

Annual results
Financial year 2017

Arig Reports Net Profits Of US\$ 7.2 Million For 2017

13th February 2018

Bahrain: Arig continued to generate a positive net result of US\$ 7.2 million attributable to shareholders for the year 2017 (2016: US\$ 9.2 million), representing a drop of 21.7% compared to the previous year, despite a high claims record of natural catastrophe losses experienced during the year combined with a major fire loss in UAE which was one of the costliest claims in the MENA region. Both technical performance and investment earnings contributed to the positive results.

The Company recorded an underwriting profit of US\$ 5.8 million (2016: US\$ 8.3 million), a reduction of 30.1%, while the investment income over the year increased by 15.5% to US\$ 22.3 million (2016: US\$ 19.3 million) as a result of positive equity returns.

Arig's net result for the fourth quarter alone attributable to shareholders was a profit of US\$ 3.2 million (Q4 2016: US\$ 5.7 million), a decline of 43.9% and the Company's gross premiums written stood at US\$ 9.3 million (Q4 2016: US\$ 18 million), a decrease of 48.3% during the quarter alone compared to the same period in previous year.

The Company's gross premiums written declined by 8.1% to US\$ 225.6 million (2016: US\$ 245.4 million) as a result of voluntary non-renewal of underperforming and inadequately priced accounts, in line with its prudent underwriting approach coupled with negative influence of exchange rate movements and downward premium adjustments of the Lloyd's portfolio.

Yassir Albaharna, CEO of Arig, commented: "There is no doubt that 2017, similar to 2011, was an exceptionally difficult year for most reinsurers world-wide due to a spate of catastrophe losses such as "HIM". But despite these challenging conditions, Arig continues producing positive results thanks to a successful investment strategy and a diversified reinsurance book".

Arig's Shareholders' equity stood at US\$ 256.9 million as at 31 December 2017 (end of 2016: US\$ 256.6 million) with a book value per share of US\$ 1.30 (end of 2016: US\$ 1.30).

Key Results

(in million US\$)	2017	2016
Gross premiums written	225.6	245.4
Technical result *	5.5	14.7
Underwriting result **	5.8	8.3
Investment income	22.3	19.3
Net profit attributable to shareholders	7.2	9.2
Combined ratio***	104.1%	101.5%
	2017	2016
Shareholders' equity	256.9	256.6

- * *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* – (Incurred losses + Operational cost + Acquisition cost) / Net earned premium

Premium Development

Gross premiums written (in million US\$)	2017	2016
Non-life premiums	204.4	225.0
Life premiums	21.2	20.4
Total	225.6	245.4

- *Drop in non-life premiums compared to 2016 was mainly from Lloyd's due to downward revision of pipeline premium estimates by syndicates. Non-renewal of few prorata treaties and exchange rate effects also contributed to the decline. These were partly offset by growth in medical and life lines in addition to facultative business.*

Net earned premiums (in million US\$)	2017	2016
Non-life premiums	160.0	160.4
Life premiums	19.9	20.1
Total	179.9	180.5

Reinsurance Performance

Technical results (in million US\$)	2017	2016
Non-life technical profit	4.4	17.2
Life technical profit	1.1	(2.5)
Total	5.5	14.7

- *Non-life technical results were below the previous year primarily due to a major fire loss in UAE and due to a spate of catastrophe losses as such as "HIM"*

Combined Ratio	2017	2016
Claims ratio	69.2%	66.1%
Operational cost ratio	7.2%	9.7%
Acquisition cost ratio	27.7%	25.7%
Combined ratio*	104.1%	101.5%

- *Combined ratio deteriorated mainly due to higher losses reported.*

* *Combined ratio = (Incurred losses + Operational cost + Acquisition cost) / Net earned premium*

Technical Reserves

(in million US\$)	2017	2016
Unearned premiums	193.1	160.9
Unreported losses	250.5	218.2
Claims outstanding	236.9	294.6
Total	680.5	673.7

- Increase of unearned premiums is mainly from Lloyd's syndicates, in addition to policy inception dates in parent Company..

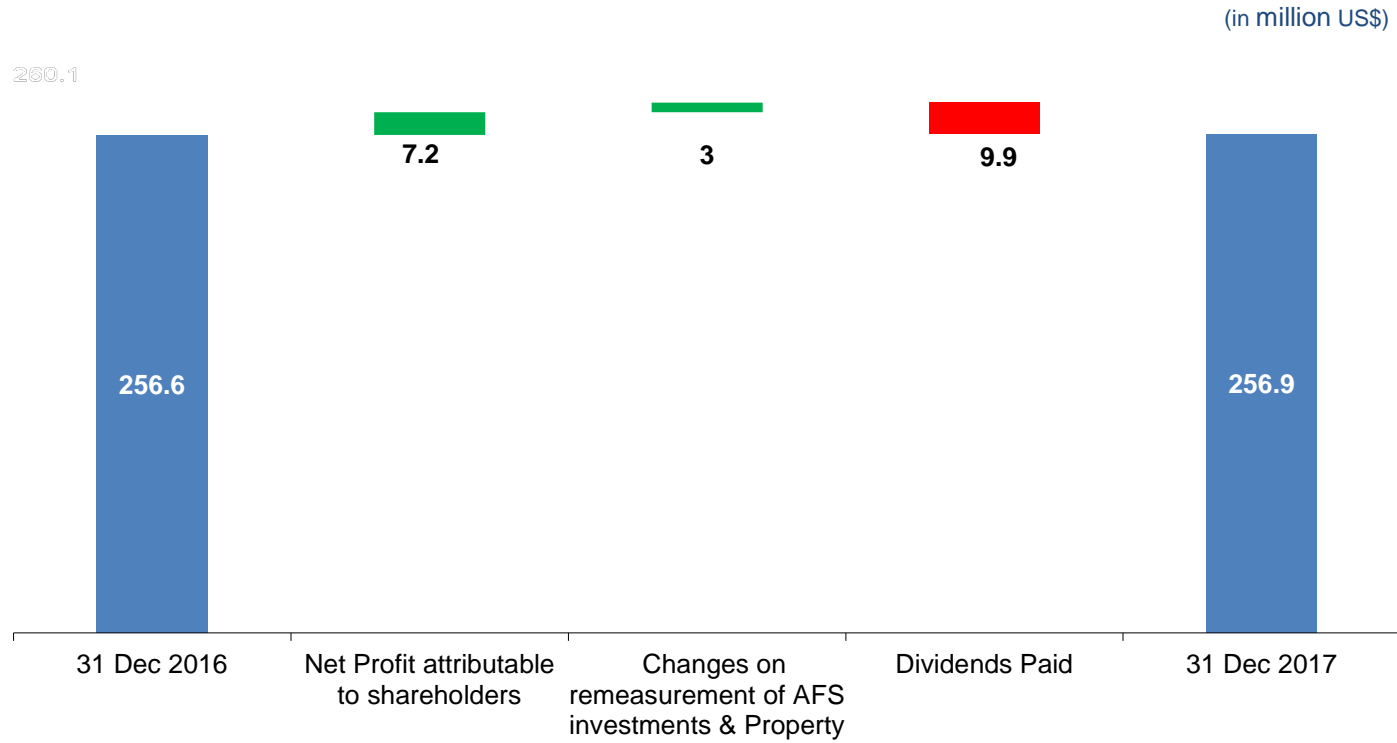
Asset Management

Investment income (in million US\$)	2017	2016
Cash & bank deposits	1.6	1.5
Fixed maturities	11.1	12.3
Equities	10.0	4.8
Alternative Investments	(0.4)	0.7
Total	22.3	19.3
Rate of return on invested assets	3.2%	2.6%

- *Equity earnings benefited from the positive equity markets during the year.*

Investments (in million US\$)	2017	2016
Cash & bank deposits	83.2	180.9
Fixed maturities	489.3	477.8
Equities	73.9	60.6
Alternative investments	18.7	18.1
Total	665.1	737.4

Shareholders' Equity



Outlook

- *The world economic performance is expected to strengthen. Improved global manufacturing activities, a robust global trade, broadly favourable financing conditions and firming commodity prices amid an investment-led recovery in advanced economies are reaffirming this prediction. The IMF's recent update estimated an overall projected world output of 3.7% for 2017 and 3.9% for 2018. Emerging Markets and developing economies are expected to grow by 4.7% in 2017 and 4.9% in 2018 against a growth of 2.3% in both 2017 and 2018 in the advanced economies.*
- *After a challenging year that caused historically high natural catastrophe losses, reinsurance leaders are expecting pricing conditions and underwriting profitability to improve going forward, as a result of recovering terms of trade in addition to stronger economic growth. Lloyd's insurers' outlook for 2018 is positive, as January renewals make for a promising start after several years of falling prices especially in USA.*
- *In 2018, the Kingdom of Saudi Arabia and the United Arab Emirates have introduced VAT and the expectation is that other GCC countries will follow suit during 2018/2019 which may have inflation implication in the region.*
- *Arig's efforts will remain on maintaining a well-balanced portfolio through geographically and product diversification, while benefitting from market opportunities in a controlled and opportunistic manner. At the same time, the Company will continue to manage the exposures with its objective to deliver consistent returns to its shareholders.*
- *Our prime focus will remain on the protection of our shareholders' capital, while providing reasonable returns on our equity.*