

BAHAMAS FIRST HOLDINGS LIMITED

# Quarterly Report on Unaudited Results

For the 3 Months Ended March 31, 2021

# Report of the President & CEO

on Unaudited Results for the 3 months ended March 31, 2021

A significant amount of uncertainty still overshadows the global economic outlook due to the influence of the COVID-19 pandemic. The emergence of more problematic strains of the virus has also added another level of difficulty to the fight against the pandemic and adds to the ebb and flow of our collective experience during Q1-2021.

While the social and economic developments in the region continue to be dominated by COVID-19, we seem to be in a much better place in both Cayman and The Bahamas, and this is reflected in the top line and technical performance of the Company for the period under review.

Compared to Q1-2020, the current economic position does not look very promising but when compared to the last two quarters of 2020 there are clear signs of improvement and a more optimistic outlook. The Q1-2021 results of the Group are very much in line with our expectations, apart from the notable exception of investment earnings and the underperformance of the Health Account in Cayman.

The property and casualty claims experience across both territories was very good, showing double-digit positive variances against the prior year. Unfortunately, the adverse claims variance on the Health portfolio in Cayman almost entirely erased the benefit of the Property and Casualty segment for Q1-2021.

These inescapable realities have impacted the Group's results, as we reported Net Underwriting Income of \$6.2m in Q1-2021, a decrease of 13.6% when compared to \$7.2m in the first quarter of 2020. Similarly, we have reported a Comprehensive Loss Attributable to Owners of the Group for the three months ended March 31, 2021 of \$1.3 million, compared to a loss \$0.9 million for the same period in 2020.

The main factors impacting the Health account are related to the increased frequency and severity of claims, brought on by the pent-up demand for services which was unleashed as restrictions on access were removed. The issues that led to the underperformance of the Health Account in Cayman are multi-faceted, but in each case a credible response can be mounted to either contain, mitigate, or eliminate the negatives associated with each point. The early signs for the period post-quarter are already encouraging.

Cayman's investment portfolio registered an Unrealized Loss of \$0.1m which, when combined with the Unrealized Loss of \$1.9m in our Commonwealth Bank Equity investment, has resulted in an overall disappointing investment result for the quarter. Comparatively, there was a loss reported on the same equity investment of \$1.4m in Q1-2020.

Expenses decreased significantly by 10.4% in Q1-2021, compared to Q1-2020. Our reported expenses are down across the organization, with the most material savings relating to bank charges and bad debt expense.

Current expectations are that the Bahamian economy will experience marginal growth in 2021, with the continuation of activity in the construction sector and a gradual improvement in the performance of the tourism sector as the year progresses. Cayman's economic trajectory is expected to outpace this over the same period.

The unemployment rate is expected to remain elevated compared to historical norms and the pace of positive change will largely depend on the continued re-engagement of employees in the main sectors of the economy.

The 2021 Atlantic Hurricane Season is currently projected to have an above-average level of activity – somewhere in the range of 25% to 30% more than the long run average. It seems we are in for another active season, but we stand ready to meet the challenge should the need arise.

The Group is preparing to launch a series of digital offerings in the coming months that we are confident will simplify the process of purchasing our products and provide our customers more flexible diverse options for interacting with us.

The new NUA Insurance Agents and Brokers branch in Abaco is now fully operational and we have recently launched our new and improved Carmichael Road branch, with more space and easier parking. These investments highlight our commitment to improve the quality of service to our customers.

Our share price continues to see significant gains in recent months and was \$2.90 per share at the end of Q1-2021.

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 your efforts during this difficult time, and we will continue to support you.

**Patrick G Ward**  
Group President & CEO

## Financial Summary of Unaudited Results

AS AT MARCH 31, 2021  
(Expressed in Bahamian Dollars)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	As at:	
	31-Mar-21	31-Dec-20
Trade accounts receivable, net	35,254,888	30,496,304
Cash and investments	70,051,465	77,223,955
Deferred reinsurance premiums	47,084,199	36,825,812
Unpaid claims recoverable from reinsurers	36,636,206	38,795,245
Property and equipment	22,570,027	22,748,681
Intangible assets and goodwill	8,924,212	9,125,678
Other assets	11,944,239	11,430,887
<b>Total assets</b>	<b>232,465,236</b>	<b>226,646,562</b>
Unearned premiums	62,654,972	50,273,186
Unpaid claims	53,579,818	57,774,921
Reinsurance balances payable	28,943,474	32,968,848
Bonds payable	7,500,000	7,616,866
Other liabilities	16,697,847	13,491,968
<b>Total liabilities</b>	<b>169,376,111</b>	<b>162,125,789</b>
<b>Total equity attributable to owners of the company</b>	<b>58,660,361</b>	<b>60,013,507</b>
Non-controlling interest	4,428,764	4,507,266
<b>Total equity</b>	<b>63,089,125</b>	<b>64,520,773</b>
<b>Total liabilities and equity</b>	<b>232,465,236</b>	<b>226,646,562</b>
Book value per common share	\$ 1.47	\$ 1.51

## Financial Summary of Unaudited Results

FOR THE 3 MONTHS ENDED  
MARCH 31, 2021  
(Expressed in Bahamian Dollars)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	For the 3 Months Ended	
	31-Mar-21	31-Mar-20
<b>Gross premiums written</b>	<b>42,985,126</b>	<b>39,563,567</b>
Net premiums earned	14,926,453	15,273,976
Total underwriting income	18,846,564	19,204,425
Net claims incurred	7,620,413	7,102,077
Total underwriting expenses	12,649,467	12,028,878
<b>Net underwriting income</b>	<b>6,197,097</b>	<b>7,175,547</b>
Total other expenses	5,867,709	6,546,638
Unrealised (loss) on investment	(1,899,848)	(1,361,558)
Other income, net	329,688	428,038
Loss for the period	(1,240,772)	(304,611)
Other comprehensive (loss) for the period	(103,376)	(586,670)
<b>Total comprehensive (loss)</b>	<b>(1,344,148)</b>	<b>(891,281)</b>
<b>Attributable to:</b>		
Owners of the company	(1,265,646)	(919,140)
Non-Controlling Interest	(78,502)	27,859
	<b>(1,344,148)</b>	<b>(891,281)</b>
Loss per common share	\$ (0.03)	\$ (0.01)

## Financial Summary of Unaudited Results

**FOR THE 3 MONTHS ENDED  
MARCH 31, 2021  
(Expressed in Bahamian Dollars)**

<b>CONSOLIDATED STATEMENT OF CHANGES IN EQUITY</b>	<b>For the 3 Months Ended</b>	
	<b>31-Mar-21</b>	<b>31-Mar-20</b>
<b>Common shares, Preference shares, Contributed surplus and General reserve</b>		
Balance at beginning and end of period	<b>24,291,275</b>	<b>24,291,275</b>
<b>Revaluation reserve</b>		
Balance at beginning of period	6,546,825	6,194,064
Total comprehensive (loss)	(103,376)	(586,670)
Balance at end of period	<b>6,443,449</b>	<b>5,607,394</b>
<b>Retained earnings</b>		
Balance at beginning of period	29,175,407	27,484,448
Total comprehensive (loss)	(1,162,270)	(332,470)
Preference share dividends	(87,500)	(87,500)
Balance at end of period	<b>27,925,637</b>	<b>27,064,478</b>
<b>Non-controlling interest</b>		
Balance at beginning of period	4,507,266	4,357,247
Total comprehensive (loss)/income	(78,502)	27,859
Balance at end of period	<b>4,428,764</b>	<b>4,385,106</b>
<b>Equity at end of period</b>	<b>63,089,125</b>	<b>61,348,253</b>

## Financial Summary of Unaudited Results

FOR THE 3 MONTHS ENDED  
MARCH 31, 2021  
(Expressed in Bahamian Dollars)

CONSOLIDATED STATEMENT OF CASH FLOWS	For the 3 Months Ended	
	31-Mar-21	31-Mar-20
Net cash (used in) operating activities	(5,195,630)	(53,187,924)
Net cash from/(used in) investing activities	670,004	(1,786,985)
Net cash (used in)/from financing activities	(134,628)	4,668
<b>Net (decrease) in cash and cash equivalents</b>	<b>(4,660,254)</b>	<b>(54,970,241)</b>
Cash at the beginning of the period	39,808,907	76,298,279
<b>Cash at the end of the period</b>	<b>35,148,653</b>	<b>21,328,038</b>

# Selected Explanatory Notes to the Unaudited Financial Results

For the 3 Months Ended March 31, 2021

## 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, 2020. 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, 2020.

# Selected Explanatory Notes to the Unaudited Financial Results

For the 3 Months Ended March 31, 2021

## 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
3 Months Ended 31-Mar-21	\$	\$	\$	\$
Net underwriting income	4,477,887	1,212,588	506,622	6,197,097
Segment (loss)	(723,292)	(95,486)	(421,994)	(1,240,772)
Capital expenditure	176,099	1,175	1,380	178,654
<b>As at 31-Mar-21</b>				
Total assets	163,197,678	48,487,291	20,780,267	232,465,236
Total liabilities	136,111,102	29,273,208	3,991,801	169,376,111
<b>3 Months ended 31-Mar-20</b>				
Net underwriting income	4,144,414	1,181,678	1,849,455	7,175,547
Segment (loss)/profit	(4,121,433)	97,496	3,719,326	(304,611)
Capital expenditure	21,325	7,383	8,667	37,375
<b>As at 31-Dec-20</b>				
Total assets	156,958,960	48,505,474	21,182,128	226,646,562
Total liabilities	129,078,904	28,945,747	4,101,138	162,125,789



**Bahamas First Holdings Limited**

32 Collins Avenue

Nassau, The Bahamas

T: [242] 302 3900

F: [242] 302 3901

Send inquiries to: [info@bahamasfirst.com](mailto:info@bahamasfirst.com)