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RCPA	Initial Rating 9.2007	Update 9.2008	Update 9.2009	Update 3.9.2010	Update 29.9.2011
Long-term rating :	iA	iA	iA	iA	iA+
Outlook :		stable	stable	positive	stable
Short-term rating :		ia-1	ia-1	ia-1	ia-1+

BCRA – Credit Rating Agency (BCRA) is the third qualified rating agency in EU, registered under Regulation 1060/2009 of the European Parliament and of the European Council. The credit ratings, assigned by BCRA, are recognized in the whole EU and are entirely equal with the other ratings, recognized by European Securities and Markets Authority (ESMA), without any territorial or other restrictions. The rating scale of BCRA coincides with the scale of Standard & Poor's.

„BCRA – CREDIT RATING AGENCY” upgrades the long-term claims paying ability rating of ZAD „Allianz Bulgaria” AD from iA to iA+ and short-term rating from ia-1 to ia-1+ (outlook – stable). The officially adopted methodology by BCRA for assignment of claims paying ability rating is used (http://www.bcra-bg.com/files/file_202.pdf).

To elaborate the credit report and to award the credit rating, BCRA uses information from the rated insurance company, FSC, National Statistical Institute, BCRA's database, consultants and other sources of public information.

During the period under review the global crisis continues dominating the development of Bulgarian economy, though the registered growth of GDP by 1.9% for the second quarter of 2011. In 2010 GPI of general insurance continued decreasing; the decline is 5.1% compared to the past year. During the first half-year of 2011, the shrinkage of market slowed down to 0.4% on a yearly basis. The insurance density and insurance penetration also decreased. 2010 is characterized with unfavorable results for the sector of general insurance services – the companies in the sector registered an increasing loss from insurance activity and a loss in the profits from insurance activity and a decline in the profits from investment activity compared to the past 2009, as a result of which the Sector generated a net loss in the

amount of BGN 16 387 thousand. For the first time after four consecutive quarters of a negative result from insurance activity during the second quarter of 2011 the general insurance companies realized a profit from insurance. Net incomes from investment activity in the second quarter of 2011 registered a high increase (89.6% on a yearly basis) and at the end of the half-year period reached to BGN 29 363 thousand. The high concentration of market is retained. The dominating position of car insurances is also retained. In the legal framework there were no significant changes occurred.

During the update period no changes occurred in the shareholding structure of ZAD „Allianz Bulgaria” AD. „Allianz Bulgaria Holding” continues being the major shareholder in the company. No changes occurred in the membership of Supervisory Council and Management Board. The company's activity is operated in accordance with written and adopted strategies of development and a business plan with clearly formulated aims.

In 2010 GPI based on direct insurance, generated by the rated company is at the levels of 2009, whereas the general insurance market shrunk by 5.6%. During the year the downturn trend of premiums on „Insurance of Road Vehicles other than Railway Vehicles" for the sector as a whole. A decline of 12.8% was observed with the rated company, but since it was lower, the market share of the company in this direction slightly increased. ZAD „Allianz Bulgaria” realized lower Premium Income on a yearly basis also on insurance „Other financial losses". A growth in premium income is observed with insurances „Aircrafts", „Fire and natural disasters", „Other claims of property", „Guaranties", „Third Party Liability, related to possession and use of cars" and „Third party liability, related to possession and usage of aircrafts". During the first half-year of 2011 ZAD „Allianz Bulgaria” generated GPI based on direct

insurance in the amount of BGN 67 987 thousand, which presented a decline on a yearly basis of 3.1%; the market shrunk by 0.11%. As a result of this the company decreased its market presence slightly. The main changes in the realized premium income during the first half-year of the current year are as follows: premium income on insurances „Fire and natural disasters" and „Other claims of property" decreased on a yearly basis; the incomes on insurance „Third Party Liability, related to the possession and use of vehicles" increased by BGN 3 628 thousand (68.7%), which increased the market share of the company by 1 % to 3.3%. The other insurances didn't undertake significant changes in the realized premium income. The portfolio of ZAD „Allianz Bulgaria" continued being well diversified. In a comparative aspect the company demonstrated a better diversification of its insurance portfolio with view of significantly lower share of insurance „Third Party Liability, related to the possession and use of vehicles" in its portfolio compared to the other leading insurance companies, as well as of a higher share of the property insurances.

During the period under review the values of the expense indicators of ZAD „Allianz Bulgaria" were lower than the average for the competitive group. Net Claims Ratio decreased on a yearly basis for 2010, as well as for the first half-year of 2011. Expense Ratio exceeded its values for the comparable past periods; Net Commission Ratio increased slightly in 2010, though it decreased by 3% on a yearly basis in first half-year period of 2011. Combined Expense Ratio in 2010 was retained at the levels of past year, whereas in first six-month period of 2011 a decline of 4 % was observed. During the period under review the rated company continued registering significantly lower values of Combined Expense Ratio from all reached by all other leading insurance companies.

During the update period no significant changes occurred in the re-insurance policy. While doing its re-insurance activity ZAD „Allianz Bulgaria" operated in accordance with the criteria of FSC and the adopted international standards, as well as with the defined by Allianz Group rules and principles for provision of good quality reinsurance programme.

In 2010 the portfolio amount of the investment assets of ZAD Allianz Bulgaria" decreased by 6.62% compared to the end of the past year with an average growth of 11.04% of portfolios of the other companies in the general insurance sector. In the structure of the portfolio there were some changes: a main part of it continued forming high liquid assets – bank deposits and government securities; their total share continued increasing by reaching 63.0%; it was close to the average for the other companies in the sector. A high increase of the share of securities was available – to 52.5% (22.1% at the end of 2009) at expense of the

decrease of the share of the bank deposits. The investments in corporate bonds are reduced by over 50%. The other investments change their relative share insignificantly. The achieved profitability¹ of the investment portfolio is 3.6%; it is significantly lower than the average for the other companies in the sector (5.4%). Investment incomes are feebly dependent on the re-estimation of securities; they are formed in their bigger part from interest and coupon payments and rents from investment properties.

During the first six-month period of 2011 the size of the investment portfolio of ZAD "Allianz Bulgaria" decreased by 13.8% in comparison with the end of 2010 (with an average decline for the other companies in sector „General Insurance" by 0.7%). The structure of the portfolio undertook some changes. Though the increased size of the investments in bank deposits by 8.8%, as a result of the decrease of investments in securities by 18.3%, the total share of high liquid assets in the investment portfolio decreased to 57.8% and it is significantly lower than the average for the other companies in the sector 66.7%. The share of the investments in corporate bonds continued decreasing. A high increase of the size of investments in collective investment schemes was available. For the first six-month period of 2011 the profitability of the portfolio (3.8%) was lower than the achieved in the same period of 2010 (4.2%) and continued taking a value below the average for the other companies in the sector (5.6%). The investment incomes continued being low dependant on the re-estimation of securities. The portfolio is formed in compliance with the diversification of the assets for coverage of the technical reserves, defined in the Code of Insurance.

In 2010 ZAD „Allianz Bulgaria" registered an insignificant decrease in Gross Registered Premiums (0.05%), whereas the general insurance market as a whole registered a decline of 5.63%, a decline in Net Earned Income by 9.1%, mainly in line of the higher size of the yielded premiums of reinsurers, a decline in the profit from insurance activity (only 8 from the companies at the general insurance market registered a positive result from this activity; the sector registered a significant loss), a positive financial result, amounting to BGN 11 168 thousand (BGN 11 018 thousand for 2009), growth in Liquidity Ratio until 6.7% and a high return on equity (21.3%) – at the end of 2010 the average return for the other insurance companies, as well as for the sector was a negative item.

During the first 6-month period of 2011 the company registered on an annual basis an insignificant decline in Gross Earned Income within 0.16% (0.15% decline for the adjusted sector), growth of 40% in the profit from insurance activity (whereas the general insurance

¹ Calculated on the method of TTM

 BCRA CREDIT RATING AGENCY	CLAIMS PAYING ABILITY RATING ZAD „Allianz Bulgaria” AD iA+ (outlook: stable) September 2011
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market continued registering a loss from this activity) and growth of nearly 24% in Net Financial Result. During the period under review the profitability boundary, as well as the own resources of the company, reduced with the intangible assets, were maintained at stable levels, and Capital Adequacy of ZAD „Allianz Bulgaria” remained high. In 2010 Operating Leverage and Financial Leverage registered a decline of ~20 % in line of the decrease of Net Earned Income and the rated company continued registering lower values of both indicators compared to the average values of the other

leading insurance companies. During the period under review liquidity ratio of technical reserves, as well as liquidity ratio of the reserve for upcoming payments increased on a yearly basis. In a comparative aspect the rated company continues holding higher values of both indicators compared to the average for the other insurance companies, as well as for the sector as a whole.

Main Financial Indicators:

Indicator	6.2011	6.2010	2010	2009	2008
Gross Earned Income	70 809	70 926	141 687	141 757	165 031
<i>Change on Yearly Basis</i>	-0.2%	-4.6%	0.0%	-14.1%	10.6%
Net Earned Income	50 243	51 637	97 195	106 946	124 307
<i>Change on yearly basis</i>	-2.7%	-7.6%	-9.1%	-14.0%	24.1%
Result from Insurance Activity	6 811	4 864	5 946	8 015	9 503
<i>Change on Yearly Basis</i>	40.0%	68.5%	-25.8%	-15.7%	45.7%
Net Profit	8 069	6 524	11 168	11 018	9 070
<i>Change on Yearly Basis</i>	23.7%	65.0%	1.4%	21.5%	-42.6%
Gross Claims Ratio	42.0%	45.6%	44.6%	44.6%	48.8%
Net Claims Ratio	50.8%	56.2%	53.6%	57.4%	57.3%
Combined Expense Ratio	86.4%	90.6%	93.9%	92.5%	92.4%
Operating Leverage			175%	195%	287%
Financial Leverage	170%	180%	165%	182%	265%
Liquidity Ratio	3.2%	3.8%	6.7%	3.6%	3.5%
Return on Equity	24.4%	26.8%	21.3%	22.4%	21.6%

ZAD „Allianz Bulgaria” AD continues to be characterized with an overall very fair financial state.