Interim Results

1st Quarter 2013

Arig Returns Profitable 1st Quarter Result on Single-Digit Portfolio Growth

12 May 2013

Bahrain: Arig reported reduced net profits of US$ 2.7 million for the first quarter of 2013 (Q1 2012: US$ 5.5 million) on gross premiums written of US$ 164.9 million (Q1 2012: US$ 159.9 million), an increase of 3%. Arig's non-life combined ratio reached 79.7% for the first quarter (Q1 2012: 75.2%).

The underwriting result was lower at US$ 1.6 million against the previous year's quarter (Q1 2012: US$ 3.5). Investments returned US$ 6.4 million (Q1 2012: US$ 10.5 million) following uplift in the global equity markets.

Yassir Albaharna, CEO of Arig, commented: "Following our practice of prudent reserving we have catered for some potential claims as a precaution. This has lowered the underwriting result even though it is too early in the year to say if this would have a lasting effect on our overall performance in 2013."

Arig's shareholders' equity increased to US$ 249.6 million on 31st of March, 2013 (end of 2012: US$ 247.1 million), with a book value per share of US$ 1.26 for the same period (end of 2012: US$ 1.25).

Key Results

(in million US$)	Q1 2013	Q1 2012
Gross premiums written	164.9	159.9
Technical result *	2.4	3.3
Underwriting result **	1.6	3.5
Investment income	6.4	10.5
Net profit	**2.7**	**5.5**
Non-life combined ratio* **	**79.7%**	**75.2%**

	Mar 2013	Dec 2012
Shareholders' equity	249.6	247.1

* *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 2013**	**Q1 2012**
Non-life premiums	153.4	144.0
Life premiums	11.5	15.9
Total	**164.9**	**159.9**

- *6.6 % increase in non-life premiums*
    - *Organic growth and some hardening of original rates in key markets*
- *Life reduced in view of competitive pricing pressure and our determined effort to secure profitability; project is underway to grow our book of individual Life business*

Net earned premiums (in million US$)	**Q1 2013**	**Q1 2012**
Earned premiums		
Non-life premiums	40.9	43.4
Life premiums	4.7	5.4
Total	**45.6**	**48.8**

Reinsurance Performance

Technical results (in million US$)	**Q1 2013**	**Q1 2012**
Non-life technical profit	1.3	2.9
Life technical profit	1.1	0.4
Total	**2.4**	**3.3**

- *Non-life Technical Result influenced by precautionary reserves and some back year claim developments*

Non-life portfolio	**Q1 2013**	**Q1 2012**
Claims ratio	69.9%	62.0%
Operational cost ratio	2.5%	3.2%
Acquisition cost ratio	7.3%	10.0%
Non-life combined ratio	**79.7%**	**75.2%**

Technical Reserves

(in million US$)	Mar 2013	Dec 2012
Unearned premiums	216.4	100.4
Unreported losses	205.4	212.3
Claims outstanding	284.9	288.3
Total	**706.7**	**601.0**

- *Increase in gross technical reserves is the result of higher unearned premiums – in line with seasonal trends*

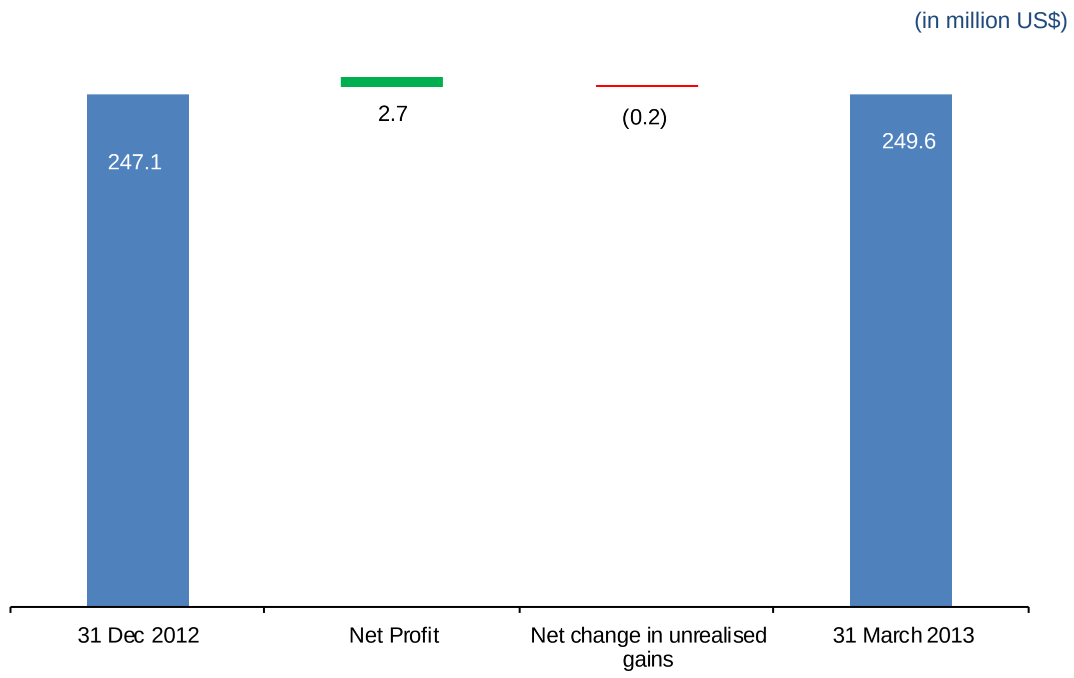
Asset Management

Investment income (in million US$)	**Q1 2013**	**Q1 2012**
Cash & bank deposits	0.9	1.2
Fixed maturities	2.3	1.8
Equities	3.0	7.6
Alternative Investments	0.2	(0.1)
Total	**6.4**	**10.5**
Rate of return on invested assets	4.0%	6.5%

Investments (in million US$)	**Mar 2013**	**Dec 2012**
Cash & bank deposits	294.5	335.0
Fixed maturities	253.4	246.3
Equities	63.6	53.4
Alternative investments	17.4	18.2
Total	**628.9**	**652.9**

- *Cash & bank deposits lower on repayment of borrowings*
- *Allocation to equities increased to benefit from the prevailing positive market trend*

Shareholders' Equity



Outlook

- *Despite of the record-high capitalization in the global reinsurance industry we started to see an appreciation of original rates in some of our key markets. Outside of catastrophe reinsurance, we believe this trend will gradually gain momentum in view of the sustained regime of very low interest rates and as insurers need to give greater attention to underwriting profitability. Most of our markets prefer to buy protection via proportional reinsurance arrangements, therefore Arig is well placed to become a beneficiary of this trend.*
- *The rapid emergence of collateralized reinsurance for catastrophe covers and its corresponding downward pressure on pricing will only have a very limited effect on Arig since our company does not feature prominently in this segment.*
- *Following up on our corporate strategy of optimized diversification we replaced our capital quota share on the Hardy syndicate with Whole Account quota shares on three other Lloyd's syndicates, which will start to be fully consolidated into our accounts by the end of the second quarter 2013. All syndicates are writing short-tail liabilities with specific focus on Specialty Lines, which is commensurate with Arig's preferred business mix. We have modeled our resulting net liabilities from the Lloyd's market and ensured that stressed disaster scenarios are well contained within our risk appetite. The expected share of Lloyd's related premium in our total book is expected to reach 23 %.*
- *While the company remains firmly focused on technical profitability, we are continuing in our efforts to further reduce operational expenses and improve group efficiencies.*