Press Release

11 November 2009

Arig Posts 3rd Quarter Profit Of US$ 16.9 Million On Performance And Investments

Manama: Arig recorded net profits of US$ 16.9 million for the first nine months of 2009 (loss at 3rd Quarter 2008: US$ 10.8 million) on the back of solid returns from its reinsurance activities and investments. Reinsurance operations returned US$ 7.4 million for the period against a loss of US$ 7.7 million for the same period last year. Changes in the global financial markets pushed earnings from investments to US$ 26.8 million as at 30 September 2009 compared to a loss of US$ 6.4 million after the 3rd Quarter of 2008 - mostly a result of the large correction in market values of the equities held by Arig at the time.

Net earnings for the 3rd Quarter 2009 alone amounted to US$ 8.1 million (2008: loss of US$ 22.3 million).

Non-life classes continued to perform well showing an improved combined ratio of 95.1% (same period 2008: 97%). The Group's reinsurance portfolio reached US$ 247.3 million for the nine-month period, 3.4% higher than in the previous year (first three Quarters 2008: US$ 239.1 million).

Arig's Shareholders' Equity stood at US$ 263.1 million on 30 September 2009 (December 2008: US$ 239.6 million) while Book Value per share registered at US$ 1.25 on 30 September 2009 (December 2008: US$ 1.13).

Financial Highlights as at 30 September 2009

	(US$'000)		
	30 September		Year
	2009	2008	2008
Gross premium written	247,271	239,098	280,694
Technical Result	11,238	7,240	9,585
Underwriting result	7,392	(7,690)	(15,867)
Investment income	26,762	(6,412)	(26,044)
Operating expenses	26,171	25,726	32,394
Net profit	**16,944**	**(10,834)**	**(28,568)**
Investment assets	659,746	694,735	678,507
Net technical provisions	604,698	550,218	524,735
Shareholders' equity	263,121	261,373	239,579
Total assets	1,157,374	1,142,441	1,082,887
Book value per share (US$)	**1.25**	**1.24**	**1.13**

About Arig

Arig is one of the largest Arab-owned, professional reinsurance providers in the Middle East and North Africa. Arig is listed on the stock exchanges in Bahrain, Dubai and Kuwait and offers a wide range of reinsurance products and services. Arig's subsidiaries include Takaful Re (Dubai), Gulf Warranties (Bahrain) and ARIMA Insurance Software (Bahrain). Arig is also an equal partner in the joint venture Hardy Arig Insurance Management (HAIM). Additional information about Arig can be obtained at www.arig.net

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Arab Insurance Group (B.S.C.)

Consolidated interim condensed financial statements for the nine months ended 30 September 2009

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Independent auditors' report on review of condensed consolidated interim financial statements

The Board of Directors
Arab Insurance Group BSC
Manama
Kingdom of Bahrain

11 November 2009

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Arab Insurance Group (B.S.C.) (the "Company") and its subsidiaries (together the "Group") as at 30 September 2009, and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine-month period then ended (condensed consolidated interim financial statements). The Board of Directors of the Company is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Financial Reporting Standard IAS 34 - *Interim Financial Reporting*. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of condensed consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

KPMG

KPMG Fakhro, a registered partnership under Bahrain law,
is a member of KPMG International, a Swiss cooperative

ARAB INSURANCE GROUP (B.S.C.)

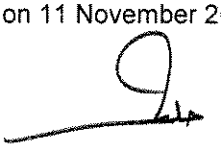
INTERIM CONDENSED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2009

(In thousands of U.S. Dollars)

	Note	30 September 2009 (reviewed)	31 December 2008 (audited)	30 September 2008 (reviewed)
ASSETS				
Cash and cash equivalents		**340,704**	402,949	401,274
Investments	4	**316,045**	271,948	289,439
Accrued income	5	**150,732**	102,867	118,658
Insurance receivables		**67,394**	63,646	67,908
Insurance deposits		**64,285**	62,341	59,129
Deferred policy acquisition costs		**29,679**	20,296	28,554
Reinsurers' share of technical provisions	6	**60,471**	67,577	71,664
Other assets	7	**28,473**	22,977	27,788
Takaful participants' assets	8	**71,835**	42,160	51,763
Property and equipment		**27,756**	26,126	26,264
		1,157,374	1,082,887	1,142,441
LIABILITIES				
Technical provisions	9	**665,169**	592,312	621,882
Insurance payables		**30,401**	34,922	27,518
Borrowings		**12,706**	68,384	67,872
Other liabilities	10	**54,774**	49,575	53,177
Takaful fund and participants' liabilities	8	**71,835**	42,160	51,763
		834,885	787,353	822,212
EQUITY				
Attributable to shareholders of parent company				
Share capital		**220,000**	220,000	220,000
Treasury stock		**(8,001)**	(7,889)	(7,665)
Reserves		**39,482**	33,045	36,976
Retained earnings (accumulated deficit)		**11,640**	(5,577)	12,062
		263,121	239,579	261,373
Non-controlling interests		**59,368**	55,955	58,856
		322,489	295,534	320,229
		1,157,374	1,082,887	1,142,441

These consolidated interim condensed financial statements were approved by the Board of Directors on 11 November 2009 and signed by:



Khalid A. Al Bustani
Chairman



Khalid J. Bin Kalban
Vice Chairman



Yassir Albaharna
Chief Executive Officer

The accompanying notes 1 to 20 are an integral part of these consolidated interim condensed financial statements.

ARAB INSURANCE GROUP (B.S.C.)

INTERIM CONDENSED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF INCOME
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2009

(In thousands of U.S. Dollars)

	Note	For the three months ended 30 September 2009 (reviewed)	For the three months ended 30 September 2008 (reviewed)	For the financial year-to-date 30 September 2009 (reviewed)	For the financial year-to-date 30 September 2008 (reviewed)	For the year ended 31 December 2008 (audited)
Gross premiums written		**84,254**	55,124	**247,271**	239,098	280,694
Net earned premiums		**75,817**	59,127	**196,336**	182,350	255,042
Claims and related expenses		**(55,804)**	(47,761)	**(144,321)**	(140,924)	(194,072)
Policy acquisition costs		**(18,084)**	(10,563)	**(40,777)**	(34,186)	(51,385)
Investment income (loss) attributable to insurance funds	12	**4,484**	(6,768)	**11,637**	(181)	(7,588)
Operating expenses	13	**(5,237)**	(5,437)	**(15,483)**	(14,749)	(17,864)
Underwriting result	11	**1,176**	(11,402)	**7,392**	(7,690)	(15,867)
Investment income (loss) attributable to shareholders' funds	12	**6,899**	(14,983)	**15,125**	(6,231)	(18,456)
Operating expenses – non underwriting activities	13	**(3,264)**	(3,415)	**(10,688)**	(10,977)	(14,530)
Borrowing cost		**(159)**	(516)	**(919)**	(1,638)	(2,151)
Other income	14	**5,895**	4,623	**10,491**	14,177	20,816
Other expenses and provisions	15	**(570)**	(352)	**(1,087)**	(850)	(3,104)
Profit (loss) for the period		**9,977**	(26,045)	**20,314**	(13,209)	(33,292)
Attributable to:						
Non-controlling interests		**1,860**	(3,772)	**3,370**	(2,375)	(4,724)
Shareholders of Parent Company		**8,117**	(22,273)	**16,944**	(10,834)	(28,568)
		9,977	(26,045)	**20,314**	(13,209)	(33,292)
Earnings (loss) per share attributable to shareholders :	16 US$			**0.08**	(0.05)	(0.13)

The accompanying notes 1 to 20 are an integral part of these consolidated interim condensed financial statements.

ARAB INSURANCE GROUP (B.S.C.)

INTERIM CONDENSED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2009

(In thousands of U.S. Dollars)

	For the three months ended 30 September 2009 (reviewed)	For the three months ended 30 September 2008 (reviewed)	**For the financial year-to-date 30 September 2009 (reviewed)**	For the financial year-to-date 30 September 2008 (reviewed)	For the year ended 31 December 2008 (audited)
Profit (loss) for the period	**9,977**	(26,045)	**20,314**	(13,209)	(33,292)
Other comprehensive income					
Changes on remeasurement of available for sale investments	**3,541**	(4,212)	**5,829**	(6,217)	(10,708)
Transfers for recognition of gains (losses) on disposal of available for sale investments	**1,396**	(1,423)	**1,264**	(2,159)	(2,055)
Other comprehensive income (loss) for the period	**4,937**	(5,635)	**7,093**	(8,376)	(12,763)
Total comprehensive income (loss) for the period	**14,914**	(31,680)	**27,407**	(21,585)	(46,055)
Attributable to:					
Non-controlling interests	**2,029**	(3,887)	**3,753**	(2,585)	(5,485)
Shareholders of Parent Company	**12,885**	(27,793)	**23,654**	(19,000)	(40,570)
	14,914	(31,680)	**27,407**	(21,585)	(46,055)

The accompanying notes 1 to 20 are an integral part of these consolidated interim condensed financial statements.

ARAB INSURANCE GROUP (B.S.C.)

INTERIM CONDENSED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2009

(In thousands of U.S. Dollars)

	Share capital	Treasury stock	Reserves				Retained earning	Attributable to shareholders of parent company	Non-controlling interests	Total equity (reviewed)
			Legal	Investment revaluation	Property revaluation	Total				
Balances at 31 December 2008	220,000	(7,889)	23,813	1,648	7,584	33,045	(5,577)	239,579	55,955	295,534
Total comprehensive income for the period	-	-	-	6,710	-	6,710	16,944	23,654	3,753	27,407
Transfer of net depreciation on revalued property	-	-	-	-	(273)	(273)	273	-	-	-
Purchase of Treasury Stocks	-	(112)	-	-	-	-	-	(112)	-	(112)
Share of dividend declared by subsidiary	-	-	-	-	-	-	-	-	(340)	(340)
Balances at 30 September 2009	220,000	(8,001)	23,813	8,358	7,311	39,482	11,640	263,121	59,368	322,489

The accompanying notes 1 to 20 are an integral part of these consolidated interim condensed financial statements.

ARAB INSURANCE GROUP (B.S.C.)

INTERIM CONDENSED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2008

(In thousands of U.S. Dollars)

	Share capital	Treasury stock	Reserves				Accumulated deficit	Attributable to shareholders of parent company	Non-controlling interests	Total Equity (audited)
			Legal	Investment revaluation	Property revaluation	Total				
Balances at 31 December 2007	220,000	(6,548)	23,813	13,213	7,948	44,974	40,012	298,438	64,724	363,162
Total comprehensive loss for the year	-	-	-	(11,565)	-	(11,565)	(29,005)	(40,570)	(5,485)	(46,055)
Transfer of net depreciation on revalued property	-	-	-	-	(364)	(364)	364	-	-	-
Purchase of treasury shares	-	(1,341)	-	-	-	-	-	(1,341)	-	(1,341)
Dividends	-	-	-	-	-	-	(15,922)	(15,922)	-	(15,922)
Directors' remuneration	-	-	-	-	-	-	(1,026)	(1,026)	-	(1,026)
Share of dividend declared by subsidiary	-	-	-	-	-	-	-	-	(3,284)	(3,284)
Balances at 31 December 2008	220,000	(7,889)	23,813	1,648	7,584	33,045	(5,577)	239,579	55,955	295,534
Parent company balances at 31 December 2008	220,000	(7,889)	23,747	2,423	7,584	33,754	(6,286)	239,579	-	239,579

The accompanying notes 1 to 20 are an integral part of these consolidated interim condensed financial statements.

ARAB INSURANCE GROUP (B.S.C.)

INTERIM CONDENSED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2008

(In thousands of U.S. Dollars)

	Share capital	Treasury stock	Reserves				Retained earnings	Attributable to shareholders of parent company	Non controlling interests	Total equity (reviewed)
			Legal	Investment revaluation	Property revaluation	Total				
Balances at 31 December 2007	220,000	(6,548)	23,813	13,213	7,948	44,974	40,012	298,438	64,724	363,162
Total comprehensive loss for the period	-	-	-	(7,725)	-	(7,725)	(11,275)	(19,000)	(2,585)	(21,585)
Transfer of net depreciation on revalued property	-	-	-	-	(273)	(273)	273	-	-	-
Purchase of treasury shares	-	(1,117)	-	-	-	-	-	(1,117)	-	(1,117)
Dividends	-	-	-	-	-	-	(15,922)	(15,922)	-	(15,922)
Directors' remuneration paid	-	-	-	-	-	-	(1,026)	(1,026)	-	(1,026)
Share of dividend declared by subsidiary	-	-	-	-	-	-	-	-	(3,283)	(3,283)
Balances at 30 September 2008	220,000	(7,665)	23,813	5,488	7,675	36,976	12,062	261,373	58,856	320,229

The accompanying notes 1 to 20 are an integral part of these consolidated interim condensed financial statements.

ARAB INSURANCE GROUP (B.S.C.)

INTERIM CONDENSED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2009

(In thousands of U.S. Dollars)

	Note	For the financial year-to-date 30 September 2009 (reviewed)	For the financial year-to-date 30 September 2008 (reviewed)	For the year ended 31 December 2008 (audited)
CASH FLOWS FROM OPERATING ACTIVITIES:				
Premiums received		**189,154**	184,360	247,141
Reinsurance premiums paid		**(7,172)**	(10,793)	(11,487)
Claims paid		**(167,275)**	(151,373)	(203,290)
Reinsurance receipts in respect of claims		**5,328**	6,232	8,443
Investment income received		**12,034**	185	4,325
Interest received		**5,863**	12,386	16,993
Dividends received		**1,356**	1,422	1,851
Interest paid		**(1,581)**	(2,276)	(2,275)
Operating expenses paid		**(16,548)**	(24,234)	(27,700)
Other income/expenses, net		**1,610**	5,783	7,168
Insurance deposits paid		**(1,829)**	(4,503)	(7,936)
Purchase of trading investments		**(89,114)**	(179,590)	(207,727)
Sale of trading investments		**71,659**	201,441	223,000
Directors' remuneration paid		**-**	(1,026)	(1,026)
Net cash provided by operating activities	17	**3,485**	38,014	47,480
CASH FLOWS FROM INVESTING ACTIVITIES:				
Maturity/sale of investments		**133,128**	52,653	90,716
Purchase of investments		**(146,661)**	(76,936)	(123,124)
Interest received		**5,901**	5,813	6,544
Dividends Received		**597**	1,557	1,595
Investment income received		**169**	100	1,127
Collateralised cash deposits (paid) received		**(233)**	595	(584)
Purchase of property and equipment		**(2,544)**	(13,584)	(13,554)
Purchase of intangible assets		**(147)**	(248)	(281)
Net cash used in investing activities		**(9,790)**	(30,050)	(37,561)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Dividends paid		**(30)**	(15,788)	(15,507)
Purchase of treasury shares		**(112)**	(1,117)	(1,341)
Net borrowings		**(55,644)**	22,070	22,706
Net cash (used in) provided by financing activities		**(55,786)**	5,165	5,858
Net (decrease) increase in cash and cash equivalents		**(62,091)**	13,129	15,777
Effect of exchange rate on cash and cash equivalents		**(154)**	1,852	879
Cash and cash equivalents, beginning of period		**402,949**	386,293	386,293
Cash and cash equivalents, end of period		**340,704**	401,274	402,949

The accompanying notes 1 to 20 are an integral part of these consolidated interim condensed financial statements.

ARAB INSURANCE GROUP (B.S.C.)

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2009

1. INCORPORATION AND PRINCIPAL ACTIVITY

Arab Insurance Group (B.S.C.) (the "Company", "parent company") is an international insurance company registered as a Bahraini Shareholding Company having its registered office at Arig House, Manama, Kingdom of Bahrain. The parent company and its subsidiaries (the "Group") are involved in provision of general (non-life) and life reinsurance and related service activities.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated interim condensed financial statements have been prepared in compliance with International Accounting Standard IAS 34, Interim Financial Reporting. The accounting policies and methods of computation are consistent with the most recent consolidated financial statements of the Group at 31 December 2008 that were prepared in accordance with International Financial Reporting Standards (IFRS). Comparative figures have been regrouped, where necessary, to conform to the current period's presentation.

The Group's financial statements are presented in U.S. Dollars, which is its functional currency as its share capital and a significant proportion of its business, assets and liabilities are denominated in that currency.

The Group has adopted all new and revised IFRS and interpretations applicable for accounting periods beginning on or after 1 January 2009, including Revised IAS 1, Presentation of Financial Statements and IFRS 8 Operating Segments.

IAS 1 requires total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners, be presented in either a single statement of comprehensive income or in an income statement and a separate statement of comprehensive income. The Group has opted to present the total comprehensive income in two separate statements – an income statement and a separate statement of comprehensive income. The adoption of revised IAS 1 had no impact on the reported profits or the financial position of the Group.

IFRS 8 introduces the "management approach" to segment reporting which requires a change in the presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the Company's "chief operating decision maker" in order to assess each segment's performance and to allocate resources to them. The Group's current basis of segmentation is substantially in line with the requirements of the revised standard.

There were no other changes to the accounting policies and risk management framework as set out in the consolidated financial statements for the year ended 31 December 2008. The Group's financial risk management objectives and policies are consistent with those disclosed in the audited consolidated financial statements for the year ended 31 December 2008.

The consolidated interim condensed financial statements include the accounts of the parent company and all of its subsidiaries.

2. SIGNIFICANT ACCOUNTING POLICIES (*CONTD.*)

The Company's subsidiary, Takaful Re Limited, is an Operator of Islamic Reinsurance (Takaful) business. In accordance with applicable Shari'a principles, Participants' (policyholders') funds are maintained distinct from the Operator's (shareholders') funds. Accordingly, the participants' assets and liabilities including the fund balance are shown separately as 'takaful participants' assets' and 'takaful fund and participants' liabilities' respectively in the consolidated statement of financial position. Takaful Participants' Fund Accounts comprising of Balance Sheet and Statement of Participants' Revenue is set out in note 8.

3. SEASONALITY OF INTERIM OPERATIONS

As a result of the seasonality associated with the insurance business, the Group registers approximately 50% of its gross premiums during the first quarter of every year. Gross premiums written over the remainder of the financial year are almost evenly spread out. This seasonality does not however, have any material impact on the Group's underwriting result as the premiums are taken to income over the terms of the related contracts or policies.

4. INVESTMENTS

	US$ '000		
	30 September 2009	31 December 2008	30 September 2008
At fair value through profit or loss			
Held for trading			
Common stock of listed companies	**54,797**	51,401	67,559
	54,797	51,401	67,559
Designated at fair value on initial recognition			
Debt Securities			
- Investment grade	**31,660**	-	-
- Other	**6,257**	17,771	20,755
	37,917	17,771	20,755
Held to maturity			
Debt securities			
- Supra-nationals and OECD country governments	**64,446**	50,393	45,971
- Investment grade	**51,782**	40,446	42,991
	116,228	90,839	88,962
Available for sale			
Debt securities			
- Supra-nationals and OECD country governments	**15,238**	38,525	32,486
- Investment grade	**33,447**	18,232	17,279
- Non-OECD country governments	**3,600**	4,227	5,243
- Other	**13,401**	12,850	14,639
Common stock of listed companies	**1,864**	3,286	2,595
Common stock of unlisted companies	**18,559**	11,405	16,092
Other	**20,994**	23,412	23,829
	107,103	111,937	112,163
	316,045	271,948	289,439

Debt securities amounting to US$ 44.0 million (31 December 2008 US$ 41.1 million; 30 September 2008 US$ 47.0 Million) have been pledged as security for reinsurance trust agreements, letters of credit and guarantees and US$ nil (31 December 2008: US$ 65.3 million; 30 September 2008: 64.4 million) for borrowings.

5. ACCRUED INCOME

	US$ '000		
	30 September 2009	31 December 2008	30 September 2008
Accrued insurance premiums	**147,735**	99,257	114,636
Accrued interest	**2,997**	3,610	4,022
	150,732	102,867	118,658

6. REINSURERS' SHARE OF TECHNICAL PROVISIONS

	US$ '000		
	30 September 2009	31 December 2008	30 September 2008
General insurance business			
- Claims outstanding	**53,816**	57,990	60,077
- Unreported general insurance claims	**4,866**	7,681	7,305
- Deferred retrocession premium reserve	**1,649**	1,674	3,794
	60,331	67,345	71,176
Life insurance business			
- Life insurance claims outstanding	**140**	78	140
- Life insurance unreported losses	**-**	154	348
	140	232	488
	60,471	67,577	71,664

7. OTHER ASSETS

	US$ '000		
	30 September 2009	31 December 2008	30 September 2008
Intangible assets :			
- Goodwill	**1,893**	1,893	1,893
- Present value of future profits (PVFP)	**5,000**	5,000	5,000
- Computer software	**10,276**	9,933	9,798
	17,169	16,826	16,691
Less: accumulated amortisation	**(11,088)**	(10,266)	(9,971)
Net intangible assets	**6,081**	6,560	6,720
Other assets :			
- Collateralised cash deposits	**4,788**	4,555	3,376
- Prepayments and other receivables	**17,604**	11,862	17,692
	22,392	16,417	21,068
	28,473	22,977	27,788

8. TAKAFUL PARTICIPANTS' FUND ACCOUNTS

i) BALANCE SHEET

	US$ '000		
	30 September 2009	31 December 2008	30 September 2008
ASSETS			
Cash & cash equivalents	**6,511**	6,186	8,835
Accrued income	**36,265**	17,016	19,755
Insurance receivable	**9,989**	5,607	6,296
Insurance deposits	**7,079**	6,403	5,276
Deferred acquisition costs	**5,482**	3,821	7,059
Deferred Wakala fees	**6,509**	3,127	4,542
	71,835	42,160	51,763
LIABILITIES			
Accounts payable	**13,285**	8,853	12,072
Other liabilities	**102**	51	-
	13,387	8,904	12,072
TAKAFUL FUND			
Unearned contributions	**32,550**	15,585	22,822
Outstanding claims	**12,057**	6,966	5,897
Unreported losses	**19,362**	13,317	12,264
	63,969	35,868	40,983
Accumulated deficit	**(5,521)**	(2,612)	(1,292)
	71,835	42,160	51,763

ii) STATEMENT OF PARTICIPANTS' REVENUE

	US$ '000		
	Year-to-date 30 September 2009	Year ended 31 December 2008	Year-to-date 30 September 2008
Gross contributions	**47,522**	34,033	34,462
Outward reinsurance premiums	**(441)**	(747)	(594)
Unearned contributions	**(16,910)**	(4,224)	(11,456)
Net earned contributions	**30,171**	29,062	22,412
Reported losses	**(15,396)**	(12,495)	(7,668)
Provision for unreported losses	**(6,544)**	(6,417)	(5,314)
Claim and related expenses	**(21,940)**	(18,912)	(12,982)
Policy acquisition costs	**(6,612)**	(5,944)	(8,523)
Deferred policy acquisition costs	**1,653**	219	3,455
Policy acquisition costs	**(4,959)**	(5,725)	(5,068)
Fee payable to operator (Wakala fee)	**(6,122)**	(5,962)	(4,658)
Investment income	**67**	159	117
Other expenses & provisions	**(126)**	(31)	90
Deficit for the period	**(2,909)**	(1,409)	(89)

9. TECHNICAL PROVISIONS

Technical provisions comprise:

	US$ '000		
	30 September 2009	31 December 2008	30 September 2008
General insurance business			
Claims outstanding	**276,243**	274,713	282,503
Unreported losses	**155,165**	132,887	128,532
Unearned premiums	**144,594**	100,210	133,689
	576,002	507,810	544,724
Life insurance business			
Claims outstanding	**19,589**	14,160	12,683
Unreported losses	**60,125**	60,687	54,227
Unearned premiums	**9,453**	9,655	10,248
	89,167	84,502	77,158
	665,169	592,312	621,882

10. OTHER LIABILITIES

	US$ '000		
	30 September 2009	31 December 2008	30 September 2008
Accrued expenses	**5,066**	3,786	3,547
Post employment benefits	**14,214**	13,274	13,200
Accrual for scheme of arrangement fees	**3,231**	3,231	3,231
Reinsurance premiums accrued	**11,733**	11,733	11,902
Employee share scheme	**1,239**	795	2,137
Dividends payable	**907**	937	1,032
Other	**18,384**	15,819	18,128
	54,774	49,575	53,177

11. SEGMENT INFORMATION - Analysis of revenue by primary business segment:

The Group's non-life reinsurance business consists of two main business segments, treaty and facultative mainly involving underwriting of property and marine classes. Life business mainly involves short term group life policies and long term life policies. Life portfolio does not contain investment linked policies.

	US$ '000									
	Financial year-to-date 30 September 2009					Financial year-to-date 30 September 2008				
	Non-life		Life		TOTAL	Non-life		Life		TOTAL
	Treaty	Facultative	Short term	Long term		Treaty	Facultative	Short term	Long term	
REVENUES :										
Gross premiums written	**190,073**	**27,005**	**24,626**	**5,567**	**247,271**	162,130	30,038	29,044	17,886	239,098
Outward reinsurance premiums	**(5,377)**	**(1,369)**	**(359)**	**(23)**	**(7,128)**	(9,125)	(1,583)	(107)	21	(10,794)
Change in unearned premiums - gross	**(44,746)**	**759**	**206**	**-**	**(43,781)**	(45,620)	(4,824)	2,190	-	(48,254)
Change in unearned premiums - reinsurance	**(26)**	**-**	**-**	**-**	**(26)**	2,335	(35)	-	-	2,300
Net earned premiums	**139,924**	**26,395**	**24,473**	**5,544**	**196,336**	109,720	23,596	31,127	17,907	182,350
Investment income (loss) attributable to insurance funds	**7,018**	**2,763**	**974**	**882**	**11,637**	(100)	(57)	(14)	(10)	(181)
	146,942	**29,158**	**25,447**	**6,426**	**207,973**	109,620	23,539	31,113	17,897	182,169
COSTS AND EXPENSES :										
Gross claims paid	**(79,314)**	**(20,146)**	**(16,102)**	**(5,934)**	**(121,496)**	(58,237)	(15,254)	(13,479)	(9,131)	(96,101)
Claims recovered from reinsurers	**3,691**	**1,653**	**(13)**	**-**	**5,331**	4,581	1,297	354	-	6,232
Change in provision for outstanding claims – gross	**(5,449)**	**11,475**	**(1,411)**	**(3,704)**	**911**	(4,879)	5,295	(936)	(1,743)	(2,263)
Change in provision for outstanding claims - reinsurance	**(795)**	**(3,663)**	**62**	**-**	**(4,396)**	(2,075)	(882)	(156)	-	(3,113)
Change in provision for unreported losses - gross	**(18,573)**	**(3,700)**	**(2,939)**	**576**	**(24,636)**	(19,055)	(5,510)	(11,742)	416	(35,891)
Change in provision for unreported losses - reinsurance	**(1,630)**	**(1,185)**	**(154)**	**-**	**(2,969)**	(2,255)	(598)	158	-	(2,695)
Claims and related expenses	**(102,070)**	**(15,566)**	**(20,557)**	**(9,062)**	**(147,255)**	(81,920)	(15,652)	(25,801)	(10,458)	(133,831)
Policy acquisition costs	**(44,829)**	**(6,022)**	**(478)**	**(1,093)**	**(52,422)**	(41,141)	(5,081)	(1,389)	(461)	(48,072)
Policy acquisition costs recovered from reinsurers	**2,301**	**19**	**-**	**-**	**2,320**	2,235	240	-	-	2,475
Change in deferred policy acquisition costs -gross	**9,424**	**(245)**	**(17)**	**(15)**	**9,147**	12,378	630	(579)	(290)	12,139
Change in deferred policy acquisition costs - reinsurance	**178**	**-**	**-**	**-**	**178**	(727)	(1)	-	-	(728)
Policy acquisition costs	**(32,926)**	**(6,248)**	**(495)**	**(1,108)**	**(40,777)**	(27,255)	(4,212)	(1,968)	(751)	(34,186)
Change in life insurance business technical provisions, net of reinsurance				**2,934**	**2,934**				(7,093)	(7,093)
Operating expenses	**(9,391)**	**(2,668)**	**(1,496)**	**(1,354)**	**(14,909)**	(9,107)	(2,640)	(1,567)	(1,179)	(14,493)
Segment underwriting result	**2,555**	**4,676**	**2,899**	**(2,164)**	**7,966**	(8,662)	1,035	1,777	(1,584)	(7,434)
Operating expenses – unallocated #					**(574)**					(256)
Underwriting result					**7,392**					(7,690)

 # Unallocated operating expenses represent corporate expenses.

11. SEGMENT INFORMATION - Analysis of revenue by primary business segment (Contd.)

	Year ended 31 December 2008				
	Non-life		Life		Total
	Treaty	Facultative	Short term	Long term	
REVENUES :					
Gross premiums written	180,750	38,979	32,006	28,959	280,694
Outward reinsurance premiums	(9,345)	(1,911)	(258)	34	(11,480)
Change in unearned premiums - gross	(13,237)	(3,901)	2,786	-	(14,352)
Change in unearned premiums - reinsurance	215	(35)	-	-	180
Net earned premiums	158,383	33,132	34,534	28,993	255,042
Investment loss attributable to insurance funds	(4,296)	(2,235)	(555)	(502)	(7,588)
	154,087	30,897	33,979	28,491	247,454
COSTS AND EXPENSES :					
Gross claims paid	(84,792)	(23,453)	(21,463)	(9,099)	(138,807)
Claims recovered from reinsurers	5,848	2,230	354	-	8,432
Change in provision for outstanding claims - gross	(410)	2,305	(2,813)	(1,633)	(2,551)
Change in provision for outstanding claims - reinsurance	(2,828)	(1,711)	(218)	-	(4,757)
Change in provision for unreported losses – gross	(27,411)	(1,582)	(6,363)	687	(34,669)
Change in provision for unreported losses - reinsurance	(1,904)	(573)	158	-	(2,319)
Claims and related expenses	(111,497)	(22,784)	(30,345)	(10,045)	(174,671)
Policy acquisition costs	(47,064)	(7,066)	(2,312)	(843)	(57,285)
Policy acquisition costs recovered from reinsurers	2,460	259	-	-	2,719
Change in deferred policy acquisition costs - gross	3,211	403	(96)	(278)	3,240
Change in deferred policy acquisition costs - reinsurance	(59)	-	-	-	(59)
Policy acquisition costs	(41,452)	(6,404)	(2,408)	(1,121)	(51,385)
Change in life insurance business technical provisions, net of reinsurance	-	-	-	(19,401)	(19,401)
Operating expenses	(10,852)	(3,145)	(1,733)	(1,568)	(17,298)
Segment underwriting result	(9,714)	(1,436)	(507)	(3,644)	(15,301)
Operating expenses – unallocated #					(566)
Underwriting result					(15,867)

 # Unallocated operating expenses represent corporate expenses.

12. INVESTMENT INCOME

	US$ '000				
	Financial year-to-date 30 September 2009			Financial year-to-date 30 September 2008	Year ended 31 December 2008
	Insurance funds	Shareholders' funds	Total		
Interest income					
- Investments designated at fair value through profit or loss	**377**	**307**	**684**	1,244	1,540
- Others	**4,897**	**6,200**	**11,097**	15,432	20,215
Dividends	**843**	**1,110**	**1,953**	2,979	3,446
Realised (loss) gains					
- Trading investments	**(3,105)**	**(4,631)**	**(7,736)**	(940)	(9,005)
- Investment designated at fair value through profit or loss	**(2,364)**	**(1,925)**	**(4,289)**	496	496
- Available for sale	**572**	**475**	**1,047**	2,749	(538)
Gain (loss) on remeasurement of investments at fair value through profit & loss					
- Trading investments	**6,801**	**11,453**	**18,254**	(24,306)	(33,273)
- Investments designated at fair value through profit or loss	**4,344**	**3,538**	**7,882**	(3,611)	(6,594)
Impairment loss-available for sale	**(1,060)**	**(1,651)**	**(2,711)**	(1,831)	(1,252)
Other	**332**	**249**	**581**	1,376	(1,079)
	11,637	**15,125**	**26,762**	(6,412)	(26,044)

13. OPERATING EXPENSES

	US$ '000				
	Financial year-to-date 30 September 2009			Financial year-to-date 30 September 2008	Year ended 31 December 2008
	Underwriting	Non-Underwriting	Total		
Salaries and benefits	**12,797**	**8,334**	**21,131**	19,628	24,549
General and administration	**2,686**	**2,354**	**5,040**	6,098	7,845
	15,483	**10,688**	**26,171**	25,726	32,394

14. OTHER INCOME

	US$ '000		
	Financial year-to-date 30 September 2009	Financial year-to-date 30 September 2008	Year ended 31 December 2008
Third party administration services	**4,772**	6,029	8,403
Fees on managing Islamic reinsurance operations	**6,122**	4,633	6,023
Foreign exchange (loss) gain	**(1,714)**	2,129	4,604
Software sales and related services	**904**	1,226	1,525
Other	**407**	160	261
	10,491	14,177	20,816

15. OTHER EXPENSES AND PROVISIONS

	US$ '000		
	Financial year-to-date 30 September 2009	Financial year-to-date 30 September 2008	Year ended 31 December 2008
Provision for doubtful receivable & deposits	**35**	(6)	1,161
Intangible asset amortised	**750**	750	1,000
Other	**302**	106	943
	1,087	850	3,104

16. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF PARENT COMPANY

Basic earnings per share has been computed as follows:

		Financial year-to-date 30 September 2009	Financial year-to-date 30 September 2008	Year ended 31 December 2008
Weighted average number of shares outstanding	'000	**211,256**	212,146	211,984
Net profit (loss)	US$'000	**16,944**	(10,834)	(28,568)
Earnings (loss) per share	US$	**0.08**	(0.05)	(0.13)

17. RECONCILIATION OF NET RESULT TO CASH FLOWS FROM OPERATING ACTIVITIES

	US$ '000		
	Financial year-to-date 30 September 2009	Financial year-to-date 30 September 2008	Year ended 31 December 2008
Profit (Loss) before non-controlling interests	**20,314**	(13,209)	(33,292)
Increase in insurance funds	**68,636**	75,588	55,151
Change in insurance receivable/ payable, net	**(9,732)**	(16,584)	(4,959)
Change in accrued income	**(47,865)**	(45,504)	(29,713)
Change in other assets/liabilities, net	**(27,868)**	37,723	60,293
Net cash provided by operating activities	**3,485**	38,014	47,480

18. PRINCIPAL SUBSIDIARIES

At 30 September 2009, the principal subsidiaries of the Company were:

	Country of incorporation	Ownership
Arig Insurance Company Limited	United Kingdom	100.0%
Arima Insurance Software W.L.L.	Bahrain	100.0%
Gulf Warranties W.L.L.	Bahrain	66.0%
Takaful Re Limited	United Arab Emirates	54.0%

All holdings are in the ordinary share capital of the subsidiaries concerned and are unchanged from 31 December 2008.

19. RELATED-PARTY TRANSACTIONS

Related parties represent the Company's major shareholders, subsidiary companies, directors and key management personnel.

The consolidated financial statements include the effect of the following transactions with related parties.

Compensation paid to directors and key management personnel are as follows:

	US$ '000		
	Financial year-to-date 30 September 2009	Financial year-to-date 30 September 2008	Year ended 31 December 2008
i) Directors			
- Remuneration paid	**-**	1,026	1,026
- Allowances	**66**	49	91
ii) Key management compensation			
- Salaries and other short-term employee benefits	**887**	785	1,050
- Post employment benefits	**591**	157	203
- Share-based compensation	**300**	291	(86)
iii) Balances payable (net)			
Key management			
- Maximum balance	**3,216**	2,770	2,493
- Closing balance	**3,216**	2,770	2,493

20. COMMITMENTS OUTSTANDING

The Group has commitments for uncalled capital in investee companies held as part of its investment portfolios amounting to US$ 7.8 million (31 December 2008: US$ 8.7 million; 30 September 2008: US$ 7.9 million). The Group also has commitments of US$ 15.8 million (31 December 2008: US$ 15.8 million; 30 September 2008: US$ 15.8 million) towards purchase of property.

ARAB INSURANCE GROUP (B.S.C.)

APPENDIX I

A. SIGNIFICANT ACCOUNTING POLICIES ON INVESTMENTS AS PER CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2008

INVESTMENTS

Investment securities are classified as 'at fair value through profit or loss' which includes financial assets held for trading and those designated at fair value on initial recognition, 'available for sale', 'held to maturity' or 'loans and receivables'. Management determines the appropriate classification of investments at the time of purchase.

Securities are classified as at fair value through profit or loss if they are acquired for the purpose of generating a profit from short-term fluctuations in price or if so designated by management. Investments with fixed or determinable payments and fixed maturity that the management has the intent and ability to hold to maturity are classified as held to maturity. Non-derivative financial instruments with fixed or determinable payments and that are not quoted in an active market are categorised as loans and receivables. Securities intended to be held for an indefinite period of time and those that are not classified as at fair value through profit or loss, held to maturity or loans and receivables, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available for sale.

All purchases and sales of investments are recognised at the settlement date. All investment assets are recognised initially at cost. After initial recognition, investments are valued using principles described below.

Investments at fair value through profit or loss and investments available for sale are carried at fair value. Held to maturity investments and loans and receivables are carried at amortised cost, less any adjustment necessary for impairment.

The fair value of publicly traded investments is based on quoted market values at the balance sheet date. Fair values of other investments are estimated at realisable values. Where it is not possible to estimate the fair value, the asset is carried at cost. Property values are based on recent valuations carried out by qualified professional valuers in accordance with recognised valuation principles.

PROVISION FOR IMPAIRMENT OF FINANCIAL ASSETS

A provision is made in respect of a financial asset that is impaired if its carrying amount is greater than its estimated recoverable amount.

Provisions for assets carried at amortised cost are calculated as the difference between the carrying amount of the assets and the present value of expected future cash flows discounted at their original effective interest rate. By comparison, the recoverable amount of an instrument carried at cost is the present value of expected future cash flows discounted at the current market rate of interest for a similar financial asset.

In the case of available for sale financial assets, the Group assesses at each balance sheet date whether there is an objective evidence of impairment of such assets. If any such evidence exists, the impairment is recognised in income. Impairment recognised is not reversed subsequently except in case of debt instruments.

INVESTMENT INCOME

Investment income comprises interest and dividend receivable for the financial year. Gains and losses arising from changes in the fair value of investments at fair value through profit or loss are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available for sale investments are recognised in equity. When available for sale investments are disposed of or are impaired, the related fair value adjustments are included in the income statement. Gains and losses arising from changes in the fair value of investment properties are included in the income statement for the period in which they arise.

Investment income arising from insurance business investment assets are allocated to the underwriting results of insurance businesses based on the proportion of their respective insurance funds to shareholders' funds during the financial year.

FOREIGN CURRENCY TRANSLATION

Transactions denominated in currencies other than U.S. Dollars are recorded at the rates ruling at the date of the transaction. Assets and liabilities denominated in currencies other than U.S. Dollars are translated at year-end exchange rates.

Unrealised gains or losses on translation of investments denominated in foreign currencies are taken to income except in respect of non-monetary available for sale investments, which are taken to equity until they are disposed.

Unrealised gains and losses on translation of financial statements of subsidiaries, net of translation adjustments relating to hedging liabilities, if any, are included in the Shareholders' equity. Other foreign currency gains and losses are taken to income.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

In the ordinary course of its business, the Group uses forward foreign exchange contracts as fair value hedges to protect its exposures in respect of foreign currency denominated investments and insurance liabilities and these contracts are carried at fair value.

Where a fair value hedge meets the conditions prescribed by International Financial Reporting Standards for qualifying as an effective hedge, gains or losses from remeasuring forward foreign exchange contracts and gains or losses on hedged assets attributable to the hedged risk are recognised in income.

Where the hedge is not effective, gains or losses from remeasuring forward foreign exchange contracts are recognised in income. Gains or losses on hedged assets are recognised in income except in respect of non-monetary available for sale investments, which are taken to equity until they are disposed.

The gain or losses from remeasuring insurance liabilities and related foreign exchange contracts are recognised in income.

Covered call and put options are written and bought by the Group as part of its investment portfolio. The premium received and paid is initially recorded as liability and asset respectively and the changes in fair value of these options are taken to the statement of income and the corresponding asset or liability adjusted.

ARAB INSURANCE GROUP (B.S.C.)

APPENDIX I

B. ADDITIONAL DISCLOSURE ON INVESTMENTS

	US$ '000 30-September-2009		
	Investments in U.A.E.	Investments outside U.A.E.	**Total**
a. Cash & Cash Equivalents	74,545	266,159	**340,704**
Total Cash & Cash Equivalents	**74,545**	**266,159**	**340,704**
b. Investments			
At fair value through profit or loss			
Held for trading			
Common stock of listed companies	4,215	50,582	**54,797**
	4,215	**50,582**	**54,797**
Designated at fair value on initial recognition			
Debt Securities			
- Investment grade	-	31,660	**31,660**
- Other	-	6,257	**6,257**
	-	**37,917**	**37,917**
Held to maturity			
Debt securities			
- Supra-nationals and OECD country governments	-	64,446	**64,446**
- Investment grade	5,011	46,771	**51,782**
	5,011	**111,217**	**116,228**
Available for sale			
Debt securities			
- Supra-nationals and OECD country governments	-	15,238	**15,238**
- Investment grade	2,010	31,437	**33,447**
- Non-OECD country governments	831	2,769	**3,600**
- Other	4,115	9,286	**13,401**
Common stock of listed companies	-	1,864	**1,864**
Common stock of unlisted companies	-	18,559	**18,559**
Other (see note)	1,532	19,462	**20,994**
	8,488	**98,615**	**107,103**
Total Investments	**17,714**	**298,331**	**316,045**

Note: The Group does not have any direct investments in land or real estate. However, 'Other' includes investments in Real Estate funds amounting to US$ 4,760,000 (in U.A.E.: US$ 16,000).