



Georgia Healthcare Group BOGH Investor Day

5 September 2014

Speaker: Murtaz Kikoria

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GEORGIA
HEALTHCARE
GROUP



This presentation contains forward-looking statements that are based on current beliefs or expectations, as well as assumptions about future events. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as anticipate, target, expect, estimate, intend, plan, goal, believe, will, may, should, would, could or other words of similar meaning. Undue reliance should not be placed on any such statements because, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and JSC Bank of Georgia and/or the Bank of Georgia Holdings' plans and objectives, to differ materially from those expressed or implied in the forward-looking statements.

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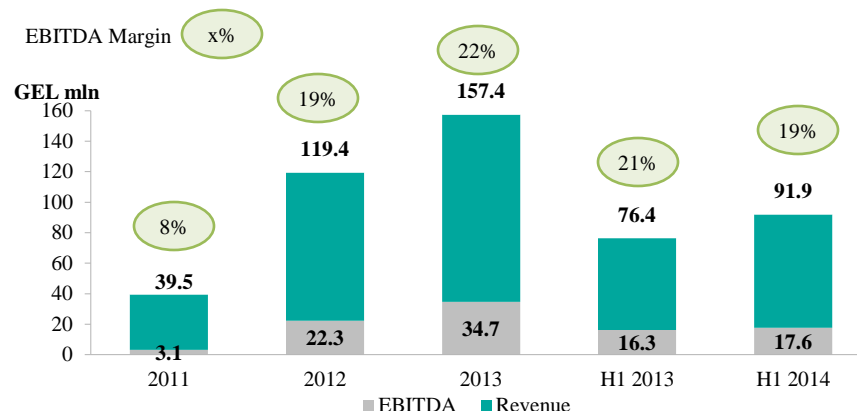
- 1. GHG overview**
- 2. GHG – A Strong Investment Story Supported by Compelling Themes**
 - Market and quality leader
 - Significant growth opportunities
 - Integrated synergistic business model
 - Strong management with proven track record

Georgia Healthcare Group⁽¹⁾ (“GHG”) is the largest and rapidly growing integrated healthcare and health insurance services provider in Georgia.

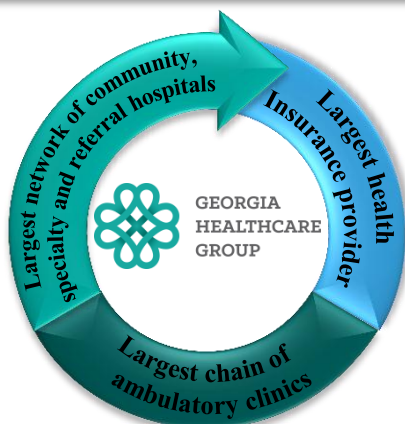
COMPANY OVERVIEW

- ❁ **Largest healthcare service provider in Georgia**
 - 21.9%⁽²⁾ market share
 - Over 2/3 of population covered⁽³⁾
 - Operating 32 hospitals and 5 ambulatory clinics⁽⁴⁾
 - 2,080 beds⁽⁴⁾
- ❁ **Leading health insurance business**
 - 37.6%⁽⁵⁾ market share
 - Insuring 413 thousand people⁽⁷⁾
- ❁ c. 7,120 full time employees⁽⁶⁾, including 2,172 doctors⁽⁶⁾
- ❁ 100% subsidiary of Bank of Georgia (“BoG”), the leading bank in Georgia
- ❁ Strong corporate governance

FINANCIAL SUMMARY



Business Model



Capitalise on...

...Increasingly favourable healthcare environment

- c.7% Georgian GDP growth
- Increased spending on healthcare services
- Favourable healthcare reform

...GHG's current position of undisputed market leadership in scale and quality

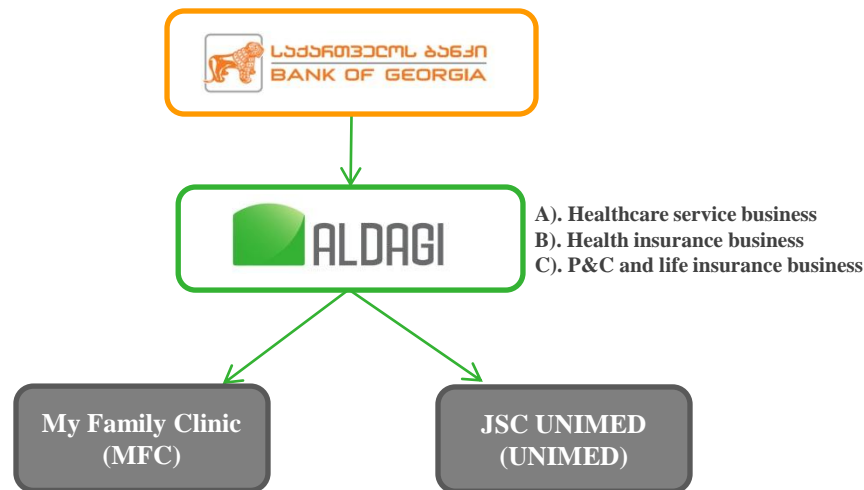
To Achieve

- ❁ i) Capture 1/3rd market share in healthcare services through a combination of:
 - ❁ Organic and inorganic growth
 - ❁ Enhanced presence across key geographies, especially Tbilisi
- ❁ ii) Set new benchmarks for quality across Georgian healthcare pathway
 - ❁ Institutionalising the industry

(1) Georgia Healthcare Group to be registered under Georgian and the UK laws
 (2) Market share by bed capacity. Source: NCDC, data as of December 2012, updated by company to include new facilities acquired after December 2012
 (3) Source: Geostat.ge, data as of 1 January 2014

(4) Source: GHG internal reporting; hospital related data as of 31 August, 2014; number of insured as of 30 June 2014
 (5) Market share by gross revenue; Insurance State Supervision Service Agency of Georgia as of 1Q 2014
 (6) As of 1H 2014; number of full time employees including Avante clinics acquired in 1Q 2014

Before



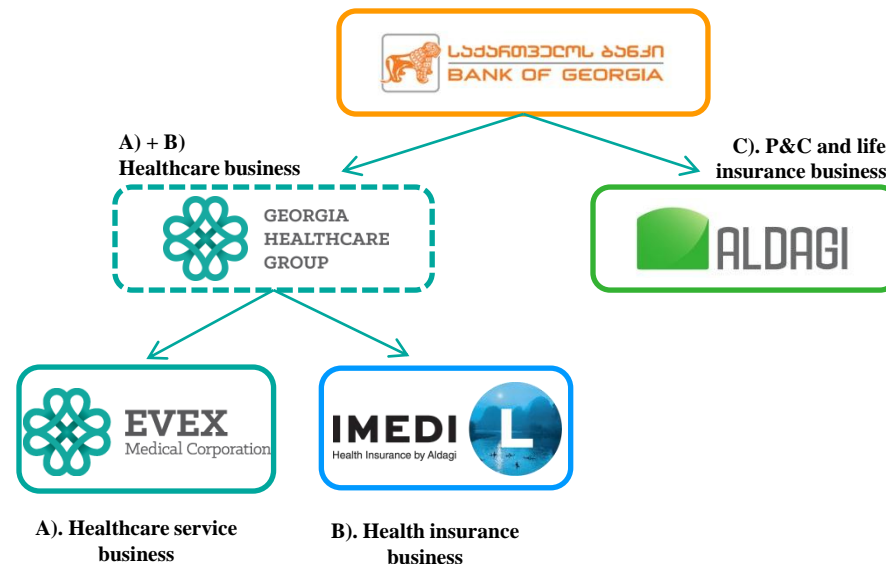
**100% OF SHARES
OF JSC ALDAGI
HELD BY JSC BANK OF GEORGIA**

JSC Aldagi business consists of:

Insurance business which includes P&C and Life Insurance and Health Insurance carried out by JSC Aldagi and;

Healthcare business carried out by the subsidiaries JSC UNIMED (100% owned by JSC Aldagi) and JSC My Family Clinic (100% owned by JSC Aldagi)

Anticipated



**100% OF SHARES
OF JSC GEORGIA HEALTHCARE GROUP* & JSC ALDAGI
HELD BY JSC BANK OF GEORGIA**

JSC GHG business consists of:

Healthcare service business carried out by JSC Evex Medical Corporation, which in turn owns 100% shares of each of JSC UNIMED and JSC My Family Clinic

Health insurance business carried out by JSC Imedi L

** Note: JSC Georgia Healthcare Group is a legal entity to be registered under Georgian law*

Board of directors (*expected*)

7 non-executive supervisory board members;

6 independent members, including the Chairman and Vice Chairman

- ✿ **Neil Janin** | Chairman of the supervisory board, Independent Director | *Experience: formerly was director at McKinsey & Company in Paris and held previous roles as Co-Chairman of the commission of the French Institute of Directors (IFA); Chase Manhattan Bank (now JP Morgan Chase) in New York and Paris; and Procter & Gamble in Toronto; currently also BGH Chairman*
- ✿ **David Morrison** | Vice Chairman of the supervisory board, Independent Director | *Experience: senior partner at Sullivan & Cromwell LLP prior to retirement; currently also BGH board member*
- ✿ **Irakli Gilauri** | Director | *Experience: currently BGH CEO; formerly EBRD banker; MS in banking from CASS Business School, London; BBS from University of Limerick, Ireland*
- ✿ **Allan Hirst** | Independent Director | *Experience: Held various senior roles over his 25 year career at Citibank, including CEO of Citibank Russia; former BGH board member for seven years*
- ✿ **Ingeborg Oie** | Independent Director | *Experience: Currently a VP investor relations at Smith & Nephew plc, formerly senior research analyst covering medical technology and healthcare Services sector at Jefferies; analyst in the medtech research team at Goldman Sachs.*
- ✿ **Tim Elsigood** | Independent Director | *Experience: 'Former VP for Business Development at Capio AB and CEO of Capio UK. Extensive international healthcare management experience including time in Greece, Romania, Ukraine and Russia.*
- ✿ **Mike Anderson** | Independent Director | *Experience: Currently a Medical Director at Chelsea and Westminster hospital, and an Honorary Clinical Senior Lecturer of Imperial College of Science, Technology and Medicine and a member of the British Society of Gastroenterology and British Association for the Study of the Liver*
- ✿ **Murtaz Kikoria** | Director, CEO at GHG | *Experience: various managerial positions within BGH Group; formerly EBRD banker and head of supervision at NBG*

Non-BGH members

Management

- ✿ **Murtaz Kikoria** | CEO, Georgia Healthcare Group, supervisory board chairman at JSC Evex Medical Corporation and JSC Imedi L
- ✿ **Irakli Gogia** | In charge of finance and operations functions at GHG, supervisory board member at JSC Evex Medical Corporation and JSC Imedi L, formerly Deputy CEO at JSC Insurance Company Aldagi, CFO at Liberty Consumer, 4 years of experience at Ernst & Young and Deloitte & Touche
- ✿ **Giorgi Mindiashvili** | CEO, EVEX; formerly CFO of JSC Insurance Company Aldagi, formerly supervisory board member of JSC My Family Clinic
- ✿ **Nutsa Koguashvili** | CEO, Imedi L; 11 years of experience in insurance, formerly deputy CEO (retail & marketing) at JSC Insurance Company Aldagi
- ✿ **Nino Kortua** | Head of legal; 14 years experience in insurance field, formerly head of Aldagi Legal Department, supervisory board member at JSC Evex Medical Corporation and JSC Imedi L
- ✿ **Manana Khurtsilava** | Head of internal audit; various managerial positions within BGH Group
- ✿ **Ekaterina (Eka) Shavgulidze** | In charge of investor relations at GHG, supervisory board member at JSC Evex Medical Corporation and JSC Imedi L; formerly CEO of JSC My Family Clinic (currently Evex), associate finance director at AstraZeneca UK; MBA from Wharton School

NOTE: Establishment of Board Committees (Audit, Remuneration and Nomination Committees) in progress



GHG is strongly positioned to leverage its strengths to capitalise on significant growth opportunities

1

Market and Quality Leader

- ✓ **Largest market share:** 21.9%⁽¹⁾ market share in healthcare services by number of beds, with over 35%⁽¹⁾ share in West Georgia; Unique “geographic cluster” footprint for hospital services; 37.6%⁽²⁾ market share in health insurance
- ✓ **Widest population coverage:** Network of 37⁽³⁾ high quality hospitals and ambulatory clinics, with modern equipment, providing coverage to over 2/3 of Georgia's 4.5 mln⁽⁴⁾ population
- ✓ **Institutionalizing the industry:** strong corporate governance, standardized processes, on-going EQS implementation⁽⁵⁾, world renowned partners, own personnel training centre

4

Strong Management with Proven Track Record

- ✓ Valuable international healthcare experience
- ✓ In-depth knowledge of the local market
- ✓ Strong business management team, exceptional in Georgia's healthcare sector
- ✓ Successful M&A track record – acquired and integrated over 20 companies in past decade, including 24 healthcare facilities between 2011-14⁽³⁾
- ✓ Influential & supportive shareholder



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Significant Growth Opportunities

2

- ✓ **Attractive macro**⁽⁶⁾: Georgia – an attractive, open and easy⁽⁷⁾ emerging market to do business
 - Real GDP grew at a CAGR of 6.7% between 2003-12
- ✓ **Favourable healthcare environment:** reform efforts, private sector partnership, reform in pharma to accelerate hospital sector development, constructive regulator
- ✓ **Further expansion:** opportunities to increase penetration in the largest Tbilisi market, where GHG is scaling up its presence through acquisition and development of hospitals
- ✓ **Non-organic growth opportunity:** potential for further consolidation in a highly fragmented Georgian healthcare sector

Integrated Synergistic Business Model

3

- ✓ “Patient capture” model
 - **Cost advantage** through vertical integration
 - **Referral system & cluster model:**
 - Strong presence across patient treatment pathways from local doctors (GPs) to specialised hospitals / centres
 - **Synergies with insurance:**
 - Insurance activities bolster hospital patient referrals

(1) Market share by bed capacity. Source: National Center for Disease Control, data as of December 2012, updated by company to include new facilities acquired after December 2012

(2) Market share by gross revenue; Insurance State Supervision Service Agency of Georgia as of 1Q 2014

(3) Source: GHG internal reporting

(4) Source: Geostat.ge, data as of 1 January 2014

(5) EQS is Evex Quality Standard developed at Evex for internal control and quality management (benchmark mainly based on JCI and EU standards) to analyse and improve clinical outcomes of hospital operations

(6) Source: Euromonitor, World Bank's 2012 “Ease of Doing Business Report”, other public information.

(7) Ranked #16 (of 183 countries) in World Bank's 2012 “Ease of Doing Business Report”. Ahead of all its neighbouring and several EU countries.



GHG is the market leader in Georgia with the largest hospital chain, and a leading insurance business

MARKET LEADER:

- 21.9%⁽¹⁾ market share in healthcare services
- 37.6%⁽²⁾ market share in health insurance
- 37⁽³⁾ high quality hospitals and ambulatory clinics, with modern equipment
- 2,080⁽³⁾ beds
- Over 85% of bed capacity are new beds vs national average of c.63%⁽¹⁾
- Providing coverage to over 2/3 of Georgia's 4.5m population⁽⁴⁾

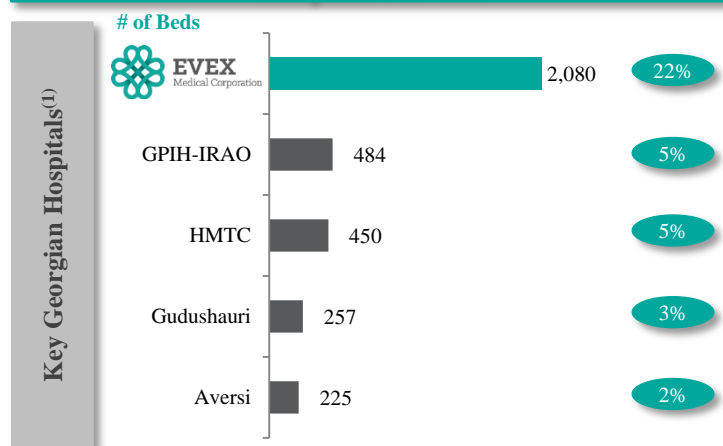


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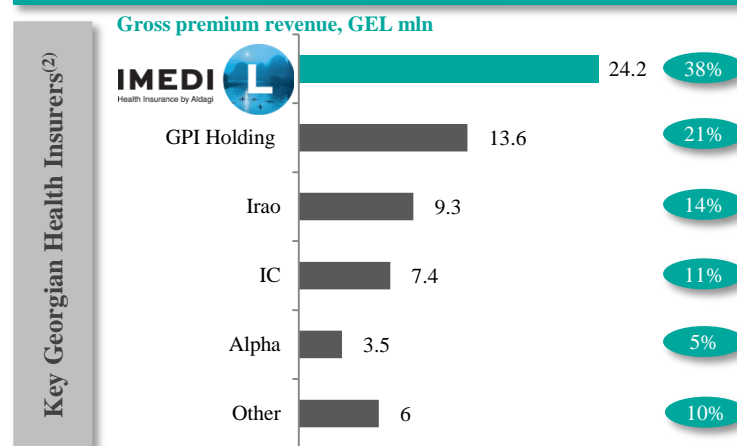
SETTING NEW STANDARDS IN GEORGIA'S HEALTHCARE:

- On-going EQS implementation⁽⁵⁾
- In-house training centre, tests for its personnel and utilisation of modern equipment
- Ability to attract highly experienced physicians available in the market
- Straightforward procedures, efficient claims settlement and flexible premium policy
- Collaborations with Mayo Clinic, Emory School of Medicine, University Research Corporation (URC), John Snow, Inc. (JSI), Rostropovich - Vishnevskaya Foundation (RVF), Development Credit Authority (DCA), USAID
- Upholding ethical standards (GOG, WHO, Helsinki Declaration, US Gov. DHHS/OHRP)

Hospital Services



Health Insurance



Market share

(1) Market share by bed capacity. Source: NCDC, data as of December 2012, updated by company to include new facilities acquired after December 2012

(2) Market share by gross revenue; Insurance State Supervision Service Agency of Georgia as of 1Q 2014

(3) Source: GHG internal reporting

(4) Source: Geostat.ge, data as of 1 January 2014

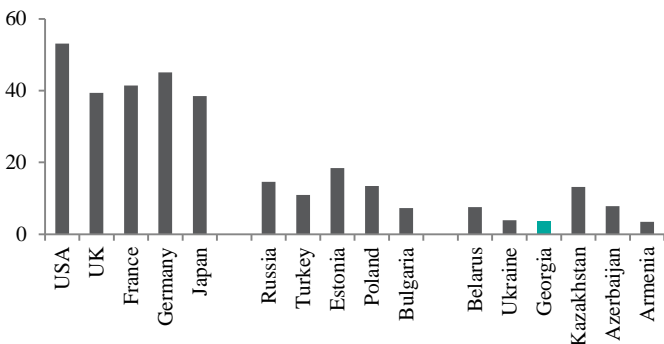
(5) EQS is Evex Quality Standard developed at Evex for internal control and quality management (benchmark mainly based on JCI and EU standards) to analyse and improve clinical outcomes of hospital operations



Healthcare sector growth supported by strong GDP growth prospects and health conscious population

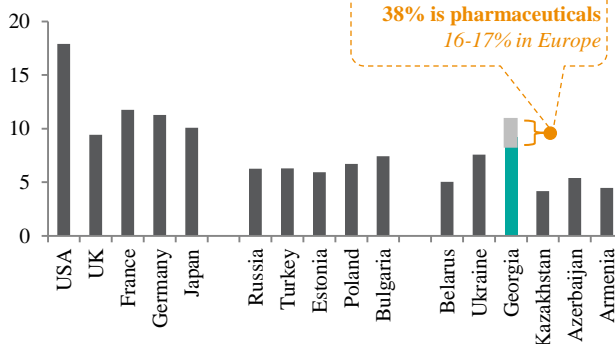
GDP⁽¹⁾ per capita remains low promising high growth potential

Current prices, USD '000



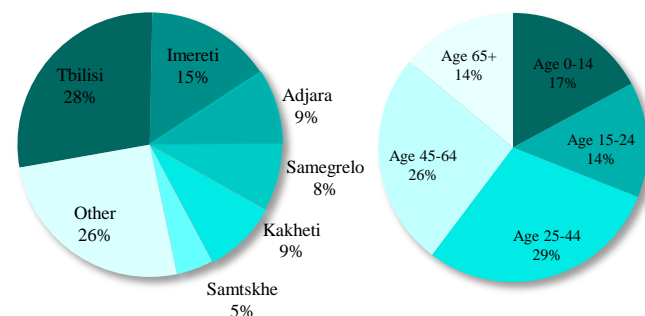
Increasing health consciousness results in high relative expenditure on healthcare⁽²⁾

Health expenditure % of GDP



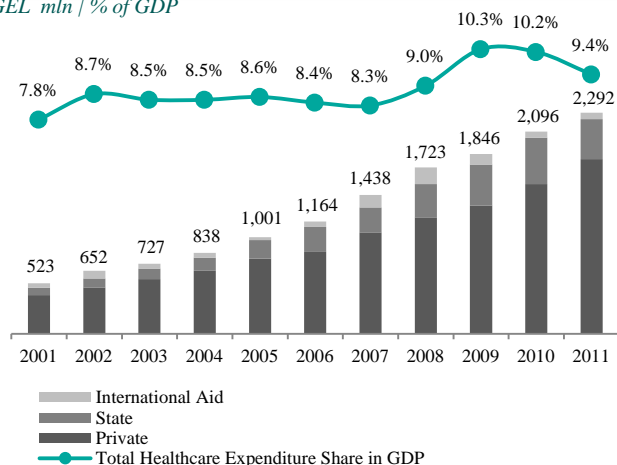
With demand driven by an ageing population in increasing need of healthcare

Split by regions

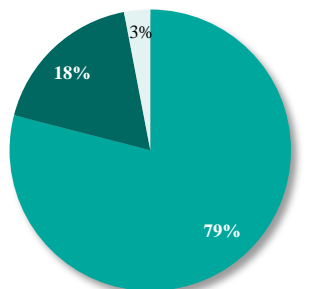


Healthcare spending grew at 15.9% between 2001 - 2011

GEL mln / % of GDP



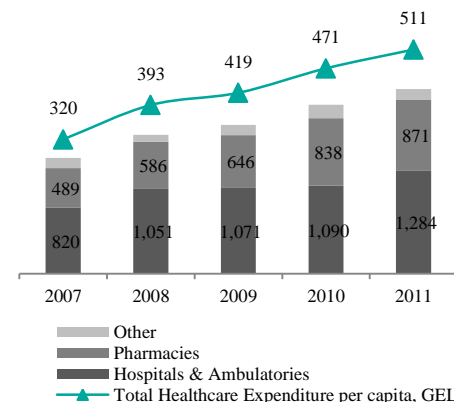
High private spending share of 79%⁽⁴⁾



Private State International Aid

only 5.5% of GDP is spent on in-&-out patient services⁽⁴⁾

Total healthcare expenditure as GEL mln / per capita as GEL



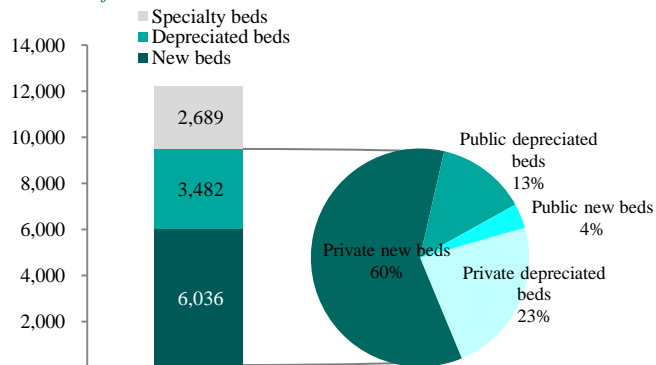
(1) Source: World Bank | 2013
 (2) Source: World Bank | 2012; MOH, HSPA 2013
 (3) Source: World Bank | 2012
 (4) Source: moh.gov.ge, NHA 2013, WHO, 2013
 (5) Source: Geostat.ge, data as of 1 January 2014



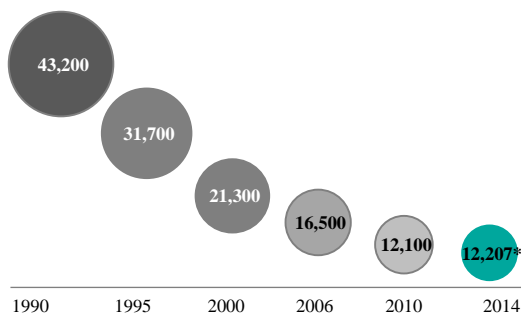
A renewed infrastructure, but there still is significant room to improve service quality

Bed capacity close to USA and Europe standards...⁽¹⁾

Number of beds

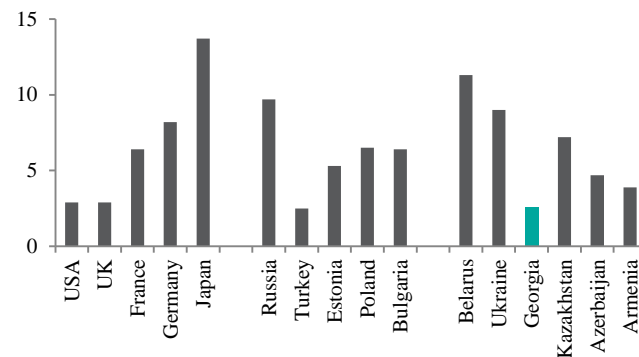


Total number of beds over the years



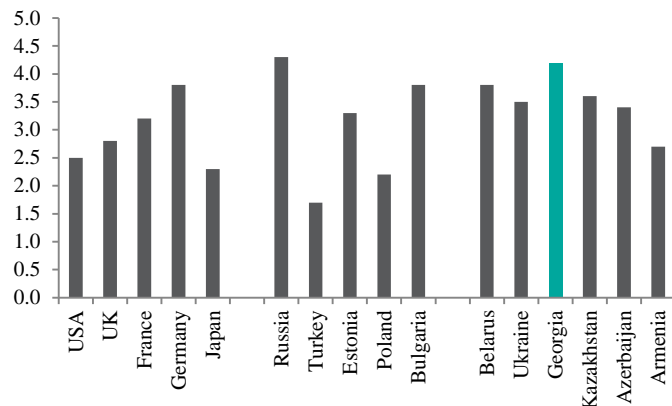
Capacity-wise Georgia stands alongside USA, UK and Turkey⁽²⁾

beds per 1,000 people



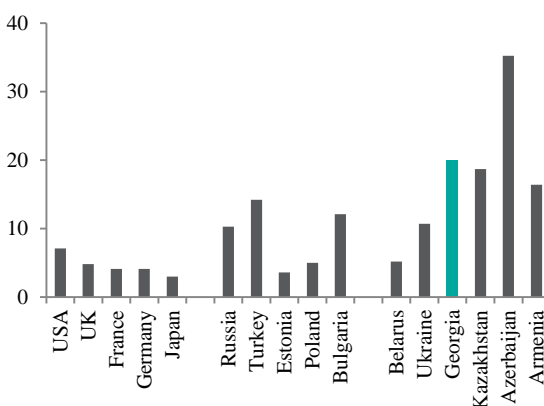
Optimization still to be done regarding number of physicians⁽²⁾

Per 1,000 people

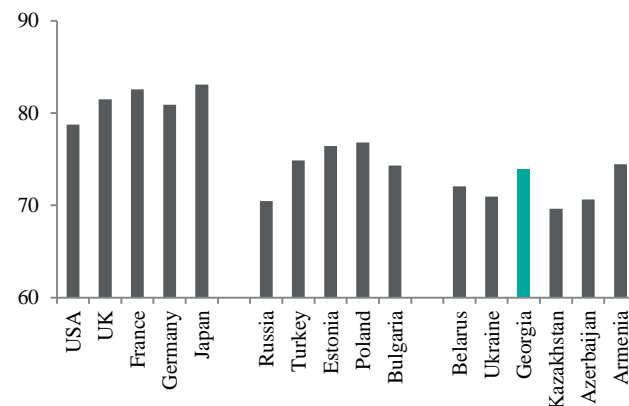


And significant room for optimization in terms of service quality, as indicated by: under 5 mortality rate...⁽²⁾ ...and life expectancy at birth⁽²⁾

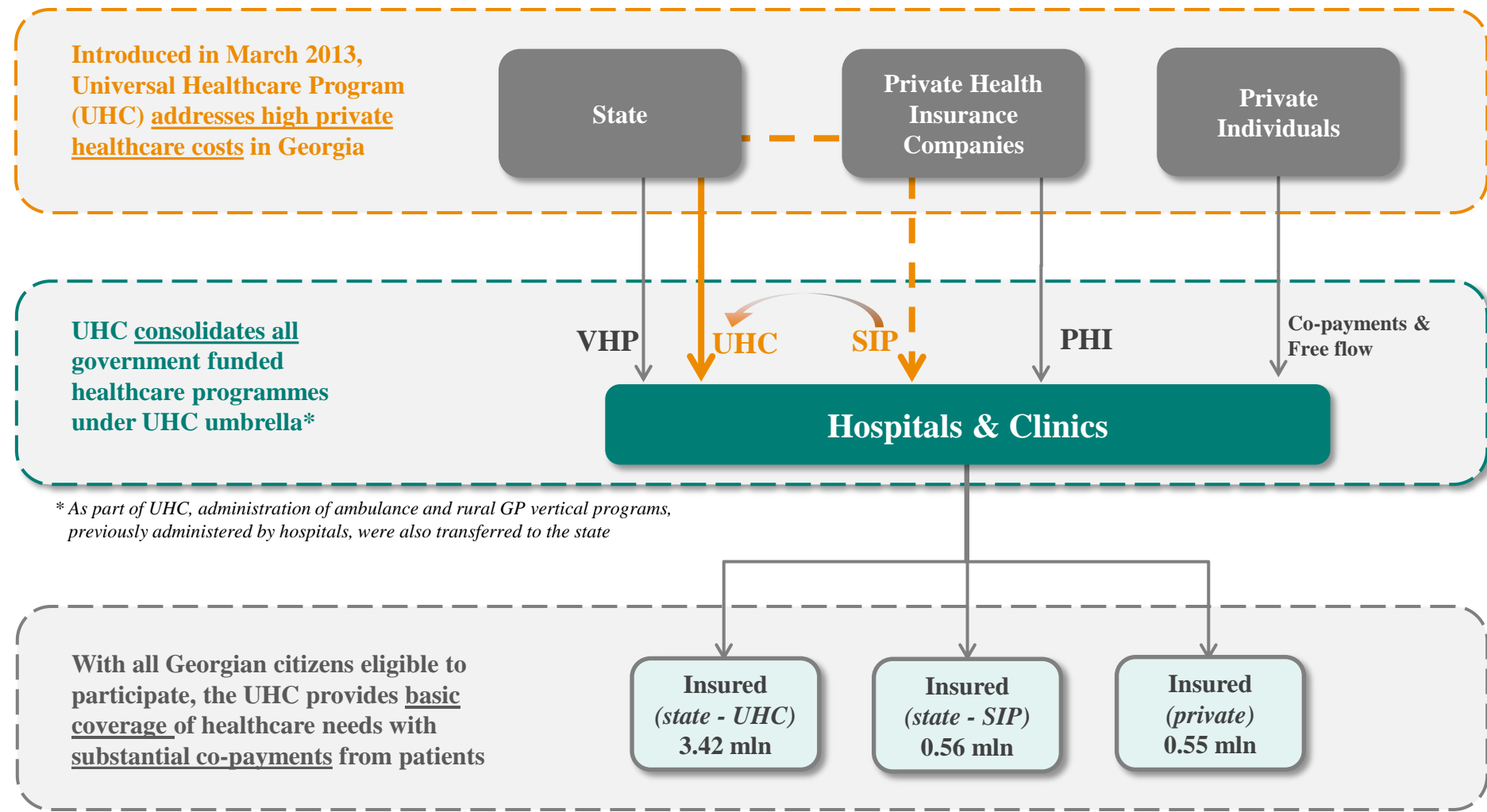
Per 1,000 live births



Total (years)



(1) Source: GHG internal reporting, Market share by bed capacity. NCDC, data as of December 2012, updated by company to include new facilities acquired after December 2012; NCDC, 2013 on 2011 and 2012 data
(2) Source: World Bank | 2012



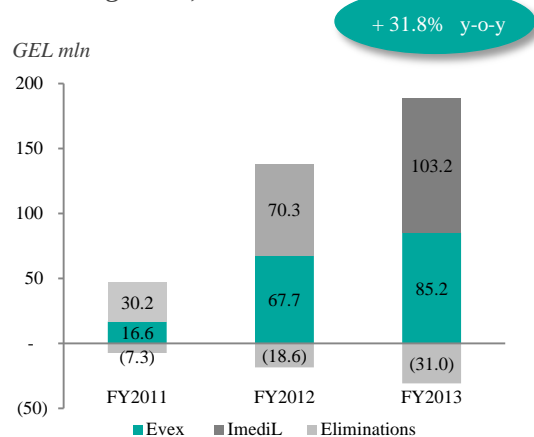
Note:
UHC – Universal Healthcare Program
VHP – Vertical Healthcare Program
SIP – State Insurance Program
PHI – Private Health Insurance



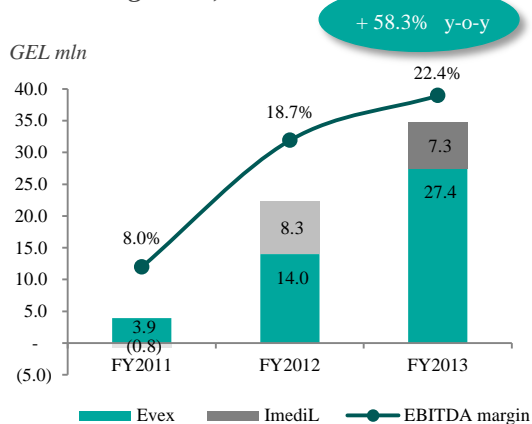
Improving margins with the increasing scale of business ⁽¹⁾

Strong revenue growth & outstanding profitability

Revenue growth, annual

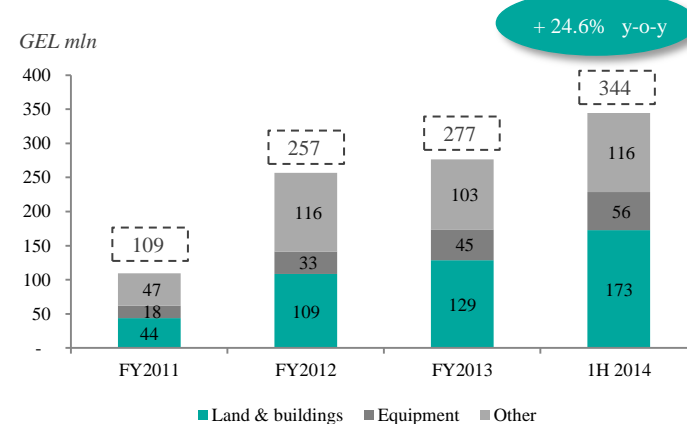


EBITDA growth, annual



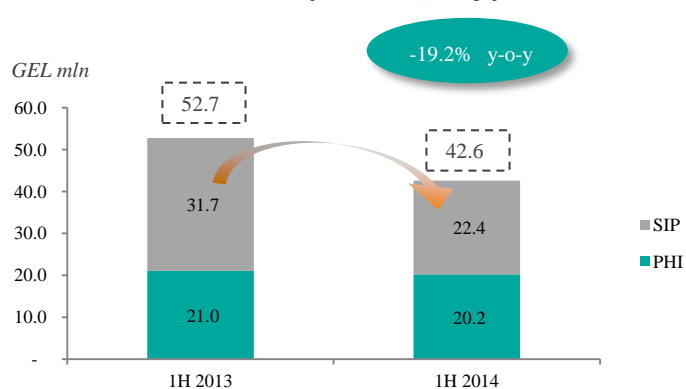
Investing in growth

Total assets

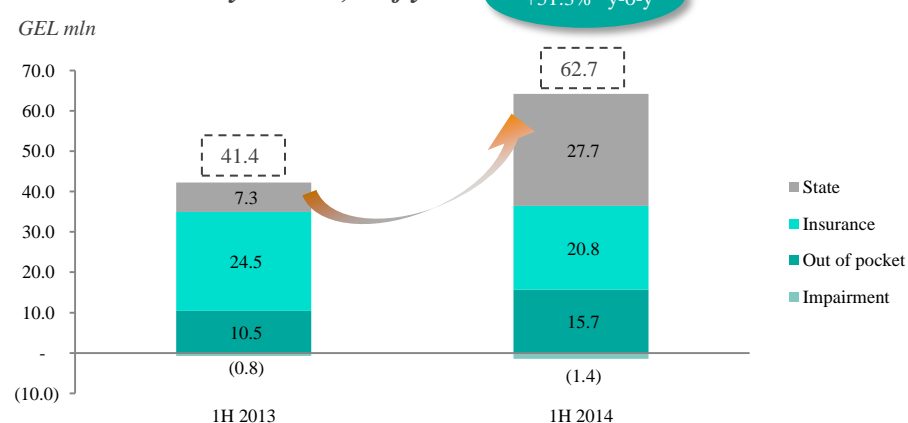


Capturing growth driven by the recent healthcare reform

Health insurance revenue by sources, half year

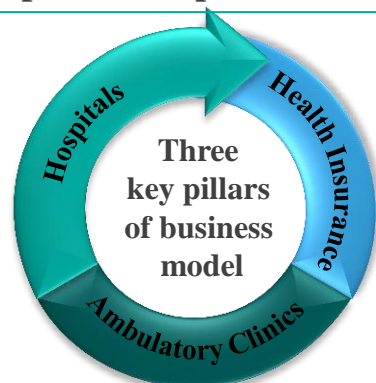


Healthcare service revenue by sources, half year





Well balanced regional hospital composition allows for fluent patient treatment pathway from local doctors to multi-profile or specialised hospitals



GHG operates a highly integrated patient capture business model



13 referral & specialty hospitals provide secondary and tertiary level healthcare services

Referral & Specialty Hospitals

19 community hospitals provide primary out- and inpatient healthcare services

Community Hospitals

5 ambulatory clinics provide primary outpatient healthcare services

Ambulatory Clinics

2/3 of Georgia's 4.5 mln⁽¹⁾ population covered

Patients

13.3 mln GEL Evex revenue driven by health insurance division in 1H 2014

IMEDI
Health Insurance by Aldagi



Healthcare business allows upselling of health insurance products

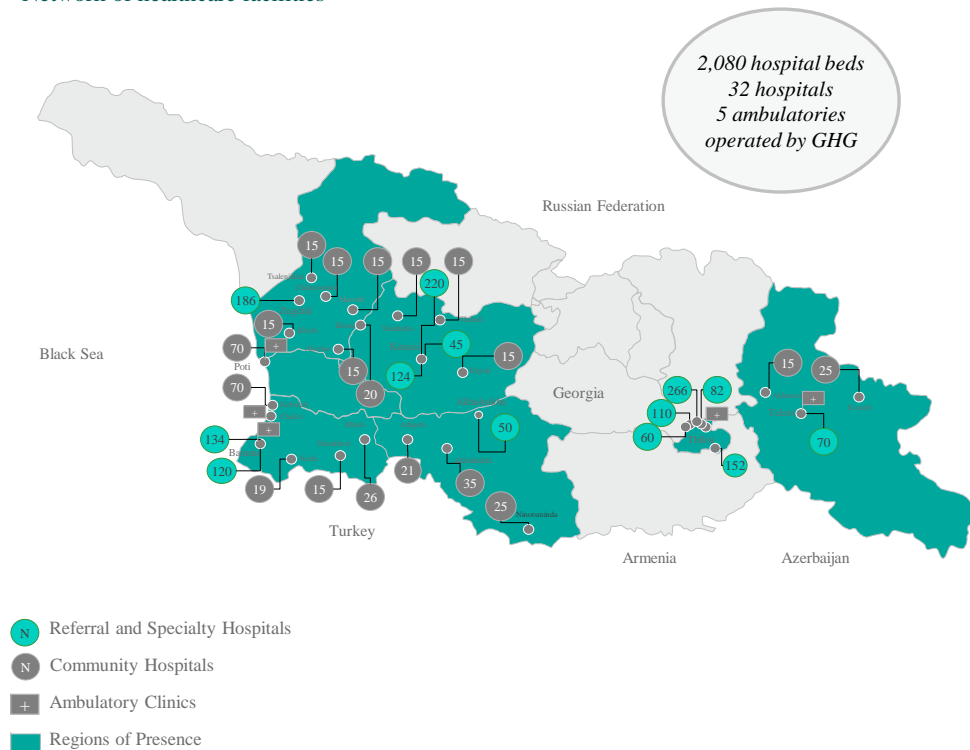
A vertically integrated care pathway

(1) Source: Geostat.ge, data as of 1 January 2014
(2) Source: GHG internal reporting.



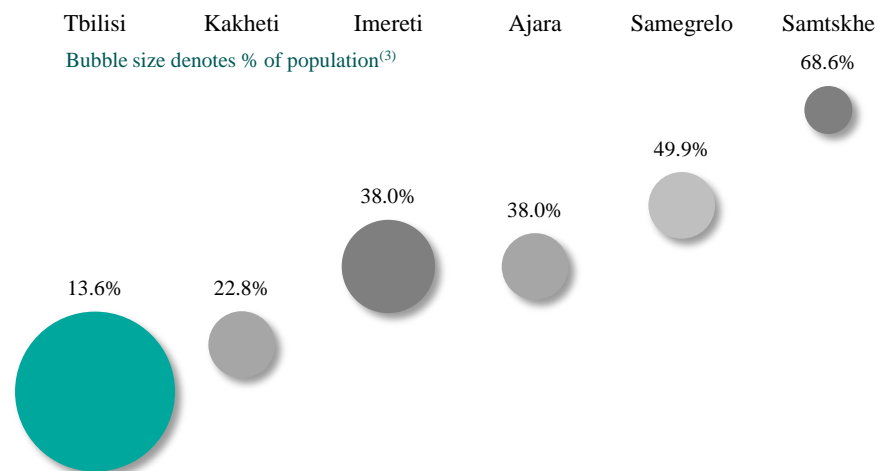
Extensive Geographic Coverage⁽¹⁾

Network of healthcare facilities



Geographically Diversified Network

Regional market shares⁽²⁾



(1) Source: GHG internal reporting – data as of 31 August, 2014

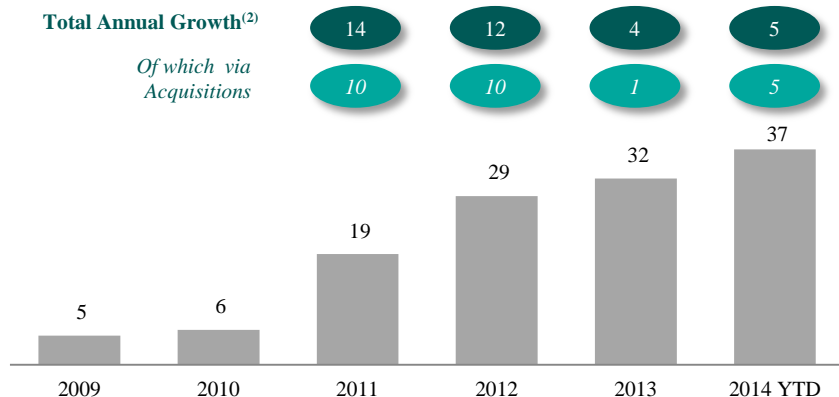
(2) Market share by bed capacity. Source: NCDC, data as of December 2012, updated by company to include new facilities acquired after December 2012. Market shares by beds are as of 31 August, 2014

(3) Source: Geostat.ge, data as of 1 January 2014

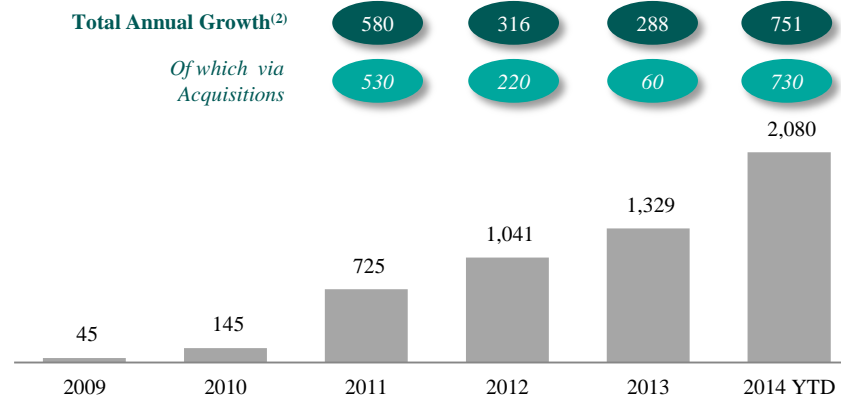


Led by a strong management team, GHG has successfully acquired and integrated more than 20 companies in hospital and insurance sectors over the past decade

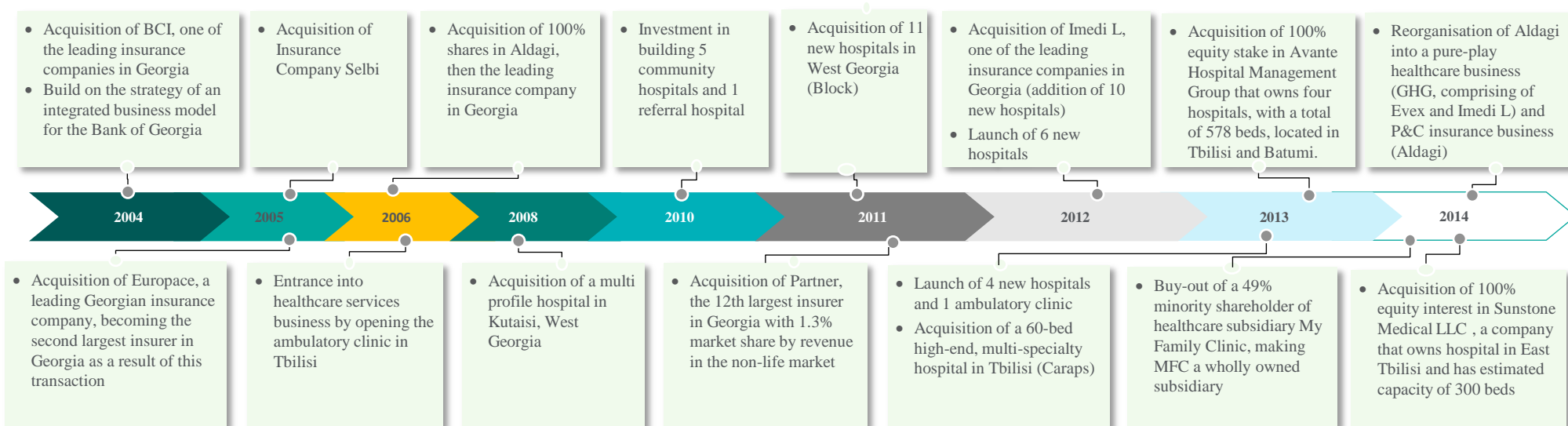
Growth in # of Clinics⁽¹⁾



Growth in # of Beds⁽¹⁾



Overview of Key Historical Milestones⁽¹⁾



(1) Source: GHG internal reporting

(2) Figures do not add to total number of beds (2,080) and total number of clinics (37) shown on other slides, as some of the clinics were consolidated or divested



Recent acquisitions

Caraps: Focusing on plastic surgery, “Caraps Medline” Ltd has reputation for high quality service and enjoys strong medical brand identity in the country, targeting mainly high end customers.

- Operating since 1999.
- GHG acquired 100% stake in December 2013.

Acquisition rationale: *Reaching new customer base in healthcare – high-end customer segment of Caraps*

Avante: Avante Hospital Management Group includes 4 hospitals. All these hospitals are mono profile and serve as a main referral for mothers and children care services. Main hospital in Tbilisi and one in Batumi operating since Soviet era, others were opened recently.

- Operating 578 beds, with development capacity of up to 618 beds total.
- GHG acquired 100% stake in March 2014.

Acquisition rationale: *Increase market share and bed capacity by acquiring the largest service providers for mothers and children in the country, employing the best qualified medical staff for these services*

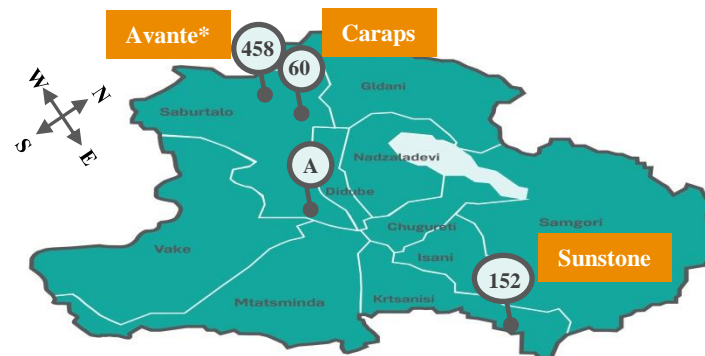
Sunstone: Sunstone is a long-established general hospital in Tbilisi, rented out by previous owners and largely underutilised for several years.

- Sunstone currently operates 152 beds and has an estimated development capacity of up to 300 beds in total.
- GHG acquired 100% stake in May 2014.

Acquisition rationale: *Attractive location and an opportunity to develop hospital capacity in an untapped region, covering sizable new market with 300k population in East Tbilisi.*

Block Georgia: a buy-out of a 49% minority shareholder of healthcare subsidiary JSC My Family Clinic, gives GHG flexibility in executing growth strategy and an opportunity to expand regional footprint through investments into development projects via MFC.

Tbilisi coverage



* Avante operates 458 beds in Tbilisi and 120 beds in Batumi out of total 578 beds as of the date of this presentation

Contribution to GHG results⁽¹⁾

New healthcare facilities contributed GEL 20.1mln in revenue and GEL 4.9mln in EBITDA of GHG for 1H 2014



GHG strategy is focused on growing market share combined with increased profitability

Ambulatories

- i. Capitalize on high growth potential of ambulatory services driven by recent healthcare reform*
- ii. Enhance ambulatory pillar as feeder for hospitals*
- iii. Enhance higher margin operations*

Hospitals

To achieve 1/3 market share, currently 21.9%
– room to grow in Tbilisi, where current market share is only 13.6%

Health Insurance

To maintain 1/3 market share