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# Management report



Annual report 2018

The consolidated financial statements are prepared in accordance with IFRS. IFRS 9 and IFRS 15 were applied for the first time in the past financial year.

## 1 General comments

In 2018, Degroof Petercam's financial results were generated in less favorable economic conditions. Financial markets were more volatile, and the fourth quarter ended with a sharp decline. After showing initial signs of recovery, the slope of the yield curve declined again at the end of the year, confirming the persistent negative trend in short-term interest rates.

The results for the past financial year reflect the performance of fee-generating businesses, mainly Institutional Management, Private Banking, Investment Banking and fund administration activities.

In 2018, Degroof Petercam modified the presentation of client assets (under management, under administration and under custody) to better reflect all the group's activities, namely:

- management and credit services;
- administrative services, including fund accounting, fund domiciliation, registration and set up of new funds, transfer agent, etc.;
- custodian services, including registration, deposit and custody through securities and cash accounts.

In this respect, the group has restated the 2017 data, which differ slightly from the figures officially reported in 2018.

At 31 December 2018, total client assets (all activities combined) amounted to EUR 63.2 billion compared to EUR 67.9 billion a year earlier.

At 31 December 2018, assets under management totaled EUR 50.5 billion, compared to EUR 53.4 billion at the end of 2017. While equity markets declined sharply in 2018 (Eurostoxx: -12%, BEL 20: -16%), the amount of assets under management recorded only a limited decline of 5.3% compared to the end of 2017. The distribution of our funds and institutional mandates contributed to the inflow of new net assets in 2018, but the overall trend in assets under management of private clients in Belgium was again affected by the tax measures implemented at the end of 2017.

Private client assets under management amounted to EUR 34.2 billion as at 31 December 2018 compared to EUR 36.6 billion a year earlier.

Institutional Asset Management also recorded a decline in gross assets under management from EUR 45.6 billion to EUR 44.7 billion at the end of 2018 (including investments by private clients in funds managed by the group). Otherwise, the commercial network continued its international expansion.

As at 31 December 2018, the Asset Services business recorded EUR 34.9 billion in assets under administration and/or custody, including EUR 7.2 billion for mutual funds for third-party clients.

The total amount of credits used by Degroof Petercam clients at 31 December 2018 totaled EUR 2.1 billion, compared to the balance sheet total of EUR 8.2 billion and cash deposits of EUR 6.8 billion.

With regard to the Investment Banking activities in 2018, Corporate Finance, which is mainly active in Belgium and France, again recorded an increase amounting to 16.7%, ending with a turnover of EUR 37 million at the end of the year. Revenues from the sell-side activity of the market hall remained generally stable compared to 2017.

## 2 Comments on the financial statements

The consolidated net profit (group share) amounted to EUR 56 763 853 compared to EUR 86 459 998 in the previous financial year. This sharp decline is due to a significant decline in interest margin results in a very low interest rate environment, partially offset by a higher overall level of fees, as well as to a significant increase in other operating expenses.

Consolidated comprehensive income (group share) is obtained by adding the unrealized profits and losses directly recognized in equity (revaluation reserves) to the consolidated net profit; the total was EUR 51 448 785 as at 31 December 2018 compared with EUR 88 228 590 a year earlier.

Net interest margin, for all activities, was significantly lower than the results posted in the previous financial year. The key features of 2018 included the persistence of negative short-term rates, as well as the volatility of credit spreads. Income from credits increased as a result of the growth in outstandings, whose margins remained stable.

As regards the results relating to Financial Markets activities, the foreign exchange desk achieved a remarkable increase in 2018, with a much higher volume of fees from the Luxembourg banking entity, combined with a significant improvement in the results of the parent company's activities in this area. In addition, the selling of stock option plans continued to expand in 2018, as did activities and results related to the Private Equity. The results of the other desks are down, particularly the selling of structured products, but also in bond trading.

Net commission income from all business lines continued to grow compared to the previous year.

While the amount of assets under management declined by 5.3% overall compared to the end of 2017, net management fee income nevertheless increased compared to the previous year. This growth was driven by the increased profitability of individual private management (whose pricing was reviewed in 2018), the positive impact of the annual average market effect, as well as net capital inflows from institutional investors and fund distribution activity, partially offset by withdrawals from private clients.

For the second year in a row, revenue from Corporate Finance activities grew in both France and Belgium, supported by a significant number of M&A transactions in the last months of the year.

Custodian fees (part of which are included in the new Private Banking pricing in 2018), as well as commissions on cash, derivatives and securities lending activities, were down compared to the previous year.

The decrease in net other operating income for the past year compared to the previous year is mainly due to the exceptional recognition in 2017 of the positive impacts of the change in contractual terms and conditions of post-employment benefits (as part of the HR harmonization).

The accounting results for the revaluation and realization of the financial assets of the long-term securities portfolio deteriorated in 2018, mainly as a result of the decline in the estimated value of financial instruments (measured through the income statement) held within this portfolio itself.

Personnel expenses remained stable overall compared to the previous year. This is the result of the combined effects of the increase in payroll following indexations and the increase in the number of employees (net group growth of 43 employees compared to the end of 2017), and the decrease in variable remuneration provisions.

Other general expenses showed a strong increase in 2018: this concerns both current operating expenses and integration and transformation costs.

Depreciation of tangible and intangible fixed assets for the year was constant. Impairment losses or reversals net of impairment losses on assets were significantly more positive in 2018, both in terms of individual loans and collective provisions, but also in terms of the year's low net impairment losses on private management assets and other goodwill on investments and other associated companies.

The estimated tax liabilities at year-end were generally higher than in the previous financial year. The decrease in direct taxes of certain subsidiaries (mainly Banque Degroof Petercam Luxembourg) is fully offset by the increase in taxes of the main Belgian entities (mainly due to the lack of deductibility of the profit premiums granted by them to their employees). In addition, the level of consolidated tax losses of the group's French entities decreased significantly during the financial year due to the excellent results of Degroof Petercam Finance; in contrast, the consolidated tax losses of Degroof Petercam Spain increased significantly in 2018.

The decline in other components of comprehensive income is mainly due to the negative change in the revaluation reserves of the Held to Collect & Sale bond portfolio (abbreviated as HTCS), moderately offset by the positive impact of foreign exchange translations (for subsidiaries whose balance sheets and income are denominated in foreign currencies), as well as the favorable, but limited, impact of the revaluation of financial and other assumptions on pension plans.

## 2.1 Appropriation of statutory profit

At 31 December 2018, the statutory net profit of Bank Degroof Petercam nv | sa totaled EUR 75 733 289. Taking into account the profit carried forward from the previous financial year of EUR 199 136 509, the profit base to be allocated amounts to EUR 274 869 798.

The board of directors proposes to the general meeting to allocate the profit for the financial year as follows:

	(in EUR)
Profit for the year	75 733 289
+ Profit brought forward	199 136 509
<b>= Profit to be appropriated</b>	<b>274 869 798</b>
- Allocation to other reserves	0
- Directors' fees	918 354
- Dividends	48 789 941
- Profit shares	5 887 756
<b>= Profit to be carried forward</b>	<b>219 273 747</b>

The board of directors proposes to the general meeting to distribute a gross dividend of EUR 4.50 per share.

## 2.2 Consolidated shareholders' equity

Consolidated shareholders' equity, including minority interests, amounted to EUR 925.8 million at the end of the financial year, an increase of EUR 14 million compared to the previous year.

The decrease in consolidated shareholders' equity is the result of the following effects:

- in the context of the initial application of IFRS 9 in the opening balance sheet for the financial year (for a net impact of EUR -2.1 million):
  - restatements of revaluation reserves (EUR -11.9 million);
  - reclassifications to equity First Time Application (abbreviated as FTA) of the initial impacts (EUR 9.8 million).
- as part of the movements during the financial year (for a net impact of EUR -11.9 million):
  - the distribution (outside the group) relating to the previous financial year (EUR -63.1 million);
  - the result (including third parties) for the financial year (EUR 56.8 million);
  - the revaluation of financial assets at fair value during the financial year (EUR -7.2 million);
  - movements in the purchase/sale of treasury shares (EUR -0.2 million);
  - the IAS 19 revaluation of the conditions of post-employment benefits (EUR 0.3 million); and
  - the development of translation differences (EUR 1.5 million).

Regulatory capital amounted to EUR 509.7 million and largely exceeded the requirements set by prudential standards. The Tier 1 (core capital) and Tier 2 (supplementary capital) solvency ratios stood at 16.8% at 31 December 2018.

The Return on Equity-ratio (ROE) totaled 6.5% on 31 December 2018. This ratio represents the relative value of the consolidated net profit for the year in relation to the average consolidated shareholders' equity.

## 2.3 Assets under custody

At the end of the financial year 2018, consolidated open deposits stood at EUR 75.3 billion, down 6.8% compared to the end of 2017.

## 3 Changes in capital

At 31 December 2018, share capital amounted to EUR 34 211 634. It is represented by 10 842 209 shares with no nominal value. All shares are fully subscribed and fully paid up. The accounting par value per share is EUR 3.1554.

## 4 Treasury shares held by the group (Art. 624 of the Companies Code)

Degroof Petercam SA does not hold treasury shares.

As at 31 December 2018, the sub-subsidiaries of Degroef Petercam SA, Orban Finance SA, Industrie Invest SA, and Industrie Invest 2 SA together held 325 631 Banque Degroef Petercam SA shares, representing 3% of the share capital.

The consolidated carrying amount of all treasury shares held by the subsidiaries amounted to EUR 44 631 483 as at 31 December 2018. The purpose of the treasury shares held in the group is to support employee profit-sharing plans.

During the past financial year, the total number of treasury shares decreased by 2 248 shares.

## 5 Circumstances that could significantly influence the development of the group

In the context of the implementation of the integration projects over the 2016-2018 period, significant IT investments were made in the group's main business lines with a view to gradually equipping them with state-of-the-art technology, particularly in the area of digital technology.

Following the merger and gradual deployment of new information technologies, the group will continue to benefit from synergies and will be equipped with a modern platform promoting the growth of the segments of activity.

In general, the group's growth and profitability are also influenced by:

- the ongoing effort to grow the business as and when opportunities arise, as demonstrated by past acquisitions and commercial investments;
- changes in assets under management and stock markets;
- Corporate Finance assignments;
- the macroeconomic environment.

## 6 Research and development activities

The group continues its research and development activities through the progressive implementation of its transformation program of the operational and support applications.

Development costs related to the Finance Target Operating Model (FTOM) and Digital Acceleration projects were capitalized in 2018 for EUR 7.8 million and EUR 4.6 million, respectively. Most of these projects are expected to be operational from the second half of 2019.

## 7 Remuneration policy

The remuneration policy, which is an integral part of the governance memorandum, came into effect on 24 September 2014.

The policy was defined by the executive committee in consultation with the board of directors, the appointments and remuneration committee and the control functions.

This remuneration policy promotes sound and effective risk management and does not encourage any risk-taking that exceeds the level of risk tolerated by the group, while promoting the group's long-term objectives and interests and avoiding conflicts of interest.

In accordance with prevailing legislation, the policy has been published on the group's website.

The general principles are as follows:

- the total volume of variable remuneration granted does not limit the group's capacity to strengthen its equity;
- variable remuneration is never guaranteed, except in the exceptional case of a newly recruited employee and for the first year of employment;
- the executive committee has designated a number of 'identified staff' and drawn up a remuneration policy for them. This was done in line with the selection methodology and criteria set by the board of directors and based on the impact of these persons on the risk profile of the group.

This policy also provides for a maximum ratio between the amount of fixed remuneration and the amount of variable remuneration as well as schemes to carry forward variable remuneration in cash or, possibly, in financial instruments, in accordance with the procedures provided for by the regulatory authorities;

- the remuneration of non-executive members of the board of directors consists solely of fixed remuneration determined on the basis of market benchmarks. These members do not receive variable remuneration of any kind.

## 8 Main risks to which the group is exposed

By the nature of its activities, Degroof Petercam is exposed to certain risks.

The main risks are as follows:

- market risks, mainly related to investment activities in securities portfolios (equities, bonds) and to interest rate transformation activity ('Asset and Liability Management');
- liquidity risk resulting from differences in maturities between financing resources (generally short-term) and the use thereof;
- counterparty risk related to credit activity (a risk largely covered by using securities portfolios as collateral) and intermediation operations in derivative instruments;
- risks related to the asset management business (risk of legal action by clients if mandates have not been complied with, commercial risk of loss of dissatisfied clients and related reputational risks);
- the operational risk resulting from its activities, including banking activities (error in order execution, fraud, cybercrime, etc.), custodian services (loss of assets) or fund management (non-compliance with constraints).

## 9 Policy concerning the use of financial instruments

Within the group, derivatives are used for own account in the following ways:

In the context of ALM (Asset and Liability Management) management, interest rate derivatives (mainly interest rate swaps) are used to hedge the long-term interest rate risk of the group.

Interest rate swaps are used to hedge investments in bonds and loans granted to clients, from a micro-hedging perspective. These transactions are recognized in the accounts as 'Fair Value Hedge'.

Interest rate swaps are also used for global hedging purposes, with a macro-hedge perspective.

This use of derivatives is supervised by the ALM committee.

Similarly, the group's treasury department (interest rate risk < 2 years) uses interest rate derivatives and treasury swaps to manage the group's interest rate risk and treasury risk.

The management of the group's foreign exchange position also involves the use of derivatives (forward foreign exchange contracts and currency swaps) to cover commitments to clients and the financing of subsidiaries in the currency corresponding to their activities.

Degroef Petercam also engages in mediation in derivatives, notably stock options, on behalf of its clients.



# 10 Corporate governance

At 31 December 2018, the governance bodies of Bank Degroof Petercam nv |sa were comprised as follows:

	Board of directors	Executive committee	Audit committee	Risk committee	Remuneration committee	Nomination committee	Expiration date
Ludwig Criel*							2021
Philippe Masset							2020
Nathalie Basyn							2021
Bruno Colmant							2021
Gautier Bataille de Longprey							2022
Gilles Firmin							2019 <sup>1</sup>
Pascal Nyckees							2021
Benoît Daenen							2023
François Wohrer							2024
Véronique Peterbroeck							2021
Alain Schockert							2022
Alain Philippson							2019 <sup>1</sup>
Jean-Baptiste Douville de Franssu							2021
Miguel del Marmol							2021
Jean-Marie Laurent Josi							2022
Christian Jacobs*							2019 <sup>2</sup>
Frank van Bellinghen							2019 <sup>1</sup>
Jacques-Martin Philippson							2022
Guido Vanherpe*							2024

Non-executive director    
 Executive director    
 Chairman    
 \* Independent director

## 10.1 The board of directors

The board of directors of Degroof Petercam includes the members of the executive committee and the non-executive directors.

The composition of the board of directors is reliant on the following rules:

- the composition of the board as a whole must enable it to function effectively, efficiently and in the best interests of the company; it must show a diversity and a complementarity of experience and expertise;
- no individual member nor group of directors must be able to control the decision-making of the board;
- the majority of directors must be non-executive;
- the board must include three independent directors among its members as at 31 December 2018.

The mission of the appointments committee is to make periodic recommendations to the board of directors concerning the size and composition of the board, particularly when terms of office are renewed. The members of the board all possess the professional integrity and appropriate experience required by the legal provisions.

In its recommendations to the general meeting of shareholders for the appointment of directors, the appointments committee takes into account the balance of knowledge, expertise, diversity and experience within the board.

<sup>1</sup> The renewals of these mandates will be submitted to the general meeting of 28.05.2019.

<sup>2</sup> The renewal of the mandate will not be submitted to the general meeting of 28.05.2019 in view of the fact that Mr. Christian Jacobs has served 3 terms as an independent director and can therefore no longer be qualified as independent within the meaning of article 526b of the CS.

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During the financial year, the following changes were made to the composition of the board of directors and the executive committee.

The ordinary general meeting of 22 May 2018 appointed Guido Vanherpe as an independent non-executive director and François Wohrer as an executive director for a six-year term.

The board of directors considers as independent directors those of its members who meet the criteria mentioned in article 526b of the Companies Code. As at 31 December 2018, the following persons should be considered as independent directors: Christian Jacobs, Ludwig Criel and Guido Vanherpe.

On the recommendation of the appointments committee, the board of directors has decided to propose to the ordinary general meeting of 28 May 2019, for a term of three years expiring at the end of the May 2022 general meeting, the renewal of the terms of office as directors of Gilles Firmin (as executive director), Frank van Bellingen and Alain Philippson (as non-executive directors). In addition, the board of directors has decided to propose to the general meeting, on the recommendation of the appointments committee, the appointment of Kathleen Ramsey and Yvan De Cock as independent directors for a three-year term expiring at the end of the general meeting in May 2022.

In accordance with the applicable legal provisions, these appointments are subject to prior approval by the supervisors.

## **Responsibilities and operation of the board of directors**

The board of directors is responsible for defining the strategy and the general policy. It ensures they are implemented by the executive committee and, based on the proposals of the executive committee, decides on the resources required to fulfill them. It determines the responsibilities and composition of the executive committee and supervises its activities. It ensures that sufficient resources exist to support the long-term future of the company.

It deliberates on all issues and matters within its competence, such as the approval of the annual financial statements and management reports as well as the convening of general meetings. At each quarterly meeting, it receives the information it needs regarding business performance and key figures, both for the company itself and for its main subsidiaries. It also approves the annual budget.

The board of directors meets at least four times a year. It met seven times during the past financial year.

At the end of each quarter, the board of directors reviewed, among other things, the results achieved by the group. It conducted strategic reviews on the direction to be given to the group's activities and developments.

The board of directors can only validly deliberate if at least half of its members are present or represented. No director may represent more than two of their fellow directors. Resolutions are passed by a simple majority of votes. In the event of a tied vote, the proposal is rejected.

The total remuneration allocated to the members of the board of directors is stated in the notes to the parent company financial statements (point XXIX, sub-item A4). The full version of the parent company's financial statements is available at the company's registered office.

## 10.2 Advisory committees created by the board of directors

Degroof Petercam has, in accordance with legal provisions, established four specialized committees within the board of directors, composed exclusively of non-executive directors, at least one of whom (and the majority in the case of the audit committee) is an independent director within the meaning of article 526b of the Companies Code. The board of directors may also designate observers.

### 10.2.1 Audit committee

As at 31 December 2018, the audit committee was composed of the following persons:

Membres	
Christian Jacobs	Chairman, independent director
Ludwig Criel	Independent director
Guido Vanherpe	Independent director
Miguel del Marmol	
Jean-Marie Laurent Josi	
Frank van Bellinghen	

The Chief Executive Officer, the Chief Risk Officer and the Chief Audit Officer, whilst not being members, are invited to attend the meetings of the audit committee. The Chief Financial Officer is invited to attend meetings related to the analysis of the half-yearly and annual financial statements and the development of the performance.

The company's auditor takes part in meetings that deal with the examination of the half-yearly and annual financial statements.

The audit committee met seven times during the past financial year. It reported systematically on its activities to the board of directors.

Each member of the audit committee has professional experience in financial management, reporting, accounting and auditing; each member of the audit committee has professional experience as a director exercising executive functions, and the members of the audit committee have complementary professional experience in different sectors of activity and have collective competence in the area of the group's activities.

The audit committee is chaired by Mr. Christian Jacobs, who has a degree in economics. He has significant experience in accounting and auditing acquired through various executive positions he has held for nearly 30 years in the banking and financial sector, mainly within the JP Morgan Group, but also as president of United Fund for Belgium, director and member of the executive committee of the Belgian Banking Association, and vice president of the American Chamber of Commerce in Belgium). He has chaired the group's audit committee since 2009.

Mr. Ludwig Criel has a degree in applied economics. He was chairman of the board of Petercam from 2011 to 2015, and has been chairman of the board of Degroof Petercam since 2018. He has extensive expertise and professional competence in accounting matters, having served as CFO and director of CMB for 24 years, as well as various non-executive mandates held within the Saverco group. In addition, he is chairman of the board of directors of De Persgroep.

Mr. Guido Vanherpe has a degree in applied economics and marketing. He also completed an MBA. He has been managing director of the La Lorraine Bakery Group since 1995. He is chairman of the audit committee of Resilux and was a member of the audit committee of Terbeke. During his career, in addition to his theoretical skills, he has acquired extensive professional experience in accounting and auditing.

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Mr. Jean-Marie Laurent Josi holds an MBA from Solvay Business School and a master's degree in tax accounting. He has acquired specialized professional experience in accounting and auditing mainly through his role as CEO of Cobepa since 2004, as well as through his various roles as a director of companies in a number of sectors, and more particularly his role as a member of the audit committee of Carmeuse and of Touring Club.

Mr. Miguel del Marmol has a degree in business engineering. He has acquired professional experience in auditing and accounting throughout his career with the Total Group, particularly as general manager.

Mr. Frank van Bellingen has a bachelor's degree in philosophy, a master's degree in economics and a master's degree in international relations, but he was also certified as an accountant and tax expert until 2006. Director and CFO of CLDN-Cobelfret for more than 20 years, he brings relevant experience and expertise in auditing and accounting.

The audit committee assists the board of directors in the performance of its supervisory role, particularly with respect to:

- financial information intended for shareholders and third parties;
- the audit process;
- the functioning of the internal control system;
- monitoring the relationship with the auditor.

The meetings mainly focused on examining the half-yearly financial statements, the annual financial statements and activity reports, on the follow-up of the implementation of the recommendations by the group's internal auditors and the approval of the planning of the internal audit missions, on the selection process for the new auditor, on the follow-up of financial reporting projects, IT strategy and the correspondence/reports of the regulators. The committee is also informed of the conclusions of the audit and risk committees of the subsidiaries. Representatives of the group's main subsidiaries reported on their activities and challenges. The committee has taken note of the list of disputes.

## 10.2.2 Risk committee

As at 31 December 2018, the risk committee was composed of the following persons:

Membres	
Frank van Bellingen	Chairman
Guido Vanherpe	Independent director
Christian Jacobs	Independent director
Jean-Baptiste Douville de Franssu	
Jacques-Martin Philippon	

The Chief Executive Officer, the Chief Risk Officer and the Chief Audit Officer, whilst not being members, are invited to the meetings of the risk committee.

The risk committee met seven times during the past financial year. It reported systematically on its activities to the board of directors.

Each member of the risk committee has professional experience as a director in executive positions, and has the necessary additional knowledge, expertise, experience and abilities to understand the group's strategy and risk tolerance level.

Mr. Frank van Bellingen has a master's degree in economics and a master's degree in international relations. He has acquired professional experience in risk management through his role as a director and chief financial officer of CLDN-Cobelfret, where he has been responsible for risk management since 1988. He has also chaired the risk committee of Degroof Petercam since 2015.

Mr. Guido Vanherpe has a degree in applied economics and applied marketing. He also completed an MBA. He has been managing director of the La Lorraine Bakery Group since 1995 and has gained relevant professional experience in risk management.

Mr. Christian Jacobs, who has a degree in economics, has dealt with risk management during his career with the JP Morgan Group, and has supplemented his expertise with his role as a director and member of the executive committee of the Belgian Banking Association, and vice president of the American Chamber of Commerce in Belgium.

Mr. Jean-Baptiste Douville de Franssu graduated from the Groupe de l'Ecole Supérieure de Commerce de Reims and the University of Middlesex (London) in Business Administration. He holds a degree in actuarial science from Pierre and Marie Curie University (Paris). Until 2012 he was managing director of Invesco Plc, one of the largest asset managers in the world. Since then, he has held numerous board positions in the financial sector. He is chairman of the board of directors of L'Istituto per le Opere di Religione (IOR) and vice-chairman of the board of directors and chairman of the Audit and Risk Committee of the La Française Group.

Mr. Jacques-Martin Philippson has gained professional experience in risk management throughout his career as a director (executive and non-executive) of many companies since 1990. In addition, he has been a member of the risk committee of Degroof Petercam in Belgium and Luxembourg since 2012.

The risk committee assists the board of directors in assessing the level of risk tolerance and proposes action plans in this area.

The risk committee deals in particular with the group's main risk policies. It receives specific briefings from the relevant managers, examines the procedures for controlling certain market risks and structural interest rate risks.

The risk committee paid particular attention to the monitoring carried out by risk management and more specifically to the impact of certain decisions on the group's risk profile. The committee also ensured the proper application of the compensation policy and the identification of identified staff. It validated the ICAAP 1 and ILAAP 2 reports, updating the recovery plan, the periodic risk management and operational risk reports, as well as the Compliance Officer's annual report (quarterly and annually, Enterprise Wide Risk Assessment). In addition, IT security and cyber risks as well as GDPR issues were analyzed by the risk committee.

### 10.2.3 Appointments committee

As at 31 December 2018, the appointments committee was composed of the following persons:

Membres	
Alain Philippson	Chairman
Ludwig Criel	Independent director
Guido Vanherpe	Independent director
Jean-Marie Laurent Josi	
Véronique Peterbroeck	
Jacques-Martin Philippson	

After his studies as a commercial engineer at the Solvay Brussels School (ULB), Mr. Alain Philippson started his career at First National Citibank. In 1972, he joined Bank Degroof, where he was a member of the executive committee for more than 30 years and chaired the board of directors for many years.

Mr. Guido Vanherpe has a degree in applied economics and marketing. He also completed an MBA. He has been managing director of the La Lorraine Bakery Group since 1995.

Mr. Jean-Marie Laurent Josi holds an MBA from Solvay Business School and a master's degree in tax accounting. He has acquired specialized professional experience in accounting and auditing mainly through his role as CEO of Cobepa since 2004, as well as through his various roles as a director of companies in a number of sectors, and more particularly his role as a member of the audit committee of Carmeuse and of Touring Club.

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Ms. Véronique Peterbroeck, who is a candidate in economics and a state-certified stockbroker, has been a director of the group since 2011. She is also a director of various asset management companies and foundations/ASBLs for development in developing countries in the South, and also gained experience in human resources through her time as an employee in Petercam's human resources department in 2006.

In addition to his directorships with Degroof Petercam in Belgium and Luxembourg since 2011-2012, Mr. Jacques-Martin Philippson has been a director of companies since 1990 in the areas of events, audiovisual, logistics, financial management, real estate development and asset management.

The members of the appointments committee have complementary professional experience in different sectors of activity and collectively have the necessary expertise to enable the committee to exercise a relevant and independent judgment on the composition and functioning of the group's management and administrative bodies

The appointments committee is consulted in particular on matters relating to:

- the composition and size of the board of directors and executive committee;
- the definition of the profile of the board of directors and executive committee members and identified staff, and the selection process;
- proposals for appointing and re-electing directors and members of the executive committee.

The Chief Executive Officer and the Group Chief HR Officer are invited to attend the meetings of the appointments committee.

The appointments committee ensures that it applies the recruitment, appointment and renewal policy applicable to the functions of directors, acting directors and managers of the independent control function.

The appointments committee ensures that it makes proposals regarding the composition of the board of directors and the executive committee, defines the profile of their members and participates in the selection process of their members. It also makes recommendations regarding the appointment and re-election of directors and members of the executive committee.

The directors are elected by the general meeting of shareholders, after approval by the supervisory authority, for a term not exceeding six years, and are eligible for re-election.

For the renewal of a director's mandate, the appointments committee must analyze the individual contribution of the director concerned before recommending the renewal of the mandate to the board of directors.

The members of the executive committee are appointed by the board of directors, based on the proposal from the appointments committee, and after approval by the supervisory authorities. The chairman of the executive committee is appointed by the board of directors from among the members of this committee after recommendation of the appointments committee and approval by the supervisory authority. The dismissal or non-renewal of the chairman's mandate is subject to the same procedure.

The appointments committee met seven times during the past financial year. It reported systematically on its activities to the board of directors.

#### 10.2.4 Remuneration committee

As at 31 December 2018, the remuneration committee was composed of the following persons:

Membres	
Ludwig Criel	President, independent director
Christian Jacobs	Independent director
Alain Schockert	

Each member of the committee has professional experience as a director exercising executive functions and the members of the remuneration committee have the necessary expertise to exercise reasoned and independent judgment on remuneration policies and incentives created for risk, capital and liquidity management.

Mr. Ludwig Criel has a degree in applied economics. He was chief financial officer and executive officer of CMB for 24 years, and has held various non-executive positions within the Saverco Group. He is also chairman of the board of directors of De Persgroep. After having chaired the board of directors and the remuneration committee of Petercam from 2011 to 2015, he is now chairman of the board of Degroof Petercam, and has been a member of the remuneration committee since 2016.

Mr. Christian Jacobs, who has a degree in economics, held executive positions within the JP Morgan Group for nearly 30 years and chaired the JP Morgan remuneration committee for 8 years, was a member of the Euroclear remuneration committee for 4 years and finally chaired the Imperbel Belgium remuneration committee.

Mr. Alain Schockert, who has a degree in applied economics and who is both master as well as doctor in management sciences, has been chairman of the board of directors of Banque Degroof Petercam Luxembourg since 2015 and a director of the group in Belgium since 1998. He was also a member of the remuneration and appointment committee of Cofinimmo.

The remuneration committee is consulted in particular on matters relating to:

- the general remuneration policy;
- the total amount of variable remuneration;
- the remuneration of directors who are members of the executive committee;
- the remuneration of identified staff and independent control functions;
- the profit-sharing plans for group employees.

The Chief Executive Officer and the Group Chief HR Officer are invited to attend the meetings of the remuneration committee.

The remuneration committee met seven times during the past financial year. It reported systematically on its activities to the board of directors.

## 10.3 Executive committee and day-to-day management of the group

In accordance with article 17 of its articles of association and article 24 of the banking act, the board of directors has set up an executive committee within its ranks.

The executive committee is responsible for managing the activities of the credit institution within the framework of the general policy defined by the board of directors.

Accordingly, the executive committee is empowered by the board of directors to make decisions and represent the company in its dealings with personnel, clients, other credit institutions, the wider economic and social environment and public authorities. It will also make decisions in respect of the representation of the company within its subsidiaries and within those companies in which it holds equity investments.

At 31 December 2018, the executive committee was composed of the following members:

Composition du comité de direction	
Philippe Masset	Chief Executive Officer
Nathalie Basyn	Chief Financial Officer
Bruno Colmant	Head of Macro Economic Research and Economic Advisor
Gautier Bataille de Longprey	Group Head of Business Development
Gilles Firmin	Chief Risk Officer
Pascal Nyckees	Group Chief Operations Officer
Benoît Daenen	Head of Private Banking
François Wohrer	Group Head of Investment Banking

The composition of the executive committee is determined on the basis of the following principles:

- the complementarity of expertise (in financial matters, risk management, operational know-how, etc.) required to ensure the implementation of the strategy as defined by the board of directors;
- changing requirements;
- the consideration of the moral and ethical criteria applicable within the group.

Each of the current members of the executive committee holds the title of managing director.

In principle, the executive committee meets four times a month. It met 48 times during the past financial year.

## 10.4 Earnings appropriation policy

The dividend is determined with reference to consolidated net profit and retained earnings, as well as the strategy of the group.

## 10.5 Governance memorandum

Degroef Petercam has drawn up a governance memorandum assessing the basic features of its management structure with respect to:

- the personal integrity and financial soundness of major shareholders;
- a transparent management structure with a focus on sound and prudent management;
- the definition of the expertise and responsibilities of each segment of the organization;
- the collegial nature of the executive management;
- the independent control functions;
- the suitable profiles and qualities of its executives;
- the remuneration policy for its executives;
- the determination of the strategic objectives and values that the group sets for itself;
- management's sound knowledge of the operational structure and activities;
- adequate communication regarding management and control with the various stakeholders concerned.

This information is submitted to the National Bank of Belgium and is periodically updated.



## 11 Significant events after the balance sheet closing date

Degroof Petercam has no significant events to report.

## 12 Discharge to directors and auditor

In accordance with the law and the articles of association, the general meeting is requested to grant discharge to the directors and the auditor of Bank Degroef Petercam nv | sa with respect to the performance of their mandates during the past financial year.

## 13 List of mandates exercised by directors in accordance with the application of the Law of 3 May 2002 amending the rules on incompatibility of mandates applicable to directors of credit institutions and investment companies and the Banking, Finance and Insurance Commission Regulation of 9 July 2002

The list of external mandates held by directors of Degroef Petercam and which are subject to publication, is available at [www.degroofpetercam.com](http://www.degroofpetercam.com).

Brussels, 25 April 2019.