

# Hannover Rueck SE Bahrain Branch

## CONDENSED INTERIM FINANCIAL INFORMATION

30 June 2018

Office	: Al Zamil Tower, 17th floor P.O.Box 75180 Manama Kingdom of Bahrain
Head office	: Hannover Rück SE Hannover Germany
Managing Director	: Mahomed Akoob
Auditors	: PricewaterhouseCoopers ME Limited

**Hannover Rueck SE, Bahrain Branch**  
**Condensed interim financial information**  
**For the six-month period ended 30 June 2018**

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## HANNOVER RUECK SE, BAHRAIN BRANCH

Independent Auditor's Review report to the management of  
**Hannover Rueck SE, Bahrain Branch**

### Report on the review of the condensed interim financial information

#### Introduction

We have reviewed the accompanying condensed interim statement of financial position of Hannover Rueck SE, Bahrain Branch (the "Branch" or "Hannover") as of 30 June 2018 and the related condensed interim statements of profit or loss and other comprehensive income, changes in head office funds and cash flows for the six month period then ended, and notes, comprising a summary of significant accounting policies and other explanatory notes. The management is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard 34, 'Interim Financial Reporting' ("IAS 34"), as issued by the International Accounting Standard Board ("IASB"). 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 International Accounting Standard 34, 'Interim financial reporting', as issued by the IASB.

14 November 2018

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

Hannover Rueck SE, Bahrain Branch  
Condensed statement of financial position  
as at 30 June 2018

Bahraini Dinars

	<i>Note</i>	<b>30 June 2018 (reviewed)</b>	<b>31 December 2017 (audited)</b>
<b>ASSETS</b>			
Cash and cash equivalents	5	8,189,751	12,537,137
Statutory Deposit		155,431	150,000
Available for sale investments	6	80,492,988	77,742,875
Insurance receivables		14,665,307	15,646,141
Accrued premiums		10,621,417	7,953,405
Deferred acquisition costs		4,000,133	4,832,823
Retrocessionnaires' share of unearned premium reserves		2,519,861	460,932
Retrocessionnaires' share of claim reserves		2,413,214	2,475,563
Related party receivables		743,977	409,822
Prepayments and other assets		1,522	6,000
<b>Total assets</b>		<b>123,803,601</b>	<b>122,214,698</b>
<b>HEAD OFFICE FUNDS AND LIABILITIES</b>			
<b>Head office funds</b>			
Head office account		12,324,685	12,166,950
Available for sale investments fair value reserve		(1,749,541)	(510,972)
Accumulated losses		(9,063,513)	(6,552,790)
<b>Total head office funds</b>		<b>1,511,631</b>	<b>5,103,188</b>
<b>Liabilities</b>			
Unearned premium reserves		20,024,987	20,672,586
Outstanding claim reserves		60,097,177	58,489,312
Incurred but not reported reserves		34,402,230	30,524,349
Commission reserves		1,299,706	4,085,465
Insurance payables		2,749,909	3,022,995
Payable to retrocessionnaires		3,569,253	173,331
Accrued insurance premium		134,004	133,962
Other payables		14,704	9,510
<b>Total liabilities</b>		<b>122,291,970</b>	<b>117,111,510</b>
<b>Total equity and liabilities</b>		<b>123,803,601</b>	<b>122,214,698</b>



Mahomed Akoob  
Managing Director

Management approved the condensed interim financial information, consisting of pages 2 to 10, on 3 September 2018.



Hannover Rueck SE, Bahrain Branch  
Condensed statement of profit or loss and other comprehensive income  
For the six-month period ended 30 June 2018

Bahraini Dinars

	<b>30 June 2018 (reviewed)</b>	<b>30 June 2017 (reviewed)</b>
<b>INCOME</b>		
Gross premiums written	26,760,824	24,611,344
Ceded premiums	(3,961,538)	(3,490,053)
Change in gross unearned premium	720,563	3,129,344
Change in ceded unearned premium	2,053,727	1,845,854
<b>Net premium earned</b>	<b>25,573,576</b>	<b>26,096,489</b>
Foreign exchange (losses) / gains	(94,674)	433,295
Investment and other income	835,410	681,770
<b>Total income</b>	<b>26,314,312</b>	<b>27,211,554</b>
<b>EXPENSES</b>		
Claims settled	18,201,829	27,955,089
Retrocessionnaires share on claims settled	(17,209)	(5,362,570)
Movement in outstanding claims reserve	1,407,252	2,279,463
Retrocessionnaires share on movement in outstanding claims reserve	1,097	5,108,663
Movement in incurred but not reported	3,773,653	(6,342,698)
Policy acquisition costs	3,851,109	6,038,358
Movement in deferred acquisition cost	847,470	388,773
General and administration expenses	759,834	953,988
<b>Total expenses</b>	<b>28,825,035</b>	<b>31,019,066</b>
<b>Loss for the period</b>	<b>(2,510,723)</b>	<b>(3,807,512)</b>
<b>Other comprehensive income</b>		
<b>Items that will be reclassified to profit or loss:</b>		
Changes on remeasurement of available-for-sale investments	(1,260,017)	435,288
Transfers for recognition of gains / (losses) on disposal of available-for-sale investments	21,448	(3,242)
<b>Total other comprehensive (loss) / income for the period</b>	<b>(1,238,569)</b>	<b>432,046</b>
<b>Total other comprehensive loss for the period</b>	<b>(3,749,292)</b>	<b>(3,375,466)</b>



Mahomed Akoob  
Managing Director

Management approved the condensed interim financial information, consisting of pages 2 to 10, on 3 September 2018.

Hannover Rueck SE, Bahrain Branch  
 Condensed statement of changes in head office funds  
 For the six-month period ended 30 June 2018

Bahraini Dinars

**30 June 2018 (reviewed)**

	Head office account	Available-for-sale investment fair value reserve	Accumulated losses	Total
Balance as at 1 January 2018	12,166,950	(510,972)	(6,552,790)	<b>5,103,188</b>
Loss for the period	-	-	(2,510,723)	<b>(2,510,723)</b>
Other comprehensive loss	-	(1,238,569)	-	<b>(1,238,569)</b>
<b>Total comprehensive loss</b>	-	<b>(1,238,569)</b>	<b>(2,510,723)</b>	<b>(3,749,292)</b>
<b>Transaction with owner of the Branch</b>				
Expenses recharged by the Head office	157,735	-	-	<b>157,735</b>
<b>Balance at 30 June 2018</b>	<b>12,324,685</b>	<b>(1,749,541)</b>	<b>(9,063,513)</b>	<b>1,511,631</b>

**30 June 2017 (reviewed)**

	Head office account	Available-for-sale investment fair value reserve	Accumulated losses	Total
Balance as at 1 January 2017	12,166,950	(448,903)	(6,376,484)	5,341,563
Loss for the period	-	-	(3,807,512)	(3,807,512)
Other comprehensive income	-	432,046	-	432,046
Total comprehensive loss	-	432,046	(3,807,512)	(3,375,466)
<b>Transaction with owner of the Branch</b>				
Expenses recharged by the Head office	209,684	-	-	209,684
Balance at 30 June 2017	12,376,634	(16,857)	(10,183,996)	2,175,781

Hannover Rueck SE, Bahrain Branch  
 Condensed statement of cash flows  
 For the six-month period ended 30 June 2018

Bahraini Dinars

	30 June 2018 (reviewed)	30 June 2017 (reviewed)
<b>OPERATING ACTIVITIES</b>		
<b>Loss for the period</b>	(2,510,723)	(3,807,513)
<i>Adjustments</i>		
Net realised losses from sale of bonds	22,728	2,501
Expenses recharged by Head Office	157,735	209,683
Amortisation on bonds	8,625	32,832
Interest income	(835,410)	(717,103)
	<b>(3,157,045)</b>	<b>(4,279,600)</b>
<i>Changes in operating assets and liabilities:</i>		
Change in unearned premium reserves	(647,599)	(3,117,407)
Change in profit commission reserve	(2,785,759)	-
Change in deferred acquisition costs	832,690	389,396
Change in retro claims recoverable	62,349	4,873,247
Change in loss reserves	5,485,746	(4,142,076)
Change in insurance receivable	(1,687,178)	10,264,795
Change in retroceded unearned premium	(2,058,929)	(1,846,282)
Change in related party receivables	(334,155)	227,961
Change in related party payables	3,395,964	1,497,627
Change in insurance payables	(273,086)	2,250,933
Change in other receivables	(953)	-
Change in other payables	5,194	(410,782)
<b>Cash flows (used in) / generated from operating activities</b>	<b>(1,162,761)</b>	<b>5,707,812</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of available-for-sale investments	(16,483,654)	(19,542,703)
Proceeds from disposal of available-for-sale investments	12,832,533	13,205,186
Interest received	744,773	717,481
<b>Cash flows used in investing activities</b>	<b>(2,906,348)</b>	<b>(5,620,036)</b>
Foreign exchange movement in debt instruments	(278,277)	(70,591)
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(4,347,386)</b>	<b>17,185</b>
Cash and cash equivalents at the beginning of the period	12,537,137	5,455,820
<b>Cash and cash equivalents at the end of the period</b>	<b>8,189,751</b>	<b>5,473,005</b>

The condensed interim financial information consists of pages 2 to 10



**Hannover Rueck SE, Bahrain Branch**  
**Notes to the condensed interim financial information**  
**For the six-month period ended 30 June 2018**

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**1 STATUS AND OPERATIONS**

Hannover Rueck SE, Bahrain Branch ("the Branch") is a Branch of Hannover Rück SE (Hannover Re) incorporated in Hannover, Germany. The Branch is registered with commercial registration number 65990 in the Kingdom of Bahrain as a Foreign Branch on 22 July 2007 with the Ministry of Industry & Commerce and is regulated by the Central Bank of Bahrain, the regulator. The Branch commenced its operations on 1 January 2008.

**2 BASIS OF PREPARATION**

The condensed interim financial information has been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting, which permits the condensed interim financial information to be in summarised form and do not include all of the information required for full annual financial statements.

The accounting policies, judgements and estimates and risk management framework applied by the Branch in the preparation of the condensed interim financial information are consistent with those applied in the preparation of the financial statements for the year ended 31 December 2017.

The condensed interim financial information is not audited but has been reviewed by PricewaterhouseCoopers ME Limited. The comparative information for the condensed statement of financial position have been extracted from the audited financial statements for the year ended 31 December 2017 and comparatives for the condensed statements of comprehensive income, changes in head office funds and cash flows have been extracted from the reviewed condensed interim financial information for the six months ended 30 June 2017.

The condensed interim financial information has been prepared in a condensed form in accordance with International Accounting Standard 34 Interim Financial Reporting. The condensed interim financial information does not include all of the information required for the full annual financial statements and should be read in conjunction with the audited financial statements of the Branch for the year ended 31 December 2017.

**3 ACCOUNTING POLICIES**

The accounting policies have been consistently applied by the Branch and the condensed interim financial information has been prepared using the same accounting policies and methods of computation applied in the preparation of the latest audited financial statements of the Branch for the year ended 31 December 2017.

**a) Measurement of Fair Values**

The Branch has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, and reports directly to the CFO.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Managing Director.

**4 SEASONALITY OF INTERIM OPERATIONS**

As a result of the seasonality associated with the insurance business, the Branch registers approximately 40 % of its gross premiums during the first half of every year. Due to the effect of seasonal variations, the results reported in the condensed interim financial information may not represent a proportionate share of the overall annual income.



Hannover Rueck SE, Bahrain Branch  
 Notes to the condensed interim financial information  
 For the six-month period ended 30 June 2018

**5 CASH AND BANK BALANCES**

	<b>30 June 2018 (reviewed)</b>	31 December 2017 (audited)
Cash and bank balances	8,189,751	11,401,601
Placements over three months	-	1,135,536
	<b>8,189,751</b>	<b>12,537,137</b>

**6 AVAILABLE FOR SALE INVESTMENTS**

	<b>30 June 2018 (reviewed)</b>	31 December 2017 (audited)
<b>Investment in bonds</b>		
Quoted securities	79,029,666	75,797,744
Unquoted securities	1,463,322	1,945,131
	<b>80,492,988</b>	<b>77,742,875</b>

**7 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 Branch. Key management personnel comprise of the key members of management having authority and responsibility for planning, directing and controlling the activities of the Branch.

**a) Transactions during the period**

	<b>30 June 2018 (reviewed)</b>	30 June 2017 (reviewed)
Contribution ceded to:		
Hannover Re Bermuda Ltd., Bermuda <i>Entity within the Hannover Re Group</i>	3,732,963	3,310,700
Expenses recharged by:		
- Hannover Retakaful BSC (c), Bahrain <i>Entity within the Hannover Re Group</i>	641,314	811,657
- Hannover Rück SE, Germany <i>Parent company of the Hannover Re Group</i>	111,250	142,968
- Talanx Asset Management GmbH, Germany <i>Entity within the Talanx Group (Ultimate Parent)</i>	42,984	38,428

**Hannover Rueck SE, Bahrain Branch**  
**Notes to the condensed interim financial information**  
**For the six-month period ended 30 June 2018**

7 RELATED PARTY TRANSACTIONS (continued)

b) Related party payables to retrocessionnaires

	<b>30 June 2018 (reviewed)</b>	<b>31 December 2017 (audited)</b>
Hannover Rück SE, Germany <i>Parent company of the Hannover Re Group</i>	3,441	842
Hannover Re Bermuda Ltd., Bermuda <i>Entity within the Hannover Re Group</i>	3,358,351	133,118

c) Retrocessionnaires' share of loss reserves

	<b>30 June 2018 (reviewed)</b>	<b>31 December 2017 (audited)</b>
Hannover Re Bermuda Ltd., Bermuda <i>Entity within the Hannover Re Group</i>	2,405,798	2,475,563

8 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Branch's financial assets and financial liabilities are measured at amortised cost except for available-for-sale investments, which are carried at fair value. The Branch has not disclosed fair value of financial assets and liabilities other than available for sale investments, because the carrying value approximates their fair value. Fair values measurement assumes that the asset or liability is exchanged in an orderly transaction between market participants to sell the asset or transfer the liability at the measurement date under current market conditions.

Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

Fair value hierarchy

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

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, 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; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

**Hannover Rueck SE, Bahrain Branch**  
**Notes to the condensed interim financial information**  
**For the six-month period ended 30 June 2018**

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8 *FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)*

- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and 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 where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The table below analyses financial instruments measured at fair value as at 30 June 2018, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Level 1	Level 2	Level 3	Total
<b>30 June 2018</b>				
Available-for-sale investments	-	80,492,988	-	80,492,988
<b>31 December 2017</b>				
Available-for-sale investments	-	77,742,875	-	77,742,875

**b) Fair values of financial instruments**

Fair value is 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 a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms. The fair values of the Branch's assets and liabilities closely approximate their carrying value.

For the period ended 30 June 2018, there were no transfers in and out of level 1, level 2 and level 3 (31 December 2017: Nil).