

BAHAMAS FIRST HOLDINGS LIMITED

Quarterly Report on Unaudited Results

for 9 Months Ended September 30, 2020

Report of the Board Chair

on Unaudited Results for 9 Months Ended September 30, 2020

Despite the ongoing challenges impacting both the Bahamas and Cayman economies, our Group has recorded a positive performance for the first three quarters. Total comprehensive income attributable to owners of the Group to September 30, 2020 was \$6.6 million. The comprehensive income for the same period in 2019 was a loss of \$5.0 million, which was due to the impact of Hurricane Dorian. As expected, the seasonal fluctuations in the property and casualty business in the second half of the year, referred to in note 3 to this Report, have had a direct positive impact on the Group's performance for the year to date. This, combined with the absence of a catastrophe in the period and the additional benefit of a lower than normal level of claims, contributed to the significantly improved result compared to the prior year.

Our gross written premiums remained stable with a 0.3% increase over prior year. There was a small decrease in premiums in The Bahamas, which was offset by an increase in Cayman. The loss of premiums in The Bahamas as a result of Hurricane Dorian and COVID-19 was offset by property rate increases, and the additional business generated by construction activity following Hurricane Dorian. It is evident that the balance of 2020 will continue to see restrictions on business operations in order to combat the spread of the virus, which will continue to have a negative impact on the economy.

Cayman First continues to perform well, contributing \$1.8 million toward the Group's profit for the three quarters ended September 30, 2020. The Cayman Islands' containment of the spread of COVID-19 meant that there was little impact on Cayman First's health claims experience. With respect to general insurance, Cayman First experienced a positive increase in gross written premiums for the nine-month period ended September 30, 2020.

The sharp increase in net underwriting income is due to a 43.1% improvement in claims experience over the nine months ended September 30, 2020, when compared to the same period in 2019. Property claims are down due to the absence

of hurricanes, while motor claims have declined as a result of the reduced frequency of motor vehicle accidents brought about by driving restrictions in response to the pandemic. However, investment income negatively impacted results due to an unrealized loss of \$2.3 million recorded to date.

To summarize the Group's financial performance over the three quarters to September 30, 2020, premiums have remained steady while claims saw a sharp decrease. Total other expenses for the year to date were slightly higher than last year by 2.7%. The leading factor contributing to this was the cost of conversion of reinsurance payments received in relation to Hurricane Dorian. The Statement of Financial Position as at the year end 2019, reflected the Hurricane Dorian positions related to the flow of reinsurance funds and claims from Dorian. At September 30, 2020, approximately 97% of the claims related to Hurricane Dorian had been settled and the Statement of Financial Position is returning to a more normalized position. The Group's Equity Attributable to Owners of the Group increased to \$64.3 million, compared to \$58.0 million at December 2019.

As the pandemic lingers, we continue to face the economic hardships that come as a result of government-mandated restrictions and the curtailment of economic activity. Ultimately, this will present challenges to premium collection and has already adversely impacted our equity investments. We are focused on the challenges presented and will seek to mitigate the potentially adverse effects on the Group's performance.

On behalf of the Board of Directors of Bahamas First Holdings, I wish to extend sincere thanks to our shareholders and customers for their continued support and to our dedicated and hardworking staff. I sincerely hope that all of our stakeholders remain safe during this time.

Alison Treco
Chair of The Board

Financial Summary of Unaudited Results

(Expressed in Bahamian Dollars)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	As at:	
	30-Sep-20	31-Dec-19
Trade accounts receivable, net	37,644,240	27,982,506
Cash and investments	81,160,474	119,860,394
Deferred reinsurance premiums	44,795,632	36,186,510
Unpaid claims recoverable from reinsurers	46,178,269	223,262,062
Property and equipment	26,349,725	23,906,688
Intangible assets and goodwill	5,863,989	6,276,604
Other assets	16,763,314	12,757,512
Total assets	258,755,643	450,232,276
Unearned premiums	59,904,526	51,304,050
Unpaid claims	65,532,158	244,237,144
Reinsurance balances payable	41,584,015	72,534,806
Bonds payable	7,500,000	7,616,866
Other liabilities	15,503,226	12,212,376
Total liabilities	190,023,925	387,905,242
Total equity attributable to owners of the group	64,323,338	57,969,787
Non-controlling interest	4,408,380	4,357,247
Total equity	68,731,718	62,327,034
Total liabilities and equity	258,755,643	450,232,276
Book value per common share	\$ 1.62	\$ 1.45

Financial Summary of Unaudited Results

FOR THE 9 MONTHS ENDED
SEPTEMBER 30, 2020
(Expressed in Bahamian Dollars)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	For the 9 Months Ended	
	30-Sep-20	30-Sep-19
Gross premiums written	124,979,560	124,630,324
Net premiums earned	48,173,290	49,363,854
Total underwriting income	64,917,142	65,579,510
Net claims incurred	18,908,004	33,253,008
Total underwriting expenses	37,347,189	51,271,973
Net underwriting income	27,569,953	14,307,537
Total other expenses	19,788,129	19,255,845
Unrealised (loss) on investment	(2,343,146)	(1,583,207)
Other income, net	1,072,925	1,267,384
Profit for the period	6,511,603	(5,264,131)
Other comprehensive income for the period	330,454	759,442
Total comprehensive income	6,842,057	(4,504,689)
Attributable to:		
Owners of the group	6,584,263	(4,992,717)
Non-Controlling Interest	257,794	488,028
	6,842,057	(4,504,689)
Earnings per common share	\$ 0.17	\$ (0.14)

Financial Summary of Unaudited Results

**FOR THE 3 MONTHS ENDED
SEPTEMBER 30, 2020
(Expressed in Bahamian Dollars)**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	For the 3 Months Ended	
	30-Sep-20	30-Sep-19
Gross premiums written	41,886,374	40,101,261
Net premiums earned	17,167,773	18,081,748
Total underwriting income	24,916,166	25,578,606
Net claims incurred	5,010,728	17,385,323
Total underwriting expenses	12,509,057	24,474,003
Net underwriting income	12,407,109	1,104,603
Total other expenses	6,962,025	6,597,899
Unrealised (loss) on investment	(759,940)	(1,551,543)
Other income, net	285,078	392,693
Profit for the period	4,970,222	(6,652,146)
Other comprehensive income for the period	84,070	96,113
Total comprehensive income	5,054,292	(6,556,033)
Attributable to:		
Owners of the group	5,052,606	(6,726,498)
Non-Controlling Interest	1,686	170,465
	5,054,292	(6,556,033)
Earnings per common share	\$ 0.14	\$ (0.19)

Financial Summary of Unaudited Results

**FOR THE 9 MONTHS ENDED
SEPTEMBER 30, 2020
(Expressed in Bahamian Dollars)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	For the 9 Months Ended	
	30-Sep-20	30-Sep-19
Common shares, Preference shares, Contributed surplus and General reserve		
Balance at beginning and end of period	24,291,275	24,291,275
Revaluation reserve		
Balance at beginning of period	6,194,064	3,489,278
Other comprehensive income	330,453	759,442
Balance at end of period	6,524,517	4,248,720
Retained earnings		
Balance at beginning of period	27,484,448	36,453,145
Total profit (loss)	6,285,598	(5,746,933)
Preference share dividends	(262,500)	(262,500)
Common share dividends	-	(1,825,579)
Balance at end of period	33,507,546	28,618,133
Non-controlling interest		
Balance at beginning of period	4,357,247	4,104,778
Total profit (loss)	226,005	482,801
Dividends paid by subsidiary	(174,872)	(364,895)
Balance at end of period	4,408,380	4,222,684
Equity at end of period	68,731,718	61,380,812

Financial Summary of Unaudited Results

**FOR THE 9 MONTHS ENDED
SEPTEMBER 30, 2020
(Expressed in Bahamian Dollars)**

CONSOLIDATED STATEMENT OF CASH FLOWS	For the 9 Months Ended	
	30-Sep-20	30-Sep-19
Net cash (used in)/from operating activities	(31,661,553)	65,515,706
Net cash (used in) investing activities	(1,112,282)	(1,003,962)
Net cash (used in) financing activities	(750,292)	(2,457,117)
Net (Decrease)/Increase in cash and cash equivalents	(33,524,127)	62,054,627
Cash at the beginning of the period	76,298,279	17,200,210
Cash at the end of the period	42,774,152	79,254,837

Selected Explanatory Notes to the Unaudited Financial Results

For the 9 Months Ended September 30, 2020

1. GENERAL

Bahamas First Holdings Limited (“BFH” or the “Company”) and its subsidiaries are incorporated under the laws of the Commonwealth of The Bahamas, except BFH International Limited (“BFHIL”), Cayman First Insurance Company Limited (“CFI”), BRAC Insurance Associates Ltd. (“BIA”) and BFH Services (Cayman) Limited (“BFHS”) which are incorporated under the laws of the Cayman Islands.

These consolidated unaudited financial results include the accounts of BFH and its subsidiaries, which are hereinafter collectively referred to as the “Group”. The primary activity of the Group is the carrying on of general insurance business (property and casualty) and health and group life insurance. The subsidiaries are as follows:

Registered insurers:

- Bahamas First General Insurance Company Limited (“BFG”)
- Cayman First Insurance Company Limited (“CFI”)

Registered insurance intermediaries:

- Nassau Underwriters Agency Insurance Agents & Brokers Ltd. (“NUA”)
- BRAC Insurance Associates Ltd. (“BIA”)
- CMA Insurance Brokers & Agents Limited (“CMA”)

Management company:

- Bahamas First Corporate Services Ltd. (“BFCS”)

Claims servicing company:

- First Response Limited (“FRL”)

Health referral agency:

- BFH Services (Cayman) Limited (“BFHS”)

Insurance holding company:

- BFH International Limited (“BFHIL”)

All of the above subsidiaries are wholly-owned except for CFI.

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed interim financial results have been prepared in accordance with IAS 34 Interim Financial Reporting (“IAS 34”), using the accounting policies adopted in the last annual financial statements for the year ended December 31, 2019. The Company has consistently applied the same accounting policies through all periods presented. These interim unaudited consolidated financial results should be read in conjunction with the consolidated financial statements of the Group for the year ended December 31, 2019.

Selected Explanatory Notes to the Unaudited Financial Results

For the 9 Months Ended September 30, 2020

3. SEASONALITY

The Property and Casualty insurance business is seasonal in nature with the bulk of the catastrophe premiums being recognized during the hurricane months of June to November. Net underwriting income is driven mainly by claims associated with weather conditions and may vary significantly between quarters. Profit Commission earned from reinsurers and paid to agents are significantly impacted by natural catastrophes and is therefore recorded only in the fourth quarter.

4. SEGMENTED INFORMATION

The Group's operations are segmented into the following business segments by geographic location:

- General Insurance / Property and Casualty (P&C)
- Health and Life (H&L)

The segment results for the interim periods are noted in the table displayed ►

5. CAUTIONARY NOTE ON FORWARD LOOKING STATEMENTS

Certain statements contained herein are forward-looking, providing current expectations of future events based on certain assumptions. These forward-looking statements involve known and unknown risks, and other uncertainties which may cause the Group's actual results to differ materially from its 2020 Budget. The Group operates in a continually changing environment. Readers are cautioned not to place undue reliance on forward-looking statements.

	BAHAMAS		CAYMAN		TOTAL
	P&C	P&C	H&L		
9 Months Ended 30-Sep-20	\$	\$	\$	\$	
Net underwriting income	19,317,340	4,010,496	4,242,117		27,569,953
Segment profit	4,674,423	192,821	1,644,359		6,511,603
Capital expenditure	3,378,145	66,808	49,380		3,494,333
As at 30-Sep-20					
Total assets	188,603,697	45,598,765	24,553,181		258,755,643
Total liabilities	155,708,821	29,510,989	4,804,115		190,023,925
9 months ended 30-Sep-19					
Net underwriting income	5,042,631	3,631,399	5,633,507		14,307,537
Segment (loss)/profit	(8,529,501)	632,687	2,632,683		(5,264,131)
Capital expenditure	144,330	36,431	32,961		213,722
As at 31-Dec-19					
Total assets	388,934,862	39,948,251	21,349,163		450,232,276
Total liabilities	381,610,242	2,699,890	3,595,110		387,905,242

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