

## Investment of Pension Savings

As at the end of 2014, the net value of assets under trust management of STMC was RUB 1.9 tn, while that under trust management of PR STMC was RUB 2.81 bn

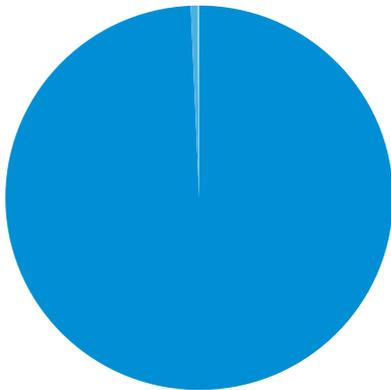
*In line with resolutions by the Russian Government, Vnesheconombank has been operating as the State Trust Management Company (STMC) to provide trust management of pension savings, and as a Payout Reserve State Trust Management Company (PR STMC). When performing these functions, we seek to minimise the liquidity risk in order to ensure that the invested pension savings are repaid to the Pension Fund of the Russian Federation, and to deliver positive returns on the assets under our management.*

As the State Trust Management Company, Vnesheconombank is responsible for building the extended investment portfolio (EIP) and the investment portfolio of government securities (GSIP). The EIP accounts for more than 99% of the STMC's funds. Pension savings placed in the EIP are invested both in government securities and in corporate bonds of Russian issuers and international organisations, mortgage-backed securities and deposits with commercial banks.

As the PR STMC, we are also managing the payout reserve investment portfolio (PRIP) and the fixed-term pension payout investment portfolio for pension savings of insured persons who are entitled to fixed-term pension benefits (FTIP). The list of instruments eligible for investment by PR STMC is identical to the list of instruments eligible for the EIP.

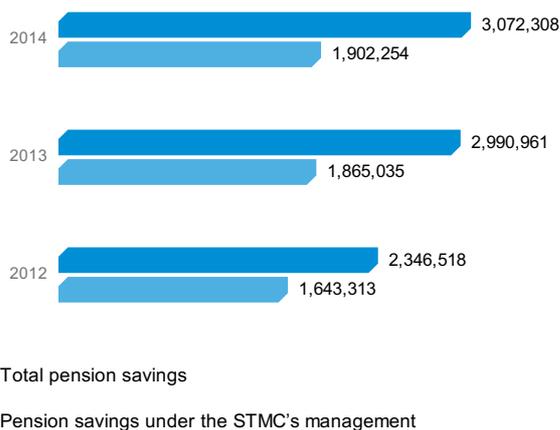
In 2014, the share of pension savings under management of the STMC in the total amount of pension savings remained flat year-to-year at 61.92%.

Net value of assets under trust management of STMC and PR STMC



- EIP (RUB 1,891,718.69 mn)
- GSIP (RUB 10,534.98 mn)
- PRIP (RUB 2,562.52 mn)
- FTIP (RUB 247.71 mn)

## Growth performance of pension savings (RUB mn)



Under Vnesheconombank's Development Strategy for 2015–2020, the Bank's objectives as the STMC and PR STMC consist in minimising the liquidity risk of the extended investment portfolio, including in view of Federal Law No. 351-FZ 'On Amendments to Certain Legal Acts of the Russian Federation on Issues Related to Compulsory Pension Insurance Regarding the Right of the Insured to Choose a Pension Option' adopted in late 2013.

The law provides for zeroing of the insurance fee rate chargeable on the accumulative portion of retirement pension for those insured who fail to choose a non-government pension fund or an investment portfolio of the management company before 1 January 2016. In this connection, strategic goals of the STMC were revised due to the lack of new investment resources under trust management required for EIP instruments to be diversified, and due to the growing liquidity risk of the EIP.

## Investment Instruments

The list of permitted investment instruments to be used for pension savings did not change in 2014. Investment statements of the PR STMC were, however, amended to increase the share of corporate bonds (except for government guarantee backed bonds) from 40% to 60% of the portfolio's market share and to remove restrictions to the minimum share of government securities. These amendments seek to expand investment opportunities of the PR STMC enhance responsiveness of portfolio management by the PR STMC, and increase the portfolio's ROI.



### Government securities investment portfolio

- Government securities of the Russian Federation
- Corporate bonds of Russian issuers backed by Russian government guarantees



### Extended investment portfolio

- Government securities of the Russian Federation
- Corporate bonds of Russian issuers backed by Russian government guarantees
- Corporate bonds of Russian issuers
- Bonds issued by constituent entities of the Russian Federation
- Mortgage securities
- Bonds of international financial organisations
- Deposits in roubles and in foreign currencies



In 2014, Vnesheconombank was operating as the STMC in a challenging economic and geopolitical situation that resulted in the policy rate of the Bank of Russia skyrocketing from 5.5 to 17%, which led to a considerable decline in prices for Russian bonds. As a consequence, the three investment portfolios posted negative yields for the first time since Vnesheconombank had been acting as the STMC and PR STMC.

The yield of the Extended Investment Portfolio that accounts for 99.45% of total pension savings managed by the STMC remained positive. This result was achieved, among other things, due to the high level of the portfolio's immunisation, with assets not marked to market accounting for more than 65% in the portfolio.

The negative yield on the GSIP and portfolios of the PR STMC was due to the inability to immunise them in 2014 by acquiring instruments that are not marked to market, and by depositing portfolios' funds with commercial banks, including due to the small size of the PR STMC's portfolios and lack of interest from commercial banks to take such small amounts on deposit.

### Return on investment of pension savings

	2013	2014
<b>STMC's portfolios</b>		
Extended Investment Portfolio (EIP)	+ 6.71%	+ 2.68%
Government Securities Investment Portfolio (GSIP)	+ 6.90%	- 2.05%
<b>PR STMC's portfolios</b>		
Payout Reserve Investment Portfolio (PRIP)	+ 5.52%	- 2.96%
Fixed-term Investment Portfolio (FTIP)	+ 5.51%	- 2.69%

In order to manage liquidity and increase the return, in 2014, the EIP pension savings were mainly invested in corporate bonds and deposited with commercial banks:

- ✓ RUB 128.9 bn of EIP funds were invested in non-government bonds, with their share in the portfolio rising from 36.36 to 37.95%;
- ✓ RUB 266.99 bn of EIP funds were deposited with commercial banks, with their share in the portfolio rising from 7.02 to 14.86%.

Although investment opportunities materially shrank in 2014, the STMC still remains the key player in the long-term investment market and a source of support to the Russian economy. Following resolutions by the Russian Government, in 2014, Vnesheconombank invested about RUB 55 bn of EIP pension savings in bonds of companies that implement infrastructural projects. The total amount of bonds issued by infrastructural companies in the STMC's investment portfolios, including investments of 2014, exceeded RUB 401.92 bn.