

Report of the Board of Directors of KBC Group NV drawn up in accordance with Article 7:199, second paragraph of the Belgian Companies and Associations Code with a view to granting authorisation to the Board of Directors to increase the share capital

A. Current situation at KBC Group NV

Article 7 of the Articles of Association of KBC Group NV ('hereinafter referred to as 'the Company') grants authorisation to the Board of Directors to increase the Company's share capital by means of issuing shares, convertible bonds, subordinated or otherwise, or subscription rights, linked or otherwise to subordinated or unsubordinated bonds, by 700 000 000 euros in accordance with the terms and conditions to be set by the Board of Directors.

If the Board of Directors decides to increase the capital through a contribution in cash or to issue the aforementioned bonds or subscription rights, the Board is authorised - in the Company's interest and within the confines of the law – to suspend or restrict the preferential subscription rights of the existing shareholders up to a maximum amount of 291 000 000 euros.

This authorisation was decided on at the Extraordinary General Meeting of 4 October 2018. As it expires on 23 October 2023, a proposal to grant a new authorisation to increase the share capital and to amend Article 7 of the Articles of Association accordingly is submitted to the Extraordinary General Meeting of 4 May 2023.

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

The Board of Directors requests the Extraordinary General Meeting of 4 May 2023 to grant a new authorisation to increase the share capital, valid for a period of five years starting from publication of the amendment to the Company's Articles of Association in the Appendices to the Belgian Official Gazette.

In terms of this proposal, an authorisation of 700 000 000 euros or approx. 50% of KBC Group NV's present share capital is requested for. However, the possibility to suspend or restrict the preferential subscription rights of existing shareholders will be limited to a maximum amount of 146 000 000 euros, i.e. a maximum of approx. 10% of the present share capital.

The authorisation is requested to increase the capital, in one or more steps, by means of issuance of shares, of convertible bonds, subordinated or otherwise, or of subscription rights, linked or otherwise to subordinated or unsubordinated bonds and this:

1°) by an amount of one hundred forty-six million euros (146 000 000 euros). When the Board of Directors decides within the framework of this part of the authorisation on an issue to which in principle the preferential subscription rights of existing shareholders apply, the Board is authorised, up to a maximum amount of one hundred forty-six million euros (146 000 000 euros) and in the company's interest, to suspend or restrict these preferential subscription rights, whether to the benefit of one or more specific persons or otherwise

And

2°) by an amount of five hundred and fifty-four million euros (554 000 000 euros). Upon deciding to increase capital within the framework of this part of the authorisation, the Board of Directors is not authorised to suspend or restrict the preferential subscription rights of existing shareholders.

The increases of capital decided upon under this authorisation may be carried out by both contribution in cash or in kind and by the incorporation of reserves or share premium accounts. The reserves or share premium accounts may be incorporated with or without new shares being issued.

In addition, the Board of Directors is authorised to determine the dividend entitlement of the shares that will be issued following capital increases and of the shares that will be issued following the conversion of the bonds or exercise of the subscription rights carried out under this authorisation.

The Board of Directors requests the General Meeting to approve the proposed authorisation by issuing a separate vote for each of the parts under 1°) and 2°).

B.1 Justification for granting the authorisation to increase the share capital - Intended purposes and particular circumstances in which use can be made of the authorised capital

As a financial group KBC is subject to specific regulatory capital and solvency requirements and to standards for an appropriate and/or necessary policy for capital requirements and financial ratios that are imposed on it by European and national regulation for financial groups and the regulated companies that make up those groups.

KBC needs to meet these requirements at all times and needs to be able, especially when these capital targets are at risk of being breached, to respond quickly and swiftly in order to remediate the situation and restore its capital position. Therefore, it is important that KBC Group NV has an authorised capital at its disposal to permanently meet the requirements both at company level as well as to support its subsidiaries in this respect.

The regulatory capital consists of shares (core equity Tier 1-capital) but also of other instruments, like amongst others additional Tier 1-instruments in which a write-down or conversion mechanism (in shares) must be incorporated. The issue of instruments with a conversion mechanism implies a delayed capital increase, so that it is relevant for KBC Group NV to dispose of the necessary authorised capital to respond quickly to appropriate market conditions for the placement of such instruments.

All this means that the authorised capital is of more prominent importance for a financial services group like KBC than is the case for other companies.

Other than for the necessary conservation of capital, the Board of Directors intends to use its authorisation to provide the Company with the resources it requires to allow the Company and its subsidiaries to expand.

In addition, the authorised capital may be used for certain transactions such as (according to the current practice, annual) capital increases for staff or occasional capital increases as a result of optional dividends. The Board of Directors may also use the authorised capital to issue subscription rights (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.

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 investment opportunities or alternative disputes settling.

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.

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

The statutory maximum amount of authorised capital is that of the share capital.

On the day of the Extraordinary General Meeting to be held on 4 May 2023, the Company's share capital is 1 460 538 768.64 euros. The aforementioned amount of 700 000 000 euros (which is the maximum amount of the authorisation provided that both parts under 1°) and 2°) are approved) is therefore well beneath the statutory maximum.

Taking into account the current par value of 3.51 euros, this authorisation will allow for the issue of a maximum of 199 430 199 new shares, only 41 595 441 of which could be issued subject to a suspension or restriction of the shareholders' preferential subscription rights.

B.3 Justification of the option to restrict or suspend the shareholders' preferential subscription rights

The authorisation includes the possibility for the Board of Directors to restrict or suspend the existing shareholders' preferential subscription rights, whether to the benefit of one or more specific persons or otherwise, up to a maximum amount of 146 000 000 euros (corresponding to approximately 10% of KBC Group NV's current share capital).

Given the current shareholder structure of the Company, where an important package of shares is spread amongst the public, this option is highly useful and even necessary in order to be able to make swift use of the authorised capital for the purposes and in the circumstances set forth under B.1 above.

In the past years this option was used in order to perform an annual capital increase (of very limited scope) for the benefit of the employees of the Company and of its subsidiaries.

Moreover, this option is also crucial in order to permanently comply with the requirements laid down in terms of capital and solvency and the demands in terms of a proper and necessary policy in relation to capital requirements and financial ratios as mentioned under B.1 above.

The ability to perform a capital increase at very short notice (i.e. without going through the formalities and timetable inherent in both calling a general meeting and issuing shares in adherence to the shareholders' preferential subscription rights) means that KBC Group NV can take swift remedial measures in a recovery scenario and is a substantial feature of a credible and effective recovery plan.

B.4 Justification of the conditions relative to the authorised capital

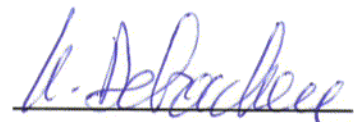
The increases of capital decided upon under this authorisation may be carried out, within the confines of the law, by both contributions in cash or in kind and by the incorporation of reserves or share premium accounts. The reserves or share premium accounts may be incorporated with or without new shares being issued.

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), which is preferable from an administrative and accounting point of view.

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Johan Thijs
Executive Director



Koenraad Debackere
Chair of the Board of Directors