Interim Results
First Quarter 2015

Arab Insurance Group (B.S.C.) - a reinsurance firm regulated by the Central Bank of Bahrain

Arig’s Net Profits Up For First Quarter 2015

14 May 2015

Bahrain: The Arig Group delivered consolidated net profits of US$ 3.5 million for the first quarter 2015 (Q1 2014: US$ 2.8 million). Earnings from the conventional reinsurance book contributed US$ 7.4 million to the result (Q1 2014: US$ 3.7 million), whereas Takaful Re, the Group’s Islamic subsidiary, produced a loss of US$ 3.8 million over the period (Q1 2014: a loss of US$ 0.8 million).

The Group’s combined ratio of 76.6% for the quarter is reflective of the improved underwriting position against the previous year (Q1 2014: 82.1%).

Consolidated investment income of US$ 6.3 million was generated over the reporting period (Q1 2014: US$ 6.8 million), representing an annualized return of 3.5% on investible assets.

Gross written premiums decreased to US$ 166.0 million for the Group over the quarter (Q1 2014: US$ 207.4 million) as shifts in Arig’s Lloyd’s portfolio, voluntary premium reductions by Takaful Re and the influence of exchange rate developments contributed to the reduction.

Yassir Albaharna, CEO of Arig, commented: “In a highly challenging business environment, Arig has markedly grown its underwriting profit from the conventional reinsurance portfolio, a pleasing development that was flanked by good investment returns. The losses from the under-performing Re-Takaful book are being addressed with the clear target of achieving a lasting solution so that the full earnings potential of the Group can be realized.”

Arig’s shareholders’ equity stood at US$ 261.8 million on 31 March 2015 (end of 2014: US$ 264.5 million) after the distribution of dividend US$ 0.05 per share. The book value per share was US$ 1.32 for the same period (end of 2014: US$ 1.34).

Key Results

(in million US$)	Q1 2015	Q1 2014
Gross premiums written	166.0	207.4
Technical result *	5.6	2.0
Underwriting result **	4.0	0.5
Investment income	6.3	6.8
Net profit	**3.5**	**2.8**
Combined ratio* **	**76.6%**	**82.1%**

	Q1 2015	Dec 2014
Shareholders' equity	261.8	264.5

*	*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* – *Incurred Losses/Earned Premium + Expenses / Written Premium*

Premium Development

Gross premiums written (in million US$)	**Q1 2015**	**Q1 2014**
Non-life premiums	151.2	193.4
Life premiums	14.8	14.0
Total	**166.0**	**207.4**

- *The termination of a capital quota share at Lloyd's and the reduction of our support in another led to a noticeable reduction in our incoming premiums for the first quarter 2015. Reduced lines in the Far East and, to a lesser extent in Africa as well as exchange rate movements reinforced this development, which was only partially offset by increases in our Medical, Life, Extended Warranty and Property business.*

Net earned premiums (in million US$)	**Q1 2015**	**Q1 2014**
Earned premiums		
Non-life premiums	48.6	58.4
Life premiums	5.8	5.8
Total	**54.4**	**64.2**

- *The reduction in non-life gross premiums reflected in lower earned premiums.*

Reinsurance Performance

Technical results (in million US$)	Q1 2015	Q1 2014
Non-life technical profit	3.6	0.2
Life technical profit	2.0	1.8
Total	**5.6**	**2.0**

- *Q1 loss experience was generally better on a year-to-year basis, supported by reserve releases from some 2014 claims and prior.*

Combined Ratio	Q1 2015	Q1 2014
Claims ratio	64.2%	70.4%
Operational cost ratio	3.4%	2.8%
Acquisition cost ratio	9.0%	8.9%
Combined ratio	**76.6%**	**82.1%**

Technical Reserves

(in million US$)	Q1 2015	Dec 2014
Unearned premiums	243.1	144.4
Unreported losses	215.9	214.9
Claims outstanding	348.3	348.3
Total	**807.3**	**707.6**

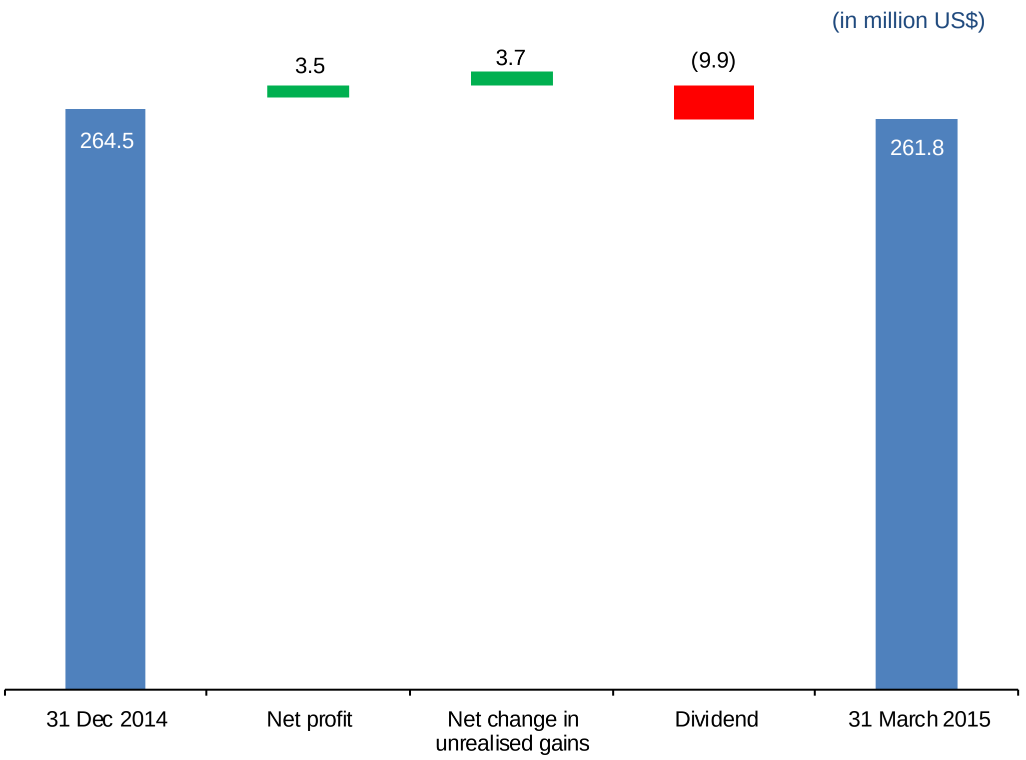
Asset Management

Investment income (in million US$)	**Q1 2015**	**Q1 2014**
Cash & bank deposits	0.4	0.6
Fixed maturities	3.4	2.6
Equities	2.6	3.5
Alternative Investments	(0.1)	0.1
Total	**6.3**	**6.8**
Rate of return on invested assets	3.5%	4.1%

- *Year-on-year, more funds were allocated to fixed maturities , which generated higher returns while equities were less active during the quarter.*

Investments (in million US$)	**Q1 2015**	**Dec 2014**
Cash & bank deposits	203.1	193.2
Fixed maturities	421.1	433.4
Equities	86.1	77.2
Alternative investments	16.6	16.9
Total	**726.9**	**720.7**

Shareholders' Equity



Outlook

- *The world's leading economies continue to operate well below their capacity limits. We do not foresee any short-term changes and expect demand for insurance and reinsurance products to remain flat throughout 2015.*
- *Deployment of excess capital in the reinsurance markets continues to be a key challenge in 2015. We expect increased M&A activities globally and within our regions where regulators are becoming increasingly alert to insurers' financial stability while shareholders could be looking for better economies of scale.*
- *Reducing profitability in the sector may slow down the deterioration in prices and terms. There are early signs that certain catastrophe markets may be finding their floor. However, we believe that only significant loss events on either side of the balance sheet could generate sufficient impact to change the trend.*
- *Arig's strategy remains focused on selective underwriting rather than revenue growth at the expense of profitability. At the same time we aim to introduce new products to our regional clients that would help them expand their market reach.*
- *As we have already underwritten new business at Lloyd's, the current reduction in our premium income from this developed market place should be temporary. Latest in 2016, we expect to be at our previous income level, again.*
- *The Arig Group remains confident of its business platform which is built upon a well-diversified portfolio of risks with relatively low exposure to natural catastrophes. At the same time we have limited our exposure to volatile asset classes.*