Presentation to Investors

May2015 – (2015Q1)

AvivaSA at a Glance: Unique Positioning and Attractive Business Model

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

Established in 2007 as a joint venture, after the merger of Ak Emeklilik and Aviva Hayat

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

Leading Life and Pension Player in Turkey

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Unique demographic profile: second largest country in Europe (76million) with almost 50% under 30 years old

Turkey's attractive growth and demographics

#2
Pension

#1
Corporate Pension

- 19% market share
- ~761k participants; 7,6 billion TL AUM (Q1 2015)
- 34% cagr in terms of AUM (2011-2014 / last 3 year)
- #1 Corporate Pension: Market leader in corporate pensions with %27 market share

#6
Life Protection

- 7% market share (2014)
- TL197m GWP (2014) and ~1.5m customers
- 33% GWP cagr (2011-2014 / last 3 year)

#2
Personal Accident

- 19% market share (2014)
- TL45m GWP (2014) and ~0.5m customers
- 19% GWP cagr (2011-2014 / last 3 year)

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

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

Exclusive 15-year distribution agreement

Bancassurance
\# Branches Akbank: 973
Akbank sales coaches: ~ 400
Total PVNBP: 637m (52%) Q1 2015

Agencies
\# Agencies: ~ 190
Total PVNBP: 192m (16%) Q1 2015

Fastest growing distribution channel

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Key Distribution Channels

Direct sales force (DSF)
\# FAs: ~ 620 (covering 17 cities)
Total PVNBP: 201m (17%) Q1 2015

Largest direct sales force in the sector

Corporate
\# Corporate Sales Team: ~ 30
\# Total PVNBP: 179m (15%) Q1 2015

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

Direct (web+call center)
(Developing)
Total PVNBP: 2m (0.1%) Q1 2015

Source: Data as of 2014

Strategic Objectives Built on AvivaSA Strengths

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

Maintain Leadership and Profitability in Pension

Improve Penetration of Akbank

Deliver Customer Value

Enhance Competitive Positioning & Market Share in Life

Diversifying and Strengthening Non-bank Distribution

Optimise Operational Excellence

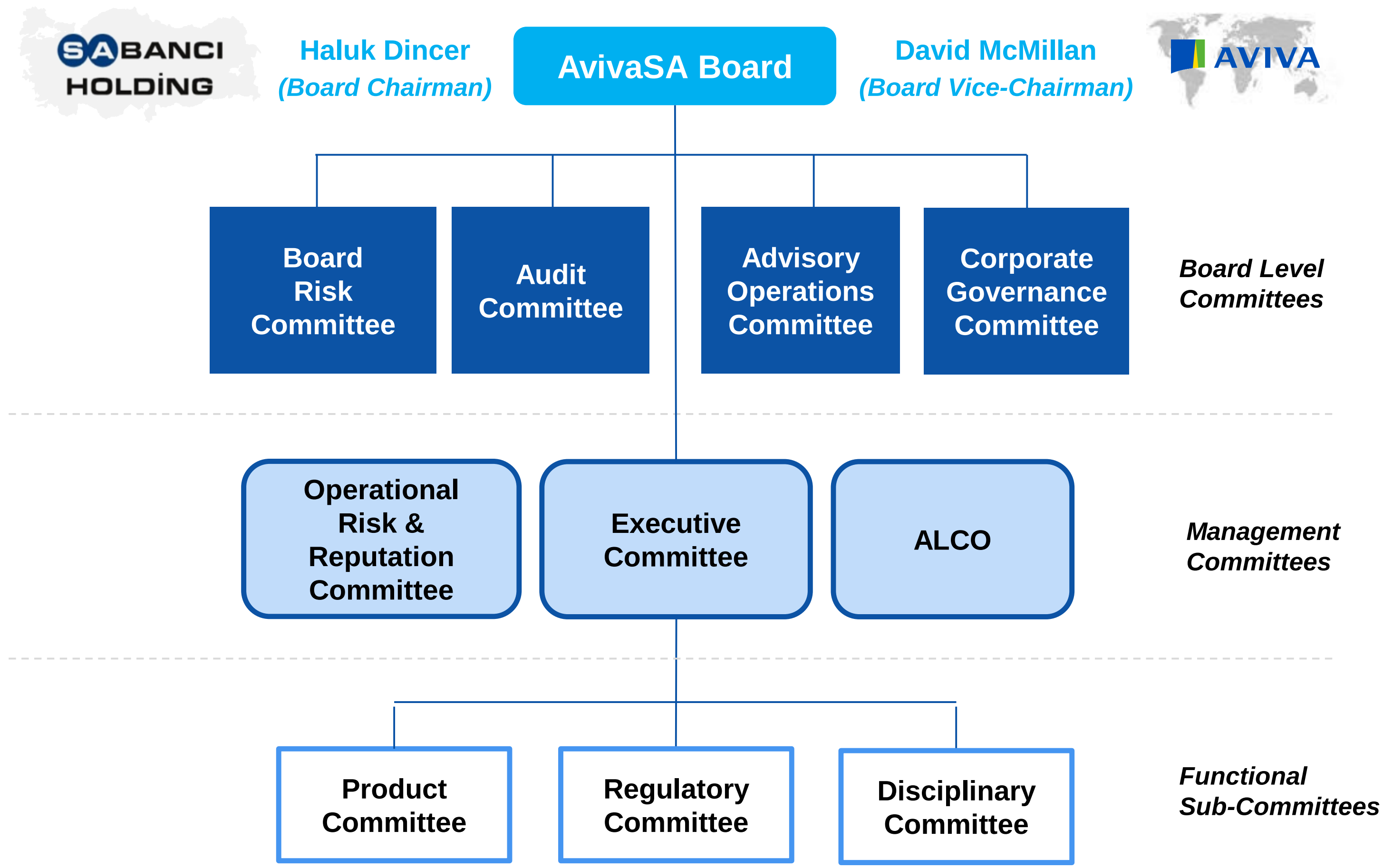
Excellent Corporate Governance

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 have been appointed post-IPO

Governance Structure



Solid Financial Foundations and Historical Track Record of Value Creation

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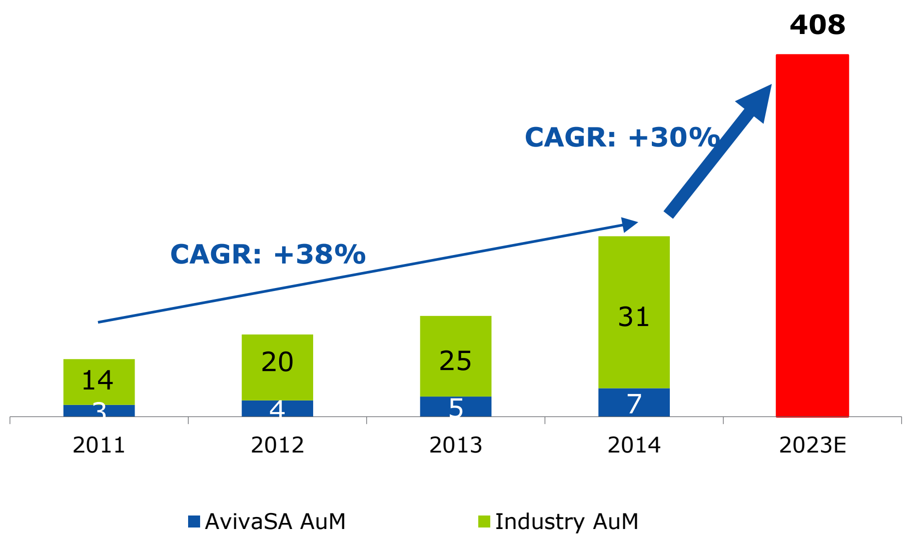
	2015 Q1	YOY/Δ	
Pension Contributions	437mTL	108%	• Top line volumes of both pension and life growing at rapid pace in the past 3 years • Pension contributions driving business to profitable scale • Increasing penetration of life driven by Akbank partnership
Total AUM	7.6bTL	41%	
Total GWP (Life+PA)	54mTL	4%	
Total Technical Profit	67mTL	24%	• Steady increase thanks to pension scalability and life segments
Expense Ratio(1)	8.9%	5,2 pts (yoy)	• Steady fall in cost ratio from 14.1% in 2014Q1 to 8.9% as efficiency improves
Profit for the Period	29mTL	35%	• Track-record of profitable growth
ROE	34%		• One of the leaders in sector ROE at 34% (annualized)
Solvency	195%		• Strong solvency I position with capital-light product model • Consistent dividend payment
VNB (Q1 2015)	50mTL	34%	• VNB has grown 34% in q1 2015 yoy basis
MCEV (2014)	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.

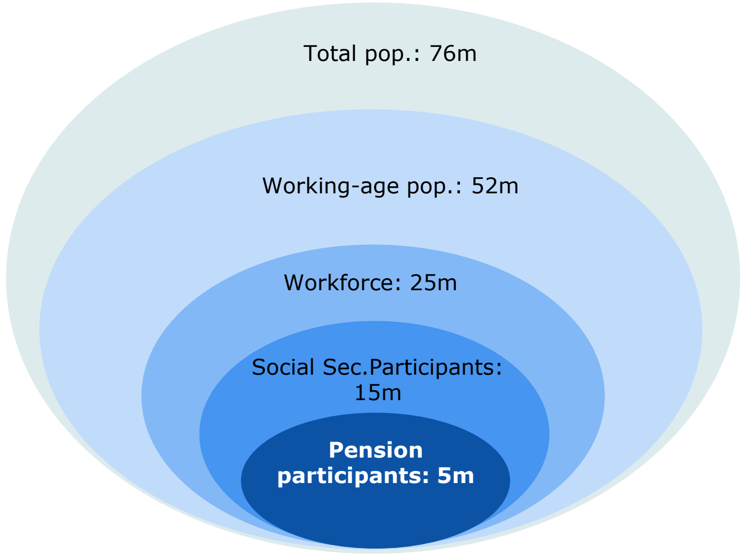
Leading Fast Growing Pension and Life Franchise

Pension – Sustainable Growth and Scale Ambitions

Fast Growing Pension AUM (TLbn)



Underpenetrated Pension Market



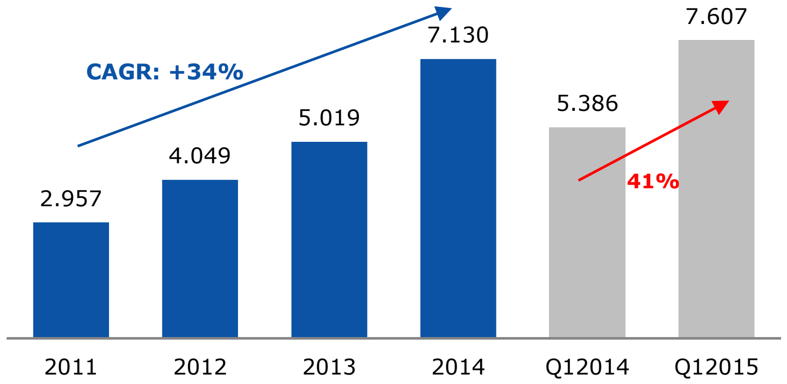
Strong Government Support for Pensions

- To support the Social Security System
- To improve & deepen capital markets
- To increase the saving rate (up to %19)
- To reduce Current Account Deficit

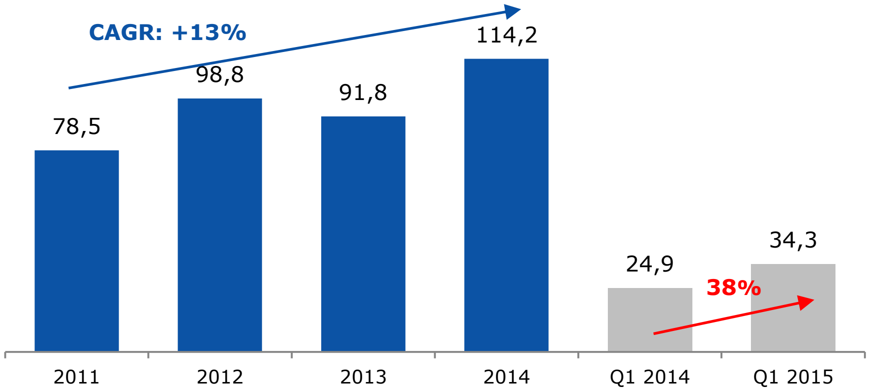
Source: EGM, TSB vision 2023 report, Turkstat.

Pension – Sustainable Growth and Scale Ambitions

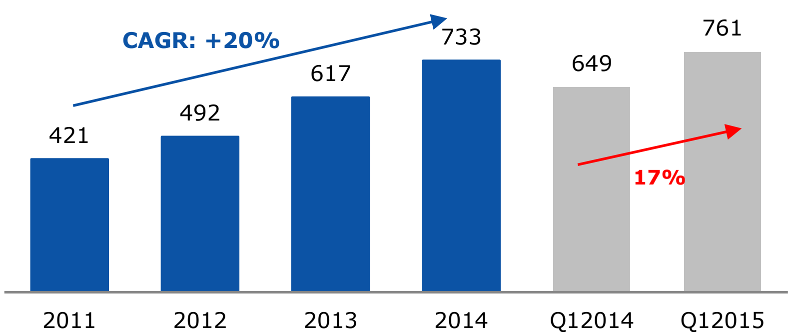
Pensions AUM including State Contribution (TLm)



Technical Profit (TLm)



Number of Participants (x1000)



Market Share Of AvivaSA % (in terms of AUM)

2011	2012	2013	2014	Q1 2014	Q1 2015
20,6	19,9	19,1	18,8	19,0	19,0

Average Case Size / Policy (monthly contribution TL)

2011	2012	2013	2014	Q1 2014	Q1 2015
210	219	237	256	241	266

Life Protection – Sustainable and Resilient Growth Model Fuelled by Bancassurance

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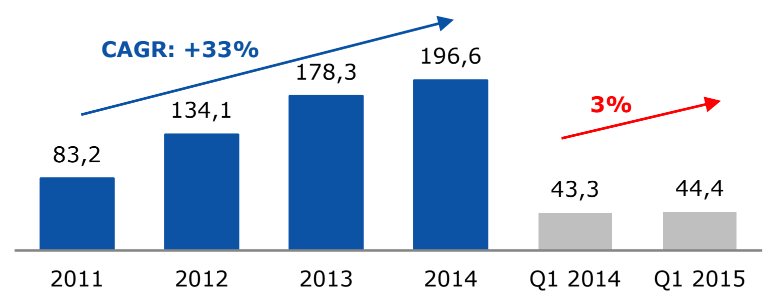
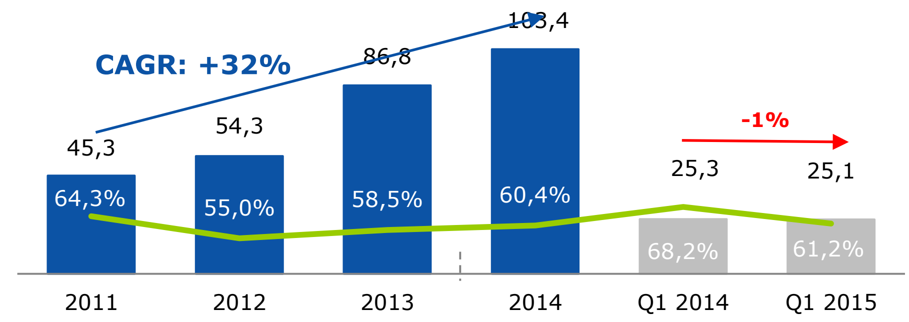
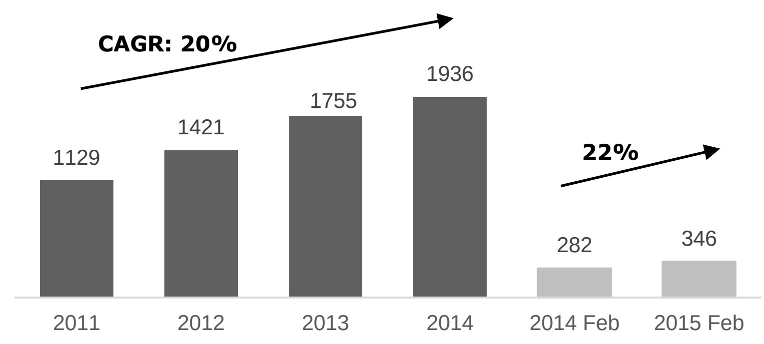
GWP (TLm)



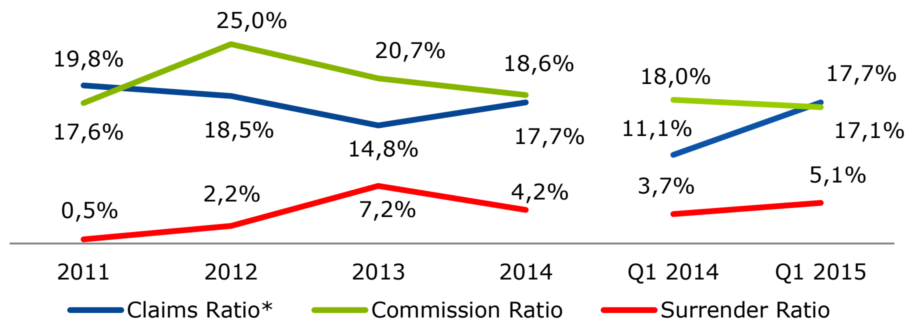
Technical Profit & Margin(1)(TLm, %)



Sector LP (TLm) (Excluding state companies)



Claims and Commission Ratios (%)

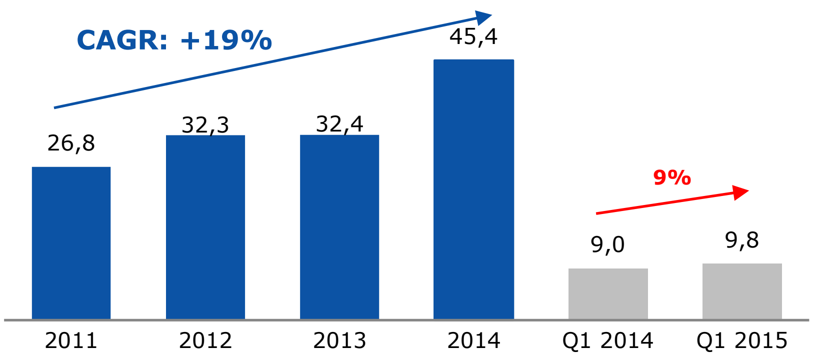


** Exc. Surrender ratio*

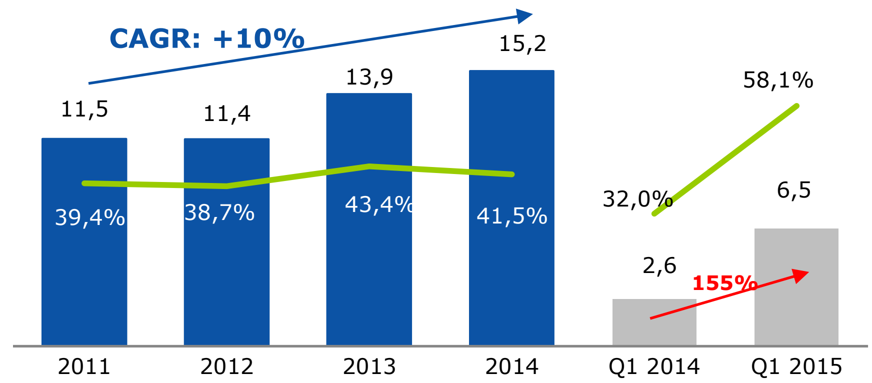
Source: Company information.
Note: (1) Technical Margin calculated as Technical Profit over NEP.

Personal Accident – A Complementary Profit Pool for the Group

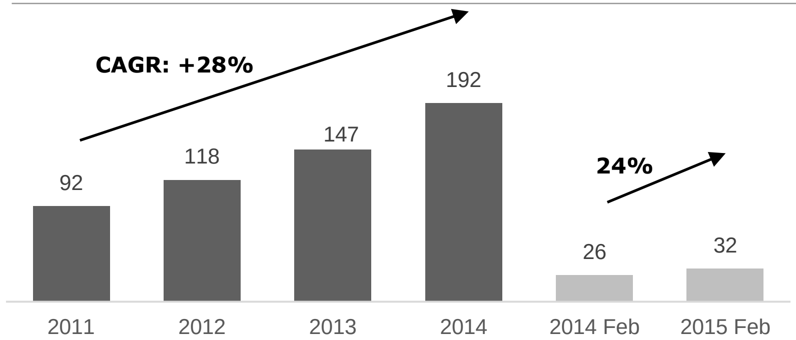
GWP (TLm)



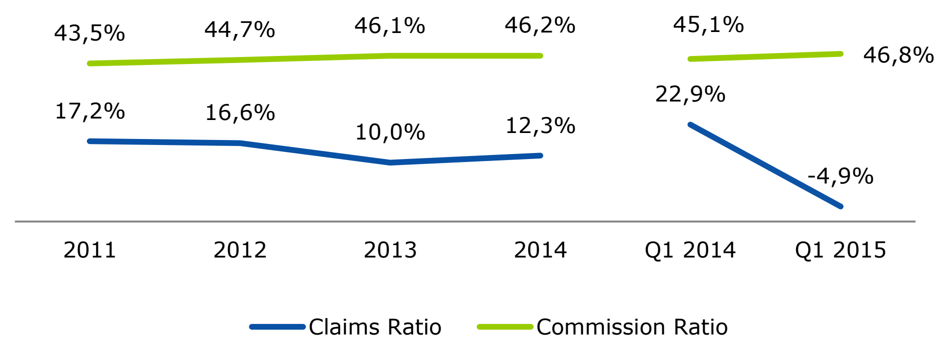
Technical Profit & Technical Margin[(1)] (TLm)



Sector PA (TLm) (Excluding state companies)



Commission & Claims Ratio (%)



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

New Action Plan to Expand Life Protection + Personal Accident

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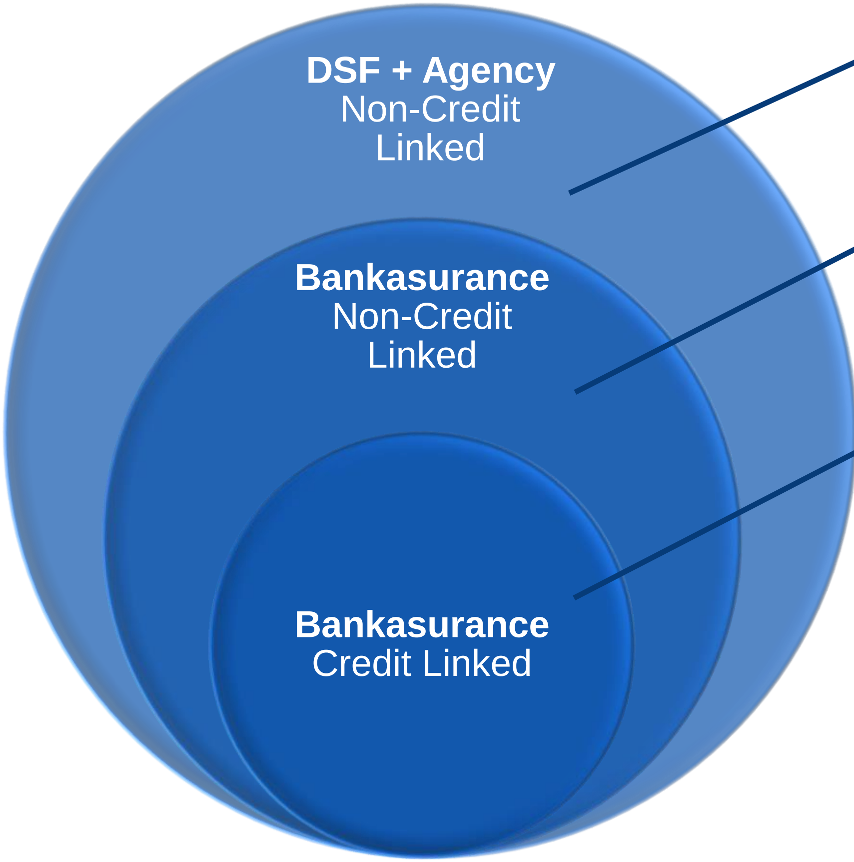
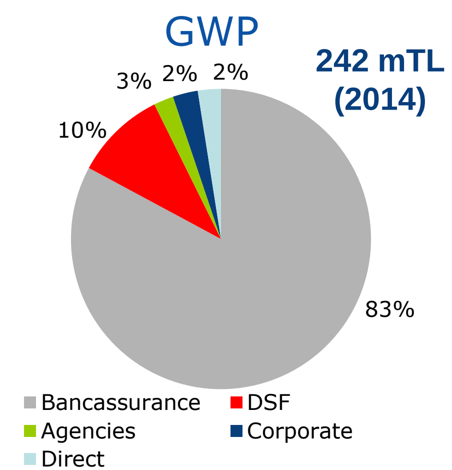
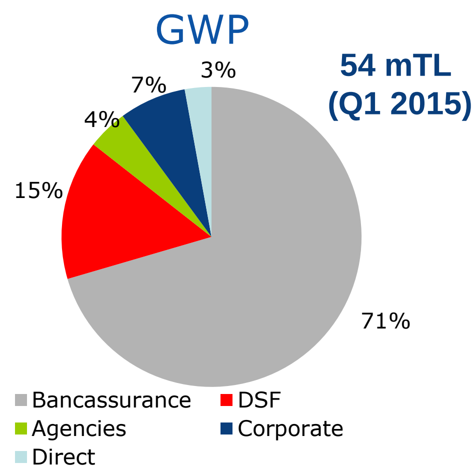


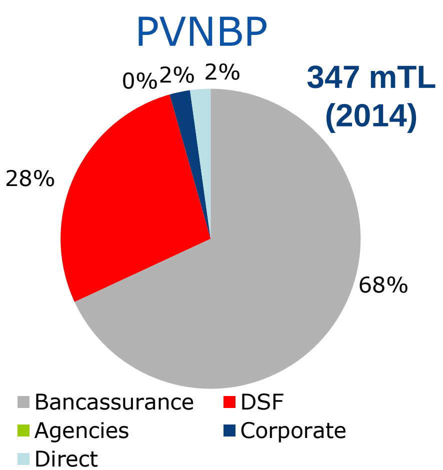
	2014 / 2013 YoY Total Premium Growth Rate	Q1 2015 / Q1 2014 YoY Total Premium Growth Rate	Q1 2015
DSF + Agency Non-Credit Linked	41%	42%	16 mTL (30%)
Bankasurance Non-Credit Linked	32%	6%	12 mTL (22%)
Bankasurance Credit Linked	4%	-13%	26 mTL (48%)
	15% (Total Company)	3% (Total Company)	54 mTL (100%) (Total Company)

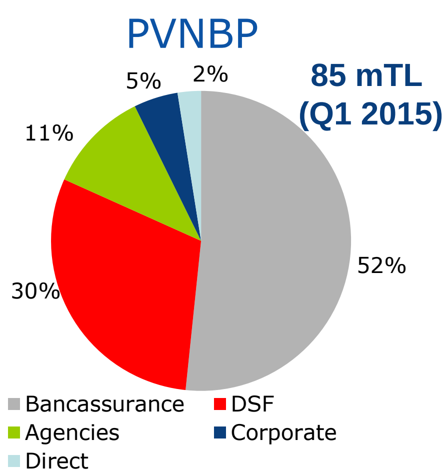
Production by Distribution Channel and by Products

Life + PA
(by distribution channel)

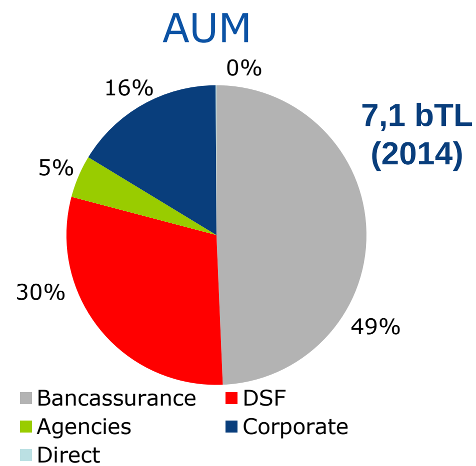


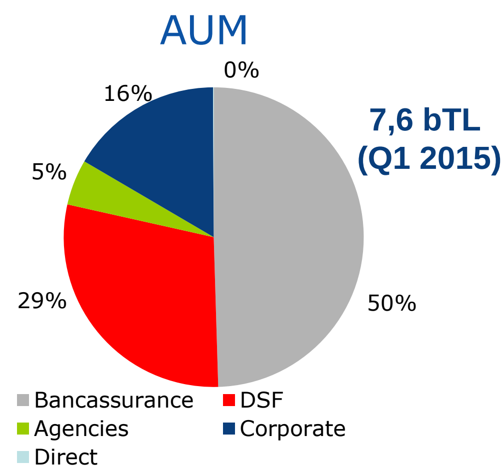


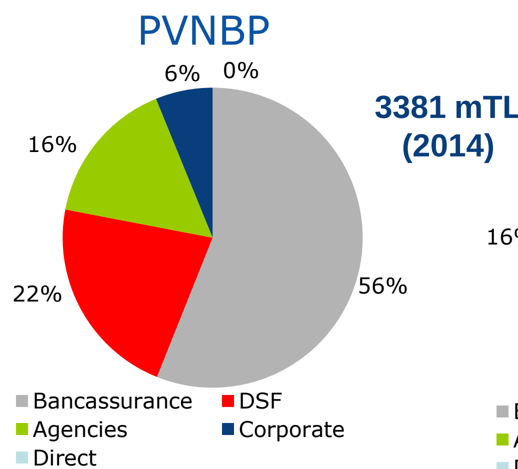


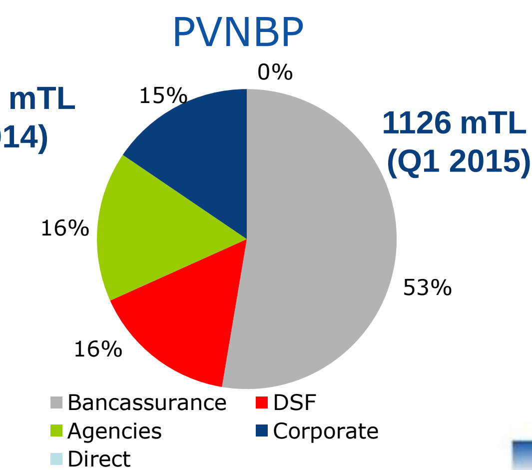


Pension
(by distribution channel)









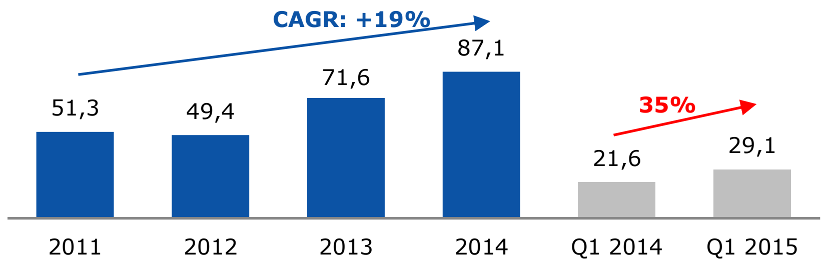
Source: Company information.

Robust Financial Performance

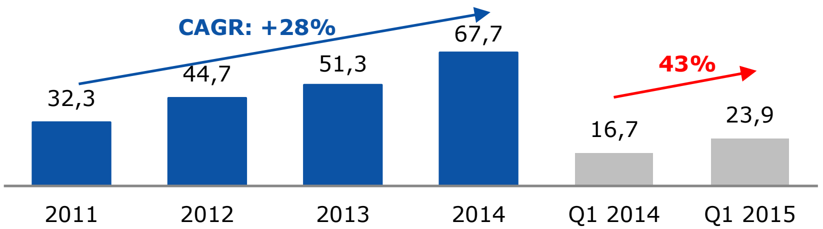
A Story of Solid Profitable Growth

Profit for the Year and ROE (TLm)

ROE (annualized)					
27%	22%	28%	29%	30%	34%



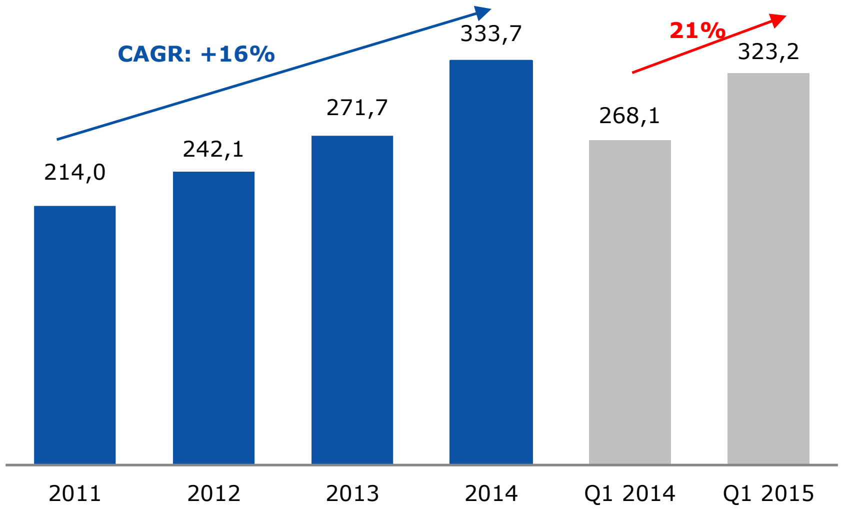
Technical Profit After G&A (TLm) ≈EBIT



- ✓ 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%	214%	195%



- ✓ 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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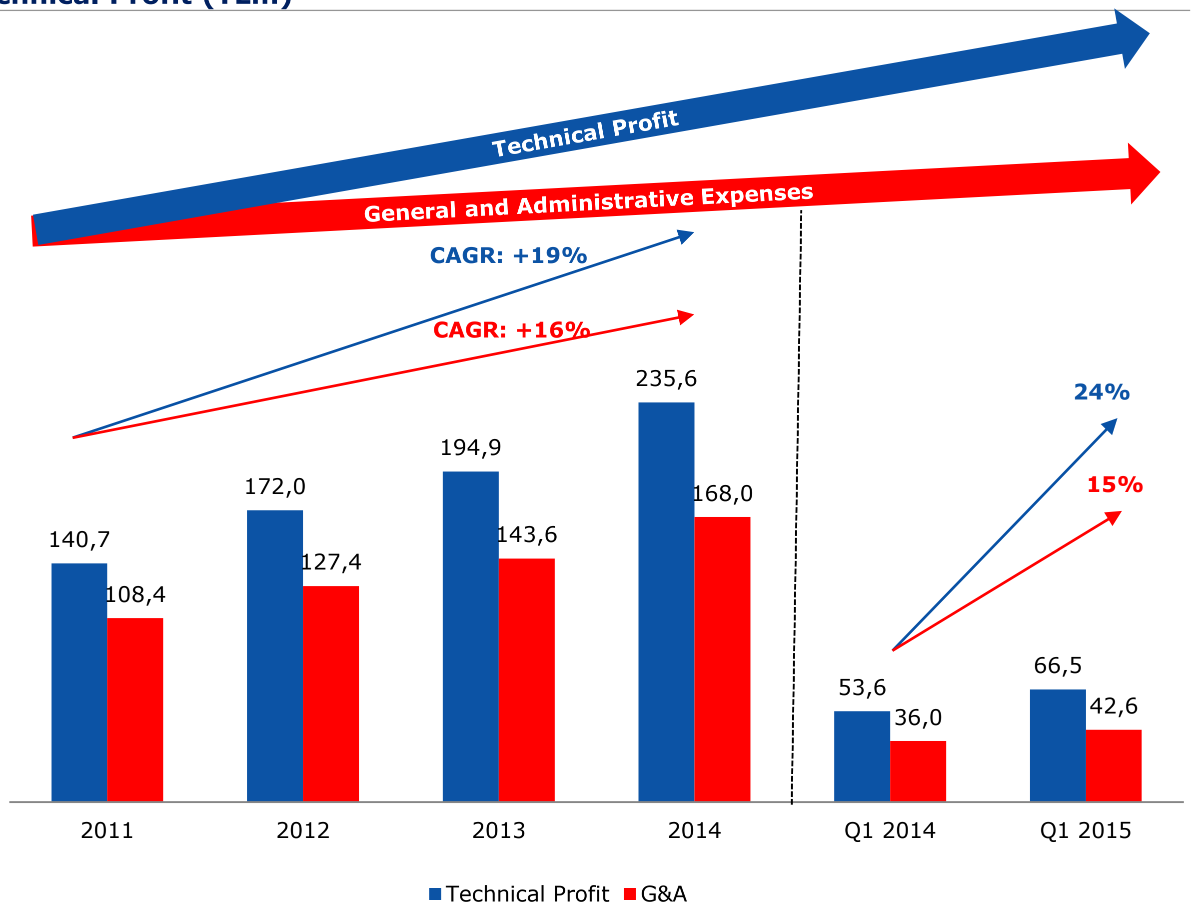
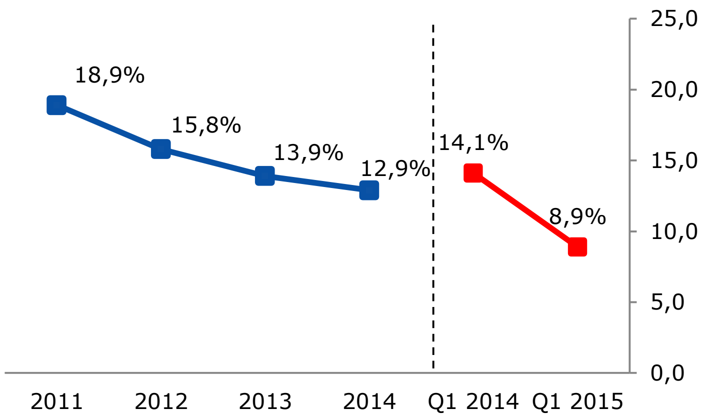
Technical Profit (TLm)

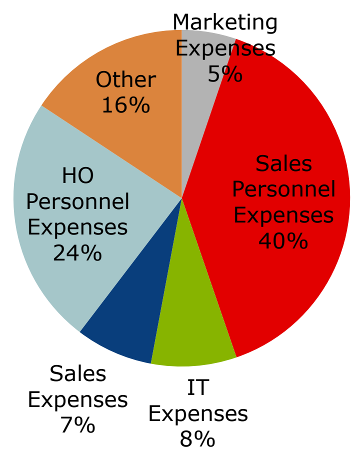


Expense Ratio (%)

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



Split of General Expenses, IFRS



Source: Company information.

Summary of P&L from Segmental Reporting

	2011	2012	2013	2014	CAGR	Q1 2014	Q1 2015	YoY
Pension Technical Profit	78.5	98.8	91.8	114.2	**13%**	24.9	34.3	**38%**
Life Protection Technical Profit	45.3	54.3	86.8	103.4	**32%**	25.3	25.1	**-1%**
Life Savings Technical Profit	5.5	7.5	2.4	2.9	**-19%**	0.9	0.6	**-32%**
Personal Accident Technical Profit	11.5	11.4	13.9	15.2	**10%**	2.6	6.5	**155%**
Total Technical Profit	**140.7**	**172.0**	**194.9**	**235.6**	**19%**	**53.6**	**66.5**	**24%**
General and Administrative Expenses	*(108.4)*	*(127.4)*	*(143.6)*	*(168.0)*	***16%***	*(37.0)*	*(42.6)*	***15%***
Total Technical Profit after G&A Expenses (≈EBIT)	**32.3**	**44.7**	**51.3**	**67.7**	**28%**	**16.7**	**23.9**	**43%**
Total Investment Income & Other	29.8	20.6	39.8	42.2	**15%**	12.1	12.9	**7%**
Profit Before Taxes	62.1	65.2	91.1	109.9	**22%**	28.8	36.8	**28%**
Profit for the Period	**51.3**	**49.4**	**71.6**	**87.1**	**19%**	**21.6**	**29.1**	**35%**

Source: Company information, IFRS and segmental reporting.

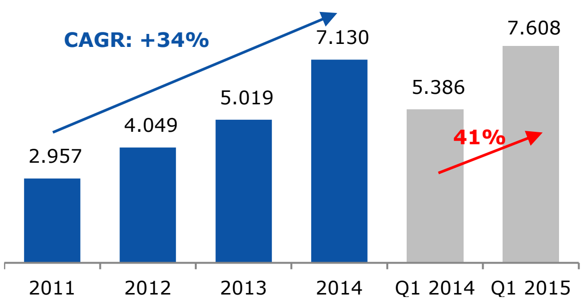
Segment Disclosure

Differentiated Management of Trends and Dynamics per Segment

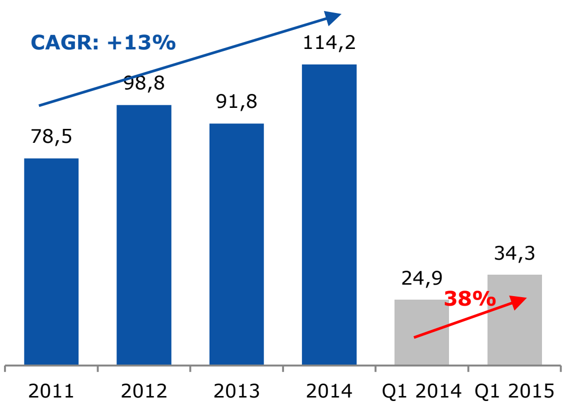
Pension

AUM (TLm)

FMC %					
2,4	2,4	1,8	1,7	1,7	1,7

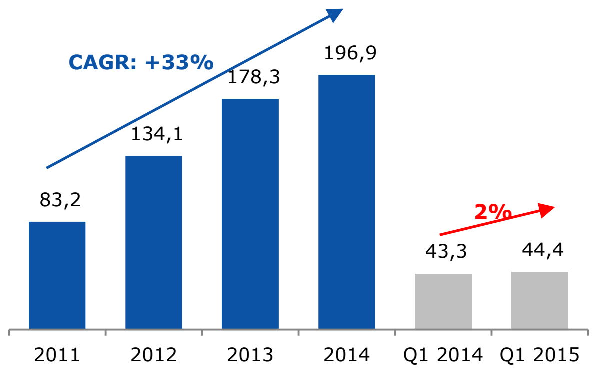


Technical Profit (TLm)



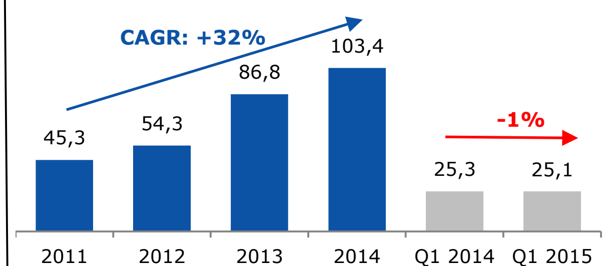
Life Protection

Gross Written Premium (TLm)



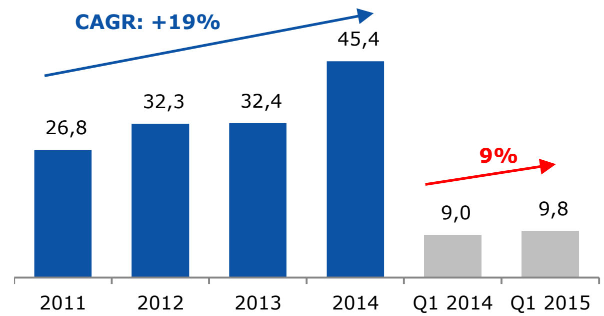
Technical Profit (TLm)

As Of Net Earned Premium %					
64	55	59	60	68	61



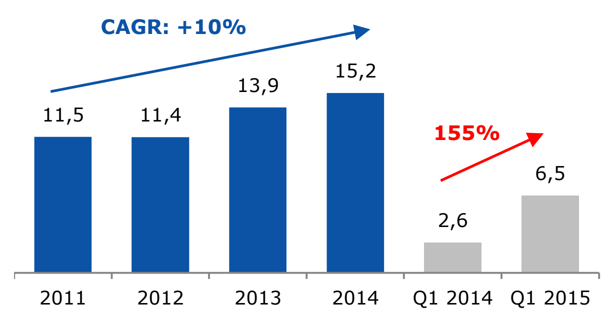
Personal Accident

Gross Written Premium (TLm)



Technical Profit (TLm)

As Of Net Earned Premium %					
39	39	43	41	32	58



Source: Company information.

Pension – Summary P&L

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Pension Technical Profit (TLm)

	2011	2012	2013	2014	CAGR	Q1 2014	Q1 2015	YoY
Fund Management Income[1]	57.5	74.6	69.0	87.0	**15%**	19.0	25.5	**34%**
Management Fee[2]	28.3	32.0	17.9	30.9	**3%**	5.6	8.6	**53%**
Entrance Fee Income[3]	15.8	20.0	30.4	35.7	**31%**	8.8	11.0	**26%**
Other Income/(Expenses)	(4.4)	(5.4)	(5.8)	(7.4)	**19%**	(1.7)	(1.7)	**5%**
Net Commission Expenses (of which)	(18.7)	(22.4)	(19.6)	(32.0)	**20%**	(6.8)	(9.1)	**34%**
- Commission Ex.	(31.0)	(29.1)	(56.6)	(70.2)	**31%**	(16.7)	(20.6)	**24%**
- DAC	12.3	6.7	37.0	38.2	**46%**	9.9	11.5	**17%**
Technical Profit	**78.5**	**98.8**	**91.8**	**114.2**	**13%**	**24.9**	**34.3**	**38%**

Key Profit Drivers

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

✓ 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

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

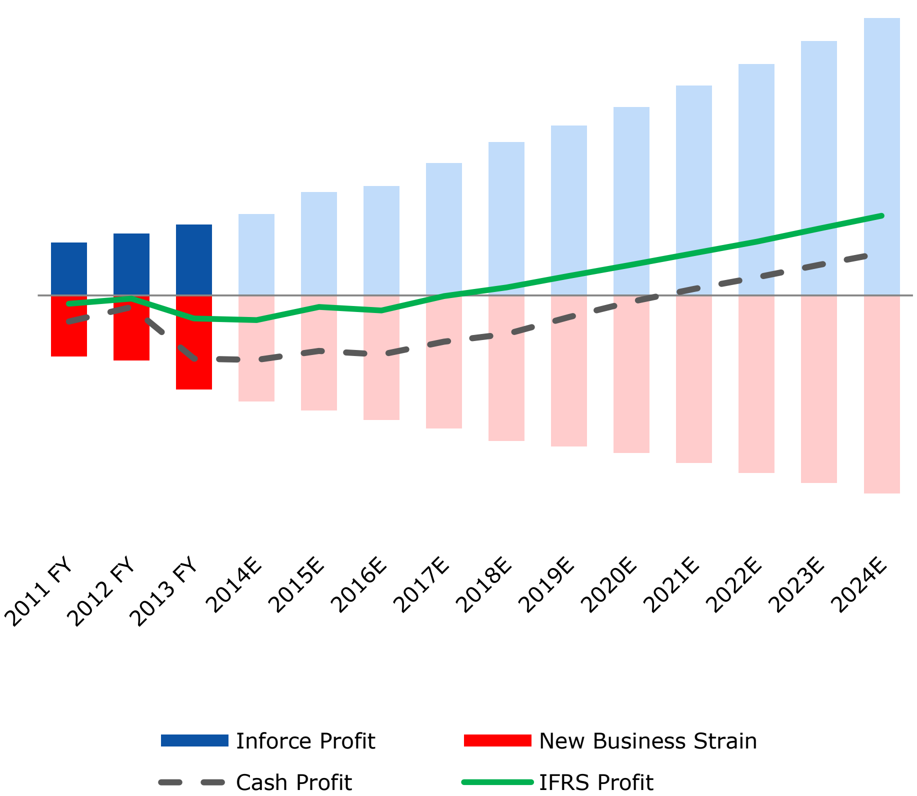
Pension – Reaching Profitability through Scale

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	Q1 2014	Q1 2015	YoY
Gross Written Premiums	83.2	134.1	178.3	196.6	**33%**	43.3	44.4	**2%**
Earned Premiums	70.4	98.6	148.3	171.1	**34%**	37.1	41.0	**11%**
Total Claims	(14.4)	(20.5)	(32.7)	(37.5)	**38%**	(5.5)	(9.3)	**71%**
Claims Ratio	*20.4%*	*20.8%*	*22.0%*	*21.9%*		*14.8%*	*22.8%*	
Commission Expenses	(11.2)	(22.7)	(27.8)	(29,4)	**38%**	(6.2)	(6.5)	**4%**
*Commission Ratio**	*17.6%*	*25.0%*	*20.7%*	*18.6%*		*18.0%*	*17.1%*	
Other Income/(Expense), Net	0.4	(1.1)	(1.0)	(1.0)		(0.1)	(0.1)	
Technical Profit	**45.3**	**54.3**	**86.8**	**103,4**	**32%**	**25.3**	**25.1**	**-1%**
Technical Margin	*64.3%*	*55.0%*	*58.5%*	*60.4%*		*68.2%*	*61.2%*	

Key Profit Drivers

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

✓ Q1 2014 saw a particularly low claims ratio, which was normalised at full year. Correcting for this, underlying technical growth would be around 10%.

Source: Company information, IFRS and segmental reporting.
* Claims ratio = Commission Paid / Gross Writen Premium

Personal Accident – Summary P&L

Personal Accident Technical Profit (TLm)

	2011	2012	2013	2014	CAGR	Q1 2014	Q1 2015	YoY
Gross Written Premiums	26.8	32.3	32.4	45.4	**19%**	9.0	9.8	**9%**
Earned Premiums	29.1	29.6	32.1	36.6	**8%**	8.0	11.2	**40%**
Total Claims	(5.0)	(4.9)	(3.2)	(4.5)	**-3%**	(1.8)	0.5	***128%***
Claims Ratio	*17.2%*	*16.6%*	*10.0%*	*12.3%*		*22.9%*	*(4.9%)*	
Commission Expenses	(12.6)	(13.2)	(14.8)	(16.9)	**10%**	(3.6)	(5.2)	**46%**
*Commission Ratio**	*43.5%*	*44.7%*	*46.1%*	*46.2%*		*45.1%*	*46.8%*	
Other Income/(Expense), Net	(0.0)	(0.0)	(0.2)	(0.0)		(0.0)	(0.0)	
Technical Profit	**11.5**	**11.4**	**13.9**	**15.2**	**10%**	**2.6**	**6.5**	**155%**
Technical Margin	*39.4%*	*38.7%*	*43.4%*	*41.5%*		*32.0%*	*58.1%*	

✓ Q1 2015 claims amount turned positive due to reserve releases, which in boosted technical profit. Correcting for this, the underlying technical profit growth would be around 70%

Source: Company information, IFRS and segmental reporting.
* Claims ratio = Commission Paid / Gross Writen Premium

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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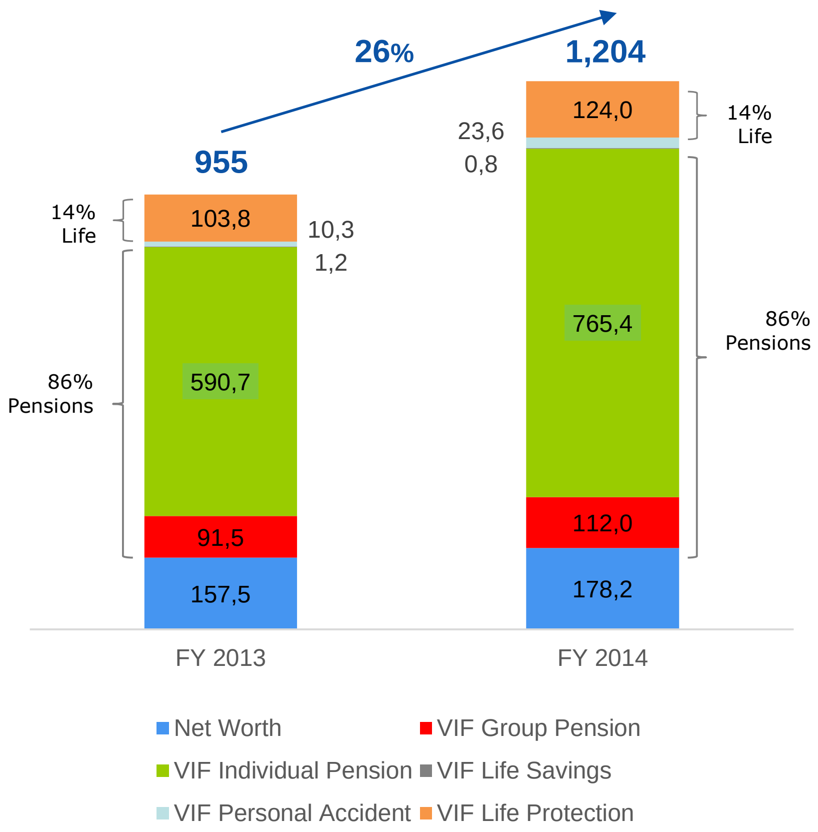
MCEV (TLm)



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

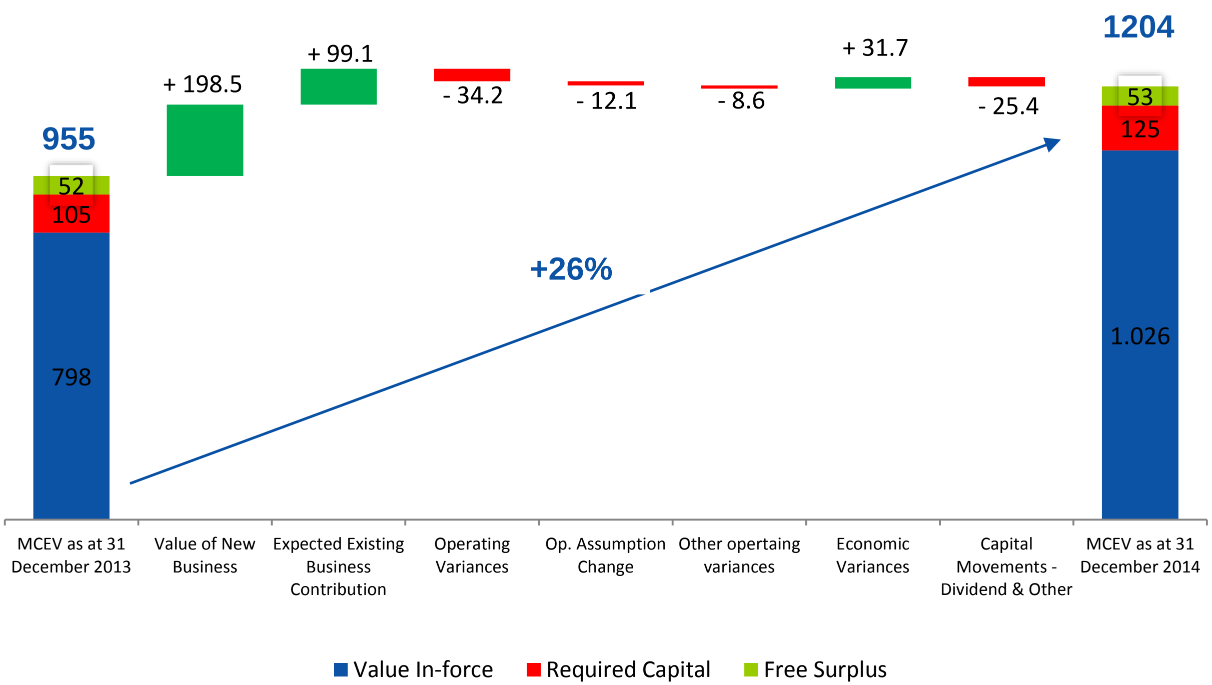
Active Management of VNB to Steer Profitable Growth – VNB Metrics per Segment

	Pension		Life Protection		Personal Accident		Total	
	2014 Q1	2015 Q1	2014 Q1	2015 Q1	2014 Q1	2015 Q1	2014 Q1	2015 Q1
PVNBP (TLm)	737.1 *91%*	53% 1126.9 *93%*	58.5 *7%*	22% 71.2 *6%*	10.9 *1%*	24% 13.5 *1%*	806.5 *100%*	50% 1211.6 *100%*
VNB (TLm)	17.3 *46%*	66% 28.8 *58%*	16.7 *45%*	1% 16.9 *34%*	3.3 *9%*	25% 4.1 *8%*	37.3 *100%*	33% 49.8 *100%*
New Business Margin (%)	2,3%	2,6%	28,6%	23,7%	30,1%	30,5%	4,6%	4,1%
IRR (%) **Payback (in years)**	18.1% *6.2*	22.0% *5.2*	128.0% *0.9*	116.1% *0.9*	235.7% *0.6*	236.6% *0.6*	33.6% *2.3*	36.3% *2.5*

Source: Company data

Drivers of Sustainable MCEV Growth – FY14 Analysis of Earnings

MCEV Reconcilliation (TLm)

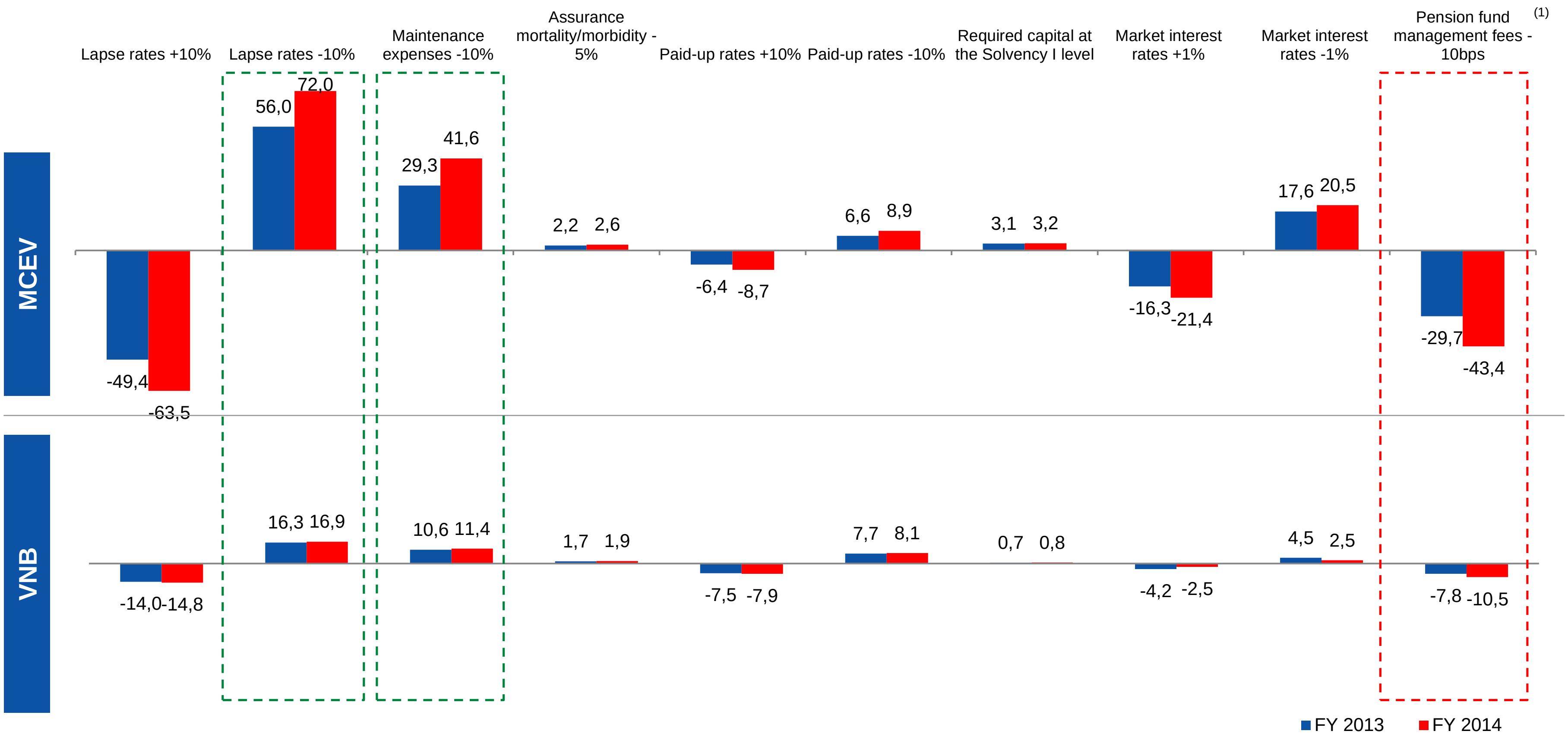


- MCEV growth is mainly driven by VNB, a typical characteristic of an emerging market company
- Profits expected from the back-book are the next biggest contributor to MCEV, which are expected to grow with scale over time
- Negative operating variances are driven mainly by one-off costs and weak lapse 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

Sensitivities (TLm)

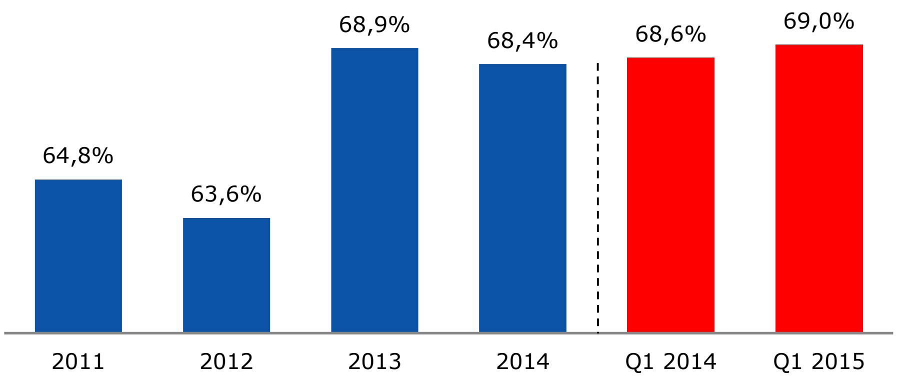


Source: Company data.
(1) Expected to kick-in at 2016

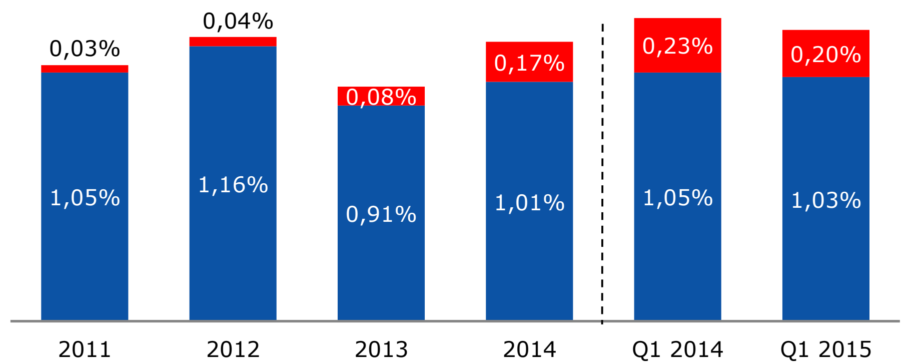
Appendix – Financial Section

Pension Retention and Persistency at the Forefront of our Strategy

Collection Rate[1] (%)



Total Monthly Exit Rate[1] (Lapse + Maturity) (% AUM)



- 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

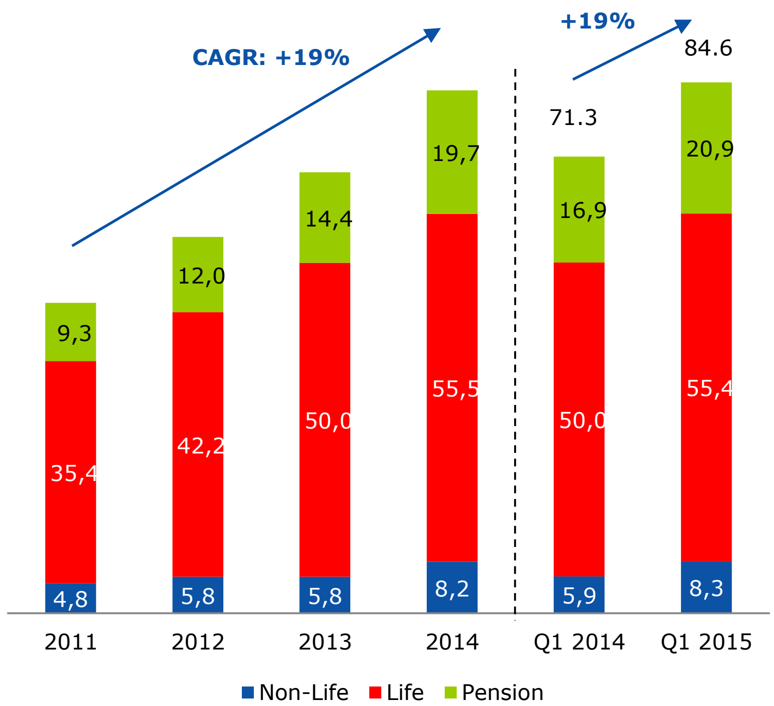
Regulatory Capital Requirement

Calculation of net assets to cover solvency margin	December 31				31 March	
	2011	**2012**	**2013**	**2014**	**2014**	**2015**
Total regulatory capital (Statutory Reporting)	155.2	174.8	166.3	187.3	152.7	164.8
Intangible assets	-	-	-	-	-	-
Deferred tax asset	-	-	-	-	-	-
A **AvivaSA net assets**	**155.2**	**174.8**	**166.3**	**187.3**	**152.7**	**164.8**
B **AvivaSA Required Capital**	**49.5**	**60.0**	**70.3**	**83.3**	**71.3**	**84.6**
AvivaSA guarantee fund	16.5	20.0	23.4	27.7	23.8	28.2
Surplus of net assets in excess of Required Capital	**105.8**	**114.9**	**96.0**	**104.0**	**81.4**	**80.3**
Surplus of net assets in excess of guarantee fund	138.7	154.8	142.9	159.6	129.0	136.7

Source: Company information.

Required Capital (TLm)

Solvency Ratio					
314%	291%	237%	225%	214%	195%



Reconciliation between IFRS vs. Statutory Profit for the Year

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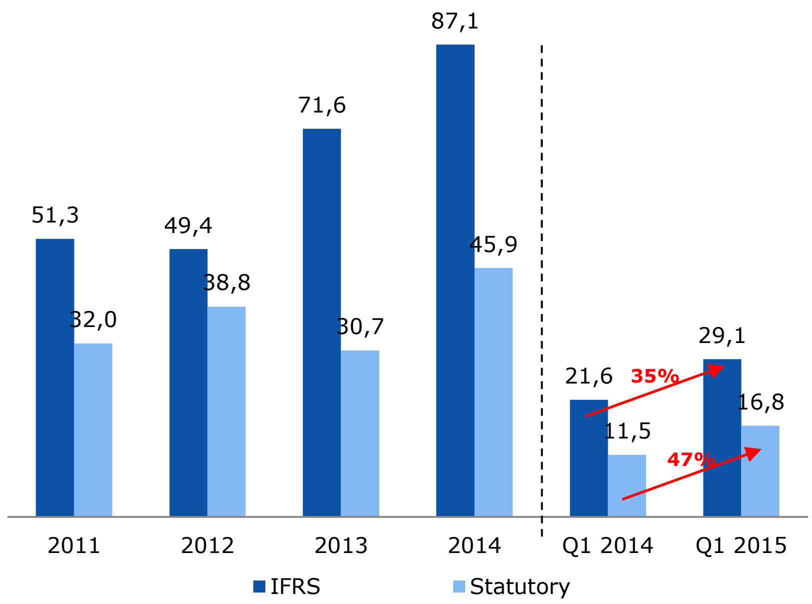
IFRS vs. Statutory Profit for the Year (TLm)



Profit for the Year Reconciliation (TLm)

	2011	2012	2013	2014	CAGR	Q1 2014	Q1 2015	YoY
IFRS Profit for the Year	**51.3**	**49.4**	**71.6**	**87.1**	**+19%**	**21.6**	**29.1**	**+35%**
Equalisation Reserve write-off	(1.6)	(2.1)	(2.7)	(0.3)	(43%)	(0.2)	(0.3)	+15%
Deferred Tax	4.4	2.1	11.8	10.3	+33%	2.5	3.1	+21%
Change in Deferred Asset Costs	(22.1)	(10.6)	(49.9)	(51.2)	+32%	(12.4)	(15.1)	+22%
Statutory Profit for the Year	**32.0**	**38.8**	**30.7**	**45.9**	**+13%**	**11.5**	**16.8**	**+47%**
Total Difference	*19.3*	*10.6*	*40.9*	*41.2*		*10.1*	*12.3*	

Source: Company information.

Flexible Dividend Policy Focused on Growth

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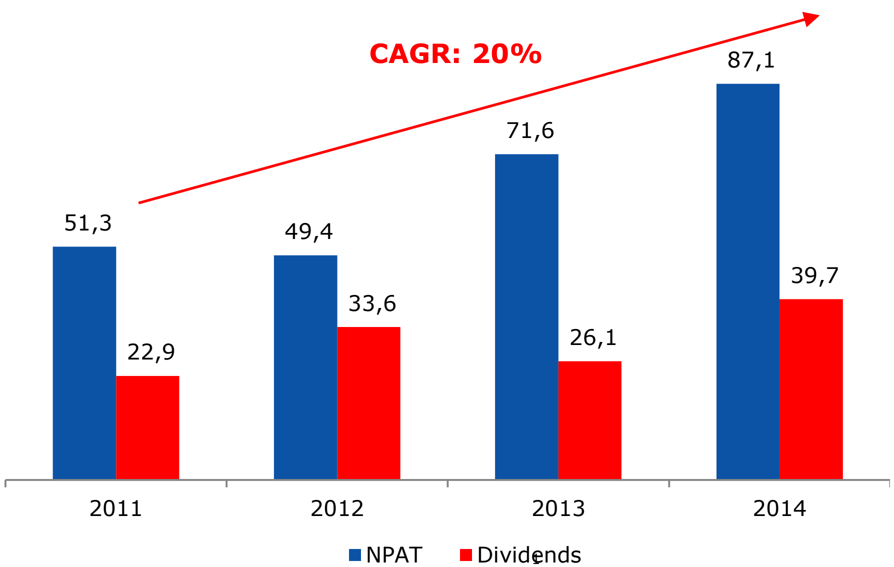
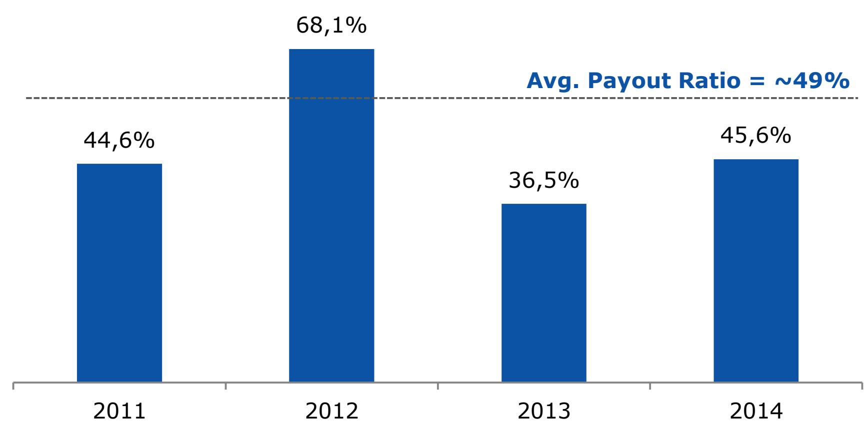
Dividend Policy

- 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 (Dividend Paid / IFRS Profit)



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

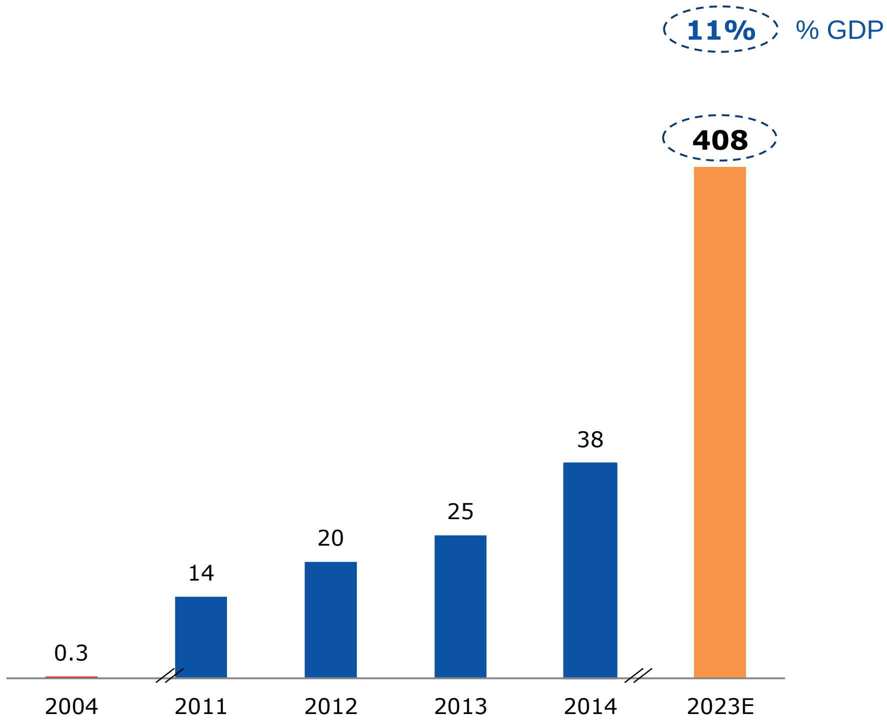
Implemented

- 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

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%*

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

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

Regulatory Environment Evolves, Supporting Growth and Persistency

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		Up to 2012	From January 2013	From 2016 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	➢ *Discussions between regulatory and industry indicate new pricing model from beginning of 2016 onwards; expected to be lower and simpler than the current model*
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* – *Yearly service fee* – *Fund management fee depending on the age of the contract.* ➢ *Not able to quantify nor measure likelihood of implementation yet*
	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 expected to continue in the foreseeable future*

Note: For more information see Appendix.

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