



DIRECTORS' REPORT

**FOR THE YEAR ENDED
31 December 2017**

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 2017, is shown in the table below:

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

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*

Board of Directors

The Board of Directors consists of three distinct groups namely Shareholder Representatives, Executive Directors and 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. 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 2017, the Board of Directors held 5 meetings, 4 of which took place in Bahrain. On 4 occasions, a meeting of the Nomination & Remuneration (N&RC), Audit (AC) and Risk Committees (RC) preceded the meeting; formal reports were submitted to the Board of Directors for notification, decision-making or approval.

BOARD COMPOSITION

Name	Position	Committee Role	Attendance in 2017
Kamel Abunahl (under resignation, effective next AGM)	Non-Executive Chairman	Member of N&RC	5
Frixos Savvides	Member, (independent non- executive)	Chairman of N&RC	5
Fadi AbuNahl (until 25 May 2018)	Group Chief Executive Officer		5
Ghazi Abunahl (until 5 May 2017)	Member until 5 May 2017 (Shareholder Representative)	Member of N&RC	2
Mehran Eftekhari (until 5 May 2017)	Member and Board Secretary. Resigned as Board member on 5 May 2017 but remains the Board Secretary (Shareholder Representative)	Member of AC & RC	2

Prof. Derek Atkins (until 30 June 2017)	Member until 30 June 2017 (independent non-executive)	Chairman of RC and member of AC	2
Farid Benbouzid	Member (independent non-executive)	Member of N&RC	5
Bakary Kamara	Member (independent non-executive)	Chairman of RC (Chairman since 30 June 2017) and member of AC	5
Stavros Stavrou	Member (independent non-executive)	Chairman of AC and member of RC	5
Dr. Cherif Chentir (until 17 November 2018)	Member (independent non-executive)	Member of AC and RC	5
Dr. Kai-Uwe Schanz (until 1 October 2018)	Member from 25 May 2017 (independent non-executive)	Member of AC and RC	3
Fetoo Al Zayani	Member from 25 May 2017 (independent non-executive)	Member of N&RC	3
Prof. Chris Parsons	Member from 28 August 2017 (independent non-executive)	Member of AC and RC	2

Board Committees

The Board's oversight committees, namely Nomination & Remuneration, Risk and Audit, are an essential part of the Corporate Governance and Risk Management processes.

The Committees assist the Board with its decisions and actions by providing detailed and updated information. All committees met 4 times during the past year and submitted written reports to the Board of Directors for full consideration.

Moreover, the Board of Directors collectively develops, recommends and reviews corporate governance guidelines and, in coordination with the Company's Compliance Officer, ensures Trust Re's compliance with the corporate governance rules, regulations, policies and guidelines.

NOMINATION AND REMUNERATION COMMITTEE

Frixos Savvides

Chairman

Ghazi Abunahl	Member (until 5 May 2017)
Kamel Abunahl	Member (under resignation, effective next AGM)
Farid Benbouzid	Member
Fetoo Al Zayani	Member (Appointed 25 May 2017)
Mufid Sukkar	Secretary (until 31 December 2018)

The Committee's primary functions are to: assess required and necessary competencies of Board members, enhance the collective knowledge of the Board through bespoke training/education, review Board succession plans, evaluate the Board's performance and make recommendations to the Board on executive remuneration and incentive policies, remuneration packages of senior management, recruitment, retention and termination policies for senior management, incentive schemes, pension arrangements and the remuneration framework for the directors.

During 2019, the Committee has hired a new CEO for the Company. The Committee also monitors the overall organisational structure and ensures that executive succession planning is in place.

AUDIT COMMITTEE

Stavros Stavrou	Chairman
Prof. Derek Atkins	Member (Until 30 June 2017)
Bakary Kamara	Member
Mehran Eftekhari	Member (Until 5 May 2017)
Dr. Cherif Chentir	Member (Until 17 November 2018)
Dr. Kai-Uwe Schanz	Member (Appointed 25 May 2017, until 1 October 2018)
Prof. Chris Parsons	Member (Appointed 28 August 2017)
Eman Hafedh	Secretary

The Audit Committee operates as a representative of the Board of Directors from whom it receives its powers to perform its corporate governance responsibilities. The Committee's composition, competence, independence and expertise are strongly correlated with Trust Re's corporate governance.

The primary purpose of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities relating to the financial reporting process, the system of internal control, the performance of the external auditor and internal audit function, and the Company's process for monitoring compliance with laws and regulations. Therefore, the Committee helps the Company achieve an organisation-wide commitment to have strong and effective internal controls, emanating from the tone at the top.

RISK COMMITTEE

Prof. Derek Atkins	Chairman (Until 30 June 2017)
Bakary Kamara	Member (Appointed Chairman from 30 June 2017)

Stavros Stavrou	Member
Mehran Eftekhari	Member (Until 5 May 2017)
Dr. Cherif Chentir	Member (Until 17 November 2018)
Dr. Kai-Uwe Schanz	Member (Appointed 25 May 2017, until 1 October 2018)
Prof. Chris Parsons	Member (Appointed 28 August 2017)
Marios Argyrou	Secretary

The Risk Committee, (whose members are the same as those of the Audit Committee, but with a different Chairman), assists the Board in fulfilling its oversight responsibilities for the identification, analysis, assessment, embedding and management of all the risks which the Company faces, both operational and technical, and which may have a financial impact on operations.

The Committee also monitors compliance with the laws and regulations in the territories of operation, including anti-money laundering, as well as the code of conduct.

Roles of the Chairman and the Group Chief Executive Officer

The Company follows a policy of segregating the roles of the Chairman of the Board and the Group Chief Executive Officer (GCEO).

The non-executive Chairman of the Board is responsible for leading and ensuring the effectiveness of the Board functions, in line with the Board's terms of reference as well as their conduct and meetings.

GCEO is responsible for the executive leadership and operational management of the Company. The GCEO is accountable to the Board for the development, recommendation and implementation of the strategies, policies and the framework of controls. During 2018, the GCEO resigned. Following a lengthy and detailed process, a replacement has been nominated by the Nomination & Remuneration Committee during 2019.

Board Memberships

Kamel Abunahl (under resignation, effective next AGM)

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

Trust International Insurance Co. Plc. (Palestine)

Trust Holdings Ltd.

Trust International Insurance Company (Cyprus) Ltd.

Compass Insurance S.A.L.

Trust Yemen Insurance & Reinsurance Co. (Y.S.C.)

Trust Algeria Holding

Trust Bank Algeria

Trust Algeria Assurances Reassurances

Trust Real Estate

Trust Industry

Nest Investments Holdings (Cyprus) Ltd.

Nest Investments (Holdings) Ltd.
World Trade Centers Holdings (Cyprus) Ltd.
Signature Holding (Cyprus) Ltd.
World Trade Centers Saudi Holding Ltd.
Jordan Expatriates Investment Holding Co.
Aegean Properties Ltd.
Texas International Underwriters Inc.
World Trade Center Perth
World Trade Center Perth (30 Beaufort Street)

Frixos Savvides

Trust International Insurance Company (Cyprus) Ltd.
Trust International Insurance and Reinsurance Company B.S.C. (c) Trust Re
Advent International Cyprus Ltd.
Lanitis Holdings Ltd.
Global Ship Lease
Hive Management Services Ltd.
Oman Reinsurance Company SAOC
World Trade Center

Fadi AbuNahl (until 25 May 2018)

Nest Investments (Holdings) Ltd.
Nest Investments Holdings (Cyprus) Ltd.
Afro Asian Assistance B.S.C.
Texas International Underwriters Inc.
Trust International Insurance and Reinsurance Company B.S.C. (c) Trust Re
Trust Algeria Investment Company
Ventura Del Mar SA Ltd.
World Trade Center Perth
World Trade Center Perth (30 Beaufort Street)

Farid Benbouzid

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

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.
Varenn 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.

Dr. Cherif Chentir (until 17 November 2018)

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

Dr. Kai-Uwe Schanz (until 1 October 2018)

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

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

Corporate Governance

We endeavour to continue improving best corporate governance practices. Our “unitary” Board of Directors consists of a balanced mix of highly qualified and experienced independent directors, as well as executive and shareholder representatives. In our efforts to maintain an ‘independent’ thought and approach by our non-executive directors, we make sure no single member serves more

than three 3-year terms. With that in mind, and following the sad demise of one of our independent directors, Prof. Derek Atkins, we appointed three new CBB-approved directors to overlap with, and then eventually replace, two independent Directors who will conclude their 9-year Board tenure.

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, 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, files all the necessary forms and reports in an accurate and timely manner.

Following 2016's review of the Board effectiveness by an independent expert, we followed that up by completing a self-assessment survey by all Board members; the results were discussed and noted by the Board.

The Company has included a Corporate Governance report as an agenda item for its Annual General Meeting.

Company Structure

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

Corporate Services provides specialised services across the organisation. Incorporated in the pillar are the following departments:

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

Operations, which comprises Underwriting, Technical Accounts, Quality Process Improvement, Risk Engineering and Claims departments, is the core of Trust Re. The Head Office and our branches in Cyprus and Labuan (Malaysia) each have their own territorial scope with regard to underwriting. The representative office in Morocco, the Liaison Office in India and the subsidiary Texas International Underwriters (TIU) also belong to this pillar.

The **Risk** pillar concentrates on risk management. Its functions include the Actuarial and Risk Management Department which provides the business intelligence to strike the right balance between risk and reward; Retrocession; the Legal Department which is responsible for managing all the legal aspects of the Company; the reporting line from both the Audit and Compliance departments (which remain independent and also have direct reporting lines to their respective Board Oversight Committees).

The **Finance** pillar incorporates a strong Finance, Credit Control and Asset Management department that supports the underwriting by providing administrative and investment expertise.

Risk-based Internal Audit

Internal Audit (IA) is an independent, objective, assurance and consulting function, which is responsible for adding value and improving the Company's operations. IA helps the Company to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

IA is authorised to review all areas of the Company and has unrestricted access to all Company activities, records, property and personnel necessary to fulfil its duties.

The mission of the IA is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. The IA's vision is to be viewed as a trusted advisor, recognised as a driving force behind a culture of governance, accountability, compliance and execution that helps in the achievement of the Company's objectives.

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

The Internal Audit function delivers increased risk coverage and measurable value to the business by identifying and performing audits across the Company's value chain. To achieve this, the IA has a Strategic Internal Audit Plan that provides a framework for performing and promoting a broad range of value-added internal auditing activities.

The IA produces a three-year Risk-Based Internal Audit Plan 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. The plan is approved by the Audit Committee and revisited regularly to allow flexibility in a changing risk environment.

IA executes the plan 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 (IIA).

On a regular basis, IA updates the Audit Committee about the progress of the audit activities, the initiatives undertaken by the IA, as well as the status of management actions.

In order to increase the level of assurance, reduce inefficiencies, and better leverage subject matter expertise, IA optimises collaboration with the executive management and other risk and control functions when carrying out its duties.

IA is continuously evolving to a proficient function with suitably skilled and knowledgeable staff, thus ensuring that it proactively responds 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 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 through its direct reporting line to the Board Risk Committee. 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, which contains amongst other things: Customer Due Diligence measures, procedures for identifying and reporting suspicious transactions, an annual staff training awareness programme and 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 Risk Committee. 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

As part of the ongoing Enterprise Risk Management (ERM) implementation plan, the department is responsible for building a risk awareness culture within Trust Re and reporting to the Risk Committee on all areas relating to the management of risk. Significant progress has been made towards the ERM initiative and embedding ERM in the Company culture, and this was recognized with an "Adequate with Strong Risk Controls" ERM rating status by S&P, maintained in 2017. Further rating actions for Trust Re during 2018 are explained in the rating note* below.

In the last few years, the Actuarial & Risk Management Department (A&R) developed and delivered the Company's first Own Risk and Solvency Assessment (ORSA) Report accompanied by additional technical Risk Capital Modelling Reports for each of its rating agencies' models. ORSA is now well linked to risk appetite, capital management and the business planning process.

Furthermore, the Company has enhanced its risk management practices on Political Risk and Emerging Risk management and the A&R Department is producing an annual Political Risk Report and Emerging Risk Report for the Company; the findings of which are being used for selected risk scenario derivation during the ORSA process and business planning period.

In 2017, the A&R Department has enhanced the Company's Integrated Business Continuity Management (BCM) with the testing phase, which continued in 2018 as part of the continued enhancement of the system. In addition, BCM was extended to incorporate the Company's branches. At the same time, a Reputational Risk Framework is available, strengthening the Company's ERM Framework even more.

CAT Risk Management practices (including monitoring of aggregate exposures) has been another area which was subject to further improvements, as shown in the annual CAT and Aggregate Monitoring Reports which are prepared for this purpose. During the end of 2017, the Company reviewed its CAT modelling options and CAT modelling capabilities and has initiated the process for in-house RMS implementation, which was completed in 2018.

The Company's ERM Framework has been improved further with the review and development of more risk-tolerance control reports, as well as with the enhancement of both ERM and rating agencies related Management Information on many issues.

The Company's Cyprus Branch is operating under Solvency II directive and in 2017 has completed all its Pillar 3 Reporting including the Solvency and Financial Conditions Report and Report to Supervisor. At the same time, the A&R Department has enhanced its Solvency II reporting capabilities with the implementation of a new Solvency II Reporting Platform.

The A&R Department has converted the Company's Facultative Property and Onshore pricing models into web-based tools. Additional Treaty tools are at the final stage of testing. The tools aim to embed the concept of risk management within the underwriting process. The tools help to mitigate the possible risks rooted in the rating process by providing underwriters with further insight into the nature of the risk. They are provided with actuarially calculated rates, broken down into various components. As such, the tools will help to ensure and support a thorough and consistent underwriting process since "bottom line is key" and improve the Company's capability of becoming the "Reinsurer of Choice".

In 2017, the A&R department extended the use of SAP Governance, Risk and Compliance (GRC) platform to its subsidiaries where now all the risk management review process takes place. In 2018, as part of the continued improvement of the Risk Management System, the GRC was further expanded to include four additional module extensions – Key Risk Indicator (KRI), Incident Management, Issue Management and Policy Management.

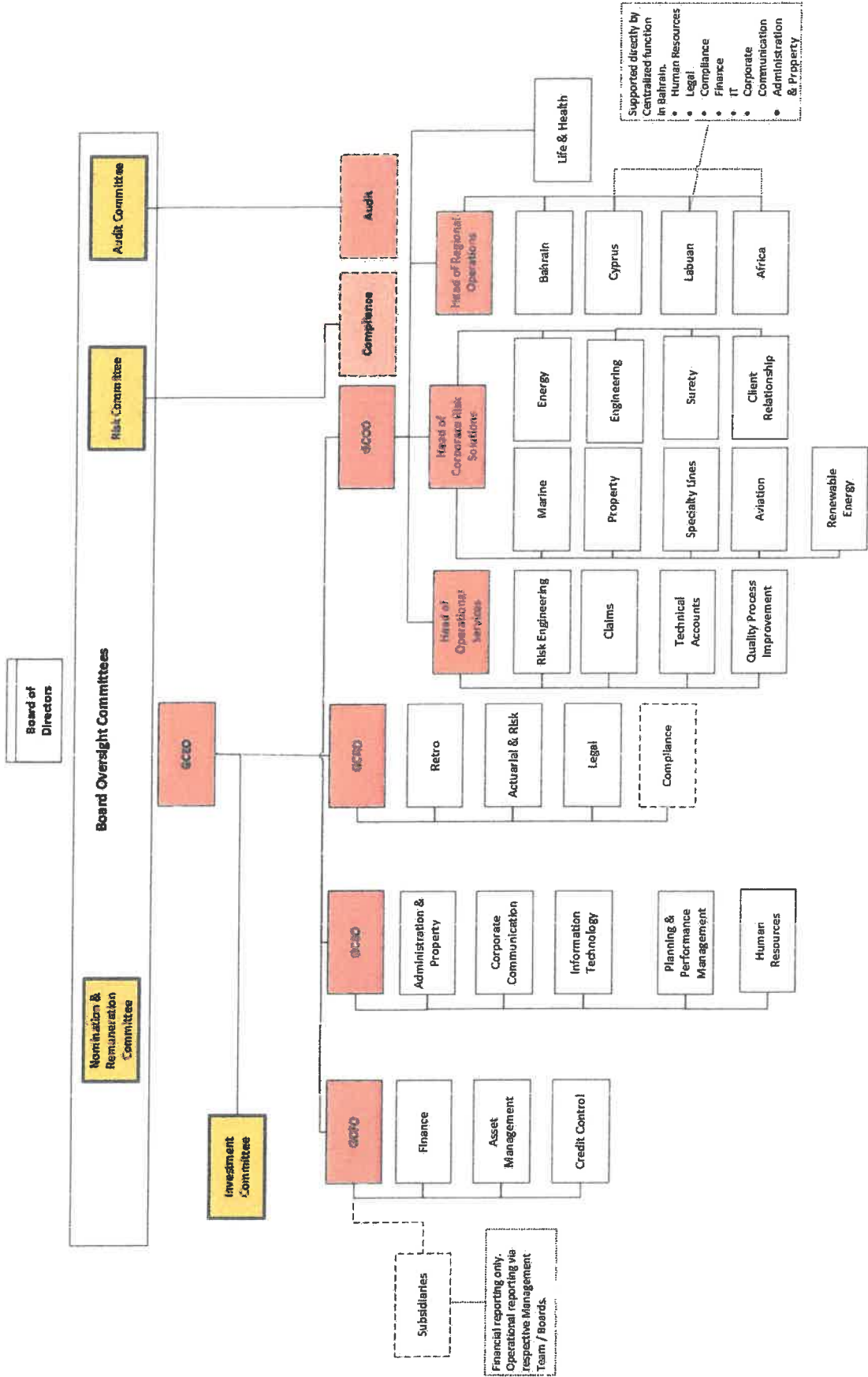
The process for converting the Company's internal capital model to a new platform that will provide greater flexibility and allow more input into the risk-based decision making process was initiated.

*Note on Rating Actions for Trust Re.

- 10 Aug 2018 – Placed by S&P Global Ratings on CreditWatch Negative; Ratings Suspended On Delayed 2017 Audit

- 15 Oct 2018 - A.M. Best Downgrades Credit Ratings of Trust Re and Maintains Under Review With Negative Implications Status
- 12 Nov 2018 - Ratings Withdrawn by S&P Global Ratings due to Lack Of Audited 2017 Financials
- 5 Dec 2018 – A.M. Best Withdraws Credit Ratings. The withdrawal of the ratings reflects the fact that Trust Re has not provided the necessary financial information required by AM Best to support an ongoing credit opinion of the company, consistent with AM Best's rating criteria.

Organisational Chart



A Message from the Executive Council

In 2017, the resilience of our business model and the perseverance of our team were critical in a year where the effects of large Energy and Property losses in our portfolio were felt.

All our strategic initiatives, and upholding our strong competitive position, point towards safeguarding our bottom line; a particular challenge during the soft market conditions that we continued to experience during the year.

Gross Written Premium (GWP) grew by 15.6% to reach US\$ 556.8 million (2016: US\$ 481.7 million). Underwriting margin dropped year-on-year due to the prolonged soft market and unfavourable loss experience during the year to end the period at a loss of US\$ 9.6 million (2016: profit of US\$ 13.0 million). Net profit for the year is US\$ 5.7 million at 31 December 2017 (2016: US\$ 18.8 million).

Throughout the year, our underwriting strategy was prudent and mandated a selective, risk-based approach as we managed the portfolio to seek low-volatility business. Our Risk Engineering and Claims capabilities also differentiated us in the market and contributed to boosting our value proposition. Moreover, our risk engineering services continue to provide an edge for further gaining the trust of business partners, capacity providers and stakeholders such as rating agencies.

Our values of Trust, Dynamic and Team Spirit continue to be the driving force behind our Company spirit and philosophy. Our skilled and knowledgeable staff are our greatest asset. During the third quarter, we welcomed a new Compliance Officer & MLRO (Money Laundering Reporting Officer) to our team. The incumbent, a Bahraini national, brings several years of related experience in the financial services field to our multinational team. In December, we bade farewell to Thommy Thomas, Labuan Branch CEO, after three decades of sterling service to the Company. We wish Thommy the best of health in his retirement.

Customer partnerships, and engaging with stakeholders, remains a cornerstone of our strategy. We held two Business Partners' Seminars during the year; in Russia for our Russian partners and in Thailand for our partners from Vietnam, Indonesia, Brunei, Malaysia and Thailand. As always, our technical teams made frequent market visits throughout the year, and we participated in several conferences across our regions of operation including the India Rendezvous in Mumbai, FANAF in Marrakech, the inaugural Dubai World Insurance Congress (DWIC) in United Arab Emirates, the AIO in Uganda, FIAR in Romania and the SIRC in Singapore.

During the month of October, under the patronage of HRH Prince Khalifa bin Salman al Khalifa, Prime Minister of the Kingdom of Bahrain, the Federation of Afro-Asian Insurers & Reinsurers held their 25th Conference in Bahrain. Trust Re was a proud joint organizer, platinum sponsor and Thought Leadership sponsor of the successful event held at the Gulf Convention Centre in Manama.

Delay in the release of the audited financial statements for the year ended 31 December 2017

resulted in an eventual withdrawal of the Company's A- financial strength rating from Standard & Poor's and A.M. Best in the last quarter of 2018. In spite of this, we continue to meet our liabilities and deliver reliable services at the same standards to which our partners are accustomed.

As we advance, we are cognisant that the digital revolution is leading to changes in customer behaviour and is affecting every aspect of the insurance value chain. Due to our ongoing investments in technology, we are confident of achieving operational and expense benefits.

Finally yet importantly, on behalf of the Executive Council, I would like to thank all our employees and business associates; their hard work and partnership are always of crucial importance.

A handwritten signature in black ink, appearing to read 'Kamal Tabaja', with a stylized flourish at the end.

Kamal Tabaja
Group Chief Operating Officer
07 April 2019

The Group Results

The Group's Gross Written Premium in 2017 reached US\$ 556.8 million, representing growth of 15.6% compared to 2016 (US\$ 481.7 million).

The retention ratio decreased by 1.8 percentage points from 60.3% in 2016 to 58.5% during last year. In 2017, the combined ratio stood at 103.0% as opposed to 95.1% in 2016. The loss ratio increased by 0.6 percentage points at 64.3%, while the acquisition cost ratio deteriorated by 0.7 percentage points at 23.2%.

The overall profit after tax reported at US\$ 5.7 million (2016: US\$ 18.8 million).

The Company Results

The Company's Gross Written Premium in 2017 amounted to US\$ 533.4 million compared to US\$ 469.2 million in 2016. The retention ratio of the Company was lower at 57.5% compared to 60.4% in 2016.

The Company's combined ratio for 2017 stood at 102.8% compared to 95.6% in 2016. The acquisition cost ratio improved at 20.9% compared to 18.5% in 2016. The loss ratio increased from 67.9% in 2016 to 68.9% in 2017. The Company generated net underwriting loss of US\$ 8.4 million during 2017, compared to US\$ 12.4 million profit in 2016.

Investment and finance income generated US\$ 16.0 million, compared to US\$ 10.1 million in 2016. Overall profit after tax reported at US\$ 5.4 million compared to US\$ 17.7 million in 2016.

The Group's Financial Strength

The Group's net technical reserves increased by 13.7% on a year-to-year basis to reach US\$ 643.0 million (2016: US\$ 565.8 million). The increase of US\$ 77.2 million is due to internal reserve strengthening.

Investments held in equities and fixed income securities rose by 10.4% to US\$ 332.0 million as at December 2017, compared to US\$ 300.8 million as at December 2016.

Key Group Ratios for the Year were:

Performance Ratios %

	Note	2017	2016
Retention Ratio	1	58.5	60.3
Combined Ratio	2	103.0	95.1
Underwriting Margin (USD in millions)	3	(9.6)	13.1
Return on Equity	4	1.2	4.1

The Company's Financial Strength

In 2017, the Company's net technical reserves reached US\$ 556.4 million. This represents a 12.0% increase from US\$ 496.9 million in 2016.

The shareholders' equity dropped by 1.0% to end the year at US\$ 452.3 million compared to US\$ 456.9 million in 2016.

Key Company Ratios for the Year were:

Performance Ratios %

	Note	2017	2016
Retention Ratio	1	57.5	60.4
Combined Ratio	2	102.8	95.2
Underwriting Margin (USD in millions)	3	(8.4)	12.4
Return on Equity	4	1.2	3.9

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.

The total invested assets grew to US\$ 836.3 million compared to US\$ 794.1 million at the end of 2016. The portfolio allocation remained conservative as approximately 60.3% of the portfolio remained in cash, compared to 62.1% the year before. The future investment strategy of the Company will remain conservative.

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. Due to natural catastrophes in 2017 (Hurricanes Harvey, Irma and Maria, Mexican earthquake and California wildfires), the results for the year 2017 report a loss of US\$ 0.6 million against a profit of US\$ 0.6

million in 2016. Its overall premium production increased by 14.0% during 2017. For the 2018 year of account, the total stamp of TUL stands at US\$ 36.5 million, an increase on the US\$ 31.0 million from 2017, due to the appreciation of GBP against USD and pre-emptions. As at 31 December 2017, the market value of TUL capacity stood at US\$ 11.4 million (2016: US\$ 16.9 million) based on the average auction prices obtained between October and December 2017 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 2017. The entity resulted in a loss of US\$ 27.6 thousand during the year (2016: US\$ 398.8 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\$ 34.7 thousand during the year (2016: loss of US\$ 20.3 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\$ 625.6 thousand during the year (2016: US\$ 218.1 thousand). For the year 2017, the Company earned a profit of US\$ 337.2 thousand (2016: US\$ 95.3 thousand).

Oman Reinsurance Company SAOC

On 29 December 2016, the Group acquired an additional stake in Oman Reinsurance Company S.A.O.C. (Oman Re), resulting in the Group holding a 48.4% stake in Oman Re. 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 2017 of US\$ 250 thousand (2016: loss of US\$ 1,248 thousand).

Management Team

Executive Council

The Executive Council, consisting of Group CEO and members below (each of whom reports to GCEO), meets on a regular basis to collectively ensure that the Company's strategic objectives are met.

Fadi AbuNahl, Group Chief Executive Officer (until 25 May 2018)

Fadi has been working in the insurance industry for 20 years. Trust Re under Fadi's leadership has witnessed tremendous growth. It has been characterised by diversification in classes of business and consistent investment in human capital. He has also spearheaded the decentralization of operations and led a strategy of regional diversification. Fadi resigned from Trust Re on 25 May 2018.

Kamal Tabaja, Group Chief Operating Officer

Kamal began his career as a Systems Engineer and is a fellow of the Chartered Insurance Institute (FCII), UK. He has been working in the insurance and reinsurance industry for the past 17 years. He held various underwriting positions within Trust Re, leading the development of different segments.

Mark Buisseret, Group Chief Risk Officer (until 31 December 2018)

Mark is a UK graduate in Actuarial Science. He started his professional career in the London market and has acquired more than 20 years of experience working for various international reinsurance companies. His areas of expertise include pricing, reserving and capital modelling.

Constantinos Hadjigeorgiou, Group Corporate Services Officer

Constantinos is a Fellow of the Chartered Insurance Institute (UK) and Associate in Risk Management (USA). He has over 19 years of international experience in insurance/reinsurance, strategy, advisory and project management in a number of global positions.

Company's Solvency Statement

As at 31 December 2017, the Company's summarised solvency position was as follows:

	31.12.17 (in US\$ '000)	31.12.2016 (in US\$'000)
Capital available	(38,621)	(40,628)
Required margin of solvency	53,857	50,825
Deficiency of capital available over the required solvency margin	(92,478)	(91,453)

As highlighted above the Company has a deficiency of available capital of US\$ 92,478 thousand (2016: US\$ 91,453 thousand) against required margin of solvency required under the CBB Rulebook.

Even though the Company's net assets are positive, regulatory requirements may raise material uncertainty that may cast significant doubt upon the Group's or Company's ability to continue as a going concern.

Subsequent to the year end, as a result of the liquidation of deposits amounting to USD 351,000 thousand to set off a facility granted by a bank to the Parent, the Company has recorded the above liquidation of deposits as receivable from the Parent in 2018. Subject to CBB approval, the Parent intends to transfer USD 353,000 thousand to settle the above receivable balance as follows:

- Cash injection of US\$ 130,000 thousand (to be injected latest by 30 June 2019)
- Cash injection of USD 223,000 thousand (to be injected in three years starting 2020)

Had the above settlement been made to the Company prior to the reporting date, the Company would have an excess available capital of US\$ 262,522 thousand against required margin of solvency as at 31 December 2017.

The Parent has confirmed its intention to provide continuous financial support to the Company, to meet its obligations for a period of at least 12 months from the date of these financial statements.

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 2017, as in previous years, our staff sponsored and packed food baskets for those less fortunate during the Holy Month of Ramadan.

In Bahrain, we helped a young baby suffering from heart problems with his surgery/travel and medication along with his follow-up medical checks. We sponsored two teams who ran in the annual Bahrain Marathon Relay; funds raised go to various charities.

In Asia, we sponsored the Marta Women Football Club in Pakistan and participated in a project to rebuild an orphanage in KL, we are pleased to know that its first stage has been finalised.

During our Business Partners' Seminar (BPS) in Thailand, in August, we provided the children with basic supplies such as nappies and powdered milk. Trust Re feels strongly about CSR and always endeavours to give back to the communities that have helped it grow.

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\$ 500 thousand to be paid to the Directors for the year 2017.

The remuneration of the Executive Management team and the management fee to the parent company for the year 2017 is disclosed in note 29 to the financial statements.

Auditors

A resolution to appoint the external auditors of the Company for financial year 2018 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.

Acknowledgements

The Board of Directors expresses its sincere appreciation of all our valued clients, reinsurers, brokers, business partners and collaborators, the Ministry of Industry and Commerce and the Central Bank of Bahrain for their continuous support and cooperation. The Board looks forward to the continued encouragement of all these parties in the future. We recognise that the ultimate success of the Company is the result of the combined efforts, support and cooperation of all the above-mentioned parties. On behalf of the Board of Directors and the Executive Management, we would like to thank them for their commitment and valuable contribution.

On behalf of the Board



Kamel Abunahl
Chairman

07 April 2019

A Message from the Chairman

We faced many challenges in 2017; market conditions, regulatory matters and geopolitical issues were the key challenges of the year.

Shareholders' equity dropped marginally compared to the previous year, amounting to US\$ 481.2 million at 31 December 2017 (2016: US\$ 487.3 million). Despite these conditions, I am happy to report to you as follows:

Market conditions

Thanks to our strong competitive position, however, we were able to sustain a leading market position in our traditional markets and we enhanced our market position in Europe and East Asia. Our physical presence in Morocco has reinforced our brand on the African continent and is a valuable part of our customer partnership strategy. To this end, approvals were obtained for conversion of the status of our Morocco Office from Representative Office to Branch and we are working to complete the formalities.

We continue to enhance our value proposition by improving underwriting capabilities, increasing our lines, providing client services such as Risk Engineering and Training, improving turnaround time and claims payment performance. The introduction of new reinsurance solutions, addition of specialised expertise and our Thought Leadership strategy have also strengthened our position in the markets in which we operate.

Regulatory and other matters

Our aim is to continuously improve the best corporate governance practices. For 2017, our Board of Directors consisted of a balanced mix of highly qualified and experienced independent, non-executive directors, as well as executive and shareholder representatives.

As a licenced reinsurance entity headquartered in the Kingdom of Bahrain, the Company is under the supervision of the Central Bank of Bahrain (CBB). Our operations as well as compliance matters have been under regular review by the CBB. Trust Re's Branches operate under the supervisory regimes of host regulators (in addition to the CBB).

In 2017, the CBB engaged one of the top four auditing firms in order to review Financial, operational and governance aspects including the intergroup relationship and other areas of importance such as the Company's Anti-Money Laundering (AML) framework.

The review commenced in August 2017 and resulted in 44 observations that needed improvement; most of the observations have already been addressed.

The above resulted in extended external audit as well as certain additional agreed upon procedures, which lasted up to April 2019.

These extended audits identified areas of improvement in the AML procedures; no other significant issues were found.

The Parent company has made a commitment to the CBB to provide a US\$ 130 million cash injection by 30 June 2019 in order to meet the solvency requirements. The balance of US\$ 223 million will be also repaid in cash over the period from 2020 to 2022 . The Company prepared a 5-year business action plan in order for the Company's financial position to meet regulatory requirements.

As part of the Board's initiative for the Company to regain its rating status, it was decided that during 2019, a new Chairman, Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Risk Officer (CRO), as well as other officers will be appointed.

I am sure the new team will aim to reinstate the credit rating of the Company as a priority and will implement the revised 5- year business plan approved by the Board and the CBB. The Company's ratings were withdrawn due to delay in releasing Audited Financial statements. As a result of losing the rating, we anticipate a drop in our premium in 2019 but with the determination of the team, we are confident that the lost business will be regained.

I would like to thank the Board members for their dedication, hard work and diligence during a very turbulent period in the Company's history.

I would also like to pay tribute to Professor Derek Atkins who was a Board member and passed away in 2017.

In May 2017, Ghazi Abunahl and Mehran Eftekhari stepped down from the Board after completing their maximum terms in office. We would like to thank both men for their valuable contributions over the years.

In the same month, we welcomed Dr. Kai-Uwe Schanz and Fetooh Al Zayani to the Board as independent non-executive members. Furthermore, in August 2017, Prof. Chris Parsons joined our Board, also as an independent non-executive member.

In May 2018, Fadi Abunahl stepped down from the Board and from his position as Group Chief Executive Officer. During the fourth quarter of 2018, Dr. Kai-Uwe Schanz and Dr. Cherif Chentir stepped down from the Board. We would like to thank all of them for their contributions to the Board.

Regarding risk management, an Enterprise Risk Management (ERM) framework underpins all activities undertaken by the Company. In line with our mission “to be innovative in providing reinsurance solutions and prompt responses, always”, we continuously review our ability to provide tailor-made solutions, vary our products and our value-added services offering.

Leveraging the use of technology will be a key driver of our growth through providing more efficiency and better governance. During 2017, we launched a group of projects whose benefits are expected to be more customer centricity, more agility and result in operational benefits to the Company, and ultimately to our business partners.

Lastly, and on behalf of the Board of Directors, I would like to express my sincere thanks to all clients, producers, business associates and staff for their constant trust and support. We are gratified that despite all the issues we had to deal with including the loss of rating, a significant part of our clients continues doing business with us.

A handwritten signature in blue ink, appearing to read 'Kamel Abunah', is positioned above the printed name.

Kamel Abunah
Chairman

7 April 2019