Degroof Petercam

The year 2016 in brief

Dear Stakeholder,

We are pleased to report to you on the operations for the preceding financial year and to submit the balance sheet, notes and the corporate and consolidated profit and loss accounts for the 12-month period ending 31 December 2016, for approval.
The consolidated accounts have been drawn up in accordance with IFRS.

1 General comments

2016 was the first financial year for the merged entities in Luxembourg. The mergers between Banque Degroof Luxembourg and Petercam Luxembourg, on the one hand, and Degroof Gestion Institutionnelle – Luxembourg S.A. and Petercam Institutional Asset Management Luxembourg S.A., on the other hand, took place on April 1st, giving rise to Banque Degroof Petercam S.A. and Degroof Petercam Asset Services S.A., respectively. The date from which the entities are treated for accounting purposes as being merged is, with retroactive effect, 1 January 2016.

2015 was an exceptional year in that it comprised 15 months, as a result of the change in the closing date from 30 September to 31 December. The three-month's difference between the two financial years must therefore be taken into account when comparing the 2016 and 2015 results.

In December 2016, the Bank welcomed Bruno Houdmont[1] as the new CEO, replacing the CEO at interim, Philippe Masset. At the same time, Frank Wagener[1] was appointed independent director of the Board of Directors of the Bank. Nathalie Basyn[2], Gilles Firmin[2], Xavier Van Campenhout[2], Frank van Bellingen[2], Christian Jacobs[2] and Benoît Daenen[1] also joined to reinforce the Bank's Board of Directors.

Negotiations regarding the sale of the Bank's minority interest in Landolt & Cie S.A. were successfully concluded in 2016. The Group is now fully positioned on the Swiss market through Degroof Petercam Banque Privée (Suisse), a wholly-owned subsidiary of the mother company.

The previous period was marked by the continued decline in interest rates. The European Central Bank's negative replacement rate rose from 30 to 40 basis points in March 2016. The year was marked by highly volatile equity markets, which experienced a sharp downward correction at the start of the year before turning around just before the end of the year.

In this context, the 2016 consolidated result was down in comparison with 2015 – which, as a reminder, had three more months – reaching € 47.7 million.

Assets deposited by private clients totalled € 5.8 billion at 31 December 2016. Substantial gross inflows during the year were mitigated by a changing legal and fiscal environment.

1 Appointment to the Board of Directors at the start of 2017

2 Appointment to the Board of Directors occurred in 2016

The second pillar of the Bank's activity, i.e. Asset Services (fund administration for the Group and for third-party promoters) reaffirmed its importance and outlook during the period, growing 3.8%, i.e. € 28.8 billion.

The balance sheet remains as strong as over the past years with a capital adequacy ratio of 28.9% (the legal requirement is 8.6%).

The cost income ratio remains satisfactory (51.6%), making it possible to achieve a return on equity of 22.6%.

The Luxembourg Division and its subsidiaries have a total of 341 employees as at 31 December 2016, after the merger of the teams.

2 Banque Degroof Petercam Luxembourg S.A.

The results of balance sheet management were positive, while the interest margin and income from fees and commissions, primarily transaction fees, declined.

Net banking income dropped 5.4%, while net result, after amortisation and tax, totalled € 61.0 million, a 0.4% increase. As the comparison of the financial years is biased, as a result of changes in the duration of the financial year and consolidation scope following the merger, the Bank's statutory results are positively influenced by the capital gains realised on the sales of participations to other entities of the Group in the context of the merger.

The Belgian branch, which only carries out fund administration, ended the period with a profit of € 1.5 million.

Main risks to which the Bank is exposed

The Bank's risk exposure is detailed in note 6 to the financial statements for the period ended 31 December 2016. By the nature of its activities, the Bank is exposed to some risks, principally:
- market risks, essentially linked to investment activities in securities portfolios (equities, bonds) and to its interest rate transformation activity (ALM);
- liquidity risk resulting from differences in maturities between financing resources (generally short term) and the uses thereof;
- counterparty risk, linked to credit activities (a risk largely covered by the use of securities portfolios as collateral) and intermediation operations in derivative instruments;
- wealth management risk (the possibility of legal action by clients if mandates are not respected, commercial risk of loss of dissatisfied customers, and reputational risk);
- 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).

Circumstances that could significantly influence the development of the group

In the context of the implementation of the integration projects over the next three years, significant IT investments will be performed in the main segments of the Bank's activity, in order to gradually equipping it with first class technology, most notably in the digital field.

As a result of the merger on the one hand and the gradual deployment of new IT technologies on the other, the Group will continue to benefit from synergies and will be equipped with a modern platform promoting the growth of the business lines.

In general, the growth and profitability of the Group are also influenced by:
- the continuing 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;
- the macroeconomic environment.

Policy concerning the use of financial instruments

Group companies use derivatives for their own account as follows:
In the context of asset and liability management (ALM), interest rate derivatives (mainly futures and interest rate swaps) are used to hedge the long-term interest rate risk of the Group.

Interest rate swaps are used to hedge a portfolio of sovereign bonds and covered bonds from a micro-hedging perspective (the portfolio is recognised at fair value through profit or loss, the hedges are undertaken position by position) but also overall, from a macro-hedging perspective. This use of derivatives is supervised by the Asset and Liability Management Committee (ALMAC).

Similarly, the Bank's treasury (interest rate risks of less than two years) uses interest rate derivatives and treasury swaps to manage the Group's interest rate and treasury risk.

Managing the Group's foreign exchange position also involves the use of derivatives (forward foreign exchange contracts and currency swaps) to cover both commitments towards clients and the financing of subsidiaries in their operating currencies.

Derivatives (purchase of put options with sale of call options) are used to hedge some investment portfolio positions and to steer their returns.

Economic hedging operations with respect to equity positions performed through derivatives are recognised as financial assets designated at fair value through profit or loss.

The Bank also engages in intermediation activities on behalf of its clients.

Research and development activities

The Bank and its subsidiaries have undertaken no research and development activities.

Treasury shares

The Bank and its subsidiaries did not acquire treasury shares during the period.

Proposed appropriation of earnings at 31 December 2016

	(in euros)
Net profit for the period	61 048 999
Profit brought forward at 31 December 2016	103 895 398
Appropriation to other reserves	6 551 000
Appropriation to the reserve that is unavailable for distribution	(14 765 220)
Profit to be carried forward	**156 730 177**
Interim dividend of EUR 35.00 gross for the 740,000 shares	(25 900 000)
Retained earnings	**130 830 177**

3 Degroof Petercam Asset Services S.A. (DPAS)

Ownership interest		99.95%
Total balance sheet	EUR	68 962 663
Equity	EUR	18 507 136
Net profit	EUR	8 106 225
Headcount (average)		21 employees

2016 ended with net profit of € 8.1 million. They are up by more than 50% compared to the net profit for the 2014/2015 financial year which lasted 15 months.

With a total of € 25.0 billion as at 31 December, DPAS assets under management are up by 23% compared to 31 December 2015, € 3.6 billion (18%) of which is the direct result of the merger with PIAM Luxembourg.

The management company services for promoters, managers and third-party advisors business posted growth of 13%, reaching € 5.6 billion, which represented 23% of total assets.

At the same time, the Group's assets (excluding Venus) are, thanks in particular to the merger, up by 29% to € 18.9 billion, which is equivalent to 76% of total assets. Venus assets decreased by 28% to € 0.5 billion.

At the end of December, DPAS had a total of 24 employees in Luxembourg. The increase of six people in relation to 2015 is largely linked to the merger with PIAM Luxembourg, but also explained by the resources required to develop further the businesses in 2016.

4 D.S. Lux S.A.

Ownership interest		100%
Total balance sheet	EUR	483 758
Equity	EUR	316 437
Net profit	EUR	108 366
Headcount (average)		2 employees

5 Degroof Asset Management Hong Kong Ltd

91.84% owned by the Group, the remainder being held by the CEO and co-founder, Degroof Asset Management Hong Kong Ltd ended its second period with a result that was lower than the previous financial year.

There were two capital increases in March and in December 2016, of HK$ 2.8 million and HK$ 2 million, respectively, to support the subsidiary's businesses.

6 Other interests

Apart from minority interests of Promotions Partner S.A., a Bank subsidiary in real estate development projects in the Grand-Duchy of Luxembourg, the other consolidated subsidiaries have no employees and had no operating activities at 31 December 2016. They do not warrant any particular comment.

7 Conclusion

Apart from this, there were no events after the reporting date and up to the date of this report that could impact the financial statements of the Bank and of its subsidiaries.

In a world seeing profound change, the Bank has shown, thanks to its committed and competent staff, its flexibility and ability to adapt to this complex environment which offers as many opportunities as it does risks.

The strong balance sheet represents a valuable platform that reflects the prudence of the teams and the confidence of the shareholders.

We would like to express our gratitude to all our colleagues, who have shown determination and enthusiasm, not only when performing the day-to-day work of the Luxembourg Division but also in all the preparatory works for the merger in Luxembourg and the corresponding and successful migration of assets as a result of this merger.

The 2017 financial year will mark a new chapter for the Group in Luxembourg, since it represents the 30^{th} anniversary of the Bank's business in Luxembourg.

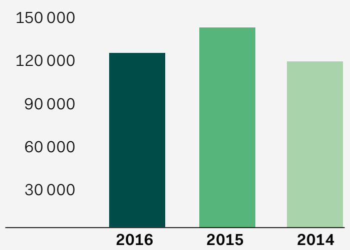
Indicators show the economic recovery momentum in the future is somewhat promising, even though there is still some uncertainty about international geopolitics.

In this context, the Bank will continue to reinforce and develop its capabilities available to both private and institutional clients, and we trust that our specific business model, which is in line with the Group's strategy, will enable our clients to meet their current and future goals.

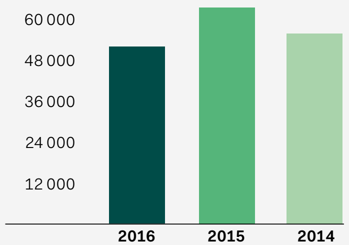
Lastly, we would like to take this opportunity to sincerely thank our clients for their trust and loyalty, our colleagues for their ongoing commitment and our shareholders and partners and the members of the Board of Directors for helping us to meet our objectives.

Bruno Houdmont
CEO

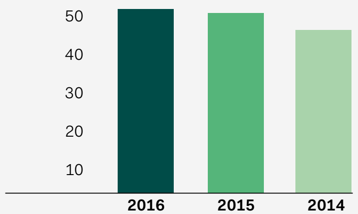
Alain Schockert
Chairman of the Board of Directors



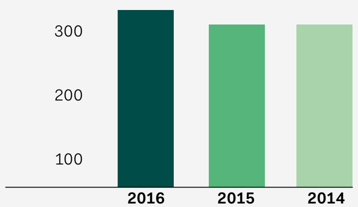
Net income (in thousands of EUR)
EUR 123 959



Net current result, group share
(in thousands of EUR)
EUR 51 030



Cost/Income ratio (in %)
51.55%



Headcount (in units)
341 personnes

Board of Directors
Chairman of the Board
Alain Schockert
Managing Director
Bruno Houdmont (as of February 24, 2017)
Philippe Masset (up to December 31, 2016)
Geert de Bruyne (up to January 25, 2016)
Directors
Baron Alain Philippson
Philippe Masset
Yves Prussen
John Li How Cheong
SAR Jean de Nassau
Jacques-Martin Philippson
Xavier Van Campenhout (as of April 1, 2016)
Gilles Firmin (as of April 1, 2016)
Nathalie Basyn (as of April 1, 2016)
Christian Jacobs (as of April 1, 2016)
Franck van Bellingen (as of August 8, 2016)
Franck Wagener (as of February 27, 2017)
Benoît Daenen (as of January 31, 2017)
Honorary member
Honorary Director
Claude Meiers
Management Committee
Managing Directors
Bruno Houdmont[1] (as of February 24, 2017)
Philippe Masset[1] (up to December 31, 2016)
Geert De Bruyne[1] (up to January 25, 2016)
Directors
Jean-François Leidner[1]
John Pauly[1]
Patrick Wagenaar
Sylvie Huret (as of July 1, 2016)
Nathalie Moraux (as of April 1, 2016)
Bernard Vanderhasselt (as of April 1, 2017)
Alain Geurts[1] (up to June 20, 2016)

1 Approved executives

Contact

Private banking
Institutional asset management
Investment banking
Asset services

BELGIUM

Banque Degroof Petercam
Rue de l'Industrie 44
1040 Brussels
T +32 2 287 91 11

Regional offices
Antwerp
T +32 3 233 88 48

Gent
T +32 9 266 13 66

Gosselies
T +32 71 32 18 25

Hasselt
T +32 11 77 14 60

Knokke-Heist
T +32 50 63 23 70

Kortrijk
T +32 56 26 54 00

Leuven
T +32 16 24 29 50

Liège
T +32 4 252 00 28

Namur
T +32 81 42 00 20

Wavre
T +32 10 24 12 22

Degroof Petercam Asset Management
Rue Guimard 18 | Guimardstraat 18
1040 Brussels
T +32 2 287 91 11

Degroof Petercam Corporate Finance
Rue Guimard 18 | Guimardstraat 18
1040 Brussels
T +32 2 287 97 11

LUXEMBOURG

Banque 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

DS Lux – Degroof Insurance Brokerage Company
Zone d'activité La Cloche d'Or
14, rue Eugène Ruppert
2453 Luxembourg
T +352 45 89 22

FRANCE

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

Regional offices
Lille
T +33 3 20 74 53 96

Lyon
T +33 4 26 99 59 00

Toulouse
T +33 5 61 32 09 96

SPAIN

Bank Degroof Petercam Spain
Avenida Diagonal 464
08006 Barcelona
T +34 93 445 85 00

Regional offices
Bilbao
T +34 94 679 23 02

Madrid
T +34 91 523 98 90

Valencia
T +34 96 353 20 94

Degroof Petercam SGIIC
Avenida Diagonal 464
08006 Barcelona
T +34 93 445 85 80

Degroof Petercam Asset Management Sucursal en España
Paseo de la Castellana 141, Planta 19
28046 Madrid
T +34 9 157 20 36 6

NETHERLANDS

Bank Degroof Petercam Netherlands branch
De Entree 238A 7th Floor
1101 EE Amsterdam
T + 31 20 573 5405

SWITZERLAND

Banque Degroof Petercam Suisse
Route de l'Aéroport 31
1211 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

HONG KONG

Degroof Petercam Asset Management (HK)
17/F Club Lusitano Building
16 Ice House Street
Central Hong Kong
T +852 2881 9983

Banque Degroof Petercam Luxembourg S.A.
Marketing & Communication
Zone d'activité La Cloche d'Or
12, Rue Eugène Ruppert
L – 2453 Luxembourg
T +352 45 35 45 1
F +352 25 07 21
T.V.A.: LU 13413108
info@degroofpetercam.lu

Ce document est également disponible en français sur le site www.degroofpetercam.lu.

General co-ordination: Laurent Meiers
Responsible editor: Bruno Houdmont

Graphic design: Propaganda

* At April 15, 2017.

WEBSITE
degroofpetercam.lu
funds.degroofpetercam.com

BLOG
blog.degroofpetercam.com

LINKEDIN
https://www.linkedin.com/company/banque-degroofpetercam-luxembourg

Degroof
Petercam