

**Hannover Rueck SE  
Bahrain Branch**

**CONDENSED INTERIM FINANCIAL INFORMATION**

**30 June 2019**

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 ME Limited

**Hannover Rueck SE, Bahrain Branch**  
**Condensed interim financial information**  
**For the six-month period ended 30 June 2019**

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Independent Auditor's Review report to the management of  
**Hannover Rueck SE, Bahrain Branch**

## **Report on the review of the condensed interim financial information**

### **Introduction**

We have reviewed the accompanying condensed interim statement of financial position of Hannover Rueck SE, Bahrain Branch (the "Branch" or "Hannover") as of 30 June 2019 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 other 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 ("IASB"). 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 IAS 34.

5 September 2019  
Partner's registration number: 196  
Manama, Kingdom of Bahrain

	<i>Note</i>	<b>30 June 2019 (reviewed)</b>	<b>31 December 2018 (audited)</b>
<b>ASSETS</b>			
Cash and cash equivalents		7,990,922	5,528,083
Statutory deposit		158,583	157,012
Available for sale investments	5	86,178,792	84,920,357
Insurance receivables		16,198,106	13,435,711
Accrued premiums		11,914,814	7,737,919
Deferred acquisition costs		4,021,700	3,080,366
Retrocessionnaires' share of unearned premium reserves		3,146,220	710,557
Retrocessionnaires' share of loss reserves	6	12,157,064	4,469,924
Related party receivables	8 (b)	-	634,857
Prepayments and other assets		14,813	6,000
<b>Total assets</b>		<b>141,781,014</b>	<b>120,680,786</b>
<b>LIABILITIES</b>			
Unearned premium reserves		18,101,695	13,491,223
Loss reserves	6	101,146,461	98,195,873
Commission reserves		-	1,167,115
Insurance payables		5,003,091	4,644,815
Payable to retrocessionnaires		5,077,041	445,673
Related party payables	8 (b)	59,917	-
Other payables		14,751	13,904
<b>Total liabilities</b>		<b>129,402,956</b>	<b>117,958,603</b>
<b>HEAD OFFICE FUNDS</b>	7	<b>12,378,058</b>	<b>2,722,183</b>
<b>Total liabilities and head office funds</b>		<b>141,781,014</b>	<b>120,680,786</b>

Management approved the condensed interim financial information, consisting of pages 3 to 10, on 5 September 2019.

  
 Adham El-Muezzin  
 Chief Executive Officer



Hannover Rueck SE, Bahrain Branch  
 Condensed interim statement of profit or loss and other comprehensive 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)
<b>INCOME</b>			
Gross premiums written		27,764,963	26,760,824
Ceded premiums		(4,814,608)	(3,961,538)
Change in gross unearned premium		(4,572,379)	720,563
Change in ceded unearned premium		2,436,652	2,053,727
<b>Net premium earned</b>		<b>20,814,628</b>	<b>25,573,576</b>
Foreign exchange losses		(110,540)	(94,674)
Investment and other income		1,020,417	835,410
<b>Total income</b>		<b>21,724,505</b>	<b>26,314,312</b>
<b>EXPENSES</b>			
Claims settled		(14,382,103)	(18,201,829)
Retrocessionaires share on claims settled		17,826	17,209
Movement in outstanding claims reserve	6	2,056,315	(1,407,252)
Retrocessionaires share on movement in outstanding claims reserve	6	7,713,500	(1,097)
Movement in incurred but not reported	6	(4,825,740)	(3,773,653)
Policy acquisition costs		(5,529,178)	(3,851,109)
Movement in deferred acquisition cost		928,877	(847,470)
General and administration expenses		(665,500)	(759,834)
<b>Total expenses</b>		<b>(14,686,003)</b>	<b>(28,825,035)</b>
<b>Profit / (loss) for the period</b>		<b>7,038,502</b>	<b>(2,510,723)</b>
<b>Other comprehensive income</b>			
<b>Items that will be reclassified to profit or loss:</b>			
Changes on remeasurement of available-for-sale investments		2,429,990	(1,260,017)
Transfers for recognition of gains / (losses) on disposal of available-for-sale investments		(16,691)	21,448
<b>Total other comprehensive income / (loss) for the period</b>		<b>2,413,299</b>	<b>(1,238,569)</b>
<b>Total comprehensive income / (loss) for the period</b>		<b>9,451,801</b>	<b>(3,749,292)</b>

Management approved the condensed interim financial information, consisting of pages 3 to 10, on 5 September 2019

  
 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 2019

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Bahraini Dinars

	30 June 2019 (reviewed)	30 June 2018 (reviewed)
<b>OPERATING ACTIVITIES</b>		
<b>Profit / (loss) for the period</b>	<b>7,038,502</b>	<b>(2,510,723)</b>
<i>Adjustments</i>		
Net realised losses from sale of bonds	16,691	(21,448)
Expenses recharged by Head Office	204,074	157,735
Amortisation on bonds	(22,080)	8,625
Interest income	(1,015,028)	(835,410)
	<b>6,222,159</b>	<b>(3,201,221)</b>
<i>Changes in operating assets and liabilities:</i>		
Change in unearned premium reserves	4,610,472	(647,599)
Change in commission reserve	(1,167,115)	(2,785,759)
Change in deferred acquisition costs	(941,334)	832,690
Change in retrocessionnaires' share of loss reserves	(7,687,140)	62,349
Change in loss reserves	2,950,588	5,485,746
Change in insurance receivable and accrued premiums	(6,939,290)	(1,687,178)
Change in retrocessionnaires' share of unearned premium reserves	(2,435,663)	(2,058,929)
Change in related party receivables	634,857	(334,155)
Change in payable to retrocessionnaires	4,631,368	3,395,964
Change in insurance payables	358,276	(273,086)
Change in statutory deposit	(1,571)	(5,431)
Change in prepayments and other assets	(8,813)	4,478
Change in related party payables	59,917	-
Change in other payables	847	5,194
<b>Cash flows generated from / (used in) operating activities</b>	<b>287,558</b>	<b>(1,206,937)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of available-for-sale investments	(5,877,909)	(16,483,654)
Proceeds from disposal of available-for-sale investments	7,109,238	12,832,533
Interest received	970,075	744,773
<b>Cash flows generated from / (used in) investing activities</b>	<b>2,201,404</b>	<b>(2,906,348)</b>
Foreign exchange movement in debt instruments	(26,123)	(234,101)
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>2,462,839</b>	<b>(4,347,386)</b>
Cash and cash equivalents at the beginning of the period	5,528,083	12,537,137
<b>Cash and cash equivalents at the end of the period</b>	<b>7,990,922</b>	<b>8,189,751</b>

The condensed interim financial information consists of pages 3 to 10

## 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 2018 unless otherwise stated.

The condensed interim financial information is not audited but has been reviewed by PricewaterhouseCoopers ME Limited. The comparative information for the condensed statement of financial position have been extracted from the audited financial statements for the year ended 31 December 2018 and comparatives for the condensed 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 2018.

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 2018.

### New and revised IFRS applied in the condensed interim financial information

IFRS 16 "Leases" - This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

For lessors, the accounting remains mainly unchanged. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

There is no impact on the condensed interim financial information of the Branch from the adoption of IFRS 16 on 1 January 2019 since all the Branch's leases are short-term leases which have been recognised on a straight-line basis as an expense.



2 BASIS OF PREPARATION (continued)

Amendments to IFRS 9 "Financial Instruments" - amendment relating to prepayment features with negative compensation and modification of financial liabilities. This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. The Branch plans to defer the application of IFRS 9 until the effective date of the new insurance contracts standard "IFRS 17" by applying the temporary exemption from applying IFRS 9 as introduced by the Amendments to IFRS 4.

There are no other applicable new standards, amendments or interpretations to published standards that have been issued but are not effective for the first time for the Branch's financial year beginning on 1 January 2019 that would be expected to have a material impact on the condensed interim financial information of the Branch.

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 2018.

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 General Manager.

4 SEASONALITY OF INTERIM OPERATIONS

As a result of the seasonality associated with the insurance business, the Branch registers approximately 50 % of its gross premiums during the first half of every year. 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 AVAILABLE FOR SALE INVESTMENTS

Investment in bonds  
Quoted securities  
Unquoted securities

30 June 2019 (reviewed)	31 December 2018 (audited)
84,638,950	83,649,122
1,539,842	1,271,235
<b>86,178,792</b>	<b>84,920,357</b>



6 LOSS RESERVES

	30 June 2019 (reviewed)			31 December 2018 (audited)		
	Gross	Retro-ceded	Net	Gross	Retro-ceded	Net
Claims reserves	63,898,441	(4,469,924)	59,428,517	58,489,312	(2,475,563)	56,013,749
IBNR reserves	34,297,432	-	34,297,432	30,524,349	-	30,524,349
At 1 January	98,195,873	(4,469,924)	93,725,949	89,013,661	(2,475,563)	86,538,098
Movement	2,769,425	(7,713,500)	(4,944,075)	9,301,586	(2,107,081)	7,194,505
Foreign exchange (losses) / gains	181,163	26,360	207,523	(119,374)	112,720	(6,654)
<b>At period/year ended</b>	<b>101,146,461</b>	<b>(12,157,064)</b>	<b>88,989,397</b>	<b>98,195,873</b>	<b>(4,469,924)</b>	<b>93,725,949</b>
Claims reserves	61,934,290	(12,157,064)	49,777,226	63,898,441	(4,469,924)	59,428,517
IBNR reserves	39,212,171	-	39,212,171	34,297,432	-	34,297,432
<b>At period/year ended</b>	<b>101,146,461</b>	<b>(12,157,064)</b>	<b>88,989,397</b>	<b>98,195,873</b>	<b>(4,469,924)</b>	<b>93,725,949</b>
Non-life reinsurance	97,371,369	(12,157,064)	85,214,305	94,476,820	(4,469,924)	90,006,896
Life reinsurance	3,775,092	-	3,775,092	3,719,053	-	3,719,053
<b>At period/year ended</b>	<b>101,146,461</b>	<b>(12,157,064)</b>	<b>88,989,397</b>	<b>98,195,873</b>	<b>(4,469,924)</b>	<b>93,725,949</b>

7 HEAD OFFICE FUNDS

	Head office account	Fair value reserve	Accumulated losses	Total
Balance as at 1 January 2019	16,166,950	(1,310,518)	(12,134,249)	2,722,183
Profit for the period	-	-	7,038,502	7,038,502
Other comprehensive income	-	2,413,299	-	2,413,299
Expenses recharged by Head Office	204,074	-	-	204,074
<b>Balance at 30 June 2019 (reviewed)</b>	<b>16,371,024</b>	<b>1,102,781</b>	<b>(5,095,747)</b>	<b>12,378,058</b>
Balance as at 1 January 2018	12,166,950	(510,972)	(6,552,790)	5,103,188
Loss for the year	-	-	(5,581,459)	(5,581,459)
Other comprehensive loss	-	(799,546)	-	(799,546)
Receipt of funds from head office	4,000,000	-	-	4,000,000
<b>Balance at 31 December 2018 (audited)</b>	<b>16,166,950</b>	<b>(1,310,518)</b>	<b>(12,134,249)</b>	<b>2,722,183</b>

8 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.

8 RELATED PARTY TRANSACTIONS (continued)

a) Transactions during the period

	30 June 2019 (reviewed)	30 June 2018 (reviewed)
Premium ceded to:		
Hannover Re Bermuda Ltd., Bermuda <i>Entity within the Hannover Re Group</i>	4,563,152	3,732,963
Expenses recharged by:		
- Hannover Retakaful BSC (c), Bahrain <i>Entity within the Hannover Re Group</i>	620,017	641,314
- Hannover Rück SE, Germany <i>Parent company of the Hannover Re Group</i>	51,488	111,250
- Ampega Asset Management GmbH, Germany <i>Entity within the Talanx Group (Ultimate Parent)</i>	47,147	42,984

b) Balances with related parties

	30 June 2019 (reviewed)	31 December 2018 (audited)
Payable to retrocessionaires		
- Hannover Rück SE, Germany <i>Parent company of the Hannover Re Group</i>	7,515	4,235
- Hannover Re Bermuda Ltd., Bermuda <i>Entity within the Hannover Re Group</i>	4,815,902	256,031
Related party payables		
Hannover ReTakaful B.S.C. (c), Bahrain <i>Entity within the Hannover Re Group</i>	59,917	-
Related party receivables		
Hannover ReTakaful B.S.C. (c), Bahrain <i>Entity within the Hannover Re Group</i>	-	634,857
Retrocessionaires' share of loss reserves		
Hannover Re Bermuda Ltd., Bermuda <i>Entity within the Hannover Re Group</i>	11,435,807	4,390,175
Payable to Head Office		
Hannover Rück SE, Germany <i>Parent company of the Hannover Re Group</i>	12,378,058	2,722,183

**9 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 2019, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Level 1	Level 2	Level 3	Total
<b>30 June 2019</b>				
Available-for-sale investments	-	86,178,792	-	86,178,792
<b>31 December 2018</b>				
Available-for-sale investments	-	84,920,357	-	84,920,357

**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 2019, there were no transfers in and out of level 1, level 2 and level 3 (31 December 2018: Nil).