

BAHAMAS FIRST HOLDINGS LIMITED

Quarterly Report on Unaudited Results

For The 6 Months Ended June 30, 2021

Bahamas **FIRST** 

Report of the President & CEO

on Unaudited Results for the 6 months ended June 30, 2021

We are now five quarters removed from the start of the 2020 global pandemic, though the impact, while in some ways tempered by time, seems to linger.

The major steps to open the tourism market in The Bahamas and the more cautious but progressive approach taken by the Cayman Island authorities are clearly bearing fruit from an economic standpoint. There is now clear evidence that economic activity is steadily resuming and the short to medium outlook is very promising.

This improving operating environment has provided the impetus for premium growth in both of our markets. From a topline perspective, our gross premium income rose to \$89.2 million for the six months ended 30 June 2021, an increase of 7.4% over the same period in 2020.

Property and Motor, the two main lines of business in our P&C business segment, have each contributed to this outcome in both jurisdictions, with the added benefit of loss ratios well within expected ranges.

The underwriting profits derived from the P&C business are ahead of last year's performance and are tracking toward a very acceptable full year outcome, barring any exceptional natural catastrophe claims development during the 2021 Atlantic Hurricane Season.

The Health Account, written exclusively in Cayman, has also outperformed last year's gross premium result for this class of business; however, we have seen a continuation of the rising claims trend identified in Q1-2021. While our efforts to address this are ongoing, the current reality is that Health claims expenses for the first half of 2021 are \$3.5 million higher than for the same period in 2020, which equates to 33.4% more over the prior period.

Consequently, this has reduced our overall underwriting income, resulting in a decline to \$13.9 million at the end of Q2-2021, from \$15.2 million the prior year.

Investment results for the quarter saw further deterioration, though, fortunately, to a lesser extent than in the preceding quarter, due to the continued reduction in the value of our main equity investment in Commonwealth Bank.

On a more positive note, our diligent monitoring and control of administrative expenses has kept them below the levels reported for this period in the prior year.

The Group's Comprehensive Income is \$(791K), well short of the \$1.8 million earned in Q2-2020. While this outcome is disappointing, we remain optimistic about our prospects for further growth in our portfolio of business and the return to profitability in the quarters to follow. The Group's Comprehensive Income for the three months ended June 30, 2021, was \$553K compared to a \$1.3 million loss during Q1-2021. The improved result for Q2-2021 is attributable to a stronger underwriting result and improved investment returns.

During the quarter, Directors approved a dividend of four cents per ordinary share, which was paid in June of 2021.

We were pleased to obtain AM Best's affirmation of our A- (Excellent) rating with a stable outlook during the quarter. This affirmation provides our stakeholders with an independent assessment of our financial strength and stability.

Despite the generally improved conditions on the ground, we still see some potential headwinds associated with global developments that are, in some instances, beyond our control. One such issue relates to global supply chain disruptions that are impacting the supply of goods, particularly those that require microchip processors. This has already delayed the production of new vehicles and smart phones, for example, and could have implications for the sale of new vehicles in both territories, as well as the cost of repairs or replacements in the near future.

Additionally, we remain somewhat concerned at the acute levels of vaccine hesitancy in the region, as there is now a clear correlation between higher vaccination rates and improving economic activity.

Naturally, we will monitor these developments to mitigate the impact, if any, on our business portfolio.

Generally speaking, we are very encouraged by the positive developments on the economic front; nevertheless, we recognize the need to remain alert to the potential threats that might arise before the conclusion of this ongoing crisis.

As always, we express our thanks to our customers and shareholders for their continued and growing support.

Patrick G Ward
Group President & CEO

Financial Summary of Unaudited Results

AS AT JUNE 30, 2021
(Expressed in Bahamian Dollars)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	As at:	
	30-Jun-21	31-Dec-20
Trade accounts receivable, net	36,712,221	30,496,304
Cash and investments	72,808,463	77,223,955
Deferred reinsurance premiums	54,083,789	36,825,812
Unpaid claims recoverable from reinsurers	33,571,263	38,795,245
Property and equipment	22,878,620	22,748,681
Intangible assets and goodwill	8,695,459	9,125,678
Other assets	10,893,963	11,430,887
Total assets	239,643,778	226,646,562
Unearned premiums	70,843,002	50,273,186
Unpaid claims	49,454,575	57,774,921
Reinsurance balances payable	32,145,181	32,968,848
Bonds payable	7,616,866	7,616,866
Other liabilities	17,859,346	13,491,968
Total liabilities	177,918,970	162,125,789
Total equity attributable to owners of the company	57,714,944	60,013,507
Non-controlling interest	4,009,864	4,507,266
Total equity	61,724,808	64,520,773
Total liabilities and equity	239,643,778	226,646,562

Financial Summary of Unaudited Results

FOR THE 3 MONTHS ENDED JUNE 30, 2021
(Expressed in Bahamian Dollars)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	For the 3 Months Ended	
	30-Jun-21	30-Jun-20
Gross premiums written	46,232,770	43,529,620
Net premiums earned	16,723,102	15,731,541
Total underwriting income	21,987,098	20,796,551
Net claims incurred	7,915,712	6,795,199
Total underwriting expenses	14,245,640	12,809,254
Net underwriting income	7,741,458	7,987,297
Total other expenses	6,692,452	6,279,466
Unrealised (loss) on investment	(791,604)	(221,649)
Other income, net	299,728	359,810
Profit for the period	557,130	1,845,992
Other comprehensive (loss)/profit for the period	(4,445)	833,054
Total comprehensive income	552,685	2,679,046
Attributable to:		
Owners of the company	602,547	2,450,797
Non-Controlling Interest	(49,862)	228,249
	552,685	2,679,046
Earnings per common share (2020 restated as per Note 5)	\$ 0.01	\$ 0.04

Financial Summary of Unaudited Results

FOR THE 6 MONTHS ENDED JUNE 30, 2021
(Expressed in Bahamian Dollars)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	For the 6 Months Ended	
	30-Jun-21	30-Jun-20
Gross premiums written	89,217,897	83,093,187
Net premiums earned	31,649,554	31,005,517
Total underwriting income	40,833,662	40,000,976
Net claims incurred	15,536,125	13,897,276
Total underwriting expenses	26,895,107	24,838,132
Net underwriting income	13,938,555	15,162,844
Total other expenses	12,560,161	12,826,104
Unrealised (loss) on investment	(2,691,452)	(1,583,207)
Other income, net	629,416	787,848
(Loss)/profit for the period	(683,642)	1,541,381
Other comprehensive (loss)/profit for the period	(107,821)	246,384
Total comprehensive (loss)/income	(791,463)	1,787,765
Attributable to:		
Owners of the company	(663,099)	1,531,657
Non-Controlling Interest	(128,364)	256,108
	(791,463)	1,787,765
(Loss)/Earnings per common share (2020 restated as per Note 5)	\$ (0.02)	\$ 0.03

Financial Summary of Unaudited Results

FOR THE 6 MONTHS ENDED JUNE 30, 2021
(Expressed in Bahamian Dollars)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	For the 6 Months Ended	
	30-Jun-21	30-Jun-20
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	6,546,825	6,194,064
Other comprehensive (loss)/income	(107,821)	246,384
Balance at end of period	6,439,004	6,440,448
Retained earnings		
Balance at beginning of period	29,175,407	27,484,448
Total comprehensive (loss)/income	(555,278)	1,285,216
Preference share dividends	(175,000)	(175,000)
Common share dividends	(1,460,464)	-
Balance at end of period	26,984,665	28,626,510
Non-controlling interest		
Balance at beginning of period	4,507,266	4,357,247
Total comprehensive (loss)/income	(128,364)	224,319
Dividends paid by subsidiary	(369,038)	(174,872)
Balance at end of period	4,009,864	4,406,694
Equity at end of period	61,724,808	63,764,927

Financial Summary of Unaudited Results

FOR THE 6 MONTHS ENDED JUNE 30,
2021
(Expressed in Bahamian Dollars)

CONSOLIDATED STATEMENT OF CASH FLOWS	For the 6 Months Ended	
	30-Jun-21	30-Jun-20
Net cash from/(used in) operating activities	996,058	(48,975,562)
Net cash (used in) investing activities	(1,738,623)	(2,996,815)
Net cash (used in) financing activities	(1,884,077)	(529,543)
Net (decrease) in cash and cash equivalents	(2,626,642)	(52,501,920)
Cash at the beginning of the period	39,808,907	76,298,279
Cash at the end of the period	37,182,265	23,796,359

Selected Explanatory Notes to the Unaudited Financial Results

For the 6 Months Ended June 30, 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 6 Months Ended June 30, 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		TOTAL
	P&C	P&C	H&L	
6 Months Ended 30-Jun-21	\$	\$	\$	\$
Net underwriting income	10,293,307	2,618,659	1,026,589	13,938,555
Segment profit/(loss)	207,617	(24,841)	(866,418)	(683,642)
Capital expenditure	671,169	12,705	14,914	698,788
As at 30-Jun-21				
Total assets	169,329,637	49,219,899	21,094,242	239,643,778
Total liabilities	140,202,038	33,190,900	4,526,032	177,918,970
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 31-Dec-20				
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

Selected Explanatory Notes to the Unaudited Financial Results

For the 6 Months Ended June 30, 2021

5. EARNINGS PER COMMON SHARE

	2021	2020
3 Months Ended 30-Jun	\$	\$
Profit for the year attributable to owners of the company	588,263	1,717,365
Preference shares dividend paid	(87,500)	(87,500)
Profit for the year attributable to common shareholders	500,763	1,629,865
Weighted average number of common shares outstanding	36,511,589	36,511,589
Basic and diluted earnings per common share	0.01	0.04*

6 months Ended 30-Jun		
(Loss)/profit for the year attributable to owners of the company	(574,007)	1,309,980
Preference shares dividend paid	(175,000)	(175,000)
Profit for the year attributable to common shareholders	(749,007)	1,134,980
Weighted average number of common shares outstanding	36,511,589	36,511,589
Basic and diluted (loss)/earnings per common share	(0.02)	0.03*

*Earnings per share reported in the Quarterly report for the period ended June, 30, 2020, were \$0.07 and \$0.05 for the 3 month and 6 month period then ended, respectively. These figures were computed using total comprehensive income for the period. The 2020 comparative earnings per share have been restated and are computed using profit attributable to owners of the Company as outlined above.

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