

Quarterly Report on Unaudited Results

for 6 Months Ended June 30, 2020

Bahamas First Holdings Limited



BAHAMAS FIRST HOLDINGS LIMITED

Report of the Board Chair

on Unaudited Results for 6 Months Ending June 30, 2020

The first half of 2020 presented many challenges which will continue to impact the Group for the rest of the year and into 2021. We are fortunate to report that our performance figures to June 30, 2020 have held relatively steady compared to the comparative period in 2019. Up to June 30, 2020, Bahamas First Holdings Limited reported a minimal decrease of 1.7% in Gross Written Premiums over prior year, and Comprehensive Income Attributable to Owners of the Group for the six months ended June 30, 2020 was \$1.5 million, compared to \$1.7 million for the same period in 2019.

We anticipated a decrease in premium income in The Bahamas following Hurricane Dorian pending the recovery of the Abaco and Grand Bahama markets. It was also expected that the decrease would be mitigated by contractors seeking insurance during the reconstruction process and the requirement by our reinsurers to increase rates on property insured for catastrophe directly as a result of the hurricane. Whilst our expectations in this regard were largely on target, what was unforeseen for all of us, was the global pandemic of COVID-19. Restrictions on business operations and the significant increase in unemployment rates has, and will continue, to impact all of us for some time into the future.

Cayman First continues to perform well, contributing \$1.9 million towards the Group's profit for the period. Fortunately, Cayman's 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 slight increase in Gross Written Premiums for the first half year over prior year.

Whilst The Bahamas has experienced some deterioration in its general insurance portfolio, the impact has not been reflected in its net underwriting income, due to the improved claims experience, which recorded a 37% improvement compared to 2019. Investment income in The Bahamas did, however, impact the results due to the investment loss of \$1.1 million recorded in the first half of the year.

To summarise the Group's financial performance, although there was a slight decrease in gross written premiums for the period, Bahamas First Holdings Limited achieved an underwriting income of \$15.2 million, which was in excess of the prior year result of \$13.2 million. This underwriting result was achieved primarily through better claims experience. Whilst total operating expenses were slightly higher than last year, a major factor contributing to this was the cost of conversion of reinsurance payments received in relation to Hurricane Dorian, which were approximately 15% of total expenses for the period. The Group's Equity Attributable to Owners of the Group increased to \$59.4 million compared to \$58.0 million at December 2019.

In early August, the Group was pleased to receive confirmation from AM Best of our A- (Excellent) credit rating with a stable outlook. Maintaining this rating after weathering the largest catastrophe in the Group's history further demonstrates the strength of the Group's financial position.

The months ahead will be some of the most uncertain the Group has ever encountered. Until a long-term solution is determined for the virus, the economies in which we operate will struggle to rebound to normal levels. We expect the impact of high unemployment and closure of businesses to ultimately present challenges in premium collection, and adversely impacting equity investments. The Group will make adjustments as necessary to minimize these potentially adverse effects.

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 persons 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-Jun-20	31-Dec19	% Change
Trade accounts receivable, net	37,790,577	27,982,506	35.1%
Cash and investments	68,465,550	119,860,394	-42.9%
Deferred reinsurance premiums	51,009,411	36,186,510	41.0%
Unpaid claims recoverable from reinsurers	60,218,483	223,262,062	-73.0%
Property and equipment	23,797,101	23,906,688	-0.5%
Other assets	21,619,292	19,034,116	13.6%
Total assets	262,900,414	450,232,276	-41.6%
Unearned premiums	67,913,823	51,304,050	-32.4%
Unpaid claims	81,212,234	244,237,144	66.7%
Reinsurance balances payable	25,949,896	72,534,806	64.2%
Other liabilities	24,059,534	19,829,242	-21.3%
Total liabilities	199,135,487	387,905,242	48.7%
Total equity attributable to owners of the group	59,358,233	57,969,787	2.4%
Non-controlling interest	4,406,694	4,357,247	1.1%
Total equity	63,764,927	62,327,034	2.3%
Total liabilities and equity	262,900,414	450,232,276	-41.6%
Book value per common share	\$ 1.49	\$ 1.45	2.6%



Selected Explanatory Notes to the Unaudited Financial Results

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	For the 3 Months Ended		
	30-Jun-20	30-Jun19	% Change
Gross premiums written	43,529,620	42,781,933	1.75%
Net premiums earned	15,731,541	16,127,697	-2.46%
Total underwriting income	20,796,551	21,030,851	-1.11%
Net claims incurred	6,795,199	7,776,910	-12.62%
Total underwriting expenses	12,809,253	13,776,066	-7.02%
Net underwriting income	7,987,297	7,254,785	10.10%
Total other expenses	6,279,466	6,203,189	1.23%
Unrealised (loss) on investment	(221,649)	(31,664)	-600.00%
Other income, net	359,810	419,501	-14.23%
Profit for the period	1,845,992	1,439,433	28.24%
Other comprehensive income for the period	833,054	267,894	210.96%
Total comprehensive income	2,679,046	1,707,328	56.91%
Attributable to:			
Owners of the group	2,450,797	1,557,917	57.31%
Non-Controlling Interest	228,249	149,411	52.77%
	2,679,046	1,707,328	56.91%
Earnings per share	\$ 0.07	\$ 0.05	



Selected Explanatory Notes to the Unaudited Financial Results

FOR THE 6 MONTHS ENDED JUNE 30, 2020
(Expressed in Bahamian Dollars)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	For the 6 Months Ended		
	30-Jun-20	30-Jun19	% Change
Gross premiums written	83,093,187	84,529,063	-1.70%
Net premiums earned	31,005,517	31,282,107	-0.88%
Total underwriting income	40,000,976	40,000,903	0.00%
Net claims incurred	13,897,276	15,867,685	12.42%
Total underwriting expenses	24,838,132	26,797,970	7.31%
Net underwriting income	15,162,844	13,202,933	14.84%
Total other expenses	12,826,104	12,657,946	1.33%
Unrealised (loss) on investment	(1,583,207)	(31,664)	-4900.02%
Other income, net	787,848	874,692	-9.93%
Profit for the period	1,541,381	1,388,015	11.05%
Other comprehensive income for the period	246,384	663,329	-62.86%
Total comprehensive income	1,787,765	2,051,344	-12.85%
Attributable to:			
Owners of the group	1,531,657	1,733,781	-11.66%
Non-Controlling Interest	256,108	317,563	-19.35%
	1,787,765	2,051,344	-12.85%
Earnings per share	\$ 0.05	\$ 0.06	



Selected Explanatory Notes to the Unaudited Financial Results

FOR THE 6 MONTHS ENDED JUNE 30, 2020
(Expressed in Bahamian Dollars)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	For the 6 Months Ended	
	30-Jun-20	30-Jun19
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	246,384	663,329
Balance at end of period	6,440,448	4,152,607
Retained earnings		
Balance at beginning of period	27,484,448	36,453,145
Total profit (loss)	1,317,062	1,066,317
Preference share dividends	(175,000)	(175,000)
Common share dividends	-	(1,825,579)
Balance at end of period	28,626,510	35,518,883
Non-controlling interest		
Balance at beginning of period	4,357,247	4,104,778
Total profit (loss)	224,319	321,698
Dividends paid by subsidiary	(174,872)	(364,895)
Balance at end of period	4,406,694	4,061,581
Equity at end of period	63,764,927	68,024,346



Selected Explanatory Notes to the Unaudited Financial Results

FOR THE 6 MONTHS ENDED JUNE 30, 2020
(Expressed in Bahamian Dollars)

CONSOLIDATED STATEMENT OF CASH FLOWS	For the 6 Months Ended	
	30-Jun-20	30-Jun19
Net cash (used in)/from operating activities	(48,975,562)	10,396,628
Net cash (used in)/from investing activities	(2,996,815)	949,657
Net cash (used in) financing activities	(529,543)	(2,175,451)
Net (Decrease)/Increase in cash and cash equivalents	(52,501,920)	9,170,834
Cash at the beginning of the period	76,298,279	17,200,210
Cash at the end of the period	23,796,359	26,371,044



Selected Explanatory Notes to the Unaudited Financial Results

FOR THE 6 MONTHS ENDED JUNE 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 6 MONTHS ENDED JUNE 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 as follows ►

	Bahamas		Cayman	
	P&C	P&C	H&L	TOTAL
6 Months Ended 30-Jun-20	\$	\$	\$	\$
Net underwriting income	9,020,784	2,588,060	3,554,000	15,162,844
Segment (loss)/profit	(339,735)	55,520	1,825,596	1,541,381
Capital expenditure	428,679	51,296	37,915	517,890
As at 30-Jun-20				
Total assets	190,434,892	47,102,589	25,362,933	262,900,414
Total liabilities	162,493,103	31,512,450	5,129,934	199,135,487
6 months ended 30-Jun-19				
Net underwriting income	7,208,370	2,307,563	3,687,000	13,202,933
Segment (loss)/profit	(567,706)	341,700	1,614,021	1,388,015
Capital expenditure	128,975	36,431	32,961	198,367
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

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.



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