



2018
in brief

Imagine Tomorrow since 1871

 Degroof
Petercam

Degroof Petercam is a reference financial institution with a history dating back to 1871. As an independent group owned by family shareholders with a long-term commitment, we serve both private and institutional investors.

Our clients benefit from a unique combination of services in Private Banking, Institutional Asset Management, Investment Banking (Corporate Finance and Financial Intermediation) and Asset Services.

Headquartered in Brussels, we employ over 1 400 professionals through offices in Belgium, Luxembourg, France, Switzerland, Spain, The Netherlands, Germany and Italy.

Degroof Petercam

Nijverheidsstraat | Rue de l'Industrie 44
1040 Brussels
BELGIUM

VAT BE 0403 212 172
RPR | RPM Brussels
FSMA 040460 A
T +32 2 287 91 11
contact@degroofpetercam.com

Editor-in-chief

Philippe Masset

The annual report is available at
<https://annualreport.degroofpetercam.com/en/>

“Our mission is to offer qualitative, innovative and sustainable solutions best suited for our clients. In 2018, we continued to capitalize on our transversal business model and our highly qualified talents to create value for all our clients.”



Ludwig Criel (Chairman of the board of directors) – Philippe Masset (CEO)

2018 turned out to be very eventful for investors: political uncertainties, trade tensions, the Chinese slowdown and the end of quantitative easing. After a volatile fourth quarter and a chaotic December, the main asset classes ended in the red. How did this affect your investment performances?

Philippe Masset: In spite of the unfavorable environment, our teams delivered above-average long term returns. Our private banking model portfolios and flagship fund 'Global strategy' recorded top tier performances on 1, 3 and 5 years in comparison to our main competitors. Also, our DPAM funds systematically record outstanding long term returns, which led to DPAM receiving the 'Super Award' of Belgian financial dailies De Tijd/L'Echo for the second year in a row, confirming the best asset manager in both fixed income and equity over the past five years.

Degroof Petercam is a unique blend in many ways. Clients are attracted by your distinctive business model as they can tap into in-depth niche expertise in four combined domains: Private Banking and Institutional Asset Management, Investment Banking and Asset Services. What was the commercial evolution in these domains in 2018?

Philippe Masset: Private Banking clients benefited from our revamped patrimonial offering and from solutions best suited to their needs, including our dedicated approach to family business owners, new climate and social impact funds and exclusive private equity investments. 2018 was an exceptional year for our **Investment Banking** team with 99 mandates successfully realized and a sharp increase in stock option plans. Our entity for **Institutional Asset Management** department leveraged a number of blockbuster funds internationally and already over 50% of the funds and mandates are sold outside Belgium. The **Asset Services** division experienced the effects of declining markets at the end of the year, but the pipeline remains very solid.

With the merger of Bank Degroef and Petercam in 2015, you launched a three-year integration plan. Which are your next strategic steps and how does the digitalization fit in your strategy?

Ludwig Criel: In 2018, we successfully finalized our integration and outlined our growth strategy for the next five years. We believe we exist to empower our clients to realize their ambitions and want them to feel at ease about their financial future. As an independent reference, it is our mission to be top experts offering quality and innovative solutions best suited for them. We will continue to leverage our integrated business model and highly skilled people to create value for our clients.

Philippe Masset: We strive for innovative solutions, simplified processes, operational efficiency and regulatory strength. We believe in a hybrid client approach where people and expertise are central but are supported by technology. In 2018, our digital acceleration program led to the launch of an easy full-digital onboarding platform and of a new feature in our app, allowing to push tailored text and video messaging towards our clients regarding their investment portfolio. We also welcomed Xavier De Pauw - former CEO of MeDirect Belgium - as Group Head of Strategic Innovation. He is in charge of our continuous transformation including the development of innovative platforms, tools and new ways of working. I am convinced that the key factor for success is to have the best solutions as well as the best expertise delivered in a user-friendly manner.

The persistence of negative interest rates in Europe kept pressure on the global interest rate margins of financial players. The widening of the spread weighed on interest related income. Are you satisfied with the group's profitability?

Philippe Masset: We are not immune for what is happening on the markets, but overall, we can reflect on a resilient group performance, especially considering the increased quality of our underlying results. Excluding net interest income, which is mainly influenced by external factors, the quality of our underlying commercial revenue has noted a 3.8% increase compared to 2017. This showcases our higher independence of interest rate revenue and the strength of our fee-generating business. The gross operating income amounted to 109 million euros. After tax and exceptional items mainly relating to integration costs for the last year, the consolidated net profit was 57 million euros.

What about the assets under management and the quality of the group's balance sheet?

Ludwig Criel: In 2018, total clients assets totaled 63.2 billion euros, influenced by negative market effects. End of March 2019, the estimated total clients assets had risen again to nearly 68 billion euros. While stock markets fell sharply in 2018 – with the Eurostoxx50 -12% and the BEL 20 -16% – our assets under management decreased only with 5.3% to 50.5 billion euros. Institutional funds and mandates, strongly contributed to net new assets. At 31 December 2018, outstanding credits to clients amounted to 2.1 billion euros for a balance sheet of 8.2 billion euros. Our core capital ratio amounted to 16.8%, well in excess of regulatory requirements.

Degroof Petercam is known as a promotor of humane finance. 'Humane' is one of the five ETHIC- values: Excelling, Teaming Up, Humane, Intrapreneurial and Client-Centric. Which progress did your record in terms of sustainability?

Philippe Masset: Sustainability, responsible investment and philanthropy are close to our heart. In 2018, we collected 30% more assets in our sustainable funds, recruited extra responsible investment specialists, offered new climate funds and acquired a participation in Quadia to develop new impact investments for our clients. Our Degroof Petercam Foundation also multiplied philanthropy initiatives aimed at fostering jobs of tomorrow and at making our colleagues aware of their social impact and of social entrepreneurship. As illustrated in our non-financial report, the impact of our work clearly goes beyond profit.

How do you look at the future?

Ludwig Criel: Looking ahead, geopolitical uncertainty remains high, impeding a predictable macro-economic and financial outlook. Also, the investment industry continues to face pressure from ever-increasing regulatory changes. However, I am confident about our future. I believe in the progress we've made, in our strategy, and above all, in the potential of our people. I would like to thank them for making their mark, each in his or her own way. In closing, I would like to thank our clients for their loyalty and trust as well as my fellow board members and family shareholders for their unwavering support.

Key figures

Total client assets (in billion EUR)	2018		2017 (Proforma)	
	Gross	Net*	Gross	Net*
Assets under management**	50,5	50,5	53,4	53,4
Assets under administration***	34,9	7,2	38,0	8,4
Assets under custody****	78,1	5,4	84,9	6,1
Total client assets		63,2		67,9

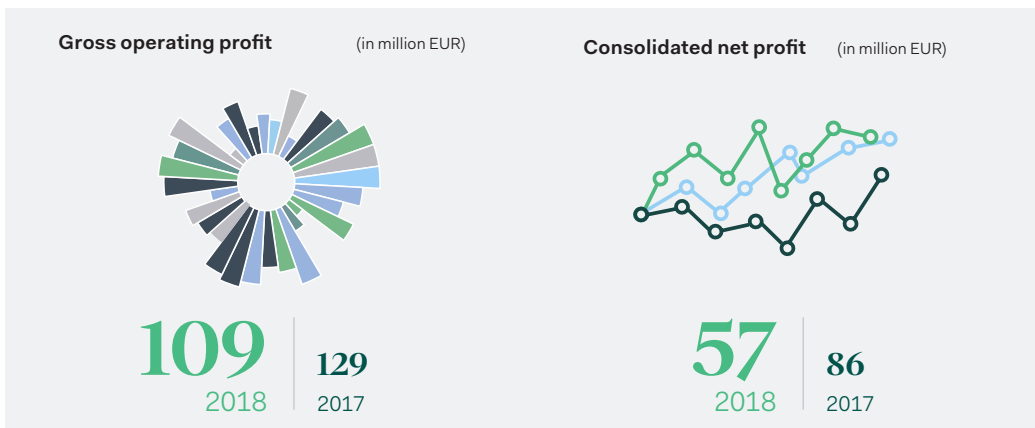
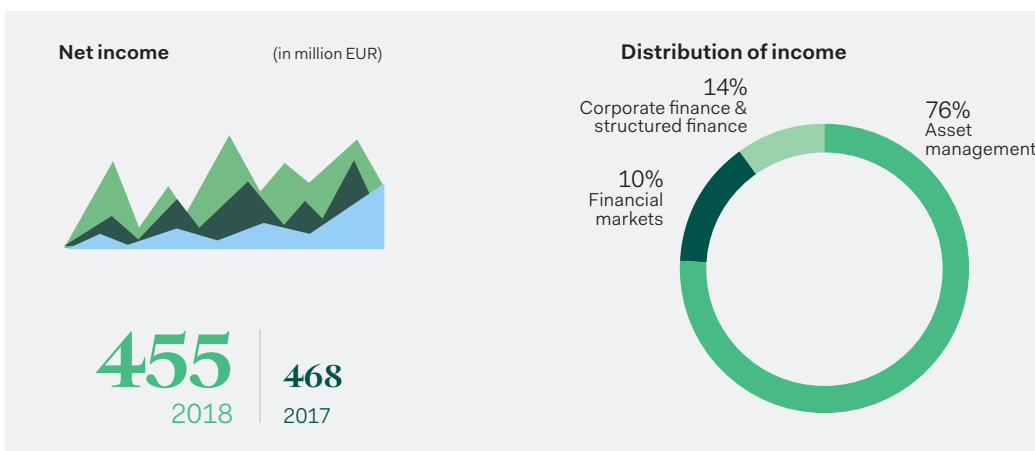
In 2018, the presentation of our assets was modified to better reflect the different activities of the group.

* excluding double counting;

** management and credit services;

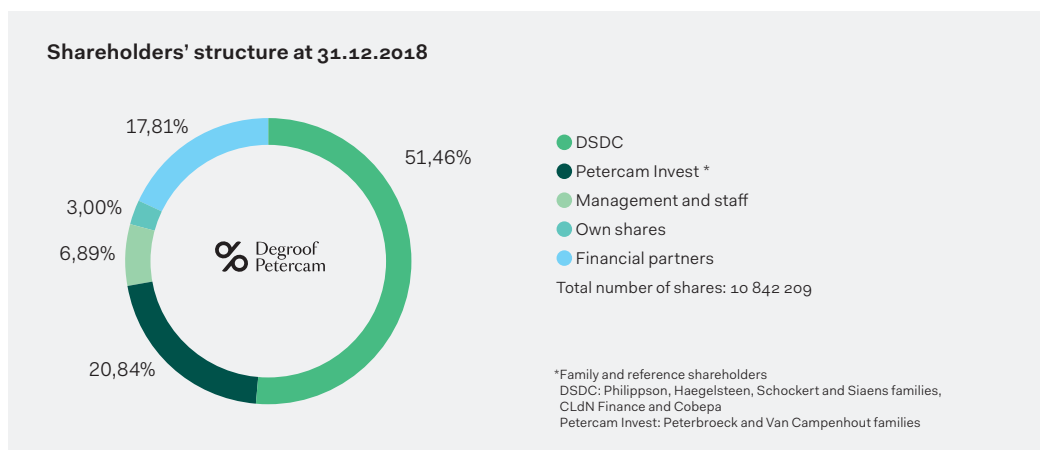
*** administrative services, including fund accounting, fund directing, registration and set up of new funds, transfer agent, etc.;

**** custody services, including recording, holding and custody through securities and cash accounts.



Breakdown by country of full-time equivalents (FTE)	2018	2017
Belgium*	896	857
Luxembourg	345	326
Swiss	22	22
France	90	100
Spain	59	64
Total	1 412	1 369

* Including the branches in Germany, Italy and the Netherlands.



Board of directors

Chairman of the board of directors	Directors
Ludwig Criel*	Miguel del Marmol
Chairman of the executive committee	Jean-Baptiste Douville de Franssu
Philippe Masset	Christian Jacobs*
Directors-members of the executive committee	Jean-Marie Laurent Josi
Nathalie Basyn	Véronique Peterbroeck
Gautier Bataille de Longprey	Alain Philippson
Bruno Colmant	Jacques-Martin Philippson
Benoît Daenen	Alain Schockert
Gilles Firmin	Frank van Bellingen
Pascal Nyckees	Guido Vanherpe*
François Wohrer	

*Independent director.

Private Banking

- 34.2 billion euros managed for private clients (gross).
- Above-average returns of portfolios and patrimonial funds (first quartile).
- Expansion of clientele thanks to:
 - the solutions we develop specifically for FBO (Family Business Owners), combining Private Banking and Corporate Finance, in Belgium, France, Luxembourg and Spain;
 - the recruitment - in Flanders among others - of around fifty highly qualified professionals;
 - the opening of a new office in Turnhout and Tournai;
 - the expansion of the Family Office offer and advice on asset structuring in the context of the increasing international mobility of our client families;
 - the innovations in sustainable investment, with new funds focused on climate change and impact investing;
 - the organization of important events, such as our Degroof Petercam Business Day and our Flemish Entrepreneurs Summit.
- Internationalization through:
 - the International Hub in Luxembourg, which promotes cross-border cooperation within the group and is responsible for activities in countries where we do not have a local entity such as Portugal;
 - the integration of Entheca Finance in France, a French management company whose main focus is on a clientele of entrepreneurs and large private investors;
 - the integrated Eurometropole approach from our offices in Lille, Courtrai and Tournai;
 - the opening of a representative office in Canada (Montreal).

Asset Services

- 34.8 billion euros assets under administration (gross).
- Set up of around thirty new funds under Belgian and Luxembourg law.
- Set up of two Reserved Alternative Investment Funds (Fonds d'Investissement Alternatif Réserve -FIAR), private equity vehicles specialized in risk capital for high-tech and regenerative economies.
- Regrouping of all fund services into a single entity, notably Degroof Petercam Asset Services (DPAS).

Institutional Asset Management

- 44.7 billion euros of (gross) assets under management with a net capital inflow of nearly 900 million euros.
- Management of nearly 300 institutional mandates.
- Ongoing international expansion, with more than 50% of funds and mandates sold outside Belgium.
- Favorable long-term investment performances in volatile markets.
- Set up of a convertible bond franchise in Paris.
- Continued strong growth of blockbuster strategies such as newly sustainable thematic equities (NewGems), emerging market debt, European (sustainable) equities (Euroland), high-yield bonds and global unconstrained bonds (Universalis).
- Set up of Arvestar, a joint venture with Argenta Asset Management with the aim of institutionalizing the financial management of the Argenta pension savings funds by DPAM.
- Numerous awards for quality of the management and fund:
 - . L'Echo/De Tijd: Super Award for the best equity and bond manager over five years;
 - . Thomson Reuters Lipper Awards: Bonds EUR High Yield, Listed European Real Estate...;
 - . Scope Awards in Germany: best fixed income manager.

Investment Banking

- 99 mandates in advisory, mergers and acquisitions (M&A) and capital market activities successfully completed.
- 45 M&A mandates totaling 2.8 billion euros, of which 16 in Belgium, 28 in France and 1 in Spain.
- 16 equity capital market transactions of which 11 as bookrunner, such as the IPO on Euronext Brussels of the British biotech company Acacia, the capital increases of Cofinimmo, IOW, TINC and Xior. Execution of more than 110 million euros in secondary equity block trades.
- Landmark debt capital market transactions in Belgium and France, such as the bond issues of Befimmo and Apsys, the Dossche Mills syndicated loan, the bond buy back of Orès and debt financing of Biogroup and Prodware.
- Strong activity of our dealing desk in all asset classes worldwide, on behalf of individuals and institutional investors of the group.
- Sharp increase in the volume of stock option plans.
- Further development in the local market for family businesses in Luxembourg.
- Successful launch of Corporate Finance activities in Spain.
- Institutional seminars on Benelux equities in the healthcare, consumer and real estate sectors in major international financial hubs such as New York, London, Paris, Milan, Zurich, Brussels, Luxembourg and Madrid.

Responsible investment

- 30% asset increase into SRI funds, or nearly 4 billion euros invested in 11 sustainable strategies.
- Full operational Responsible Investment Competence Center at the service of all research and investment teams of the group.
- Development of new proprietary models and screenings to complement the investment decision-making process: impact reports for environmental, social and governance criteria (ESG), sustainability audits, development of proprietary thematic key performance indicators (KPIs) for ESG challenges.
- Focus on climate change and carbon risk: carbon footprint assessment of all managed funds and mandates and identification of main contributors and emitters.
- Additional commitment at the level of Degroof Petercam Asset Management (DPAM) as supporter of the Taskforce Climate-related Financial Disclosures (TCFD).
- Active shareholdership through the strong involvement of the Voting Advisory Board, who participated in 538 general meetings of shareholders and voted on almost 7 800 resolutions.
- Further international recognition:
 - . Luxflag ESG label for all sustainable strategies;
 - . 2nd consecutive year of top rating A+ from UN backed Principles for Responsible Investment (PRI);
 - . Top 10 Citywire ranking as genuinely committed to ESG fund house.
- Participation in several collective engagement initiatives, such as the Cobalt Institute for the sustainable and responsible use of cobalt, and the Investor Statement on Digital Rights for Corporate Accountability.

Private Equity

- Overall strong performance, significant deployment of capital and completion of six new private investments.
- Raise of more than 100 million Canadian dollars for BDG-Appalaches II, our second buy-out fund focused on smallcaps in Canada.
- Development of an impact investment fund in collaboration with our Swiss partner Quadia.
- Launch of Co-Investment Small-Cap Europe, first compartment of a new venture capital FIPS structure (Fonds d'Investissement Professionnel Spécialisé) for private equity investments, in partnership with Access Capital in France.
- Successful expansion of the private equity offering in Luxembourg.
- Significant distributions in Green Fund II, Down 2 Earth and CVC Capital Partners 6.

Financial Research

- Publication of our annual Benelux Company Handbook and first edition of our 'Family Business Owners Barometer' survey in Belgium and Luxembourg.
- In-depth coverage of more than 130 listed companies in the Benelux by the team of sell-side analysts who published more than 1 000 company updates and 60 detailed reports .
- Expansion of sell-side research to a broader client base in Spain and the United States.
- Buy-side research team of equity and credit analysts drawing up a recommendation list for more than 100 European and US equities and covering more than 500 high yield and investment grade corporate bonds.

Philanthropy

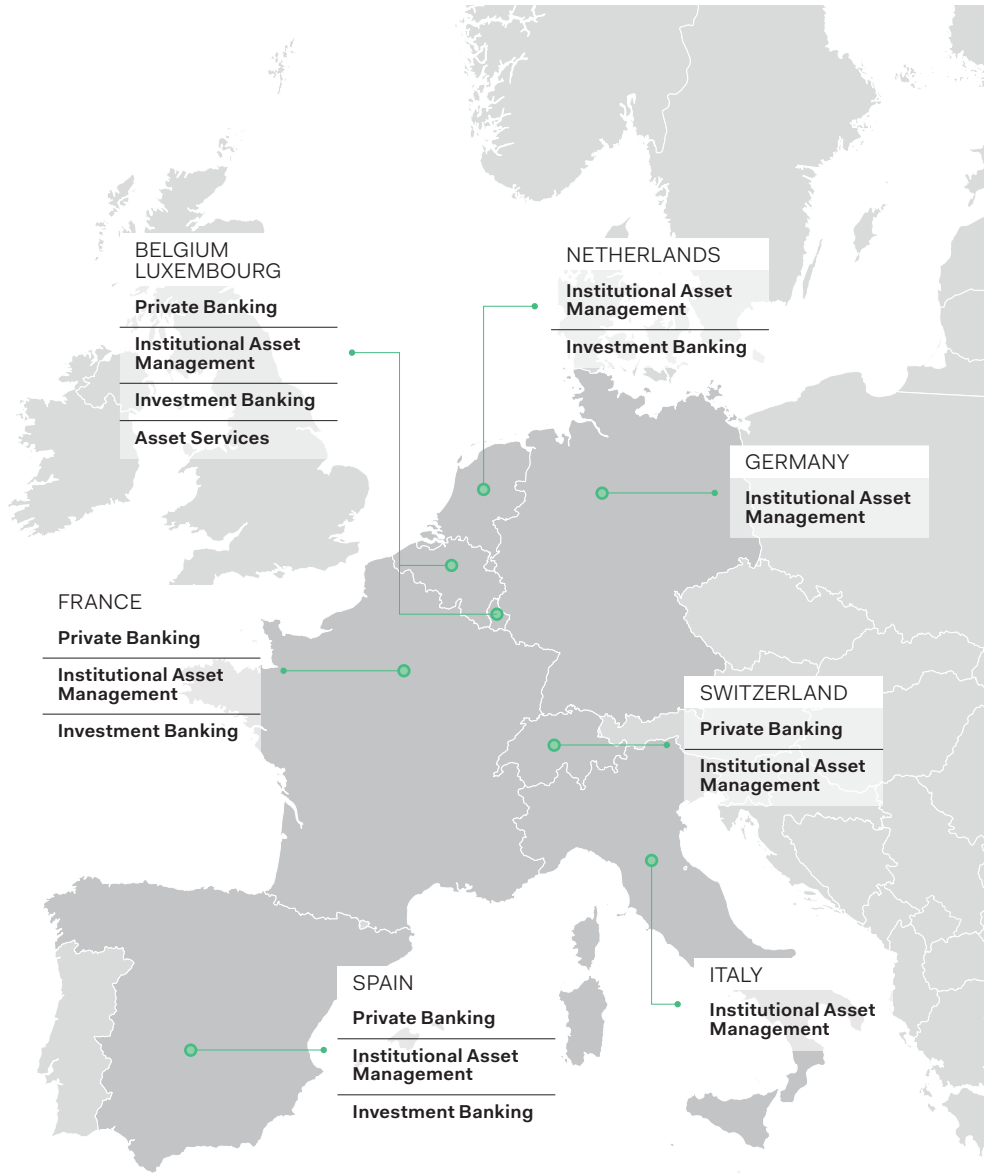
- Celebration of the tenth anniversary of Degroof Petercam Foundation.
- Animation of nine workshops in the five countries of the group, to make our colleagues aware of their social impact and to introduce them to social entrepreneurship.
- Session with 120 staff members of the 'next generation' in the Havenhuis in Antwerp for a forum on the circular economy, in collaboration with the family group Sibelco.
- Collection of 500 000 euros in donations via the crowdfunding platform Gingo, to finance 31 social projects in Belgium and Luxembourg.
- Participation in the annual summit of the European Venture Philanthropy Association (EVPA) in Warsaw.
- Appointment of a new external board member of the foundation: Mr. Etienne Denoël, Director Emeritus of McKinsey & Company, CEO of the NGO 'Agir pour l'Enseignement'.
- 2 400 hours of voluntary work through the participation of 340 colleagues in the sixth edition of the Degroof Petercam Solidarity Days, as well as blood donations and first aid training courses.
- Collection of funds by the Degroof Petercam Cycling Team for the benefit of the Belgian Foundation against Cancer.
- Active participation in Net Mentora (entrepreneurial network), and support of the SJD Pediatric Cancer Center, the Fundació Banc Dels Aliments (food bank) in Spain.

Credits

- Net increase in the volume of the credit portfolio to 2.1 billion euros.
- Continued strong dynamics in cross-border credits (Belgium, Luxembourg, and France).
- Further development of the Lombard credits offering granted to Belgian, Luxembourg, French, Spanish and Swiss clients as a powerful alternative for traditional mortgage loans.
- Slight decline in average credit margins despite the very competitive credit environment.
- Excellent quality of the underlying credit portfolio without recording any additional net credit provision.

Digitalization

- 'Digital Acceleration' program led by the digital committee aiming at driving the continuous digital transformation of our group, including the development of innovative platforms, tools and new ways of working.
- Appointment of Xavier De Pauw, former CEO of MeDirect, as Group Head of Strategic Innovation and chairman of the digital committee.
- New functionalities for My Degroof Petercam (MyDP), our online portfolio consulting and reporting tool, which welcomed its 10 000th user.
- Launch of a digital platform for opening accounts.
- Launch of new feature for sending regular updates on smartphones regarding the evolution of the financial markets and the investment strategy of our main asset management fund, DP Global Strategy.
- Increased digital expertise sharing to DPAM clients through multichannel publication platforms, including newsletters, the MyDP app and the new fund website managed by DPAM (dpamfunds.com).



Private Banking ●
Institutional Asset Management ●
Investment Banking ●
Asset Services ●

BELGIUM ●●●●

Degroof Petercam (registered office)

Nijverheidsstraat | Rue de l'Industrie 44
1040 Brussels
T +32 2 287 91 11

Antwerp
T +32 3 233 88 48

Hainaut
T +32 71 32 18 25

Brussels
T +32 2 287 91 11

Liège
T +32 4 252 00 28

Campine
T +32 14 24 69 40

Limbourg
T +32 11 77 14 60

Coast
T +32 50 63 23 70

Namur
T +32 81 42 00 21

East Flanders
T +32 9 266 13 66

Walloon Brabant
T +32 10 24 12 22

Flemish Brabant
T +32 16 24 29 50

West Flanders
T +32 56 26 54 00

Degroof Petercam Asset Management

Guimardstraat | Rue Guimard 18
1040 Brussels
T +32 2 287 91 11

Degroof Petercam Investment Banking

Guimardstraat | Rue Guimard 18
1040 Brussels
T +32 2 287 91 11

LUXEMBOURG ●●●●

Degroof Petercam Luxembourg

Zone d'activité La Cloche d'Or
12, rue Eugène Ruppert
2453 Luxembourg
T +352 45 35 45 1

Degroof Petercam Asset Services

Zone d'activité La Cloche d'Or
12, rue Eugène Ruppert
2453 Luxembourg
T +352 26 64 50 1

Degroof Petercam Insurance Broker

Zone d'activité La Cloche d'Or
14, rue Eugène Ruppert
2453 Luxembourg
T +352 45 89 22 21 00

FRANCE ●●●●

Degroof Petercam France

44, rue de Lisbonne
75008 Paris
T +33 1 73 44 56 50

Lille
28 bis, rue des Jardins
59000 Lille
T +33 3 69 50 50 60

Lyon
17, rue de la République
69002 Lyon
T +33 4 26 99 59 00

Degroof Petercam Investment Banking – France

44, rue de Lisbonne
75008 Paris
T +33 1 73 44 56 50

Degroof Petercam Asset Management – France

44, rue de Lisbonne
75008 Paris
T +33 1 73 44 56 50

SPAIN ●●●

Degroof Petercam Spain

Main Office:

Avenida Diagonal 464

08006 Barcelona

T +34 93 445 85 00

Corporate Headquarters:

Plaza del Ayuntamiento 26

46002 Valencia

T +34 96 353 20 94

Bilbao

T +34 94 679 23 02

Madrid

T +34 91 523 98 90

Degroof Petercam SGIC

Avenida Diagonal 464

08006 Barcelona

T +34 93 445 85 80

Degroof Petercam Asset Management

Sucursal en España

Paseo de la Castellana 110, 4º

28046 Madrid

T +34 9 157 20 36 6

Degroof Petercam Investment Banking

Avenida Diagonal 464

08006 Barcelona

T +34 93 445 85 00

NETHERLANDS ●●

Degroof Petercam

Netherlands branch

De Entree 238A 7th Floor

1101 EE Amsterdam

T + 31 20 573 5416

SWITZERLAND ●●

Degroof Petercam Suisse

Place de l'Université 8

1205 Genève

T +41 22 929 72 11

GERMANY ●

Degroof Petercam Asset Management

Zweigniederlassung Deutschland

Mainzer Landstrasse 50

60325 Frankfurt am Main

T +49 69 274 015 295

ITALY ●

Degroof Petercam Asset Management

Succursale Italiana

Via Monte di Pietà 21

20121 Milano

T +39 02 86337 223

* At 25 April 2019

WEBSITES

degroofpetercam.com

funds.degroofpetercam.com

BLOG

blog.degroofpetercam.com

LINKEDIN

[linkedin.com/company/
degroofpetercam](https://www.linkedin.com/company/degroofpetercam)



YOUTUBE

[youtube.com/degroofpetercam](https://www.youtube.com/degroofpetercam)



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