

## Rating report



Stability rating of AMC  
according to the national scale:

**uaAA.amc**

(A very high level of reliability)

Rating interpretation:

The Company with this rating with a very high probability  
will perform its fiduciary commitments to its clients

Sign of obligatoriness:

Optional

Date of rating assignment:

December 29, 2014

**Liability Limited Company «Asset management company –  
administrator of pension funds «UkrSib Capital Management»**  
(Full name of the company)

Ukraine, Tarasovskaya str., 16, Kiev, 01033  
(location of the company)

License info

License of the NSSMC on the implementation of managing assets of joint  
investment AE № 617839 from February 11, 2014

Registration date

05.11.2013

National enterprises register code

38965647

Servicing bank

JSC «UkrSibbank»

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

## 1. General characteristics of the company

“Asset management company – administrator of pension funds “UkrSib Capital Management”, LLC is created in 2013 within the financial corporation “UkrSibbank”, it is part of the international group BNP Paribas, the leader of the international market of the banking and financial services. The decision to create “AMC-APF “UkrSib Capital Management”, LLC in 2013 in the group BNP Paribas was taken within the plans to improve the presence of the Group in the Ukrainian market of equities and asset management services.

Until November of 2013 the interests of the group BNP Paribas in Ukraine were represented by the company CJSC “UkrSib Asset Management”. CJSC “UkrSib Asset Management” was created in December of 2003 as a company under JSCIB “UkrSibBank” – one of the largest banks of Ukraine. Subsequently, after completing the purchase of the bank “UkrSibBank” by the international banking group in 2005-2006, the Company entered the group BNP Paribas.

July 26, 2004 it was created the first market investment fund “UkrSib Stable investments”, which was oriented on legal entities. January 21, 2005 the Company created the first in Ukraine market fund of bonds “UkrSib Stable income”. By the end of 2005 the Company’s investment portfolio exceeded UAH 100 mln. In 2006 the Company “UkrSib Asset Management” continued creating public and venture funds: in February of 2006 it was created fund “UkrSib Strategic investments”, in June of 2006 it was created the venture fund “Kazna” and in November of 2006 the Company started the offering of shares of the fund “UkrSib Fund of Real Estate”.

By the end of 2007 the net asset value of funds under AMC management of the group BNP Paribas in Ukraine amounted to UAH 0,5 bn. The Company actively occupied the most attractive niches in the market of market public funds, and from 2005 to 2007 net assets under AMC management grew more than in 5 times. In 2008 the funds “UkrSib Strategic investments” and “UkrSib Stable income” were repeatedly noted by mass media as funds with the most effective management. January 21, 2008 there was the closing of the bond fund “UkrSib Stable income”, for the 3 years of its existence the closed-end fund brought 95% of yield. In 2008 the Company started the offering of securities of several new funds: “UkrSib Dynamic income”, “UkrSib Index” and “UkrSib Stable income 2”.

In July of 2009 the shares of CNCIF “UkrSib Stable income 2” were included into the list of PFTS quotes, and in November of 2009 the Company started the offering of shares of the fund “Acceleration”. The years of 2009-2013 are the period difficult for the development of the Ukrainian stock market, the asset management company of the Group BNP Paribas in Ukraine survived, retaining most of the funds created, and integrated into such important market segment as the management of not state pension funds. As a result of a number of management decisions the Group BNP Paribas in Ukraine transferred for servicing the most attractive funds to “Asset management company – administrator of pension funds “UkrSib Capital Management”, LLC, which actually became the central player in asset management business of BNP Paribas in Ukraine.

“AMC – APF “UkrSib Capital Management”, LLC started the actual activity on asset management of funds in the first quarter of 2014. By the beginning of the second quarter under AMC management there already were the four funds with total value of net assets in the amount of UAH 342,06 mln. By the beginning of the fourth quarter of 2014 under AMC management there already were the 7 funds with total value of net assets in the amount of UAH 475,04 mln.

Table 1

**Key performance indicators of “AMC – APF “UkrSib Capital Management”, LLC during the 9 months of 2014**

Indicators	30-09-2014	30-06-2014	31-03-2014	Change	Growth rate, %
Net assets under AMC management, total, th. UAH	475 039,60	449 205,78	342 061,50	25 833,82	38,88%
Quarterly growth rate of net assets under AMC management, th. UAH	5,75%	31,32%	-	-	-
Net assets of market funds, total, th. UAH	453 876,41	428 813,05	342 061,50	111 814,91	32,69%
Net assets of NPFs, th. UAH	21 163,19	20 392,72	0	21 163,19	-
Proportion of net assets of NPFs in the total amount of net assets under AMC management	4,46%	4,54%	0,00%	4,46 p.p.	-
Quantity of funds under AMC management, total (pcs.)	7	7	4	3	75,00%
Quantity of NPFs under AMC management (pcs.)	2	2	0	2	-

As of 30.09.2014 under AMC management there were two NPFs with net asset value of UAH 21,16 mln. Overall, the proportion of net assets of NPFs in the total amount of assets under AMC management at the beginning of the fourth quarter occupied 4,46%. Hence, it can be concluded that “AMC – APF “UkrSib Capital Management”, LLC specialized in managing the market funds, though had a noticeable proportion of NPFs in net assets under management.

Therefore, despite “AMC – APF “UkrSib Capital Management”, LLC was registered in November of 2013, the asset management business of the Group BNP Paribas in Ukraine has a rich history and the Company has a

significant work experience in the Ukrainian market. As at the beginning of the fourth quarter of 2014 net assets of funds under “AMC – APF “UkrSib Capital Management”, LLC management amounted to about UAH 0,5 bn.

## 2. Market share and business activity

The concept of market share of asset management company in Ukraine has a relative character. Assessing the market share of “AMC – APF “UkrSib Capital Management”, LLC, the Agency was based on the following statistics:

1. According to the data of the Ukrainian association of investment business (UAIB), the total net assets of all the AMCs of Ukraine on 30.09.2014 amounted to UAH 205,36 bn. Consequently, the nominal share of “AMC – APF “UkrSib Capital Management”, LLC amounts to 0,2314%.

2. At the same time, 94,74% of the total amount of net asset value accounted for the venture funds, a considerable portion of which cannot be attributed to the market funds. Therefore, the Agency assesses the market share of “AMC – APF “UkrSib Capital Management”, LLC as of 30.09.2014 at about 1%.

In its assessments of the market share of AMC the Agency was based on the following calculations: as of 30.09.2014 net asset value (NAV) of venture funds, which could be attributed to the market ones, amounted to about UAH 39 bn, NAV of non-venture JII (joint investment institutions) amounted to UAH 10,803 bn. The calculation was carried out as follows:  $UAH\ 0,4750396\ \text{bn of NAV of AMC} / (39+10,803\ \text{bn UAH of NAV of market JII}) = 0,9538\%$ .

This assessment has an approximate character, but takes into account market statistics of UAIB and official data of “AMC – APF “UkrSib Capital Management”, LLC.

According to the Agency’s assessments, the main competitors of “AMC – APF “UkrSib Capital Management”, LLC in the segment of managing the market funds and NPFs should include: KINTO, Dragon Asset Management, ICU and OTP Capital. The absolute competitive advantage of “AMC – APF “UkrSib Capital Management”, LLC remains the fact of entering the international financial group BNP Paribas.

The increase in business activity of AMC during the 9 months of 2014 from 0 UAH of NAV under management up to almost UAH 0,5 bn is owed to the fact that the Group BNP Paribas consistently developed asset management business in Ukraine, starting from the date of purchase of JSCIB "UkrSibbank". In the Agency’s opinion, the results of the 9 months of 2014 for “AMC – APF “UkrSib Capital Management”, LLC are only the first steps, and in 2015-2016 the business of “AMC – APF “UkrSib Capital Management”, LLC will develop faster, if the market conditions of the stock market allow that.

Assessing the prospects for business development of “AMC – APF “UkrSib Capital Management”, LLC, it should be noted that the company operates in Ukraine within the same financial group with the bank JSC "UkrSibbank", which is among the banks with one hundred percent foreign capital has one of the most developed branch networks and strong positions in servicing large companies in Ukraine.

Thus, for the first 9 months of 2014 “AMC – APF “UkrSib Capital Management”, LLC increased its net assets under management from zero to almost UAH 0,5 billion. The company is part of the international financial group BNP Paribas in Ukraine, which is developing its asset management business in Ukraine since 2006. On 30.09.2014 the nominal share of “AMC – APF “UkrSib Capital Management”, LLC was 0,23%, the estimated market share was about 1%.

## 3. Funds under the Company’s management

At the end of 2014 “AMC – APF “UkrSib Capital Management”, LLC had under its management seven funds, four of which refer to the category of public, two of which are non state pension funds. At the moment of publishing the rating report under AMC management there were the following funds:

Non state pension funds: NPF “Oshadny” and NPF “First trade union”;

Public investment funds: Closed non-diversified corporative investment funds “Acceleration” and “UkrSib Fund of Real Estate”;

Venture funds, which don’t refer to the category of public ones, but are managed by the Company:

Closed non-diversified venture investment funds “Grandis”, “Republic” and “Titan”.

Since CNVCIF “Grandis”, “Republic” and “Titan” didn’t refer to the category of public ones, the Agency includes them into the value of net assets of funds, which are under AMC management, but doesn’t analyze its activity.

**Data of public funds under management of “AMC APF “UkrSib Capital Management”, LLC (38965647) on 01.12.2014**

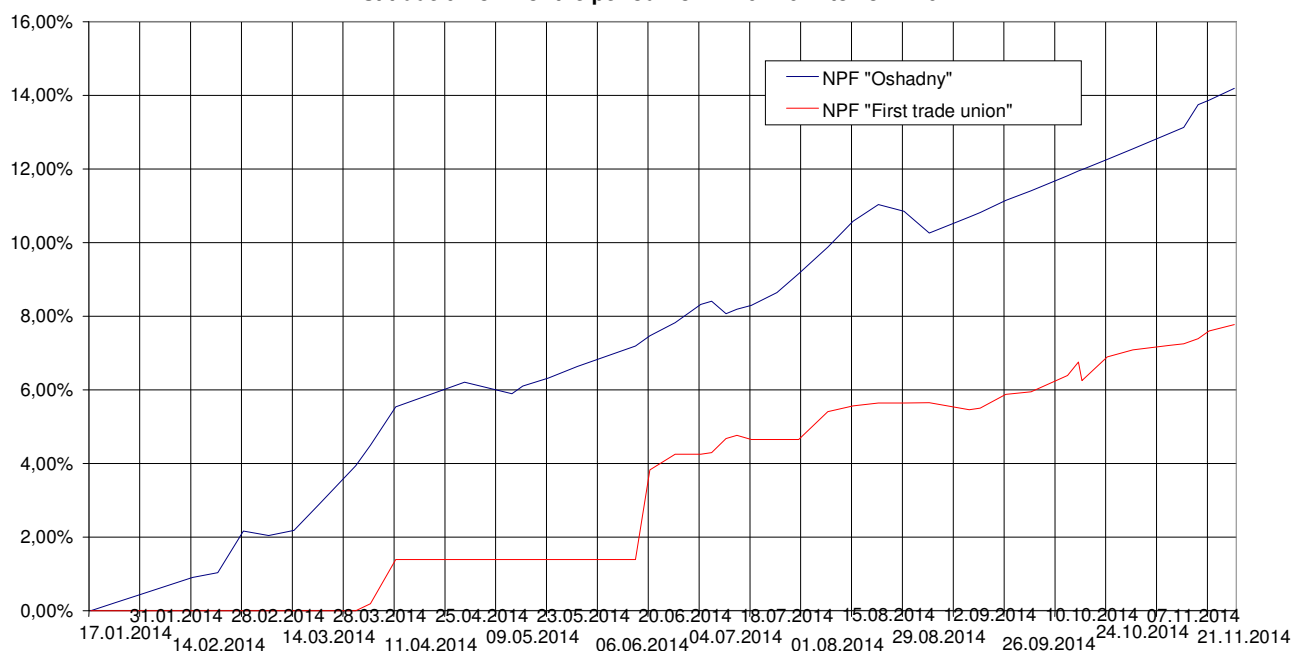
Indicators	Date of creation	Number of investors on 01-12-2014	Net asset value, th. UAH	Increase in net assets of the fund from 01-01-2014 to 01-12-2014
NPF "Oshadny"	09.08.2005	33 th. participants, 1 depositor of the fund	21 049,79	11,81%
NPF "First trade union"	11.10.2005	352 participants, 3 depositors of the fund	416,20	-5,35%
Acceleration	10.09.2009	11	10 016,26	45,92%
Ukrsib Fund of Real Estate	29.08.2006	40	8 894,44	9,51%
Others	-	-	430 476,21	1,78%

The Agency notes that NPF “Oshadny” was transferred to the management of “AMC APF “UkrSib Capital Management”, LLC since 03.06.2014, NPF “First trade union” – since 17.04.2014, and CNCIF “Acceleration” and CNCIF “Ukrsib Fund of Real Estate” – since 13.03.2014.

**Non state pension fund "Oshadny"** was created 09.08.2005. As of 01.12.2014 the number of the fund’s participants amounted to 33 thousand. Net asset value of the fund on December 1, 2014 amounted to UAH 21,05 mln. At the same time, the increase in net assets of the Fund in the period from 01.01.2014 to 01.12.2014 amounted to 11,81%. The Agency considers NPF “Oshadny” as one of the most successful projects of “AMC APF “UkrSib Capital Management”, LLC, since this NPF has a great number of participants and even in difficult economic conditions showed a positive profitability.

**Non state pension fund "First trade union"** was created October 11, 2005. Net asset value of the fund on 01.12.2014 amounted to UAH 0,416 mln, while the number of the Fund’s participants was 352 persons and 3 depositors.

**Fig. 1 Growth rate of net value of the unit of pension contributions of NPF "Oshadny", NPF "First trade union" for the period from 17.01.2014 to 28.11.2014**



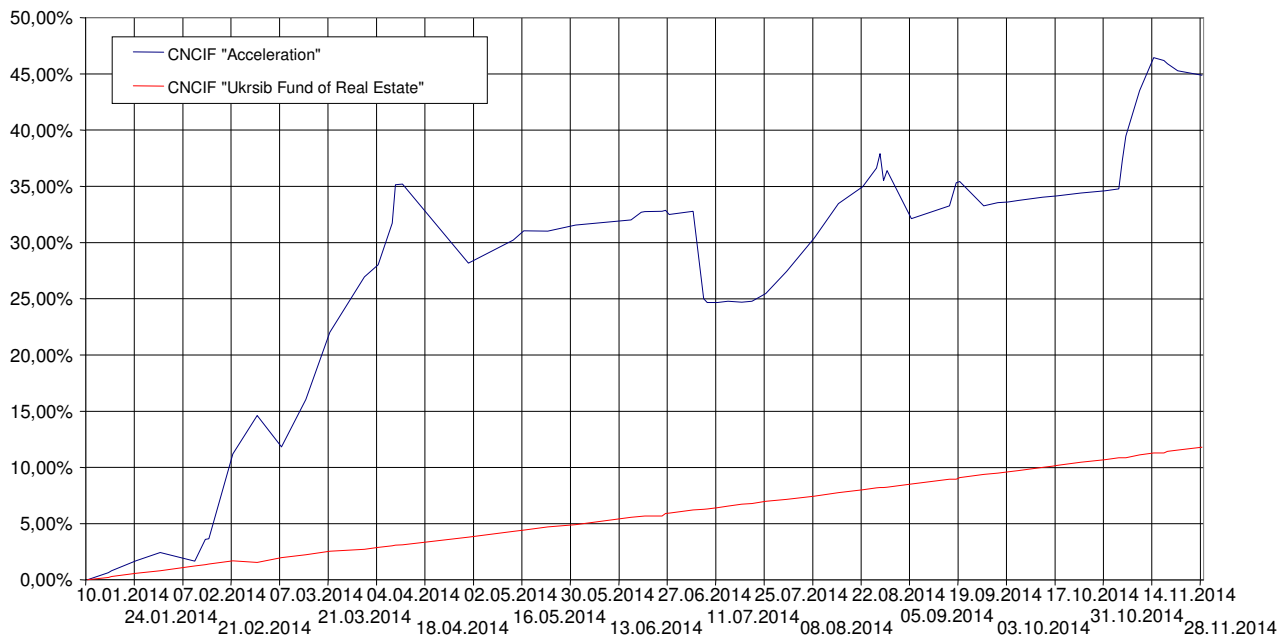
As showed by the dynamics analysis of the growth rates of net value of the unit of pension contributions of NPF “Oshadny” and NPF “First trade union” for the period from 17.01.2014 to 28.11.2014, the Company coped with the main task of the manager of NPF’s assets – provided a positive increase in the unit value of pension contributions that in a difficult economic situation, accompanying by a number of defaults in the bond market and in the banking sector, deserves a positive assessment.

**CNCIF «Acceleration»** was created on 10.09.2009 in the form of Joint Stock Company. The fund implements a strategy, according to which resources of the Fund are invested in the least risky financial instruments – bonds of external state loan of Ukraine (Eurobonds), bonds of internal state loan and money market instruments. The number of investors on 01.12.2014 amounted to 11 persons, and net asset value – UAH 10,02 mln. The Agency draws attention to the increase in the value of the Fund’s net assets, which in the period from 01.01.2014 to 01.12.2014 amounted to 45,92%. According to this indicator the fund “Acceleration” favorably stands out among other market funds. This

demonstrates a good potential of the asset managers of “AMC APF “UkrSib Capital Management”, LLC in a crisis period.

**CNCIF «UkrSib Fund of Real Estate»** was created on 29.08.2006. The investment strategy of this fund is mixed and directed to the purchase of not only securities, but also real estate, as well as corporate rights. The nominal value of one share amounts to UAH 5000, and the minimal quantity of shares for investment is one. In CIF “UkrSib Fund of Real Estate”, according to the Table 1, as of 01.12.2014 there were 40 investors. Net asset value of the Fund reached to UAH 8,89 mln, and the increase of NAV in the period from the beginning of the year to 01.12.2014 amounted to 9,51%.

**Fig. 2 Growth rate of net asset value per 1 share of CNCIF "Acceleration", CNCIF "UkrSib Fund of Real Estate" from 17.01.2014 to 28.11.2014**



Analysis of the growth rate of net asset value of CNCIF “Acceleration” and CNCIF “UkrSib Fund of Real Estate” showed that “AMC APF “UkrSib Capital Management”, LLC adheres to the regulations of these funds and provides the investors with the profitability of Funds in accordance with market conditions and investment parameters, which are designated in the regulations and the issue prospectus of the Funds. The Agency also draws attention to a positive growth rate of NAV per share in CNCIF “Acceleration” and in a more conservative CNCIF “UkrSib Fund of Real Estate”.

Other funds under “AMC APF “UkrSib Capital Management”, LLC management, such as CNVCIF “Grandis”, venture CNVCIF “Republic” and venture CNVCIF “Titan”, are not public. The total value of its net assets amounted to UAH 430,48 mln, and the increase in net assets in the period from 01.01.2014 to 01.12.2014 was 1,78%.

**CNVCIF "Grandis"** was created on 20.12.2010. The participants of this Fund may be legal entities and individuals. The nominal value of one share is 1 UAH, the quantity of shares issued – 498,8 mln pcs. A method of placing the issue of the Fund’s shares is private offering. The key objects of investment are the companies of mining, processing and chemical industries, namely their securities, real estate and other assets of these industries permitted by legislation.

**CNVCIF "Republic"** was created on 16.10.2006. A method of placing the issue of the Fund’s shares is private offering. The nominal value of one share is 1000 UAH. The participants of the Fund may be legal entities and individuals. Date of completion of the shares offering is September 28, 2016. The priority direction of investment is the construction industry.

**CNVCIF "Titan"** was created on 07.10.2011. A method of placing the issue of the Fund’s shares is private offering. The nominal value of one share is 1000 UAH. The participants of the Fund may be legal entities and individuals, which are the owners of shares of this Fund. Date of completion of the shares offering is August 30, 2016. The priority directions of investment are chemical and housing and utilities industries.

Therefore, the study of the composition of the funds under “AMC APF “UkrSib Capital Management”, LLC management showed that under the Company’s management there were four public funds, two of which referred to the

category of non state pension funds. AMC has experience of managing the large NPFs with the number of participants more than 33 thousand. The study of dynamics of NAV per share of funds and net value of the unit of pension contributions showed that the Company carried out the management of funds in accordance with the parameters laid down in the registration documents and the development of market conditions. The Agency considers that the fact that AMC provided a positive increase in NAV per share of funds deserves a positive assessment.

#### 4. Fiduciary risks for clients and the monitoring system

*Fiduciary risks.* For the entire history of “AMC APF “UkrSib Capital Management”, LLC the Agency didn't reveal any precedents of improper performance of its commitments to customers. In the Agency's opinion, the Company duly fulfils its commitments to its customers. Among the management bodies of “AMC APF “UkrSib Capital Management”, LLC there are no persons, who may benefit from the improper fulfillment of the AMC commitments to clients.

Therefore, the Agency does not note a conflict of interests between the management bodies of AMC and the interests of clients. However, investors, who purchase securities of funds, should take into account that the company “AMC APF “UkrSib Capital Management”, LLC is a connected person with PJSC “UkrSibbank”, which is an active participant in the market of bond underwriting services. There is a hypothetical possibility of a conflict of interests between “AMC APF “UkrSib Capital Management”, LLC and the Bank.

However, in conditions of the narrow Ukrainian stock market such probable conflict of interests not necessary should negatively affect the interests of investors, under certain circumstances it can have positive consequences for them. According to the Agency, the hypothetical possibility of a conflict of interests between AMC and the Bank is within the following planes:

1. The Bank as the underwriter may impose precisely those securities, whose offering it carries out, to the fund managers to acquire. In this situation investment managers lose their independence in their decisions, and therefore their decisions can bring higher risk and lower profitability to investors of funds.

2. Investment manager may get access to the data of underwriter that possibly will allow him to see a more real picture on the issuer and to possess the access to some kind of insider information.

The Agency considers the realization of the unfavorable scenario for AMC clients unlikely, when a conflict of interests will hinder the performance of fiduciary commitments of the Company. The Agency came to such conclusions for two reasons:

- “AMC APF “UkrSib Capital Management”, LLC has a number of internal regulation documents, which will eliminate a conflict of interests at the level of taking investment decisions;
- Market conditions in 2014 assume a significant reduction in the number of corporate bonds of the issuers, who need underwriting services. As a consequence, the very basis of a conflict of interests between AMC and the bank-underwriter disappears.

*Monitoring system.* “AMC APF “UkrSib Capital Management”, LLC adheres to an open information policy. Information on the activities of the AMC is open for investors. AMC daily updates the indicators of funds (NAV and the value of one share).

“AMC APF “UkrSib Capital Management”, LLC created the Investment committee to regulate and control the activities of collective investment and asset management of institutional investors. The Investment committee as a collegial body takes any decisions regarding the issues of collective investment and asset management of institutional investors.

The Investment committee of AMC:

- establishes and approves limits on active operations with securities, real estate, corporate rights;
- approves the internal regulatory documents of AMC in the investment area;
- establishes rules and periodicity of analysis of the investment portfolios of funds managed by AMC;
- approves the decisions on non-standard schemes and situations that relate to the direction of investment activities;
- resolves the issues regarding the troubled assets.

Decisions, taken at the meeting of the Investment Committee, are put into effect since the adoption of minutes of the meeting of the Investment Committee of “AMC APF “UkrSib Capital Management”, LLC.

In “AMC APF “UkrSib Capital Management”, LLC there is Procedure of “Conducting operations with securities for their own purposes with the use of insider information of the AMC employees who hold "sensitive" positions”, which is a supplement to the Code of Conduct of JSC «UkrSibbank» BNP Paribas Group.

“Sensitive” positions are occupied by the employees, who possess insider information or are in a situation that may put them in a situation of conflict of interests regarding their duties, and may also have an impact on operations with securities, including for their own purposes.

This procedure establishes restrictions regarding operations with securities for their own purposes on the basis of insider information, which are mandatory to perform by all employees, especially by those, who occupy sensitive positions, including Members of the Investment Committee.

Also, the Statute of internal control is developed, approved and operates in “AMC APF “UkrSib Capital Management”, LLC. The purpose of internal control is the organization of complex control over risks and ensuring the achievement of the strategic goals of the AMC. Risk control is to identify, evaluate, organize effective controls designed to minimize risk, and its subsequent monitoring. Effective internal control provides reasonable assurance of the AMC that:

- operations are efficient and productive
- displayed transactions are correct
- financial statements are reliable
- risk management provides the minimization of key risks
- AMC complies with regulatory requirements, internal policy and procedures.

Internal financial monitoring system consists of three levels.

The first level is conducting financial monitoring by employees within the competence to identify financial transactions that may be related to the legalization of proceeds from crime or terrorist financing.

The second level is conducting financial monitoring, registration of financial operations, which are subject to financial monitoring and ensuring the provision of information about the revealed operations to the State Financial Monitoring Service of Ukraine and law enforcement agencies.

The third level is implementing by the Chairman of the AMC Board the control over the proper execution of requirements of Ukrainian legislation by the employees and adopting, if necessary, decisions provided for these issues.

In case of revealing a financial transaction, participant or beneficiary of which is a person included in the list of persons involved in committing terrorist activity, “AMC APF “UkrSib Capital Management”, LLC has the right to stop the financial transactions for up to two days and mandatory notifies the State Financial Monitoring Service of Ukraine. Rules of internal financial monitoring and Program of financial monitoring is developed, approved and operates in “AMC APF “UkrSib Capital Management”, LLC.

Therefore, in the Agency’s opinion, “AMC APF “UkrSib Capital Management”, LLC has a developed system of monitoring and suppression of fiduciary risks, risks of damage from the activities of asset managers, and other types of risks that may cause direct or indirect damage to the fund’s investors, which are under the AMC management. The Agency believes that in the near future market conditions will suppress any conflict of interests in Ukraine arising from the combination of asset management and investment banking business within the same financial group. At the same time, “AMC APF “UkrSib Capital Management”, LLC has a sufficient set of rules and procedures, which suppress potential fiduciary risks.

## 5. Stability of the asset management company

In the Agency’s opinion, “AMC APF “UkrSib Capital Management”, LLC demonstrates the correct, balanced and systematic approach to the management of AMC, its financial and human resources that positively affect the Company’s activity.

Analysis of balance sheet indicators of the Company indicates a conservative management of the Company and reflects the fact that “AMC APF “UkrSib Capital Management”, LLC was created in 2013. Upon registration the Company received the authorized capital in the amount of UAH 7 mln. As of 30.09.2014 shareholders’ equity of the company amounted to UAH 8,713 mln, liabilities amounted to only UAH 0,498 mln. The level of the AMC provision with financial resources for performing its financial and fiduciary commitments to clients is assessed by the Agency as very good (*table 3*).

Table 3

### Key balance sheet indicators of “Asset management company – administrator of pension funds “UkrSib Capital Management”, LLC (38965647), th. UAH, %, p.p.

Indicator	30-09-2014		31-12-2013		Change, th. UAH	Change, p.p.	Growth rate, %
	Th. UAH	%	Th. UAH	%			
Registered share capital (Authorized capital)	7000	76%	7000	101,11%	-	-25,11 p.p.	-
Total shareholders' equity	8713	94,59%	6913	99,86%	1800	-5,27 p.p.	26,04%
Long-term liabilities	487	5,29%	-	-	487	-	-
Current liabilities	11	0,12%	10	0,14%	1	-0,02 p.p.	10%
Total liabilities	498	5,41%	10	0,14%	488	5,27 p.p.	4880%
Cash and its equivalents	2275	24,7%	6835	98,73%	-4560	-74,03 p.p.	-66,72%
Total assets	9211	100%	6923	100%	2288	-	33,05%

Analysis of data on income and profit of “AMC APF “UkrSib Capital Management”, LLC for the second and third quarter of 2014 showed that the company provides the increase in the revenue base, although it shows a negative operating result. Due to other and financial revenues AMC finished both quarters with a growing amount of net profit. The Agency draws attention to the increase in net income of the Company for the third quarter by 99,62% and the increase in net profit by 44,81% (table 4).

Table 4

**Data on revenues and profit of “Asset management company – administrator of pension funds “UkrSib Capital Management”, LLC (38965647), th. UAH, %, p.p.**

Indicators	For the 9 months of 2014	For the 6 months of 2014	Change, th. UAH	Growth rate, %
Net revenues	1060	531	529	99,62%
Gross revenues	1060	531	529	99,62%
Other operating revenues	78	52	26	50%
Financial result from operating activities	(1185)	(908)	-277	-
Other financial income	794	485	309	63,71%
Other income	2703	2167	536	24,74%
Financial result before taxation	2176	1608	568	35,32%
Net profit	1800	1243	557	44,81%

Cost analysis of “AMC APF “UkrSib Capital Management”, LLC indicates that the Company in the second-third quarter was at the stage of intensive development (table 5).

Table 5

**Data on key costs of “Asset management company – administrator of pension funds “UkrSib Capital Management”, LLC (38965647), th. UAH, %, p.p.**

Indicators	For the 9 months of 2014	For the 6 months of 2014	Change, th. UAH	Growth rate, %
Administrative costs	2323	1491	832	55,8%
Financial costs	136	136	-	-
Total operating costs	2323	1491	832	55,8%
Material costs	40	25	15	60%
Labor costs	1485	964	521	54,05%
Deductions for social events	415	267	148	55,43%
Amortization	16	7	9	128,57%
Other operating costs	367	228	139	60,97%

Therefore, in the Agency’s opinion at the beginning of the fourth quarter of 2014 “AMC APF “UkrSib Capital Management”, LLC possessed a very high level of financial stability. The Company maintained a very great reserve of solvency, its own capital exceeded the Company’s liabilities in 17,49 times, the Company’s activity for all the three quarters of 2014 was profitable. Also the Company in the second and third quarters provided a considerable increase in net income that indicates a positive dynamics of development of its core business.

## 6. Support of shareholders (participants)

“AMC APF “UkrSib Capital Management”, LLC enters one of the largest international groups BNP Paribas. French group BNP Paribas is represented in 75 countries and plays a significant role in corporative and institutional banking, Private Banking and in asset management.

At the moment of publishing the rating report, according to data of the Unified State Register of Enterprises and Organizations of Ukraine, 99,9% of the Company’s shares belonged to PJSC “Ukrsibbank” and 0,1% of shares belonged to “Ukrainian leasing company”, LLC, which was also controlled by PJSC “Ukrsibbank”. Therefore, “AMC APF “UkrSib Capital Management”, LLC was fully controlled by PJSC “Ukrsibbank”, which entered the international group BNP Paribas.

The Agency reminds that the asset management sector of the group BNP Paribas is represented by the company BNP Paribas Investment Partners. Client-oriented organization BNP Paribas Investment Partners is built on three business areas: institutional, retail, as well as the Asia-Pacific region and emerging markets.

Institutional area is designed for the European and international institutions (pension funds, insurance companies etc.).

Activity of retail division is aimed at distributors and private banks – both internal and external with respect to BNP Paribas Group – by offering them a wide range of products and investment solutions and services focused on their needs and requirements of their individual clients.

Division “Asia-Pacific region and emerging markets” combines local asset management and regional experience, which is aimed at partners-distributors and institutional investors in developing countries and outside them.

Particularities of the company BNP Paribas Investment Partners:

- № 7 in the ranking by volume of assets under management in Europe;
- The company is represented in 37 countries;
- The company has about 3 200 employees.

According to the reporting of BNP Paribas Group for the 9 months of 2014, assets under the company's management (taking into account assets within consultations on behalf of external clients) reached EUR 905 bn that is by 7,4% higher than the same indicator at the beginning of the year. In the context of activities assets under management were divided into: Asset management – EUR 388 bn, Wealth Management – EUR 299 bn, Insurance – EUR 198 bn and Real Estate Services – EUR 20 bn.

Net inflow of assets in the third quarter amounted to EUR +3,4 bn, mainly due to a good inflow of assets in equity management and insurance in Italy and Asia. Revenue from Investment Solutions for the third quarter of 2014 amounted to EUR 1,638 mln that is by 5,2% more than for the same period of 2013. Gross operating income of this division of BNP Paribas Group amounted to EUR 492 mln that is by 7,5% higher than operating income of the same period of 2013.

For RA "Expert-Rating" it is obvious that BNP Paribas possesses a sufficient volume of financial resources, a significant human and technological potential in order to provide an unprecedented high level of business support for "AMC APF "UkrSib Capital Management", LLC. Such support is particularly important for investors of open and pension funds.

## 7. Control factors taken into consideration in the assessment

As a recently created company, "AMC APF "UkrSib Capital Management", LLC has certain immunity with respect to tax audits. The agency also did not reveal any court decisions directed against "AMC APF "UkrSib Capital Management", LLC in the Unified State Register of court decisions. Additionally, the Agency draws attention that "AMC APF "UkrSib Capital Management", LLC has a list of approved procedures and processes that are aimed at combating money laundering, which are based on the requirements of Ukrainian legislation and international experience of the group BNP Paribas.

"AMC APF "UkrSib Capital Management", LLC has a sufficient number of employees to service business processes, processes of accounting and control of conducting operations, as well as processes related to the legality of fund management. "AMC APF "UkrSib Capital Management", LLC is headed by a recognized portfolio management expert.

**Maxim Kuprin** is a director of "AMC APF "UkrSib Capital", LLC. In 1996 he graduated with honors from Lvov commercial academy, and in 2001 – postgraduate studies of Lvov commercial academy on specialty "Finance and Credit". From 1995 to 2005 he worked in the banking and financial sector, specializing in securities transactions.

Maxim Kuprin headed JSC "UkrSib Asset Management" in 2005. During his tenure as head of the Board, the Company is constantly among the leaders in the market of collective investment in Ukraine. In the autumn of 2013 after the restructuring of asset management business of BNP Paribas Group in Ukraine Maxim Kuprin headed the company "AMC APF "UkrSib Capital", LLC.

Mr. Kuprin is the author of several scientific works and publications on the issues of portfolio management.

## CONCLUSIONS

According to the results of the rating research, conducted by the analytical service of RA "Expert-Rating", at the meeting of the Rating committee it was decided to assign the infrastructural rating of the AMC reliability at the level **uaAA.amc** to "AMC APF "UkrSib Capital Management", LLC (38965647). The Company with this rating with a very high probability will perform its fiduciary commitments to its clients, has the material and technical base, personnel and resource potential for that. Making decision to assign the infrastructural rating at such a high level, the Rating committee of RA "Expert-Rating" was guided by the following conclusions:

1. Asset management business of the Group BNP Paribas in Ukraine began its history with the arrival of the Group in Ukraine in 2005. In the process of business transformation the Group went to registration of "AMC APF "UkrSib Capital Management", LLC in 2013, but the transformations were carried out with the continuity and preservation of experience, knowledge, technologies and staff potential that explains a fast growth of net assets under management of "AMC APF "UkrSib Capital Management", LLC.

2. For the 9 months of 2014 "AMC APF "UkrSib Capital Management", LLC increased the volumes of net assets under management from zero to almost UAH 0,5 bn. On 30.09.2014 the nominal proportion of "AMC APF "UkrSib Capital Management", LLC amounted to 0,23%, the assessed share of the Company in the market amounted to about 1%. The Agency considers that "AMC APF "UkrSib Capital Management", LLC as part of the international group BNP Paribas in Ukraine has a great potential for growth with the improvement of conditions of the stock market in Ukraine.

3. The study of the composition of funds managed by “AMC APF “UkrSib Capital Management”, LLC showed that under AMC management there are four public funds, two of which refer to the non-state pension funds. AMC has experience of managing the large NPF with a number of participants over 33 thousand. The study of NAV (net asset value) dynamics per share of funds and dynamics of net value of the unit of pension contributions showed that the Company performs the management of funds according to the parameters laid down in registration documents and the development of market conditions. The Agency believes that under the crisis conditions the fact of providing the positive increase in NAV per share of funds deserves a positive assessment.

4. “AMC APF “UkrSib Capital Management”, LLC has a developed system of control and suppression of fiduciary risks, risks of damage from the activity of asset managers and other types of risks, which can cause direct or indirect damage to clients and investors of funds. The Agency believes that in the near future market conditions will suppress any conflict of interests in Ukraine arising from the combination of asset management business and investment banking business within one financial group. At the same time, “AMC APF “UkrSib Capital Management”, LLC has a sufficient set of rules and procedures, which suppress potential fiduciary risks.

5. At the beginning of 2014 “AMC APF “UkrSib Capital Management”, LLC possessed a very high level of financial stability. The Company supported a very high reserve of solvency, its shareholders’ equity exceeded the Company’s liabilities in 17,49 times, the Company’s activity remained profitable during the three quarters of 2014. The Company for the second and third quarter also provided a considerable increase in net income that indicates positive dynamics of developing its core business.

6. For RA “Expert-Rating” it is obvious that BNP Paribas possesses a sufficient volume of financial resources, a significant human and technological potential in order to provide an unprecedented high level of business support for “AMC APF “UkrSib Capital Management”, LLC. Such support has special significance for investors of open and pension funds. As of September 30, 2014 according to the statements of BNP Paribas Group, assets under management of the Group’s companies including assets within the consultations on behalf of external clients, reached EUR 905 bn.

## Appendix A

### Use limitations of the rating report

The present report is an intellectual property of Expert-Rating RA ltd. All intellectual property rights owned by Expert-Rating RA ltd are protected in conformity with the legislation of Ukraine. No part of this report may be sold, reproduced or distributed by third parties without previous written approval of Expert-Rating RA ltd. All information contained in the present report, had been obtained by Expert-Rating RA ltd from sources which Expert-Rating RA ltd considers as reliable. Due to the possibility of human or technical error, and other factors, Expert-Rating RA ltd does not guarantee the absolute reliability of the provided digital information. The rating of AMC, and any part of the information contained in the report, should be regarded exclusively as an opinion on the possibility of AMC to meet its fiduciary commitments to the client and not as recommendation about purchase or sale of securities or recommendation about use of AMC services. Expert-Rating RA ltd does not bear responsibility for any consequences of credit, investment or economic decisions of the third parties taken solely based on information on ratings, assigned by Expert-Rating RA ltd.

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.

For AMC the Rating is made according to the scale of RA Expert-Rating ltd (table A) which has been adapted to national standards.

Specially for Ukraine the RA "Expert-Rating" analytical service adapted the national rating scale to infrastructural ratings (**table A**).

Table A

**Adaption of national rating scale to infrastructure ratings**

Rating	Probability of issuer compliance with undertaken liabilities	Scale for AMC	Scale for collectors	Scale for custodians	Probability of infrastructure company compliance with fiduciary obligations
uaAAA	Highest	uaAAA.amc	uaAAA.col	uaAAA.cus	Highest
uaAA	Very high	uaAA.amc	uaAA.col	uaAA.cus	Very high
uaA	High	uaA.amc	uaA.col	uaA.cus	High
uaBBB	Good	uaBBB.amc	uaBBB.col	uaBBB.cus	Good
uaBB	Acceptable	uaBB.amc	uaBB.col	uaBB.cus	Acceptable
uaB	Satisfactory	uaB.amc	uaB.col	uaB.cus	Satisfactory
uaCCC	Alerting	uaCCC.amc	uaCCC.col	uaCCC.cus	Alerting
uaCC	Low	uaCC.amc	uaCC.col	uaCC.cus	Low

Within the two last years the Expert Rating RA was developing the methodology of rating infrastructural participants. In this development participated members of UAIB Council, workers of State Financial Services Committee, NBU, SCSSM and state entities.

#### How should be infrastructural ratings read?

We draw the attention of market participants to that the infrastructural ratings by Expert Rating RA do not show probability of a default of the company, and the alphabetic rating consists of three values.

For example, the rating **uaAAA.amc** should be perceived so:

- **ua** - national scale attribute;
- **AAA** - There is highest probability of that the asset management company with the given rating will discharge its fiduciary duties to the clients;
- **amc** - the letters designating that the rating made is for the asset management company

For example, the rating **uaAAA.col** should be perceived in the following way:

- **ua** - national scale attribute;
- **AAA** - There is highest probability of that the collection company with the given rating will discharge its fiduciary duties to the clients;
- **col** - the letters designating that the rating made is for the collection company.

#### Specifics of methodology of infrastructural ratings.

When the investor chooses a fund, he should necessarily study not only conditions of investment into the fund, but also to understand, how AMC does operate this fund. At the first stage the investor should make sure that AMC has everything necessary to make effective the processes of fund management. At the second stage the investor should realize the degree of AMC motivation in funds management efficiency. Namely after the synthesis of the two above listed aspects the AMC rating appears which indicates Probability of AMC compliance with fiduciary obligations.

When the bank having a portfolio of bad debts, chooses a collector, it should be assured that the collector has sufficient resources to execute the contract with bank. That is, that the collector has enough qualified personnel, developed regional network, worked out methodology of work with bad debtors etc. Besides, the collector should not have a conflict of interests which would prevent him from executing the obligations under contracts with clients. The methodology of Expert Rating RA on individual infrastructural ratings of collection companies accounts for both above mentioned aspects.

Expert Rating RA does disclose traditionally the technique of calculations at the publication of rating reports, the publication of reports on individual infrastructural ratings remains obligatory as it ensures compliance with basic IOSCO requests to rating agencies.