Annual Results
Financial Year 2013

Arig's Profit Increases by 6% Year-On-Year

12 February 2014

Bahrain: Assisted by favorable loss experience, conventional reinsurance operations continued to perform well as the Arig Group delivered consolidated net profits of US$ 18.6 million on its 2013 Financial Year (2012: US$ 17.6 million). Arig, including its corporate member at Lloyd's, contributed US$ 23 million to profits whereas its subsidiary, Takaful Re, turned in a loss of US$ 4.4 million.

The Group's net profit for the last three months of the year 2013 was US$ 6 million (Q4 2012: US$ 8.6 million).

Reinsurance operations produced underwriting returns of US$ 13.4 million for the year (2012: US$ 23.7 million), with Arig contributing US$ 18.7 million to this and Takaful Re losing US$ 5.2 million on its Re-Takaful book. The combined ratio was 97.8% for the Group and 94.2% for Arig alone.

The Group's gross premium reduced by 5% to US$ 262 million during 2013 (2012: US$ 276.5 million), reflecting a 43% reduction in Takaful Re's portfolio to US$ 21.5 million as the company actively lowered its exposure to the underperforming market sector. Re-Takaful premium represented 8% of the Group's total gross premium in 2013.

Consolidated Group investment income amounted to US$ 20.4 million for the reporting period (2012: US$ 21.6 million).

Yassir Albaharna, CEO of Arig, commented: "Supported by solid underwriting performance, strong reserves and good investment results, we are pleased with the performance of the Group in 2013. Amidst challenging trading conditions, we have seen continuous improvement in the trend of our performance ratios for the conventional reinsurance lines. However, we are equally aware that the Group's Re-Takaful business remains work in progress as the Takaful industry sector continues to be tested by its underwriting performance. Our tolerance to negative returns affecting the Group is limited."

Return on average shareholder funds was 7.7% for the 2013 Financial Year (2012: 7.6%) as shareholders' equity grew by 6% to US$ 249.2 million at the end of 2013 (2012: US$ 235.2 million). Book value per share reached US$ 1.26 for the same period (2012: US$ 1.19).

To comply with new requirements under the IFRS accounting rules, the Group consolidated its Re-Takaful subsidiary participants' fund into the parent's 2013 annual accounts. Accordingly, all comparative 2012 figures quoted have been restated.

Key Results

(in million US$)	**2013**	**2012** restated
Gross premiums written	262.0	276.5
Technical result *	20.8	30.6
Underwriting result **	13.4	23.7
Investment income	20.4	21.6
Net profit	**18.6**	**17.6**
Combined ratio* **	**97.8%**	**96.2%**

	2013	**2012** restated
Shareholders’ equity	249.2	235.2

* *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$)	**2013**	**2012** restated
Non-life premiums	237.0	250.6
Life premiums	25.0	25.9
Total	**262.0**	**276.5**

- *Gross premiums reduced as Takaful Re discontinued writing facultative business and reduced its exposure to under-performing accounts; Arig, on the other hand, marginally increased premium income by 1%*

Net earned premiums (in million US$)	**2013**	**2012** restated
Earned premiums		
Non-life premiums	214.3	229.9
Life premiums	23.4	24.8
Total	**237.7**	**254.7**

Reinsurance Performance

Technical results (in million US$)	**2013**	**2012** restated
Non-life technical profit	14.9	25.2
Life technical profit	5.9	5.4
Total	**20.8**	**30.6**

- *The 2013 non-life technical results were largely influenced by a swing in the results from the Re-Takaful book which produced a technical loss of $ 5.3 million (2012: technical profit of $ 3.6 million)*

Combined Ratio	**2013**	**2012** restated
Claims ratio	63.1%	60.2%
Operational cost ratio	7.5%	7.6%
Acquisition cost ratio	27.2%	28.4%
Combined ratio	**97.8%**	**96.2%**

- *The combined ratio for Arig alone, representing 92% of the Group's premium income, was 94.2% in 2013 (2012: 96.6%)*

Technical Reserves

(in million US$)	**2013**	**2012** restated
Unearned premiums	124.5	115.7
Unreported losses	215.5	239.6
Claims outstanding	338.6	316.2
Total	**678.6**	**671.5**

- *The increase in gross technical reserves is largely the result of higher unearned premiums*

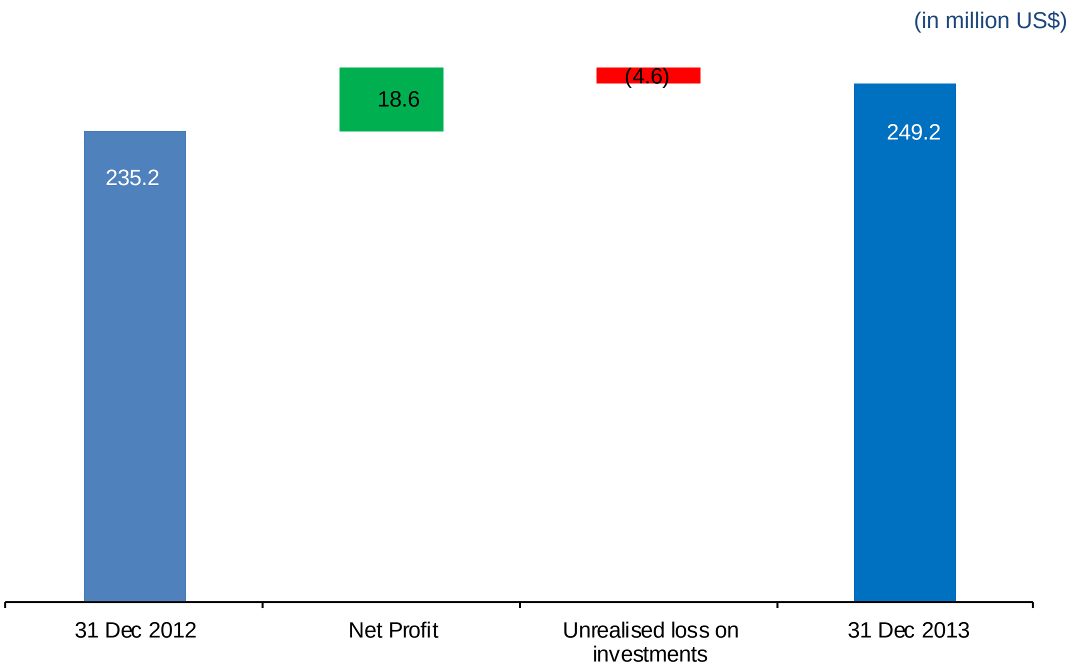
Asset Management

Investment income (in million US$)	**2013**	**2012** restated
Cash & bank deposits	2.9	4.2
Fixed maturities	7.3	10.4
Equities	10.6	7.7
Alternative Investments	(0.5)	(0.7)
Total	**20.4**	**21.6**
Rate of return on invested assets	3.1%	3.3%

Investments (in million US$)	**2013**	**2012** restated
Cash & bank deposits	273.7	349.6
Fixed maturities	291.7	246.3
Equities	61.2	53.5
Alternative investments	15.6	18.2
Total	**642.2**	**667.6**

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

Shareholders' Equity



Outlook

- *Economists seem to agree that the world economy will pick up pace in 2014 and expand by 3.7%, according to the latest IMF forecast. Growth dynamics are returning to the OECD countries, whereas emerging markets are experiencing a reduction in foreign investment flow. Equities are at their peaks and could retreat if interest rates are seen to be rising on a wider front.*
- *Mixed economic outlook, continuing overcapacities and lower (re-) insurance purchases are expected to keep terms of trade under pressure world-wide and for most lines. At the same time, low investment yields and modern risk management tools should prevent the industry from subjecting it to extreme levels of volatility. Insurers will be prepared to sacrifice some percentage out of their premium income for the benefit of safeguarding bottom line results.*
- *Arig has proven its resilience to a competitive trading environment as it has prevailed in our core markets over a number of years. Our high degree of diversification across territories and business lines, including a significantly large component of low cat Lloyd's business, are making the company less dependent on individual markets or segments. Well protected against large-scale catastrophic events, we believe in the relative stability of our book.*
- *Results could become compromised by a substantial correction in the equity markets even though bear market conditions tend to be followed by significant upwards momentum, offering fresh opportunities to opportunistic investors. In the meantime, Arig has risk controls in place that should protect the Group from dramatic value adjustments while maintaining a window for opportunities.*
- *We expect 2014 to be a challenging year both, in reinsurance and investments. We are prepared to shield the company – and its stakeholders – from large swings. Our prime focus will remain on the protection of our policyholders and our shareholders' capital, while providing reasonable returns on our equity at our limited appetite for risk.*