

Hannover Rueck SE, Bahrain Branch

CONDENSED INTERIM FINANCIAL INFORMATION

30 JUNE 2021

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

Hannover Rueck SE, Bahrain Branch
Condensed interim financial information
For the six-month period ended 30 June 2021

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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 2021 and the related condensed interim statements 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.

PricewaterhouseCoopers

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

Hannover Rueck SE, Bahrain Branch
 Condensed interim statement of financial position
 as at 30 June 2021

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Bahraini Dinars

	Note	30 June 2021 (reviewed)	31 December 2020 (audited)
ASSETS			
Cash and bank balances	5	6,083,592	5,973,960
Statutory deposit		165,088	163,454
Available-for-sale investments	6	104,808,513	102,165,974
Insurance receivables		23,183,064	20,301,669
Accrued premium receivables		12,907,350	8,401,494
Deferred acquisition costs		5,013,888	4,341,676
Retrocessionnaires' share of loss reserves	7	32,528,694	33,629,270
Retrocessionnaires' share of unearned premium reserves		309,220	942,290
Prepayments and other assets		62,188	45,140
Total assets		185,061,597	175,964,927
HEAD OFFICE FUNDS AND LIABILITIES			
LIABILITIES			
Loss reserves	7	147,942,278	140,784,077
Unearned premium reserves		22,487,598	18,405,163
Insurance payables		9,745,194	12,924,018
Related party payable	9 b)	777,011	-
Other payables		11,636	11,270
Total liabilities		180,963,717	172,124,528
HEAD OFFICE FUNDS	8	4,097,880	3,840,399
Total head office funds and liabilities		185,061,597	175,964,927

Management approved the condensed interim financial information consisting of pages 3 to 10 on 23 September 2021.



Adham El-Muezzin
 Chief Executive Officer

	Note	30 June 2021 (reviewed)	30 June 2020 (reviewed)
INCOME			
Gross written premium		32,991,876	33,516,266
Ceded premium		(311,644)	(1,192,540)
Change in gross unearned premium reserves		(4,077,878)	(5,283,021)
Change in ceded unearned premium reserves		(633,078)	(24,220)
Net premium earned		27,969,276	27,016,485
Foreign exchange gains		61,719	61,388
Investment and other income		1,102,061	1,111,514
Total income		29,133,056	28,189,387
EXPENSES			
Gross claims paid		(11,548,520)	(10,262,651)
Claim recoveries		73,097	1,173,556
Movement in loss reserves, net	7	(8,497,674)	(16,620,155)
Policy acquisition costs, net		(7,864,540)	(7,339,145)
Ceded policy acquisition cost		49,811	53,419
Movement in deferred acquisition cost, net		670,949	1,196,472
General and administrative expenses		(623,254)	(637,370)
Total expenses		(27,740,131)	(32,435,874)
Income / (loss) for the period		1,392,925	(4,246,487)
Other comprehensive income			
Items that will be reclassified to profit or loss:			
Changes on remeasurement of available-for-sale investments		(1,585,354)	2,690,274
Transfers for recognition of gains on disposal of available-for-sale investments		(80,034)	(40,571)
Total other comprehensive (loss) / income for the period	8	(1,665,388)	2,649,703
Total comprehensive (loss) for the period		(272,463)	(1,596,784)

Management approved the condensed interim financial information consisting of pages 3 to 10 on 23 September 2021.


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 2021

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Bahraini Dinars

	<i>Note</i>	30 June 2021 (reviewed)	30 June 2020 (reviewed)
OPERATING ACTIVITIES			
Profit /(loss) for the period		1,392,925	(4,246,487)
<i>Adjustments for:</i>			
Investment and other income		(1,102,062)	(1,111,514)
		290,863	(5,358,001)
<i>Changes in operating assets and liabilities:</i>			
- insurance receivables		(2,881,395)	(5,210,854)
- insurance payables		(3,178,824)	693,798
- unearned contribution reserves		4,082,435	5,260,275
- retrocessionnaires' share of unearned premium reserves		633,070	23,975
- accrued contribution receivables		(4,505,856)	(5,693,805)
- deferred acquisition costs		(672,212)	(1,193,124)
- retrocessionnaires' share of loss reserves		1,100,576	2,854,897
- loss reserves		7,158,201	13,644,136
- related party receivables		-	(38,425)
- related party payables		777,011	-
- statutory deposit		(1,634)	(1,611)
- prepayments and other assets		(17,048)	6,348
- other payables		366	(4,115)
Net cash generated from operating activities		2,785,553	4,983,494
INVESTING ACTIVITIES			
Purchase of available-for-sale investments		(24,781,440)	(18,361,339)
Purchase of placements over three months		-	(1,186,812)
Proceeds from disposal of available-for-sale investments		20,484,763	14,252,535
Investment income received		1,087,930	1,054,996
Net cash used in investing activities		(3,208,747)	(4,240,620)
FINANCING ACTIVITIES			
Movement in head office account		529,944	(1,077,139)
Net cash generated from / (used in) financing activities		529,944	(1,077,139)
Net increase / (decrease) in cash and cash equivalents		106,750	(334,265)
Cash and cash equivalents at 1 January		5,973,960	5,288,567
Foreign exchange movement in debt instruments		2,881	(9,873)
Cash and cash equivalents at the end of the period	5	6,083,591	4,944,429

The notes on pages 6 to 10 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 was 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 2020 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 2020 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 2020.

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 2020.

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.

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 2020.

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 2021 (reviewed)	31 December 2020 (audited)
Cash and bank balances	4,864,348	4,738,770
Deposits with maturity within 3 months	485,151	479,529
Cash and cash equivalents	5,349,499	5,218,299
Deposits with maturity over 3 months	734,093	755,661
	6,083,592	5,973,960

The placements carries a interest rate ranging from 6.7% to 6.9% (2020: 6.7% to 6.9%) per annum.

6 AVAILABLE FOR SALE INVESTMENTS

	30 June 2021 (reviewed)	31 December 2020 (audited)
Investment in bonds		
Quoted securities	101,686,764	98,624,823
Unquoted securities	3,121,749	3,541,151
	104,808,513	102,165,974

7 LOSS RESERVES

	30 June 2021 (reviewed)			31 December 2020 (audited)		
	Gross	Retro-ceded	Net	Gross	Retro-ceded	Net
Claims reserves	84,926,569	(33,629,270)	51,297,299	53,924,191	(10,006,367)	43,917,824
IBNR reserves	55,857,508	-	55,857,508	47,522,120	-	47,522,120
At 1 January	140,784,077	(33,629,270)	107,154,807	101,446,311	(10,006,367)	91,439,944
Movement	7,427,224	1,070,450	8,497,674	39,387,480	(23,579,407)	15,808,073
Foreign exchange movement	(269,023)	30,126	(238,897)	(49,714)	(43,496)	(93,210)
At period/year ended	147,942,278	(32,528,694)	115,413,584	140,784,077	(33,629,270)	107,154,807
Claims reserves	87,705,589	(32,528,694)	55,176,895	84,926,569	(33,629,270)	51,297,299
IBNR reserves	60,236,689	-	60,236,689	55,857,508	-	55,857,508
At period/year ended	147,942,278	(32,528,694)	115,413,584	140,784,077	(33,629,270)	107,154,807
Property and casualty	146,464,484	(32,528,694)	113,935,790	138,618,560	(33,629,270)	104,989,290
Life and health	1,477,794	-	1,477,794	2,165,517	-	2,165,517
At period/year ended	147,942,278	(32,528,694)	115,413,584	140,784,077	(33,629,270)	107,154,807

8 HEAD OFFICE FUNDS

	Head office account	Fair value reserve	Accumulated losses	Total
Balance as at 1 January 2021	20,166,950	3,756,466	(20,083,017)	3,840,399
Movement in head office funds	529,944	-	-	529,944
Profit for the period	-	-	1,392,925	1,392,925
Other comprehensive income	-	(1,665,388)	-	(1,665,388)
Balance at 30 June 2021 (reviewed)	20,696,894	2,091,078	(18,690,092)	4,097,880
Balance as at 1 January 2020	16,166,950	1,435,473	(7,162,953)	10,439,470
Receipt of funds from head office	4,000,000	-	-	4,000,000
Loss for the year	-	-	(12,920,064)	(12,920,064)
Other comprehensive income	-	2,320,993	-	2,320,993
Balance at 31 December 2020 (audited)	20,166,950	3,756,466	(20,083,017)	3,840,399

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 2021 (reviewed)	30 June 2020 (reviewed)
Premium ceded to:		
Hannover Re Bermuda Ltd., Bermuda <i>Entity within the Hannover Re Group</i>	25,049	935,298
Expenses recharged by:		
- Hannover Retakaful BSC (c), Bahrain <i>Entity within the Hannover Re Group</i>	510,112	515,850
- Hannover Rück SE, Germany <i>Parent company of the Hannover Re Group</i>	118,188	127,482
- Ampega Asset Management GmbH, Germany <i>Entity within the Talanx Group (Ultimate Parent)</i>	57,679	51,320

b) Balances with related parties

Amounts payable

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

Insurance payables

- Hannover Rück SE, Germany
Parent company of the Hannover Re Group
- Hannover Re Bermuda Ltd., Bermuda
Entity within the Hannover Re Group

Retrocessionaires' share of loss reserves

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

	30 June 2021 (reviewed)	31 December 2020 (audited)
Amounts payable		
- Hannover Retakaful B.S.C. (c), Bahrain <i>Entity within the Hannover Re Group</i>	777,011	-
Insurance payables		
- Hannover Rück SE, Germany <i>Parent company of the Hannover Re Group</i>	386	-
- Hannover Re Bermuda Ltd., Bermuda <i>Entity within the Hannover Re Group</i>	2,823,158	2,849,393
Retrocessionaires' share of loss reserves		
- Hannover Re Bermuda Ltd., Bermuda <i>Entity within the Hannover Re Group</i>	31,916,089	33,458,409

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 2020, 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 2021 (reviewed)				
Available-for-sale investments	-	104,808,513	-	104,808,513
31 December 2020 (audited)				
Available-for-sale investments	-	102,165,974	-	102,165,974

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 2021, there were no transfers in and out of level 1, level 2 and level 3 (31 December 2020: Nil).

11 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. 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)
Increase in loss reserves	(1,483,363)	(1,440,212)
Increase in retrocessionnaires' share loss reserves	485,022	-

	30 June 2021 (reviewed)	30 June 2020 (reviewed)
Reduction in management fee	-	51,688