

Management report of the Board of Directors ***dated 31/12/2022***

1. We are pleased to report to you on the activities of the Company during the period from 1 January 2022 to 31 December 2022. 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 304 236

Total assets amounted to EUR 352 669 689 as at 31 December 2022, compared to EUR 787 343 961 as at 31 December 2021.

The financial assets are composed of:

- loans to affiliated undertakings: EUR 340 065 807
- accrued interests: EUR 3 022 579

The cash at bank amounts to EUR 7 026 958

Because of unfavorable economic conditions, the new investments were put in stand-by between the second quarters 2020 and 2022. The new investments have started again but the volume is not enough yet to compensate the items matured during this time slot. This explains the significant decrease of loans to affiliated undertakings.

New products have been launched in 2017 (tRACER) and 2018 (tJUMPER) using KBC IFIMA S.A. as a vehicle of warrant issuance. The first items have been issued in December 2017 for tRACER and September 2018 for tJUMPER. This year another new product, called tOPTIMISER, also based on warrant issuance has been launched in September 2022.

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 NV 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.
- The credit risk covers the possibility that an issuer may default by failing to repay principal or interest. The Company is not exposed to any significant credit risk.
- The market risk embodies the potential for both losses and gains and includes currency risk and interest rate risk. The Company's exposure to such risks is outlined below.
- The currency risk covers the potential for both losses and gains as a result of changes in external rates. The Company is not exposed to any significant net currency risk.

- The interest rate risk covers the potential for a change in the value of assets resulting from the change in interest rates. No sensitivity analysis is required as, from the point of view of the Company, all the transactions are perfectly hedged. The Company is not exposed to any significant net interest rate risk.
 - The other price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factor specific to an individual instrument, its issuer or all factors affecting all instruments traded in the market. The Company is not exposed to any significant net other price risk.
 - Derivatives are implemented so as to hedge the following risks:
 - o Interest rate risk
 - o Credit risk
 - At the time this report was being prepared, the invasion of Russia in Ukraine required additional attention at group level and in our home markets in Central and Eastern Europe. KBC Group has very limited direct exposure to Ukraine and Belarus (less than EUR 10 mln combined) and only limited direct exposure to Russia of less than 50 million euros, mainly stemming from trade financing. KBC Group is keeping a very close eye on the related macroeconomic impact (e.g., impact of high gas and oil prices on inflation and economic growth) and on spillover effects to KBC Group and its clients, both financially and operationally, among other things with high focus on information security threats. Economic and financial sanctions by the West might further impact the European economy. Continuous monitoring and reporting of the situation is in place.
 - Climate-related and other ESG risks are gradually integrated in existing management frameworks and in risk management processes.
4. Rising rates make the coupons for Notes typically more appealing to the retail clients, therefore the Company is expecting a positive correlation between the higher level of the interest rates and the issuance activity as pointed out in Ifima's previsions.
 5. Activities in research and development, as provided for by law, are not applicable to the Company.
 6. The Company did not purchase any of its own shares nor holds any own shares.
 7. The Company has no branch offices.
 8. The total income from loans and other investments is EUR 8 087 290. The total interest payable amount is EUR 7 595 396.
 9. A dividend of EUR 676 878 has been distributed on 28 June 2022.
 10. No subsequent event has occurred since 31 December 2022.
 11. The Company is included in the consolidated accounts drawn up by the KBC Group.

12. The Board of Directors proposes:

- To approve annual accounts as disclosed hereafter;
- To discharge Directors from their current mandate with the period of 1 January 2022 to 31 December 2022;

- To affect the profit of EUR 304 236
 - o Legal Reserve to be constituted (5% of the net result): EUR 15 212
 - o WHT Reserve 2022: EUR 175 625
 - o WHT Reserve 2018 to be liberated: 315 475 EUR
 - o Dividend to be distributed: EUR 428 875

Luxembourg, 27 March 2023

The Board of Directors:

Ivo BAUWENS
Fatima BOUDABZA
Damien DEBBAUT
Rik JANSSEN
Sabrina GOCKEL

