

## **Management report of the Board of Directors dated 31/12/2019**

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1. We are pleased to report to you on the activities of the Company during the period from 1 January 2019 to 31 December 2019. 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 profit of EUR 786 309

Total assets amounted to EUR 1 351 216 673 as at 31 December 2019, compared to EUR 1 459 979 622 as at 31 December 2018.

The financial assets are composed of:

- loans to affiliated undertakings: EUR 1 329 678 258
- structured deposits to affiliated undertakings: EUR 1 320 196
- accrued interests: EUR 8 873 296

The cash at bank amounts to EUR 5 499 770

The matured items are not replaced by the new investments.

The Company aims at providing products (issuance of debt securities, warrants, etc.) to its customers and invest its proceeds. The evolution of the outstanding volume will largely depend on the interest climate. The Company foresees to continue these activities.

No new product is planned to be launched so far. It means that no evolution of the risk profile is expected for the time being.

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. The counterparty risk of KBC Ifima S.A. is limited to KBC Bank Bank as well as its liquidity, treasury and credit risks, except for local operational expenses. Local Operational Risk Management (LORM) functions are divided between KBC Bank NV and the Company, depending on the services performed by each entity. The Company aims to ensure continuity in terms of outsourced risks as laid down in the Service Level Agreements.

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 nor allocated any free shares.

6. The Company has no branch offices.

7. New products have been launched in 2017 (IRACER) and 2018 (JUMPER) using KBC IFIMA S.A. as a vehicle of warrant issuance. The first items have been issued in December 2017 for IRACER and September 2018 for JUMPER. There is no new product launched in 2019.
8. The total income from loans and other investments is EUR 38 529 852. The total interest payable amount is EUR 37 421 258.
9. A dividend of EUR 408 657 has been distributed on 11 June 2019.
10. No subsequent event has occurred since 31 December 2019.

The Company is expected continue its normal development. COVID-19 is a constantly evolving situation which is leading to a global retrocession. Measures taken by various governments to contain the virus have affected economic activity. We have taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for our people (such as social distancing and working from home) and securing the execution of our daily operations. At this stage, the impact on our business and results has not been significant, and based on our experience to date we expect this to remain the case. We will continue to follow the various government policies and advice and, in parallel, we will do our utmost to continue our operations in the best and safest way possible without jeopardising the health of our people. The Board of Directors will continue to monitor this going forward and will take any action they deem necessary.

11. The Company is included in the consolidated accounts drawn up by the KBC Group.
12. An amended version of the annual accounts for the year ended 31 December 2019 has been approved by the Board of Directors on 22 July 2020. The following changes occurred compared to the previous version of the annual accounts as at 31 December 2019 that were approved by the Board on 19 March 2020 :

The Company has voluntarily prepared a Cash Flow Statement to meet the requirements of the Commission Delegated Regulation (EU) 2019/980 in the context of the EMTN and warrants issuance programs of the Company on the Luxembourg stock exchange. The Cash Flow Statement is included in the annual accounts whereas it was included as unaudited "Supplementary Information" in the previous version of the annual accounts.

The Board of Directors proposes:

- To approve annual account as disclosed hereafter;
- To discharge Directors from their current mandate with the period of 1 January 2019 to 31 December 2019;
- To re-appoint Rik Jos Janssen, Frank Maria Caestecker, Ivo Irma Bauwens, Fatima Boudabza and Sabrina Betty Gockel as Directors for a period of six years, until the end of Annual General Meeting of Shareholder of May 2026;

- To affect the profit of EUR 786 309:
  - Legal Reserve to be constituted (5% of the net result) : EUR 39 315
  - WHT Reserve 2020: EUR 191 175
  - Dividend to be distributed: EUR 555 819


Luxembourg, 22 July 2020

The Board of Directors:

Ivo BAUWENS  
Fatima BOUDABZA  
Frank CAESTECKER  
Rik JANSSEN  
Sabrina GOCKEL



KBC IFIMA SA  
F. BOUDABZA  
Director



Frank Caestecker  
General Manager  
Back Office & ICT-Support  
Financial Markets



KBC IFIMA SA  
I. BAUWENS  
Director



KBC IFIMA SA  
S. GOCKEL  
Director



Rik JANSSEN  
CHAIRMAN