

Hannover Rueck SE, Bahrain Branch

FINANCIAL INFORMATION

31 DECEMBER 2023

Office	: Zamil Tower, 17th floor P.O.Box 75180 Manama Kingdom of Bahrain
Head office	: Hannover Rück SE Hannover Germany
Chief Executive Officer	: Olaf Brock (effective from 1 January 2024)
Auditors	: PricewaterhouseCoopers M.E. Limited

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The Management submit their report together with the audited financial statements of Hannover Rueck SE, Bahrain Branch ("the Branch") for the year ended 31 December 2023.

Principal activity

The Branch's principal activity is to undertake reinsurance activities.

Financial performance

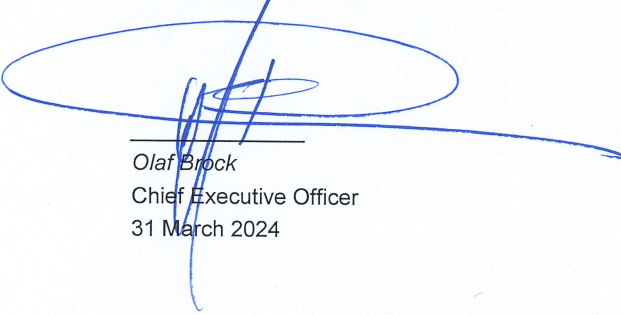
The results of the Branch are as follows:

	2023	2022
Reinsurance revenue	46,954,304	50,925,851
Income for the year	11,008,147	9,837,945
Head office funds	24,055,533	13,152,252

Representations and audit

The Branch's activities for the year ended 31 December 2023 have been conducted in accordance with the Bahrain Commercial Companies Law number (21) of 2001, as amended (the Commercial Companies Law), Volume 3 of the Central Bank of Bahrain (CBB) Rulebook and other relevant statutes of the Kingdom of Bahrain. There have been no events subsequent to 31 December 2023, which would in any way invalidate the financial statements on pages 6 to 43.

There were no violations of the Commercial Companies Law, the CBB Rulebook (Volume 3), the Central Bank of Bahrain and Financial Institutions Law and CBB directives or the terms of the Branch's Memorandum and Articles of Association during the year. The Branch has maintained proper, complete accounting records and these, together with all other information and explanations, have been made freely available to the current auditors, PricewaterhouseCoopers M.E Limited (PwC), who have signified their willingness to continue in office for the next accounting year.



Olaf Brock
Chief Executive Officer
31 March 2024



Independent auditor's report to the directors of Hannover Rück SE in respect of its Bahrain Branch

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Hannover Rueck SE, Bahrain Branch (the "Branch") as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards.

What we have audited

The Branch's financial statements comprise:

- the statement of financial position as at 31 December 2023;
- the statement of profit or loss and comprehensive income for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Branch in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the financial statements in the Kingdom of Bahrain. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Other information

Management is responsible for the other information. The other information comprises the *Management report* but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent auditor's report to the directors of Hannover Rück SE in respect of its Bahrain Branch (continued)

Report on the audit of the financial statements (continued)

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards and the Bahrain Commercial Companies Law number (21) of 2001, as amended (the Commercial Companies Law), the Central Bank of Bahrain (CBB) Rulebook (Volume 3) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Branch's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Branch or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Branch's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Branch's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Branch to cease to continue as a going concern.



Independent auditor's report to the directors of Hannover Rück SE in respect of its Bahrain Branch (continued)

Report on the audit of the financial statements (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

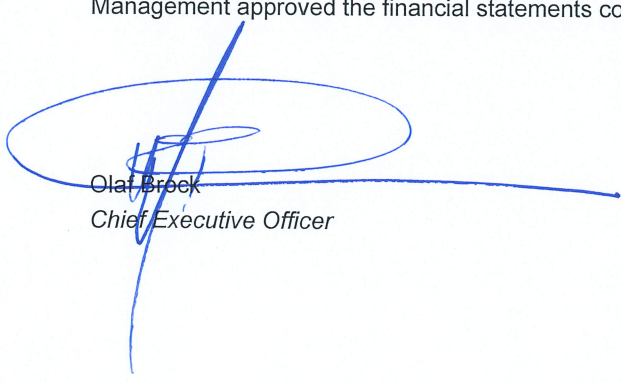
As required by the Commercial Companies Law and the CBB Rulebook (Volume 3), we report that:

- The Branch has maintained proper accounting records and the financial statements are in agreement therewith;
- The financial information contained in the Management report is consistent with the financial statements;
- Nothing has come to our attention which causes us to believe that the Branch has, during the year, breached any of the applicable provisions of the Commercial Companies Law, the CBB Rulebook (Volume 3), the Central Bank of Bahrain and Financial Institutions Law and CBB directives that would have a material adverse effect on its activities for the year ended 31 December 2023 or its financial position as at that date; and
- Satisfactory explanations and information have been provided to us by management in response to all our requests.

Mario Portelli
Partner's registration number: 101
PricewaterhouseCoopers M.E Limited
Manama, Kingdom of Bahrain
31 March 2024

	Note	31 December 2023	31 December 2022 (restated)	1 January 2022 (restated)
ASSETS				
Cash and cash equivalents	4	6,129,435	6,320,955	7,227,501
Placement with financial institution	5	-	-	1,000,928
Statutory deposit		175,842	169,753	166,546
Investments	6	133,162,235	112,690,209	107,254,248
Reinsurance contract assets	7	172,299	-	-
Reinsurance contracts retroceded in an asset position	7	12,739,901	26,069,719	34,721,896
Prepayments, equipment and other assets		697,289	309,196	209,330
Total assets		153,077,001	145,559,832	150,580,449
LIABILITIES				
Reinsurance contract liabilities	7	121,545,879	126,058,004	143,415,378
Reinsurance contracts retroceded in a liability position	7	233,310	540,477	229,402
Other liabilities		7,242,279	5,809,099	3,107,304
Total liabilities		129,021,468	132,407,580	146,752,084
HEAD OFFICE FUNDS	8	24,055,533	13,152,252	3,828,365
Total head office funds and liabilities		153,077,001	145,559,832	150,580,449

Management approved the financial statements consisting of pages 6 to 43 on 31 March 2024.


Olat Brock
Chief Executive Officer

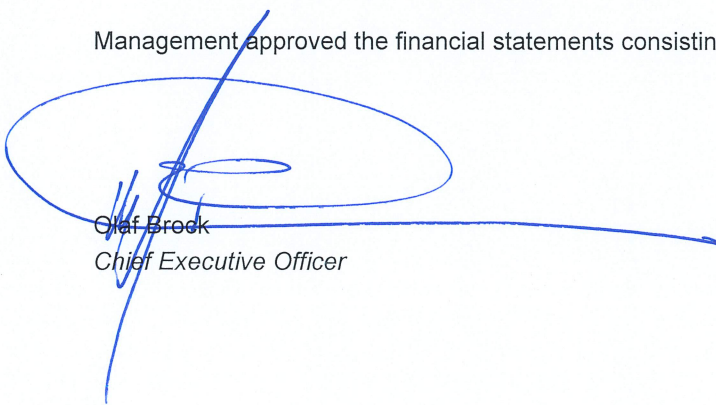
Hannover Rueck SE, Bahrain Branch
Statement of profit or loss and comprehensive income
For the year ended 31 December 2023

7

Bahraini Dinars

	Note	2023	2022 (restated)
INCOME			
Reinsurance revenue	7	46,954,304	50,925,851
Reinsurance service expense	7	(27,683,981)	(39,258,708)
Reinsurance service result		19,270,323	11,667,143
Net expense from reinsurance contracts retroceded	7	(7,896,941)	(2,167,406)
Net reinsurance service result		11,373,382	9,499,737
Foreign exchange gains		42,016	808,322
Net Investment and other income	10	3,084,265	1,970,377
Net impairment gain / (loss) on financial assets		2,062	(28,029)
Income from investment		3,128,343	2,750,670
Finance expenses from reinsurance contracts	7	(3,468,799)	(2,847,784)
Finance income from reinsurance contracts retroceded	7	477,822	534,246
Net reinsurance finance result		(2,990,977)	(2,313,538)
Other income		288,711	69,645
Other operating expenses	11	(791,312)	(168,569)
Other expenses		(502,601)	(98,924)
Income for the year		11,008,147	9,837,945
Other comprehensive income / (loss)			
Items that will be reclassified to profit or loss:			
Changes on remeasurement of investments measured at FVOCI		3,028,707	(9,001,553)
Transfers for recognition of loss on disposal of investments measured at FVOCI		(24,124)	(39,006)
	8	3,004,583	(9,040,559)
Finance income / (expense) from reinsurance contracts	7	(3,625,881)	9,879,110
Finance income / (expense) from reinsurance contracts retroceded	7	516,432	(1,352,609)
Movement in reinsurance finance reserve	8	(3,109,449)	8,526,501
Total other comprehensive loss for the year		(104,866)	(514,058)
Total comprehensive income for the year		10,903,281	9,323,887

Management approved the financial statements consisting of pages 6 to 43 on 31 March 2024.


Olaf Brock
Chief Executive Officer

	Note	2023	2022 (restated)
OPERATING ACTIVITIES			
Income for the year		11,008,147	9,837,945
Adjustments for:			
Net investment and other income		(3,086,327)	(1,942,348)
Depreciation		14,129	13,176
		7,935,949	7,908,773
Changes in operating assets and liabilities:			
- Reinsurance contract assets		(172,299)	-
- Reinsurance contracts retroceded in an asset position		13,329,818	8,652,177
- Prepayments, equipment and other assets		(408,310)	(106,261)
- Reinsurance contract liabilities		(7,621,574)	(8,830,873)
- Reinsurance contracts retroceded in a liability position		(307,167)	311,075
- Other payables		1,433,180	2,701,795
Net cash generated from operating activities		14,189,597	10,636,686
INVESTING ACTIVITIES			
Purchase of equipments		-	(9,988)
Purchase of investments		(36,045,821)	(39,044,711)
Proceeds from disposal of investments		19,000,976	25,129,815
Interest received		2,344,862	2,000,138
Foreign exchange movement on investment		318,866	381,514
Net cash used in investing activities		(14,381,117)	(11,543,232)
Net decrease in cash and cash equivalents		(191,520)	(906,545)
Cash and cash equivalents at 1 January		6,320,955	7,227,501
Cash and cash equivalents at the end of the year	4	6,129,435	6,320,956

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**a) Statement of compliance**

The financial statements of the Branch have been prepared in accordance with IFRS accounting standards and the Bahrain Commercial Companies Law number (21) of 2001, as amended (the Commercial Companies Law), the Central Bank of Bahrain (CBB) Rulebook (Volume 3), the Central Bank of Bahrain and Financial Institutions Law and CBB directives.

b) Basis of measurement

The financial statements of the Branch have been prepared on the historical cost basis except for investments carried at fair value through profit or loss and at fair value through other comprehensive income, which are stated at fair value.

This is the first set of the Branch's annual financial statements in which IFRS 17, Insurance Contracts and IFRS 9, Financial Instruments have been applied. The related changes to accounting policies are described in note 3 (a).

c) Use of estimates and judgments

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Information about significant areas of estimation and critical judgements in applying accounting policies on the amounts recognised in the financial statements are described in the following notes:

- **Impairment of financial assets:** establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of ECL and selection and approval of models used to measure ECL;
- **Financial instruments:** assessing the business model within which the assets are held and whether the contractual terms of the assets are solely payments of principal and interest on the principal amount outstanding, as well as the measurement of the fair value of financial instruments;
- **Classification of contracts:** assessing whether the contract transfers significant insurance risk and whether an insurance contract contains direct participation features;
- **IFRS 17 Insurance contracts:** identifying portfolios of contracts and determining groups of contracts that are onerous on initial recognition and those that have no significant possibility of becoming onerous subsequently, as well as determining whether sufficient reasonable and supportable information is available to apply a full or modified retrospective approach;
- **Risk adjustment for non-financial risks and Contractual service margin:** determining the techniques for estimating risk adjustments for non-financial risk and the coverage units provided under a contract.

For further detail, we would refer the reader to the relevant accounting policy in Note 3 of the financial statements.

d) Functional and presentation currency

Items included in the financial statements of the Branch are measured using the currency of the location in which the entity operates ("the functional currency"). The financial statements are presented in Bahraini Dinars ("BD"), which is the Branch's functional and presentation currency.

3 ACCOUNTING PRINCIPLES INCLUDING MATERIAL ACCOUNTING POLICIES**a) Accounting standards applied for the first time**

With effect from 1 January 2023, the Branch applied the accounting standards IFRS 17 "Insurance Contracts" and IFRS 9 "Financial Instruments" for the first time. Both standards were initially applied retrospectively in observance of any options or transitional arrangements. The opening balance in consideration of the principles of IFRS 17 and IFRS 9 was drawn up as at 1 January 2022.

i) IFRS 17 Insurance contracts

IFRS 17 "Insurance Contracts" replaces the existing transitional arrangements of IFRS 4 and establishes a comprehensive accounting framework for the recognition, measurement and disclosure of insurance contracts. In addition, IFRS 17 requires extensive new disclosures in the notes. The standard is to be applied to insurance contracts written ("insurance contracts issued", including reinsurance contracts written / issued), reinsurance contracts held ("insurance contracts ceded") and reinsurance contracts retroceded ("retrocession contracts held", "retrocessions") as well as investment contracts with discretionary participation features. Unless otherwise explicitly indicated, the term "insurance" includes reinsurance in the following explanatory remarks.

The standard introduces three new measurement models, the basis being the "general measurement model" (GMM). The "variable fee approach" (VFA) is a variant of the general measurement model for insurance contracts with a direct surplus participation and is not applicable to reinsurance business. The "premium allocation approach" (PAA) is a simplified method that can be used by insurers and reinsurers when certain criteria are met. The Branch's portfolio contains both contracts that qualify for the premium allocation approach and – predominantly – contracts for which the general measurement model is to be applied. For operational reasons and in order to achieve consistent and comparable presentation and measurement within the portfolio of insurance and reinsurance contracts, the Branch is applying the GMM to its entire business.

The GMM measures receivables and payables from reinsurance business by the fulfilment value plus the contractual service margin.

The fulfilment value constitutes the risk-adjusted present value of the rights and obligations from a reinsurance treaty and is comprised of the estimates of expected future cash flows, their discounting and an explicit risk adjustment for non-financial risks.

If the present value of the expected future cash inflows exceeds the present value of the expected future cash outflows plus the risk adjustment, an expected profit exists that is deferred within the contractual service margin (CSM) and spread across the coverage period. Initial statement of financial position recognition of contracts expected to be profitable thus has no effect on profit or loss.

However, for groups of contracts where the sum of the present value of expected future cash outflows and the risk adjustment exceeds the present value of the expected future cash inflows, we recognise the loss expected at time of acquisition directly in profit or loss in the so-called "loss component".

The Branch discounts all cash flows using currency-specific, risk-free yield curves that are adjusted to reflect the respective characteristics of the cash flows and the liquidity of the underlying insurance contracts ("bottom-up approach").

The risk adjustment for non-financial risk for a group of insurance contracts reflects the amount of compensation needed to carry the uncertainty surrounding the amount and timing of the cash flows that arise out of non-financial risks – such as the insurance risk itself, the cost risk and in particular the risk associated with policyholder behaviour.

As a general principle, insurance contracts are grouped together and measured on an aggregated level. For this purpose, we define as a first step portfolios containing contracts with similar risks that are managed together. In a second step, we split these portfolios into groups of contracts according to profitability criteria and annual cohorts. With regard to the profitability expected at the time of initial recognition, a distinction is made between:

- onerous contracts,
- contracts where there is no significant probability of them becoming onerous in subsequent periods and
- the remaining contracts;

these are allocated to separate groups of contracts. Contracts issued within a calendar year are combined into annual cohorts.

The standard must be applied retrospectively unless this is impracticable (IFRS 17.C3). In this case, especially if an adequate data basis for full retrospective application is not available, it is possible to apply either a modified retrospective approach or a fair value approach on the level of the group of contracts.

Using adequately robust information that is available without unreasonable effort, the modified retrospective approach is intended to arrive at an overall result that approximates retrospective application. In connection with application of the modified retrospective approach, the following main simplifications were utilised:

- Contracts issued in intervals of more than one year were combined
- No distinction was made between purchased insurance portfolios and directly written business
- Use of a yield curve approximating the estimated yield curve for at least three years directly prior to the date of transition to IFRS 17 that is based on the general approach used for calculating discount rates
- Restatement of the non-financial risk adjustment as at 1 January 2022 by the amount of the release of the non-financial risk adjustment expected prior to the transition date based on comparable contracts
- The other comprehensive income (OCI) for the technical reserves as at 1 January 2022 is determined as the difference between the technical reserves discounted at the interest rate from the year of acquisition of the contracts and at the current rate on the closing date. Overall, the balance of the technical OCI positions and the investment OCI positions produces the OCI from investments not used to cover underwriting liabilities.

Under the fair value approach, the contractual service margin of a group of contracts at the transition date is established as the difference between the fair value of this group calculated according to IFRS 13 and the corresponding fulfilment value calculated according to IFRS 17.

The Branch is applying each of the aforementioned transition arrangements, differentiated according to certain groups of contracts. The Branch applied full retrospective approach for life and health segment as at transition date of 1 January 2022. Full retrospective approach is applied on transition to all property and casualty segment contracts issued on or after 1 January 2020. For certain groups of contracts issued prior to 2020, the modified retrospective approach and the fair value approach were applied.

The application of IFRS 17 has a number of implications for the structure of the statement of financial position. In addition to the changed technical items under the GMM, certain items that have been reported separately under IFRS 4 are eliminated and recognised under the reinsurance liabilities in accordance with the general model. This is the case, for example, with the deferred acquisition costs, the reinsurance recoverables and funds withheld.

Furthermore, the standard fundamentally changes the statement of income and differentiates between the reinsurance result, which is composed of the reinsurance revenue and reinsurance service expenses, and the reinsurance finance income and expenses.

Gross written premium is no longer disclosed, instead being replaced with reinsurance revenue that is defined in such a way as to facilitate comparison with the revenue disclosures of other sectors. Neither savings / investment components nor certain ceding commissions can be recognised in the reinsurance revenue. Reinsurance revenue is instead reported when it is earned by recognising in each period the change in the liabilities for providing reinsurance coverage for which the reinsurance entity receives compensation, including the pro rata recognition of the contractual service margin in profit and loss, as well as the part of the premiums that covers acquisition costs.

Reinsurance finance income and expenses result from discounting effects and financial risks. In accordance with the option granted by IFRS 17, they can either be recognised entirely as profit or loss in the statement of profit or loss and other comprehensive income or in part directly in head office funds. This "OCI option" can be exercised on the level of individual portfolios and is utilised by the Branch for a large part of its business.

IFRS 17.116 requires disclosures for groups of reinsurance contracts for which the option to recognise components of reinsurance finance income or expense directly in OCI on the date of transition was exercised and to which a portfolio of assets is directly allocated, the fair value changes of which are similarly recognised directly in OCI. There are no material circumstances within the Branch that meet these criteria.

Changes in assumptions about future cash flows that do not relate to interest rates or financial risks are not recognised directly in the statement of profit or loss and other comprehensive income but are instead booked against the contractual service margin and hence spread across the remaining coverage period.

Recognition in profit or loss is only immediate in the case of those groups of reinsurance contracts that are expected to be loss-making. If this adjustment to the contractual service margin exceeds its carrying amount, a loss component is established analogously to the initial recognition of groups of contracts that are expected to be loss-making and recognised directly in profit or loss. Conversely, it may happen that a contractual service margin is established in the context of subsequent measurement of a group of contracts originally classified as probably loss-making.

At the transition date of 1 January 2022, the initial application of IFRS 17 gave rise to the following changes in the measurement of key items in the statement of financial position:

The amount of the technical liabilities and assets changes due to the concepts enshrined in the standard relating to the discounting of future cash flows, the establishment of the contractual service margin, loss components and risk adjustment and other measurement differences compared to IFRS 4, including for example the diverging definition of contract boundaries or the aforementioned grouping of contracts for measurement purposes.

The Branch uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts. Cash flows are within the boundary of an insurance contract if they arise from the rights and obligations that exist during the period in which the policyholder is obligated to pay premiums or the Branch has a substantive obligation to provide the policyholder with insurance contract services. Cash flows outside the insurance contracts boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

Insurance acquisition cash flows are the costs that are related to acquiring the contract and that are directly attributable to a portfolio of insurance contracts. Directly attributable expenses are the costs that can be fully or partially attributed to the fulfilment of the groups of insurance contracts. The Branch allocates the attributable costs based on a number of drivers. The Branch recognises insurance acquisition cash flows in the LRC on initial recognition as a part of estimated cash outflows. Directly attributable costs fall under the insurance service expense immediately. While the non-attributable costs are reported under other operating expenses.

The retention, to the extent possible under IFRS 17, of the reserving approach until now adopted by the Branch results in the recognition of a loss component for some groups of contracts at the time of initial recognition, although this may even out over time and lead to run-off profits.

Presentation changes in the statement of financial position are introduced by IFRS 17. The previously reported line items: accrued premiums receivable - deferred acquisition costs, insurance payable, unearned premium reserve, loss reserves are presented together by portfolio on lines called reinsurance contract assets and liabilities.

The previously reported line items: retrocessionnaires' share of unearned premium reserves, retrocessionnaires' share of loss reserves, retrocessionnaires' share of deferred acquisition costs are presented together by portfolio on a single line called reinsurance contracts retroceded in asset or liability position.

Presentation is driven by portfolios which are composed of groups of contracts covering similar risks and which are managed together. Portfolios of insurance and reinsurance contracts are presented separately between: portfolios of insurance contracts that are assets, portfolios of reinsurance contracts that are assets, portfolios of insurance contracts that are liabilities, and portfolios of reinsurance contracts that are liabilities.

The Branch has applied the transition provisions in IFRS 17 and has not disclosed the impact of the adoption of IFRS 17 on each financial statement line item. The effects of adopting IFRS 17 on the financial statements at 1 January 2022 are presented in the head office funds (Note 8).

ii) IFRS 9 Financial instruments

IFRS 9 "Financial Instruments" replaces IAS 39 "Financial Instruments: Recognition and Measurement" and contains new rules for classifying and measuring financial instruments, for recognition of impairment based on a new, forward-looking model of the expected losses and for the accounting of general hedge relationships.

Initial mandatory application of the standard was envisaged for annual reporting periods beginning on or after 1 January 2018. However, the IASB published "Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts" in September 2016 and "Amendments to IFRS 4: Extension of the Temporary Exemption from Applying IFRS 9" in June 2020. These amendments extended the temporary deferral of initial application of IFRS 9 "Financial Instruments" that had been granted to insurers and reinsurers ("deferral approach") until 1 January 2023, with the result that IFRS 9 and IFRS 17 are first applied by the Branch at the same time.

In order to be able to take advantage of the temporary deferral, it was necessary to demonstrate that the Branch's predominant activity is the issuance of insurance and reinsurance contracts within the scope of IFRS 4. The Branch reviewed the application requirements based on the financial statement as at 31 December 2015 with a positive outcome and decided to make use of the option of temporary deferral. Since the review of the application requirements there has been no change in business activity that would have necessitated a re-evaluation of the predominant activity.

While the retrospective application of IFRS 17 provides for the presentation of comparative information for the 2022 financial year, this is not the case with initial application of IFRS 9. By issuing "Amendment to IFRS 17 Insurance Contracts; Initial Application of IFRS 17 and IFRS 9 – Comparative Information" in December 2021, the IASB therefore introduced a transition option relating to comparative information about financial assets that is presented on initial application of IFRS 17.

This option is intended to help entities avoid temporary accounting mismatches between financial assets and insurance contract liabilities in the 2022 comparative year, thereby improving the usefulness of comparative information for users of financial statements.

It allows for an overlay in the classification of financial assets in the comparative period that is presented on initial application of IFRS 17 ("overlay approach"). This overlay makes it possible to classify all financial assets, including those not connected with contracts within the scope of IFRS 17, on a case-by-case basis in the comparative period in a way that corresponds to how the entity expects to classify these assets on initial application of IFRS 9.

The Branch applied this approach, including the provisions of IFRS 9 regarding impairment losses, consistently to all eligible financial instruments.

The classification of financial instruments according to IFRS 9 is guided, on the one hand, by the cash flow characteristics of the financial instruments and, on the other, by the business model used to manage the financial instruments. On the basis of these two criteria, financial instruments are allocated to one of three measurement categories, namely "amortised cost" (business model "hold"), "fair value through other comprehensive income" (business model "hold and sell") or "fair value through profit or loss" (business model "trading").

In view of the nature of reinsurance business, the bulk of our portfolio of debt instruments is allocated to the business model "hold and sell" accordingly the investments are classified as fair value through other comprehensive income "FVOCI", except where debt instruments do not pass the SPPI ("solely payment of principal and interest") test due to their cash flow characteristics. These investments are classified as fair value through profit or loss "FVPL".

Along with the changes described in connection with initial application of IFRS 17 and IFRS 9, the following amendments to existing standards were applicable for the first time in the reporting period. These amendments did not have any significant implications for the financial statement:

- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

b) Standards or changes in standards that have not yet entered into force or are not yet applicable

The IASB has issued the following standards, interpretations and amendments to existing standards with possible implications for the financial statement of the Branch, application of which was not yet mandatory for the year under review and which are not being applied early by the Branch. Initial application of these new standards is not expected to have any significant implications for the Branch's net assets, financial position or results of operations:

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current - 1 January 2024
- Amendments to IAS 1 Presentation of Financial Statements: Non-current Liabilities with Covenants - 1 January 2024
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements - 1 January 2024
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback - 1 January 2024

c) Summary of material accounting policies

i) Classification of contracts

A contract is to be classified as a reinsurance contract issued or as a reinsurance contract held pursuant to FRS 17 if a significant insurance risk is thereby assumed or transferred. These contract types are treated according to the same rules, irrespective of whether the contracts were issued, acquired in connection with a merger or acquired as part of a transfer of contracts that do not constitute business operations. Contracts that may take the legal form of an insurance contract but do not transfer any significant insurance risk are classified as investment contracts. The recognition and measurement of such contracts follows the rules for the recognition of financial instruments according to IFRS 9.

ii) Technical reserves, general measurement model – initial measurement

On initial recognition the Branch measures a group of reinsurance contracts as the sum of:

- the fulfilment value, which is comprised of estimates of expected future cash flows, an adjustment that reflects the time value of money and the associated financial risks as well as a risk adjustment for non-financial risks, and
- the contractual service margin (CSM).

In the recognition of the corresponding technical reserves a fundamental distinction is made between a pre-claims phase (liability for remaining coverage; LRC) and a claims phase after occurrence of the insured event (liability for incurred claims; LIC).

iii) Fulfilment value – cash flows

Components of the cash flows to be included are, among others, premium payments, payments to cedants, costs for acquisition and management of the contracts as well as for settlement of incurred claims. In this context, the cash flows included in the measurement model at each statement of financial position date always constitute the Branch's current estimate and expectation in connection with the fulfilment of obligations.

iv) Time value of money – discounting

The Branch discounts all cash flows with currency-specific, risk-free yield curves that are adjusted to reflect the respective characteristics of the cash flows and the liquidity of the underlying insurance contracts (bottom-up approach). The illiquidity premium used is based on risk-adjusted spreads of corporate and government bonds. These adjustments, which take the form of a supplementary illiquidity premium per currency, satisfy the following requirements / assumptions:

- The illiquidity of the underlying insurance contracts is defined through the predictability of the resulting cash flows, since the harder it is to predict a cash flow, the less it lends itself to coverage with illiquid assets.
- All characteristics of an insurance contract (or a group of insurance contracts) can be fully described and measured through the characteristics of its resulting cash flows.
- The uncertainties in cash flows that may be caused by volatility in financial market parameters are captured in the estimation of expected future cash flows, instead of implicitly reflecting them through adjustment of the risk-free and completely illiquid yield curve in the illiquidity premium.
- The illiquidity premiums are estimated on the basis of liquidity premiums for financial assets observable on the market that are adjusted to reflect the illiquidity characteristics of the cash flows on the liabilities side. The illiquidity premiums used in this context are based on risk-adjusted spreads of corporate and government bonds.
- These coverage units are based on the quantities of benefits provided at the end of the reporting period relative to those expected to be provided over the entire contract duration in order to determine the service rendered for the period. We select the coverage units for each insurance transaction in such a way that they optimally reflect the service provided in each case.

v) Risk adjustment for non-financial risks

The non-financial risk adjustment for a group of insurance contracts reflects the amount of compensation needed to carry the uncertainty surrounding the amount and timing of the cash flows that arise out of non-financial risks – such as the insurance risk itself, the cost risk and in particular the risk associated with policyholder behaviour. The Branch uses a "pricing margin approach" to determine the risk adjustment and regularly reviews the risk adjustment to ensure that it is always consistent with the compensation required to carry the risk. The approach refers to the fact that the question of the necessary compensation for the uncertainty of the cash flows is already answered in connection with the premium calculation. The loadings on the cash flows determined here form the risk adjustment pursuant to IFRS 17. Applying this approach and allowing for risk diversification among the companies belonging to the Hannover Re Group, the confidence level for our technical reserves at the balance sheet date is 69.33%.

vi) Contractual service margin (CSM)

The contractual service margin defers a profit expected at the time of acquisition and spreads it according to provision of the service across the coverage period. Specifically, this means:

- If the present value of the expected cash inflows exceeds the present value of the expected cash outflows plus the risk adjustment, an expected profit exists that we recognise in the contractual service margin. Initial balance sheet recognition of contracts expected to be profitable thus has no effect on profit or loss.
- Subsequent measurement of the contractual service margin reflects the rendering of a service in the form of insurance contract service. The insurance contract service consists of the benefit paid in case of occurrence of the insured event and the policyholder's participation in income generated on the capital market through investment of paid insurance premiums. An amount is released from the CSM to profit or loss in the corresponding reporting periods as a service fee for rendering of this service and recognised in the statement of income as part of the insurance revenue. So-called "coverage units" are used to measure this service in a reporting period.
- These coverage units are based on the quantities of benefits provided at the end of the reporting period relative to those expected to be provided over the entire contract duration in order to determine the service rendered for the period. We select the coverage units for each insurance transaction in such a way that they optimally reflect the service provided in each case.

vii) Loss component

For groups of contracts where the sum of the present value of expected future cash outflows and the risk adjustment exceeds the present value of the expected future cash inflows, we recognise the loss expected at time of acquisition directly in profit or loss in the so-called "loss component".

viii) General measurement model – subsequent measurement

The book value of a group of insurance contracts at each closing date is the sum of the LRC and the LIC.

- The liability for remaining coverage consists of the fulfilment value relating to future payments allocated to the group of contracts at this time as well as the CSM for the group at the closing date.
- The liability for incurred claims consists of the fulfilment value for incurred claims plus expenditures not yet paid, including claims already incurred but not yet reported.

The fulfilment value plus the estimates of current assumptions made by the Branch in earlier interim financial statements is updated at the end of each reporting period based on current estimates of the amount, timing and uncertainty of expected future cash flows and discount rates. The Branch splits the insurance finance income and expenses between profit or loss and OCI. Systematic allocation is ensured through use of the discount rate on initial recognition.

ix) Changes in cash flows

Changes that relate to future payments and adjust the CSM include, among others:

- Changes to estimates of the present value of expected future cash flows in the LRC, with the exception of changes described in the next paragraph;
- Variances between an investment component that is expected to be payable in the period and the investment component that is actually payable in the period. These variances are established through comparison (i) of the investment component actually payable in the period with (ii) the payment in the period that was expected at the beginning of the period, plus any insurance finance income or expenses in relation to the expected payment, before it is payable;
- Changes to the risk adjustment for non-financial risks that relate to future services;
- Experience-based adjustments due to premiums booked in the period that relate to future services, and associated cash flows such as acquisition costs and premium-based taxes.

The following changes do not result in an adjustment of the CSM and are therefore recognised directly in P&L:

- Changes in the fulfilment value due to the effects of the time value of money, the financial risks and changes in this regard;
- Changes in the fulfilment value in connection with the LIC;
- Experience-based adjustments due to premiums booked in the period that do not relate to future services, and associated cash flows such as acquisition costs and premium-based taxes.

The CSM of each group of contracts is calculated on each closing date as explained below. This means that the year-end results are not influenced by the treatment of accounting-related estimates made in earlier interim financial statements. The book value of the CSM at the closing date corresponds to the book value at the start of the year, adjusted for:

- the CSM of new contracts added to the group in the financial year;
- the interest accretion on the book value of the CSM with the interest rate determined on initial recognition (locked-in rate);
- changes in the fulfilment value connected with cash flows that relate to the fulfilment of future services. These are recognised through adjustment of the CSM for as long as the CSM is available. If an increase in the fulfilment value exceeds the CSM, the excess amount is recognised in insurance service expenses and a loss component is recognised;
- the impact of any exchange rate differences;
- the release of the CSM through insurance revenue that was calculated after allowance for all adjustments.

x) Retrocession contracts

The accounting policies described above are also applied as a general principle to reinsurance contracts held. Retroceded business is additionally subject to the special recognition and measurement principles described below. As with business assumed, the rules refer in each case to the aggregation level of a group of contracts.

The Branch reports reinsurance contracts held at the earlier of the following points in time:

- At the beginning of the coverage period of the contracts held, or
- At the time when a group of onerous underlying assumed contracts is recognised.

In the case of ceded reinsurance contracts with pro-rata coverage (predominantly proportional reinsurance), recognition does not take place until the date on which the underlying assumed contracts are recognised if this date falls after the inception of the coverage period of the ceded contracts.

On each balance sheet date the Branch estimates the future cash flows and their discounting based on current assumptions. The assumptions are consistent with the assumptions chosen for measurement of the underlying issued reinsurance contracts.

The risk adjustment for non-financial risk with respect to business retroceded is determined as the part of the risks effectively transferred to the retrocessionaire. In this regard, the Branch always strives for the greatest possible consistency with the determination of the risk adjustment for non-financial risks for the underlying gross business.

In contrast to the recognition of issued reinsurance contracts, the contractual service margin for ceded reinsurance contracts can be positive or negative.

In the case of prospective retrocession contracts, both a net profit and net costs are to be deferred on acquisition of the retrocession across the coverage period. Changes in fulfilment values are offset against the contractual service margin, insofar as these changes relate to future services. If, however, the changes in estimates are attributable to measurement adjustments to the underlying contracts recognised in profit or loss, we recognise their effect on the measurement of the ceded reinsurance contracts directly in profit or loss. This facilitates consistent mapping of the gross business with the ceded insurance contracts. The contractual service margin is spread across the remaining duration of the coverage period in the context of subsequent measurement on the basis of coverage units.

In contrast, in the case of retroactive retrocession contracts relating to insured events that occurred prior to acquisition of the retrocession, the net costs from acquisition of the retrocession are expensed in profit or loss. Expected net profits, on the other hand, are spread across the run-off period of the underlying contracts in a contractual service margin by selecting appropriate coverage units.

xi) Loss-recovery component

The Branch establishes a loss-recovery component if a loss is reported for ceded gross business on account of onerous contracts. The loss component to be expensed for the gross business is thereby opposed with a loss-recovery component recognised in income proportionate to the expected relief. In this way, allowance is also made in the balance sheet for an effective retrocession and as a result only a non-reinsured loss from the gross business remains in profit and loss in the respective period. Reversals of the loss-recovery component cause the contractual service margin to be adjusted, provided these reversals do not involve changes in the fulfilment values of the group of ceded reinsurance contracts. In the context of subsequent measurement, the loss-recovery component is adjusted for changes in the loss component of the underlying reinsurance contracts. All in all, the loss-recovery component is of minor importance in the Branch's book of business.

xii) Derecognition and contract modification

Contracts are derecognised when they are extinguished or their terms and condition are changed in such a way as to fundamentally impact the economic characteristics of the contractual properties. If this is not the case, the contract modification results in a change in the estimated fulfilment values.

xiii) Reinsurance revenue

The Branch books reinsurance revenue when it renders services in connection with groups of reinsurance contracts. In this context, the reinsurance revenue of the reporting period represents the sum of the changes in the LRC resulting from the rendering of services in this period for which the Branch expects a consideration. The reinsurance revenue is defined in such a way as to bring about comparability with revenue reporting in other industries and derives from the following revenue sources:

- Expenditures incurred in the reporting period for reinsured losses and other insurance services
- Changes in the risk adjustment for non-financial risks in relation to services in the current reporting period.
- CSM release, measured by the coverage units provided.
- Other amounts, including experience-based adjustments to premium received for services in the current or in past periods.

xiv) Reinsurance service expense

The reinsurance service expenses include, in particular, the incurred claims as well as the management and acquisition expenses. The acquisition expenses are allocated systematically to the respective periods of the coverage duration and recognised in the same amount as reinsurance revenue and as reinsurance service expenses. Within the reinsurance service result, the profit components from contracts retroceded are shown as separate items distinct from the gross reinsurance revenue and gross reinsurance service expenses from issued business.

xv) Net income (expenses) from reinsurance contracts held

Reinsurance expenses are recognised similarly to insurance revenue. The amount of reinsurance expenses recognised in the reporting period depicts the transfer of received insurance contract services at an amount that reflects the portion of ceding premiums that the Group expects to pay in exchange for those services. The Branch presents financial performance of groups of reinsurance contracts held on a net basis in net income (expenses) from reinsurance contracts held, comprising reinsurance expenses, incurred claims recovery, excluding loss-recovery component allocations and changes in the risk adjustment for non-financial risk.

xvi) Reinsurance finance result

The reinsurance finance income and expenses include the effects from the discounting of the present value of net cash flows, the risk adjustment for non-financial risks and the contractual service margin. We recognise the effects of changes in interest rates, on the other hand, largely outside profit and loss in the OCI within shareholders' equity. In our statement of income we present the net reinsurance finance result after currency effects.

xvii) Revenue from contracts with customers

Revenue from contracts with customers is realised when control of the promised goods or services is transferred to the customer. The amount of revenue realised corresponds to the consideration that the Branch expects to receive in return for the transfer of goods or services to the customer. Under its contracts that fall within the scope of application of IFRS 15 the Branch generally acts as a principal, because it normally controls the services or goods before transferring them to the customer.

xviii) Financial instruments

Financial instruments are recognised and derecognised on acquisition or sale at the fulfilment date pursuant to IFRS 9.

Financial assets are split into one of three categories on acquisition according to their cash flow characteristics and respective purpose: (i) amortised cost (AC), (ii) fair value through other comprehensive income (FVOCI) and (iii) fair value through profit or loss (FVPL).

Financial liabilities are classified either as financial instruments at fair value through profit or loss or as financial instruments measured at amortised cost.

Debt instruments are classified as financial instruments at **fair value through other comprehensive income (FVOCI)** if the financial asset is held within a business model whose objective is both collecting contractual cash flows and selling the financial asset and the contractual cash flows meet the SPPI criterion. Financial assets classified in the FVOCI category are measured at fair value, with all changes in fair value recognised in OCI allowing for accrued interest and disclosed in head office funds under fair value reserves. Premiums and discounts are spread across the maturity using the effective interest rate method. A large part of the Branch's investments fall under the business model with the objective of collecting cash flows and selling, because the investments are predominantly used to cover underwriting risks and sales are therefore influenced by the servicing of these obligations.

The financial instruments measured at **fair value through profit or loss (FVPL)** include all equity instruments that were not designated as FVOCI without subsequent recycling to profit and loss as well as all debt instruments whose cash flows do not meet the SPPI criteria or are not held within the business models whose objective is collecting contractual cash flows or collecting cash flows and selling the instrument.

Notes to the financial statements

For the year ended 31 December 2023

Bahraini Dinars

3 ACCOUNTING PRINCIPLES INCLUDING MATERIAL ACCOUNTING POLICIES (continued)

All securities measured at fair value through profit or loss are carried at the fair value on the closing date. If market prices that can be used as fair values are not available, the book values of the relevant financial instruments are determined using recognised measurement methods. All unrealised gains or losses from measurements of this type are recognised in profit or loss just like realised gains and losses and reported in the investment income.

xix) Impairment of financial assets

The impairment rules set out in IFRS 9 apply to all debt instruments recognised at amortised cost or at fair value through other comprehensive income. Impairments are established under IFRS 9 in accordance with a three-stage model:

- Stage 1 consists of debt instruments in respect of which it is assumed that the credit risk has not significantly increased since initial recognition. The risk provision for such instruments is measured using, among other things, the default probabilities for the next 12 months.
- Stage 2 consists of debt instruments that are not credit impaired, but whose credit risk has increased significantly since initial recognition. The significant increase in the credit risk is established primarily on the basis of the credit rating specific to the individual instrument or using alternative quantitative and qualitative information, a credit risk assessment and forward-looking information. The risk provision is calculated using the default probabilities for the entire remaining maturities of the instruments.
- Stage 3 consists of all debt instruments that are classified as credit-impaired.

For all three stages, the risk provision to be made and its reversal are determined at the reporting date and individually for each specific instrument. The resulting expense and income are recognised in the statement of income.

The determination of the risk provision to be made for Stages 1 and 2 is based on the potential default amount weighted by the risk of default.

The Branch primarily uses the following three components to measure the ECL:

- the probability of default (PD),
- the loss given default (LGD) and
- the exposure at default (EAD).

Year-specific probabilities of default are used for Stage 2 to establish the ECL for the entire remaining maturities of the assets. These input factors are regularly recalibrated to reflect the forecast development of macroeconomic conditions in accordance with the requirements of IFRS 9 through the use of region- and period-specific point-in-time (PIT) factors. If a debt instrument is classified as credit-impaired and hence carried in Stage 3, measurement of the risk provision is based on the fair value at the balance sheet date.

Upon acquisition, all financial instruments are initially allocated to Stage 1. In cases where the credit risk has significantly increased, they are transferred to Stage 2. Given that allocation to a stage is dependent on the rating at the time of acquisition, shares in a financial instrument acquired at different times can be allocated to both Stage 1 and Stage 2. A significant increase in the credit risk triggering the transfer from Stage 1 to Stage 2 exists if the financial instrument has a current issuer rating in the non-investment-grade range and the rating of the instrument has been downgraded at least twice since initial recognition. The Branch uses the optional simplification under which financial instruments with a low credit risk are not allocated to Stage 2 if they still have an investment-grade issuer rating.

The allocation of financial instruments to Stage 3, on the other hand, is made on the basis of the counterparty's default status.

If a significant increase in the credit risk exists but the financial instrument was not classified as credit-impaired, the financial instrument in question remains in Stage 2. If none of the aforementioned stage transfer criteria applies any longer and the financial instrument is not credit-impaired, it is allocated to Stage 1. In the event of credit impairment, it is allocated to Stage 3. If a previously credit-impaired financial instrument is no longer considered to be credit-impaired, it is reclassified to Stage 2 or Stage 1 depending on applicability of the stage-specific criteria.

Notes to the financial statements

For the year ended 31 December 2023

Bahraini Dinars

3 ACCOUNTING PRINCIPLES INCLUDING MATERIAL ACCOUNTING POLICIES (continued)

Implementation of IFRS 9 resulted into new classification for investment for the securities which were not passing SPPI test, accordingly they were classified as FVPL. The debt securities passing SPPI test were classified as FVOCI. On transition date ECL allowance was determined in accordance with IFRS 9 on investment securities which is appearing in head office funds in note 8.

xx) Impairment of non-financial assets

The carrying amount of the Branch's assets (other than for financial assets covered above), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use or fair value less costs to sell. An impairment loss is recognised whenever the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses are reversed only if there is sufficient certainty that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

xxi) Foreign currency**Transactions and balances**

Monetary assets and liabilities are translated into Bahraini Dinars at exchange rates ruling at the reporting date. Transactions in foreign currencies during the year are converted at average exchange rates. Foreign exchange gains and losses are recognized in profit or loss.

xxii) Provisions

Provisions are recognised when the Branch has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

xxiii) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, balances in current accounts and call deposits with banks with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Branch in the management of their short-term commitments.

xxiv) Furniture and equipment

Furniture and equipment are stated at cost less accumulated depreciation. The cost of additions and major improvements are capitalised; maintenance and repairs are charged to the statement of income as incurred. Gains or losses on disposal are reflected in other income. Depreciation is provided on straight-line basis over the expected useful lives of the assets. The estimated useful life of computer equipment is three years.

xxv) Management fee

The Branch receives support services towards its administrative works from Hannover ReTakaful B.S.C (c), a related party, in consideration of management fee. Currently, the Branch does not have any employees on the payroll and no provision for employees related expenses is maintained in the books of the Branch.

4 CASH AND CASH EQUIVALENTS

	31 December 2023	31 December 2022 (restated)	1 January 2022 (restated)
Cash and bank balances	6,129,435	6,320,955	6,505,798
Deposits with maturity within 3 months	-	-	721,703
Cash and cash equivalents	6,129,435	6,320,955	7,227,501

During the year 2023 and year 2022 no new deposits were placed. The deposits placed in 2021, carried an interest rate ranging from 6.9% to 7.05% per annum.

5 PLACEMENT WITH FINANCIAL INSTITUTION

	31 December 2023	31 December 2022 (restated)	1 January 2022 (restated)
Deposits with maturity over 3 months	-	-	1,000,928
	-	-	1,000,928

During the year 2023 and year 2022 no new deposits were placed. The deposits placed in 2021, carried an interest rate ranging from 6.9% to 7.05% per annum.

6 INVESTMENTS

		31 December 2023	31 December 2022 (restated)	1 January 2022 (restated)
Measured at fair value through profit or loss	6.1	965,523	936,302	982,637
Measured at fair value through other comprehensive income	6.2	132,196,712	111,753,907	106,271,611
		133,162,235	112,690,209	107,254,248

6.1 Measured at fair value through profit or loss (FVPL)

	31 December 2023	31 December 2022 (restated)	1 January 2022 (restated)
Balances as at 1 January	936,302	982,637	1,116,045
Additions during the year	-	733,888	793,607
Disposals during the year	-	(755,989)	(917,566)
Change in fair value	29,395	(28,696)	(9,063)
Amortisation and others	(174)	4,462	(386)
Measured at fair value through profit or loss (FVPL)	965,523	936,302	982,637
Quoted securities	965,523	936,302	982,637
Maturity analysis			
2-3 years	965,523	212,038	563,958
4-5 years	-	724,264	224,780
over 5 years	-	-	193,899
	965,523	936,302	982,637

6.2 Measured at fair value through other comprehensive income (FVOCI)

	31 December 2023	31 December 2022 (restated)	1 January 2022 (restated)
Balances as at 1 January	111,753,907	106,271,611	101,049,928
Additions during the year	36,045,821	37,743,322	44,774,379
Disposals during the year	(19,025,101)	(22,844,404)	(35,956,822)
Change in fair value	3,004,583	(9,066,859)	(3,379,704)
Amortisation and others	417,502	(349,763)	(216,170)
	132,196,712	111,753,907	106,271,611
Quoted securities	128,636,127	107,233,790	102,457,214
Unquoted securities	3,560,585	4,520,117	3,814,397
	132,196,712	111,753,907	106,271,611
Maturity analysis			
1 year or less	22,076,955	12,227,367	12,710,861
2 years	28,410,472	18,307,101	14,809,958
3 years	38,957,263	17,086,974	12,045,681
4 years	18,468,322	29,998,259	13,007,648
5 years	9,723,535	15,479,735	30,982,580
over 5 years	14,560,165	18,654,471	22,714,883
	132,196,712	111,753,907	106,271,611

7 INSURANCE AND REINSURANCE CONTRACTS

7.1 Reinsurance revenue

	2023	2022
Components of the reinsurance revenue (gross)		
Expected incurred claims and other insurance expenses	41,648,329	38,456,996
CSM recognised for services provided	10,196,850	7,762,481
Release of risk adjustment for non-financial risk	815,638	771,737
Experience adjustments for past or current services	(10,322,770)	374,402
Recovery of insurance acquisition cash flows	4,616,257	3,560,235
Total	46,954,304	50,925,851

7.2 Analysis by remaining coverage and incurred claims for reinsurance contracts

	2023			
	Liability for remaining coverage (LRC)		Liability for incurred claims (LIC)	Total
	Excluding loss component	Loss component		
Opening balance - liabilities	46,386,890	(988,738)	(171,456,156)	(126,058,004)
Reinsurance Revenue	46,954,304	-	-	46,954,304
Reinsurance service expenses				
Incurred claims and other expenses	-	1,017,733	(40,307,440)	(39,289,707)
Amortisation of acquisition cash flows	(4,616,256)	-	-	(4,616,256)
Adjustments to liabilities for incurred claims	-	-	16,271,536	16,271,536
Losses / reversal on onerous contracts	(5)	(49,549)	-	(49,554)
Reinsurance service expenses	(4,616,261)	968,184	(24,035,904)	(27,683,981)
Reinsurance service result	42,338,043	968,184	(24,035,904)	19,270,323
Investment component	6,379,205	-	(6,379,205)	-
Finance expense from reinsurance contracts	(1,150,410)	(9,135)	(2,309,254)	(3,468,799)
Effect of movement in interest rate - OCI	(597,311)	-	(3,028,570)	(3,625,881)
Effect of movement in exchange rate	(853,760)	11,330	1,296,073	453,643
Total changes in comprehensive income	46,115,767	970,379	(34,456,860)	12,629,286
Cash flows				
Premiums received	(42,929,982)	-	-	(42,929,982)
Claims and other expenses paid	-	-	33,052,898	33,052,898
Insurance acquisition cash flows paid	1,932,222	-	-	1,932,222
Total cash flows	(40,997,760)	-	33,052,898	(7,944,862)
Closing balance - net	51,504,897	(18,359)	(172,860,118)	(121,373,580)
Closing balance - assets	273,777	8,562	(110,040)	172,299
Closing balance - liabilities	51,231,119	(26,920)	(172,750,078)	(121,545,879)
	51,504,896	(18,358)	(172,860,118)	(121,373,580)

Notes to the financial statements

for the year ended 31 December 2023

Bahraini Dinars

7 INSURANCE AND REINSURANCE CONTRACTS (continued)

	2022			
	Liability for remaining coverage (LRC)		Liability for incurred claims (LIC)	Total
	Excluding loss component	Loss component		
Opening balance - liabilities	31,188,858	(1,218,032)	(173,386,204)	(143,415,378)
Reinsurance Revenue	50,925,851	-	-	50,925,851
Reinsurance service expenses				
Incurred claims and other expenses	-	225,794	(36,507,382)	(36,281,588)
Amortisation of acquisition cash flows	(3,553,687)	-	-	(3,553,687)
Adjustments to liabilities for incurred claims	-	-	364,857	364,857
Losses / reversal on onerous contracts	241,159	(29,449)	-	211,710
Reinsurance service expenses	(3,312,528)	196,345	(36,142,525)	(39,258,708)
Reinsurance service result	47,613,323	196,345	(36,142,525)	11,667,143
Investment component	8,967,353	-	(8,967,353)	-
Finance expense from reinsurance contracts	(720,155)	(14,198)	(2,113,431)	(2,847,784)
Effect of movement in interest rate - OCI	1,453,088	-	8,426,022	9,879,110
Effect of movement in exchange rate	(1,277,443)	47,147	2,916,797	1,686,501
Total changes in comprehensive income	56,036,166	229,294	(35,880,490)	20,384,970
Cash flows				
Premiums received	(43,606,518)	-	-	(43,606,518)
Claims and other expenses paid	-	-	37,810,538	37,810,538
Insurance acquisition cash flows paid	2,768,384	-	-	2,768,384
Total cash flows	(40,838,134)	-	37,810,538	(3,027,596)
Closing balance - liabilities	46,386,890	(988,738)	(171,456,156)	(126,058,004)

7.3 Analysis by remaining coverage and incurred claims for reinsurance contracts retroceded

	2023			
	Liability for remaining coverage (LRC)		Liability for incurred claims (LIC)	Total
	Excluding loss component	Loss component		
Opening balance - assets	57	-	26,069,662	26,069,719
Opening balance - liabilities	(354,920)	-	(185,557)	(540,477)
Opening balance - net	(354,863)	-	25,884,105	25,529,242
Reinsurance revenue (retroceded)	(779,896)	-	-	(779,896)
Claims recovered and other expenses	-	-	(102,409)	(102,409)
Adjustments to assets for incurred claims	-	-	(7,014,636)	(7,014,636)
Net expense from reinsurance contracts held	(779,896)	-	(7,117,045)	(7,896,941)
Finance expense from reinsurance contracts	116	-	477,706	477,822
Effect of movement in interest rate - OCI	258	-	516,174	516,432
Effect of movement in exchange rate	(4,096)	-	7,088	2,992
Total changes in comprehensive income	(783,618)	-	(6,116,077)	(6,899,695)
Cash flows				
Premiums paid	462,024	-	-	462,024
Recoveries from retrocessionaires	-	-	(6,584,980)	(6,584,980)
Total cash flows	462,024	-	(6,584,980)	(6,122,956)
Closing balance - net	(676,457)	-	13,183,048	12,506,591
Closing balance - assets	(679,887)	-	13,419,788	12,739,901
Closing balance - liabilities	3,430	-	(236,740)	(233,310)
	(676,457)	-	13,183,048	12,506,591

	2022			
	Liability for remaining coverage (LRC)		Liability for incurred claims (LIC)	Total
	Excluding loss component	Loss component		
Opening balance - assets	(245)	-	34,722,141	34,721,896
Opening balance - liabilities	(255,567)	-	26,165	(229,402)
Opening balance - net	(255,812)	-	34,748,306	34,492,494
Reinsurance revenue (retroceded)	(414,839)	-	-	(414,839)
Claims recovered and other expenses	-	-	5,459	5,459
Adjustments to assets for incurred claims	-	-	(1,758,026)	(1,758,026)
Net expense from reinsurance contracts held	(414,839)	-	(1,752,567)	(2,167,406)
Finance expense from insurance contracts	483	-	533,763	534,246
Effect of movement in interest rate - OCI	(234)	-	(1,352,375)	(1,352,609)
Effect of movement in exchange rate	(90,283)	-	(34,185)	(124,468)
Total changes in comprehensive income	(504,873)	-	(2,605,364)	(3,110,237)
Cash flows				
Premiums paid	405,822	-	-	405,822
Recoveries from retrocessionaires	-	-	(6,258,837)	(6,258,837)
Total cash flows	405,822	-	(6,258,837)	(5,853,015)
Closing balance - net	(354,863)	-	25,884,105	25,529,242
Closing balance - assets	57	-	26,069,662	26,069,719
Closing balance - liabilities	(354,920)	-	(185,557)	(540,477)
	(354,863)	-	25,884,105	25,529,242

7 INSURANCE AND REINSURANCE CONTRACTS (continued)

7.4 Analysis of reinsurance contracts balances by components

	2023			
	Present value of future cash flows	Risk adjustment	Contractual service margin	Total
Opening balance - liabilities	(117,767,497)	(2,416,442)	(5,874,065)	(126,058,004)
CSM recognised for the services provided	-	-	10,196,850	10,196,850
Change in the risk adjustment for non-financial risk	-	291,642	-	291,642
Experience adjustments	(7,440,151)	-	-	(7,440,151)
Changes that relate to current service	(7,440,151)	291,642	10,196,850	3,048,341
Contracts initially recognised in the period	8,107,491	(595,593)	(7,511,898)	-
Changes in estimates that adjust the CSM	(539,486)	(87,860)	627,341	(5)
Changes in estimates that result in losses and reversal of losses on onerous contracts	(50,268)	719	-	(49,549)
Changes that relate to future services	7,517,737	(682,734)	(6,884,557)	(49,554)
Adjustments to liabilities for incurred claims	16,207,776	63,760	-	16,271,536
Changes that relate to past service	16,207,776	63,760	-	16,271,536
Reinsurance service result	16,285,362	(327,332)	3,312,293	19,270,323
Finance expense from reinsurance contracts	(2,987,509)	(713)	(480,577)	(3,468,799)
Effect of movement in interest rate - OCI	(3,625,815)	(66)	-	(3,625,881)
Effect of movement in exchange rate	288,664	30,719	134,260	453,643
Total changes in comprehensive income	9,960,702	(297,392)	2,965,976	12,629,286
Cash flows				
Premiums received	(42,929,982)	-	-	(42,929,982)
Claims and other expenses paid	33,052,898	-	-	33,052,898
Insurance acquisition cash flows paid	1,932,222	-	-	1,932,222
Total cash flows	(7,944,862)	-	-	(7,944,862)
Closing balance - net	(115,751,657)	(2,713,834)	(2,908,089)	(121,373,580)
Closing balance - assets	178,482	(6,183)	-	172,299
Closing balance - liabilities	(115,930,139)	(2,707,651)	(2,908,089)	(121,545,879)
	(115,751,657)	(2,713,834)	(2,908,089)	(121,373,580)

7 INSURANCE AND REINSURANCE CONTRACTS (continued)

	2022			
	Present value of future cash flows	Risk adjustment	Contractual service margin	Total
Opening balance - liabilities	(139,224,126)	(2,086,882)	(2,104,370)	(143,415,378)
CSM recognised for the services provided	-	-	7,762,481	7,762,481
Change in the risk adjustment for non-financial risk	-	293,040	-	293,040
Experience adjustments	4,699,466	-	-	4,699,466
Changes that relate to current service	4,699,466	293,040	7,762,481	12,754,987
Contracts initially recognised in the period	6,352,442	(531,241)	(6,542,160)	(720,959)
Changes in estimates that adjust the CSM	15,926,672	(59,736)	(15,669,084)	197,852
Changes in estimates that result in losses and reversal of losses on onerous contracts	(11,365,680)	(226,633)	10,662,719	(929,594)
Changes that relate to future services	10,913,434	(817,610)	(11,548,525)	(1,452,701)
Adjustments to liabilities for incurred claims	224,785	140,072	-	364,857
Changes that relate to past service	224,785	140,072	-	364,857
Reinsurance service result	15,837,685	(384,498)	(3,786,044)	11,667,143
Finance expense from reinsurance contracts	(2,660,740)	(412)	(186,632)	(2,847,784)
Effect of movement in interest rate - OCI	9,879,006	104	-	9,879,110
Effect of movement in exchange rate	1,428,274	55,246	202,981	1,686,501
Total changes in comprehensive income	24,484,225	(329,560)	(3,769,695)	20,384,970
Cash flows				
Premiums received	(43,606,518)	-	-	(43,606,518)
Claims and other expenses paid	37,810,538	-	-	37,810,538
Insurance acquisition cash flows paid	2,768,384	-	-	2,768,384
Total cash flows	(3,027,596)	-	-	(3,027,596)
Closing balance - liabilities	(117,767,497)	(2,416,442)	(5,874,065)	(126,058,004)

7.5 Analysis of reinsurance contracts balances by components for reinsurance contracts retroceded

	2023			
	Present value of future cash flows	Risk adjustment	Contractual service margin	Total
Opening balance - assets	26,032,643	37,071	5	26,069,719
Opening balance - liabilities	(548,119)	7,621	21	(540,477)
Opening balance - net	25,484,524	44,692	26	25,529,242
CSM recognised for the services provided	-	-	(6,807)	(6,807)
Change in the risk adjustment for non-financial risk	-	(55,660)	-	(55,660)
Experience adjustments	(819,838)	-	-	(819,838)
Changes that relate to current service	(819,838)	(55,660)	(6,807)	(882,305)
Changes in estimates that adjust the CSM	(74,391)	67,606	6,785	-
Contracts initially recognised in the period	-	-	-	-
Changes that relate to future services	(74,391)	67,606	6,785	-
Adjustments to assets for incurred claims	(7,008,949)	(5,687)	-	(7,014,636)
Changes that relate to past service	(7,008,949)	(5,687)	-	(7,014,636)
Net expense from reinsurance contracts retroceded	(7,903,178)	6,259	(22)	(7,896,941)
Finance expense from reinsurance contracts retroceded	477,821	-	1	477,822
Effect of movement in interest rate - OCI	516,432	-	-	516,432
Effect of movement in exchange rate	3,000	(8)	-	2,992
Total changes in comprehensive income	(6,905,925)	6,251	(21)	(6,899,695)
Cash flows				
Premiums paid	462,024	-	-	462,024
Recoveries from retrocessionaires	(6,584,980)	-	-	(6,584,980)
Total cash flows	(6,122,956)	-	-	(6,122,956)
Closing balance - net	12,455,643	50,943	5	12,506,591
Closing balance - assets	12,688,958	50,943	-	12,739,901
Closing balance - liabilities	(233,315)	-	5	(233,310)
	12,455,643	50,943	5	12,506,591

7 INSURANCE AND REINSURANCE CONTRACTS (continued)

	2022			
	Present value of future cash flows	Risk adjustment	Contractual service margin	Total
Opening balance - assets	34,684,721	37,039	136	34,721,896
Opening balance - liabilities	(316,354)	4,185	82,767	(229,402)
Opening balance - net	<u>34,368,367</u>	<u>41,224</u>	<u>82,903</u>	<u>34,492,494</u>
CSM recognised for the services provided	-	-	(213,110)	(213,110)
Change in the risk adjustment for non-financial risk	-	3,387	-	3,387
Experience adjustments	<u>(199,657)</u>	<u>-</u>	<u>-</u>	<u>(199,657)</u>
Changes that relate to current service	(199,657)	3,387	(213,110)	(409,380)
Changes in estimates that adjust the CSM	73,813	4,326	(78,139)	-
Contracts initially recognised in the period	<u>(207,593)</u>	<u>-</u>	<u>207,593</u>	<u>-</u>
Changes that relate to future services	(133,780)	4,326	129,454	-
Adjustments to assets for incurred claims	<u>(1,753,781)</u>	<u>(4,245)</u>	<u>-</u>	<u>(1,758,026)</u>
Changes that relate to past service	<u>(1,753,781)</u>	<u>(4,245)</u>	<u>-</u>	<u>(1,758,026)</u>
Net expense from reinsurance contracts retroceded	(2,087,218)	3,468	(83,656)	(2,167,406)
Finance expense from reinsurance contracts retroceded	533,470	-	776	534,246
Effect of movement in interest rate - OCI	(1,352,609)	-	-	(1,352,609)
Effect of movement in exchange rate	<u>(124,471)</u>	<u>-</u>	<u>3</u>	<u>(124,468)</u>
Total changes in comprehensive income	(3,030,828)	3,468	(82,877)	(3,110,237)
Cash flows				
Premiums paid	405,822	-	-	405,822
Recoveries from retrocessionaires	<u>(6,258,837)</u>	<u>-</u>	<u>-</u>	<u>(6,258,837)</u>
Total cash flows	<u>(5,853,015)</u>	<u>-</u>	<u>-</u>	<u>(5,853,015)</u>
Closing balance - net	<u>25,484,524</u>	<u>44,692</u>	<u>26</u>	<u>25,529,242</u>
Closing balance - assets	26,032,643	37,071	5	26,069,719
Closing balance - liabilities	<u>(548,119)</u>	<u>7,621</u>	<u>21</u>	<u>(540,477)</u>
	<u>25,484,524</u>	<u>44,692</u>	<u>26</u>	<u>25,529,242</u>

7 INSURANCE AND REINSURANCE CONTRACTS (continued)

7.6 Analysis by remaining coverage and incurred claims for reinsurance contracts

	Contract with the modified retrospective approach	Contracts with fair value approach	Other contracts	Total
2023				
Reinsurance Revenue	187,904	(707,867)	(46,434,341)	(46,954,304)
CSM at 1 January 2023	(56)	(14,004)	(5,860,005)	(5,874,065)
Changes that relate to current service				
CSM recognised for the services provided	73,885	283,804	9,839,161	10,196,850
Changes that relate to future service				
Contracts initially recognised in the period	-	-	(7,511,898)	(7,511,898)
Changes in estimates that adjust the CSM	(73,849)	(273,903)	975,093	627,341
	36	9,901	3,302,356	3,312,293
Finance expense from reinsurance contracts	-	(872)	(479,705)	(480,577)
Effect of movement in exchange rate	-	2,620	131,640	134,260
Total amount recognised incomprehensive income	36	11,649	2,954,291	2,965,976
CSM at 31 December 2023	(20)	(2,355)	(2,905,714)	(2,908,089)
	Contract with the modified retrospective approach	Contracts with fair value approach	Other contracts	Total
2022				
Reinsurance Revenue	(1,806,912)	(3,853,041)	(45,265,898)	(50,925,851)
CSM at 01 January 2022	-	(1,972)	(2,102,398)	(2,104,370)
Changes that relate to current service				
CSM recognised for the services provided	2,333,554	1,585,256	3,843,671	7,762,481
Changes that relate to future service				
Contracts initially recognised in the period	-	-	(6,542,160)	(6,542,160)
Changes in estimates that adjust the CSM	(2,333,610)	(1,595,254)	(11,740,220)	(15,669,084)
Changes in estimates that result in losses and reversal of losses on onerous contracts	-	-	10,662,719	10,662,719
	(56)	(9,998)	(3,775,990)	(3,786,044)
Finance expense from reinsurance contracts	-	(3,630)	(183,002)	(186,632)
Effect of movement in exchange rate	-	1,596	201,385	202,981
Total amount recognised incomprehensive income	(56)	(12,032)	(3,757,607)	(3,769,695)
CSM at 31 December 2022	(56)	(14,004)	(5,860,005)	(5,874,065)

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7 INSURANCE AND REINSURANCE CONTRACTS (continued)

7.7 First-time recognition of contracts - Reinsurance contracts

	2023		2022	
	Profitable contracts	Loss-making contracts	Profitable contracts	Loss-making contracts
Estimates of the present value of future cash outflows	35,318,957	-	25,155,514	11,829,901
Acquisition costs	3,445,870	-	3,080,040	561,223
Estimates of the present value of future cash inflows	(46,872,318)	-	(35,184,028)	(11,795,091)
Risk adjustment for non-financial risks	595,593	-	406,314	124,927
CSM	7,511,898	-	6,542,160	-
Loss component	-	-	-	(720,960)
Total	-	-	-	-

7.8 Maturities of the actuarial cash flows

	2023		2022	
	Remaining contractual undiscounted net cash flows		Remaining contractual undiscounted net cash flows	
	Reinsurance contracts	Reinsurance contracts retroceded	Reinsurance contracts	Reinsurance contracts retroceded
Less than 1 year	35,528,042	(5,192,420)	36,595,452	(11,507,806)
1 - 2 years	46,762,574	(3,850,971)	46,221,186	(7,287,480)
2 -3 years	22,341,807	(1,940,584)	23,908,594	(3,645,239)
3 - 4 years	12,334,673	(1,086,310)	12,680,799	(2,040,812)
4 -5 years	7,518,787	(661,785)	7,941,600	(1,272,553)
5 - 10 years	10,709,327	(944,221)	13,245,966	(2,105,136)
10 - 20 years	1,582,062	(137,254)	2,364,819	(375,738)
More than 20 years	82,720	(7,179)	122,945	(20,757)
	136,859,992	(13,820,724)	143,081,361	(28,255,521)
Discounting	(15,486,412)	1,314,132	(17,023,358)	2,726,279
Total	121,373,580	(12,506,592)	126,058,003	(25,529,242)

7.9 Terms of the contractual service margin

	2023		2022	
	Contractual service margin		Contractual service margin	
	Reinsurance contracts	Reinsurance contracts retroceded	Reinsurance contracts	Reinsurance contracts retroceded
Less than 1 year	2,590,569	5	5,548,396	26
1 - 2 years	441,147	-	272,779	-
2 -3 years	35,887	-	66,061	-
3 - 4 years	6,526	-	1,124	-
4 -5 years	2,326	-	250	-
5 - 10 years	15,110	-	1,626	-
10 - 20 years	29,545	-	2,091	-
More than 20 years	1,340	-	-	-
Total	3,122,450	5	5,892,327	26

7.10 Reinsurance finance income and expenses

Following table compares the reinsurance finance result with the investment return. The reinsurance finance result is comprised primarily of the effects from interest accretion and changes in the discounting assumptions and other financial measurement assumptions relating to our technical provisions.

	2023	2022
Net interest income from investments	3,227,958	2,093,868
Investment expenses	(143,693)	(123,491)
Investment income (Note 10)	3,084,265	1,970,377
Amounts recognised in OCI	3,004,583	(9,040,559)
Total investment return	6,088,848	(7,070,182)
Finance income / (expenses) from reinsurance contracts		
Interest accreted	(3,442,554)	(2,913,348)
Changes in interest rates and other financial assumptions	(3,652,126)	9,944,674
Total finance income / (expenses) from reinsurance contracts	(7,094,680)	7,031,326
thereof recognised in profit or loss	(3,468,799)	(2,847,784)
thereof recognised in other comprehensive income	(3,625,881)	9,879,110
Finance income / (expense) from reinsurance contracts retroceded		
Interest accreted	477,822	534,246
Changes in interest rates and other financial assumptions	516,432	(1,352,609)
Total finance income / (expense) from reinsurance contracts (retroceded)	994,254	(818,363)
thereof recognised in profit or loss	477,822	534,246
thereof recognised in other comprehensive income	516,432	(1,352,609)
Total reinsurance finance income and expenses	(6,100,426)	6,212,963
thereof recognised in profit or loss	(2,990,977)	(2,313,538)
thereof recognised in other comprehensive income	(3,109,449)	8,526,501

8 HEAD OFFICE FUNDS

	Head office account	Fair value reserve	Reinsurance finance reserve	Accumulated losses / Retained earnings	Total
1 January 2022 (previously reported)	20,166,950	333,771	-	(13,088,860)	7,411,861
Reclassification under IFRS 9	-	3,161	-	(37,128)	(33,967)
Recognition of expected credit losses under IFRS 9	-	34,144	-	-	34,144
Remeasurment under IFRS 17	-	-	(185,377)	(3,398,296)	(3,583,673)
1 January 2022 (restated)	20,166,950	371,076	(185,377)	(16,524,284)	3,828,365
Income for the year	-	-	-	9,837,945	9,837,945
Other comprehensive loss	-	(9,040,559)	8,526,501	-	(514,058)
31 December 2022 (restated)	20,166,950	(8,669,483)	8,341,124	(6,686,339)	13,152,252
Income for the year	-	-	-	11,008,147	11,008,147
Other comprehensive loss	-	3,004,583	(3,109,449)	-	(104,866)
31 December 2023	20,166,950	(5,664,900)	5,231,675	4,321,808	24,055,533

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.

	31 December 2023	31 December 2022
a) Transactions during the period		
Reinsurance revenue		
HDI Sigorta A.S. <i>Entity within the Talanx Group (Ultimate Parent)</i>	142,612	-
Reinsurance service expense		
HDI Sigorta A.S. <i>Entity within the Talanx Group (Ultimate Parent)</i>	24,268	-
Net expense from reinsurance contracts		
Hannover Re Bermuda Ltd., Bermuda <i>Entity within the Hannover Re Group</i>	7,067,848	1,591,820
Expenses recharged by:		
- Hannover Retakaful BSC (c), Bahrain <i>Entity within the Hannover Re Group</i>	1,172,255	1,418,798
- Hannover Rück SE, Germany <i>Parent company of the Hannover Re Group</i>	600,620	121,876
- Ampega Asset Management GmbH, Germany <i>Entity within the Talanx Group (Ultimate Parent)</i>	140,231	119,259

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9 RELATED PARTY TRANSACTIONS (continued)

	31 December 2023	31 December 2022	1 January 2022
b) Balances with related parties			
Reinsurance contracts retroceded in an asset position			
- Hannover Re Bermuda Ltd., Bermuda			
<i>Entity within the Hannover Re Group</i>	13,384,650	26,069,662	34,722,141
Reinsurance contract assets			
HDI Sigorta A.S.			
<i>Entity within the Talanx Group (Ultimate Parent)</i>	282,339	-	-
Head office account			
- Hannover Rück SE, Germany			
<i>Parent company of the Hannover Re Group</i>	20,166,950	20,166,950	20,166,950

10 INVESTMENT AND OTHER INCOME

	2023	2022
<i>Investment income:</i>		
Interest income from investments	3,222,687	2,161,571
Investment expenses	(143,693)	(123,491)
Net losses on disposal of investments	(24,124)	(39,007)
Unrealised gain / loss on FVPL investment	29,395	(28,696)
	3,084,265	1,970,377
<i>Other income:</i>		
Interest on cash and bank balances	288,711	69,645
	3,372,976	2,040,022

11 GENERAL AND ADMINISTRATION EXPENSES

	2023	2022
Directly attributable costs	1,127,329	1,556,061
Other operating expenses	791,312	168,569
	1,918,641	1,724,630
Operating expenses		
Management fee (Note 9 (a))	1,172,255	1,418,798
IT maintenance and licencing expenses	600,620	121,876
Audit and related expenses	79,575	17,993
Depreciation, taxes and other expense	66,191	165,963
	1,918,641	1,724,630

Management fee includes common general and administrative expenses which are paid by Hannover ReTakaful B.S.C. (c), a related party, and subsequently recharged to the Branch.

Audit and related expenses includes audit fees of BHD 75,550 (2022: BHD 13,993) and non-audit fee of BHD 1,575 (2022: BHD 1,500).

Other operating expenses consist of non-directly attributable cost.

12 INSURANCE RISK MANAGEMENT

a) Background

The Branch accepts reinsurance risk through its written reinsurance contracts. By the very nature of a reinsurance contract, this risk is random and therefore unpredictable. The Branch is exposed to uncertainty surrounding the timing, frequency and severity of claims under these contracts. The Branch's management monitors the aggregate risk data and takes overall risk management decisions. Two key elements of the Branch's insurance risk management framework are its underwriting strategy and reinsurance strategy.

b) Underwriting strategy

The Branch's underwriting strategy is driven by the general underwriting guidelines of the Hannover Re Group. The objective of this strategy is to build balanced portfolios based on a large number of similar risks, thereby reducing the variability of the portfolios outcome. The underwriting strategy is set out in an annual business plan that is approved by the Hannover Re Group. This strategy is cascaded by the business units through detailed underwriting authorities that set out the limits that any one underwriter can write by line size, class of business, territory and industry in order to ensure appropriate risk selection within the portfolio. The underwriters have the right to refuse renewal or to change the terms and conditions of the contract at renewal. There have been no significant changes in the underwriting strategy since the previous period.

c) Reinsurance strategy

The Branch's reinsurance strategy is driven by the Hannover Re Group reinsurance strategy. Branch participate in number of reinsurance covers underwritten by the Group. Ceded reinsurance contains credit risk, as discussed in the financial risk management section. Management monitors developments in the reinsurance program and its ongoing adequacy.

d) Risk exposure and concentration of insurance risk

The Branch's exposure to insurance risks and the concentration of these risks and the extent to which the Branch has covered these risks by reinsurance are set out below.

(i) Analysis of gross reinsurance revenue by main geographical location of risk insured

	2023			2022		
	Life and Health	Property and Casualty	Total	Life and Health	Property and Casualty	Total
North Africa	178,550	20,364,802	20,543,352	299,387	10,035,983	10,335,370
Rest of Asia	2,602,939	23,808,013	26,410,952	2,722,750	37,867,731	40,590,481
	2,781,489	44,172,815	46,954,304	3,022,137	47,903,714	50,925,851

(ii) Analysis of assets and liabilities

	2023			2022		
	Life and Health	Property and Casualty	Total	Life and Health	Property and Casualty	Total
Assets	3,174,686	149,902,316	153,077,002	2,308,829	143,251,003	145,559,832
Liabilities	3,060,811	125,960,658	129,021,469	2,405,860	129,461,243	131,867,103

e) Sensitivity analysis

The following table provides an analysis of the sensitivity of profit and loss and total Head Office funds to changes in the assumptions used to measure reinsurance contract provisions and reinsurance assets at the reporting date. The analysis has been prepared for a change in one variable at a time with other assumptions remaining constant. The effect is shown before and after reinsurance.

	2023		2022	
	Profit and loss / Head office funds		Profit and loss / Head office funds	
	Gross	Net	Gross	Net
Combined ratio				
1 % increase	(469,543)	(461,744)	(509,259)	(505,110)
1 % decrease	469,543	461,744	509,259	505,110

13 CLAIMS DEVELOPMENT DATA

The following tables show the estimate of cumulative property and casualty loss reserves for each underwriting year from years 2019 to 2023 at each statement of financial position date, together with cumulative payments to date. The bottom half of the table reconciles the cumulative claims to the amount appearing in the statement of financial position.

a) Property and casualty - Gross

Underwriting years	2019	2020	2021	2022	2023	Total
Undiscounted liabilities for incurred claims						
- End of underwriting year	24,324,048	40,511,499	22,588,814	24,135,079	24,413,853	
- One year later	52,677,015	56,802,489	36,280,212	38,423,940	-	
- Two years later	52,084,877	51,733,540	34,175,973	-	-	
- Three years later	52,226,277	50,750,322	-	-	-	
- Four years later	47,946,274	-	-	-	-	
Current estimate of undiscounted claims	47,946,274	50,750,322	34,175,973	38,423,940	24,413,853	195,710,362
Cumulative payments to date	(30,188,684)	(27,637,929)	(14,737,786)	(10,868,721)	(2,471,257)	(85,904,377)
Liability recognised	17,757,590	23,112,393	19,438,187	27,555,219	21,942,596	109,805,985
Undiscounted liability for incurred claims in respect of prior years						39,455,298
Changes in accounts payable / receivables						18,079,563
Effect of discounting						(3,870,679)
Effect of the risk adjustment for non-financial risk						2,213,588
						165,683,755

b) Property and casualty - Net

Underwriting year	2019	2020	2021	2022	2023	Total
Estimate of incurred claims costs:						
- End of underwriting year	22,098,912	14,114,957	22,444,278	24,135,079	24,138,461	
- One year later	50,595,781	29,910,094	36,129,941	38,415,559	-	
- Two years later	40,564,077	25,729,819	34,014,439	-	-	
- Three years later	40,703,455	28,833,354	-	-	-	
- Four years later	36,425,205	-	-	-	-	
Current estimate of incurred claims	36,425,205	28,833,354	34,014,439	38,415,559	24,138,461	161,827,018
Cumulative payments to date	(28,141,265)	(11,324,467)	(14,592,760)	(10,860,629)	(2,462,843)	(67,381,964)
Liability recognised	8,283,940	17,508,887	19,421,679	27,554,930	21,675,618	94,445,054
Undiscounted liability for incurred claims in respect of prior years						38,738,386
Changes in accounts payable / receivables						20,768,711
Effect of discounting						(3,648,377)
Effect of the risk adjustment for non-financial risk						2,196,935
						152,500,709

14 FINANCIAL RISK MANAGEMENT

a) Overview

The Branch has exposure to credit, liquidity and market risks from its use of financial instruments.

Financial risk management note presents information about the Branch's exposure to each of the above risks, the Branch's objectives, policies and processes for measuring and managing risk. Further, quantitative disclosures are included throughout these financial statements. The Management of the Branch report to its Head Office and have adopted the risk management guidelines established by the Hannover Re Group. The Hannover Re Group is responsible for developing and monitoring the Group's risk management policies.

b) Credit risk

Credit risk is the risk of financial loss to the Branch if a counterparty fails to meet its contractual obligations. The Branch's key areas of exposure to credit risk include cash and cash equivalents, available for sale investments and insurance receivables.

(i) Management of credit risk

The Branch manages its credit risk in respect of its deposits placing limits on its exposure to a single counterparty. The Branch has a policy of evaluating the credit quality, and reviewing public rating information before making investments. The Branch's exposure to individual cedants and groups of cedants is monitored as part of its credit control process. Financial analyses are conducted for significant exposures to individual cedants or homogenous groups of cedants.

(ii) Overall exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2023	2022 (restated)
Cash and bank balances	6,129,435	6,320,955
Statutory deposit	175,842	169,753
Investments	133,162,235	112,690,209
Other assets	152,511	118,412
	139,620,023	119,299,329

(iii) Amounts arising from ECL on Investments

The following table show reconciliations from the opening balance to the closing balance of the loss allowance for investments. Transfers due to changes in credit risk are determined in accordance with the accounting policy set out in note 3 (xix) (Impairment of financial assets).

	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2023	60,441	-	-	60,441
Addition	26,808	-	-	26,808
Disposal	(4,859)	-	-	(4,859)
Movement in ECL	(24,011)	-	-	(24,011)
Currency Valuation	(1,647)	-	-	(1,647)
Balance as at 31 December 2023	56,732	-	-	56,732

	Stage 1	Stage 2	Stage 3	Total (restated)
Balance as at 1 January 2022	33,967	177	-	34,144
Transfer to Stage 1	115	(115)	-	-
Addition	25,668	-	-	25,668
Disposal	(8,224)	-	-	(8,224)
Movement in ECL	10,647	-	-	10,647
Currency Valuation	(1,732)	(62)	-	(1,794)
Balance as at 31 December 2022	60,441	-	-	60,441

c) Liquidity risk

Liquidity risk is the risk that the Branch will encounter difficulty in meeting obligations associated with its financial and insurance liabilities that are settled by delivering cash or other financial assets. The Branch is exposed to calls on its available cash resources mainly from claims arising from insurance contracts. Liquidity risk may arise from a number of potential areas, such as a duration mismatch between assets and liabilities and unexpectedly high levels of lapses/surrenders. The natures of Branch's exposure to liquidity risk and its objective, policies and processes for managing liquidity risk have not changed from the prior periods.

(i) Management of liquidity risk

The Hannover Re Group's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Branch's liquidity risk approach falls within the overall framework set by the Hannover Re Group policy.

(ii) Exposure to liquidity risk

An analysis of the contractual maturities of the Branch's contract assets and liabilities are presented in note 8.8, accruals are due within one year.

Financial liabilities

Accruals

	2023	2022 (restated)
Accruals	66,094	18,264
	66,094	18,264

Notes to the financial statements

For the year ended 31 December 2023

Bahraini Dinars

14 FINANCIAL RISK MANAGEMENT (continued)

(iii) Disclosures of non-financial assets and liabilities

Disclosures relating to non-financial assets and liabilities representing best estimates are as stated below.

	2023	2022
Non-financial assets		
Reinsurance contract assets	172,299	-
Reinsurance contracts retroceded in an asset position	12,739,901	26,069,719
Prepayment and equipments	544,778	190,784
	13,456,978	26,260,503
Non-financial liabilities		
Reinsurance contract liabilities	121,545,879	126,058,004
Reinsurance contracts retroceded in a liability position	233,310	540,477
Sundry liabilities	7,176,185	5,790,836
	128,955,374	132,389,317

d) 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 in the principal, or in its absence, the most advantageous market to which the Branch has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Branch measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Branch uses valuation techniques that maximise the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Branch determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, the Branch measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Branch on the basis of the net exposure to either market or credit risk, are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

e) Classification of financial instruments

Financial instruments comprise of financial assets and financial liabilities as mentioned below in the table. Financial instruments are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition financial instruments are measured as described below. The carrying value of the Branch's financial assets and liabilities except investment measured at fair value were approximate to the fair value due to immediate or short term maturities of them.

The classification of the financial instruments of the Branch is as given below.

2023	FVPL	FVOCI	Amortised cost	Total carrying value	Total fair value
Assets					
Cash and bank balances	-	-	6,129,435	6,129,435	6,129,435
Statutory deposit	-	-	175,842	175,842	175,842
Investments	965,523	132,196,712	-	133,162,235	133,162,235
Other assets	-	-	152,511	152,511	152,511
Total financial assets	965,523	132,196,712	6,457,788	139,620,023	139,620,023
Liabilities					
Accruals	-	-	66,094	66,094	66,094
Total financial liabilities	-	-	66,094	66,094	66,094
2022					
Assets					
Cash and bank balances	-	-	6,320,955	6,320,955	6,320,955
Statutory deposit	-	-	169,753	169,753	169,753
Investments	936,302	111,753,907	-	112,690,209	112,690,209
Other assets	-	-	118,412	118,412	118,412
Total financial assets	936,302	111,753,907	6,609,120	119,299,329	119,299,329
Liabilities					
Accruals	-	-	18,264	18,264	18,264
Total financial liabilities	-	-	18,264	18,264	18,264

f) 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 measurements:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.

- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. as 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 active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

14 FINANCIAL RISK MANAGEMENT (continued)

- 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 market prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

All investments are Level 2, there were no transfers from level 1 or level 3 to level 2 or in the opposite direction in 2023 (2022: Nil).

The table below analyses financial instruments measured at fair value as at 31 December 2023, 31 December 2022 and 1 January 2022, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Level 1	Level 2	Level 3	Total
Investments				
31 December 2023				
At fair value through profit or loss	-	132,196,712	-	132,196,712
At fair value through other comprehensive income	-	965,523	-	965,523
	-	133,162,235	-	133,162,235
31 December 2022 (restated)				
At fair value through profit or loss	-	111,753,907	-	111,753,907
At fair value through other comprehensive income	-	936,302	-	936,302
	-	112,690,209	-	112,690,209
1 January 2022 (restated)				
At fair value through profit or loss	-	106,271,611	-	106,271,611
At fair value through other comprehensive income	-	982,637	-	982,637
	-	107,254,248	-	107,254,248

g) Market risks

Market risk is the risk that changes in market prices, such as foreign exchange rates, equity price risks and interest rate risks will affect the value of the Branch's assets, the amount of its liabilities and/or the Branch's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Management of market risks

All entities in the Hannover Re Group manage market risks locally in accordance with their asset/liability management framework. For each of the major components of market risk, the Hannover Re Group has policies and procedures in place which detail how each risk should be managed and monitored. Management of each of these major components of major risk and the exposure of the Branch at the reporting date to each major risk are addressed below.

(ii) Foreign exchange risk

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Branch's assets and liabilities are denominated in foreign currencies such as the Euro and Kuwaiti Dinar and the currencies of the Gulf Cooperation Council (GCC) countries. The currencies of the countries of the Gulf Cooperation Council (GCC), other than the Kuwaiti Dinar, are effectively pegged to the US Dollar and hence the Branch's exposure to foreign currencies is limited. The Bahraini Dinar is also effectively pegged to the United States Dollar, thus currency rate risks occur only in respect of the Euro (EUR), Egyptian Pound (EGP), Great British Pound (GBP), Kuwaiti Dinar (KWD) and the Pakistani Rupee (PKR). The Branch does not hedge against such currency risks since they are not considered significant.

14 FINANCIAL RISK MANAGEMENT (continued)

2023	EUR	EGP	GBP	KWD	PKR
Total assets	615,611	1,793,996	67,335	9,479	(2,658)
Total liabilities	(189,977)	(1,056,777)	(1,293,418)	(3,047,930)	(2,135,521)
Net assets	425,634	737,219	(1,226,083)	(3,038,451)	(2,138,179)
10% strengthening of BD increase / (decrease) in profit or loss and Head Office funds	(42,563)	(73,722)	122,608	303,845	213,818
10% weakening of BD increase / (decrease) in profit or loss and Head Office funds	42,563	73,722	(122,608)	(303,845)	(213,818)
2022	EUR	EGP	GBP	KWD	PKR
Total assets	485,302	1,638,072	275,647	145,550	(3,311)
Total liabilities	(91,246)	(1,962,372)	(1,428,617)	(4,289,066)	(704,854)
Net assets	394,056	(324,300)	(1,152,970)	(4,143,516)	(708,165)
Strengthening of BD by 10% increase / (decrease) in profit or loss and Head Office funds	(39,406)	32,430	115,297	414,352	70,816
Weakening of BD by 10% increase / (decrease) in profit or loss and Head Office funds	39,406	(32,430)	(115,297)	(414,352)	(70,816)

(iii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument (i.e. cash and cash equivalents and available-for-sale investments) will fluctuate due to changes in market interest rates. The effective interest rate on cash and cash equivalents and available-for-sale investments during the year was 4.45% (2022: 4.59%) per annum. A 1% increase in the interest rate will decrease the total comprehensive income for the year by BD 3,272,000 (2022: BD 3,479,000) and 1% decrease in the interest rate will increase the total comprehensive income for the year by BD 3,388,000 (2022: BD 3,632,000).

15 CAPITAL MANAGEMENT

Hannover Rueck SE, Bahrain Branch, is a branch of Hannover Rück SE (Hannover Re), incorporated in Hannover, Germany. Hannover Re's policy is to maintain a capital base on a group basis so as to maintain cedant and market confidence and to sustain future development of the Group. The Hannover Re Group's objective for managing capital is to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The CBB supervises the overseas insurance companies through a set of regulations that set out certain minimum capital requirements of the group as a whole. The Group solo solvency margin as a whole is substantially equivalent to the solvency margin requirements as prescribed by the Capital Adequacy Module of the CBB Rulebook. The Group manages the capital structure as a whole and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.