DELEN

PRIVATE BANK

ANNUAL REPORT 2014

# Contents

# 2014: The year of the central banks

## The major trends of 2014

2014 will go down in history as the year of the US dollar increase that accompanied the recovery in the US economy. This puts the US in a somewhat isolated position, because there is not much encouraging news from other quarters: Europe is stagnating, Japan seems unable to pick itself up, while China is in slowdown, pulling the other emerging economies down with it.

”
The central banks, which have taken a leading role since the start of the crisis in 2007, first managed to rescue the financial system.
”

The big surprise of the year was the sharp fall in the oil price (-45% in 2014). This was partly due to global economic weakness, but mainly to increased production – particularly in the US – and the unexpected refusal by Saudi Arabia to adjust its own output as it has done in the past. For the developed economies the price decline is positive because it boosts purchasing power and lowers companies' energy bills. At the same time it means that energy-producing countries and companies in the energy sector will have to drastically cut their capital expenditure. The lower oil prices also have an impact on the already falling inflation, which is threatening to tip over into deflation, especially in Europe and Japan.

The central banks, which have taken a leading role since the start of the crisis in 2007, first managed to rescue the financial system. Since then, they have been seeking to revitalise the economy by lowering interest rates. To the great relief of those countries with a high debt burden they have succeeded in this mission, with interest rates having fallen steadily since 2007, in some cases even entering negative territory. Although roiled by turmoil in exchange rates, oil prices and moves by central banks, 2014 turned out well for markets, which ended the year up slightly, thanks to a last-minute rally (around 7% in the US and Japan, and 1 to 2% in Europe and Asia excluding Japan).

## Central banks still pulling the strings

The US central bank (the Federal Reserve or Fed) was the first to take measures against the crisis, decisively and with success, given that the US economy was the first to achieve near to full employment. In 2014 the Fed ended its policy of 'quantitative easing' and is likely to start cautiously raising interest rates again from 2015. The Bank of Japan also started injecting liquidity into the economy, with the aim of doubling the money supply in Japan and stimulating both the inflation – which is stubbornly fluctuating around zero – and the virtually non-existent economic growth. So far with limited success. And then there was the European Central Bank decision to take further drastic measures in 2015. Over a period of 18 months the ECB will purchase over 1 trillion euros worth of European government bonds (over twice the total amount of government bonds to be issued in that period). European interest rates promptly registered a further drop, smoothly sliding below zero: a third of government bonds in the Eurozone


are now showing a negative yield. At the same time the euro is plummeting towards parity against the US dollar (in 2014 one euro was still worth USD 1.30).

And that is precisely the unstated aim of ECB chairman Mario Draghi: to pursue a weaker euro to make the European economy more competitive and thus kick-start it, especially in the southern European countries. Devaluation has traditionally been the only way for these countries to get out of a crisis, a weapon denied to them in the period from 2007 to 2013 due to the strong euro. In addition, Draghi hopes to push up inflation, which is sliding into negative territory in the Eurozone.

This falling inflation is a cause of great concern to the monetary and government authorities. Because entrenched deflation, as seen in Japan, can lead consumers to postpone purchasing and businesses to freeze their investments. Heavily indebted nations are thus denied the option of boosting their tax revenue (thanks to inflation) and diluting their debt relative to a rising GDP.

## Economic growth: strong in the US and UK, weak everywhere else

The global economy continues to grow, but the pace has slowed (to 3.2%). There are several reasons for this: the slowdown in growth in the Chinese economy (which has a negative impact on all the economies linked to China), the new recessionary phase in the Japanese economy and the economic stagnation in Europe. All this is partly offset by the robust economic conditions in the US and UK.

The modest recovery in the Eurozone in early 2014 gradually crumbled away, mainly due to

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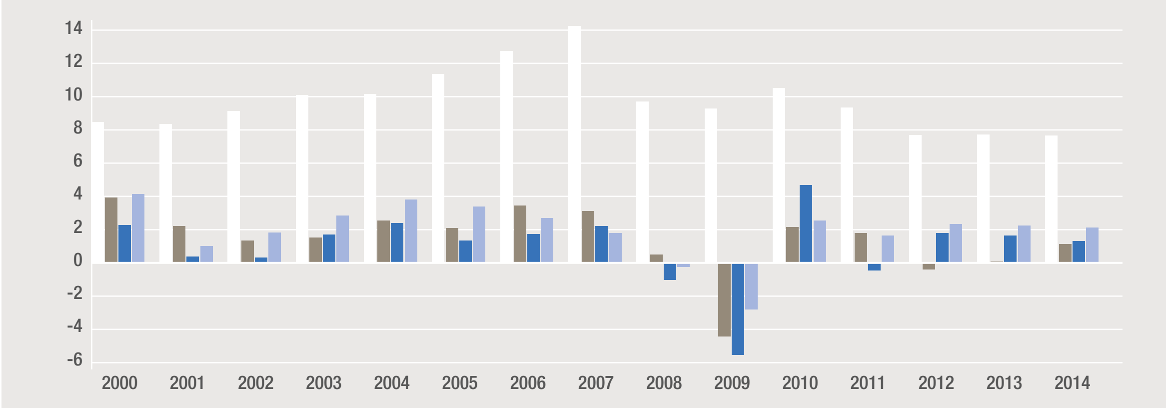


Graph 1: GDP growth by country (in %)

Source: World Bank

the boomerang effect of the sanctions against Russia and the slowdown in Chinese growth. The relatively strong performances of Ireland, Spain and Germany were held back by weakness in Italy and France. Overall GDP in the Eurozone has yet to regain its 2007 level.

The situation in Japan is bitterly disappointing: despite aggressive action by the central bank, the economy slipped into recession (-1.9% in the final quarter), albeit partly as a result of a hike in VAT from 5% to 8%. In China the downward trend continues; growth is expected to end up at just over 7% despite the negative development of the real estate market. However, the slowdown in growth is likely to worsen: car sales and electricity consumption are growing by just 3.5% while steel production and oil consumption are experiencing zero growth.

## The financial markets

In contrast to the first three quarters of 2014, when the equity markets posted good increases, the final quarter was much more volatile as a result of the sharp fall in the oil price, which pulled the stock markets down with it. However, a sudden rebound in late December meant that the equity markets were able to make up almost all the lost ground: strong US figures, renewed confidence in Germany and a stabilisation of the oil price and the rouble saw the tranquility somewhat restored towards the end of the year. At 31/12/2014 two major markets showed a clear spike: US (Dow Jones +7.5%) and Japanese (Nikkei +7.1%) equities. The other leading equity indices registered slight increases or were flat. Latin America and Russia remained clearly in the red.

Short-term interest rates are still fluctuating around zero, both in Europe and in the US. The 10-year interest rate is also falling, especially in Europe. Corporate bonds remain on track, with a continued decline in spreads (the

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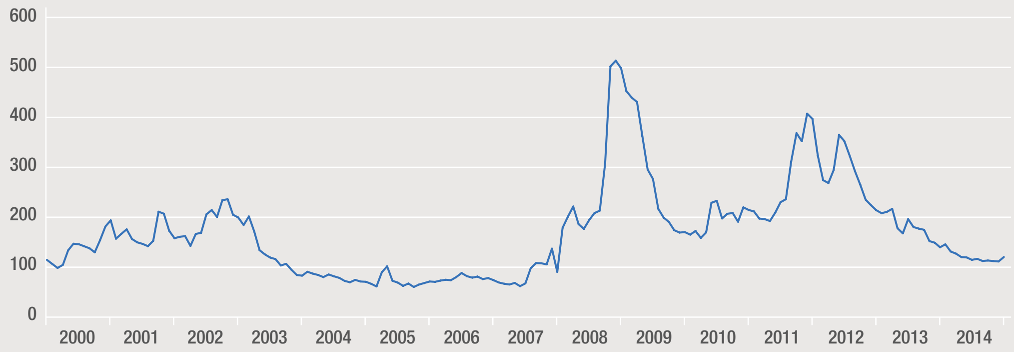
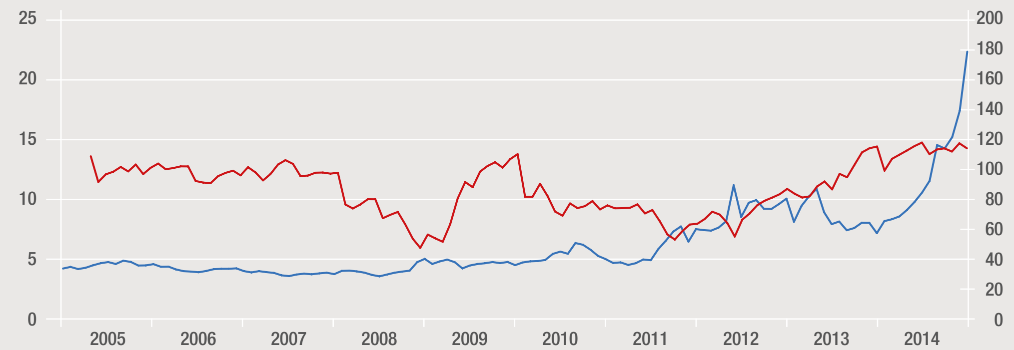
Graph 2: Spread (Rating BBB)




Source: Bloomberg

Graph 3:
Valuation of equities vs. bonds




Source: Bloomberg

difference in yield compared to government bonds with the same maturity), as shown in graph 2.

Commodity prices are falling steadily, as illustrated by the slowdown in growth in China – the biggest consumer of commodities – (Bloomberg Commodity Index: -17% for the year). Gold registered a 1.44% decline in value in 2014.

Equities are still showing good gains. In 2014, gains of 4% to 7% were expected in Europe and the US. In 2015 they are expected to exceed 10% in Europe due to positive currency effects on profits made outside of the Eurozone (with a fall expected in the US). Whilst price/earnings ratios might be historically high in absolute terms, against current interest rates they are rather moderate: a 10-year German government bond costs 180 times its coupon, whilst the European equity index is valued at 14 times earnings! (See graph 3).

In terms of forex, the euro is losing ground. This is indicative of the sluggish European economy, but mainly reflects the central bank's moves to weaken the currency, with the euro down 12% against the US dollar and down 6.5% against sterling. The European currency only gained compared to the currencies of oil-exporting countries.

## Positive results for our management once again

Anticipating a fall in the euro we started strengthening our diversification into other currencies from 2013. This strategy was very profitable in 2014, having still been negative in the previous year. In 2014 we also raised our exposure to equities, especially in the Eurozone. This strategy, too, will only really start bearing fruit a year after its launch.

In bonds we pursued a policy of shorter maturities. The risk profile of bonds has become asymmetrical: limited chances of a fall in interest rates and thus in the excess value of bonds, against a large risk of loss in the event of a rise in interest rates (a 1% increase in the 10-year rate results in a 10% loss on the face value of the bond). We remain positive on higher-yield bonds (in many cases variable or revisable rate bonds), provided that we are satisfied with the relation between the quality of the issuer and the yield spread. Furthermore we have lowered the share of bank issuers in favour of bonds issued by industrials.

This bond policy has so far failed to pay off. Interest rates continue to fall, investors accept terms that are so favourable to the issuers that the risk is no longer taken into account. Nevertheless we maintain our cautious stance and as yet refrain from investing in loans with a long maturity at interest rates which are close to zero.

## Outlook and risks for 2015

The shock waves resulting from the sharp drop in the oil price, the worrying fall in inflation and the rise of the US dollar will have major economic repercussions in 2015. A fall in the oil price is in principle positive for the growth of importing countries because it increases purchasing power. This is offset by the fact that it promotes deflation and has a clear negative impact on the economies of oil-exporting countries. The rise of the dollar should lead to a better distribution of growth between the US and other countries, which should see increased competitiveness as a result.

Both effects should be exceedingly favourable for Europe and mildly positive for the US, but extremely negative for commodity-exporting emerging economies, especially those whose debt is denominated in dollars. Initial indications in 2015 confirm this trend given that Europe is once again in a stronger position due to the special measures by the ECB. China, conversely, is facing a real estate crisis and excessively spiralling debt. Might India, which is implementing economic reforms, gradually become the new China?

All these elements combined are likely to lead to slightly higher growth of the global economy in 2015, albeit with greater volatility, as the shock waves due to currency movements and fluctuating energy prices can sometimes have unforeseen consequences.
In terms of investment management we will continue to invest mainly in equities, with a preference for the Eurozone, which is lagging in growth compared to the US. In addition we invest in hybrid corporate bonds that offer a yield appropriate to the risk. Interest rates on government bonds seem to us too low to commit to longer maturities. We also maintain a policy of broad monetary diversification outside the euro, which greatly benefits our portfolios under management.

# Two chairmen share their views

**The year under review brought a change in continuity for Delen Private Bank, with Jacques Delen passing the baton to Paul De Winter in the spring of 2014. It was a natural and seamless transition. Jacques Delen is now chairman of the Board of Directors and Paul De Winter CEO of Delen Private Bank. De Winter commented: "Whilst my duties have increased, the commercial side of things is still key. Direct contact with clients remains essential for me; after all, they form the basis of our success and we invest in their success."**

" Jacques Delen: Every day our staff makes personal efforts on behalf of each client. They put our family values into practice. "

## The challenges of 2014-2015

Delen Private Bank has consistently proved its worth during the difficult periods. Stability, caution and the strong risk management measures we have taken proved a major draw during the banking crisis. "Our policy of prudence and our long-term view provided our customers with security in turbulent periods, with great results," said De Winter.

The challenge today – in a more positive market – is to keep pace with market growth. Our centralised management model guarantees that the influx of new clients can be accommodated smoothly; it also consistently delivers the best solution, tailor-made to suit the client's profile.
In order to provide its wealth management advice services, Delen Private Bank keeps a close eye on all developments of legislation and inheritance tax. Following the repatriation of assets in 2014 it is now important to be able to map out the many aspects of inheritance planning for each individual client. Wealth management advice remains an essential part of discretionary asset management.

## Advanced IT and computer technology as a formula for success

Enhancing the efficiency of the processes has always been the main challenge for Jacques Delen and has been one of the keys to Delen Private Bank's success right from the outset. Performance through automation, in other words. "The IT system we developed in-house is our pride and joy," according to Jacques Delen, "a powerful system with strong content that can be easily accessed by clients and also enables real-time discussion of the portfolio during client contacts." Transparency at your fingertips. This advanced and fully integrated automation also enables Delen Private Bank to respond swiftly to changing regulations and fluctuating economic conditions. But by no means does it end there: our in-house IT team is hard at work to further expand the platform, with a view to broadening the services we provide and maximising security.

Left: Jacques Delen.
Right: Paul De Winter.

## JM Finn & Co: a valuable addition

The acquisition of JM Finn & Co in 2011 provided Delen Private Bank with an excellent foundation for introducing its own management model in the United Kingdom. The UK market is complex and more fragmented, but precisely because of this offers great scope for growth. Streamlining of the administration, centralisation of the portfolio reports and further professionalisation of the processes have led to a sharp rise in assets under management. Following the acquisition, assets increased from EUR 7 billion to EUR 11 billion in early 2015.

> ”
> Paul De Winter: We keep a close eye on the latest tax and legal developments, because wealth management advice is an essential part of discretionary asset management.
> ”

## 2015: proximity fosters growth and trust

Delen Private Bank always puts the relationship with the client first, and so investing in the local offices is a strategic priority for us. We use renovation and innovative architecture (shortly in Antwerp) to create stylish spaces in order to guarantee maximum proximity for all clients. Every regional office exudes that typical Delen feeling, a stylish sense of home. After all, it is our ambition to meet all our clients once a year in comfortable surroundings. Stepping inside Delen Private Bank should in no way be a threshold. We will listen to any question concerning asset management and offer an appropriate solution for every profile. The warmth within Delen Private Bank is the organisation's strength. We do not have a bonus culture that fosters internal competition and creates conflicts of interest, but instead a shared vision of harmony that completely revolves around making life comfortable for the client.

## A close relationship with the client

Delen Private Bank has a great track record of involvement in interesting, enriching events. The jewel in the crown each year is the Brussels Antiques & Fine Arts Fair (BRAFA), where the stylish Delen stand offers visitors a haven of peace. Sport is another recurring theme for us: golf, Cyclosportive, and sailing. In 2015 the local offices will invest even more in this unique relationship with selected cultural events and themed information evenings.
Clients are quick to find their way to our offices, where they will find all our specialists under one roof in an informal environment: from administration to estate planning advice. ■

| Our commitment |
| --- |
| ■ A direct and open relationship. Even our directors maintain daily contact with clients. |
| ■ Simplicity, balance and transparency in our analyses, advice and choices. |
| ■ Solid investment management and reasoned estate planning advice. |
| ■ Respect for and full compliance with fiscal regulations. |
| ■ Creating a comfortable environment for all our clients. |
| ■ An informal atmosphere of warmth and integrity. |

# Key figures and prospects

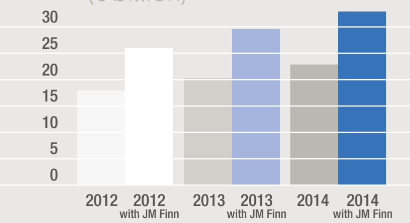
## Delen Investments Group

(Organisational chart p.14)

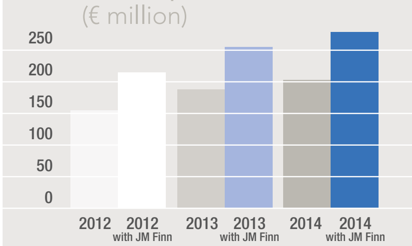
### 2014: our growth strategy is a continued success

**Delen Investments continues to grow; it has reached a new record level of assets under management of EUR 32.9 billion on 31 December 2014. All offices of the group contributed towards this 11.3% growth compared to assets under management of EUR 29.5 billion at the end of 2013. The key figures for the last three years show how the group has successfully continued to apply its strategy, providing its clients with the best service.**

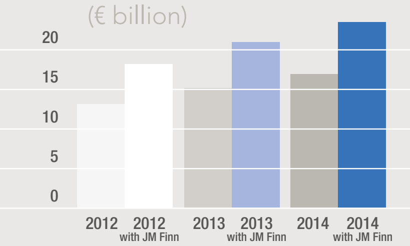
Assets under management (€ billion)



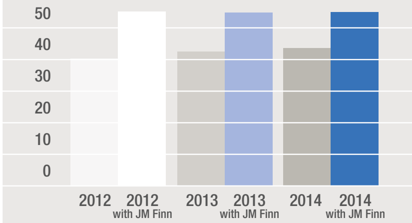

Gross operating income (€ million)



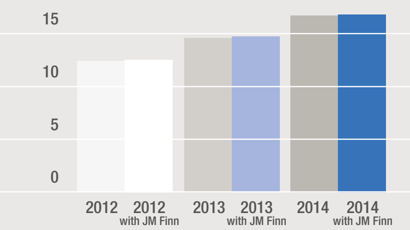

Of which discretionary (€ billion)



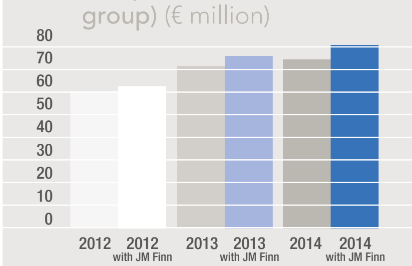

Cost-income ratio (%)




Of which Delen Group investment funds (€ billion)




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



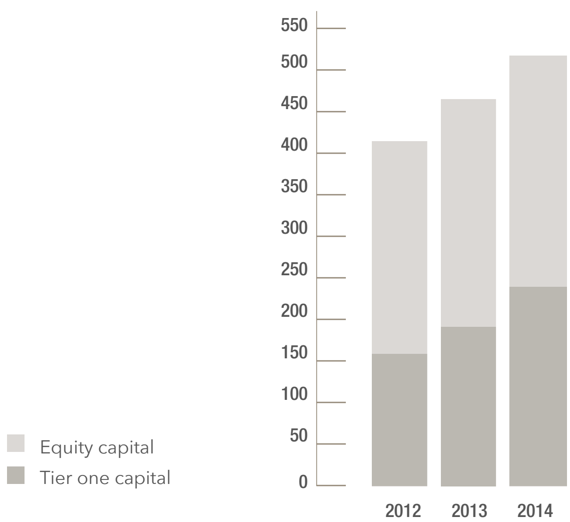

Delen Investments focuses on discretionary management (74% of the capital managed at Delen Private Bank) and relies on an efficient organisation in order to guarantee best-in-class service with a steady team of loyal and professional employees.

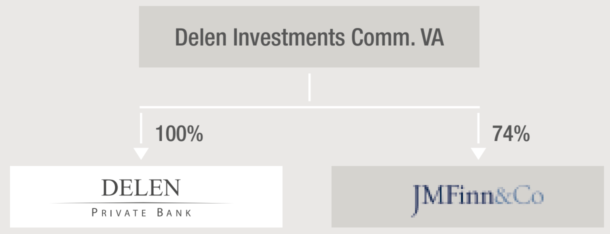
Delen Private Bank applied its traditional investment principles in 2014 in order to enable its clients' assets, within the bounds of their risk profile, to benefit from positive markets.

Delen Investments has experienced further growth in revenue and net profits as a result of the increase in assets under management. The contribution of JM Finn & Co towards Delen Investments' consolidated financial results rose in 2014 to a contribution of EUR 6.4 million in the net profit. Delen Investments' cost-income ratio of 55% is proof of its effective organisation.

Thanks to continued growth and positive markets, Delen Investments finds itself in a favourable position for 2015.

Equity capital (€ million)



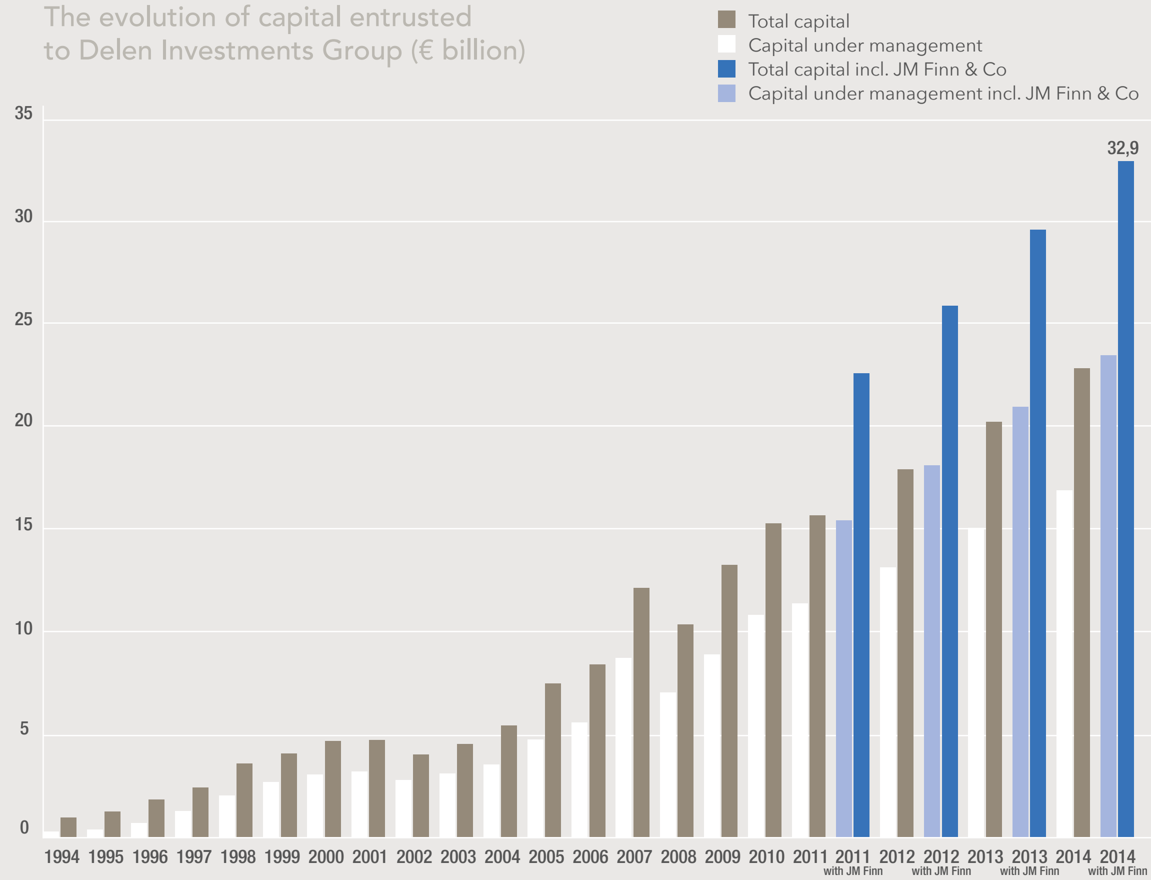



## Prospects for 2015: growth in other active markets

**Both Delen Private Bank and JM Finn & Co will continue to strive to attract new capital, with a focus on the regions where their reputation is on the rise. New employees who have come on board in Belgium and the United Kingdom in 2014 are already actively contributing towards this growth. The further impact of the increase in assets under management on the Delen Investments group's financial results will become clear in 2015.**

While continuing to pursue the successful implementation of the strategic initiatives to enhance the JM Finn & Co model, Delen Investments group will also assess external growth opportunities.
The group is convinced that its business model, which has developed at a steady rhythm in Belgium, is also applicable to other markets where it has a presence.

The evolution of capital entrusted to Delen Investments Group (€ billion)



## 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 Investments group today. Continuity is key to this growth strategy. A healthy structure and many years of experience have given Delen Private Bank a unique market position.**

**1936** André Delen establishes the Delen stock broker.

**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** Signature of a cooperation agreement with stock brokers De Ferm.

Bank J.Van Breda & C°

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

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

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

**2004** Acquisition of the Luxembourg Axa subsidiary Banque Ippa & Associés, which became known as Banque BI&A.

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

## Local roots and market recognition

**Delen Private Bank intentionally chooses a presence close to its clients. For this reason, more offices were opened countrywide from 2007. Our expertise and the quality of our management have been repeatedly recognised with awards over the years.**

**2007** Opening of new office in Ghent (Merelbeke).

Euromoney awards Delen Private Bank the 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.

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


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

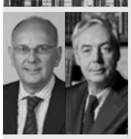
**2011** Majority shareholding in JM Finn & Co in London.

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.

Eric Lechien and Christian Callens join the Management Committee.

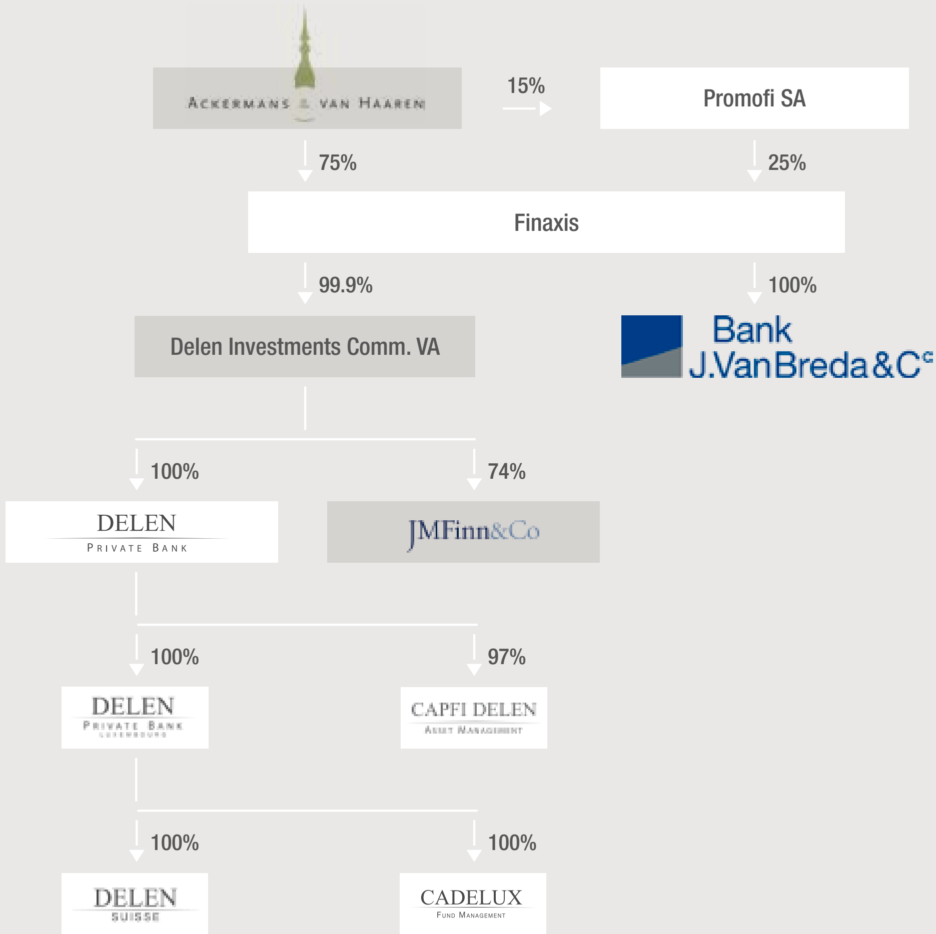
**2013** Delen Private Bank Ghent moves from Merelbeke to a renovated historical building at Coupure in Ghent.

The Brussels office at Tervurenlaan reopens after extensive renovations.



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

# A strong financial group




## Delen Investments

**Delen Private Bank 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 (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 Comm.VA are, in turn, almost all held by Finaxis NV, incorporated in 1997. As a manager appointed under the articles of association, the Delen family and the Ackermans & van Haaren NV group each hold several shares in Delen Investments Comm.VA. Cooperation with AvH started in 1992, when the Delen holding company merged with this Antwerp investment company.

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As a reference shareholder, AvH currently holds 75% of the shares of Finaxis NV. The Delen family has a 25% participating interest in the capital of Finaxis NV through the company Promofi SA. AvH owns 15% of Promofi. Delen Investments' main participating interests are Delen Private Bank (100%) and, since 2011, JM Finn & Co (Ltd) (74% participating interest), a leading investment manager in the United Kingdom.

Delen Private Bank has two subsidiaries: Delen Private Bank Luxembourg SA and Capfi Delen Asset Management NV (Cadelam), an authorised asset management company for Collective Investment Schemes. 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 SMEs (Small and Medium-Sized Enterprises), professionals and the self-employed, fall under the affiliate Bank J. Van Breda & C°. 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.

# Ackermans & van Haaren

**Ackermans & van Haaren (AvH) is a diversified group and represented a turnover of EUR 5.9 billion in 2014. The group opts for a limited number of participating interests with growth potential.**

Ackermans & van Haaren is active in five key sectors: Marine Engineering & Infrastructure (DEME, one of the largest dredging companies in the world - CFE and A.A. Van Laere, two construction groups headquartered in Belgium), Private Banking (Delen Private Bank, one of the largest independent private wealth managers in Belgium, and investment manager JM Finn & Co in the UK – Bank J.Van Breda C°, a niche bank for entrepreneurs and professionals in Belgium), Real Estate, Leisure 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 in tropical agriculture) and Development Capital (Sofinim and GIB).

The AvH group represented an economical footprint with a turnover of EUR 5.9 billion in 2015, through its share in participations, and employs 22,633 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.

"The group focuses on a limited number of strategic participating interests with significant growth potential and is led by an experienced, multidisciplinary management team."

Corporate headquarters Ackermans & van Haaren.

| (in € '000) | Ackermans & van Haaren (consolidated) | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| | | | | | | | |
| Market capitalisation | 3,420,034 | 2,852,596 | 2,085,852 | 1,930,762 | 2,092,890 | 1,741,504 | 1,219,287 |
| Equity capital | 3,499,369 | 3,277,362 | 2,514,231 | 2,364,994 | 2,153,375 | 2,020,873 | 1,926,109 |
| Equity capital (share of the group) | 2,402,197 | 2,251,539 | 2,003,267 | 1,882,631 | 1,711,350 | 1,595,501 | 1,517,147 |
| Net profit (share of the group) | 215,125 | 293,901 | 167,343 | 177,506 | 160,804 | 117,450 | 114,558 |

| (in € '000) | Finaxis (consolidated) | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| | | | | | | | |
| Equity capital | 1,001,372 | 921,418 | 852,926 | 785,769 | 613,549 | 547,768 | 486,177 |
| Net profit (share of the group) | 115,451 | 106,923 | 89,950 | 111,857 | 79,553 | 56,532 | 51,046 |

# Bank J.Van Breda & C°

**The activities of Delen Private Bank and its affiliate Bank J.Van Breda & C° 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, differentiates it from other banks.

Every self-employed person knows it is necessary to accrue pension capital to be able to comfortably maintain their lifestyle later. Whoever simply relies on the value of their company, practice or office for this purpose is taking a considerable risk. The Bank assists its clients in accruing and protecting sufficient wealth to 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 monitoring the long-term interests of their clients.

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 39 branches in Flanders, Brussels and Wallonia. Everyone works with the same mission everywhere: being the best partner in wealth development for entrepreneurs and professionals.

| (in € '000) | Bank J.Van Breda & C° | | | | |
|---|---|---|---|---|---|
| | 2014 | 2013 | 2012 | 2011 | 2010 |
| Total invested by clients | 10,018,353 | 9,017,851 | 8,010,469 | 7,469,140 | 6,368,943 |
| Client deposits | 3,815,449 | 3,683,174 | 3,424,426 | 3,453,279 | 2,596,766 |
| Off-balance sheet products | 6,202,904 | 5,334,676 | 4,586,043 | 4,015,861 | 3,772,177 |
| Total private lending | 3,639,208 | 3,455,495 | 3,306,419 | 3,043,941 | 2,631,339 |
| Group equity capital | 474,981 | 447,907 | 427,267 | 394,969 | 258,620 |
| Net income | 35,494 | 31,546 | 27,739 | 54,880 | 25,664 |
| Cost-income ratio | 60% | 59% | 58% | 61% | 57% |
| Staff | 459 | 466 | 465 | 462 | 418 |

# JMFinn&Co (Ltd)

**From a traditional listed company to a modern investment manager.**

Back row from left to right: Paul De Winter, Hugo Bedford, Gregory Swolfs, Charles Beck, Eric Lechien
Front row from left to right: Simon Temple-Pedersen, Jacques Delen, James Edgedale, Steven Sussman, Paul Dyas.

At the end of 2014, JM Finn & Co had EUR 10,058 million (GBP 7,834 million) in assets under management, of which 65% were under discretionary management. The growth in assets under management and the percentage under discretionary management compared to the end of 2013 confirms that JM Finn & Co is a healthy company with potential for growth. JM Finn & Co's position in the attractive British onshore investment management market, combined with the drive and experience of Delen Private Bank must allow JM Finn & Co to grow further and evolve into a prominent player on the English investment management market.

Operationally, 2014 was once again a busy year for JM Finn & Co with the possibilities provided by the new software system, important initiatives to adhere to the stricter compliance environment, efforts to increase organisational efficiency and the further expansion of the cooperation with Delen Private Bank. Centralising the production of portfolio statements is but one of the steps that JM Finn & Co must take to reduce the workload for managers, giving them more time to serve new and existing clients. The Management Committee and the Board of Directors of JM Finn & Co continue to ensure that strategic initiatives and priorities are gradually and successfully implemented so that JM Finn & Co becomes an even more efficient and modern asset manager without undermining the relationship of trust between asset managers and clients. The Delen Investments group fully supports JM Finn & Co in the challenge of combining a successful growth strategy with necessary improvement of profit.

JM Finn & Co's net result in 2014 was GBP 7.9 million. JM Finn & Co's contribution towards the group's net result was EUR 6.4 million (after client amortisation expenses and 26% minority interests, collectively totalling EUR 3.5 million). As JM Finn & Co's current cost-income ratio is 83%, the contribution to net profit is more modest than the contribution towards assets under management and gross operating income.

| (in £ '000) | JM Finn & Co | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| Assets under management | 7,834,000 | 7,775,000 | 6,505,000 |
| Of which descretionary | 5,117,000 | 4,905,000 | 4,050,000 |
| Equity capital | 31,638 | 27,353 | 22,811 |
| Gross operating income | 59,989 | 56,947 | 48,837 |
| Net result | 7,937 | 6,316 | 3,754 |
| Cost-income ratio | 83% | 85% | 89% |
| Staff (FTEs) | 295 | 298 | 306 |
| | | | |
| Contribution to Delen Investments' consolidated result (in € '000) | 6,393 | 4,565 | 2,449 |

# Management and supervision
## Delen Private Bank

### Management Committee

The Bank's Management Committee is responsible for determining the strategy of the Bank, within the guidelines determined by the Board. It is accountable for the day-to-day management of the Bank and management of its various services, which in turn report to the Management Committee. The Management Committee closely monitors the Bank's performance and ensures the follow-up of risks.

The current composition of the Management Committee is as follows:

Chairman
Paul De Winter

Deputy Chairman
René Havaux

Members
Christian Callens
Filips De Ferm
Alexandre Delen
Eric Lechien
Arnaud van Doosselaere
Bernard Woronoff

### Board of Directors

The Board of Directors of Delen Private Bank is responsible for determining the general policy of the Bank and for supervising the Management Committee. The board members each have a wealth of experience and they assess the policies and performance of the Bank from different angles. The Board of Directors includes one independent director who complies with article 526ter of the Belgian Company Code.

Chairman
Jacques Delen

Deputy Chairman
Jan Suykens

Directors
Tom Bamelis
Luc Bertrand
Christian Callens
Paul Delen
Filips De Ferm
Alexandre Delen
Paul De Winter
Piet Dejonghe
Eric Dekeuleneer
Michel Delbaere (independent director)
René Havaux
Mark Leysen
Pierre Sureda
Arnaud van Doosselaere
Bernard Woronoff
Dirk Wouters

The Management Committee of Delen Private Bank. Back row from left to right: Bernard Woronoff, Christian Callens, Eric Lechien. Front row from left to right: Alexandre Delen, Filips De Ferm, Paul De Winter, René Havaux, Arnaud van Doosselaere.

## Audit and Risk Committee

An Audit Committee was established within the Board of Directors, which was converted into an Audit and Risk Committee in 2014. This committee is responsible for control over the financial reporting process, compliance with administrative, legal and tax rules, designing internal control procedures, and providing advice to the Board of Directors on existing and future risk tolerance and the risk strategy. It is composed as follows:

Chairman
Luc Bertrand

Members
Michel Delbaere (independent director)
Jacques Delen
Jan Suykens

All members of the audit and risk committee have the necessary expertise in the field of accounting and auditing, as well as the necessary knowledge, expertise, experience and skills to understand and comprehend the Bank's strategy and risk tolerance.

**Michel Delbaere** is a graduate in law and economic sciences. He is a director of various financial and economic companies and associations. He is also the founder of Crop's NV, Hesbayefrost SA, Monliz SA, MDC Foods Ltd. and Crop's & Partners, among others, and is director at several of these companies. Michel Delbaere is also the managing director of Crop's Holding, member of the Management Committee of VBO and chairman of VOKA.

**Jacques Delen** qualified as a stockbroker in 1976. He has become the chairman of the Board of Directors of Delen Private Bank from 1 July 2014; he chaired the Management Committee until that date. He was appointed director of Ackermans & van Haaren in 1992 and has been chairman of the Board of Directors since 2011. He is also director of the listed plantation group Sipef and of Bank J.Van Breda & C°.

**Jan Suykens** holds a degree in applied economic sciences and obtained an MBA from Columbia University in New York. He started his career in Corporate & Investment Banking at Fortis Bank as CFO. He has been the CFO of Ackermans & van Haaren since 1990 and later became a member of the Management Committee. He holds various board mandates within the Ackermans & van Haaren group.

**Luc Bertrand** graduated from K.U. Leuven as a business engineer in 1974. He worked for BankersTrust Co in New York, Amsterdam and London until 1986 (Vice President, North Europe Area Manager). In 1985 he was appointed director, and in 1986 the administrative and financial director of Ackermans & van Haaren NV. He has chaired the Management Committee of Ackermans & van Haaren since 1990. He is also the chairman of Finaxis. He holds various directorships within and outside the Ackermans & van Haaren group, and has also been appointed independent director at Schroders and ING Belgium. Luc Bertrand also used to be a director of Banque Indosuez Belgique and of Generale Bank Belgium until its acquisition by Fortis.

### Remuneration Committee and Nomination Committee

The remuneration committee is responsible for preparing decisions with regard to remuneration and advising on the Bank's remuneration policy. It is comprised of the following directors:

Chairman
Luc Bertrand

Members
Michel Delbaere (independent director)
Jacques Delen
Jan Suykens

No separate nomination committee was established within Delen Private Bank. The entire Board of Directors assumes the tasks of the nomination.

### Statutory auditor

Delen Private Bank has appointed E&Y auditors BCVBA as Statutory Auditor, with Mr Pierre Vanderbeek as its legal representative. From FY 2015 onwards, Mrs Christel Weymeersch will take over Mr Vanderbeek's role.

Jozef Peeters

< Delen Private Bank, stand at Brafa 2015.

# 2014: solid returns in a virtually interest-free market

**2014 was another record year for Delen Private Bank. Our clear focus on wealth management, complete transparency towards the clients, the risk controls implemented and our centralised management produced new record results. The growth in capital under management and numerous new clients lifted capital under management to a record of over EUR 23 billion.**

## Delen Private Bank: 100% focused on wealth management

Delen Private Bank is fully committed to wealth management, unequivocally and with complete transparency. With our proven business model and high level of cost efficiency we enjoy an excellent reputation. Our strategic edge in the market was reported on in various newspapers during the year. The rapid increase in highly qualified applicants is confirmation of both the quality of our management and our forward-looking nature. And yet we are a Belgian player that does not believe in having a bonus culture! An ideal we will never abandon because we believe in avoiding any form of unnecessary competition. Because at Delen Private Bank all our attention is devoted to the client. Client-oriented thinking and working is our motto.

From the left: Management Committee members Bernard Woronoff and Arnaud van Doosselaere.

As part of our transparent management we will always aim for clear communication with our clients. Because people appreciate things all the more when they understand them. However, we do more than just give our clients financial peace of mind. We also like to share the good things in life with them, such as BRAFA, now the leading classic art fair in Belgium. Or one of the many sporting events, such as Cyclosportive or our golf tournament.

## Delen Academy: start the way you mean to go on

In 2014 we launched Delen Academy, a logical step within the context of wealth planning. Delen Academy is aimed at our clients' children, because the family context is an integral part of wealth management. In four evening sessions we initiate them into how asset management works and the basics of inheritance planning. A concluding session packed with practical market examples provides them with an insight into the ins and outs at Delen Private Bank. Since 2014 we have also seen a noticeable drop in the average age of our client base. As well as Delen Academy, Delen Private Bank organises regular client information sessions about its investment management. Because the better the client is informed, the better the relationship, the trust and the cooperation. Which is why transparency and clear communication are an integral part of the culture at Delen Private Bank.

"Thanks to economic growth (in the US) of 4% and the flexibility of their economy, switching off the money-printing machines had no negative impact on the equity markets."

## 2014: a quiet year with a volatile ending

The first signs of 'tapering' and the exodus from the growth countries caused serial turbulence in 2013 but 2014 got off to a quieter start. The year progressed quite calmly until the waves of high volatility came along to test the nerves in the second half of the year.

The United States can look back on a successful 2014. The ending of the quantitative easing (QE) programme by the Federal Reserve went more or less without a hitch. Thanks to economic growth of 4% and the flexibility of their economy, switching off the money-printing machines had no negative impact on the equity markets. On the contrary, the recovery in the employment market and the robust economy saw to it that the US equities market was head and shoulders above the rest in 2014. In Europe and Asia results were moderate to frankly poor. However, our prudent approach and risk controls ensured that we suffered little adverse effect from this. The forex markets were characterised by greater dynamism in 2014. The US dollar resolutely continued its march against the euro, while the Asian currencies also posted fundamental gains and contributed towards the good results from our asset management activities. India was the clear outperformer, with stock market gains of nearly 30% and a currency appreciation of around 11%!

"With our proven business model and high level of cost efficiency we enjoy an excellent reputation."

## In a market with continued low interest rates our asset management funds achieved strong results

Interest rates are increasingly marginal, and banks are actually paying – and not receiving – interest on deposits with the ECB as rates are in fact negative. Such sustained low returns not only give an uncomfortable feeling, but also affect the scope for supplementary income from capital. The continuing low interest rates mean that many people are seeing their income from capital melt away. At present the only way to combine a supplementary income with a further growth in capital is by switching to a higher risk level. Which meant that we saw our clients clearly adding more weight to our Medium and Flex funds in order to generate extra returns. Risk-free investment is no longer possible. This creates an ideal situation for Delen Private Bank, because it is in tough market conditions that our strengths come to the fore. Operating from our position as risk manager with a prudent stance, we consistently seek to find the optimum balance between risk and return. In this context we can also offer combinations of our funds to deliver a perfect match for each personal risk level. In 2014 our asset management funds achieved an average net return of nearly 6.5%, again testimony to the effectiveness of our centralised approach.

## Outlook for 2015

The decline of the euro and the collapse of the oil price are welcome gifts for a Europe balancing on the edge of deflation. Both these elements are leading to renewed interest in European equities. In addition we are seeing US investors pulling out of Wall Street in favour of investing in European equities, given that the expensive US dollar is likely to slow rather than fuel growth levels in 2015. The average P/E ratio of US equities is around 20 compared to a ratio of 15 in Europe.

Consequently we are positive on European equity markets. Along with the currency advantage of the euro and the low energy prices, the planned increase in the money supply forms a third prop for the European economy, given that the ECB will cause inflation with monthly injections of EUR 60 billion. Together with the continued low interest rates this means that we remain positive on European stock markets. In light of the rapid rise in January we are still expecting volatile phases which many will use as an opportunity to stock up on European equities.

At the same time the concept of the BRIC countries has fallen apart. The economy of Brazil, the first letter of the acronym, is on the rocks. Inflation in January was 7% and in contrast to the sharp rise in interest rates the Brazilian currency, the real, continued its steady fall to reach its lowest level in a decade. Russia, too, found itself in the eye of the storm, with the rouble losing 50% of its value in six months. This brutal dive caused a domino effect throughout the Russian economy, with unavoidably damaging consequences. We remain negative on both Brazil and Russia and have no exposure to either country.

Conversely we are strategically positive on Asia and have raised our direct equity weighting in Asia to 25%. In addition there are plenty of European equities in our portfolio which will be able to benefit fully from the Asian growth. Whilst this growth may be more modest than in the past, Asia is currently the cheapest equity market. We know that their figures are not always reliable but we can see that Asian economies are aiming for more controlled and regular growth.

"
Did you know that professional wealth planning can generate higher returns than investing?
"

Management Committee members Filips De Ferm and René Havaux.

## Professional wealth management can provide higher returns than investing

In addition to asset management Delen Private Bank also devotes a great deal of attention to wealth planning. Did you know that professional wealth planning can generate higher returns than investing? At Delen Private Bank a team of 15 patrimonial lawyers deals with these technical matters every day. In a broader context, which also encompasses company law and for instance foreign issues, they ensure that our clients get the most personal and appropriate advice. However, we do not confine ourselves to the technical side of things; we do still operate in a family context whereby the psychological side is equally deserving of attention. The advanced in-house technical knowledge at Delen Private Bank provides the perfect foundation for clear and straightforward communication with regard to your planning. The ideal basis for earning your trust.

## Safety first

The growing importance of the internet in our daily lives clearly presents new security concerns. Delen Private Bank refuses to compromise in this area by choosing only watertight and proven solutions. Each client wishing to do so can access their portfolio online at any time of the day or night. Transfers cannot be performed online, however. Moreover, to rule out any irregularity our fund managers work essentially with authorised accounts for each client.

Our IT platform, which also comprises various security levels, is able to operate completely independently. Following the discussions about possible blackouts, additional energy security measures have been implemented. In the event of a power failure our own generators will seamlessly take over the energy supply in order to guarantee the continuity and safety of our services. A next step in terms of security concerns email traffic. Our IT service is currently working hard on updating our secure systems for email traffic. Because at Delen Private Bank nothing is left to chance.

Guy Vandenbranden

# Capfi Delen Asset Management and Cadelux 2014

**Within the Delen group Cadelam (Capfi Delen Asset Management) and Cadelux are responsible for managing funds that are mainly promoted by Delen Private Bank. They are companies for the management of UCIs (Undertakings for Collective Investment), recognised by the financial markets regulators of Belgium and Luxembourg (FSMA and CSSF). This means that they have a specific licence to manage these funds.**

" Delen Private Bank primarily uses wealth management funds to manage the assets entrusted by its clients. "

From the left: Michel Vandenkerckhove (Chairman), Patrick François, Chris Bruynseels and Gregory Swolfs, Management Committee of Cadelam (Capfi Delen Asset Management).

Gregory Swolfs,
Cadelam Management Committee.

## Strong in financial and administrative management

Cadelam provides services to around 40 sub-funds or compartments divided among 13 separate SICAV funds. This comprises the administrative management of 14 sub-funds with assets of over EUR 850 million outside the Delen group (up 40% in 2014). In addition we handle the financial management of almost 30 Delen group portfolios worth EUR 16.8 billion, up EUR 2.5 billion on end-2013. The administrative management of 14 of these 30 internal sub-funds is handled by Cadelam, while Delen Private Bank Luxembourg handles that of the other 16. Cadelam handles, or assists Cadelux with, the risk management for each of these 40 sub-funds.

Delen Private Bank uses a number of funds to manage the assets entrusted by its clients. These include equity, bond and treasury funds, but mainly mixed funds. The latter are also known as wealth management funds given that clients often invest a substantial part of their movable assets in them. A wealth management fund can really be seen as an efficient way to package a whole series of individual equities and bonds of which the client – according to their needs – can buy or sell a small part in a very flexible way and on a daily basis. Within this packaging both the portfolio management and the administration (coupon payments, splits, conversions…) are handled by two specialist teams.

Cadelam employs a team of 12 portfolio managers/analysts who focus on the financial management of these funds. At the same time, together with Cadelux, it also has a team of 11 specialised accountants who handle the bookkeeping, administration, legal compliance, controls and risk management for the various sub-funds.

The **financial management** comprises taking decisions on asset distribution and specific composition of the portfolio, in accordance with the investment strategy and the market circumstances. Important elements for equities include the sector spread, the geographical spread and the selection of the individual stocks. Aspects important for bonds include the spread by credit rating, the length of the term and the choice of individual instruments.

An investment committee meets several times a month to formally discuss these strategic choices, in addition to which the members of the committee maintain daily contact regarding their practical implementation. The strong results achieved over the last years, in terms of both the return for investors and newly entrusted assets, are proof that this approach with its short lines of communication is beneficial to investors.

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

” The strong results achieved over the last years are proof that this approach with its short lines of communication is beneficial to investors. ”

Paul Van Hoeydonck

## The importance of permanent risk control

A significant amount of time also goes into the risk controls of the portfolios and the internal controls of the procedures. Risk control is an extremely important aspect of the management company's duties. It relates to various aspects of a sub-fund's functioning, with risks including market risk, credit risk, settlement risk, currency risk, liquidity risk… The contents of the sub-funds are constantly scrutinised to establish whether there is sufficient diversification of the investments, to ensure optimum management of the risks.

Furthermore, investment funds are subject to a strict regulatory framework, imposed by both EU and Belgian legislation. These rules impose many investment restrictions in order to protect shareholders and must be complied with. The Risk Manager of the management company must monitor these rules and report to both the fund managers and the fund directors as well as to the responsible authority (FSMA and CSSF).

The liquidity of the underlying securities is another constant point for attention. At set times the portfolios are subjected to a stress test to check what proportion of the fund can be sold in one day, or how many days it would take to liquidate for example 20% without excessive price losses.

"The liquidity of the underlying securities is another constant point for attention."

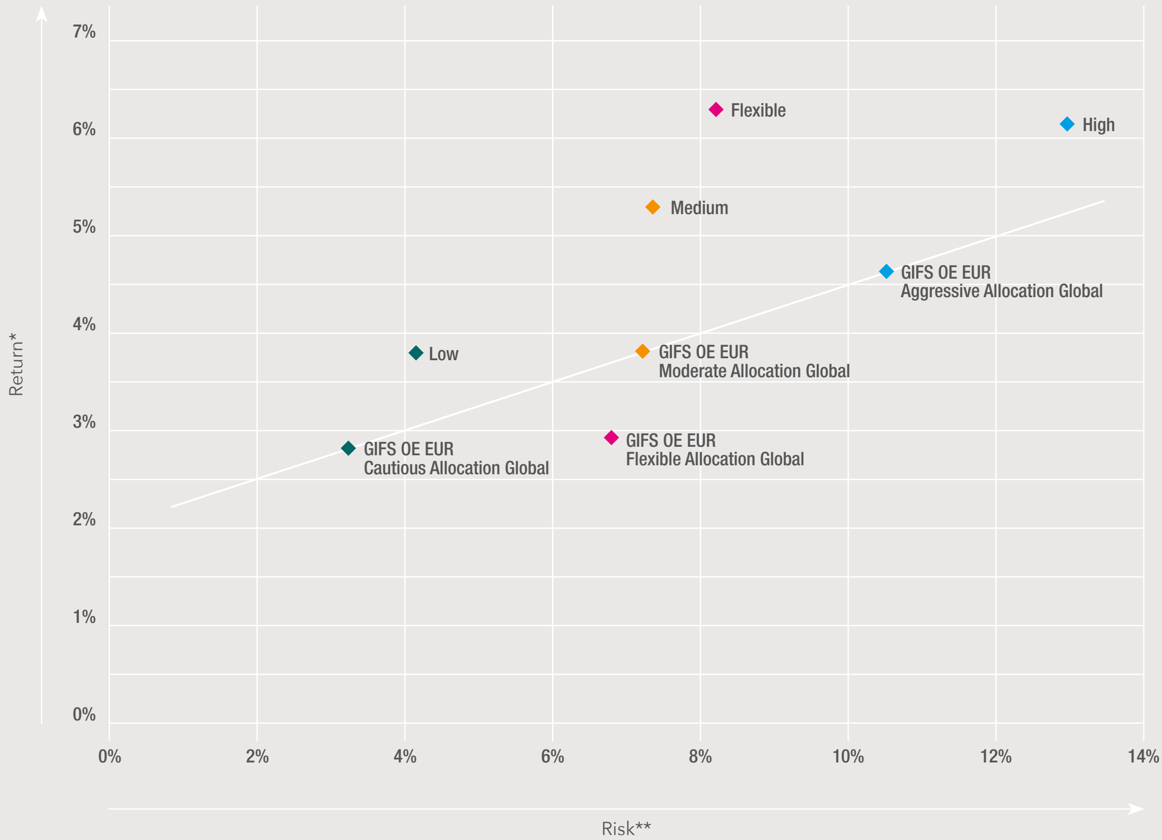
## Good risk-return results in 2014

2014 turned out to be a year in which broadly speaking there was little difference between the investment results on equities and on 10-year bonds. Both asset classes managed to achieve double-digit returns, with risk-taking on equities not necessarily better rewarded. However, in reality the situation was much less clear-cut.
Results on equity investments were strongly dependent on regional allocation. For example, Europe barely managed to achieve returns of 7-8% – really not that bad in absolute terms – while the US conversely achieved a return in euros of almost 30% (including more than 13% thanks to currency gains). The Asian markets were somewhere in the middle with a result of over 19% in euros, mainly supported by the exchange rates.
For bond investors spectacular results (thanks to the fall in the already low interest rates) were reserved for those who, against the consensus, did not believe in the possibility of an interest rate rise sooner or later and therefore had holdings of long-term bonds. Cautious investors who locked in gains on bonds at an earlier stage and reinvested in high-quality bonds with shorter maturities had to settle for returns of 2% to 3%.

Added value from the management of the wealth management funds derives mainly from our flexible stance on asset distribution based on a top-down (macro) approach on the one hand, and from the convictions of the fund managers which are translated into the portfolios through fundamental analysis (bottom-up or micro) on the other.

This flexible distribution of assets means that within the fund's risk profile there are active shifts between equities, bonds and cash depending on market circumstances. For example, an investor with a defensive risk profile will not see his asset spread permanently fixed at 20% equities and 80% fixed-income investments. We are more likely to apply a band of 0% to 30% equities. If the valuation of equities and the sentiment in the market worsens , the equity positions will be reduced or hedged in order to lower the risks in the portfolio and thus the volatility. Once circumstances improve, positions can be increased again. Studies have shown that over 75% of the long-term return is determined by the asset spread. Which means that the long-term performance of the portfolio is largely determined by the extent to which it invests in equities or bonds. Weightings will also be tactically adjusted within these asset

Risk-Return of Cadelam wealth management funds
vs peers (GIFS - Global Investment Fund Sector)




** annualized returns over past 10 years to 31/12/14* ***annualized volatility (standard deviation) over past 10 years*

classes based on macroeconomic data or sector-specific characteristics.

On the other hand, in actively managing the portfolios we are not tied to reference indices or benchmarks. This means that the weightings of various sectors or countries in an index will be viewed as an indicator, but not as a standard. In other words, the fact that financial equities have a weighting of around 25% in the indices does not mean that our portfolios should maintain a similar weighting if we do not feel comfortable with that.

It is the investment process that determines the content of the portfolio. Individual analyses and ratios will lead us to undervalued companies or interesting bonds. In doing so, we will always choose to seek adequate returns relative to the risk taken. If we don't like it, we don't buy it. Characteristic of our approach is that we do not necessarily follow trends, that we have the courage to go against the flow at times, and that we also look for specific themes/asset classes which are not as well known or followed (for example the theme of the dividends or convertible bonds or hybrid bonds).

"If we don't like it, we don't buy it."

# 2014: our constantly changing society

**We hear it quite often lately: in our society everything is changing ever more rapidly. In the year under review, the tax system was unfortunately once again unable to escape this trend. For example, we identified a global trend towards the automatic exchange of (bank) details between tax administrations. This search by the government for information on accounts held abroad by its residents should, in times of budgetary crisis, be seen in the context of a much broader quest for additional revenue. The same search for added revenue has prompted the government to take a whole raft of tax measures, one of which we would like to bring to your attention here: the introduction of the liquidation reserve. And finally, this year we reiterate our hopes, against the background of a tax shift called for by many, for a fair but also stable tax policy on capital.**

”
This automatic exchange of information for tax purposes is bit by bit becoming the new standard across the globe.
”

## The new trend: automatic data exchange

Up until a few years ago the exchange of information between countries was limited to exchange on request. Following a number of recent fraud cases – which were widely covered in the media – this changed in a short space of time. The ongoing economic crisis was also instrumental in this, and has prompted governments to bolster international cooperation in the battle against tax fraud.

In various countries we are not only seeing a development towards more cooperation in the tax field but also towards a system whereby the tax administration of one country provides account information to the country of residence of the person concerned. This automatic exchange of information for tax purposes is bit by bit becoming the new standard across the globe.

How can so much have changed so quickly? The first major step towards this automatic data exchange was taken in 2010 by the United States with the introduction of the Foreign Account Tax Compliance Act (FATCA). But the European Union has not been idle either. Its first initiative was to extend its well-known Savings Directive. Also in February 2011 the EU adopted an additional directive, the Directive on Administrative Cooperation or DAC, which provides for more and more extensive administrative cooperation between tax authorities.

In the field of international tax cooperation there is a third player that should not be underestimated. Spurred on by FATCA, the

Liesbeth Stevens, Niklaas Claeysoone and Steven Osaer, legal team.

Organisation for Economic Cooperation and Development (OECD) has developed an international standard for the automatic exchange of information, known as the CRS (Common Reporting Standard). Over 50 countries – including Belgium – are set to adopt this standard with a view to its coming into force on 1 January 2016, with the first information exchange seen in the course of 2017.

In summary, automatic data exchange between tax authorities will only increase in the years to come.
It is to be hoped that a certain degree of co-ordination between the various initiatives will follow so that the framework remains clear to everyone.

In any case it is high time both for Belgians who hold accounts in other countries and for foreigners who hold accounts in Belgium to check whether they comply with the legislation of their country of residence.

" From the beginning of this year, shareholders in SMEs can decide to allocate all or part of their profit, after tax, to a so-called liquidation reserve. "

## Liquidation reserve

One of the most important tax measures taken by the former Di Rupo government was increasing the rate of withholding tax on liquidation bonuses from 10% to 25% with effect from 1 October 2014. Despite a transitional measure to mitigate the effects, the new tax increase was met with a storm of protest. The current Michel administration has provided for a new scheme in response to the criticism.

From the beginning of this year, shareholders in SMEs can decide to allocate all or part of their profit, after tax, to a so-called liquidation reserve. In that case the company must make an immediate advance tax payment of 10% on these amounts reserved. If the company were then to be dissolved at a later date, the reserve would be paid out to the shareholders free of tax. This would mean that the total overall tax charge would be 10%.

The scheme described above only applies if the company distributes the reserve in the context of the company being wound up.
If the reserve were to be distributed in the form of a dividend, additional withholding tax would be payable. This additional withholding tax amounts to 15% if distribution takes place within five years after the establishment of the reserve and 5% if distribution takes place after five years. This means that an overall 25% or 15% respectively would be withheld on the profit distributed.

> There are not many other countries where tax on employment is as high as in Belgium.

## What will 2015 bring?

Whereas in our 2013 annual report we expressed the hope that 2014 would be a year of stable tax policy on capital, we have to conclude that the transition from 2014 to 2015 has brought fresh concerns. Under the influence of public opinion, the call for a tax shift is getting louder all the time, given that there are not many other countries where tax on employment is as high as in Belgium. If Belgium wants to pursue a policy of economic recovery, lowering the tax on employment would appear to be one of the most obvious measures. However, this will have to be compensated by savings elsewhere to avoid putting the budget in danger. This could be done for example through a tax shift, a shift from charges on employment to, for example, charges on capital. Some argue that this would result in a more balanced distribution of the tax burden. There are, however, various ways of implementing such a tax shift: tax on wealth, tax on consumption, ecotaxes… We believe it is unwise to limit the debate to a shift from tax on employment to tax on wealth. We should indeed not forget that capital is already very heavily taxed in Belgium. Moreover, the introduction of capital taxes would require a wealth register, which is problematic in Belgium. Some are suggesting a capital gains tax (which effectively boils down to a tax on surplus value) as an alternative. But this also involves dangers: it is far from clear how to introduce a capital gains tax which is fair, which does not hamper enterprise and which moreover generates real income for the treasury. For these reasons a well-intentioned call for a properly thought-out tax policy would seem to us more timely than ever. After all, a stable and fair tax policy on capital will benefit everyone in the long run.

Guy Vandenbranden

Delen Private Bank, stand at Brafa 2015. >

# Global economy in 2014: an analysis

**In 2014 the Eurozone economy showed signs of recovery following a weaker performance in 2013. The year got off to a bad start in the US but the situation quickly improved in the second quarter. Budget deficits and public debt are still fairly high in Europe but there is confidence in the ability of governments to meet their debt repayment commitments. Despite this, ECB measures are still needed.**

”
After a very weak 2013 the Eurozone economy recovered with GDP growth of around 0.9%.
”

## Global economy

### United States

The year started off poorly with harsh winter weather, resulting in a 2.1% drop in Gross Domestic Product (GDP) in the first quarter. Fears started to grow that recovery had come to a standstill, until figures for the second quarter showed the economy had grown 4.6%. The momentum was sustained until the end of the year. As a consequence, the US remains on track to further reduce unemployment and normalise the economy. The lower price of oil is putting pressure on the rapidly growing shale gas industry while at the same time boosting the purchasing power of consumers, ultimately having a positive net effect.

The flow of figures about the housing market remains clearly positive with evident signs of a steady recovery. The rise in housing prices of more than 4% was rather restrained in 2014 but sales remained stable at around 5 million units.

Following a sharp rebound of just under 50% this is around 10% below the level recorded in the spring of 2007 (when the crisis started) and 33% below the level in 2005 when the real estate market was booming. With unemployment falling and at a relatively low level (currently 5.7%) we expect purchasing power to slowly improve, particularly in conjunction with the lower price of oil.

The Federal Reserve is forecasting unemployment at 4.9% - 5.3% for 2017, with inflation forecast at 1.8% - 2.0%. In this context the Fed scaled down its programme of quantitative easing to zero in 2014 and is now adjusting its communications in preparation for a potential rise in interest rates in 2015.

”
The flow of figures about the housing market remains clearly positive with evident signs of a steady recovery.
”

Team Roeselare:
Inge Dewulf, Katie Vandewiele,
Mathieu Blancke.

> Future measures will likely be focused on boosting demand for credit through direct intervention in the financial markets.

## Europe

The government bond market remained calm until it became clear that the far-left Syriza party was poised to win the Greek elections in early 2015. Greek 10-year government bonds performed strongly until September (+30%) but ended the year in negative territory (-3%) due to the commotion surrounding this. With 10-year government bonds yielding more than 9%, market access has once again been denied. Every other peripheral country (Portugal, Ireland, Italy and Spain) has regained access to the market on favourable terms.

On average, budget deficits and public debt remain high but confidence in the ability of governments to repay debt continues to grow. Italy and particularly Spain did not come under pressure despite persistently difficult economic conditions. In addition, interest rates in both countries have fallen well below the 2% ceiling.

With unemployment at nearly 24% and a real estate crisis that has not yet been fully absorbed, the challenges facing the Spanish government appear to be of Greek proportions, even though competitiveness has improved drastically. In Italy the economy has now been contracting for 14 quarters in a row.

After a very weak 2013 the Eurozone economy recovered with GDP growth of around 0.9%. One of the main problems remains high youth unemployment. This will not improve significantly, even though the rate in Greece and Spain improved to 51%. This led to a fall in inflation and at -0.2% there are serious concerns about deflation.

Guy Vandenbranden

> ”
> Japan has the dubious honour of still holding the absolute record in terms of government debt.
> ”

The European Central Bank (ECB) has an inflation target of close to 2% but this will not be achieved. Following the initial measures taken before the summer, it was time to step it up. In December, the ECB announced that significant additional measures would be introduced at the start of 2015.

The deposit rate had already been cut to -0.10%, making the ECB the first main central bank to take this measure. The rate was lowered further to -0.20% in September. At the same time Targeted Long-Term Refinancing Operations (TLTROs) were launched but these were less successful than expected, despite having quite relaxed terms. TLTROs are long-term transactions with private banks aimed at lending to the SME segment.

First the ECB sorted out bank financing (for example through the LTROs at the end of 2011), then government financing (for example through the government bond purchase programme in 2011 and the announcement of Outright Monetary Transactions (OMTs) in 2012), and SME financing. Future measures will likely be focused on boosting demand for credit through direct intervention in the financial markets.

The Asset Quality Review (AQR) brought relatively few issues to light and most of these had already been resolved in the first half of 2014 (such as the Greek banks). Spanish bank Santander also passed, albeit with relatively low solvency levels. This issue was addressed in early 2015 with a EUR 7.5 billion capital raising exercise. The banking sector is finally seeing light at the end of the tunnel: the capital buffers have been substantially strengthened since 2008 and can return to healthy levels for most banks within a few years. Profitability will be structurally (much) lower as a result of higher regulatory expenses, the need to maintain much higher capital buffers and banking taxes.

### United Kingdom

Budgetary efforts are slowly bearing fruit and the markets do not or no longer appear worried about the UK’s fiscal situation. The 10-year interest rate dropped again and is currently under 2.5%, which is a comfortable level. Inflation fell to 0.3%, feeding expectations that monetary policy will remain lenient for some time to come.

### Eastern Europe

Growth remains below par in this region and the problems in Ukraine continue to raise concerns. Sanctions against Russia had the largest impact on this part of Europe. Poland weighs heavily as the largest market. In addition, the rate of unemployment has been high for some time (currently 12%). We do not expect this region to perform well as long as problems with Ukraine/Russia persist.

### Japan

Japan has the dubious honour of still holding the absolute record in terms of government debt. It currently stands at well above 200% of GDP, putting a constant brake on future growth. The threat of deflation has disappeared with inflation standing at 2.4%, the highest level since 2008. However, this is partly due to a rise in VAT (from 5% to 8%, which is still low).

### Far East (excluding Japan)

Credit growth remains alarmingly high in China, but the government appears to be more and more aware of it. This will not lead to excessive inflationary pressures for the time being. Growth is comfortably above 7%. The country can still draw on impressive reserves which they increasingly diversify (for example the purchase of gold, agricultural land, mines, Italian shares). There are numerous challenges but policy is focused and China has many instruments at its disposal to keep everything running smoothly.

India is finally getting a grip on inflation, which fell from more than 10% to under 7.5%. The spring featured Modi's convincing victory in the elections. He now faces the challenge of increasing economic growth from around 4.5% to at least 6%. Recent reports are even citing a growth of 8% now that the near 50% drop in the price of oil is having a positive effect that is threefold: purchasing power is rising, the government budget is under less pressure (subsidies are disappearing) and inflation is lower.

The markets are hopeful and have already driven stock markets nearly 50% higher in euro terms. That means that valuations have climbed above historic averages. The short-term growth prospects have not been that favourable for a long time. Indonesia also has a new leader, but the election victory was less convincing. Nevertheless stock markets responded similarly. We continue to believe in the attractive long-term prospects, albeit accompanied by some volatility and shocks.

### Latin America

By far the most important stock market in the region is Brazil, which underperformed in 2014 despite a good first half of the year. The turning point was in the autumn when Dilma Rousseff emerged as the winner of the elections. For now we remain hesitant due to the poor track record when it comes to corporate governance. The enormous corruption case surrounding Petrobras (involving amounts allegedly exceeding 20 billion USD) are testament to this.

Argentina went into default again following a legal conflict with vulture funds in the US. The Argentine peso fell more than 10% and the country still does not have access to the capital markets. The figures published are unreliable but the country is clearly suffering from a chronically high inflation rate and a (justified) lack of confidence from foreign investors.

Petra Coussement, asset manager.

Yves Dumon, asset manager.

## Monetary policy

In the **US** the benchmark interest rate remained between 0 to 0.25% in the past semester. In October Janet Yellen ended the stimulus programme (so-called tapering). The baseline scenario is that a rate hike will take place in the second half of 2015. Interest rates have been at their lowest level in history since the end of 2008 (the lowest previous rate was 1.00%).

In June the **ECB** cut its benchmark interest rate from 0.25% to 0.15%, the lowest level ever. The rate was cut further to 0.05% in September. A negative deposit rate of -0.1% was set, making the ECB the first large central bank to take such a measure. In September the rate was cut even further to -0.20%. TLTROs were also launched at that time but they were not as successful as had been hoped.

The **Bank of Japan** kept the interest rate at 0.10%. The bank continued to buy assets en masse at a pace of around EUR 500 billion a year. The idea is to structurally raise inflation to 2%. The bank expects to reach this target in 2015. The question is how Japanese bond-holders will respond as they currently enjoy a yield of 0.4%.

The **Bank of England** continues to pursue a flexible policy with an interest rate that has stood at 0.5% since the start of 2009, the lowest rate since 1694. No change appears to be in sight for the time being as inflation falls on the back of a near 50% drop in the price of oil.

## Forex markets

The sharp difference between expected growth in the US and the Eurozone weakened the euro against nearly every major global currency. The euro dropped around 9% against the US dollar and 7% against sterling. The Norwegian krone was a notable exception, itself falling 7.5%, but this was mainly due to the price of oil.

Asian currencies have the healthiest fundamentals. There are however large differences in the region and volatility can have a major impact on yields. These currencies performed well in 2014 thanks to the Indonesian rupiah which rose 10% and the Indian rupee, up 11%.

## Bond markets

The long-term interest rate fell in 2014, reaching absolute lows in some European countries. It currently stands at around 2% in the US and under 0.5% in Germany. The gap between the interest rates in various countries narrowed further as a result of lower risk aversion. Greece first cut loose from its IMF and EU lifeline by issuing bonds but subsequently lost complete access to the market.

In many countries (for example the UK, Belgium, Germany) interest rates now stand at the lowest level seen in recent centuries! Belgium paid less than 1.5% for 10-year loans for the first time in the country's history and financing expenses even fell below 0.75% at the beginning of 2015.

The corporate bond market performed well. The rate difference with government bonds had narrowed slightly from the end of 2013 onwards. At the start of 2014, the yield on perpetual bonds had fallen to levels that were not attractive enough to build on. With yields of around 3.5% we still feel it is worthwhile to take a position in this asset class, although we will be scaling it down.

## The stock markets

It was a volatile year but there was a clear upward trend up to the summer. That was when there was a correction in the markets that negatively affected yields in a number of geographic zones. We were able to end the year with positive returns, particularly in the US (the S&P 500, which contains the 500 largest US stocks, rose 27% in euro terms).

Corporate earnings are developing less favourably but there is a normal level of profitability and financing expenses are very low. It is worth noting that corporate earnings in Europe are much worse than in the US, but market expectations had already been adjusted accordingly. Valuations remain at attractive levels in emerging markets but are high in the US, with Europe somewhere between these two zones.

”
The sharp difference between expected growth in the US and the Eurozone led to a weaker euro against nearly every major global currency.
”

# Financial overview 2014

Eric Lechien, CFO.

**The assets under management of the Delen Investments group reached a record level of EUR 32,866 million at the end of 2014. Both Delen Private Bank and JM Finn & Co contributed towards this growth of 11.3% (end 2013: EUR 29,536 million).**

## The added value of the 'prudent investor' model

The strong growth at Delen Private Bank, where assets under management rose from EUR 20,210 million (2013) to EUR 22,808 million (2014), resulted from the positive impact of financial markets on its client portfolios and a substantial organic growth from both existing and new private clients. The constant inflow of assets, to which all Belgian branches contribute, reflects the confidence that clients have in Delen Private Bank and confirms its leading position in discretionary asset management in Belgium. Both the cautious investment strategy and dynamic and prudent management model continue to prove their added value.

The assets under management at the British investment manager JM Finn & Co (Delen Investments 74%) increased from EUR 9,326 million (GBP 7,775 million) at the end of 2013 to EUR 10,058 million (GBP 7,834 million) at the end of 2014. The market volatility in the United Kingdom had a slightly positive effect on the client portfolios while the rise of sterling against the euro resulted in reasonable growth of assets under management in euros.

## Delen Investments: a solid balance sheet that easily complies with the Basel II and Basel III requirements

The gross revenue of the Delen Investments group rose to EUR 278.5 million, with JM Finn & Co's share amounting to EUR 75.5 million. This increase of 9.1% in the group's revenue (8.2%, excluding JM Finn & Co) compared to the previous financial year is primarily due to the higher level of assets under management. Operating expenses increased by 9.1% (10.0%, excluding JM Finn & Co). The rise in costs at Delen Private Bank was mainly due to the hiring of commercial staff to provide the necessary support for our growing operations. At the end of 2014, the group had 563 members of staff (FTE), 268 of whom worked at Delen Private Bank and 295 at JM Finn & Co. Ongoing investments in buildings and IT also led to higher depreciation costs. The rise in expenses at JM Finn & Co was mainly attributable to the rise in staffing expenses relating to investment managers and the recruitment of staff at the control departments. The cost-income ratio is very competitive at 55.2% (only 43.5% at Delen Private Bank, 82.7% at JM Finn & Co) and remained stable compared to the previous year (54.8%). In 2014, the net result rose to EUR 80.8 million (EUR 76.0 million in 2013). JM Finn & Co's contribution towards the group's net result was EUR 6.4 million (after client amortisation expenses and 26% minority interests, collectively totalling EUR 2.5 million).

On 31 December 2014, the consolidated equity capital of Delen Investments amounted to EUR 517.4 million (compared to EUR 464.1 million on 31 December 2013). This amount already takes into account the JM Finn & Co management option to sell their remaining shares (valued at EUR 33.6 million) to the Delen Investments group after some time. The group's tier one equity (taking into account intangible fixed assets of EUR 244.7 million, of which EUR 52.6 million JM Finn & Co clients) amounted to EUR 237.9 million at the end of the year (compared to EUR 190.3 million at the end of 2013).

| | Delen Investments (consolidated) in € '000 | | | | |
|---|---|---|---|---|---|
| | 2014 | 2013 | 2012 | 2011 | 2010 |
| Assets under Management | 32,866,141 | 29,535,684 | 25,855,182 | 22,570,394 | 15,272,179 |
| Equity capital (share of the group) | 517,390 | 464,073 | 414,513 | 364,280 | 344,089 |
| Net result (share of the group) | 80,825 | 76,033 | 62,617 | 57,171 | 54,281 |
| Cost-income ratio | 55% | 55% | 55% | 44% | 42% |
| Staff (FTEs) | 563 | 552 | 551 | 530 | 232 |

| | Delen Private Bank (consolidated) in € '000 | | | | |
|---|---|---|---|---|---|
| | 2014 | 2013 | 2012 | 2011 | 2010 |
| Assets under Management | 22,808,021 | 20,210,082 | 17,884,164 | 15,666,179 | 15,272,179 |
| Of which under discretionary management | 16,878,262 | 15,055,760 | 13,112,775 | 11,376,611 | 10,819,499 |
| | | | | | |
| Total group investment funds | 16,718,853 | 14,220,158 | 12,096,877 | 9,403,398 | 8,709,091 |
| | | | | | |
| Equity capital (share of the group) | 309,409 | 255,488 | 255,602 | 217,731 | 217,488 |
| Gross income | 203,132 | 182,224 | 155,533 | 149,743 | 141,193 |
| Net result (share of the group) | 84,051 | 78,845 | 62,829 | 59,618 | 54,704 |
| Cost-income ratio | 38% | 37% | 39% | 38% | 40% |

The Delen Investments group is well capitalised and easily complies with the Basel II and Basel III equity capital requirements. The Core Tier 1 capital ratio was 27.8% and lies well above the industry average, taking into account the long-term commitment to buy out JM Finn & Co's minority shareholders. Delen Investments has a solid and easy-to-understand balance sheet. Cash balances continue to be conservatively invested at the National Bank of Belgium, in high-grade government securities (no PIIGS (Portugal, Italy, Ireland, Greece and Spain) exposure), in the short term at high-quality banks or in quality short-term commercial paper of blue-chip companies. The impact of the Basel III rules for Delen Investments is limited, 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 future requirements. The return on average equity capital amounted to 16.5%, which is a very satisfactory figure.

Floris Jespers

# Operational review 2014

**2014 was a year of many twists and turns and disappointments, but also a year of robust recovery in the United States. The financial markets were finally able to hold their own thanks to a resurgence just before the end of the year.**

Delen Private Bank applied its traditional investment principles in 2014 to enable its clients' assets to benefit from opportunities in the markets within the bounds of their risk profile. The Bank posted more than satisfactory results in a volatile environment while always keeping the risks to a minimum, particularly when these risks were inadequately compensated. Client portfolios at JM Finn & Co, portfolios with on average a stronger weighting in equities, were able to develop favourably despite the difficult market conditions in Anglo-Saxon countries.

## Further diversification

At the start of 2014, Delen Private Bank lowered the cash and bond component of the client portfolios under discretionary management in favour of equities. Exposure to the US was relatively low compared to other regions due to high valuations. The bond component of the portfolios continued to be invested mainly in short-term investments in strong countries and companies, albeit with a more dynamic contribution from investments in perpetual bonds. For the past few years, Delen Private Bank has been investing in strong currencies outside the Eurozone to improve the degree of diversification. In 2014 the Bank's performance was more than satisfactory in a volatile environment, but it was unable to take full advantage of certain opportunities, such as the strong performance of US stocks and long-term bonds launched by inferior issuers. However, Delen Private Bank remains committed to its prudent investment philosophy and is convinced that this approach will continue to make the difference in the long term. JM Finn & Co – which needed to rely on the talent of its asset managers to achieve positive results in volatile markets due to its greater exposure to Anglo-Saxon stocks – is also convinced of the benefits of further diversification and expanding its knowledge in bond markets to be able to serve clients with low risk profiles even better.

"Exposure to the US was relatively low compared to other regions due to high valuations."

## More management mandates and strong growth of new private assets

In 2014 Delen Private Bank continued its strategy aimed at optimising the quality and efficiency of its asset management by targeting an increase in the percentage of management mandates. At the end of 2014 74% (16,878 million euros) of the assets under management were under direct discretionary management or managed through our own wealth management SICAVs, which now represent more than 17,000 management mandates. Delen Private Bank continues to gain market share in the Belgian private banking market, even in its prominent position, due in part to the strong growth of new assets from private clients.

The expansion of the Bank's local roots is paying off with more than two-thirds of the net inflow of capital being generated by offices outside the Antwerp head office. This encourages Delen Private Bank to invest more in staff and infrastructure in order to better receive and serve its clients. The opening of the renovated offices in Brussels and Ghent in 2013 was a success and created renewed dynamics. Further investments were made in Liège and Hasselt with others planned in West Flanders and Antwerp.

Bank J. Van Breda & C° continued to make a significant contribution to the result of Delen Private Bank through its 39 offices. On 31 December 2014 Delen Private Bank managed 3,603 million euros on behalf of clients introduced through the Bank J. Van Breda & C° network. Delen Private Bank is also responsible for the securities administration of Bank J. Van Breda & C° (609 million euros). All in all, Bank J. Van Breda & C° represents around 18% of the total assets under management at Delen Private Bank.

"The opening of the renovated offices in Brussels and Ghent in 2013 was a success and created renewed dynamics."

# Proximity:
# client service and comfort

Frederik Baert, Ghent.

**Delen Private Bank is often associated with its two head offices in Antwerp and Brussels. However, the younger regional offices are generating a growth in clients and entrusted assets. Proximity was a conscious choice, with four regional offices (in Ghent, Roeselare, Hasselt and Liège) and the head offices in Antwerp and Brussels. After all, Delen's strategy is focused on the client.**

## West and East Flanders: two regional growth areas par excellence

The provinces of West Flanders and East Flanders each have their own specific dynamics and both are now the Bank's strongest growth regions. The strategy of centralised management, typical of Delen Private Bank, ensures integrated efficiency as employees can focus their full attention on the client. This approach resulted in the amount of capital inflows trebling in Ghent and Roeselare in the past five years!

## Delen Private Bank Roeselare, established in 2001

Delen Private Bank currently occupies an office at the office park along the motorway in Roeselare (uncommon for Delen Private Bank). A plot of land was recently purchased in the direct vicinity to reflect the dynamic nature of the office and the rapid growth of capital. The plan is to build a new office there within a few years – a contemporary and timeless building with the soul and unique character that typifies Delen Private Bank. This new building will be a historic milestone for Delen Private Bank as the first ever newly built office building complementing the renovated historic buildings occupied by the other offices.


" Delen's strategy is focused on the client. "

Kurt Vankeirsbilck, Roeselare.

Stefan Van Cleemput, Ghent.

> This new build is a perfect fit for this dynamic region.

This new build is a perfect fit for this dynamic region. More than elsewhere, the clientele of the West Flemish office consists of younger, active entrepreneurs. This group insists on discretionary asset management with a more dynamic approach. Even though Roeselare has the strongest economic growth in the district, clients from across West Flanders are finding their way to the office. The central location close to the motorway is a clear advantage. The accessibility from cities such as Bruges, Ypres, Tielt, Kortrijk and Waregem is ideal.

The team of 12 in the Roeselare office look after the interests of their clients. In addition to discretionary asset management most of these clients also require specific wealth management advice. That is why each office has at least one specialised patrimonial lawyer. Clients are kept up-to-speed through regular informative events. These are arranged to highlight different subjects such as investment themes, tax matters, inheritance issues, etc. Clients, accountants and notaries are all welcome guests at these informative sessions.

## The Coupure in Ghent, a unique location for clients in East Flanders

The office in Ghent was originally established in a rented office building. Delen Private Bank launched its regional office in Merelbeke in 2007. Due to the ever-growing success, a historic mansion was acquired along the Coupure Canal in Ghent, an ideal location to receive clients from East Flanders. The Bijloke site nearby forms the perfect cultural backdrop for client events. Moreover, clients can also enjoy historic walks along the Coupure Canal. In summary, this new location has provided renewed dynamics in East Flanders since 2013. Every day new clients join Delen Private Bank at this location. A considerable part of the clientele traditionally came from Ghent and Sint-Martens-Latem, but the bank has attracted clients from throughout East Flanders since 2013. This is no coincidence.


WRIGHT
COLLECTING
DESIGN

## What makes Delen Private Bank so attractive?

Centralised management provides an array of advantages. For one, all employees can focus their full attention on the client and no time and money is lost executing orders. Administrative tasks are streamlined in the most efficient manner. The Bank's IT operations and back office are recognised as state-of-the-art within the financial sector and various financial firms have used them as a source of inspiration. Furthermore, Delen Private Bank is unequivocally focused on discretionary investment management, completely independent and without any semblance of conflicts of interest. The simplicity of the model and complete transparency are always applauded. Clients do not receive complicated printouts but instead are provided with a readily structured, real-time on-screen overview of their financial situation. Finally, Delen OnLine provides ultimate online transparency, enabling clients to log in and review their personal financial status 24/7.

Reassurance is just as important as returns. The success of discretionary investment management is directly linked to the level of security at the bank and the degree of risk management. Delen Private Bank also scores very well in these areas. Under the Basel III capital requirements, banks must have a Tier 1 ratio of 6% (and 8.5% by 2019). The Tier 1 ratio at Delen Private Bank is an impressive 27%! Furthermore, the Bank applies a prudent approach to risk management.

" The simplicity of the model and complete transparency are always applauded. "

< Conference room, Ghent office.

# Digital with Delen OnLine: better for you and the environment

**Switching from paper to digital means greater discretion, more control and ease of use for all of our clients.**

## More discretion / more security

Delen Private Bank considers security to be of paramount importance and therefore Delen OnLine offers maximum security to all users. Clients only need to enter their user name and Digipass-generated password to consult their online account and portfolio statements through the website in a highly secure manner. This ensures that account statements sent by post do not land in the wrong post box and in the hands of strangers.

## More control

Once account and portfolio statements become available, they are immediately published on the personal Delen OnLine account. This gives clients more control over the movements on their account and enables them to react faster when necessary. The evidential value of online statements is in any case the same as for those sent by post.

## Greater ease of use

The history of account and portfolio statements can be downloaded from Delen OnLine with the click of a mouse. This strong and user-friendly structure also means that clients no longer have to make printouts and/or keep copies: Delen OnLine stores data in an orderly manner and clients can always access their accounts at any time via Delen OnLine. No more manual filing or shredding of documents.

The advantages are also very beneficial for the environment: the mountain of paper is smaller and emissions are significantly reduced. Every little helps to reduce our ecological footprint.

## Even more benefits

- **Freedom:** it is not always easy for clients to contact managers during office hours. Delen OnLine allows clients to consult the status of their portfolio anytime, anywhere.
- **Transparency:** Delen OnLine allows each client to monitor their return, request a history of the transactions on their account, and consult detailed information on securities in their portfolio on a daily basis.
- **Autonomy:** clients who want to place stock market orders themselves can make use of the Delen OnLine trading account. It allows them to send their stock market orders to a large and very complete range of stock market options. The efficient IT platform allows transactions to be recorded in real time.
- **No cost:** all clients of Delen Private Bank can open a free Delen OnLine account. The client only needs a computer or tablet with an internet connection.
- **Top service:** the Delen OnLine team is available every day to answer questions from clients by telephone. Clients get to speak to real people who can help them with any questions and issues that they may have.

**For more information, please call +32 (0)3 244 55 66.**

# Sponsor of BRAFA

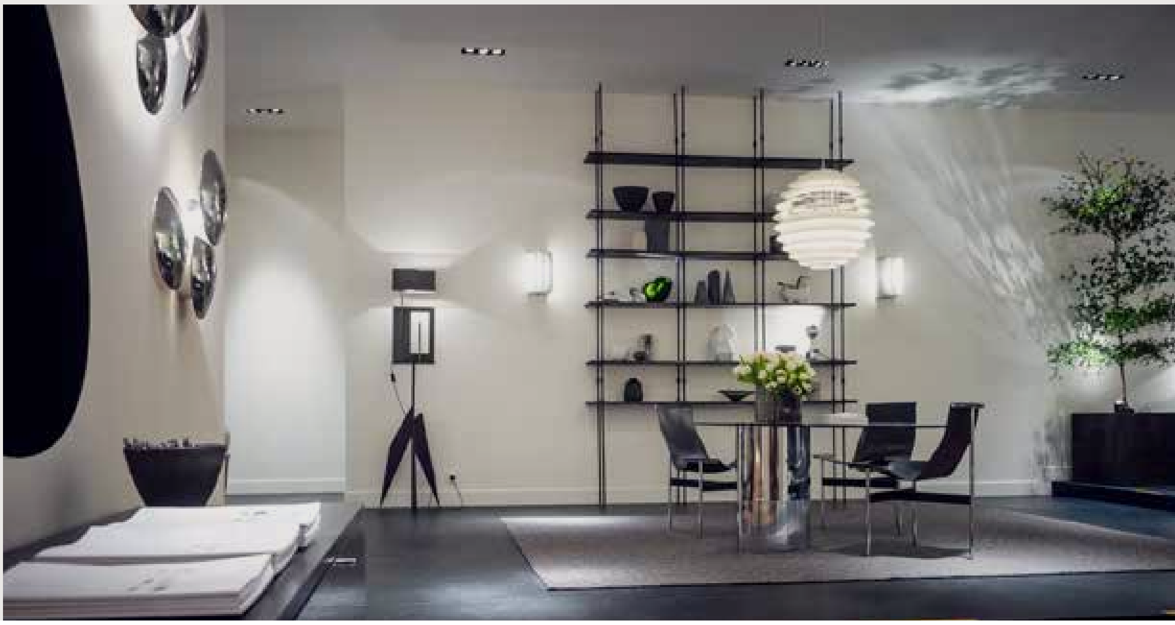
**Delen Private Bank is inextricably linked to art and interior design. We carefully select our buildings and pay the same attention to the interior with an eye for design and details. We like to express our passion for art by supporting outstanding artistic initiatives. This year we once again cooperated with the Brussels Antiques and Fine Arts Fair (BRAFA), an annual meeting with the crème de la crème of the art world and our clients.**

Anne-Sophie and Marie-Alix Delen.

This year Delen Private Bank was the partner and principal sponsor of BRAFA for the ninth consecutive year. The 60th edition of Belgium's most prestigious arts and antiques fair showcased its status in the halls of the Tour & Taxis former mail sorting station. As the main sponsors we look forward to our favourite historic arts fair each and every year.

For 10 days, no fewer than 126 Belgian and international exhibitors from 18 countries presented their exclusive collections in different styles and from all eras in a stunning setting. The fair went all out for this special jubilee edition, with names like Kandinsky, Marcel Broodthaers, Panamarenko, Ensor and Magritte, but also stands that surprised with letters from Duchamp, Monet and Einstein.

Delen Private Bank also had a stand that served as a welcome moment to escape the hustle and bustle of the fair. The crisp Scandinavian-Belgian stamp that Marie-Alix and Anne-Sophie Delen (Jacques Delen's wife and daughter, respectively) incorporate into the interiors of our offices was also featured. Delen Private Bank stands for design with a capital D and that is why this unique fair is so close to our heart.



# Financial statements
## Delen Private Bank

# Consolidated annual accounts

## Income statement

| On 31 december in € '000 | 2014 | 2013 |
|---|---|---|
| | | |
| GROSS REVENUES | 203,132 | 185,925 |
| Net interest margin | 3,426 | 3,110 |
| Gross fee income | 194,696 | 178,500 |
| Profit (loss) on financial instruments held for trading | 661 | 1,229 |
| Realised gains (losses) on financial assets available for sale | 1,899 | - |
| Other income | 2,449 | 3,086 |
| | | |
| FEES PAID | -25,358 | -20,076 |
| | | |
| EXPENSES | -66,764 | -61,788 |
| Staff expenses | -38,260 | -34,688 |
| General and administrative expenses | -21,570 | -21,667 |
| Depreciation | -5,680 | -4,988 |
| Provisions | 74 | 43 |
| Impairment | -29 | -27 |
| Other expenses | -1,299 | -461 |
| | | |
| PROFIT BEFORE TAX FROM CONTINUING OPERATIONS | 111,010 | 104,062 |
| Share in the profit (loss) of mutual subsidiaries on basis of the equity method | - | - |
| | | |
| PROFIT BEFORE TAX | 111,010 | 104,062 |
| Income taxes | -26,751 | -25,037 |
| | | |
| PROFIT AFTER TAX | 84,259 | 79,025 |
| Minority interest | -208 | -180 |
| | | |
| NET PROFIT | 84,051 | 78,845 |

# Consolidated annual accounts

## Balance sheet

| On 31 december in € '000 | 2014 | 2013 |
|---|---:|---:|
| | | |
| ASSETS | 1,427,880 | 1,414,674 |
| Cash and balances with central banks | 115,632 | 458,609 |
| Financial assets held for trading | 5,655 | 33,633 |
| Loans and advances to banks and other counterparties | 153,694 | 178,899 |
| Loans and advances to clients | 149,376 | 126,584 |
| Financial assets available for sale | 914,177 | 535,998 |
| Tax assets | 1,105 | 1,084 |
| Tangible assets | 54,190 | 50,483 |
| Client relationships | 24,578 | 24,595 |
| Other intangible assets | 1,167 | 979 |
| Other assets | 8,306 | 3,811 |
| | | |
| TOTAL LIABILITIES & EQUITY | 1,427,880 | 1,414,674 |
| | | |
| LIABILITIES | 1,118,123 | 1,158,886 |
| Financial liabilities held for trading | 11,395 | 30,267 |
| Deposits from credit institutions and other counterparties | 2,871 | 1,234 |
| Deposits from clients | 1,066,461 | 1,090,822 |
| Provisions | 407 | 536 |
| Tax liabilities | 8,556 | 6,577 |
| Other liabilities | 28,433 | 29,450 |
| | | |
| EQUITY | 309,757 | 255,788 |
| Equity - Group Share | 309,409 | 255,488 |
| Subscribed capital | 42,711 | 42,711 |
| Revaluation reserve | 1,866 | 2,226 |
| Consolidated reserves | 264,831 | 210,551 |
| Minority interests | 348 | 300 |

# Statutory annual accounts

## Balance sheet after appropriation

### Assets

| | (€ '000) | 2014 | 2013 |
|---|---|---|---|
| I. | Cash in hand, balances with central banks and post office banks | 110,617 | 457,278 |
| II. | Treasury bills eligible for refinancing with the central banks | 577,134 | 289,764 |
| III. | Loans and advances to credit institutions | 148,762 | 163,763 |
| | A. Repayable on demand | 134,715 | 145,527 |
| | B. Other loans and advances (with agreed maturity dates) | 14,047 | 18,236 |
| IV. | Loans and advances to customers | 132,628 | 111,801 |
| V. | Debt securities and other fixed-income securities | 236,845 | 162,117 |
| | A. Issued by public bodies | 54,222 | 66,608 |
| | B. Issued by other borrowers | 182,623 | 95,509 |
| VI. | Shares and other variable-yield securities | 2,329 | 1,901 |
| VII. | Financial fixed assets | 1,770 | 1,769 |
| | A. Participating interests in affiliated enterprises | 1,751 | 1,751 |
| | B. Participating interests in other enterprises linked by participating interests | - | - |
| | C. Other shares held as financial fixed assets | 18 | 18 |
| | D. Subordinated loans to affiliated enterprises and to other enterprises linked by participating interests | - | - |
| VIII. | Formation expenses and intangible fixed assets | 1,751 | 1,875 |
| IX. | Tangible fixed assets | 55,566 | 52,002 |
| X. | Own shares | - | - |
| XI. | Other assets | 6,387 | 2,149 |
| XII. | Prepayments and accrued income | 1,309 | 1,899 |
| TOTAL ASSETS | | 1,275,096 | 1,246,318 |

## Liabilities

| | (€ '000) | 2014 | 2013 |
|---|---|---|---|
| | | | |
| LIABILITIES | | 1,127,428 | 1,131,622 |
| | | | |
| I. | Amounts owed to credit institutions | 230,860 | 258,113 |
| | A. Repayable on demand | 230,860 | 257,561 |
| | B. Amounts owed as a result of rediscounting of trade bills | - | - |
| | C. Other debts with agreed maturity dates or period of notice | - | 552 |
| | | | |
| II. | Amounts owed to customers | 830,560 | 821,212 |
| | A. Savings / deposits | 4,123 | 5,346 |
| | B. Other debts | 826,437 | 815,867 |
| | 1. Repayable on demand | 814,493 | 802,593 |
| | 2. With agreed maturity dates or period of notice | 11,944 | 13,274 |
| | 3. As a result of the rediscounting of trade bills | - | - |
| | | | |
| III. | Debts evidenced by certificates | - | - |
| | | | |
| IV. | Other liabilities | 58,774 | 45,060 |
| | | | |
| V. | Accrued charges and deferred income | 174 | 175 |
| | | | |
| VI. | Provisions and deferred taxation | 38 | 40 |
| | A. Provisions for liabilities and charges: | - | - |
| | 1. Pension and similar obligations | - | - |
| | 2. Taxation | - | - |
| | 3. Other liabilities and charges | - | - |
| | B. Deferred taxes | 38 | 40 |
| | | | |
| VII. | Fund for general banking risks | 7,023 | 7,023 |
| | | | |
| VIII. | Subordinated liabilities | - | - |
| | | | |
| CAPITAL AND RESERVES | | 147,669 | 114,696 |
| | | | |
| IX. | Capital | 42,300 | 42,300 |
| | A. Subscribed capital | 42,300 | 42,300 |
| | B. Uncalled capital (-) | - | - |
| | | | |
| X. | Share premium account | 411 | 411 |
| | | | |
| XI. | Revaluation gains | - | - |
| | | | |
| XII. | Reserves | 4,323 | 4,324 |
| | A. Legal reserve | 4,247 | 4,247 |
| | B. Reserves not available for distribution | - | - |
| | 1. In respect of own shares held | - | - |
| | 2. Other | - | - |
| | C. Untaxed reserves | 76 | 77 |
| | D. Reserves available for distribution | - | - |
| | | | |
| XIII. | Profit (losses) brought forward (+)/(-) | 100,635 | 67,661 |
| | | | |
| TOTAL LIABILITIES | | 1,275,096 | 1,246,318 |

# Statutory annual accounts

## Profit and loss account

| | (€ ‘000) | 2014 | 2013 |
|---|---|---|---|
| | | | |
| I. | Interest receivable and similar income | 3,779 | 4,237 |
| | A. Of which: from fixed-income securities | 1,171 | 2,149 |
| | | | |
| II. | Interest payable and similar charges | -702 | -1,809 |
| | | | |
| III. | Income from variable-yield securities | 37,129 | 32,178 |
| | A. From shares and other variable-yield securities | 79 | 58 |
| | B. From participating interests in affiliated enterprises | 37,050 | 32,120 |
| | C. From participating interests in other enterprises linked by participating interests | - | - |
| | D. From other shares held as financial fixed assetss | - | - |
| | | | |
| IV. | Commissions receivable | 125,568 | 113,667 |
| | A. Brokerage and commission fees | 33,050 | 27,441 |
| | B. Fees for management services, consultancy and custody | 90,532 | 82,991 |
| | C. Other fees received | 1,986 | 3,235 |
| | | | |
| V. | Commissions payable | -31,398 | -26,640 |
| | | | |
| VI. | Profit (Loss) on financial transactions (+)/(-) | 5,111 | 4,864 |
| | A. On trading of securities and other financial instruments | 4,179 | 4,873 |
| | B. On disposal of investment securities | 933 | -9 |
| | | | |
| VII. | General administrative expenses | -43,719 | -40,013 |
| | A. Remuneration, social security costs and pensions | -30,192 | -26,876 |
| | B. Other administrative expenses | -13,528 | -13,138 |
| | | | |
| VIII. | Depreciation/amortisation and other write-downs on formation expenses, tangible and intangible fixed assets | -5,618 | -4,813 |
| | | | |
| IX. | Decrease/increase in write-downs on receivables and provisions for off-balance sheet items ‘I. Contingent liabilities’ and ‘II. C Commitments which could give rise to a risk: appropriations (write-backs)’ (+)/(-) | 29 | 27 |

| | (€ '000) | 2014 | 2013 |
|---|---|---|---|
| X. | Decrease/increase in write-downs on the investment portfolio of debt securities, shares and other fixed-income or variable-yield securities: appropriations (write-backs) (+)/(-) | -723 | 707 |
| XI. | Utilization 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 which could give rise to a risk': uses (write-backs) (+)/(-) | - | -100 |
| XII. | Provisions for liabilities and charges other than those included in 'I. Contingent liabilities' and 'II. Commitments which would give rise to a risk' | - | - |
| XIII. | Transfer from (transfer to) the fund for general banking risks (+)/(-) | - | - |
| XIV. | Other operating income | 2,590 | 4,538 |
| XV. | Other operating charges | -1,475 | -1,314 |
| XVI. | Profit (loss) on ordinary activities before taxes (+)/(-) | 91,959 | 84,260 |
| XVII | Exceptional income | 131 | 157 |
| | A. Reversal of depreciation/amortisation and write-downs 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 | 131 | 157 |
| | E. Other exceptional income | - | - |
| XVIII | Exceptional expenses | -37 | -117 |
| | A. Exceptional depreciation/amortisation and write-downs on formation costs, tangible and intangible fixed assets | - | -88 |
| | B. Write-downs on financial fixed assets | - | - |
| | C. Provisions for exceptional risks and expenses: appropriations (spending) (+)/(-) | - | - |
| | D. Capital losses on the disposal of fixed assets | -37 | -29 |
| | E. Other exceptional expenses | - | - |
| XIX | Pre-tax profit (loss) for the financial year (+)/(-) | 92,053 | 84,301 |
| XIX | Bis | | |
| | A. Transfer to deferred taxes | - | - |
| | B. Transfer from deferred taxes | 2 | 2 |
| XX | Taxes on result (+)/(-) | -18,305 | -17,547 |
| | A. Taxes | -18,808 | -18,162 |
| | B. Regularisation of taxes and reversal of provisions for taxes | 503 | 615 |
| XXI. | Profit (loss) for the financial year (+)/(-) | 73,750 | 66,755 |
| XXII. | Transfer to (transfer from) untaxed reserves (+)/(-) | 1 | 4 |
| XXIII. | Profit (loss) for the financial year to be appropriated (+)/(-) | 73,751 | 66,760 |

# Statutory annual accounts

## Off-balance sheet items

| | (€ '000) | 2014 | 2013 |
|---|---|---|---|
| | | | |
| I. | Contingent liabilities | 13,846 | 9,140 |
| | A. Non-negotiated acceptances | - | - |
| | B. Guarantees serving as direct credit substitutes | 4,340 | 4,458 |
| | C. Other guarantees | 9,506 | 4,682 |
| | D. Documentary credits | - | - |
| | E. Assets charged as collateral security on behalf of third parties | - | - |
| | | | |
| II. | Commitments which could give rise to a risk | 202,551 | 70,713 |
| | A. Firm credit commitments | - | - |
| | B. Commitments as a result of spot purchases of transferable or other securities | 164,866 | 36,760 |
| | C. Undrawn margin on confirmed credit lines | 37,685 | 33,953 |
| | D. Underwriting and placement commitments | - | - |
| | E. Commitments as a result of open-ended sale and repurchase agreements | - | - |
| | | | |
| III. | Assets entrusted to the credit institution | 36,942,419 | 43,329,341 |
| | A. Assets held by the credit institution for fiduciary purposes | - | - |
| | B. Safe custody and equivalent items | 36,942,419 | 43,329,341 |
| | | | |
| IV. | Uncalled amounts of share capital | - | - |

# Statutory annual accounts

## Appropriation account

| | (€ '000) | 2014 | 2013 |
|---|---|---|---|
| | | | |
| A. | Profit (Losses) to be appropriated (+)/(-) | 141,412 | 127,598 |
| | 1. Profits (Losses) for the period available for appropriation (+)/(-) | 73,751 | 66,760 |
| | 2. Profit (Losses) brought forward(+)/(-) | 67,661 | 60,838 |
| | | | |
| B. | Transfers from capital and reserves | - | - |
| | 1. From capital and share premium account | - | - |
| | 2. From reserves | - | - |
| | | | |
| C. | Appropriations to capital and reserves | - | - |
| | 1. To capital and share premium account | - | - |
| | 2. To legal reserve | - | - |
| | 3. To other reserves | - | - |
| | | | |
| D. | Result to be carried forward (+)/(-) | 100,635 | 78,665 |
| | | | |
| E. | Shareholders' contribution in respect of losses | - | - |
| | | | |
| F. | Distribution of profits | 40,777 | 48,933 |
| | 1. Dividends | 40,777 | 48,933 |
| | 2. Director's entitlements (a) | - | - |
| | 3. Other allocations (a) | - | - |

ANTWERP
Jan Van Rijswijcklaan 184
2020 Antwerpen
+32 (0)3 244 55 66

BRUSSELS
Tervurenlaan 72
1040 Brussel
+32 (0)2 511 84 10

GHENT
Coupure rechts 102
9000 Gent
+32 (0)9 210 47 60

HASSELT
Thonissenlaan 11
3500 Hasselt
+32 (0)11 71 10 10

LIÈGE
4, Boulevard d'Avroy
4000 Liège
+32 (0)4 232 28 11
Temporary address:
10, rue des Prémontrés
4000 Liège

ROESELARE
Kwadestraat 151b bus 51
8800 Roeselare
+32 (0)51 24 16 16

LUXEMBURG
287, Route d'Arlon
L-1150 G. D. Luxembourg
+352 44 50 60

GENEVA
12, rue de Hollande
CH-1211 Genève 11
+41 (0)22 317 00 00

www.delen.be
info@delen.be

DELEN
PRIVATE BANK

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