



**DIRECTORS' REPORT**

**FOR THE YEAR ENDED  
31 December 2018**

**TRUST INTERNATIONAL INSURANCE AND REINSURANCE COMPANY B.S.C (c) TRUST RE**

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## Company Profile

Trust International Insurance and Reinsurance Company B.S.C. (c) Trust Re, was incorporated in 1981 in the Kingdom of Bahrain as an Exempt Company with a fully paid-up share capital of US\$ 15 million. Following the successful development of the business and the excellent results of the operation, the authorised capital was eventually increased to US\$ 500 million and the issued and paid-up capital increased to US\$ 250 million in 2016.

Nest Investments (Holdings) Ltd, Jersey, owns the majority of the issued share capital (99.1%).

The Company's profile of shareholding throughout the year ended 31 December 2018 is shown in the table below:

<b>Name of shareholder</b>	<b>Nationality</b>	<b>No. of shares at the beginning and end of the year</b>
Nest Investments (Holdings) Limited	Jersey	2,477,675
Ghazi Kamel AbuNahl	Cyprus	22,325
<b>Total</b>		<b>2,500,000</b>

In addition to its history of successful operations over the years, Trust Re enjoys strong relationships with blue chip, international Reinsurers.

Trust Re operates in the Afro-Asian markets (including the Middle East and North Africa [MENA] region, North Asia and South-East Asia), Russia, Central and Eastern Europe (CEE), South Eastern Europe (SEE) and Commonwealth of Independent States (CIS) countries, Cyprus and Turkey. Trust Re is a reinsurance company writing life and non-life Facultative and Treaty business.

From its early days, Trust Re has positioned itself to play a leading role in Engineering, Property, as well as Oil & Energy insurance business. The Company has gained particular knowledge and expertise in the Afro-Asian markets to the extent that the Federation of Afro-Asian Insurers & Reinsurers (FAIR) chose Trust Re to manage the FAIR Oil & Energy Insurance Syndicate.

## Vision, Mission and Values

**Vision** "Reinsurer of Choice"

**Mission** To be innovative in providing reinsurance solutions and prompt responses, always.

**Values** *Trust, Dynamic and Team Spirit*

## A Message from the Board of Directors

We are pleased to present the Directors' Report for the year ended 31 December 2018.

We look forward to serving to ensure that Trust Re fulfils its corporate objectives and, as a Board, we will work collectively to safeguard the Company's interests as a whole and to create value for all stakeholders. The core values of Trust, Dynamic and Team Spirit are at the heart of what Trust Re does.

During 2018, the Board of Directors comprised the following: Kamel Abunahl, Frixos Savvides, Ferid Benbouzid, Stavros Stavrou, Professor Chris Parsons, Bakary Kamara and Fetooh Al Zayani.

At the Annual General Meeting (AGM) for the financial year ended 31 December 2017, held on 17 April 2019, the shareholders nominated Lakhdar Moussi and Philippos Mannaris to the Board.

Frixos Savvides and Ferid Benbouzid stepped down from the Board after completing their maximum terms in office, while Kamel Abunahl stepped down as Chairman. We would like to thank the departing members for their valuable contributions and guidance over the years.

Each member of the current six-person Board of Directors is serving a 3-year term in the capacity of independent non-executive member. The Central Bank of Bahrain (CBB) approved the appointment of the new directors as well as the reappointment of the existing directors.

In April 2019, Trust Re was very pleased to appoint Talal Al Zain as Group Chief Executive Officer (GCEO). Talal is renowned for his vast experience in executive leadership and is expertly qualified to continue the Company's future journey. Amongst many accomplishments, he has led various Banking and Investment firms, including Bahrain's sovereign wealth fund Mumtalakat.

A stringent Enterprise Risk Management (ERM) framework underpins all activities that Trust Re conducts. From an operational risk management point of view, there is increased focus on information security and data privacy. The Risk Management team has assessed cyber and data protection risks, also within the ambit of strategic projects, thus enabling critical input to improve policies, procedures and safeguards needed to mitigate these risks.

Leveraging the use of technology continues to be an integral part of Trust Re's strategy. As such, the Company fast-tracked critical IT projects to enhance efficiency and controls within the different functions of the organisation.

Trust Re has a strong resolve to regain its status. Supported by a strong management, and skilled and knowledgeable staff, the entire team focuses on maintaining obligations to cedants, clients and all stakeholders. Trust Re is a well-recognised brand in the reinsurance market; this factor, combined with strong relationships that the team has built up with partners over 30 years in operation, allowed it to retain business despite the loss of rating. Trust Re is an agile company and measures have been taken to adapt to changes in portfolio and expected revenues.

As a Board of Directors, we have always supported Trust Re's initiatives to develop the right skills within its human assets to ensure the team meets current and future strategic objectives. We pledge to continue to do so.

Lastly, the Board of Directors and I would like to express our sincere thanks to all clients, producers, business associates and staff for their constant trust. A particular thank you to the Central Bank of Bahrain for its unwavering support, we are very grateful.

For an on behalf of the Board of Directors



Stavros Stavrou

Director

24 September 2019

## Corporate Governance Report

### Board of Directors

As of date of issue of this report, the Board of Directors consists only of independent non-executive Directors. The Board's role is to set the overall strategic direction, approve business plans and monitor the overall performance of the business against the approved plans and within a framework of sound corporate governance. The non-executive members are elected for three-year terms subject to the Central Bank of Bahrain's rules. They enhance the overall knowledge and expertise of the Board and provide oversight functions through various Board Committees.

During 2018, the Board of Directors held 5 meetings, 2 of which took place in Bahrain and 3 in Cyprus.

### Board Composition

#### BOARD COMPOSITION (during the year 2018)

Name	Position	Committee Role	Attendance in 2018
Kamel Abunahl (resigned at AGM held on 17 April 2019)	Chairman, Non-Executive Director	Member of N&RC	4
Frixos Savvides (term expired 17 <sup>th</sup> April 2019)	Independent non-executive Director	Chairman of N&RC	5
Fadi AbuNahl (resigned 25 May 2018)	Executive Director & Group Chief Executive Officer		1
Farid Benbouzid (term expired 17 <sup>th</sup> April 2019)	Independent non-executive Director	Member of N&RC	5
Bakary Kamara	Independent non-executive Director	Chairman of RC and member of AC	5
Stavros Stavrou	Independent non-executive Director	Chairman of AC and member of RC	5
Dr. Cherif Chentir (resigned 17 November 2018)	Independent non-executive Director	Member of AC and RC	4
Dr. Kai-Uwe Schanz (resigned 1 October 2018)	Independent non-executive Director	Member of AC and RC	2
Fetoooh Al Zayani	Independent non-executive Director	Member of N&RC	5
Prof. Chris Parsons	Independent non-executive Director	Member of AC and RC	5
Mehran Eftekhari (resigned at AGM on 17 April 2019)	Board Secretary		

**BOARD COMPOSITION (since 27 June 2019)**

Name	Position
Stavros Stavrou	Independent non-executive Director
Bakary Kamara	Independent non-executive Director
Fetoo Al Zayani	Independent non-executive Director
Prof. Chris Parsons	Independent non-executive Director
Lakhdar Moussi	Independent non-executive Director
Philippos Mannaris	Independent non-executive Director

**Board Memberships****Bakary Kamara**

Africa Retakaful

Africa Re (South Africa)

Orabank – Mauritania

Gras Savoye Mauritania

Trust International Insurance and Reinsurance Company B.S.C. (c) Trust Re

**Stavros Stavrou**

Omnistock Limited

Trust International Insurance Company (Cyprus) Ltd.

Trust International Insurance and Reinsurance Company B.S.C (c) Trust Re

Oman Reinsurance Company SAOC

Orlicks Enterprises Ltd.

Oceanfleet Shipping Ltd.

SAS Consulting Ltd.

National Bank of Greece (Cyprus) Ltd.

Larnaca Chamber of Commerce and Industry.

Cyprus Chamber of Commerce and Industry.

Varenna Holdings Ltd.

Augment Investments Ltd.

Balltown Holdings Public Ltd.

Invelopment Partners Ltd.

Digital Tree Epublishers Ltd.

EFG CYPRUS (Advisory Board)

Sherlockal Holdings Ltd.

Jomei Investments Ltd.

Stareti Holdings Ltd.

Hanseta Holdings Ltd.

Granbero Holdings Ltd.

Milovat Ltd.

Salamanca Capital Services Ltd.

Hellenic Copper Mines Ltd.

Chiyoko Holdings Ltd.

**Fetoo Al Zayani**

Amana Insurance & Reinsurance Service & Brokerage (Chairperson)  
CBB Motor Compensation Fund – Trustee Board (Board Member)  
Trust International Insurance and Reinsurance Company B.S.C. (c) Trust Re

**Prof. Chris Parsons**

Trust International Insurance and Reinsurance Company B.S.C (c) Trust Re

**Lakhdar Moussi**

Trust International Insurance and Reinsurance Company B.S.C (c) Trust Re

**Philippos Mannaris**

ForexTime Limited  
Trust International Insurance and Reinsurance Company B.S.C (c) Trust Re

## **Corporate Governance**

Trust Re understands the importance of clear and effective corporate governance as an effective means of regulating relationships among its shareholders, management, employees, stakeholders and the community.

Trust Re aims to maintain strong corporate governance and comply with established corporate governance rules and regulations.

The purpose of the corporate governance policy is to define the criteria and guidelines that should govern the organisation and operation of the governing bodies of Trust Re for implementation of the applicable regulations and the good corporate governance recommendations.

Trust Re intends to continue improving best corporate governance practices. Trust Re's "unitary" Board of Directors consists of highly qualified and experienced independent directors. In its efforts to maintain an 'independent' thought and approach by its non-executive directors, it makes sure no single member serves more than three 3-year terms.

The Board of Directors sets out the long-term goals of the organisation, within a legal framework that complies with established standards, for the executives to follow. The Board's three oversight committees, Audit, Risk and Nomination, Remuneration & Corporate Governance, monitor the conduct of the organisation in relation to its management.

Trust Re is regulated and licensed by the Central Bank of Bahrain (CBB). Corporate Governance guidelines are regularly reviewed/enhanced by active and fully qualified staff in its Compliance Department. The Compliance Department closely monitors the Corporate Governance Code of the Central Bank of Bahrain and the High Level Controls module of the CBB rulebook, making sure that awareness of the latest guidelines is fully maintained and, in combination with Legal Department and the Board Secretary, files all the necessary forms and reports in an accurate and timely manner.

In 2019, Trust Re engaged the services of a leading law firm in the region to review its corporate governance framework.



## Company Structure

Trust Re remains structured around four corporate pillars namely **Risk, Operations, Finance and Services**, each with its own specific focus. The executive heads of the four pillars report directly to the Group Chief Executive Officer (GCEO).

The **Corporate Risk** pillar functions include Actuarial and Risk Management, which provides the business intelligence to strike the right balance between risk and reward; Retrocession and Legal function, which is responsible for managing all the legal aspects of the Company. The reporting line from both the Audit and Compliance functions remain independent with a direct reporting line to their respective Board Oversight Committee.

The **Corporate Operations** pillar comprises Underwriting, Technical Accounts, Quality Process Improvement, Risk Engineering and Claims departments and is the core of the Trust Re Group. The Head Office and our branches based in Cyprus, Labuan (Malaysia) and Morocco each have their own territorial scope with regard to underwriting along with a Liaison Office based in India.

The **Corporate Finance** pillar incorporates strong Finance, Credit Control and Asset Management functions that support underwriting by providing administrative and investment expertise.

The **Corporate Services** pillar incorporates five distinct service functions, namely:

- The Administration and Property function, ensures maximum efficiency in our day-to-day activities and maintenance of our office premises;
- The Planning & Performance Management function ensures that approved Company strategies are applied throughout each department;
- The Corporate Communication function is responsible for maximising the value of our established and well recognised brand;
- The Information Technology (IT) function supports the whole operation by means of optimal IT infrastructure and solutions;
- The Human Resources function provides human capital services including employee relations, talent acquisition, compensation and benefits, learning and development.

## Risk-based Internal Audit

The Internal Audit Department (IAD) is an independent, objective, assurance and consulting function, which helps the Company accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

From the outset, the IAD's aim has been to provide insight to its various stakeholders in order to enhance and protect the organisational value. The IAD's vision is to be viewed as trusted advisors, acting in partnership with key stakeholders and recognised as a driving force behind a culture of

governance, accountability, compliance, and execution that helps in the achievement of the Company's mission, while safeguarding its interests. To achieve this, the IAD persists to deliver timely and forward-looking advice, which matters to the business and drives greater business value.

The IAD has a defined internal audit charter and clear roles, responsibilities & methodologies. It conducts its work in accordance with defined operating standards, which incorporate and comply with the International Standards for the Professional Practice of Internal Auditing, issued by the Institute of Internal Auditors.

The IAD, in the discharge of its duties, is accountable to the Audit Committee and the Board of Directors. For preservation of its independence, the IAD reports functionally to the Audit Committee and administratively to the Group CEO as stipulated in its Charter.

Moreover, the IAD has a Strategic Internal Audit Plan that provides a framework for performing and promoting a broad range of value-added internal auditing activities. Also, a Risk-Based Internal Audit Plan is produced each year after performing an extensive risk assessment on the full spectrum of business risks, including concerns and issues raised by the Audit Committee, management and other stakeholders.

In order to increase the level of assurance, reduce inefficiencies, and better leverage subject matter expertise, the IAD optimises collaboration with the executive management and other risk and control functions when carrying out its duties. This enables the IAD to proactively respond to the constantly changing business environment within which Trust Re Group functions.

## Compliance

A strong compliance culture reflects high ethical standards and integrity, through which the Board and senior management lead by example. At Trust Re, we believe in order for compliance culture to be successful, the right "tone" should be driven from the top.

Trust Re remains committed to adhering to all applicable laws and regulations, as well as maintaining and promoting strong ethical standards.

The Compliance Department ensures conformity with applicable requirements of the Kingdom of Bahrain and those set by the Central Bank of Bahrain (CBB), as well as those established under any other statute or regulator to which Trust Re Group is subject. The Compliance Department is also the Company's focal contact vis-à-vis the regulatory authorities.

Compliance functions independently from business units and has full access to the Board of Directors. The Department operates across our various businesses, manages our compliance commitments and the appointed Compliance Officer and Money Laundering Reporting Officer (MLRO) is responsible for monitoring Regulatory and Financial Crime Compliance at the Company headquarters and branches.

The function of the Compliance Department is to oversee and monitor compliance with the applicable regulatory requirements and to ensure that Trust Re and each of its branches and subsidiaries continues to comply with the regulations of the country in which it operates; this includes matters relating to Anti-Money Laundering (AML), Combating the Financing of Terrorism (CFT) and Sanctions Controls.

Although the risks of Money Laundering and Financing of Terrorism activities in the reinsurance industry remain relatively low, the Compliance Department continues to exercise vigilance regarding any evolving threats that could potentially undermine confidence in Trust Re. The Company maintains an approved Anti-Money Laundering Manual. Amongst other things, it contains: Customer Due Diligence measures, procedures for identifying and reporting suspicious transactions, an annual staff training awareness programme as well as record and documentation keeping requirements.

The Compliance Department provides advice to the Board, senior management and staff on regulatory requirements impacting the Company. This includes keeping all stakeholders informed of regulatory developments and providing the Board and senior management with an assessment of Trust Re compliance risk exposure and the Company's capacity to manage future compliance risks.

On a yearly basis, the Compliance Department develops the Annual Compliance Programme (ACP), which is approved by the Board of Directors. The main objective of the ACP is to promote the safety and soundness of Trust Re by minimising financial, reputational and operational risks arising from regulatory non-compliance. A comprehensive, robust and reliable risk-based compliance approach enables the Compliance Department to plan for the optimal use of staff resources. The implementation of the ACP is achieved by conducting Company headquarters and branch reviews.

### **Actuarial and Risk Management**

The Actuarial and Risk (A&R) department is responsible for facilitating the implementation of a risk management system and monitoring the Company's Enterprise Risk Management framework.

In 2018, the department undertook numerous exercises including quantitative and qualitative risk analysis on multiple scenarios to identify and assess best mitigating solutions for key risks of the Company, including rating, asset liquidity, solvency and compliance risks.

A&R department has also progressed with the internal stochastics model calibration which will continue in 2019.

The Company has transitioned into using a web-based pricing tool for Facultative Property, Onshore and Treaty Non-Proportional business. The Treaty Proportional tool is also well in progress.

The operational risk management team has been strengthened with an experienced Risk Manager and increased focus on information security and data privacy aspects too. Cyber and data protection risks assessments were performed, also within major projects, to provide input for the improvement of policies and procedures; safeguards were implemented. In addition, training activities were conducted for all users to enhance security and privacy awareness.

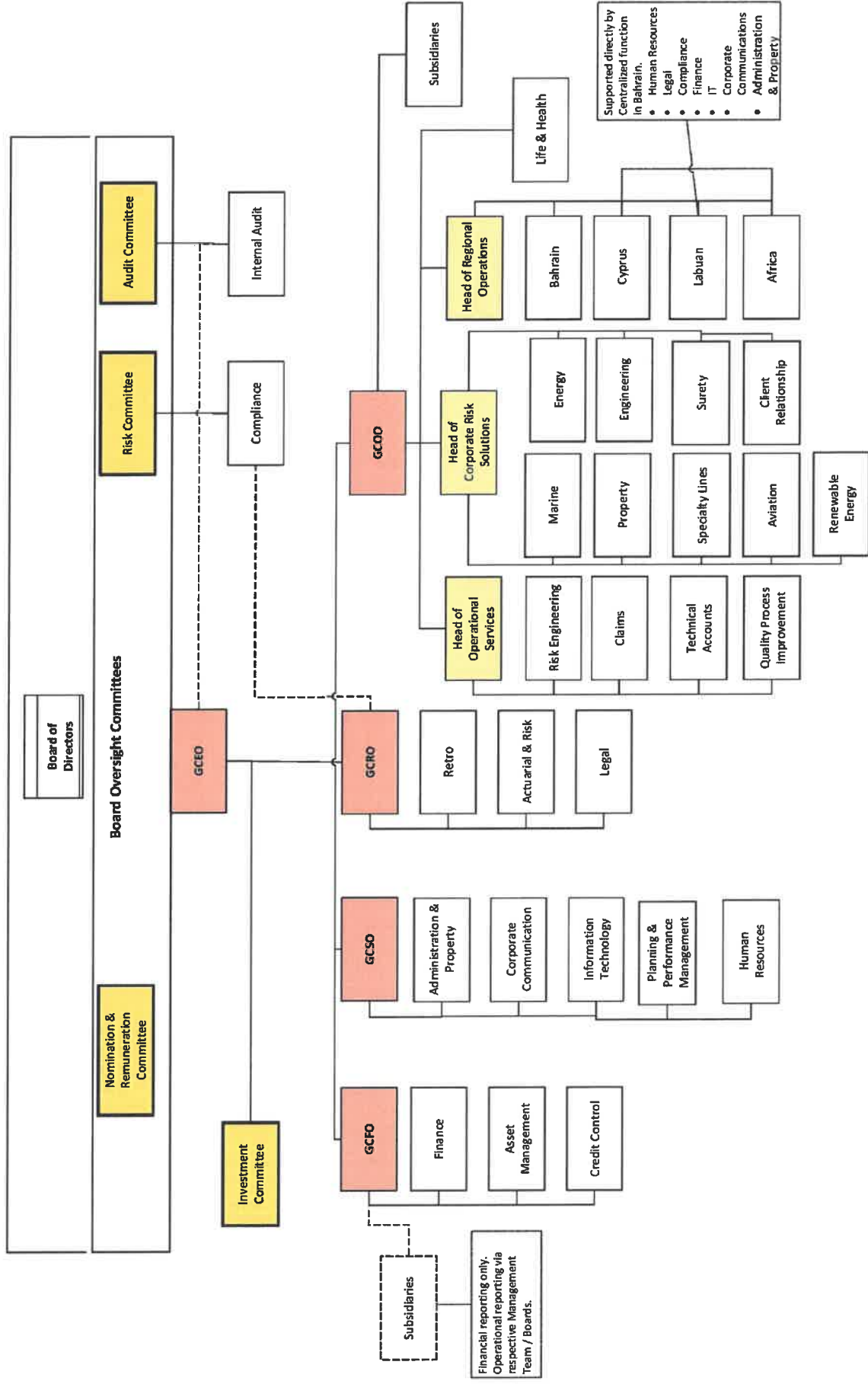
The Company has also implemented a number of measures to align with global data protection regulations (e.g. EU GDPR) and will customise this in 2019 to comply with Bahrain's new Personal Data Protection Law.

Another area that witnessed substantial enhancement is the Catastrophe Exposure Management. A dedicated Catastrophe modelling team has been established and the Company licensed Risk Management Solutions (RMS) - Risk Link Catastrophe Modeling platform to model and monitor the Company's exposures. Furthermore, support from the CAT team is extended to both pricing and capital modelling projects.

As part of the continued improvement of the Risk Management System, the SAP Governance Risk and Compliance (GRC) system (which is an integral part of the Company's risk review process and documentation of risk registers) was upgraded to the latest service package. In addition, there is in progress a further expansion of the system to include four additional modules - Key Risk Indicator management, Incident Management, Issue Management and Policy Management. In Q1 2019, the new modules were transferred from development environment to production environment for final User Acceptance Testing (UAT) and are expected to be fully implemented in Q3 2019.

In 2018, the A&R Department also initiated testing of the Company's Business Continuity Management (BCM) systems via a tabletop exercise as part of the continued enhancement of the BCM framework. In 2019, an overall review of these will be performed, to reflect new technology and organisational changes, including an updated business impact analysis.

## Organisational Chart



## A Message from the CEO

On behalf of Trust Re, it gives me great pleasure to present an overview of Company achievements alongside the audited financial statements for fiscal 2018.

Throughout 2018, Trust Re provided reputable capacity, skill, knowledge and value-added services to the wider regional market and its clients, and represented the ability of a regional reinsurer to have influence in the broader, international reinsurance market. Strong support from Trust Re's clients, shareholder and strategic partners continue to be a vital determinant of the Company's success.

The Firm continues to be committed to customer partnerships. During 2018, the Company sponsored and participated in more than 12 industry conferences in all its regions of operations covering Asia, Africa, the Middle East, Central and South Eastern Europe.

Trust Re focuses on building long-term relationships that create synergies of knowledge. As such, its professionals were pleased to present and take part in panel discussions and debates during the Dubai World Insurance Congress, Willis Towers Watson China Renewable Energy Conference, Marsh Energy Industry Conference, Onshore Energy Conference Dubai and the inaugural Sharm El Sheikh Rendezvous. Sharing knowledge and participating in such initiatives is an integral part of Trust Re's value-added services provision. Additionally, Trust Re's underwriting experts conducted two Business Partners' Seminars during the year, in Jakarta and Tunis, for decision makers and technical specialists operating in South East Asia and Tunisia, respectively.

Trust Re believes that its growth and success are achieved by the dedication and the consistency of its commitment to the professional development of its most valuable assets, its employees.

Since its inception, Trust Re has been committed to providing its employees with training opportunities that help build successful careers. It aims to encourage continuous learning. With this in mind, Trust Re's training initiatives are tailor-made and business-driven, to equip the employees with the right knowledge and work-related skills.

Trust Re remains committed to its learning culture intending to strengthen its reputation as an employer of choice through development initiatives such as structured training, E-learning, in-house training, on the job training, graduate programmes, management programmes, overseas training programmes and internships.

Furthermore, the Company continues to add value to the regional insurance space by hosting business partners for on the job training at its premises. During 2018, assureds and cedants from the Kingdom of Saudi Arabia, Oman and Tunisia benefitted from the Trust Re team's experience and expertise.

As part of its marketing strategy, Trust Re's highly qualified team members continued to develop thought leadership content throughout the year under the brand name "Trust Re Perspectives". Sharing these valuable insights through multiple formats including e-newsletters, corporate LinkedIn

page and the website enabled maximum reach to relevant stakeholders.

Also, market research is key. During the 15<sup>th</sup> Singapore International Reinsurance Conference (SIRC), the Company launched the Asia Market Survey "The Outlook for Insurance and Reinsurance in Asia". This is the third such survey commissioned, following similar research conducted into sub-Saharan and Central & Eastern European markets in 2014 and 2016 respectively. The surveys are beneficial to both Trust Re and its clients in terms of strategic planning as well as being a useful aid to thought leadership, allowing teams to engage better with the markets that they serve.

Trust Re's objectives include varied growth and expansion of service offering. The Company introduced Affinity reinsurance in the second quarter 2018, focusing on geographical areas where it is currently active, with particular concentration in the Middle East and North Africa (MENA). This product has already had an impact in the market.

In spite of the last quarter of the year which saw Trust Re's rating withdrawn by A.M. Best and Standard & Poor's due to delayed release of the 2017 audited financial statements, its strong, sustainable platform built up over almost 30 years of operation allowed it to continue to be able to write new business and to meet its liabilities. To this day, the Company delivers reliable services with the same high standard to its clients and business partners. During 2018, Trust Re's solvency ratio is positive.

From a financial perspective, Gross Written Premium (GWP) reduced by 5.7% to reach US\$ 525.0 million at 31 December 2018 (2017: US\$ 556.8 million). Underwriting margin recovered to show a loss of US\$ 1.1m (2017: loss of US\$ 9.6 million) due to extra provisions for doubtful debts taken in 2017. Net loss for the year is US\$ 44.3 million at 31 December 2018 (2017: profit of US\$ 5.7 million), with a positive solvency ratio.

A number of actions taken throughout the Company aim to strengthen the corporate governance framework. A leading law firm in the Middle East was appointed to assist in the setting up of a comprehensive corporate governance framework. The legal firm will also assess the implementation of recommendations and necessary measures to ensure maximum transparency and appropriateness of policies and procedures.

Furthermore, the enhancement of Trust Re's risk management and business controls has involved a significant investment in Information Technology, essential to enhance efficiency within the different functions of the organisation.

As part of its strategic commitment to drive growth and value for clients and stakeholders, the Company recently strengthened its management team. The cross-functional nature of the team improves its transparency and accountability and is reflective of Trust Re's pledge to adhere to the highest levels of corporate governance and teamwork.

Trust Re is proud of its talented employees. They contribute to its achievements and remain focused on delivering future strategic objectives. The cohesive team gives clients confidence that they are dealing with an agile company that is resilient during testing times.

We would like to thank all clients and business partners for their backing and trust. In particular, a special thank you to the Central Bank of Bahrain for its steadfast support, which, as ever, is greatly appreciated. Thank you also to all our employees for their hard work and dedication, and to our external auditors PricewaterhouseCoopers for its professionalism.



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Talal Al Zain  
Group Chief Executive Officer  
24 September 2019



## **The Group Results**

The Group's Gross Written Premium in 2018 reached US\$ 525.0 million, representing 5.7% decrease compared to 2017 (US\$ 556.8 million).

The retention ratio decreased by 2.7 percentage points from 58.5% in 2017 to 55.7%. In 2018, the combined ratio stood at 100.3% as opposed to 103.0% in 2017. The loss ratio increased by 4.1 percentage points at 68.4%, while the acquisition cost ratio deteriorated by 6.8 percentage points at 31.9%.

The overall Loss after tax reported is US\$ 44.3 million (2017: profit of US\$ 5.7 million).

## **The Company Results**

The Company's Gross Written Premium in 2018 amounted to US\$ 458.8 million compared to US\$ 533.4 million in 2017. The retention ratio of the Company was higher at 58.5% compared to 57.5% in 2017.

The Company's combined ratio for 2018 stood at 100.4% compared to 102.8% in 2017. The acquisition cost ratio improved at 18.2% compared to 20.8% in 2017. The loss ratio increased from 69.0% in 2017 to 73.0% in 2018. The Company generated net underwriting loss of US\$ 1.2 million during 2018, compared to US\$ 8.4 million loss in 2017.

Investment and finance income generated US\$ 8.6 million, compared to US\$ 14.2 million in 2017. Overall Loss after tax reported at US\$ 44.9 million compared to US\$ 5.4 million profit in 2017.

## **The Group's Financial Strength**

The Group's net technical reserves decreased by 4.5% on a year-to-year basis to reach US\$ 613.9 million (2017: US\$ 643.0 million). The decrease of US\$ 44.8 million is due to release of reserves and contraction of business.

Investments held in equities and fixed income securities rose by 0.5% to US\$ 333.7 million as at December 2018, compared to US\$ 332.0 million as at December 2017.

Key Group Ratios for the Year were:

**Performance Ratios %**

	<b>Note</b>	<b>2018</b>	<b>2017</b>
Retention Ratio	1	55.7	58.5
Combined Ratio	2	100.3	103.0
Underwriting Margin (USD in millions)	3	(1.1)	(9.6)
Return on Equity (USD)	4	(10.6)	1.2

**The Company's Financial Strength**

In 2018, the Company's net technical reserves reached US\$ 532.6 million. This represents a 10.3% decrease from US\$ 556.4 million in 2017.

The shareholders' equity dropped by 14.9% to end the year at US\$ 384.9 million compared to US\$ 452.3 million in 2017.

Key Company Ratios for the Year were:

**Performance Ratios %**

	<b>Note</b>	<b>2018</b>	<b>2017</b>
Retention Ratio	1	58.5	57.5
Combined Ratio	2	100.4	102.8
Underwriting Margin (USD in millions)	3	(1.2)	(8.4)
Return on Equity	4	(12.7)	1.2

Significance of Ratios:

1. Retention Ratio: This ratio indicates the net premium retained as a proportion of the Gross Written Premium.
2. Combined Ratio: The combined ratio aggregates the cost ratio (acquisition costs and operating costs) and the loss ratio (net incurred claims).
3. Underwriting Profit: This ratio compares underwriting profit to net earned premium.
4. Return on Equity: Computed as a proportion of net profit to average shareholders' equity.

## Investments

The Investment Committee, consisting of a wide range of experts including from the Actuarial & Risk Management, Finance and Asset Management departments worked closely together to oversee the achieving of the Company's strategic targets in this area.

Investments held in equities and fixed income securities reduced by 3.5% to US\$ 264.2 million as at December 2018, compared to US\$ 273.7 million as at December 2017.

## Subsidiaries

### *Trust Underwriting Limited*

Trust Underwriting Limited (TUL) is a wholly owned subsidiary in the UK. Its main activity is the participation in the Lloyd's market as a corporate capital provider to a number of syndicates. The results for the year 2018 report a profit of US\$ 0.5 million against a loss of US\$ 0.6 million 2017. Its overall premium production increased by 1.9% during 2018. For the 2019 year of account, the total stamp of TUL stands at US\$ 34.3 million, a decrease on the US\$ 36.5 million from 2018. As at 31 December 2018, the market value of TUL capacity stood at US\$ 13.6 million (2017: US\$ 11.4 million) based on the average auction prices obtained between October and December 2018 at Lloyd's.

### *Texas International Underwriters Inc.*

Texas International Underwriters Inc. acts as an insurance agency. The Company has ceased its operations.

### *Afro Asian Assistance BSC (c)*

Afro Asian Assistance BSC (c) was launched in 2010 with the aim of providing the MENA markets with Roadside Assistance, Travel Assistance and Personal Accident products. Demand for services continued to grow in 2018. The entity resulted in a loss of US\$ 503.6 thousand during the year (2017: US\$ 27.6 thousand).

### *Afro Asian Assistance LLC*

Afro Asian Assistance LLC was incorporated in 2016 in Oman to assist Afro Asian Assistance with providing Roadside Assistance, Travel Assistance and Personal Accident products within Oman. The operations of the Company resulted in a loss of US\$ 29.1 thousand during the year (2017: loss of US\$ 34.7 thousand).

### *Trust International Insurance and Reinsurance Company Société anonyme à conseil d'administration de droit Marocain*

This company is a Liaison Office to support the Trust Re Africa operations.

### *Trust Insurance Management W.L.L.*

Trust Insurance Management (TIM) is a Managing General Agent, which commenced its operations in 2016. TIM booked a gross revenue of US\$ 760.5 thousand during the year (2017: US\$ 625.6

thousand). For the year 2018, the Company earned a profit of US\$ 478.2 thousand (2017: US\$ 337.2 thousand).

### *Oman Reinsurance Company SAOC*

The Group controls the subsidiary through majority representation on the Board of Directors of Oman Re. The principal activity of Oman Re is to provide reinsurance services to companies in the Middle East, Africa and South Asia. The Company recorded a profit for the year 2018 of US\$ 1,718.0 thousand (2017: US\$ 250.0 thousand).

### **Company's Solvency Statement**

As at 31 December 2018, the Company's summarised solvency position was as follows:

<b>US\$ '000</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
Capital available	78,754	(38,621)
Required margin of solvency	48,734	53,857
Excess / (deficiency) of capital available over the required solvency margin	30,020	(92,478)

### **Corporate Social Responsibility**

Corporate Social Responsibility (CSR) is a central part of Trust Re's operations. We firmly believe that CSR mirrors our vision, mission and values.

Part of our approach to CSR is community-based, where we work in the community to share what we have. In 2018, as in previous years, our staff sponsored and packed food baskets for those less fortunate during the Holy Month of Ramadan.

As in previous years, we held a blood donation drive at our Bahrain Head Office, supported by medical staff from the central blood bank at Salmaniya Medical Centre. We were pleased to support a group of orphaned children in Bahrain by donating vouchers for them to purchase school supplies and winter clothes and organising a special Iftar event in their honour where they celebrated traditional Bahraini activities.

Furthermore, in October, our staff based at Trust Tower gathered for a good cause and raised a sizeable amount for Bahrain Cancer Society by organising a series of Think Pink Bake Sales.

## Acknowledgements

The Board of Directors expresses its sincere appreciation of all our valued clients, reinsurers, brokers, business partners and collaborators, the Central Bank of Bahrain and the Ministry of Industry, Commerce & Tourism for their support and cooperation. The Board looks forward to the continued encouragement of all these parties in the future. Ultimately, the success of the Company is the result of the combined efforts and professional skills and ideas of all the employees of the Company and its advisors. On behalf of the Board of Directors and the Executive Management Committee, we would like to thank them and particularly all our staff, for their commitment and valuable contribution.

For an on behalf of the Board of Directors



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Stavros Stavrou

Director

24 September 2019

### **Remuneration and Fees**

The Directors' remuneration is determined in accordance with Legislative Decree No (21) of 2001 of the Commercial Companies Law. The amount is capped at 10% of the net profit, after deduction of prescribed legal reserves and a minimum cash dividend distribution. The Board of Directors will propose to the Annual General Meeting a fee of US\$ 563 thousand to be paid to the Directors for the year 2018.

The remuneration of the Executive Management team and the management fee to the parent company for the year 2018 is disclosed in note 29 to the financial statements.

### **Auditors**

A resolution to appoint the external auditors of the Company for financial year 2019 will be submitted to the Annual General meeting, subject to the prior approval by the Central Bank of Bahrain.

### **Dividend**

The Board of Directors proposes to recommend a Nil cash dividend for the approval of shareholders at the Annual General Meeting.