

November 2020

ZAD „Allianz Bulgaria”

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Claims-Paying Ability Rating:*	Update	Update
Date of Rating Committee:	10.12.2019	27.11.2020
Date of Publication:	11.12.2019	30.11.2020
Long-term Rating:	BBB+	A-
Outlook:	Positive	Stable
Long-term national-scale Rating:	AA+ (BG)	AA+ (BG)
Outlook:	Stable	Stable

- 1) Prior to the present publication, the credit rating and the rating outlook was disclosed to the rated entity. Following that disclosure amendments have been not executed in the credit rating and the rating outlook;
- 2) During the last two years, the BCRA has not provided any ancillary services to the rated company;
- 3) To become familiar with the full rating history, please, see the table at the bottom of the document.

BCRA – CREDIT RATING AGENCY AD (BCRA) is the third fully recognized rating agency in the EU, registered pursuant to Regulation No. 1060/2009 of the European Parliament and of the Council. The credit ratings, assigned by the BCRA are valid throughout the EU and are fully equal to those, of the other agencies, recognized by the European Securities and Markets Authorities, without any territorial or other limitations.

At a session of the Rating Committee of BCRA, held on 27.11.2020 a report of the review of the credit rating of ZAD “Allianz Bulgaria” has been discussed. The session was run by D.Sc. (Econ.) Kiril Grigorov, in his capacity as a Chairman of the Rating Committee ran the session. Following a discussion on changes in the factors affecting the rating during the review period, the members of the Rating Committee took the following decision:

„BCRA – Credit Rating Agency“ (BCRA) assigns to ZAD “Allianz Bulgaria“ the following ratings:

- **Upgrades** the long-term claims-paying ability rating: from BBB+ to A- and **changes the outlook** from „positive“ to „stable“;
- **affirms** the long-term national-scale rating: **AA+ (BG) and affirms „stable“** outlook,

expressing its opinion about:

- ✓ the positive development of the activity and improved quality of the insurance portfolio maintained by the rated company in the period of review, positive and improved in the period insurance results on all main

products in the portfolio and significant increase in the total insurance and net operating profits;

- ✓ maintained values of the analysed main indicators for the condition of the company at stable levels, above the average for the sector and for the comparable peer group and at improving levels for most of them;
- ✓ preserved structurally stable, extremely highly liquid and in a small dependence on revaluations investment portfolio, covering to a high extent the amount of net technical reserves;
- ✓ maintained stable levels of prudential solvency ratios (SCR and MCR coverage);
- ✓ the positive impact from the affiliation of the company to one of the largest insurance groups - Allianz - Allianz;
- ✓ Limited impact on the rating has the assigned sovereign rating to the Republic of Bulgaria (BBB, outlook „stable“).

The officially adopted by BCRA Methodology for assigning of a rating of ability of an insurance company to pay claims has been used:

https://www.bcra-bg.com/files/cpaic_methodology_2018_en.pdf

The users of the rating can find information on the meaning of each rating category, including definitions of default in the published Global rating scale on the BCRA's website:

https://www.bcra-bg.com/files/global_scale_en.pdf

The report has been prepared and the rating - assigned, based on information made available by the rated bank, Bulgarian National Bank, National Statistical Institute, BCRA' database, consultants and other public information sources.

Operating environment

Sovereign risk

The emergence of the worldwide COVID-19 pandemic and addressing the issue turned into one of the main priorities in Bulgaria as well as in all its political and economic partners. The country was in a state of emergency from the 13th of March to the 13th of May 2020 due to the unprecedented crisis, and the government took a number of legislative measures to curb the negative economic impact. The state of emergency was thereafter replaced by an emergency epidemic situation by the end of November 2020 at least, along with new socio-economic measures.

The COVID-19 pandemic and the measures taken to limit the infection have adversely impacted the economic activity in the country. The unprecedented shock undermined the positive dynamics of GDP at the beginning of the year, as real growth slowed to 1.2% on an annual basis in the first quarter, and even more pronounced within the second quarter with a decline of 8.2%. Thus, Bulgaria's GDP fell by 4.2% on average for the first half of 2020, compared to 4% for the same period in 2019. The European Commission projects a decline of 7.2% for Bulgarian GDP in 2020. Household consumption expenditures decreased by 2.4% on an annual basis on average for the first six months of 2020 as a result of the introduced measures for social distancing, rising unemployment and declining disposable income. Collective consumption reported real growth of 3.8% positively contributing to the GDP dynamics during the analysed period. Concurrently, uncertainty and limited demand reflected on the investment decisions of companies, hence, gross fixed capital formation decreased by 8.2% and inventories shrank significantly.

In 2019, the labour market reported record low unemployment (4.2% of the active population over 15 years) and record high employment (54.2%) for the last 15 years. However, market conditions expectedly deteriorated in the course of 2020 mainly as a result of restrictive anti-epidemic measures. In the second quarter of 2020, the unemployment rate was 5.9% (compared to 4.2% a year earlier). According to the data of the Employment Agency, the number of registered unemployed in the age

group 15-64 was 63% higher in the quarter compared to the same period of the previous year, reaching 287 000 people.

The HICP average annual inflation slowed sharply in the course of 2020, falling from 3.4% in January to 0.4% in July, and in August for the first time since the beginning of the year reporting a slight increase to 0.6%. The main contributors to the downward dynamics are the collapse in international oil prices and the contraction of private consumption due to the unprecedented health crisis. Concurrently, foods have been consolidating its role as a major inflationary engine, although they have also seen a decline in the rate of price growth.

Bulgaria has entered the current crisis with a stable fiscal position, accumulated reserves and low government debt. The initial budgetary target for 2020 was to achieve a balance but the unprecedented COVID-19 crisis necessitated its extraordinary revision due to the expected revenue shortfalls and the need to incur additional costs. With the April revision, the projected CFP balance was changed to a deficit of BGN 3.5 billion or 3% of the projected GDP. We expect the government debt-to-GDP ratio to rise to approximately 25% in 2020 due to financial needs arising from the anti-crisis fiscal measures and the decline in GDP.

Banking System

On the 10th of July 2020, the Bulgarian lev was included in the Exchange Rate Mechanism II. In parallel, the ECB's decision to establish close cooperation with the BNB was announced. Starting October 1, 2020, the ECB commenced the direct supervision of the significant institutions in the Republic of Bulgaria. The Bulgarian banks that fulfil the criteria are UniCredit Bulbank AD, DSK Bank AD, United Bulgarian Bank AD, Eurobank Bulgaria AD, and Raiffeisenbank (Bulgaria) EAD.

Currently, the banking sector remains stable. The capital ratios and liquidity of banks are at high levels being supported by the steady growth of the deposit base.

Lending to the non-financial sector has been slowing down in the conditions of uncertainty during the first half of 2020, largely for enterprises. At the same time, under the Procedure for Deferral and Settlement of Liabilities Payable to Banks and their Subsidiaries – Financial Institutions requests from households and enterprises for deferral of liabilities amounting to BGN 8,1 billion or 83.1% of the filed so far were approved as of end-June 2020, or 12.3% of the total gross loans and advances.

	<p>CLAIMS PAYING ABILITY RATING ZAD “Allianz Bulgaria” Long-term rating: A- (outlook: Stable) National-scale Rating: AA+ (BG) (outlook: Stable) November 2020</p>
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The profit generated in 2019 was high, thus, securing additional capitalisation and a reserve for maintaining the stability of the sector. Therefore, the BNB decided to fully capitalise that profit as one of the measures to further strengthen the capital of banks in the context of the crisis related to COVID-19. The reported financial result as of mid-2020 was positive albeit lower by 43.9% on an annual basis. The net income from interests, fees and commissions retained their importance but at an annual decline in both sources. At the same time, the value of the impairments incurred doubled compared to the same period in 2019.

The development of economic processes in the country, including in the context of the pandemic of COVID-19, have been analysed in detail by BCRA - Credit Rating Agency. A Rating Rationale of the Sovereign Rating assigned by BCRA to the Republic of Bulgaria is available at our official website:

https://www.bcra-bg.com/files/rating_republic_of_bulgaria_oct_2020_bg.pdf

General Insurance market in Bulgaria

In the period of the update the Bulgarian non-life insurance market retains its features, namely:

- **Steady income growth** in gross premiums (yearly based by 15.6% in 201. And by 0.7% in the H1 of 2020, on an annual basis);
- **High development potential**, given the relatively low levels of inductance density penetration;
- **High levels of market concentration** – the seven biggest companies are retaining share of above 70% of the gross premium income in the sector;
- **Highly dominating share of the motor insurance** in the structure of the aggregated insurance portfolio – above 70.0% in the last three years.

The **regulatory framework** continues to affect the implementation of the Solvency requirements of the insurers, reinsurers and groups of insurers and reinsurers, as well as the reporting requirements, valuation of assets and liabilities and formation of technical provisions in accordance with the directive "Solvency II" (Directive 2009/138 of the EP and the EU). An additional impact on the accounts also has the implementation of **IFRS 9 "Financial Instruments"** entered into force on 01.01.2018.

The main general factors impeding the development of the non-life insurance market continue to be the slow economic growth, the relatively low economic activity and the uncertainties about the future households' income.

Since the end of March 2020, the development of the sector has been affected by the emergency situation of the COVID-19 pandemic. You can find current assessments of "BACR - Credit Rating Agency" regarding the effects of the expected financial crisis on the sector and the economy in general on the official website of the agency.

ZAD “Allianz Bulgaria“

In the review period, ZAD Allianz Bulgaria (hereinafter Allianz Bulgaria/the Company) did not change the amount of the share capital, which remains BGN 36 217 160, distributed in 7 243 432 shares, each with a fair value of BGN 5. There are no significant changes in the **shareholding structure**. Majority share (87.39% as of October 21, 2019) holds Allianz Bulgaria Holding AD and the ultimate controlling entity is Allianz CE, Germany.

The company has a two-tier management system. In the review period there was one change in the composition of the Management Board – Alexander Procenko was replaced by Joanis Kocianos (entered into the Commercial Registrar on 12.05.2020). The members are as follows:

- Pavlin Petkov – Executive Director;
- Joanis Kocianos – Executive Director;
- Andrey Alexandrov – Executive Director;
- Orlin Penev – Executive Director;
- Atanas Uzunov – member.

The company is presented by each of the two of Executive Directors.

The Supervisory Board was not changed and consists of the following members:

- Dimitar JeleV, Chairman of the MB and Executive director of Allianz Bulgaria Holding AD;
- Petros Papanicolaou, Deputy Chairman of the Allianz Bulgaria Holding AD;
- Prof. Daniela Cornelius.

Head actuary of the company is Reni Engibarova.

In the review period, there were no significant changes in the activity, management system, risk profile, valuation for solvency purposes and capital management. The insurer has implemented and applies all management principles arising from the requirements of Directive 2009/138 of the EP and the EU (Solvency II). A system of capital evaluation has been developed and implemented, which applies a Standard Formula for calculating the Solvency Capital Requirement. The company declares its commitment to maintaining high capital adequacy,

the implementation of all good corporate governance practices arising from the current Bulgarian legislation and requirements of the Alliance Group, complies with the Group Code of Ethics and has implemented all its standards and functional rules.

In the review period the insurer reported **growth in the gross premium income (GPI)** for 2019 by 5.1% (after a decline of 3.7% of the previous year), along with decrease in the H1 in 2020 by 6.6% on an annual basis. These dynamics retain the descending trend of the market share of Allianz Bulgaria, calculated based on the realized GPI – from 7.9 % for 2019 to 7.0% for 2019 and 6.7% as of the end of June 2020. Thus, the Company positions at 9th place according to market share in sector general insurance, with a level close to two of the companies ahead (Generalli and Bul Ins, 7.3% and 7.1%, respectively).

However, the high quality of the maintained insurance and investment portfolio allows Allianz Bulgaria to continue to form growth in the realized **net financial result**. Following the very high growth for 2018 (+ 84.4%, up to BGN 15.1 million), the Company reports an increase of 20.8% for 2019 (up to BGN 18.2 million), and the current result for the first half of 2020 increased by a significant 73.9% compared to the corresponding period (up to BGN 15.0 million).

Insurance profit levels remain high.

The trend of total **growth of assets**, including the highly liquid part of the company's investment portfolio, has continued.

The company continues to maintain high levels of prudential indicators: **SCR** (151.7% at the end of 2019) and **MCR** (399.7%).

The Company uses the synergy of the other activities developed and carried out by the parent company such as Insurance of the energy sector, life insurance, pension insurance, banking and leasing.

In the period under review, by individual products the changes could be summarized as follows:

Increase in GPI for 2019 under Land Insurance by 5.7%, after a decrease of 2.0% in the previous year, which leads to a minimal increase of the market share - up to 14.1% (13.7% for 2018). For the first half of 2020 the share marked a slight decrease - to 13.6%, formed by 4.8% less written business on the product compared to the corresponding period of the last year. This insurance remains leading in the company's portfolio and maintains the position of Allianz Bulgaria in the ranking of top 5 insurers in terms of GPI (without change in its position during

the review period - fourth, following Armeec, Bulstrad and DZI - General Insurance);

According to the second insurance **Motor third-party liability insurance** (hereinafter referred to as "motor vehicle liability insurance") (ahead of the property "Fire and natural disasters") by volume of GPI in the portfolio for 2019 marked a new increase in the value of the written business of 16.8% (after + 27.2% in 2018), followed by a decline in the first half of 2020 of 11.0%. These changes do not lead to a change in the market share of the company, which remains quite low - 2.8% for 2019 and for 2018, remaining in line with the company's strategy for the degree of risk exposure to the product with traditionally high volume of claims;

The realized GPI under the third third in the portfolio insurance "**Fire and natural disasters**" has reported a decline of 2.0% in 2019, after a significant decrease by 17.4% in the previous 2018. For the first half of 2020, a decline was also recorded in the written business under the product (-5.9%), which led to a more pronounced decrease in the market share of the company under the product - up to 7.3%, after levels of 10.9% for 2019 and 11.8% for 2018;

The level of achieved cash **collection rate** remains very high - 99.74% in 2019 (compared to 99.71% in 2018, 97.71% in 2017 and 99.58% in 2016).

The portfolio is well structured and diversified. In a comparative aspect to the competitive group of insurers, Allianz Bulgaria preserves a high share of the leading insurance product "Auto Casco", similar to the leader, namely, Armeec. The latter holds the biggest share, while lower shares hold the other two leaders – Bulstrad and DZI.

The company is retaining the lowest share in the group by the Third Party Motor Liability and is taking back its leading position by share of property insurance in the portfolio (shifting its position with Bulstrad).

Portfolio Structure of IC Allianz Bulgaria compared to the competitive group as of the end of 2019:

	Casco	TPML	Property	Total Leading	Other
Allianz Bulgaria	51.3%	17.8%	19.0%	88.2%	11.8%
IC "Lev Ins"	13.6%	78.3%	2.6%	94.5%	5.5%
IC "Armeec"	58.0%	25.2%	7.2%	90.4%	9.6%
IC "Bulstrad VIG"	41.5%	26.5%	18.6%	86.6%	13.4%
"DZI – General Insurance" EAD	43.6%	35.7%	13.3%	92.6%	7.4%
IC "Bul Ins" AD	15.2%	80.7%	1.1%	96.9%	3.1%
Average for the Group:	34.1%	48.9%	9.0%	92.0%	8.0%

The levels of **gross and net claims ratios** registered an increase in 2019 and a decrease in the first half of

2020, not changing the position of the insurer around the average for the reference group.

Net Claims	6.2020	2019	2018	2017
ZAD "Allianz Bulgaria"	42.6%	52.5%	46.8%	56.1%
"Lev Ins" AD	55.9%	52.3%	43.0%	39.5%
"Armeec" AD	41.3%	44.6%	43.1%	43.2%
"Bulstrad VIG" AD	49.8%	55.6%	51.2%	55.2%
"DZI – General Insurance" EAD	38.0%	50.4%	51.5%	54.9%
"Bul Ins" AD	18.2%	65.3%	55.7%	58.1%
Average for the competitive group:	44.4%	52.2%	48.5%	50.8%

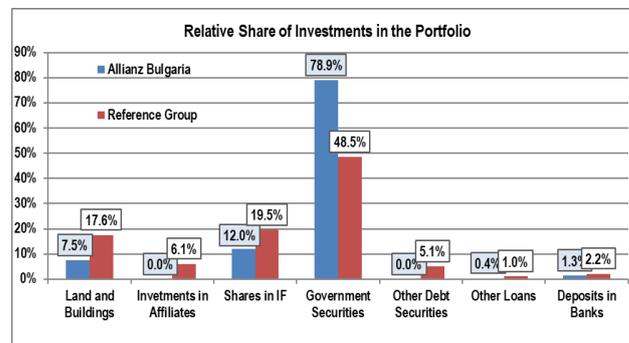
The level of the **net acquisition ratio** maintains the downward trend, specific for the past three years. The level of **cost ratio** also recorded a decline.

The level of the **combined cost ratio** rises (to 89.6%) following an extremely low level in the previous year (88.5% - a record low rate in a five-year period), maintaining the company's place among the leaders according to the indicator in the reference group of insurers and maintaining high opportunities of the company to realize a positive insurance result.

The **reinsurance policy** is fully coordinated with the majority owner, who is also used as a reinsurer (with current rating AA). The **self-retention level** remains high - 91.1% for 2019 (89.6% for 2018).

The **share of reinsurers in technical provisions** grew at a slow pace during the review period, reaching 25.1% at the end of 2019 and 26.7% at the end of June 2020, remaining significantly below the average values for the companies in the reference group (43.0 % and 44.3%).

The main distinguishing feature of Allianz Bulgaria is the high quality and size of the maintained **investment portfolio**. During the review period, mainly due to acquired government securities, its amount increased by BGN 33.0 million (reporting an increase of 2.6% for 2019 and 14.0% for the first six months of 2020). The **secure and highly liquid structure** of the portfolio has been preserved, covering to a very high extent the value of the net technical reserves. The comparison with the general structure of the portfolio for the reference group as of 30.06.2020 (presented in the following chart) shows the security maintained by the company in terms of security and high liquidity of the owned investment assets.



The **return on the investment portfolio** rises in 2019, exceeding the average return (by TTM) for the adjusted sector, while in the first half of 2020, it lost part of its value, remaining above the sector value. The profitability of investment property management is relatively preserved, and the impact of the revaluations of financial assets remains high.

The **net financial result** for ZAD "Allianz Bulgaria" for 2019 is a profit of BGN 18,232 million, exceeding by 20.8% the one reported in the previous year (BGN 15,097 million), and the current result at the end of the first half of 2020 is a profit of BGN 15,022 million, exceeding by 73.9% the result for the first half of 2019.

The value of the **Technical (insurance)** result remains high. Net earned revenue increased by 8.5% for 2019 compared to the previous year (1.4% growth for 2018), which is sufficient to compensate the increased administrative expenses by 3.1%. An additional positive effect on the reported financial result have the following: reduced acquisition costs; decreased costs for impairment of receivables; positive net value from revaluation of investment properties and increased financial income from the investment portfolio.

The positive trend of decreasing values of the **Technical reserves to Equity** ratio (*Insurance leverage*) maintained in the last five years retained, and the levels achieved during the review period are already significantly lower than the average for the reference group of insurers (by nearly 40 pp) and are the soundest for the group.

In 2019, the company reported a new increase in **return on equity**. The achieved level of 19.1% (18.8% for 2018) remains significantly above the average for the reference group levels (12.0% for 2019) and for the total of the adjusted sector (also 12.0%).

The immediate liquidity ratio for the fourth consecutive year is on the rise, and at the end of 2019 reached a value of 29.8%.

The **capital adequacy** of the rated company in the period under review, while applying Directive 2009/138 of the EU Parliament and EU (**Solvency II**) could be summarised as follows:

Indicator/ Year:	6.2020	2019	2018
Excess of assets over liabilities	109 972	106 033	89 399
Eligible own funds MCR	103 963	100 579	86 380
Eligible own funds SCR	103 963	100 579	86 380
Minimum Capital Requirement (MCR)	71 539	66 297	56 618
Solvency Capital Requirement (SCR)	24 866	25 163	22 881
Coverage of MCR *	145%	152%	153%
Coverage of SCR *	418%	400%	378%

The analyzed period is characterized by stable levels of coverage maintained by the company for the local insurance market on both observed prudential indicators, as that of the **Solvency Capital Requirement** (SCR) remains above the average level in the group (140%) and above the target set by Allianz Group. quota (133%). When applying different stress scenarios, the lowest achieved value of SCR is 142%.

The value of the **liquidity ratio of technical provisions** continues to increase for the fourth consecutive year, reaching 118.4% at the end of 2019 (compared to 109.7% a year earlier) and 130.1% at the end of June 2020, while levels remain so with much above the average for the adjusted sector (67-70% in the period 2018-6.2020), as well as compared to the leading insurers (58-64% in the same period). The additional improvement in the value of the considered indicator results from an increase in the liquid assets, exceeding the level of the softly growing technical reserves.

The changes in the **liquidity ratio of the reserve for forthcoming payments** are similar in direction, the value of which continues to increase, remaining at levels significantly above for the sector and those for the leading insurers.

During the review period, the value of the **immediate liquidity ratio** also increased, more significant at the end of 2019 (reaching a level of 29.8%) - the effect of the significantly increased annual value of cash and cash equivalents.

During the period under review, the level of the ratio of **Net Earnings to Equity** (Operating Leverage) for the assessed company continues to decrease. The achieved levels are below the achieved average values for the reference group of companies (where Armeec and Bul Ins are the companies achieved lower levels of the ratio - estimated on the basis of annual data). As the general reason for the decrease in the value of the indicator is the significant increase in equity (as a result of high profits), outpacing the increase in the amount of net earned income, this change is not assessed as negative in terms of rating.

The rating could be positively affected by a sustainable improvement in the insurance result, the generated profit, improvement in the quality of the insurance and investment portfolio, as well as the additional improvement of the liquidity and solvency.

In negative aspect, the rating could be affected by: worsening of the insurance portfolio quality, decline in the insurance result (or negative result), reduction of the levels of the solvency and liquidity ratios of the Company.

The rating assigned to the Republic of Bulgaria has a limiting effect on the company's rating.

The financial indicators of the insurer over the past five years are presented in the following table:

CLAIMS PAYING ABILITY RATING
ZAD “Allianz Bulgaria”
Long-term rating: A- (outlook: Stable)
National-scale Rating: AA+ (BG) (outlook: Stable)
November 2020
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Main Financial Indicators

Indicator / Year:	06.2020	06.2019	12.2019	12.2018	12.2017	12.2016	12.2015
Gross Premium Income (BGN'000):	81 370	87 146	174 018	165 612	171 962	163 131	157 076
<i>Change on an yearly basis</i>	-6.6%	-	5.1%	-3.7%	5.4%	3.9%	10.9%
Net Earned Income (BGN'000):	78 072	78 429	157 041	144 784	142 723	133 930	124 760
<i>Change on an yearly basis</i>	-0.5%	-	8.5%	1.4%	6.6%	7.4%	20.1%
Self-retention Level	85.47%	85.21%	91.09%	89.6%	84.8%	84.5%	85.2%
Net Financial Result (BGN'000)	15 022	8 639	18 232	15 097	8 185	8 185	10 450
Result from Insurance Activity	15 720	7 739	16 408	16 650	5 735	5 655	5 970
Gross Claims	41.3%	60.1%	56.6%	51.0%	65.2%	53.8%	54.3%
Net Claims	42.6%	51.3%	52.5%	46.8%	56.1%	57.3%	54.9%
Cost Ratio	14.2%	16.2%	14.5%	18.7%	15.5%	11.5%	13.5%
Acquisition Ratio	23.1%	22.6%	22.6%	23.1%	24.5%	27.0%	26.7%
Combined Ratio	79.9%	90.1%	89.6%	88.5%	96.0%	95.8%	95.2%
Net Earned Income / Equity (Operations Leverage)	69%	83%	151%	168%	193%	208%	226%
Technical Reserves / Equity (Insurance Leverage)	147%	174%	167%	187%	207%	215%	231%
Debt net of insurance reserves / Equity (Financial Leverage)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Equity	112 612	94 504	103 704	86 067	73 827	64 447	55 249
Return on Equity	23.7%	19.2%	19.1%	18.8%	11.5%	13.3%	21.0%
Total amount of Investment Portfolio	227 829	203 654	199 886	194 860	180 846	161 603	150 972
<i>Change on an yearly basis</i>	11.9%	-	7.7%	7.7%	11.9%	7.0%	0.0%
Share of High Liquid Assets in the Investment Portfolio	80.2%	77.6%	76.6%	77.7%	75.1%	74.3%	71.4%
Yield on the Investment Portfolio - TTM	1.7%	0.4%	2.2%	0.2%	2.6%	2.3%	4.2%
Coverage CSR	145%	144%	152%	153%	136%	0%	0%
Coverage MCR	418%	354%	400%	378%	330%	0%	0%
Technical Provisions Liquidity Ratio	130.1%	115.5%	118.4%	109.7%	99.7%	92.2%	87.8%
Liquidity Ratio of the Reserve for Future Claims	213.4%	195.9%	205.6%	200.5%	181.8%	176.1%	170.7%

Rating History:

CLAIMS PAYING ABILITY RATING *	Update	Monitoring	Update	Monitoring	Monitoring	Review	Review
Date of Rating Committee:	24.10.2016	16.05.2017	28.11.2017	15.05.2018	20.06.2018	05.12.2018	10.12.2019
Long-term Rating:	BBB-	BBB-	BBB-	BBB	BBB (under review) **	BBB+	BBB+
Outlook:	Negative *	Stable	Positive	Stable	-	Stable	Positive
Long-term National-scale Rating:	AA (BG)	AA (BG)	AA (BG)	AA (BG)	AA (BG) (under review) **	AA (BG)	AA+ (BG)
Outlook:	Stable	Stable	Positive	Stable	-	Stable	Stable

* The assigned “negative” outlook is not a result of the deterioration of the performance of ZAD Allianz Bulgaria but is a consequence of the applied rating ceiling, which is determined by the sovereign rating and the outlook (at the time of review, the BCRA assigned rating to the Republic Bulgaria: long-term rating nBBB-, Outlook: “negative”, short-term rating: nA-3 (see https://www.bkra-bg.com/files/rating_republic-of-bulgaria_sept_2014_en.pdf);

** The outlook is changed due to a review of the rating placed “under review”, given the changes entered into force in the used by BCRA “Methodology for ability of the insurance company to pay claims” (https://www.bkra-bg.com/files/cpaic_methodology_2018_en.pdf) and affects all ratings of insurers and is not related to the activity of the rated company.

CLAIMS PAYING ABILITY RATING
ZAD “Allianz Bulgaria”
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National-scale Rating: AA+ (BG) (outlook: *Stable*)
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The ratings displayed in the chart are assigned under the previous version of Methodology for the rating of the ability of insurance companies to pay claims, respectively with the applied rating scale and are not directly comparable with the ratings assigned after the entry into force of the current methodology on 04.07.2016.

CLAIMS PAYING ABILITY RATING	Initial Rating 9.2007	Update 9.2008	Update 9.2009	Update 03.09.2010	Update 28.09.2011
Long-term Rating:	iA	iA	iA	iA	iA+
Outlook:	Stable	Stable	Stable	Положителна	Stable

CLAIMS PAYING ABILITY RATING	Update 16.10.2012	Update 18.10.2013	Update 13.10.2014	Update 08.10.2015	Monitoring 05.07.2016
Long-term Rating:	iA+	iA+	iA+	iA+	iA+ (Under review)
Outlook:	Stable	Stable	Stable	Stable	-