

Hannover ReTakaful B.S.C. (c)

CONDENSED INTERIM FINANCIAL INFORMATION

30 June 2022

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 Gerald Segler Olaf Brock
Auditors	: PricewaterhouseCoopers M.E Limited

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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 2022 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 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 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 the basis of preparation stated in Note 2 to this condensed interim financial information.

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers' in a cursive style.

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

ASSETS	Note	30 June 2022 (reviewed)	31 December 2021 (audited)
Cash and cash equivalents		5,925,979	8,560,994
Investment securities	6	146,099,845	152,237,315
Retakaful receivables		19,394,280	13,967,325
Accrued contribution receivable		26,266,158	16,680,014
Deferred acquisition costs		3,864,164	3,281,451
Retrocessionaires' share of unearned contribution reserves		14,656	415,473
Retrocessionaires' share of loss reserves	7	235,639	152,414
Prepayments, equipment and other assets		135,148	97,496
Statutory deposit		170,319	169,483
Total assets		202,106,188	195,561,965
SHAREHOLDERS' EQUITY, POLICYHOLDERS' EQUITY & LIABILITIES			
Shareholders' equity			
Share capital		20,000,000	20,000,000
Statutory reserve		7,167,725	7,167,725
Retained earnings		48,752,203	54,849,531
Total shareholders' equity		75,919,928	82,017,256
Policyholders' equity (page 6)		(33,443,721)	(31,722,954)
Liabilities			
Loss reserves	7	124,216,605	115,634,494
Unearned contribution reserves		29,963,411	22,762,816
Commission reserves		62,980	63,821
Retakaful payables		2,994,455	4,230,969
Payables to retrocessionaires		528,696	586,957
Related party payables	9 d)	96,640	-
Other liabilities		1,767,194	1,988,606
Total liabilities		159,629,981	145,267,663
Total shareholders' equity, policyholders' fund and liabilities		202,106,188	195,561,965

The Board of Directors approved the financial statements consisting of pages 3 to 13 on 28 August 2022.


Claude Chèvre
Chairman


Adham El-Muezzin
Managing Director

	30 June 2022 (reviewed)	30 June 2021 (reviewed)
INCOME		
Wakala fee for managing retakaful activities	3,177,522	2,648,579
Change in deferred wakala fee	(401,705)	(256,979)
Net earned wakala fee	2,775,817	2,391,600
Investment (loss) / income	(3,338,905)	835,985
Mudaraba fee	-	398,581
Foreign exchange gain	60,608	8,405
TOTAL (LOSS) / INCOME	(502,480)	3,634,571
EXPENSES		
General and administrative expenses	(1,294,848)	(1,024,314)
TOTAL EXPENSES	(1,294,848)	(1,024,314)
(LOSS) / PROFIT FOR THE PERIOD	(1,797,328)	2,610,257

The Board of Directors approved the financial statements consisting of pages 3 to 13 on 28 August 2022.


 Claude Chèvre
 Chairman


 Adham El-Muezzin
 Managing Director

	Note	30 June 2022 (reviewed)	30 June 2021 (reviewed)
REVENUE			
Gross contributions		43,644,788	33,623,908
Retrocessionaires' share of contributions		(194,514)	(342,142)
Change in gross unearned contribution reserves		(7,907,455)	(1,567,455)
Change in retrocessionaires' share of unearned contribution reserves		(400,768)	(275,134)
Net earned contributions		35,142,051	31,439,177
Foreign exchange gain / (loss)		692,095	(16,290)
Investment (loss) / income		(2,425,655)	996,453
Total revenue		33,408,491	32,419,340
EXPENSES			
Claims settled		(17,919,581)	(26,601,895)
Retrocessionaires' share of claims settled		147,974	619,678
Change in loss reserves	7	(10,743,224)	998,661
Retrocessionaires' share of change in loss reserves	7	102,356	(614,232)
Net claims incurred		(28,412,475)	(25,597,788)
Policy acquisition costs		(4,539,134)	(3,667,653)
Retrocessionaires' share of policy acquisition costs		6,262	9,489
Movement in deferred acquisition cost		671,246	(305,643)
Wakala fee		(3,177,522)	(2,648,579)
Movement in deferred wakala fee		401,705	256,979
Mudaraba fee		-	(398,581)
Other taxes		(306,100)	(245,539)
Total expenses		(35,356,018)	(32,597,315)
Deficit of revenue over expenses for the period		(1,947,527)	(177,975)

The notes on pages 9 to 13 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 2022

Bahraini Dinars

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)

2021 (reviewed)	General retakaful	Family retakaful	Total accumulated deficit	Surplus distribution reserve	Total policy holders' equity
As at 1 January 2021	(17,239,631)	(13,121,613)	(30,361,244)	1,310,153	(29,051,091)
Deficit for the period	1,466,232	(1,644,207)	(177,975)	-	(177,975)
As at 30 June 2021	(15,773,399)	(14,765,820)	(30,539,219)	1,310,153	(29,229,066)

The notes on pages 9 to 13 are an integral part of these financial statements.

Condensed interim statement of changes in shareholders' equity

For the six-month period ended 30 June 2022

Bahraini Dinars

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 (Note 12)	-	-	(4,300,000)	(4,300,000)
As at 30 June 2022	20,000,000	7,167,725	48,752,203	75,919,928

2021 (reviewed)	Share capital	Statutory reserve	Retained earnings	Total
As at 1 January 2021	20,000,000	6,678,702	50,448,321	77,127,023
Profit for the period	-	-	2,610,257	2,610,257
As at 30 June 2021	20,000,000	6,678,702	53,058,578	79,737,280

The notes on pages 9 to 13 are an integral part of these financial statements.

	Note	30 June 2022 (reviewed)	30 June 2021 (reviewed)
OPERATING ACTIVITIES			
Combined (deficit) / profit for the period		(3,744,855)	2,432,282
<i>Adjustments for:</i>			
Depreciation expenses		11,231	9,253
Increase in provision for employees' end of service benefits		76,961	41,641
Gain on disposal of equipment		(1,495)	(5,714)
Investment (loss) / income		5,766,055	(1,829,955)
		2,107,897	647,507
<i>Changes in operating assets and liabilities:</i>			
- in retakaful receivables		(5,426,955)	2,452,571
- in unearned contribution reserves net of retrocession		7,601,412	1,714,230
- in loss reserves net of retrocession		8,498,885	(764,493)
- in commission reserves		(841)	(142)
- in deferred acquisition costs		(582,713)	302,568
- in accrued contribution receivable		(9,586,144)	3,181,418
- in other assets		(12,516)	(34,753)
- in payables to retrocessionaires		265,139	84,509
- in retakaful payables		(1,236,514)	1,061,121
- in related party receivables		-	(777,010)
- in other liabilities		(298,373)	78,506
Net cash generated from operating activities		1,329,277	7,946,032
INVESTING ACTIVITIES			
Purchase of equipment and other assets		(37,200)	(3,294)
Proceeds from sale of equipment		1,495	6,000
Profit received from sukuks and placements		2,306,090	2,152,762
Purchase of sukuks		(43,610,580)	(29,284,011)
Proceeds from redemption of sukuks		40,780,695	12,747,359
Foreign currency exchange movement		895,208	262,667
Net cash generated from / (used in) investing activities		335,708	(14,118,517)
FINANCING ACTIVITIES			
Dividend distributed		(4,300,000)	-
Net cash used in financing activities		(4,300,000)	-
Net decrease in cash and cash equivalents		(2,635,015)	(6,172,485)
Cash and cash equivalents at the beginning of the period		8,560,994	13,114,874
Cash and cash equivalents at the end of the period		5,925,979	6,942,389
<i>Represented in the books of</i>			
Shareholders		722,636	672,102
Policyholders		5,203,343	6,270,287
Cash and cash equivalents		5,925,979	6,942,389

The notes on pages 9 to 13 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 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

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 2021

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 2021. 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 2021.

FAS 30 - Impairment, credit losses and onerous commitments and FAS 33 - Investment in sukuk, shares and similar instruments, were effective on or after 1 January 2020, however, the accounting Board of AAOIFI clarified that the standards can be deferred till the completion of revised takaful standard. The Company has therefore elected to defer adoption of these standards.

There are no other applicable new FAS that have been issued that are effective for the Company's financial period and are expected to have a significant impact on the Company's condensed financial statements.

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 2021.

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 2021.

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 INVESTMENT SECURITIES

	30 June 2022 (reviewed)	31 December 2021 (audited)
Debt type		
- Quoted sukuks	144,797,808	151,286,966
- Unquoted sukuks	1,302,037	950,349
Investments at fair value through income statement	146,099,845	152,237,315

7 Technical reserves

	30 June 2022 (reviewed)			31 December 2021 (audited)		
	Gross	Retro-ceded	Net	Gross	Retro-ceded	Net
Claims reserves	46,077,090	-	46,077,090	49,333,775	(614,204)	48,719,571
IBNR reserves	69,557,404	(152,414)	69,404,990	66,396,049	(157,935)	66,238,114
At 1 January	115,634,494	(152,414)	115,482,080	115,729,824	(772,139)	114,957,685
Movement	10,743,224	(102,356)	10,640,868	696,260	614,232	1,310,492
Foreign exchange (losses) / gains	(2,161,113)	19,131	(2,141,982)	(791,590)	5,493	(786,097)
At period/year ended	124,216,605	(235,639)	123,980,966	115,634,494	(152,414)	115,482,080
Claims reserves	44,495,077	(235,639)	44,259,438	46,077,090	-	46,077,090
IBNR reserves	79,721,528	-	79,721,528	69,557,404	(152,414)	69,404,990
At period/year ended	124,216,605	(235,639)	123,980,966	115,634,494	(152,414)	115,482,080

8 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.

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 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 2022 (reviewed)	30 June 2021 (reviewed)
a) Transactions with related parties		
Contribution ceded to:		
- Hannover Re Bermuda Ltd., Bermuda <i>Entity within the Hannover Re Group</i>	-	227,050
- Hannover Rück SE, Germany <i>Parent company of the Hannover Re Group</i>	122,750	47,863
Expenses recharged:		
- Ampega Asset Management GmbH, Germany <i>Entity within the Talanx Group (Ultimate Parent)</i>	36,917	35,552
- Hannover Rück SE Malaysia Branch, Malaysia <i>Branch of the Parent company of the Hannover Re Group</i>	2,006	1,950
- Hannover Rueck SE, Bahrain Branch, Bahrain <i>Branch of the Parent company of the Hannover Re Group</i>	634,349	510,112
- Hannover Rück SE, Germany <i>Parent company of the Hannover Re Group</i>	328,523	249,693
b) Key management compensation		
Salaries and benefits to key management personnel	411,030	394,478

9 RELATED PARTY TRANSACTIONS (continued)

	30 June 2022 (reviewed)	31 December 2021 (audited)
c) Payables to retrocessionaires		
- Hannover Rück SE, Germany <i>Parent company of the Hannover Re Group</i>	84,952	-
d) Related party payables		
- Hannover Rueck SE, Bahrain Branch, Bahrain <i>Branch of the Parent company of the Hannover Re Group</i>	96,640	-
e) Balances payable to key management personnel		
Remuneration payable	609,432	594,243

10 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

- 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 2022 and year ended 31 December 2021. No transfers out of, or into, the level 3 measurement classification occurred during the period ended 30 June 2022 and 31 December 2021.

(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.

11 SEGMENT INFORMATION**30 June 2022 (reviewed)**

	General Retakaful	Family Retakaful	Total
Gross contributions	15,579,725	28,065,063	43,644,788
Net 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)
Total assets	71,544,884	64,432,281	135,977,165
Total liabilities	85,992,455	83,428,431	169,420,886
Policyholders' fund	(14,447,571)	(18,996,150)	(33,443,721)
Interpool and shareholders balances	-	-	(13,441,880)
Shareholders' assets	-	-	79,570,903
Shareholders' liabilities	-	-	3,650,975

30 June 2021 (reviewed)

	General Retakaful	Family Retakaful	Total
Gross contributions	13,395,117	20,228,791	33,623,908
Earned contributions	13,634,427	17,804,750	31,439,177
Net claims incurred	(7,815,238)	(17,782,550)	(25,597,788)
Net policy acquisition cost	(3,543,156)	(124,497)	(3,667,653)
Deficit of revenue over expenses for the period	1,466,232	(1,644,207)	(177,975)

31 December 2021 (audited)

Total assets	71,437,258	52,777,582	124,214,840
Total liabilities	84,314,950	71,622,844	155,937,794
Policyholders' fund	(12,877,692)	(18,845,262)	(31,722,954)
Interpool and shareholders balances	-	-	(14,055,585)
Shareholders' assets	-	-	85,402,710
Shareholders' liabilities	-	-	3,385,454

12 DIVIDEND

The shareholders of the Company in their meeting held on 9 March 2022 approved a cash dividend payment of BD 4,300,000 (30 June 2021: NIL) which has already been paid during March 2022.