Interim Results

2nd Quarter 2013

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

6 August 2013

Bahrain: Positive underwriting performance combined with higher investment earnings contributed to improved half-year net profit of US$ 5.2 million (Q2 2012: US$ 3.2 million). The company's technical result for the two quarters was a profit of US$ 10.3 million (Q2 2012: US$ 9.2 million). Investment income increased to US$ 9.4 million at the half-year point (Q2 2012: US$ 8.9 million). Net profit for the second quarter alone was US$ 3.0 million (Q2 2012: loss of US$ 2.4 million). The Group consolidated its Re-Takaful subsidiary participants' fund accounts for the first time to comply with new accounting standards. Accordingly, all comparative figures have been restated.

Gross premiums written during the half-year remained flat at US$ 224.3 million (Q2 2012: US$ 223.6 million). The Gross premiums for the second quarter alone increased by 10.7% to reach US$ 44.2 million (Q2 2012: US$ 40.0 million). The non-life combined ratio stood at 85.9 % (Q2 2012:85.8 %)

Yassir Albaharna, CEO of Arig, commented: "Group's continued focus on maintaining strict underwriting discipline and a conservative investment strategy has helped achieve consistent positive results in what remains to be a competitive environment".

Arig's shareholders' equity stood at US$ 233.9 million on 30 June, 2013 (end of 2012: US$ 235.2 million), with a book value per share of US$ 1.18 (end of 2012: US$ 1.19).

Key Results

(in million US$)	Q2 2013	Q2 2012 restated
Gross premiums written	224.3	223.6
Technical result *	10.3	9.2
Underwriting result **	4.2	4.4
Investment income	9.4	8.9
Net profit	**5.2**	**3.2**
Non-life combined ratio* **	**85.9%**	**85.8%**

	June 2013	Dec 2012 restated
Shareholders' equity	233.9	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$)	**Q2 2013**	**Q2 2012 restated**
Non-life premiums	207.6	199.4
Life premiums	16.7	24.2
Total	**224.3**	**223.6**

- *4% increase in non-life premiums influenced by*
  - *Higher premium contribution from the new Lloyds syndicate partnership*
  - *Increased revenue stream from the MENA region driven by hardening rates and new business in Turkey*
- *Life premiums of 2012 include premiums on account of a late renewal of a major account.*

Net earned premiums (in million US$)	**Q2 2013**	**Q2 2012 restated**
Earned premiums		
Non-life premiums	106.8	106.3
Life premiums	11.4	14.2
Total	**118.2**	**120.5**

Reinsurance Performance

Technical results (in million US$)	**Q2 2013**	**Q2 2012 restated**
Non-life technical profit	7.6	8.0
Life technical profit	2.7	1.2
Total	**10.3**	**9.2**

Non-life portfolio	**Q2 2013**	**Q2 2012 restated**
Claims ratio	63.9%	64.1%
Operational cost ratio	5.3%	4.6%
Acquisition cost ratio	16.7%	17.1%
Non-life combined ratio	**85.9%**	**85.8%**

Technical Reserves

(in million US$)	June 2013	Dec 2012 restated
Unearned premiums	197.3	115.7
Unreported losses	225.8	239.6
Claims outstanding	334.6	316.2
Total	**757.7**	**671.5**

- *Increase in gross technical reserves due to higher unearned premiums – in line with seasonal trends*

Asset Management

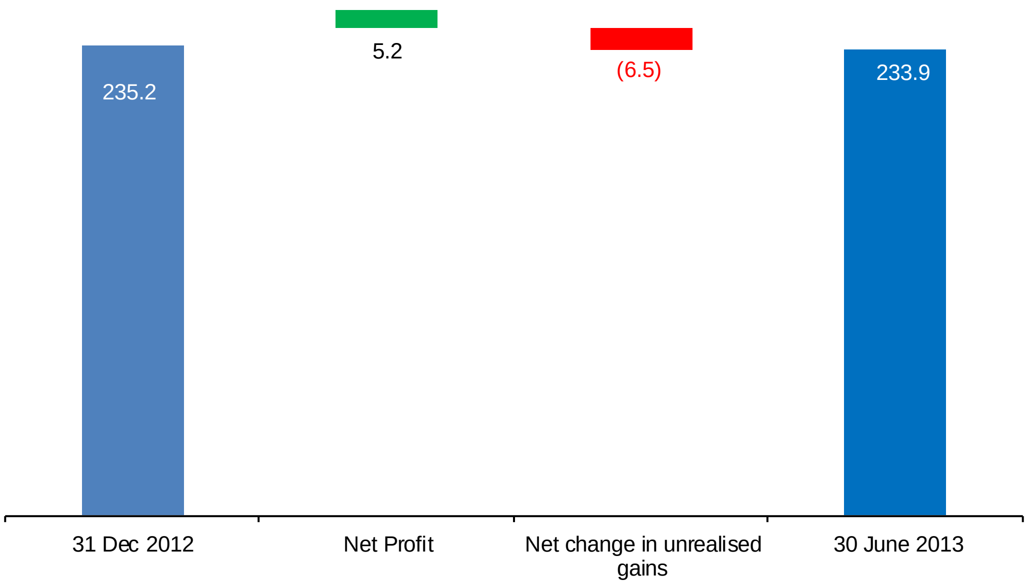
Investment income (in million US$)	**Q2 2013**	**Q2 2012 restated**
Cash & bank deposits	1.6	2.3
Fixed maturities	4.2	4.0
Equities	3.1	2.7
Alternative Investments	0.5	(0.1)
Total	**9.4**	**8.9**
Rate of return on invested assets	2.9%	2.7%

Investments (in million US$)	**June 2013**	**Dec 2012 restated**
Cash & bank deposits	318.2	349.6
Fixed maturities	244.6	246.3
Equities	61.4	53.5
Alternative investments	16.2	18.2
Total	**640.4**	**667.6**

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

Shareholders' Equity

(in million US$)



Outlook

- *Amid the slumped global economic environment and the continued low interest rate regime, our clients continue to be more conscious about the quality of risks to be accepted. At the same time, retro markets have hardened further, stopping regional reinsurance capacities from aggressive expansion. We have seen some improvement in terms during last renewals and expect this trend to show throughout the year. Scope creep is expected to continue.*
- *Through our participation in the portfolios of four Lloyd's syndicates with a specific focus on Specialty lines we are participating on preferred accounts, which would not be viable for Arig to write on its own. Our professional partners in London ensure that this book of business, will be underwritten, managed and controlled on the basis of best industry practices.*
- *The Company will continue to focus on operational efficiencies within the Group, profitable growth wherever achievable, and a number of out-of-the-box approaches to enlarge the professional footprint in our markets.*