

PROSPECTS AND OPPORTUNITIES IN THE TURKISH PENSION MARKET

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Global Leader In Takaful Expertise

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SUMMARY

Demographic profile points to

Enormous future demand for Pensions

Sizeable,
Growing
Population

75 million
Turkey
Population

1.2%
Population
growth rate

Young
Population

29 years
Average age

Low ratio of
pensioners
expected

only 15% of population
Expected to be over 60 by
2025(Forecast)



* CIA World Factbook

** 73.8% of Turkey population is aged 15+ years (CIA World Factbook, 2012)

4.7% Pension Participants

75 million
Turkey
Population



3.5 million
June 2013
Participants

Massive Growth
Potential

50% population
Younger than 30yrs
old

Pension Legislation changes

Tax Advantages

Fee level reductions &
caps

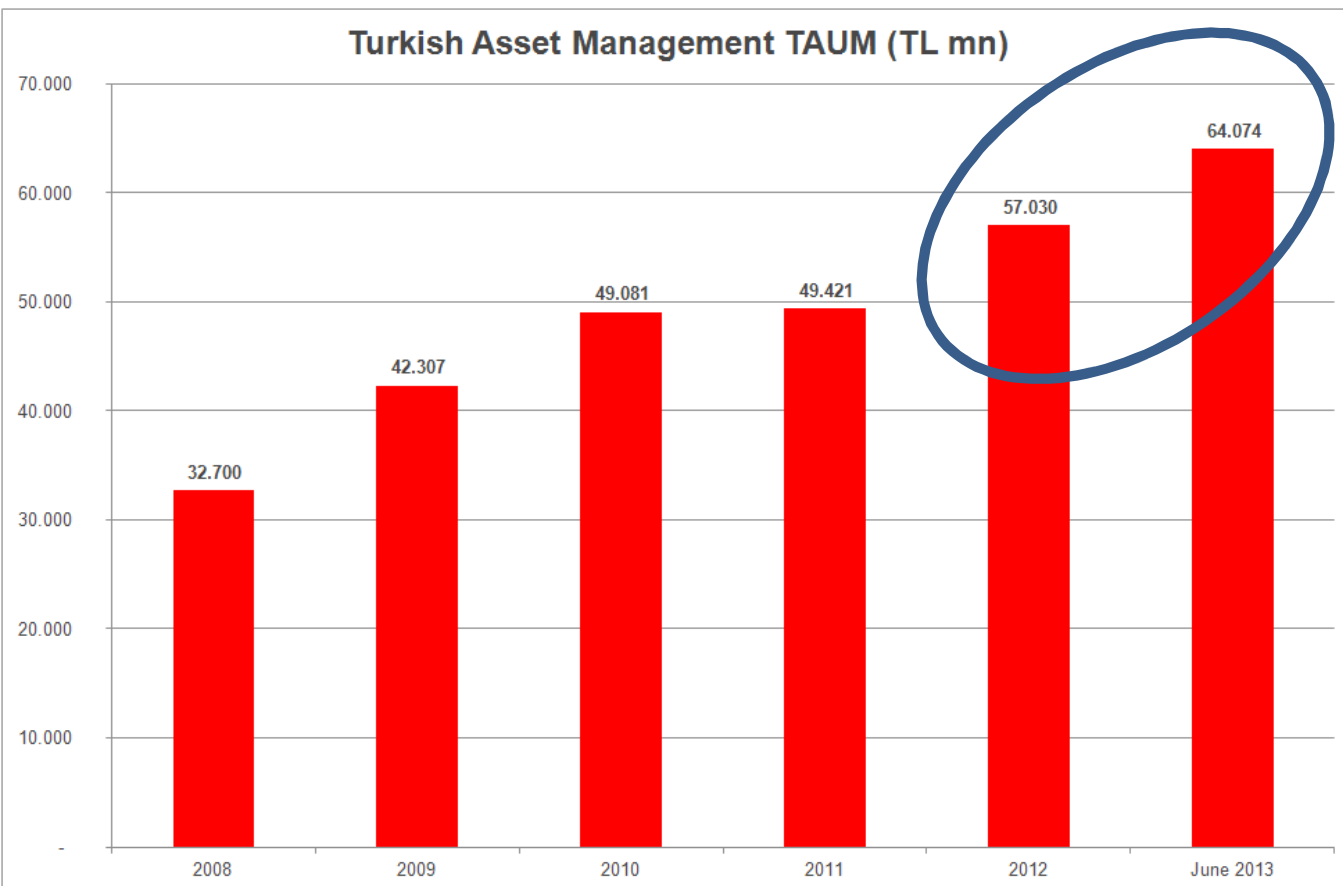
25* million
People with no bank
account

* World Bank research, 2011

** 73.8% of Turkey population is aged 15+ years (CIA World Factbook, 2012)

12.4% Growth in AUM during first 6 months of 2013

44% of 2013 Growth
due to Pension Funds



Pension Fund Assets
as % of GDP

~10%
World Average

Growth
Potential

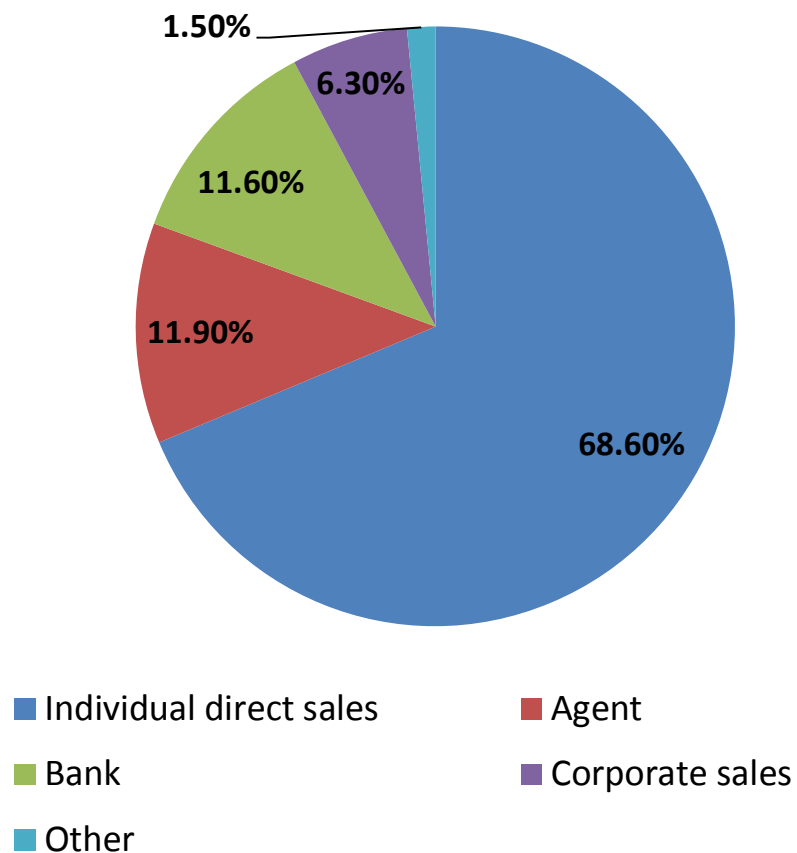
1.4%
Turkey

Top 4 Asset Managers control 66% of the AUM

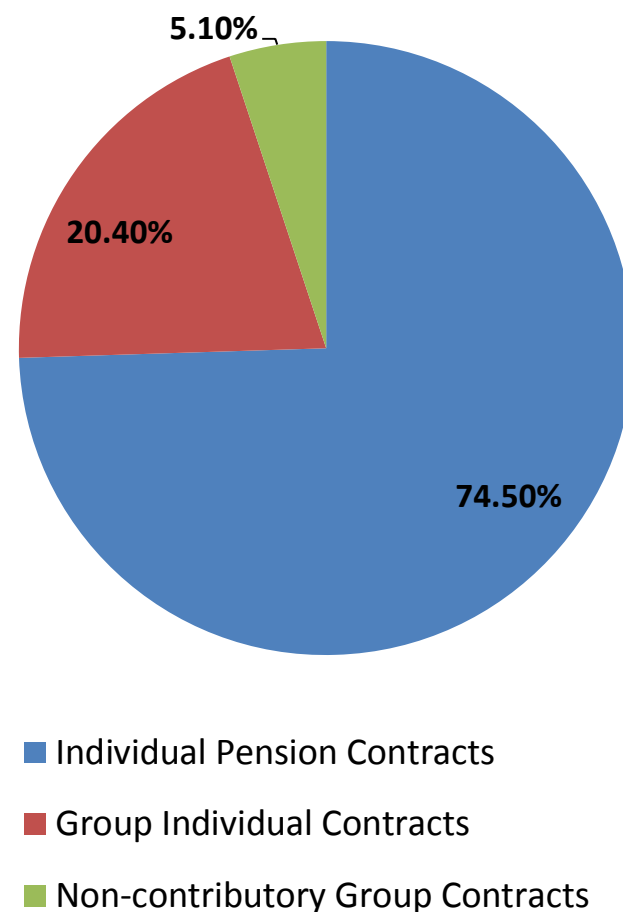
Turkish Pension Savings plans are Defined Contribution schemes

Contributions by Distribution Channel (2012)

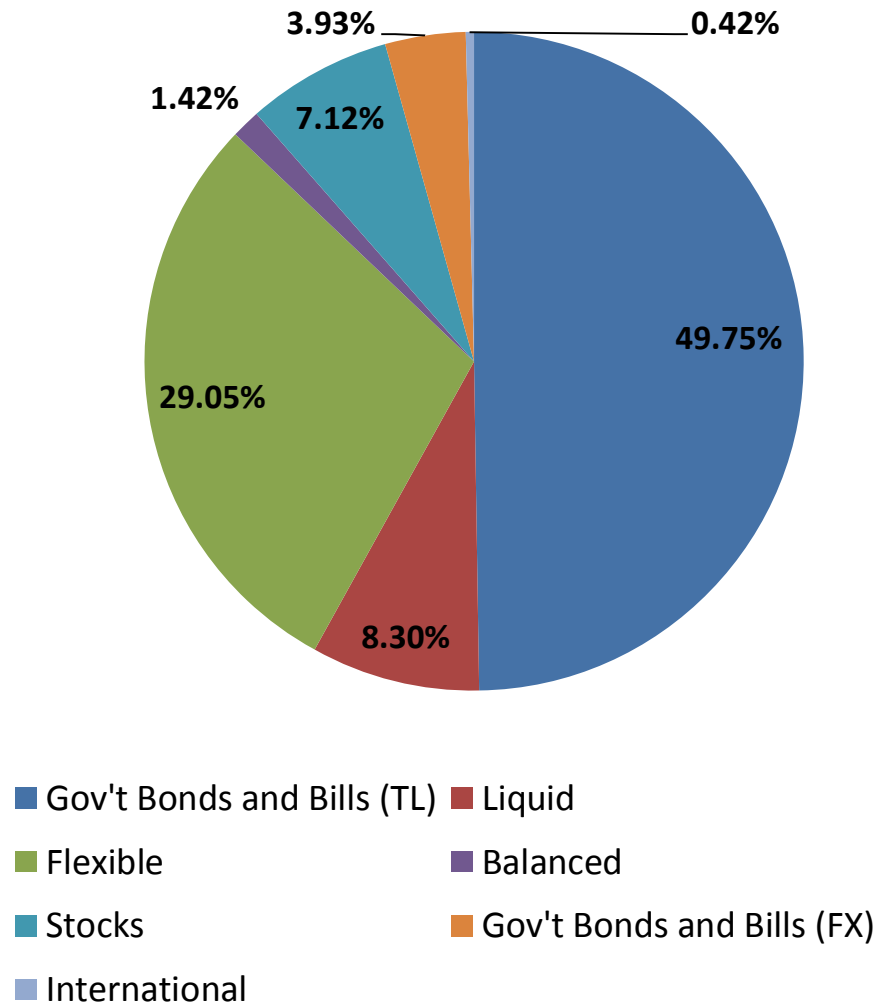
TL 4.9 billion
2012 Contributions



Contract Type (2012)

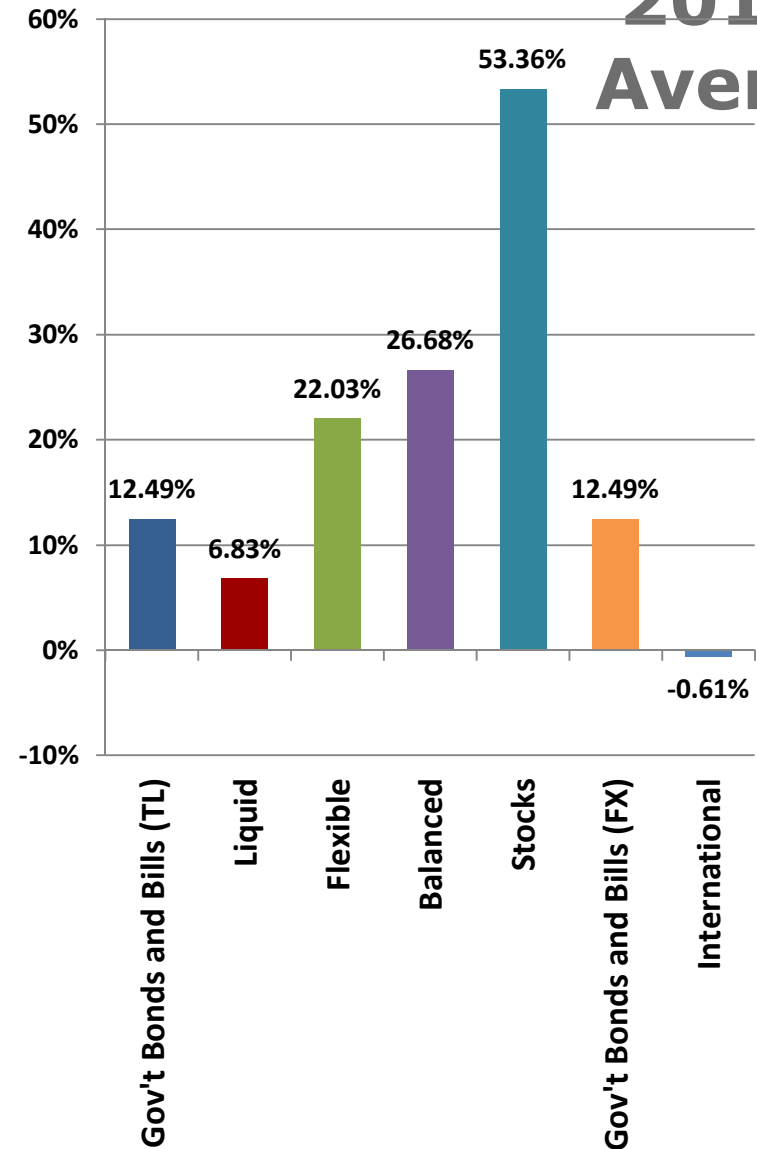


Asset Allocation (2012)



Source: Individual Pension System Progress Report, EGM Turkey

Annual Returns (2012)



17%
2012
Average

- ❖ **European Socially Responsible Investments up almost 60% over 2 years**
- ❖ **Rise to € 1.2 trn from € 0.73 trn in 2009**

1. Increasing convergence between Socially Responsible Investing (SRI) and Shari'ah investing
2. Creates an opportunity within Pensions market

Positioning opportunity

Offer alternative to conventional pension plans

Compete on par with conventional pension plans

Key Success Factors

1. **Investment Considerations**
2. **Customer experience**
3. **Distribution channels**

Shari'ah compliant investment strategies can provide competitive investment returns

Returns to 7 Aug 2013

Year to date

1 year

**Dow Jones Islamic
Market Turkey Index**

+3.3%

+17.8%

**Borsa Istanbul Stock
Exchange National
100 Index**

-3.7%

+15.9%

- “ Equity is usually the volatile component of pension fund assets
- “ The returns above illustrate that Shari'ah compliant Investment strategies are capable of offering competitive returns
- “ Pension fund investment strategies are not usually totally equity based; also include Sukuk, Murabahah & Wakala placements and Ijarah

Customers build their pension over a lifetime

Customer satisfaction is of paramount importance

Consistent, excellent customer service is the difference between success and failure

Vital to understand:

- How to engage with customers
- What drives customer behaviour

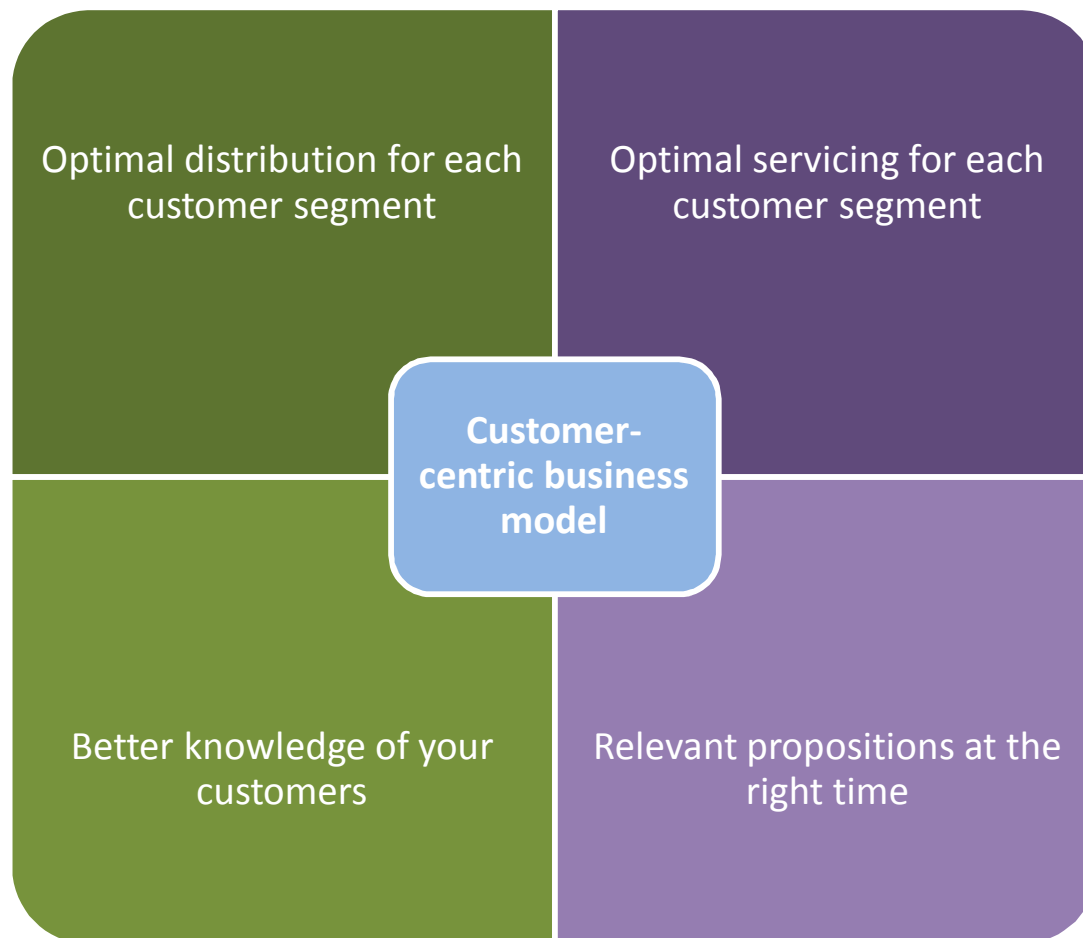
Keep the product simple and flexible

- Easy to buy
- Build trust by providing reliable product and service experience

Engagement with customers is key to customer retention

Tablet technology enhances productivity and operational process; optimising the customer experience as well as product revenues

What does it mean to be digital?



Digitization is not just about distribution through electronic channels; it has the potential to transform operational processes, as well as the way we interact with customers

Key considerations include:

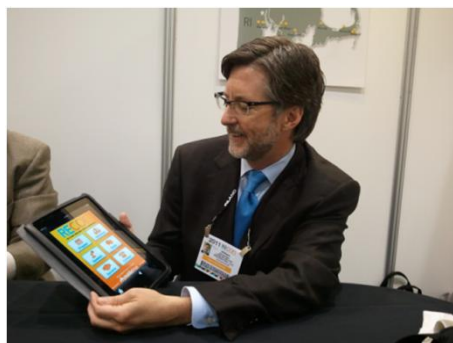
- “ Understanding how customers want to interact digitally
- “ Leveraging new technology, consumer behaviour and buying trends
- “ Ensuring captured customer information is analyzed in a way to drive value
- “ Customer convenience

Whatever the distribution channel, easy, consistent customer service is essential to success

The value of a pension to a customer includes capital accumulation and maintaining lifestyle

Deploying digital technology (tablets) facilitates consistency across distribution channels

Transact when & where it is convenient for the customer



Provide consistent, excellent service

Provide continuity of service through all distribution channels

Individual Direct Sales

Agent

Banks

Employers / Corporate

Digital technology offers much more than only issuing pensions

Manage persistency and improve the Quality of sales through understanding customer behaviour and preferences



Analysis of customer information provides a competitive edge

Collect customer data at point of sale



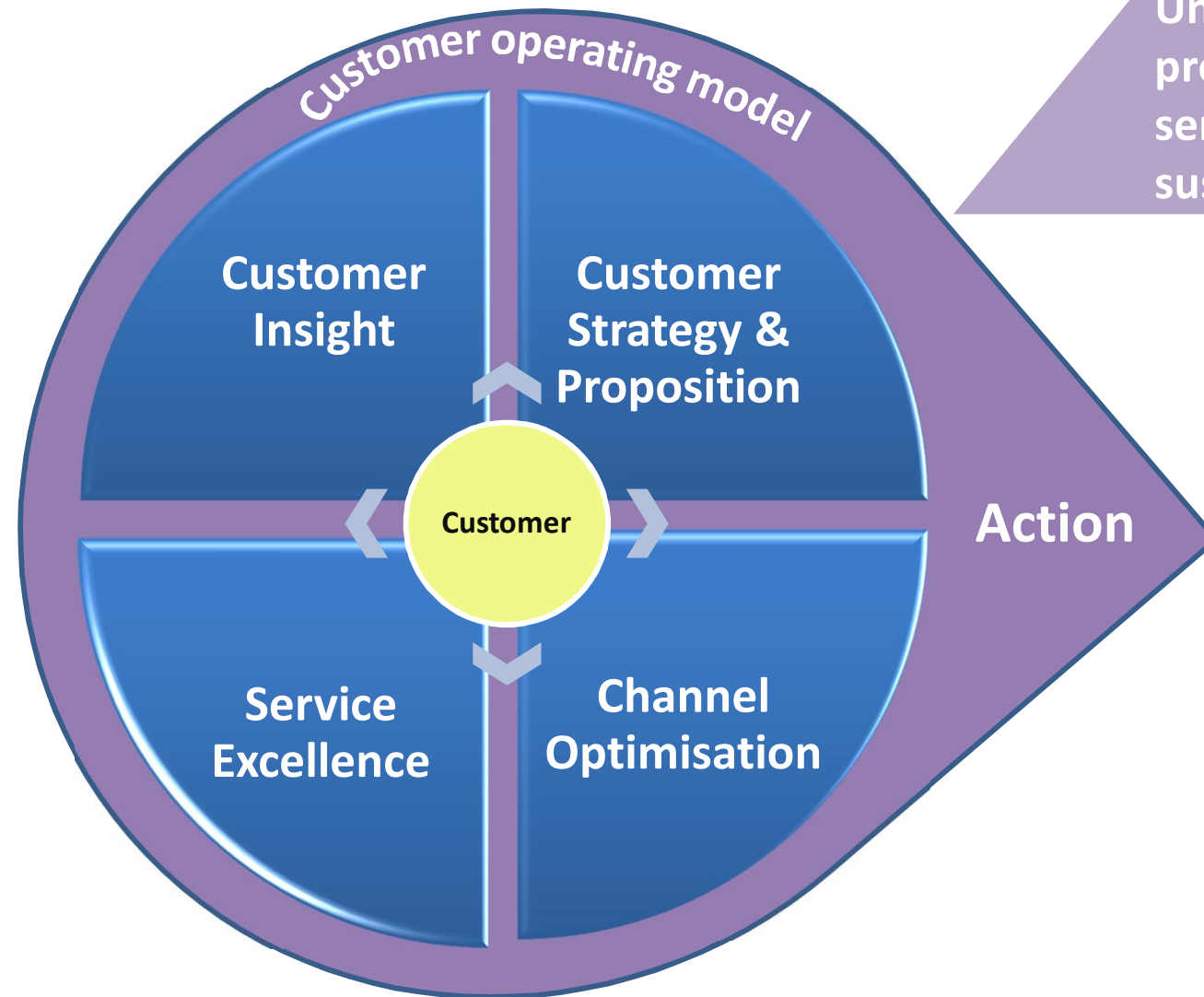
Analyse data

Use information from analysis to enhance product features

- “ **Competitive advantage in the highly competitive pension market**
- “ **Information about customer sales trends is vital to efficiently manage and penetrate distribution channels**
- “ **Enhance service offered to customers by monitoring customer behaviour**

Deployment of Tablet technology enhances the customer journey, delivering service excellence

Digital interacting with the customer operating model



Understanding customers and providing consistent customer service is a key driver for sustainable growth

Customer Service Enhancements:

- “ Tablet technology provides customers service that adapts to their changing needs
- “ Digital technology optimises consistent customer experience
- “ Call centres used to conduct customer satisfaction surveys as well as perform customer sales quality control

Critical to be able to interact with customers on their terms; when and where they prefer

Digital technology is changing how customers want to interact & learn about products

Estimated global population access by 2020:

mobile
phones

80%

Smart phones
+ tablets

2/3
people

**Customers using Digital
media increasingly**

Communicate

Learn about
products

Form
opinions

**Opportunity to
engage**

Twitter



facebook

**Customer
loyalty
focused
initiatives**

- “ Examples: airline mile and shopping discount programs
- “ Loyalty initiatives provide customers with important brand identity that reinforces customer satisfaction and retention

Key differentiating factors contributing to success

- “ Investment Performance
- “ Customer Service & Satisfaction
- “ Optimising Channel Management

By 2023, Pensions and savings life funds capable of growing exponentially, according to McKinsey report

AuM/GDP %		AuM (TL Billions)
1%	Today	13
4%	2023 (Accelerated Growth)	124
11%	2023 (High Aspiration)	408

Thank you...



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