

Hannover Rueck SE, Bahrain Branch

CONDENSED INTERIM FINANCIAL INFORMATION

30 JUNE 2022

Office	: Zamil Tower, 17th floor P.O.Box 75180 Manama Kingdom of Bahrain
Head office	: Hannover Rück SE Hannover Germany
Chief Executive Officer	: Adham El-Muezzin
Auditors	: PricewaterhouseCoopers M.E. Limited

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Independent auditor's review report to the management of Hannover Rueck SE, Bahrain Branch

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Hannover Rueck SE, Bahrain Branch (the "Branch") as at 30 June 2022 and the related condensed interim statement of profit or loss and other comprehensive income and cash flows for the six month period then ended and 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 Standards Board. 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 IAS 34.

A handwritten signature in blue ink that reads "PricewaterhouseCoopers" in a cursive script.

John Molloy
Partner's registration number: 255
PricewaterhouseCoopers M.E Limited
Manama, Kingdom of Bahrain
28 August 2022

Hannover Rueck SE, Bahrain Branch
Condensed interim statement of financial position
as at 30 June 2022

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Bahraini Dinars

	Note	30 June 2022 (reviewed)	31 December 2021 (audited)
ASSETS			
Cash and bank balances	5	5,080,932	8,228,429
Available-for-sale investments	6	105,945,358	107,254,250
Insurance receivables		21,435,445	19,553,416
Receivables from retrocessionnaires		2,212,631	-
Accrued premium receivables		15,605,198	8,531,784
Deferred acquisition costs		5,058,961	4,054,250
Retrocessionnaires' share of loss reserves	7	34,854,322	38,007,002
Retrocessionnaires' share of unearned premium reserves		147,189	270,111
Prepayments, equipment and other assets		615,358	121,705
Statutory deposit		167,797	166,546
Total assets		191,123,191	186,187,493
HEAD OFFICE FUNDS AND LIABILITIES			
LIABILITIES			
Loss reserves	7	155,448,488	152,815,665
Unearned premium reserves		21,671,147	16,982,788
Retrocessionnaires' share of deferred acquisition costs		33,236	25,079
Insurance payables		5,906,364	6,114,180
Payables to retrocessionnaires		2,163,388	2,823,150
Other payables		9,135	14,770
Total liabilities		185,231,758	178,775,632
HEAD OFFICE FUNDS	8	5,891,433	7,411,861
Total head office funds and liabilities		191,123,191	186,187,493

Management approved the condensed interim financial information consisting of pages 3 to 9 on 28 August 2022.


Adham El-Muezzin
Chief Executive Officer

Condensed interim statement of profit or loss and comprehensive income
For the six-month period ended 30 June 2022

Bahraini Dinars

	Note	30 June 2022 (reviewed)	30 June 2021 (reviewed)
INCOME			
Gross written premium		33,022,481	32,991,876
Ceded premium		(257,709)	(311,644)
Change in gross unearned premium reserves		(5,095,682)	(4,077,878)
Change in ceded unearned premium reserves		(122,906)	(633,078)
Net premium earned		27,546,184	27,969,276
Foreign exchange gains		479,455	61,719
Investment and other income		970,465	1,102,061
Total income		28,996,104	29,133,056
EXPENSES			
Gross claims paid		(12,447,363)	(11,548,520)
Claim recoveries		3,012,141	73,097
Change in loss reserves	7	(3,909,886)	(7,427,224)
Retrocessionnaires' share on change in loss reserve	7	(3,085,353)	(1,070,450)
Policy acquisition costs, net		(7,883,616)	(7,864,540)
Retrocessionnaires' share on policy acquisition cost		32,168	49,811
Movement in deferred acquisition cost		1,086,412	700,282
Retrocessionnaires' share on change in deferred acquisition cost		(8,161)	(29,333)
General and administrative expenses		(673,911)	(623,254)
Total expenses		(23,877,569)	(27,740,131)
Income for the period		5,118,535	1,392,925
Other comprehensive loss			
Items that will be reclassified to profit or loss:			
Changes on remeasurement of available-for-sale investments		(6,857,350)	(1,585,354)
Transfers for recognition of loss / (gains) on disposal of available-for-sale investments		36,030	(80,034)
Total other comprehensive loss for the period	8	(6,821,320)	(1,665,388)
Total comprehensive loss for the period		(1,702,785)	(272,463)

Management approved the condensed interim financial information consisting of pages 3 to 9 on 28 August 2022.


 Adham El-Muezzin
 Chief Executive Officer

Hannover Rueck SE, Bahrain Branch
Condensed interim statement of cash flows
For the six-month period ended 30 June 2022

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Bahraini Dinars

	Note	30 June 2022 (reviewed)	30 June 2021 (reviewed)
OPERATING ACTIVITIES			
Income for the period		5,118,535	1,392,925
Adjustments for:			
Investment and other income		(970,465)	(1,102,061)
		4,148,070	290,864
Changes in operating assets and liabilities:			
- insurance receivables		(1,882,029)	(2,881,395)
- insurance payables		(207,816)	(3,178,824)
- unearned contribution reserves		4,688,359	4,082,435
- retrocessionnaires' share of unearned premium reserves		122,922	633,070
- accrued contribution receivables		(7,073,414)	(4,505,856)
- deferred acquisition costs		(996,554)	(672,212)
- retrocessionnaires' share of loss reserves		3,152,680	1,100,576
- loss reserves		2,632,823	7,158,201
- related party receivables		(2,212,631)	-
- related party payables		(659,762)	777,011
- statutory deposit		(1,251)	(1,634)
- prepayments and other assets		(493,653)	(17,048)
- other payables		(5,635)	365
Net cash generated from operating activities		1,212,109	2,785,553
INVESTING ACTIVITIES			
Purchase of available-for-sale investments		(17,047,747)	(24,781,440)
Proceeds from disposal of available-for-sale investments		11,384,679	20,484,763
Investment income received		1,101,068	1,087,930
Foreign exchange movement in debt instruments		20,031	2,881
Net cash used in investing activities		(4,541,969)	(3,205,866)
FINANCING ACTIVITIES			
Movement in head office account	8	182,363	529,944
Net cash generated from financing activities		182,363	529,944
Net (decrease) / increase in cash and cash equivalents		(3,147,497)	109,631
Cash and cash equivalents at 1 January		8,228,429	5,973,960
Cash and cash equivalents at the end of the period	5	5,080,932	6,083,591

The notes on pages 6 to 9 are an integral part of this condensed interim financial information

1 STATUS AND OPERATIONS

Hannover Rueck SE, Bahrain Branch ("the Branch") is a Branch of Hannover Rück SE (Hannover Re) (the "Head Office") 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 & Tourism 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 2021 unless otherwise stated.

The comparative information for the condensed interim statement of financial position has been extracted from the audited financial statements for the year ended 31 December 2021 and comparatives for the condensed interim statements of profit or loss and other comprehensive income and cash flows have been extracted from the reviewed condensed interim financial information for the six months ended 30 June 2021.

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 2021.

A number of new or amended standards became applicable for the current reporting period. The Branch did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

New and revised IFRS have been issued but are not yet effective in the condensed interim financial information and are not expected to have a significant impact on the Branch's financial statements.

IFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. This standard replaces IFRS 4 insurance contracts. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. The standard is applicable for annual periods beginning on or after 1 January 2023, with comparative figures required for the prior period. The Company is assessing the impact of IFRS 17 on its financial statements.

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 2021.

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 Chief Financial Officer.

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 Chief Executive Officer.

4 SEASONALITY OF INTERIM OPERATIONS

As a result of the seasonality associated with the insurance business, gross written premium over the financial period from 1 January to 30 June are not evenly spread out. 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.

5 CASH AND BANK BALANCES

	30 June 2022 (reviewed)	31 December 2021 (audited)
Cash and bank balances	3,923,180	6,505,798
Deposits with maturity within 3 months	1,157,752	721,703
Cash and cash equivalents	5,080,932	7,227,501
Deposits with maturity over 3 months	-	1,000,928
	5,080,932	8,228,429

The placements carries a interest rate ranging from 1.7% to 8.5% (2021: 6.9% to 7.05%) per annum .

6 AVAILABLE FOR SALE INVESTMENTS

	30 June 2022 (reviewed)	31 December 2021 (audited)
Investment in bonds		
Quoted securities	101,668,731	103,439,853
Unquoted securities	4,276,627	3,814,397
	105,945,358	107,254,250

7 LOSS RESERVES

	30 June 2022 (reviewed)			31 December 2021 (audited)		
	Gross	Retro-ceded	Net	Gross	Retro-ceded	Net
Claims reserves	90,665,568	(37,544,371)	53,121,197	84,926,569	(33,629,270)	51,297,299
IBNR reserves	62,150,097	(462,631)	61,687,466	55,857,508	-	55,857,508
At 1 January	152,815,665	(38,007,002)	114,808,663	140,784,077	(33,629,270)	107,154,807
Movement	3,909,886	3,085,353	6,995,239	11,829,315	(3,959,581)	7,869,734
Foreign exchange movement	(269,023)	30,126	(238,897)	202,273	(418,151)	(215,878)
At period/year ended	156,456,528	(34,891,523)	121,565,005	152,815,665	(38,007,002)	114,808,663
Claims reserves	83,901,231	(34,854,322)	49,046,909	90,665,568	(37,544,371)	53,121,197
IBNR reserves	71,547,257	-	71,547,257	62,150,097	(462,631)	61,687,466
At period/year ended	155,448,488	(34,854,322)	120,594,166	152,815,665	(38,007,002)	114,808,663
Non-life reinsurance	154,060,852	(34,854,322)	119,206,530	151,245,611	(38,007,002)	113,238,609
Life reinsurance	1,387,636	-	1,387,636	1,570,054	-	1,570,054
At period/year ended	155,448,488	(34,854,322)	120,594,166	152,815,665	(38,007,002)	114,808,663

8 HEAD OFFICE FUNDS

	Head office account	Fair value reserve	Accumulated losses	Total
Balance as at 1 January 2022	20,166,950	333,771	(13,088,866)	7,411,855
Movement in head office funds	182,363	-	-	182,363
Income for the period	-	-	5,118,535	5,118,535
Other comprehensive loss	-	(6,821,320)	-	(6,821,320)
Balance at 30 June 2022 (reviewed)	20,349,313	(6,487,549)	(7,970,331)	5,891,433
Balance as at 1 January 2021	20,166,950	3,756,466	(20,083,017)	3,840,399
Receipt of funds from head office	529,944	-	-	529,944
Income for the period	-	-	1,392,925	1,392,925
Other comprehensive loss	-	(1,665,388)	-	(1,665,388)
Balance at 30 June 2021 (reviewed)	20,696,894	2,091,078	(18,690,092)	4,097,880

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 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

Premium ceded to:

Hannover Re Bermuda Ltd., Bermuda
Entity within the Hannover Re Group

Expenses recharged by:

- Hannover Retakaful BSC (c), Bahrain
Entity within the Hannover Re Group
- Hannover Rück SE, Germany
Parent company of the Hannover Re Group
- Ampega Asset Management GmbH, Germany
Entity within the Talanx Group (Ultimate Parent)

	30 June 2022 (reviewed)	30 June 2021 (reviewed)
Premium ceded to:		
Hannover Re Bermuda Ltd., Bermuda <i>Entity within the Hannover Re Group</i>	1,667	25,049
Expenses recharged by:		
- Hannover Retakaful BSC (c), Bahrain <i>Entity within the Hannover Re Group</i>	634,349	510,112
- Hannover Rück SE, Germany <i>Parent company of the Hannover Re Group</i>	43,566	118,188
- Ampega Asset Management GmbH, Germany <i>Entity within the Talanx Group (Ultimate Parent)</i>	59,391	57,679

b) Balances with related parties

Amounts receivables

- Hannover Retakaful B.S.C. (c), Bahrain
Entity within the Hannover Re Group

Receivables from retrocessionnaires

- Hannover Re Bermuda Ltd., Bermuda
Entity within the Hannover Re Group

Accrued insurance payables to retrocessionnaires

- Hannover Re Bermuda Ltd., Bermuda
Entity within the Hannover Re Group

Retrocessionnaires' share of loss reserves

- Hannover Re Bermuda Ltd., Bermuda
Entity within the Hannover Re Group

	30 June 2022 (reviewed)	31 December 2021 (audited)
Amounts receivables		
- Hannover Retakaful B.S.C. (c), Bahrain <i>Entity within the Hannover Re Group</i>	96,640	-
Receivables from retrocessionnaires		
- Hannover Re Bermuda Ltd., Bermuda <i>Entity within the Hannover Re Group</i>	2,212,517	-
Accrued insurance payables to retrocessionnaires		
- Hannover Re Bermuda Ltd., Bermuda <i>Entity within the Hannover Re Group</i>	1,629,496	2,409,881
Retrocessionnaires' share of loss reserves		
- Hannover Re Bermuda Ltd., Bermuda <i>Entity within the Hannover Re Group</i>	34,576,517	37,516,800

10 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.

a) 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.

- 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 2022 and 31 December 2021, by the level in the fair value hierarchy into which the fair value measurement is categorised.

	Level 1	Level 2	Level 3	Total
30 June 2022 (reviewed)				
Available-for-sale investments	-	105,945,358	-	105,945,358
31 December 2021 (audited)				
Available-for-sale investments	-	107,254,250	-	107,254,250

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 2022, there were no transfers in and out of level 1, level 2 and level 3 (31 December 2021: Nil).