



Development of pension market in Russia - EBRD's perspective

**AEB Annual Pension Conference
2 November 2011
Moscow**



Table of Contents

- 1. EBRD Background**
- 2. Pension Funds – role in capital markets**
- 3. EBRD's support for pension market**
- 4. Russian pension sector – successes and challenges**

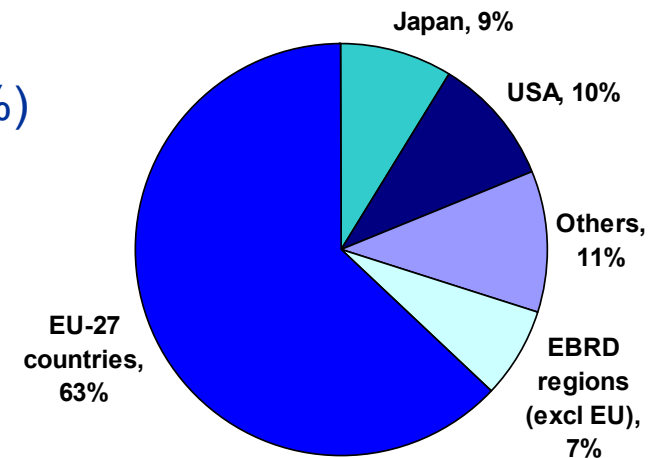


EBRD: International Financial Institution

A Driving Force for Promoting Market Economies

- **1991** year of establishment
- **61** countries as shareholders (Russia at 4%)
- **20** years of investment experience
- **29** countries of operation to promote transition to market economies
- **AAA** rated International Financial Institution

EBRD Shareholder Breakdown

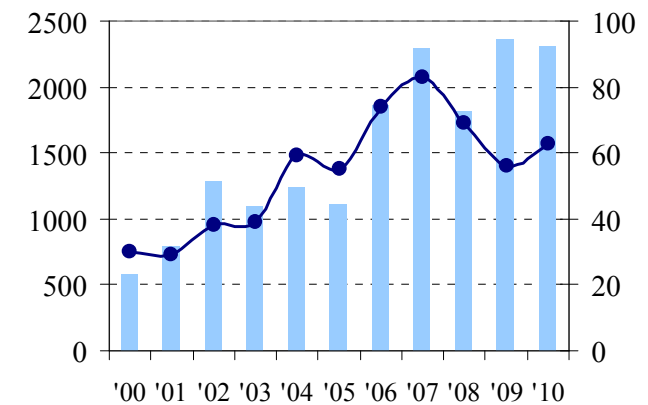


EBRD in Russia

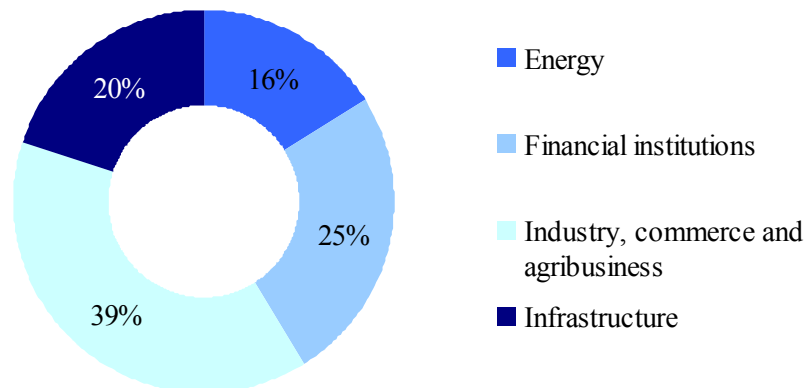
7 EBRD offices
120 EBRD professionals
650 projects completed to date
€ 17.7 bn net business volume
€ 50.6 bn total project value
€ 8.3 bn current portfolio

EBRD projects 2000-10

■ Volume (€ millions)
 ● Number of projects



Sector Breakdown of EBRD Portfolio – 2010 Year-end



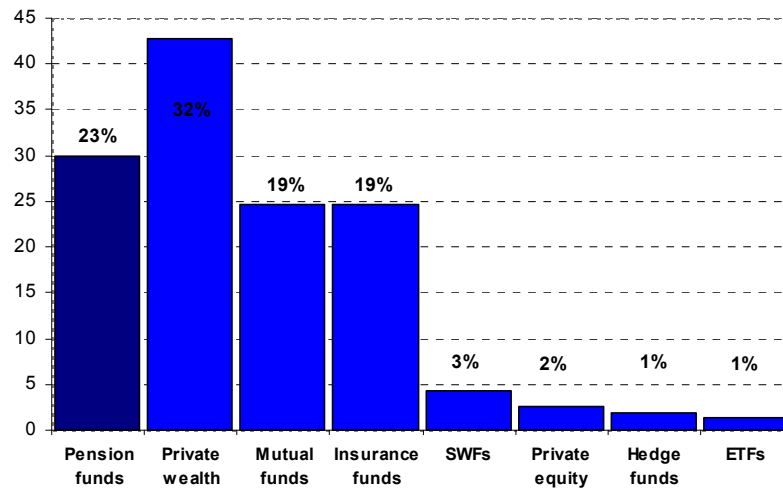
8 domestic RUB bonds
39.5 bn of RUB issues
MosPrime creation



Pension funds - role in capital markets

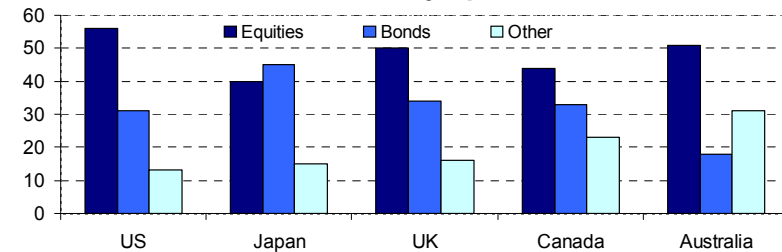
Key players and major investors in bond and equity markets

Global Assets under Management, 2010, \$ trillion

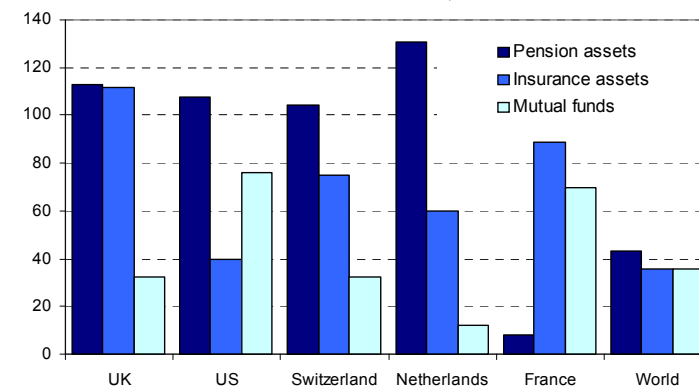


- Provide liquidity in secondary and IPO markets
- Drive demand for long-term products
- Stimulate innovation in products
- Improve efficiency
- Influence corporate governance
- Provide demand for hedging instruments

Asset allocation in major pension markets



Funds as % of GDP, 2010



EBRD's support of pension sector

Via Local Capital Markets Initiative...

Local Capital Market Development

- Macroeconomic Policy

- Market Institutions
- Products

- Legal/Regulatory Environment

... and contribution to MIFC

Participated in legal and regulatory reform

Contributed to innovative products for Rouble capital markets

Supported local investor base development

Added value as an equity investor



EBRD's support of pension sector

And via equity investments

Ренессанс[®]
страхование

Russia

\$ 66m Equity/Debt Investment

2004 - 2010

30% equity stake in a greenfield life and pension company alongside Sputnik Group Limited

 PRVA GROUP

Slovenia, Serbia, Kosovo and Macedonia

€ 5.8m Equity Investment

March 2007

20% equity stake in pension fund management company

LHV

Estonia

€ 3.3m Equity Investment

March 2007

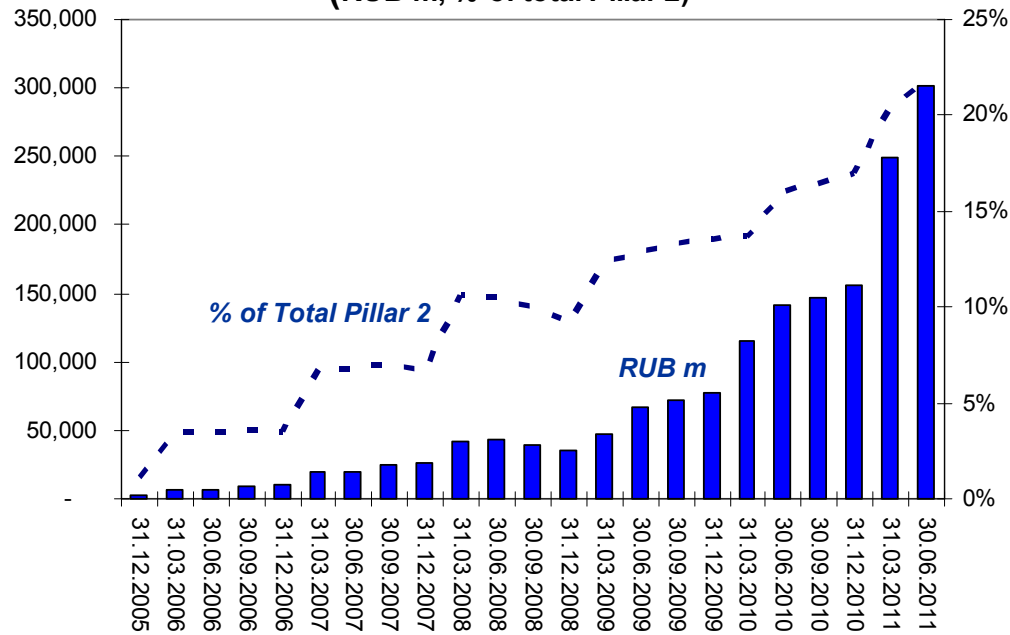
34.8% equity stake in pension fund asset management company



Russian Pension Sector

Fast growing private Pillar 2 market...

NPFs Assets under Management (Pillar 2)
(RUB m, % of total Pillar 2)



Total Pillar 2 growth:
CAGR 9%

NPF Pillar 2 growth:
CAGR 24%

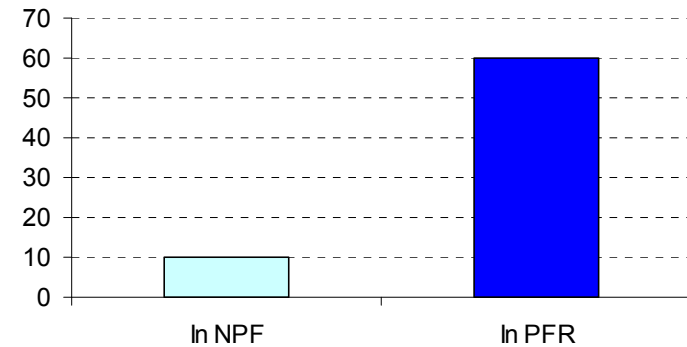


Russian Pension Sector

... and growth will continue

- ✓ Low penetration of pension assets as % GDP
- ✓ Strong and sustainable level of contributions (6%)
- ✓ Cross-selling opportunities w/ insurance products
- ✓ Strong competitiveness against VEB returns

Clients in NPFs and Penfion Fund of Russia



Returns at VEB*

5.9%

Avg Returns at NPFs**

10.9%

* As at 30.06.2011, <http://npf.investfunds.ru>

** Top-10 NPFs representing 68% of mkt share, 2010, <http://npf.investfunds.ru>



Russian Pension Sector

However, many challenges lie ahead...

Agent behaviour

Switching behaviour

Permitted asset allocation

Delayed transfers from PFR

Fee structure

Mechanism for payments

Support from Insurance industry

Corporate set-up & legal status



Russian Pension Sector

... and actions needed to ensure sustainable growth

Licensing & training of agents

Focus on customer service, financial planning advice & education

Review permitted investments

Transfer discipline from PFR

Review fee structure

Implement payment mechanisms

Legal framework for insurers' participation (Pillar 2, Pillar 3)

Review legal status of NPFs



Contact Details

Name	Business Phone	Email
Noel Edison Director Insurance and Financial Services	+44 20 7338 6638	EdisonN@ebrd.com
Lyuba Tarnopolsky Principal Banker Insurance and Financial Services	+44 20 7338 6936	TarnopoL@ebrd.com

EBRD Headquarters
One Exchange Square, London. EC2A 2JN, United Kingdom
www.ebrd.com

