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Arab Insurance Group B.S.C.

News Release

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ARIG set to strengthen the capital base

Manama-----: Arab Insurance Group (ARIG) today announced that an Extraordinary General Assembly meeting of shareholders is to be convened in Bahrain on 2 July 2002 to approve a recapitalisation proposal that is aimed at restoring the company's financial strength.

The Meeting is being convened following the conclusion of discussions with the founding sovereign shareholders of the Group, the governments of Kuwait, Libya and the United Arab Emirates during recent months on various recapitalisation options. ARIG's CEO Mr. Udo Krueger said: "It has been the objective of all participants in these negotiations to identify a solution, that protects as well the interest of the company and it's policyholders as also the interest of our shareholders. I am happy to note that out of many viable options the most suitable has been chosen."

The recapitalisation is being effected as a two-fold process: In the first instance, the company's capital will be reduced to set off all accumulated losses against issued and paid up capital and reserves thereby enabling shareholders to participate in the future earnings of the Company. This means that the number of shares will be equally reduced from currently 360 million to 150 million through the cancellation of all existing shares held, and the re-issue in the ratio of 5 new shares for every 12 old shares. The nominal value of the shares will remain unchanged at US\$ 1 per share and will reflect the book value of the company after the write-off of all accumulated losses from the balance sheet through the reduction of the capital.

The second step then entails increasing the issued capital again by offering 100 million shares on a rights basis to all existing shareholders and GDR holders in the ratio of 2 shares for every 3 shares held.

The Rights Share Offering will be open for subscription immediately following the approval of the recapitalisation proposals by shareholders. A number of private and corporate shareholders have already indicated their willingness to participate in this process in addition to two of the founding sovereign shareholders who intend to partly underwrite the Offering.

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According to risk-based capital modeling the Group's present capital base is considered adequate for its current business portfolio which is now a more conventional property risks oriented book of business without any significant exposures to volatile business lines and international risks. However, shareholders and clients alike would like to see a visible sign, that the turnaround has been completed and the performance of the Group will improve.

Mr. Krueger added, "The Extraordinary General Meeting is the last formal step, which concludes the Group's initiatives to address security concerns of clients and business partners arising from significant losses over the years from 1999 to 2001. With the strong commitment received by our sovereign shareholders in support of these initiatives, not only the client's perception of a weakened financial security of Arig should disappear, but also the doubts of financial markets with regard to the future of the company. "

Mr. Krueger elaborated that in the short term, the recapitalisation would enable ARIG to meet unsatisfied demand in it's core Arab and North African markets, triggered by the capital withdrawal of a number of international reinsurance companies. Over the medium to long-term, it will enable the Group to progress its strategy of transforming into a financial services provider.

ARIG Background

ARIG was formed in 1980 and is the largest reinsurance operation in the Middle East. In addition to its reinsurance operations that are undertaken from the headquarters in Bahrain and overseas offices in Tunisia and Hong Kong, the Group operates subsidiaries in Morocco (CNIA Assurance), Egypt (Arab Misr Insurance Group – AMIG), Jordan (Arab Jordanian Insurance Group – AJIG) and Arab Tunisian Insurance Group (ATIG). The Group also has strategic presence in the regional market through its associated companies including Bahrain-based Al Ahlia Insurance and Arab Lebanese Insurance Group (ALIG).