

# Statement from the board of directors

“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.

**Degroef 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

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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.