

The background of the entire page is a nighttime photograph of a city. The central focus is a large, ornate building with a prominent dome, illuminated with warm lights. To its left, another domed building is partially visible. The foreground shows a street with a crosswalk and some greenery. The sky is a mix of deep blue and purple hues from the sunset or sunrise.

Annual Report  
2018



Annual Report  
2018



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## Part One

## Financial Section

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## Part Two





General  
Section

QUILVEST

is a financial holding company whose activities are in the wealth management and private equity & real estate business.

QUILVEST

was incorporated in Paris on 20 September 1888. The Group established in Luxembourg in 1960. Since the spin-off of the industrial activities in 1991, it has solely focused on managing financial assets with private banks in Switzerland - established in 1932, in France - established in 1917 and in Luxembourg which combined its activities in 2011. QUILVEST's global Private Equity activities date back to 1972.

QUILVEST

consists of almost 400 professionals with offices in Luxembourg, New York, Zurich, Geneva, Paris, Dubai, London, Montevideo, Hong Kong, Singapore, Ghent, Brussels and Santiago de Chile.

# List of Directors and Group Management

## Board of Directors

**Chairman** Adrien de Boisanger (as from 1 January 2019)  
Christian Baillet (until 31 December 2018)

**Directors** Robin Filmer-Wilson  
Philippe Hoss  
Robert Kneip  
Alexis Meffre  
Ana Sainz de Vicuña  
Jean-Louis Schiltz  
Gonzalo Tanoira  
Vauban Participations S.A.  
(represented by Norbert Becker)

François Manset (until 30 June 2018)  
Stanislas Poniowski (until 30 June 2018)  
Alvaro Sainz de Vicuña (until 30 June 2018)

**Audit Committee** Adrien de Boisanger, President  
Norbert Becker  
Alexis Meffre  
Jean-Louis Schiltz (as from 19 January 2019)

**Compensation Committee** Robin Filmer-Wilson, President  
Alexis Meffre  
Robert Kneip (as from 19 January 2019)

**Executive Management** **CEO Quilvest Wealth Management**  
Marc Hoffmann  
**CFO Quilvest Group & Secretary General**  
Jean-Benoît Lachaise  
**Executive chairman Quilvest & Partners**  
Alexis Meffre

**Statutory and Group Auditors** KPMG Luxembourg, Société Coopérative



# Chairman's Statement

2018 has been difficult for the financial markets and, in particular, the end of the year, which resulted in a severe correction. In spite of that macro-economic environment, Quilvest had a positive performance, which is very satisfactory.

In Private Equity, Quilvest has confirmed to be active. Apart from some real estate investments and commitments in new funds, 2018 was the year of the last investments of the Club Fund I and the sale of Sogetrel with outstanding realized capital gains. Time has come to raise Club Fund II.

Quilvest Wealth Management has continued to consolidate its position even if the business activity is still suffering from low or negative interest rates.

The balance sheet of Quilvest has continued to strengthen with a large positive liquidity, which explains that we have been able to distribute an increased dividend and to realize a buyback of shares. Finally, we have completed successfully a squeeze out, because of the limited liquidity of the shares, resulting in Quilvest S.A. now being a private company.

After 6 years as a Director and Chairman of your company, I have stepped down at the end of 2018 and transmitted my duty to Adrien de Boisanger, who has all the qualifications and experience to chair Quilvest during its next phase of development. Apart from Adrien, the Board has welcomed Ana Sainz de Vicuna and Alexis Meffre. Ana brings a lot of experience in Private Banking and Alexis has more than 15 years of practice in Private Equity, which explains his new role as Chairman of QPE. They have replaced Stanislas Poniatowski, Alvaro Sainz de Vicuna and François Manset, whose contributions have been determinant in the last few years. Stanislas as Chairman of Private Equity in several transitory stages, Alvaro as Chairman of QWM and François as Chairman of various audit committees.

I should outline that it has been for me a pleasure, an honor and an exciting business responsibility to lead your company during those many years and it would not have been possible without the strong support and commitment of the employees, the professionals and the Directors of Quilvest.

In summary Quilvest is well positioned to continue to grow with profitability while keeping the culture of your company, which exists since many decades.

Luxembourg, 30 April 2019



Christian Baillet

Chairman of the Board of Directors (until 31 December 2018)

# Executive Management's Statement

While a large fiscal expansion underpinned growth in the US in 2018, Eurozone economic activity has been disappointing for most of the year, driven by a less supportive global environment. The year has been also challenging for the Chinese economy, which got involved into frictions with the US.

Overall performance of global markets was poor in 2018 despite strong earnings in most parts of the world. The currency swing continued with a depreciation of the euro against the dollar since spring 2018, following a 15% appreciation in 2017.

The consolidated profit of the Group for the year amounted to USD 50 million, versus USD 76 million in 2017. Quilvest estimated Net Asset Value grew by almost 7% over the year - taking into account both the dividend distributed and the buy-back of shares, which took place respectively in July and December 2018.

On the private equity and real estate front, the fund raising accelerated, reaching \$750 million in 2018, while the pace of distributions to our investors remained very strong.

Club Fund I closed its last lead deal in 2018, investing \$60 million, and already finalized its first exit after only 2.5 years, returning more than \$80 million to our investors and 2.5X. The team has invested in 20 new private equity funds and 10 co-investments through our flagship PE DM and GEO III programs.

The US debt program QS Capital Strategies (under the supervision of the US Small Business Administration agency) closed 6 transactions, investing \$90 million in 2018, and reaching \$234 million deployed in 19 companies since inception.

The activity in Real estate remained intense. The platform invested more than \$110 million equity in direct investments and committed \$20 million in funds, while the pipeline remains strong.

2019 has started very well, notably with a successful first closing at \$340 million of the second opus of our Club Fund. The team expects to deploy the capital in up to 10 investments over the next 3 years in the US and Europe.

The 2018 performance of the private banking and wealth management activities was mixed. A significant adverse market impact affected assets under management at the very end of 2018 - which was however fully recovered by the end of the first quarter 2019. Although net fee and commission income slightly decreased in 2018 as a direct consequence of the entry into force of Mifid 2 and difficult financial markets, the composition of the fee structure has significantly improved with less trailer fees and non-recurring transaction-based fees and more recurring asset management fee income. Interest expense to central banks was again substantial, reaching more than €4.1m, compared to €2.2 in 2017, due to the lack of short to medium term opportunities to reinvest cash. Indeed, during 2018 the banks deposited the vast majority of their liquidity reserves at central banks.

In 2019 the Group plans to make a strategic review of the footprint of its private banking and wealth management activities and to continue to develop in current or new geographical areas, either through organic or external growth.

Luxembourg, 30 April 2019



Marc Hoffmann  
CEO Quilvest Wealth Management



Jean-Benoît Lachaise  
Group Chief Financial Officer



Alexis Meffre  
Executive chairman Quilvest & Partners







# Group Highlights



# Group Highlights

| In \$ million                                   | 2017    | 2018    |
|-------------------------------------------------|---------|---------|
| Total assets (IFRS)                             | 4,200.8 | 4,036.4 |
| Total liabilities (IFRS)                        | 2,975.7 | 2,845.2 |
| Group equity- shareholders of the parent (IFRS) | 974.6   | 957.1   |
| Restatement of goodwill Wealth Management       | 80.3    | 74.3    |
| Restatement of goodwill Private Equity          | 49.4    | 85.9    |
| Accounting policy differences                   | 16.5    | 17.2    |
| Net asset value (Management valuation)          | 1,120.8 | 1,135.0 |
| Group net result (IFRS)                         | 76.1    | 49.9    |

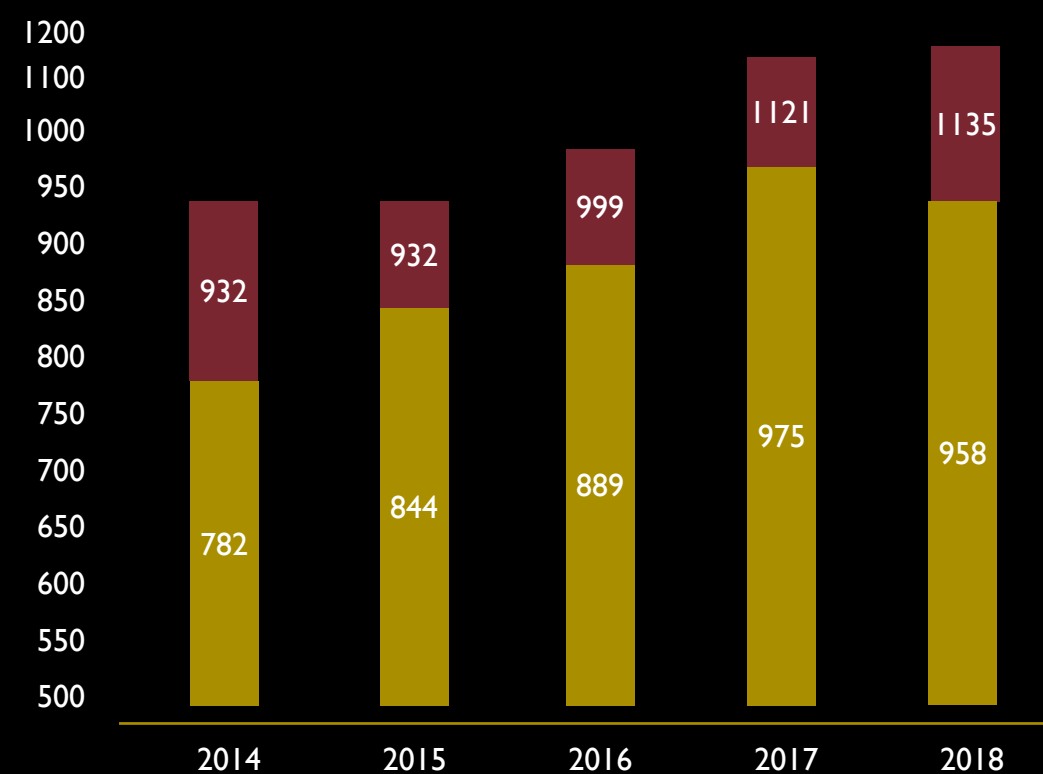
| In \$                                            | 2017      | 2018      |
|--------------------------------------------------|-----------|-----------|
| Group net basic earnings per share (IFRS)        | 11.6      | 7.6       |
| Group net asset value per share (IFRS)           | 148.5     | 146.0     |
| Net asset value per share (Management valuation) | 170.8     | 173.0     |
| Total shares issued as of reporting date         | 6,562,508 | 6,560,858 |

“Net asset value (Management valuation)” differs from “Group equity (IFRS)” on the following points mainly: Management valuation includes a restatement of goodwill arising on Quilvest Switzerland, Quilvest Banque Privée, CBP Quilvest and Quilvest & Partners based on the volume and nature of third-party assets under management. The other accounting policy differences are mainly due to carried interest valuation for which IFRS 15 application have no impact on the Net asset value (Management valuation) whereas the impact on Group equity – shareholder of the parent (IFRS) is significant. (refer to note 2.4)

# Key Figures

## Group Net Asset Value (in \$ million)

(based on management valuation)



Management valuation

IFRS

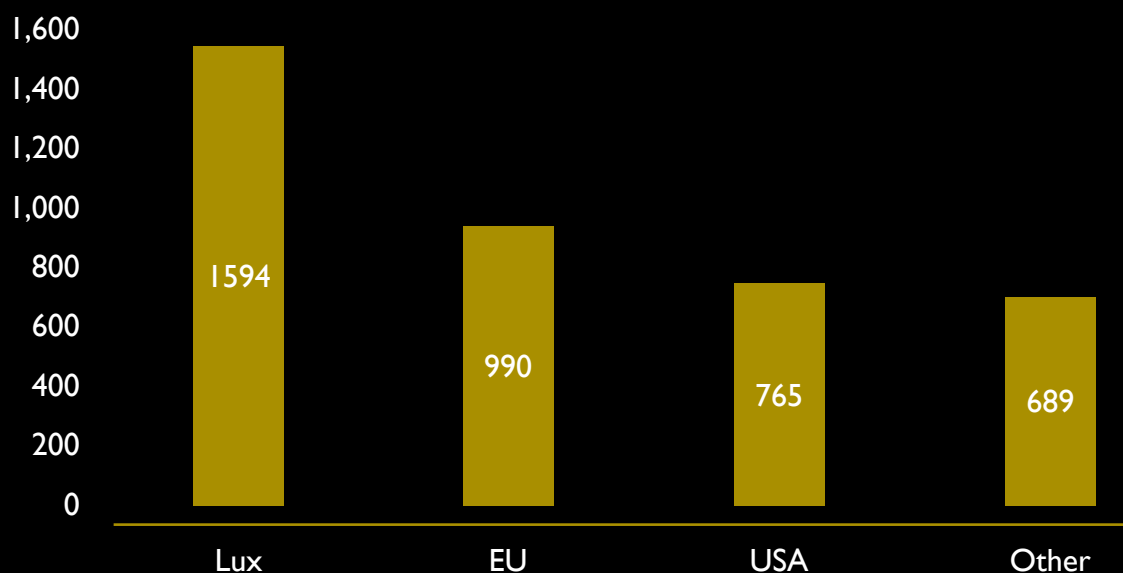
## NAV per share

(five years evolution)

| In \$                           | 2014  | 2015  | 2016  | 2017  | 2018  |
|---------------------------------|-------|-------|-------|-------|-------|
| NAV/share- Management valuation | 140,0 | 140,1 | 150,3 | 170,8 | 173,0 |
| NAV/share- IFRS                 | 117,5 | 126,8 | 133,6 | 148,5 | 146,0 |

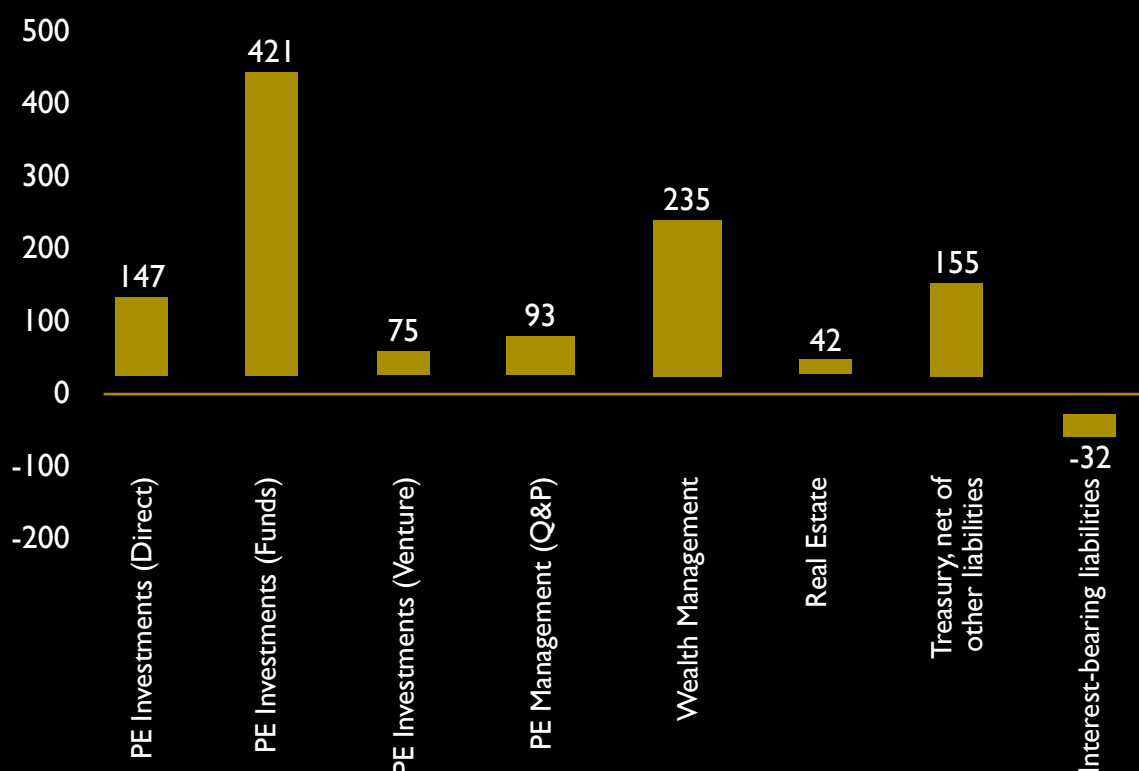
## Geographical distribution of Assets

as at 31 December 2018 - in \$ million



## Distribution by business of Net Asset Value

as at 31 December 2018 - in \$ million





## Private Equity

### List of Largest Direct Investments

- Non-controlled private equity portfolio

| (in \$ million)                                      | Region  | Investment date | Management valuation |
|------------------------------------------------------|---------|-----------------|----------------------|
| Command Alkon                                        | USA     | 2005            | 37.4                 |
| Intarcia                                             | USA     | 2007            | 35.7                 |
| Crown laundry                                        | USA     | 2014            | 18.3                 |
| QS Capital Strategies (SBIC)                         | USA     | 2013            | 16.2                 |
| San Miguel Industrias PET                            | USA     | 2013            | 11.7                 |
| Alliant Group                                        | USA     | 2013            | 6.6                  |
| Creative Extruded Products                           | USA     | 2017            | 6.1                  |
| Phaidon                                              | USA     | 2018            | 5.3                  |
| LeasePlan                                            | UK      | 2015            | 4.6                  |
| Aminoagro                                            | Brazil  | 2013            | 4.5                  |
| Mexican Grill                                        | UK      | 2011            | 4.3                  |
| Pay-o-Matic                                          | USA     | 2008            | 3.9                  |
| Tiendas 3 B                                          | Mexico  | 2011            | 3.8                  |
| Kismet (SKS)                                         | India   | 2007            | 3.6                  |
| Mathews                                              | USA     | 2011            | 3.4                  |
| Intrinsic Therapeutics                               | France  | 2007            | 3.2                  |
| Neotract                                             | USA     | 2009            | 2.5                  |
| Atria Convergence                                    | India   | 2015            | 2.5                  |
| BCI                                                  | USA     | 2013            | 2.4                  |
| Anthony's Pizza                                      | USA     | 2011            | 2.3                  |
| Walnut Co Investors                                  | USA     | 2015            | 2.2                  |
| Digital Bridge Mexico                                | USA     | 2014            | 1.6                  |
| Gamo outdoor                                         | USA     | 2013            | 0.9                  |
| PF Chang's                                           | USA     | 2012            | 0.5                  |
| Shock Doctor                                         | USA     | 2015            | 0.2                  |
| Greystone properties                                 | USA     | 2014            | 0.1                  |
| Algeco/Scotsman                                      | Benelux | 2005            | 0.1                  |
| Other direct investments                             |         |                 | 4.5                  |
| <b>Total non-controlled private equity portfolio</b> |         |                 | <b>188.3</b>         |

## List of Largest Funds Investments

- Third-party funds portfolio

| (in \$ million)                          | Region       | Investment date | Management valuation |
|------------------------------------------|--------------|-----------------|----------------------|
| Raise Investment                         | France       | 2014            | 6.8                  |
| MCH Iberian Capital Fund II              | Spain        | 2005            | 5.2                  |
| MCH Iberian Capital Fund III             | Spain        | 2005            | 4.9                  |
| TPG Partners VI                          | USA          | 2008            | 0.7                  |
| TA Atlantic & Pacific VI                 | USA          | 2008            | 0.7                  |
| Bain Capital Fund X                      | USA / Asia   | 2002            | 0.6                  |
| Bain Capital Europe Fund III             | USA / Europe | 2002            | 0.4                  |
| Other third-party funds                  |              |                 | 0.8                  |
| <b>Total third-party funds portfolio</b> |              |                 | <b>20.1</b>          |

• Fund of funds portfolio

| (in \$ million)                      | Investment date | Management valuation |
|--------------------------------------|-----------------|----------------------|
| QPE PEP CORE                         | 2013            | 55.3                 |
| QS GEO PEP 2                         | 2011            | 52.2                 |
| QPE PEP 2012                         | 2012            | 47.5                 |
| QPE PEP 2011                         | 2011            | 38.8                 |
| QS GEO PEP                           | 2007            | 36.0                 |
| QS REP 2                             | 2012            | 35.1                 |
| QPE PEP 2008                         | 2008            | 30.9                 |
| QPE PEP 2010                         | 2010            | 26.3                 |
| Quilvest Energies                    | 2010            | 23.9                 |
| QS REP                               | 2009            | 21.1                 |
| QPE PEP 2009                         | 2009            | 16.6                 |
| QPE PEP 2007                         | 2007            | 9.5                  |
| Quilvest Ventures 2                  | 2007            | 9.4                  |
| QS GEO PEP3                          | 2017            | 5.8                  |
| QPE PEP 2006                         | 2006            | 5.4                  |
| QS REP 3                             | 2017            | 3.5                  |
| QS PE-DM                             | 2017            | 3.4                  |
| QOL PEP 2005                         | 2005            | 3.3                  |
| QOL PEP 2004                         | 2004            | 3.2                  |
| QS PEP 2002 ( investor shares)       | 2002            | 1.5                  |
| QOL PEP 2003                         | 2003            | 1.4                  |
| Other fund of funds                  |                 | 3.8                  |
| <b>Total fund of funds portfolio</b> |                 | <b>434.0</b>         |
| <b>Total funds investments</b>       |                 | <b>454.1</b>         |
| <b>Goodwill</b>                      |                 | <b>85.9</b>          |

## Wealth Management and Corporate

### Strategic and Treasury portfolio

| (in \$ million)                                 | Management valuation |
|-------------------------------------------------|----------------------|
| Quilvest Wealth Management                      | 235.0                |
| Quilvest & Partners                             | 6.6                  |
| Quilvest S.A.                                   | 44.9                 |
| Real Estate                                     | 41.9                 |
| Treasury portfolio (net of debt)                | 78.3                 |
| <b>Total Strategic &amp; Treasury portfolio</b> | <b>406.7</b>         |

### Capital & regulatory requirements

Quilvest is not subject to capital constraints.

Each credit institution of the Group (together the "QWM Group") is subject to capital adequacy requirements by its respective supervisory authority. During the year ended 31 December 2018, no breach was reported.

QWM Group respects all regulatory requirements related to regulatory capital since its inception and monitors the evolution of its solvency ratio on a quarterly basis.

As of 31 December 2018, the capital adequacy ratio of the QWM Group was as follows:

| (in \$ million)                        | QWM Group    |
|----------------------------------------|--------------|
| Regulatory capital                     | 136.2        |
| Capital required for credit risks      | 26.8         |
| Capital required for operational risks | 17.4         |
| Capital required for other risks       | 0.1          |
| <b>Total capital charge</b>            | <b>44.3</b>  |
| <b>Capital adequacy ratio 2018</b>     | <b>24.6%</b> |

# Key Dates

**1888**

Brasserie Argentine Quilmes,  
later named Entreprises Quilmes,  
founded in Argentina

**1927**

Banque Privée Quilvest founded in  
Paris

**1972**

First Private Equity Investment

**1997**

Entreprises Quilmes changed its  
name to Quilvest

**2002**

Quilvest Private Equity launched  
its first annual vintage of its fund of  
funds program "QS PEP"

**2011**

Quilvest merged its banking  
activities with the Luxembourg  
bank Compagnie de Banque  
Privée, creating Quilvest Wealth  
Management

**2016**

Delisting of Quilvest S.A. shares  
from the Luxembourg Stock  
Exchange



## Brand History

For over a century, Quilvest has served seven generations of the Bemberg family across three continents, and has evolved into a global organization dedicated to thoughtful principal investments alongside investors from around the world.

Quilvest's pioneering heritage and innovative spirit have helped shape its multiple investment platforms that address a range of investor needs. Today, Quilvest's 400 professionals share insight and expertise with like-minded families, private investors, and institutions, operating from thirteen offices across the United States, Europe, Latin America, the Middle East, and Asia.







## Financial Section



# Directors' report

The Directors present their Annual Report and the audited consolidated financial statements of Quilvest S.A. ("the Company" or the "parent company") and its subsidiaries (all together the "Group" or "Quilvest").

## Directors

The Directors of the Company who held office during the financial year are listed in the General section of the Annual Report.

## Main activities

The Group's main activities are Private Equity Investment, Private Equity Management and Wealth Management.

## Risk Management

The Group identifies its major risks for each of its business activities, namely wealth management and private equity, and also for the corporate activities.

Each bank of Quilvest Wealth Management (QWM) manages its risks locally, within a strict regulatory frame and under the supervision of QWM, which monitors the consolidation of the risks identified and their measurement and mitigation when appropriate. The business segregation between the wealth management and the private equity allows for independency of risk management policies between the business lines.

The private equity segment classifies its risk in different categories : activities, processes, functions and entity. The risk matrix implemented has been updated in 2018, reviewed and discussed in the Audit Committee and approved by the Board of Directors.

Globally, the Group identifies and classifies its risk in 3 categories: external and regulatory risks, financial risks, and operational risks. During the year 2018, regulatory developments affecting the Group's activities and risks, have been clearly monitored closely, such as:

- The changing regulatory constraints on the liquidity of banks;
- In order to face new regulatory risks, the compliance function in Luxembourg has been involved in implementing new KYC tools and in updating files to meet the new requirements;
- The operational teams of the private equity segment has focused on the extension of the activities based on the new licenses for custody and transfer agency.

## Business review

In addition to the business review below, the following sections are an integral part of the director's report:

- Situation of the business including the Net Asset Value of the Group at the end of the year ("Group Highlights" of the General section of this Annual Report);
- Trends and factors likely to affect the future development, performance and position of the business and review of the Company business in the "Chief Executive Officer's Statement" of the General section of this Annual Report.

## Business review and outlook

The macroeconomic outlook is negatively impacted by the growing tension in economic and trade relations between the USA and China. Lower economic growth in the Euro-zone combined with concerns about the high national debt of some of its members, has put pressure on the Euro against major currencies. Deutsche Bank foresees that the Euro will continue to depreciate against the US Dollar during 2019.

The above, as well as historically low government bond yields, have a negative impact on overall profitability of the banking activities.

By contrast, the continued high liquidity and ease of funding have a positive impact on the fundraising activities of the private equity segment. Indeed, Quilvest launched Club Fund II with its first closing in March 2019, and a final closing in June, reaching a total of \$740 million of capital raised. The pipeline of new deals remain robust and attractive exit opportunities should materialize during the year. The deal teams expect to deploy capital for up to 10 new investments in the US and Europe during the coming three years.

## Financial review

As at 31 December 2018, total assets included in the Statement of Financial Position was USD 4,036 million (2017: 4,201 million). Assets were reduced mainly due to the foreign exchange impact eur/usd on the loan book in CBPQ, cash return to shareholders in form of a dividend and a buyback of shares and distributions to non-controlling interests in Funds-of-Funds vehicles.

Total liabilities were USD 2,845 million (2017: USD 2,976 million) and were reduced mainly due to the foreign exchange impact eur/usd on the loan deposits in CBPQ and to the exit of STP, which was a fully consolidated controlled private equity investments.

The Equity, including non-controlling interests was USD 1,191 million (2017: 1,225 million). It was reduced mainly due to a share buyback, a dividend to the shareholders of the parent and distributions to non-controlling interests. Equity was also reduced due to accounting policy changes implemented during year. These have been presented as an adjustment to the opening balance of Retained Earnings in the Statement of Changes in Equity.

## Results and dividends

The consolidated net result attributable to the shareholders of the Group is a profit of USD 49.9 million (2017: USD 76.1 million).

The statutory result of Quilvest S.A. for the year is a profit of USD 52.3 million (2017: USD 119.1 million), and is mainly driven by dividends from affiliated undertakings received in the year.

## Going concern

The Directors, having made appropriate enquiries, have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future.

For this reason, they continue to adopt the going concern basis in preparing the financial information.

## Research and development

The Group was not engaged in research and development activities during the year.

## Own shares

In the course of 2018, the Company repurchased 262,727 own shares for an amount of USD 44.9 million.

On 20 June 2018, the Company canceled 1,650 own shares, representing a total amount of USD 0.2 million.

On 20 August 2018, an agreement of squeeze-out was signed. It has been agreed that the majority shareholders of the Company exercise their right of Squeeze-Out and require the minority shareholders of the Company to sell all the remaining shares to the majority shareholders. As a consequence, the Company sold 228 shares to majority shareholders, representing a total amount of 40 thousands.

As at December 31 2018, the Company holds 262,444 own shares, representing a total amount of USD 44.9 million.

As at 31 December 2017, the Company held 1,595 own shares (with no par value), representing a total amount of USD 0.2 million.

## Financial instruments and risk management

The risks related financial instruments are mitigated by the risk management policies further described in Note 25 to the consolidated financial statements.

## Subsequent events

There are no significant subsequent events to mention in this report.

## Auditors

A resolution for the re-appointment of KPMG Luxembourg, Société coopérative as Cabinet de révision agréé of the Company is to be proposed at the forthcoming Annual General Meeting to be held on 27 June 2019.

## Approval

This report was approved by the Board of Directors on 30 April 2019.





## Report of the Réviseur d'Entreprises agréé

### Report on the audit of the consolidated financial statements

#### Opinion

We have audited the consolidated financial statements of Quilvest S.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

#### Basis for Opinion

We conducted our audit in accordance with 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 Law of 23 July 2016 and ISAs are further described in the « Responsibilities of "Réviseur d'Entreprises agréé" for the audit of the consolidated financial statements » 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 financial statements, 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.

### Other information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report this fact. We have nothing to report in this regard.

### Responsibilities of the Board of Directors and Those Charged with Governance for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the 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.

KPMG Luxembourg, Société coopérative, a Luxembourg entity and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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## Responsibilities of the Réviseur d'Entreprises agréé for the audit of the consolidated financial statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue a report of "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 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 financial statements.

As part of an audit in accordance with 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 financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error; as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made 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 "Réviseur d'Entreprises agréé" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of "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 financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate 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.

## Report on other legal and regulatory requirements

The consolidated management report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements and has been prepared in accordance with the applicable legal requirements.

Luxembourg, 27 June 2019

KPMG Luxembourg, Société coopérative  
Cabinet de révision agréé



Jean-Manuel Sérès

KPMG Luxembourg, Société coopérative, a Luxembourg entity and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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The background of the entire page is a photograph of a modern white bridge at night. The bridge's structure is illuminated, and its lights reflect on the water below. In the distance, a city skyline is visible with several lit-up buildings and a large crane. The sky is dark blue with scattered white clouds.

# Consolidated Financial Statements

# Consolidated Statement of Financial Position

As at 31 December

| in \$ '000                                                             | Notes | 31 December 2017 | 31 December 2018 |
|------------------------------------------------------------------------|-------|------------------|------------------|
| <b>Assets</b>                                                          |       |                  |                  |
| Cash and cash equivalents                                              | 8     | 1,168,771        | 1,578,549        |
| Amounts owed from banks and bank customers                             | 9     | 1,347,972        | 1,227,470        |
| Financial assets                                                       | 10    |                  |                  |
| - at fair value through profit or loss                                 |       | 1,075,652        | 810,056          |
| - at fair value through Other Comprehensive Income                     |       | 303,848          | 150,002          |
| - derivatives financial assets                                         |       | 4,607            | 2,397            |
| Property, plant and equipment                                          | 11    | 51,187           | 34,925           |
| Investment property                                                    | 12    | 13,890           | 13,655           |
| Intangible assets                                                      | 13    | 91,426           | 75,500           |
| Deferred tax assets                                                    | 14    | 2,553            | 3,026            |
| Other assets                                                           | 15    | 140,938          | 140,806          |
| <b>Total assets</b>                                                    |       | <b>4,200,844</b> | <b>4,036,386</b> |
| <b>Liabilities and equity</b>                                          |       |                  |                  |
| Amounts owed to banks and bank customers                               | 16    | 2,705,530        | 2,626,653        |
| Financial liabilities                                                  |       |                  |                  |
| - derivative financial liabilities                                     | 10    | 5,413            | 2,390            |
| - interest-bearing loans and borrowings                                | 17    | 67,495           | 31,724           |
| Employee defined benefit obligations                                   | 18    | 4,653            | 2,561            |
| Provisions                                                             | 19    | 5,752            | 5,970            |
| Deferred tax liabilities                                               | 14    | 19,895           | 16,557           |
| Other liabilities                                                      | 20    | 166,983          | 159,326          |
| <b>Total liabilities</b>                                               |       | <b>2,975,721</b> | <b>2,845,181</b> |
| Share capital                                                          | 21    | 44,358           | 44,347           |
| Share premium                                                          |       | 110,248          | 110,248          |
| Treasury shares                                                        | 21    | (201)            | (44,929)         |
| Reserves                                                               | 21    | 27,076           | 25,620           |
| Retained earnings                                                      |       | 716,994          | 771,945          |
| Profit/(Loss) for the year – Shareholders of the parent company        |       | 76,122           | 49,892           |
| <b>Total equity attributable to shareholders of the parent company</b> |       | <b>974,597</b>   | <b>957,123</b>   |
| Non-controlling interests                                              |       | 250,526          | 234,083          |
| <b>Total equity</b>                                                    |       | <b>1,225,123</b> | <b>1,191,205</b> |
| <b>Total liabilities and equity</b>                                    |       | <b>4,200,844</b> | <b>4,036,386</b> |

The accompanying notes are an integral part of these consolidated financial statements.

## Consolidated Statement of Profit or Loss

For the financial years ended 31 December

| in \$ '000                                              | Notes        | 2017             |                |                  | 2018             |                |                  |
|---------------------------------------------------------|--------------|------------------|----------------|------------------|------------------|----------------|------------------|
|                                                         |              | Core activities  | CPE (Note 5)   | Total            | Core activities  | CPE (Note 5)   | Total            |
| <b>Net income from private equity portfolio</b>         | <b>6</b>     |                  |                |                  |                  |                |                  |
| Gains / (losses) on financial assets, net               |              | 129,827          | --             | 129,827          | 49,650           | 32,734         | 82,384           |
| Dividend income                                         |              | 887              | --             | 887              | 393              | --             | 393              |
| Interest income, net                                    |              | --               | --             | --               | --               | --             | --               |
| Fee income, net                                         |              | 35,810           | --             | 35,810           | 43,207           | --             | 43,207           |
| Carried interest (expense) / income, net                |              | (1,758)          | --             | (1,758)          | 7,000            | --             | 7,000            |
| Net income from controlled private equity portfolio     | <b>5</b>     | --               | 14,799         | 14,799           | 0                | 11,642         | 11,642           |
| <b>Total – private equity portfolio</b>                 |              | <b>164,766</b>   | <b>14,799</b>  | <b>179,565</b>   | <b>100,250</b>   | <b>44,376</b>  | <b>144,626</b>   |
| <b>Net income from wealth management portfolio</b>      | <b>6</b>     |                  |                |                  |                  |                |                  |
| Gains / (losses) on financial assets, net               |              | 5,705            | --             | 5,705            | 14,517           | --             | 14,517           |
| Dividend income                                         |              | 1,188            | --             | 1,188            | 1,240            | --             | 1,240            |
| Interest income, net                                    |              | 19,717           | --             | 19,717           | 14,913           | --             | 14,913           |
| Fee and commission income, net                          |              | 87,283           | --             | 87,283           | 89,564           | --             | 89,564           |
| Other                                                   |              | 61               | --             | 61               | 1,227            | --             | 1,277            |
| <b>Total – wealth management portfolio</b>              |              | <b>113,954</b>   | <b>--</b>      | <b>113,954</b>   | <b>121,511</b>   | <b>--</b>      | <b>121,511</b>   |
| <b>Other operating income, net</b>                      | <b>23</b>    | <b>8,969</b>     | <b>--</b>      | <b>8,969</b>     | <b>6,307</b>     | <b>--</b>      | <b>6,307</b>     |
| <b>General administrative expenses</b>                  | <b>23</b>    | <b>(160,303)</b> | <b>--</b>      | <b>(160,303)</b> | <b>(161,217)</b> | <b>--</b>      | <b>(161,217)</b> |
| <b>Depreciation, amortization and impairment losses</b> | <b>11,13</b> | <b>(5,532)</b>   | <b>(3,805)</b> | <b>(9,337)</b>   | <b>(6,406)</b>   | <b>(4,249)</b> | <b>(10,655)</b>  |
| <b>Operating result</b>                                 |              | <b>121,854</b>   | <b>10,994</b>  | <b>132,848</b>   | <b>60,445</b>    | <b>40,127</b>  | <b>100,572</b>   |
| <b>Financial gains/ (costs), net</b>                    | <b>24</b>    | <b>(15,519)</b>  | <b>(2,071)</b> | <b>(17,590)</b>  | <b>(54)</b>      | <b>(1,738)</b> | <b>(1,792)</b>   |
| <b>Profit / (Loss) before tax</b>                       |              | <b>106,335</b>   | <b>8,923</b>   | <b>115,258</b>   | <b>60,391</b>    | <b>38,389</b>  | <b>98,780</b>    |
| <b>Income tax (expense) / credit</b>                    | <b>14</b>    | <b>(6,094)</b>   | <b>806</b>     | <b>(5,288)</b>   | <b>(4,012)</b>   | <b>64</b>      | <b>(3,948)</b>   |
| <b>Profit / (Loss) for the year</b>                     |              | <b>100,241</b>   | <b>9,729</b>   | <b>109,970</b>   | <b>56,379</b>    | <b>38,453</b>  | <b>94,832</b>    |
| <b>Profit / (Loss) for the year attributable to</b>     |              |                  |                |                  |                  |                |                  |
| Shareholders of the parent company                      |              |                  |                | 76,122           |                  |                | 49,892           |
| Non-controlling interests                               |              |                  |                | 33,848           |                  |                | 44,940           |

The accompanying notes are an integral part of these consolidated financial statements.

# Consolidated Statement of Other Comprehensive Income

For the financial years ended 31 December

| in \$ '000                                                                                    | Notes | 2017    | 2018    |
|-----------------------------------------------------------------------------------------------|-------|---------|---------|
| Profit / (Loss) for the year                                                                  |       | 109,970 | 94,832  |
| Other comprehensive income to be reclassified to profit or loss in subsequent periods:        |       |         |         |
| Change in valuation of financial assets at fair value through other comprehensive income      |       |         |         |
| - Net change in fair value                                                                    | 10    | 284     | (603)   |
| Income tax effect                                                                             | 14    | (94)    | 142     |
| Foreign currency translation differences                                                      |       | 33,683  | (3,387) |
| Net other comprehensive income to be reclassified to profit or loss in subsequent periods     |       | 33,873  | (3,848) |
| Other comprehensive income not to be reclassified to profit or loss in subsequent periods:    |       |         |         |
| Gain / (loss) on property revaluation                                                         | 11    | --      | 1,013   |
| Income tax effect                                                                             | 14    | --      | (304)   |
| Re-measurement gain / (loss) on defined benefit plans                                         | 18    | 4,694   | 3,272   |
| Income tax effect                                                                             | 14    | (993)   | (692)   |
| Net other comprehensive income not to be reclassified to profit or loss in subsequent periods |       | 3,701   | 3,289   |
| Other comprehensive income / (loss) for the year                                              |       | 37,574  | (559)   |
| Total comprehensive income / (loss) for the year                                              |       | 147,544 | 94,273  |
| Total comprehensive income attributable to:                                                   |       |         |         |
| Shareholders of parent company                                                                |       | 104,587 | 48,436  |
| Non-controlling interests                                                                     |       | 42,957  | 45,835  |
| Earnings per share (in \$)                                                                    |       |         |         |
| Basic                                                                                         |       | 11.6    | 7,6     |
| Diluted                                                                                       |       | 11.6    | 7,6     |

The accompanying notes are an integral part of these consolidated financial statements.



## Consolidated Statement of Cash Flows

For the financial years ended 31 December

| in \$ '000                                                                      | Notes | 2017             | 2018             |
|---------------------------------------------------------------------------------|-------|------------------|------------------|
| <b>Operating cash flows directly linked to the Private Equity activities</b>    |       |                  |                  |
| Acquisition of private equity investments                                       | 10    | (86,968)         | (142,948)        |
| Proceeds from sale of private equity investments                                | 10    | 191,936          | 251,528          |
| Dividends received from private equity investments                              |       | 7,832            | 393              |
| Fees received, net                                                              |       | 32,057           | 43,092           |
| Carried interest received, net                                                  |       | 1,461            | 6,228            |
| Other operating cash movements related to private equity activities, net        |       | 1,858            | (20,308)         |
| <b>Operating cash flows directly linked to the Wealth Management activities</b> |       |                  |                  |
| Interest income, net                                                            |       | 17,482           | 19,029           |
| Fee and commission income, net                                                  |       | 67,135           | 71,700           |
| Cash movements in loans and advances to / from banks and bank customers, net    | 9,17  | 141,887          | 143,307          |
| Other cash movements related to the Wealth Management activities                |       | (604)            | (1,247)          |
| <b>Other operating cash flow movements</b>                                      |       |                  |                  |
| Cash paid to suppliers and employees                                            |       | (147,733)        | (163,378)        |
| Income taxes paid                                                               | 15    | (1,131)          | (3,971)          |
| Net cash from other operating activities                                        |       | 2,502            | 4,002            |
| <i>Of which controlled private equity portfolio</i>                             |       | 7,448            | --               |
| <b>Net cash provided by / (used in) operating activities</b>                    |       | <b>227,714</b>   | <b>207,427</b>   |
| Proceeds / (Acquisition) of investments, net                                    | 10    | 179,466          | 353,049          |
| Acquisition of property, plant and equipment                                    | 11    | (4,062)          | (2,432)          |
| Proceeds from disposal of property, plant and equipment                         | 11    | (1,534)          | --               |
| Acquisition of intangible assets                                                | 13    | (4,347)          | (1,727)          |
| Acquisition of subsidiaries, net of cash acquired                               | 7     | (11,509)         | --               |
| Disposal of subsidiaries, net of cash disposed                                  | 7     | --               | 38,901           |
| Interests received                                                              |       | 2,531            | 496              |
| Dividends received                                                              |       | --               | --               |
| <b>Net cash provided by / (used in) investing activities</b>                    |       | <b>160,951</b>   | <b>367,037</b>   |
| Proceeds from interest-bearing liabilities                                      | 17    | 44,174           | 36,694           |
| Repayment of interest-bearing liabilities                                       | 17    | (110,341)        | (48,819)         |
| (Decrease)/Increase in short-term financing                                     |       | 945              | --               |
| Repurchase of treasury shares                                                   |       | (195)            | (44,971)         |
| Contributions from non-controlling interests                                    |       | 1,314            | 4,743            |
| Distributions to non-controlling interests                                      |       | (49,256)         | (50,219)         |
| Transactions with non-controlling interest                                      |       | (6,871)          | 12,378           |
| Carried interest paid, net                                                      |       | (665)            | (686)            |
| Interests paid                                                                  |       | (8,258)          | (636)            |
| Dividends paid                                                                  |       | (16,403)         | (18,042)         |
| <b>Net cash provided by / (used in) financing activities</b>                    |       | <b>(145,555)</b> | <b>(109,315)</b> |
| <b>Net increase / (decrease) in cash and cash equivalents</b>                   |       | <b>243,109</b>   | <b>465,149</b>   |
| Cash and cash equivalents at the beginning of the year                          | 8     | 810,156          | 1,168,771        |
| Effect of exchange rate fluctuations on cash and cash equivalents held          | 8     | 115,506          | (55,371)         |
| <b>Cash and cash equivalents at the end of the year</b>                         |       | <b>1,168,771</b> | <b>1,578,549</b> |
| <i>Of which Quilvest Wealth Management sub-group</i>                            | 8     | <i>1,058,323</i> | <i>1,479,503</i> |
| <i>Of which controlled private equity portfolio</i>                             | 5     | <i>228</i>       | <i>--</i>        |

The accompanying notes are an integral part of these consolidated financial statements.

# Consolidated Statement of Changes in Equity

For the financial years ended 31 December

| in \$ '000                                                   | Share Capital | Share Premium  | Treasury shares | Reserves       | Retained earnings | Total attributable to owners of the parent entity | Non-controlling interests | Total Equity     |
|--------------------------------------------------------------|---------------|----------------|-----------------|----------------|-------------------|---------------------------------------------------|---------------------------|------------------|
| <b>Balance at 31 December 2016</b>                           | <b>44,939</b> | <b>110,248</b> | <b>(9,850)</b>  | <b>(1,389)</b> | <b>744,549</b>    | <b>888,497</b>                                    | <b>264,259</b>            | <b>1,152,756</b> |
| <b>Comprehensive income for the period</b>                   |               |                |                 |                |                   |                                                   |                           |                  |
| Profit for the year                                          | --            | --             | --              | --             | 76,122            | 76,122                                            | 33,848                    | 109,970          |
| Available-for-sale financial assets, net of income tax       | --            | --             | --              | 126            | --                | 126                                               | 64                        | 190              |
| Remeasurement of defined benefit plans, net of income tax    | --            | --             | --              | 2,455          | --                | 2,455                                             | 1,246                     | 3,701            |
| Foreign currency translation differences                     | --            | --             | --              | 25,884         | --                | 25,884                                            | 7,799                     | 33,683           |
| <b>Total comprehensive income for the period</b>             | <b>--</b>     | <b>--</b>      | <b>--</b>       | <b>28,465</b>  | <b>76,122</b>     | <b>104,587</b>                                    | <b>42,957</b>             | <b>147,544</b>   |
| <b>Transactions with owners, recorded directly in equity</b> |               |                |                 |                |                   |                                                   |                           |                  |
| Sale/ Repurchase, net of treasury shares                     | (581)         | --             | 9,649           | --             | (9,264)           | (196)                                             | --                        | (196)            |
| Transactions with non-controlling interests                  | --            | --             | --              | --             | (1,140)           | (1,140)                                           | (331)                     | (1,471)          |
| Other transactions with owners                               | --            | --             | --              | --             | (748)             | (748)                                             | (8,416)                   | (9,164)          |
| Contributions from non-controlling interests                 | --            | --             | --              | --             | --                | --                                                | 1,313                     | 1,313            |
| Distributions to non-controlling interests                   | --            | --             | --              | --             | --                | --                                                | (49,256)                  | (49,256)         |
| Dividends paid                                               | --            | --             | --              | --             | (16,403)          | (16,403)                                          | --                        | (16,403)         |
| <b>Total transactions with owners</b>                        | <b>(581)</b>  | <b>--</b>      | <b>9,649</b>    | <b>--</b>      | <b>(27,555)</b>   | <b>(18,486)</b>                                   | <b>(56,690)</b>           | <b>(75,176)</b>  |
| <b>Balance at 31 December 2017</b>                           | <b>44,358</b> | <b>110,248</b> | <b>(201)</b>    | <b>27,076</b>  | <b>793,116</b>    | <b>974,597</b>                                    | <b>250,526</b>            | <b>1,225,123</b> |
| <b>Net impact of accounting policy changes:</b>              |               |                |                 |                |                   |                                                   |                           |                  |
| IFRS 9 Financial instruments                                 | --            | --             | --              | --             | (0)               | (0)                                               | --                        | (0)              |
| IFRS 15 Revenue from contract with customers                 | --            | --             | --              | --             | (23,014)          | (23,014)                                          | --                        | (23,014)         |
| <b>Adjusted balance at 1 January 2018</b>                    | <b>44,358</b> | <b>110,248</b> | <b>(201)</b>    | <b>27,076</b>  | <b>770,102</b>    | <b>951,583</b>                                    | <b>250,526</b>            | <b>1,202,109</b> |
| <b>Comprehensive income for the period</b>                   |               |                |                 |                |                   |                                                   |                           |                  |
| Profit for the year                                          | --            | --             | --              | --             | 49,892            | 49,892                                            | 44,939                    | 94,831           |
| Gain on property revaluation, net of income tax              | --            | --             | --              | 709            | --                | 709                                               | --                        | 709              |
| Available-for-sale financial assets, net of income tax       | --            | --             | --              | (268)          | --                | (268)                                             | (136)                     | (404)            |
| Remeasurement of defined benefit plans, net of income tax    | --            | --             | --              | 1,711          | --                | 1,711                                             | 868                       | 2,580            |
| Foreign currency translation differences                     | --            | --             | --              | (3,608)        | --                | (3,608)                                           | 164                       | (3,444)          |
| <b>Total comprehensive income for the period</b>             | <b>--</b>     | <b>--</b>      | <b>--</b>       | <b>(1,456)</b> | <b>49,892</b>     | <b>48,436</b>                                     | <b>45,835</b>             | <b>94,272</b>    |
| <b>Transactions with owners, recorded directly in equity</b> |               |                |                 |                |                   |                                                   |                           |                  |
| Sale/ Repurchase, net of treasury shares                     | (11)          | --             | (44,728)        | --             | --                | (44,739)                                          | --                        | (44,739)         |
| Transactions with non-controlling interests                  | --            | --             | --              | --             | 19,885            | 19,885                                            | (16,803)                  | 3,082            |
| Contributions from non-controlling interests                 | --            | --             | --              | --             | --                | --                                                | 4,743                     | 4,743            |
| Distributions to non-controlling interests                   | --            | --             | --              | --             | --                | --                                                | (50,219)                  | (50,219)         |
| Dividends paid                                               | --            | --             | --              | --             | (18,042)          | (18,042)                                          | --                        | (18,042)         |
| <b>Total transactions with owners</b>                        | <b>(11)</b>   | <b>--</b>      | <b>(44,728)</b> | <b>--</b>      | <b>1,843</b>      | <b>(42,896)</b>                                   | <b>(62,279)</b>           | <b>(105,175)</b> |
| <b>Balance at 31 December 2018</b>                           | <b>44,347</b> | <b>110,248</b> | <b>(44,929)</b> | <b>25,620</b>  | <b>821,837</b>    | <b>957,123</b>                                    | <b>234,083</b>            | <b>1,191,205</b> |

The accompanying notes are an integral part of these consolidated financial statements.

# Notes to the Consolidated Financial Statements

## I. Reporting entity

Quilvest S.A. (the “Company” or the “parent company”) is a Luxembourg company incorporated on 20 December 1960 with the Luxembourg register company number B 6091.

The principal activities of the Group are in the private equity and the wealth management businesses. The Company's registered office is established 3 Boulevard Royal, L-2449 Luxembourg.

These consolidated financial statements comprise the financial statements of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2018. The consolidated financial statements were authorized for issue in accordance with a resolution of the Board of Directors on 30 April 2019.

## 2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union.

The consolidated financial statements have been prepared on a historical cost basis, except for the own-used part of land and buildings, investment property, derivative financial instruments, financial assets at fair value through profit and loss, and at fair value through other comprehensive income that have been measured at fair value. The consolidated financial statements are presented in United States Dollars (“USD” or “US Dollars”) and all amounts are rounded to the nearest thousand (\$ '000), except when otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period. The Group presents an additional statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements.

## 2.2 Basis of consolidation

These consolidated financial statements comprise the financial statements of the Company and its direct and indirect subsidiaries as at 31 December 2018.

## 2.3 Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently through the Group.

### a) Business combinations, goodwill and non-controlling interest

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in 'general administrative expenses'.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Impairment testing is carried out at least annually.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interest are based on a proportionate amount of the net assets of the subsidiary.

### b) Subsidiaries

Control on an investee is achieved when the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);

- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

### c) Investment in an associate

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee,

but is not control or joint control over those policies.

The Group's investment in an associate is accounted for using the equity method.

Under the equity method, the investment in the associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associate. When there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The Group's share of profit or loss of an associate is shown on the face of the consolidated statement of profit or loss and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate. The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognizes the loss as 'share of losses of an associate' in the consolidated statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

### d) Transactions eliminated on consolidation

Intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full in preparing the consolidated financial statements.

## e) Foreign currencies

The Group's consolidated financial statements are presented in US Dollars, which is also the parent company's functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

### *Transactions and balances*

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item.

### *Group companies*

On consolidation, the assets and liabilities of foreign operations are translated into US dollars at the rate of exchange prevailing at the reporting date and their income statements are translated at the average exchange rates for the reporting period. The exchange differences arising on translation for consolidation are recognized in other comprehensive income. On disposal of a foreign operation, the relevant portion of other comprehensive income relating to that particular foreign operation is recycled in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

## f) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

## g) Financial assets

### *Initial recognition and measurement*

Financial assets were until the financial year 2017 recorded in the financial statements according to IAS 39. As such, they were classified as either financial assets at fair value through profit or loss, loans and receivables (consisting in amounts owed from bank and bank customers detailed in Note 2.h), held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Upon initial recognition, the Group determines the classification of its financial assets according to the categories above and measure them at fair value plus transaction costs.

As from the 1 of January 2018, a new accounting standard, IFRS 9, became effective within the European Union, replacing the former standard IAS 39. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity loans and receivables and available-for-sale.

Quilvest has assessed the impact of the new standard and restated opening balances according to the new categories in its statement of financial position.

### *Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as described below :

#### *Financial assets at fair value through profit or loss*

Such financial assets include equity instruments and interests held in investment funds. Their fair value is measured at each reporting period. For further reference as to how fair value is determined, please see section 1 u) Fair value measurement. Changes in fair value between reporting periods is presented as 'gains / (losses) on financial assets, net' in the consolidated statement of profit or loss.

Financial assets that have been designated upon initial recognition at fair value through profit or loss can only be reclassified to another category if certain criteria are met.

#### *Fair value through other comprehensive income*

Such financial are intended to be held for an indefinite period of time but may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, these are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in the statement of financial position within the equity section and in the statement of other



comprehensive income. When such assets get derecognized, the cumulative gain or loss is recognized as realized gains or losses in the consolidated statement of profit or loss, or, in case of impairment, the cumulative loss is reclassified from reserves in equity to the consolidated statement of profit or loss in 'gains / (losses) on financial assets, net'. Interest earned on debt instruments at fair value through other comprehensive income is reported as interest income using the Effective Interest Rate ("EIR") method.

The Group evaluates whether the ability and intention to sell financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets.

For a financial asset reclassified from this category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated statement of profit or loss.

### Loans and Receivables

These are measured on an amortized cost basis, i.e. the balance is reduced each reporting period with the net impact of its cash flow and the interest charge applied. The interest charge is given using the effective interest of the loan from issuance to reimbursement.

### De-recognition

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or when the Group has transferred its rights to receive cash flows from the asset; or the Group has either transferred substantially all the risks and rewards of the asset, or has transferred the control of the asset.

### Impairment of financial assets (other than those carried at fair value through profit or loss)

The Group assesses at each reporting date whether there is objective evidence that a financial asset is impaired. A financial asset is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors

is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of profit or loss, the impairment loss is reversed through the consolidated statement of profit or loss.

### h) Amounts owed from banks and banks customers

Amounts owed from banks and their customers include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than :

- those that the Group intends to sell immediately or in the near term and those that the bank, upon initial recognition, designates as at fair value through profit or loss;
- those that the Group, upon initial recognition, designates as available for sale;
- those for which the Group may not recover substantially all of its initial investment, other than because of credit deterioration.

After initial measurement, amounts owed from banks and bank customers are subsequently measured at amortized cost using the EIR method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in 'interest income, net – wealth management portfolio' in the consolidated statement of profit or loss. The losses arising from impairment are recognized in the consolidated statement of profit or loss.

### Impairment

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in profit or loss. Interest income continues to be accrued



on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the consolidated statement of profit or loss.

### i) Property, plant and equipment

Property, plant and equipment, except the own-used part of the land and buildings, is stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset as well as the cost of replacing part of the property, plant and equipment. All other repair and maintenance costs are recognized in profit or loss as incurred.

Property, plant and equipment transferred is initially measured at the fair value at the date on which control is obtained.

The own-used part of land and buildings is measured at fair value less accumulated depreciation on buildings and impairment losses recognized at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. A revaluation surplus is recorded in other comprehensive income and credited to the asset revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognized in profit or loss, the increase is recognized in profit and loss. A revaluation deficit is recognized in the consolidated statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

### Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows :

|                        |               |
|------------------------|---------------|
| Buildings:             | 20 – 50 years |
| Fixtures and fittings: | 2 – 10 years  |
| Cars:                  | 2 – 5 years   |
| EDP:                   | 3 years       |

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

### j) Investment property

Investment property is mainly held for rental income or for capital appreciation.

Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair value of the investment property are included in profit or loss in the period in which they arise, including the corresponding tax effect.

Investment property is de-recognized either when it has been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the consolidated statement of profit or loss in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

## k) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives, including those acquired in business combinations are amortized over the following useful economic life :

|                         |               |
|-------------------------|---------------|
| Softwares:              | 3 years       |
| Customer relationships: | 10 – 20 years |
| Brands:                 | 5 years       |
| Core customer deposits: | 20 years      |

Intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of profit or loss as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment whenever there is an indication that the intangible asset may be impaired, but at least annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of profit or loss when the asset is derecognized.

## l) Taxes

### Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

### Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except :

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized, except :

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in profit or loss.

#### m) Other assets

Assets, other than those specifically accounted for under a separate policy, are stated at their cost less impairment losses. They are reviewed at each balance sheet date to determine whether there is any indication of impairment.

#### n) Financial liabilities

##### *Initial recognition and measurement*

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives. The Group determines the classification of its financial liabilities at initial recognition.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. The adoption of IFRS 9 has not had a significant effect on the group's accounting policies related to financial liabilities and derivative financial instruments as mentioned above. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

##### *Subsequent measurement*

The measurement of financial liabilities depends on their classification as described below :

##### *Financial liabilities at fair value through profit or loss*

The Quilvest group has not classified any financial liabilities as held at fair value through profit or loss.

#### *Loans and borrowings*

Loans and borrowings consist in interest-bearing liabilities. After initial recognition, interest-bearing liabilities are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in 'interest income, net' or 'finance costs, net' in the consolidated statement of profit or loss, depending of the reporting segment in which the entity belongs.

#### *Derivative financial liabilities*

The value of derivative financial instruments are derived from the valuation of another asset or liability. When such an instrument has a creditor position it is presented in the statement of financial position as a liability. At the moment the position would change from a creditor to a debtor position, the balance will be presented as a financial asset.

#### *De-recognition*

A financial liability is de-recognized when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of profit or loss.

#### *o) Amounts owed to banks and banks customers*

Amounts owed to banks and their customers include non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market, other than those that the banks intends to sell immediately or in the near term and are accounted for as loans and borrowings.

#### *p) Employee benefit obligations*

##### *Defined benefit plans*

The Group sponsors pension plans according to the national regulations of the countries in which it operates. The significant pension plans in France and Switzerland qualify as defined benefit plans under IAS 19.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest (not applicable to the Group) and the return on plan assets (excluding net interest), are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur.

Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in profit or loss on the earlier of :

- The date of the plan amendment or curtailment; and
- The date that the Group recognizes restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

The Group recognizes the following changes in the net defined benefit obligation under 'General administrative expenses in the consolidated statement of profit or loss :

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income.

The Group engaged independent valuation specialists, applying actuarial practice guidelines for their relative country, to conduct actuarial calculations and assess the present value of the defined benefit obligation and the related current service cost as at 31 December 2018 and 2017.

#### *Defined contribution plans*

The pension plan in Luxembourg is a defined contribution plan. The pension costs recognized during a period for such plans equal to the contributions paid or due for that period.

#### *Other employee benefits*

In 2012, Quilvest Wealth Management set up an option plan, which reference valuation is an index that is decorrelated from the equity value of the sub-group. Therefore it qualifies as an employee benefit under IAS 19. As a consequence, the cost of providing employee benefits should be recognized in the period in which the benefit is earned by the employee, rather than when it is paid or payable.

The Group measures the goods or services acquired and the liability incurred at the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognized in profit or loss for the period.

#### *q) Provisions*

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate

asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of profit or loss net of any reimbursement.

#### *r) Treasury shares*

Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in share premium. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them.

#### *s) Revenue recognition*

##### *Gains / (losses) on financial assets, net*

Gains / (losses) on financial assets include realized gains and losses on the disposal of financial assets and unrealized gains and losses on the revaluation of financial assets.

##### *Dividend income*

Revenue is recognized when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

##### *Interest income*

For all financial assets measured at amortized cost and interest-bearing financial assets classified as financial assets at fair value through other comprehensive income, interest income is recorded using the effective interest rate. EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in 'interest income, net' or 'finance costs, net' in the consolidated statement of profit or loss, depending on the reporting segment in which the entity belongs.

##### *Fee and commission income, net*

The Group earns fee and commission income from its private equity and wealth management activities. Fee and commission income can be divided into the following two categories :

Fees earned for the provision of services over a period of time are accrued over that period. These fees include :

- Asset management and administration fees arising from private equity activities;
- Commission income and asset management, custody and fiduciary fees arising from wealth management activities.

Fee and commission income falls within the scope of IFRS 15, which became effective within the European Union as from the 1 of January, 2018. In order for a transaction to qualify as reve-

nue it needs to be tied to a commercial contract between a buyer and a seller; involve clearly identifiable obligations to fulfill by the seller and the value of the transaction be reliably assessed.

Fees received in the beginning of a business relationship, such as set-up or transaction fees, will generate revenue deferred over the time period over which the performance obligations are fulfilled.

### *Carried interest income, net*

The Group earns a share of profits from target investments which it manages on behalf of third parties. This return gets earned once the investments meet certain performance conditions. An accrual is made for the Group's share of profit in excess of these performance conditions. This income is commonly named carried interests and is the remuneration received in consideration for managing assets. As such, it falls within the scope of IFRS 15 and revenue will be generated once certain performance obligations have been fulfilled. This is the case when investment return on managed assets exceed a certain level, the hurdle rate. Another criteria to be filled before revenue can be recognized is that the value needs to be reliably assessed. Since this carried interest revenue is variable by nature, the assessment of the value of carried interests is associated with uncertainty. In order to compensate for this uncertainty and, hence, comply with the revenue recognition criteria of IFRS 15, the Group will only recognize earned, but not yet realized carried interests, that are highly probable to be realized within a not too distant future.

The Group applies the criteria to all investments that it must have exceeded the hurdle rate and returned 150% or more of its purchase value in form of dividends or distributions before any earned, unrealized, carried interests can be recognized. This is a difference to the previous treatment of carried interests, applied until 31 December 2017, whereby carried interests for all investments that had attained the performance target, the hurdle rate, qualified for recognition of carried interests.

Recognized, accrued, unrealized interests are presented in the financial statements included in Other assets in the Statement of Financial Position and as "Carried interest (expense) / income, net" in the Statement of Profit or Loss.

As a consequence of the adoption of IFRS 15, the valuation of accumulated, earned, but unrealized carried interests of the Group as at 31 December 2017 is USD 23,014 lower than reported for the year ended on that date. This amount has been recorded in the Statement of Changes in Equity as an adjustment to the opening balance of Retained earnings with the title "Net impact of accounting policy changes: IFRS 15 – Revenue from contracts with customers".

Similarly, the Group offers investment professionals the opportunity to participate into the returns from successful investments. A variety of asset-pooling arrangements is in place so that executives may have an interest in one or more carried interest schemes. Carried interest payable is only accrued on those schemes in which the performance conditions, measured at the balance sheet date, would have been achieved if the remaining assets in the scheme were realized at fair value. The accrual corresponding to the investment professionals' share of profits is made on the excess of the performance conditions of the different existing schemes.

The provision for future obligation to pay carried interests is included in Statement of Financial Position as Other liabilities and as "Carried interest (expense) / income, net" in the Statement of Profit or Loss. This valuation of this obligation has not been impacted by the application of IFRS 15 in the financial year 2018.

### *t) Private equity portfolio*

For the purpose of those consolidated financial statements, the private equity portfolio is presented in two categories:

#### *Non-controlled private equity portfolio*

The non-controlled private equity portfolio includes the investments in financial assets recorded at fair value through profit or loss (Note 10.1) over which the Group has no control.

#### *Controlled private equity portfolio ("CPE")*

The controlled private equity portfolio includes investments acquired through business combinations and on which the Group has obtained control. These investments are fully consolidated within the Group accounts as subsidiaries.

Income and expenses from controlled private equity portfolio are presented under a distinct column ("CPE" heading) in the consolidated statement of profit or loss to better reflect their contribution to the Group's results.

Further details on assets, liabilities, income and expenses of these investments are given in the Note 5 to the consolidated financial statements.

When possible, the assets, liabilities, income and expenses of these investments have been disclosed separately in the notes to the consolidated financial statements to present distinctly the result of the "core" activities of the Group (Private equity and Wealth management).

For the purpose of segment reporting, these investments are accounted for at fair value through profit or loss like the other non-controlled private equity investments, with adjustments between methods reported under 'accounting policies differences'.



## u) Fair value measurement

The Group measures financial assets and liabilities, and non-financial assets at fair value at each balance sheet date. Fair value related disclosures for financial instruments and non-financial assets. Also, fair values of financial instruments not measured at fair value are disclosed in Note 25.7.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either :

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole :

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and third party funds;
- **Level 2:** inputs other than quoted prices included in the Level 1, that are observable for the assets or liability, either directly (that is, as prices) or indirectly (that is, as derived from prices). This level includes derivative contracts or equity instruments without active market and for which recent transactions occurred between market participants. The sources of input parameters like LIBOR yield curve or counterparty credit risk are Bloomberg and Reuters;

- **Level 3:** inputs for assets or liabilities that are not based on observable market data (unobservable inputs). This level includes debt instruments, equity instruments and third party funds with significant unobservable components.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as investment property, equity securities at fair value through profit or loss and available-for-assets assets. Involvement of external valuers is decided upon annually by the valuation committee after discussion with and approval by the Group's audit committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

At each reporting date, the audit committee analyses the movements in the valuations of the private equity portfolio which are required to be re-measured or re-assessed as per Group's accounting policies.

On an interim basis, both the valuation committee of Quilvest Alternative Investment Funds and the Audit Committee approve the valuation results. This includes a discussion of the major assumptions used in the valuations.



## 2.4 Changes in accounting policies and disclosures

### Changes in accounting policies

For the financial year 2018, two new accounting standards were adopted by the Group: IFRS 9- Financial Instruments and IFRS 15 – Revenue from contracts with customers. Both of these have been described in section 1 g), 1 n), 1 s).

### IFRS 9 Financial Instruments

This new standard is effective as from 1 January 2019 and replaces IAS 39. Financial assets and liabilities were previously, with IAS 39, categorized as either designated at fair value through profit or loss, loans and receivables, available for sale held to maturity. The new categories for classification are: fair value through profit or loss, fair value through other comprehensive income and held at amortized cost. The guiding principle between the categorization is the business model and contractual cash flows of the financial instrument.

The new categorization has had a limited impact on the financial statements and below we present an overview of how the financial instruments of major significance for the Group have been classified under IAS 39 and under IFRS 9 for comparative purpose.

| Financial assets                                           |                                                                                | 31 December 2017                              |                                          | 1 January 2018                           |                                      |                  |                                                       |                     |                      |                                                                   |                                           |                                    |  |
|------------------------------------------------------------|--------------------------------------------------------------------------------|-----------------------------------------------|------------------------------------------|------------------------------------------|--------------------------------------|------------------|-------------------------------------------------------|---------------------|----------------------|-------------------------------------------------------------------|-------------------------------------------|------------------------------------|--|
| In \$ '000                                                 |                                                                                | IAS 39                                        |                                          | Classification in accordance with IFRS 9 |                                      |                  |                                                       |                     |                      |                                                                   |                                           |                                    |  |
|                                                            |                                                                                |                                               |                                          |                                          |                                      |                  | Financial assets at fair value through profit or loss |                     |                      | Financial assets at fair value through other comprehensive income |                                           | Financial assets at amortized cost |  |
|                                                            |                                                                                | Evaluation method                             | Carrying value in accordance with IAS 39 | Carrying value in accordance with IFRS 9 | Cash and balances with central banks | Held for trading | Mandatorily at FVTPL                                  | Designated at FVTPL | Mandatorily at FVOCI | Designated at FVO- CI                                             | Loans and advances to credit institutions | Loans and advances to customers    |  |
| Carrying value in accordance with IAS 39 evaluation method | Cash and balances with central banks                                           | Amortized cost                                | 1,168,771                                | 1,168,771                                | 1,168,771                            | --               | --                                                    | --                  | --                   | --                                                                | --                                        | --                                 |  |
|                                                            | Financial assets held for trading                                              | Fair value through profit or loss             | 4,607                                    | 4,607                                    | --                                   | 4,607            | --                                                    | --                  | --                   | --                                                                | --                                        | --                                 |  |
|                                                            | Financial assets at amortized cost - Loans and advances to credit institutions | Amortized cost                                | 23,543                                   | 23,543                                   | --                                   | --               | --                                                    | --                  | --                   | --                                                                | 23,543                                    | --                                 |  |
|                                                            | Financial assets at amortized cost - Loans and advances to customers           | Amortized cost                                | 1,324,429                                | 1,324,429                                | --                                   | --               | --                                                    | --                  | --                   | --                                                                | --                                        | 1,324,429                          |  |
|                                                            | Financial assets available for sale                                            | Fair value through other comprehensive income | 303,848                                  | 303,848                                  | --                                   | --               | 381                                                   | --                  | 303,447              | 21                                                                | --                                        | --                                 |  |
|                                                            | Financial assets designated at fair value through profit or loss               | Fair value through profit or loss             | 1,075,652                                | 1,075,652                                | --                                   | --               | 1,063,315                                             | 10,937              | --                   | 1,401                                                             | --                                        | --                                 |  |
|                                                            | Adjustment of the carrying value in accordance with IFRS 9 evaluation method   |                                               | --                                       | (128)                                    | (1)                                  | --               | --                                                    | --                  | (19)                 | --                                                                | (0)                                       | (108)                              |  |
| 1 January 2018                                             | Carrying value in accordance with IFRS 9                                       |                                               | 3,900,850                                | 3,900,722                                | 1,168,770                            | 4,607            | 1,063,695                                             | 10,937              | 303,428              | 1,421                                                             | 23,543                                    | 1,324,321                          |  |

### *Changes to the expected credit loss model*

IFRS 9 replaces the incurred loss model in IAS 39 with a forward-looking expected credit loss (ECL) model. This requires considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model applies to financial assets measured at amortized cost or fair value through other comprehensive income except investments in equity instruments.

As the financial assets held by the Group which are not measured at fair value through profit or loss generally have a low credit risk profile, the entry into force of IFRS 9 did not have a significant impact on the carrying value of the financial assets and liabilities held by the Group. The impact of the first time application of IFRS 9 as of January 1st, 2018 amounted to USD 157 and was recognized directly in equity as a reduction of retained earnings.

### *Financial liabilities*

Apart from derivatives, financial liabilities of the Group are measured at amortized cost, both under the previous standard, IAS 39 and the new standard, IFRS 9.

### *Hedge accounting*

The group does not apply hedge accounting.

### *IFRS 15 - Revenue from Contracts with customers*

Effective as from 1 January 2018 is a new standard, IFRS 15, which replaces the standards IAS 18 Revenue, IAS 11 Construction Contracts and IAS 13 Customer Loyalty.

Each element of revenue recognized in the financial statements originates from a contract between a seller and a customer. The contracts are examined so as to identify distinct deliverables and how such delivery is confirmed and measured. Measureable units of output can be physical items delivered, a time period (e.g. for financial advice given) or a distinct utility (e.g. the setting up of an investment product).

There are, for Quilvest, three categories of revenue, which are in different ways impacted by the adoption of IFRS 15. These are fees and commissions, upfront fees and carried interests.

Both the private equity business and the banking business receive fees and commissions for services rendered. These include management fees, monitoring fees, custody fees, advisory fees, administration fees, domiciliation fees, brokerage fees.

Fees and commissions are received for services provided over time. These are, in most cases, not impacted by the accounting standard change.

Upfront fees are received for specific work or services provided at a given moment. With the previous standard, these were recognized as revenue as from the time the related work was accomplished, whereas with IFRS 15, the requirement has been added that also the intended benefit for the customer needs to have been delivered. Upfront fees are typically charged by the banking entities to open client accounts, and by the private equity entities for setting up a new investment fund. Upfront fees need to be analyzed in terms of how and when the intended benefit or utility flows to the clients. Often, this means that revenue for some invoiced upfront fees will be deferred over time. The impact of the accounting change on revenue from upfront fees in 2018 was nil.

The third and last category, Carried interests, is only found in the private equity business. These represent revenue depending, not only on the services delivered, such as investment management, but also on the financial performance of the investment managed. Carried interest income is both variable and uncertain by nature. It is variable, since its value is derived from the valuation of the investment product managed. It is also uncertain due to the criteria of minimum performance achieved by the investment in order to earn carried interests. Falling below the minimum level of performance, no carried interests will be exchanged.

In accordance with IFRS 15, Quilvest applies performance criteria for each investment for which carried interest are held, comparing these with actual performance to judge whether carried interests can be accrued and revenue recognized. The Group applies the criteria to all investments that it must have exceeded the hurdle rate and returned 150% or more of its purchase value in form of dividends or distributions before any earned, unrealized, carried interests can be recognized. This is a difference to the previous treatment of carried interests, applied until 31 December 2017, whereby carried interests for all investments that had attained the performance target, the hurdle rate, qualified for recognition of carried interests.

As a consequence the valuation of accumulated, earned, but unrealized carried interests of the Group as at 31 December 2017 is USD 23,014 lower than reported for the year ended on that date. This amount has reduced the balance of Carried interests receivable on the asset side of the Statement of financial position and has been recorded in the Statement of Changes in Equity as an adjustment to the opening balance of Retained earnings with the title "Net impact of accounting policy changes: IFRS 15 – Revenue from contracts with customers".

## 2.5 Foreign currencies

The following exchange rates were used for translating Euros ("EUR"), Swiss francs ("CHF") and British pounds ("GBP"), which are the most important foreign currencies used in the Group.

|                  | USD/ EUR | USD/ CHF | USD/ GBP |
|------------------|----------|----------|----------|
| 31 December 2016 | 0.9549   | 1,0245   | 0,8178   |
| Average 2017     | 0.8859   | 0.9861   | 0.7742   |
| 31 December 2017 | 0.8374   | 0.9787   | 0.7440   |
| Average 2018     | 0.8464   | 0.9763   | 0.7505   |
| 31 December 2018 | 0,8738   | 0,9812   | 0,7886   |

## 3. Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

### a) Judgments

In the process of applying the Group's accounting policies, management has made the judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements.

Judgement has been used in the determination of control over investees as described in Note 2.3.b and further detailed in Note 2.4 above following the application of IFRS 10 Consolidated Financial Statements.

### b) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared.

Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

### *Impairment of non-financial assets*

An impairment exists when the carrying value of an asset or cash generating ("CGU") unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The key assumptions used to determine the recoverable amount for the different CGUs are disclosed and further explained in Note 13.

### *Fair value of private equity portfolio*

The private equity portfolio includes direct investments through equity, debt and investment-related loans and investments in third-party funds. These investments are stated at fair value on an item-by-item basis.

Fair value is estimated in compliance with the guidelines and principles for valuation set out by the International Private Equity and Venture Capital Association ("IPEV"). Such guidelines includes the most widely used methodologies, such as the price of recent investment, multiples, discounted cash flow and net assets techniques, which are those adopted by the Group, in the absence of an active market for a financial instrument.

Although the Management uses its best judgment in estimating the fair value of investments, there are inherent limitations in any estimation techniques.

The fair value estimates presented herein are not necessarily indicative of an amount the Group could realize in a current transaction. Future confirming events will also affect the estimates of fair value. The effect of such events on the estimates of fair value, including the ultimate liquidation of investments,

could be material to the financial statements.

The other most significant estimates and assumptions concern the revaluation of property, plant and equipment and investment property, the actuarial assumptions related to the employee defined benefit plans, and the impairment losses of loans and advances to customers and provisions.

#### *Recognition of unrealized revenue from carried interests*

Quilvest may be the beneficiary holder of carried interests in some ventures. Such interests are considered as revenue for services performed. The amounts receivable, however, are both variable and uncertain. Variable since the amounts received depend on the performance of the investments for which the carried interests are earned; uncertain, since investments need to perform above a certain limit before distributing and value to holders of carried shares. Quilvest applies judgment, both in estimating the value of the investments, on which the value of the carried shares are determined and on estimating the likelihood of any of the earned carried interests being realized. The approach applied by Quilvest for these judgements are further described in the section 2.3 s) – Revenue recognition.

## **4. Standards and interpretations issued but not yet effective**

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

### **IFRS 16 Lease**

Effective as from the 1 of January 2019, the standard IFRS 16 will govern the accounting for leased assets. Under this new standard both operating and financial leases are to be recognized in the statement of financial position. Whereas previously leased assets under an operational lease agreement were not included in the Statement of financial position, with IFRS 15 they will be recognized at its right of use, which is the present value of the financial lease obligation, less lease incentives, plus any costs incurred to bring the leased asset into use. The assets gets depreciated over its useful life. Interest gets charged on the financial lease obligation at the interest rate implicit in the lease. If, and when, this rate cannot be reliably calculated, this rate can be substituted by the marginal borrowing rate for the legal entity holding the leased asset. Quilvest has assessed the impact of the adoption of IFRS 16, which should increase assets and liabilities by approximately USD 45 million, while having a negligible impact on the Net result.

### *Other new standards or changes to standards not yet effective*

- IFRS 17: Insurance Contracts. Applicable from January 1, 2022 (not yet endorsed by the EU);
- Amendments to IAS 19 "Employee Benefits": Plan amendment, Curtailment or Settlement;
- Amendments to IAS 28 "Investments in Associates and Joint Ventures": Long-term Interests in Associates and Joint Ventures;
- Amendments to IFRS 9 "Financial Instruments" – Prepayment Features with Negative Compensation – Applicable from January 1, 2019;
- Annual improvements to IFRSs 2015-2017 – Applicable from January 1, 2019 (not yet endorsed by the EU);
- Amendments to References to the Conceptual Framework in IFRS Standards – Applicable from January 1, 2020 (not yet endorsed by the EU);
- Amendments to IFRS 3 – Business Combinations – Applicable from January 1, 2020 (not yet endorsed by the EU);
- Amendments to IAS 1 and IAS 8 – Definition of Material – Applicable from January 1, 2020 (not yet endorsed by the EU);
- Interpretations IFRIC 23: Uncertainty over Income Tax Treatments.

## 5. Controlled private equity portfolio (“CPE”)

During the financial year ending on 31 December 2018, the Group disposed of single, remaining, Controlled private equity investment, ST Products. This entity was fully consolidated within the Group’s consolidated financial statements.

Consequently, as at 31 December 2018, the Group had control over no private equity investments (2017: 1) (Note 27). When possible, the assets, liabilities, income and expenses of these investments have been disclosed separately to present distinctly the result of the “core” activities of the Group (Private equity and Wealth management)

The aggregate effects of the controlled private equity portfolio are disclosed below:

| in \$ ‘000                                                 | 2017          | 2018          |
|------------------------------------------------------------|---------------|---------------|
| <b>Assets</b>                                              |               |               |
| Cash and cash equivalents                                  | 228           | --            |
| Property, plant and equipment                              | 15,267        | --            |
| Intangible assets other than goodwill                      | 7,084         | --            |
| Goodwill                                                   | 4,601         | --            |
| Other assets                                               | 34,022        | --            |
| <b>Total assets</b>                                        | <b>61,202</b> | <b>--</b>     |
| <b>Liabilities</b>                                         |               |               |
| Interest-bearing liabilities                               | 37,634        | --            |
| Deferred tax liabilities                                   | 2,479         | --            |
| Other liabilities                                          | 7,371         | --            |
| <b>Total liabilities</b>                                   | <b>47,484</b> | <b>--</b>     |
| <b>Profit or loss</b>                                      |               |               |
| Revenue                                                    | 143,787       | 144,491       |
| Expenses                                                   | (128,988)     | (132,849)     |
| <i>of which staff costs</i>                                | (22,125)      | (22,787)      |
| <b>Net income from controlled private equity portfolio</b> | <b>14,799</b> | <b>11,642</b> |
| Gains/ (losses) on financial assets, net                   | --            | 32,734        |
| Depreciation, amortization and impairment losses           | (3,805)       | (4,249)       |
| <b>Operating result</b>                                    | <b>10,994</b> | <b>40,127</b> |
| Finance costs, net                                         | (2,071)       | (1,738)       |
| <b>Profit / (Loss) before tax</b>                          | <b>8,923</b>  | <b>38,389</b> |
| Income tax expense/ (credit)                               | 806           | 64            |
| <b>Profit / (Loss) for the year</b>                        | <b>9,729</b>  | <b>38,453</b> |

At 31 December 2018, controlled private equity investment had NO employees (2017: 342).

## 6. Segment information

### Operating segments

For management purposes, the Group is organized into strategic business units based on its activities and has three reportable segments:

- Private equity investment, concentrated in Quilvest Private Equity S.C.A. SICAR and its subsidiaries. The Group invests in controlled or non-controlled private equity portfolio, in the form of equity securities, debt securities and third-party funds.

For the purpose of segment reporting, the controlled private equity portfolio consolidated under the full consolidation method (Note 5) are adjusted to be accounted for as financial instruments at fair value through profit or loss upon initial recognition. The effects of these adjustments are reflected under 'accounting policies differences'.

- Private equity management, concentrated in Quilvest & Partners S.A. and its subsidiaries which includes the management of the private equity portfolios.
- Wealth management, concentrated in Quilvest Wealth Management S.A. and its subsidiaries, which includes all activities from the banks of the Group, including asset management, investment advisory services, and coordination and administration of global investment services.

The chief operating decision makers, being the CEO of Quilvest Private Equity and the CEO of Quilvest Wealth management, monitor the operating results of its strategic business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements, with the exception of those private equity investments that are consolidated under IFRS and measured at fair value through profit and loss in segment reporting.

The chief operating decision makers do not review segment assets and liabilities in the decision making process. They are consequently not disclosed.

The contributions of the corporate entities of the Group, namely Quilvest S.A., Quilvest Europe S.A., Quilvest France S.A.S. and QS Finance Ltd, have been aggregated within the private equity investment business segment.



## 6.1 Segment profit or loss

### Private Equity Investment

|                                                                  | 2017           |                                 |                |                | 2018          |                                 |                 |               |
|------------------------------------------------------------------|----------------|---------------------------------|----------------|----------------|---------------|---------------------------------|-----------------|---------------|
| in \$ '000                                                       | 2017           | Accounting Policies Differences | Inter-segment  | Segment Total  | 2018          | Accounting Policies Differences | Inter-segment   | Segment Total |
| Net result from controlled private equity portfolio (*) (Note 5) | 9,730          | (9,730)                         | --             | --             | 5,719         | (5,719)                         | --              | --            |
| Gains/(losses) on financial assets, net                          | 129,827        | 4,908                           | --             | 134,735        | 82,332        | (32,265)                        | --              | 50,067        |
| Dividend income                                                  | 887            | --                              | --             | 887            | 285           | --                              | --              | 285           |
| <b>Private equity fees</b>                                       |                |                                 |                |                |               |                                 |                 |               |
| Management fee income / (expense), net                           | 1,544          | --                              | (4,454)        | (2,910)        | --            | --                              | (2,891)         | (2,891)       |
| Other private equity fee income / (expense), net                 | (566)          | --                              | (373)          | (939)          | 196           | --                              | (1)             | 195           |
| Carried interest income / (expense), net                         | (5,903)        | --                              | (22)           | (5,925)        | 6,883         | --                              | --              | 6,883         |
| Other operating income, net                                      | (301)          | --                              | (290)          | (591)          | 5,036         | --                              | (4,719)         | 317           |
| General administrative expenses                                  | (3,161)        | --                              | (3,942)        | (7,103)        | (1,486)       | --                              | (1,907)         | (3,393)       |
| Depreciation, amortization and impairment losses                 | 332            | --                              | --             | 332            | --            | --                              | --              | --            |
| Financial costs, net                                             | (2,342)        | --                              | (475)          | (2,817)        | 134           | --                              | (1,150)         | (1,016)       |
| Income tax expense                                               | (879)          | --                              | --             | (879)          | (746)         | --                              | --              | (746)         |
| <b>Sub-total</b>                                                 | <b>129,168</b> | <b>(4,822)</b>                  | <b>(9,557)</b> | <b>114,789</b> | <b>98,353</b> | <b>(37,984)</b>                 | <b>(10,669)</b> | <b>49,700</b> |
| Corporate allocation                                             |                |                                 |                | (19,957)       |               |                                 |                 | (6,826)       |
| <b>Segment Profit / (Loss)</b>                                   |                |                                 |                | <b>94,832</b>  |               |                                 |                 | <b>42,874</b> |

(\*): Excluding net gains/ (losses) on financial assets from controlled private equity portfolio.

## 6.1 Segment profit or loss

### Reconciliation of accounting policies differences

| for the year 2018 (in \$ '000)                 | ST Products | Total   |
|------------------------------------------------|-------------|---------|
| Fair value 31 December 2017                    | 10,927      | 10,927  |
| + Additions / (disposals) & (distributions)    | (8,970)     | (8,970) |
| - Fair value 31 December 2018                  | 2,427       | 2,427   |
| Gain / (loss) on financial assets              | 469         | 469     |
| - Less:Accounting Gain/ (Loss) on Sale on Exit | 32,734      | 32,734  |

| for the year 2017 (in \$ '000)                 | ST Products | Total  |
|------------------------------------------------|-------------|--------|
| Fair value 31 December 2016                    | 6,009       | 6,009  |
| + Additions / (disposals) & (distributions)    | --          | --     |
| - Fair value 31 December 2017                  | 10,927      | 10,927 |
| Gain / (loss) on financial assets              | 4,918       | 4,918  |
| - Less:Accounting Gain/ (Loss) on Sale on Exit | --          | --     |

## 6.1 Segment profit or loss

### Private Equity Management

|                                                              | 2017           |                                 |               |                | 2018           |                                 |               |                |
|--------------------------------------------------------------|----------------|---------------------------------|---------------|----------------|----------------|---------------------------------|---------------|----------------|
| in \$ '000                                                   | 2017           | Accounting Policies Differences | Inter-segment | Segment Total  | 2018           | Accounting Policies Differences | Inter-segment | Segment Total  |
| Net result from controlled private equity portfolio (Note 5) | --             | --                              | --            | --             | --             | --                              | --            | --             |
| Gains/(losses) on financial assets, net                      | --             | --                              | --            | --             | --             | --                              | --            | --             |
| Dividend income                                              | --             | --                              | --            | --             | --             | --                              | --            | --             |
| Interest income, net                                         | --             | --                              | --            | --             | --             | --                              | --            | --             |
| <b>Private equity fees</b>                                   |                |                                 |               |                |                |                                 |               |                |
| Management fee income                                        | 27,027         | --                              | 4,728         | 31,755         | 29,337         | --                              | 2,888         | 32,225         |
| Other private equity fee income                              | 3,674          | --                              | 4,313         | 7,987          | 2,655          | --                              | 5,602         | 8,257          |
| Other private equity fee expense                             | (2,186)        | --                              | (1,959)       | (4,145)        | (1,987)        | --                              | (1,835)       | (3,822)        |
| Carried interest income / (expense), net                     | 2,531          | --                              | 22            | 2,553          | 115            | --                              | --            | 115            |
| Other operating income, net                                  | 8,278          | --                              | 424           | 8,702          | 11,658         | --                              | 16            | 11,674         |
| General administrative expenses                              | (44,627)       | --                              | (1,043)       | (45,670)       | (46,000)       | --                              | 397           | (45,603)       |
| Depreciation, amortization and impairment losses             | (58)           | --                              | --            | (58)           | (1,483)        | --                              | --            | (1,483)        |
| Financial costs, net                                         | 32             | --                              | (602)         | (570)          | 49             | --                              | (308)         | (259)          |
| Income tax expense                                           | (1,001)        | --                              | --            | (1,001)        | (1,049)        | --                              | --            | (1,049)        |
| <b>Sub-total</b>                                             | <b>(6,329)</b> | <b>--</b>                       | <b>5,884</b>  | <b>(447)</b>   | <b>(6,704)</b> | <b>--</b>                       | <b>6,761</b>  | <b>55</b>      |
| Corporate allocation                                         |                |                                 |               | (1,100)        |                |                                 |               | (1,100)        |
| <b>Segment Profit / (Loss)</b>                               |                |                                 |               | <b>(1,546)</b> |                |                                 |               | <b>(1,044)</b> |

## 6.1 Segment profit or loss

### Wealth Management

|                                                  | 2017          |                                 |               |               | 2018          |                                 |               |               |
|--------------------------------------------------|---------------|---------------------------------|---------------|---------------|---------------|---------------------------------|---------------|---------------|
| in \$ '000                                       | 2017          | Accounting Policies Differences | Inter-segment | Segment Total | 2018          | Accounting Policies Differences | Inter-segment | Segment Total |
| Gains/(losses) on financial assets, net          | 5,705         | --                              | --            | 5,705         | 14,517        | --                              | --            | 14,517        |
| Dividend income                                  | 1,188         | --                              | --            | 1,188         | 1,240         | --                              | --            | 1,240         |
| Interest income                                  | 28,889        | --                              | 29            | 28,918        | 29,005        | --                              | 139           | 29,144        |
| Interest expense                                 | (9,079)       | --                              | --            | (9,079)       | (14,230)      | --                              | --            | (14,230)      |
| <b>Wealth Management fees</b>                    |               |                                 |               |               |               |                                 |               |               |
| Management fee income                            | 27,893        | --                              | 89            | 27,982        | 56,026        | --                              | --            | 56,026        |
| Management fee expense                           | (365)         | --                              | --            | (365)         | (306)         | --                              | --            | (306)         |
| Brokerage fee income                             | 24,207        | --                              | --            | 24,207        | 21,144        | --                              | --            | 21,144        |
| Brokerage fee expense                            | (1,012)       | --                              | --            | (1,012)       | (894)         | --                              | --            | (894)         |
| Custodian fee income                             | 18,264        | --                              | 180           | 18,444        | 14,456        | --                              | 2             | 14,458        |
| Custodian fee expense                            | (2,120)       | --                              | --            | (2,120)       | (2,098)       | --                              | --            | (2,098)       |
| Fiduciary fee income                             | 945           | --                              | --            | 945           | 1,233         | --                              | --            | 1,233         |
| Fiduciary fee expense                            | --            | --                              | --            | --            | --            | --                              | --            | --            |
| Other wealth management fee income               | 32,066        | --                              | 435           | 32,501        | 9,374         | --                              | 2             | 9,376         |
| Other wealth management fee expense              | (12,248)      | --                              | (745)         | (12,993)      | (7,841)       | --                              | (258)         | (8,099)       |
| Other operating income, net                      | 7,386         | --                              | 671           | 8,057         | 7,549         | --                              | 2,049         | 9,598         |
| General administrative expenses                  | (107,818)     | --                              | 721           | (107,097)     | (109,925)     | --                              | (704)         | (110,629)     |
| Depreciation, amortization and impairment losses | (4,324)       | --                              | --            | (4,324)       | (4,608)       | --                              | --            | (4,608)       |
| Financial costs                                  | 5,940         | --                              | --            | 5,940         | 2,371         | --                              | --            | 2,371         |
| Income tax expense                               | (4,034)       | --                              | --            | (4,034)       | (2,225)       | --                              | --            | (2,225)       |
| <b>Sub-total</b>                                 | <b>11,483</b> | <b>--</b>                       | <b>1,380</b>  | <b>12,863</b> | <b>14,788</b> | <b>--</b>                       | <b>1,230</b>  | <b>16,018</b> |
| Corporate allocation                             |               |                                 |               | (1,000)       |               |                                 |               | (1,000)       |
| <b>Segment Profit / (Loss)</b>                   |               |                                 |               | <b>11,863</b> |               |                                 |               | <b>15,018</b> |

(\*): Excluding net gains/ (losses) on financial assets from controlled private equity portfolio.

## Summary and reconciliation with the Group net result

| Segment                   | 2018     | Accounting policies differences | Inter-segment | Corporate Allocation | Segment |
|---------------------------|----------|---------------------------------|---------------|----------------------|---------|
| Corporate                 | (11,605) | --                              | 2,678         | 8,927                | --      |
| Private Equity Investment | 98,352   | (37,984)                        | (10,668)      | (6,827)              | 42,874  |
| Private Equity Management | (6,703)  | --                              | 6,760         | (1,100)              | (1,043) |
| Wealth Management         | 14,788   | --                              | 1,230         | (1,000)              | 15,018  |
|                           | 94,832   | (37,984)                        | --            | --                   | 56,848  |

| Segment                   | 2017     | Accounting policies differences | Inter-segment | Corporate Allocation | Segment |
|---------------------------|----------|---------------------------------|---------------|----------------------|---------|
| Corporate                 | (24,349) | --                              | 2,292         | 22,057               | --      |
| Private Equity Investment | 129,168  | (4,822)                         | (9,557)       | (19,957)             | 94,832  |
| Private Equity Management | (6,331)  | --                              | 5,883         | (1,100)              | (1,549) |
| Wealth Management         | 11,484   | --                              | 1,381         | (1,000)              | 11,864  |
|                           | 109,971  | (4,822)                         | --            | --                   | 105,147 |

## 6.2 Entity-wide disclosures

### Geographical information

The Group business operates worldwide, principally in Europe, in America and in Asia.

| For the year 2018 (in \$'000)                   | Carrying amount  | Luxembourg       | Europe           | USA              | Other          |
|-------------------------------------------------|------------------|------------------|------------------|------------------|----------------|
| Tangibles assets, including investment property | 48,580           | 3,915            | 44,537           | 123              | 5              |
| Intangible assets, excluding goodwill           | 21,559           | 20,232           | 1,326            | 1                | --             |
| Goodwill                                        | 53,941           | 39,940           | 14,001           | --               | --             |
| Financial instruments and other assets          | 3,909,280        | 1,528,456        | 928,210          | 765,160          | 687,454        |
| Deferred tax assets                             | 3,026            | 1,697            | 1,329            | --               | --             |
| <b>Total assets</b>                             | <b>4,036,386</b> | <b>1,593,640</b> | <b>990,003</b>   | <b>765,284</b>   | <b>687,459</b> |
| <b>Total assets (for the year 2017)</b>         | <b>4,200,844</b> | <b>1,193,737</b> | <b>1,108,851</b> | <b>1,056,741</b> | <b>841,517</b> |

The geographical breakdown of revenue is consistent with the breakdown of assets.

Further geographical information is given in Note 25.2.

## 7. Business combinations and transactions with non-controlling interests

There were no business combinations during the years ending 31 December 2018 and 2017.

### Transactions with non-controlling interests

#### QS PEP CORE

Quilvest Private Equity S.C.A. SICAR, a wholly owned subsidiary of Quilvest S.A., sold 18.95% of the equity of QS PEP CORE in a secondary sale. After the sale, Quilvest Private Equity S.C.A. SICAR was still in control of QS PEP CORE with an ownership share representing 81.05% and the transaction did not generate any gain or loss recognized in the statement of profit or loss.

#### Quamvest S.A.

Quilvest Wealth Management S.A. sold 49.9% of the ownership of its fully owned subsidiary Quamvest S.A. After the transaction, Quilvest Wealth Management S.A. was still in control of Quamvest S.A. and the transaction did not generate any gain or loss recognized in the statement profit or loss.

There are no other transactions with non-controlling interests, nor any other changes in scope for the year 2018.

### Disposal of subsidiaries

#### ST Products

On the 5 November, 2018, Quilvest S.A. disposed of its 58.44% share in the equity of ST Products. Quilvest S.A. realized a gain on the transaction of USD 32.7 million and ST Product ceased, at the moment of the sale, to be consolidated in the accounts of Quilvest S.A..



## 8. Cash and Cash Equivalents

| In \$ '000                                             | 2017             | 2018             |
|--------------------------------------------------------|------------------|------------------|
| Cash on hand                                           | 837              | 792              |
| Current account with banks                             | 146,413          | 156,072          |
| Current account and deposits with central banks        | 947,580          | 1,391,319        |
| Short term deposits                                    | 73,941           | 30,366           |
| <b>Cash and cash equivalents</b>                       | <b>1,168,771</b> | <b>1,578,549</b> |
| including Controlled Private Equity Portfolio (Note 5) | 228              | --               |
| including Quilvest Wealth Management subgroup          | 1,058,323        | 1,479,503        |

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

As at 31 December 2018, the aggregate cash and cash equivalents of Quilvest Wealth Management, Quilvest Banque Privée, Quilvest Switzerland and CBP Quilvest amounts to USD 1,479,503 (2017 : USD 1,058,323). Although this amount is included in 'cash and cash equivalents', it is not directly available to the Group.

## 9. Amounts owed from banks and bank customers

| In \$ '000                                       | 2017             | 2018             |
|--------------------------------------------------|------------------|------------------|
| Deposits with banks                              | 958              | --               |
| Deposits with central banks                      | 22,585           | 21,462           |
| <b>Amounts owed from banks</b>                   | <b>23,543</b>    | <b>21,462</b>    |
| Current account with bank customers              | 152,682          | 161,288          |
| Deposits with bank customers                     | 1,175,140        | 1,048,262        |
| <b>Amounts owed from bank customers</b>          | <b>1,327,822</b> | <b>1,209,550</b> |
| Allowance for impairment losses                  | (3,393)          | (3,542)          |
| <b>Amounts owed from bank and bank customers</b> | <b>1,347,972</b> | <b>1,277,470</b> |

Deposits with central banks represent mandatory reserve deposits and are not available for use in the bank's day-to-day operations and are excluded from cash and cash equivalents.

### Impairment allowance reconciliation

| In \$ '000                | 2017           | 2018           |
|---------------------------|----------------|----------------|
| 1 January                 | (3,255)        | (3,393)        |
| Impairment loss (expense) | (138)          | (77)           |
| Recoveries (income)       | 133            | 66             |
| Exchange difference       | (133)          | (138)          |
| <b>31 December</b>        | <b>(3,393)</b> | <b>(3,542)</b> |

## 10. Financial assets

### 10.1 Financial assets at fair value through profit or loss

Schedule of changes in financial assets at fair value through profit or loss in 2018

#### a. Private Equity portfolio

| In \$ '000                              | Debt securities | Equity, convertible and investment-related loans | Third party funds | Total     |
|-----------------------------------------|-----------------|--------------------------------------------------|-------------------|-----------|
| Fair value at 1 January 2018            | --              | 315,673                                          | 552,447           | 868,120   |
| Acquired in business combinations       | --              | --                                               | --                | --        |
| Change in scope                         | --              | --                                               | --                | --        |
| Additions                               | --              | 102,178                                          | 40,770            | 142,948   |
| Disposals / Distributions / Redemptions | --              | (99,525)                                         | (152,003)         | (251,528) |
| Transfer from other portfolio           | --              | (5)                                              | --                | (5)       |
| Net gains / (losses)                    | --              | 8,428                                            | 41,240            | 49,668    |
| Currency differences                    | --              | (115)                                            | (513)             | (628)     |
| Fair value at 31 December 2018          | --              | 326,634                                          | 481,941           | 808,575   |

#### b. Wealth Management

| In \$ '000                              | Debt securities | Equity, convertible and investment-related loans | Third party funds | Total     |
|-----------------------------------------|-----------------|--------------------------------------------------|-------------------|-----------|
| Fair value at 1 January 2018            | 10,937          | 172,659                                          | 23,936            | 207,532   |
| Acquired in business combinations       | --              | --                                               | --                | --        |
| Change in scope                         | --              | --                                               | --                | --        |
| Additions                               | --              | 47                                               | 2,374             | 2,421     |
| Disposals / Distributions / Redemptions | (10,514)        | (169,430)                                        | (25,991)          | (205,935) |
| Transfer to other portfolio             | --              | --                                               | --                | --        |
| Net gains / (losses)                    | (307)           | --                                               | (20)              | (287)     |
| Currency differences                    | (116)           | (1,879)                                          | (255)             | (2,250)   |
| Fair value at 31 December 2018          | --              | 1,397                                            | 84                | 1,481     |

#### c. Total

| In \$ '000                     | Debt securities | Equity, convertible and investment-related loans | Third party funds | Total   |
|--------------------------------|-----------------|--------------------------------------------------|-------------------|---------|
| Fair value at 31 December 2018 | --              | 328,031                                          | 482,025           | 810,056 |
| Net gains / (losses) for 2018  | (307)           | 8,428                                            | 41,260            | 49,381  |

## Schedule of changes in financial assets at fair value through profit or loss in 2017

### a. Private Equity portfolio

| In \$ '000                              | Debt securities | Equity, convertible and investment-related loans | Third party funds | Total     |
|-----------------------------------------|-----------------|--------------------------------------------------|-------------------|-----------|
| Fair value at 1 January 2017            | --              | 298,376                                          | 543,143           | 841,519   |
| Acquired in business combinations       | --              | --                                               | --                | --        |
| Change in scope                         | --              | --                                               | --                | --        |
| Additions                               | --              | 18,706                                           | 68,262            | 86,968    |
| Disposals / Distributions / Redemptions | --              | (38,222)                                         | (153,714)         | (191,936) |
| Transfer from other portfolio           | --              | --                                               | --                | --        |
| Net gains / (losses)                    | --              | 36,608                                           | 93,227            | 129,835   |
| Currency differences                    | --              | 205                                              | 1,529             | 1,734     |
| Fair value at 31 December 2017          | --              | 315,673                                          | 552,447           | 868,120   |

### b. Wealth Management

| In \$ '000                              | Debt securities | Equity, convertible and investment-related loans | Third party funds | Total    |
|-----------------------------------------|-----------------|--------------------------------------------------|-------------------|----------|
| Fair value at 1 January 2017            | 86,406          | 104,656                                          | 10,610            | 201,672  |
| Acquired in business combinations       | --              | --                                               | --                | --       |
| Change in scope                         | --              | --                                               | --                | --       |
| Additions                               | --              | 50,404                                           | 15,740            | 66,144   |
| Disposals / Distributions / Redemptions | (80,717)        | --                                               | (4,532)           | (85,249) |
| Transfer to other portfolio             | --              | --                                               | --                | --       |
| Net gains / (losses)                    | (2,078)         | --                                               | (15)              | (2,093)  |
| Currency differences                    | 7,326           | 17,599                                           | 2,133             | 27,058   |
| Fair value at 31 December 2017          | 10,937          | 172,659                                          | 23,936            | 207,532  |

### c. Total

| In \$ '000                     | Debt securities | Equity, convertible and investment-related loans | Third party funds | Total     |
|--------------------------------|-----------------|--------------------------------------------------|-------------------|-----------|
| Fair value at 31 December 2017 | 10,937          | 488,332                                          | 576,383           | 1,075,652 |
| Net gains / (losses) for 2017  | (2,078)         | 36,608                                           | 93,212            | 127,742   |

## 10.2 Financial assets at fair value through other comprehensive income

### Schedule of changes in financial assets at fair value through other comprehensive income in 2018

#### a. Private Equity portfolio

There were no financial assets at fair value through other comprehensive income in the private equity portfolio in 2018.

#### b. Wealth Management portfolio

| In \$ '000                                                                | Debt securities | Equity securities | Total     |
|---------------------------------------------------------------------------|-----------------|-------------------|-----------|
| Fair value at opening balance                                             | 303,447         | 401               | 303,848   |
| Additions                                                                 | --              | (354)             | (354)     |
| Disposals                                                                 | (149,181)       | --                | (149,181) |
| Unrealized gains / (losses) recognized through Other comprehensive income | (603)           | --                | (603)     |
| Interest income recognized in profit or loss                              | 487             | --                | 487       |
| Currency differences                                                      | (4,190)         | (5)               | (4,195)   |
| Fair value at closing balance                                             | 149,960         | 42                | 150,002   |

### Schedule of changes in financial assets at fair value through other comprehensive income in 2017

#### a. Private Equity portfolio

There were no financial assets at fair value through other comprehensive income in the private equity portfolio in 2017.

#### b. Wealth Management portfolio

| In \$ '000                                                                | Debt securities | Equity securities | Total     |
|---------------------------------------------------------------------------|-----------------|-------------------|-----------|
| Fair value at opening balance                                             | 452,605         | 347               | 452,952   |
| Additions                                                                 | 10,672          | 5                 | 10,677    |
| Disposals                                                                 | (170,042)       | --                | (170,042) |
| Unrealized gains / (losses) recognized through Other comprehensive income | 284             | --                | 284       |
| Interest income recognized in profit or loss                              | 680             | --                | 680       |
| Currency differences                                                      | 9,248           | 49                | 9,297     |
| Fair value at closing balance                                             | 303,447         | 401               | 303,848   |

Interest income related to debt securities portfolio available-for-sale amounts to USD 3.0 million (2017: USD 5.0 million) and is included in 'Interest income, net' in the consolidated statement of profit or loss.

The amount transferred from AFS revaluation reserve in 'Gains / (losses) on financial assets, net' represents a loss of USD 0.3 million (2017: net loss of USD 0.5 million), of which no impairment loss.

### 10.3 Derivative financial assets and liabilities

Detailed schedule of derivatives by nature and maturity in 2018

#### a. Private Equity portfolio

There are no derivative financial assets in the private equity portfolio in 2018.

#### b. Wealth Management portfolio

| In \$ '000                              | Notional amount with remaining life of |                    |                  |         | Fair values  |              |
|-----------------------------------------|----------------------------------------|--------------------|------------------|---------|--------------|--------------|
|                                         | Less than 3 months                     | 3 months to 1 year | More than 1 year | Total   | positive     | negative     |
| <b>Derivative financial assets</b>      |                                        |                    |                  |         |              |              |
| Foreign currency forward contracts      | 378,714                                | 159,359            | --               | 538,073 | 2,233        | --           |
| Foreign currency options contracts      | 19,255                                 | 21                 | --               | 19,276  | 31           | --           |
| Interest rate swaps                     | --                                     | --                 | --               | --      | 120          | --           |
| Futures                                 | --                                     | 9,900              | --               | 9,900   | 13           | --           |
| <b>Derivative financial liabilities</b> |                                        |                    |                  |         |              |              |
| Foreign currency forward contracts      | 592,532                                | 87,205             | --               | 679,737 | --           | 1,908        |
| Foreign currency options contracts      | 19,255                                 | 21                 | --               | 19,276  | --           | 31           |
| Interest rate swaps                     | 106,345                                | --                 | --               | 106,345 | --           | 439          |
| Futures                                 | --                                     | 9,900              | --               | 9,900   | --           | 12           |
| <b>TOTAL</b>                            |                                        |                    |                  |         | <b>2,397</b> | <b>2,390</b> |

Detailed schedule of derivatives by nature and maturity in 2017

#### a. Private Equity portfolio

There are no derivative financial assets in the private equity portfolio in 2017.

#### b. Wealth Management portfolio

| In \$ '000                              | Notional amount with remaining life of |                    |                  |         | Fair values  |              |
|-----------------------------------------|----------------------------------------|--------------------|------------------|---------|--------------|--------------|
|                                         | Less than 3 months                     | 3 months to 1 year | More than 1 year | Total   | positive     | negative     |
| <b>Derivative financial assets</b>      |                                        |                    |                  |         |              |              |
| Foreign currency forward contracts      | 256,064                                | 73,784             | 12,432           | 342,280 | 4,345        | --           |
| Foreign currency options contracts      | 14,607                                 | 26,910             | 17,912           | 59,429  | 87           | --           |
| Interest rate swaps                     | --                                     | --                 | --               | --      | 175          | --           |
| Futures                                 | --                                     | --                 | --               | --      | --           | --           |
| <b>Derivative financial liabilities</b> |                                        |                    |                  |         |              |              |
| Foreign currency forward contracts      | 530,289                                | 357,804            | 11,941           | 900,034 | --           | 4,851        |
| Foreign currency options contracts      | 14,607                                 | 26,910             | 17,912           | 59,429  | --           | 87           |
| Interest rate swaps                     | 86,771                                 | --                 | --               | 86,771  | --           | 475          |
| Futures                                 | --                                     | --                 | --               | --      | --           | --           |
| <b>TOTAL</b>                            |                                        |                    |                  |         | <b>4,607</b> | <b>5,413</b> |

## 11. Property, Plant and Equipment

Schedule of changes in Property, Plant and Equipment for the year 2018

| In \$ '000                                           | Land          | Buildings     | Fixtures and fittings | Cars       | EDP Hard-ware | Total         |
|------------------------------------------------------|---------------|---------------|-----------------------|------------|---------------|---------------|
| <b>Cost</b>                                          |               |               |                       |            |               |               |
| Balance at 1 January 2018                            | 11,751        | 21,279        | 39,089                | 457        | 2,561         | 75,137        |
| Additions                                            | --            | --            | 1,345                 | (199)      | 826           | 1,972         |
| Disposals                                            | --            | --            | (23,961)              | --         | (18)          | (23,979)      |
| Revaluations                                         | --            | 1,013         | --                    | --         | --            | 1,013         |
| Transfers                                            | --            | --            | --                    | --         | --            | --            |
| Exchange differences                                 | (489)         | (1,212)       | (510)                 | (13)       | (159)         | (2,383)       |
| <b>Balance at 31 December 2018</b>                   | <b>11,262</b> | <b>21,080</b> | <b>15,963</b>         | <b>245</b> | <b>3,210</b>  | <b>51,760</b> |
| <i>Including controlled private equity portfolio</i> | --            | --            | --                    | --         | --            | --            |
| <b>Depreciation and impairment losses</b>            |               |               |                       |            |               |               |
| Balance at 1 January 2018                            | --            | 4,189         | 18,271                | 310        | 1,180         | 23,950        |
| Depreciation charge                                  | --            | 123           | 2,725                 | (150)      | 929           | 3,627         |
| Disposals                                            | --            | --            | (10,117)              | --         | (12)          | (10,129)      |
| Transfers                                            | --            | --            | --                    | --         | --            | --            |
| Exchange differences                                 | --            | (178)         | (298)                 | (7)        | (130)         | (613)         |
| <b>Balance at 31 December 2018</b>                   | <b>--</b>     | <b>4,134</b>  | <b>10,581</b>         | <b>153</b> | <b>1,967</b>  | <b>16,835</b> |
| <i>Including controlled private equity portfolio</i> | --            | --            | --                    | --         | --            | --            |
| <b>Net book value</b>                                |               |               |                       |            |               |               |
| Balance at 1 January 2018                            | 11,751        | 17,090        | 20,818                | 147        | 1,381         | 51,187        |
| <b>Balance at 31 December 2018</b>                   | <b>11,262</b> | <b>16,946</b> | <b>5,382</b>          | <b>92</b>  | <b>1,243</b>  | <b>34,925</b> |
| <i>Including controlled private equity portfolio</i> | --            | --            | --                    | --         | --            | --            |

### Revaluation of lands and buildings

At the end of 2018, the appraised value of land and buildings of the headquarters of our French subsidiaries located in Boulevard Saint-Germain 241-243 in Paris amounts to a total fair value of USD 42.1 million (EUR 36.8 million) (2017: USD 42.9 million (EUR 35.9 million)), including the investment property (refer to Note 12).

Lands and buildings under revaluation model is composed of 65% (2017: 65%) of the property located at 243, Boulevard Saint-Germain and 100% (2017: 76%) of the properties located at 241 Boulevard Saint-Germain and 86 rue de Lille (until its disposal) and represents the own-used part.

The owner-used part of the buildings has been revalued accordingly and the revaluation difference recognized directly in equity, i.e. to the revaluation reserve for own-used buildings. Accumulated depreciation has been charged against the revalued amount, taking into account an estimated economic life of 50 years.

The property value is based on external valuation advice given by a registered, professional, property valuator.

## Schedule of changes in Property, Plant and Equipment for the year 2017

| In \$ '000                                           | Land          | Buildings     | Fixtures and fittings | Cars       | EDP Hardware | Total         |
|------------------------------------------------------|---------------|---------------|-----------------------|------------|--------------|---------------|
| <b>Cost</b>                                          |               |               |                       |            |              |               |
| Balance at 1 January 2017                            | 10,306        | 18,661        | 35,173                | 420        | 1,973        | 66,533        |
| Additions                                            | --            | --            | 3,287                 | --         | 775          | 4,062         |
| Disposals                                            | --            | --            | (859)                 | --         | (675)        | (1,534)       |
| Revaluations                                         | --            | --            | --                    | --         | --           | --            |
| Transfers                                            | --            | --            | --                    | --         | --           | --            |
| Exchange differences                                 | 1,445         | 2,618         | 1,488                 | 37         | 488          | 6,076         |
| <b>Balance at 31 December 2017</b>                   | <b>11,751</b> | <b>21,279</b> | <b>39,089</b>         | <b>457</b> | <b>2,561</b> | <b>75,137</b> |
| <i>Including controlled private equity portfolio</i> | --            | --            | 23,960                | --         | --           | 23,960        |
| <b>Depreciation and impairment losses</b>            |               |               |                       |            |              |               |
| Balance at 1 January 2017                            | --            | 3,552         | 15,514                | 238        | 667          | 19,971        |
| Depreciation charge                                  | --            | 131           | 2,767                 | 36         | 824          | 3,758         |
| Disposals                                            | --            | --            | (843)                 | --         | (679)        | (1,522)       |
| Transfers                                            | --            | --            | --                    | --         | --           | --            |
| Exchange differences                                 | --            | 506           | 833                   | 36         | 368          | 1,743         |
| <b>Balance at 31 December 2017</b>                   | <b>--</b>     | <b>4,189</b>  | <b>18,271</b>         | <b>310</b> | <b>1,180</b> | <b>23,950</b> |
| <i>Including controlled private equity portfolio</i> | --            | --            | 8,693                 | --         | --           | 8,693         |
| <b>Net book value</b>                                |               |               |                       |            |              |               |
| Balance at 1 January 2017                            | 10,306        | 15,109        | 19,659                | 182        | 1,306        | 46,562        |
| <b>Balance at 31 December 2017</b>                   | <b>11,751</b> | <b>17,090</b> | <b>20,818</b>         | <b>147</b> | <b>1,381</b> | <b>51,187</b> |
| <i>Including controlled private equity portfolio</i> | --            | --            | 15,267                | --         | --           | 15,267        |



## 12. Investment property

### Schedule of changes in investment property

| In \$ '000                              | 2017          | 2018          |
|-----------------------------------------|---------------|---------------|
| <b>At fair value</b>                    |               |               |
| Balance at 1 January                    | 12,181        | 13,890        |
| Additions                               | --            | --            |
| Transfer from owner-occupied properties | --            | --            |
| Revaluations                            | --            | 342           |
| Exchange differences                    | 1,709         | (577)         |
| <b>Balance at 31 December</b>           | <b>13,890</b> | <b>13,655</b> |

| In \$ '000                                         | 2017       | 2018       |
|----------------------------------------------------|------------|------------|
| Rental income derived from investment property     | 861        | 903        |
| Direct operating expenses                          | (79)       | (115)      |
| <b>Net profit arising from investment property</b> | <b>782</b> | <b>788</b> |

The investment property relates to offices rented to third parties within the building located at 243 and 241, Boulevard Saint-Germain in Paris. The rental income derived from investment property is recognized within 'other operating income, net' in the consolidated financial statements.

Valuation is based on a detailed report dated early 2019 from an external valuator, using transactions observable in the market and other comparable information. The valuator has used the following assumptions for the valuation: considering the prime location of the building and its good condition an expected yield of 2.5% for the residential part and 3.5%-4.0% for the commercial part.

### 13. Intangible Assets

Schedule of changes in Intangible assets for the year 2018

| In \$ '000                                            | Goodwill      | Customer relationships and deposits | Brand        | Other        | Software and capitalized IT costs | Total          |
|-------------------------------------------------------|---------------|-------------------------------------|--------------|--------------|-----------------------------------|----------------|
| <b>At cost</b>                                        |               |                                     |              |              |                                   |                |
| Balance at 1 January 2018                             | 64,171        | 29,057                              | 6,769        | 9,278        | 22,077                            | 131,352        |
| Additions                                             | --            | --                                  | --           | --           | 2,387                             | 2,387          |
| Acquisitions                                          | --            | --                                  | --           | --           | --                                | --             |
| Disposals                                             | (4,601)       | (9,712)                             | (5,420)      | (7,200)      | (7)                               | (26,940)       |
| Exchange differences                                  | (2,419)       | (805)                               | (56)         | (87)         | (580)                             | (9,947)        |
| <b>Balance at 31 December 2018</b>                    | <b>57,151</b> | <b>18,540</b>                       | <b>1,293</b> | <b>1,991</b> | <b>23,877</b>                     | <b>102,852</b> |
| <b>Accumulated amortization and impairment losses</b> |               |                                     |              |              |                                   |                |
| Balance at 1 January 2018                             | 3,735         | 12,621                              | 3,671        | 7,447        | 12,452                            | 39,926         |
| Amortization charge                                   | --            | 2,101                               | 430          | 1,355        | 2,924                             | 6,810          |
| Disposals                                             | (370)         | (7,316)                             | (2,752)      | (8,007)      | --                                | (18,445)       |
| Exchange differences                                  | (156)         | (298)                               | (56)         | (32)         | (398)                             | (940)          |
| <b>Balance at 31 December 2018</b>                    | <b>3,210</b>  | <b>7,108</b>                        | <b>1,293</b> | <b>763</b>   | <b>14,978</b>                     | <b>27,352</b>  |
| <b>Net book value</b>                                 |               |                                     |              |              |                                   |                |
| Balance at 1 January 2018                             | 60,436        | 16,436                              | 3,098        | 1,831        | 9,625                             | 91,426         |
| <b>Balance at 31 December 2018</b>                    | <b>53,941</b> | <b>11,432</b>                       | <b>--</b>    | <b>1,228</b> | <b>8,899</b>                      | <b>75,500</b>  |
| <i>Including controlled private equity portfolio</i>  | --            | --                                  | --           | --           | --                                | --             |

## Schedule of changes in Intangible assets for the year 2017

| In \$ '000                                            | Goodwill      | Customer relationships and deposits | Brand        | Other        | Software and capitalized IT costs | Total          |
|-------------------------------------------------------|---------------|-------------------------------------|--------------|--------------|-----------------------------------|----------------|
| <b>At cost</b>                                        |               |                                     |              |              |                                   |                |
| Balance at 1 January 2017                             | 56,130        | 26,677                              | 6,603        | 9,022        | 19,336                            | 117,768        |
| Additions                                             | --            | --                                  | --           | --           | 4,347                             | 4,347          |
| Acquisitions                                          | 837           | --                                  | --           | --           | --                                | 837            |
| Disposals                                             | --            | --                                  | --           | --           | (3,426)                           | (3,426)        |
| Exchange differences                                  | 7,204         | 2,380                               | 166          | 256          | 1,820                             | 11,826         |
| <b>Balance at 31 December 2017</b>                    | <b>64,171</b> | <b>29,057</b>                       | <b>6,769</b> | <b>9,278</b> | <b>22,077</b>                     | <b>131,352</b> |
| <b>Accumulated amortization and impairment losses</b> |               |                                     |              |              |                                   |                |
| Balance at 1 January 2017                             | 2,618         | 10,008                              | 3,144        | 6,299        | 12,154                            | 34,223         |
| Amortization charge                                   | --            | 1,886                               | 361          | 1,070        | 2,227                             | 5,544          |
| Disposals                                             | 750           | --                                  | --           | --           | (3,196)                           | (2,446)        |
| Exchange differences                                  | 367           | 727                                 | 166          | 78           | 1,267                             | 2,605          |
| <b>Balance at 31 December 2017</b>                    | <b>3,735</b>  | <b>12,621</b>                       | <b>3,671</b> | <b>7,447</b> | <b>12,452</b>                     | <b>39,926</b>  |
| <b>Net book value</b>                                 |               |                                     |              |              |                                   |                |
| Balance at 1 January 2017                             | 53,512        | 16,669                              | 3,459        | 2,723        | 7,182                             | 83,545         |
| <b>Balance at 31 December 2017</b>                    | <b>60,436</b> | <b>16,436</b>                       | <b>3,098</b> | <b>1,831</b> | <b>9,625</b>                      | <b>91,426</b>  |
| <i>Including controlled private equity portfolio</i>  | <i>4,601</i>  | <i>3,541</i>                        | <i>3,098</i> | <i>445</i>   | <i>--</i>                         | <i>11,685</i>  |

## Goodwill

### Impairment testing for cash generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated individually to the Group's controlled private equity investments and banking entities.

#### a. Controlled Private Equity Investments

The aggregate carrying amount of goodwill allocated to each investment was as follows:

| in \$'000                                                             | 2017         | 2018      |
|-----------------------------------------------------------------------|--------------|-----------|
| ST Products                                                           | 4,601        | --        |
| <b>Balance at 31 December - Controlled Private Equity Investments</b> | <b>4,601</b> | <b>--</b> |

The reduction in Goodwill in 2018 is due to the exit of the investment in ST Products during the year.

## b. Wealth management entities

The aggregate carrying amount of goodwill allocated to each banking entity was as follows:

| in \$'000                                                    | 2017          | 2018          |
|--------------------------------------------------------------|---------------|---------------|
| Quilvest Switzerland                                         | 1,585         | 1,581         |
| Quilvest Banque Privée                                       | 13,586        | 13,020        |
| CBP Quilvest                                                 | 40,135        | 38,464        |
| Quilvest Asset Management                                    | 528           | 876           |
| <b>Balance at 31 December - Wealth Management activities</b> | <b>55,835</b> | <b>53,941</b> |

| in \$'000                                 | Balance<br>1 January | Reversal   | Currency<br>differences | Balance 31<br>December |
|-------------------------------------------|----------------------|------------|-------------------------|------------------------|
| Quilvest Switzerland                      | 1,585                | --         | (4)                     | 1,581                  |
| Quilvest Banque Privée                    | 13,586               | --         | (566)                   | 13,020                 |
| CBP Quilvest                              | 40,135               | --         | (1,671)                 | 38,464                 |
| Quilvest Asset Management                 | 528                  | 370        | (22)                    | 876                    |
| <b>Total Wealth Management activities</b> | <b>55,835</b>        | <b>370</b> | <b>(2,263)</b>          | <b>53,941</b>          |

For the purpose of the goodwill impairment testing as of 31 December 2018, the recoverable amount of the wealth management activities was assessed individually. Recoverable amount was determined by adding to net equity the present value of the future cash flows expected to be derived from each entity. The expected cash flow approach was based on multiple, probability-weighted cash flow projections over a 5-year period.

For Quilvest Banque Privée S.A., Quilvest Switzerland Ltd., Compagnie de Banque Privée Quilvest S.A. and Quilvest Asset Management, there is no impairment loss to be recognized.

### *Key assumptions used in discounted cash flows projections:*

Key assumptions used in the calculation of recoverable amounts are new hired client relationship officers, growth in assets under management, return on assets under management as well as discount rates and terminal value growth rates.

Business assumptions have been determined by using a combination of long term trends and in-house estimates.

Long-term growth rates were in a range from 1.00% to 2.00%. Discount rates were in a range from 9.00% to 11.08%.

### *Sensitivity to changes in assumptions:*

Reasonably possible changes in key assumptions would not trigger any material impairment loss to be recognized. An increase of discount rate by 0.5% or a decrease in growth rate by 0.5% would trigger an impairment loss of maximum USD 3.0 million (2017: USD 4.9 million).

## 14. Deferred Tax Assets and Liabilities

### Recognized deferred tax assets and liabilities

| In \$ '000                                      | 2017         |                 | 2018         |                 | 2017            | 2018            |
|-------------------------------------------------|--------------|-----------------|--------------|-----------------|-----------------|-----------------|
|                                                 | Assets       | Liabilities     | Assets       | Liabilities     | net             | net             |
| Financial assets                                | 377          | (194)           | 377          | (47)            | 183             | 330             |
| Property, Plant and equipment                   | 67           | (7,496)         | 65           | (7,091)         | (7,429)         | (7,026)         |
| Investment Property                             | --           | (4,629)         | --           | (4,551)         | (4,629)         | (4,551)         |
| Intangible assets                               | --           | (7,280)         | --           | (4,603)         | (7,280)         | (4,603)         |
| Investments in subsidiaries and associates      | --           | (296)           | --           | (265)           | (296)           | (265)           |
| Employee benefit                                | 31           | --              | 30           | --              | 31              | 30              |
| Other liabilities                               | 628          | (1)             | 1,097        | (1)             | 627             | 1,096           |
| Other provisions                                | --           | 1               | --           | 1               | 1               | 1               |
| Tax losses carried forward                      | 1,450        | --              | 1,457        | --              | 1,450           | 1,457           |
| Set off tax                                     | --           | --              | --           | --              | --              | --              |
| <b>Total deferred tax assets/ (liabilities)</b> | <b>2,553</b> | <b>(19,895)</b> | <b>3,026</b> | <b>(16,557)</b> | <b>(17,342)</b> | <b>(13,531)</b> |

### Movements of net deferred tax liabilities

| In \$'000                                                    | 2017            | 2018            |
|--------------------------------------------------------------|-----------------|-----------------|
| Net deferred tax liabilities at opening balance              | (19,021)        | (17,342)        |
| Increase / (Decrease) in temporary differences               | (35)            | 3,280           |
| Change in tax rate                                           | --              | --              |
| Change in scope                                              | --              | --              |
| Deferred tax assets recognized on tax losses carried forward | --              | 7               |
| Currency differences                                         | 1,713           | 524             |
| <b>Net deferred tax liabilities at closing balance</b>       | <b>(17,342)</b> | <b>(13,531)</b> |

### Movements in net deferred tax assets/ (liabilities) per class

#### Movements for the year 2018

| In \$ '000                  | Balance 1 January | Recognized in profit or loss | Change in scope | Recognized in equity(*) | Balance 31 December |
|-----------------------------|-------------------|------------------------------|-----------------|-------------------------|---------------------|
| Financial assets            | 183               | (8)                          | --              | 155                     | 330                 |
| Property, Plant & Equipment | (7,429)           | (206)                        | --              | 609                     | (7,026)             |
| Investment property         | (4,629)           | (122)                        | --              | 200                     | (4,551)             |
| Intangible assets           | (7,280)           | 36                           | 2,479           | 161                     | (4,603)             |
| Investments in associates   | (296)             | --                           | --              | 31                      | (265)               |
| Employee benefits           | 31                | --                           | --              | (1)                     | 30                  |
| Other liabilities           | 627               | --                           | --              | 469                     | 1,096               |
| Other provisions            | 1                 | --                           | --              | --                      | 1                   |
| Tax losses carried forward  | 1,450             | 1,352                        | --              | (1,345)                 | 1,457               |
| <b>Total</b>                | <b>(17,342)</b>   | <b>1,053</b>                 | <b>2,479</b>    | <b>278</b>              | <b>(13,531)</b>     |

(\*) : including foreign currency translation differences

## Movements for the year 2017

| In \$ '000                  | Balance<br>1 January | Recognized<br>in profit or<br>loss | Change in<br>scope | Recognized in<br>equity(*) | Balance<br>31<br>December |
|-----------------------------|----------------------|------------------------------------|--------------------|----------------------------|---------------------------|
| Financial assets            | 261                  | --                                 | --                 | (78)                       | 183                       |
| Property, Plant & Equipment | (6,783)              | 805                                | --                 | (1,451)                    | (7,429)                   |
| Investment property         | (4,060)              | --                                 | --                 | (569)                      | (4,629)                   |
| Intangible assets           | (7,410)              | (84)                               | --                 | 214                        | (7,280)                   |
| Investments in associates   | (259)                | --                                 | --                 | (37)                       | (296)                     |
| Employee benefits           | 102                  | --                                 | --                 | (71)                       | 31                        |
| Other liabilities           | (683)                | --                                 | --                 | 1,310                      | 627                       |
| Other provisions            | (1,639)              | --                                 | --                 | 1,640                      | 1                         |
| Tax losses carried forward  | 1,450                | 1,222                              | --                 | (1,222)                    | 1,450                     |
| <b>Total</b>                | <b>(19,021)</b>      | <b>1,943</b>                       | <b>--</b>          | <b>(264)</b>               | <b>(17,342)</b>           |

(\*) : including foreign currency translation differences

## Reconciliation between applicable and effective tax rate

This table reconciles the effective tax amounts presented in the consolidated statement of comprehensive income with the amount theoretically calculated with local applicable tax rates.

| In \$'000                                                               | 2017            | 2018            |
|-------------------------------------------------------------------------|-----------------|-----------------|
| Profit / (Loss) before tax                                              | 115,258         | 98,780          |
| Luxembourg theoretical tax rate (rounded)                               | 27%             | 26%             |
| <b>Expected income tax expense / credit</b>                             | <b>(31,120)</b> | <b>(25,683)</b> |
| Non deductible expenses                                                 | (39)            | 299             |
| Change in tax rates                                                     | --              | --              |
| Tax effects of non-taxable income, capital gains and fair value changes | 30,819          | 22,439          |
| Current income taxes related to prior periods                           | 51              | (541)           |
| Losses for which no tax benefit is recognized                           | (563)           | (128)           |
| Other                                                                   | (4,437)         | (334)           |
| <b>Tax (expense) / credit in the income statement</b>                   | <b>(5,288)</b>  | <b>(3,948)</b>  |

## Income tax expenses

| In \$'000                                             | 2017           | 2018           |
|-------------------------------------------------------|----------------|----------------|
| Total current year tax (expense) / credit             | (8,934)        | (5,000)        |
| Total deferred tax (expense) / credit                 | 3,646          | 1,052          |
| <b>Tax (expense) / credit in the income statement</b> | <b>(5,288)</b> | <b>(3,948)</b> |

## 15. Other assets

Other assets are non-interest-bearing and are generally on terms of 30 to 90 days.

The impairment testing undertaken resulted in an allowance for impairment of nil at the end of 2018 and 2017.

| in \$'000                                                                      | 2017           | 2018           |
|--------------------------------------------------------------------------------|----------------|----------------|
| Interest receivable                                                            | 1,354          | 2,559          |
| Carried interest receivable                                                    | 25,982         | 2,643          |
| Loans to employees                                                             | 270            | 283            |
| Income tax receivable                                                          | 11,399         | 11,120         |
| Prepaid expenses                                                               | 2,707          | 2,165          |
| Accrued income                                                                 | 9,696          | 8,868          |
| Other assets and receivables from controlled private equity portfolio (note 5) | 34,022         | --             |
| Other assets and receivables                                                   | 55,508         | 113,168        |
| <b>Total other assets</b>                                                      | <b>140,938</b> | <b>140,806</b> |
| Allowance for impairment losses                                                | --             | --             |
| <b>Total other assets, net</b>                                                 | <b>140,938</b> | <b>140,806</b> |

## 16. Amounts owed to banks and bank customers

Information about maturity and currency of the deposits from banks and bank customers is provided in Note 25 Risk Management.

| in \$'000                                       | 2017             | 2018             |
|-------------------------------------------------|------------------|------------------|
| Current account                                 | 8,279            | 15,933           |
| With agreed maturity date or period of notice   | --               | 2,159            |
| <b>Amounts due to banks</b>                     | <b>8,279</b>     | <b>18,092</b>    |
| Current account                                 | 1,907,832        | 1,817,535        |
| With agreed maturity date or period of notice   | 789,419          | 791,026          |
| <b>Amounts due to banks customers</b>           | <b>2,697,251</b> | <b>2,608,561</b> |
| <b>Amounts due to banks and banks customers</b> | <b>2,705,530</b> | <b>2,626,653</b> |



## 17. Interest-bearing loans and borrowings

| In \$ '000                                                          | Original Currency | Nominal interest rate | Year of maturity | 2017 Carrying amount | 2018 Carrying amount |
|---------------------------------------------------------------------|-------------------|-----------------------|------------------|----------------------|----------------------|
| Secured bank loan                                                   | EUR               | EUR 3M+0.9%           | 2015             | --                   | --                   |
| Credit lines                                                        | EUR               | Euribor 3m+195bps     | 2019             | 29,861               | 31,724               |
| Liabilities towards financial institutions                          |                   |                       |                  | 29,861               | 31,724               |
| Private loan                                                        | EUR               | 6%                    | 2018             | --                   | --                   |
| Private loan                                                        | USD               | 6%                    | 2018             | --                   | --                   |
| Subordinated loans                                                  |                   |                       |                  | --                   | --                   |
| <b>ST Products</b>                                                  |                   |                       |                  |                      |                      |
| Secured term loan                                                   | USD               | 5.10%                 | 2017-2021        | 22,628               | --                   |
| Revolving credit facilities                                         | USD               | 4.89% - 7%            | 2018             | 15,006               | --                   |
| Interest-bearing liabilities of controlled private equity portfolio |                   |                       |                  | 37,634               | --                   |
| <b>Total Interest-bearing liabilities</b>                           |                   |                       |                  | <b>67,495</b>        | <b>31,724</b>        |

More information about maturity and currency of the interest-bearing liabilities is provided in Note 25 Risk Management.

|                                                             |               | Changes from financing cash flows |                            | Other changes            |                     |               |
|-------------------------------------------------------------|---------------|-----------------------------------|----------------------------|--------------------------|---------------------|---------------|
| In \$ '000                                                  | 31 Dec 2017   | Proceeds from LT borrowings       | Repayment of LT borrowings | Disposal of subsidiaries | Exchange difference | 31 Dec 2018   |
| Liabilities towards financial institutions                  | 29,861        | 36,694                            | (34,716)                   | --                       | (115)               | 31,724        |
| Subordinated loans                                          | --            | --                                | --                         | --                       | --                  | --            |
| Interest-bearing liabilities of controlled equity portfolio | 37,634        | --                                | (14,103)                   | (23,531)                 | --                  | --            |
| <b>Total Interest-bearing liabilities</b>                   | <b>67,495</b> | <b>36,694</b>                     | <b>(48,819)</b>            | <b>(23,531)</b>          | <b>(115)</b>        | <b>31,724</b> |

## 18. Employee benefit obligations

The Group has defined benefit pension plans in place in its Swiss and French subsidiaries, namely Quilvest Switzerland Ltd and Quilvest Banque Privée S.A.

### Liability for defined benefit obligations

| In \$ '000                                                  | 2017         | 2018         |
|-------------------------------------------------------------|--------------|--------------|
| Present value of unfunded obligations                       | 305          | 361          |
| Present value of funded obligations                         | 55,146       | 54,129       |
| Fair value of plan assets                                   | (50,798)     | (51,929)     |
| <b>Net liability in the statement of financial position</b> | <b>4,653</b> | <b>2,561</b> |

### Changes in net liability recognized in the statement of financial position

| In \$ '000                                    | 2017         | 2018         |
|-----------------------------------------------|--------------|--------------|
| Net liability at opening balance              | 7,308        | 4,653        |
| Net expenses recognized in the profit or loss | 3,788        | 3,402        |
| Re-measurement gains/ (losses)- IAS 19R       | (4,694)      | (3,272)      |
| Contributions                                 | (2,098)      | (2,173)      |
| Exchange differences                          | 349          | (50)         |
| <b>Net liability at closing balance</b>       | <b>4,653</b> | <b>2,561</b> |

### Detail of expenses recognized in the statement of profit or loss

| In \$ '000                                           | 2017         | 2018         |
|------------------------------------------------------|--------------|--------------|
| Current service cost                                 | 3,760        | 3,380        |
| Interest on obligation                               | 28           | 22           |
| Expected return on plan assets                       | --           | --           |
| Past service cost                                    | --           | --           |
| <b>Expenses in statement of comprehensive income</b> | <b>3,788</b> | <b>3,402</b> |

At 31 December 2018, the Group's best estimate of contributions expected to be paid to the plan during the annual period beginning after the reporting period amounts to USD 2.1 million (2017: USD 2.1 million).

### Principal actuarial assumptions at the balance sheet date

| In \$ '000                                    | 2017 | 2018 |
|-----------------------------------------------|------|------|
| Discount rate at 31 December                  | 0,7% | 0,7% |
| Expected return on plan assets at 31 December | 0,5% | 0,5% |
| Future salary increase                        | 0,2% | 0,2% |
| Future pension increase                       | 0,0% | 0,0% |

## Defined benefit obligation evolution

| At 31 December                                  | 2014           | 2015           | 2016           | 2017           | 2018           |
|-------------------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Present value of the defined benefit obligation | 36,779         | 44,578         | 50,174         | 55,451         | 54,490         |
| Fair value of the plan assets                   | 33,052         | 37,726         | 42,866         | 50,798         | 51,929         |
| <b>Surplus / (deficit) in the plan</b>          | <b>(3,727)</b> | <b>(6,852)</b> | <b>(7,308)</b> | <b>(4,653)</b> | <b>(2,561)</b> |

## Option plan

In 2012, the Company sets up a management incentive plan for the group key management personnel. The management incentive plan is structured as an option plan. Options are vested gradually from 2012 to 2016 and can be exercised between 2016 and 2026. Options are settled in cash upon exercise.

As of December 31, 2016, as all options had vested, the full obligation could be determined and recognized in the provision for the option plan.

As of December 31, 2017, 100% of the options issued in connection with this Management Incentive Plan had been exercised and the provision for the related obligation had been fully used.

## 19. Provisions

| In \$ '000                | 2017         | 2018         |
|---------------------------|--------------|--------------|
| Provisions for litigation | 2,716        | 3,070        |
| Other provisions          | 3,037        | 2,900        |
| <b>Total Provisions</b>   | <b>5,752</b> | <b>5,970</b> |

| In \$ '000              | Litigation   | Other        | Total        |
|-------------------------|--------------|--------------|--------------|
| 1 January 2018          | 2,716        | 3,037        | 5,752        |
| Additions               | 490          | 2,018        | 2,508        |
| Used                    | (18)         | (1,610)      | (1,628)      |
| Unused / Reversals      | (5)          | (449)        | (454)        |
| Currency differences    | (114)        | (94)         | (208)        |
| <b>31 December 2018</b> | <b>3,070</b> | <b>2,900</b> | <b>5,970</b> |

Other provisions mainly include unused vacation rights and tax provisions.

## 20. Other liabilities

| In \$ '000                                                | 2017           | 2018           |
|-----------------------------------------------------------|----------------|----------------|
| Interest payable                                          | 4,296          | 5,230          |
| Carried interest payable                                  | 29,683         | 27,221         |
| Liabilities relating to performance bonus                 | 155            | --             |
| Dividends payable                                         | 312            | 164            |
| Payroll and social security                               | 36,744         | 26,362         |
| Income tax payable                                        | 24,784         | 20,780         |
| Accrued expenses                                          | 12,973         | 8,417          |
| Deferred income                                           | 766            | 722            |
| Accounts payable from controlled private equity portfolio | 7,371          | --             |
| Other liabilities and payable                             | 49,899         | 70,430         |
| <b>Total Other liabilities</b>                            | <b>166,983</b> | <b>159,326</b> |

## 21. Capital and reserves

### Ordinary shares

| Number of ordinary shares (Units) | 2017       | 2018       |
|-----------------------------------|------------|------------|
| Authorized shares                 | 14,794,520 | 14,794,520 |
| Issued shares, fully paid         | 6,562,508  | 6,560,858  |

The shares have no par value.

### Treasury shares

|                         | Number (Units) | Cost (\$ '000) |
|-------------------------|----------------|----------------|
| <b>1 January 2017</b>   | <b>85,957</b>  | <b>9,850</b>   |
| Acquired                | 1,545          | 195            |
| Disposed                | (85,907)       | (9,845)        |
| <b>31 December 2017</b> | <b>1,595</b>   | <b>200</b>     |
| Acquired                | 262,786        | 44,985         |
| Disposed                | (1,937)        | (257)          |
| <b>31 December 2018</b> | <b>262,444</b> | <b>44,929</b>  |

### Reserves

Reserves include restricted reserves not available for distribution of USD 4,494 (2017: USD 4,494) at the level of the parent company.

## 22. Dividends paid and proposed

|                                                                                     | 2018   |
|-------------------------------------------------------------------------------------|--------|
| Declared and paid during the year:                                                  |        |
| Final dividend for 2017                                                             | 18,047 |
| Proposed for approval at the annual general meeting on 26 June 2019 USD 3 per share | 19,683 |

## 23. Other operating income and expenses, net

Other operating income, net

| In \$ '000                                  | Note | 2017         | 2018         |
|---------------------------------------------|------|--------------|--------------|
| Rental income                               | 12   | 861          | 903          |
| Change in fair value of investment property | 12   | --           | 342          |
| Other income, net                           |      | 8,108        | 5,062        |
| <b>Total Other Operating Income, Net</b>    |      | <b>8,969</b> | <b>6,307</b> |

### General administrative expenses

General administrative expenses include the costs of making and managing investments, administrative costs related to the wealth management activities and the corporate management of the Group, and are accounted for on an accrual basis. They also include personnel costs, external consultancy fees and office expenses.

| In \$ '000                                    | Note | 2017             | 2018             |
|-----------------------------------------------|------|------------------|------------------|
| <b>Personnel</b>                              |      |                  |                  |
| Salaries and wages                            |      | (58,054)         | (59,841)         |
| Pension expense - Defined contributions plans |      | (2,492)          | (2,710)          |
| Pension expense - Defined benefit plans       | 18   | (3,788)          | (3,402)          |
| Social contributions                          |      | (13,373)         | (11,482)         |
| Variable compensation                         |      | (28,503)         | (25,965)         |
| Other personnel costs                         |      | (6,070)          | (4,641)          |
| <b>Total</b>                                  |      | <b>(112,280)</b> | <b>(108,041)</b> |
| <b>Other administrative expenses</b>          |      |                  |                  |
| External consultancy fees                     |      | (14,759)         | (16,882)         |
| Rental expense                                |      | (7,210)          | (7,596)          |
| Other administrative expenses                 |      | (26,024)         | (26,686)         |
| Other provisions                              |      | (30)             | (2,012)          |
| <b>Total</b>                                  |      | <b>(48,023)</b>  | <b>(53,176)</b>  |
| <b>Total General Administrative Expenses</b>  |      | <b>(160,303)</b> | <b>(161,217)</b> |

The fees expense with the Group auditor amounts to USD 2,961 (2017: USD 2,921) for audit and audit related services, to USD 61 (2017: USD 164) for tax services and to USD 123 (2017: USD 75) in relation with other services.

## 24. Financial gains / (costs), net

| In \$ '000                                             | 2017            | 2018            |
|--------------------------------------------------------|-----------------|-----------------|
| Interest income on monetary assets                     | 1,012           | 827             |
| Foreign exchange gains                                 | 9,051           | 16,823          |
| <b>Total financial income</b>                          | <b>10,063</b>   | <b>17,650</b>   |
| Interest expense on monetary liabilities               | (8,115)         | (751)           |
| Foreign exchange losses                                | (17,799)        | (16,953)        |
| <b>Total financial expenses</b>                        | <b>(25,914)</b> | <b>(17,704)</b> |
| <b>Financial costs, net- controlled private equity</b> | <b>(1,739)</b>  | <b>(1,738)</b>  |
| <b>Financial costs, net</b>                            | <b>(17,590)</b> | <b>(1,792)</b>  |

## 25. Risk management

Quilvest has exposures to the following risks:

- Credit risk;
- Liquidity risk;
- Market risk;
- Operational risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

These risks primarily affect the Wealth Management segment of the Group (hereafter "QWM" or "QWM Group") and to a lesser extent the Private Equity segments (Private Equity Investment and Private Equity Management as described in Note 6.1).

### 25.1 Risk Management framework

The Board of Directors of Quilvest has overall responsibility for the establishment and oversight of the Group's risk management framework. Management's responsibility is to manage risk on behalf of the Board.

As described in the corporate governance report of the General Section of this annual report, the Board of Directors is supported in this function by the Audit Committee, the Strategic Committee and the Group Internal Audit and Compliance.

The risk management guidelines are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies are reviewed regularly to reflect changes in market conditions, products and services offered, as well as evolution in best practices.

The risk management policies are established and monitored distinctly for the Wealth management and the Private Equity segments as the respective risk profile materially differs and

there is by design no possible risk contagion between the wealth management and the private equity business.

#### 25.1.1 Wealth management

QWM's risk management policies are established by the Executive Committee and approved by the Board of Directors, which has overall responsibility for the establishment and oversight of the Group's risk management framework. The Executive Committee is responsible for monitoring the implementation of the policies within the Group entities.

QWM's risk management policies are established to identify and analyze the risks faced by QWM's, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies are reviewed regularly to reflect changes in market conditions, products and services offered.

The Executive Committee installed an Asset and Liability Committee (ALCO) which, amongst other responsibilities such as monitoring global counterpart exposures and managing QWM's investment and own funds' portfolios, oversees QWM's liquidity risk position.

In order to implement QWM's credit risk policies, the Executive Committee delegated some responsibilities to local Credit Committees based on local rules, which are responsible for credit granting, structuring operations and acceptance of anytype of counterparty limit within the limits set forth by the Executive Committee.

The daily risk management is executed by the Chief Risk Officer of QWM in cooperation with local Chief Risk Officers. The Chief Risk Officer manages credit risk, market risk, counterparty risk, liquidity risk and operational risk.

#### 25.1.2 Private Equity

The segments' risk management policies are established by the CEO of Quilvest Private Equity and the Group CFO and approved by the Board of Directors of Quilvest.

The Executive Management is responsible for monitoring the implementation of the policies within the segment entities.

The analysis of risks is performed through a dedicated private equity risk matrix. For each exposure, the matrix sets the inherent risk level, the risk and mitigation factors and provides an assessment of the residual risk.

Policies are designed and reviewed on a regular basis to align with the risk assessment as per the matrix.

The Group CFO and the Group Internal Auditor review and update the matrix and the implementation of related policies on an ongoing basis.

### 25.1.3 Concentration of financial risks

The Group's exposure to and mitigation of concentration risks is detailed within the "Wealth Management" and "Private Equity" sections.

Concentration of financial risks at QWM level is managed mainly through various determined limits and the respect of minimum prudential legal & regulatory requirements at the QWM consolidated level and at each banking subsidiary level.

Concentration of financial risks in Private Equity is managed through the diversification strategy. The level of concentration risk varies over time as the portfolio mix between direct deals and funds or funds of funds evolves and the group's largest investments changes. The portfolio review process includes the identification of risks that might affect a substantial proportion of the portfolio and the assessment of specific exposure to specific known risks. The portfolio remained balanced and well diversified in recent years.

## 25.2 Credit Risk

### 25.2.1 Description

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans and advances to customers and credit institutions, and investment debt securities.

#### Wealth Management

QWM's exposure to credit risk is mainly concentrated on the following counterparties:

- Credit risk linked to clients through granting of credit facilities;
- Credit risk linked to banking counterparties, deriving from interbank placements or debt securities held in the investment portfolio; and
- Credit risk linked to other counterparties such as corporate or sovereign exposures deriving from debt securities held within the investment portfolio.

The investment portfolio of QWM stems from the need to meet cash reinvestment requirements and is composed of high-quality bonds (investment grade), issued by banking counterparties, governments of OECD countries and only to a small extent by corporate issuers. All investments have to be in line with the QWM's investments guidelines as regards to type of issuer, issuer rating, maturity, etc.. Each transaction in the investment portfolio requires approval from local management and ratification by the QWM ALCO.

As of 31 December 2018, the average credit rating of the investment portfolio was "AA" (2017: "AA").

To streamline the decision-making process, the QWM Executive Committee delegates its authority to credit committees set up for each credit institution within QWM. This delegation is based on specific rules fixed in the QWM Group Credit Policy. The Executive Committee remains the ultimate decision-making body for all loan applications beyond the local credit committees' decisionmaking authority or those presenting a level of risk deemed to be significant.

Overall, QWM has adopted a conservative credit policy. The vast majority of client loans are granted based on full coverage of acceptable collateral as determined in the QWM Group Credit Policy. Similarly, QWM internal guidelines are to be respected for all investments in debt securities such as credit quality of the debt issuer, type of debt, risk class, diversification and duration, within predefined individual and global counterpart limits.

#### Private Equity

Credit risk in Private Equity business remains limited as most investments are equity investments or assimilated. The Private Equity activities are primarily exposed to credit risk on their loans (of which investment related loans), receivables, cash and deposits. Cash and deposits are held on demand or short term deposits with QWM or highly rated Quilvest relationship banks.

### 25.2.2 Management of credit risk

#### Wealth Management

Credit risk is monitored on a regular basis at entity level, both on credit exposures and collateral value. On a quarterly basis, all entities provide information to the QWM Group Risk Officer on their credit outstanding, collateral shortages and remedial actions if applicable. The QWM Risk Officer presents the evolution of the Group's credit risk to the QWM Executive Committee on a quarterly basis.

The QWM Executive Committee has delegated responsibility for the oversight of credit risk to its QWM Credit Committee, assisted by the QWM Group Risk Officer, which is responsible for management of QWM's credit risk, including :



- Formulating credit policies, collateral requirements, credit risk assessment and periodical reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements;
- Establishing the authorization structure for the approval of credit facilities, both on entity level and QWM level;
- Reviewing and assessing credit risk;
- Limiting concentrations of exposures to counterparties: by sector, by type of issuer, by issuer, by credit rating, by market liquidity and by country;
- Provide advice, guidance and specialist skills to the local entities.

Each local entity is required to implement the QWM credit policies and procedures, with credit approval authorities delegated from the QWM Credit Committee. Each entity has a Risk Manager and Credit Officer, reporting to local management and to the Group Risk Officer.

Regular internal audits at local entities on the application of credit risk policies, procedures and monitoring are undertaken by the Internal Audit department.

In accordance with EU Regulation 575/2013 (also known as "CRR" or Capital Requirements Regulation), and CSSF Circular 14/583, all QWM's credit exposures to individual clients or groups of clients representing more than 10% of QWM's regulatory capital are to be reported on a quarterly basis to the CSSF. This large exposures report is prepared by the QWM Risk Officer based upon information received from each QWM subsidiaries.

The maximum exposure (net of collateral) to individual clients or groups of individual clients is limited to 25% of QWM's regulatory capital, with an exception for exposures on financial institutions up to 100% of its regulatory capital. During 2018, no breach of aforementioned maximum limits has been observed at QWM level (2017: no breach observed).

Besides the concentration of credit risk on client loans for which regulatory restrictions apply both at entity and at QWM level, QWM pays specific attention regarding the management of concentration of risks which can arise from different sources:

- Concentration risk on received collateral covering client loans : QWM is mostly exposed to residual risk in case of large adverse market price movements of financial collateral held by private banking clients. However, the QWM Credit Policy defines guidelines that contribute to a low exposure to this risk, especially the strict collateral eligibility and diversification criteria and the prudent internal haircuts uniformly applied across the entities and subject to close monitoring by the local Risk Managers ;

- Concentration of counterparties within the QWM's investment portfolio : besides regulatory large exposures limitations, QWM has determined diversification rules in its investment policy with regard to type of risk, duration, credit quality (rating), etc which are monitored by the local risk managers at entity level and by the QWM Risk Officer for QWM. In this respect, overall counterpart limits have been approved by the Board of Directors and are managed by the QWM's ALCO on a regular basis ;
- Concentration of client assets or group of clients representing a substantial source of income for the Group : this risk is addressed in the yearly ICAAP report by performing a stress test on the loss of major clients ;
- Concentration in terms of asset under management linked to a commercial team in case of departure of such team: this risk is addressed in the yearly ICAAP report by performing a stress test on the loss of all clients related to such team.

At the end of 2018, the amount of past due positions amounted to USD 97 (2017: USD 33) including IFRS 9 compliant expected credit losses of USD 66 (2017: none). Past due positions represent doubtful outstanding debts to customers since more than 3 months, which are fully impaired.

### *Private Equity*

The credit quality of loans and receivables within the investment portfolio is based on the financial performance of the individual portfolio companies.

Valuation reviews of portfolio companies are performed at least on a bi-yearly basis. For those assets that are not past due, it is believed that the risk of default is small and that capital repayments and interest payments will be made in accordance with the agreed terms and conditions of the Group's investment.

Where the portfolio company has failed or is expected to fail, loan impairments are made when the valuation of the portfolio company implies non-recovery of all or part of the Group's loan investment. In these cases appropriate loan impairment is recorded to reflect the valuation shortfall. Concentration of credit risk is determined by reference to geographical areas.

### 25.2.3 Credit risk exposure by geographic region

The geographical allocation of balance sheet exposures is prepared on the basis of the location of the issuer of the financial instruments whenever practicable, otherwise the entity owning the asset.

| For the year 2018 (in \$ '000)                         | Carrying amount  | Luxembourg       | EU             | USA            | Other          |
|--------------------------------------------------------|------------------|------------------|----------------|----------------|----------------|
| <i>Financial instruments</i>                           |                  |                  |                |                |                |
| Cash and cash equivalents                              | 1,578,549        | 1,316,622        | 140,764        | 8,471          | 112,692        |
| Amounts owed from banks and bank customers             | 1,227,470        | 87,547           | 666,842        | --             | 473,081        |
| Financial assets at fair value through profit and loss | 810,056          | --               | 53,043         | 752,383        | 4,630          |
| Financial assets available for sale                    | 150,002          | 19               | 56,142         | --             | 93,842         |
| Financial assets held for trading                      | 2,397            | 427              | 444            | --             | 1,526          |
| Other assets                                           | 140,806          | 123,841          | 10,976         | 4,306          | 1,683          |
| <b>Total financial instruments</b>                     | <b>3,909,280</b> | <b>1,528,456</b> | <b>928,210</b> | <b>765,160</b> | <b>687,454</b> |
| <i>Off balance sheet</i>                               |                  |                  |                |                |                |
| Guarantees and assimilated                             | 108,454          | 22,042           | 36,432         | --             | 49,979         |
| <b>Maximum exposure to credit risk</b>                 | <b>4,019,085</b> | <b>1,550,498</b> | <b>964,643</b> | <b>765,160</b> | <b>738,785</b> |

As of 31 December 2018, the Group has issued guarantees and other direct credit substitutes for a total amount of USD 102,907 (2017: USD 113,606). Other direct credit substitutes are guarantees granted QWM and its subsidiaries in respect of loans granted to clients by third parties.

| For the year 2017 (in \$ '000)                         | Carrying amount  | Luxembourg       | EU               | USA              | Other          |
|--------------------------------------------------------|------------------|------------------|------------------|------------------|----------------|
| <i>Financial instruments</i>                           |                  |                  |                  |                  |                |
| Cash and cash equivalents                              | 1,168,771        | 929,159          | 118,868          | 5,699            | 115,045        |
| Amounts owed from banks and bank customers             | 1,347,972        | 110,520          | 653,494          | --               | 583,958        |
| Financial assets at fair value through profit and loss | 1,075,652        | --               | 85,445           | 985,859          | 4,348          |
| Financial assets available for sale                    | 303,848          | 401              | 170,453          | --               | 132,993        |
| Financial assets held for trading                      | 4,607            | 867              | 46               | --               | 3,693          |
| Other assets                                           | 122,134          | 83,942           | 17,339           | 19,381           | 1,472          |
| <b>Total financial instruments</b>                     | <b>4,022,984</b> | <b>1,124,889</b> | <b>1,045,646</b> | <b>1,010,939</b> | <b>841,510</b> |
| <i>Off balance sheet</i>                               |                  |                  |                  |                  |                |
| Guarantees and assimilated                             | 113,606          | 47,405           | 32,230           | --               | 33,971         |
| <b>Maximum exposure to credit risk</b>                 | <b>4,136,590</b> | <b>1,172,294</b> | <b>1,077,876</b> | <b>1,010,939</b> | <b>875,481</b> |

## 25.2.4 Credit risk exposure by type of counterparty

| For the year 2018 (in \$ '000)                         | Carrying amount  | Sovereign        | Credit institutions | Other financial companies | Non-financial companies | Individuals    |
|--------------------------------------------------------|------------------|------------------|---------------------|---------------------------|-------------------------|----------------|
| <i>Financial instruments</i>                           |                  |                  |                     |                           |                         |                |
| Cash and cash equivalents                              | 1,578,549        | 1,413,369        | 165,180             | --                        | --                      | --             |
| Amounts owed from banks and bank customers             | 1,227,470        | 21,462           | --                  | 403,614                   | 206,095                 | 596,299        |
| Financial assets at fair value through profit and loss | 810,056          | --               | 229                 | 809,827                   | --                      | --             |
| Financial assets available for sale                    | 150,002          | 98,231           | 51,771              | --                        | --                      | --             |
| Financial assets held for trading                      | 2,397            | 1,392            | 334                 | 168                       | 30                      | 473            |
| Other assets                                           | 142,157          | --               | --                  | --                        | 142,157                 | --             |
| <b>Total financial instruments</b>                     | <b>3,910,631</b> | <b>1,534,453</b> | <b>217,514</b>      | <b>1,213,609</b>          | <b>348,282</b>          | <b>596,772</b> |
| <i>Off balance sheet</i>                               |                  |                  |                     |                           |                         |                |
| Guarantees and assimilated                             | 108,454          | --               | 5,070               | 36,463                    | 12,534                  | 54,387         |
| <b>Maximum exposure to credit risk</b>                 | <b>4,019,085</b> | <b>1,534,453</b> | <b>222,584</b>      | <b>1,250,072</b>          | <b>360,816</b>          | <b>651,159</b> |

During 2018, the Group did not suffer from credit losses on client loans. At the end of 2018, the amount of past due positions amounted to USD 97 (2017: USD 33), representing doubtful outstanding debts to customers since more than 3 months. This amount was fully impaired. The position 2018 includes expected credit losses, in norm with the new requirement of IFRS 9, of USD 66.

The Group did not have other material exposures to sovereign debt of distressed countries at 31 December 2018.

| For the year 2017 (in \$ '000)                         | Carrying amount  | Sovereign        | Credit institutions | Other financial companies | Non-financial companies | Individuals    |
|--------------------------------------------------------|------------------|------------------|---------------------|---------------------------|-------------------------|----------------|
| <i>Financial instruments</i>                           |                  |                  |                     |                           |                         |                |
| Cash and cash equivalents                              | 1,168,771        | 970,165          | 198,606             | --                        | --                      | --             |
| Amounts owed from banks and bank customers             | 1,347,972        | 22,585           | --                  | 466,852                   | 186,298                 | 672,237        |
| Financial assets at fair value through profit and loss | 1,075,652        | --               | 10,937              | 1,064,703                 | 12                      | --             |
| Financial assets available for sale                    | 303,848          | 135,363          | 168,084             | 401                       | --                      | --             |
| Financial assets held for trading                      | 4,607            | --               | 4,411               | 106                       | --                      | 90             |
| Other assets                                           | 122,134          | --               | --                  | --                        | 122,134                 | --             |
| <b>Total financial instruments</b>                     | <b>4,022,984</b> | <b>1,128,113</b> | <b>382,038</b>      | <b>1,532,062</b>          | <b>308,444</b>          | <b>672,327</b> |
| <i>Off balance sheet</i>                               |                  |                  |                     |                           |                         |                |
| Guarantees and assimilated                             | 113,606          | --               | 5,290               | 50,098                    | 11,163                  | 47,054         |
| <b>Maximum exposure to credit risk</b>                 | <b>4,136,590</b> | <b>1,128,113</b> | <b>387,328</b>      | <b>1,582,161</b>          | <b>319,608</b>          | <b>719,381</b> |

## 25.2.5 Guarantees and commitments

This heading represents collaterals provided by customers to the Group to secure loans and advances. As of 31 December 2018, the analysis by nature of collaterals is as follows:

| Secured Loans and Advances to Bank Customers (in \$'000) | 2017             | 2018             |
|----------------------------------------------------------|------------------|------------------|
| Loans secured by real estate                             | 303,972          | 9,218            |
| Lombard loans                                            | 910,419          | 1,096,775        |
| Other collaterals                                        | 88,334           | 87,318           |
| Not collateralized                                       | 86,577           | 14,511           |
| <b>Total</b>                                             | <b>1,389,302</b> | <b>1,207,821</b> |

Other collaterals mainly include guarantees issued by third party credit institutions and life-insurance agreements.

## 25.2.6 Ageing of receivables

The ageing of receivables at the reporting date is:

| in \$'000                   | 2017             | 2018             |
|-----------------------------|------------------|------------------|
| Not past due- Gross amounts | 2,657,651        | 2,948,079        |
| Past due- Impaired          | 33               | 97               |
| <b>Total</b>                | <b>2,657,684</b> | <b>2,948,176</b> |

Impairment losses exclusively relate to loans and advance to bank customers and are calculated individually. Impairments on loans to customers are due to shortage of collaterals held.

## 25.3 Liquidity risk

### 25.3.1 Definition

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or other financial assets.

### 25.3.2 Management of liquidity risk

#### Wealth Management

A Liquidity Risk Policy has been approved by the Board of Directors of QWM. This policy includes a Contingency Funding Plan describing all available sources of funding, the triggering procedure and the role and responsibilities of all involved actors. QWM's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its obligations when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Liquidity risk is managed daily at entities level by local management and local Heads of Treasury. Independent controls are performed by local Risk Managers. At QWM level, the responsibility over the QWM's liquidity risk is allocated to the QWM's ALCO.

QWM replaces its resources into highly liquid assets, such as central bank placements, interbank deposits, investments in highquality bonds (majorly at CBPQ) and to a lesser extent, short term bank placements. QWM deposits its eligible bonds with its main depository bank in order to be able to mobilize financing at any time via repo transactions, if necessary. Since 2016, due to the ongoing negative interest rate environment on interbank and central bank deposits, QWM also invests in money-market and treasury assimilated bond funds.

QBP, QVS and CBPQ are subject to liquidity ratios imposed by their local regulator. In 2018, no breach of any ratio was reported.

QBP does not refinance its activities on the interbank market. QVS refinances its credit portfolio with client deposits and sporadic via interbank loans as it benefits locally from committed credit lines. CBPQ finances its credit portfolio completely with client deposits and does not need external funding. However, due to the large amount of short term client deposits, it is exposed to liquidity risk in case of massive withdrawal or investment. To counter this risk CBPQ has a large liquidity buffer in both cash and securities and closely monitors its liquidity gaps on a daily basis. Its liquidity reports take into account normal market conditions as well as stressed scenarios and regular liquidity projections are simulated by its Chief Risk Officer.

## Private Equity

The Group's approach to managing liquidity is to ensure it will always have sufficient cash to meet its liabilities when they fall due. The exposure to liquidity risk is mainly influenced by open private equity commitments which require cash resources available timely to pay capital contributions.

For this purpose, the Group monitors closely its liquidity with weekly and monthly review of the net cash positions by the Group CFO. Quilvest also developed a forecast model with normal and stressed conditions.

The liquidity risk in Private Equity is mitigated by the following main factors:

- The strong diversification policy allowing for regular divestment opportunities;
- The possibility of selling third party funds commitments in the secondary market;
- The ability to slow down or potentially stop the direct investment activities at any time;

- The availability of credit lines for the private equity business.

Financial assets and liabilities of controlled private equity investments are without recourse for the Group and not included in the liquidity risk analysis.

### 25.3.3 Liquidity risk table

The table below analyses the Group's non-derivative financial assets and liabilities into relevant maturity groupings based on the remaining period to maturity date, based on contractual undiscounted cash flows. Derivative financial assets and liabilities are analyzed in note 10.

| For the year 2018 (in \$ '000)                                                            | Less or equal to 3 months | Between 3 months and 1 year | Between 1 and 5 years | More than 5 years | Without determined maturity |
|-------------------------------------------------------------------------------------------|---------------------------|-----------------------------|-----------------------|-------------------|-----------------------------|
| <i>Non-derivative financial instruments</i>                                               |                           |                             |                       |                   |                             |
| Cash and cash equivalents                                                                 | 1,560,537                 | 2,738                       | 4,709                 | --                | 10,565                      |
| Amounts owed from banks and bank customers                                                | 1,023,940                 | 105,930                     | 76,140                | --                | 21,460                      |
| Other receivables                                                                         | 32,762                    | 53,878                      | 8,754                 | --                | 46,763                      |
| Financial assets                                                                          | 13,079                    | 57,478                      | 86,292                | 129,267           | 673,942                     |
| <b>Total non-derivative financial instruments</b>                                         | <b>2,630,318</b>          | <b>220,024</b>              | <b>175,895</b>        | <b>129,267</b>    | <b>752,730</b>              |
| <i>Non-derivative financial liabilities</i>                                               |                           |                             |                       |                   |                             |
| Amounts due to banks and bank customers                                                   | 2,626,653                 | --                          | --                    | --                | --                          |
| Other liabilities                                                                         | 46,328                    | 4,239                       | 36,171                | --                | 73,398                      |
| Interest-bearing liabilities                                                              | 23,650                    | 8,072                       | --                    | --                | 2                           |
| Unfunded Private Equity commitments                                                       | --                        | --                          | --                    | --                | 81,939                      |
| <b>Total non-derivative financial liabilities and unfunded Private Equity commitments</b> | <b>2,696,631</b>          | <b>12,311</b>               | <b>36,171</b>         | <b>--</b>         | <b>155,339</b>              |
| <b>Group net liquidity gap</b>                                                            | <b>(66,313)</b>           | <b>207,713</b>              | <b>139,724</b>        | <b>129,267</b>    | <b>586,730</b>              |

Open commitments related to Private Equity fund commitments amount to USD 81.9 million as of 31 December 2018 (USD 115 million as of 31 December 2017). This amount is not payable in full and at once as:

- Portfolio funds traditionally call between 88% and 95% of their commitments;
- In most funds, the investment period spans over a 5 year period from inception of the fund;
- A portion of the Quilvest portfolio funds will realize part of their investments and make distributions over the same 5 year period, which "naturally" bridge the liquidity gap arising from open commitments, partly or in full depending on market conditions.

| For the year 2017 (in \$ '000)                                                            | Less or<br>equal to<br>3 months | Between<br>3 months<br>and 1 year | Between<br>1 and<br>5 years | More than<br>5 years | Without<br>determined<br>maturity |
|-------------------------------------------------------------------------------------------|---------------------------------|-----------------------------------|-----------------------------|----------------------|-----------------------------------|
| <i>Non-derivative financial instruments</i>                                               |                                 |                                   |                             |                      |                                   |
| Cash and cash equivalents                                                                 | 1,157,935                       | --                                | --                          | --                   | 10,836                            |
| Amounts owed from banks and bank customers                                                | 1,108,314                       | 174,691                           | 42,380                      | --                   | 22,587                            |
| Other receivables                                                                         | 58,863                          | 16,221                            | 2,691                       | --                   | 44,359                            |
| Financial assets                                                                          | 63,238                          | 106,381                           | 158,457                     | --                   | 1,051,424                         |
| <b>Total non-derivative financial instruments</b>                                         | <b>2,388,350</b>                | <b>297,293</b>                    | <b>203,528</b>              | <b>--</b>            | <b>1,129,206</b>                  |
| <i>Non-derivative financial liabilities</i>                                               |                                 |                                   |                             |                      |                                   |
| Amounts due to banks and bank customers                                                   | 2,705,530                       | --                                | --                          | --                   | --                                |
| Other liabilities                                                                         | 63,684                          | --                                | 31,066                      | --                   | 72,233                            |
| Interest-bearing liabilities                                                              | 44,866                          | 1,604                             | 21,024                      | --                   | 1                                 |
| Unfunded Private Equity commitments                                                       | --                              | --                                | --                          | --                   | 115,000                           |
| <b>Total non-derivative financial liabilities and unfunded Private Equity commitments</b> | <b>2,814,080</b>                | <b>1,604</b>                      | <b>52,090</b>               | <b>--</b>            | <b>187,234</b>                    |
| <b>Group net liquidity gap</b>                                                            | <b>(425,730)</b>                | <b>295,689</b>                    | <b>151,438</b>              | <b>--</b>            | <b>941,972</b>                    |

## 25.4 Market risk

### 25.4.1 Definition

Market risk is the risk that changes in market prices, such as equity and bond prices, foreign exchange rates and interest rates affect the Group's income or the value of its holdings of financial instruments. Further analysis of price risk is included in note 25.6.

### 25.4.2 Management of market risk

#### *Wealth Management*

Market risks are managed at individual entities level by local Risk Managers and are consolidated at QWM level by the QWM Group Risk Officer.

QWM does not allow proprietary trading and as such does not hold a trading book.

#### *Private Equity*

Market risk in private equity is different from market risk in public Equity. Significant movement in the prices of the latter shall affect prices in private equity. However, volatility has a different pattern.

Quilvest mitigates potential negative impacts of market volatility through the following activities:

- In-house due diligences performed by a team of experienced professionals under to a disciplined approach in both the selection of investment and the decision processes;
- For lead investments, close post acquisition monitoring;
- Continuity of its investments over the economic cycles;

- Development of long-term relationships with the most reputable and best performers in the fund industry;
- Strong diversification policy in respect of industries, investment strategies and geographical areas;
- Retaining of an appropriate mix between direct investments and third party funds and funds of funds.

### 25.4.3 Currency risk

Foreign exchange risk is the exposure of the Group to the potential impact of movements in foreign exchange rates. The risk is that adverse fluctuations in exchange rates may result in a loss in USD terms to the Group.

Overall, QWM's policy is to exclude proprietary speculative foreign exchange positions.

At CBPQ and QBP levels, foreign exchange risk is limited as it only represents residual client positions for which overnight limits are implemented and monitored on a daily basis. Contrariwise, QVS is mostly exposed to foreign exchange risk since a part of their revenues are denominated in USD whereas their operating expenses are in CHF.

At QVS level, this specific currency risk is permanently hedged throughout the year by forward currency contracts.

The private equity business is exposed to currency risks for investments made in a currency other than US dollar. This risk is not hedged. The main exposure relates to investments in Euros. The bank facilities (Note 17) denominated in Euros are mitigating this risk on a global basis. More specifically, when the Group has more visibility on the timing of exit for a specific investment, all or part of the expected proceeds can also be hedged.



At 31 December 2018, the breakdown of exposures by foreign currency was the following:

| For the year 2018 (in \$ '000)             | Carrying amount  | USD              | EUR              | GBP            | CHF            | Other           |
|--------------------------------------------|------------------|------------------|------------------|----------------|----------------|-----------------|
| Cash and cash equivalents                  | 1,578,549        | 103,234          | 1,321,908        | 765            | 143,555        | 9,087           |
| Amounts owed from banks and bank customers | 1,227,470        | 256,095          | 486,050          | 412,519        | 70,530         | 2,276           |
| Other receivables                          | 142,157          | 74,773           | 63,155           | 1,200          | 2,918          | 111             |
| Financial assets                           | 962,455          | 843,155          | 83,589           | 29,634         | 1,433          | 4,644           |
| Property, plant and equipment              | 34,925           | 824              | 33,831           | 9              | --             | 261             |
| Investment property                        | 13,655           | --               | 13,655           | --             | --             | --              |
| Intangible assets                          | 75,500           | 1                | 73,918           | --             | 1,581          | --              |
| Deferred tax assets                        | 3,026            | --               | 3,026            | --             | --             | --              |
| <b>Total Assets</b>                        | <b>4,037,737</b> | <b>1,278,082</b> | <b>2,079,132</b> | <b>444,127</b> | <b>220,017</b> | <b>16,379</b>   |
| Financial liabilities held for trading     | 2,390            | 576              | 136              | 21             | 1,644          | 13              |
| Amounts due to banks and bank customers    | 2,626,653        | 788,420          | 1,284,464        | 402,574        | 97,112         | 54,083          |
| Other liabilities                          | 160,136          | 92,818           | 49,998           | 1,448          | 8,386          | 7,486           |
| Interest-bearing liabilities               | 31,724           | 26,105           | 5,619            | --             | --             | --              |
| Employee benefit obligations               | 2,561            | --               | 362              | --             | 2,199          | --              |
| Provisions                                 | 5,970            | 350              | 4,929            | --             | 214            | 477             |
| Deferred tax liabilities                   | 16,557           | 1                | 16,558           | --             | --             | --              |
| <b>Total Liabilities</b>                   | <b>2,845,991</b> | <b>908,268</b>   | <b>1,362,066</b> | <b>404,043</b> | <b>109,555</b> | <b>62,059</b>   |
| <b>Group net currency exposure</b>         |                  | <b>369,814</b>   | <b>717,066</b>   | <b>40,084</b>  | <b>110,462</b> | <b>(45,680)</b> |

At 31 December 2018, a 10% change in the USD rate against other currencies would have an impact of approximately USD 87 million (USD 70 million at 31 December 2017) assets and liabilities denominated in foreign currencies with the majority of this impact in the profit or loss.

At 31 December 2017, the breakdown of exposures by foreign currency was the following :

| For the year 2017 (in \$ '000)             | Carrying amount  | USD              | EUR              | GBP            | CHF            | Other           |
|--------------------------------------------|------------------|------------------|------------------|----------------|----------------|-----------------|
| Cash and cash equivalents                  | 1,168,771        | 116,538          | 904,102          | 850            | 140,742        | 6,539           |
| Amounts owed from banks and bank customers | 1,347,972        | 290,616          | 568,645          | 418,433        | 70,235         | 43              |
| Other receivables                          | 140,938          | 97,300           | 39,052           | 1,429          | 2,454          | 703             |
| Financial assets                           | 1,384,107        | 996,237          | 326,035          | 53,524         | 3,876          | 4,435           |
| Property, plant and equipment              | 51,187           | 15,318           | 34,763           | 26             | 682            | 398             |
| Investment property                        | 13,890           | --               | 13,890           | --             | --             | --              |
| Intangible assets                          | 91,426           | 11,685           | 78,385           | --             | 1,585          | --              |
| Deferred tax assets                        | 2,553            | --               | 2,553            | --             | --             | --              |
| <b>Total Assets</b>                        | <b>4,200,844</b> | <b>1,527,694</b> | <b>1,967,196</b> | <b>474,262</b> | <b>219,574</b> | <b>12,118</b>   |
| Financial liabilities held for trading     | 5,413            | 695              | 645              | 154            | 3,903          | 16              |
| Amounts due to banks and bank customers    | 2,705,530        | 890,808          | 1,301,924        | 374,093        | 117,847        | 20,858          |
| Other liabilities                          | 166,983          | 74,307           | 77,653           | 3,134          | 10,625         | 1,264           |
| Interest-bearing liabilities               | 67,495           | 37,635           | 29,853           | --             | --             | 7               |
| Employee benefit obligations               | 4,653            | --               | 364              | --             | 4,289          | --              |
| Provisions                                 | 5,752            | 350              | 3,440            | --             | 1,963          | --              |
| Deferred tax liabilities                   | 19,895           | 2,478            | 17,417           | --             | --             | --              |
| <b>Total Liabilities</b>                   | <b>2,975,721</b> | <b>1,006,272</b> | <b>1,431,296</b> | <b>377,381</b> | <b>138,627</b> | <b>22,145</b>   |
| <b>Group net currency exposure</b>         |                  | <b>521,422</b>   | <b>535,900</b>   | <b>96,881</b>  | <b>80,947</b>  | <b>(10,027)</b> |

## 25.4.4 Interest rate risk

The Group is exposed to interest rate fluctuations both on its financial assets and on liabilities positions, resulting in possible losses or gains.

In order to monitor the QWM's interest rate risk exposure, the Chief Risk Officer of QWM regularly calculates the sensitivity of interest rate moves. The interest rate sensitivity, using the Basis Point Value method, measures the change in the net economic value of the QWM's balance sheet should interest rates increase or decrease by 2% across the interest curve. This is in line with the mandatory semi-annual stress test required by the QWM's regulator:

At 31 December 2018, the Group is exposed at reporting date to interest-rate risk on the basis of the lower between maturity and re-pricing date as follows:

| in \$ '000                                                      | Carrying amount  | With variable interest rate |                             |                       |                   | Non-inter-est-bearing | With fixed interest rate |
|-----------------------------------------------------------------|------------------|-----------------------------|-----------------------------|-----------------------|-------------------|-----------------------|--------------------------|
|                                                                 |                  | Less or equal to 3 months   | Between 3 months and 1 year | Between 1 and 5 years | More than 5 years |                       |                          |
| Cash and cash equivalents                                       | 1,578,549        | 1,469,770                   | --                          | --                    | 147               | 108,632               | --                       |
| Amounts owed from banks and bank customers                      | 1,227,470        | 862,232                     | 273,913                     | 11,339                | --                | 21,462                | 58,524                   |
| Other receivables                                               | 142,157          | --                          | 34,610                      | 184                   | 188               | 106,923               | 252                      |
| Financial assets                                                | 962,455          | 13,517                      | 57,942                      | 79,541                | --                | 811,455               | --                       |
| <b>Total financial instruments</b>                              | <b>3,910,631</b> | <b>2,345,519</b>            | <b>366,465</b>              | <b>91,064</b>         | <b>335</b>        | <b>1,048,472</b>      | <b>58,776</b>            |
| Financial liabilities held for trading                          | 2,390            | 323                         | 430                         | --                    | --                | 1,637                 | --                       |
| Amounts due to banks and bank customers                         | 2,626,653        | 1,842,858                   | 239,446                     | 14,576                | --                | 529,773               | --                       |
| Other liabilities                                               | 160,136          | 2,955                       | --                          | --                    | 902               | 156,270               | 9                        |
| Interest-bearing liabilities                                    | 31,724           | 31,722                      | --                          | --                    | --                | 2                     | --                       |
| Interest-bearing loans of controlled Private Equity investments | --               | --                          | --                          | --                    | --                | --                    | --                       |
| <b>Total financial liabilities</b>                              | <b>2,820,903</b> | <b>1,877,858</b>            | <b>239,876</b>              | <b>14,576</b>         | <b>902</b>        | <b>687,682</b>        | <b>9</b>                 |
| <b>Group net interest rate gap</b>                              |                  | <b>467,661</b>              | <b>126,589</b>              | <b>76,488</b>         | <b>(567)</b>      | <b>360,790</b>        | <b>58,767</b>            |

A rise of 2 % in the short term interest rates less than one year would positively impact the result of the Group for approximately USD 13.4 million (2017: positive impact of USD 9.9 million) due to the interest-bearing net asset position up to one year.

These results indicate that the Group is not exposed to a potential loss in case of increasing interest rates.

At 31 December 2017, the Group is exposed at reporting date to interest-rate risk on the basis of the lower between maturity and re-pricing date as follows:

| in \$ '000                                                      | Carrying amount  | With variable interest rate |                             |                       |                   | Non-inter-est-bearing | With fixed interest rate |
|-----------------------------------------------------------------|------------------|-----------------------------|-----------------------------|-----------------------|-------------------|-----------------------|--------------------------|
|                                                                 |                  | Less or equal to 3 months   | Between 3 months and 1 year | Between 1 and 5 years | More than 5 years |                       |                          |
| Cash and cash equivalents                                       | 1,168,771        | 1,070,737                   | --                          | --                    | --                | 98,034                | --                       |
| Amounts owed from banks and bank customers                      | 1,347,972        | 697,959                     | 595,079                     | 4,964                 | --                | 22,585                | 27,385                   |
| Other receivables                                               | 122,134          | 2,972                       | 5,334                       | --                    | --                | 109,761               | 7,039                    |
| Financial assets                                                | 1,384,107        | 50,249                      | 100,490                     | 158,457               | --                | 1,074,911             | --                       |
| <b>Total financial instruments</b>                              | <b>4,022,984</b> | <b>1,818,945</b>            | <b>700,903</b>              | <b>163,421</b>        | <b>--</b>         | <b>1,305,291</b>      | <b>34,424</b>            |
| Financial liabilities held for trading                          | 5,413            | 671                         | 863                         | --                    | --                | 3,879                 | --                       |
| Amounts due to banks and bank customers                         | 2,705,530        | 1,562,985                   | 586,581                     | 2,554                 | --                | 553,410               | --                       |
| Other liabilities                                               | 166,983          | --                          | 7                           | --                    | --                | 176,331               | 9,355                    |
| Interest-bearing liabilities                                    | 29,861           | 8                           | 29,853                      | --                    | --                | --                    | --                       |
| Interest-bearing loans of controlled Private Equity investments | 37,634           | --                          | --                          | --                    | --                | --                    | 37,634                   |
| <b>Total financial liabilities</b>                              | <b>2,945,421</b> | <b>1,563,664</b>            | <b>617,304</b>              | <b>2,554</b>          | <b>--</b>         | <b>733,709</b>        | <b>28,279</b>            |
| <b>Group net interest rate gap</b>                              |                  | <b>255,281</b>              | <b>83,599</b>               | <b>160,867</b>        | <b>--</b>         | <b>571,671</b>        | <b>6,145</b>             |

## 25.5 Operational risk

### 25.5.1 Definition

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's involvement with financial instruments, including processes, personnel, technology, infrastructure and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior.

### 25.5.2 Operational risk management

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The Group dedicates substantial efforts to ensure that the operational risks resulting from all business activities are continuously assessed and monitored.

Where relevant, entities of the Group have set up internal measures to reduce losses stemming from operational risk in compliance with local regulatory requirements, such as:

- Implementation of a front-to-back integrated system in the private equity business line finalized in 2017;
- Strong internal control system including wide application of the 4-eyes principle;
- Risk governance structure including third and second levels of controls;
- Set-up of compliance and risk functions to strengthen the overall monitoring of the risk profile at Group level;
- Escalation of information on operational incidents for analysis;
- Retention of key staff resources;
- Business Continuity Plan (BCP) and/or Disaster Recovery Plan (DRP) exist at local entity level, with regular reviews and tests;
- Adequate coverage by insurance policies.

The adequacy of the controls in place to address operational risks identified is regularly reviewed by the Group Internal Audit and Compliance and the Audit Committee, conducting to an ongoing improvement of internal processes and controls.

## 25.6 Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

**Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and third party funds.

**Level 2:** inputs other than quoted prices included in the Level 1, that are observable for the assets or liability, either directly (that is, as prices) or indirectly (that is, as derived from prices).

This level includes derivative contracts or equity instruments without an active market and for which recent transactions occurred between market participants. The sources of input parameters like LIBOR yield curve or counterparty credit risk are Bloomberg and Reuters.

**Level 3:** inputs for assets or liabilities that are not based on observable market data (unobservable inputs). This level includes debt instruments, equity instruments and third party funds with significant unobservable components.

At 31 December 2018, the Group was exposed to the fair value risk as follows:

| in \$ '000                                                              | Carrying amount | Level 1        | Level 2       | Level 3        |
|-------------------------------------------------------------------------|-----------------|----------------|---------------|----------------|
| <b>Financial assets held for trading</b>                                |                 |                |               |                |
| Derivatives                                                             | 2,397           | --             | 2,397         | --             |
| <b>Financial assets designated at fair value through profit or loss</b> |                 |                |               |                |
| Debt securities                                                         | --              | --             | --            | --             |
| Equity securities                                                       | 328,031         | 39             | 20,939        | 307,053        |
| Convertible loans                                                       | --              | --             | --            | --             |
| Investment related loans                                                | --              | --             | --            | --             |
| Third party funds                                                       | 482,024         | 85             | --            | 481,939        |
| <b>Financial assets available-for-sale</b>                              |                 |                |               |                |
| Debt and equity securities                                              | 150,002         | 149,960        | 42            | --             |
| <b>Total financial assets</b>                                           | <b>962,454</b>  | <b>150,084</b> | <b>23,378</b> | <b>788,992</b> |
| <b>Financial liabilities held for trading</b>                           |                 |                |               |                |
| Derivatives                                                             | 4,343           | --             | 4,343         | --             |
| <b>Total financial liabilities</b>                                      | <b>4,343</b>    | <b>--</b>      | <b>4,343</b>  | <b>--</b>      |

The valuation of the Group's investments is largely dependent on the underlying performance of direct investments and third party funds. A 10% change in the fair value of the investments would have the same proportionate impact on the statement of comprehensive income. The estimated impact is of USD 96 million at 31 December 2018 (USD 138 million at 31 December 2017).

Reconciliation of level 3 items at 31 December 2018 :

| In \$ '000                                                                              | Equity, convertible and investment related loans | Third party funds | Total assets level 3 |
|-----------------------------------------------------------------------------------------|--------------------------------------------------|-------------------|----------------------|
| At January 1, 2018                                                                      | 467,627                                          | 547,690           | 1,015,317            |
| Profit or loss                                                                          | 8,316                                            | 41,229            | 49,545               |
| Other comprehensive income *                                                            | (1,879)                                          | (463)             | (2,342)              |
| Change in scope                                                                         | --                                               | --                | --                   |
| Additions                                                                               | 25,470                                           | 40,770            | 66,240               |
| Disposals / Distributions / Redemptions                                                 | (192,471)                                        | (147,292)         | (339,763)            |
| Transfers                                                                               | --                                               | --                | --                   |
| Transfers in Level 3                                                                    | (5)                                              | --                | (5)                  |
| Transfers out of Level 3                                                                | --                                               | --                | --                   |
| At 31 December 2018                                                                     | 307,058                                          | 481,934           | 788,992              |
| Total gains for the year included in profit or loss for assets held at 31 December 2018 | 27,511                                           | 56,032            | 85,543               |

\* Including foreign currency translation differences

At 31 December 2017, the Group was exposed to the fair value risk as follows :

| in \$ '000                                                              | Carrying amount  | Level 1        | Level 2       | Level 3          |
|-------------------------------------------------------------------------|------------------|----------------|---------------|------------------|
| <b>Financial assets held for trading</b>                                |                  |                |               |                  |
| Derivatives                                                             | 4,607            | --             | 4,607         | --               |
| <b>Financial assets designated at fair value through profit or loss</b> |                  |                |               |                  |
| Debt securities                                                         | 10,937           | 10,937         | --            | --               |
| Equity securities                                                       | 488,332          | 251            | 20,454        | 467,627          |
| Convertible loans                                                       | --               | --             | --            | --               |
| Investment related loans                                                | --               | --             | --            | --               |
| Third party funds                                                       | 576,382          | 28,687         | --            | 547,690          |
| <b>Financial assets available-for-sale</b>                              |                  |                |               |                  |
| Debt and equity securities                                              | 303,848          | 303,447        | 401           | --               |
| <b>Total financial assets</b>                                           | <b>1,384,106</b> | <b>343,322</b> | <b>25,462</b> | <b>1,015,317</b> |
| <b>Financial liabilities held for trading</b>                           |                  |                |               |                  |
| Derivatives                                                             | 5,413            | --             | 5,413         | --               |
| <b>Total financial liabilities</b>                                      | <b>5,413</b>     | <b>--</b>      | <b>5,413</b>  | <b>--</b>        |

Reconciliation of level 3 items at 31 December 2017 :

| In \$ '000                                                                                 | Equity, convertible<br>and investment<br>related loans | Third party funds | Total<br>assets<br>level 3 |
|--------------------------------------------------------------------------------------------|--------------------------------------------------------|-------------------|----------------------------|
| At January 1, 2017                                                                         | 391,504                                                | 538,117           | 929,621                    |
| Profit or loss                                                                             | 40,359                                                 | 91,437            | 131,796                    |
| Other comprehensive income*                                                                | 17,643                                                 | 880               | 18,523                     |
| Change in scope                                                                            | --                                                     | --                | --                         |
| Additions                                                                                  | 55,279                                                 | 68,262            | 123,541                    |
| Disposals / Distributions / Redemptions                                                    | (37,158)                                               | (151,006)         | (188,164)                  |
| Transfers                                                                                  | --                                                     | --                | --                         |
| Transfers in Level 3                                                                       | --                                                     | --                | --                         |
| Transfers out of Level 3                                                                   | --                                                     | --                | --                         |
| At 31 December 2017                                                                        | 467,627                                                | 547,690           | 1,015,317                  |
| Total gains for the year included in profit or loss<br>for assets held at 31 December 2017 | 61,658                                                 | 97,495            | 159,153                    |

\* Including foreign currency translation differences



## Description of significant unobservable inputs to valuation

The significant unobservable inputs used in the fair value measurement are shown below :

| Methodology          | Description                                                                                                                                                                                                                                | Inputs                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Adjustments                                                                                                                                                                                       |
|----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Earnings             | Most commonly used Private Equity valuation methodology<br><br>Used for investments which are profitable and for which we can determine a set of listed companies and precedent transactions, where relevant, with similar characteristics | Earnings multiples are applied to the earning of the company to determine the enterprise value<br><br><b>Earnings</b><br>Reporting earnings adjusted for non-recurring items, such as restructuring expenses, for significant corporate actions and, in exceptional cases, run-rate adjustments to arrive at maintainable earnings. Most common measure is earnings before interest, tax, depreciation and amortization ("EBITDA")<br>Earnings used are usually the management accounts, unless data from reforecasts or the latest audited accounts provides a more reliable picture of maintainable earnings | A marketability or liquidity discount is applied to the enterprise value, using factors such as our alignment with management and other investors and our investment rights in the deal structure |
|                      |                                                                                                                                                                                                                                            | <b>Earnings multiples</b><br>The earnings multiple are derived from comparable listed companies or relevant market transactions multiples. We selected companies in the same industry and, where possible, with a similar business model and profile in terms of size, products, services and customers, growth rates and geographic focus. We adjust for changes in the relative performance in the set of comparable                                                                                                                                                                                         |                                                                                                                                                                                                   |
| Discounted cash flow | Appropriate for businesses with long-term stable cash flows.                                                                                                                                                                               | Long-term cash flows are discounted at a rate which is benchmarked against market data, where possible, or adjusted from the rate at the initial investment based on changes in the risk profile of the investment                                                                                                                                                                                                                                                                                                                                                                                             | Discount already implicit in the discount rate applied to long-term cash flows – no further discounts applied                                                                                     |
| Imminent sale        | Used where an asset is in a sales process, a price has been agreed but the transaction has not yet settled                                                                                                                                 | Contracted proceeds for the transaction, or best estimate of the expected proceeds                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | A discount is typically applied to reflect any uncertain adjustments to expected proceeds                                                                                                         |
| Quoted               | Used for investments in listed companies                                                                                                                                                                                                   | Closing bid price at balance sheet date                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | No adjustments or discounts applied.                                                                                                                                                              |
| Fund                 | Used for investments in unlisted third-party funds                                                                                                                                                                                         | Net asset value reported by the fund manager                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Typically no further discount applied in addition to that applied by the fund manager                                                                                                             |
| Other                | Used where elements of a business are valued on different bases                                                                                                                                                                            | Values of separate elements prepared on one of the methodology listed above                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Discounts applied to separate elements as above                                                                                                                                                   |

Consistent with IPEV guidelines, all equity investments are held at fair value using the most appropriate methodology and no investments are held at historical cost.

## 25.7 Financial instruments not measured at fair value

For all financial instruments measured at amortized cost, notably loans to banks and bank customers, other receivables, deposits from banks and bank customers, other liabilities and interest-bearing liabilities, the carrying amount is a reasonable approximation of fair value.

## 25.8 Capital management

The primary objectives of the management of the Group's own equity are to comply with regulatory requirements and to have at all times a comfortable level of own equity covering its activities and its inherent risks.

### Capital structure

The capital structure of the Group consists of net debt, excluding net debt of controlled private equity investments and shareholders' equity.

The type and maturity of the Group's borrowings are analyzed further in Note 17 and the Group's equity is analyzed into its various components in the statement of changes in equity.

Capital is managed so as to maximize long-term return to shareholders, whilst maintaining a capital base to allow the Group to operate effectively in the marketplace and sustain future development of the business.

| in \$'000                                                                                       | 2017               | 2018               |
|-------------------------------------------------------------------------------------------------|--------------------|--------------------|
| Cash and cash equivalents                                                                       | 1,168,771          | 1,578,549          |
| <i>Less: cash and cash equivalents attributable to controlled private equity investments</i>    | 228                | –                  |
| Interest-bearing liabilities                                                                    | 67,495             | 31,724             |
| <i>Less: Interest-bearing liabilities attributable to controlled private equity investments</i> | (37,634)           | –                  |
| <b>Net debt/ (cash surplus)</b>                                                                 | <b>(1,139,138)</b> | <b>(1,546,825)</b> |
| <b>Total equity</b>                                                                             | <b>1,225,123</b>   | <b>1,191,746</b>   |

### Capital constraints

The Group is generally free to transfer capital from subsidiary undertakings to the parent company subject to maintaining each subsidiary with sufficient reserves to meet local statutory obligations.

The Wealth Management structure is subject to prudential supervision by the regulatory bodies of Luxembourg, Switzerland and France where its three banks are incorporated.

QWM respects all regulatory requirements related to regulatory capital since its inception and monitors the evolution of its solvency ratio on a quarterly basis.

Each credit institution of the Group is subject to capital adequacy requirements by its respective supervisory authority. During the year ended 31 December 2018, no breach was reported (2017: no breach reported). As of 31 December 2018, the capital adequacy ratio (simplified ratio) of QWM was 24.6% (2017: 18.6%).

The ICAAP report of QWM was updated and approved by its Audit & Risk Committee on 14 March 2019 and found that QWM has sufficient own funds and liquidity reserves to cover all risks to which it is exposed, both under normal conditions and under stressed conditions.

## 26. Contingent Liabilities, Commitments and Assets under management

| In \$ '000                                                         | 2017             | 2018             |
|--------------------------------------------------------------------|------------------|------------------|
| Acceptances and endorsements                                       | --               | --               |
| Commitments arising out of derivatives transactions                | 1,447,943        | 1,382,507        |
| Fiduciary operations                                               | 249,678          | 249,360          |
| Contractual open commitments related to Private Equity investment* | 115,000          | 81,939           |
| <b>Total Contingent Liabilities and Commitments</b>                | <b>1,812,621</b> | <b>1,713,806</b> |

In the addition to the above, there were USD 55 million in lease commitments as at 31 December 2018.

\* Actual capital called fund by fund may be significantly lower than contractual open commitments (see note 28 Risk management)

### Private Equity

Assets Under Management ("AUM") are calculated as of any date as basically the sum of : (i) the fair value of any investment made 5 years ago or before and, (ii) the cost plus the potential uncalled capital commitments of investments made in the last 5 years. As at 31 December 2018, total assets under management for the private equity amount to approximately USD 5.0 billion (2017: USD 4.4 billion).

### Wealth Management

AUM represents the assets from which the Group generates revenues (e.g. assets management, brokerage, etc.). AUM includes assets under management, assets under custody. As at 31 December 2018, total assets under management, including those under custody, amount to approximately USD 28.1 billion (2017: USD 29.4 billion).

## 27. Related Parties

### 27.1 Fully consolidated subsidiaries

The consolidated financial statements of the Group include the following main subsidiaries :

| Name                                 | Country        | Ownership % |        |
|--------------------------------------|----------------|-------------|--------|
|                                      |                | 2017        | 2018   |
| Quilvest Europe S.A.                 | Luxembourg     | 100%        | 100%   |
| Quilvest Private Equity S.C.A. SICAR | Luxembourg     | 100%        | 100%   |
| Quilvest Finance Ltd.                | BVI            | 100%        | 100%   |
| Quilvest France S.A.S.               | France         | 100%        | 100%   |
| Quilvest & Partners S.A.             | Luxembourg     | 100%        | 100%   |
| Quilvest & Partners France S.A.S.    | France         | 100%        | 100%   |
| Quilvest Luxembourg Services S.A.    | Luxembourg     | 100%        | 100%   |
| Quilvest U.K. Ltd                    | United Kingdom | 100%        | 100%   |
| Quilvest U.S.A. Ltd                  | United States  | 100%        | 100%   |
| Quilvest Hong Kong Ltd               | Hong Kong      | 100%        | 100%   |
| Quilvest Dubai Ltd                   | UAE            | 100%        | 100%   |
| Quilvest Private Equity S.à r.l.     | Luxembourg     | 100%        | 100%   |
| QS PEP S.à r.l.                      | Luxembourg     | 100%        | 100%   |
| QS Direct SI 2 S.à r.l.              | Luxembourg     | 100%        | 100%   |
| QS Geo S.à r.l.                      | Luxembourg     | 100%        | 100%   |
| QS Rep S.à r.l.                      | Luxembourg     | 100%        | 100%   |
| QS Management Ltd                    | BVI            | 100%        | 100%   |
| QS PDI S.à r.l.                      | Luxembourg     | 100%        | 100%   |
| QS FF Management Ltd                 | Cayman Islands | 100%        | 100%   |
| QS Master GP S.à r.l.                | Luxembourg     | 100%        | 100%   |
| Quilvest Wealth Management S.A.      | Luxembourg     | 66.32%      | 66.32% |
| CBP Quilvest S.A.                    | Luxembourg     | 66.32%      | 66.32% |
| Quilvest Banque Privée S.A.          | France         | 66.21%      | 66.21% |
| Quilvest Switzerland Ltd.            | Switzerland    | 66.32%      | 66.32% |
| Quilvest AM S.A.                     | Luxembourg     | 66.32%      | 33.23% |

## 27.2 Controlled private equity portfolio

| Name              | Country       | Control % |       |
|-------------------|---------------|-----------|-------|
|                   |               | 2017      | 2018  |
| ST Products Group | United States | 58.44%    | 0.00% |

Quilvest disposed its controlling stake during 2018 in STP (see note 7).

Certain subsidiaries in the Wealth Management segment, as part of their normal business activities, provide family office services to some members of the Board of Directors and senior management. The fees for their services are charged at arm's length.

## 27.3 Non-controlling interests

The following table summarizes financial information on Non-controlling interests ("NCI") for its three reportable segments:

As at 31 December 2018

| in \$ '000                            | Wealth Management | Private Equity Management | Private Equity Investment |
|---------------------------------------|-------------------|---------------------------|---------------------------|
| Current Assets                        | 2,934,876         | 45,090                    | 59,122                    |
| Non-current assets                    | 179,603           | 6,253                     | 793,883                   |
| <b>Total assets</b>                   | <b>3,114,479</b>  | <b>51,343</b>             | <b>853,005</b>            |
| Current liabilities                   | 2,754,997         | 30,225                    | 12,569                    |
| Non-current liabilities               | 9,950             | 350                       | --                        |
| <b>Total liabilities</b>              | <b>2,764,947</b>  | <b>30,575</b>             | <b>12,569</b>             |
| <b>Net assets</b>                     | <b>349,532</b>    | <b>20,768</b>             | <b>840,436</b>            |
| <b>Net assets attributable to NCI</b> | <b>117,652</b>    | <b>--</b>                 | <b>116,429</b>            |

|                                                         |               |                |               |
|---------------------------------------------------------|---------------|----------------|---------------|
| Revenue                                                 | 124,812       | 45,175         | 97,900        |
| Expenses                                                | (105,032)     | (45,311)       | (5,524)       |
| Depreciation, amortization and impairment losses        | (5,037)       | (401)          | (5,709)       |
| Finance costs, net                                      | 2,528         | (420)          | (2,898)       |
| Income tax expense                                      | (2,225)       | (95)           | (66)          |
| <b>Profit / (loss) for the year</b>                     | <b>15,046</b> | <b>(1,052)</b> | <b>83,703</b> |
| <b>Profit / (loss) for the year attributable to NCI</b> | <b>5,151</b>  | <b>--</b>      | <b>39,788</b> |
| Other comprehensive income                              | 1,160         | 6              | (3)           |
| <b>Total comprehensive income</b>                       | <b>16,206</b> | <b>(1,046)</b> | <b>83,700</b> |
| <b>Total comprehensive income attributable to NCI</b>   | <b>5,548</b>  | <b>--</b>      | <b>40,287</b> |

|                                                  |                |                |                |
|--------------------------------------------------|----------------|----------------|----------------|
| Cash flows from operating activities             | 122,309        | (1,164)        | 31,015         |
| Cash flows from investing activities             | 353,960        | (1,179)        | 54,960         |
| Cash flows from financing activities             | (2,218)        | (13)           | (91,051)       |
| <b>Net increase in cash and cash equivalents</b> | <b>474,051</b> | <b>(2,356)</b> | <b>(5,076)</b> |

|                            |           |           |                 |
|----------------------------|-----------|-----------|-----------------|
| <b>Distribution to NCI</b> | <b>--</b> | <b>--</b> | <b>(50,219)</b> |
|----------------------------|-----------|-----------|-----------------|

As at 31 December 2017

| in \$ '000                                              | Wealth Management | Private Equity Management | Private Equity Investment |
|---------------------------------------------------------|-------------------|---------------------------|---------------------------|
| Current Assets                                          | 2,629,468         | 41,906                    | 64,283                    |
| Non-current assets                                      | 543,864           | 6,520                     | 871,003                   |
| <b>Total assets</b>                                     | <b>3,173,332</b>  | <b>48,426</b>             | <b>935,286</b>            |
| Current liabilities                                     | 2,822,466         | 42,569                    | 16,808                    |
| Non-current liabilities                                 | 12,385            | 350                       | 40,114                    |
| <b>Total liabilities</b>                                | <b>2,834,851</b>  | <b>42,919</b>             | <b>56,922</b>             |
| <b>Net assets</b>                                       | <b>338,481</b>    | <b>5,507</b>              | <b>878,364</b>            |
| <b>Net assets attributable to NCI</b>                   | <b>112,934</b>    | <b>--</b>                 | <b>137,592</b>            |
| Revenue                                                 | 121,666           | 45,735                    | 143,689                   |
| Expenses                                                | (107,464)         | (44,887)                  | (7,620)                   |
| Depreciation, amortization and impairment losses        | (4,323)           | (762)                     | (3,805)                   |
| Finance costs, net                                      | 6,017             | (629)                     | (1,862)                   |
| Income tax expense                                      | (4,034)           | (1,003)                   | (69)                      |
| <b>Profit / (loss) for the year</b>                     | <b>11,862</b>     | <b>(1,546)</b>            | <b>130,333</b>            |
| <b>Profit / (loss) for the year attributable to NCI</b> | <b>3,989</b>      | <b>37</b>                 | <b>29,822</b>             |
| Other comprehensive income                              | 19,669            | 488                       | 2,511                     |
| <b>Total comprehensive income</b>                       | <b>31,531</b>     | <b>(1,058)</b>            | <b>132,844</b>            |
| <b>Total comprehensive income attributable to NCI</b>   | <b>10,603</b>     | <b>25</b>                 | <b>32,329</b>             |
| Cash flows from operating activities                    | 54,520            | 1,705                     | 68,211                    |
| Cash flows from investing activities                    | 174,603           | 412                       | (12,404)                  |
| Cash flows from financing activities                    | (835)             | 550                       | (35,097)                  |
| <b>Net increase in cash and cash equivalents</b>        | <b>228,288</b>    | <b>2,667</b>              | <b>20,710</b>             |
| <b>Distribution to NCI</b>                              | <b>--</b>         | <b>--</b>                 | <b>(49,256)</b>           |

The main contributors of the non-controlling interests for the Wealth Management segment are Quilvest Wealth Management, CBP Quilvest and Quilvest Switzerland.

The main contributors of the non-controlling interests for the Private Equity Investment segment are Quilvest Private Equity S.à r.l. SICAR, QS Direct SI 2 S.C.A SICAR, and the QS PEP vehicles for vintages 2003 to 2008 and PEP Core.

## 27.4 Interest in unconsolidated structured entities

Quilvest has interest in entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, or when the relevant activities are directed by means of contractual arrangements.

Below is a description of the Quilvest's involvement in unconsolidated structured entities by type and by segment.

Quilvest concluded that it does not control and therefore should not consolidate any entity described below as Quilvest does not have power over the relevant activities of the entities.

### Wealth Management segment

The QWM sub-group holds interests in non-operating entities. As these entities are not significant from a financial perspective, they are not included in the consolidation scope.

### Private Equity Management segment

The Group does not have any interests in unconsolidated structured entities within the Private Equity management segment.

### Private Equity Investment segment

The table below describes the types of structured entities in which Quilvest concluded that it has an interest and no control:

| Type of structured entity                                                                                                                                                                                                                                                                       | Nature and purpose                                                       | Interest held by Quilvest                                                                                                                                                                                                |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| QS GEO PEP S.C.A. SICAR<br>QS GEO PEP II S.C.A. SICAR<br>QS GEO PEP II Inc.<br>QS GEO PEP III S.C.A. SIF<br>QS PE-DM<br>QS GEO Mandates S.C.A. SICAR<br>QS REP S.C.A. SIF<br>QS REP II S.C.A. SIF<br>QS REP III S.C.A. SIF<br>QS Italy S.A. SICAR<br>QS PDI S.C.A. SICAR<br>Various QS vehicles | To generate fees from managing assets on behalf of third party investors | - Investments in units/shares issued by structured entities<br>- Dividend received as dividend income<br>- Capital repayment<br>- Management fees, Monitoring fees and transaction or set-up fees<br>- Carried interests |

Private Equity operations are typically structured as follows:

- Quilvest invests in private equity investments that invest either in direct investments or in third party funds (the "ultimate target investments"), either directly or through Quilvest dedicated intermediary vehicles such as SICARs, SIFs, QS Companies or PEP entities;
- The purpose of such entities is to invest solely to obtain return from capital appreciation, investment income or both from their ultimate target investments;
- The activities such as the selection, the funding, the acquisition of the ultimate target investments, the monitoring of- and the disposal of these ultimate target investments (all together 'Investment Management' activities) are key in assessing who controls such entities;
- When acting as Lead investor, Quilvest has power over the relevant activity. However there is no systematic link between the power and the variability of returns. The Group may consolidate such structured entities (refer to note 27.1 above) or has only an interest in these structured entities.

- When acting as Co-investor, Quilvest invests in a company or a property alongside a lead investor, and has no power over this activity and consequently no control. Consequently Quilvest does not consolidate such structured entities. The Group has however interests in these structured entities.

Maximum loss exposure to these structured entities is limited to their carrying amount and to the total of uncalled committed investment amount, included within Private equity open commitments as disclosed in Noted 25.3.3. and 26.

For more quantitative details on private equity investment operations, please refer to Notes 6 on Segment information and 25 on Risk management.

## 27.5 Management remuneration

Key management personnel is defined within the Group as members of the Board of Directors and Group management, as disclosed in the General Section of the annual report.

Director's and management's remunerations are included respectively in the "Other administrative expenses" and "Personnel" items detailed in Note 23.

| In \$ '000                          | 2017                               |                         | 2018                               |                         |
|-------------------------------------|------------------------------------|-------------------------|------------------------------------|-------------------------|
|                                     | Management and executive directors | Non-executive directors | Management and executive directors | Non-executive directors |
| <b>Short-term employee benefits</b> |                                    |                         |                                    |                         |
| - Fixed                             | 3,267                              | 2,134                   | 3,067                              | 2,185                   |
| - Variable                          | 2,109                              | --                      | 2,878                              | --                      |
| <b>Post-employment benefits</b>     | 707                                | --                      | 865                                | --                      |
| <b>Other long-term benefits</b>     | 4,458                              | --                      | 1,474                              | --                      |
| <b>Total Remuneration</b>           | <b>10,541</b>                      | <b>2,134</b>            | <b>8,284</b>                       | <b>2,185</b>            |

Carried interest received by key management personnel in 2018 amounted to USD 1,401 (2017: USD 278).

## 28. Group employment

The number of employees was as follows, excluding personnel of controlled private equity investments (note 5):

|                                              | 2017 | 2018 |
|----------------------------------------------|------|------|
| Number of employees at 31 December           | 419  | 452  |
| Average full time equivalent during the year | 412  | 430  |

## 29. Subsequent events

No event took place after closing of the reporting period, which would materially impact the financial position of the Group as of 31 December 2018 or require disclosure.





  
QUILVEST

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