Interim Results

First Quarter 2014

Arig's Revenues And Profits Up For First Quarter

14 May 2014

Bahrain: The Arig Group announces consolidated net profits of US$ 2.8 million for the first quarter of 2014 (Q1 2013: US$ 2.2 million). A marginally higher combined ratio of 82.1% (Q1 2013: 82.0%) and lower underwriting returns of US$ 0.5 million (Q1 2013: US$ 0.7 million) were offset by higher income from investments of US$ 6.8 million (Q1 2013: US$ 6.5 million).

Gross premium income increased by 15.2% to US$ 207.4 million (Q1 2013: US$ 180.0 million) over the quarter. Organic growth from Arig's engagement in the Lloyd's market and income from the parent company's Specialty and Life business contributed to the growing portfolio while strategic cutbacks at its consolidated subsidiary Takaful Re moderated an otherwise solid start into the year.

Yassir Albaharna, CEO of Arig, commented: "The strengthening of our reserves following some mid-size losses on the Indian Sub-continent placed a slight blemish on what I would otherwise have called a strong first quarter. But key figures are all pointing into the right direction which gives us confidence in a highly challenging business environment."

Arig's shareholders' equity increased to US$ 254.4 million on 31st of March, 2014 (end of 2013: US$ 249.2 million), with a book value per share of US$ 1.28 for the same period (end of 2013: US$ 1.26).

Key Results

(in million US$)	Q1 2014	Q1 2013
Gross premiums written	207.4	180.0
Technical result *	2.0	2.2
Underwriting result **	0.5	0.7
Investment income	6.8	6.5
Net profit	**2.8**	**2.2**
Combined ratio* **	**82.1%**	**82.0%**

	Q1 2014	Dec 2013
Shareholders' equity	254.4	249.2

* *Technical result* – *returns from reinsurance operations before consideration of investment income and operating expenses*
** *Underwriting result* – *reinsurance results after investment income on insurance funds and related operating expenses*
*** Combined ratio – aggregate of acquisition and operating cost over net premiums written and claims incurred over net earned premiums

Premium Development

Gross premiums written (in million US$)	**Q1 2014**	**Q1 2013**
Non-life premiums	193.4	168.0
Life premiums	14.0	12.0
Total	**207.4**	**180.0**

- *non-life premiums up by 15% as a result of organic growth from Arig's engagement in the Lloyd's market and income from the parent company's Specialty lines business*
- *life premiums higher on new policies written at Arig and Takaful Re.*

Net earned premiums (in million US$)	**Q1 2014**	**Q1 2013**
Earned premiums		
Non-life premiums	58.4	48.0
Life premiums	5.8	5.1
Total	**64.2**	**53.1**

- *Higher earnings contributed by Lloyds Syndicates*

Reinsurance Performance

Technical results (in million US$)	**Q1 2014**	**Q1 2013**
Non-life technical profit (loss)	0.2	1.0
Life technical profit (loss)	1.8	1.2
Total	**2.0**	**2.2**

- *The non-life technical results was moderately affected by a small number of mid-size Property losses*

Combined ratio	**Q1 2014**	**Q1 2013**
Claims ratio	70.4%	71.8%
Operational cost ratio	2.8%	2.9%
Acquisition cost ratio	8.9%	7.3%
Combined ratio	**82.1%**	**82.0%**

Technical Reserves

(in million US$)	Q1 2014	Dec 2013
Unearned premiums	270.6	124.5
Unreported losses	206.9	215.5
Claims outstanding	353.4	338.6
Total	**830.9**	**678.6**

- *Increase in gross technical reserves mainly due to higher unearned premiums – in line with seasonal trends*

Asset Management

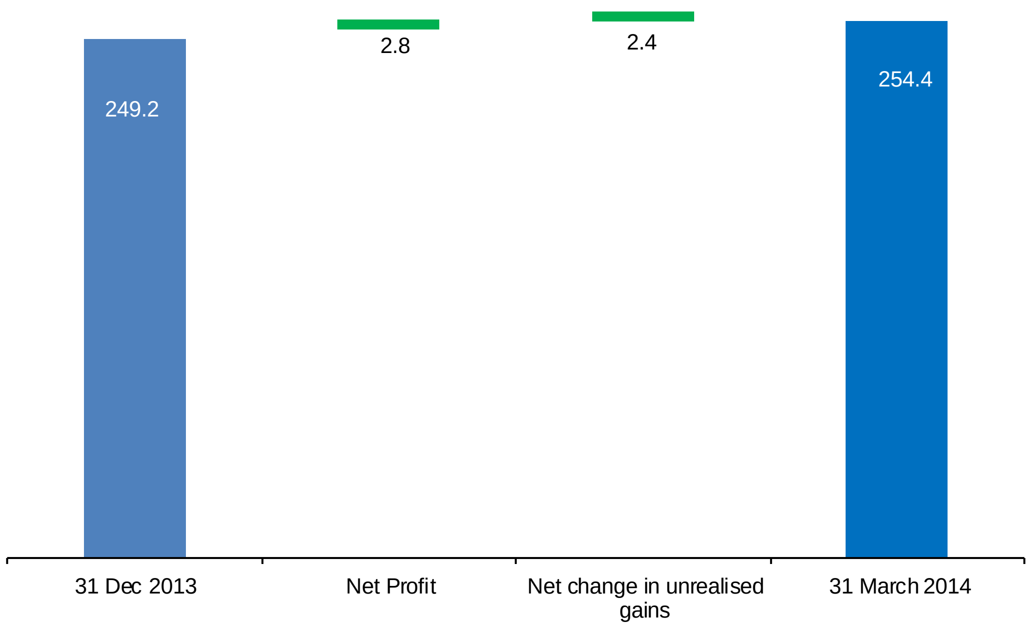
Investment income (in million US$)	**Q1 2014**	**Q1 2013**
Cash & bank deposits	0.6	0.9
Fixed maturities	2.6	2.4
Equities	3.5	3.0
Alternative Investments	0.1	0.2
Total	**6.8**	**6.5**
Rate of return on invested assets	4.1%	4.0%

Investments (in million US$)	**Q1 2014**	**Dec 2013**
Cash & bank deposits	284.6	273.7
Fixed maturities	297.6	291.7
Equities	79.4	61.3
Alternative investments	15.4	15.5
Total	**677.0**	**642.2**

- *Cash & bank deposits increased as a result of deposits from borrowings to leverage on interest rates*
- *The allocation to equities was raised in order to benefit from the prevailing positive market trend*

Shareholders' Equity

(in million US$)



Outlook

- *Reinsurance markets remain flush with record levels of risk capital ready to be employed. Given the benign loss experience so far, we expect competition for premium to continue at all layers of the industry spectrum. Only markets with recent large losses will escape immediate pressure aiming to reduce prices and widen conditions.*
- *The Arig Group will continue to address performance deficits and increase efforts to write accounts with meaningful profit potential such as Specialty lines, high excess Property accounts or Life business. We will continue to support the development of our clients through selectively writing treaty accounts that meet our performance criteria.*
- *Our growth strategy remains conditional upon meeting the Group's defined risk appetite, return expectations and prudent reserving practices. Our developed risk management and underwriting resources continue to allow us writing at a profit despite our competitors' determination in defending or expanding market shares.*
- *Arig recognizes the bottom line potential in reducing operational expenses. While consistently pursuing higher levels of efficiency, the Group will not compromise on its commitment to the industry's best practices, which continue to evolve. Our first priority rests with the protection of our shareholders' investment, and security we provide to our corporate and private customers globally.*