

Rating Agency 'Expert Rating' Ltd
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The rating report

(version for publishing)

(on basis of the Agreement no. 44/RA of October 04, 2010)



Credit rating of the company according to the Ukrainian national scale:

uaBBB-

Rating interpretation according to the national scale:

The company possess sufficient credit status in comparison with other Ukrainian companies. Credit status level depends on the influence of adverse commercial financial and economic conditions
(The rating is specified according to the scale approved by the Resolution of the Cabinet of Ukraine no. 665 from April, 26, 2007)

Credit rating of the company according to the international scale of RA Expert-rating:

B-

(Satisfactory level of stability)

Rating date:

November, 12, 2010



Limited Liability Company

AUZ Factoring

(Full name of the emitter)

6th floor, 8, Tankovaya str., 04112, Kiev, Ukraine

(legal address of the company)

6th floor, 8, Tankovaya str., 04112, Kiev, Ukraine

(de facto address of the company)

Explanation:

Company full name in Russian:
Company ownership type:
USREOU code:
Manager name and title:
Manager citizenship:
Incorporation date:
Date of start of operations in Ukrainian market:
Name of auditing company, servicing during 3 last years:
Phone:
Fax:
E-mail address:
Company WEB site:

Place for filling

ООО «АУЗ «Факторинг» (ООО AUZ Factoring)
Limited Liability Company
36303279
Tsebrovska Zoriana, General Director
Ukraine
11.12.2008
01.04.2009
LLC Universal audit
+38 (044) 369-30-60
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tzm@ayz.com.ua
www.ayz.com.ua

Note: Liability of the emitter LLC AUZ Factoring on bond issue is insured by JSC Insurance company Oriana (30552209). At taking investment decisions investors should consider the legal risks connected with eventual default of obligations from the side of JSC Insurance company Oriana ([www.orianna.ua](http://www.oriانا.ua)).

*The present report is the rating research expressing opinion of Expert Rating RA analysts.
The report is a substantiation of the rating assigned, being also an opinion of Expert Rating RA analysts.
See the last page of the report for use limitations*

Additional information for investors

1. General information on bonds issue

Guarantor (name,USREOU code, address):	JSC Insurance company Oriana (30552209) of. 2, 70, Pochayninska str. 04070, Kiev, Ukraine
Face-value:	1 000 UAH:
Emission amount, UAH:	A series 10 000 000 UAH B series 25 000 000 UAH C series 25 000 000 UAH Totally: 60 000 000
Number of bonds in the emission, pcs:	60 000
Underwriter (name,USREOU code):	n/a
Placement period:	A series:19.07.10 – 01.07.11 B series:15.09.10 – 05.06.11 C series: 15.11.10 – 05.05.11
Maturity date:	A series:19.07.13 – 01.08.13 B series:15.09.13 – 01.10.13 C series: 15.11.13 – 01.12.13
Coupon period:	One quarter
Number of coupon periods:	Per 12 periods
International identification number:	A series-UA4000076749 B series-UA4000085062 C series – non assigned yet
Interest rate:	A series For the 1 st - 4 th periods - 23% 5 th -12 th periods, to be established additionally, but not less than NBU discount rate B series For the 1 st – 3 rd periods - 23% 4 th -12 th periods to be established additionally, but not less than NBU discount rate C series 1 st – 2 nd periods - 23% 3 rd -12 th periods to be established additionally, but not less than NBU discount rate
Dates of preschedule obligations redemption by the emitter:	A series: 19.07.11 – 01.08.11 19.07.12 – 01.08.12 B series: 15.06.11 – 01.07.11 15.06.12 – 01.07.12 C series: 15.05.11 – 01.06.11
Subscription type:	Open
Emission type:	Undocumented
Depository:	PJSC 'Ukrainian Depository of Securities'

2. General information on the guarantor (insurer)

Full name of the guarantor in Russian:	Закрытое акционерное общество «Страховая компания «ОРИАНА» (Zakrytoye aktsyonernoye obschestvo ORIANA)
Ownership legal type:	Closed Joint Stock Company
Manager name and title:	Mastruk Marina, Chairman of Board
Incorporation date:	25.10.1999
Date of start of operations:	25.10.1999
Key account bank:	JSC TMM Bank
Name of auditing company servicing during 3 last years:	LLC Auditing company Arnika
Legal address of the Company:	3, Galyny Timofeyevoy str., 04135, Kiev
Mailing address:	of. 2, 70, Pochayninska str. 04070, Kiev, Ukraine
Phone:	+38 (044) 425 70 73
Fax:	+38 (044) 425 70 73
E-mail address:	info@oriana-kiev.com.ua
WEB address	www.oriana.ua
Position of the employee filling in the enquiry:	Office manager
Name and phone no. of the employee filling in the enquiry:	Morozova Yuliya+38(093)6891913
USREO code	30552209

Section 1. General characteristic of the company

A. Company development history

LLC AUZ Factoring has been incorporated in December, 2008 by non-resident Mertico Investment Limited (Cyprus) and the Collection Company LLC 'Agency on debt management', and has begun professional activity from the moment of reception of the certificate no. FK 224 of 26.03.2009 on registration of financial entity with the right to provide factoring services.

April, 2009: 2 factoring agreements have been concluded: on purchase of troubled debt of a bank and of recourse claims of an insurance company. Till the end of 2009 some more portfolios of troubled debts have been acquired, the face-value of the indebtedness assigned by the end of 2009 made up 443 m UAH.

November, 2009: Decision has been taken to launch new factoring product 'financing current receivables'. The establishment of the company took strategic decision - to weaken own presence on the market of troubled debts and to increase volume of operations in the market of short-term commercial debts. In December, 2009 the first general factoring agreements for assignment of current debt receivables have been concluded.

July, 2010: LLC 'AUZ Factoring' issued bonds for 60 m UAH. According to the prospectus the means received from issue of bonds, have been used for redemption of current debts. The company reduced to a minimum its presence in the market of troubled debts .

September, 2010: An agreement has been signed with Auchan commercial network, providing realisation of factoring program for suppliers. It is planned to use the funds obtained under *Series B* bonds for financing this program. *Series A* bonds have been placed ahead of schedule.

At the moment among clients of the Company there are such companies as LLC Aspex, LLC Trading house Kompozit service, LLC Itcom. Commercial network Auchan, JSC Deutsche Bank DBU and PJSC Bank Credit Dnepr are partners of the Company.

For the last years the company showed indicators underlining the fact that LLC AUZ Factoring has been created not so long ago. For the last 12 months company assets grew in 4 times (*tab. 1*).

Table 1

Key performance indicators of LLC AUZ Factoring (th UAH, %)

Показатели	9 months of 2010	6 months of 2010	3 months of 2010	2009	9 months of 2009	Growth rate for 9 months, 2009–2010.
<i>Balance sheet figures:</i>						
Assets	26 468	13 993	13 540	15 667	6 350	316,82%
Book value of capital assets	52	22	15	18	0	-
Liability	20 016	7 824	11 245	10 403	4 389	356,05%
Shareholder equity	5 676	5 545	4 692	6 571	5 354	6,01%
Authorized capital	7 000	7 000	7 000	7 000	3 000	133,33%
<i>Parameters of factoring portfolio:</i>						
Volume of factoring portfolio (face value of assigned claims)	24080	17000	6200	442885,3	251500,3	-90,43%
Volume of issued financing**	12296,4	6926	4340	17538,9	9973,5	23,29%
Average maturity term for factoring portfolio loans, days	79	72	63	-	-	-
<i>Financial results:</i>						
Operating costs for servicing of suppliers	1489	964	1296	1659	138	978,99%
Operating results	-1567	1320	1978	1878	2352	-166,62%
Financial incomes	942	571	197	3553	2492	-62,20%
Financial expenses	173	-	-	-	-	-
Profit or loss from operating and financial activities before tax	-1735	-1866	1874	1892	2354	-173,70%
Net profit	-1816	-1947	-1879	1892	2354	-177,15%
<i>Ratios:</i>						
ROE	-31,99%	-35,11%	-40,05%	28,79%	43,97%	-
ROA	-6,86%	-13,91%	-13,88%	12,08%	37,07%	-
Gross margin of factoring portfolio	-7,54%	-11,45%	-30,31%	-	-	-
Shareholders equity/assets	21,44%	39,63%	34,65%	41,94%	84,31%	-

Source: LLC AUZ Factoring data

Rates of assets and liabilities growth exceeded in times gain of equity of the company. As a result for the last 12 months adequacy of corporate capital has decreased to 21,44 %. Along with that the company continued to increase volumes of borrowed funds and planned to increase them, including at the expense of bonds issue. The given tendency could be identified as negative, however it should be remembered that LLC AUZ Factoring is a company of financial sector where indicative or recommended values of autonomy ratio are distinct from those of non-financial sector. It should be reminded that banks are permitted to maintain capital adequacy at the level of 8-12 %. Factor companies also can be referred to the category of financial intermediaries. LLC AUZ Factoring has average term of portfolio loans repayment up to 80 days, i.e. liquidity of assets of the Company is high enough. The Agency believes that at the moment the Company is overcapitalized. By Agency estimation, the LLC AUZ Factoring in the future can allow reducing capital adequacy to 12 % with no serious consequences.

When rating LLC AUZ Factoring, the Agency considered that the Company started the activity after the crisis, top managers of the company could consider errors of predecessors and build business processes taking into account their negative experience. Today factoring product line is presented by two main types:

1. Purchasing of troubled portfolios with discount.
2. Financing of current receivables assignment.

In the future the company stakes on the second type of factoring, trying to reduce the whole business to factoring of namely current (not troubled) debts and plans to launch new programs in this framework to enlarge the circle of potential clients. In the nearest prospects partner programs start with trading networks, large producers and banks.

The agency estimates very positively the development of factoring in Ukraine namely in the segment of short-term debts collection. In the USA and EU these markets are the most liquid and attractive, meanwhile in Ukraine they can produce high level of income.

By Agency estimations, main risk faced by the emitter, is the credit risk. It is estimated by the company per clients quarterly and relevant provisions are made. Reserves are quick assets (monies on current accounts). Identification of credit risks in LLC AUZ Factoring is performed by former bank employees with experience of over 3 years' work in credit departments.

As Agency understands, major factors promoting realization of credit risks in the portfolio of LLC AUZ Factoring are macroeconomic risks, crisis phenomena in the economy, policy of the state entailing exit of foreign investments, insolvency of clients or of their debtors.

B. Credit history of the company

During its work the Company did not obtain credits at banks. All obligations to other creditors have been adhered to in contractual terms. Obligations under company securities have been also executed in time. When taking decision on acquisition of bonds, investors should understand that LLC AUZ Factoring still is a young company which had no time to develop a significant credit history. According to Agency, at the moment of drawing up of the rating report still too small period of practical activities of the company has passed to enable drawing conclusions about impact of credit history on credit rating of LLC AUZ Factoring. Negative influence of this factor is enhanced also by that LLC AUZ Factoring in the end of 2009 has changed activity profile, having reduced operations with troubled debts and shifting accent for work with debts of commercial character. Such transition meant entrance on the market that was new to the company and start of new business processes that, certainly, brings into rating estimation ever higher uncertainty factor. Not less than a year will be needed before the company would adjust business processes, build up credit history and prove to the investors in practice that it is capable to perform obligations.

Also the estimate of LLC AUZ Factoring is complicated by the fact that the accounts of factor companies to the regulator body do not display the real status of factoring portfolio and the Agency had to draw conclusions based on the administrative information provided by the company.

B. Company owners and external support

Earlier LLC AUZ Factoring belonged completely to the Cyprian company Mertico Investment Limited and to the LLC AUZ. However in April, 2010 LLC AUZ Factoring has bought out in full the share of the founder LLC 'Agency on debt management' and in part the share of Mertico Investment Limited. The company plans to resell the redeemed share to the portfolio investor within a year. Therefore 80% of shares of LLC AUZ Factoring belong to the Cyprian company-non-resident being main beneficiary and supervisor of LLC AUZ Factoring.

It should be reminded that Mertico Investment Limited is the founder of one of leading Ukrainian collection companies 'Agency on debt management'. Earlier LLC AUZ Factoring and LLC AUZ were a part of Credex group. However after factoring company decided to work on the market of commercial debts and to avoid troubled debts, communication between LLC AUZ Factoring and LLC AUZ through business

processes has been weakened. Nevertheless, LLC AUZ Factoring belongs by 80% to the owner of collection company, therefore when troubled debt would occur in its factoring portfolio, LLC AUZ Factoring can use services of professional collector. That reduces credit risks of LLC AUZ Factoring portfolio, to be exact, - risks of their practical realization.

In the current condition the Agency considers the external support of LLC AUZ Factoring owners as uncertain. However attention should be given to that one of shareholders is able to support the company in operational activity at occurrence of troubled credits.

Section 2. Company operational risks

Credit risk. The credit risk is the main risk of LLC AUZ Factoring and the Company pays considerable attention to the management of this risk. Management of credit risk is performed in few stages:

1. Preliminary stage: 'Legal and financial assessment of Client status'. The Given stage includes

- Analysis of Client financial state conducted by technique of estimation with stricter norms, than those recommended by Statefinservices. The calculation is updated quarterly on the basis of the Client reporting.
- Only companies having 3 years' or more history of activity are financed.
- In the course of factoring request consideration AUZ Factoring conducts assessment both of the Client and the Debtor with obligatory visit to the enterprises.
- Only contracts with 'recourse' to the Client are concluded.
- The guarantee of solvent physical or legal persons is arranged.
- Registration of hard collateral is possible.
- Calculation of limits is made based on the volume of payments, not of deliveries.
- Maximum limit of financing makes 75 % from the volume of deliveries.
- Security service role is carried out by collection company belonging to the group, and providing verification of credit history of the Clients, etc.
- Legal examination of constituent documents of the Client and of delivery contracts is made.
- Legal and financial examinations are prepared in parallel and their conclusions are submitted to credit committee.
- Only credit committee is empowered to set and change financing limits.

2. Continuous monitoring of factoring portfolio (operational risk management):

1) Modern software UFSOFT 3.0 has been implemented, allowing to automate business processes completely; to improve risk control system; to carry out qualitative and continuous portfolio monitoring and to trace its diversification.

2) Roles and rights are accurately divided, that means possibility to eliminate errors and abuses. For example, financing register has to be checked by two specialists, financing possibility is provided only in the availability of limit and absence of delays.

3) At occurrence of any delays letters are automatically generated and sent both to the Client and the Debtor.

4) Factor can deduce means from any inbound payments intended for settlements with the Client.

5) The client module is in operation which allows the Client to carry out on-line monitoring of factoring account. The given option is an exclusive development of LLC AUZ Factoring and is very rare in Ukraine.

3. Collection stage. Cooperation with collection company

1) At the stage of documents review every Client is informed on available agreement with collection company, and in occurrence of delay of more than 5 days the Client is automatically transferred to collection.

2) The Collection company provides a complete range of services: soft, hard and legal collection.

Analysis of main parameters of LLC AUZ Factoring factoring portfolio has shown that the company portfolio for the last 2 years did not change its quality, at exception of troubled debt which was actively bought out in 2009. Historically it happened so that for the reporting date in company portfolio there was no credit with payments outstanding for more than 1 month. During 12 months the company has used the recourse right only once, having closed a position on the amount of 250 000 UAH. At overall portfolio amount of 24 m UAH this indicator can be considered as low enough for troubled operations (*tab. 2*).

The emitter declares effective rate at the level of 35% following the results of 9 months of 2010. This rate can be regarded as overestimated because banks credited under 25-30% per annum during the same period. Such excess of price factor proves to that LLC AUZ Factorings stakes on non-price competition.

Promptness of financing granting, possibility to involve professional collector into operations, process automation, absence of obligatory provisioning makes Company products more convenient in use, than bank products. This allows to support high enough effective rate and therefore enables arbitration between bond market and factoring services market.

Table 2

Data on the quality of the factoring portfolio of LLC AUZ Factoring (th. UAH)

Indicators	9 months 2010	6 months 2010	3 months 2010	2009*	9 months 2009*
Factoring portfolio volume (face-value of assigned claims)	24080,00	17000,00	6200,00	434068,0	251500,3
Volume of financing provided**	12296,4	6926,00	4340,00	16899,6	9973,5
Volume of financing provided/Factoring portfolio volume	51,06%	40,74%	70,00%	3,89%	3,97%
Earnings from factoring operations (interests, commission, etc)	1260,30	533,73	146,16	9956,5	2479,4
Earnings from factoring operations/Factoring portfolio volume	5,23%	3,14%	2,36%	2,29%	0,99%
Effective rate on the portfolio***	35%	35%	35%		
Volume of transactions with payments outstanding for more than 1 month.	0	0	0	0	0
Amount submitted for recourse	250,00	250,00	0	0	0
Other sanctions used, judicature included	-	-	-	0	0

* - purchasing of troubled portfolios;

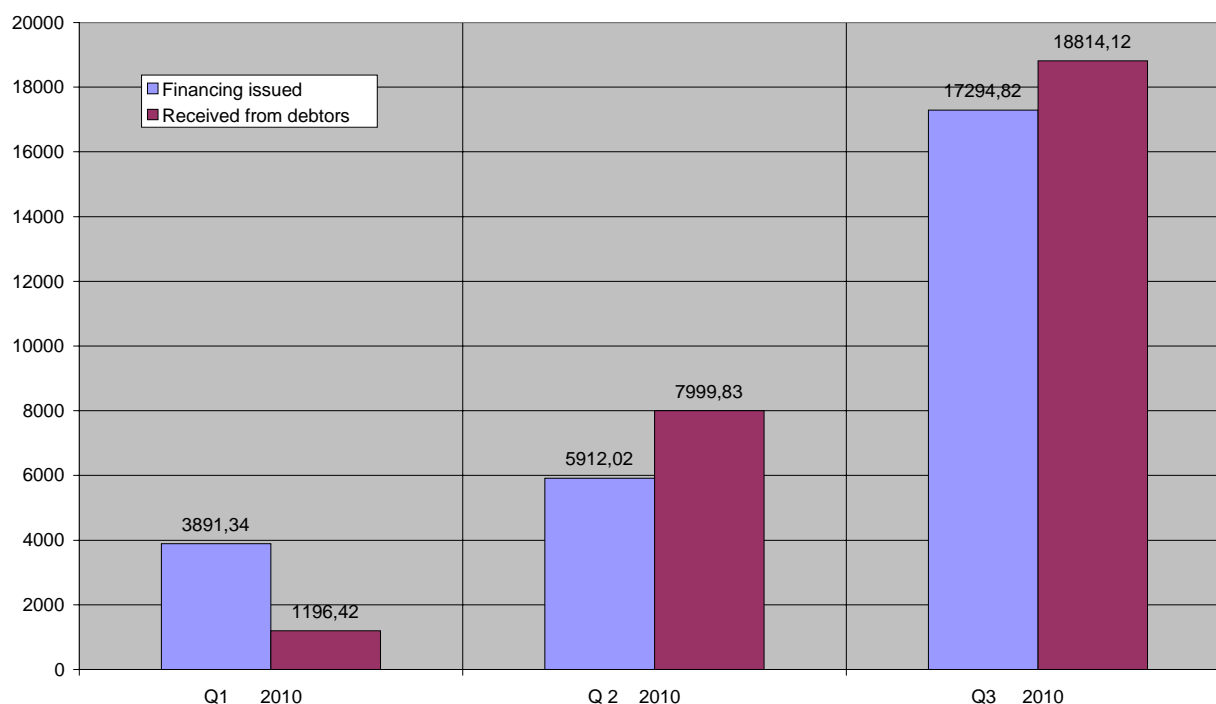
** - average amount of issued financing is specified with account for receivables turnover and the established limits;

*** - the effective rate on the portfolio is calculated proceeding from average receivables turnover of 60 days and average load of the portfolio (issued financing) per every accounting period.

Source: LLC AUZ Factoring data, calculations by RA 'Expert-rating'

Meanwhile, despite young age of the portfolio during the last 2 quarters the company managed to change dynamics of payments in its favor: it received more funds than placed, along with that it managed to increase turnovers (*fig. 1*).

Fig. 1 Dynamics of financing issued and received in 9 months of 2010 by LLC AUX Factoring



When estimating credit risks of the emitter, branch specificity of its portfolio should be considered. Clients of LLC AUZ Factoring are divided into 4 basic categories:

1. Manufacturers (distributors) of foodstuff.
2. Manufacturers (distributors) of industrial goods.
3. Manufacturers (distributors) of building materials.
4. Manufacturers suppliers in B2B market.

The branch portfolio composition is subject to fluctuations depending on seasonal demand. Most clients of LLC AUZ Factoring diversified their product line and have a stable revenue all-the-year-round.

Currency risk. There is practically no currency risk in company activity, as all the activity is linked to UAH, financing is issued in UAH and the bonds are emitted in domestic currency. There are only

obligations on software purchasing, but for these purposes a stock in the amount of two nearest payments has been created. The company also has well diversified portfolio per industries and does not essentially depend on import consumption or export deliveries.

Interest risk. The interest risk is present in the activity of the company and consists of two components: interest risk on bonds and interest risk on factoring financing. The company has undertaken the following measures to decrease the given risk.

1) Coupon rate under bonds is fixed for the period up to 1 year and will be reviewed proceeding from market situation both on attraction of means as well as under rates on factoring financing.

2) Factoring agreements are concluded for 1 year and expenses on bonds are built in the financing cost.

3) Prospectus provides preschedule redemption of bond issue.

Fiduciary risks. According to RA 'Expert-rating', LLC AUZ Factoring does not produce fiduciary risks, on the contrary, it can become victim of such risks, source of which might be clients of LLC AUZ Factoring. For example, a case may be when the client will not provide to LLC AUZ Factoring important information concerning creditor credit history and solvency. However, such risks are reduced to minimum as indebtedness of LLC AUZ Factoring is redeemable with recourse right.

Other kinds of risks. According to Agency, LLC AUZ Factoring is exposed to risks of macroeconomic origin. Orientation of the company to trade segment (including retail trade) puts it in dependence on income behaviour of the population, unemployment rate and as a whole the soundness of the macroeconomic indicators reflecting social and economic climate in the country. As crisis of 2008-2009 has shown, in Ukraine there are precedents of retail networks bankruptcy. Therefore the Agency recommends the Company to adhere to factoring portfolio diversification, not to take a great interest in servicing companies which build their business on retails, whatever liquid could seem this segment of the market.

Product line of LLC AUZ Factoring

This part of rating report has informative character and is included in the report only for the investors to better understand the business of the emitter.

The products provided by LLC AUZ Factoring:

1) **Open factoring** - financing of suppliers of goods and services working with the buyers under conditions of delayed payment, at this the assigned indebtedness is shown by the buyer at AUZ Factoring Company as new Creditor.

2) **Hidden factoring** - financing of suppliers of goods and services working with the buyers on the conditions of delayed payment without change of creditor for the buyer.

3) **Pre-shipment factoring** - financing of the client under payments which would arise in the future. In this case the client can receive financing upon request of the buyer before the moment of payment claim origin.

4) **Export factoring** - financing under debt receivables for the goods, shipped to the foreign buyer.

5) **Partnership program with commercial networks** - financing of the suppliers submitted to factoring by trade network. The partnership program presumes agency reward of the trade network for attraction of clients-suppliers.

Advantages of factoring products for the client:

1. Efficiency:

- decision-making in not more than 3 days from the date of submission of the complete set of documents;
- financing granted in the day of submission of delivery shipping documents.

2. Specialization:

- the client hasn't to buy additional products not needed by him, to obtain the factoring;
- flexibility of the conditions, allowing individual approach to each client;
- structuring of the transaction with account for business specifics of every client;
- possibility of delayed payment calculation with consideration of trading network settlement dates.

3. The software

In the company LLC AUZ Factoring a modern software is implemented allowing to completely automate the process of interaction with supplier and debtor:

- a module is installed for free to each client using which it can monitor repayment terms and manage the indebtedness 'on-line';
- also a possibility exists to establish 'Debtor' module using which the debtor can also monitor the deliveries submitted to factoring and supervise the terms of payment.

Thus, the key risk for LLC AUZ Factoring is credit risk. The company has no precedents of such risk actualization in practice. However decrease of rating estimate is influenced by that fact that the company still does not have sufficient time horizon for analysis, and its factoring portfolio may be regarded as rather new.

Section 3. Credit risks of the guarantor (insurer)

JSC Insurance company 'Oriana' (30552209) is a guarantor within the limits of the agreement no.92300 of 6/14/2010 on the voluntary insurance of financial risks.

The guarantee volume is equal to 60 m UAH and covers main amount of debt under bonds, according to prospectus. In a case if assets of the emitter do not suffice for covering obligations in consequence of accident or catastrophe in the place of execution of obligations, fire, act of nature, wrongful actions of third parties, bankruptcy or temporary insolvency, beneficiaries (bond holders) can apply with a statement to the Insurer and receive insurance compensation within the main amount of debt.

Research of guarantor reporting to Statefinservices has shown that JSC Insurance Company Oriana is not able to provide a guarantee on the total amount of issue of 60 m UAH. However it should be considered that guarantor gives guarantees on bond issue of LLC AUZ Factoring not in the form traditional for the security market, but in the form of risks insurance. That is JSC Insurance Company Oriana can transfer part of obligations on its 'guarantee' through reinsurance to other insurers. Unfortunately, the emitter could not submit reinsurance plan under request of the Agency alleging that such plan is still in development.

That is why the Agency has identified the guarantee as formal one and does not consider it at determination of credit rating. In the future at growth of liabilities of LLC AUZ Factoring, in case when such plan would be presented, it can serve for increasing rating of bonds emission and the emitter.

Section 4. Other factors

In result of revision of emitter operations it has been established that top managers of LLC AUZ Factoring have no expired neither current criminal records. At the moment of preparation of the rating report in the courts of Ukraine there have been no current proceedings with LLC AUZ Factoring as respondent. The company has been incorporated in 2008 and has not yet achieved the term of 3 years activity, to be checked by tax authorities.

There were no claims on activity of the company from side of law enforcement agencies. The Ministry of Internal Affairs and Office of Public Prosecutor asked for explanations in connection with applications of debtors on the purchased portfolios, as a result law enforcement agencies confirmed the competency of LLC AUZ Factoring claim.

Section 5. Availability of signs, proper for speculative level of estimation

On November, 12th at the meeting of RA 'Expert-rating' Rating committee it was decided to award the company LLC AUZ Factoring the rating at the level **uaBBB-**. The given estimate means a rating of investment grade, however specifies that activity of the emitter still bears considerable risks. As reason of decrease of rating to threshold level, to the opinion of Agency, such objective factors have served as:

1. Insignificant term of work of the company in the market, and also change of activity profile in the end of 2009: transition from redemption of troubled debts to the redemption of commercial indebtedness. The agency specifies that LLC AUZ Factoring has everything needed for successful work in the market and the data of the first 9 months 2010 prove to it. However business model of the company yet did not pass test by crisis phenomena, and company factoring portfolio was too young for the increase of troubled debts.

2. The Agency estimates positively methodological approaches of LLC AUZ Factoring to credit risks assessment, however draws attention to the absence of historical data on the portfolio which could confirm accurateness of estimates that gives them rather theoretical significance.

3. External support of the emitter has uncertain character. The shareholder does not guarantee security of the company by the equity. Guarantee mechanism has been chosen correctly, but yet is not efficient, and therefore remains formal.

4. The agency warns LLC AUZ Factoring and potential investors against decrease in capital adequacy level below 8 %. In this case the rating will be automatically lowered to speculative level.

Appendix A

Use limitations of the rating report

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Depositors, insurers, investors, when using the given rating report, do automatically agree that the contents of the given rating report are the opinion of analysts of Rating Agency Expert Rating.

Taking into consideration the results of estimation of level of stability of the insurance company, it should be understood, that Expert Rating RA Ltd does not evaluate the probability of a default. The estimation pays attention to the factors, which can affect positively or negatively the stability of the insurance company. Therefore, Expert Rating RA Ltd evaluates level of resistibility of the insurance company to adverse influences. The estimation is made for insurers according to the national rating scale of credit ratings approved by the Resolution the Cabinet of Ukraine no. 665 from 26.04.2007, and according to the international scale of 'RA Expert Rating' Ltd (table A). Conversion to the national scale(s) can be considered valid only after RA Expert Rating Ltd written confirmation of rating assignment according to the national scale and to the international scale of 'RA Expert Rating' Ltd.

Table A

Rating scale of stability level for insurance companies

Rating	Stability level	Meaning of stability level
aaa	Highest	The best probability of that the company will withstand the adverse influences. The company corresponds to level aa, but in addition, its obligations are underwritten by foreign shareholders or by the state.
aa	Very high	Very high probability of that the company will withstand the adverse influences.
a	High	High probability of that the company will withstand the adverse influences.
bbb	Good	Regular probability of that the company will resist under the influence of adverse factors.
bb	Acceptable	Acceptable probability of that the company will resist under the influence of adverse factors.
b	Satisfactory	Satisfactory probability of that the company will resist under the influence of adverse factors.
ccc	Alerting	Alerting probability of that the company will resist under the influence of adverse factors.
cc	Low	Low probability of that the company will resist under the influence of adverse factors. As a rule, the company is removed from rating estimation

There are three types of forecast corresponding to each letter category:

- Positive (+);
- Neutral ();
- Negative (-).

This appendix makes an integral part of any rating report