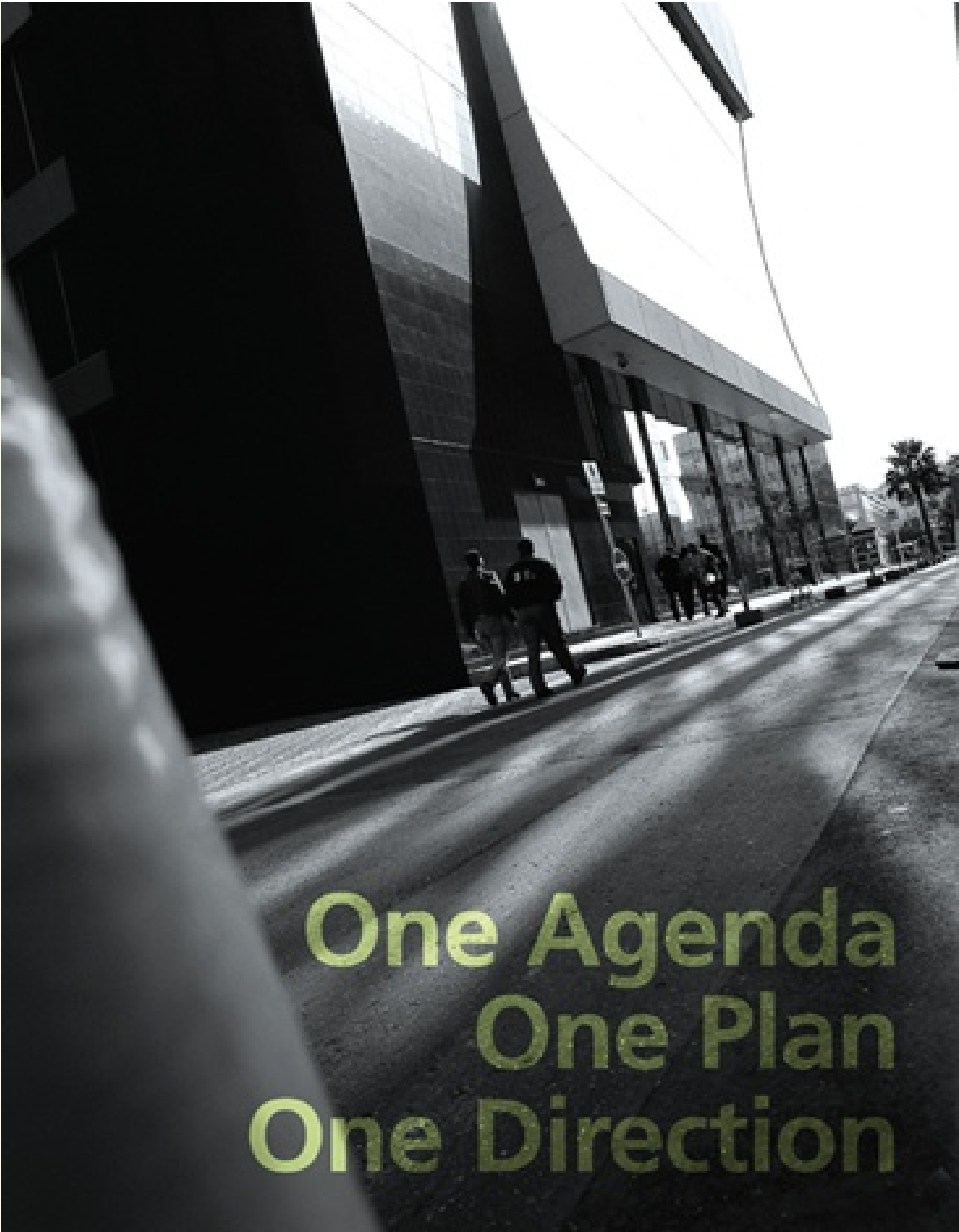

One Agenda
One Plan
One Direction

one Focus

Multiplying Potential

To entrench the highest international standards in all its operations and to ensure similar standards of compliance to regulatory requirements.

AUB's Risk Management Group has the overall centralised responsibility for identifying, monitoring and managing the risks associated with the various business activities undertaken by different Group entities.

This involves the identification, assessment and ongoing control of any material risk that could have a potential negative impact on the Group's reputation. The function, therefore, does not fully eliminate those risks which are embedded in any banking business, but aims at consciously managing them with the objective of earning competitive returns sufficient to compensate the degree of assumed risk. Risk is financially evaluated in terms of potential impact on income and asset values, taking into consideration the changes in political, economic and market conditions, and the creditworthiness of the Bank's clients. In doing so, the Group relies on the competence, experience and dedication of its professional staff, sound analytical skills and techniques and ongoing investment in technology. The Bank also supports and places considerable emphasis on the risk management recommendations of the Basel Committee on Banking Supervision and the initiatives undertaken by the Bahrain Monetary Agency (BMA) as well as the Financial Services Authority (FSA).

In addition, a Risk Management culture is actively and consistently promoted, relying on the appropriate processes that effectively identify, measure, monitor and control risk exposures that are also presented to the Senior Management and Board of Directors to ensure the necessary periodic oversight and guidance. These processes get subjected to additional scrutiny by the regular review of internal and external auditors and regulators, which help the Group to further strengthen its risk management practices on an ongoing basis.

The risk management control process is based on detailed credit policies and procedures that emanate from: (a) business lines accountability for risk taken where each business centre becomes responsible for developing its plan that includes risk/return as well as risk acceptance criteria and relevant policies appropriate for this particular activity; (b) credit function that understands, monitors and independently controls each credit relationship ensuring that the approval authorities are obtained and a uniform risk management standard including risk ratings have been correctly assigned to each and every credit relationship; (c) approved policies for a product or business, which are clearly understood, monitored and are in agreement with the overall credit policy and the Board approved Risk Framework for the Group (d) the ongoing assessment of portfolio credit risk and approval of new products and new risks that then get reported to Senior Management by credit officers; and (e) an integrated limits structure as an essential component that permits management to control exposures and to monitor the assumption of risk against predetermined approved tolerance with global limits established for each major type of risk that gets sub-allocated to individual business units. The major risks associated with AUB's business are: credit, market, liquidity and operational risks. These are detailed in the following sections:

Credit Risk

Credit risk is the risk for potential financial loss that may arise from a counterparty failing to perform according to agreed terms. It arises from traditional lending activity, from settling payments between financial institutions, from products that create replacement risk (when counterparty commitments to the Bank are determined by reference to the changing values of contractual commitments, for example: foreign exchange forward contracts), derivatives and securities transactions, contingent obligations, and all other lending activities undertaken by the Bank.

The credit process is consistent for all forms of credit risk for a single obligor. The overall exposure is evaluated on an ongoing basis to ensure a broad diversification of credit risk. Potential concentrations by country, product, industry, risk grade are regularly reviewed to avoid excessive exposure and ensure diversification. Credit risk within the Group is actively managed by a rigorous process from

A fusion of cultures, sharing knowledge to build a progressive foundation, uniting Ahli United Bank with its clients.

initiation, to approval to disbursement and day-to-day management in accordance with well-defined Credit Policies and Procedures (CP&P) that details all requirements, and is also designed to identify, at an early stage, exposures which require more detailed review and closer monitoring. If an asset is considered uncollectable, a mandatory write-off takes place. This is conducted by a risk management process which is completely independent in reporting terms from the asset generation departments.

The CP&P include a robust risk rating system that stratifies the credit portfolio by level of risk to monitor the credit quality and to be able to assess the pricing and aid in the prompt identification of problem exposures. Management of material problem exposures are vested with Special Exposures Groups in Bahrain and U.K., which all report into the Risk Management area. All problem exposures are subject to quarterly and in certain cases monthly reviews.

In addition to the role played by the Risk Management Group, the credit risk is managed within the Group by the Group Credit Committee (GCC) which is vested with the overall day-to-day responsibility for all matters relating to Group Credit Risk including the implementation of the Credit policy. Specifically, it undertakes the following:

- Act as a credit approval body approving credits within its own delegated authority.
- Recommend to Executive Committee all policy issue changes related to credit risk as well as credits falling outside its discretion.
- Determine appropriate pricing or security guidelines for all risk asset products.
- Monitor the ongoing risk profile of the Group as a whole and by individual business sectors and countries.
- Ensure the adequacy of general and specific provisions and make appropriate recommendation, to the Executive Committee.

Market Risk

Market risk is the risk of a potential financial loss that may arise from adverse changes in the value of a financial instrument or a portfolio of financial instruments including interest, foreign exchange rates, equity and commodity prices and derivatives. This risk arises from timing differences in the maturity of assets and liabilities, changes that occur in the yield curve and changes in volatilities/ implied volatilities in the market value of derivatives.

Given the group's low risk strategy, aggregate market risk levels are very low. Besides the usual techniques of managing the asset and liability mix, either directly or through derivatives that act as hedges, the Group utilises value-at-risk (VaR) models to assist in estimating potential losses that may arise from adverse market movements.

The Group calculates VaR on a historical simulation basis using one-day movements in market rates and prices, a three standard deviation confidence level (99.6%) which takes into account the actual correlations observed historically between different markets and rates. The one day movement in market prices is calculated by reference to market data from the last 1,000 trading days. In 2001, improvements to the VaR methodology was made to capture the higher order market risks of derivatives positions. Daily back-testing is done to ensure compliance with Basel Committee requirements and for internal purposes.

VaR limits are delegated by the Board to the Asset and Liability Committee and sub delegated to Treasury.

Liquidity Risk

Liquidity risk is the risk of being unable to meet all financial commitments, at all times, without having to raise funds at unreasonable prices or sell assets on a forced basis. It is measured by estimating the Group's potential liquidity and funding requirements under different stress scenarios.

The effective approach to liquidity management would be to make certain that funds are available under all circumstances to meet the funding requirements of the Group not only under adverse conditions, but preferably at sufficient levels to also capitalise on opportunities for business expansion.

A prudent mix of liquidity controls based on expected economic and Group-specific events substantially ensures access to liquidity without the need to increase costs. It also provides for the maintenance of a stock of liquid and marketable assets and also an adequately diversified deposit base in terms of maturity and number of counterparties. Group Treasury continuously monitors liquidity risk and actively manages the balance sheet to control this risk.

At the subsidiary level, the respective Treasury function manages this risk under the jurisdiction of its Assets & Liabilities Committee (ALCO). At the Group level, the liquidity risk is managed by the Group Assets & Liability Committee (GALCO) which is vested with the overall day-to-day responsibility for all matters relating to Group liquidity. Specifically, it undertakes the following:

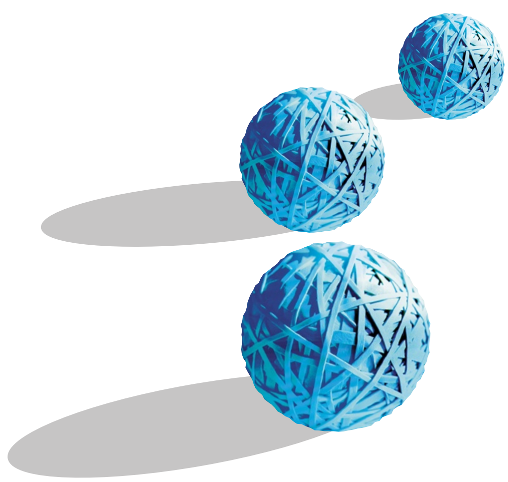
- Managing the Group liquidity at the parent level.
- Delegating limits to subsidiary ALCOs and monitoring compliance to guidelines relating to Liquidity Policy.
- Receiving and following up on the monthly liquidity reports from the subsidiary ALCOs.
- Approving all proposals relating to the Group Liquidity Policy.
- Approving and ratifying corrective actions in the event of liquidity breaches.

Operational Risk

AUB views operational risk as the risk of potential financial loss or damage to its reputation as a result of breakdown in communications, information or legal/compliance issues, internal systems or procedural failure, human error, natural disaster, criminal activity, business interruption, management failure or inadequate staffing.

No material losses have occurred in 2001. However, due to the nature of the risk, there can be no assurance that this risk will be completely eliminated. The risk is mitigated, however, by the establishment of effective infrastructure and controls, key elements of which are qualified well trained personnel whose duties are duly segregated; clear authorisation levels, reliable technology, communication of risk tolerance, financial management and reporting.

Furthermore, the independent audit function regularly tests and evaluates the actual functioning of all these issues and advises Senior Management and the Board of any possible problem. Additionally, the Group maintains adequate insurance coverage and contingency plans for systems failure including back-up systems with off-site data storage.



Group CEO and Managing Director

CEO Ahli United Bank (Bahrain)	CEO The United Bank of Kuwait	Deputy Group CEO Private Banking and Wealth Management	Deputy Group CEO Risk Finance and Strategic Development	Deputy Group CEO Commercial Banking and Treasury	Regulatory and Support Group
		Private Banking	Risk Management	Treasury	Audit and Compliance
		Asset Management	Finance, IT and Operations	Corporate and Trade Finance	Corporate Secretary and Legal
		Real Estate Fund Management	Strategic Development and Institutional Coverage	Proprietary Investments and Trading	Human Resources

Fusion
Thought
Action

An organisation expanding through acquisitions and mergers, built on expertise and knowledge, providing the highest quality in banking systems.

Ahli United Bank B.S.C.

Adel A. El-Labban **Group Chief Executive Officer & Managing Director, Member of the Executive Committee**
Director and former Chief Executive Officer, The United Bank of Kuwait PLC; Director, AUB, Bahrain; Director Bank of Kuwait & the Middle East, Kuwait; Former Managing Director, Commercial International Bank of Egypt; Chairman, Commercial International Investment Company; Vice President, Corporate Finance, Morgan Stanley; Manager - Loans and Syndications, Arab Banking Corporation; General Manager - Corporate Banking Group, Chase National Bank, Egypt.

Sherif Hassan Abdallah **Deputy Group Chief Executive - Risk, Finance and Strategic Development**
Director and Chairman of the Audit Committee and member of the Executive Committee, AUB, Bahrain; Former First Vice President and Group Head of Credit, Arab Banking Corporation; Director and Chairman of the Audit Committee, ABC Islamic Bank; Director, ABC Clearing Company; Director and member of the Audit and Executive Committees of ABC Egypt. Previously Industry Account Officer, Chase National Bank, Egypt; Investment Officer, Misr Iran Development Bank; Economic lecturer at the American University in Cairo.

Michael Collis **Deputy Group Chief Executive - Commercial Banking and Treasury**
Director and member of the Executive Committee, The United Bank of Kuwait; Former Deputy Chief Executive Officer, The United Bank of Kuwait in London; Previously with Lloyds Bank and Bankers Trust Company in London; Head of UK Corporate Finance, Dai-ichi Kangyo; and Executive Director, Head of Corporate Finance, Nikko Bank.

Bruno Martorano **Deputy Group Chief Executive - Private Banking and Wealth Management**
Director and member of the Audit and Executive Committees, AUB, Bahrain; Former Deputy Chief Executive Officer, The United Bank of Kuwait in London; Previously Head of Private Banking, Banque Nationale de Paris (Hong Kong); Regional Private Banking Manager, Middle East and Africa; BNP (Paris); Vice President, Securities Desk, BNP (New York); Chemical Bank, Correspondent Banking, Europe.

Ahli United Bank (Bahrain) B.S.C. (c)

Michael Fuller **Chief Executive Officer & Member of the Executive Committee**
Former Chief Executive in the UK Banking Division, Midland Bank; various Board appointments with Midland Group including Chairmanship of the Joint Credit Card Company and directorships of Northern Bank Ltd and Thomas Cook Ltd.

Sabah K. Al Moayyed **Deputy Chief Executive Officer**
Assistant General Manager, Corporate Banking & Trade Finance, National Bank of Bahrain; Vice President, Head of Syndication and Trade Finance, United Gulf Bank, Bahrain; Head of Risk Management, Citibank, Bahrain.

The United Bank of Kuwait PLC

Philip Young **Chief Executive Officer (Acting)**
Deputy Chief Executive Officer Finance Operations & Risk, The United Bank of Kuwait PLC; Chief Administrative Officer, Daiwa Europe Limited; Managing Director, UK & European Equity Derivatives, NatWest Markets, London; Senior Manager, Deloittes Management Consultancy; Audit Senior, Peat Marwick Mitchell.

John Crocker **Deputy Chief Executive Officer - Commercial Banking and Treasury**
Deputy General Manager and Head of Corporate Finance, Credit Anstalt Ag/Bank Austria, London; Executive Director and Member of Executive Board, Secondment to Bank Austria Creditanstalt dd, Slovenia; Deputy Head, Corporate Finance, London; Head, Asia & Australasia Group; Credit Analyst, Johnson Matthey Banks Limited; Graduate Trainee, National Westminster Bank.