Press Release

12 November 2008

Arig Reports US$ 10.8 Million Loss

Manama: Arig announced a net loss of US$ 10.8 million for the first nine months of the Financial Year (Q3 2007: US$ 10.3 million profit) following the global financial turmoil and the steepest fall in recent capital market history. As a significant portion of the loss on investments remains unrealized, the Company could have reported a lower loss by reclassifying its investments as permitted under the recent amendments to IFRS rules. However, in order to maintain transparency and consistent accounting policies, Arig chose not to reclassify any of its investments.

The Group, whose majority shares are held by Government bodies, is an international reinsurer with investments in international and regional markets. Arig has no exposure to troubled assets such as sub-prime obligations or failed financial institutions. Real estate exposure is minimal and current share of equities in total investments is around 12% in line with Arig's conservative investment strategy. At the same time, the Group is highly liquid holding 57.8% or US$ 400 million of its investable assets in cash or equivalent instruments, ready to be deployed when markets turn around.

Recording a 29% increase in earned premium, reinsurance operations produced a technical profit (premiums less claims less acquisition cost) of US$ 7.2 million (Q3 2007: US$ 4.6 million loss). However, due to negative investment earnings on policyholder's funds, the overall result was an underwriting loss of US$ 7.7 million (Q3 2007: US$ 3.7 million loss) while the Group's improving combined ratio stood at 104.1% (Q3 2007: 111.8%).

Yassir Albaharna, CEO of Arig comments: "Much of the global reinsurance sector is reporting depressed third quarter results on the back of higher claims incidence and lower investment earnings. The fact that investment income is no longer able to support insufficient insurance terms and instead impacts performance should actually compel 'back to basics' approach by insurers. We should expect that more adequate product pricing would lead to better risk returns in the mid-term, similar to what we experienced during the market crunch following the 9/11 events."

Key financial highlights:

	(US$'000)		
	30 September		Year
	2008	2007	2007
Gross Premium Written	239,098	214,978	249,968
Technical Result	7,240	(4,555)	(2,999)
Underwriting Result	(7,690)	(3,676)	270
Total Investment Income	(6,481)	34,687	53,693
Total Operating Expenses	25,726	20,556	29,170
Net Profit	**(10,834)**	**10,286**	**23,655**
Investment Assets	694,735	698,395	711,658
Technical Reserves (net)	550,218	483,979	459,104
Shareholders' Funds	261,373	284,285	298,438
Total Assets	1,140,160	1,073,332	1,049,808
Book Value per share (US$)	**1.24**	**1.33**	**1.40**

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About Arig

Arig is one of the largest Arab-owned, professional reinsurance providers in the Middle East and North Africa. Arig is listed on the stock exchanges in Bahrain, Dubai and Kuwait and offers a wide range of reinsurance products and services. Arig's subsidiaries include Takaful Re (Dubai), Gulf Warranties (Bahrain) and ARIMA Insurance Software (Bahrain). Additional information about Arig can be obtained at www.arig.net

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