



INSIG Teaser

June 2010



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Context

Pursuant to its statutory authority, the Government, represented by the Ministry of Finance (the “Ministry”) is considering a potential sale of 100% of the total equity in INSTITUTI I SIGURIMEVE SH.A. (“INSIG” or the “Company”).

For this purpose, the Ministry, which has appointed BNP Paribas Corporate Finance as its exclusive financial advisor (the “Advisor”) assisted by Boga & Associates (for legal and tax aspects) is reviewing its options and assessing the opportunity to launch the privatisation process.

General information

Full Name	INSTITUTI I SIGURIMEVE – INSIG SH.A.
Address	Rruga e “Dibrës”, no. 91, Tiranë
Website	www.insig.com.al
Albanian Commercial Register	Tirana District Court Decision - no. 21463 dated June 08, 1999

Contacts

All communication or inquiries should be directed to INSIG Privatization Committee and a copy to BNP Paribas Corporate Finance (see contact details below). Under no circumstances should the Company be contacted directly.

<p>INSIG Privatization Committee</p> <p>Mr. Alfred Rushaj Chairman of INSIG Privatization Committee</p> <p>Ms. Veronika Korkaj INSIG Privatization Committee Secretary</p> <p>Ministry of Finance Blvd. “Deshmoret e Kombit” Tirana, Albania Fax: + 335 4 2228 494 Tel: +355 4 2281 207 Email: vkorkaj@minfin.gov.al</p>	<p>BNP Paribas Corporate Finance</p> <p>Piotr Mietkowski Managing Director Head of Central & Eastern Europe Email: piotr.mietkowski@bnpparibas.com</p> <p>Jean-Sebastien Dietsch Managing Director Head of Insurance Sector Tel: +33 1 42 98 06 57 Fax: +33 1 43 16 95 16 Email: jean-sebastien.dietsch@bnpparibas.com</p> <p>Arnaud Jossien Director, Central & Eastern Europe Tel: +33 1 42 98 53 39 Fax: +33 1 42 98 10 78 Email: arnaud.jossien@bnpparibas.com</p> <p>BNP Paribas Corporate Finance - 4, rue d’Antin - 75002 Paris, France</p>
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Key investment highlights

INSIG represents a unique investment opportunity to enter three insurance markets simultaneously in Albania, Kosovo and Macedonia

- Positive macroeconomic outlook in all three markets
- Stable political environment in Albania, Kosovo and Macedonia
- Favourable legal and tax framework for foreign investments
- Sound growth potential in insurance markets characterised by very low penetration rates compared to European average
- Improving regulation and supervision from national insurance regulators
- Dynamic insurance market which attracts foreign investments
- Steady increase in Gross Written Premium in its core markets
- Well capitalised Company

In Albania:

- INSIG is the only company active in all categories of life and non-life insurance under the same brand name
- Solid brand name and strong distribution network

In Kosovo:

- INSIG has a strong presence in the Kosovo insurance market

In Macedonia:

- INSIG has an established activity since 2003
- Wide network of branches covering the country

Activity overview

INSTITUTI I SIGURIMEVE SH.A. (INSIG) has been initially established upon Law no. 7506 dated July 31, 1991 “For the social insurance institute” as the first insurance company in Albania. INSIG as a state-owned insurance company headquartered in Tirana, is the only insurance company offering both life and non-life insurance businesses under the same brand.

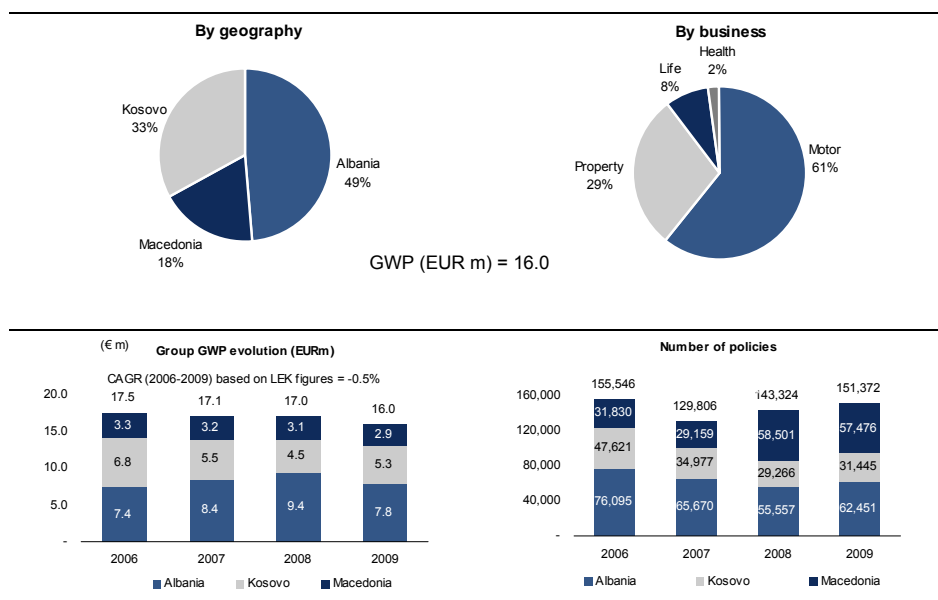
In addition to being a leader in the Albanian insurance sector, INSIG carries out non-life insurance activities in Kosovo through its Kosovo branch established in 2000 and in Macedonia through its wholly owned subsidiary INSIG-Macedonia AD (registered with decision no. 1055/3 dated March 18, 2003 of the Court of Skopje).

In Albania, INSIG enjoys a market share of 12.4% in non life insurance and a market share of 20.3% in life insurance in 2009.

In Kosovo and Macedonia, INSIG has a 2009 market share of c. 8.3% and c. 3.0% respectively.

In Albania, the Company is registered to perform all types of insurance activities, both compulsory and voluntary, including motor, property, health and life segments, to both retail and corporate clients. In Kosovo and Macedonia, the Company operates in the non-life insurance sector.

Chart 1 BREAKDOWN GWP – 2009



Source – Company data

Note: Yearly average exchange rates as per year ends

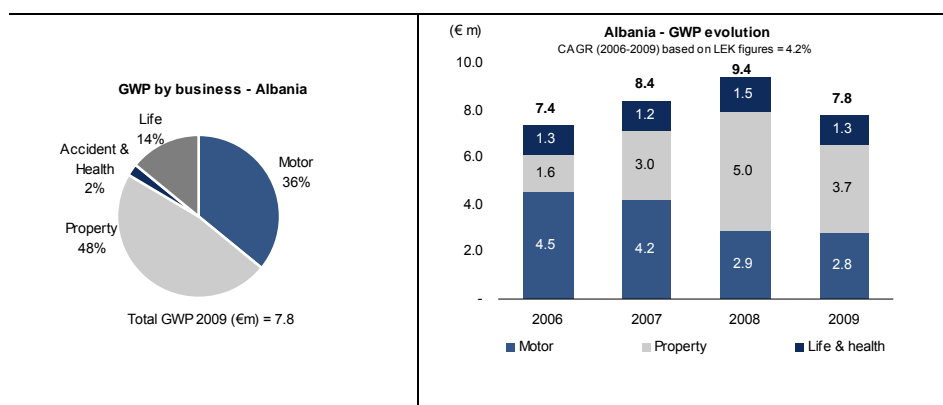
In 2009, INSIG reported a consolidated GWP of LEK 2,120m (EUR 16m) and a consolidated Net Profit of LEK 125m (EUR 0.9m). The non-life insurance

business (motors, property and health) represented around 93.2% of total gross written premium in 2009.

Albania

In 2009, GWP amounted to LEK 1,032m (EUR 7.8m) and Net Profit to LEK 90m (EUR 0.7m). Further, the Company underwrote 62,451 insurance policies in Albania. The 2008 drop in GWP in the motor segment is essentially due to aggressive pricing practised by INSIG's main competitors, which is not expected to sustain in the future.

Chart 2 BREAKDOWN GWP ALBANIA - 2009



Source – Company data

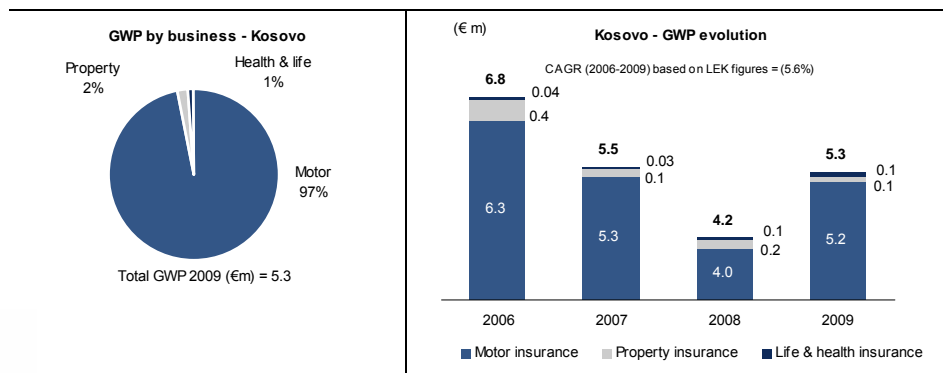
Note: Yearly average exchange rates as per year end

Kosovo

In 2009, GWP amounted to LEK 703m (EUR 5.3m), and Net Loss to LEK (34)m (EUR (0.3)m). The Company underwrote 31,445 insurance policies in Kosovo, of which 26,264 related to Third Party Liability (TPL).

In 2009, INSIG's businesses in Kosovo have been impacted by increased competition and a significant drop of number of selling points following regulatory changes. However, no further significant business erosions are anticipated as a more stable market environment should give INSIG the opportunity to regain market share.

Chart 3 BREAKDOWN GWP KOSOVO – 2009



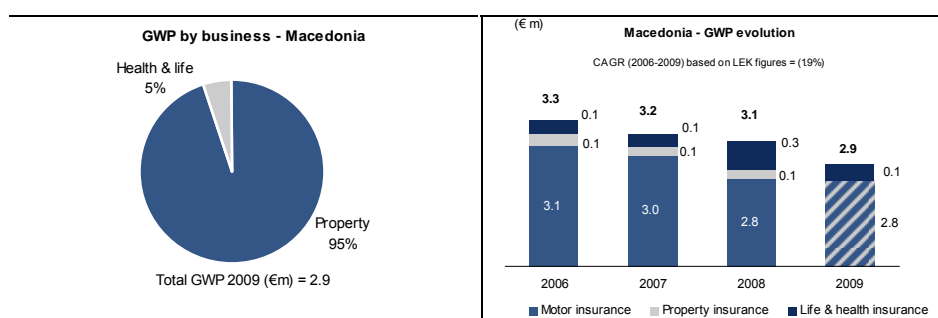
Source – Company data

Note: Yearly average exchange rates as per year ends

Macedonia

In 2009, GWP amounted to LEK 384m (EUR 2.9m) and a Net Profit to LEK 69m (EUR 0.5m). The Company underwrote 57,476 insurance policies in Macedonia, of which 23,953 related to TPL.

Chart 4 BREAKDOWN GWP MACEDONIA - 2009



Source – Company data

Note: Yearly average exchange rates as per year ends

Capital structure

INSIG has been initially established by Law no. 7506 dated July 31, 1991 as the first insurance company in Albania. In virtue of the Law no. 8081 dated March 7, 1996 “On insurance and reinsurance activity” as amended with Law no. 9267 dated July 29, 2004 “On insurance, reinsurance and intermediary activity in insurance and reinsurance” INSIG is transformed into a joint stock company and registered with the Albanian Commercial Register upon Decision no. 21463 of Tirana District Court dated June 8, 1999.

INSIG subscribed capital is LEK 1,020,000,000 (approx. EUR 7,475,000¹) divided into 1,700 shares with a nominal value LEK 600,000.

On October 28, 2003, the Ministry of Finance acting on behalf of the Albanian State entered into a Share Purchase Agreement with the International Financial Corporation (“IFC”) and the European Bank for Reconstruction and Development (“EBRD”) for the transfer of 19.5% of INSIG share capital to each of them. The share transfer was ratified by the Albanian Parliament upon Law no. 9176 dated January 29, 2004 and filed with the Albanian Commercial Register upon Decision no. 21463/6 of Tirana District Court dated June 30, 2004.

As of today, the government of Albania owns 100% of the insurer after the World Bank's private lending arm, the International Finance Corporation (IFC) and the European Bank for Reconstruction and Development (EBRD) exercised their put option for 39% of INSIG shares in 2009.

¹ Exchange rate LEK/EUR 136.46, as of Jun. 15, 2010

Table 1 MAIN RATIOS

	2006	2007	2008	2009
Combined ratio	87.6%	94.7%	103.6%	126.5%
Loss ratio ⁽¹⁾	32.4%	34.8%	39.7%	52.8%
Expense ratio ⁽²⁾	55.2%	60.0%	63.9%	73.7%
Investment yield ⁽³⁾	4.3%	5.1%	5.3%	6.1%
Return on Equity ⁽⁴⁾	10.3%	7.7%	8.8%	6.0%

(1) Loss and loss adjustment expenses / Net earned premiums
(2) (Underwriting expenses + administration expenses) / Net earned premiums
(3) Investment income / Cash & equivalents+Term deposits+Debt securities held to maturity
(4) Net Income / Total shareholders' equity

Source – Company data

Corporate governance

The Assembly of the Shareholders is the highest decision making body of the Company which appoints the Supervisory Board and the Authorized Auditor of the Company.

The Company's Supervisory Board is composed of 5 members, chaired by Mr. Petraq Milo, the current financial advisor of the Prime Minister, Mr. Asllan Sheraj, being also a financial advisor to the Minister of Finance, Mr. Lindita Rusmali, Mr. Palok Kolnikaj and Mr. Omer Stringa.

The day to day activity of INSIG's business is managed by the General Director of the Company who is assisted by the Deputy Director.

The Authorised Auditor approved by the Albanian Financial Supervisory Authority ("Autoriteti i Mbiqyrjes Financiare") and appointed by the Assembly of the Shareholders for one fiscal year, performs the audit of the Company's financial statements.

Company network

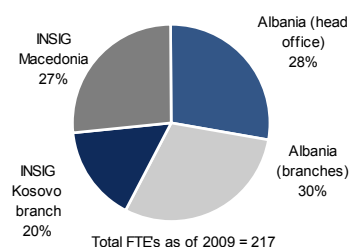
As of December 31, 2009, INSIG had approximately 217 employees in Albania, Kosovo and Macedonia. 60 employees are employed in the Company's head office in Tirana and 65 employees in branches distributed within Albania.

The Company has a large network in all the markets in which it operates. In Albania the network comprises 17 branches and 125 employees as of December 31, 2009.

INSIG operates also a sizeable network in Macedonia with 17 branches employing 58 individuals, and 5 branches in Kosovo with 34 employees.

Table 2 DISTRIBUTION NETWORK 2009 ⁽¹⁾

Albania		Macedonia		Kosovo	
Branches	Number of employees	Branches	Number of employees	Sub-branches	Number of employees
1 Headquarter	60	1 Main branch	22	1 Main branch	23
2 Berat	3	2 Bitola	3	2 Pristina Mitrovica	4
3 Diber	2	3 Debar	1	3 Ferizaj Gjilan	2
4 Durres	5	4 Gevgelija	2	4 Peje Gjakova	2
5 Elbasan	4	5 Gostivar	2	5 Prizre-ni	3
6 Fier	4	6 Kavadarci	2		
7 Gjirokastra	2	7 Kiçevo	1		
8 Kavaja	3	8 Koçani	2		
9 Korca	3	9 Kumanovo	4		
10 Kukës	2	10 Negotino	1		
11 Laç	1	11 Ohrid	3		
12 Lezhe	1	12 Prilep	2		
13 Lushnje	4	13 Skopje	3		
14 Pogradec	2	14 Shtip	2		
15 Saranda	3	15 Struga	2		
16 Shkodra	4	16 Strumica	2		
17 Tirana	18	17 Tetovo	3		
18 Vlora	4	18 Veles	1		
Total	125	Total	58	Total	34



Source – Company data

(1) Includes branch employees and specialists, do not include sales operators

Insurance sector

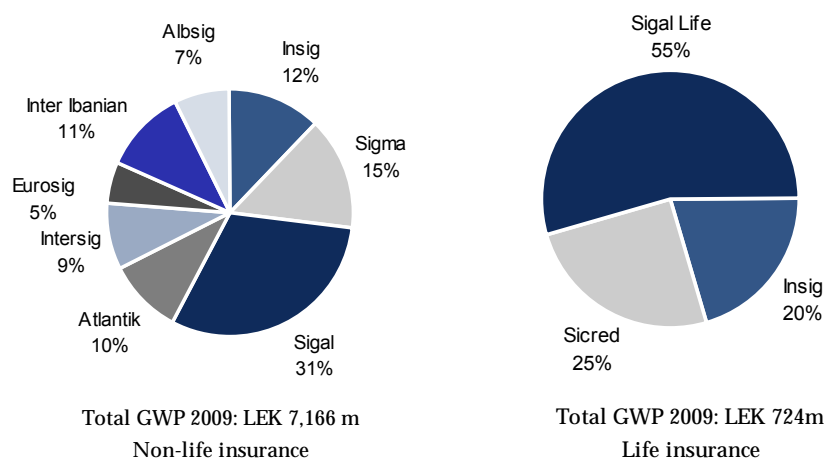
Albania

Insurance in Albania is a sector attracting the attention of foreign strategic investors looking to establish a platform in Albania and the surrounding region.

There were ten insurance companies in the market in 2009, of which seven were specialised exclusively in non-life segment, two exclusively in life segment and only one company (INSIG) offering both non-life and life insurance products.

The market shares of the insurance companies in life and non-life insurance are as follow:

Chart 5 COMPETITIVE ENVIRONMENT – ALBANIA – 2009



Source – FSA, statistical market reports

Note: Yearly average exchange rates as per 2009 year end

The Albanian insurance market, as measured by the companies' gross written premium, has grown by 11.3 % in 2009 compared to the 2008 level.

In addition to this significant growth, the sector in Albania shows a promising potential as it is still deemed underdeveloped compared to insurance markets in other European countries: low insurance concentration and rate of total premium income to GDP.

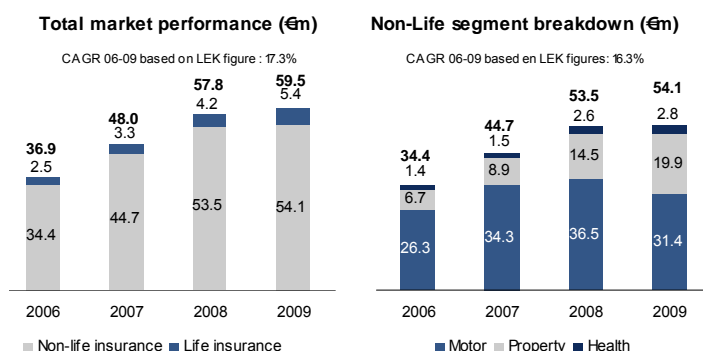
In 2009, total gross insurance premium amounted to LEK 7,889m (EUR 59.7m). The number of policies increased from 692,334 in 2008 to 755,669 in 2009 (9.2% growth).

In non-life insurance, GWP reached LEK 7,166m (EUR 54.1m) in 2009, a 9.0% increase compared to the 2008 level of LEK 6,572m.

In life insurance, GWP reached LEK 724m (EUR 5.5m), representing a 39.8 % increase compared to 2008 level of LEK 518m.

The number of 2009 life and non-life insurance policies has increased by 13.3% and 8.8% respectively compared to the year 2008.

Chart 6 INSURANCE MARKET ALBANIA (GWP)



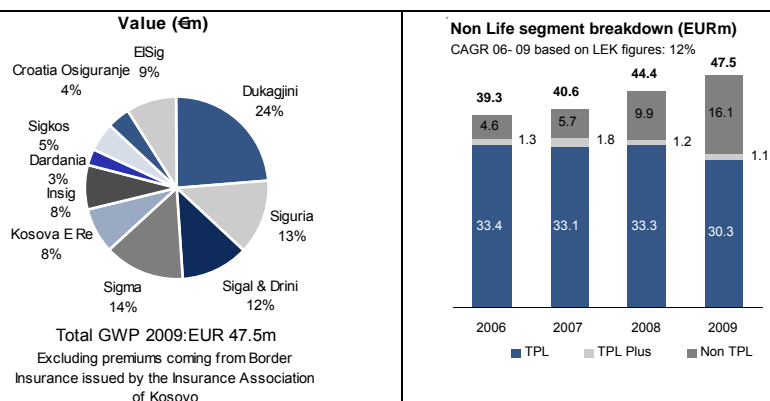
Source – Company, market reports

Note: Yearly average exchange rates as per year end

Kosovo

Kosovo came into existence as an independent insurance market in the year 2000. The insurance sector is small and relatively underdeveloped but has been growing rapidly in recent years. There are currently ten insurance companies active in the non-life sector. The total premium volume of the market amounted to EUR 47.5m in 2009, of which 66% has been realised by the TPL and TPL Plus segment.

Chart 7 INSURANCE MARKET KOSOVO (GWP)



Source – Company, market reports

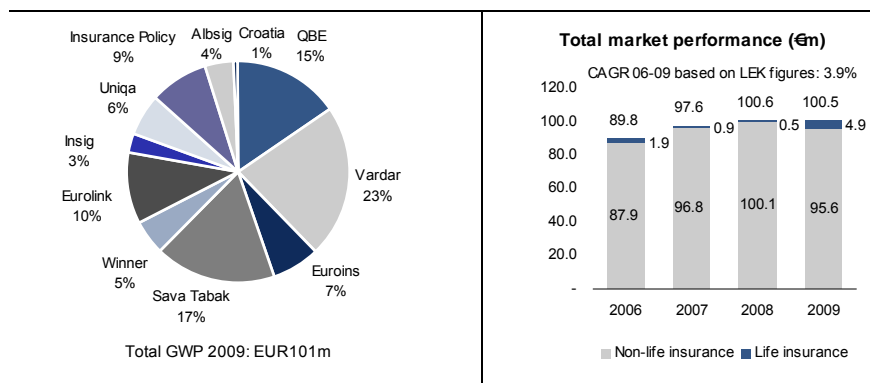
Note: Yearly average exchange rates as per year end

Macedonia

Macedonia's insurance market is highly concentrated, with the top ten insurance companies controlling approximately 90 % of the market. The range of products on offer is limited. There is only one reinsurance company and one company offering life-insurance. The regulatory framework for the insurance sub-sector is progressing gradually.

The ten leading insurance companies operating in Macedonia are achieving a total premium volume of EUR 101m. The sector is dominated by TPL insurances for vehicles with a market share of c. 51%.

Chart 8 INSURANCE MARKET MACEDONIA (GWP)



Source – Company, market reports

Note: Yearly average exchange rates as per year ends