

Interim Results
First Quarter 2018

Arig posts positive 1st Quarter results in 2018

13 May 2018

Bahrain: Bahrain: Arig recorded consolidated net profits of US\$ 0.5 million attributable to shareholders for the first quarter 2018 (Q1 2017: US\$ 0.5 million). The Company's technical result stood at US\$ 0.7 million (Q1 2017: US\$ 1.7 million), a decline of 58.8%. While Arig's traditional reinsurance portfolio produced an improved technical result of US\$ 8.0 million (Q1 2017: US\$ 5.6 million) representing an increase of 42.9%, Lloyd's accounts generated a technical loss of US\$ 7.3 million (Q1 2017: loss US\$ 3.9 million), an increase in loss by 87.0% mainly due to deterioration in recent US hurricane losses. The consolidated investment income amounted to US\$ 5.1 million (Q1 2017: US\$ 6.3 million), a reduction of 19%.

Gross premiums written during the first quarter amounted to US\$ 169.1 million for the Group (Q1 2017: US\$ 172.8 million), a decrease of 2.1% compared to the same period in previous year. Downward premium adjustments of US\$ 20.8 million in the Lloyd's portfolio were offset by an increase of US\$ 17.2 million in the traditional reinsurance portfolio.

Yassir Albaharna, CEO of Arig, commented: "Despite the challenging industry climate, the Company remained in positive territory. Although, we have seen minor improvements in our traditional reinsurance business, our ultimate aim remains the achievement of an overall increased profitability across all the lines of business".

Arig's shareholders' equity stood at US\$ 253.9 million at 31 March 2018 (end of 2017: US\$ 256.9 million). The book value per share was US\$ 1.28 for the same period (end of 2017: US\$ 1.30).

Key Results

(in million US\$)	Q1 2018	Q1 2017
Gross premiums written	169.1	172.8
Technical result *	0.7	1.7
Underwriting result **	0.03	0.7
Investment income	5.1	6.3
Net profit attributable to shareholders	0.5	0.5
Combined ratio***	105.2%	107.5%

	Q1 2018	Dec 2017
Shareholders' equity	253.9	256.9

- * *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\$)	Q1 2018	Q1 2017
Non-life premiums	162.1	165.2
Life premiums	7.0	7.6
Total	169.1	172.8

- Downward premium adjustments of the Lloyd's portfolio were offset by the increase in the traditional reinsurance portfolio. .

Net earned premiums (in million US\$)	Q1 2018	Q1 2017
Non-life premiums	48.9	36.2
Life premiums	5.1	5.1
Total	54.0	41.3

Reinsurance Performance

Technical results (in million US\$)	Q1 2018	Q1 2017
Non-life technical profit	(1.8)	1.8
Life technical profit	2.5	(0.1)
Total	0.7	1.7

- Arig's traditional reinsurance business recorded higher technical profits of US\$ 8.0 million (Q1 2017: US\$ 5.6 m).
- Lloyd's business contributed with a technical loss of US\$ 7.3 million for the quarter (Q1 2017: loss \$ US\$ 3.9 m) mainly due to deterioration in recent US hurricane losses.

Combined Ratio	Q1 2018	Q1 2017
Claims ratio	75.7%	66.4%
Operational cost ratio	6.5%	11.7%
Acquisition cost ratio	23.0%	29.4%
Combined ratio	105.2%	107.5%

- Combined ratio improved due to lower acquisition and operational cost ratios. Acquisition cost ratio improved mainly due to business mix and lower profit commissions while operational cost ratio improved due to lower staff count and staff costs as well as reduced overheads.

Technical Reserves

(in million US\$)	Q1 2018	Dec 2017
Unearned premiums	285.1	193.1
Unreported losses	222.8	250.5
Claims outstanding	266.0	236.9
Total	773.9	680.5

Asset Management

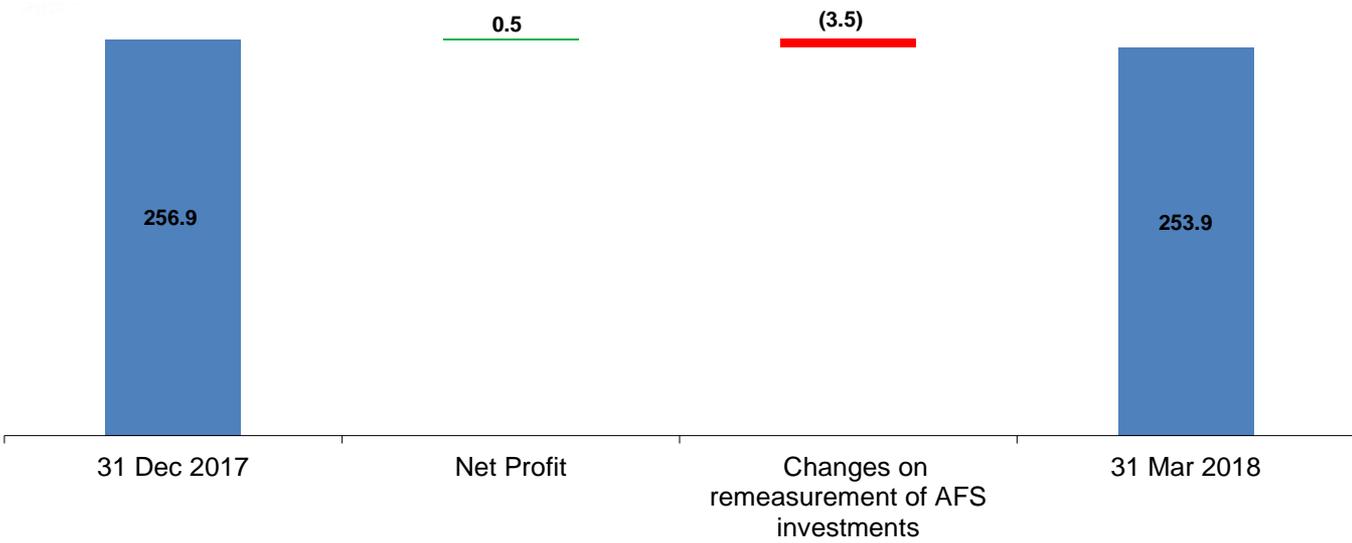
Investment income (in million US\$)	Q1 2018	Q1 2017
Cash & bank deposits	0.3	0.4
Fixed maturities	2.3	2.8
Equities	2.0	3.0
Alternative Investments	0.5	0.1
Total	5.1	6.3
Rate of return on invested assets (annualised)	3.1%	3.5%

- *The drop in the investment income is reflecting the volatility of the global market.*

Investments (in million US\$)	Q1 2018	Dec 2017
Cash & bank deposits	91.0	83.2
Fixed maturities	480.0	489.3
Equities	73.5	73.9
Alternative investments	18.3	18.7
Total	662.8	665.1

Shareholders' Equity

(in million US\$)



Outlook

- *Through a combination of favorable market sentiment, strong momentum and expansionary fiscal policy in the U.S., global growth is expected to reach 3.9% this year end and next according to a recent report from the IMF. The outlook is particularly favorable in Europe and emerging Asia. However, in Latin America, the Middle East and sub-Saharan Africa the prospects are more challenging in the medium term owing to a reliance on commodity exports, for which prices remain subdued.*
- *As at the end of 2017, global reinsurer capital stood at \$605bn, representing an increase of 2% relative to the prior year according to Aon Benfield's April Reinsurance Market Outlook. This figure is made up of \$516bn of traditional capital and \$89bn of alternative capital. The increase comes despite the impact of heavy catastrophe losses in 2017. In terms of major losses, 2018 has so far been below average and it is expected that global reinsurer capital will remain at peak levels ahead of mid-year renewals, driving up competition even for loss-impacted business.*
- *Some major M&A deals have also been notable in the first few months of 2018 and it expected further consolidation in the sector, driven by the quest for growth, expense optimization and capital efficiency in addition to rating agencies pressure now being applied to certain franchises by investors and.*
- *Arig will continue to balance its portfolio through diversification geographically and product wise, while benefitting from market opportunities in a controlled and opportunistic manner.*
- *Arig's efforts will remain on streamlining its operational efficiencies while expanding its profitable portfolio .*