

Research Update:

KBC Insurance N.V. And KBC Group Re Affirmed At 'A'; Outlooks Stable

August 8, 2019

Overview

- KBC Insurance N.V. has a leading position in Belgium, good product diversification, and operates a profitable bancassurance business model.
- We expect KBC Insurance's adjusted capital will remain in line with the 'A' benchmark as per our capital model over the next two years.
- We are affirming our 'A' ratings on KBC Insurance and captive reinsurer KBC Group Re, core subsidiaries of KBC group (KBC).
- The stable outlook reflects our expectation that KBC's group stand-alone credit profile will remain unchanged over the next two years.

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Rating Action

On Aug. 8, 2019, S&P Global Ratings affirmed its 'A' long-term insurer financial strength and issuer credit ratings on KBC Insurance and captive reinsurer KBC Group Re, core subsidiaries of KBC group (KBC). The outlooks are stable.

Outlook

Our stable outlook on KBC Insurance reflects our expectation that KBC's group stand-alone credit profile (SACP) will remain unchanged over the next two years.

Upside scenario

We could raise the rating on KBC Insurance if we revised up our assessment of KBC's group SACP.

Downside scenario

Although unlikely, we could lower the rating on KBC Insurance if we revised down KBC's group

SACP, or if we no longer considered the company a core subsidiary of KBC.

Rationale

The ratings reflect our view of KBC Insurance's prominent business positions in Belgium, as well as the depth and breadth of its product range and distribution network. In particular, KBC Insurance is the market leader in the unit-linked savings segment, leveraging the group's expertise in asset management.

KBC Insurance holds adjusted capital at the 'A' confidence level, as measured by our risk-based model. We take into account the strategy of KBC to foster the efficiency of its capital structure. Therefore, our forecast for capital adequacy assumes the full payout of profits as dividends to the parent.

We view KBC Insurance as core to KBC. We understand from the Belgian banking resolution framework that insurance operations would be outside the scope of a potential bail-in process. We therefore equalize our ratings on KBC Insurance with KBC's 'a' group SACP, which does not include a notch of support from additional loss-absorption capacity. Such support only applies to the group's banking operating companies.

Ratings Score Snapshot

Business Risk Profile	Strong
Competitive position	Strong
IICRA	Intermediate
Financial Risk Profile	Satisfactory
Capital and earnings	Satisfactory
Risk exposure	Moderately Low
Funding structure	Neutral
Anchor*	a-
Modifiers	
Governance	Neutral
Liquidity	Exceptional
Comparable ratings analysis	0
Financial Strength Rating**	A

*This is influenced by our view of the company's consistently strong results compared to its peers.

**Includes one notch of group support.

Related Criteria

- Criteria | Insurance | General: Insurers Rating Methodology, July 1, 2019
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Insurance | General: Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010

- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Ratings List

Ratings Affirmed

KBC Insurance N.V.

KBC Group Re S.A.

Issuer Credit Rating A/Stable/--

Financial Strength Rating A/Stable/--

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column. Alternatively, call one of the following S&P Global Ratings numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow 7 (495) 783-4009.

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