

Bahrain National Holding Company B.S.C.

SUPPLEMENTARY DISCLOSURE (UN-AUDITED)

For the year ended 31 December 2020

**(The attached supplementary disclosure does not form a part of the
consolidated financial statements)**

SUPPLEMENTARY DISCLOSURE (UN-AUDITED) (continued)

For the year ended 31 December 2020

THE IMPACT OF COVID-19

In line with the Central Bank of Bahrain (“CBB”) directions in its circular OG/259/2020, dated 14 July 2020 that aims to maintain transparency amidst the current implications of COVID-19, the Group provides the following information:

The overall impact on the consolidated financial statements	
The overall impact on the consolidated financial statements of the Group as at and for the year ended 31 December 2020 has been assessed and it has been concluded that there is no significant impact on the overall Group’s consolidated financial statements. Further details are as follows:	

A. The impact on consolidated statement of profit or loss	
Gross insurance premium	The overall reduction in the new motor vehicles insurance as well as the switch to Third Party insurance had an impact on motor insurance premiums. Other lines of business were not materially impacted.
Net claims incurred	Lower traffic reduced the frequency of motor claims for the year. This along with lower general insurance claims due to various restrictions and measures, have added to the overall reduction in the net claims incurred.
General and administration expenses	No material changes in the operating expenses of the Group. Lower impairment losses on insurance receivables reported in the current year as compared to the comparable prior year due to improved receivables reconciliation and settlements.
Investment income	Despite the difficult market conditions, including skipping of dividends by several companies, the impact has been marginal. Rental Income from investment properties has reduced, given the Group provided 25% discount on rent of the investment properties to its tenants for three months.
Share of profit of equity accounted investees	Some of the Group’s associates were impacted by restrictions and matters related to COVID-19, therefore Group’s share of equity accounted investees has significantly reduced by BD 596 thousand.
Other income	The Group has reported the Government financial assist under “other income” which includes Government support provided on salaries of BD 393 thousand, utilities of BD 35 thousand and land rent holiday of BD 6 thousand.

SUPPLEMENTARY DISCLOSURE (UN-AUDITED) (continued)

For the year ended 31 December 2020

B. The impact on consolidated statement of financial position	
Assets	
Cash and bank balances	The Group and its insurance subsidiaries have sufficient cash balances. The Risk Management Committee has considered a report on the macro economic impact of COVID-19 on the cash inflows and outflows of our insurance subsidiaries, including scenario analysis, and have determined that existing balances are sufficient. Apart from this, the Group has a liquid portfolio of marketable securities as a second line of defense.
Receivables	The Group is seeing some evidence of liquidity stress on its clients and brokers who are insisting on instalment premiums and revising payment schedules. However, this impact has been offset by swift progress in motor subrogation receivables settlements and reconciliations.
Property and equipment	The additional direct capital expenditure related to COVID-19 measures was BD 19 thousand, primarily towards IT costs to facilitate work from home.
Liabilities	
Insurance and other liabilities	No material impacts. The Group is sufficiently capitalized and our net reserves at 109% of annualized net earned premiums is at comfortable levels. The Group has a zero-debt balance sheet with unutilized overdraft facilities with banks.
Equity	
Net equity attributable to shareholders	No material impacts.
Donations	
Donations paid	The Group donated BD 76 thousand in aid to the Government's effort to combat the impact of COVID-19.

C. The impact on the Group's ability to continue as going concern	
<p>The Board of Directors has been closely monitoring the potential impact of the COVID-19 developments on the Group's operations and its financial position; including possible loss of revenues, impact on asset valuations, recoverability and impairment, review of onerous contracts and others. The Group has also put in place contingency measures and performed assessment of the Group's ability to continue on going concern basis in the light with current economic conditions and based on the available information about expected future uncertainties. The assessment has considered the Group's future performance, capital and liquidity requirements. The impact of COVID-19 may continue to evolve, but at the present time the assessment showed the Group has ample resources to continue operational existence and its going concern position remains largely unaffected and unchanged from the year-ended 31 December 2019. As a result, the consolidated financial statements have been appropriately prepared on a going concern basis.</p>	