

Hannover ReTakaful B.S.C. (c)

CONDENSED INTERIM FINANCIAL INFORMATION

30 June 2018

Registered Office	: Al Zamil Tower, 17th floor P.O. Box 75180 Manama Kingdom of Bahrain
Board of Directors	: Jürgen Gräber, Chairman Mahomed Akoob Claude Chèvre Gerald Segler Olaf Brock Jorge Alfonso Perez
Auditors	: PricewaterhouseCoopers ME Limited

Hannover ReTakaful BSC (c)
Condensed interim financial information
For the six-month period ended 30 June 2018

CONTENTS	Page
Independent auditors' report on review of condensed interim financial information	2
Condensed interim financial information	
Condensed statement of financial position	3
Condensed statement of profit or loss	4
Condensed statement of policyholders' revenue and expenses	5
Condensed statement of changes in policyholders' surplus and deficit	6
Condensed statement of changes in shareholders' equity	7
Condensed statement of cash flows	8
Notes to the condensed interim financial information	9 - 13



HANNOVER RETAKAFUL B.S.C. (c)

Independent Auditor's Review report to the directors of
Hannover Retakaful B.S.C. (c)

Report on the review of the condensed interim financial information

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Hannover Retakaful B.S.C. (c) (the "Company" or "Hannover") as of 30 June 2018 and the related condensed interim statements of profit or loss, policyholders' revenue and expenses, changes in policyholder's surplus and deficit, changes in shareholder's equity and cash flows for the six month period then ended, and notes, comprising a summary of significant accounting policies and other explanatory notes. The directors are responsible for the preparation and presentation of this condensed interim financial information in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"). Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of condensed interim financial information performed by the Independent Auditor of the entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI").

A handwritten signature in blue ink, appearing to read 'PricewaterhouseCoopers', is written over the date.

14 November 2018

Partner's registration number: 196
Manama, Kingdom of Bahrain

Hannover ReTakaful B.S.C. (c)
Condensed statement of financial position
as at 30 June 2018

Bahraini Dinars

	Note	30 June 2018 (reviewed)	31 December 2017 (audited)
ASSETS			
Cash and cash equivalents	6	11,929,240	8,651,335
Statutory deposit		151,800	150,103
Investment securities	7	110,312,570	112,241,790
Retakaful receivables		10,721,716	13,686,902
Accrued contribution receivable		29,063,777	21,130,439
Deferred acquisition costs		2,723,847	2,917,292
Retrocessionaires' share of unearned contribution reserve		1,418,832	335,869
Retrocessionaires' share of loss reserve	10 (c)	435,513	422,269
Retrocessionaires' share of IBNR		153,374	152,460
Prepayments, equipment and other assets		213,723	140,491
Total assets		167,124,392	159,828,950
SHAREHOLDERS' EQUITY, POLICYHOLDERS' FUND & LIABILITIES			
Shareholders' equity			
Share capital		20,000,000	20,000,000
Statutory reserve		4,722,337	4,722,337
Dividend reserve		1,000,000	-
Retained earnings		36,972,775	39,341,031
Total shareholders' equity		62,695,112	64,063,368
Policyholders' fund (page 6)		(21,730,853)	(18,164,097)
Liabilities			
Loss reserve		97,015,832	89,352,869
Unearned contribution reserve		18,831,428	17,506,982
Commission reserve		91,633	91,402
Retakaful payables		5,454,109	4,545,881
Payables to retrocessionaires		2,993,406	892,453
Related party payables		743,977	409,821
Other liabilities		1,029,748	1,130,271
Total liabilities		126,160,133	113,929,679
Total shareholders' equity, policyholders' fund and liabilities		167,124,392	159,828,950

The Board of Directors approved the condensed interim financial information consisting of pages 3 to 13 on 3 September 2018.


 Jürgen Gräber
 Chairman


 Mahomed Akoob
 Managing Director

Hannover ReTakaful B.S.C. (c)
Condensed statement of profit or loss
For the six-month period ended 30 June 2018

Bahraini Dinars

	30 June 2018 (reviewed)	30 June 2017 (reviewed)
INCOME		
Wakala fee for managing retakaful activities	3,301,246	3,611,813
Change in deferred wakala fee	(295,647)	178,904
Net earned wakala fee	3,005,599	3,790,717
Investment (loss) / income	(419,845)	803,340
Mudaraba fee income	-	405,264
Exchange gains	226,656	15,072
Other income	-	200
TOTAL INCOME	2,812,410	5,014,593
EXPENSES		
Staff cost	512,448	504,681
General and administrative expenses	276,660	497,341
Impairment of qard hassan	1,191,558	1,191,558
Total expenses	1,980,666	2,193,580
PROFIT FOR THE PERIOD	831,744	2,821,013

The Board of Directors approved the condensed interim financial information consisting of pages 3 to 13 on 3 September 2018


 Jürgen Gräber
 Chairman


 Mahomed Akoob
 Managing Director

Hannover ReTakaful B.S.C. (c)
 Condensed statement of policyholders' revenue and expenses
 For the six-month period ended 30 June 2018

Bahraini Dinars

	30 June 2018 (reviewed)	30 June 2017 (reviewed)
REVENUE		
Gross contributions	32,693,061	33,142,067
Retrocessionaires' share of contributions	(2,244,736)	(2,244,940)
Change in gross unearned contributions	(1,323,789)	3,541,789
Change in retrocessionaires' share of unearned contributions	1,080,358	1,080,845
Net earned contributions	30,204,894	35,519,761
Foreign exchange (losses) / gains	(13,508)	65,375
Investment (loss) / income	(453,239)	1,013,161
Mudarib share	-	(405,264)
Total revenue	29,738,147	36,193,033
EXPENSES		
Gross claims paid	(18,327,961)	(26,452,848)
Movement in loss reserve, net	(7,497,638)	236,422
Net claims incurred	(25,825,599)	(26,216,426)
Policy acquisition costs, net	(4,048,226)	(5,352,887)
Movement in deferred acquisition costs	(200,901)	(562,612)
Wakala fee	(3,301,246)	(3,611,813)
Change in deferred wakala fee	295,647	(178,904)
Other expenses	(3,850)	(3,410)
Total expenses	(33,084,175)	(35,926,052)
(Deficit) / Surplus for the period	(3,346,028)	266,981

Hannover ReTakaful B.S.C. (c)

Condensed statement of changes in policyholders' surplus and deficit

For the six-month period ended 30 June 2018

Bahraini Dinars

2018 (reviewed)

	General retakaful	Family retakaful	Total accumulated deficit	Surplus distribution reserve	Total policy holders' fund
As at 1 January 2018	(22,517,084)	1,258,976	(21,258,108)	3,094,011	(18,164,097)
Deficit for the period	(2,350,034)	(995,994)	(3,346,028)	-	(3,346,028)
Qard Hassan allowance	1,191,558	-	1,191,558	-	1,191,558
Surplus paid during the period	-	-	-	(1,412,286)	(1,412,286)
As at 30 June 2018	(23,675,560)	262,982	(23,412,578)	1,681,725	(21,730,853)

2017 (reviewed)

	General retakaful	Family retakaful	Total accumulated deficit	Surplus distribution reserve	Total policy holders' fund
As at 1 January 2017	(32,049,544)	3,181,338	(28,868,206)	4,647,156	(24,221,050)
Surplus for the period	982,166	(715,185)	266,981	-	266,981
As at 30 June 2017	(31,067,378)	2,466,153	(28,601,225)	4,647,156	(23,954,069)

Hannover ReTakaful B.S.C. (c)
 Condensed statement of changes in shareholders' equity
 For the six-month period ended 30 June 2018

Bahraini Dinars

2018 (reviewed)

	Share capital	Statutory reserve	Dividend reserve	Retained earnings	Total
As at 1 January 2018	20,000,000	4,722,337	-	39,341,031	64,063,368
Profit for the period	-	-	-	831,744	831,744
Transfer to dividend reserve	-	-	1,000,000	(1,000,000)	-
Dividends paid (Note 8)	-	-	-	(2,200,000)	(2,200,000)
As at 30 June 2018	20,000,000	4,722,337	1,000,000	36,972,775	62,695,112

2017 (reviewed)

	Share capital	Statutory reserve	Dividend reserve	Retained earnings	Total
As at 1 January 2017	20,000,000	3,982,019	1,000,000	40,827,517	65,809,536
Profit for the period	-	-	-	2,821,013	2,821,013
Dividends paid (Note 8)	-	-	(1,000,000)	(1,000,000)	(2,000,000)
As at 30 June 2017	20,000,000	3,982,019	-	42,648,530	66,630,549

The notes on pages 9 to 13 are an integral part of this condensed interim financial information.

Hannover ReTakaful BSC (c)
 Condensed statement of cash flows
 For the six-month period ended 30 June 2018

Bahraini Dinars

	30 June 2018 (reviewed)	30 June 2017 (reviewed)
OPERATING ACTIVITIES		
Combined deficit / profit for the period	(2,514,284)	3,087,994
<i>Adjustments for:</i>		
Impairment of qard hassan	1,191,558	1,191,558
Provision for employees' end of service benefits	40,500	40,763
Depreciation expenses	38,249	45,781
Amortisation of investments	72,962	259,785
Fair value movement for investments securities	1,808,752	(274,878)
Changes in unearned contribution reserve, net	241,483	(4,472,761)
Changes in loss reserves, net	7,648,805	142,360
Changes in deferred acquisition costs	193,445	553,796
Changes in profit commission reserve	231	201
Realised losses / (gains) on investment securities	780,801	(19,764)
Profit from investments securities and placement with financial institution	(1,789,431)	(1,775,940)
	7,713,071	(1,221,105)
<i>Changes in operating assets and liabilities:</i>		
Retakaful receivables	2,965,186	136,831
Takaful payables	908,228	(24,732)
Accrued contribution receivable	(7,933,338)	2,618,340
Prepayments and other assets	(27,037)	55,378
Related party receivables / payables	334,156	(42,441)
Payables to retrocessionaires	2,100,953	2,138,190
Other liabilities	(100,521)	(91,700)
Cash flows generated from operating activities	5,960,698	3,568,761
INVESTING ACTIVITIES		
Purchase of equipment	(84,444)	(1,478)
Profit from investments securities	1,805,212	1,670,862
Purchase of investment securities	(54,653,054)	(28,376,197)
Redemption of investment securities	54,300,606	23,969,897
Cash flows generated from / (used in) investing activities	1,368,320	(2,736,916)
FINANCING ACTIVITIES		
Surplus distributed	(1,412,286)	-
Dividend distributed	(2,200,000)	(2,000,000)
Cash flows used in financing activities	(3,612,286)	(2,000,000)
Net increase / (decrease) in cash and cash equivalents	3,716,732	(1,168,155)
Cash and cash equivalents at the beginning of the period	8,651,335	8,361,177
Foreign currency exchange movement	(438,827)	(107,925)
Cash and cash equivalents at the end of the period	11,929,240	7,085,097
Represented by:		
Shareholders	2,471,872	754,496
Policyholders	9,457,368	6,330,601
	11,929,240	7,085,097

The notes on pages 9 to 13 are an integral part of this condensed interim financial information.

Hannover ReTakaful B.S.C. (c)

Notes to the condensed interim financial information

For the six-month period ended 30 June 2018

Bahraini Dinars

1 REPORTING ENTITY

Hannover ReTakaful BSC (c) ("the Company") is a Bahrain shareholding Company (closed) incorporated in the Kingdom of Bahrain on 3 October 2006, under the Bahrain Commercial Companies Law 2001 with commercial registration number 62686-1 in the Kingdom of Bahrain and is licensed as an Islamic insurance company, with the Central Bank of Bahrain ("CBB" or "the regulator"). The Company is authorized to carry out reinsurance (i.e. retakaful) activities in conformity with the precepts of Islamic Shari'a. The Company has two separate branches Hannover Retakaful Labuan Branch General and Hannover Retakaful Labuan Branch Family to carry out retakaful activities. The Company is a wholly owned subsidiary of the Hannover Re Group based in Germany. The retakaful activities are organised on a calendar year basis with the policyholders' pooling their contributions to compensate for losses suffered in the pool on occurrence of a defined event.

2 BASIS OF PREPARATION

a) This condensed interim financial information has been prepared in accordance with Financial Accounting Standards ('FAS') issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI). In line with the requirements of AAOIFI and the CBB Rulebook, for matters that are not covered by AAOIFI standards, the Company uses guidance from the relevant International Financial Reporting Standards. Accordingly, the interim financial information has been presented in condensed form in accordance with International Accounting Standard 34 –Interim Financial Reporting, which permits the interim financial statements to be in summarized form and not to include all of the information required for the annual financial statements. The condensed interim financial information does not include all of the information required for the annual financial statements and should be read in conjunction with the audited financial statements of the Company as at and for the year ended 31 December 2017.

b) The condensed interim financial information is not audited but has been reviewed by PricewaterhouseCoopers ME Limited and their review report is set out on page 2. The comparatives for the condensed statement of financial position have been extracted from the audited financial statements for the year ended 31 December 2017. The comparatives for the condensed statement of profit or loss, policyholders' revenues and expenses, policyholders' surplus and deficit, changes in shareholders' equity and cash flows have been extracted from reviewed condensed interim financial information for the six-month period ended 30 June 2017.

3 FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in the audited financial statements as at and for the year ended 31 December 2017.

4 USE OF JUDGMENT, ESTIMATES AND ASSUMPTIONS

Preparation of condensed interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgements made by management in applying the Company's accounting policies and the key sources of estimations uncertainty were same as those that applied to the financial statements as at and for the year ended 31 December 2017.

5 SEASONALITY OF INTERIM OPERATIONS

As a result of the seasonality associated with the insurance business, gross premiums written over the financial year are not evenly spread out. This seasonality does not however, have any material impact on the Company's underwriting result as the contribution are taken to income over the terms of the related contracts or policies. Claims are not cyclical and could impact the reported result for each interim period.

Appropriations of net profit, if any, are made only at the year end.

Hannover ReTakaful B.S.C. (c)
Notes to the condensed interim financial information
For the six-month period ended 30 June 2018

Bahraini Dinars

6 CASH AND CASH EQUIVALENTS

	30 June 2018 (reviewed)	31 December 2017 (audited)
Cash and bank balances	11,929,240	8,651,335

7 INVESTMENT SECURITIES

	30 June 2018 (reviewed)	31 December 2017 (audited)
Debt type		
- Quoted sukuk	107,149,531	109,165,079
- Unquoted sukuk	1,947,119	1,928,590
Equity type		
- Quoted sukuk	1,215,920	1,148,121
Investments at fair value through profit or loss	110,312,570	112,241,790

8 APPROPRIATION & DIVIDENDS PAID

The shareholders of the Company in their meeting held on 27 April 2018 approved a cash dividend payment of BD 2,200,000 (30 June 2017: BD 2,000,000) which has already been paid during the period.

9 IMPAIRMENT ON QARD HASAN

Qard Hasan is a profit free loan funded by shareholder to the Takaful funds based on solvency margin and capital adequacy rules of the CBB. Where the Qard Hasan has been granted for solvency purposes under the rules, the amount of the Qard Hassan is assessed annually for impairment. Accordingly, the Company has adopted a policy to write down 20% of Qard Hasan each year in line with CBB's rules and regulations.

10 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include other group companies, directors and key management personnel of the Company. Key management personnel comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Company.

a) Transactions with related parties

	30 June 2018 (reviewed)	30 June 2017 (reviewed)
Contribution ceded to:		
- Hannover Re Bermuda Ltd., Bermuda <i>Entity within the Hannover Re Group</i>	2,138,183	2,089,352
- Hannover Rück SE, Germany <i>Parent company of the Hannover Re Group</i>	77,487	155,587

Hannover ReTakaful B.S.C. (c)
 Notes to the condensed interim financial information
 For the six-month period ended 30 June 2018

Bahraini Dinars

10 RELATED PARTY TRANSACTIONS (continued)

	30 June 2018 (reviewed)	30 June 2017 (reviewed)
Expenses recharged by:		
- Talanx Asset Management GmbH, Germany <i>Entity within the Talanx Group (Ultimate Parent)</i>	28,350	27,926
- Hannover Rück SE Malaysia Branch, Malaysia <i>Branch of the Parent company of the Hannover Re Group</i>	2,024	2,738
- Hannover Rueck SE, Bahrain Branch, Bahrain <i>Branch of the Parent company of the Hannover Re Group</i>	641,314	811,657
- Hannover Rück SE, Germany <i>Parent company of the Hannover Re Group</i>	111,985	119,685
b) Related party payables to retrocessionnaires		
	30 June 2018 (reviewed)	31 December 2017 (audited)
Hannover Rueck SE, Bahrain Branch <i>Branch of the Parent company of the Hannover Re Group</i>	743,977	409,822
Hannover Rück SE, Germany <i>Parent company of the Hannover Re Group</i>	423,884	401,123
Hannover Re Bermuda Ltd., Bermuda <i>Entity within the Hannover Re Group</i>	2,017,844	21,130
c) Retrocessionnaires' share of loss reserve		
Hannover Re Bermuda Ltd., Bermuda <i>Entity within the Hannover Re Group</i>	435,513	422,269
d) Key management compensation		
Salaries and benefits to key management personnel	335,100	416,016
e) Balances due to key management personnel		
Remuneration payable	333,485	344,141

Hannover ReTakaful B.S.C. (c)

Notes to the condensed interim financial information

For the six-month period ended 30 June 2018

Bahraini Dinars

11 FAIR VALUE OF FINANCIAL INSTRUMENTS

(i) Fair value hierarchy

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction. The table below sets out the group's classification of each class of financial assets and liabilities, and their fair values.

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1

quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2

inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

- Level 3

inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and where the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

(ii) Financial instruments measured at fair value

The table below analyses financial instruments, measured at fair value as at the end of the year, by level in the fair value hierarchy into which the fair value measurement is categorized:

	30 June 2018		
	Level 1	Level 2	Level 3
Investments at fair value through profit or loss	274,960	110,037,610	-

No transfers out of, or into, the level 3 measurement classification occurred during the period ended 30 June 2018.

	31 December 2017		
	Level 1	Level 2	Level 3
Investments at fair value through profit or loss	299,555	111,942,235	-

Hannover ReTakaful B.S.C. (c)

Notes to the condensed interim financial information

For the six-month period ended 30 June 2018

Bahraini Dinars

11 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair value represents the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the company is a going concern without any intention or requirement to curtail materially the scale of its operation or to undertake a transaction on adverse terms.

(iii) Other financial assets and liabilities

The carrying amount of the Company's other financial assets and liabilities approximate their fair values due to their short term nature.

12 SEGMENT INFORMATION

30 June 2018

	General Retakaful	Family Retakaful	Total
Gross contributions	15,220,055	17,473,006	32,693,061
Earned contributions	14,379,907	15,824,987	30,204,894
Net claims incurred	(11,620,385)	(14,205,214)	(25,825,599)
Net policy acquisition cost	(3,546,381)	(702,746)	(4,249,127)
Deficit of revenue over expenses for the period	(2,350,034)	(995,994)	(3,346,028)
Total assets	62,311,481	49,730,496	112,041,977
Total liabilities	85,987,040	47,785,787	133,772,827
Policyholders' fund	(23,675,560)	1,944,707	(21,730,853)
Interpool and shareholder balances	-	-	(10,336,528)
Shareholders' assets	-	-	65,418,943
Shareholders' liabilities	-	-	2,723,834

30 June 2017

	General Retakaful	Family Retakaful	Total
Gross contributions	18,428,853	14,713,214	33,142,067
Earned contributions	20,007,340	15,512,420	35,519,760
Net claims incurred	(12,426,042)	(13,790,384)	(26,216,426)
Net policy acquisition cost	(5,448,442)	(467,057)	(5,915,499)
Surplus of revenue over expenses for the period	982,166	(715,185)	266,981

31 December 2017

	General Retakaful	Family Retakaful	Total
Total assets	56,508,403	51,979,323	108,487,726
Total liabilities	79,025,487	47,626,336	126,651,823
Policyholders' fund	(22,517,084)	4,352,987	(18,164,097)
Interpool and shareholder balances	-	-	(16,434,964)
Shareholders' assets	-	-	67,776,188
Shareholders' liabilities	-	-	3,712,820