5 May 2006

Press Release

Arig continues to grow operating profits

Manama: Close on the heels of registering record results for 2005, Arab Insurance Group (Arig) today announced that it had closed the first quarter for 2006 with a net profit of US$ 8.0 million, an increase of 31% from US$ 6.1 million for the same period in the previous year (excluding US$ 6.5 million of profits from discontinued operations). The quarterly result represents an annualised return of 11.8% on average shareholders' equity.

The improved results were contributed by higher underwriting profits of US$ 4.1 million for the quarter as compared to US$ 3.1 million for the same period in 2005. Investment income also improved from US$ 9.2 million for first quarter 2005 to US$ 11.4 million for first quarter 2006.

Shareholders' equity at the end of the first quarter amounted to US$ 269.1 million – almost at the same level as year end 2005 after considering the payment of US$ 10 million in dividends. With the issue of bonus shares for 2005, Arig's paid up capital is now at US$ 220 million and its adjusted book value amounts to US$ 1.24 per share. The market value of the Arig share is at around US$ 1.00 per share.

In line with Arig's strategy of maintaining strict underwriting discipline particularly in a soft market environment, gross premium writings have been scaled down with several non-profitable treaty accounts not being renewed. As a result, gross premiums declined to US$ 84.5 million as compared to US$ 91.0 million for the same period in 2005. The reduction in treaty premiums was partly offset by increase in facultative business and premiums from the ASEAN region which grew by 23%, mainly supported by the commencement of operations in Singapore.

Mr. Yassir Albaharna, Arig's new Chief Executive Officer, said, "We have had a good start this year – where we have continued to implement and build on our strategic initiatives for achieving growth and profitability. Our efforts continue to be focused on closely monitoring and managing our technical profitability and investment returns in order to add shareholder value and returns."

Financial Highlights at 31 March 2006

(US$'000)

	31 March		Year
	2006	2005	2005
Gross premiums written	84,504	91,030	173,652
Underwriting result	4,096	3,070	8,151
Investment income	11,445	9,238	33,042
Operating expenses	5,001	6,107	22,864
Profit from continuing operations	8,015	6,098	19,338
Profit from discontinued operations	-	6,461	28,859
Net profit	**8,015**	**12,559**	**48,197**
Investment assets	659,879	1,129,048	659,426
Net technical provisions	391,111	953,989	346,549
Shareholders' equity	269,108	231,852	272,383
Total assets	950,622	1,639,101	902,228
Book value per share (US$)	**1.24**	**1.07**	**1.26**

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