Interim Results
Half Year 2015

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

Arig Raises Half-Year Profit On Positive Underwriting And Investment Returns

12 August 2015

Bahrain: Improved underwriting performance and higher investment returns supported a 32% increase in the Arig Group's half-year net profit of US$ 6.2 million (half-year 2014: US$ 4.7 million). Earnings from the conventional reinsurance book contributed with a net income of US$ 9.2 million (half-year 2014: US$ 7.4 million), whereas Takaful Re, the Group's Islamic subsidiary, produced a loss of US$ 2.7 million over the period (half-year 2014: a loss of US$ 2.6 million). Results include exchange rate effects and an impairment provision of US$ 4.9 million taken over the office property held by Takaful Re.

The Group's net result for the second quarter alone was US$ 2.7 million (Q2 2014: US$ 1.9 million).

Gross premiums written during the first half-year decreased by 21% to US$ 186.1 million for the Group (half-year 2014: US$ 236.8 million), reflecting Arig's selective underwriting policy in a soft market environment, shifts in its Lloyd's portfolio and exchange rate effects.

The Group's combined ratio was 90.2% after the second quarter (half-year 2014: 90.8%).

Yassir Albaharna, CEO of Arig, commented: "Arig significantly improved its half-year result despite losses from the Nepal earthquake and the Far East, an increase in our technical provisions and a one-off impairment taken on our subsidiary's property holding. I am pleased to say that the Group continues to operate on very solid financials."

Arig's shareholders' equity stood at US$ 262.1 million on 30 June 2015 (end of 2014: US$ 264.5 million) after the distribution of dividend US$ 0.05 per share. Book value per share was US$ 1.32 at the end of the second financial quarter 2015 (end of 2014: US$ 1.34).

Key Results

(in million US$)	HY 2015	HY 2014
Gross premiums written	186.1	236.8
Technical result *	9.8	4.9
Underwriting result **	6.2	0.5
Investment income	13.3	11.7
Net profit	**6.2**	**4.7**
Combined ratio* **	**90.2%**	**90.8%**

	HY 2015	Dec 2014
Shareholders' equity	262.1	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$)	**HY 2015**	**HY 2014**
Non-life premiums	167.6	219.2
Life premiums	18.5	17.6
Total	**186.1**	**236.8**

- *Arig continues to apply a conservative and selective underwriting policy as a suitable response to further softening market terms and conditions. We are prepared to walk away from premium if the attached terms and conditions do not meet our minimum standards for acceptance.*
- *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 half year 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$)	**HY 2015**	**HY 2014**
Earned premiums		
Non-life premiums	104.1	122.5
Life premiums	12.7	11.7
Total	**116.8**	**134.2**

Reinsurance Performance

Technical results (in million US$)	**HY 2015**	**HY 2014**
Non-life technical profit	6.8	1.6
Life technical profit	3.0	3.3
Total	**9.8**	**4.9**

- *Despite some larger losses from the earthquake in Nepal and the Far East, Technical Results in the non-life classes improved substantially, doubling last year's profit over the same period.*

Combined Ratio	**HY 2015**	**HY 2014**
Claims ratio	67.1%	67.7%
Operational cost ratio	6.5%	5.1%
Acquisition cost ratio	16.6%	18.0%
Combined ratio	**90.2%**	**90.8%**

Technical Reserves

(in million US$)	HY 2015	Dec 2014
Unearned premiums	203.1	144.4
Unreported losses	241.1	214.9
Claims outstanding	341.9	348.3
Total	**786.1**	**707.6**

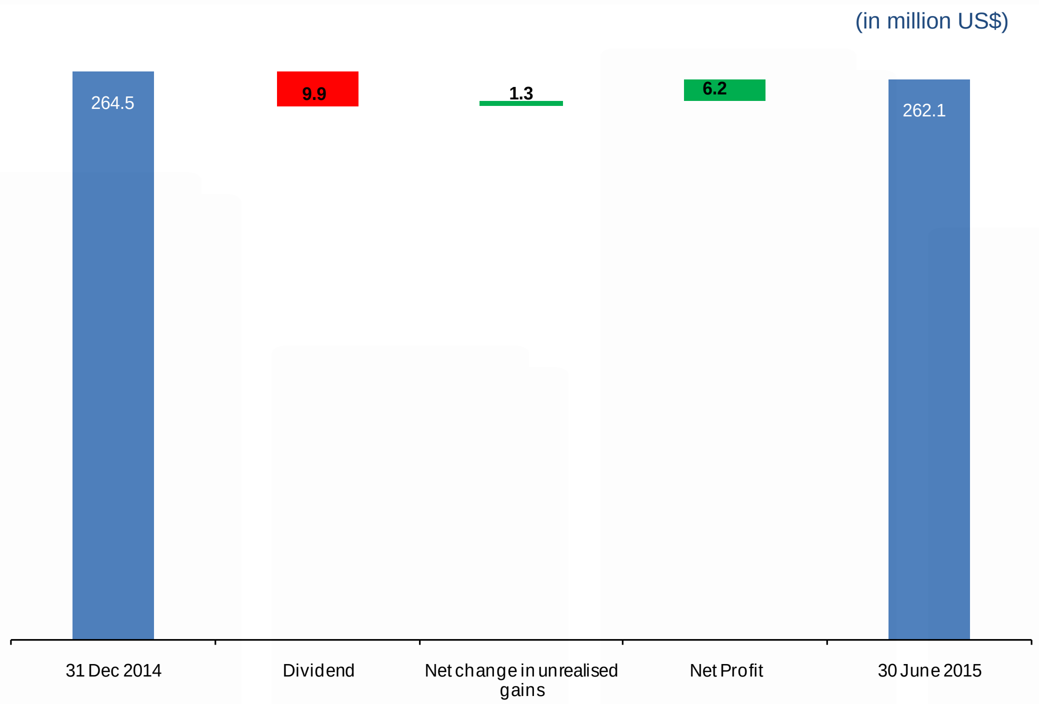
Asset Management

Investment income (in million US$)	**HY 2015**	**HY 2014**
Cash & bank deposits	0.7	1.0
Fixed maturities	6.8	5.1
Equities	5.7	5.2
Alternative Investments	0.1	0.4
Total	**13.3**	**11.7**
Rate of return on invested assets	3.7%	3.5%

- *Increased allocations to fixed maturities helped generate higher income from this asset class while equities generally continued to perform strongly in our chosen markets.*

Investments (in million US$)	**HY 2015**	**Dec 2014**
Cash & bank deposits	207.7	193.2
Fixed maturities	431.9	433.4
Equities	76.2	77.2
Alternative investments	17.1	16.9
Total	**732.9**	**720.7**

Shareholders' Equity



Outlook

- *Reinsurance markets are expected to remain highly competitive as the generous supply of alternative capital, lower demand from a sluggish world economy and a market flush with excess capital all vie for premium income.*
- *Unsurprisingly, M&A activity has been very high as investors aim to diversify into new lines and markets while attempting to achieve better economies of scale in their operations. New industry leaders are formed while startups continue to appear, mostly backed by alternative capital investors.*
- *Some emerging markets are seen to become more protective by channeling domestic reinsurance business through national reinsurers or pools, restricting access by foreign parties or increasing regulation to create higher barriers to entry. This includes some of the most populous markets in the world as China, India and Indonesia all have announced or introduced plans to restrict access to local business.*
- *Arig continues to follow its successful underwriting strategy that is focusing on acceptable terms and conditions rather than market share. Increasingly we are engaging in strategic partnerships that will allow us to access markets that would be inefficient or impossible to explore on our own.*
- *The Group is actively managing the exposures in its portfolio with its objective to deliver consistent returns to our shareholders yet shielding them from catastrophic surprises that otherwise represent one of the key risk elements in our business.*