims	-	2 113 610
Other	873 185	945 093
TOTAL	**2 414 257**	**3 716 408**

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:

	2019 (EUR)	2018 (EUR)
Specific value adjustments on loans to customers		
- Additions	3 812 199	562 468
- Reversals	(3 657 541)	(4 009 024)
Lump sum provision additions	-	(3 500 000)
TOTAL	**154 658**	**(6 946 556)**

The additions and reversals for 2019 mainly relate to client loan position fully impaired and written off during the year.

As at December 31, 2019, the lump sum provision amounts to EUR 3 575 939 (2018: EUR 3 575 939).

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, 2019, 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 (*)	50 815 430	(2 397 026)	-	153
United Kingdom (*)	2 253 767	(1 168 689)	-	10

NON-EU MEMBER COUNTRIES	STATUTORY OPERATING INCOME	STATUTORY PROFIT OR LOSS BEFORE TAX	STATUTORY TAX ON PROFIT OR LOSS	NUMBER OF EMPLOYEES
Bahamas	732 917	(941 970)	-	-
Liechtenstein	10 032 528	973 689	(17 287)	25
Monaco	4 433 641	98 426	-	14
Switzerland	4 263 440	(5 341 426)	-	39

(*) Audited

No public subsidies have been received by the Group during the year that ended December 31, 2019

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.

9.2. RETURN ON ASSETS

The return on assets of the Group for the year ended December 31, 2019 stands to 0.03% (0.15% 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:

	2019	2018
Management	17	19
Employees	223	226
TOTAL	**240**	**245**

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:

	2019 (EUR)	2018 (EUR)
Management	5 606 528	5 899 767
Supervisory body	299 081	324 759
TOTAL	**5 905 609**	**6 224 526**

Loans and advances granted to members of the Management and the Board of Directors as at December 31, 2019 amount to nil (2018: EUR nil).

As at December 31, 2019, a guarantee of EUR 46 011 (2018: EUR 43 289) 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 June 11, 2019 that six Board members of the Bank in Luxembourg received emoluments in respect of their duties for a total gross amount of EUR 700 000 related to the fiscal year ended December 31, 2019 (2018: EUR 720 000).

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:

	2019	2018
Audit fees	422 427	447 182
Audit-related fees	147 607	153 509
Tax-related fees	174 000	380 391
Other fees	90 000	351 222
TOTAL	**834 034**	**1 332 304**

Such fees are presented under other administrative expenses in the consolidated profit and loss account.

9.6. SUBSEQUENT EVENT

The extent of the impact that the coronavirus is having on society and the economy, and thus on the financial markets, is becoming more apparent day by day. High volatility and market dislocation has been experienced by many financial institutions, Banque Havilland included. Due to its strong capitalisation, the Group is able to absorb current and potential further market decline while maintaining its solvency in compliance with internal risk appetite and regulatory thresholds. The Group has not observed any increase in non-performing loans and the service of debt remains unaffected. The operational efficiency of the Group remains unaffected by confinement measures enacted to protect the health and welfare of our employees. We believe that the Group is in a good position to cope with the current developing situation.

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