

BAHAMAS FIRST HOLDINGS LIMITED

Quarterly Report on Unaudited Results

For the Year Ended December 31, 2020

Report of the Board Chair

on Unaudited Results for the year ended December 31, 2020

I would like to extend my thanks to our valued Stakeholders for their ongoing support during the last year. As a result of this support, I am pleased to report that our Group ended 2020 with a total comprehensive income of \$5.3 million with \$4.9 million attributable to owners of the Group. Whilst comparison with prior year results shows a favourable position with respect to claims, we were fortunate to have little impact from any material catastrophic event in 2020, which was not the case in 2019. Hurricane Isaias did impact parts of The Bahamas in August 2020, but we are thankful that the damage was not significant.

Annual Performance

We managed to maintain relatively stable gross written premiums for the year in spite of the current economic environment. The markets in Abaco and Grand Bahama are slowly recovering following Hurricane Dorian and The Bahamas operations have benefitted from premiums generated from engineering activity in the rebuilding process. We are also pleased to announce that the NUA office in Marsh Harbour opened during November 2020.

As expected, there was a significant increase in net underwriting income from \$21 million in 2019 to \$33 million in 2020 due to the absence of a catastrophe in 2020. Investment income negatively impacted results due to an unrealized loss of \$2.9 million recorded for the year, which was offset to some extent by an increase of \$1 million in other income.

Expenses increased marginally by 2%. During the year the Group implemented a new software that is designed to bring the Group to a new level of online interaction with its customers, brokers and agents. As expected, we incurred additional costs related to this implementation. We also incurred costs related to COVID 19, as we continue to implement best practices to keep our staff and customers safe.

Fourth Quarter Results

Ongoing retention of business will be a challenge and during Q4 there was a decrease in gross written premiums of 5% over the same quarter of the prior year.

Whilst our claims' experience for the first three quarters of the year was trending positively, during Q4 we experienced a 47% increase in overall claims compared to prior period. This was due to several fire claims in The Bahamas and an increase in health claims in Cayman. We noted an uptick in the use of general health services after restrictions were lifted in Cayman, due to the positive response to the pandemic. As a result, our net underwriting income for the quarter was down by 13%.

Q4 saw a further decline in the unrealized loss on investment of \$0.5 million compared to a gain of \$1.6 million in the prior year, accounting for a swing in quarter on quarter of \$2.1 million. The prior quarter's loss was partially offset by an increase in other income of \$1.2 million due to a loss on building revaluation recognized in 2019.

Other Matters during the Quarter

In December 2020, Bahamas First Holdings paid a dividend of \$0.07 per share to common shareholders. Total dividends paid in 2020 were \$0.07 per share compared to \$0.08 per share in 2019.

Our share price continues to improve and at the end of 2020 it was \$1.84 per share.

Whilst we continue to operate with limited staff in our offices, all of our locations are open for business.

On behalf of the Board of Directors of Bahamas First Holdings, I again wish to thank our shareholders and customers for their continued support. To our dedicated and hardworking staff, we appreciate all of your efforts during this difficult time, and we will continue to support you, as we hopefully start to see an end to the issues at hand. I sincerely hope that all of our stakeholders remain safe during this time.

Alison Treco

Chair of The Board

Financial Summary of Unaudited Results

AS AT DECEMBER 31, 2020
(Expressed in Bahamian Dollars)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	As at:	
	31-Dec-20	31-Dec-19
Trade accounts receivable, net	30,496,304	27,982,506
Cash and investments	77,223,955	119,860,394
Deferred reinsurance premiums	36,825,812	36,186,510
Unpaid claims recoverable from reinsurers	38,795,245	223,262,062
Property and equipment	26,067,690	23,906,688
Intangible assets and goodwill	5,806,668	6,276,604
Other assets	11,462,676	12,757,512
Total assets	226,678,350	450,232,276
Unearned premiums	57,774,921	51,304,050
Unpaid claims	50,273,186	244,237,144
Reinsurance balances payable	32,968,848	72,534,806
Bonds payable	7,616,866	7,616,866
Other liabilities	13,491,968	12,212,376
Total liabilities	162,125,789	387,905,242
Total equity attributable to owners of the group	60,045,295	57,969,787
Non-controlling interest	4,507,266	4,357,247
Total equity	64,552,561	62,327,034
Total liabilities and equity	226,678,350	450,232,276
Book value per common share	\$ 1.51	\$ 1.45

Financial Summary of Unaudited Results

**FOR THE YEAR ENDED
DECEMBER 31, 2020
(Expressed in Bahamian Dollars)**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	For the Year Ended	
	31-Dec-20	31-Dec-19
Gross premiums written	159,097,251	160,629,101
Net premiums earned	64,611,048	66,677,309
Total underwriting income	89,073,364	86,960,408
Net claims incurred	28,694,909	39,891,805
Total underwriting expenses	56,006,325	66,342,905
Net underwriting income	33,067,039	20,617,503
Total other expenses	26,553,567	25,988,737
Unrealised (loss) on investment	(2,881,437)	-
Other income, net	1,321,413	290,828
Profit/(loss) for the period	4,953,448	(5,080,406)
Other comprehensive income for the period	352,761	2,704,786
Total comprehensive income/(loss)	5,306,209	(2,375,620)
Attributable to:		
Owners of the group	4,917,740	(2,992,991)
Non-Controlling Interest	388,469	617,371
	5,306,209	(2,375,620)
Earnings/(loss) per common share	\$ 0.12	\$ (0.16)

Financial Summary of Unaudited Results

**FOR THE 3 MONTHS ENDED
DECEMBER 31, 2020
(Expressed in Bahamian Dollars)**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	For the 3 Months Ended	
	31-Dec-20	31-Dec-19
Gross premiums written	34,117,690	35,998,777
Net premiums earned	16,437,758	17,313,455
Total underwriting income	24,156,221	21,380,899
Net claims incurred	9,786,905	6,638,797
Total underwriting expenses	18,659,135	15,070,933
Net underwriting income	5,497,086	6,309,966
Total other expenses	6,765,438	6,732,890
Unrealised (loss)/gain on investment	(538,291)	1,583,207
Other income/(loss), net	248,488	(976,556)
(Loss)/profit for the period	(1,558,155)	183,727
Other comprehensive income for the period	22,308	1,945,343
Total comprehensive (loss)/income	(1,535,847)	2,129,070
Attributable to:		
Owners of the group	(1,666,522)	1,999,727
Non-Controlling Interest	130,675	129,343
	(1,535,847)	2,129,070
(Loss) per common share	\$ (0.05)	\$ (0.01)

Financial Summary of Unaudited Results

**FOR THE YEAR ENDED
DECEMBER 31, 2020
(Expressed in Bahamian Dollars)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	For the Year Ended	
	31-Dec-20	31-Dec-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
Total comprehensive income	352,761	2,704,786
Balance at end of period	6,546,825	6,194,064
Retained earnings		
Balance at beginning of period	27,484,448	36,453,145
Total comprehensive income (loss)	4,628,557	(5,697,770)
Preference share dividends	(350,000)	(350,000)
Common share dividends	(2,555,810)	(2,920,927)
Balance at end of period	29,207,195	27,484,448
Non-controlling interest		
Balance at beginning of period	4,357,247	4,104,778
Total comprehensive income (loss)	324,891	617,364
Dividends paid by subsidiary	(174,872)	(364,895)
Balance at end of period	4,507,266	4,357,247
Equity at end of period	64,552,560	62,327,034

Financial Summary of Unaudited Results

**FOR THE YEAR ENDED
DECEMBER 31, 2020
(Expressed in Bahamian Dollars)**

CONSOLIDATED STATEMENT OF CASH FLOWS	For the Year Ended	
	31-Dec-20	31-Dec-19
Net cash (used in)/from operating activities	(32,239,033)	60,785,620
Net cash (used in)/from investing activities	(784,072)	2,265,193
Net cash (used in) financing activities	(3,466,267)	(3,952,744)
Net (decrease)/increase in cash and cash equivalents	(36,489,372)	59,098,069
Cash at the beginning of the period	76,298,279	17,200,210
Cash at the end of the period	39,808,907	76,298,279

Selected Explanatory Notes to the Unaudited Financial Results

For the Year Ended December 31, 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, Cayman First Insurance Company Limited, BRAC Insurance Associates Ltd. and BFH Services (Cayman) Limited 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 Year Ended December 31, 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 ►

	BAHAMAS		CAYMAN	
	P&C	P&C	H&L	TOTAL
Year Ended 31-Dec-20	\$	\$	\$	\$
Net underwriting income	21,684,362	6,576,508	4,806,169	33,067,039
Segment profit	2,298,907	1,556,488	1,098,053	4,953,448
Capital expenditure	3,519,920	60,407	69,648	3,649,975
As at 31-Dec-20				
Total assets	156,990,748	48,505,474	21,182,128	226,678,350
Total liabilities	129,078,904	28,945,747	4,101,138	162,125,789
Year ended 31-Dec-19				
Net underwriting income	7,256,382	5,086,488	8,274,633	20,617,503
Segment (loss)/profit	(8,897,228)	97,496	3,719,326	(5,080,406)
Capital expenditure	280,091	78,060	70,626	428,777
As at 31-Dec-19				
Total assets	384,900,944	42,773,552	22,557,780	450,232,276
Total liabilities	357,995,083	25,844,891	4,065,268	387,905,242

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