2010 Annual Results

Agenda

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Arig Traded Premium For Profit In 2010

Arig almost matched its previous year performance, posting US$ 20.8 million in profits for the 2010 Financial Year (2009: US$ 21.9 million). Both, reinsurance and investments, contributed to the positive bottom line with a Technical Result of US$ 16.2 million (2009: US$ 16.5 million) and investment returns of US$ 34 million (2009: US$ 33.7 million), all before consideration of expenses. The net profit for the fourth quarter of 2010 was US$ 9.2 million (4th Qtr 2009: US$ 4.9 million).

Arig's non-life reinsurance portfolio performed at a 67.8% loss ratio (2009: 67.9%), bucking the trend of the decline in trading terms. However, prevailing soft market conditions meant that the Group had to sacrifice some premium related to under-performing accounts in order to safeguard its profitability. Correspondingly, Gross Written Premium reduced by 14.3% to US$ 239.5 million (2009: US$ 279.4 million). Amid volatile financial markets and generally depressed yields on fixed term deposits, the Group achieved a 5.2% return on investments for the reporting period (2009: 5.0%).

Arig's Board of Directors has recommended a cash dividend of 7.5% on the Company's paid-up capital, or 7.5 cents per share. The dividend remains subject to clearance by the Central Bank of Bahrain and shareholders' approval at the Company's Annual General Meeting to be held on March 27, 2011.

Arig's Shareholders' Equity stood at US$ 260.1 million by the end of 2010 (end of 2009: US$ 267.3 million) with a book value per share of US$ 1.31 for the same period (end of 2009: US$ 1.27).

Key Data

(in million US$)	2010	2009
Gross premiums written	239.5	279.4
Technical result *	16.2	16.5
Underwriting result **	12.2	13.9
Investment income	34.0	33.7
Net profit	**20.8**	**21.9**
Non-life combined ratio *	**104.1%**	**98.7%**
Shareholders Equity	260.1	267.3

** 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 & operating cost over net premium written and claims over net earned premium*

Reinsurance Performance

Gross written premiums (in million US$)	**2010**	**2009**
Non-life premiums	207.0	229.2
Life premiums	32.5	50.2
Total	**239.5**	**279.4**

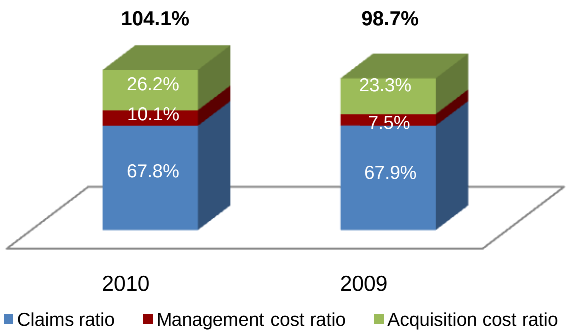
- *Reduced non-life premiums*
  - *Forfeited volume for profitability as markets softened*
  - *Terminated under-performing Medical accounts*
- *Reduced life premiums*
  - *Effect of increased price competition and weak economic conditions*

Net earned premiums (in million US$)	**2010**	**2009**
Earned premiums		
Non-life premiums	199.8	211.9
Life premiums	22.5	52.1
Total	**222.3**	**264.0**

Reinsurance Performance

Technical results (in million US$)	**2010**	**2009**
Non life technical profit	17.4	16.5
Life technical profit/(loss)	(1.2)	0.0
Total	**16.2**	**16.5**
Non-life combined ratio	**104.1%**	**98.7%**

- *Non life technical result*
  - *Profitability maintained despite a large engineering claim from an aluminium plant in Qatar*
- *Life technical result*
  - *Claims reserve includes prudent margins to cater for unexpected developments of the long-term policy portfolio; typically a share of these reserves is released over time as the underlying policies mature*



Non-Life combined ratio	**2010**	**2009**
Claims ratio	67.8%	67.9%
Management cost ratio	10.1%	7.5%
Acquisition cost ratio	26.2%	23.3%
Total	**104.1%**	**98.7%**

- *Changes in key ratios*
  - *Improved claims ratio against expected levels also a result of discontinued Medical business*
  - *Increase in management cost ratio the result of reduced net written premium*
  - *Higher than budgeted acquisition cost ratio influenced by the reduced Medical portfolio, which is predominantly written net of commissions*

Asset Management

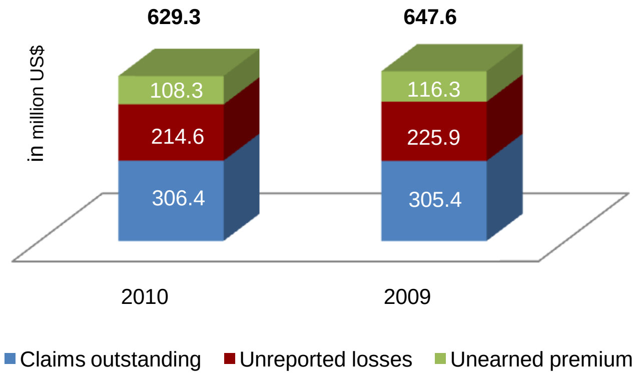
Investment Income (in million US$)	**2010**	**2009**
Cash & short term deposits	6.7	7.3
Fixed maturities	9.6	13.7
Equity	12.8	13.2
Alternative Investments	4.9	(0.6)
Total	**34.0**	**33.7**
Rate of return	5.2%	5.0%

- *Earnings on cash & short-term deposits benefited from increased allocation to higher interest earning GCC currency deposits although rates have dropped compared to 2009*
- *Fixed maturity earnings impacted by low yield environment*
- *Alternative investments portfolio benefited from profit distribution*

Investments (in million US$)	**2010**	**2009**
Cash & short term deposits	281.4	355.4
Fixed maturities	228.5	211.6
Equity	115.5	75.2
Alternative investments	21.5	21.5
Total	**646.9**	**663.7**

- *High liquidity levels maintained given market volatility; further allocation to other asset classes intended as opportunities arise*

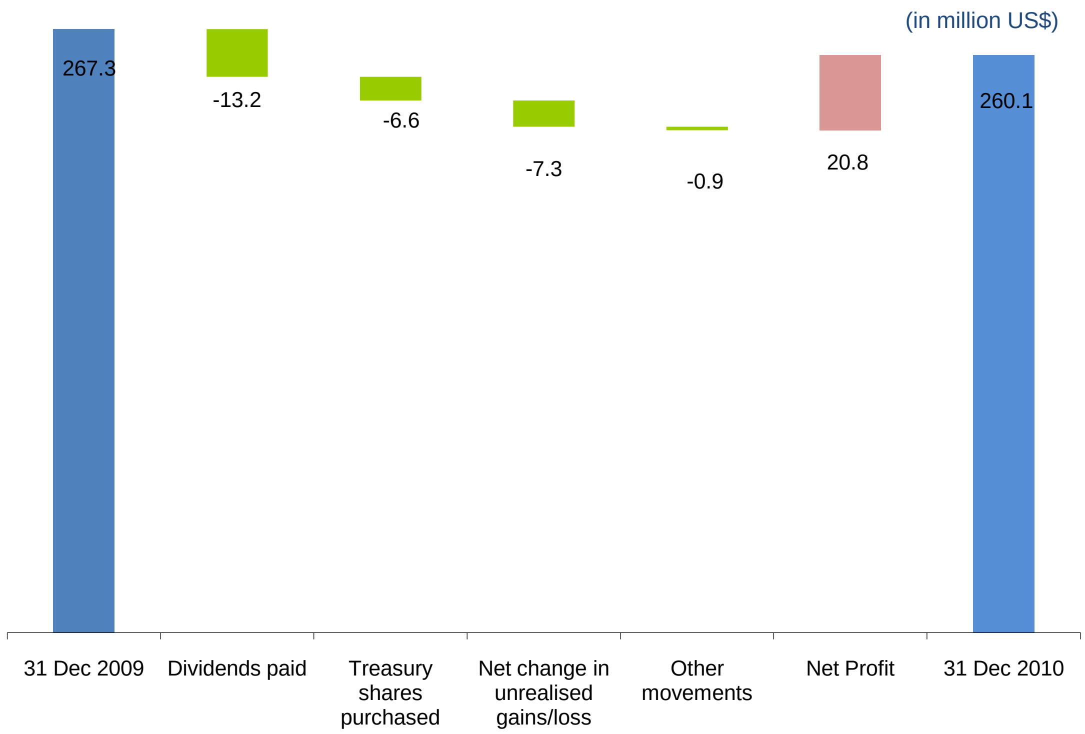
Technical Reserves



(in million US$)	2010	2009
Unearned premium	108.3	116.3
Unreported losses	214.6	225.9
Claims outstanding	306.4	305.4
Total	**629.3**	**647.6**

- *Gross technical reserves lower by US$ 18.3 m YOY, mainly the result of reduction in gross premiums*
- *Technical reserves assessed by independent external actuaries and found to be adequate*

Shareholders' Equity



Outlook

- Barring unforeseeable mega events that would move markets into a different direction, Arig is in a good position for profitable growth as our core markets are increasing signs of economic activity
- The order of the day will continue to be selectivity in managing our existing portfolio while expanding into alternative areas
- The Group is concentrating on building new opportunities for future development
- Arig will manage expense levels through focusing on cost effective and efficient use of its resources
- Globally declining equity returns and company valuations in our industry seem to suggest that we may be able to look at some interesting options in the near term future