

**Walaa Cooperative Insurance Company announces entry into a binding merger agreement with MetLife AIG ANB Cooperative Insurance Company (“Metlife AIG ANB”) and its firm intention to make an offer to acquire all shares held by the shareholders in MetLife AIG ANB through an exchange of shares**

**1. Introduction**

Further to the announcement made by Walaa Cooperative Insurance Company (“**Walaa**”) on the website of Tadawul on 18/6/2019G corresponding to 15/10/1440H in relation to the entry into a non-binding memorandum of understanding with MetLife AIG ANB Cooperative Insurance Company (“**MetLife AIG ANB**”) to assess the feasibility of a potential merger between the two companies, Walaa would like to announce its entry into a binding merger agreement with MetLife AIG ANB on 29/09/2019G corresponding to 30/1/1440H (the “**Merger Agreement**”) in an effort to acquire all shares held by the shareholders in MetLife AIG ANB through the submission of an offer to exchange shares without any cash consideration, such exchange to be effected by way of increasing the capital of Walaa through the issuance of new ordinary shares to all shareholders in MetLife AIG ANB (the “**Merger**”).

If the Merger is approved by all competent governmental authorities and by the Extraordinary General Assemblies of both companies, Walaa will be issuing 11,839,706 new ordinary shares with a nominal value of SAR 10 each (the “**New Shares**”) against the purchase of all shares issued to the shareholders in MetLife AIG ANB for a nominal aggregate value of SAR 118,397,060 SAR, meaning that Walaa will be issuing 0.6577614444444440 share against each one (1) share in MetLife AIG ANB (the “**Exchange Ratio**”).

The New Shares will be issued by way of increasing the share capital of Walaa from SAR 528,000,000 to SAR 646,397,060 through an increase in the number of shares from 52,800,000 to 64,639,706 ordinary shares (the “**Capital Increase**”), and the ownership percentage of the shareholders in MetLife AIG ANB will be 18.32% of the share capital of Walaa after the Capital Increase, and the ownership percentage of the current shareholders in Walaa will be reduced from 100% to 81.68%.

Since the requirements for announcing a firm intention to make an offer are fulfilled in accordance with the provisions of the Merger Agreement and pursuant to paragraph (e) of Article 17 of the Merger and Acquisition Regulations, Walaa announces its firm intention to make an offer to the shareholders of MetLife AIG ANB and proceed with the Merger, and confirms each of the following as at the date of this announcement:

1. That no person is acting in concert with Walaa in relation to the Merger.
2. That Walaa does not own any shares in MetLife AIG ANB, nor does it own options to purchase such shares.
3. That Walaa has not received any irrevocable undertakings from any party to vote in favor of the Merger at the relevant extraordinary general assembly.
4. That there are no indemnity arrangements in relation to the shares of MetLife AIG ANB involving Walaa, MetLife or any person acting in concert with MetLife AIG ANB.

5. That the financial adviser of Walaa (Al Jazira Capital) is not bound to provide a confirmation that Walaa has sufficient resources to satisfy the completion of the Merger given that the consideration payable by Walaa does not include cash consideration in any respect.

Pursuant to the terms of the Merger Agreement executed by the two companies, the Merger will be executed by way of absorption and MetLife AIG ANB will merge into Walaa and all assets and liabilities of MetLife AIG ANB will be transferred to Walaa which will continue to exist and become the Merged Entity. Any references to the term "Merged Entity" in this announcement means Walaa after completion of the Merger. As for MetLife AIG ANB, its shares will be delisted after completion of the Merger and it shall cease to exist in accordance with sub-paragraph (1) of paragraph (a) of Article 49 of the Merger and Acquisition Regulations, and the commercial registration of MetLife AIG ANB shall be cancelled at the Ministry of Commerce and Investment after the elapse of the creditors' objection period in accordance with Article 193 of the Companies Law. After completion of the Merger, the shareholders of Walaa will own 81.68% of the issued share capital of the Merged Entity and the shareholders of MetLife AIG ANB will own 18.32% of the issued share capital of the Merged Entity.

The Board of Directors of Walaa considers that the terms of the Merger are fair and reasonable and Walaa has been so advised by Al Jazira Capital (in its capacity as financial advisors of Walaa in relation to the Merger), while noting that Al Jazira Capital has taken into account the commercial assessments of the Board of Directors of Walaa in this regard.

The Board of Directors of Walaa, after taking due care as it deems appropriate under the circumstances, believes that the Merger is in the interest of the shareholders of Walaa as it is a positive step to acquire a larger market share, which will enhance the Merger Entity's competitive positioning and will contribute in strengthening its position in the insurance market in the Kingdom of Saudi Arabia and achieve its strategy in reducing costs and increasing profits. After the Merger, the Merged Entity will benefit from the extensive experience of the two companies to ensure that the shareholders and customers receive the maximum benefit as a result of the Merger, and it is to be noted also that both companies will continue using their corporate names and trademarks until the Merger becomes effective, and the name of "Walaa Cooperative Insurance Company" will be adopted by the Merged Entity after the Merger comes into effect.

It is to be noted also that the Merger does not involve any related parties, and there will be no change in the company's businesses with respect to customers as a result of this announcement. Each company will continue operating independently and normally up until the Merger becomes effective. It was agreed under the Merger Agreement that the necessary steps shall be taken after the Merged becomes effective in order to increase the number of seats in the Board of Directors of the Merged Entity from 10 to 11 seats, meaning that the Board of Directors of Walaa will continue with its current composition up until a general assembly is held after the Merged becomes effective in order to reflect such increase by adding one (1) more seat. The members of the executive management of Walaa will continue with their positions in the Merged Entity, namely

Mr. Johnson Varughese as the Chief Executive Officer of the Merged Entity and Mr. Mohannad Mahmoud AIDesouki as the Chief Financial Officer of the Merged Entity.

## **2. Terms of the Merger and Regulatory Approvals**

Proceeding with the Merger requires obtaining regulatory approvals from competent governmental authorities as follows:

1. Approval or non-objection from the General Authority for Competition to execute the Merger;
2. Approval or non-objection from the Saudi Arabian Monetary Authority to execute the Merger;
3. Approval of the Capital Markets Authority on the request for the Capital Increase through the issuance of the New Shares to the shareholders of MetLife AIG ANB for the purpose of implementing the Merger, which includes the approval on the publishing of the offer document and the shareholders' circular, all in accordance with the Merger and Acquisition Regulations and the Rules of Offering and Continuing Obligations issued by the Capital Markets Authority; and
4. Approval of the Saudi Stock Exchange (Tadawul) on the listing application for the New Shares of Walaa in accordance with the Listing Rules.

In addition to the above, the Merger requires obtaining approvals by the Extraordinary General Assemblies of both Walaa and MetLife AIG ANB as per the following:

1. Approval by the required majority of shareholders of Walaa to proceed with the Merger and approval on the other related decisions, which will be mentioned in the agenda of the invitation to convene the Extraordinary General Assembly of Walaa.
2. Approval by the required majority of shareholders on MetLife AIG ANB to proceed with the Merger and approval on other related decisions, which will be mentioned in the agenda of the invitation to convene the Extraordinary General Assembly of MetLife AIG ANB.

The dates of the Extraordinary General Assemblies of both companies will be determined after completion of the procedures related to preparing and publishing the offer document and the shareholders' circular, and after obtaining the required approvals from the Capital Market Authority and other competent governmental authorities, and such documents will include all necessary information related to the Merger and the process of issuing the New Shares to the shareholders of MetLife AIG ANB along with the risks associated to it.

Following the publication of the resolutions of the Extraordinary General Assembly of the two companies approving the Merger, there will be a period of thirty (30) days ("**Creditors' Objection Period**") during which any of the creditors of MetLife AIG ANB will be entitled to submit any objections they may have on the Merger, and it is to be noted that the two companies will not merge and become one entity before the Merger becomes effective after the elapse of the Creditors' Objection Period which shall start after the date when the Extraordinary General Assembly of MetLife AIG ANB approves the Merger.

### **3. Termination Scenarios and Related Indemnity Arrangements**

It was agreed in the Merger Agreement to set a break-up fee indemnity amounting to SAR 3,000,000 (Three Million Saudi Riyals) which represents the fees and costs of financial, legal, actuarial consultancy and other expenses incurred by both companies to complete the Merger. The break-up fee shall be paid by one of the two companies to the other in any of the following termination scenarios:

1. If the Board of Directors of any of the two companies fails to recommend the Merger to its shareholder by voting in favour of the offer, or if the Board of Directors of any of the companies withdraws or materially modifies its recommendation to proceed with the Merger as reflected in the offer document and the Merger Agreement.
2. If any of the companies fails to take all steps within its power which are appropriate and necessary to implement the Merger by no later than the longstop date which has been agreed in the Merger Agreement to be on 30 June 2020G, except for the steps that the Board of Directors of either company has expressly agreed in writing or stated in writing that the Board of Directors of the other company need not to take.
3. In the event where one of the two companies is found to be in breach of its obligation to refrain from taking any action to encourage, initiate, seek or solicit any discussions or negotiations with any other company or party in connection with another merger or similar transaction other than the Merger, and which has resulted in the withdrawal or termination of the Walaa offer.
4. In the event of occurrence of any material adverse change in any of the two companies (and that is any circumstances or events or series of events or circumstances resulting in the decrease of 15% or more in the net book value) and the two companies have failed to reach an agreement to proceed with the Merger or an adjustment of the Exchange Ratio.
5. In the event where the Board of Directors of MetLife AIG ANB takes any of the following frustrating actions in breach of paragraph (a) of Article 36 of the Merger and Acquisition Regulations during the offer period and without the approval of the shareholders' general assembly of MetLife AIG ANB:
  - Issuance of any undisclosed unissued shares;

- Issuance or granting rights in respect of unissued shares;
  - Creating or issuing, or permitting the creation or issuance of, any convertible securities into shares or subscription for shares;
  - Selling, disposing of or acquiring, or agreeing to sell, disposing of or acquiring, assets of a value equal to 10% of the net assets of MetLife AIG ANB according to the latest reviewed interim financial statements or audited annual financial statements, whichever is later, whether through a transaction or various transactions;
  - Buying-back of the shares of MetLife AIG ANB; or
  - Entering into contracts otherwise than in the ordinary course of business.
6. In the event where MetLife AIG ANB fails to comply with its obligation to pay its due debts or provide sufficient guarantees for its deferred debts to any of its creditors who object to the Merger within the thirty (30) days creditors objection period provided for in Article 193 of the Companies Law.
7. In the event of occurrence of one or more breach (es) of the warranties given by each company to the other and detailed in the Merger Agreement based on information disclosed by the two companies in the context of the Merger, provided that the value or financial impact of such one or more breach (es) of the warranties is not less than SAR 4,000,000, and that the two companies have failed to agree on an adjustment of the Exchange Ratio in order to proceed with the Merger after negotiation.

After obtaining the necessary regulatory approvals, Walaa will issue and publish a shareholders' circular addressed to Walaa's shareholders for the purpose of approving the Capital Increase and the Merger. Walaa will also issue and publish the offer document which will be addressed to the shareholders of MetLife AIG ANB and will include the official offer of Walaa to the shareholders of MetLife AIG ANB. The Board of Directors of MetLife AIG ANB will also be issuing and publishing a circular addressed to the shareholders of MetLife AIG ANB and it will mainly include the opinion of the Board of Directors of MetLife AIG ANB regarding the offer of Walaa and the Merger.

The above-mentioned documents will contain all necessary information related to the Merger and they will be published on a later stage after obtaining the relevant regulatory approvals. It is to be noted that the shareholders of Walaa and MetLife AIG ANB should rely solely on the information contained in the above-mentioned documents when making their decision regarding Merger during the Extraordinary General Assemblies to be held for such purpose.

It is to be noted also that this announcement is an announcement by Walaa of its firm intention to make an offer to the shareholders of MetLife AIG ANB pursuant to paragraph (e) of Article (17) of the Merger and Acquisition Regulations issued by the Board of the Capital Market Authority.

Walaa will be publishing the shareholders' circular and the offer document after obtaining the required regulatory approvals mentioned above.

#### **4. Important Notices**

This announcement does not constitute a prospectus, a shareholder circular or an equivalent document, including in relation the New Shares of Walaa which will be issued to the shareholders of MetLife AIG ANB for the purpose of the Merger. This announcement may not be viewed as shareholders circular or offer document.

- **No Profit Forecasts or Estimates:**

Nothing in this announcement is intended, or is to be construed, as a profit forecast or future earnings expectation, and this announcement may not be interpreted by any means as an assurance that earnings per share for both companies will be equal to or greater than the earnings per share in the previous financial periods.

- **Forward-Looking Statements:**

This announcement, and information included in it or incorporated by reference to it, regarding the Merger, and any other information published by Walaa contain statements which are, or may be deemed to be, "forward-looking statements". All statements, other than statements of historical fact are, or may be deemed to be, forward-looking statements. Forward-looking statements are prospective in nature and are not based on historical facts, but rather on assumptions, expectations, valuations, targets, estimates, forecasts and projections of Walaa about future events, and are therefore subject to risks and uncertainties which could cause actual results, performance or events to differ materially from those expressed or implied by the forward-looking statements. The forward-looking statements contained in this announcement include statements relating to the expected effects of the Merger on Walaa or the Merged Entity, the expected timing and scope of the Merger and other statements other than historical facts.

There are also a number of factors that could affect the future operations of Walaa or the Merged Entity and which could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include the satisfaction (or, where permitted, waiver) of the conditions to the Merger, as well as additional factors, such as: domestic and global business and economic conditions; asset prices; market related risks such as fluctuations in interest rates and exchange rates, industry trends, competition, changes in government and regulation, changes in the policies and actions of governments and/or regulatory authorities (including changes related to capital and tax), changes in political and economic stability, disruption in business operations due to reorganization activities, interest rate, inflation, deflation and currency fluctuations, the timing impact and other uncertainties of future or planned acquisitions or disposals or offers, the inability of the Merged Entity to realize successfully any anticipated synergy benefits when the Merger is implemented (including changes to the Board of Directors and/or employee composition of the Merged Entity), the inability of Walaa to integrate successfully the operations of MetLife AIG ANB and programs when the Merger is implemented,



the Merged Entity incurring and/or experiencing unanticipated costs and/or delays (including IT system failures, cyber-crime and fraud), or difficulties relating to the Merger when the Merger is implemented. Other unknown or unpredictable factors could affect future operations and/or cause actual results to differ materially from those in the forward-looking statements. Such forward-looking statements should therefore be construed in the light of such factors.

Each forward-looking statement speaks only as of the date of this announcement. Neither Walaa nor any of their respective directors, officers or advisers, provides any representation, warranty, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this announcement will actually occur. Forward looking statements involve inherent risks and uncertainties. All forward-looking statements contained in this announcement are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Readers are cautioned not to place undue reliance on these forward-looking statements. Other than in accordance with their legal or regulatory obligations, Walaa is under or undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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