

Report of the Board of Directors of KBC Group NV drawn up in accordance with Article 604, second paragraph of the Belgian Companies Code (hereinafter referred to as 'the Companies Code') with a view to renewing the authorisation of the Board of Directors to increase share capital

A. Current situation at KBC Group NV

The current Articles 7A and 7B of the Articles of Association of KBC Group NV (hereinafter referred to as 'the Company') grant the Board of Directors authority to increase the Company's share capital by seven hundred million euros (700 000 000 euros) in accordance with the terms and conditions to be set by the Board of Directors, by means of issuing shares, convertible bonds (whether subordinated or otherwise) or warrants that may or may not be linked to bonds (whether subordinated or otherwise).

The increases of capital decided upon under this authority may be carried out, within the confines of the law, by both contributions in cash or in kind and by the incorporation of reserves (which may or may not involve the issue of new shares), including the share premium account unavailable for distribution.

If the Board of Directors decides to increase the capital through a contribution in cash and if it decides to issue the aforementioned bonds or warrants, it may - in the Company's interest and within the confines of the law - limit or suspend the preferential subscription rights of existing shareholders, possibly to the benefit of one or more specific persons, on the understanding that, upon the issue of warrants, such warrants may not be destined primarily for one or more specific persons other than employees of the Company or of one or more of its subsidiaries. In the event of the suspension or limitation of the preferential subscription rights, the Board of Directors may grant a right of precedence to the existing shareholders on allotment of the new shares or of the bonds or warrants.

This authorisation was decided on at the Extraordinary General Meeting of 2 May 2013. It was published in the Appendices to the Belgian Official Gazette of 21 May 2013 and is valid until 20 May 2018.

B. Proposal of the Board of Directors to the General Meeting

Although the current authorisation has only partially been used, the Board of Directors believes that it is useful to propose to the Extraordinary General Meeting, to be held on 3 May 2018, that this authorisation should be renewed for an amount of seven hundred million euros (700 000 000 EUR) for a new period of five years, starting from the time of publication of the amendments to the Articles of Association of 3 May 2018. Besides that, the same terms and conditions will continue to apply as applied under the current authorisation.

Taking account of the share's current par value of 3.48 EUR, such authorisation will allow for the issue of 201 149 425 shares by the Board of Directors.

The aforementioned amount of 700 000 000 EUR is still well below the legally permitted maximum, which, based on the share capital amount on the date of the Extraordinary General Meeting (3 May 2018), is 1 456 074 585.67 EUR.

B.1 Reasons for granting the authorisation to increase capital

The authorisation to increase capital offers the opportunity to respond quickly and easily to regulatory capital requirements and/or market opportunities.

The authorised capital enables the Board of Directors to issue tier-1 instruments with a convertible mechanism: an alternative method of coupon payment which involves paying the bondholders their coupon in the form of shares of the Company. Also merger legislation allows the Board of Directors of the Company to decide - provided certain conditions are met and within the limits of its authorisation to increase capital - to merge by acquisition of a company in which it holds at least 90 % (but not all) of the shares and other securities that grant it entitlement to vote.

It is also proposed that the current option the Board of Directors has to determine the dividend entitlement of the shares issued under the authorised capital, be maintained. This will, for instance, allow the Board of Directors to deviate from the principle of the pro rata dividend entitlement of the newly issued shares and to decide that such shares are entitled to dividend from the start of the financial year (e.g. the financial year in which they were issued or the subsequent financial year). This is simpler from an administrative and accounting point of view.

B.2 Reasons for the amount of the proposed authorised capital

The legally permitted maximum amount of the authorised capital is equal to the amount of the share capital.

When the authorisation to increase capital was last renewed (2 May 2013), the share capital amounted to 1 450 401 447.91 EUR and the Board of Directors was granted authorisation to increase the capital in one or more steps by 700 000 000 EUR.

On the date of the Extraordinary General Meeting (3 May 2018), the share capital will amount to 1 456 074 585.67 euros. Taking into account the current par value of 3.48 euros, the amount of 700 000 000 euros will allow for the issue of a maximum of 201 149 425 shares. This amount is being proposed taken account of the fact that it is in the interests of the Company to be able to carry out significant capital increases quickly and easily.

The amount not only easily meets the terms and conditions of the aforementioned issues, it also provides a wide margin for other necessary and/or useful capital increases.

B.3 Purpose of the authorised capital and special circumstances in which it can be used

The Board of Directors intends to use its authorisation for purposes including providing the Company with the resources it requires to allow it and its subsidiaries to expand. The aim is also to ensure that the Company and the Group, as well as the Company's direct and indirect subsidiaries, each individually meet the standards for solvency and the requirements for appropriate and/or necessary policy for capital requirements and financial ratios that are or will be imposed on it or planned for it by European and national legislation and regulation for financial groups and the regulated companies that make up those groups.

In addition, the authorised capital may be used for certain transactions that occur regularly such as capital increases for staff, capital increases as a result of optional dividends or mergers with a subsidiary in which the Company holds at least 90% (but not all) of the shares.

The Board of Directors may also use the authorised capital to issue warrants (e.g. as part of a stock option plan) or other securities to some or all staff of the Company and/or of companies of the KBC Group and/or to certain other persons in respect of their professional activity.

Where necessary, the authorised capital may also be used as an alternative method of settling disputes.

Furthermore, the Board of Directors considers the instrument of increasing capital useful, and even necessary, to be able to respond quickly to certain circumstances such as specific market opportunities, interesting acquisition opportunities or crisis situations.

The authorisation includes an option for the Board of Directors to limit or suspend the preferential subscription rights of existing shareholders, whether to the benefit of one or more specific persons or otherwise. Given the current shareholder structure of the Company, where a package of shares is in public circulation, this option is highly useful and even necessary.

The above specification of the purpose of and circumstances in which the Board of Directors may exercise the authorisation granted to it is not in any way exhaustive, since the authorised capital has the specific aim of responding rapidly to certain opportunities or dealing easily with new challenges or situations that cannot currently be predicted for the coming five-year period. The standard is that the Board of Directors must always act in the interests of the Company.

Done in Brussels on 15 March 2018



Hendrik Scheerlinck
Executive Director



Johan Thijs
Executive Director

