



ALDAGI

Aldagi, Property and Casualty Insurance Business

Speaker: **George Baratashvili**

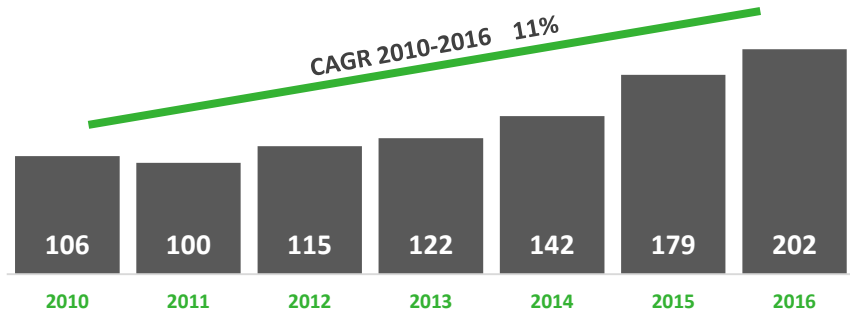
BGEO Investor Day
9 November 2017
Tbilisi, Georgia

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- **Insurance market in Georgia**
- **Aldagi overview**
- **Performance highlights**
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Insurance market by revenue

GEL mln



Growing insurance market

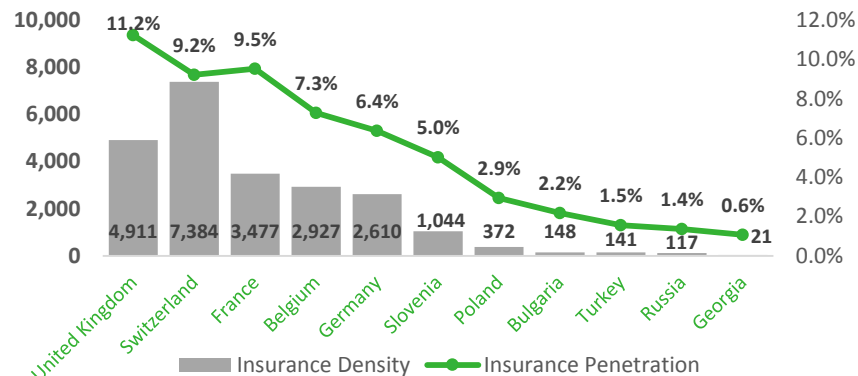
- Significant room in retail and SME insurance markets
- Awaiting compulsory lines launching
- Insurance State Supervision Service of Georgia is the regulatory and supervisory body for insurance industry

Source: Insurance State Supervision Service of Georgia, Swiss Re sigma report

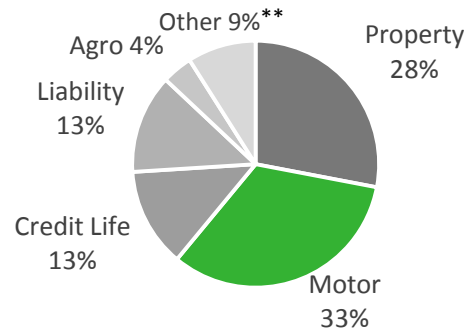
*P&C insurance lines for Georgia

**Cargo, aviation, marine, personal accident

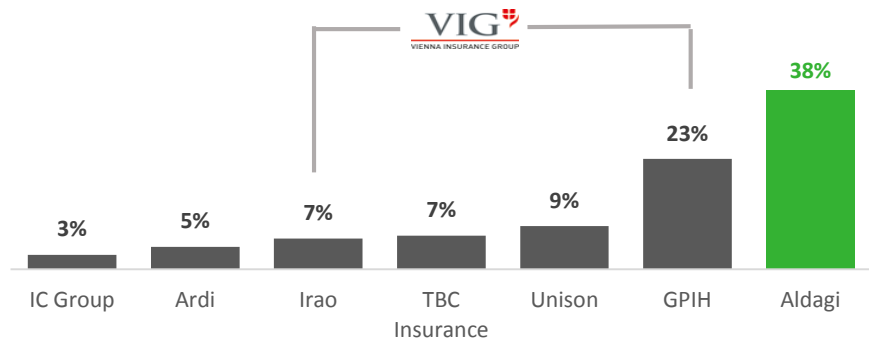
Penetration (GPW / GDP) & Density (GPW per Capita USD) *



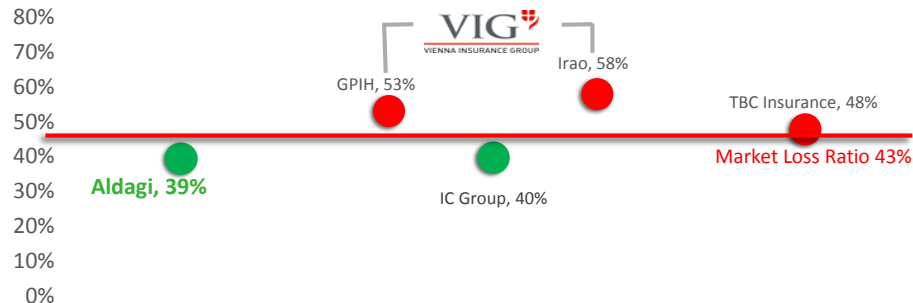
Market composition by products lines



Market shares by revenue 1H17



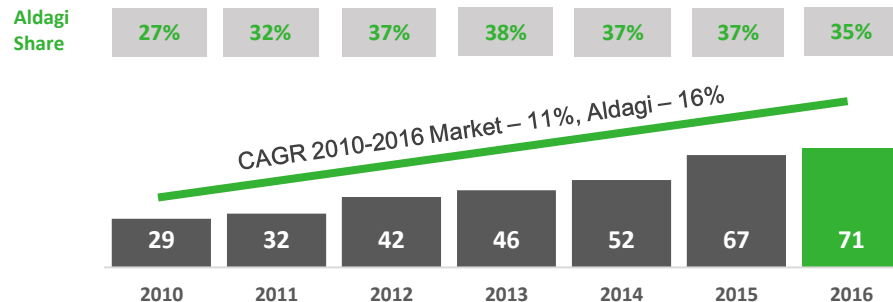
Loss ratio by companies 1H17



Highlights

- 16 insurance companies operating in Georgia
- Aldagi is undisputed leader in P&C market
- Outperforming market growth by 5% (2010-2016)
- Loss ratio below market average
- Best loss ratio among peers

Aldagi Revenue



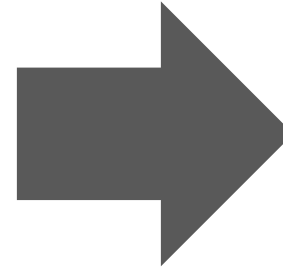
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1**Since 1990, 27-year track record****2****High ROAE 39% ^{9M17}****3****Doubled retail portfolio during last 3 years****4****Outperformed the market profitability by 3 times *****5****Biggest online agency network**

Aldagi's strong market position

- From 2014 pure P&C insurance company
- 99% brand awareness
- Leading provider of retail insurance services
- Largest product portfolio
- Exceptional financial strength



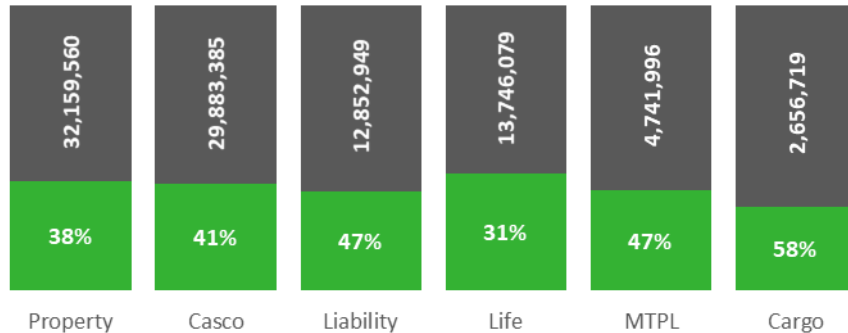
MARKET SHARE 6M17

38%

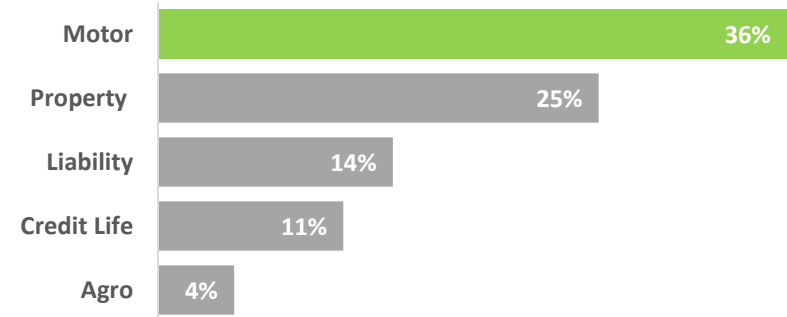
REVENUE GEL 6M17

39.3mln

Aldagi market share by products *



Aldagi portfolio composition *



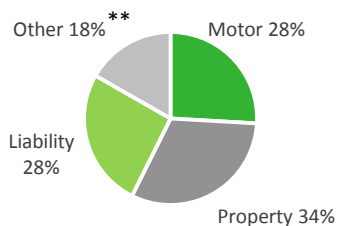
9M17

Corporate

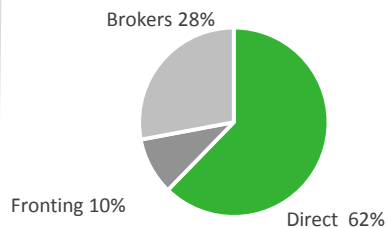
GPW
42,908K GEL

Renewal ratio
90%

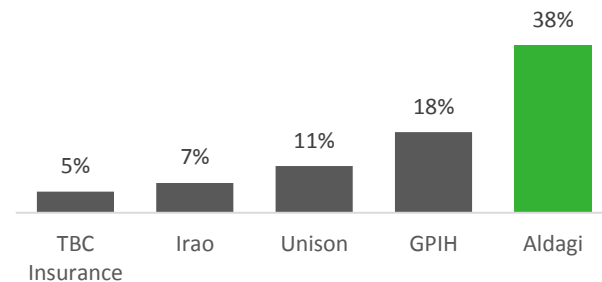
Product split



Distribution mix*



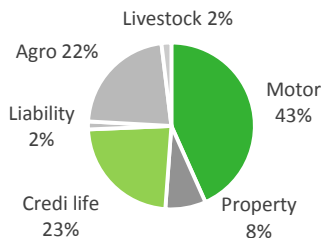
Market shares (GPW 1H17)



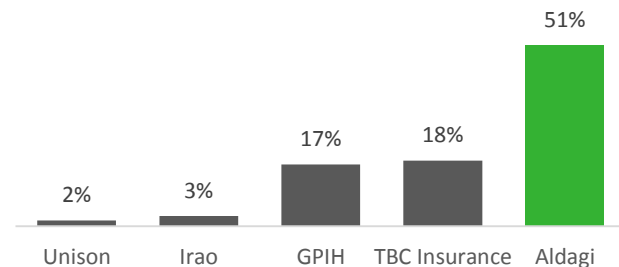
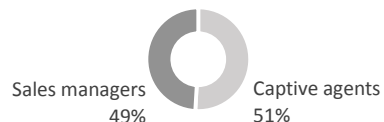
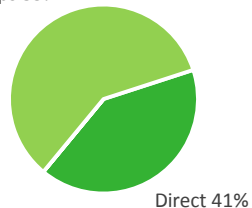
Retail

GPW
27,610K GEL

Renewal ratio
61%



Partnerships 59%



Source: Aldagi internal reporting

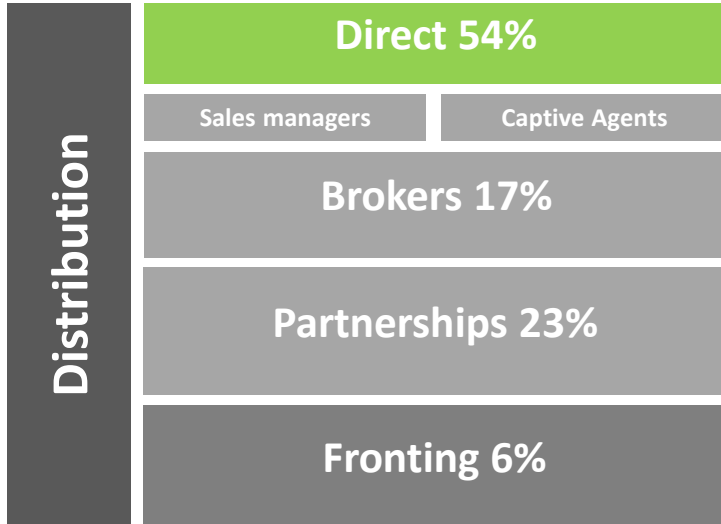
* 12% BOG share in total distribution

**Cargo, CPM, BBB, D&O, TOL, Marine vessel, Aviation

Multi-channel leadership

- Developing corporate partnership with different financial institutions
- Sustainable cooperation with car dealers
- The largest captive agents network

ALDAGI DISTRIBUTION MODEL



Aldagi is increasing actuarial role in major actuarial directions:

- Actuarial opinion for all projects
- Creation of actuarial report for the Board
- Authorization of the reserves by Actuaries
- Actuarial support and opinion in product design
- Actuarial support for improvement of pricing

Underwriting process is organized through line underwriters: Motor, Agro, Life, Marine/Liability, Property/Engineering and facultative underwriting

Rated reinsurers panel

Treaty reinsurers

TOP 5	S&P	A.M.Best
Hannover Re	AA-	A+
Trust Re	A-	A-
Catlin Re	A+	A
Polish Re	N/A	A-
Trans Re	A+	A+

Facultative reinsurers

TOP 5	S&P	A.M.Best
Lloyd's syndicates	A+	A
Allianz Global	AA	A+
Korean Re Co	A	A
Liberty Mutual	A	A
Eurasia	BB+	B++



Giorgi Baratashvili
CEO

- More than 14 years experience in Insurance.
- Joined Aldagi in 2004



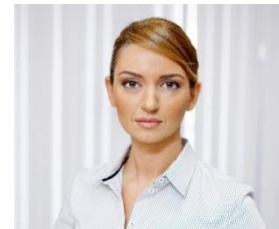
Lasha Khakhutaishvili
CFO

- More than 10 years experience in Insurance.
- Joined Aldagi in 2008



Guram Mirzashvili
Director of UW, Reinsurance and Actuarial Research

- More than 20 years experience in Insurance.
- Joined Aldagi in 1997



Tamar Chkadua
Director of Retail Sales Department

- More than 12 years experience in Insurance.
- Joined Aldagi in 2006



Teona Kvitsiani
Director of Legal Department

- More than 8 years experience in Insurance.
- Joined Aldagi in 2009



Vakhtang Ebitashvili
Director of Claims Management and Subrogation Department

- More than 11 years experience in Insurance.
- Joined Aldagi in 2006



Archil Macharadze
COO

- More than 13 years experience in Insurance.
- Joined Aldagi in 2004



David Ejibia
Director of Corporate Sales Department

- More than 17 years experience in Insurance.
- Joined Aldagi in 2001



Shota Chachkhunashvili
Director of Strategic Development Department

- More than 12 years experience in Strategic management.
- Joined Aldagi in 2017

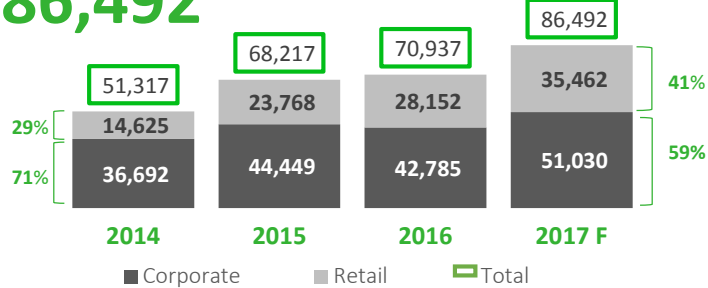
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SUSTAINABLE PERFORMANCE TRACK RECORD

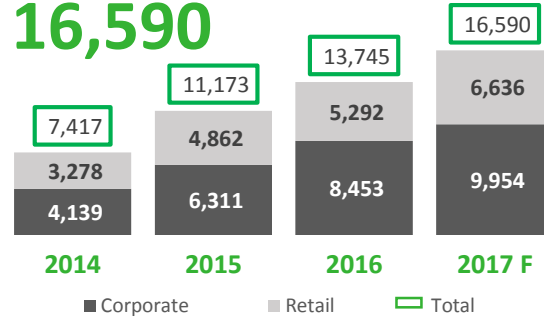
Revenue (GEL 000')

86,492



Profit (GEL 000')

16,590

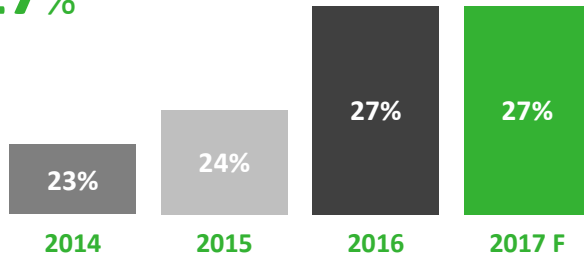


Retail revenue doubled from 2014-2016

Total profit doubled from 2014-2016

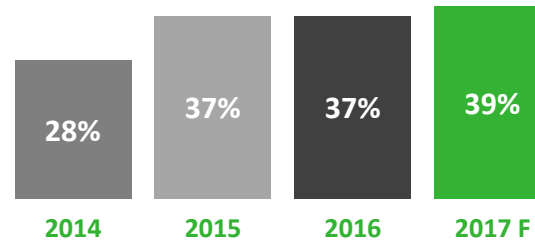
Profit Margin

27%



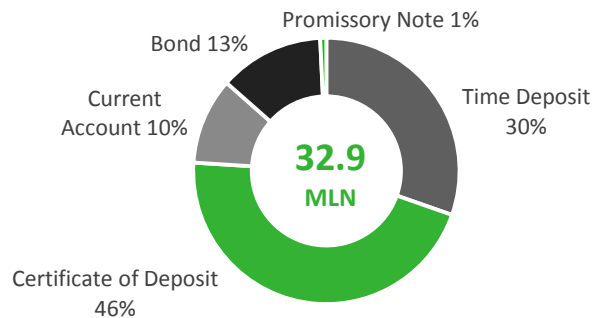
ROAE

39%

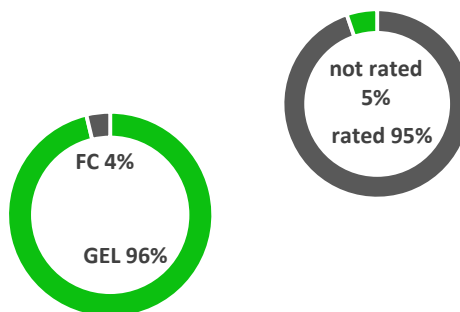


- Profit CAGR 2014-2017 31%
- Retail revenue CAGR 2014-2017 34%

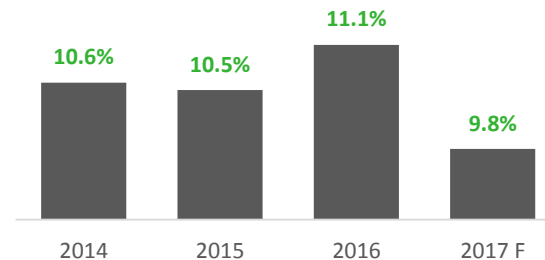
Aldagi investment portfolio split



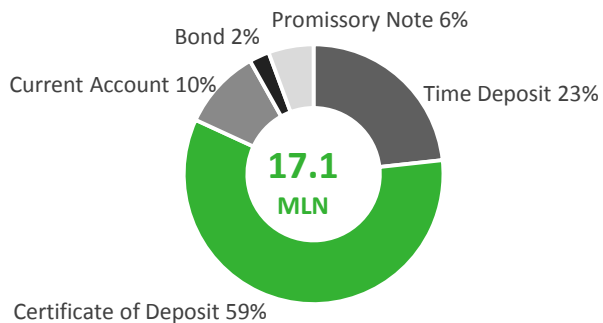
Aldagi portfolio by rating and currency



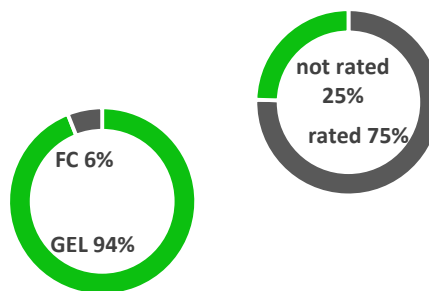
Aldagi portfolio investment yield



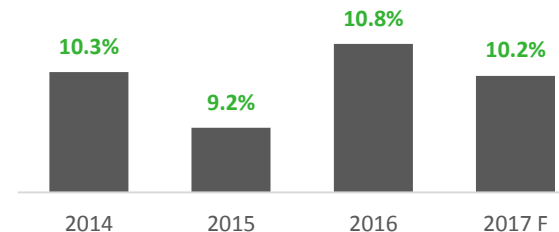
Pension fund investment portfolio split



Pension fund portfolio by rating and currency



Pension fund investment yield



Well-diversified business model: Corporate

	Share of business	Market Share	Combined Ratio	Key points
Property	34%	44%	64%	Largest market share in a highly profitable line of business
Motor	28%	36%	78%	Steady and diversified client base, with above 90% renewal rates
Liability	21%	55%	53%	Diversified liability products lead to sustainable profitability of the business line
Other*	18%	22%	54%	Constantly introducing innovative products for corporate segment. Recently launched Cyber insurance

Future Focus

- Developing new tailored products
- Digitalizing, policy renewal, policy editing and claims regulation process

Source: Aldagi internal reporting, Insurance State Supervision Service of Georgia

*Cargo, CPM, BBB, D&O, TOL, Marine vessel, Aviation

Well-diversified business model: Retail

	Share of business*	Market Share	Combined Ratio	Business description & key points
Motor	43%	43%	97%	46% of total retail market, enormous room to grow, only 7% of the cars registered are insured, mandatory insurance will boost the market
Credit Life	23%	71%	59%	Distribution predominantly through two main financial institutions, strong growth in years
Agro	22%	54%	86%	Agro insurance is conducted in conjunction with the Ministry of Agriculture, largest market share and steady growth rate
Property	8%	43%	48%	Property sales distribution process mainly through bancassurance, still penetration is very low
Livestock	2%	100%	77%	Innovative product developed and offered to the market only by Aldagi, offers further potential to reach underpenetrated regional market

Future Focus

- 50K vehicles insured out of 1.2 million
- Special products for SME
- Developing online sales: from Sep17 330 Travel online policies sold

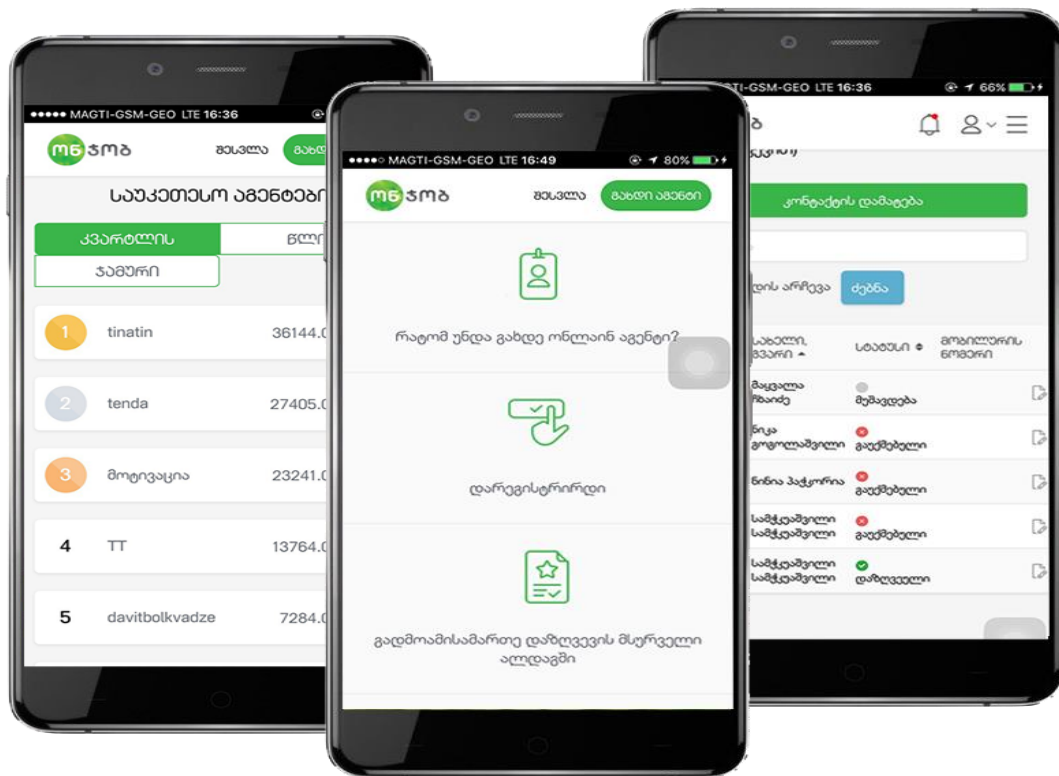
- Tapping new markets
- 13K Livestock policies issued in 9M17



Source: Aldagi internal reporting, Insurance State Supervision Service of Georgia
* Excluding other lines

Onjob.ge – Aldagi’s unique web-portal

- 11.5K online agents
- More than 1000 agents constantly adding leads
- More than 80K leads added
- Insurance lines offered through online agency: motor, agro, property
- Travel and MTPL products to be introduced to online agents in the nearest future



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c. 16

MLN GEL

2017

Retail | Penetration **Low**



- No mandatory lines, border & local MTPL, also GTPL mandatory insurance to be introduced
- Develop simple products for mass retail
- Digitalization of all processes
- More partnership with financial institutions after demerger

Aldagi Profit

50

MLN GEL

2022

SME | Penetration **Zero**



- Underpenetrated market
- Developing tailored products
- Digital portal for SME

Corporate | Penetration **↑**


















- Good investment climate
- Stable economic growth
- Increase in infrastructural projects

3 BUSINESS DIRECTIONS

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			Motor	Property	Credit Life	Liability	Other
Key Segments			Motor own damage, motor third party liability insurance	CAR ⁽²⁾ , Commercial property, Household Property, Machinery breakdowns insurance	Loan-linked life insurance	Financial risk, employer's liability, professional indemnity, GTPL ⁽³⁾ , FFL ⁽⁴⁾ , Household GTPL, Product liability insurance	Cargo, CPM ⁽⁵⁾ , Livestock, BBB ⁽⁶⁾ , D&O ⁽⁷⁾ , Agro insurance
Market Size ⁽¹⁾ (2016)			GEL 65mln	GEL 57mln	GEL 26mln	GEL 27mln	GEL 28mln
Aldagi market share (by earned premiums, gross)			37%	37%	28%	38%	29%
# of Clients			Corporate - 1,158 Retail - 22,105	Corporate - 873 Retail - 12,309	Retail - 3	Corporate - 538 Retail - 553	Corporate - 252 Retail - 16,46
Financials 9m2017	Earned Premiums, gross GEL 64.0mln	 <p>17% 2014-9m2017 CAGR 18%</p> <p>17%</p> <p>C: GEL 11.0 mln R: GEL 11.0 mln</p>	 <p>20% 2014-9m2017 CAGR 3%</p> <p>4%</p> <p>C: GEL 13.1 mln R: GEL 2.5 mln</p>	 <p>10% 2014-9m2017 R: CAGR 34%</p> <p>0%</p> <p>R: GEL 6.3 mln</p>	 <p>13% 2014-9m2017 CAGR 26%</p> <p>1%</p> <p>C: GEL 8.1 mln R: GEL 0.4 mln</p>	 <p>9% 2014-9m2017 CAGR 52%</p> <p>9%</p> <p>C: GEL 6.0 mln R: GEL 5.6 mln</p>	
	Underwriting profit, net GEL 21.9mln	 <p>18% 2014-9m2017 CAGR 13%</p> <p>11%</p> <p>C: GEL 3.9 mln R: GEL 2.5 mln</p>	 <p>15% 2014-9m2017 CAGR -15%</p> <p>8%</p> <p>C: GEL 3.3 mln E: GEL 1.8 mln</p>	 <p>16% 2014-9m2017 CAGR 24%</p> <p>0%</p> <p>R: GEL 3.4 mln</p>	 <p>15% 2014-9m2017 CAGR 24%</p> <p>0%</p> <p>C: GEL 3.4 mln</p>	 <p>12% 2014-9m2017 CAGR 42%</p> <p>4%</p> <p>C: GEL 2.7 mln R: GEL 0.9 mln</p>	
	Net profit GEL 12.1mln	 <p>19% 2014-9m2017 CAGR 17%</p> <p>-1%</p> <p>C: GEL 2.3 mln</p>	 <p>14% 2014-9m2017 CAGR 18%</p> <p>10%</p> <p>C: GEL 1.7 mln R: GEL 1.2 mln</p>	 <p>19% 2014-9m2017 CAGR 27%</p> <p>0%</p> <p>R: GEL 2.3 mln</p>	 <p>19% 2014-9m2017 CAGR 33%</p> <p>0%</p> <p>C: GEL 2.3 mln</p>	 <p>17% 2014-9m2017 CAGR 66%</p> <p>3%</p> <p>C: GEL 2.0 mln R: GEL 0.3 mln</p>	
Combined ratio: 74%			Corporate - 78% Retail - 97%	Corporate - 64% Retail - 48%	Retail - 59%	Corporate - 53% Retail - 88%	Corporate - 54% Retail - 87%

P&L

	3Q17	3Q16	Change Y-o-Y	2Q17	Change Q-o-Q	9M17	9M16	Change Y-o-Y
Gross premium written	21,322	18,122	17.7%	30,283	-29.6%	70,512	58,715	20.1%
Earned premiums, gross	24,610	19,905	23.6%	20,900	17.8%	64,030	52,298	22.4%
Earned premiums, net	16,707	13,419	24.5%	15,048	11.0%	46,191	36,579	26.3%
Insurance claims expenses, gross	(8,088)	(4,101)	97.2%	(8,413)	-3.9%	(27,201)	(18,379)	48.0%
Insurance claims expenses, net	(6,348)	(4,799)	32.3%	(5,906)	7.5%	(17,891)	(12,745)	40.4%
Aquisition costs, net	(2,845)	(1,785)	59.4%	(1,917)	48.4%	(6,438)	(4,523)	42.3%
Net underwriting profit	7,514	6,835	10%	7,225	4%	21,862	19,311	13%
Investment income	786	862	-8.8%	598	31.4%	2,151	2,357	-8.7%
Net Fee and commission income	171	104	64.4%	113	51.3%	383	308	24.4%
Investment result	957	966	-1%	711	35%	2,534	2,665	-5%
Salaries and other employee benefits	(2,304)	(2,093)	10.1%	(2,161)	6.6%	(6,442)	(5,737)	12.3%
Selling, general administrative expenses	(876)	(785)	11.6%	(664)	31.9%	(2,433)	(2,193)	10.9%
Depreciation & Amortization	(245)	(189)	29.6%	(241)	1.7%	(720)	(572)	25.9%
Impairment charges	(157)	(185)	-15.1%	(190)	-17.4%	(589)	(543)	8.5%
Other operating expenses	144	223	-35.4%	19	NMF	333	472	-29.4%
Operating profit	5,033	4,772	5%	4,699	7%	14,545	13,403	9%
Foreign exchange gain / (loss)	327	(70)	NMF	(146)	NMF	(244)	(1,103)	-77.9%
Pre-tax Profit	5,360	4,702	14%	4,553	18%	14,301	12,300	16%
Corporate income tax expense	(819)	(812)	0.9%	(713)	14.9%	(2,169)	(2,366)	-8.3%
Net profit	4,541	3,890	17%	3,840	18%	12,132	9,934	22%

Balance sheet

	Sep-17	Sep-16	Change Y-o-Y	Jun-17	Change Q-o-Q
Cash and cash equivalents	4,200	2,527	66%	3,900	8%
Amounts due from credit institutions	24,989	23,386	7%	24,247	3%
Investment securities: available-for-sale	4,344	3,063	42%	4,551	-5%
Insurance premiums receivable, net	27,500	21,483	28%	31,533	-13%
Ceded share of technical provisions	21,219	15,375	38%	23,509	-10%
Premises and equipment, net	9,731	8,918	9%	9,177	6%
Intangible assets, net	1,363	1,112	23%	1,268	7%
Goodwill	13,051	13,051	0%	13,051	0%
Deferred acquisition costs	1,906	1,413	35%	1,692	13%
Pension Fund Assets	17,808	15,600	14%	17,198	4%
Other Assets	5,521	4,345	27%	5,466	1%
Total assets	131,632	110,273	19%	135,592	-3%
Gross technical provisions	52,567	43,665	20.4%	55,016	-4.5%
Other Insurance liabilities	10,751	9,357	14.9%	18,171	-40.8%
Current income tax liabilities	110	70	57.1%	636	-82.7%
Pension benefit obligations	17,808	15,600	14.2%	17,198	3.5%
Other Liabilities	5,395	5,581	-3.3%	4,111	31.2%
Total liabilities	86,631	74,273	17%	95,132	-9%
Share capital - ordinary shares	1,889	1,889	0.0%	1,889	0.0%
Share premium	5,405	5,405	0.0%	5,405	0.0%
Revaluation and other reserves	422	359	17.5%	422	0.0%
Retained earnings	25,153	18,413	36.6%	25,153	0.0%
Net profit	12,132	9,934	22.1%	7,591	59.8%
Total equity	45,001	36,000	25%	40,460	11%
Total liabilities and equity	131,632	110,273	19%	135,592	-3%

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This presentation contains forward-looking statements, including, but not limited to, statements concerning expectations, projections, objectives, targets, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, competitive strengths and weaknesses, plans or goals relating to financial position and future operations and development. Although BGEO Group PLC believes that the expectations and opinions reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations and opinions will prove to have been correct. By their nature, these forward-looking statements are subject to a number of known and unknown risks, uncertainties and contingencies, and actual results and events could differ materially from those currently being anticipated as reflected in such statements. Important factors that could cause actual results to differ materially from those expressed or implied in forward-looking statements, certain of which are beyond our control, include, among other things: currency fluctuations, including depreciation of the Georgian Lari, and macroeconomic risk; corporate loan portfolio exposure risk; regional tensions; regulatory risk; cyber security, information systems and financial crime risk; investment business strategy risk; and other key factors that we have indicated could adversely affect our business and financial performance, which are contained elsewhere in this presentation and in our past and future filings and reports, including the 'Principal Risks and Uncertainties' included in BGEO Group PLC's Annual Report and Accounts 2016 and in its Half Year 2017 Results announcement. No part of this presentation constitutes, or shall be taken to constitute, an invitation or inducement to invest in BGEO Group PLC or any other entity, including any future entity such as BGEO Investments PLC or Bank of Georgia PLC, and must not be relied upon in any way in connection with any investment decision. BGEO Group PLC undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required. Nothing in this presentation should be construed as a profit forecast.