Interim Results

Third Quarter 2014

Arig Announces Net Profits For The First Nine Months

11 November 2014

Bahrain: The Arig Group announces consolidated net profits of US$ 9.6 million for the first nine months of 2014 (nine months 2013: US$ 12.6 million). A higher combined ratio of 97.8% (nine months 2013: 90.3%) lowered underwriting returns to US$ 1.4 million (nine months 2013: US$ 6.0 million). The combined ratio for Arig alone was 95.2% after the third quarter. The lower underwriting result was partially offset by US$ 19.3 million income from investments (nine months 2013: US$ 14.9 million).

The company's net profit for the third quarter alone was US$ 4.9 million (Q3 2013: US$ 7.5 million).

Gross premium income over the nine months increased by 15.1% to US$ 298.0 million (nine months 2013: US$ 258.9 million) largely supported by increased premium derived from Arig's engagement in overseas markets and the parent company's Life business. Takaful contributions were further reduced as the market segment continued to under-perform.

Gross premiums written for the Group's third quarter alone were US$ 61.2 million (Q3 2013: US$ 34.6 million).

Yassir Albaharna, CEO of Arig, commented: "The Group experienced a number of risk losses from markets, to which we have since reduced our exposure. In addition, Re-Takaful operations continued to disappoint. On the other hand, the Lloyd's book and our Life franchise are showing strong results, as did investments. It has been a mixed year for the industry thus far but Arig's highly diversified portfolio helps shield the Group from greater volatility."

Arig's shareholders' equity increased to US$ 262.6 million on 30 September 2014 (end of 2013: US$ 249.2 million), with a book value per share of US$ 1.33 for the same period (end of 2013: US$ 1.26).

Key Results

(in million US$)	3Q 2014	3Q 2013
Gross premiums written	298.0	258.9
Technical result *	7.8	14.7
Underwriting result **	1.4	6.0
Investment income	19.3	14.9
Net profit	**9.6**	**12.6**
Combined ratio* **	**97.8%**	**90.3%**

	3Q 2014	Dec 2013
Shareholders' equity	262.6	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$)	**3Q 2014**	**3Q 2013**
Non-life premiums	276.2	238.0
Life premiums	21.8	20.9
Total	**298.0**	**258.9**

- *The increase in non-life premiums reflects a larger participation in the Lloyd's market, including a $ 27.8 million premium pass-through for a syndicate where retro arrangements were restructured at the request of the client*

Net earned premiums (in million US$)	**3Q 2014**	**3Q 2013**
Earned premiums		
Non-life premiums	176.0	150.9
Life premiums	17.9	15.7
Total	**193.9**	**166.6**

- *Higher earnings were supported by our Lloyd's business*

Reinsurance Performance

Technical results (in million US$)	**3Q 2014**	**3Q 2013**
Non-life technical profit (loss)	2.7	10.9
Life technical profit (loss)	5.1	3.8
Total	**7.8**	**14.7**

- *Non-life technical results were negatively affected by treaty business written on the Indian sub-continent and by higher than expected claims load from a Medical account previously written at the Group's Re-Takaful subsidiary; we have since discontinued the majority of the under-performing accounts*

Combined Ratio	**3Q 2014**	**3Q 2013**
Claims ratio	69.2%	65.2%
Operational cost ratio	6.9%	7.1%
Acquisition cost ratio	21.7%	18.0%
Combined ratio	**97.8%**	**90.3%**

Technical Reserves

(in million US$)	3Q 2014	Dec 2013
Unearned premiums	179.3	124.5
Unreported losses	225.4	215.5
Claims outstanding	359.5	338.6
Total	**764.2**	**678.6**

- *The increase in gross technical reserves is largely caused by higher unearned premiums – in line with seasonal trends. Higher loss reserves were largely driven by the increased reserves held for our growing book of Lloyd's business*

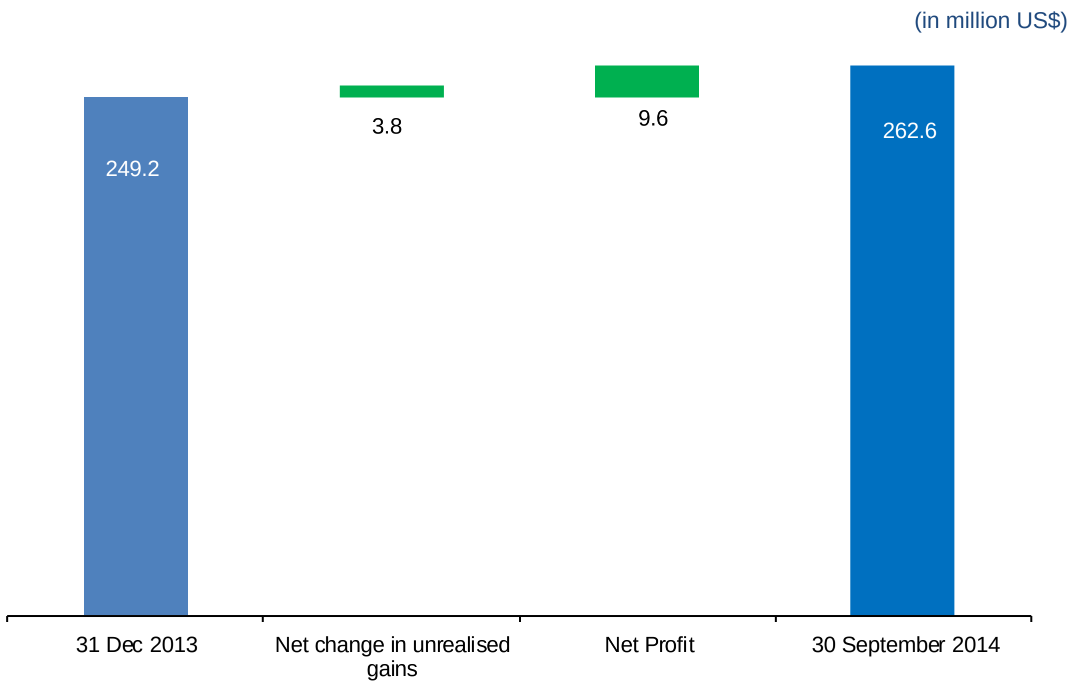
Asset Management

Investment income (in million US$)	**3Q 2014**	**3Q 2013**
Cash & bank deposits	1.5	2.1
Fixed maturities	7.1	5.8
Equities	10.6	7.1
Alternative Investments	0.1	(0.1)
Total	**19.3**	**14.9**
Rate of return on invested assets	3.8%	3.0%

Investments (in million US$)	**3Q 2014**	**Dec 2013**
Cash & bank deposits	287.0	273.7
Fixed maturities	336.0	291.7
Equities	82.3	61.3
Alternative investments	18.7	15.5
Total	**724.0**	**642.2**

- *Cash & bank deposits higher on deposits from borrowings allowing Arig to leverage on interest rates*
- *Allocation to equities was increased over the reporting period to take advantage of the prevailing positive market trend*

Shareholders' Equity



Outlook

- *We expect the industry environment to remain challenging in view of a generally slow world economy, buyers' higher retention levels and continuous supply of capital into the market.*
- *Reinsurers are struggling to meet their premium targets while investment returns remain below their historical performance levels.*
- *Regulators are showing concerns over the financial and performance risks of certain buyers and reinsurers. We are seeing growing capital requirements and increasing emphasis on Enterprise Risk Management measures. A growing trend for mergers and acquisitions seems likely while some smaller insurers could become challenged on their trading licenses.*
- *In reinsurance, the onset of the main renewal season may well show the prolongation of current trends unless we see catastrophic claims or financial events taking a tangible toll on companies' capital.*
- *'Diversification' remains our main line of defense. Through spreading of risk in our portfolios and the purchase of protection against large loss events we believe the company is well guarded against major surprises.*
- *Our investments remain conservative with low ceilings for 'riskier' asset classes, mainly equities. While taking advantage of market developments, we are equally ready to sell our positions when market risks outweigh our potential benefits.*