20 July 2006

Press Release

Arig registers profits of $ 8.6 m for half year 2006

Manama: Arab Insurance Group (Arig) today announced net profits of US$ 8.6 million for the first half year 2006. This represents an increase of 34% over the net profit of US$ 6.4 million registered for the same period in the previous year (excluding US$ 28.9 million of profits from discontinued operations).

Gross premium writings during the half year were US$ 107.5 million, up from the US$ 106.8 million registered for the same period in 2005 despite the significant scaling down of treaty business where several non-profitable treaty accounts were not renewed as part of Arig's strategy of maintaining strict underwriting discipline in the prevailing soft market. The increase in business was largely due to strong growth in facultative premiums by 25%. Also, commencement of operations in Singapore led to premiums from the ASEAN region growing by 46%.

The sharp correction in global financial markets towards the later part of the second quarter saw investment income decline to US$ 14.5 million for first half year 2006 from US$ 16.2 million for the same period last year.

Shareholders' equity at the end of the half year amounted to US$ 269.5 million which is almost at the same level as at year end 2005 notwithstanding the payment of US$ 10 million in dividends for 2005. The book value of Arig's share now amounts to US$ 1.24 per share and its market value at 30 June was US$ 0.94 per share.

Commenting on the results, Mr. Yassir Albaharna, Arig's Chief Executive Officer, said, "We continue our focus on underwriting discipline and the profitable growth of our core reinsurance business which assumes critical importance especially in soft market conditions. Further, in keeping with the strategy of focusing on reinsurance, we recently completed the sale of our residual holdings in Arab Lebanese Insurance Group, Lebanon, to a group of regional investors."

Mr. Albaharna also announced the departure of Mr. Mathews John, the Company's Chief Financial Officer who leaves Arig shortly. "I take this opportunity to thank Mathews for his significant contribution to Arig over the many years that he served the Company with distinction and wish him well on his imminent relocation to N. America."

Financial Highlights at 30 June 2006

(US$'000)

	30 June		Year
	2006	2005	2005
Gross premiums written	107,474	106,786	173,652
Underwriting result	2,727	3,583	8,151
Investment income	14,527	16,152	33,042
Operating expenses	11,435	11,173	22,864
Profit from continuing operations	**8,648**	**6,442**	**19,338**
Profit from discontinued operations	-	28,859	28,859
Net profit	**8,648**	**35,301**	**48,197**
Investment assets	646,697	577,509	659,426
Net technical provisions	383,202	373,745	346,549
Shareholders' equity	269,523	252,092	272,383
Total assets	929,489	844,723	902,228
Book value per share (US$)	**1.24**	**1.16**	**1.26**

****



For further information or enquiries, please contact Deepak Kanulkar Head of Corporate Communications on Tel: +973 17 544 321, Fax: +973 17 531155, Mobile: +9733933 9263.