

‘Expert-Rating’ rating agency
 November 21 2007
 quarterly actualization of rating assessment

The confirmation of Vesko JSIC rating assessment

On November 21 2007 Expert Rating RA has confirmed the assessment of **aa-** stability rating to Vesko JSIC (**uaAA-** on national scale), based on overall results of its operating performance during the 9 months of 2007. **aa-** stability rating means high level of probability that company will resist influence of negative factors.

Table

Key indicators of Vesko JSIC (thousand UAH)

| Indicators | 9 months | | | |
|---|------------------|-----------------|-----------------|---------------|
| | 2007 | 2006 | Changes | Growth rate |
| Assets | 227923,90 | 194463,40 | 33460,50 | 17,21% |
| Equity capital | 148503,70 | 150793,40 | -2289,70 | -1,52% |
| Equity capital and assets ratio, % | 65,15% | 77,54% | -12,39% | - |
| Stature fund | 10000,00 | 10000,00 | 0,00 | - |
| Gross premiums | 129230,80 | 94709,90 | 34520,90 | 36,45% |
| Re-insurers' share in gross premiums, % | 30,98% | 43,68% | -12,70% | - |
| Insurance indemnity | 32646,40 | 21364,00 | 11282,40 | 52,81% |
| Insurance indemnity ratio, % | 25,26% | 22,56% | 2,70% | - |
| Equity capital efficiency (ROE), % | 0,42% | 5,79% | -5,37% | - |
| Net income (loss) | 629,80 | 8731,70 | -8101,90 | -92,79% |

Source: company's data, Expert-Rating calculations

Expert-Rating points out following positive tendencies in company's development during the nine months of 2007:

1. The amount of gross premiums increased to 36.45% in comparison with the same period of 2006. The high level of Vesko business activity in insurance retail accounts for forestalling of company's premiums growth over its medium rate on market. So, if in 2006 the share of premiums collected from naturals made 53.4%, then in 9 months of 2007 it made 64.62%. According to the results of 9 months' activity in 2007 company has practically reached the planned share of naturals in gross premiums fixed for 2007 at the level of 65%. In Expert-Rating's view, the growth of company's presence in insurance retail allows Vesko not only to hold but to increase its share in segment of real insurance on Ukrainian market.

2. The significant decrease of company's ROE calls anxiety. Thus, if in 9 months of 2006 the amount of net premium made UAH 8.7 million then in 9 months of 2007 it made only 0.629 million.

In Expert-Rating's view, the decrease in company's ROE is connected with the necessity to support the company's competitive strategy on the market of insurance services for population. It is necessary to pay attention to the fact that in the 9 months of 2007 the volume of gross indemnity increased to 52.8% and made the UAH 32.6 million. Because of the rapid growth of payments in comparison with growth of premiums the indemnity ratio in 9 months of 2007 has grown by 2.7% and company had to pay back UAH 11.3 million more than in the past year. The growth of indemnity caused the decrease in ROE.

Nevertheless the Vesko's performance remains profitable and the current decrease in ROE can not have a negative affect on company's stability.

3. It should be reminded that in October 2007 both AXA French insurance holding and UkrSibbank Inc has got an Antimonopoly Committee's permission to purchase 99% of Vesko JSIC shares. In praesenti transaction is settled and 50% +1 share are under the AXA's control. The replacement of company's stockholders ensures the high level of external support, that is why following the results of company's performance in 2007 Expert-rating is going to revise the rating grade towards its rise up to uaAAA on national scale.