

Hannover ReTakaful B.S.C. (c)

CONDENSED INTERIM FINANCIAL INFORMATION

30 June 2023

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 (Resigned effective from 1 July 2023) Gerald Segler Olaf Brock
Auditors	: PricewaterhouseCoopers M.E Limited

CONTENTS	Page
Independent auditors' report on the review of the condensed interim financial information	2
Financial statements	
Condensed interim statement of financial position	3
Condensed interim statement of income	4
Condensed interim statement of policyholders' revenue and expenses	5
Condensed interim statement of changes in policyholders' surplus and deficit	6
Condensed interim statement of changes in shareholders' equity	7
Condensed interim statement of cash flows	8
Notes to the condensed interim financial information	9 - 14



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 2023 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 these condensed interim financial information in accordance with FAS 41, "Interim Financial Reporting". 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 FAS 41, "Interim Financial Reporting".

A handwritten signature in blue ink that reads "PricewaterhouseCoopers".

John Molloy
Partner's registration number: 255
PricewaterhouseCoopers M.E Limited
Manama, Kingdom of Bahrain
29 August 2023

ASSETS	Note	30 June 2023 (reviewed)	31 December 2022 (audited)
Cash and cash equivalents	6	9,103,574	6,753,687
Investment securities	7	161,805,765	155,052,109
Retakaful receivables	8	19,132,433	15,777,420
Accrued contribution receivable		30,748,971	24,560,016
Related party receivables	11 d)	328,605	-
Deferred acquisition costs		3,746,440	3,775,000
Retrocessionaires' share of unearned contribution reserves		1,833,781	1,504
Retrocessionaires' share of loss reserves	10	272,740	242,075
Prepayments, equipment and other assets		224,554	97,779
Statutory deposit		175,826	172,173
Total assets		227,372,689	206,431,763

**SHAREHOLDERS' EQUITY, POLICYHOLDERS'
EQUITY & LIABILITIES**

Shareholders' equity			
Share capital		20,000,000	20,000,000
Statutory reserve		7,244,335	7,244,335
Retained earnings		55,807,576	51,239,020
Total shareholders' equity		83,051,911	78,483,355
Policyholders' equity (page 6)		(34,149,016)	(34,603,394)
Liabilities			
Loss reserves	10	138,119,390	127,809,589
Unearned contribution reserves		31,092,984	28,743,710
Commission reserves		37,965	24,560
Retakaful payables		3,518,397	3,529,412
Payables to retrocessionaires		200,334	281,387
Related party payables	11 c)	3,602,472	-
Other liabilities		1,898,252	2,163,144
Total liabilities		178,469,794	162,551,802
Total shareholders' equity, policyholders' equity and liabilities		227,372,689	206,431,763

The Board of Directors approved the financial statements consisting of pages 3 to 14 on 29 August 2023.



Claude Chèvre
Chairman



Digitally signed
by Brock Olaf
Date: 2023.08.29
08:05:52 +02'00'

Olaf Brock
Director

	30 June 2023 (reviewed)	30 June 2022 (reviewed)
INCOME		
Wakala fee for managing retakaful activities	3,792,229	3,177,522
Change in deferred wakala fee	(287,354)	(401,705)
Net earned wakala fee	3,504,875	2,775,817
Investment income / (loss)	1,522,706	(3,338,905)
Mudaraba fee	623,494	-
Foreign exchange (loss) / gain	(1,681)	60,608
TOTAL INCOME / (LOSS)	5,649,394	(502,480)
EXPENSES		
General and administrative expenses	(1,080,838)	(1,294,848)
TOTAL EXPENSES	(1,080,838)	(1,294,848)
PROFIT / (LOSS) FOR THE PERIOD	4,568,556	(1,797,328)

The Board of Directors approved the financial statements consisting of pages 3 to 14 on 29 August 2023.

Claude Chèvre
Chairman

Hannover ReTakaful B.S.C. (c)
Member of the Board of Directors

Digitally signed
by Brock Olaf
Date: 2023.08.29
08:06:21 +02'00'

Olaf Brock
Director

	Note	30 June 2023 (reviewed)	30 June 2022 (reviewed)
REVENUE			
Gross contributions		43,796,682	43,644,788
Retrocessionaires' share of contributions		(3,718,848)	(194,514)
Change in gross unearned contribution reserves		(3,023,949)	(7,907,455)
Change in retrocessionaires' share of unearned contribution reserves		1,832,721	(400,768)
Net earned contributions		38,886,606	35,142,051
Foreign exchange gain		346,127	692,095
Investment income / (loss)		1,558,735	(2,425,655)
Total revenue		40,791,468	33,408,491
EXPENSES			
Claims settled		(19,462,417)	(17,919,581)
Retrocessionaires' share of claims settled		15,081	147,974
Change in loss reserves	9	(12,436,667)	(10,743,224)
Retrocessionaires' share of change in loss reserves	9	26,056	102,356
Net claims incurred		(31,857,947)	(28,412,475)
Policy acquisition costs		(4,260,621)	(4,539,134)
Retrocessionaires' share of policy acquisition costs		12,174	6,262
Movement in deferred acquisition cost		37,749	671,246
Wakala fee		(3,792,229)	(3,177,522)
Movement in deferred wakala fee		287,354	401,705
Mudaraba fee		(623,494)	-
Movement in allowance for doubtful debts	8	161,575	-
Bad debt written off	8	(242,138)	-
Other taxes		(59,512)	(306,100)
Total expenses		(40,337,089)	(35,356,018)
Surplus / (deficit) of revenue over expenses for the period		454,379	(1,947,527)

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 2023

Bahraini Dinars

2023 (reviewed)	General retakaful	Family retakaful	Total accumulated deficit	Surplus distribution reserve	Total policy holders' equity
As at 1 January 2023	(15,462,547)	(19,140,847)	(34,603,394)	-	(34,603,394)
Surplus for the period	(258,645)	713,023	454,378	-	454,378
As at 30 June 2023	(15,721,192)	(18,427,824)	(34,149,016)	-	(34,149,016)

2022 (reviewed)	General retakaful	Family retakaful	Total accumulated deficit	Surplus distribution reserve	Total policy holders' equity
As at 1 January 2022	(12,877,692)	(20,155,415)	(33,033,107)	1,310,153	(31,722,954)
Deficit for the period	(1,569,879)	(377,648)	(1,947,527)	-	(1,947,527)
Surplus paid	-	-	-	226,760	226,760
Surplus reserve release	-	1,536,913	1,536,913	(1,536,913)	-
As at 30 June 2022	(14,447,571)	(18,996,150)	(33,443,721)	-	(33,443,721)

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 2023

Bahraini Dinars

2023 (reviewed)	Share capital	Statutory reserve	Retained earnings	Total
As at 1 January 2023	20,000,000	7,244,335	51,239,020	78,483,355
Profit for the period	-	-	4,568,556	4,568,556
As at 30 June 2023	20,000,000	7,244,335	55,807,576	83,051,911

2022 (reviewed)	Share capital	Statutory reserve	Retained earnings	Total
As at 1 January 2022	20,000,000	7,167,725	54,849,531	82,017,256
Loss for the period	-	-	(1,797,328)	(1,797,328)
Dividend distributed	-	-	(4,300,000)	(4,300,000)
As at 30 June 2022	20,000,000	7,167,725	48,752,203	75,919,928

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

	Note	30 June 2023 (reviewed)	30 June 2022 (reviewed)
OPERATING ACTIVITIES			
Combined profit & surplus / (loss & deficit) for the period		5,022,935	(3,744,855)
<i>Adjustments for:</i>			
Depreciation expenses		7,798	11,231
Increase in provision for employees' end of service benefits		20,767	76,961
Gain on disposal of equipment		-	(1,495)
Movement in allowance for doubtful debts		(161,575)	-
Investment (income) / loss		(3,081,441)	5,766,055
		1,808,484	2,107,897
<i>Changes in operating assets and liabilities:</i>			
- in retakaful receivables		(3,193,438)	(5,426,955)
- in unearned contribution reserves net of retrocession		516,997	7,601,412
- in loss reserves net of retrocession		10,279,137	8,498,885
- in commission reserves		13,405	(841)
- in deferred acquisition costs		28,559	(582,713)
- in accrued contribution receivable		(6,188,955)	(9,586,144)
- in other assets		(135,488)	(12,516)
- in payables to retrocessionaires		3,521,419	265,139
- in retakaful payables		(11,015)	(1,236,514)
- in related party receivables		(328,605)	-
- in other liabilities		(285,659)	(298,373)
Net cash generated from operating activities		6,024,841	1,329,277
INVESTING ACTIVITIES			
Purchase of equipment and other assets		(2,737)	(37,200)
Proceeds from sale of equipment		-	1,495
Profit received from sukuks and placements		3,040,928	2,306,090
Purchase of sukuks		(52,754,151)	(43,610,580)
Proceeds from redemption of sukuks		44,830,054	40,780,695
Foreign currency exchange movement		1,210,953	895,208
Net cash (used in) / generated from investing activities		(3,674,953)	335,708
FINANCING ACTIVITIES			
Dividend distributed		-	(4,300,000)
Net cash used in financing activities		-	(4,300,000)
Net increase / (decrease) in cash and cash equivalents		2,349,888	(2,635,015)
Cash and cash equivalents at the beginning of the period		6,753,687	8,560,994
Cash and cash equivalents at the end of the period	6	9,103,575	5,925,979
<i>Represented in the books of</i>			
Shareholders		2,389,219	722,636
Policyholders		6,714,355	5,203,343
Cash and cash equivalents	6	9,103,574	5,925,979

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 i.e. 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

The condensed interim financial statements of the Company are prepared in accordance with applicable rules and regulations issued by the CBB Rule Book Volume 3. These rules and regulations require the adoption of all Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation of Islamic Financial Institutions (AAOIFI), for matters that are not covered by AAOIFI standards, the Company uses guidance from the relevant International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). Accordingly, the condensed interim financial statements of the Company have been presented in condensed form in accordance with the guidance provided by Financial Accounting Standard 41 - Interim Financial Reporting, which came into effect for financial periods beginning on or after 1 January 2023.

The condensed interim financial information is not audited but has been reviewed by PricewaterhouseCoopers M.E. Limited and their review report is set out on page 2. The comparatives for the condensed interim statement of financial position have been extracted from the audited financial statements for the year ended 31 December 2022. The comparatives for the condensed interim 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 2022.

The accounting policies used in the preparation of this condensed interim financial statements are consistent with those used in the annual audited financial statements of the Company prepared as at, and for the year ended 31 December 2022.

The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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 2022.

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 2022.

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 CASH AND CASH EQUIVALENTS

	30 June 2023 (reviewed)	31 December 2022 (audited)
Cash and bank balances	7,400,855	6,753,687
Placement with bank with maturity within 3 months	1,702,719	-
	9,103,574	6,753,687

7 INVESTMENT SECURITIES

	30 June 2023 (reviewed)	31 December 2022 (audited)
Debt type		
- Quoted sukuks	160,977,850	153,752,817
- Unquoted sukuks	827,915	1,299,292
Investments at fair value through income statement	161,805,765	155,052,109

8 RETAKAFUL RECEIVABLES AND PAYABLES**a) Retakaful receivables**

	30 June 2023 (reviewed)	31 December 2022 (audited)
General retakaful	9,436,269	7,839,080
Family retakaful	11,271,490	9,434,215
	20,707,759	17,273,295
Allowance for doubtful debts, as at 1 January	(1,495,875)	(1,442,111)
Movement in allowance for doubtful debts	161,575	(53,867)
Foreign exchange gains	1,112	103
Allowance for doubtful debts, as at 31 December	(1,333,188)	(1,495,875)
Bad debt written off	(242,138)	-
	19,132,433	15,777,420

9 Technical reserves

	30 June 2023 (reviewed)			31 December 2022 (audited)		
	Gross	Retro-ceded	Net	Gross	Retro-ceded	Net
Claims reserves	50,727,476	(242,075)	50,485,401	46,077,090	-	46,077,090
IBNR reserves	77,082,113	-	77,082,113	69,557,404	(152,414)	69,404,990
At 1 January	127,809,589	(242,075)	127,567,514	115,634,494	(152,414)	115,482,080
Movement	12,436,667	(26,056)	12,410,611	15,214,218	(102,356)	15,111,862
Foreign exchange movement	(2,126,866)	(4,609)	(2,131,475)	(3,039,123)	12,695	(3,026,428)
At period/year ended	138,119,390	(272,740)	137,846,650	127,809,589	(242,075)	127,567,514
Claims reserves	49,697,329	(272,740)	49,424,589	50,727,476	(242,075)	50,485,401
IBNR reserves	88,422,061	-	88,422,061	77,082,113	-	77,082,113
At period/year ended	138,119,390	(272,740)	137,846,650	127,809,589	(242,075)	127,567,514

10 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.

11 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

Gross contributions

- HDI Katilim Sigorta A.S.

Entity within the Talanx Group (Ultimate Parent)

	30 June 2023 (reviewed)	30 June 2022 (reviewed)
	207,502	-
	20,750	-

Policy acquisition costs

- HDI Katilim Sigorta A.S.

Entity within the Talanx Group (Ultimate Parent)

11 RELATED PARTY TRANSACTIONS (continued)

	30 June 2023 (reviewed)	30 June 2022 (reviewed)
Contribution ceded to:		
- Hannover Re Bermuda Ltd., Bermuda <i>Entity within the Hannover Re Group</i>	3,602,472	-
- Hannover Rück SE, Germany <i>Parent company of the Hannover Re Group</i>	56,960	122,750
Expenses recharged:		
- Ampega Asset Management GmbH, Germany <i>Entity within the Talanx Group (Ultimate Parent)</i>	41,147	36,917
- Hannover Rück SE Malaysia Branch, Malaysia <i>Branch of the Parent company of the Hannover Re Group</i>	1,901	2,006
- Hannover Rueck SE, Bahrain Branch, Bahrain <i>Branch of the Parent company of the Hannover Re Group</i>	651,348	634,349
- Hannover Rück SE, Germany <i>Parent company of the Hannover Re Group</i>	39,368	328,523
	30 June 2023 (reviewed)	31 December 2022 (audited)
b) Key management compensation		
Salaries and benefits to key management personnel	459,860	411,030
c) Payables to retrocessionaires		
- Hannover Re Bermuda Ltd., Bermuda <i>Entity within the Hannover Re Group</i>	3,602,472	-
d) Related party receivables		
- Hannover Rueck SE, Bahrain Branch, Bahrain <i>Branch of the Parent company of the Hannover Re Group</i>	328,605	-
- HDI Katilim Sigorta A.S. <i>Entity within the Talanx Group (Ultimate Parent)</i>	101,576	-
e) Balances payable to key management personnel		
Remuneration payable	660,974	667,437

12 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 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.

(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 2023 and year ended 31 December 2022. No transfers out of, or into, the level 3 measurement classification occurred during the period ended 30 June 2023 and 31 December 2022.

(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.

13 SEGMENT INFORMATION**30 June 2023 (reviewed)**

	General Retakaful	Family Retakaful	Total
Gross contributions	15,988,478	27,808,204	43,796,682
Net earned contributions	13,632,660	25,253,946	38,886,606
Net claims incurred	(9,579,212)	(22,278,735)	(31,857,947)
Net policy acquisition cost	(3,755,437)	(478,918)	(4,234,355)
Surplus of revenue over expenses for the period	(258,645)	713,023	454,378
Total assets	79,245,276	71,577,116	150,822,392
Total liabilities	94,966,469	90,004,940	184,971,409
Policyholders' fund	(15,721,192)	(18,427,824)	(34,149,016)
Interpool and shareholders balances	-	-	(10,478,178)
Shareholders' assets	-	-	87,028,475
Shareholders' liabilities	-	-	3,976,563

30 June 2022 (reviewed)

	General Retakaful	Family Retakaful	Total
Gross contributions	15,579,725	28,065,063	43,644,788
Earned contributions	12,072,135	23,069,916	35,142,051
Net claims incurred	(7,318,309)	(21,094,166)	(28,412,475)
Net policy acquisition cost	(4,180,091)	(359,043)	(4,539,134)
Deficit of revenue over expenses for the period	(1,569,879)	(377,648)	(1,947,527)

31 December 2022 (audited)

Total assets	73,263,250	61,661,428	134,924,678
Total liabilities	88,725,797	80,802,275	169,528,072
Policyholders' fund	(15,462,547)	(19,140,847)	(34,603,394)
Interpool and shareholders balances	-	-	(10,970,893)
Shareholders' assets	-	-	82,477,978
Shareholders' liabilities	-	-	3,994,623