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'Expert-Rating' Rating-Agency
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The quarterly actualization of rating assessment

The confirmation of VAB Re re-insurance company rating assessment

On March 14 2008 Expert Rating RA has confirmed the assessment of **aa-** stability rating (**uaAA-** on national scale) to VAB Re JSIC (subsequently — "Company"). The amount of gross premiums increased to 68.5% and170.52% in comparison with 2006 and 2005 respectively. The gross premiums annual growth rates leave behind the market showings. It denotes good potential of Company's market share growth (table).

Table

Key indicators of VAB Re JSIC (UAH thousand)

Indicators	2007	2006	2005	Growth rate , %		
				2007/2006	2006/2005	2007/2005
Assets	68 073.1	59 836.0	54 042.8	13.8	10.7	25.6
equity capital	53 537,8	51 727.9	50 531.7	3.5	2.4	5.95
Equity capital and assets ratio, (equity ratio)	78.6	86.4	93.5	-	-	-
Stature fund	50 000.0	50 000.0	50 000.0	0.0	0.0	0.0
Gross premiums	34 569.0	20 514.2	12 778.9	68.5	60.5	170.52
Gross premiums ratio	10.2	23.3	52.6	-	-	-
handed over for the reinsurance	3 515.9	4 788.7	6 724.2	-26.6	-28.8	-47.71
Коэффициент выплат, % Insurance indemnity ratio	58.0	34.0	6.4	-	-	-
Выплаты, тыс. грн. Insurance indemnity	20 063.2	6 979.2	824.0	187.5	747.0	2334.85
Equity capital efficiency (ROE)	3.4	2.3	1.1	-	-	-
Net income (loss)	1 809.9	1 196.2	571.5	51.3	109.3	216.69

Source: company's data, Expert-Rating calculations

Expert-Rating points out following positive tendencies in company's activity in 2007:

- the share of property risks reinsurance in the structure of incoming business increased more than 2-fold;
- the gradual lowering of the transport risks share which conduces to changing of kind of Company's participation in such risks- transfer from proportional to disproportionate **Motor Casco** reinsurance by Ukrainian cedents.

The VAB Re Company is keeping on attracting attention to treaty reinsurance. On results of 2007 activity the treaty reinsurance contracts share amounted 72% of total volume. Such parity of clients' portfolio ensures rhythm of takings and independence from situational optional business. The lower share of both administrative expenses and realization expenses per unit of underwritten premium in comparison with optional business is a side benefit of the obligatory forms.

The qualitative growth of property portfolio enabled VAB Re to increase in 2007 its capacity 3-fold. It will provide the substantial growth within the sphere of the reinsurance of heavy property risks' which is a key segment of domestic market of reinsurance, and in the Expert-Rating's view, will substantially increase Company's competitiveness in the market.

Expert-Rating expects Company to improve in future its competitiveness in this segment of reinsurance due to increase of reinsurance capacity and higher reliability of retrocession protection inasmuch as the half of Company's capacity is placed in the Lloyds market. The level of gross-unprofitableness in 2007 amounted to 58%. This level taking into account the level of adequacy of equity capital and the reimbursement of reserves by company's own funds is fully acceptable and demonstrates the suspension of its tariff policy. It is important to note that with the purpose of taking in a medium-term prospect a stable stand of one of the leading players in the CEE reinsurance market, Company follows the policy of reliability and solvency growth. Its finance and investment plans for 2008 are being projected in accordance with adopted by EU «Solvency 1» guideline. Expert-Rating expects Company to increase in 2008 the efficiency of insurance reserves management. In 2007 Company had handed the part of its assets over to an Asset Management Company for its placement in the stock market in accordance with the guidelines provided by current legislation. By results of 2007 year performance the amount of net profit exceeded UAH 1,8m. Thus the profit growth made up 1.5 times which comes out from the ROE steady rising tendency.

VAB Re is keeping on the implementation of the insurance activity all-around automation project. The realization of the IT-project will allow to minimize the response time to Company's partners appeals, to automatize the processes of risks assumption and concomitance, to make a more deliberate approach to feature finding of generated portfolio and its management. Ending date of the total introduction of the IT-project is Q4 2008.