

# DELEN

PRIVATE BANK



ANNUAL REPORT 2017



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Delen Private Bank

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## A window on Delen Private Bank

Dear Sir, Madam,

We are proud to present you with a brand-new copy of our annual report for 2017. It's a document in which the bank's management and staff give you a personal, first-hand account of the events of the past year, whether at the bank as a whole or in their own particular department. We hope that it will give you a good idea of what has been going on at the bank during the past year.

2017 was a year of intense activity, in which our customers were able to reap the fruits of bullish stock markets. At the same time, the introduction of new regulations (such as the tax on securities in Belgium), the advent of MiFID II in the EU and the reform of the Belgian law of succession all raised questions from time to time. Thanks to our expertise and experience, we were able to identify both possible pitfalls and potential opportunities in this respect.

The growth of Delen Private Bank itself generated a steady flow of new customers, new staff and new branches in 2017. Clearly, our philosophy appeals to our customers: common-sense investment management, based on a lasting, personal relationship with our customers, staff and partners. On page 14, management looks back at the year 2017.

In the meantime, we continue to do our best to ensure that our customers receive the highest possible standard of service in the future. We are following a twin-track policy in this respect: a combination of personal service focused on our customers' needs on the one hand, and digitalisation for reasons of optimum efficiency on the other. Both aspects are absolutely essential if we are to achieve excellence in customer service. We also continue to hone our group structure, on the basis that a robust, streamlined organisation provides the best possible operating environment for each individual unit.

The first few months of 2018 have seen a wide range of sentiments enveloping the stock market, ranging from euphoric and full of hope to nervous and wary. These are times when our mixture of prudence and common sense really comes into its own. We look forward to an exciting year that will bring pleasant and productive collaboration with our customers, staff and stakeholders.

Happy reading!

Jacques Delen  
President of the Board of Directors



Jacques Delen

## Key figures and prospects

Delen Private Bank

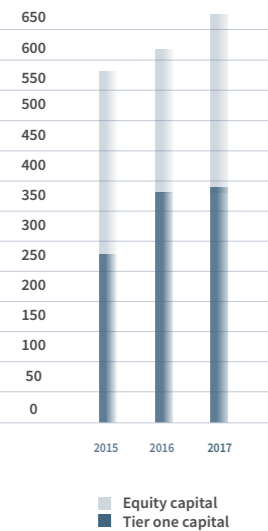
# Balanced growth in all market conditions

### Key figures

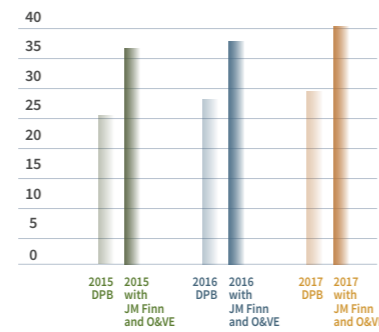
The Delen group continued on the path of balanced growth in 2017.

With our focus on discretionary management and estate planning for both private and institutional clients, the group has evolved into a prominent player in Belgium, Luxembourg and Switzerland (Delen Private Bank NV), the Netherlands (Oyens & Van Eeghen NV) and the United Kingdom (JM Finn & Co Ltd). The total value of the assets under the group's management at the end of 2017 was €40.5 billion.

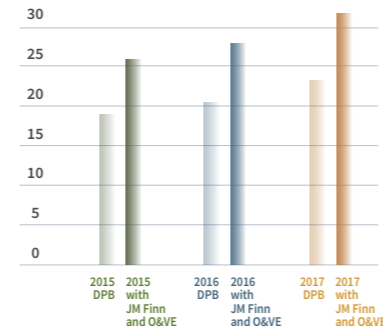
### Equity capital (€ million)



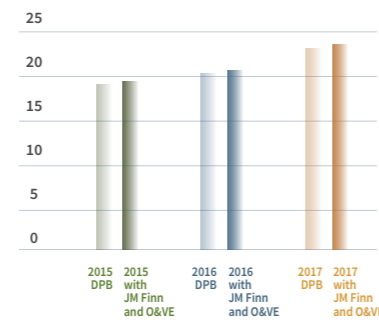
### Assets under management (€ billion)



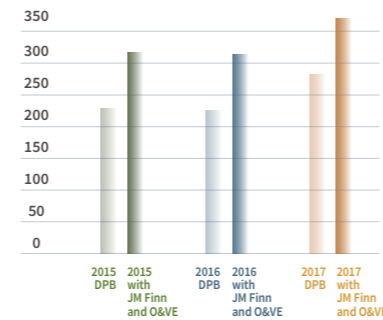
### Of which discretionary (€ billion)



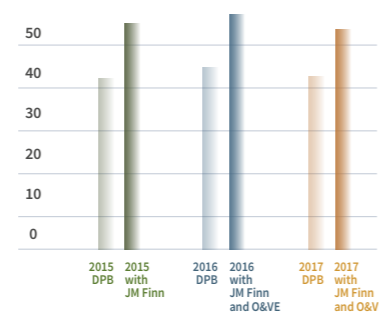
### Of which Delen Group investment funds (€ billion)



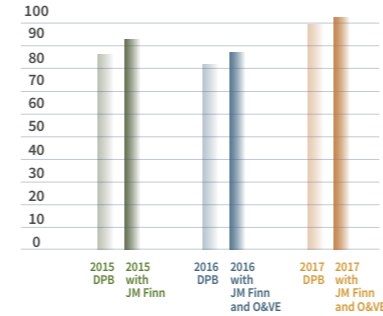
### Gross operating income (€ million)



### Cost-income ratio (%)



### Net profit (share of the group) (€ million)



### Prospects for 2018

Delen Private Bank will continue to pursue its balanced investment philosophy, convinced as we are that this offers the best long-term prospects. Delen Private Bank (in Belgium, Luxembourg and Switzerland), JM Finn (United Kingdom) and Oyens & Van Eeghen (the Netherlands) will continue to strive to attract new capital, particularly in those regions where brand awareness is on the rise.

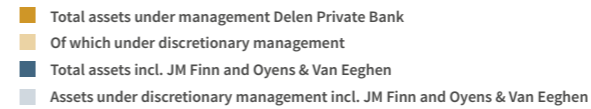
Thanks to the positive outlook for the economy, we are embarking on the new year with a healthy dose of cautious optimism. Nonetheless,

the current valuations of equities are grounds for wariness, as the markets are sensitive to interest-rate evolutions and geopolitical tensions. The bank will seek to gain the maximum advantage from the new market conditions, by closely monitoring developments so as to protect and grow its clients' assets in the long term.

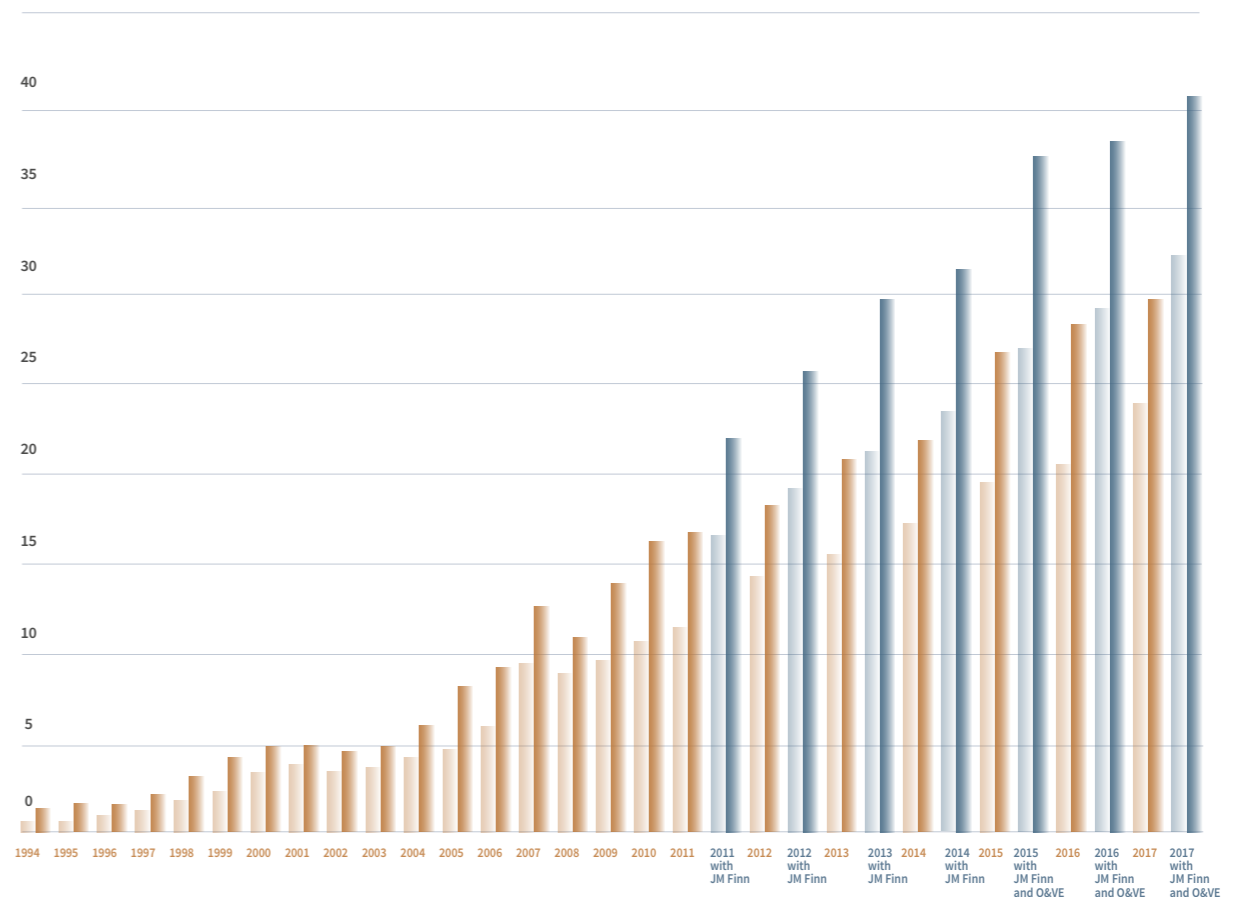
While continuing to pursue the successful implementation of our long-term plans for bolstering JM Finn's business model and integrating Oyens & Van Eeghen more closely into the rest of the group, the Delen group will also continue to look at external growth

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Delen Private Bank's proven business model is also suited to other markets in which it operates.

opportunities. We are convinced that our business model, which has developed at a steady pace in Belgium, is also suited to other markets in which we operate.



### Billion €





## Overview markets 2017

Delen Private Bank

## The global economy in 2017: a Goldilocks scenario

**In Goldilocks and the Three Bears, the little girl sneaks into the bears' house where she chooses the porridge that is neither too hot nor too cold, the chair that is neither too high nor too low, and the bed that is neither too big nor too small. In short, everything is just right. The story echoes the benign conditions we saw in 2017 - economies recovering in unison in every part of the world, coupled with growth in international trade, consumer spending, employment and investment.**

The global economy grew, but not to the point of over-heating, as both inflation and long-term interest rates remained stubbornly low. ECB and Bank of Japan policy looks set to stay accommodative in the short term, while the Fed is raising interest rates at a snail's pace even though the U.S. economy is already quite advanced in the economic cycle.

The year's real surprise was the weak U.S. dollar, which fell 14% against the euro - towards 1.20 territory - despite talk of renewed parity between the pair back in 2016. The greenback's lacklustre performance was, in part, down to a sense of disappointment in President Trump's first year in office. More significantly, there were signs of renewed political stability and a faltering populist movement in Europe. Dutch voters rejected the far-right at the ballot box, Emmanuel Macron saw off Marine Le Pen's challenge in France, and Angela Merkel's grand coalition was returned to power in Germany. The year's political developments were good news for every part of the economy, as growth rebounded in areas such as consumer spending, investment and exports, and companies reported strong profit data.

The stock markets also reacted positively - if not over-enthusiastically - to last year's Goldilocks scenario. Expressed in euros, stocks were up 5.4% globally and 6.5% in the eurozone, while interest rates held firm.

### Politics back on the agenda

In 2016, we saw how political developments were once again able to shape movements in the markets. Last year, meanwhile, the big story was the threat of populism and separatism to the European project. But there was a fresh wave of optimism on the continent as far-right parties were defeated in the Netherlands and France, Emmanuel Macron swept to power, and the grand coalition held on in Germany, triggering a series of upwardly revised growth forecasts. And in Catalonia, the independence movement was quashed and constitutional order restored. President Macron secured employment law reforms in France with barely any social unrest - something none of his predecessors had managed. President Trump, meanwhile, found things much harder-going politically as he failed to get his Affordable Care Act reforms through Congress. On a positive note, his much-vaunted tough protectionist policies seem to have amounted to nothing, although he did succeed in pushing through corporate tax reforms at the tail end of the year, which should boost company profits by around 10%.

Theresa May's decision to call a snap election in June saw her government lose its majority and severely weakened her position - as illustrated by the chaotic Brexit negotiations. The effects are already

being felt in the UK economy, although there has been no fallout elsewhere in Europe.

Other than Brexit, populism seems to be on the wane across Western Europe, but the picture to the east is much more complex. In Poland, more than a third of voters back the nationalist, arch-eurosceptic Law and Justice (PiS) party. The European Commission has triggered sanctions against the Polish government for repeated breaches of EU rules, and some observers have even suggested that "Polexit" might be on the cards.

In the Middle East, the U.S. has taken sides with Saudi Arabia and the Sunnis against Iran and the Shiites - a stance that is likely to fuel even greater polarisation and tension and could even spark conflict. The same holds true in the Far East. While recent developments suggest that tensions in the region may be calming, nobody can predict what Kim Jong-un will do next.

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In 2017, all economic  
conditions were just right.

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This year's political agenda in Europe will be dominated by the Brexit talks and President Macron's proposed EU reforms.

Back in Europe, this year's political agenda will be dominated by the Brexit talks and President Macron's proposed EU reforms, with an emphasis on solidarity and the eurozone budget. And all eyes will be on the Italian elections and the fate of the Five Star Movement, as well as emerging nationalism in Eastern Europe.

### Global economy

Last year saw upward momentum on Europe's southern fringes, with notable bond rallies in Greece and Portugal. In Spain and Italy, the authorities embarked on a much-needed clean-up of the banking sector, closing four banks in total. Each country went about the process differently, but the move seems to have staved off a potential banking crisis. Sky-high youth unemployment - 38% in Spain and 40% in Greece - is still the biggest

issue facing Southern Europe. While the ECB's measures appear to be making a difference, the rate of progress is slow.

Fears remain around credit growth in China. Recent efforts to tackle the problem seem to have had little effect, but it could still take a few more years to complete the transition from an export-driven economy to one fuelled by domestic consumer spending. Here again, patience is of the essence.

India recorded strong growth (6.7% in 2017 according to IMF estimates), but the country is facing price pressure and, as a consequence, rising inflation. Last year's key development was the government's decision to withdraw bank notes from circulation to curb black-market trade. The overall environment remains challenging and volatile but the long-term growth outlook is promising.

South American economies were impervious to the social unrest and political troubles that engulfed the region in 2017 - typified by the corruption scandals in Brazil - and the continent's stock markets (expressed in euros) put in a strong showing across the year.

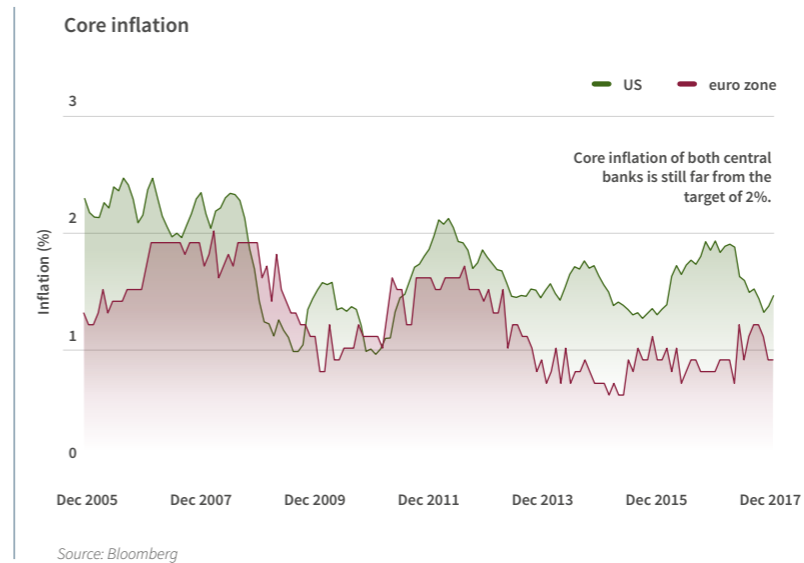
As the economic stars fell into alignment, the OECD, the IMF, central banks and other international

organisations issued a series of upwardly revised growth forecasts. Last year, GDP growth stood at 2.4% in Europe, 2.2% in the United States, 1.5% in Japan and 3.6% globally. The global economy looks set to fare even better in 2018, pushing towards 4% - a figure that harks back to the heady days of pre-2008. All of the world's regions are moving in unison for the first time in more than a decade, helping to fuel particularly robust growth.

In the immediate aftermath of the crisis, China and emerging markets took some of the heat out of the slow-down in developed economies. Then, in 2011-2013, the United States surged ahead as Europe fell back into recession. And in 2015-2016, it was the turn of China and emerging markets to fall on hard times. The current recovery, however, is evenly spread and seems set to last as investment and international trade pick up.

### Monetary policy and inflation

Global economic conditions are set fair and unemployment is falling in every part of the world. Yet, puzzlingly, developed economy central banks seem unwilling to drop their super-accommodative stance. The only outlier is the Fed, which maintained its two-year-old policy of gradual rate hikes (up 1% in 2017) with an economy at full employment.



Inflation remains stubbornly low, refusing to nudge above 2% in the United States (despite the dollar's 14% fall) and holding steady at 1-1.5% in the eurozone. The ECB has admitted that it will undershoot its 2% inflation goal in 2020.

Persistently low inflation remains something of a mystery. Some observers point the finger at globalisation, an abundant supply of oil, or the advance of digital technologies. Others argue that Amazon's relentless quest for retail domination is driving prices ever lower. Because businesses expect the low-inflation environment to persist for the foreseeable future, they have little appetite for putting up prices. Likewise, unions have scant basis for demanding sizeable pay rises.

Things nevertheless seem to be reaching a turning point. Annual wage growth recently broke through the 3% barrier in the United States and IG Metall, Germany's dominant metalworkers' union, has just secured a pay hike of around 3.5% for its members.

Looking to the central banks, Jerome Powell - Janet Yellen's successor as Fed chair - has said he plans to continue raising interest rates gradually. The Bank of England,

meanwhile, has suggested a modest 0.25% rate hike could be on the cards on the strength of solid fundamentals, despite Brexit uncertainty. And while caution remains the watchword amid stubbornly low eurozone inflation, the ECB is likely to tighten its monetary policy - albeit slowly - in the coming year. Since 2008, QE has been the rule of thumb for central banks across all developed economies. But that looks set to change in 2018 as they start selling off more assets than they buy.

The double whammy of rising inflation and central bank assets sell-offs is likely to affect interest rates, which began creeping up again at the start of the year.

Overall, tighter monetary conditions in 2018 could well weigh on stock, property and bond values.

### Financial markets

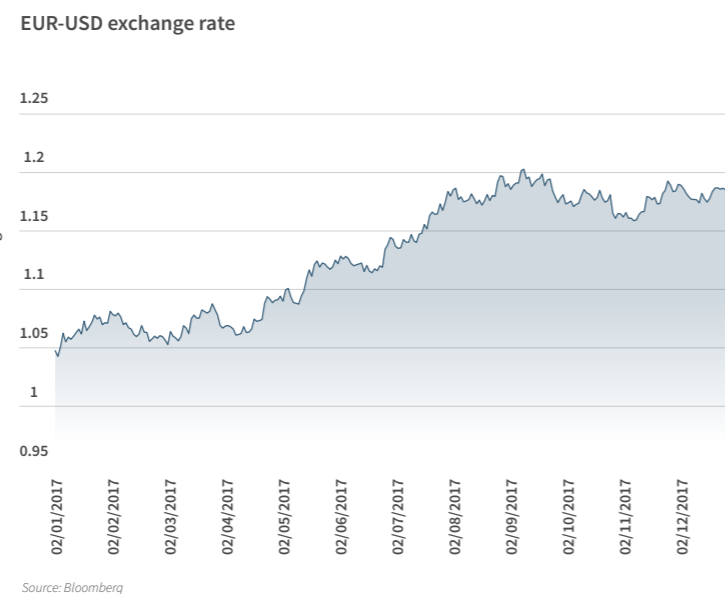
The euro soared against all other currencies in 2017, gaining as much as 14% against the U.S. dollar and confounding analysts' end-2016 predictions. Further Fed rate hikes were supposed to boost the dollar while other central banks held short-term interest rates at or below zero (-0.40% in the eurozone). Yet circumstances - political and economic good news stories in

Europe and weak, incoherent policy-making in Washington - worked in the euro's favour. The White House made no secret of its desire for a weaker currency to stimulate production, although the U.S. trade deficit widened by a further 12% in 2017, suggesting the plan had failed to pay off.

Despite robust corporate profit data (up 16% on average), the euro's strength took the edge off European stock market performance. Expressed in euros, the Euro Stoxx 50 finished the year 6.5% higher, outperforming the S&P 500 (up 4.8%) and the MSCI World Index (up 5.4%). The top performers were in Asia, however, where the Nikkei closed up 8.2% and the MSCI AC Asia ex Japan Index surged ahead by 21.7%.

Corporate bond yields fell again in 2017, especially among lower-rated bonds, while risk premiums (investors' additional return over a government bond) also fell, making these investments a less appealing prospect.

Oil prices remained highly volatile in 2017, although they ended the year 17% up as OPEC and Russia agreed to extend production cuts, while other commodities closed higher on the strength of the Chinese recovery.



**2018 outlook**

All the indicators point to a strong outlook for 2018, and beyond into 2019. The key risks reside in geopolitical developments in Iran, Syria, North Korea and elsewhere, and in U.S. protectionism. A sudden rate hike coupled with falling stocks could also stall economic growth.

There are signs that inflation could pick up again - a development that could push up interest rates and force central banks to adopt a tighter monetary stance. The most likely scenario is that rates will rise slowly and that robust economic conditions will see companies reporting strong profit data, softening any impact on the stock markets. But sharp movements, compounded by selling by "weak hands" (inexperienced late-comers), are not beyond the realms of possibility.

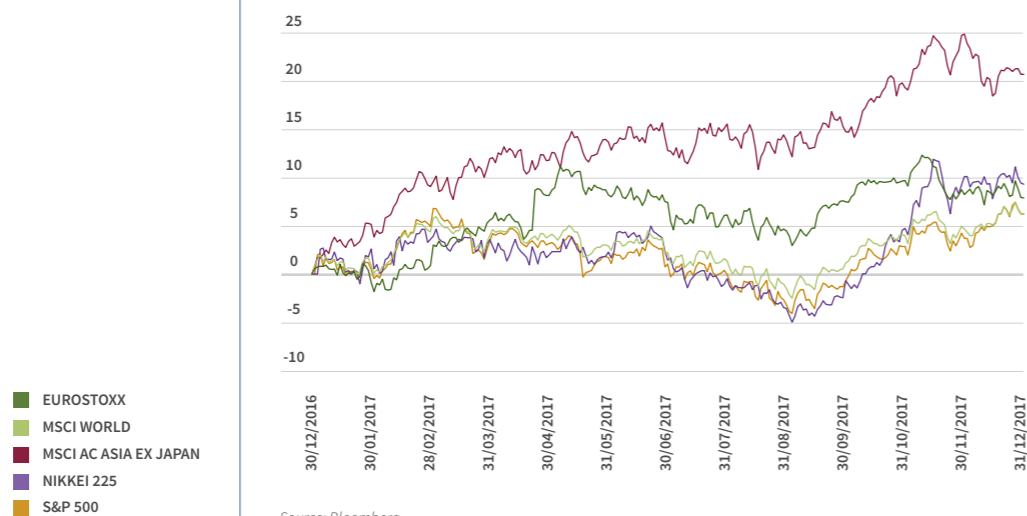
We continue to hold the view that stocks - and European stocks in particular - are the best investment, especially as bond yields are so low. Yet caution dictates that we avoid overweighting this asset class, other than in defensive strategies where the options are limited. We opt for short-term bonds - especially government bonds - to hedge against increasingly likely rate hikes. And we invest selectively in

hybrid bonds (perpetual, high-yield and convertible bonds) because the additional return no longer outweighs the underlying credit and liquidity risk.

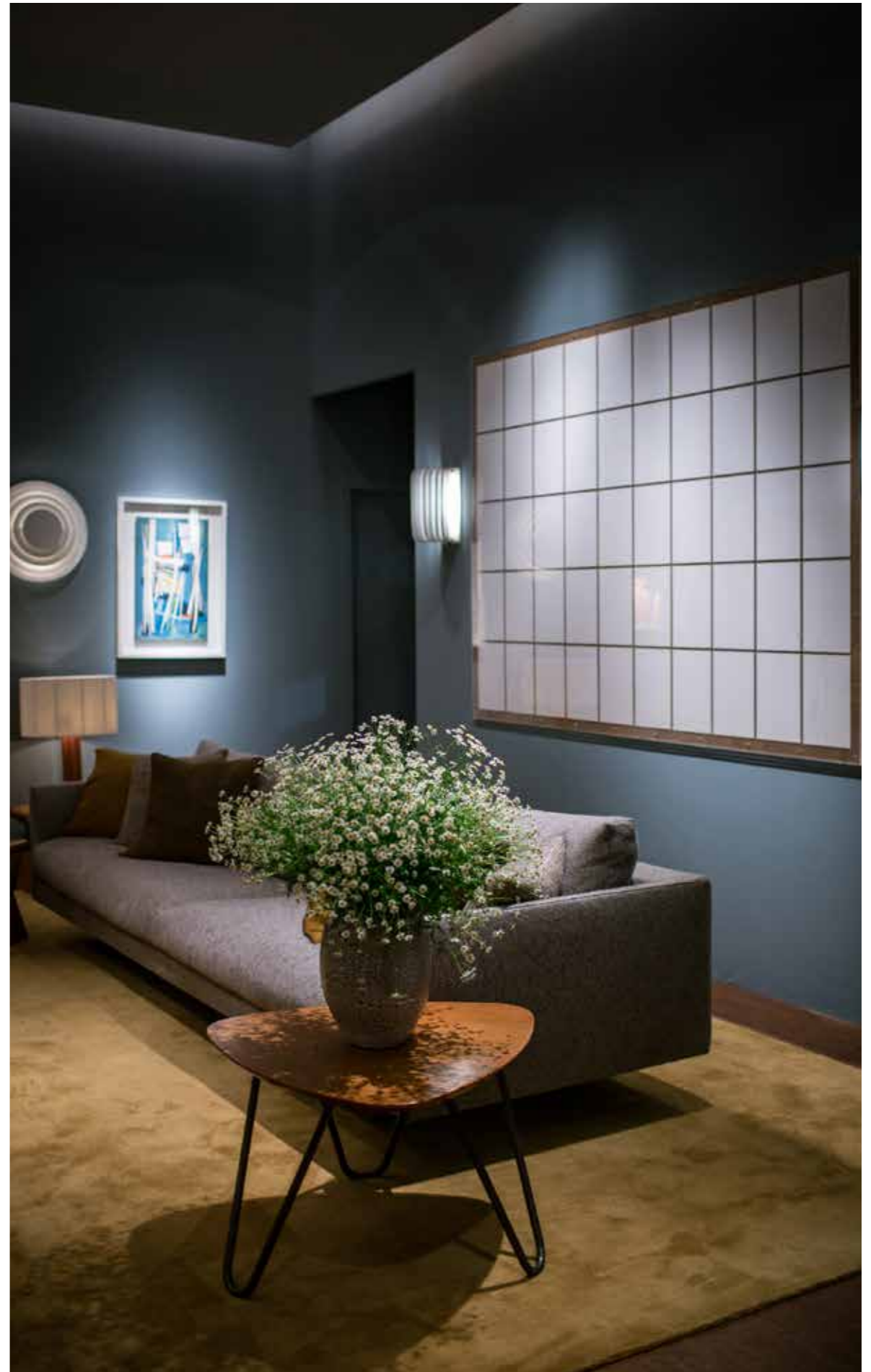
Our non-eurozone stocks performed well in 2017 despite the euro's strength, as stock market rallies more than offset relative currency weakness, supporting our strategy of spreading currency risks. The trends we have seen at the start of this year - rising sovereign yields, jittery stock markets and a weakening euro - prove that we are right to remain cautious.

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The first market trends of 2018 - rising interest rates, weak stocks and a lower euro - prove that our cautious attitude makes perfect sense.

Evolution of the most important stock indices in 2017 (in euros)



Source: Bloomberg





From left to right: René Havaux, Arnaud van Doosselaere and Paul De Winter

## Looking back to 2017 and forward to 2018

Delen Private Bank

**Geopolitical developments sparked periods of market volatility in 2017, although stocks ultimately performed well. But investor fears have risen to the surface again in early 2018. Paul De Winter, René Havaux and Arnaud van Doosselaere explain Delen Private Bank's position.**

**Paul:** "Delen Private Bank put on a strong showing in 2017. We saw robust capital inflows, successfully contained outflows, grew our business and delivered steady returns. Despite a shaky start to the year, strong economic fundamentals mean we can look ahead to the rest of 2018 with optimism."

**Arnaud:** "We're delighted with how things went in 2017. We recorded our highest ever capital inflow, with 40-50% coming from our regional branch offices. That shows how our long-standing Brussels and Antwerp offices aren't taking all of the credit. It's been a real team effort. We opened three new branch offices last year - in Leuven, the Kempen region and Namur - to bring us closer to our clients. Mobility is a real problem for most of our clients in Belgium right now, and we're determined to do something about it."

**Paul:** "In the past, clients in Turnhout had no qualms about driving to our branch office in Antwerp, around 25 miles away. But heavy traffic means that same journey can now take more than two hours. That's why we decided to open an office in the Kempen region. And we opened a new branch office in Knokke this Easter for the same reasons."

**René:** "We think that opening new branch offices is the right way for Delen Private Bank to proceed - especially at the moment, where we see little value in acquisitions here in Belgium. On average, only a quarter-or-so of clients from acquisitions use discretionary management. The remaining three-quarters don't really align with our strategy. By comparison, 92% of our new clients opt for discretionary management."

"We can look ahead with optimism after a strong showing in 2017"

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We open new offices in order to be close to our clients.

Paul De Winter



Paul De Winter



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We made an impressive 45 new hires in 2017, mostly young people. They will hold us in good stead for the future.

René Havaux

#### What's in it for your clients?

**Arnaud:** "Being closer to our clients is all about delivering a better service. Our policy of not paying individual bonuses to our staff takes conflicts of interest out of the equation and gives clients more choice. Clients are free to take their business to a different branch office if they wish."

**Paul:** "We're also proud to say that we've successfully contained our outflows. In fact, outflows hit a record low in 2017, mostly as a result of property purchases, donations and overheads. That performance stands testament to our reputation among our clients. And it confirms what we found in our spring 2017 satisfaction survey, when we achieved a Net Promoter Score (NPS) of 47. This score measures the willingness of a client to recommend a business to friends or family. Given that the score can range from +100 to -100, our result puts us well into positive territory, and well above the average you tend to see in the banking sector."

**René:** "Face-to-face contact is an increasingly important part of what we do to keep our clients happy. The main target we set our client relationship managers is to see two or three clients a day. They don't have to sell a certain number of products or hit any particular numbers, and each branch office reports aggregate figures.

Consequently, our clients get to talk to someone who is genuinely approachable and attentive. And because we don't pay individual performance-related bonuses, two clients looking to invest the same capital get exactly the same treatment, especially when it comes to fees. That's something you don't see very often in this industry."

#### You touched on the bank's growth and the returns you deliver...

**Paul:** "We've delivered steady, positive returns for six years running, despite operating in challenging conditions."

**Arnaud:** "We've achieved these results thanks to the tremendous teamwork displayed by Cadelam, our asset management subsidiary. Cadelam has been steadily expanding its staff over the years, with each new member bringing new skills on board. As a result, they can now do just about everything on their own. In the past, many people in the investment business used to sing the praises of "open architecture" - which meant buying third-party funds. Given that we operate exclusively as asset managers, however, we have decided to entrust our wealth management funds to Cadelam's experienced, multidisciplinary teams. It's a good way of preventing the costs from piling up. It's interesting to see that MiFID II is with us on this: one of the requirements in the directive is a higher level of transparency on retrocession fees."

**René:** "We made an impressive 45 new hires across all departments in 2017, and we're planning to recruit even more people in 2018. Those new hires brought total headcount to 360."

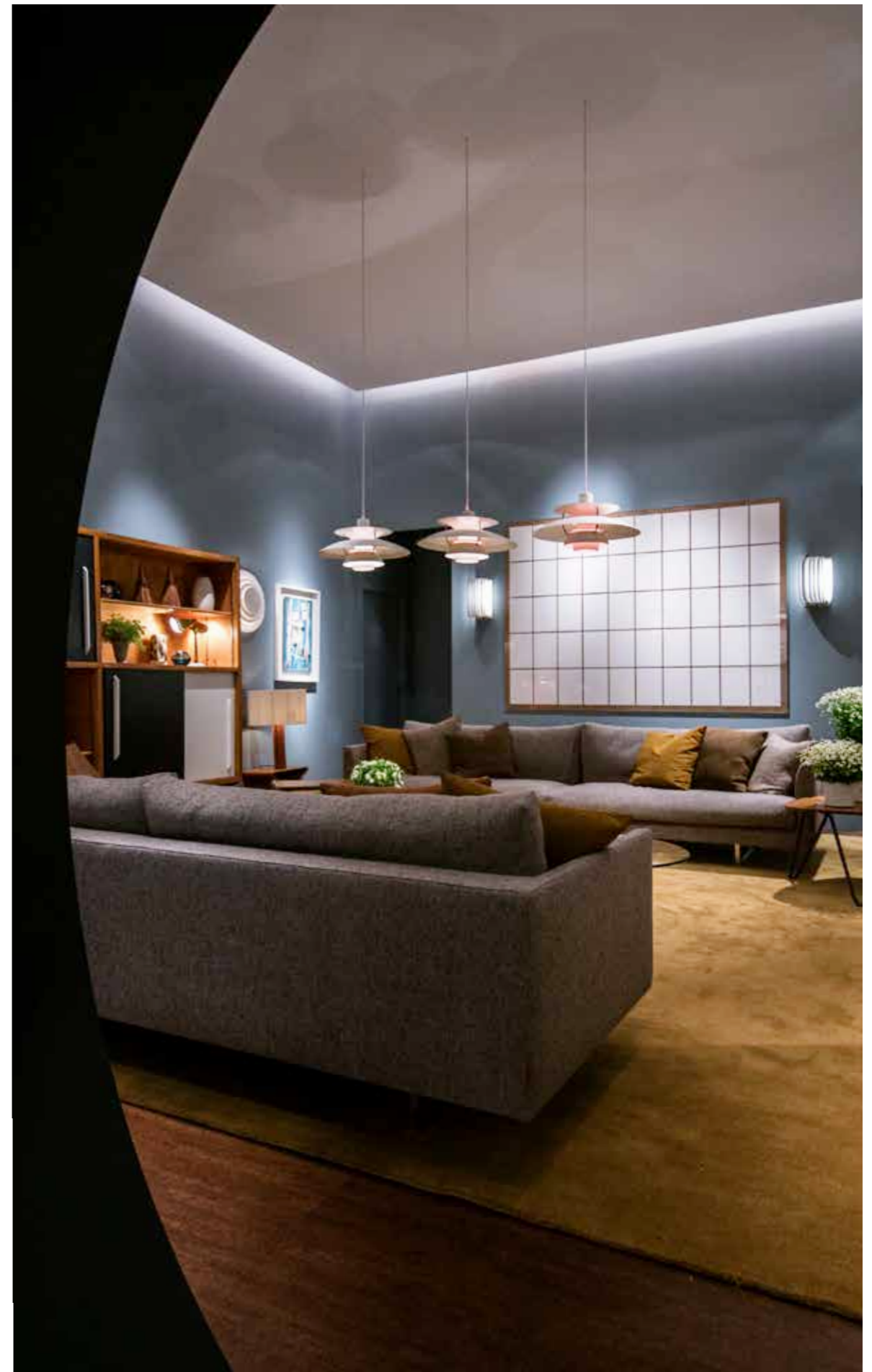
**Paul:** "IT remains the focus of our recruitment drive - a move that's delivering real benefits for our clients. We've already launched the Delen app and we have other projects, in asset planning and elsewhere, in the pipeline. Digital technologies are here to stay, and we have every intention of remaining at the forefront of innovation. The fact that we won the *Best Digital Private Bank* award last year stands testament to that." (see page 29).



René Havaux

**Arnaud:** "We're also planning to use IT to ease the ever-growing administrative burden from MiFID II, anti-money laundering laws and elsewhere. By automating some of our processes, we'll lighten the workload and give our people more time to do client-facing work."

**René:** "We're also hiring more junior staff and training them in different departments to broaden their skill set, while giving them long-term career prospects at the bank. Consequently, we're developing a younger workforce - something that fosters continuity and will hold us in good stead for the future."





Arnaud van Doosselaere

### MiFID II received a lot of coverage in 2017. How has it been for you?

**René:** “MiFID II gave us a lot more work to do, but I think we rose to the challenge. I want to pay tribute to all our people for playing their part. Of course, the administrative burden wasn’t quite so daunting for us because our discretionary management model is broadly MiFID II-compliant. For some of our competitors, it meant a complete rethink. But it was more of a gradual process for us.”

**Paul:** “A few years back, MiFID II was universally viewed as a threat. But we also see it as an opportunity. Transparency - one of the regulation’s central thrusts - has long been one of our core values. We’ve always been upfront about our fees, with no hidden surprises. Being transparent makes good business sense in today’s climate.”

**Arnaud:** “We achieved MiFID II compliance relatively painlessly, but there are more regulatory burdens on the horizon. The General Data Protection Regulation (GDPR) is the big story for 2018. It’s going to have a real impact across many sectors.”

### What does 2018 have in store?

**Arnaud:** “We want to see stability, especially when it comes to tax on investment income. The balance between tax burden and returns is close to tipping point. Fortunately there have been some useful reforms to labour taxation, but our focus is on continuity and stability and on making life easy for our clients.”

**Paul:** “We have plenty of other projects in the pipeline. Renovation work began this spring on our offices at 184 Jan Van Rijswijklaan in Antwerp, and we hope to move back in 2021. And we’re planning to switch from our temporary premises in Leuven to our brand-new regional office at 140 Bondgenotenlaan this September.”

**René:** “Our clients are taking an ever-keener interest in responsible investment. We want to give them the peace of mind they’re looking for. Sustainability has always been part and parcel of what we do. We’re currently adding environmental,

social and governance (ESG) criteria to our investment screening process. We comply with the blacklists published by the Financial Services & Markets Authority (FSMA) and the Belgian Asset Managers Association (BEAMA), and we keep a close eye on the watch lists maintained by six leading socially responsible investing (SRI) organisations, including the Norwegian pension fund. Our responsible attitude to asset management means our clients can invest with a clean conscience.”

**Paul:** “The markets have come under pressure since the start of this year amid investor uncertainty, euro gains against the dollar, political developments and faster-paced interest rate hikes. Rising rates could well unsettle the markets in the short term, but a gentle, gradual increase suggests that the economy is recovering - something that should prove extremely good news in the medium to long terms. Globally, the economic data paint a universally positive picture. Firms are financially sound and profits are growing. So we’re confident about what lies ahead.”



### What else are you doing on the continuity front?

**Paul:** “The relationship of trust between our clients and their wealth manager is vital. Often they know each other for years already, and they have a strong personal connection. At the same time we integrate continuity in our estate planning offering. We recently won the Euromoney award for *Best Succession Planning Advice and Trusts Belgium*. The client-estate planner relationship is equally important. One of the first things we do is to encourage new clients to talk to an estate planning lawyer. It’s about building that all-important continuity in the relationship.” (see page 31)

**Arnaud:** “Our estate planning service works with clients and their families at every stage of their lives. In the past, for example, we’ve run information sessions for our young people and for clients’ young children and grandchildren. We want to help them prepare for a financially secure future and keep the relationship going down the generations.”

**René:** “We have plenty of estate planners in our teams. On average, there’s one estate planning lawyer for every four wealth managers. We find that’s just the right mix to manage our workload. Although we’ve brought in some fresh blood, most of the team have been with us for a long time and staff turnover is extremely low.”

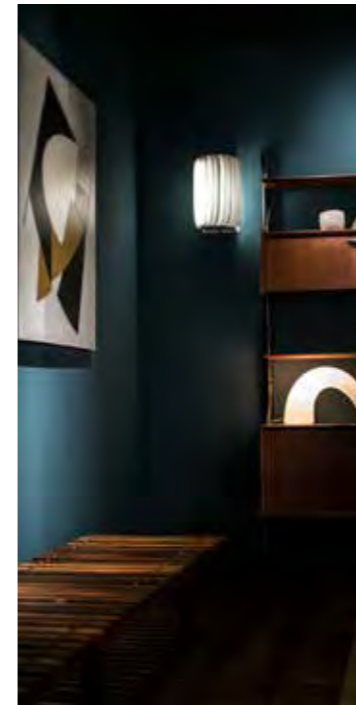
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By automating the administrative process, we gain more time to do client-facing work.  
Arnaud van Doosselaere



## Investment philosophy

Delen Private Bank

## The five cornerstones of our investment philosophy



**Our motto is *Asset management based on common sense.* We put this philosophy into action by basing our approach on the following five principles:**

- 1 A dynamic and carefully planned investment strategy focusing on the long term
- 2 A focus on balanced growth and the protection of our customers' assets
- 3 Simple, transparent solutions
- 4 A personal, lasting relationship with our customers
- 5 A comprehensive approach encompassing both asset management and asset planning

**Our distinctive approach is designed to instil confidence in our customers and create financial peace of mind for them, today and tomorrow.**



**Cadelam**  
Delen Private Bank

Capfi Delen Asset Management  
and Cadelux 2017

**As members of the Delen group, Cadelam NV (Capfi Delen Asset Management) and Cadelux SA are responsible for the financial, administrative and risk management of funds promoted mainly by Delen Private Bank. They are fund management companies licensed by the local regulatory authorities in Belgium and Luxembourg, i.e. the FSMA and the CSSF respectively.**

Cadelam and Cadelux service around 50 sub-funds (or 'compartments') distributed over 15 individual open-ended investment funds (SICAVs). The combined value of these funds is €26.5 billion. The services comprise the financial management of funds from the Delen group, and the administrative and risk management of both in-house and external funds.

Taking account of the appropriate risk profile, Delen Private Bank uses a number of funds to build up its client portfolios. These consist mainly of mixed funds, although they also include equity, bond and treasury funds. Mixed funds are also known as wealth management funds, given that clients often invest a substantial proportion of their movable property in them.



From left to right: Michel Vandekerckhove (Chairman), Patrick François, Chris Bruynseels and Gregory Swolfs, management committee Cadelam (Capfi Delen Asset Management)

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Taking account of the appropriate risk profile, Delen Private Bank uses a number of funds to build up its client portfolios.

A wealth management fund is in fact simply an efficient way of packaging a large number of individual equities and bonds, a small proportion of which clients can buy or sell in a very flexible way and on a daily basis, in line with their needs. Both the portfolio management and the administration of these funds are handled by specialist teams.

Cadelam employs a team of 12 portfolio managers and analysts to focus on the financial management of these funds. Together with Cadelux and Delen Private Bank Luxembourg, it has a team of 16 specialist accountants to handle the bookkeeping, accounts, legal compliance, controls and risk management for the various compartments.

The **financial management** of the funds involves taking decisions on asset distribution and the specific composition of the portfolio, in accordance with the investment strategy and market conditions. Key aspects in relation to equities include the sector and geographical distribution and the selection of individual stocks. Important aspects in relation to bonds include amongst others the spread by credit rating, the length of the term, and the choice of individual instruments. In all cases, the potential return is weighed against the perceived risk.



An **investment committee** meets to formally discuss these strategic choices. The committee members communicate with each other about the practical implementation on a day-to-day basis. The sound results achieved in recent years, in terms of both (risk-adjusted) returns for investors and the value of newly entrusted assets, are proof that investors benefit from this transparent approach.

One of the determinant factors in the selection of investments is the Delen group's policy on sustainable investment. This means that investments pass through an additional filter to ensure that all assets under management (and not just certain specific funds) are covered by the group's policy on sustainable investment.

The **administrative management** comprises keeping the accounts for the funds, calculating net asset values, processing entries and exits, compiling statistics, prospectuses, articles of association and annual reports, organising executive board and general meetings, and liaising with the authorities (mainly the FSMA and the CSSF) and external auditors.

The team of accountants also spends a large amount of time on risk management in relation to the portfolios and internal controls of procedures. Risk management is an extremely important aspect of the work of Cadelam and Cadelux. It covers a wide variety of aspects of the operation of a compartment, including the market risk, credit risk, settlement risk, currency risk, liquidity risk and concentration risk.

The investment funds are subject to a strict regulatory framework under both European and local law. These regulations impose a large

number of mandatory restrictions aimed at protecting shareholders. The management company's risk managers must monitor compliance with these regulations and report to both the fund managers and the fund directors as well as to the supervisory authorities, i.e. the FSMA and the CSSF.

The liquidity of the underlying securities is another constant focus of attention. The portfolios are subjected to stress tests at regular intervals that seek to identify how much of the fund could be sold in a single day or how many days it would take to liquidate, say, 20% of the fund without this having too great an impact on the price.

The most important added value we create when managing funds is derived from the combination of a flexible, top-down (macro) approach to asset distribution, and our fund managers' opinions, which a fundamental, bottom-up (micro) analysis translates into asset holdings.

This flexible distribution of assets means that, subject to the compartment's risk profile, there

are active changes in holdings of equities, bonds and cash, depending on risk/return ratio. This means, for example, that an investor (with the corresponding risk profile) will not see his or her asset spread fixed permanently at 20% equities and 80% fixed-income investments.

The compartments are more likely to be managed within a range, for example an equity scale of 0 to 30%. This means that, if the value of equities rises sharply and market sentiment turns, equity positions can be reduced or hedged in order to lower the risks in the portfolio and hence reduce its volatility.

The returns are then reinvested in assets with a better risk/return profile. Once market conditions improve, the holdings can be adjusted once again. Studies have shown that over 75% of the long-term return is determined by the asset spread. In other words, the portfolio's long-term performance is determined largely by the proportion of equities and bonds. Weightings within these asset classes are also adjusted on a tactical basis, in response to macroeconomic data or sector-specific characteristics.

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The investment funds are subject to a strict regulatory framework under both European and local law.



At the same time, our active method of portfolio management implies that we are not tied to reference indices or benchmarks. In other words, the weightings of different sectors or countries in a given index are viewed as an indicator and not as a standard. Thus, the fact that financial equities have a weighting of around 25% in the indices does not automatically mean that the Cadelam sub-funds should have a similar weighting - unless this fits in with our strategy.

It is the investment process that determines the content of the portfolio. Individual analyses and ratios lead us to undervalued companies and attractive bonds. In doing so, we always go for adequate returns in relation to the degree of risk.

A characteristic feature of our approach is that we do not simply follow trends; we have the courage to go against the flow at times, and we also try to seek out less well-known or less popular themes or asset classes (e.g. dividends and perpetual bonds).

Cadelam and Cadelux have remained true to an investment management philosophy combining caution with proactiveness. They will continue to apply their trusted mixture of common sense and a long-term view in the future.





From left to right: Jan Vandenbussche and Alexandre Delen

## Digitalisation

Delen Private Bank

“The Delen app forms a perfect complement to our personal service”

**We wrote in last year’s annual report that our future plans revolve around a combination of continuity and rejuvenation. This is the reason why, for many years now, we have invested in digital solutions that are capable of further improving both the scope and the efficiency of our services.**

Following the sharp increase in the size of the IT department in 2017, we will again be recruiting more IT professionals in 2018. Last year saw a 35% rise in the number of users of our Delen app, which we further refined in terms of both user-friendliness and functionality. Our customers can use the app as a secure and convenient means of viewing the real-time status of their investment portfolio, and also in order to send messages to the bank quickly, easily and securely. “Our customers see the app as a perfect complement to the personal service they are used to getting from us - and which we regard as an absolutely vital part of our offer,” explains Executive Director Alexandre Delen.

Automation has boosted the efficiency of our processes, freeing up time to spend on customers. “For the past two years, we’ve worked hard to extend the benefits of this technology to our customers,” recounts Jan Vandenbussche, the manager of the app project. “Customers can use the app to check out the current state of their portfolio and the current rate of return, and they can do so wherever and whenever it suits them best. In other words, the app makes communication with the bank easier and more transparent.”

So is the app going to put an end to personal contacts with customers? Definitely not, Alexandre Delen counters: “We’re pursuing a twin-track policy: we want to retain our position as a market leader in terms of technology and at the same time use our branch network so as to be physically close to our customers. A customised service needs both these aspects if we are to fulfil all our customers’ wishes.”

Ease of use was one of the prime considerations in the development of the app, Jan Vandenbussche explains. “We felt that it was essential for the app to meet the expectations and wishes not just of our relatively young customers - people who have grown up with computers - but also of those who are less familiar with computer technology. The app also enables customers to understand the cost structure.”

Delen Private Bank was named as Belgium’s *Best Digital Private Bank* in 2017 by CFI.co, an international business journal. The jury congratulated the bank on ‘adding a superior digital dimension to its operations’. It is thanks to the success of the app that the bank has been able to consolidate its position as the market leader, Alexandre Delen concludes. “Apps are few and far between in private banking. We’re definitely a trendsetter in this respect - and that’s how we want to keep it.”



The number of Delen app users is increasing rapidly



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For many years now, Delen Private Bank has invested in IT solutions that can enhance both the scope and the efficiency of our services.



From left to right: Steven Osaer and Liesbeth Stevens

## Estate Planning

Delen Private Bank

**At the start of this year, our estate planning service (an umbrella term covering both inheritance planning and asset planning) was named “First in Class” in the Succession Planning Advice and Trusts category of the 2018 Euromoney Private Banking and Wealth Management Survey. Delighted as they were with the award, our two estate planning managers, Steven Osaer and Liesbeth Stevens, were nonetheless not entirely surprised by the accolade: “We have a reputation as pioneers, after all.”**

The department was set up in 1995, in response to customer demand for assistance with the transfer of assets to the next generation.

### A comprehensive, personal plan

“Estate planning starts with a systematic analysis of the customer’s aggregate assets - including both movable and immovable items of property - and this forms the starting point for the planning process,” explains Steven Osaer. “Our estate planners combine all the various financial, legal, tax and personal aspects into a single, comprehensive plan. We use computer simulations to produce an integrated asset and inheritance plan for our customers, so that they have all the information they need in order to make an informed decision.”

### Keeping an eye on legal and tax developments

A team of lawyers and tax consultants keeps a close eye on the latest developments in terms of tax and other statutory regulations, so that they can adjust the plan should this prove necessary.

For their part, the lawyers are particularly interested in any changes in matrimonial and property law, inheritance tax, gift tax, the operation and transfer of a family business, and the details of ownership structures (such as non-commercial partnerships and not-for-profit foundations).

The role of the tax consultants, on the other hand, is to provide first-line advice on a wide range of topics, from the structuring of movable and immovable assets - with the aid of legal entities, for example - to recent changes in direct taxation and the tax aspects of investments by private individuals and companies.

“At the end of the day, our main aim is to reassure our customers,” explains Liesbeth Stevens. “That’s precisely why we offer our customers clear, watertight solutions that are far removed from the latest tax hypes and passing fads. We like to take the long view - and it’s an approach that works, also in a field like estate planning. We regard this latest award as an encouragement to continue on the same track.”

“The long view works,  
also in estate planning”



### How do we make a difference?

- By producing a single, comprehensive plan, tailored to your own personal circumstances
- By offering you clear, watertight solutions
- By using the expertise of a team of lawyers and tax consultants
- By ensuring that any queries are handled on a personal basis by a lawyer at a branch near you
- By drawing on over 20 years’ experience in the field
- By working in close consultation with your other personal advisers (such as your notary, lawyer and accountant)





From left to right: Anne-Sophie Delen, Anneke Luykx, Janneke Van Leemput and Stefanie Arts

## Marketing

Delen Private Bank

**Delen Private Bank sets great store by transparency. It is the job of the Marketing department to familiarise customers with the bank's strategy and philosophy. This it does through three distinct channels: special events, customer communication and digital marketing. "Our ultimate aim is to communicate our expertise and our passion for our work," says Anne-Sophie Delen. "The Marketing department conveys the bank's philosophy and values to our customers, employees, shareholders and partners. That's how we help mould our brand and market reputation."**

The first of these marketing vehicles consists of the organisation of special events. "They're an ideal opportunity for customers to talk to their account manager, one of our managers and other customers in an informal setting," says Stefanie Arts, the bank's Events Manager. "We try and devise creative events and original activities revolving around themes that are tailored to our customers' interests, be it art, music, golf, sailing or cycling. Our goal is to lay on a special experience for our customers. We see it as a token of gratitude for the trust they place in us."

As far as communication is concerned, the bank believes in the value of transparency throughout the entire communication chain. "Our customers and staff alike count on our communicating with them in a clear, honest and accurate way," explains Communications Manager Anneke Luykx. "And we've got lots to tell them. The latest stock market news, of course, and the way in which equity prices are affecting portfolios. But also information on new services, changes in tax laws and other legislation, and invitations to special events. The objective is

"Our ultimate aim is to communicate our expertise and our passion for our work"

the same in all cases: to give our customers clear, timely information, so that they are kept constantly up to date and can take the right action if necessary."

Thirdly, the bank also makes use of digital channels. Delen Private Bank's website was recently given a thorough makeover. Digital Marketing Manager Janneke Van Leemput explains why: "The website is our business card. Potential customers use it to discover more about us: about our philosophy, our services, our core values and our staff. And it gives them an opportunity to read about specific topics and the latest news. Our experts bring a combination of clarity and background detail to a range of topics that are close to the hearts of our current and prospective customers, such as the tax on securities and the new law of succession. We see the website as a way of raising the standard of our customer service, using transparent information, clearly presented in a style that mirrors the look and feel of our branches."

Discover the new website at [www.delen.be](http://www.delen.be).

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Our goal is to lay on a special experience for our customers.



From left to right: Frederik Baert and Stefan Van Cleemput

## Our Ghent branch

Delen Private Bank

**Our branch in Ghent celebrated its 10th anniversary in 2017. Regional managers Stefan Van Cleemput and Frederik Baert look back on their own five-year history at the branch.**

The Executive Committee of Delen Private Bank asked us to raise the bank's profile in the East Flanders region, Stefan recounts. And Stefan and Frederik succeeded: their work has produced a sharp increase in the value of the assets under management - and also in the size of the branch, which now consists of 16 enthusiastic members of staff.

### So what's your success formula?

**Stefan:** "A combination of hard work, common sense and high ethical standards in customer relations is the foundation of our success. Plus a sharp focus on connecting people."

**Frederik:** "We see ourselves as running a business rather than as employees on the payroll of a bank. And that means being both resourceful and enterprising."

### This idea of connecting people, does that explain the interest you take in local projects?

**Stefan:** "It certainly does. The branch in Ghent is located on the southern edge of the city centre, a short walk from the Bijloke music centre. We regularly join forces with them to work on projects, and we do the same with other local partners, too. It's our way of showing our customers that we want to mirror their own development. Stability and continuity are both vital aspects for our customers."

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Stability and continuity are both vital aspects for our customers.

“We operate as a business rather than as a bank”

### What are your plans for the future?

**Stefan:** "There are lots of high-net-worth individuals in Belgium who have a need for clear solutions that are fully tuned to their personal circumstances. It's a target group whom we are ideally placed to service. Thanks to the bank's cautious investment philosophy and high ethical standards, coupled with excellent head-office support and a dynamic team of local staff, we can give our customers precisely what they need: cautious but proactive asset management and carefully thought-out estate planning."

**Frederik:** "We're also keen to move into new markets, such as the institutional market. And we work in close harmony with Bank van Breda, our sister bank, in offering services to businesses and professional people."



From left to right: Serge Cammaert and Philippe Havaux

## Delen Luxembourg

Delen Private Bank

**Philippe Havaux (Chairman of the Executive Committee) and Serge Cammaert (Managing Director of Delen Private Bank Luxembourg) look back with satisfaction on 2017, an anniversary year for the bank.**

There was a marked rise in the value of entrusted assets. “Obviously, the improved state of the market had a lot to do with that,” Serge Cammaert explains. “But we also saw a significant influx of new capital. More and more new customers are discovering Delen Private Bank - both Luxembourgers and new residents, people from the neighbouring countries who have decided to move to Luxembourg. That’s partly thanks to all the efforts we are making to boost our brand awareness. As it happens, a local account manager will be coming to boost the ranks of our sales team during the course of this year (2018).”

Delen Luxembourg is also pulling its weight as a member of the Delen group, offering a full range of services to non-Belgian customers who wish to be serviced by an international bank.

“Our customers were also able to experience the benefits of the Delen app last year,” Philippe Havaux comments with some pride. “There was a highly enthusiastic response to the launch of this new technology. Our customers see the app as a secure tool that allows them to inspect their portfolio quickly and easily - wherever and whenever it suits them best.”

“More and more new customers are discovering Delen Luxembourg”

2017 was also the year in which Delen Luxembourg celebrated its 30th anniversary. ‘Art and design’ was the common theme shared by the raft of activities organised to mark the event. In addition to mounting an exhibition of the works of the Belgian artist Luc Peire, the bank organised concerts and lectures on Scandinavian design. “There was a tremendous response from the target group,” Serge Cammaert recalls. “We used the momentum of our anniversary celebrations to launch a special media campaign stressing our unique character, and thus generated some extra publicity.”

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Our events received a tremendous response from the target group.

## Partnerships

Delen Private Bank

## Our passion for golf and Belgian art

**Delen Private Bank's partnerships are a reflection of its long-term philosophy. After all, what better way is there of investing in the future than by supporting talented people?**

### **A proud partner of two promising young golfers: Thomas Pieters and Thomas Detry**

We've been a regular fixture on golf courses for over 25 years now. The green is where concentration and relaxation come together, a place where players seek to strike the right balance between controlled movement and careful thinking. It's all a matter of proceeding with caution. And that's precisely the approach we take ourselves. It's not the only value we share with the game of golf: integrity and fair play are two others.

In 2018, Delen Private Bank is also proud sponsor of the Belgian Knockout, the successor of the Belgian Open. It is no coincidence that Belgium's talented golfers are hitting top form at the same time as the return of the European Tour, after eighteen years. Thomas Pieters is the event's ambassador.

### **An enthusiastic sponsor of Belgian art**

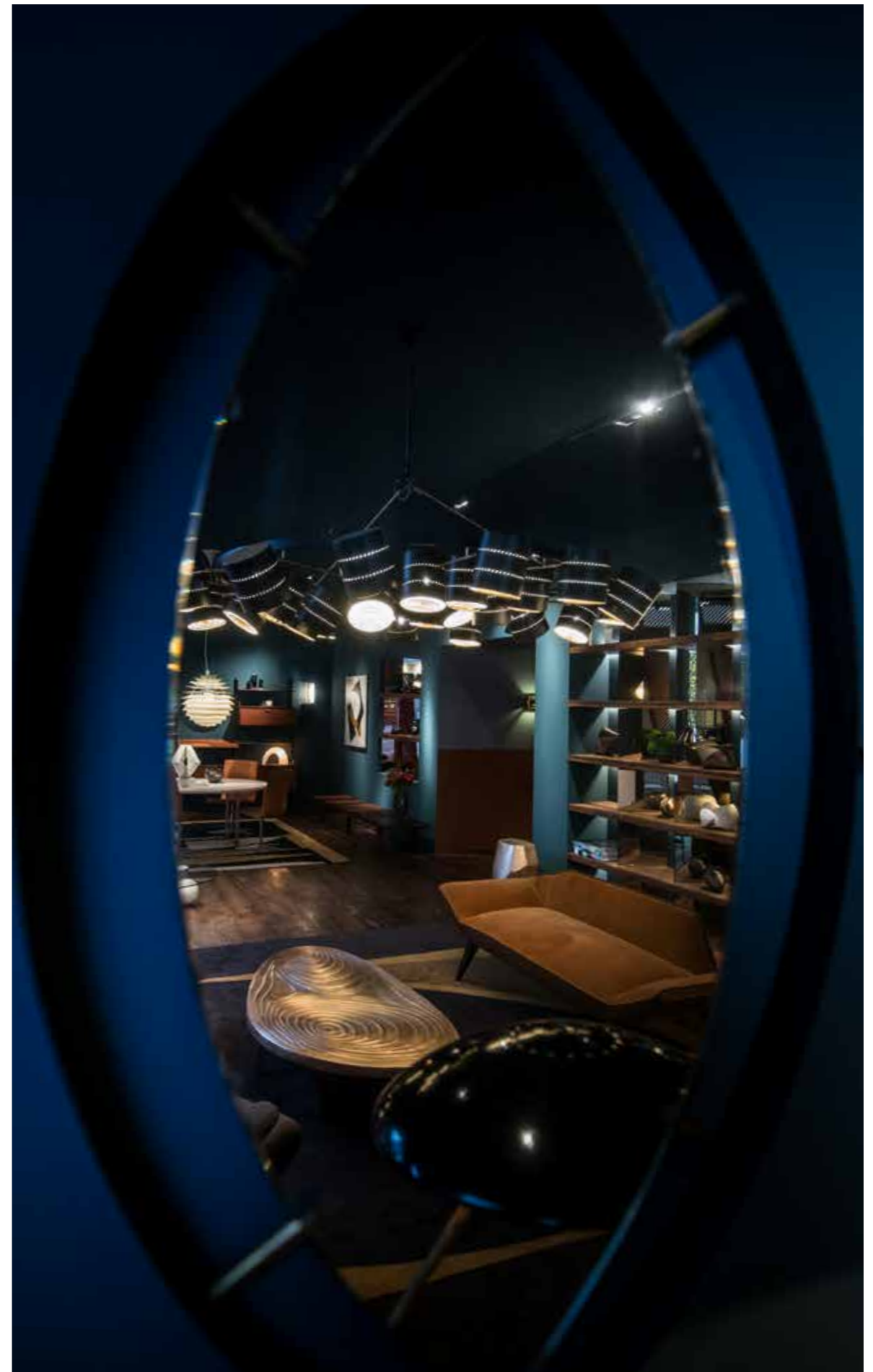
Delen Private Bank has a passion for art and beauty. We like to share our love for beauty with our customers- for example, by engaging in partnerships and organising artistic events. Brafa, often referred to by art critics as the 'Fair of Excellence', has evolved into one of the highlights of the season to which many of our customers look forward. In 2017 as in previous years, we designed our own booth at the fair as a warm, cosy space, a place where visitors could come and admire works by outstanding Belgian artists. Our partnership with Biennale Interieur, where the key words are innovation and creativity, also continues to be a growing success.

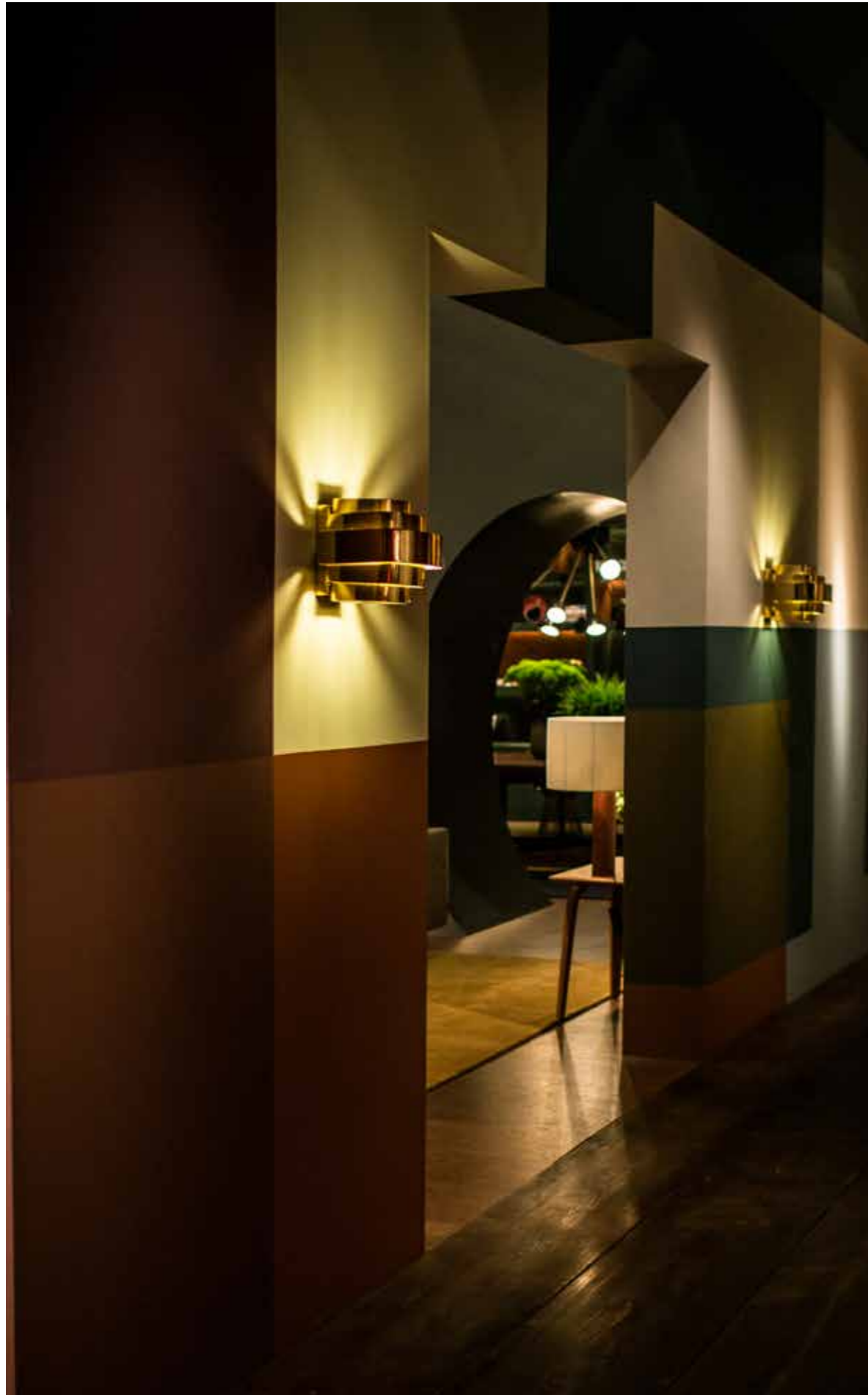


Thomas Pieters



Thomas Detry





## Legal analysis

Delen Private Bank



## A raft of reforms

**A whole series of tax changes and legal reforms came into force during 2017.**

At European level, the new MiFID legislation came into force on 3 January 2018. Its objectives include increasing investor protection, promoting transparency, and ensuring honest and efficient financial markets.

The most striking was undoubtedly the 'Summer Accord', which included measures to reform corporation tax and the tax on securities accounts. Other actions included a comprehensive reform of the law of succession, that will take effect on 1 September. The government's pursuit of reform is also set to continue this year.



Team Estate Planning

## Reform of the inheritance law

For the first time in over 200 years, the rules on inheritance law were modernised and brought into line with the needs of today's society. From now on, you will have much greater freedom to divide your estate according to your specific wishes and needs. If you have one or more children, you can leave half of your assets (i.e. half of your notional estate)<sup>1</sup> to whoever you want - to a grandchild or stepchild, for example. If you do not have any children, you are free to leave your entire estate to whoever you wish - your partner, for example.

The rules on the contribution and abatement of gifts have been simplified and harmonised. All gifts, regardless of their nature, are in theory valued for contribution and abatement purposes at their intrinsic value on the date on which the gift in question was made. This figure is then index-linked in accordance with the consumer price index<sup>2</sup>. It is important to bear in mind that, from now on, gifts are contributed and abated in principle in cash.

The new law also relaxes the ban on 'agreements as to succession'. This means that you are now entitled (either on your own or together with your spouse) to sign a general agreement on your estate with all your presumed future heirs in the direct descending line on the date on which the agreement was signed. In other words, in principle, this is a general agreement that you sign with all your children.

The new rules apply to all estates devolving on or after 1 September 2018 and also apply in principle to gifts and wills dating from before this date. However, you are at liberty to ask a civil-law notary to draw up a statement prior to this date so that all previous gifts continue to be subject to the 'old' rules, i.e. the rules currently in force.



<sup>1</sup> A 'notional estate' consists of the estate at the time of death, less any debts owed by the estate and plus all gifts made during the deceased's life (index-linked or revalued where relevant).

<sup>2</sup> This does not apply to gifts involving a retention of the right of usufruct. In this case, the gift is valued at the date of death or, where the legator surrenders the right of usufruct during his or her life, on the date on which the right of usufruct is surrendered. The resulting figure is then index-linked from the date in question up to the date of the legator's death.

In order to ensure that the new law of succession works in practice, the three Belgian regional authorities (i.e. the Flemish, Brussels Capital and Walloon Regional Authorities) will need to bring their current rules on gift and inheritance taxes and duties into line with these new principles. If they do not do so, some of the (new) rules and planning methods may well be of limited effectiveness.

## Planned reform of the law on matrimonial property

The government is planning to update the law on matrimonial property. One of the areas up for review is the protection of the 'economically weaker spouse'. This would be realised by the settlement of the acquisitions of assets for spouses that are married based on the principle of the separation of property. All property accumulated by the spouses during the course of their marriage (with the exception of gifts and inheritances) would be divided evenly (as in the community of property system). However, the new system would retain the traditional benefits of the system of separate property rights. The regional authorities will need to adjust their tax rules to this new system, as otherwise a final set-off clause in a marriage contract will prove unenforceable.

## News on the purchase of property

Anyone buying a family home in the Flemish Region will soon be required to pay just 7% registration duty, on condition that the dwelling in question is their sole dwelling and that the buyer moves in no more than two years after the date of purchase. The tax rate is reduced further to 6% if the buyer undertakes a 'major energy-related renovation' within five years of the date of purchase. Houses and flats classified as 'modest'<sup>3</sup> qualify for additional relief. The portability principle<sup>4</sup> remains in force. Although the ceiling remains unchanged at €12,500, the figure will henceforth be index-linked. The idea is for the new system to take effect on 1 June 2018.

The Brussels Capital Regional Authority scrapped the 'home bonus' for new loans obtained after 31 December 2016, in exchange for

a rise in the tax allowance applying to the purchase of a new dwelling qualifying as the taxpayer's 'sole' or 'principal' place of residence.

On 1 January of this year, the Walloon Regional Authority scrapped the 15% registration duty imposed on anyone buying a dwelling who already owns at least two other dwellings.

## New company law

The government has also announced a reform of the country's company law, which will be adapted to the current business climate. The idea is for the reform to take effect in the autumn of 2018. The aim is not just to simplify the system of company law (for example, by limiting the various types of legal status) but also to make it more flexible (by taking account of the interests of third parties such as creditors), and to introduce new rules that are capable of offering a defence against certain Europe-wide and other new trends, for example, towards more 'mobile' companies.

## Impending reform of inheritance tax

Following the reform of the law of succession and the law on matrimonial property, the Flemish Regional Authority<sup>5</sup> has also decided to reform the system of inheritance tax, probably also with effect from 1 September 2018. The idea is to lower the top rate of tax applying to brother-sister inheritances, and also to inheritances between strangers (which currently stands at 65%). The surviving partner will receive an additional allowance of €50,000 in the first tax bracket in relation to items of movable property, and children who lose both their parents before reaching the age of 21 will qualify for extra relief. The tax rates will also be brought into line with the opportunities and freedom of choice opened up by the new law of succession. We have no idea at present as to whether the Brussels Capital and Walloon Regional Authorities will follow suit.

## Conclusion

These are challenging times for estate planners. Here at Delen Private Bank, the Tax department (headed up by Katrin Eyckmans) and the Estate Planning department (managed by Liesbeth Stevens and Steven Osaer) will continue to do their best to keep a close eye on any new developments.

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For the first time in over 200 years, the rules on inheritance law were modernised and brought into line with the needs of today's society.

<sup>3</sup> These are houses and flats carrying a maximum price of €200,000 (or €220,000 if they are located in the 'core cities' or on the Flemish periphery of Brussels).

<sup>4</sup> This is the principle by which the purchaser of a new dwelling is entitled to deduct from the purchase price part of the registration duty he or she has already paid.

<sup>5</sup> Unlike the law on matrimonial property and the law of succession, inheritance tax is a matter regulated by the regional authorities.

## Risk management

Delen Private Bank

### Everyone's responsibility

**Delen Private Bank has always taken an extremely prudent approach to risk management. A sense of caution is part of our DNA. The way in which we manage our customers' assets is based on a carefully thought-out investment philosophy, the key elements of which are asset protection, balanced growth, continuity and a desire to transfer assets from one generation to the next in the best possible way. We apply the same principles to our own business operations, where we take the long view and where transparency and integrity are key values.**

Risks are inherent to any organisation, which is why risk management is the responsibility not just of the organisation as a whole, but of every individual member of staff. Our operational departments work in close harmony with our internal control departments, in accordance with the statutory 'three lines of defence' principle. This means that the first line, i.e. the operational departments, are monitored by the second line, which is in turn monitored by the third line, i.e. the Internal Audit department. At the same time, the bank's audit and risk committee systematically monitors the risks to which the bank and its subsidiaries are exposed, based on information received from all the various departments involved.

For more detailed information on the various risks, see the notes on 'Risk management' in the consolidated annual accounts deposited with the Belgian central bank.



Jacques Delen

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My father used to say, 'Be prudent at all times. You can't be prudent just in time. It's too late then.'

*Jacques Delen*



## Discretionary management for institutional clients

Delen Private Bank

## A dedicated team for clients with strict instructions

**Our common-sense philosophy appeals equally to institutional clients. Over 200 charities, hospitals and insurance companies entrust their assets to Delen Private Bank. At the end of 2017, we were responsible for managing a total of €1.1 billion worth of institutional assets. Pension funds account for our biggest customer category, with €200 million worth of assets under management. For the fulfilment of their mandate, most institutional clients opt for discretionary management.**

Institutional clients tend to have highly specific requirements. In many cases, they are subject to strict instructions and investment targets, and also have extremely extensive reporting requirements. For this reason, various specialised relationship managers are responsible for the daily contacts with this group of customers. They are assisted by four experts, who help them prepare items such as detailed presentations for boards of directors, on-site portfolio statements and comprehensive, custom-made reports. This unique, in-depth support makes the difference in this demanding segment.

Certification is another key issue for our institutional clients. Last year, we were awarded an important quality label, in the form of ISAE 34021 certification<sup>1</sup>, which paves the way for the issue of a type II certificate. Type II certification<sup>2</sup> means that a certifying party (i.e. BDO, our auditor, in our own case) reports on the efficiency of a service organisation's operating processes.

We also organise a number of special events for our institutional clients throughout the year. The 'Catholic Community Day' in Ghent is aimed specifically at dioceses and congregations. Another event, the 'Institutional Day', is geared towards all our institutional clients. The programs of these events include renowned speakers. For example, Eric Van Zele from Barco was a guest speaker last year.



From left to right: Jean-Louis de Hasque, Dirk Jan Carpentier, Fientje Op de Beeck and Elio Rombouts

<sup>1</sup> International Standard on Assurance Engagements, a certification procedure in which a certified external party (i.e. BDO) reports on a service organisation's internal controls.

<sup>2</sup> BDO issued a Type I report on 1 June 2016 in which it reported on the 'suitability of design' of the bank's controls.

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Certification is a key issue for our institutional clients.



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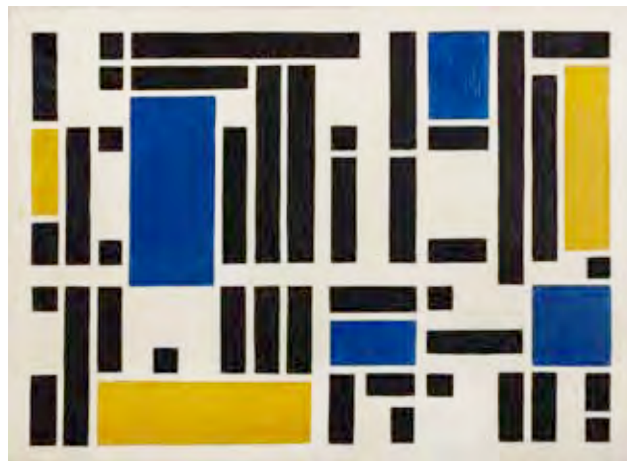
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# DELEN

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PRIVATE BANK



FINANCIAL GROUP 2017



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12	Ackermans & van Haaren
14	Bank J.Van Breda & C <sup>o</sup>

## Delen Group History

Delen Private Bank

# A balanced growth strategy

**Delen Private Bank has grown steadily since 1936, true to our own identity and together with our clients.**

Over the years we have acquired various private banks and asset managers. Their teams are still part of the Delen Group today, since continuity is key to this growth strategy. A healthy structure and many years of experience have given Delen Private Bank a unique market position.

### Local roots and market recognition

Delen Private Bank makes a conscious choice to be located close to its clients. For this reason several offices have been opened across Belgium over the past years. Throughout the years our expertise and the quality of our management have been repeatedly recognised with awards.



**1936** André Delen establishes the Delen stockbroker.



**1975** The sons Jean-Pierre, Paul and Jacques Delen follow in their father's footsteps to head the brokerage firm.



**1989** The Delen holding company is listed on the Brussels stock exchange.



**1990** Paul De Winter provides the impetus for discretionary asset management.



**1992** The Delen holding company merges with investment company Ackermans & van Haaren.



**1994** The company strengthens itself by acquiring Banque de Schaetzen in Liège and several listed companies in Brussels and Antwerp.



**1996** Signing of a cooperation agreement with stockbrokers De Ferm.



**1997** Ackermans & van Haaren and the shareholders of Bank J.Van Breda & C° place their subsidiaries under the Finaxis holding company.



**2010** Fourth Euromoney title of Best Private Bank in Belgium and several first places for 'Hermes Belgian Growth' at the Fund Awards.



**2009** Third Euromoney title of Best Private Bank in Belgium.



**2008** Opening of the office in Hasselt. Multiple awards for Delen Private Bank and Capfi Delen Asset Management, including Best Private Bank in Belgium again.



**2007** Opening of new office in Ghent (Merelbeke). Euromoney awards Delen Private Bank the title of Best Private Bank in Belgium.



**2007** Merger of Capital & Finance with Delen Private Bank.



**2004** Acquisition of the Luxembourg-based AXA subsidiary Banque Ippa & Associés, thereafter known as Banque BI&A.



**2003** Reorganisation of the shareholder structure; the Delen family acquires a 25% share in Finaxis through Promofi.



**2000** Acquisition of stockbroking Havaux further strengthens the position in Brussels.



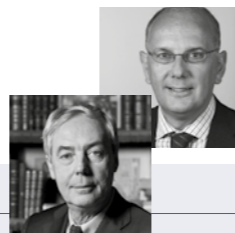
**2011** Majority shareholding in JM Finn & Co in London. Euromoney awards Delen Private Bank the title of runner-up Best Private Bank in Belgium. High score for Cadelam funds at the Fund Awards and in De Tijd.



**2011** Eric Lechien and Christian Callens join the Executive Committee.



**2013** Delen Private Bank Ghent moves from Merelbeke to a renovated historical building along the Coupure in Ghent. The Brussels office on Tervurenlaan reopens after extensive renovations.



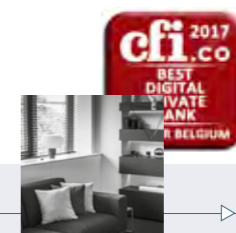
**2014** Paul De Winter becomes CEO of Delen Private Bank. Jacques Delen becomes President of the Board of Directors. Jan Suykens becomes Vice President of the Board of Directors. René Havaux becomes Vice President of the Management Committee. Alexandre Delen becomes a member of the Executive Committee and the Board of Directors.



**2015** Acquisition of Oyens & Van Eeghen in the Netherlands.



**2016** Opening of the renovated office in Liège. The Antwerp office temporarily moves to the BP-Building.



**2017** New offices open in Namur, Leuven and in the Kempen region. Delen Private Bank named as Best Digital Private Bank in Belgium by CFI.co



**2018** Delen Private Bank opens an office in Knokke. Euromoney recognises Delen Private Bank as Best Succession Planning Advice and Trusts Belgium.

## Corporate governance

Delen Private Bank

### Executive Committee

The Executive Committee of Delen Private Bank is responsible for determining the bank's strategy, in accordance with the guidelines set out by the Board of Directors. It is accountable for the bank's day-to-day management and the management of its various departments, which in turn report to the Executive Committee. The Executive Committee closely monitors the bank's performance and the risks to which it is exposed.

The composition of the Executive Committee on 31 December 2017 was as follows:

#### President

Paul De Winter

#### Vice President

René Havaux

#### Executive Directors

Alexandre Delen

Eric Lechien

Arnaud van Doosselaere

#### Advisers

Christian Callens

Filips De Ferm

Bernard Woronoff



Filips De Ferm

Executive Committee from left to right: Paul De Winter, Alexandre Delen, Eric Lechien, Arnaud van Doosselaere and René Havaux



### Board of Directors

The Board of Directors of Delen Private Bank is responsible for determining the bank's general policy and for supervising the Executive Committee. The Board members all have a wealth of experience and assess the bank's policies and performance from a range of different angles. The Board has adopted a policy on gender diversity. Based on the present number of members, the Board wishes to have at least two female members. The Board wishes to achieve this objective within six years. The composition of the Board of Directors on 31 December 2017 was as follows:

#### President

Baron Jacques Delen

#### Vice President

Jan Suykens

### Board members

Tom Bamelis

Baron Luc Bertrand

Alexandre Delen

Paul Delen

Paul De Winter

Piet Dejonghe

Baron Eric Dekeuleneer

Michel Delbaere (independent director)

René Havaux

Eric Lechien

Mark Leysen

Eric Pulinx (independent director)

Arnaud van Doosselaere

Dirk Wouters

### Audit and risk committee

An audit committee was formed within the Board of Directors, and this was converted into an audit and risk committee in 2014. This committee is responsible for supervising the financial reporting process, compliance with administrative, legal and tax rules, developing internal control procedures, and advising the Board of Directors on the bank's current and future risk tolerance and risk strategy. The committee was composed as follows on 31 December 2017:

#### Chairman

Jan Suykens

#### Members

Michel Delbaere (independent director)

Eric Pulinx (independent director)



Christian Callens

All members of the audit and risk committee possess the requisite expertise in accounting and auditing, as well as the knowledge, experience and skills that are required in order to comprehend the bank's strategy and risk tolerance.

**Michel Delbaere** is a graduate in law and economic sciences. He works for various financial and economic companies and associations. He is the founder of Crop's NV, Hesbayefrost SA, Monliz SA, MDC Foods Ltd and Crop's & Partners, among other companies, and is a director of several of these. Michel Delbaere is also a member of the Management Committee of FEB/VBO (the Federation of Enterprises in Belgium) and the chairman of VOKA (the Flanders' Chamber of Commerce and Industry).

**Jan Suykens** holds a degree in applied economic sciences and obtained an MBA from Columbia University in New York. He started his career working for Corporate & Investment Banking at Generale Bank. He served as the CFO of Ackermans & van Haaren from 1990 and later became a member of the company's Management Committee. On 23 May 2016, he succeeded Baron Luc Bertrand as the chairman of Ackermans & van Haaren's Management Committee. He holds various board mandates within the Ackermans & van Haaren group.

**Eric Pulinx** studied applied economic sciences at UCL university in Louvain-La-Neuve, before obtaining master's degrees, in financial markets from the Institut de Cambisme et de Finance Internationale, and in audit and accountancy from the Institut Cooremans Bruxelles. He is a certified company auditor. He began his career in 1998 with KPMG auditors, where he worked for over 11 years. He then joined Bpost Bank, where he acted both as CRO and as CFO. He was also a member of the Executive Committee. Eric Pulinx was appointed CFO of Bank New York Mellon NV (European Bank) in August 2013, and vice-CEO in March 2015.



Bernard Woronoff

### Remuneration committee and nomination committee

The remuneration committee is responsible for preparing decisions on remuneration and advising on the bank's remuneration policy. It was composed of the following directors on 31 December 2017:

#### Chairman

Michel Delbaere (independent director)

#### Members

Jan Suykens

Eric Pulinx (independent director)

No separate nomination committee has been formed at Delen Private Bank. The full Board of Directors performs the tasks of the nomination committee.

### Statutory auditor

Delen Private Bank has appointed E&Y auditors BCVBA as its statutory auditor. Ms Christel Weymeersch is its legal representative.

## Delen Investments

Delen Private Bank

## A strong financial group

**Delen Private Bank NV is part of a very healthy financial group. Delen Private Bank is a credit institution under the supervision of the NBB (National Bank of Belgium) and the FSMA (the Belgian Financial Services and Markets Authority).**

All but a few of the shares of Delen Private Bank are held by Delen Investments. The shares of Delen Investments are, in turn, almost all held by Finaxis NV, which was incorporated in 1997.

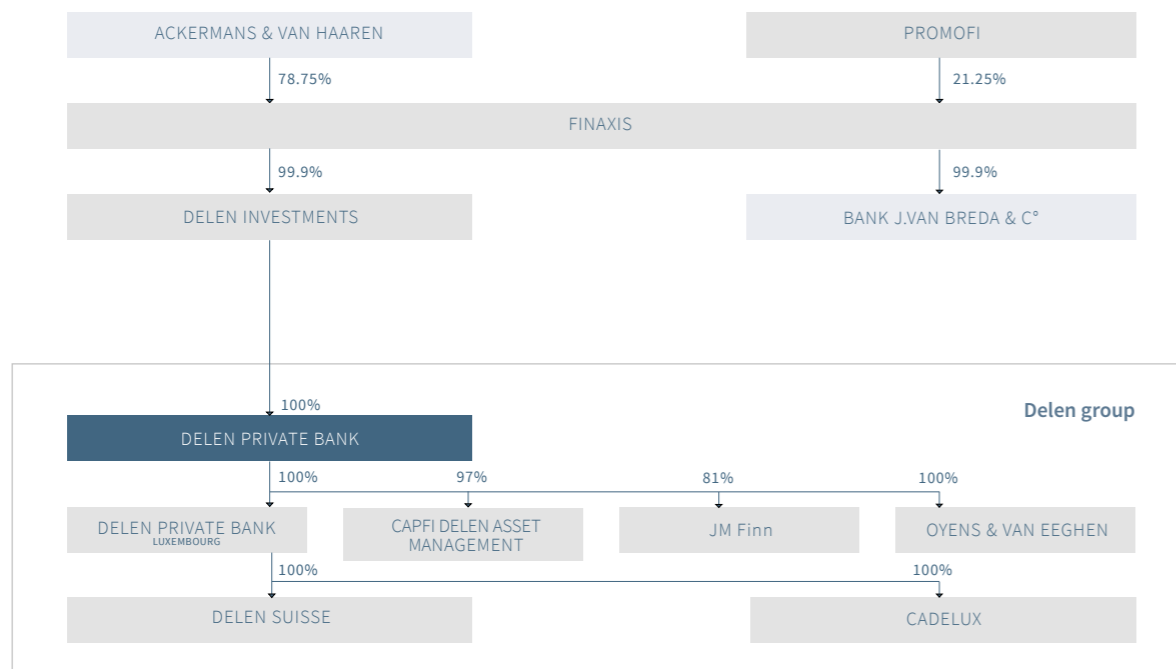
Cooperation with Ackermans & van Haaren NV (AvH) started in 1992, when the Delen holding company merged with this Antwerp-based investment company.

As a reference shareholder, AvH currently holds 78.75% of the shares of Finaxis. The Delen family has a 21.25% participating interest in the capital of Finaxis through the company Promofi NV.

Delen Private Bank has four subsidiaries: Delen Private Bank Luxembourg SA (100%); Capfi Delen Asset Management NV (Cadelam, 97%), an authorised asset management company for Undertakings for Collective

Investment (UCI); JM Finn & Co Ltd (81% participating interest, a leading investment manager in the United Kingdom); and Oyens & Van Eeghen NV (100%), a Dutch asset manager. Delen Private Bank Luxembourg SA holds 100% of the shares in Delen Suisse SA and Cadelux SA.

The group's general banking activities, which focus on small and medium-sized enterprises (SMEs), professionals and the self-employed, fall under the affiliate Bank J.Van Breda & C° NV. The strong growth of both banks (Delen Private Bank and Bank J.Van Breda & C°) has turned the financial segment into a very important branch of activity within the AvH group.



**JM Finn**  
Delen Private Bank



Back row from left to right: Brett Bayliss, Dominic May, Simon Temple-Pedersen, Sarah Soar, Charles Beck  
Front row from left to right: Hugo Bedford, Steven Sussman, Paul Dyas

At the end of 2017, JM Finn & Co Ltd had €10,475 million (the equivalent of £9,294 million) in assets under management, 74% of which was subject to discretionary management. These healthy figures serve to confirm JM Finn's growth potential. Its strong position in the British onshore investment management market, combined with Delen Private Bank's drive and experience, means that JM Finn is well-placed to achieve further growth, and hence evolve into a prominent player on the UK investment management market.

Operationally, 2017 was once again a busy year for JM Finn, and saw a strong emphasis placed on the commercial aspects of the company's operations. The aim was to maximise staff interaction with customers both in its branches and during special events. The need to comply with the strict requirements under the MiFID II directive generated a great deal of extra work, alongside the ongoing efforts to improve organisational efficiency and forge closer links with Delen Private Bank.

As part of its commercial drive, JM Finn will be seeking to further expand its estate planning activities in 2018 and will also be taking new CRM software into use. JM Finn's Executive Committee continues to focus on the implementation of

strategic initiatives and priorities, so that its successful growth strategy can in future go hand in hand with the higher level of profit that the company needs to achieve.

JM Finn made a net profit of £8.6 million in 2017 (€9.69 million). It contributed €7.1 million to the group's net profit (after client amortisation expenses and 19% minority interests, collectively totalling €2.7 million euros).



JM Finn (x €1,000)			
	2017	2016	2015
Assets under management (x €m)	9,294	8,331	7,929
Assets under discretionary management (x €m)	6,876	5,889	5,247
Equity capital	41,593	36,817	33,063
Gross operating income	67,778	60,998	58,926
Net profit	8,568	6,660	6,310
Cost-income ratio	84%	86%	86%
Staff (FTEs)	298	296	310
Contribution to the Delen group's consolidated profit (x €1,000)	7,095	5,605	5,514

**Oyens & Van Eeghen**  
Delen Private Bank



From left to right: Frederic Kalf, Vanessa Geudens and Frederik Baert

Established in 1797 and one of the oldest independent financial institutions in the Netherlands, Oyens & Van Eeghen has been a part of the Delen group since December 2015. Oyens & Van Eeghen is a specialist asset manager successfully focused on fiduciary advice for private clients.

On 31 December 2017 assets under discretionary management exceeded almost 1 billion euros, of which 660 million euros were for private clients and foundations. Fiduciary advice relates to additional entrusted assets of 200 million euros. At the end of 2017 Oyens & Van Eeghen employed 19 seasoned professionals at its offices in Amsterdam and 's-Hertogenbosch.

Oyens & Van Eeghen realised a slightly negative operating result in 2017. Gross operating income amounted to 5.3 million euros and a negative net result of 1.9 million euros was reported.



OYENS & VAN EEGHEN

Oyens & Van Eeghen NV (in € '000)

	2017	2016	2015
Funds entrusted by private clients and institutions	659,995	657,509	572,471
Entrusted capital institutions and local authorities	269,335	662,403	679,577
Fiduciary mandates	204,399	1,867,030	1,758,933
Equity capital	17,467	19,342	19,126
Gross operating income	5,261	6,834	6,366
Net result	-1,942	-13	261
Cost-income ratio	136%	97%	94%
Staff (FTEs)	18	26	23
Contribution to consolidated result of Delen group (in € '000)	-1,998	94	0



From left to right: Luc Bertrand and Jan Suykens

## Ackermans & van Haaren

**Ackermans & van Haaren NV (AvH) is a diversified group that achieved a turnover of 5.4 billion euros in 2017. The group opts for a limited number of participating interests with growth potential.**

Ackermans & van Haaren is a diversified group active in four key sectors:

### Marine Engineering & Infrastructure:

DEME - one of the largest dredging companies in the world - CFE, a construction group headquartered in Belgium.

**Private Banking:** Delen Private Bank, one of the largest independent private wealth managers in Belgium, and investment manager JM Finn in the UK - Bank J.Van Breda C°, a niche bank for entrepreneurs and professionals in Belgium.

### Real Estate & Senior Care:

Leasinvest Real Estate, a listed closed-end property investment company - Extensa, a major land and property developer focused on Belgium and Luxembourg.

**Energy & Resources:** SIPEF, an agro-industrial group specialised in tropical agriculture.

The AvH group achieved a turnover of 5.4 billion euros in 2017, through its share in participations, and employed 22,749 people.

The group focuses on a limited number of strategic participating interests with significant growth potential and is led by an experienced, multidisciplinary management team. AvH is involved in the selection of top management and in defining the long-term strategy for its participations. As an investor, AvH assumes the role of proactive shareholder. AvH concentrates on systematically creating value for shareholders through a long-term strategy.



### Ackermans & van Haaren (consolidated) (in € '000)

	2017	2016	2015	2014	2013	2012	2011
Market capitalisation	4,862,076	4,424,941	4,532,131	3,420,034	2,852,596	2,085,852	1,930,762
Equity capital	4,195,272	3,916,348	3,815,612	3,469,247	3,277,362	2,514,231	2,364,994
Equity capital (share of the group)	2,972,208	2,783,083	2,607,339	2,372,075	2,251,539	2,003,267	1,882,631
Net profit (share of the group)	302,530	224,237	284,079	213,645	293,901	167,343	177,506

### Finaxis (consolidated) (in € '000)

	2017	2016	2015	2014	2013	2012	2011
Equity capital	1,222,634	1,148,150	1,089,425	1,001,372	921,418	852,926	785,769
Net profit (share of the group)	143,724	124,329	131,992	115,451	106,923	89,950	111,857





## Bank J.Van Breda & C°



**The activities of Delen Private Bank and its affiliate Bank J.Van Breda & C° NV complement each other perfectly: Delen Private Bank focuses on the management of private wealth, while Bank J.Van Breda & C° is a reference bank for entrepreneurs and professionals, both privately and professionally.**

Bank J.Van Breda & C° is known today for its successful niche strategy and the strict definition of its target group: it is solely for entrepreneurs and professionals. This in-depth specialisation, combined with personal services, sets it apart from other banks. Every self-employed person knows it is necessary to accrue pension capital to be able to comfortably maintain their lifestyle later in life. Anyone who simply relies on the value of his or her company, practice or office is taking a

considerable risk. Bank J.Van Breda & C° assists its clients in accruing and protecting sufficient private wealth to help them become financially independent and able to maintain their lifestyle in the long term.

Clients can rely on a wide range of financial products and services, both privately and professionally, throughout their life. Some 150 account managers ensure an entirely personal approach, always bearing the long-term interests of their clients in mind.

Bank J.Van Breda & C° was not affected by the banking crisis and never had to rely on state aid. On the contrary, the bank has considerable equity capital and already complies with all the requirements that the regulator has set for 2019.

Bank J.Van Breda & C° has a national network of branches in Flanders, Brussels and Wallonia. The staff has the same mission everywhere: to be the best partner in wealth development for entrepreneurs and professionals.



### Bank J.Van Breda & C° (in € '000)

	2017	2016	2015	2014	2013
Total assets	5,424,639	4,994,236	4,717,833	4,487,430	4,410,294
Client deposits	4,565,778	4,245,840	3,969,039	3,815,449	3,683,174
Off-balance sheet products	9,176,976	8,202,628	7,165,354	6,202,904	5,334,676
Total assets under management	13,742,754	12,448,468	11,134,393	10,018,353	9,017,851
Total private lending	4,528,679	4,223,318	3,932,237	3,639,208	3,455,495
Total commercial volume	18,271,433	16,671,787	15,066,630	13,657,561	12,473,345
Group equity capital	538,718	518,257	501,633	474,982	447,907
Group net income	39,081	37,736	40,479	35,494	31,546



# DELEN

PRIVATE BANK



ANNUAL ACCOUNTS 2017

This was 2017: the figures\*

€40.5 billion assets under management

53.7% cost-income ratio

676 FTE staff

€105.8 million net profit

€678.8 million consolidated equity capital

29.3% core Tier 1-capital

16.3% ROE

Eric Lechien, CFO Delen Private Bank



**Strong growth in assets under management**

The value of the assets managed by the Delen group reached a record level of €40,545 million at the end of 2017.

**Delen Private Bank NV** recorded a 7.4% rise in assets under management, which rose to a figure of €29,410 million (2017). The growth was the result of the positive impact exerted by the stock markets on the value of the assets managed for clients, combined with record organic net growth in both existing and new clients. All the Belgian branches contributed to the constant inflow of assets, reflecting customer confidence in Delen Private Bank and also confirming the bank's leadership of the market for discretionary asset management in Belgium. There was a strong inflow of capital throughout the year, and this was

*\* Figures in the text are consolidated figures for Delen Investments, the parent company of Delen Private Bank. Since 2017 Delen Investments has no other participations than Delen Private Bank and the operational perimeters are identical. For figures from Delen Private Bank please see page 14.*

more or less fully concentrated in discretionary asset management. As a result, the proportion of assets under discretionary management at Delen Private Bank rose from 76% at the end of 2016 to 81% at the end of 2017. The cautious investment strategy once again proved its worth in 2017, when we outperformed the industry average (for equivalent risk profiles).

The assets managed by our UK investment manager **JM Finn & Co Ltd** (in which Delen Private Bank holds a 81% stake) rose by 7.7% to €10,475 million (the equivalent of £9,294 million) at the end of 2017. This growth was caused by a sharp rise in the value of client portfolios expressed in sterling, combined with a net increase in both new and existing private clients. It was, however, dampened by the decline in the value of the pound relative to the euro (-3.5%).

The assets managed by **Oyens & Van Eeghen NV** on behalf of private clients and non-profit-making foundations remained more or less stable (+0.5%), totalling €660 million on 31 December 2017.

**Profit growth**

The Delen group's **gross revenue** rose by 17.2% in 2017 to €366.9 million, with JM Finn and Oyens & Van Eeghen accounting for €82.7 million of this figure. The rise was mainly the result of the growth in the value of assets under management. Operating expenses increased by 7.7% (11.4% excluding JM Finn and Oyens & Van Eeghen).

The **rise in IT and staff expenses** at Delen Private Bank was a direct consequence of the expansion in business activity. At JM Finn, the rise in costs in local currency was

attributable to higher staffing costs (due in part to an increase in wage costs for investment managers and the cost of recruiting new staff), combined with an increase in marketing and IT expenses. The overall cost-income ratio fell to 53.7%, which is a very good figure. The cost-income ratio at Delen Private Bank is just 42.5%, and the comparative figure for JM Finn is 83.7%. The improvement in the ratio compared with 2016 (57.8%) is the result of organisational efficiency, with the rise in costs on the back of the bank's growth lagging behind the increase in revenue. At the end of 2017, the group employed 676 members of staff (in FTEs). Of these, 360 were employed at Delen Private Bank, 298 at JM Finn and 18 at Oyens & Van Eeghen.

The **net profit** rose to €105.8 million euros in 2017 (from €87.9 million in 2016). JM Finn's contribution to the group's net profit rose from €5.6 million in 2016 to €7.1 million in 2017 (after client depreciation and 19% minority interests of €2.7 million). Oyens & Van Eeghen made a negative net contribution to the group's net profit, on account of the cost of restructuring measures and the winding up of its services to institutional investors.

**Robust balance sheet**

The Delen group's **consolidated equity capital** amounted to €678.8 million euros on 31 December 2017, compared with €621.2 million on 31 December 2016. This figure takes account of the right of the directors of JM Finn to sell their remaining shares (valued at €27.5 million) to the Delen Private Bank group at a future date. The group's Tier 1 equity (taking account of intangible fixed assets worth €238.3 million, including €49.8 million held on

behalf of JM Finn clients and €7.1 million held on behalf of Oyens & Van Eeghen clients) stood at €386.4 million at the end of the year (compared with €377.3 million at the end of 2016).

In 2017, the group's stake in JM Finn was sold internally by Delen Investments to Delen Private Bank. The sale resulted in the transfer of all operational activities to Delen Private Bank, and Delen Private Bank's consolidated financial statements (see tables on pages 8 onwards) will therefore be aligned with those of Delen Investments as of 2017. At 31 December 2017, Delen Private Bank's consolidated shareholders' equity stood at €673.5 million.

The Core Tier 1 capital ratio was 29.3%. In other words, the Delen group is well capitalised and easily meets the Basel III capital requirements. The Tier 1 ratio is well above the industry average, and takes account of the long-term commitment to buy out JM Finn's minority shareholders. Delen Private Bank's balance sheet is both robust and transparent. Cash balances continue to be conservatively invested at the Belgian central bank, in either high-grade government paper, short-term deposits with high-quality banks or high-quality short-term commercial paper issued by blue-chip companies. The Basel III rules affect the Delen Private Bank group only to a limited extent, as the group's capital consists solely of Core Tier 1 capital, the portfolio is conservatively invested and the group's ratios already comfortably exceed current and future requirements. The return on (average) equity capital was 16.3%, which is a very satisfactory figure.

## Operational review

Delen Group

### This was 2017: our activities

**92%** of Delen customers opt for discretionary management

**10** Delen branches in Belgium

**22%** Bank J.Van Breda & C<sup>o</sup>'s share of assets

**€10,475** million worth of assets managed by JM Finn

**€660** million worth of assets managed by Oyens & Van Eeghen

#### **Delen Private Bank: riding on the positive momentum**

Delen Private Bank applied its traditional investment principles in 2017, i.e. seeking to achieve balanced growth for its clients' assets within the bounds of their risk profile and in response to market opportunities. Thanks to exuberant global stock markets, a vibrant economy, low inflation in the developed countries and a strong euro, we succeeded in recording a very respectable set of results and at the same time containing the risks to which we were exposed.

In 2017, we continued our strategy of optimising the quality and efficiency of our asset management services, by targeting an increase in the percentage of management mandates. At the end of 2017, some 81% (€23,704 million) of the assets under our management were either subject to direct discretionary management or managed through our own open-ended investment funds (known in Belgium as SICAVs). Discretionary accounts represent 92% of the number of accounts, which is more than 24,600 discretionary management mandates.

We invested for our clients in a wide range of equity portfolios, mainly in Europe. Bond maturities remained short (less than a year) to guard against the risk of interest rate rises. In terms of currencies, the broad diversification of currencies outside the eurozone resulted in a negative contribution to profits.

We continued to invest the bond component of our portfolios mainly in short-term vehicles in strong countries and companies. The result was a more dynamic contribution to profits, thanks to investments in perpetual bonds. This policy paid off in 2017, with all asset classes contributing to profits.

In spite of our already prominent position, Delen Private Bank continues to gain market share in the Belgian private banking market, thanks in part to the strong growth in new assets from private clients. The expansion of the Bank's local roots is paying off, with more than three-quarters of the net inflow of capital generated by branches other than the Antwerp head office. This we see as an encouragement to continue to invest in our staff and infrastructure.

We opened branches in Namur, Leuven and the Kempen region in 2017, and also extended our branches in the West Flanders region. The staff in Antwerp moved to temporary offices, so that building work could start on the expansion and renovation of the head office. Further investments are planned for Leuven. We opened a new branch in Knokke in the spring of 2018. Expansions are planned for Brussels and Ghent.

The branches of Bank J.Van Breda & C<sup>o</sup> continued to make a significant contribution to our profits. On 31 December 2017, Delen Private Bank managed €5,474 million on behalf of clients banking with Bank J.Van Breda & C<sup>o</sup> branches. We are also responsible for handling the securities accounts of Bank J.Van Breda & C<sup>o</sup> (worth €1,023 million). All in all, Bank J.Van Breda & C<sup>o</sup> represents around 22% of the total assets managed by Delen Private Bank.



### JM Finn: the potential to grow into a leading player

Client portfolios at JM Finn, which on average have a stronger weighting in equities, developed very favourably. After a volatile period in the run-up to the Brexit referendum in 2016, there was a markedly bullish trend on the London stock exchange, and this continued into 2017. The weaker pound prompted an additional contribution from foreign equities. Thanks to its talented asset managers and the strong UK markets, JM Finn was able to achieve robust results for its clients in 2017.

The acquisition of 73.49% of London-based investment manager JM Finn in 2011 was an important step for the Delen group. In 2016 and 2017, Delen Private Bank acquired an additional 7.50% of the share capital from minority shareholders, thus raising its direct shareholding to 81%. At the end of 2017, JM Finn was managing €10,475 million (the equivalent of £9,294 million) worth of assets, 74% of which were subject to discretionary management. The growth both in assets under management and in the percentage under discretionary management confirms that JM Finn is a healthy company with growth potential. JM Finn's share of the British onshore investment management market, combined with our own drive and experience, should enable the company to achieve further growth and evolve into a leading player on the UK investment management market.

Operationally, 2017 was once again a busy year for JM Finn, with intensive customer contacts both at its branches and during special events, a major drive to comply with the stricter requirements under the MiFID II directive, and work on improving organisational efficiency and forging closer links with Delen Private Bank. The emphasis lay on stepping up the commercial side of the company's operations, and this was reflected for example by further expansion in its estate planning activities and the implementation of new CRM software.

JM Finn's Management Committee continues to focus on the gradual and successful implementation of

strategic initiatives and priorities, so that its successful growth strategy can go hand in hand with the higher level of profit that the company needs to achieve.

### Oyens & Van Eeghen: a successful convergence of investment strategies

In 2015, Delen Private Bank acquired the entire share capital of Oyens & Van Eeghen, which was founded in 1797 and is one of the oldest independent financial institutions in the Netherlands. The acquisition strengthens Delen Private Bank's position on the Benelux market.

At the end of 2017, Oyens & Van Eeghen was managing €660 million worth of assets for private clients, 87% of which was subject to discretionary management. In the past few years, Oyens & Van Eeghen has focused to an increasing degree - and indeed successfully - on specialist asset management and fiduciary consultancy services for private clients and non-profit-making foundations. Oyens & Van Eeghen offers us a high-grade platform for extending our model to the Dutch onshore asset management market.

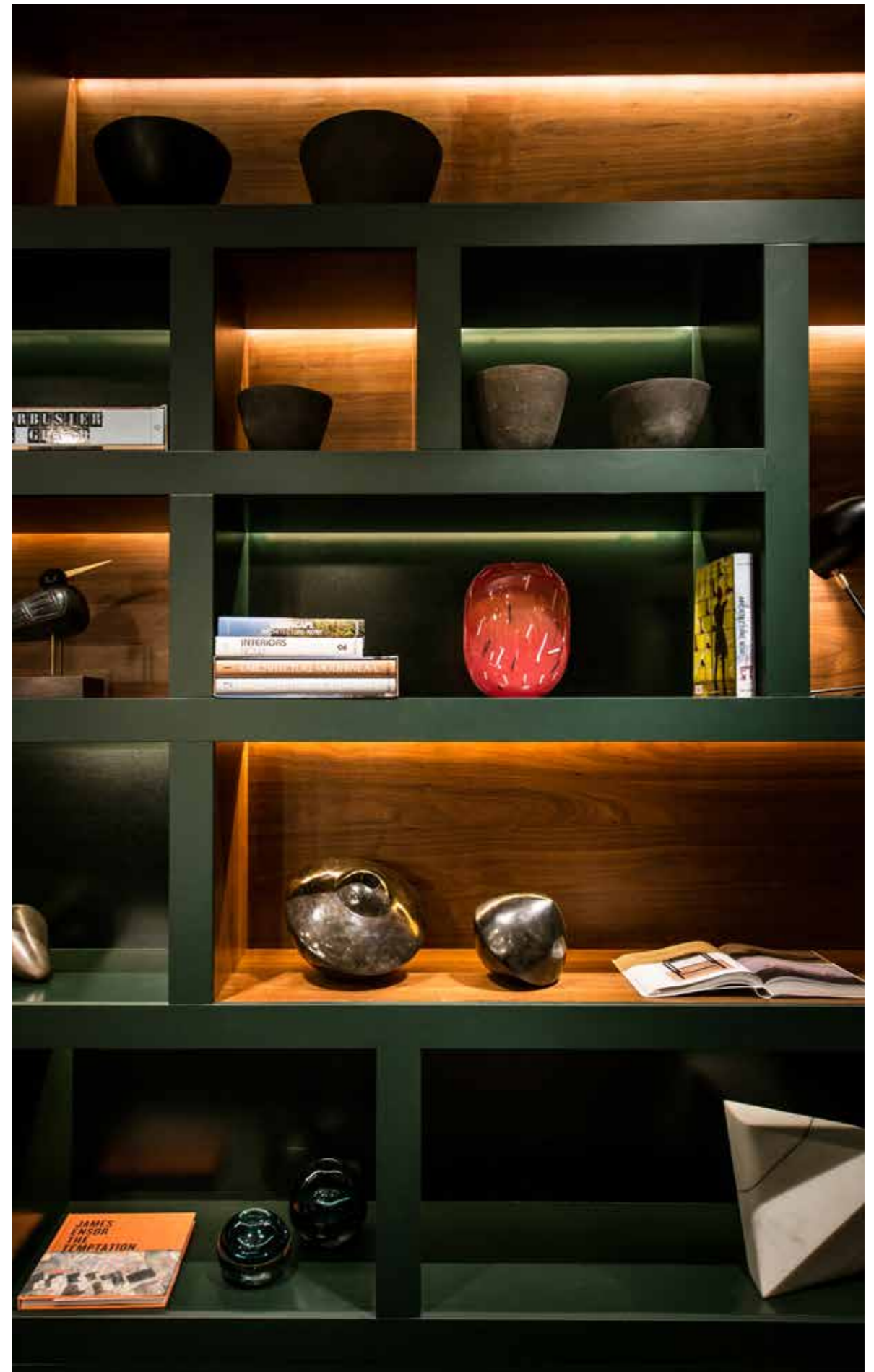
Oyens & Van Eeghen benefited from the economic boom, the policy of monetary stimulation and bullish equity markets. The strategy of buying equities in cyclical sectors that were relatively undervalued after a difficult period also contributed favourably to the company's investment performance.

As at Delen Private Bank, the bonds in the portfolios came with short maturities. Combined with an effective selection based on credit risk, the short-maturity bonds made a handsome contribution to the bond portfolios. Thanks to regular meetings with the management team at Delen Private Bank and the transfer of consolidated responsibility for bond investments to the staff of Oyens & Van Eeghen, we were able to harmonise to a significant degree the investment strategies pursued in the Netherlands and Belgium.

In operational terms, 2017 was a year of major developments at Oyens & Van Eeghen. A new management team took over during the course of the year. Services to big institutional clients were scaled down at the end of the year and the staff who had previously been responsible for this work left the company in order to pursue their activities elsewhere. The expertise, particularly in the field of open-ended investment funds (SICAVs), and the IT systems developed by Delen Private Bank in Belgium, helped considerably in improving the standard of service and boosting efficiency in the Netherlands. As a result, Oyens & Van Eeghen is now able to service more clients from its offices in Amsterdam and 's-Hertogenbosch. Against this background, Oyens & Van Eeghen will continue on its quest to recruit talented commercial staff to support and accelerate its growth plans.

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Oyens & Van Eeghen benefited from the economic boom, the policy of monetary stimulation and bullish equity markets.



## Consolidated annual accounts\*

Delen Private Bank

### Income statement

On 31 December in EUR '000	2017	2016
<b>GROSS REVENUES</b>	366,912	235,693
Net interest margin	2,059	409
Gross fee income	357,093	223,994
Profit (loss) on financial instruments held for trading	783	372
Realised gains (losses) on financial assets available for sale	819	-13
Other income	6,158	10,932
<b>FEES PAID</b>	-38,897	-30,518
<b>EXPENSES</b>	-171,710	-98,915
Staff expenses	-100,001	-52,137
General and administrative expenses	-53,089	-34,656
Depreciation	-15,761	-7,243
Provisions	-14	-2,566
Impairment	152	-9
Other expenses	-2,998	-2,304
<b>PROFIT BEFORE TAX FROM CONTINUING OPERATIONS</b>	156,305	106,260
Share in the profit (loss) of mutual subsidiaries on basis of the equity method	-	-
<b>PROFIT BEFORE TAX</b>	156,305	106,260
Income taxes	-44,192	-26,166
<b>PROFIT AFTER TAX</b>	112,112	80,094
Minority interests	-2,384	-261
<b>NET PROFIT (group share)</b>	109,728	79,833

## Consolidated annual accounts

Delen Private Bank

### Balance sheet

On 31 December in euro '000	2017	2016
<b>ASSETS</b>	2,601,335	1,919,387
Cash and balances with central banks	1,111,014	656,005
Financial assets held for trading	8,482	8,030
Loans and advances to credit institutions and other counterparties	282,266	255,797
Loans and advances to clients	373,382	277,121
Financial assets available for sale	470,997	599,379
Tax assets	3,490	3,053
Tangible assets	87,094	81,902
Client relationships	232,384	31,764
Other intangible assets	5,954	983
Other assets	26,271	5,355
<b>TOTAL LIABILITIES &amp; EQUITY</b>	2,601,335	1,919,387
<b>LIABILITIES</b>	1,927,874	1,514,847
Financial liabilities held for trading	3,353	3,813
Deposits from credit institutions and other counterparties	2,782	7,395
Deposits from clients	1,810,248	1,456,451
Provisions	4,056	3,377
Tax liabilities	17,984	12,092
Other liabilities	89,450	31,719
<b>EQUITY</b>	673,461	404,540
Equity - group share	672,569	404,022
Subscribed capital	90,498	42,711
Revaluation reserve	-39	2,410
Consolidated reserves	582,109	358,901
Minority interests	892	518

\* In 2017, all outstanding Delen Group operational activities were transferred to Delen Private Bank through two major transactions: the sale of Delen Investments' stake in JM Finn to Delen Private Bank, and the transfer of shareholders' equity and goodwill arising from the 2007 acquisition of Capital & Finance. Since 1 January 2017, JM Finn has been fully integrated into the income statement and balance sheet. Income was up from €235.7 million in 2016 to €366.9 million in 2017, while expenditure increased from €98.9 million to €171.7 million over the same period. At the end of 2017, shareholders' equity was €673.5 million, as against €404.5 million at the end of 2016. Delen Private Bank's shareholdings stood at €127.5 million at the end of 2017, up from €26.3 million at the end of 2016.

## Statutory annual accounts

Delen Private Bank

Balance sheet  
after appropriation

### Assets

On 31 December in euro '000	2017	2016
I. Cash in hand, balances with central banks and post office banks	899,184	650,286
II. Treasury bills eligible for refinancing with central banks	44,476	73,309
III. Loans and advances to credit institutions	214,419	218,504
A. Repayable on demand	213,976	218,220
B. Other loans and advances (with agreed maturity dates or period of notice)	444	284
IV. Loans and advances to clients	338,300	248,844
V. Debt securities and other fixed-income securities	402,766	377,859
A. Issued by public bodies	83,841	77,241
B. Issued by other borrowers	318,925	300,618
VI. Shares and other variable-yield securities	2,991	2,030
VII. Financial fixed assets	127,487	26,297
A. Participating interests in affiliated enterprises	127,468	26,279
B. Participating interests in other enterprises linked by participating interests	-	-
C. Other shares held as financial fixed assets	19	18
D. Subordinated loans to affiliated enterprises and to other enterprises linked by participating interests	-	-
VIII. Formation expenses and intangible fixed assets	2,226	1,079
IX. Tangible fixed assets	82,079	82,483
X. Own shares	-	-
XI. Other assets	4,264	2,809
XII. Prepayments and accrued income	3,705	2,653
<b>TOTAL ASSETS</b>	<b>2,121,899</b>	<b>1,686,153</b>

### Liabilities

On 31 December in euro '000	2017	2016
<b>LIABILITIES</b>	<b>1,782,622</b>	<b>1,430,919</b>
I. Amounts owed to credit institutions	579,293	268,618
A. Repayable on demand	579,265	267,850
B. Amounts owed as a result of rediscounting of trade bills	-	-
C. Other debts with agreed maturity dates or period of notice	28	768
II. Amounts owed to clients	1,130,618	1,131,006
A. Savings / deposits	4,290	4,384
B. Other debts	1,126,329	1,126,622
1. Repayable on demand	1,124,219	1,124,536
2. With agreed maturity dates or period of notice	2,109	2,086
3. As a result of the rediscounting of trade bills	-	-
III. Debts evidenced by certificates	-	-
IV. Other liabilities	65,656	24,062
V. Accrued charges and deferred income	-	177
VI. Provisions and deferred taxation	31	33
A. Provisions for liabilities and charges	-	-
1. Pension and similar obligations	-	-
2. Taxation	-	-
3. Other liabilities and charges	-	-
B. Deferred taxes	31	33
VII. Fund for general banking risks	7,023	7,023
VIII. Subordinated liabilities	-	-
<b>CAPITAL AND RESERVES</b>	<b>339,277</b>	<b>255,234</b>
IX. Capital	90,087	42,300
A. Subscribed capital	90,087	42,300
B. Uncalled capital (-)	-	-
X. Share premium accounts	411	411
XI. Revaluation gains	-	-
XII. Reserves	4,314	4,319
A. Legal reserves	4,247	4,247
B. Reserves not available for distribution	-	-
1. In respect of own shares held	-	-
2. Other	-	-
C. Untaxed reserves	67	72
D. Reserves available for distribution	-	-
XIII. Profit (losses) brought forward (+)/(-)	244,465	208,204
<b>TOTAL LIABILITIES</b>	<b>2,121,899</b>	<b>1,686,153</b>



## Statutory annual accounts

Delen Private Bank

### Profit and loss account

On 31 December in euro '000	2017	2016
I. Interest receivable and similar income	7,399	3,762
A. Of which: from fixed-income securities	2,487	1
II. Interest payable and similar charges	-5,184	-2,805
III. Income from variable-yield securities	47,347	49,010
A. From shares and other variable-yield securities	96	485
B. From participating interests in affiliated enterprises	47,251	48,525
C. From participating interests in other enterprises linked by participating interests	-	-
D. From other shares held as financial fixed assets	-	-
IV. Commissions received	150,824	139,467
A. Brokerage and commission fees	30,002	31,451
B. Fees for management services, consultancy and custody	120,255	104,745
C. Other fees received	566	3,271
V. Commissions paid	-40,824	-34,129
VI. Profit (Loss) on financial transactions (+)/(-)	7,799	1,434
A. On trading of securities and other financial instruments	4,976	1,440
B. On disposal of investment securities	2,823	-5
VII. General administrative expenses	-65,437	-62,104
A. Remuneration, social security costs and pensions	-39,716	-36,867
B. Other administrative expenses	-25,721	-25,238
VIII. Depreciation/amortisation and other write-offs on formation expenses, tangible and intangible fixed assets	-7,489	-6,899
IX. Decrease/increase in write-offs on receivables and provisions for off-balance sheet items 'I. Contingent liabilities' and 'II. Commitments posing a potential credit risk' (write-backs) (+)/(-)	152	9
X. Decrease/increase in write-offs on the investment portfolio of debt securities, shares and other fixed-income or variable-yield securities: appropriations (write-backs) (+)/(-)	374	-554
XI. Utilisation and write-backs of provisions for liabilities and charges other than those included in the off-balance sheet captions 'I. Contingent liabilities' and 'II. Commitments posing a potential credit risk': uses (write-backs) (+)/(-)	-	-

XII. Provisions for liabilities and charges other than those included in 'I. Contingent liabilities' and 'II. Commitments posing a potential credit risk'	-	-
XIII. Transfer from (transfer to) the fund for general banking risks (+)/(-)	-	-
XIV. Other operating income	9,186	1,690
XV. Other operating charges	-2,220	-3,291
XVI. Profit (loss) on ordinary activities before taxes (+)/(-)	101,926	86,679
XVII. Exceptional income	325	106
A. Reversal of depreciation/amortisation and write-offs on intangible and tangible fixed assets	-	-
B. Reversal of write-downs on financial fixed assets	-	-
C. Reversal of provisions for exceptional risks and expenses	-	-
D. Capital gains on the disposal of fixed assets	233	106
E. Other exceptional income	92	-
XVIII. Exceptional expenses	-69	-106
A. Exceptional depreciation/amortisation and write-offs on formation costs, tangible and intangible fixed assets	-	-
B. Write-offs on financial fixed assets	-	-
C. Provisions for exceptional risks and expenses: appropriations (spending) (+)/(-)	-	-
D. Capital losses on the disposal of fixed assets	-69	-106
E. Other exceptional expenses	-	-
XIX. Pre-tax profit (loss) for the financial year (+)/(-)	102,182	86,679
XIX. Bis	-	-
A. Transfer to deferred taxes	-	-
B. Transfer from deferred taxes	2	2
XX. Taxes on result (+)/(-)	-19,565	-13,357
A. Taxes	-19,565	-13,597
B. Regularisation of taxes and reversal of provisions for taxes	0	240
XXI. Profit (loss) for the financial year (+)/(-)	82,620	73,324
XXII. Transfer to (transfer from) untaxed reserves (+)/(-)	4	4
XXIII. Profit (loss) for the financial year to be appropriated (+)/(-)	82,624	73,328

**Statutory  
annual accounts**  
Delen Private Bank

Off-balance sheet items

On 31 December in euro '000	2017	2016
<b>I. Contingent liabilities</b>	4,916	8,291
A. Non-negotiated acceptances	-	-
B. Guarantees serving as direct credit substitutes	2,406	2,500
C. Other guarantees	2,510	5,792
D. Documentary credits	-	-
E. Assets charged as collateral security on behalf of third parties	-	-
<b>II. Commitments posing a potential credit risk</b>	395,302	156,213
A. Firm credit commitments	-	-
B. Commitments as a result of spot purchases of transferable or other securities	314,436	95,365
C. Undrawn margin on confirmed credit lines	80,866	60,849
D. Underwriting and placement commitments	-	-
E. Commitments as a result of open-ended sale and repurchase agreements	-	-
<b>III. Assets entrusted to the credit institution</b>	32,393,970	28,670,962
A. Assets held by the credit institution for fiduciary purposes	-	-
B. Safe custody and equivalent items	32,393,970	28,670,962
<b>IV. Uncalled amounts of share capital</b>	-	-

**Statutory  
annual accounts**  
Delen Private Bank

Appropriation account

On 31 December in euro '000	2017	2016
<b>A. Profit (Losses) to be appropriated (+)/(-)</b>	290,828	253,331
1. Profit (Losses) for the period available for appropriation (+)/(-)	82,624	73,328
2. Profit (Losses) brought forward(+)/(-)	208,204	180,003
<b>B. Transfers from capital and reserves</b>	-	-
1. From capital and share premium account	-	-
2. From reserves	-	-
<b>C. Appropriations to capital and reserves</b>	-	-
1. To capital and share premium account	-	-
2. To legal reserve	-	-
3. To other reserves	-	-
<b>D. Result to be carried forward (+)/(-)</b>	244,465	208,204
<b>E. Shareholders' contribution in respect of losses</b>	-	-
<b>F. Distribution of profits</b>	46,363	45,127
1. Dividends	46,363	45,127
2. Director's entitlements	-	-
3. Other allocations	-	-

