Management Discussion & Analysis

First Quarter 2009

Key results

- Arig returns to profit on the back of strong technical performance
- Selective risk acceptance pays off
- Market dislocations resulted in marginal investment loss
- Strong capital base maintained

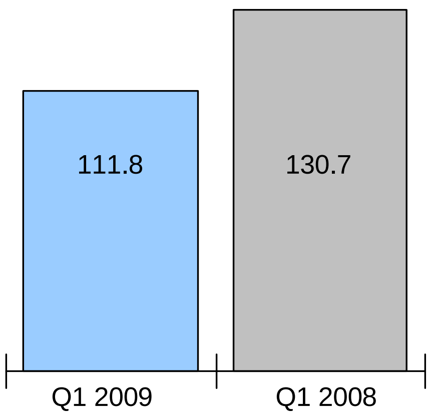
(in million $)	Q1 2009	Q1 2008
Gross Premiums Written	111.8	130.7
Technical Result *	8.6	3.3
Net Profit	1.5	3.0
Shareholders Equity	241.0	239.5
Combined Ratio **	93.8%	101%
Book value per share ($)	1.14	1.13

* *Technical result – net earned premiums less claims and acquisition costs*

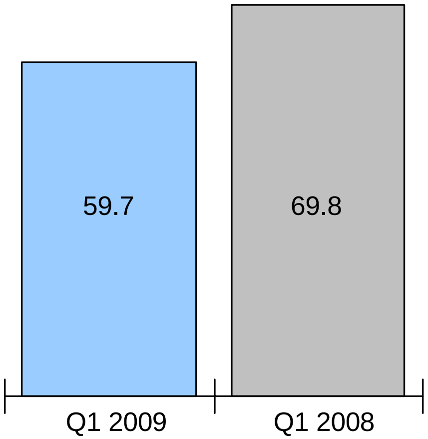
** *Combined Ratio – claims, acquisition and management costs over net earned premiums*

Reinsurance Premiums

Gross Premiums (in million $)



Premiums earned (in million $)

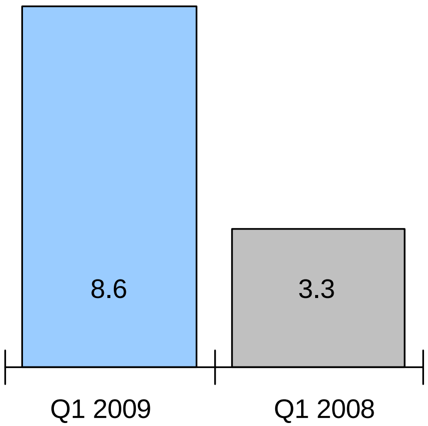


- Non-life premiums lower by 9% at $ 94.5 m
  (Q1 2008: $ 104.0 m) due to
  - selective underwriting
  - non-renewal of non-performing accounts
- Life premiums reached $ 17.4 m
  (Q1 2008: $ 26.7 m) 2008 benefitted from excess pipeline premiums from former Scottish Re portfolio

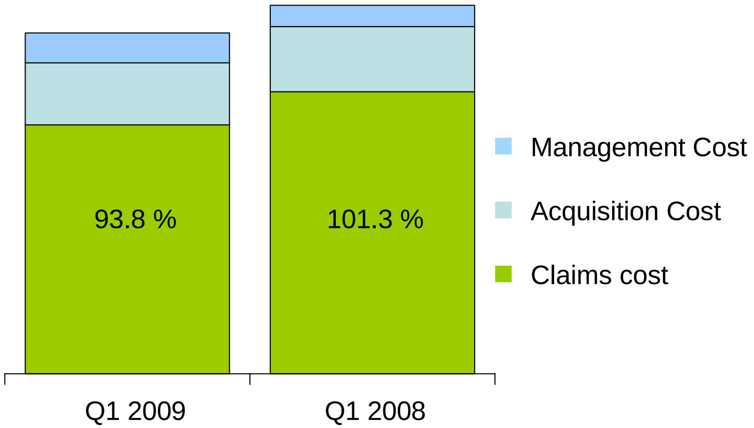
- Earned premiums lower:
  - Life premiums 17.75 m
    (Q1 2008: $ 24.8 m)
  - Non-life premiums $ 42.0 m
    (Q1 2008: $ 45.0 m)

Reinsurance Results

Technical results (in million $)



Combined ratio



- Improved Technical Results
  - Non life technical profit of $ 7.4 m (Q1 2008: $ 2.6 m)
  - Life portfolio technical profit of $ 1.2 m (Q1 2008: $ 0.7 m)

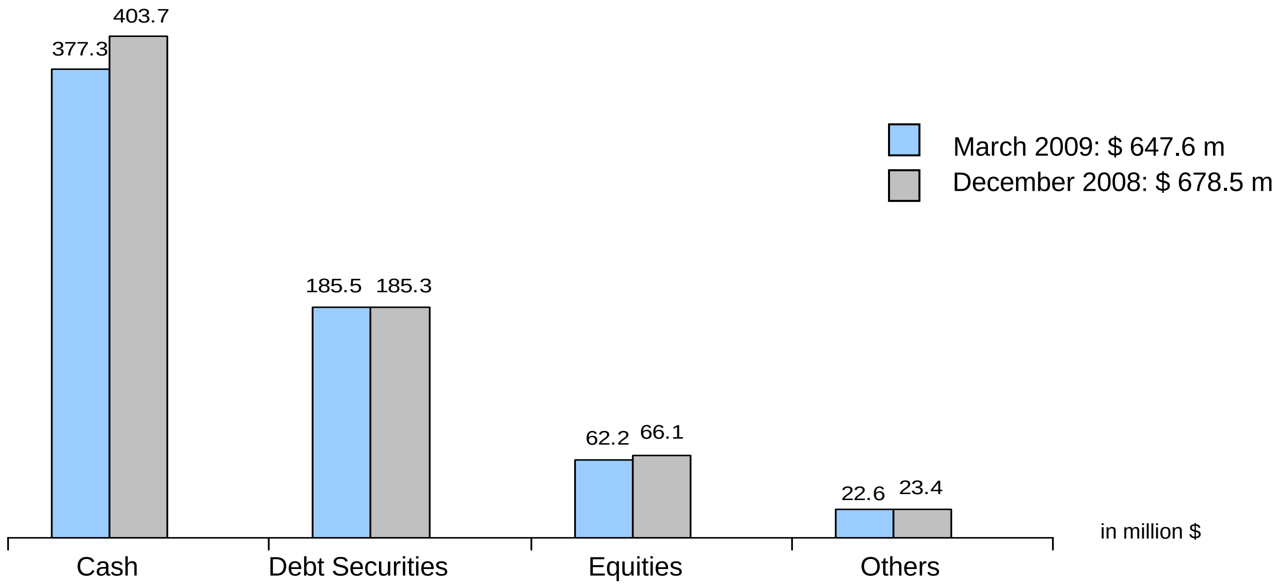
- Improved claims ratio
  - Non-life claims ratio lower at 60.4% (Q1 2008: 68.9%) due to favourable development of the portfolio
  - Life portfolio loss ratio at 88.3% (Q1 2008: 92.5%); Life business attracts very limited acquisition cost

Investment Income

- Marginal investment loss
- Markets seem to have hit the bottom
- Limited exposure to equities
- No exposure to troubled asset classes

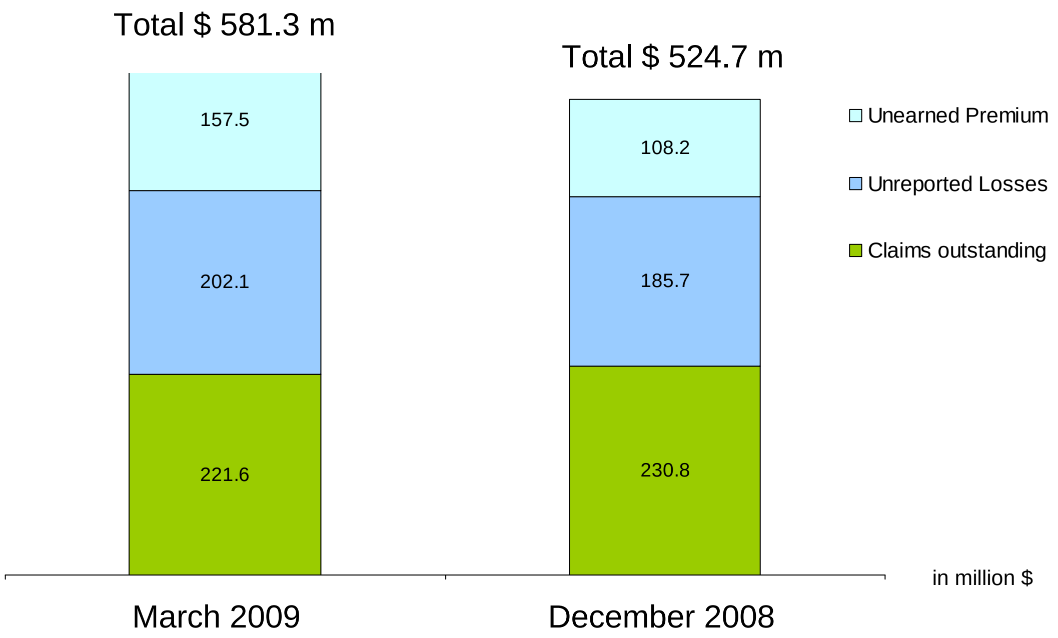
in million $	Q1 2009	Q1 2008
Cash & Short term	1.4	5.6
Fixed maturities	2.6	1.5
Equity	(4.2)	(5.9)
Alternative Investments	(0.1)	2.0
Total	(0.3)	3.2
Rate of return	-0.2%	1.8%

Investments



- Decrease in cash holdings as borrowings of US$ 30 m were repaid during the quarter
- Investments valued after unrealised write-downs of $ 36.1 m
- High liquidity maintained in view of the volatile market and Arig’s conservative asset allocation

Technical Reserves



- Technical provisions increased by $ 56.6m over the quarter as a result of the seasonal increase in unearned premium reserves
- Reserves validated by external actuaries

Subsidiaries' Performance

Takaful Re

- Gross contributions from Participants grew to $ 13.9 m (Q1 2008: $ 11.7 m)
- Fees for managing Islamic Reinsurance operations reached $ 1.7 m (Q1 2008: $ 1.1 m)
- Investment loss of $ 0.2 m (Q1 2008 income: $ 0.5 m) reflecting current market conditions
- Net profit of $ 0.1 m (Q1 2008: net loss $ 0.4 m) for Arig's share

Gulf Warranties

- Revenue earned from administration of Extended Warranty insurance and related services was $ 1.1 m (Q1 2008: $ 1.7 m); decrease is reflecting the drop in new vehicle sales across the GCC
- Net loss $ 0.2 m (Q1 2008: break-even) for Arig's share

ARIMA

- Income from software sales & related services, $ 0.3 m (Q1 2008: $ 0.5 m)

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Outlook

- Arig's prime focus continues to be on achieving adequate returns from the Company's calculated risk acceptances and prudent investments. The continued attention to technically adequate underwriting terms is expected to lead to
  - continued positive technical performance and
  - moderate reduction in premium as a reflection of the economic slowdown in some of Arig's core markets
- We believe that the Company's strong capitalization and established client relationships will continue to support its prominent position vis-à-vis the new regional competitors who have yet to make their presence felt.
- With global markets showing signs of recovery, investment earnings are expected to benefit from valuation reversals and new opportunities arising.
- Sustained economic recovery and positive impact on the Company's growth is hinging on the sustained recovery of major economies in our region combined with increased global demand for commodities.