Press Release

12 February 2009

Arig Declares Loss of US$ 28.6 Million For 2008

Manama: The dramatic decline in the global equity markets triggered a revaluation in the invested assets held by the Arab Insurance Group (Arig) and produced a net loss of US$ 28.6 million for its 2008 Financial Year (2007: net profit of US$ 23.7 million). The loss represents 10.6% of the Group's average shareholders' equity for the year. Though Arig did not have direct exposure to troubled assets or failed financial institutions, it could not escape write-downs on its reduced equities portfolio. Invested assets stood at US$ 678.5 million at the end of 2008 (2007: US$ 711.7 million), of which 59.4% were held in cash or similar instruments. Write-downs on investments amounting to US$ 35.8 million remained unrealized. Arig remains highly solvent with available Shareholders Funds at more than 180% of Economic Capital.

Arig registered an underwriting loss of US$ 15.9 million that is reflective of the absence of investment income whereas the Technical Result, i.e. premium less claims less acquisition cost, advanced to US$ 9.6 million (2007: loss of US$ 3.0 million). Over the year, Arig's loss ratio improved to 76.1% (2007: 81.6%) and combined ratio to 101.8% (2007: 106.3%) on net premiums.

The Group's reinsurance portfolio expanded by 12% to US$ 280.7 million for the year (2007: US$ 250.0 million). Non-Life gross premium grew 11% to US$ 219.7 million and Life portfolio increased by 19% to reach gross premium income of US$ 61.0 million.

Yassir Albaharna, CEO of Arig, comments: "2008 has put the whole financial services industry to a test and due to its large portfolio under management Arig could not completely isolate itself from global trends. However, what is important is that the financial fundamentals of the company have not been compromised. Our solvency remains very strong and technical results have markedly improved. Due to the structure of our investments we see limited further downside potential. Reinsurance markets, which are cyclical, have started to regain some of their attraction and we are reasonably optimistic for the current year performance."

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Financial Highlights as at 31 December 2008

	(US$'000)	
	Year 2008	**Year 2007**
Gross premium written	280,694	249,968
Technical Result	9,585	(2,999)
Underwriting result	(15,867)	270
Investment income	(26,129)	53,693
Operating expenses	32,394	29,170
Net profit	**(28,568)**	**23,655**
Investment assets	678,507	711,658
Net technical provisions	524,735	459,104
Shareholders' equity	239,579	298,438
Total assets	1,079,761	1,049,808
Book value per share (US$)	**1.13**	**1.40**

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). Additional information about Arig can be obtained at www.arig.net

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