

BAHAMAS FIRST HOLDINGS LIMITED

Quarterly Report on Unaudited Results

For The 9 Months Ended September 30, 2021

Report of the President & CEO

on Unaudited Results for the 9 months ended September 30, 2021

Good news on the economic front continues to unfold in both Cayman and The Bahamas, as both jurisdictions carry out steps to gradually reopen their respective economies. We expect positive GDP growth rates in both countries for 2021, with an uptick in 2022. While The Bahamas has been the subject of a Moody's sovereign creditworthiness downgrade to Ba3, we see other encouraging signs as it relates to the next few quarters.

In Cayman, about 79% of the population has received at least one dose of the available vaccines, while in The Bahamas, the corresponding percentage of partially vaccinated individuals stands at 33%. This is a much more encouraging position than was the case just one quarter ago.

During Q3-2021, we saw a continuation of the growth in premiums for both the P&C and Health segments of our business. Taken in isolation, gross premiums written for the third quarter amounted to \$45.5 million, compared to \$42 million for the same period in 2020.

For the nine months ended September 30, 2021, gross premiums grew by 7.8% to \$135 million, compared to \$125 million in the prior year.

Unfortunately, net incurred claims for the current quarter exceeded prior year results. For the cumulative nine-month period, claims grew by \$8 million or 42% over the same period in 2020.

During August 2021, Cayman experienced a brush with Tropical Storm Grace, which had sustained winds of 60mph and gusts of 100mph. Gross claims expected from this loss event are currently estimated at \$2.3 million and should not impose a material net impact on the Group.

Conversely, the escalation in Health claims costs highlighted in earlier reports continued on an accelerated track in Q3-2021, resulting in an increase of about \$6 million in claims costs over the same period in 2020.

This adverse claim development accounts almost entirely for the reduction in net underwriting income to \$20.5 million, compared to the \$27.6 million achieved in the prior year. While we are reasonably confident that we have identified the underlying causes, it will take some time to correct the situation fully and restore the Health Account to acceptable profitability targets.

Investment income remains flat for the year, due to the Group's largely unchanged legacy investment in Commonwealth Bank's equity.

We continue to monitor and control administrative expenses across the Group, which are well within budget at this stage of the year.

The Group's comprehensive income is now (\$1.0 million), compared to \$6.8 million in 2020. It is clear that the difference in outcomes is chiefly related to the performance of the Health Account in Cayman and we will bolster our mitigation strategies to bring this performance back in line.

There has been a change of administration following recent general elections in The Bahamas and, as in prior instances, we expect policy changes and a reordering of priorities to impact the operating environment going forward. One important potential change relates to an adjustment in the Value Added Tax rate from 12% to 10%, and the extent to which customer buying habits and the overall economy may be altered or impacted.

We encourage all of you, our valued stakeholders, to continue to remain safe as we start to enter into the festive holiday season. The pandemic is still a very real aspect of life, and now is not the time to let our guard down.

We thank you very much for your support.

Patrick G Ward
Group President & CEO

Financial Summary of Unaudited Results

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	As at:	
	30-Sep-21	31-Dec-20
Trade accounts receivable, net	34,547,451	30,496,304
Cash and investments	67,639,024	77,223,955
Deferred reinsurance premiums	47,491,014	36,825,812
Unpaid claims recoverable from reinsurers	34,897,109	38,795,245
Property and equipment	22,693,571	22,748,681
Intangible assets and goodwill	8,491,191	9,125,678
Other assets	10,667,756	11,430,887
Total assets	226,427,116	226,646,562
Unearned premiums	63,793,062	50,273,186
Unpaid claims	52,339,013	57,774,921
Reinsurance balances payable	24,495,598	32,968,848
Bonds payable	7,500,000	7,616,866
Other liabilities	16,866,844	13,491,968
Total liabilities	164,994,517	162,125,789
Total equity attributable to owners of the company	57,593,442	60,013,507
Non-controlling interest	3,839,157	4,507,266
Total equity	61,432,599	64,520,773
Total liabilities and equity	226,427,116	226,646,562

Financial Summary of Unaudited Results

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	For the 3 Months Ended	
	30-Sep-21	30-Sep-20
Gross premiums written	45,493,420	41,886,374
Net premiums earned	18,597,265	17,167,773
Total underwriting income	26,522,042	24,916,166
Net claims incurred	11,366,591	5,010,728
Total underwriting expenses	19,909,831	12,509,057
Net underwriting income	6,612,211	12,407,109
Total other expenses	7,081,594	6,962,025
Unrealised (loss) on investment	(31,664)	(759,940)
Other income, net	359,264	285,078
(Loss)/profit for the period	(141,783)	4,970,222
Other comprehensive (loss)/profit for the period	(62,927)	84,070
Total comprehensive (loss)/income	(204,710)	5,054,292
Attributable to:		
Owners of the company	(34,003)	5,052,606
Non-Controlling Interest	(170,707)	1,686
	(204,710)	5,054,292
Earnings per common share (2020 restated as per Note 5)	\$ 0.00	\$ 0.13

Financial Summary of Unaudited Results

**FOR THE 9 MONTHS ENDED
SEPTEMBER 30, 2021
(Expressed in Bahamian Dollars)**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	For the 9 Months Ended	
	30-Sep-21	30-Sep-20
Gross premiums written	134,711,317	124,979,560
Net premiums earned	50,246,820	48,173,290
Total underwriting income	67,355,704	64,917,142
Net claims incurred	26,902,716	18,908,004
Total underwriting expenses	46,804,938	37,347,189
Net underwriting income	20,550,766	27,569,953
Total other expenses	19,641,755	19,788,129
Unrealised (loss) on investment	(2,723,116)	(2,343,146)
Other income, net	988,680	1,072,925
(Loss)/profit for the period	(825,425)	6,511,603
Other comprehensive (loss)/profit for the period	(170,748)	330,454
Total comprehensive (loss)/income	(996,173)	6,842,057
Attributable to:		
Owners of the company	(697,102)	6,584,263
Non-Controlling Interest	(299,071)	257,794
	(996,173)	6,842,057
(Loss)/Earnings per common share (2020 restated as per Note 5)	\$ (0.02)	\$ 0.16

Financial Summary of Unaudited Results

**FOR THE 9 MONTHS ENDED
SEPTEMBER 30, 2021
(Expressed in Bahamian Dollars)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	For the 9 Months Ended	
	30-Sep-21	30-Sep-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	(170,748)	330,453
Balance at end of period	6,376,077	6,524,517
Retained earnings		
Balance at beginning of period	29,175,407	27,484,448
Total comprehensive (loss)/income	(526,354)	6,285,598
Preference share dividends	(262,500)	(262,500)
Common share dividends	(1,460,463)	-
Balance at end of period	26,926,090	33,507,546
Non-controlling interest		
Balance at beginning of period	4,507,266	4,357,247
Total comprehensive (loss)/income	(299,071)	226,005
Dividends paid by subsidiary	(369,038)	(174,872)
Balance at end of period	3,839,157	4,408,380
Equity at end of period	61,432,599	68,731,718

Financial Summary of Unaudited Results

**FOR THE 9 MONTHS ENDED
SEPTEMBER 30, 2021
(Expressed in Bahamian Dollars)**

CONSOLIDATED STATEMENT OF CASH FLOWS	For the 9 Months Ended	
	30-Sep-21	30-Sep-20
Net cash (used in) operating activities	(3,838,769)	(31,661,553)
Net cash (used in) investing activities	(3,400,766)	(1,112,282)
Net cash (used in) financing activities	(2,048,029)	(750,292)
Net (decrease) in cash and cash equivalents	(9,287,564)	(33,524,127)
Cash at the beginning of the period	39,808,907	76,298,279
Cash at the end of the period	30,521,343	42,774,152

Selected Explanatory Notes to the Unaudited Financial Results

For the 9 Months Ended September 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 9 Months Ended September 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	
9 Months Ended 30-Sep-21	\$		\$	\$	\$
Net underwriting income	15,819,254		4,243,808	487,704	20,550,766
Segment profit/(loss)	1,364,663		218,999	(2,409,087)	(825,425)
Capital expenditure	722,452		15,226	17,875	755,553
As at 30-Sep-21					
Total assets	155,790,135		49,445,887	21,191,094	226,427,116
Total liabilities	125,567,026		34,696,192	4,731,299	164,994,517
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 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 9 Months Ended September 30, 2021

5. EARNINGS PER COMMON SHARE

	2021	2020
3 Months Ended 30-Sep	\$	\$
Profit for the year attributable to owners of the company	47,653	4,970,222
Preference shares dividend paid	(87,500)	(87,500)
(Loss)/profit for the year attributable to common shareholders	(39,847)	4,882,722
Weighted average number of common shares outstanding	36,511,589	36,511,589
Basic and diluted earnings per common share	0.00	0.13*
9 months Ended 30-Sep		
(Loss)/profit for the year attributable to owners of the company	(526,354)	6,280,202
Preference shares dividend paid	(262,500)	(262,500)
(Loss)/profit for the year attributable to common shareholders	(788,854)	6,017,702
Weighted average number of common shares outstanding	36,511,589	36,511,589
Basic and diluted (loss)/earnings per common share	(0.02)	0.16*

*Earnings per share reported in the Quarterly report for the period ended September 30, 2020, were \$0.14 and \$0.17 for the 3-month and 9-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.

Bahamas First Holdings Limited

32 Collins Avenue

Nassau, The Bahamas

T: [242] 302 3900

F: [242] 302 3901

Send inquiries to: info@bahamasfirst.com