

Hannover ReTakaful B.S.C. (c)

CONDENSED INTERIM FINANCIAL INFORMATION

30 June 2021

Registered Office	: Zamil Tower, 17th floor P.O. Box 75180 Manama Kingdom of Bahrain
Board of Directors	: Claude Chèvre, Chairman Michael Pickel, Deputy Chairman Adham El-Muezzin Gerald Segler Olaf Brock
Auditors	: PricewaterhouseCoopers M.E Limited

Hannover ReTakaful B.S.C. (c)
Condensed interim financial information
For the six-month period ended 30 June 2021

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

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Hannover Retakaful B.S.C. (c) (the "Company") as at 30 June 2021 and the related condensed interim statements of income, policyholders' revenue and expenses, changes in policyholders' surplus and deficit, changes in shareholders' equity and cash flows for the six month period then ended and explanatory notes. The directors are responsible for the preparation and presentation of this condensed interim financial information in accordance with the basis of preparation stated in Note 2 to this condensed interim financial information. 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 interim financial information performed by the independent auditor of the entity". A review of condensed 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 the basis of preparation stated in Note 2 to this condensed interim financial information.

PricewaterhouseCoopers

PricewaterhouseCoopers M.E Limited
Partner's registration number: 254
Manama, Kingdom of Bahrain
23 September 2021

Hannover Re'takaful B.S.C. (c)
 Condensed interim statement of financial position
 as at 30 June 2021

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Bahraini Dinars

ASSETS	Note	30 June 2021 (reviewed)	31 December 2020 (audited)
Cash and cash equivalents		6,942,389	13,114,874
Statutory deposit		167,658	166,196
Investment securities	6	150,475,918	134,525,028
Retakaful receivables		17,085,183	19,537,754
Accrued contribution receivable		19,607,505	22,788,923
Related party receivables	9 d)	777,010	-
Deferred acquisition costs		3,776,633	4,079,199
Retrocessionaires' share of unearned contribution reserves		131,650	406,762
Retrocessionaires' share of loss reserves	7	153,623	772,139
Prepayments, equipment and other assets		120,832	93,501
Total assets		199,238,401	195,484,376
SHAREHOLDERS' EQUITY, POLICYHOLDERS' EQUITY & LIABILITIES			
Shareholders' equity			
Share capital		20,000,000	20,000,000
Statutory reserve		6,678,702	6,678,702
Retained earnings		53,058,578	50,448,321
Total shareholders' equity		79,737,280	77,127,023
Policyholders' equity (page 6)		(29,229,066)	(29,051,091)
Liabilities			
Loss reserves	7	114,346,815	115,729,824
Unearned contribution reserves		27,716,309	26,277,190
Commission reserves		63,845	63,988
Retakaful payables		4,228,768	3,167,647
Payables to retrocessionaires		794,650	710,141
Other liabilities		1,579,800	1,459,654
Total liabilities		148,730,187	147,408,444
Total shareholders' equity, policyholders' fund and liabilities		199,238,401	195,484,376

The Board of Directors approved the financial statements consisting of pages 3 to 14 on 23 September 2021.




Claude Chèvre
 Chairman




Adham El-Muezzin
 Managing Director

	30 June 2021 (reviewed)	30 June 2020 (reviewed)
INCOME		
Wakala fee for managing retakaful activities	2,648,579	3,021,777
Change in deferred wakala fee	(256,979)	(296,035)
Net earned wakala fee	2,391,600	2,725,742
Investment and other income	835,985	974,575
Mudaraba fee	398,581	229,690
Foreign exchange gain	8,405	8,464
TOTAL INCOME	3,634,571	3,938,471
EXPENSES		
General and administrative expenses	(1,024,314)	(896,771)
TOTAL EXPENSES	(1,024,314)	(896,771)
PROFIT FOR THE PERIOD	2,610,257	3,041,700

The Board of Directors approved the financial statements consisting of pages 3 to 14 on 23 September 2021.


 Claude Chèvre
 Chairman


 Adham El-Muezzin
 Managing Director

Hannover ReTakaful B.S.C. (c)
 Condensed interim statement of policyholders' revenue and expenses
 For the six-month period ended 30 June 2021

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Bahraini Dinars

	Note	30 June 2021 (reviewed)	30 June 2020 (reviewed)
REVENUE			
Gross contributions		33,623,908	38,332,445
Retrocessionaires' share of contributions		(342,142)	(293,814)
Change in gross unearned contribution reserves		(1,567,455)	(4,281,797)
Change in retrocessionaires' share of unearned contribution reserves		(275,134)	(257,917)
Net earned contributions		31,439,177	33,498,917
Foreign exchange gain / (loss)		(16,290)	392,498
Net investment income		996,453	574,225
Total revenue		32,419,340	34,465,640
EXPENSES			
Claims settled		(26,601,895)	(13,296,766)
Retrocessionaires' share of claims settled		619,678	166,277
Net movement in loss reserves	7	384,429	(20,155,116)
Net claims incurred		(25,597,788)	(33,285,605)
Policy acquisition costs		(3,667,653)	(4,320,366)
Retrocessionaires' share of policy acquisition costs		9,489	8,561
Movement in deferred acquisition cost	8	(305,643)	147,157
Wakala fee		(2,648,579)	(3,021,777)
Movement in deferred wakala fee		256,979	296,035
Mudaraba fee		(398,581)	(229,690)
Other taxes		(245,539)	(13,420)
Total expenses		(32,597,315)	(40,419,105)
Deficit of revenue over expenses for the period		(177,975)	(5,953,465)

The notes on pages 9 to 14 are an integral part of these financial statements.

Condensed interim statement of changes in policyholders' surplus and deficit

For the six-month period ended 30 June 2021

Bahraini Dinars

2021 (reviewed)	General retakaful	Family retakaful	Total accumulated deficit	Surplus distribution reserve	Total policy holders' equity
As at 1 January 2021	(17,239,631)	(13,121,613)	(30,361,244)	1,310,153	(29,051,091)
Deficit for the period	1,466,232	(1,644,207)	(177,975)	-	(177,975)
As at 30 June 2021	(15,773,399)	(14,765,820)	(30,539,219)	1,310,153	(29,229,066)

2020 (reviewed)	General retakaful	Family retakaful	Total accumulated deficit	Surplus distribution reserve	Total policy holders' equity
As at 1 January 2020	(18,183,190)	(1,312,163)	(19,495,353)	1,366,551	(18,128,802)
Deficit for the period	(103,285)	(5,850,180)	(5,953,465)	-	(5,953,465)
As at 31 June 2020	(18,286,475)	(7,162,343)	(25,448,818)	1,366,551	(24,082,267)

The notes on pages 9 to 14 are an integral part of these financial statements.

Condensed interim statement of changes in shareholders' equity

For the six-month period ended 30 June 2021

Bahraini Dinars

2021 (reviewed)	Share capital	Statutory reserve	Retained earnings	Total
As at 1 January 2021	20,000,000	6,678,702	50,448,321	77,127,023
Profit for the period	-	-	2,610,257	2,610,257
As at 30 June 2021	20,000,000	6,678,702	53,058,578	79,737,280

2020 (reviewed)	Share capital	Statutory reserve	Retained earnings	Total
As at 1 January 2020	20,000,000	5,830,955	42,818,595	68,649,550
Profit for the period	-	-	3,041,700	3,041,700
As at 30 June 2020	20,000,000	5,830,955	45,860,295	71,691,250

The notes on pages 9 to 14 are an integral part of these financial statements.

	Note	30 June 2021 (reviewed)	30 June 2020 (reviewed)
OPERATING ACTIVITIES			
Combined profit / (deficit) for the year		2,432,282	(2,911,765)
<i>Adjustments for:</i>			
Depreciation expenses		9,253	21,866
Increase in provision for employees' end of service benefits		41,641	50,895
Gain on disposal of equipment		(5,714)	(19)
Net investment income	13	(1,829,955)	(1,548,781)
		647,507	(4,387,804)
<i>Changes in operating assets and liabilities:</i>			
- in retakaful receivables		2,452,571	(3,608,235)
- in unearned contribution reserves net of retrocession		1,714,230	4,314,533
- in loss reserves net of retrocession		(764,493)	19,548,744
- in commission reserves		(142)	(234)
- in deferred acquisition costs		302,568	(146,652)
- in accrued contribution receivable		3,181,418	(13,186,310)
- in other assets		(34,753)	(65,289)
- in payables to retrocessionaires		84,509	197,999
- in retakaful payables		1,061,121	44,516
- in related party receivables		(777,010)	26,874
- in other liabilities		78,506	(118,260)
Net cash generated from operating activities		7,946,032	2,619,882
INVESTING ACTIVITIES			
Purchase of equipment and other assets		(3,294)	(980)
Proceeds from sale of equipment		6,000	19
Addition to statutory deposit		-	(14,307)
Profit received from sukuks and placements		2,152,762	2,090,647
Purchase of sukuks		(29,284,011)	(22,863,568)
Proceeds from redemption of sukuks		12,747,359	20,631,532
Foreign currency exchange movement		262,667	221,051
Net cash (used in) / generated from investing activities		(14,118,517)	64,394
Net (decrease) / increase in cash and cash equivalents		(6,172,485)	2,684,276
Cash and cash equivalents at the beginning of the period		13,114,874	7,337,983
Cash and cash equivalents at the end of the period		6,942,389	10,022,259
<i>Represented in the books of</i>			
Shareholders		672,102	1,627,479
Policyholders		6,270,287	8,394,780
Cash and cash equivalents	4	6,942,389	10,022,259

The notes on pages 9 to 14 are an integral part of these financial statements.

1 REPORTING ENTITY

Hannover ReTakaful B.S.C. (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 number (21) of 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

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 2020.

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 2020. The comparatives for the condensed statements of income, 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 2020.

There are no AAOIFI accounting standards or interpretations that are effective for the first time for financial years beginning on or after 1 January 2020 that have a material impact on the Company. The following are the standards that are effective on or after 1 January 2020:

- FAS 30 - Impairment, Credit Losses and Onerous Commitments ("FAS 30")
- FAS 32 - Ijara ("FAS 32")
- FAS 33 - Investment in Sukuk Shares and similar Instruments ("FAS 33")

FAS 30 and FAS 33 were effective on or after 1 January 2020, however, the accounting Board of AAOIFI clarified that the standards can be deferred till the completion of revised takaful standard. The Company has therefore elected to defer adoption of these standards.

Early adoption of FAS 32 are permitted, however the Company does not intend to early adopt the standard.

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 2020.

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 2020, except as mentioned and disclosed in note 12 (Covid - 19 impact).

5 SEASONALITY OF INTERIM OPERATIONS

As a result of the seasonality associated with the insurance business, gross written contribution 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.

6 INVESTMENT SECURITIES

	30 June 2021 (reviewed)	31 December 2020 (audited)
Debt type		
- Quoted sukuks	148,156,563	133,020,475
- Unquoted sukuks	2,319,355	1,504,553
Investments at fair value through income statement	150,475,918	134,525,028

7 Technical reserves

	30 June 2021			31 December 2020		
	Gross	Retro-ceded	Net	Gross	Retro-ceded	Net
Claims reserves	49,333,775	(614,204)	48,719,571	40,461,887	(152,172)	40,309,715
IBNR reserves	66,396,049	(157,935)	66,238,114	53,986,846	(150,263)	53,836,583
At 1 January	115,729,824	(772,139)	114,957,685	94,448,733	(302,435)	94,146,298
Movement	(998,661)	614,232	(384,429)	20,843,586	(470,857)	20,372,729
Foreign exchange (losses) / gains	(384,348)	4,284	(380,064)	437,505	1,153	438,658
At period/year ended	114,346,815	(153,623)	114,193,192	115,729,824	(772,139)	114,957,685
Claims reserves	45,108,838	-	45,108,838	49,333,775	(614,204)	48,719,571
IBNR reserves	69,237,977	(153,623)	69,084,354	66,396,049	(157,935)	66,238,114
At period/year ended	114,346,815	(153,623)	114,193,192	115,729,824	(772,139)	114,957,685

8 QARD HASAN

Until 31 December 2018, the Company had, as per Volume 3 of the CBB Rulebook, granted a Qard Hassan, amounting to BHD 11,915,575, to the General retakaful Policyholders' fund, which was fully impaired at year end 2018. The Company's Shari'a Supervisory Board is of the view that the retakaful operator still holds the right to recover the Qard Hassan from policyholders.

9 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.

	30 June 2021 (reviewed)	30 June 2020 (reviewed)
a) Transactions with related parties		
Contribution ceded to:		
- Hannover Re Bermuda Ltd., Bermuda <i>Entity within the Hannover Re Group</i>	227,050	184,307
- Hannover Rück SE, Germany <i>Parent company of the Hannover Re Group</i>	47,863	46,692
Expenses recharged:		
- Ampega Asset Management GmbH, Germany <i>Entity within the Talanx Group (Ultimate Parent)</i>	35,552	30,272
- Hannover Rück SE Malaysia Branch, Malaysia <i>Branch of the Parent company of the Hannover Re Group</i>	1,950	1,231
- Hannover Rueck SE, Bahrain Branch, Bahrain <i>Branch of the Parent company of the Hannover Re Group</i>	510,112	515,850
- Hannover Rück SE, Germany <i>Parent company of the Hannover Re Group</i>	249,693	131,741
b) Key management compensation		
Salaries and benefits to key management personnel	394,478	365,250

9 RELATED PARTY TRANSACTIONS (continued)

	30 June 2021 (reviewed)	31 December 2020 (audited)
c) Payables to retrocessionaires		
- Hannover Rück SE, Germany <i>Parent company of the Hannover Re Group</i>	15,569	-
- Hannover Re Bermuda Ltd., Bermuda <i>Entity within the Hannover Re Group</i>	227,068	-
d) Related party receivable		
- Hannover Rueck SE, Bahrain Branch, Bahrain <i>Branch of the Parent company of the Hannover Re Group</i>	777,011	-
e) Retrocessionaires' share of loss reserves		
Hannover Rück SE, Germany <i>Parent company of the Hannover Re Group</i>	-	614,204
f) Balances payable to key management personnel		
Remuneration payable	612,919	603,270

10 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 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 Company 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

- 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.

Notes to the condensed interim financial information

For the six-month period ended 30 June 2021

Bahraini Dinars

10 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(ii) Financial instruments measured at fair value

All financial instruments are categorized as Level 2 classification as at the end of the period 30 June 2021 and year ended 31 December 2020. No transfers out of, or into, the level 3 measurement classification occurred during the period ended 30 June 2021 and 31 December 2020.

(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.

11 SEGMENT INFORMATION

30 June 2021 (reviewed)

	General Retakaful	Family Retakaful	Total
Gross contributions	13,395,117	20,228,791	33,623,908
Net earned contributions	13,634,427	17,804,750	31,439,177
Net claims incurred	(7,815,238)	(17,782,550)	(25,597,788)
Net policy acquisition cost	(3,543,156)	(124,497)	(3,667,653)
Deficit of revenue over expenses for the period	1,466,232	(1,644,207)	(177,975)
Total assets	73,426,176	54,844,451	128,270,626
Total liabilities	89,199,575	68,300,118	157,499,692
Policyholders' fund	(15,773,399)	(13,455,667)	(29,229,066)
Interpool and shareholders balances	-	-	(12,153,147)
Shareholders' assets	-	-	83,120,921
Shareholders' liabilities	-	-	3,383,641

30 June 2020 (reviewed)

	General Retakaful	Family Retakaful	Total
Gross contributions	15,965,295	22,367,150	38,332,445
Earned contributions	14,630,005	18,868,912	33,498,917
Net claims incurred	(10,411,006)	(22,874,599)	(33,285,605)
Net policy acquisition cost	(3,950,560)	(214,088)	(4,164,648)
Deficit of revenue over expenses for the period	(103,285)	(5,850,180)	(5,953,465)

31 December 2020 (audited)

	General Retakaful	Family Retakaful	Total
Total assets	74,656,463	55,782,676	130,439,139
Total liabilities	91,896,095	67,594,135	159,490,230
Policyholders' fund	(17,239,631)	(11,811,460)	(29,051,091)
Interpool and shareholders balances	-	-	(16,054,580)
Shareholders' assets	-	-	81,099,817
Shareholders' liabilities	-	-	3,972,794

12 COVID - 19 Impact

During March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the globe. In order to control the spread of virus, Kingdom of Bahrain has taken multiple measure such as closures, travel restrictions, movement of people, and other limitations on the conduct of business. The government of Bahrain through its wise policies managed to control the virus. There is no material impact on the operations of the Company except for provision as mentioned below and some delays in collections and accounts. The vaccination program is now underway and it is expected that situation will improve later in 2021.

	30 June 2021 (reviewed)	31 December 2020 (audited)
Loss reserves in family retakaful	(2,800,001)	(1,910,000)
Loss reserves in general retakaful	(344,025)	(349,448)
Retrocessionaires' share of contributions in general retakaful	(33,938)	(33,946)

	30 June 2021 (reviewed)	30 June 2020 (reviewed)
Shareholder	-	116,056
Government relief	-	2,386
Rent incentive	-	(51,688)
Management fee charged to related party	-	-

13 COMPARATIVES

The comparative figures for the previous period have been regrouped, where necessary, in order to conform to the current period's presentation. Such regrouping does not affect the previously reported results, comprehensive income or equity.