

Supplementary disclosure to the condensed interim financial statements related to the financial impact of COVID-19

On 21st February 2020, Kingdom of Bahrain confirmed the first case of COVID-19 whilst Health Ministry in Bahrain was on high alert and started implementing pre-emptive measures from January 2020. On 11th March 2020, World Health Organization (WHO) declared COVID-19 outbreak a global pandemic and asserted the threat posed by this virus. This pandemic is an unprecedented event, which has resulted in a global shutdown and caused severe repercussions for economies across the globe. To deter the spread, countries across the globe have taken several measures; complete and partial lockdown, travel restrictions, quarantine measures, closure of public facilities, restriction on certain business activities among many others.

To ease out the financial impact of COVID-19, Bahrain government announced stimulus package of BD 4.3 billion to support the citizens, residents and private sector. The stimulus package was quite comprehensive which included paying full salaries of all private sector employees for three months from April 2020, paying individuals' and businesses' including residents Electricity and Water Authority utility bills for three months from April 2020, exempting all individuals and businesses from municipal fees for three months from April 2020, exempting all businesses from industrial land rental fees for three months from April 2020, exempting all tourism-related industry from tourism levies for three months from April 2020, increasing the Liquidity Support Fund, increasing the Central Bank of Bahrain's loan facilities and redirection of all Tamkeen programmes among many others initiatives. Further, Central Bank of Bahrain directed all retails banks, finance and micro-finance firms to grant citizens a six-month repayment waiver without fees and interest-on-interest (compound interest) effective March 2020. Furthermore, to help private sector during these unprecedented times, in July 2020, Bahrain government has further extended 50% wage support to most affected private sector for three months period starting July 2020. All these measures had a positive impact, directly or indirectly across all the sectors and boosted the confidence in this challenging time.

Solidarity Bahrain has also benefitted from the stimulus package in form of wage support and waiver of utility bill for three months totalling BD 298 thousand, and to display its sincere solidarity with the nationwide efforts during this challenging time, the Company made a modest contribution of BD 75 thousand to Feena Kahir Bahrain COVID-19 Fund.

COVID-19 has changed the economic scenario and therefore affected the planned growth of the Company in 2020. However, the Company has so far shown great resilience and managed to achieve modest growth compared to the same period previous year. Although it is very difficult to ascertain the full financial impact at this time when the virus spread is still continuing, the impact on some of the key fundamentals of the Company during first half of 2020 are as follows:

- Achieved modest growth in gross contributions indicating no major loss of business.
- Decline in the value of equity investment portfolio measured at fair value but no impairment was warranted since the decline was not significant as at 30 June 2020.
- Increase in receivables due to delays in collection. However, the Company liquidity position is very strong and there is no adverse impact on its working capital.
- The Company hold strong solvency position and its net available capital as at 30 June 2020 is 3.8 times of the solvency margin required as per CBB regulations.

The above information is provided to comply with the requirement of CBB circular OG/259/2020 (Financial Impact of COVID-19) dated 14th July 2020. This information does not represent the exact full comprehensive assessment of COVID-19 impact on the Company. In addition, this information is not subject to a formal review by the external auditors.

Jawad Mohammed
Chief Executive Officer
5th August 2020