



აღდაგი ბიცი  
სადაზიანებელი  
სადაზიანებელი  
**ALDAGI BCI**  
INSURANCE COMPANY



# GEORGIAN HEALTH CARE & INSURANCE MARKET INSURANCE COMPANY ALDAGI BCI

Presenter: **Nikoloz Gamkrelidze, ALDAGI BCI, CEO FEB 2011**

**Health Care Market - 8% Of GDP**  
**Out Of Pocket Spending - 72% Of Total Health Care Expenditure**

Fragmented Health Care Market  
New Governmental Initiative - Insurance Companies In Health Care Business

Aldagi BCI – The Only Company Running Managed Chain Of Clinics Since 2006  
Planned Expansion – Launching 6 New Hospitals In 2012  
Attractive Investment Opportunity

**ALDAGI BCI INSURANCE**  
Outstanding Results in 2010 - 64% Net Profit Growth; ROAE - 25.6%

### CIS COUNTRIES COMPARISON Y2009

SOURCE: WHO.  
World Health  
Statistics 2010

	Per capita expenditure on health (US\$)	Total expenditure on health as % of GDP	Government expenditure on health as % of total Health expenditure
Armenia	133	4	47
Azerbaijan	140	4	27
Belarus	302	7	75
<b>GEORGIA</b>	<b>191</b>	<b>8</b>	<b>18</b>
Kazakhstan	253	4	66
Kyrgyzstan	46	7	54
Moldova	127	10	51
Russia	493	5	64
Tajikistan	29	5	22
Turkmenistan	139	3	52
Ukraine	210	7	58
Uzbekistan	41	5	46
<b>CIS AVERAGE</b>	<b>175</b>	<b>6</b>	<b>48</b>
<b>EU-12 AVERAGE</b>	<b>1379</b>	<b>7</b>	<b>72</b>
<b>EU15 AVERAGE</b>	<b>4134</b>	<b>9</b>	<b>78</b>

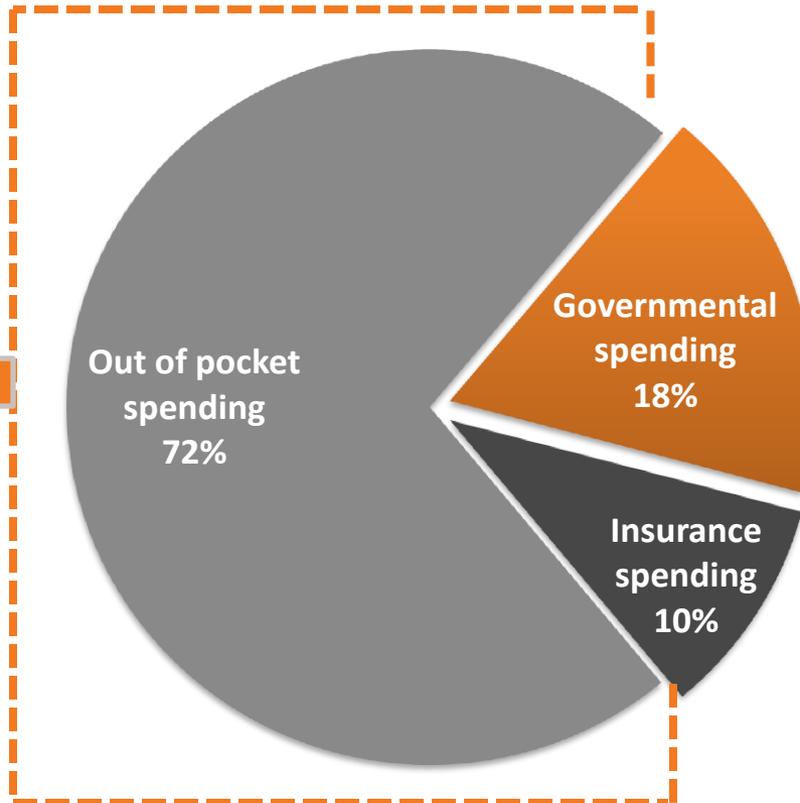


Georgia has one of the highest rate of health care expenditure as % of GDP among other low income countries



Still, the share of governmental expenditure in total health care sector is the lowest in Georgia among European countries

## MARKET STRUCTURE



!!! NO SIGNIFICANT COMPETITORS

!!! HIGH SPENDING PER CAPITA

!!! CONSIDERABLE PROFIT MARGINS

OPPORTUNITY TO CAPTURE HUGE CUSTOMER BASE

HEALTH CARE EXPENDITURE PER CAPITA – USD 191

HEALTH CLAIMS PER CAPITA – USD 18.86

TOTAL HEALTH CARE EXPENDITURE: more than USD 1.0 BN

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Highly fragmented Health Care market despite higher health care expenditure as % of GDP in Georgia compared to low & middle income European countries

- ! No managed chains of outpatient & inpatient centers
- ! Depreciated hospitals of the Soviet era
- ! No managerial capacity (*Inexperienced managers,*)
- ! Medical equipment and service delivered in hospitals below any standard requirements



AMPLE ROOM FOR IMPROVEMENT

### GOVERNMENTAL ATTEMPT TO COPE WITH FRAGMENTED HEALTH CARE MARKET:

#### GOVERNMENTAL REFORM IN 2007

100 NEW HOSPITALS



- Government initiated privatization of all hospital assets under the liability to build health care centers in accordance with international standards

REFORM DID NOT SUCCEED

reasons



- FINANCIAL CRISIS IN 2008
- FAILURE OF TENDER WINNERS

#### GOVERNMENTAL REFORM IN 2010

INSURANCE COMPANIES IN HEALTH CARE BUSINESS

- Governmental Health Insurance Programs envisage establishment of small & medium-sized hospitals by the private insurance companies that supply health insurance services according to the region of their operations

46 SMALL & MEDIUM SIZED HOSPITALS TO BE BUILT BY INSURANCE COMPANIES

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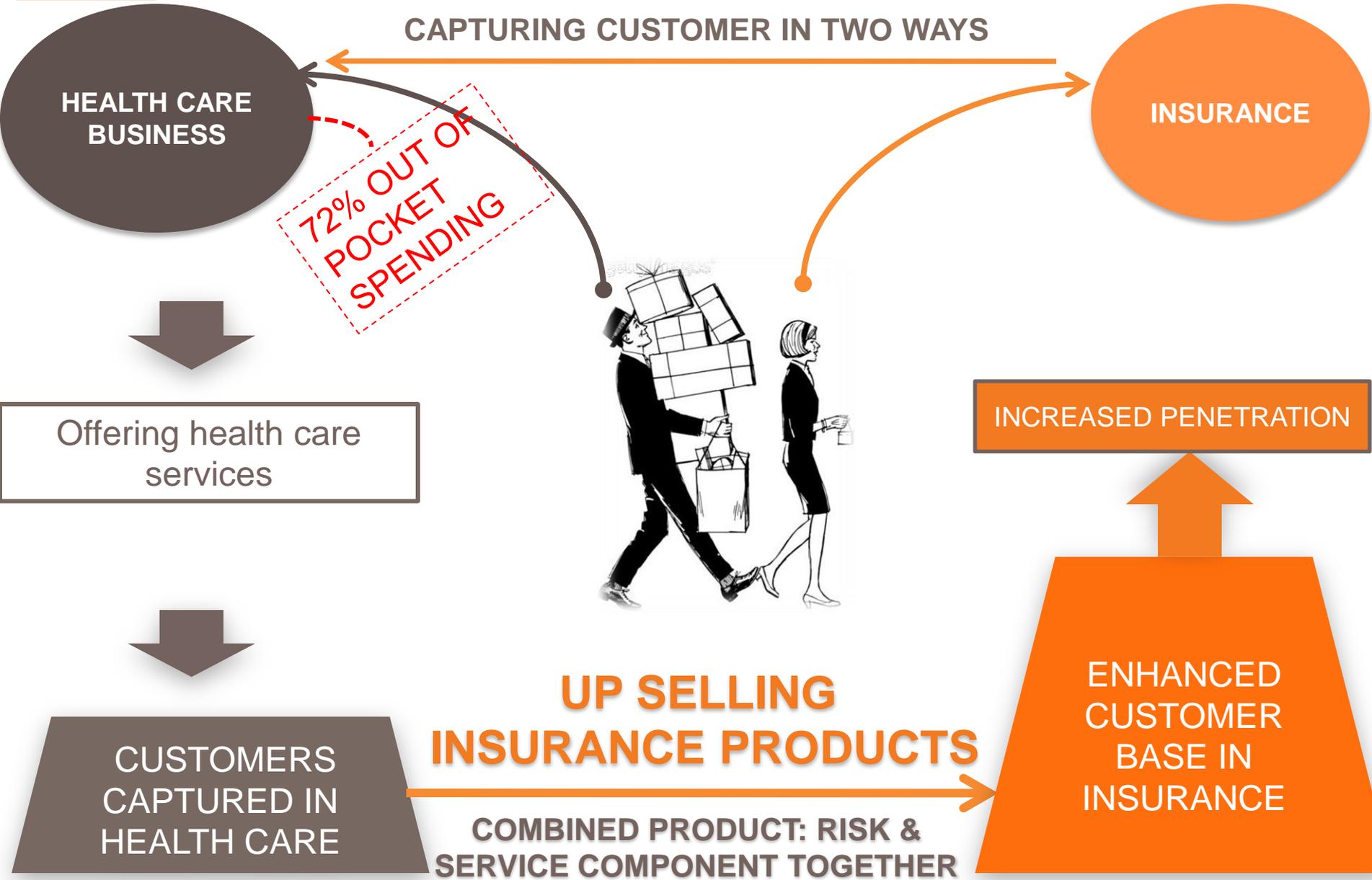
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- 
 ALDAGI BCI operates **5** outpatient & 1 inpatient centers since 2006
- 
**21%** of ABCI total health claim expense is captured by these medical centers (**48%** of outpatient claims expense)
- 
 Aldagi BCI Clinics network is the only managed health care chain in the country

- 
 In 2010/11 ABCI investments in building one large and 5 medium-sized hospitals in the country's largest region amounts to US\$ **15 MLN**
- 
 The addition of 6 medical centers will enable ABCI capture more than **40%** of its hospitalization claim expense
- 
 6 new hospitals to be launched in Q1 2012



### CAPTURING CUSTOMER IN TWO WAYS



# ALDAGI BCI - KEY FINANCIAL FIGURES

## FINANCIALS OF ABCI HEALTH CARE BUSINESS

Selected financial data of ABCI Health care business

REVENUE  
GENERATED WITH  
EXISTING 6  
OUTPATIENT CLINICS

GEL '000	Y2009	Y2010
Total Revenue	6,215	7,204
COGS	-3,631	-3,830
Gross Profit	2,584	3,373
Total Operating Costs	-1,227	-1,327
EBITDA	1,356	2,047
Net Profit/Loss	827	967
Total Assets	8,353	10,304
Total Liabilities	2,588	3,572
Total Equity	5,765	6,732
ROAA	10.4%	10.4%
ROAE	15.5%	15.5%
Operating Leverage	13.4%	22.5%
Gross Profit Margin	41.6%	46.8%
EBITDA Margin	21.8%	28.4%
Net Profit Margin	13.3%	13.4%

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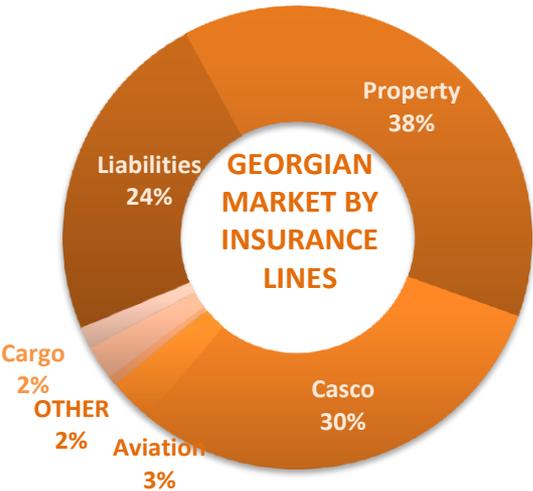
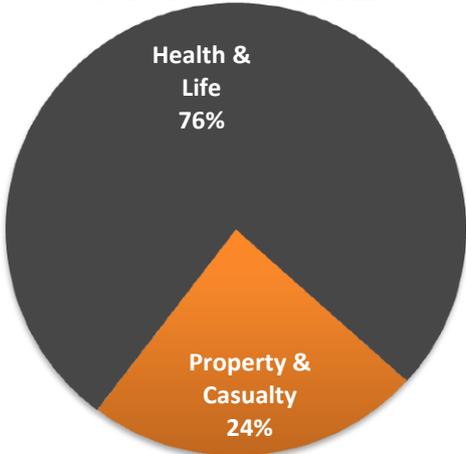
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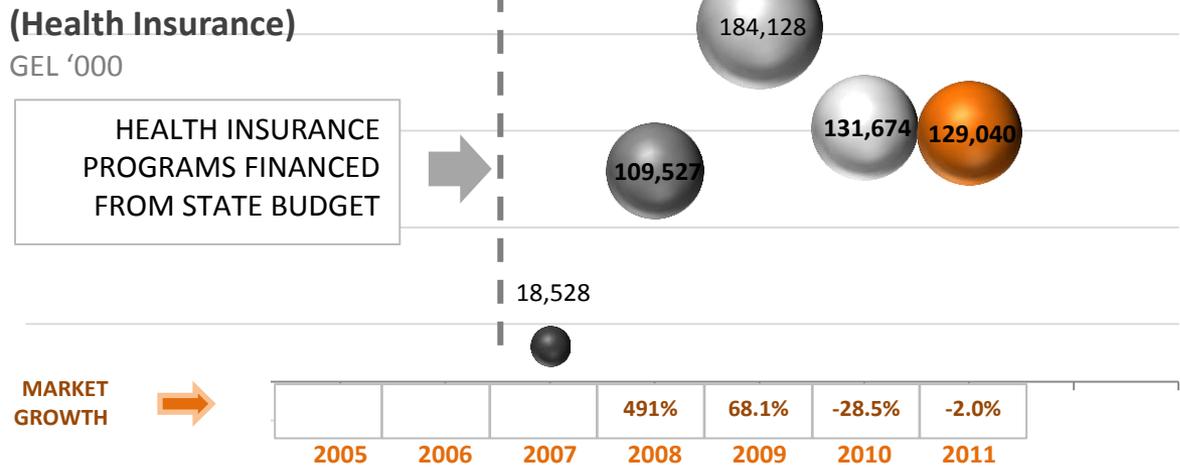
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## MARKET DATA

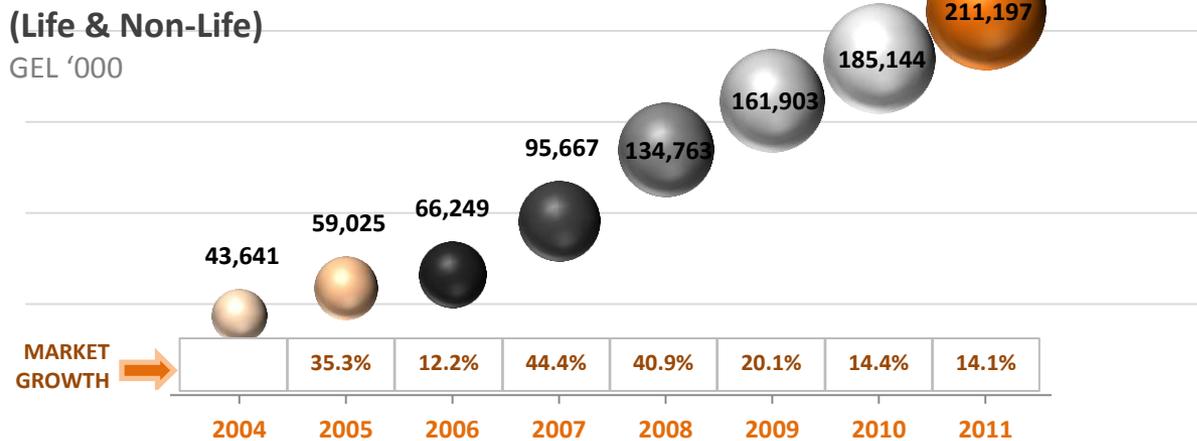
### MARKET STRUCTURE



### GOVERNMENTAL INSURANCE PROJECTS IN GEORGIA BY GPW (Health Insurance)



### INSURANCE MARKET BY GPW EXCL. GOVERNMENTAL PROJECTS (Life & Non-Life)

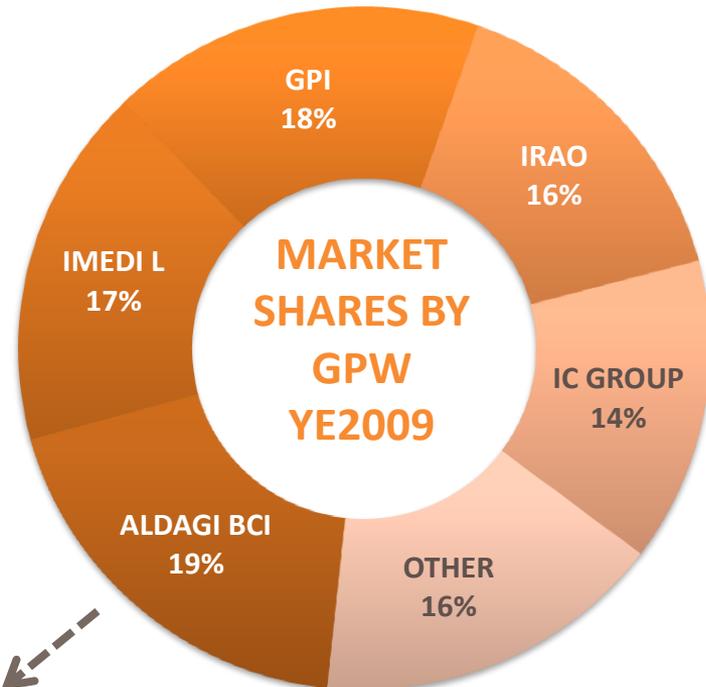


# GEORGIAN INSURANCE MARKET OVERVIEW

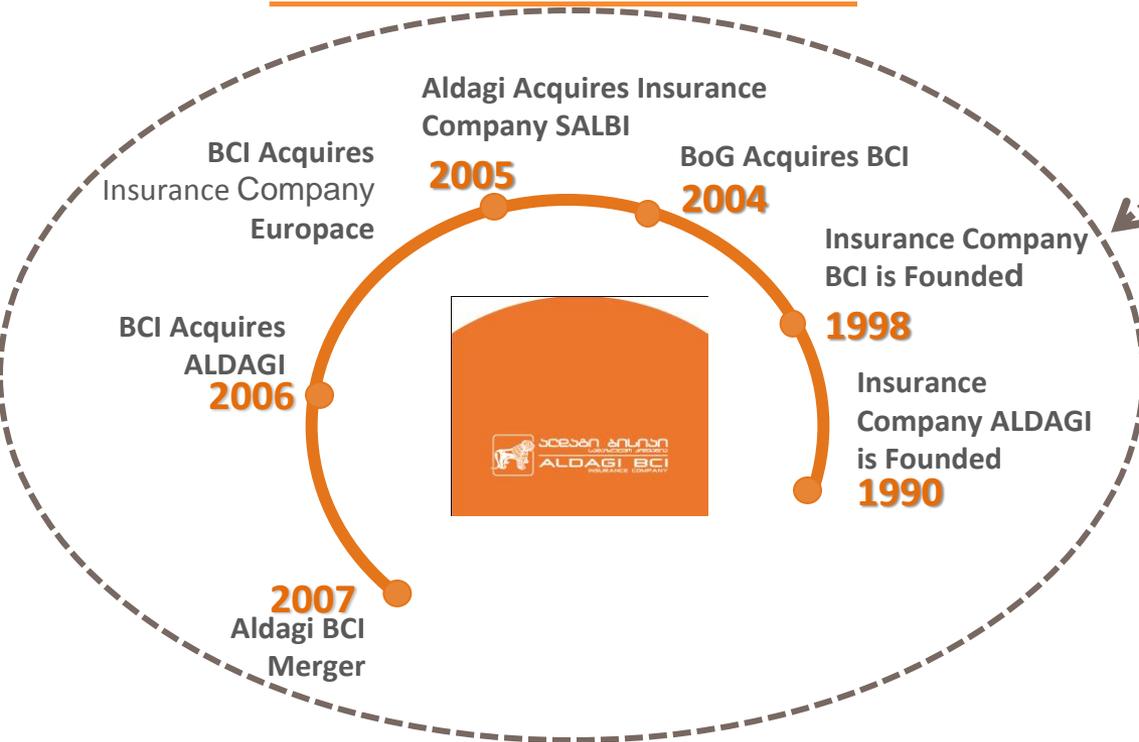
## COMPETITION

17 insurance companies operating in Georgia

More than 80% of the market is held by top 5 insurance companies



### ALDAGI BCI IS A UNION OF 4 INSURANCE COMPANIES



Nascent state of Georgian insurance sector translates into extremely low insurance penetration and density levels

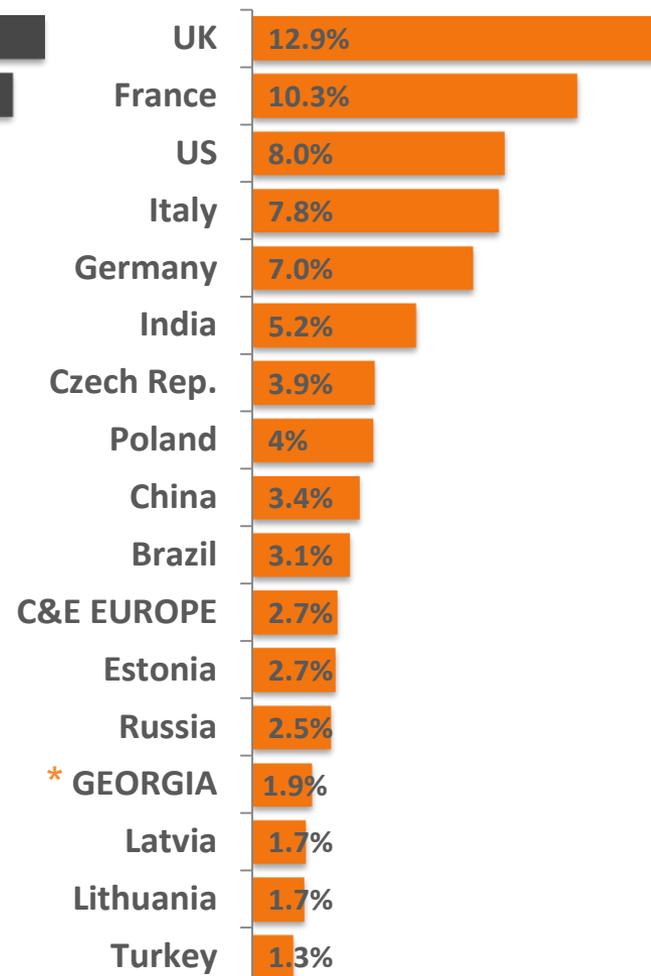
Market research reports reveal that majority of population does not have adequate perception of property & personal risks, thus is reluctant to pay money for risk minimization

**EXCLUDING GOVERNMENTAL PROJECTS IN GEORGIA :**  
**PENETRATION**  
 0.9%

### INSURANCE DENSITY (GPW PER CAPITA USD) Y2009



### PENETRATION (GPW/GDP) Y2009



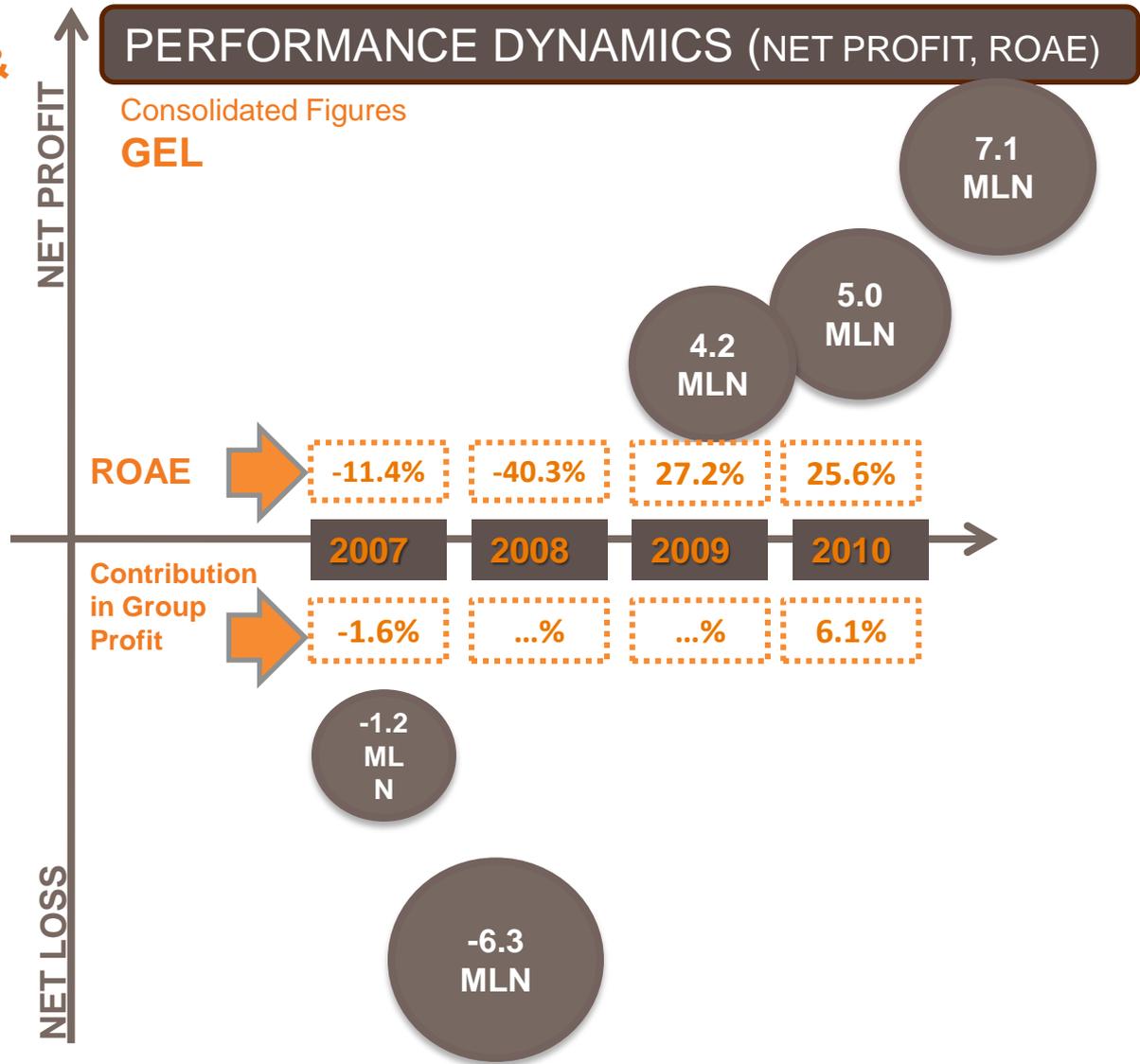
\*Figures for Georgia excludes Governmental Projects

SOURCE 1: Swiss Re sigma study "World insurance in 2009"  
 SOURCE 2: CEA Statistics N°42, "European Insurance in Figures"

## KEY PERFORMANCE INDICATORS

### UNDISPUTED MARKET LEADER IN CORPORATE & RETAIL INSURANCE BUSINESS

- 20 years of experience on the market
- The largest subsidiary of the largest financial group in Georgia (100% shares held by Bank of Georgia Group)
- The largest insurer of property & casualty risks
- The largest portfolio in Group Health Insurance
- Widest range of distribution channels in the country



# ABCI – KEY FINANCIAL FIGURES

<i>Consolidated Figures</i> GEL '000	YE2009 (ACTUAL)	YE2010 (ACTUAL)
<b>Insurance premium written gross</b>	<b>62,734</b>	<b>62,086</b>
Insurance premium revenue, gross	64,699	61,181
<b>Net insurance premiums revenue</b>	<b>50,378</b>	<b>50,051</b>
<b>Net insurance claims expense</b>	<b>-31,918</b>	<b>-28,469</b>
<b>Net underwriting profit</b>	<b>15,040</b>	<b>18,040</b>
Total operating costs	-11,259	-12,755
Non recurring gain	1,352	0
<b>NET PROFIT</b>	<b>4,218</b>	<b>5,022</b>
<b>TOTAL ASSETS</b>	<b>72,007</b>	<b>83,752</b>
TOTAL LIABILITIES	54,714	61,763
TOTAL EQUITY	17,293	21,989
ROAA	5.5%	6.4%
ROAE	27.2%	25.6%
Operating Leverage	312.2%	6.7%
U/W Margin	29.9%	36.0%
Net Profit Margin	6.5%	8.2%
Loss Ratio, Net	63.4%	56.9%
Combined Ratio	93.7%	87.3%



The target for 2013 is to expand aggressively in the Health Care business to capture c.10% of total Health Care expenditures



Double market share in insurance through organic growth and M&A



Increase ABCI's contribution to consolidated Net Income of BOG from 5% to 10%

64%  
Growth In  
Recurring  
Net Profit





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לכרן-כרן  
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**THANK YOU FOR YOUR ATTENTION  
TIME FOR Q&A**