

Hannover ReTakaful B.S.C. (c)

CONDENSED INTERIM FINANCIAL INFORMATION

30 June 2019

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



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

Report on the review of the condensed interim financial information

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Hannover Retakaful B.S.C. (c) (the "Company" or "Hannover") as of 30 June 2019 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 other 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 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 the basis of preparation stated in Note 2 to this condensed interim financial information.

5 September 2019

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

Hannover ReTakaful B.S.C. (c)
 Condensed interim statement of financial position
 as at 30 June 2019

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Bahraini Dinars

	Note	30 June 2019 (reviewed)	31 December 2018 (audited)
ASSETS			
Cash and cash equivalents		9,847,633	11,203,204
Statutory deposit		151,800	150,103
Investment securities	6	114,440,110	110,446,522
Retakaful receivables		12,905,793	10,479,168
Accrued contribution receivable		24,639,646	20,036,825
Related party receivables	10 e)	59,917	102,391
Deferred acquisition costs		3,410,990	2,376,232
Retrocessionaires' share of unearned contribution reserve		1,506,401	341,469
Retrocessionaires' share of loss reserves	7	303,785	148,424
Retrocessionaires' share of commission reserves		18,930	-
Prepayments, equipment and other assets		173,379	186,188
Total assets		167,458,384	155,470,526
SHAREHOLDERS' EQUITY, POLICYHOLDERS' FUND & LIABILITIES			
Shareholders' equity			
Share capital		20,000,000	20,000,000
Statutory reserve		4,850,990	4,850,990
Dividend reserve		-	1,000,000
Retained earnings		39,879,340	37,298,910
Total shareholders' equity		64,730,330	63,149,900
Policyholders' fund (page 6)		(17,483,562)	(17,586,722)
Liabilities			
Loss reserve	7	91,643,980	87,548,806
Unearned contribution reserve		20,812,865	15,288,440
Commission reserve		227,955	293,193
Retakaful payables		3,513,630	4,488,694
Payables to retrocessionaires		2,794,090	501,562
Related party payables		68,733	634,857
Other liabilities		1,150,363	1,151,796
Total liabilities		120,211,616	109,907,348
Total shareholders' equity, policyholders' fund and liabilities		167,458,384	155,470,526

The Board of Directors approved the condensed interim financial information consisting of pages 3 to 13 on 5 September 2019.


 Sven Althoff
 Chairman


 Adham El-Muezzin
 Managing Director

Hannover ReTakaful B.S.C. (c)
 Condensed interim statement of income
 For the six-month period ended 30 June 2019


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Bahraini Dinars

	Note	30 June 2019 (reviewed)	30 June 2018 (reviewed)
INCOME			
Wakala fee for managing retakaful activities		2,893,456	3,301,246
Change in deferred wakala fee		(60,418)	(295,647)
Net earned wakala fee		2,833,038	3,005,599
Investment income / (loss)		2,963,632	(419,845)
Mudaraba fee		1,139,398	-
Foreign exchange gains		17,451	226,656
TOTAL INCOME		6,953,519	2,812,410
EXPENSES			
Staff cost		(642,395)	(512,448)
General and administrative expenses		(430,694)	(276,660)
Impairment of qard hassan	9	-	(1,191,558)
Total expenses		(1,073,089)	(1,980,666)
PROFIT FOR THE PERIOD		5,880,430	831,744

The Board of Directors approved the condensed interim financial information consisting of pages 3 to 13 on 5 September 2019


 Sven Althoff
 Chairman


 Adham El-Muezzin
 Managing Director

Condensed interim statement of policyholders' revenue and expenses
For the six-month period ended 30 June 2019

Bahraini Dinars

	Note	30 June 2019 (reviewed)	30 June 2018 (reviewed)
REVENUE			
Gross contributions		34,049,526	32,693,061
Retrocessionaires' share of contributions		(2,380,983)	(2,244,736)
Change in gross unearned contributions		(5,448,812)	(1,323,789)
Change in retrocessionaires' share of unearned contributions		1,165,466	1,080,358
Net earned contributions		27,385,197	30,204,894
Foreign exchange losses		(16,733)	(13,508)
Investment income / (loss)		2,848,496	(453,239)
Mudarib fee		(1,139,398)	-
Total revenue		29,077,562	29,738,147
EXPENSES			
Gross claims paid		(18,488,378)	(18,327,961)
Movement in loss reserve, net	7	(3,797,194)	(7,497,638)
Net claims incurred		(22,285,572)	(25,825,599)
Policy acquisition costs, net		(4,855,195)	(4,048,226)
Movement in deferred acquisition costs		1,003,110	(200,901)
Wakala fee		(2,893,456)	(3,301,246)
Change in deferred wakala fee		60,418	295,647
Other expenses		(3,707)	(3,850)
Total expenses		(28,974,402)	(33,084,175)
Surplus / (deficit) for the period		103,160	(3,346,028)

The notes on pages 9 to 13 are an integral part of this condensed interim financial information.

2019 (reviewed)

	General retakaful	Family retakaful	Total accumulated deficit	Surplus distribution reserve	Total policy holders' fund
As at 1 January 2019	(19,647,857)	694,584	(18,953,273)	1,366,551	(17,586,722)
Surplus for the period	843,864	(740,704)	103,160	-	103,160
As at 30 June 2019	(18,803,993)	(46,120)	(18,850,113)	1,366,551	(17,483,562)

2018 (reviewed)

	General retakaful	Family retakaful	Total accumulated deficit	Surplus distribution reserve	Total policy holders' fund
As at 1 January 2018	(22,517,084)	1,258,976	(21,258,108)	3,094,011	(18,164,097)
Deficit for the period	(2,350,034)	(995,994)	(3,346,028)	-	(3,346,028)
Qard Hassan allowance	1,191,558	-	1,191,558	-	1,191,558
Surplus paid	-	-	-	(1,412,286)	(1,412,286)
As at 30 June 2018	(23,675,560)	262,982	(23,412,578)	1,681,725	(21,730,853)

The notes on pages 9 to 13 are an integral part of this condensed interim financial information.

Condensed interim statement of changes in shareholders' equity

For the six-month period ended 30 June 2019

Bahraini Dinars

2019 (reviewed)

	Share capital	Statutory reserve	Dividend reserve	Retained earnings	Total
As at 1 January 2019	20,000,000	4,850,990	1,000,000	37,298,910	63,149,900
Profit for the period	-	-	-	5,880,430	5,880,430
Transfer from dividend reserve	-	-	(1,000,000)	1,000,000	-
Dividends paid (Note 8)	-	-	-	(4,300,000)	(4,300,000)
As at 30 June 2019	20,000,000	4,850,990	-	39,879,340	64,730,330

2018 (reviewed)

	Share capital	Statutory reserve	Dividend reserve	Retained earnings	Total
As at 1 January 2018	20,000,000	4,722,337	-	39,341,031	64,063,368
Profit for the period	-	-	-	831,744	831,744
Transfer to dividend reserve	-	-	1,000,000	(1,000,000)	-
Dividends paid (Note 8)	-	-	-	(2,200,000)	(2,200,000)
As at 30 June 2018	20,000,000	4,722,337	1,000,000	36,972,775	62,695,112

The notes on pages 9 to 13 are an integral part of this condensed interim financial information.

Hannover ReTakaful B.S.C. (c)
Condensed interim statement of cash flows
For the six-month period ended 30 June 2019

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Bahraini Dinars

	Note	30 June 2019 (reviewed)	30 June 2018 (reviewed)
OPERATING ACTIVITIES			
Combined profit /(deficit) for the period		5,983,590	(2,514,284)
<i>Adjustments for:</i>			
Impairment of qard hassan		-	1,191,558
Depreciation expenses		30,853	38,249
Amortisation of sukuks		(22,721)	72,962
Fair value movement for investments securities		(4,349,197)	1,808,752
Realised losses on investment securities		435,446	780,801
Profit from investments securities and placement with financial institution		(1,986,453)	(1,789,431)
		91,518	(411,393)
<i>Changes in operating assets and liabilities:</i>			
Changes in unearned contribution reserve, net		4,359,493	241,483
Changes in loss reserves, net		3,939,813	7,648,805
Changes in deferred acquisition costs		(1,034,758)	193,445
Changes in commission reserve, net		(84,168)	231
Changes in retakaful receivables		(2,426,625)	2,965,186
Changes in retakaful payables		(975,064)	908,228
Changes in accrued contribution receivable		(4,602,821)	(7,933,338)
Changes in prepayments and other assets		(19,741)	(27,037)
Changes in related party receivables / payables		(523,650)	334,156
Changes in payables to retrocessionaires		2,292,528	2,100,953
Changes in other liabilities		(1,433)	(60,021)
Cash flows generated from operating activities		1,015,092	5,960,698
INVESTING ACTIVITIES			
Purchase of equipment		-	(84,444)
Profit from investments securities		1,829,188	1,805,212
Purchase of investment securities		(20,626,137)	(54,653,054)
Redemption of investment securities		20,769,832	54,300,606
Cash flows generated from investing activities		1,972,883	1,368,320
FINANCING ACTIVITIES			
Surplus paid		-	(1,412,286)
Dividend paid	8	(4,300,000)	(2,200,000)
Cash flows used in financing activities		(4,300,000)	(3,612,286)
Net (decrease) / increase in cash and cash equivalents		(1,312,025)	3,716,732
Cash and cash equivalents at the beginning of the period		11,203,204	8,651,335
Foreign currency exchange movement		(43,546)	(438,827)
Cash and cash equivalents at the end of the period		9,847,633	11,929,240
Represented by:			
Shareholders		450,435	2,471,872
Policyholders		9,397,198	9,457,368
		9,847,633	11,929,240

The notes on pages 9 to 13 are an integral part of this condensed interim financial information.

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 (21) 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

a) 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 2018.

b) 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 2018. 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 2018.

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 2018.

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 2018.

5 SEASONALITY OF INTERIM OPERATIONS

As a result of the seasonality associated with the insurance business, gross premiums written 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 2019 (reviewed)	31 December 2018 (audited)
Debt type		
- Quoted sukuku	110,340,957	106,375,272
- Unquoted sukuku	2,875,573	2,863,266
Equity type		
- Quoted sukuk	1,223,580	1,207,984
Investments at fair value through profit or loss	114,440,110	110,446,522

7 LOSS RESERVE

	30 June 2019			31 December 2018		
	Gross	Retro-ceded	Net	Gross	Retro-ceded	Net
Claims reserves	41,332,150	-	41,332,150	46,314,588	(422,269)	45,892,319
IBNR reserves	46,216,656	(148,424)	46,068,232	43,038,281	(152,460)	42,885,821
At 1 January	87,548,806	(148,424)	87,400,382	89,352,869	(574,729)	88,778,140
Movement	3,952,380	(155,186)	3,797,194	(1,088,848)	422,067	(666,781)
Foreign exchange (losses) / gains	142,794	(175)	142,619	(715,215)	4,238	(710,977)
At period/year ended	91,643,980	(303,785)	91,340,195	87,548,806	(148,424)	87,400,382
Claims reserves	39,770,612	(154,625)	39,615,987	41,332,150	-	41,332,150
IBNR reserves	51,873,368	(149,160)	51,724,208	46,216,656	(148,424)	46,068,232
At period/year ended	91,643,980	(303,785)	91,340,195	87,548,806	(148,424)	87,400,382
General Takaful	61,676,320	(154,625)	61,521,695	59,059,155	-	59,059,155
Family Takaful	29,967,660	(149,160)	29,818,500	28,489,651	(148,424)	28,341,227
At period/year ended	91,643,980	(303,785)	91,340,195	87,548,806	(148,424)	87,400,382

8 APPROPRIATION & DIVIDENDS PAID

The shareholders of the Company in their meeting held on 25 March 2019 approved a cash dividend payment of BD 4,300,000 (30 June 2018: BD 2,200,000) which has already been paid during the period.

9 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 Sharia Board is of the view that the retakaful operator still holds the right to recover the Qard Hassan from policyholders.

10 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 2019 (reviewed)	30 June 2018 (reviewed)
a) Transactions with related parties		
Contribution ceded to:		
- Hannover Re Bermuda Ltd., Bermuda <i>Entity within the Hannover Re Group</i>	2,272,252	2,138,183
- Hannover Rück SE, Germany <i>Parent company of the Hannover Re Group</i>	80,310	77,487
Expenses recharged:		
- Ampega Asset Management GmbH, Germany <i>Entity within the Talanx Group (Ultimate Parent)</i>	28,138	28,350
- Hannover Rück SE Malaysia Branch, Malaysia <i>Branch of the Parent company of the Hannover Re Group</i>	3,754	2,024
- Hannover Rueck SE, Bahrain Branch, Bahrain <i>Branch of the Parent company of the Hannover Re Group</i>	620,017	641,314
- Hannover Rück SE, Germany <i>Parent company of the Hannover Re Group</i>	188,536	111,985
b) Key management compensation		
Salaries and benefits to key management personnel	420,951	335,100
c) Related party payables		
Hannover Rueck SE, Bahrain Branch <i>Branch of the Parent company of the Hannover Re Group</i>	-	634,857
Hannover Rück SE, Germany <i>Parent company of the Hannover Re Group</i>	68,733	-
d) Payables to retrocessionaires		
Hannover Rück SE, Germany <i>Parent company of the Hannover Re Group</i>	34,205	-
Hannover Re Bermuda Ltd., Bermuda <i>Entity within the Hannover Re Group</i>	2,271,262	-

10 RELATED PARTY TRANSACTIONS (continued)

	30 June 2019 (reviewed)	31 December 2018 (audited)
e) Related party receivables		
Hannover Rück SE, Germany <i>Parent company of the Hannover Re Group</i>	-	102,391
Hannover Rueck SE, Bahrain Branch <i>Branch of the Parent company of the Hannover Re Group</i>	59,917	-
f) Retrocessionaires' share of loss reserves		
Hannover Rück SE, Germany <i>Parent company of the Hannover Re Group</i>	154,625	-
g) Balances due to key management personnel		
Remuneration payable	460,569	598,025

11 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.

This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

(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 2019 and 31 December 2018. No transfers out of, or into, the level 3 measurement classification occurred during the period ended 30 June 2019 and 31 December 2018.

(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.

12 SEGMENT INFORMATION

30 June 2019 (reviewed)

Gross contributions	16,463,255	17,586,271	34,049,526
Net earned contributions	11,254,388	16,130,809	27,385,197
Net claims incurred	(7,335,153)	(14,950,419)	(22,285,572)
Net policy acquisition cost	(3,373,505)	(478,580)	(3,852,085)
Surplus /(deficit) of revenue over expenses for the period	843,864	(740,704)	103,160
Total assets	63,047,162	47,923,870	110,971,032
Total liabilities	81,851,161	46,603,443	128,454,604
Policyholders' fund	(18,803,993)	1,320,431	(17,483,562)
Interpool and shareholders balances	-	-	(10,890,487)
Shareholders' assets	-	-	67,377,839
Shareholders' liabilities	-	-	2,647,499

	General Retakaful	Family Retakaful	Total
Gross contributions	16,463,255	17,586,271	34,049,526
Net earned contributions	11,254,388	16,130,809	27,385,197
Net claims incurred	(7,335,153)	(14,950,419)	(22,285,572)
Net policy acquisition cost	(3,373,505)	(478,580)	(3,852,085)
Surplus /(deficit) of revenue over expenses for the period	843,864	(740,704)	103,160
Total assets	63,047,162	47,923,870	110,971,032
Total liabilities	81,851,161	46,603,443	128,454,604
Policyholders' fund	(18,803,993)	1,320,431	(17,483,562)
Interpool and shareholders balances	-	-	(10,890,487)
Shareholders' assets	-	-	67,377,839
Shareholders' liabilities	-	-	2,647,499

30 June 2018 (reviewed)

Gross contributions	15,220,055	17,473,006	32,693,061
Earned contributions	14,379,907	15,824,987	30,204,894
Net claims incurred	(11,620,385)	(14,205,214)	(25,825,599)
Net policy acquisition cost	(3,546,381)	(702,746)	(4,249,127)
Deficit of revenue over expenses for the period	(2,350,034)	(995,994)	(3,346,028)

	General Retakaful	Family Retakaful	Total
Gross contributions	15,220,055	17,473,006	32,693,061
Earned contributions	14,379,907	15,824,987	30,204,894
Net claims incurred	(11,620,385)	(14,205,214)	(25,825,599)
Net policy acquisition cost	(3,546,381)	(702,746)	(4,249,127)
Deficit of revenue over expenses for the period	(2,350,034)	(995,994)	(3,346,028)

31 December 2018

Total assets	57,550,058	40,487,568	98,037,626
Total liabilities	77,197,924	38,426,433	115,624,357
Policyholders' fund	(19,647,857)	2,061,135	(17,586,722)
Interpool and shareholders balances	-	-	(9,110,959)
Shareholders' assets	-	-	66,543,859
Shareholders' liabilities	-	-	3,393,950