

Management report of the Board of Directors
dated 31/12/2017

1. We are pleased to report to you on the activities of the Company during the period from 1 January 2017 to 31 December 2017. In accordance with the law and our articles of association, we hereby submit the accounts for your information. The annual accounts are presented in Euros.

2. The Company recorded a result of EUR 1 355 223.
Total assets amounted to EUR 2 355 017 439 as at 31 December 2017, compared with EUR 4 118 851 117 as at 31 December 2016.

The financial assets are composed by:
 - loans to affiliated undertakings: EUR 2 318 073 647
 - structured deposits to affiliated undertakings: EUR 6 338 775
 - accrued interests: EUR 17 833 078
The cash at bank amounts to EUR 5 028 400

3. Risks and uncertainties facing the Company:

The Company is actively managing risk on its existing portfolio by ensuring that the entity maintains a market risk neutral position. These risks are overseen by an independent risk management function and a risk committee which are in turn overseen by the risk management function, committees and audit functions at KBC Bank NV level, in accordance with outsourcing agreements taken out by the Company.

4. Activities in research and development, as provided for by law, are not applicable to the Company.

5. The Company did not purchase any of its own shares.

6. The Company has no branch offices.

7. A new activity has been launched in 2017. This new business line, called tRACER, uses KBC IFIMA S.A. as a vehicle of warrants issuance. The first item has been issued in December 2017.

8. An amount of EUR 8 849 106 has been distributed on 31 August 2017 (EUR 4 928 345 of share premiums and EUR 3 920 761 of profit brought forward).

9. The accounting and reporting system of the Company are integrated in the group-wide financial reporting package. This ensures that registered transactions are controlled systematically for plausibility and as such fraud and error risks are mitigated
10. No subsequent event has occurred since 31 December 2017.
11. The Company is included in the consolidated accounts drawn up by the KBC Group.

The Board of Directors proposes:

- To approve annual accounts as disclosed hereafter,
- To affect the profit of EUR 1 355 223
 - Legal Reserve to be constituted (5% of the net result): EUR 67 761
 - WHT Reserve 2018: EUR 281 618
 - Dividend to be distributed: EUR 1 005 844
- To discharge Directors from their current mandate within the period from 1 January 2017 to 31 December 2017,
- To nominate an external auditor: to nominate PricewaterhouseCoopers as auditor of our Company for a period of one year

Luxembourg, 21 March 2017

The Board of Directors:

Ivo BAUWENS
Fatima BOUDABZA
Frank CAESTECKER
Rik JANSSEN
Sabrina GOCKEL

