Presentation to Investors

February 2015 – (2014 q4)

AvivaSA at a Glance:
Unique Positioning and Attractive Business Model

Leading Life and Pension Player in Turkey

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Turkey's attractive growth and demographics

✓*Fastest growing economy over the last 4y amongst European and Emerging Markets (6.0% Real GDP CAGR)*
✓*Unique demographic profile: second largest country in Europe (76 million) with almost 50% under 30 years old*

#2 Pension
#1 Corporate Pension

- 19% market share
- ~733k participants; 7,1 billion TL AUM
- 34% cagr in terms of AUM (2011-2014 / last 3 year)
- #1 Corporate Pension: Market leader in corporate pensions

#6 Life Protection

- 7% market share
- TL197m GWP (2014) and ~1.5m customers
- 33% GWP cagr (2011-2014 / last 3 year)
- Leading player in credit-linked life protection

#2 Personal Accident

- 19% market share
- TL45m GWP (2014) and ~0.5m customers
- 19% GWP cagr (2011-2014 / last 3 year)
- Diversified product mix (disability, death and medical expenses)

Source: HAYMER, EGM, TBB.
Note: Data as of December 2014

Blue-chip "Sponsoring" Shareholders: A Unique Blend of Expertise and Reputation

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AVIVA

➢ Global diversified insurer with presence in 17 countries and over 100 bancassurance partners
➢ Best practice policies based on UK international standards on governance / audit

SABANCI HOLDİNG

➢ One of the largest Turkish "multi-business company" with wide franchise of consumer brands and networks
➢ Unparalleled local trust and reputation

Solid Sales Culture through a Multidistribution Platform to Expand Scale and Penetration in Pension and Life

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Distribution Platform At a Glance

-Long-term exclusive partnership with Akbank

-Other bank partners: BurganBank, Abank, Odeabank

Bancassurance
Branches (# Akbank): 1,163 (984)
Akbank sales coaches: ~ 360
Total PVNBP: 2,131m (57%)

Agencies
Agencies: 180
Total PVNBP: 535m (14%)

Fast growing distribution channel

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Key Distribution Channels

Corporate
Corporate Sales Team: 30
Total PVNBP: 216m (6%)

#1 in employer-sponsored group pension contracts by market share

Direct sales force (DSF)
FAs: ~600 (covering 17 cities)
Total PVNBP: 838m (22%)

Largest direct sales force in the sector

Telemarketing
Total PVNBP: 8m (0.2%)

Source: Data as of 2014

Renewed 15-year Exclusive Distribution Agreement with Akbank

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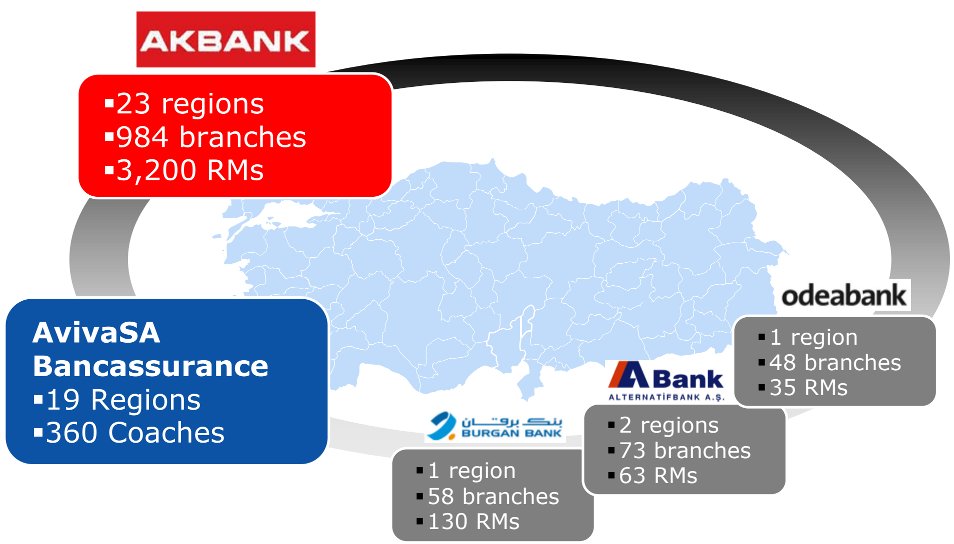
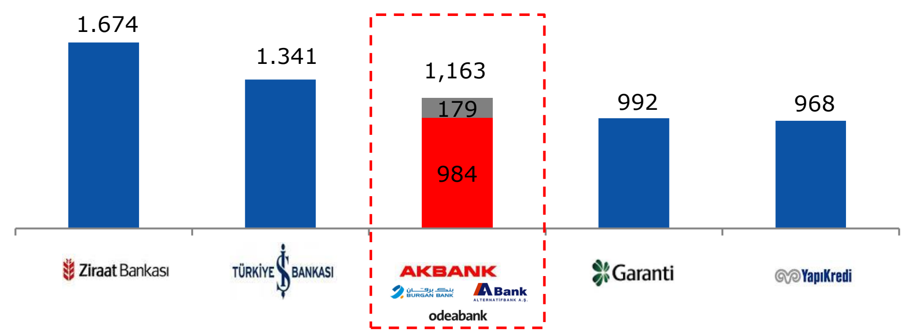
Strong Relationship Under Same Sponsoring Shareholder

Access to Wide Distribution Network



#3 Largest Bank in Turkey by Branch Network



- ✓ Exclusive 15-year distribution agreement
- ✓ Common Sabancı sponsorship inspires effectiveness of the distribution agreement
- ✓ Access to one of the largest networks in Turkey
- ✓ 12-13% market share in consumer loans and credit cards
- ✓ Growing position in commercial and SME banking

Source: Company information, TBB, Data as of H1 2014.

Strategic Objectives Built on AvivaSA Strengths

Enhance Competitive Positioning & Market Share in Life

Maintain Leadership and Profitability in Pension

Improve Penetration of Akbank

Deliver Customer Value

Diversifying and Strengthening Non-bank Distribution

Optimise Operational Excellence

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Solid financial and operational foundation:
"Focus on Profitable Growth"

Excellent Corporate Governance Since 2007

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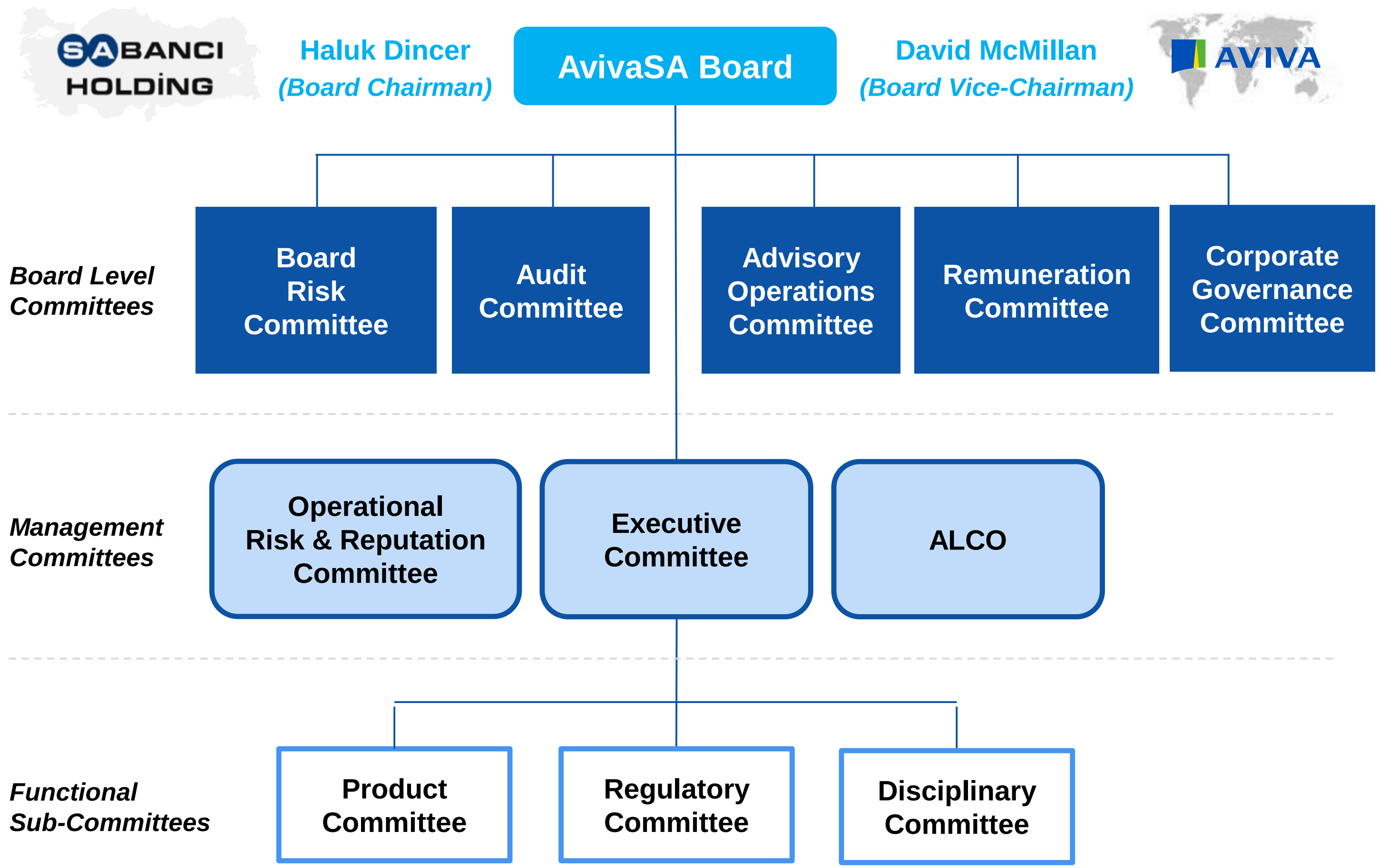
Overview

✓ **Excellent corporate governance** framework established at the creation of the JV in 2007

- ✓ Top tier governance principles
- ✓ Well-balanced and experienced board with domestic and international expertise
- ✓ 2 INEDs to be appointed post-IPO

Governance Structure



Focus on Execution Excellence to Deliver Efficiency

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Focus on Execution Excellence

- ✓ **Sales Productivity and Cost Efficiency**
- ✓ **Process Efficiency**
- ✓ **Digital Capabilities**
- ✓ **Customer Relationship Management**
- ✓ **Employee Engagement**
- ✓ **High Level of Compliance**
- ✓ **Best-in-class Financial Reporting Framework**
- ✓ **New Flexible IT System**

Project Metamorphosis	➢ Commissioned to improve IT systems' capacity to adapt to regulatory changes
Project Next	➢ Bancassurance transformation program to improve sales performance, technological integration, strategic coordination

Solid Financial Foundations and Historical Track Record of Value Creation

✓ Growth in volumes and underlying technical profitability driving financial strength and value creation for Shareholders

	2014	YOY/Δ (13-14)	
Pension Contributions	TL1.157m	35%	• Top line volumes of both pension and life growing at rapid pace in the past 3 years • Pension contributions driving business to profitable scale • Increasing penetration of life driven by Akbank partnership
Total AUM	TL7.1b	42%	
Total GWP (Life+PA)	TL242m	15%	
Total Technical Profit	TL236m	21%	• Steady increase thanks to pension scalability and life segments
Expense Ratio(1)	11.9%	1,2 pts	• Steady fall in cost ratio from 15.9% in 2012 to 11.9% as efficiency improves
Profit for the Year	TL87m	22%	• Track-record of profitable growth
ROE	29%		• One of the leaders in sector ROE at 29% with an average of 26% over 2012-14
Solvency	225%		• Strong solvency I position with capital-light product model • Consistent dividend payment
MCEV	TL1.204m	26%	• MCEV has grown 26% in 2014 yoy basis

Note: Segmental reporting data (1) General expenses, as % of insurance GWP and pension net contributions.

Leading Fast Growing Pension and Life Franchise

Pension – Sustainable Growth and Scale Ambitions

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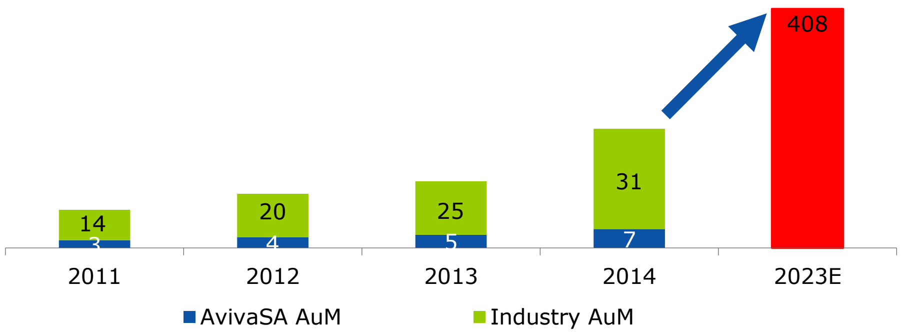
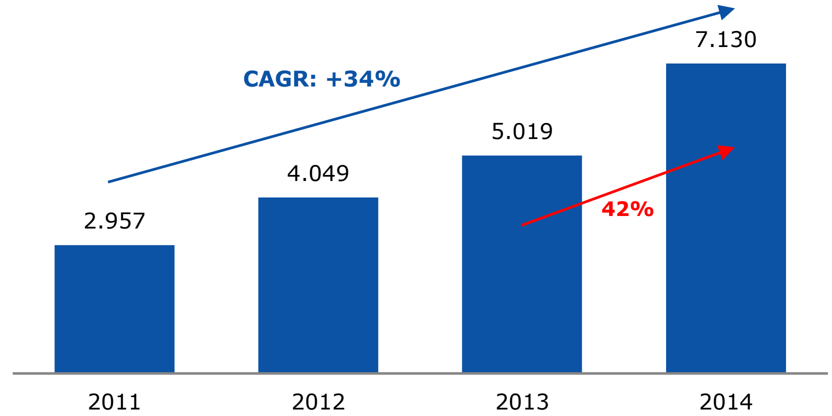
Fast Growing Pension AUM (TLbn)

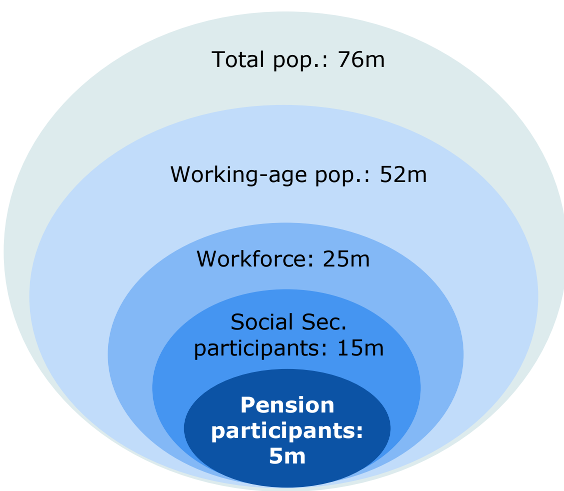
Market Share Of AvivaSA %			
20,6	19,9	19,1	18,8



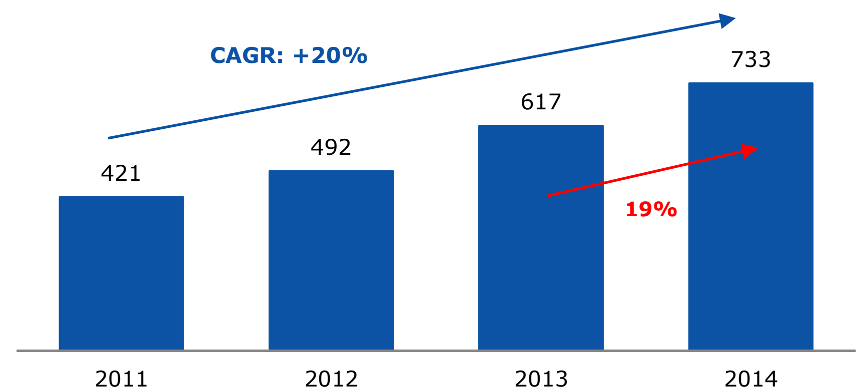
Pensions AUM (TLm)



Underpenetrated Pension Market



Number of Participants (x1000)



Source: EGM, TSB vision 2023 report, Turkstat.

Life Protection – Sustainable and Resilient Growth Model Fuelled by Bancassurance

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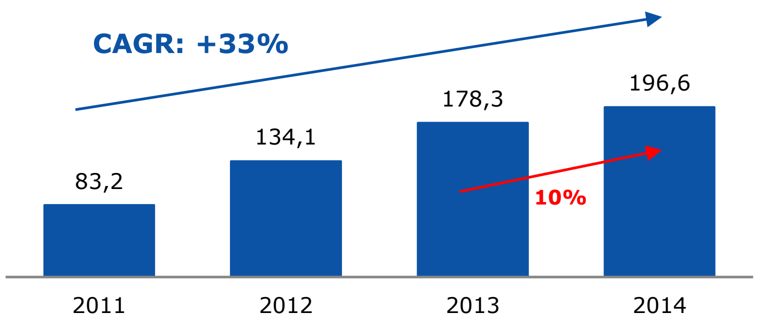
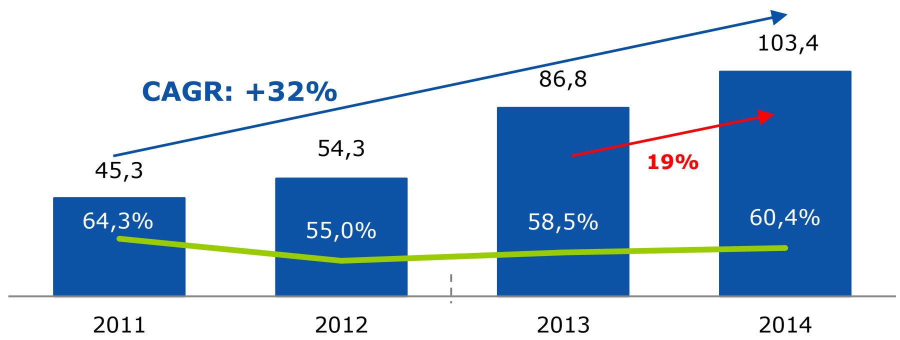
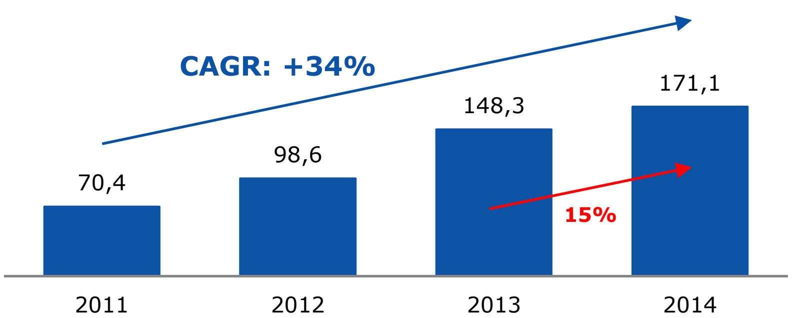
Life Protection GWP (TLm)



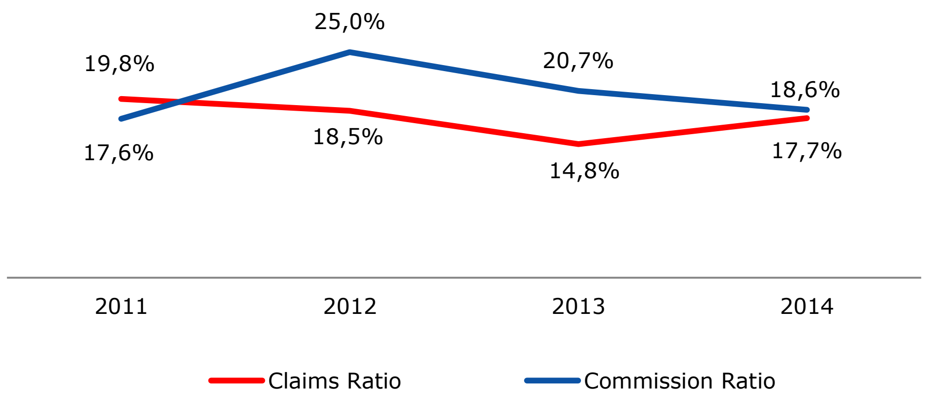
Technical Profit & Margin(1)(TLm, %)



Life Protection NEP (TLm)



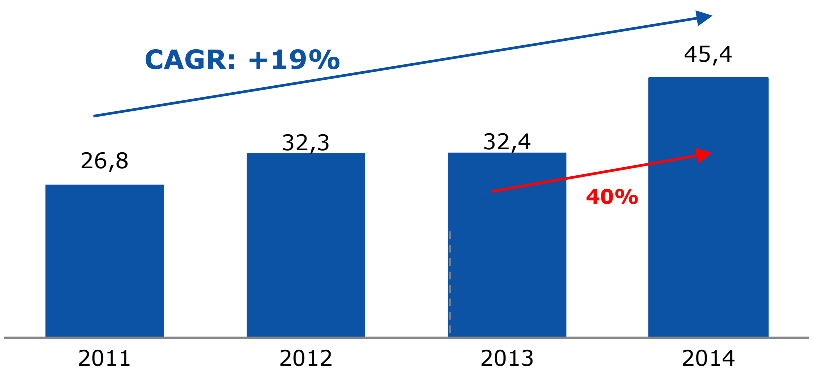
Claims and Commission Ratios (%)



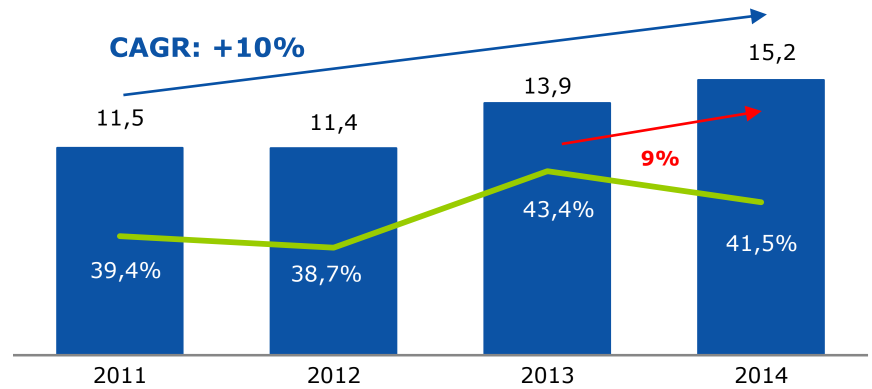
Source: Company information. Note: (1) Technical Margin calculated as Technical Profit over NEP.

Personal Accident – A Complementary Profit Pool for the Group

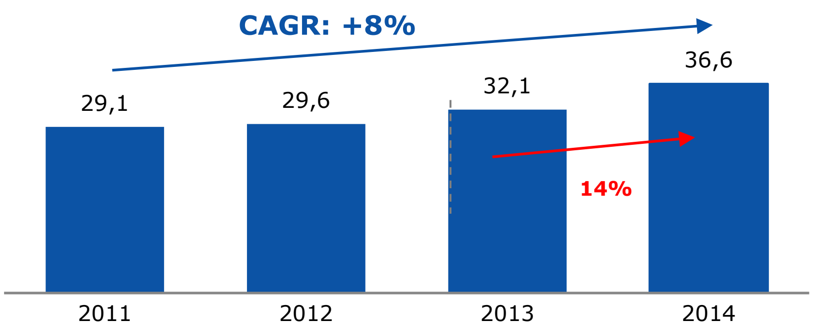
GWP (TLm)



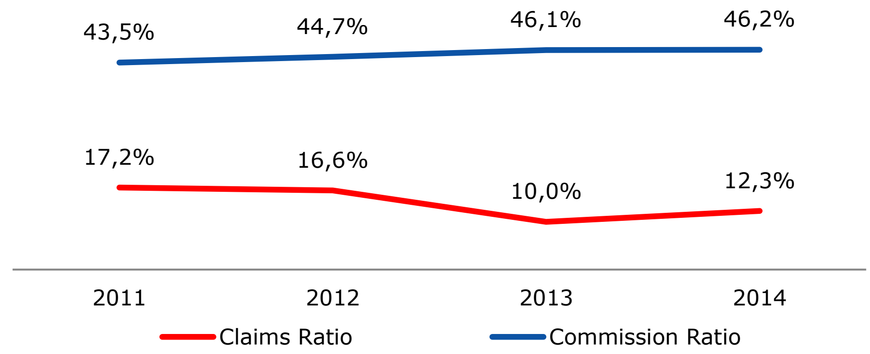
Technical Profit & Technical Margin[1] (TLm)



NEP (TLm)



Commission & Claims Ratio (%)

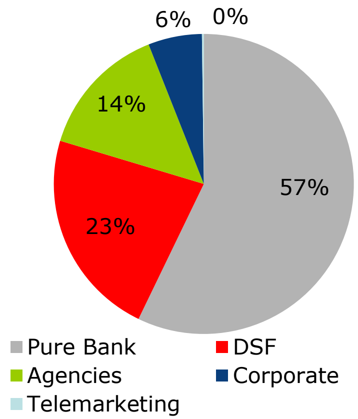


Source: Company information.
Note: (1) Calculated as % of NEP.

Production by Distribution Channel and by Products (2014)

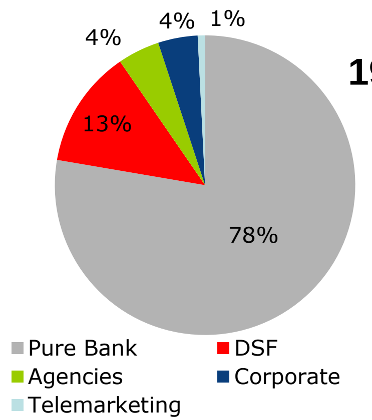
Total (by disytribution channel)

PVNBP



3727 mTL

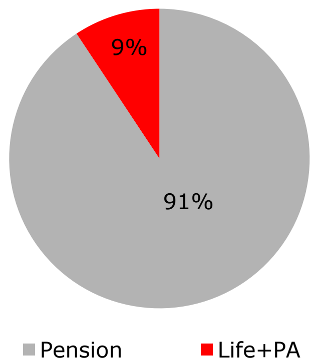
VNB



199 mTL

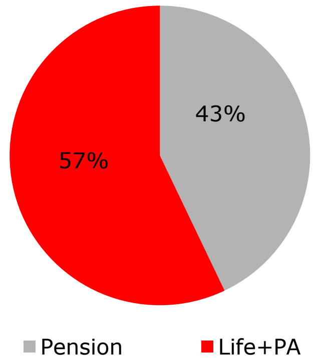
Total (by product)

PVNBP



3727 mTL

VNB



199 mTL

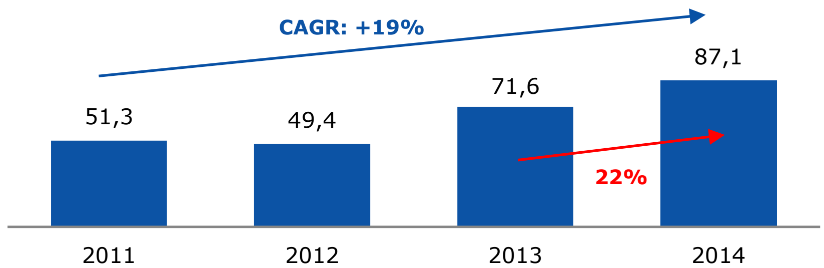
Source: Company information.

Robust Financial Performance

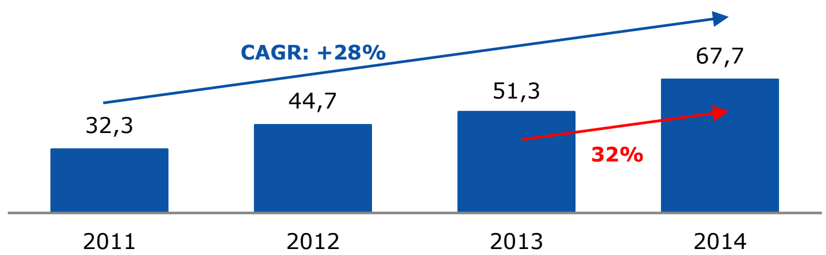
A Story of Solid Profitable Growth

Profit for the Year and ROE (TLm, %)

ROE			
27%	22%	28%	29%



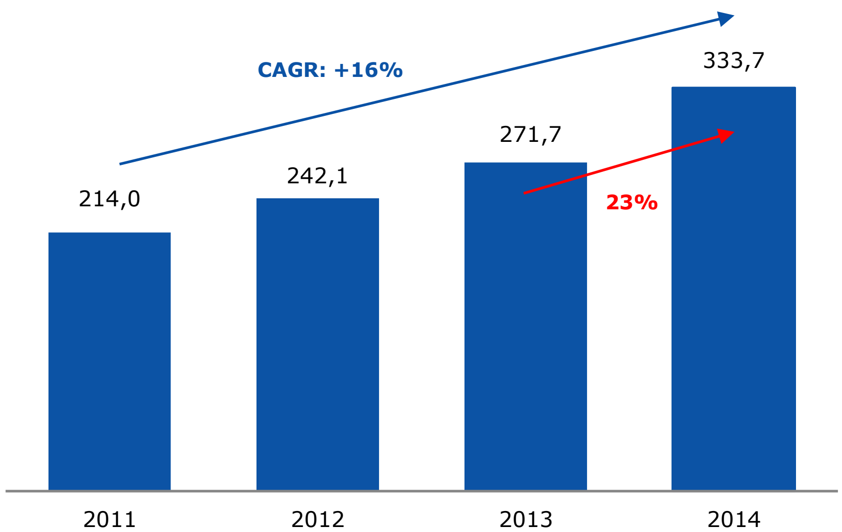
Technical Profit After G&A (TLm, %)



- ✓ During the period under review, AvivaSA's profitability has been robust and growing YoY. The plateau in 2012 was essentially driven by market conditions leading to reduce investment income; the underlying operating business remained solid in that year

Shareholders' Equity and Solvency Ratio (TLm, %)

Solvency Ratio			
314%	291%	237%	225%



- ✓ Steady increase in shareholders' equity reflects active management of capitalization to fund business growth
- ✓ Capital-light business, with strong solvency position, which benefits from AvivaSA's measured approach to risk and new product introduction

Source: Company information.
Note: Analysis on profitable growth derives from segmental information on this and following pages of the section, unless otherwise stated.

...Solid and Resilient Technical Profitability with Operating Leverage Potential...

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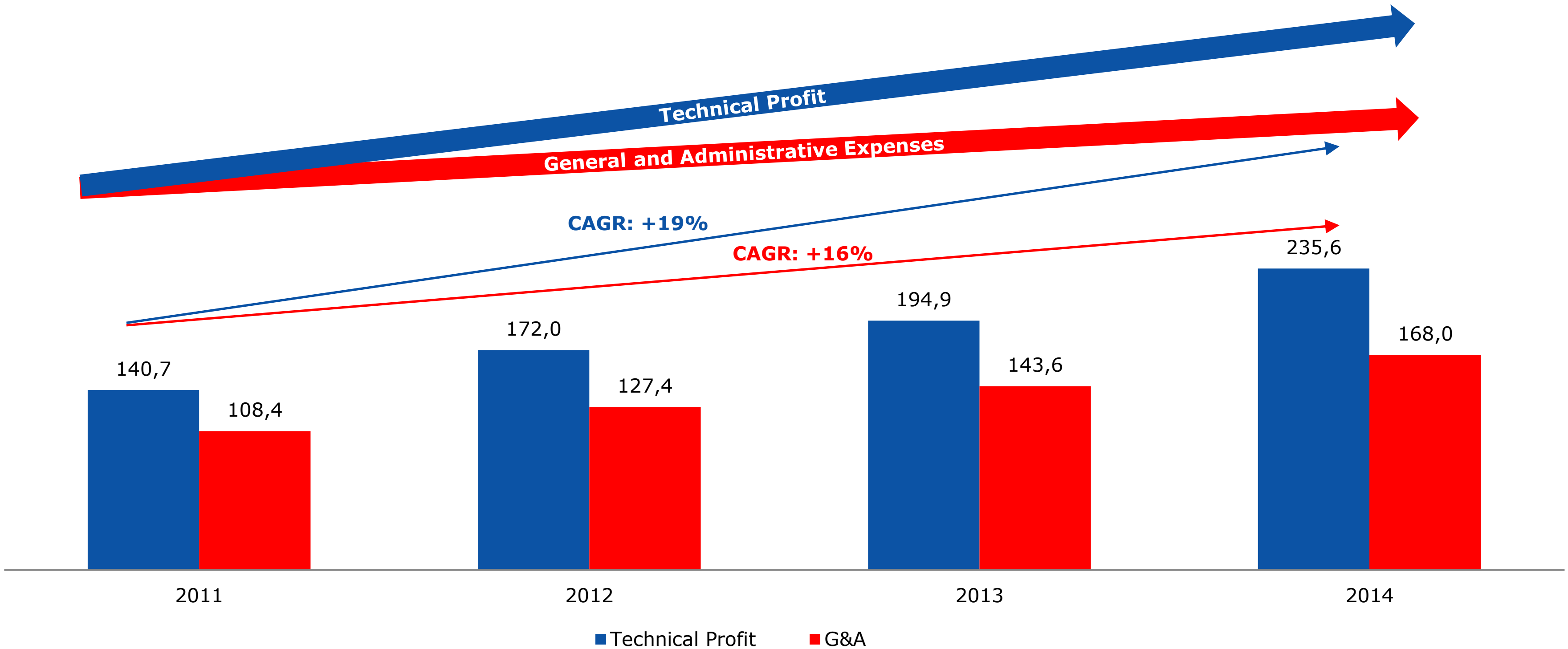
Technical Profit (TLm)



Technical Profit as % of total

	2011	2012	2013	2014
% Pensions	56%	57%	47%	48%
% Protection	32%	32%	44%	44%
% Personal Accident	8%	7%	7%	6%

Source: Company information.

… Proactive Management of Expense Base…

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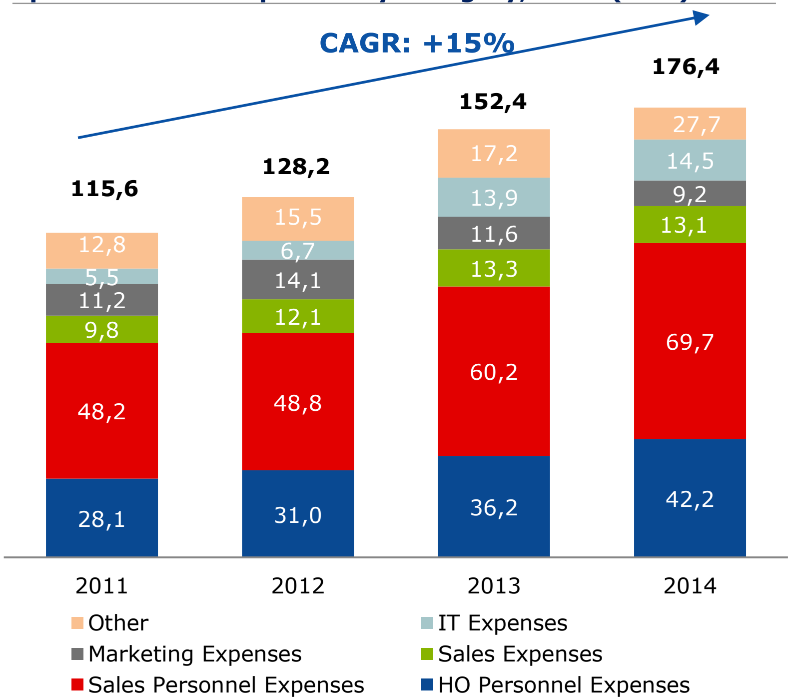
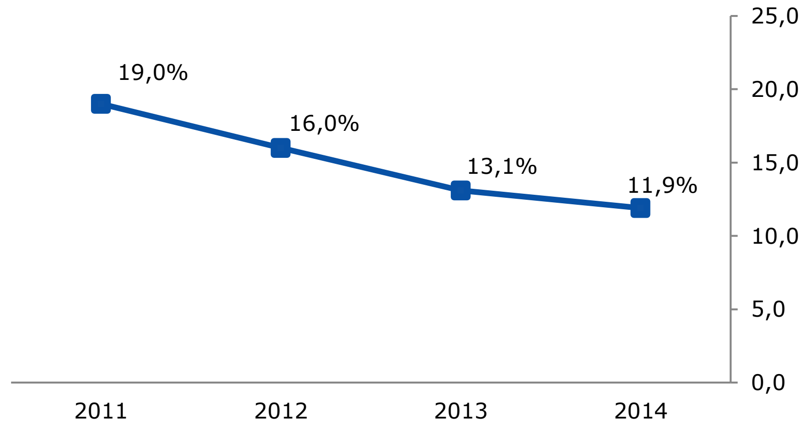
Split of General Expenses by Category, IFRS (TLm)



Expense Ratio (%)

As % of net contributions (for pensions) and gross written premiums (for insurance segments)



- Notwithstanding the significant investment in IT infrastructure and the broader growth in general and administrative expenses, AvivaSA's expense ratio has been improving over the years; demonstrating the growing economies of scale that the business is achieving

Source: Company information.

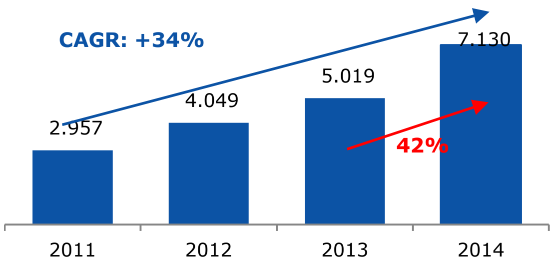
Segment Disclosure

Differentiated Management of Trends and Dynamics per Segment

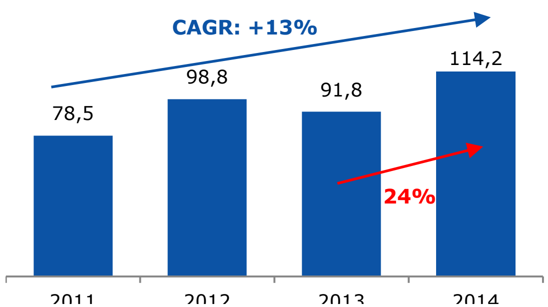
Pension

AUM (TLm)

FMC Margin %			
2,4	2,4	1,8	1,8

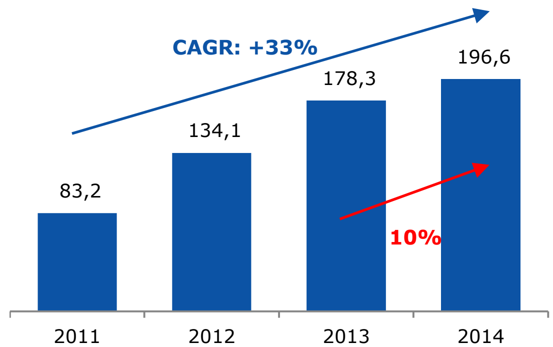


Technical Profit (TLm)



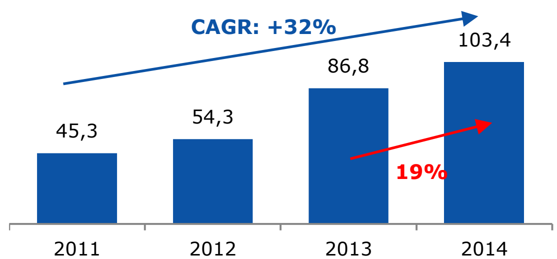
Life Protection

Gross Written Premium (TLm)



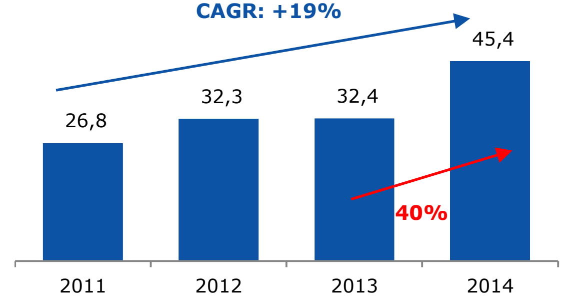
Technical Profit (TLm)

As Of Net Earned Premium %			
64	55	59	60



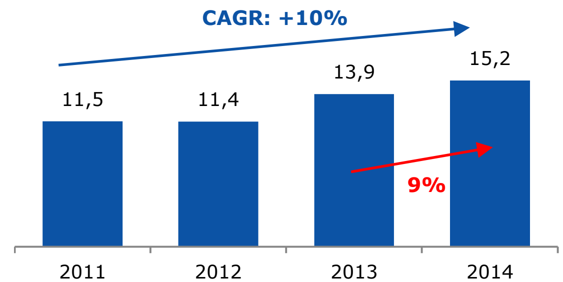
Personal Accident

Gross Written Premium (TLm)



Technical Profit (TLm)

As Of Net Earned Premium %			
39	39	43	41



Source: Company information.

Summary of P&L from Segmental Reporting

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	2011	2012	2013	2014	CAGR	YoY
Pension Technical Profit	78.5	98.8	91.8	114.2	+13%	+24%
Life Protection Technical Profit	45.3	54.3	86.8	103.4	+32%	+19%
Life Savings Technical Profit	5.5	7.5	2.4	2.9	(19%)	+21%
Personal Accident Technical Profit	11.5	11.4	13.9	15.2	+10%	+9%
Total Technical Profit	**140.7**	**172.0**	**194.9**	**235.6**	**+19%**	**+21%**
General and Administrative Expenses	*(108.4)*	*(127.4)*	*(143.6)*	*(168.0)*	*+16%*	*+17%*
Total Technical Profit after G&A Expenses	**32.3**	**44.7**	**51.3**	**67.7**	**+28%**	**+32%**
Total Investment Income & Other	29.8	20.6	39.8	42.2	+12%	+6%
Profit Before Taxes	62.1	65.2	91.1	109.9	+21%	+21%
Profit for the Period	**51.3**	**49.4**	**71.6**	**87.1**	**+19%**	**+22%**

Source: Company information, IFRS and segmental reporting.

Pension – Summary P&L

Pension Technical Profit (TLm)

	2011	2012	2013	2014	CAGR	YoY
Fund Management Income(1)	57.5	74.6	69.0	87.0	+15%	+26%
Management Fee(2)	28.3	32.0	17.9	30.9	+3%	+73%
Entrance Fee Income(3)	15.8	20.0	30.4	35.7	+31%	+17%
Other Income/(Expenses)	(4.4)	(5.4)	(5.8)	(7.4)	+19%	+28%
Net Commission Expenses (of which)	(18.7)	(22.4)	(19.6)	(32.0)	+20%	+63%
- Commission Ex.	(31.0)	(29.1)	(56.6)	(70.2)	+31%	+24%
- DAC	12.3	6.7	37.0	38.2	+46%	+3%
Technical Profit	**78.5**	**98.8**	**91.8**	**114.2**	**+13%**	**+24%**

✓ Technical profit development reflects the solid potential of the pension market as well as the effect of the new pension regulations effective 1 January 2013

Key Profit Drivers

- Pension volume (Contribution and AUM)
- Lapses and Retention
- Pension Fee Structure (entry fee, management fee, fund management charge)
- Commission Expenses / DAC

Source: Company information, IFRS and segmental reporting.
Note: (1) Net of AK asset charges. (2) Charge including premium holiday. (3) Including deferred entry fee.

Pension – Reaching Profitability through Scale

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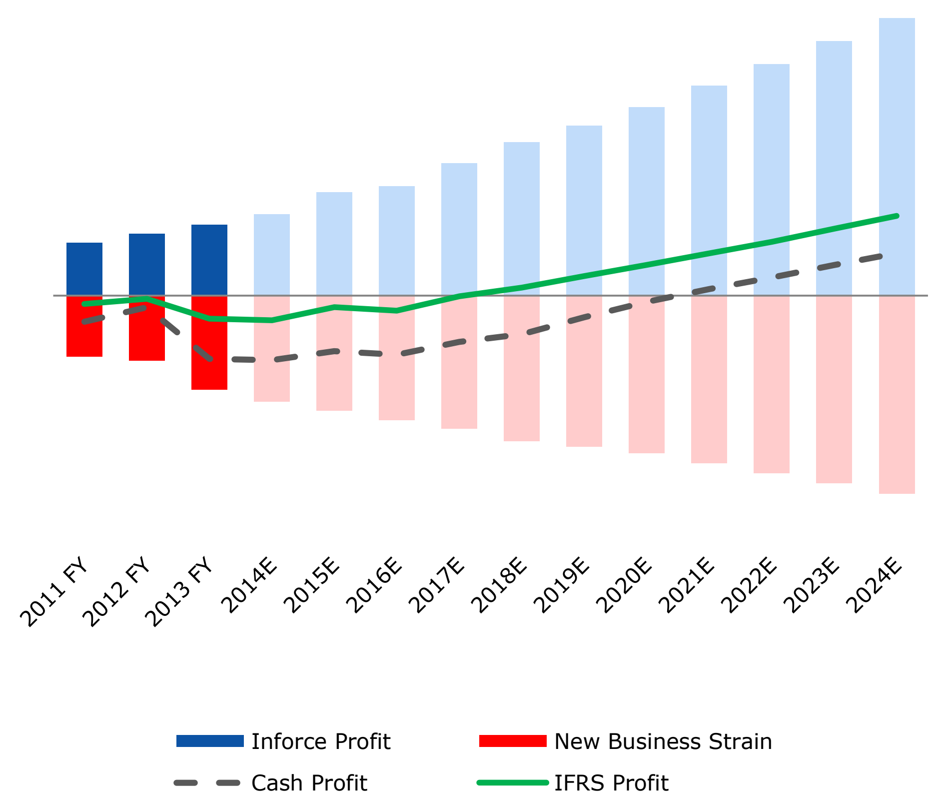
Pension Adjusted Technical Profit (IFRS, TLm)

	2013	H1 2014
Pensions		
Technical Profit	91.8	54.1
General and Administrative Expenses	(120.2)	(66.7)
Adjusted Technical Profit	**(28.4)**	**(12.6)**

- AvivaSA's technical profit under IFRS for pensions is calculated as technical profit less management's estimates of the G&A expenses related to this specific segment
- AvivaSA allocates on a quarterly basis this expense based on a methodology relying upon Management estimates for the purpose of its regular MCEV, VNB reporting processes as well as for a number of adhoc pricing, financial and expense analysis
- This methodology, which consists in (a) reviewing the nature, origin and usage of each direct expense items individually with a view to allocate them into this specific segment and (b) allocating the residual expenses between the segments according to management best estimates or judgments
  - Given the nature of the pension segment, most of the general and administrative expenses are allocated into it; in order to support the growth of the business

Illustrative IFRS / Cash Profit Breakeven



Source: Company information, IFRS and segmental reporting.
Note: Methodology consists in (1) Review the nature and usage of each direct expense item and allocate into a specific segment (2) Allocate residual expenses according to management's best estimate.

Life Protection – Summary P&L

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Life Protection Technical Profit (TLm)

(Excluding Life Savings)

	2011	2012	2013	2014	CAGR	YoY
Gross Written Premiums	83.2	134.1	178.3	196.6	+33%	+10%
Earned Premiums	70.4	98.6	148.3	171.1	+34%	+15%
Total Claims	(14.4)	(20.5)	(32.7)	(37.5)	+38%	+15%
Claims Ratio (excluding Surrender Ratio)	*19.8%*	*18.5%*	*14.8%*	*17.7%*	*n.m.*	*n.m.*
Commission Expenses	(11.2)	(22.7)	(27.8)	(29,4)	+38%	+6%
Commission Ratio	*17.6%*	*25.0%*	*20.7%*	*18.6%*	*n.m.*	*n.m.*
Other Income/(Expense), Net	0.4	(1.1)	(1.0)	(1.0)	*n.m.*	+0%
Technical Profit	**45.3**	**54.3**	**86.8**	**103,4**	+32%	+19%
Technical Margin	*64.3%*	*55.0%*	*58.5%*	*60.4%*	*n.m.*	*n.m.*

Key Profit Drivers

- NEP volumes
- Death and Benefits claims
- Surrender levels
- Commission Expenses

✓ Overall life protection technical profit is positive due to the high technical profitability of the product coupled with cost efficient operating model, and this is valid throughout all periods under review

Source: Company information, IFRS and segmental reporting.

Personal Accident – Summary P&L

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Personal Accident Technical Profit (TLm)

	2011	2012	2013	2014	CAGR	YoY
Gross Written Premiums	26.8	32.3	32.4	45.4	+19%	+40%
Earned Premiums	29.1	29.6	32.1	36.6	+8%	+14%
Total Claims	(5.0)	(4.9)	(3.2)	(4.5)	(3%)	+41%
Claims Ratio	*17.2%*	*16.6%*	*10.0%*	*12.3%*	*n.m.*	*n.m.*
Commission Expenses	(12.6)	(13.2)	(14.8)	(16.9)	+6.8%	+34%
Commission Ratio	*43.5%*	*44.7%*	*46.1%*	*46.2%*	*n.m.*	*n.m.*
Other Income/(Expense), Net	(0.0)	(0.0)	(0.2)	(0.0)	*n.m.*	*n.m.*
Technical Profit	**11.5**	**11.4**	**13.9**	**15.2**	**+10%**	**+9%**
Technical Margin	*39.4%*	*38.7%*	*43.4%*	*41.5%*	*n.m.*	*n.m.*

✓ Personal accident segment gets allocated around 2% - 3% of general and administrative expenses due to relatively small and stable business volumes demonstrating positive adjusted technical profit / (loss) throughout the periods under review

Source: Company information, IFRS and segmental reporting.

Key Profit Drivers

- NEP volume
- Accident / Benefits claims
- Surrender levels
- Commission Expenses

Embedded Value and Value of New Business Disclosure

MCEV Key Considerations

AvivaSA is pioneering the disclosure of EV in Turkey; nevertheless, it is a widely used valuation basis in Europe and Asia
MCEV is an agreed set of DCF calculations that value both the capital of the firm and the value of the business already written
VNB is a measure of the economic value of the profits expected to emerge from new business written in the period where these expected profits are capitalised back to the reporting date
AvivaSA has calculated and used MCEV metrics for years: – **Reported in Aviva accounts since 2008 (including 2007 restatements)** – **It is a KPI on business by channel and product line** – **Integral to business decisions**

Market Consistent Embedded Value
Resilient long-term growth

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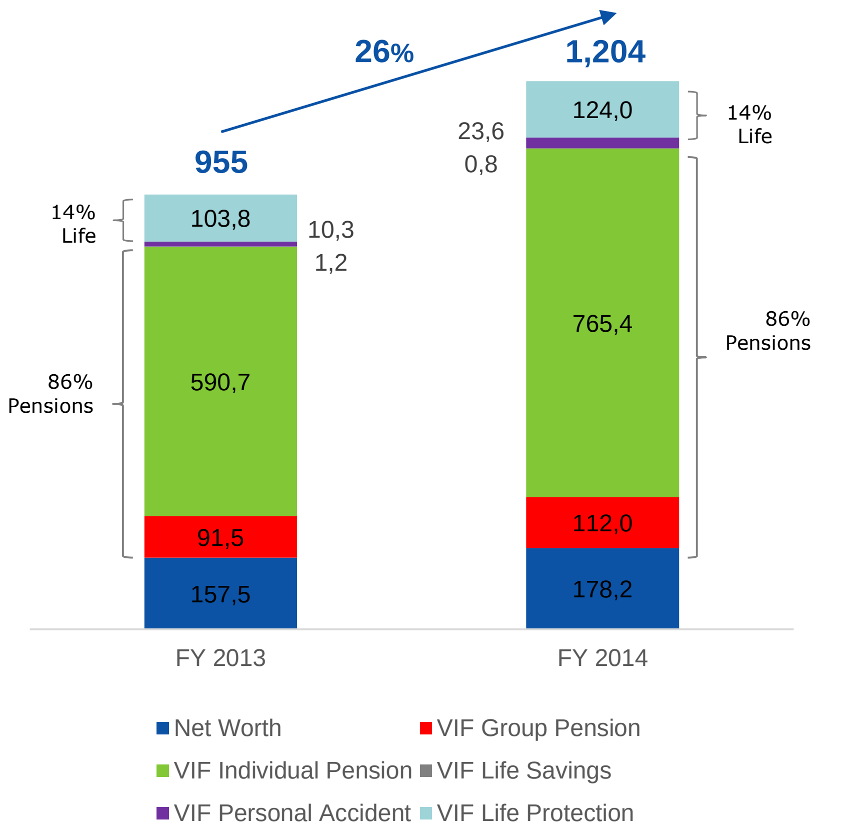
MCEV (TLm)



Comments

- Continued double digit growth of 26% in MCEV reflects the growth in expected future earnings from the in-force book which is driven by VIF
- ...whereas net worth fully absorbs the impact of the new business strain, without giving full credit to the fact that new business written is on profitable terms
- Pensions business remains by far the most significant portion of the in-force book, representing about 86% of the VIF, mainly as a result of the fund management fee applied to the accumulated funds under management
- Growth in life protection VIF will be more pronounced with the introduction of long-term life protection products such as Return of Premium

Source: Company Data

Active Management of VNB to Steer Profitable Growth – VNB Metrics per Segment

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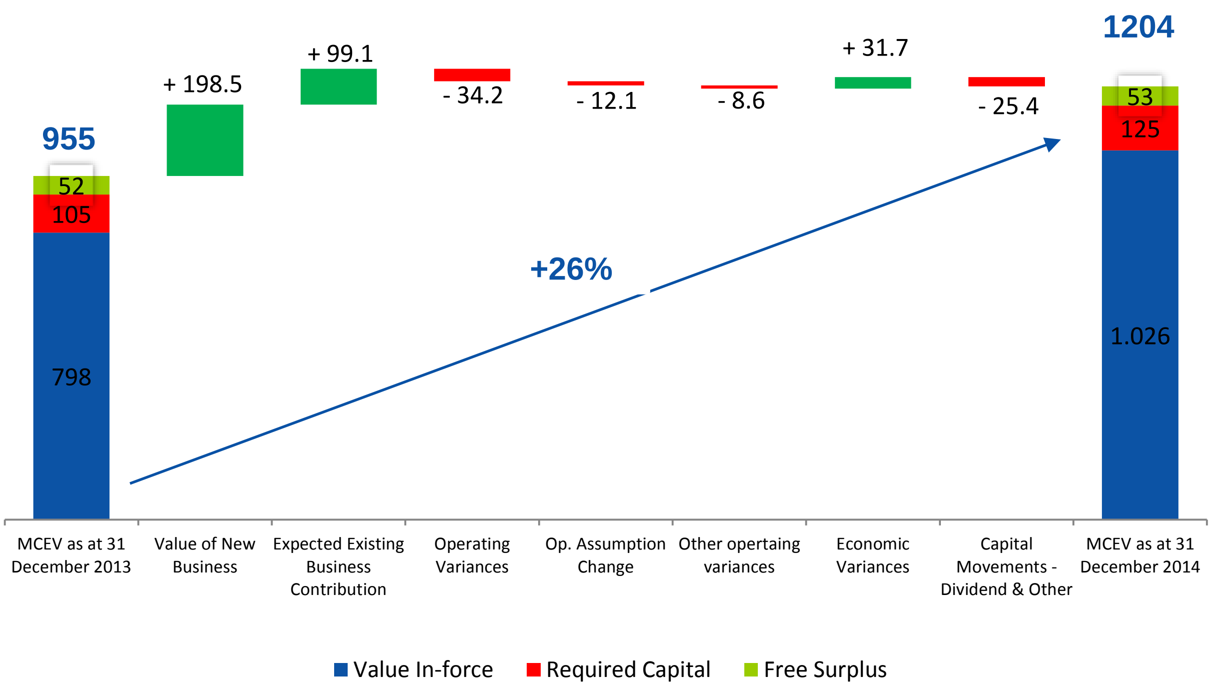
	Pensions		Life Protection		Personal Accident		Total	
	2013	2014	2013	2014	2013	2014	2013	2014
PVNBP (TLm)	3,006.0 *91%*	3,380.3 *91%*	257.6 *8%*	290.0 *8%*	40.6 *1%*	56.6 *2%*	3,304.2 *100%*	3,726.9 *100%*
VNB (TLm)	80.5 *41%*	85.3 *43%*	101.3 *52%*	95.1 *48%*	14.2 *7%*	18.2 *9%*	195.9 *100%*	198.5 *100%*
New Business Margin (%)	2,7%	2,5%	39,3%	32,8%	34,9%	32,1%	5,9%	5,3%
Key Profit Drivers	Product Mix Fees Expenses Commissions Persistency		Product Mix Mortality Morbidity Commissions Persistency		Product Mix Mortality / Morbidity Commissions			

Source: Company data

Drivers of Sustainable MCEV Growth – FY14 Analysis of Earnings

MCEV Reconcilliation (TLm)



- MCEV growth is mainly driven by VNB, a typical characteristic of an emerging market company
- Profits expected from the back-book are the next biggest contributor to MCEV, which are expected to grow with scale over time
- Negative operating variances are driven mainly by one-off costs and weak lapse experience of the long-term regular premium credit linked business. For pensions persistency; although there were higher than expected number of contracts, a greater proportion of these stopped paying contributions leading to a negative impact
- Other operating variance is in respect of a modelling improvement of the pension State Contribution
- Lower Turkish Lira swap curve year-on-year has increased the present value of fee income received from pension business leading to positive economic variances
- Any capital movements, such as dividends are allowed to get to the closing MCEV balance sheet

Source: Company data

Embedded Value Sensitivities

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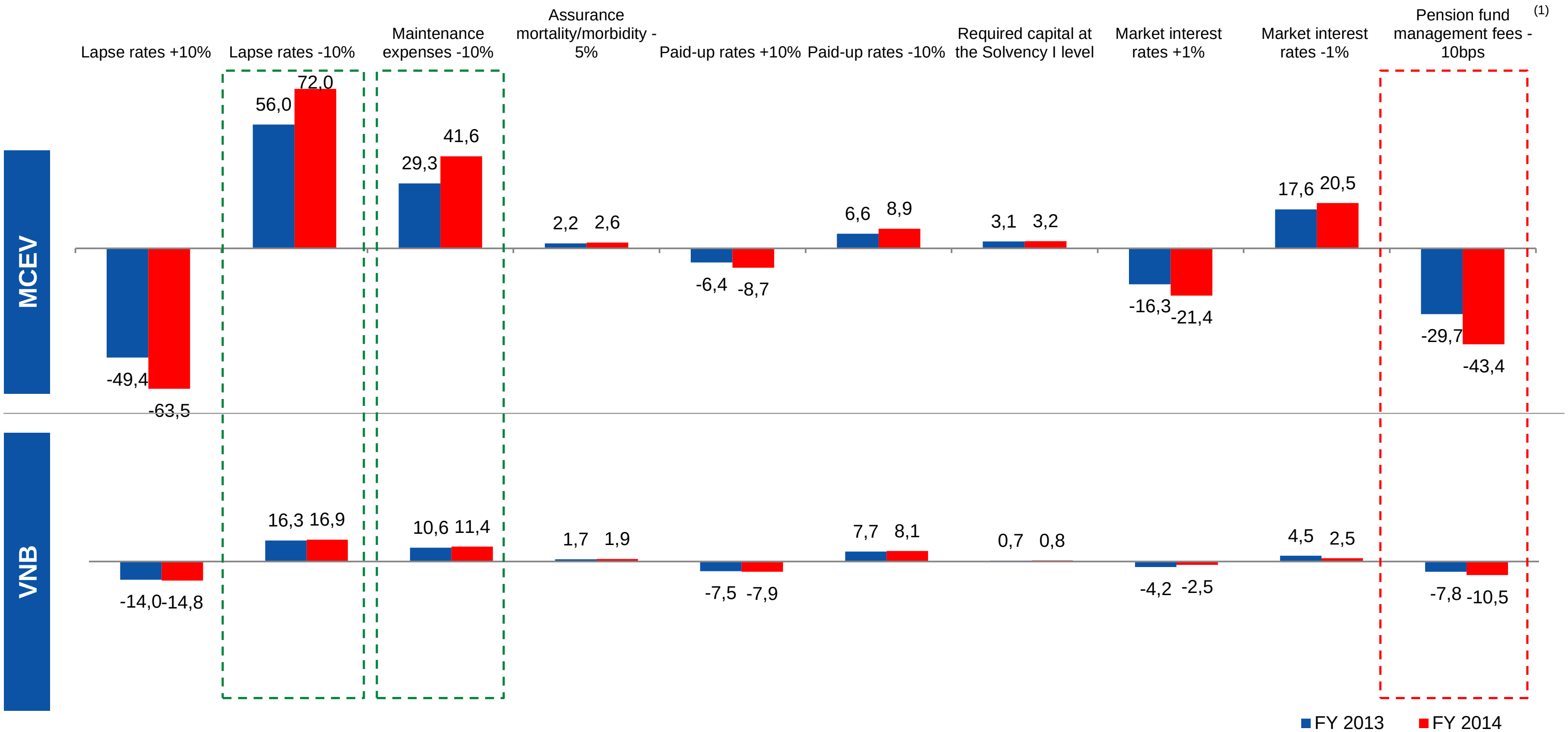
Sensitivities (TLm)



Source: Company data.
(1) Expected to kick-in at 2016

Appendix – Financial Section

Pension Retention and Persistency at the Forefront of our Strategy

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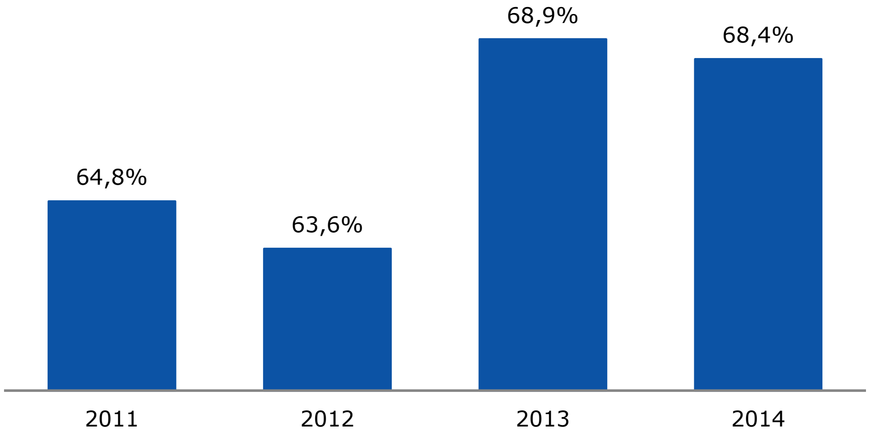
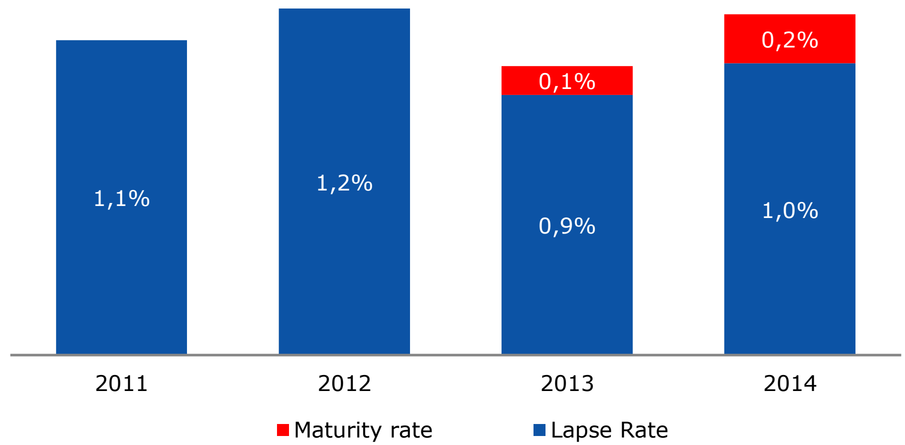
Collection Rate(1) (%)



Total Monthly Exit Rate(1) (Lapse + Maturity) (%)



- Government incentives for pension were introduced in 2012 and 2013 and AvivaSA campaigns and actions to improve collection rates were successful
- AvivaSA seeks to further increase policy persistency through enhancements to its customer service offering, in particular by establishing a more refined customer segmentation and management model and leveraging further channel integration with CRM infrastructure support
- AvivaSA is trying to enhance its retention through:
  - Remuneration model and performance management system includes persistency metrics
  - VIP customer visit procedure and quality control calls for visits
  - Customer Loyalty Program
  - Differentiated Orphan Customer management program
  - Regular "Retention Committee" meetings
  - Regular customer communications and specialized services including fund returns
  - Advantageous pension product offer to top segment customers
  - Automatic renewal process for stand alone life products

Source: Company information, IFRS and segmental reporting.
Note: (1) Based on information sourced from the operating system of the company and presented on an indicative only basis.

Capital-Light Business Model with Strong Solvency Position

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✓ Top tier solvency ratios driven by a measured approach to risk and new product introductions, which affords the business scope and flexibility pursuing growth options and / or returning cash to shareholders

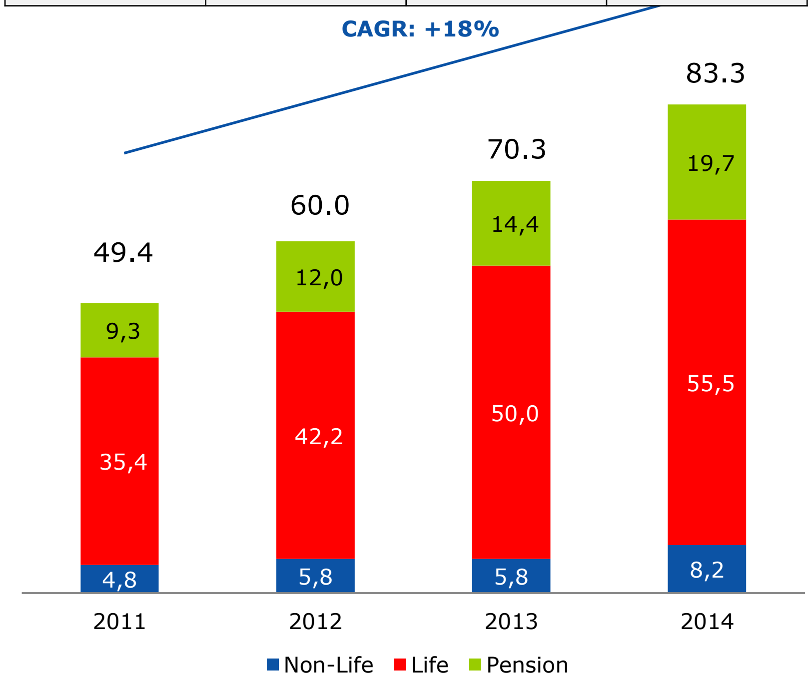
Regulatory Capital Requirement

Calculation of net assets to cover solvency margin	December 31			
	2011	2012	2013	2014
Total regulatory capital (Statutory Reporting)	155.2	174.8	166.3	187.3
Intangible assets	-	-	-	-
Deferred tax asset	-	-	-	-
A **AvivaSA net assets**	**155.2**	**174.8**	**166.3**	**187.3**
B **AvivaSA Required Capital**	**49.5**	**60.0**	**70.3**	**83.3**
AvivaSA guarantee fund	16.5	20.0	23.4	27.7
Surplus of net assets in excess of Required Capital	**105.8**	**114.9**	**96.0**	**104.0**
Surplus of net assets in excess of guarantee fund	138.7	154.8	142.9	159.6

Required Capital (TLm)

A/B

Solvency Ratio			
314%	291%	237%	225%



Source: Company information.

Reconciliation between IFRS vs. Statutory Profit for the Year

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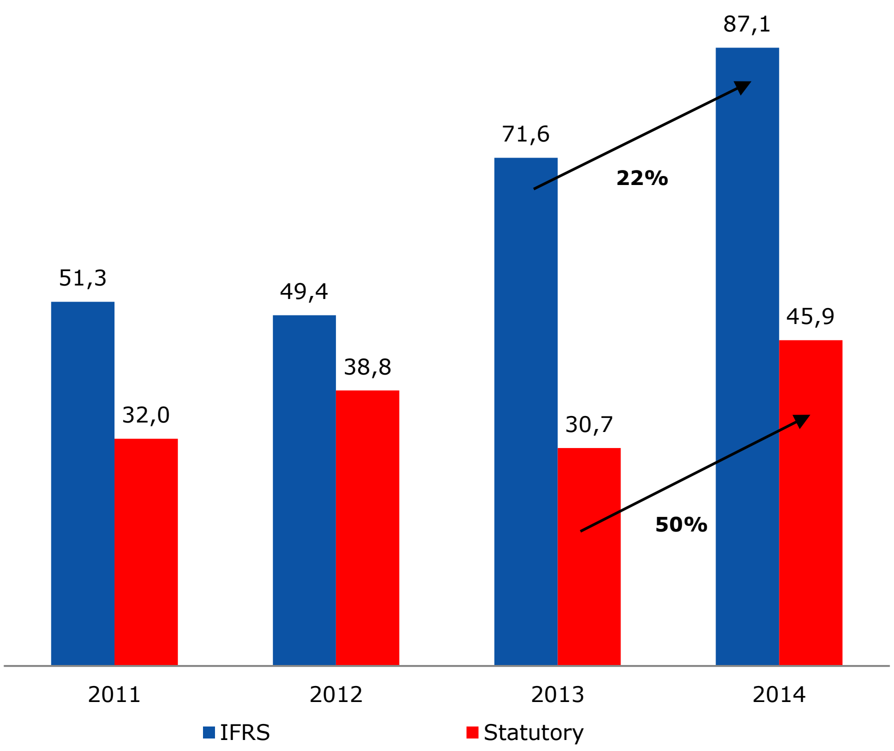
IFRS vs. Statutory Profit for the Year (TLm)



Source: Company information.

Profit for the Year Reconciliation (TLm)

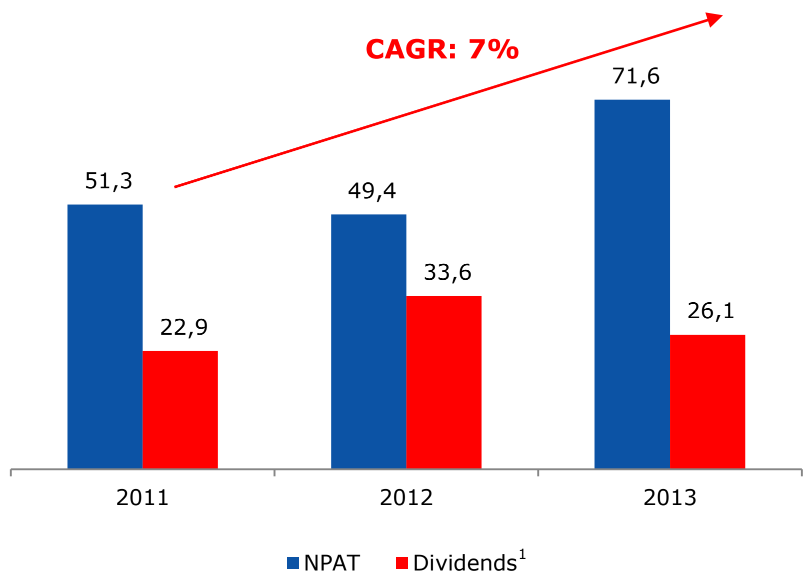
	2011	2012	2013	2014	CAGR
IFRS Profit for the Year	**51.3**	**49.4**	**71.6**	**87.1**	**+19%**
Equalisation Reserve write-off	(1.6)	(2.1)	(2.7)	(0.3)	(43%)
Deferred Tax	4.4	2.1	11.8	10.3	+33%
Change in Deferred Asset Costs	(22.1)	(10.6)	(49.9)	(51.2)	+32%
Statutory Profit for the Year	**32**	**38.8**	**30.7**	**45.9**	**+13%**
Total Difference	*19.3*	*10.6*	*40.9*	*41.2*	

Flexible Dividend Policy Focused on Growth

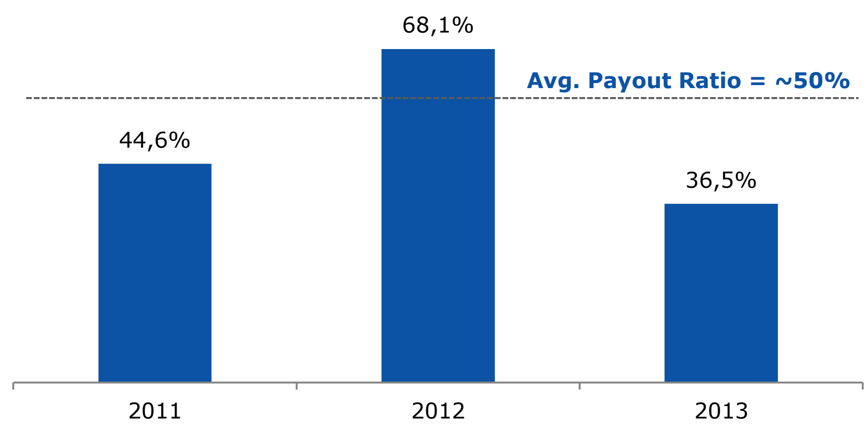
Dividend Policy

- Objective set amongst core shareholders to aim at distributing ~50% of AvivaSA's Turkish GAAP-based distributable profit
- Current focus however is on increasing the scale of operations and therefore near-term priority is to reinvest in the business and create long term shareholder value
- To this end, AvivaSA will maintain an active dividend policy and will take into account, before setting its dividend for the year, a range of factors incl. its financial condition, strategic plans, relevant sectorial, local / global conditions

Dividends Paid (TLm)



Dividend Payout Ratio



Source: Company information. (1) Dividends shown are paid the following year.

Appendix – Business Section

Pensions Supported by Government Initiatives with a Long-term Vision

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Government Initiatives

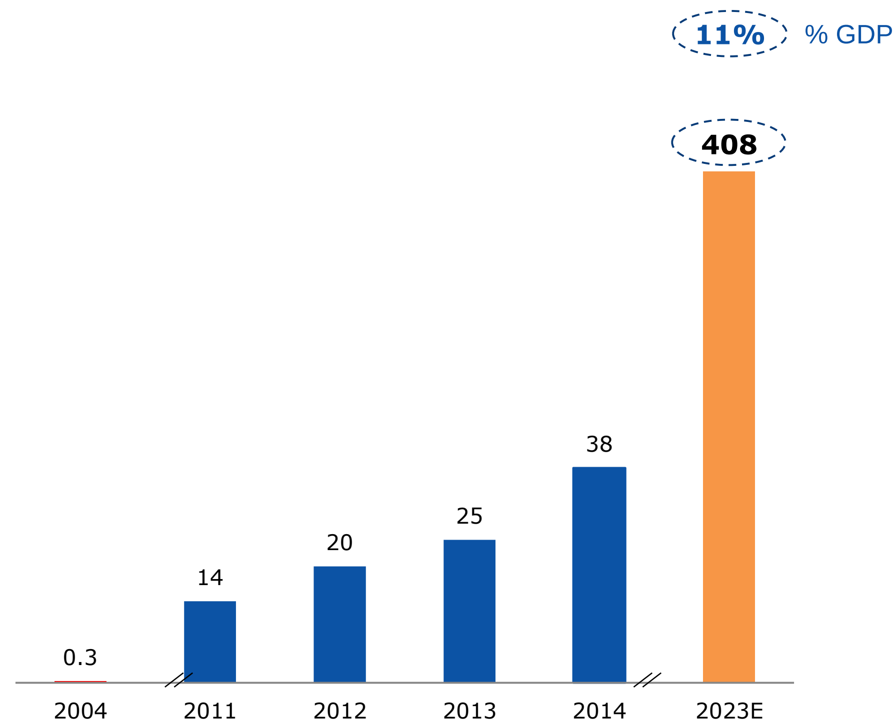
Implemented

- Creation of Private Pension System in 2001
- State matching contribution (since 1.1.13)
- Lower fee caps (since 1.1.13)
- New tax regime (foundations and trust funds)
- More flexibility at retirement and wide fund offering

Under discussions / Potential

- Severance payments
- State auto-enrolment
- Mandatory private pension (Pillar 2)

Industry AUM Evolution (TLbn)



✓ Turkish Insurance Association expects TL408bn total AUM by 2023 assuming mandatory Pillar 2 is introduced

Source: EGM, OECD, IMF, TSB 2023 vision, Press release, Turkstat.

A Supportive Pension Legislation in Evolution for the Benefit of Long-term Sustainable Growth

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Overview of the Private Pension System

Legal framework	➢ Individual Pension System introduced in 2001, with the first licensed player operating in October 2003 ➢ Established as supplementary Pillar 3 system with Pension Law and regulated by the Undersecretariat of Treasury (UoT) and the CMB
Eligibility	➢ Any employee >18 years old can join on a voluntary basis ➢ Can retire once > 56 years old and after 10 years of contribution ➢ Pension savings can be distributed as a lump sum payment, income drawdown or annuity plan
Taxation	➢ Tax charged only on investment income at decreasing rates: 15% if up to 10 years in the system; 10% if 10+ years and <56y.o.; 5% at retirement or death/disability ➢ Employer contributions deductible from corporate tax

Fees Structure since 1st January 2013

Entrance fees

Exit year	0-3	3-6	6-10	10+
% of Gross Min. Monthly Wage	*75%*	*50%*	*25%*	*0%*

Management fees

➢ Maximum 2% of contributions made by participants

Fund Management fees

➢ Maximum between 1.095% and 2.28% of the relevant fund's net asset value (depending on the type of fund)

Premium holiday fees

➢ TL2 monthly if non contributing for >3 months

State-Matching Contribution since 1st January 2013

➢ *Since 1st January 2013, Government matches 25% of the annual contribution paid by participants, subject to the gross annual minimum wage*

➢ *State contribution is vested at increasing rates depending on exit window (100% if >10 years of contribution and retiring at >56 years old)*

State Contribution

Exit year	0-3	3-6	6-10	10+/ < 56 y.o.	10+/ >56 y.o.
% Vested	*0%*	*15%*	*35%*	*60%*	*100%*

Potential Changes

Auto Enrolment

- Aimed at expanding the reach of the private pension system
- Employees will be able to opt out when they wish
- A pilot project started this year

Severance Payments

- Changes to the employee indemnities are currently being considered
- Under the Draft Law on Severance Payments Funds, employers would be required to withhold and deposit 4% of monthly gross salary to an indemnity fund formed by pension companies
- If enacted it would direct mandatory payments to pension funds and significantly contribute to the growth of the pension market

Fee Levels *(also see following page)*

- The Treasury's proposal may result: (i) a reduction of maximum management fees and (ii) possibility to introduce additional performance-based fees by 2015
- By implementing such new cap, we understand that the UoT might be trying to target an average fund management fee of 0.82% for the sector

Regulatory Environment Evolves, Supporting Growth and Persistency

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		Up to 2012	From January 2013	From 2015 onwards
Framework		➢ Private pension system launched as voluntary, fully funded and defined-contribution plans ➢ Retirement age at 56 ➢ Funds are managed by separate asset management companies	➢ New regulations to spur participation and persistency: State contribution and lower fee caps ➢ New draft regulations proposed in April '14 and has been under industry consultation since	➢ *New draft regulation currently discussed with the industry could introduce performance-based fees and new reduction of fund management fee caps*
Main Fees	Entry	➢ Max limit is ½ gross monthly min. wage	➢ Max limit is 0% to 75% of gross monthly min. wage depending on exit years	➢ *Potential implementation of new proposal* – *New fees on fund performance* – *New cap reduction on fund management fees* ➢ *Not able to quantify nor measure likelihood of implementation*
	Mgmt	➢ Max 8% contributions	➢ Max 2%	
	Fund Mgmt	➢ Max: 3.65% annual NAV	➢ Max: 1.09% annual for money market / 1.91% for fixed income / 2.28% for equity	
Incentives		➢ Tax incentives	➢ **25% matching contribution from the Government (subject to vesting period)** ➢ Tax charged based on vesting period	➢ *State contribution confirmed to continue*

Note: For more information see Appendix.

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