



المجموعة العربية للتأمين ش.م.ب
Arab Insurance Group B.S.C.

News Release

Date: 23 February 2003

ARIG Announces 2002 Results

Manama -----: Arab Insurance Group (ARIG) has announced its 2002 results, which were marked by a return to technical profitability in the Group's core general insurance operations, excluding the impact of past issues.

However, to fully and conservatively protect its financial position in going forward, the Group has made significant provisions against a deterioration of past years exposures and against a permanent impairment of certain of non-performing investments undertaken in the nineties. Apart from this, the results of the year 2002 were also negatively affected by the default of some of its reinsurance providers due to the events of 9/11 and an overall depressed investment climate, leading to a net operating loss of US\$36.8 million.

ARIG's financial restructuring plans were successfully concluded in 2002 whereby accumulated losses brought forward from previous years were set off against capital and other reserves.

"Our core investors remain committed to our recapitalisation efforts and to supporting the Company in moving forward on the basis of balanced results in 2003 and appropriate reserves for past issues," explained ARIG Chief Executive Officer Udo Krueger. "That is why our main focus in 2003 will be to concentrate on our core business and to implement cost containment measures before pursuing further strategic expansion objectives, notably streamlining our operations to enhance profitability and competitiveness."

Mr Krueger says ARIG remains committed to its main business of reinsurance and to the support of its core markets, which contributed 99.3 per cent of its gross non-life premiums in 2002 compared to a 90 per cent share in the previous year.

Mr Krueger stresses the consequences of 9/11 have created a global reinsurance capacity crunch, particularly in Arab markets where several major reinsurance players have either withdrawn or retrenched the underwriting capacity allocated to the region. The quick and effective steps taken by the Group to respond to those events enabled it to support its clients and maintain its role as the leading Arab reinsurer.

As a result, ARIG is witnessing a healthy growth in business renewed for 2003, with gross reinsurance premiums in January 2003 amounting to US\$50.3 million compared to US\$44.1 million in the previous year.

For further information or enquiries, please contact Ebrahim K. Ebrahim at Corporate Communications Dept., ARIG, on +973 544330, Fax +973 531155.



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In 2002, the Group acquired a 66 per cent stake in Dubai-based Gulf Warranties Limited, the Gulf's largest provider of automotive extended warranty covers. Through this acquisition, the Group will have the opportunity to leverage the marketing and distribution of this attractive class of business through its existing operations network in Arab markets.

In line with its strategy of forging key market partnerships, ARIG further concluded an agreement with Banque Populaire in Morocco early in 2002 to continue its partnership with CNIA for the joint marketing, development and distribution of its life business.

A shareholding agreement was also signed with Banque Internationale Arab-Tunisienne (BIAT), Tunisia's largest private bank, in which BIAT took ownership control of its dormant Tunisian subsidiary, ATIG, in June 2002. ATIG, which has since been renamed Assurances BIAT, is expected to expand its role as a multi-branch insurance provider in Tunisia.

"With the current outlook of improved market conditions and the return to profitable underwriting, coupled with a leaner organization and a strong focus on cost containment measures the foundation for a significant improvement of the performance in 2003 is in place," concluded Mr. Krueger.

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Financial Highlights as on 31st December 2002

	<u>US\$'000</u>	
	<u>2002</u>	<u>2001</u>
Gross premiums written	202,144	206,533
Underwriting result	(23,574)	(86,102)
Investment income	34,171	36,843
Operating expenses	36,654	38,971
Net loss after taxation and minority interests	(36,800)	(88,323)
Investment assets	874,164	853,936
Net technical provisions	759,939	786,181
Shareholders' equity	116,666	154,272
Total assets	1,360,471	1,443,127
Book value per share (US\$)	0.79	1.05*

* Book value calculated after adjusting retrospectively the effect of capital restructuring on the number of outstanding shares

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Background Information

ARIG is one of the largest Arab-owned insurance and reinsurance companies in the Arab world. In addition to its reinsurance operations undertaken from its headquarters in Bahrain and overseas offices in Tunisia and Hong Kong, the Group operates insurance subsidiaries in Morocco (CNIA Assurance), Egypt (Arab Misr Insurance Group -AMIG) and Jordan (Arab Jordanian Insurance Group - AJIG). The Group also has a strategic presence in the regional market through its associated companies such as Bahrain-based Al Ahlia Insurance, Arab Lebanese Insurance Group (ALIG) in Lebanon, and Arab Tunisian Insurance Group (ATIG) in Tunisia. The Group's wholly owned, Bahrain-based subsidiary, ARIMA Insurance Software provides IT solutions for the insurance and reinsurance activities in the region.

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