BCRA CREDIT RATING AGENCY

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March 2021

„DZI – General Insurance” EAD

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CLAIMS PAYING ABILITY RATING *	Review	**Review**
Date of Rating Committee:	10.03.2020	**11.03.2021**
Date of Publication:	12.03.2020	**12.03.2021**
Long-term Rating:	BBB+	**BBB+**
Outlook:	Positive	**Positive**
Long-term National-scale Rating:	AA+ (BG)	**AA+ (BG)**
Outlook:	Stable	**Stable**

1. *Prior to the present publication the credit rating and rating outlook was disclosed to the rated entity or related third party. Following that disclosure amendments in the credit rating and rating outlook have not been executed;*
2. *During the last 2 years, BCRA Credit Rating Agency AD has not provided ancillary services to the rated entity or a related third party.*
3. ** To become familiar with full rating history, please, see the chart at the bottom of the document.*

BCRA – Credit Rating Agency (BCRA) is the third qualified rating agency in the EU, registered under Regulation (EC) No. 1060/2009 of the European Parliament and of the Council. The credit ratings, assigned by BCRA, are recognized throughout the EU and are fully equal to the other ratings, recognized by European Securities and Markets Authority (ESMA), without any territorial or other limitations.

At a session of the Rating Committee of BCRA, held on **11.03.2021,** a report of the review of the credit rating of **DZI – General Insurance** has been discussed. The session was run by D.Sc. (Econ.) Kiril Grigorov, in his capacity as a Chairman of the Rating Committee. 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 **affirms** the assigned ratings to **DZI – General Insurance AD** as follows**:**

- Long-term claims paying ability rating: **BBB+** and **„positive“** outlook**;**
- Long-term national-scale rating: **AA+ (BG)** and **„stable“** outlook,

appraising the following:

✓ The retained positive expansion of the insurer’s activity and improved quality of the insurance portfolio, significantly improved insurance results and considerably increased amount of the total insurance and net operating profit;

✓ The key indicators of the company are maintained at a stable and high levels, above the sector and the compared reference group;

✓ Maintaining a structurally stable, utmost highly liquid and independent from revaluations investment portfolio, covering in total the values of net technical provisions;

✓ Retained stable and high levels of the prudential solvency indicators (SCR and MCR coverage);

✓ Positive impact on the company’s development from its affiliation to KBC Group;

✓ Influence on the company’s rating by the ceiling of the sovereign rating of the Republic Bulgaria, assigned by BCRA (BBB, “stable” outlook).

The officially adopted by BCRA Methodology for claims paying ability rating of insurance companies 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 -

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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.

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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_en.pdf

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Non-life 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 2019. And by 0.7% in the H1 of 2020, on an annual basis);
- **High development potential**, given the relatively low levels of insurance density and insurance penetration;
- **High levels of market** concentration – the seven biggest companies are retaining a share of above 70% of the gross written premiums in the sector;
- **Highly dominating share of the automobile insurance** in the structure of the aggregated insurance portfolio – above 70.0% in the last three years.

The regulatory framework continues to be most affected by the application of the solvency requirements of insurers, reinsurers and groups of insurers and reinsurers, as well as the requirements for reporting, valuation of assets and liabilities and the formation of technical provisions in accordance with Directive 2009/138 of the EP and the EU (**Solvency II**). The implementation of the **IFRS 9** *Financial Instruments*, effective from January 2018, impacted the insurers' reports as well.

The main factors impeding the general development of the non-life insurance market continue to be the relatively weak economic activity in the country and the uncertainties about the future households' income.

The development of the sector has been affected by the emergency of the COVID-19 pandemic since March 2020. To become familiar with the current BCRA's evaluations on the effects of the expected financial crisis on the sector and the economy as a whole, please visit the official website of the agency.

„DZI – General Insurance“ EAD

In the period of review, there are no changes in the share capital of DZI - General Insurance EAD, which remains BGN 66,586,779, distributed in 9,512,397 shares, with a par value of BGN 7 each. The sole owner of the capital is "DZI - Life Insurance" EAD, and the sole ultimate owner is KBC Group NV.

At the end of the review period, one change has been made in the **senior management** – as a member of the Management board is elected Ivan Ganchev (replacing Boris Palichev). The Supervisory Board members are not changed.

The business activity, management systems and the risk profile of the insurance portfolio barely changed throughout the period. The insurer applies all management principles arising from the requirements under Solvency II. The company has developed and implemented a system of capital assessment and applies the Solvency Capital Requirement (SCR) Standard Formula. In the review period, the insurer retains utmost high level of solvency capital coverage (above 175%, which is a target for all insurers in the KBC Group). The management declares its intentions to maintain the position of the company in the top place in terms of market share and as a benchmark in the insurance market.

DZI – General Insurance reported **decelerating growth in the realized gross written premium** for 2019 and the 2020 nine-months (compared to the previous two fiscal years), lagging slightly behind the averages for the sector (non-life insurance), however allow the company to keep its leading position (the top three according to volume of the written business) and unchanged market share.

The quality of the insurance portfolio has remained relatively unchanged during the review period at a significant improvement in the level of claims ratio in 2020 and for the period 01.2019 - 09.2020, general downward trends in acquisition and other technical expenses, which led to an expressive increase in the amount of insurance profits.

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The **volume of the investment portfolio has significantly increased**, **retaining its highly liquid structure** (over 80% in government securities and about 10% in investment properties), and its yield remains positive and around the average for the adjusted sector[1].

The **net financial result** remains positive, at a high level and **notably increased** compared to the previous corresponding period (for 2019 and the current one as of September 2020).

In the review period, the insurer retains **very high level of coverage of prudential solvency indicators**, as that of the SCR (Solvency Capital Requirement) is boosted at the high level of 175.0%, defined as a minimum target coverage for the Group, and is the highest level compared to the companies in the reference group[2] formed for the purposes of the rating assessment.

The company maintains a supportive marketing campaign, developing and growing sales across all channels: own network, brokers and agents. The synergy formed along the lines of other business activities developed by the owner on the local market is also used, incl. banking and leasing.

In 2019, the **gross written premium** (GWP) retains the expressive growth trend (for sixth consecutive year) by 9.2%, which is lower than the growth rates reached in 2018 (+24.3%) and 2017 (+11.5%). The 2020 9-months are characterized by the retention of the growth pace (+0.2% compared to the corresponding period of 2019). The growth rates are below those for the adjusted sector of 16.4% in 2019 and 1.9% for the nine months of 2020. The changes in the volume of the written business does not affect the company's market share accounting for 10.6% in 2019 (11.2% a year earlier) and 10.3% for the nine months of 2020, thus positioned the insurer 3rd by the amount of GWP for 2019 and lagging to 4th at the end of September 2020.

The car insurances are the main growth drivers. The **Motor Third Party Liability insurance** grew by 13.2% in 2019 (following the notable 57.5% in 2018) and declined by 1.9% for the nine months of 2020, while **Casco** - by 5.1% in 2019 (13.9% for the previous year) and by 0.6% in the nine months of 2020. Thus, DZI – General Insurance remains positioned in the Top 3 of the market by share of Casco, after Armeec and Bulstrad VIG (close levels), while by earned premiums on Motor Third Party Liability is positioned 6th (after Lev Ins, Bul Ins, DallBogg: Life and Health, Euroins and OZK Insurance).

The **Fire and Natural Disasters** insurance is third by volume of the written business and registers continuing expansion, which is a specific change in the portfolio for the period. The recorded growth rates of 13.6% for 2019 (6.9% for 2018) and 2.7% for the nine months of 2020 place the company ahead with one position – 4th, after the leaders Bulstrad VIG, Generally and Energy and ahead of Allianz Bulgaria and Unica.

The active reinsurance keeps a bare share in the total written premium, realizing minimal volumes, mainly of Fire and Natural Disasters.

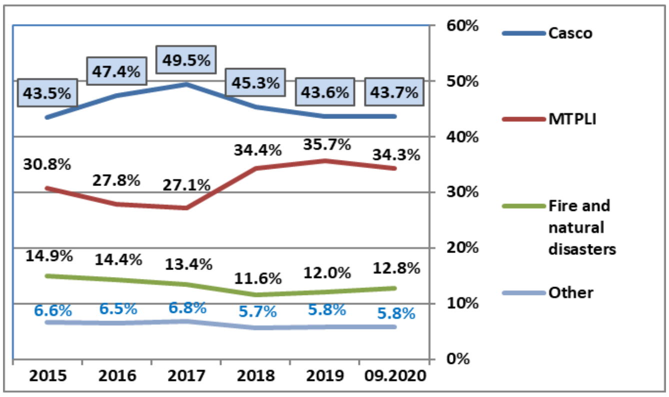
There are no significant changes in **the structure of the insurance portfolio** and could be summarised as follows:

- Continuing in 2019 slight decline of the share of Casco – down to 43.6% (following 45.3% in 2018 and 49.5% in 2017), and then retained unchanged in the nine months of 2020 (43.7%);

- a slightly increasing share of Motor Third Party Liability insurance - from 34.4% in 2018 to 35.7% in 2019 and a reverse decline to 34.3% in the first nine months of 2020;

- a weak increase of the insurance of real estate compared to the level in 2018, when the products in the group lost part of their weight in the portfolio, affected by the significant hikes of tariffs of car insurance.

Insurance Portfolio Structure - 2016-9.2020



Insurance Portfolio Structure of DZI – General Insurance EAD compared to the Reference Group and the Total of the Sector (30.09.2020)

[1] Adjusted with the data of the rated insurer;
[2] Bulstrad VIG, Allianz Bulgaria, Armeec, Euroins, Lev Ins and Bul Ins.

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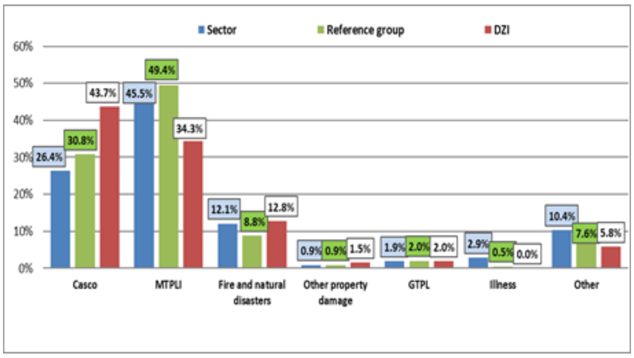

Since the company has reported significant improvement in the levels of the gross and net **claims** in 2018 (decelerating to rates of 46.2% and 49.4%, respectively), in 2019, is observed preservation of their levels (increasing of the gross claims to 47.9% and decreasing of the net to 48.9%). However, in the nine months of 2020 another decrease is posted, having low-record levels of 42.5% of gross claims and 41.5% of the net. The latter is due to the simultaneous decline in the amount of net claims and the increase of net earned premiums. The current data as from 2020 indicate for positive trends in the levels of claims, registered by all insurers in the group.

Net Claims	*09.2020*	*2019*	*2018*	*2017*
DZI – General Insurance	**41.5%**	**48.9%**	**49.5%**	**55.3%**
IC Lev Ins	62.8%	52.3%	43.0%	39.5%
IC Euroins	40.6%	48.0%	52.5%	46.8%
Bulstrad VIG	53.8%	55.6%	51.2%	55.2%
IC Armeec	51.9%	44.6%	43.1%	43.2%
IC Allianz Bulgaria	46.4%	52.5%	46.8%	56.1%
IC Bul Ins	46.4%	65.3%	55.7%	58.1%
Average of the Group:	**51.6%**	**52.2%**	**47.9%**	**49.2%**

In the review period, the positive decelerating trend of the ***acquisition ratio*** retained. Since in 2018 the lowest rate has been recorded for the past five years (25.1%), in 2019 further low rate of 23.1% is recorded. The value of the ratio posted for the nine months of 2020 (26.5%) retains slightly the decelerating positive trend, compared to the 26.9% for the nine months of 2019. Throughout the analysis period, the observed increase of the amount of acquisition costs by BGN 5.4 million in nominal value in 2019 (10.9% in relative terms) has been offset by the significant increase of the net earned premiums, by BGN 38.3 million (19.5%). The variations in both structural positions are more balanced in the nine months of 2020, recording a growth of 1.3% of the acquisition costs, covered by the net earned premiums of 2.6%. n comparative terms, the levels of the indicator for DZI - General Insurance remain slightly higher than the average for the reference group and almost similar to those of three of its competitors (Bulstrad VIG, Euroins and Allianz Bulgaria).

The review period is characterised by barely changes (mutually offset in 2019) in the amounts of the administrative and other technical costs as a result of the above mentioned growth in the net earned premiums. Thus, the ***costs ratio*** records lower levels, both for 2019 (17.8%, compared to 21.2%) and for the first nine months of 2020 (12.3%, compared to 13.9%).

The individual positive changes in the cost ratios lead to an overall significant decrease in the level of the ***combined cost ratio*** (started in 2017), with levels of 89.9% (in 2019) and 80.3% in the nine months of 2020). Thus, the company remains positioned below the average levels for the group for a third consecutive year (2018 - 2020), while in 2019 only Bulstrad VIG achieved better rate (88.2%). In the first nine months of 2020, DZI - General Insurance became a leader in terms of the indicator. The better changes directly led to a significant improvement of the positive results from the insurance activity of the rated company - in absolute terms over BGN 15.0 million in 2019 and with over BGN 16.0 million for the first nine months of 2020.

In the review period, the company retains high and relatively unchanged the ***self-retention***, which is the highest compared to the rivals in the reference group and is significantly above the average levels in it. The reinsurance policy is coordinated in full with the majority shareholder, whereas the reinsurers are having reputation and assigned with high credit ratings. The changes in the reinsurance programs for both 2020 and 2021 are mainly in a direction of increasing the coverage under the contracts.

Due to the high degree of self-retention, the share of reinsurers in the technical provisions remains low (the lowest compared to the insurers from the rivals group). At the end of 2019 a decrease of 4.3 pp. was reported to 6.2%, and at the end of September 2020 a slight reverse change is formed - an increase by 2.2 pp. on an annual basis, to 7.8%.

In the review period, the rated company maintains its conservative strategy in terms of the investment policy and portfolio of financial assets, retaining a highly liquid and secured ***investment portfolio*** providing a highly guaranteed yield. In 2019, the volume of the investment portfolio of the insurance company increased by a significant 30.1% (after a decrease of 7.3% in the previous year), and in the first nine months of 2020 the trend continued, with an increase of 22.8% on an annual basis (and 21.7% for the nine months of 2020) and the total value of the

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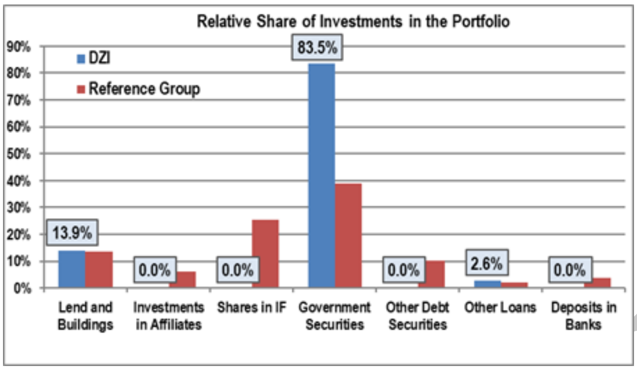
owned assets of BGN 389.1 million as of the end of September 2020 has been reached. The change was realized mainly due to the increased volume of government securities (share of 83.5% in the total amount of the investment portfolio). In 2019, in this group an increase of 36.1% (or +74.1 million BGN) has been reached, which further increased in the nine months of 2020 by another 16.2% (or +45.4 million BGN).). Government securities remain the structural element in the company's investment portfolio.

Investment Portfolio Structure compared to the Reference Group as of 30.09.2020



The reported increase in the volume of the investment portfolio leads to an increase in the **share of investments to total assets** - from 62.7% at the end of 2018 to 77.5% at the end of September 2020. Thus, DZI – General Insurance reaches high share compared to the average of the aggregated sector (58.4% as of 30.09.2020, following 55.4% as of the end of 2018) and at the end of the review period it exceeds 19 pp.

The share of the most liquid part of the assets (government securities and cash deposits), in the review period, remained close to reported at the end of 2018 (85.1%), increasing at the end of 2019 to 87.4% and decreasing to 83.5% at the end of September 2020. In terms of the achieved level of the indicator, the company continues to significantly exceed the average for the adjusted insurance sector (49.8% at the end of 2019 and 48.5% at the end of September 2020).

During the review period, the portfolio **yield** registered a downward trend (from 2.64% in 2018 to 2.12% in 2019 and 1.94% at September 2020) but it is still above the average levels of the adjusted sector in the period (below in the previous two years). One should be note that the sector value at the end of September 2020 is already negative, influenced by the significant decline in the prices of many financial instruments listed on the stock exchanges due to the impact of the economic crisis related to the COVID-19.

DZI - General Insurance EAD ended 2019 with a record-high **net financial result** for the last ten years, a profit of BGN 26.9 million, increased almost twice compared to the result registered at the end of 2018 (which in turn has been increased more than twice compared to the result of the previous year). The current financial result at the end of September 2020 amounts to BGN 36.5 million, which might provide for achievement a new record-high annual level. The improvement in the results is developed in two directions. The one for 2019 is mainly influenced by the continued annual growth trend of net earned income - by 19.5% on an annual basis, supplemented by reduced claims and contraction of costs. The current result at the end of September 2020 is due to the relatively preserved level of net earned premiums (growth of 2.6% on an annual basis), but with an additional significant decrease in net claims (by about 7 pp.) and administrative (- 4.8%) and technical (-18.6%) costs. An additional positive impact on the final result has the relatively high amount of net investment income in the stable structure of the portfolio, which are barely affected by revaluations and realised at low investment management costs.

The net earned premiums to equity ratio (operating leverage) remains slightly volatile. After the two-years upward trend and achieved level of 193% (2018), in the review period the ratio has declined to 176% in 2019 and retained the decelerating trend in the nine months of 2020 due to the outstripping increase of the equity (in line with the financial result and unpaid dividends) compared to the increase of the net earned premiums. The level of the analysed indicator remains below the average for the reference group and very close to the registered by main rivals, namely Bulstrad VIG, Allianz Bulgaria and Armeec.

The improved result realised in the review period led to increased coverage of technical provisions by equity, resulting in a notable decelerating level of the ***Insurance leverage*** (Technical provisions to Equity), which at the end of 2018 was 255%, decreased at the end of 2019 to 221% and reached a low rate of 178% at the end of September 2020. Compared to the last period (2020), only Allianz Bulgaria from the reference group has achieved lower value of 144%, while Bulstrad VIG has posted higher of 188%. Compared to the value of the ratio, the company is positioned below the average for the group at the end of analysed period (196%).

Following the positive dynamics of the profits, which were realized in the review period, the value of the

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return on equity ratio also marked a significant improvement - to 22.4% in 2019, compared to 13.9% in the previous year and kept the positive trend in the first nine months of 2020.

The liquidity ratio marks a decrease, influenced by the declining cash on hand and equivalents, at the background of increased value of technical reserves.

In the review period, influenced by the increase in liquid assets, which are outpacing the increase in technical provisions, the ***liquidity ratio of technical provisions*** accelerated - by nearly 8 pp. (up to 114.2%) at the end of 2019 and by further 3 pp. (117.3% as of the end of September 2020). The achieved levels remain significantly higher, both compared to the average level for the adjusted sector (66.0% as of 30.09.2020) and to the average for the leading insurers (57.0 % as of the same date). The **liquidity ratio of the outstanding claims** is increasing as well, and remains significantly above the average values for the sector and the leading insurers.

The capital adequacy of the rated company during the analysis period, when applying the Directive 2009/138 of the EP and EC (**Solvency II**), could be summarised as follows:

Indicator / Year:	***09.2020***	***2019***	***2018***
Excess of Assets over Liabilities	205 067	161 048	129 242
Eligible Own Funds SCR	169 384	145 106	129 242
Eligible Own Funds MCR	169 384	145 106	129 242
Solvency Capital Requirement	93 229	82 918	69 883
Minimum Capital Requirement	35 892	37 313	31 447
SCR Coverage Ratio	**182%**	**175%**	**185%**
MCR Coverage Ratio	**472%**	**389%**	**411%**

The review period is characterised by the retained highest coverage for the local market of both prudential indicators (SCR and MCR), where the **solvency capital requirement (SCR)** remains above the target level of 175%, set by the management for all insurers of the KBC Group. Throughout the period the achieved SCR coverage remains better compared to the average level of the competitive insurers (difference of 40 pp.) and is the highest in the reference group (closer result has Bulstrad VIG – 163% at the end of 2019 and 159% at the end of September 2020.

The company does not report any other debt than the debt net of insurance reserves, both for the period of the annual review and for the entire review period.

Positive impact on the Company's rating could have the following: retaining or further improvement of the insurance result and accumulated profit, improvement of the investment portfolio, as well as improvement in the liquidity and solvency.

Negative impact on the Company's rating could have the following: deterioration of the insurance portfolio's quality, contraction of the insurance result (or reaching negative one), worsening of the quality of the investment portfolio, significant lowering levels of the solvency and liquidity indicators.

A ceiling for the rating is the assigned sovereign rating of Republic Bulgaria.

The levels of the key performance indicators of DZI – General Insurance EAD for the last five years are presented in the following table:

Main Financial Indicators

Indicator / Year:	***9.2020***	***9.2019***	***12.2019***	***12.2018***	***12.2017***	***12.2016***
Gross Written Premiums (BGN'000):	**189 504**	**189 156**	**256 649**	**234 826**	**188 646**	**164 618**
Annual change	*0.2%*	*12.8%*	*9.3%*	*24.5%*	*14.6%*	*4.1%*
Net Earned Premiums (BGN'000):	**181 500**	**176 836**	**234 722**	**196 380**	**163 400**	**147 452**
Annual Change	*2.6%*	*22.2%*	*19.5%*	*20.2%*	*10.8%*	*3.9%*
Self-retention level	**95.1%**	**95.3%**	**95.3%**	**95.7%**	**94.5%**	**93.9%**
Net Financial result (BGN'000)	**36 480**	**21 618**	**26 932**	**13 969**	**6 375**	**8 585**
Result from Insurance Activity	**35 737**	**19 209**	**23 823**	**8 513**	**2 791**	**-6 930**
Gross Claims	42.5%	46.3%	47.9%	46.2%	71.8%	63.0%
Net Claims	41.5%	48.3%	48.9%	49.5%	55.3%	54.0%
Cost ratio	12.3%	13.9%	17.8%	21.2%	14.2%	12.1%
Acquisition ratio	26.5%	26.9%	23.1%	25.0%	28.8%	38.6%
Combined Cost ratio	**80.3%**	**89.1%**	**89.9%**	**95.7%**	**98.3%**	**104.7%**
Net Earned Premiums / Equity (Operating Leverage)	108%	137%	176%	193%	168%	164%

CREDIT RATING AGENCY

CLAIMS PAYING ABILITY RATING
„DZI – General Insurance“ EAD

Long-term rating: **BBB+** (*outlook:* ***positive***)

National-scale rating: **AA+ (BG)** (outlook: ***stable***)

March 2021

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Indicator / Year:	*9.2020*	*9.2019*	*12.2019*	*12.2018*	*12.2017*	*12.2016*
Technical Provisions / Equity (Insurance Leverage)	178%	217%	221%	255%	229%	233%
Debt Net of Insurance Reserves / Equity (Financial Leverage)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Equity	**167 815**	**129 259**	**133 608**	**101 940**	**97 386**	**90 132**
Return on Equity	28.6%	18.0%	22.4%	13.9%	6.6%	10.4%
Investment Portfolio	**389 112**	**300 559**	**319 763**	**245 827**	**265 074**	**252 951**
Annual Change	*22.8%*	*27.8%*	*30.1%*	*-7.3%*	*4.8%*	*0.0%*
Highly Liquid Assets in the Investment Portfolio	83.5%	92.9%	87.4%	85.1%	94.3%	93.9%
Profitability of Investment Portfolio TTM	1.9%	2.6%	2.1%	2.6%	2.5%	3.2%
SCR Coverage ratio	**182%**	**175.0%**	**175%**	**185%**	**161%**	**-**
MCR Coverage ratio	**472%**	**388.9%**	**389%**	**411%**	**415%**	**-**
Liquidity Ratio of Technical Provisions	**117.3%**	**115.3%**	**114.2%**	**106.3%**	**116.7%**	**117.5%**
Liquidity Ratio of Outstanding Claims Provisions	197.1%	197.0%	194.6%	188.0%	188.6%	176.6%

Rating History:

CLAIMS PAYING-ABILITY RATING	Initial rating 25.05.2015	Update 19.05.2016	Monitoring 05.07.2016
Long-term rating:	iA	iA+	iA+ (under review)*
Outlook:	stable	stable	-

** The rating is placed „under review“ due to the requirements of the Directive 1060/2009, and a procedure on changes in the BCRA’s methodology for assigning a rating and the further review of the ratings.*

Claims Paying-ability rating	Monitoring	Актуализация	Актуализация	Monitoring	Monitoring
Date of Rating Committee:	06.01.2017	21.02.2017	21.02.2018	15.05.2018	20.06.2018
Long-term rating:	BBB-	BBB-	BBB-	BBB	BBB (under review)*
Outlook:	Negative	Stable	Stable	Stable	-
National-scale Long-term rating:	AA+ (BG)	AA+(BG)	AA+(BG)	AA+(BG)	AA+ (BG) (under review)*
Outlook:	Stable	Stable	Stable	Stable	-

** The rating is placed „under review“ due to a procedure on changes in the BCRA’s methodology for assigning a rating of the ability of insurance companies to pay claims (https://www.bcra-bg.com/files/cpaic_methodology_2018_en.pdf), concerns all currently valid insurers' ratings and is not related to the activity of the rated entity.*

The ratings in the table are assigned under the previously used Methodology for assigning a credit rating to municipalities and are not directly comparable with the ratings assigned after the entry into force of the current methodology, entered into force on 21.06.2018.

Rating History:

Claims Paying-ability rating	Monitoring	Review	Review	Review
Date of Rating Committee:	18.12.2018	08.03.2019	10.03.2020	11.03.2021
Nog-term rating:	BBB	BBB+	BBB+	BBB+
Outlook:	Positive*	Stable	Positive	Positive
Long-term National-scale rating:	AA+ (BG)	AA+ (BG)	AA+ (BG)	AA+ (BG)
Outlook:	Positive*	Stable	Stable	Stable

** The outlook has been changed as a result of the review of the rating of the insurance company, which has been placed “under review”, in connection with the changes that came into force on 21.06.2018 in the "Methodology for rating the ability to pay claims of an insurance company" used by BCRA*