

BAHAMAS FIRST HOLDINGS LIMITED

Quarterly Report on Unaudited Results

For the 12 Months Ended December 31, 2021

Report of the President & CEO

on Unaudited Results for the 12 months ended December 31, 2021

The global economic performance of Q4-2021 can be best described as “mixed” – heavily influenced by the overhang of the COVID-19 pandemic and the various geopolitical issues that remain in play.

Fortunately, the improving operating environments in both The Bahamas and the Cayman Islands continue to be conducive to opportunities to expand our business development objectives.

The growth in top line revenue that we experienced during 2021 accelerated in the fourth quarter, resulting in an 11% increase for the full year, compared to 2020. Gross written premiums for 2021 finished at \$178 million, compared to a total of \$161 million in the prior year.

We achieved growth in almost every line of business in both jurisdictions, and we were particularly pleased to see meaningful growth in our main lines of property, motor, and health. This outcome was the result of a combination of rate increases, strong retention, and new business acquisition. We will see the full benefit of this robust growth in subsequent quarters during 2022.

In previous quarterly reports for 2021, we highlighted the fact that the performance of the P&C segment of our business was trending ahead of 2020, and this certainly continued into the last quarter of the year. As a consequence of this, we benefited from increased profit commissions in Q4-2021.

As a result of targeted action to improve the performance of the health segment, we were able to achieve a meaningful reduction in claims during Q4-2021, resulting in a lowering of the full year’s loss ratio for this line of business. We expect to see further improvements in subsequent periods.

The investment results for Q4-2021 also improved, due primarily to the clawback of unrealized losses in our equity investments.

Coming in at \$2 million, actual gross claims associated with Tropical Storm Grace, which occurred in Cayman during August 2021, have been lower than the original

estimated incurred loss of \$2.3 million, as we continue to settle 147 claims filed for this event.

Collectively, all of these developments have allowed the Company to generate comprehensive income in the fourth quarter of \$5.8 million, compared to the prior year result of (\$1.5) million.

For the full year, the Group’s comprehensive income improved significantly to \$4.8 million, from the comprehensive income reported for the nine-month period ended September 30, 2021.

On the strength of these results, the Directors were able to authorize the payment of a final dividend of four cents per ordinary share during December 2021, bringing the total payout during 2021 to eight cents per ordinary share or \$2.9 million.

Our efforts to develop a digital customer service platform for the Group continued in the fourth quarter and we were able to launch the First Online Customer Portal at the beginning of January 2022, in The Bahamas. The launch for the Cayman market took place in February 2022 and more will be said on this exciting initiative in subsequent reports.

Navigating through the various challenges of 2021 has been both a difficult and rewarding process, as we were able to achieve many important milestones. The effort and dedication of our staff during 2021 were exemplary and we thank them for their hard work and commitment.

The loyalty of our shareholders, client base and business partners was never more evident than it was in 2021. On behalf of our Board of Directors, I would once again offer our sincere thanks and appreciation for your continued support.

Patrick G Ward
Group President & CEO

Financial Summary of Unaudited Results

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	As at:	
	31-Dec-21	31-Dec-20
Trade accounts receivable, net	30,911,815	30,496,304
Cash and investments	59,355,647	77,223,955
Deferred reinsurance premiums	43,111,084	36,825,812
Unpaid claims recoverable from reinsurers	35,191,446	38,795,245
Property and equipment	22,586,156	22,748,681
Intangible assets and goodwill	8,213,990	9,125,678
Other assets	9,613,862	11,430,887
Total assets	208,984,000	226,646,562
Unearned premiums	58,495,749	50,273,186
Unpaid claims	52,066,216	57,774,921
Reinsurance balances payable	9,054,578	32,968,848
Bonds payable	7,618,151	7,616,866
Other liabilities	16,102,115	13,491,968
Total liabilities	143,336,809	162,125,789
Total equity attributable to owners of the company	61,462,925	60,013,507
Non-controlling interest	4,184,266	4,507,266
Total equity	65,647,191	64,520,773
Total liabilities and equity	208,984,000	226,646,562

Financial Summary of Unaudited Results

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	For the 3 Months Ended	
	31-Dec-21	31-Dec-20 (Note 6)
Gross premiums written	42,298,412	34,490,561
Net premiums earned	19,310,839	16,810,629
Total underwriting income	29,528,409	24,529,091
Net claims incurred	7,669,246	9,786,905
Total underwriting expenses	17,097,201	19,032,004
Net underwriting income	12,431,208	5,497,086
Total other expenses	7,745,385	6,765,438
Unrealised gain/(loss) on investment	981,589	(538,291)
Other income, net	780,015	248,488
Profit/(loss) for the period	6,447,427	(1,558,155)
Other comprehensive (loss)/profit for the period	(684,870)	22,308
Total comprehensive income/(loss)	5,762,557	(1,535,847)
Attributable to:		
Owners of the company	5,417,448	(1,666,522)
Non-Controlling Interest	345,109	130,675
	5,762,557	(1,535,847)
Earnings/(loss) per common share	\$ 0.16	\$ (0.05)

Financial Summary of Unaudited Results

FOR THE 12 MONTHS ENDED
DECEMBER 31, 2021
(Expressed in Bahamian Dollars)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	For the 12 Months Ended	
	31-Dec-21	31-Dec-20 (Note 6)
Gross premiums written	178,236,473	160,568,017
Net premiums earned	70,784,404	66,081,814
Total underwriting income	98,110,857	90,544,130
Net claims incurred	34,571,962	28,694,909
Total underwriting expenses	65,128,884	57,477,091
Net underwriting income	32,981,973	33,067,039
Total other expenses	27,387,138	26,553,566
Unrealised (loss) on investment	(1,741,527)	(2,881,437)
Other income, net	1,768,694	1,321,413
Profit for the period	5,622,002	4,953,449
Other comprehensive (loss)/profit for the period	(855,618)	352,761
Total comprehensive income	4,766,384	5,306,210
Attributable to:		
Owners of the company	4,720,346	4,949,530
Non-Controlling Interest	46,038	356,680
	4,766,384	5,306,210
Earnings per common share	\$ 0.14	\$ 0.12

Financial Summary of Unaudited Results

**FOR THE 12 MONTHS ENDED
DECEMBER 31, 2021
(Expressed in Bahamian Dollars)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	For the 12 Months Ended	
	31-Dec-21	31-Dec-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	(855,618)	352,761
Balance at end of period	5,691,207	6,546,825
Retained earnings		
Balance at beginning of period	29,175,407	27,484,448
Total comprehensive income	5,575,964	4,596,769
Preference share dividends	(350,000)	(350,000)
Common share dividends	(2,920,928)	(2,555,810)
Balance at end of period	31,480,443	29,175,407
Non-controlling interest		
Balance at beginning of period	4,507,266	4,357,247
Total comprehensive income	46,038	356,680
Dividends paid by subsidiary	(369,038)	(206,661)
Balance at end of period	4,184,266	4,507,266
Equity at end of period	65,647,191	64,520,773

Financial Summary of Unaudited Results

**FOR THE 12 MONTHS ENDED
DECEMBER 31, 2021
(Expressed in Bahamian Dollars)**

CONSOLIDATED STATEMENT OF CASH FLOWS	For the 12 Months Ended	
	31-Dec-21	31-Dec-20
Net cash (used in) operating activities	(10,862,214)	(32,604,475)
Net cash (used in) investing activities	(3,762,503)	(455,072)
Net cash (used in) financing activities	(3,908,146)	(3,429,825)
Net (decrease) in cash and cash equivalents	(18,532,863)	(36,489,372)
Cash at the beginning of the period	39,808,907	76,298,279
Cash at the end of the period	21,276,044	39,808,907

Selected Explanatory Notes to the Unaudited Financial Results

For the 12 Months Ended December 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 12 Months Ended December 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
For the 12 Months Ended 31-Dec-21	\$	\$	\$	\$
Net underwriting income	22,613,312	7,405,095	2,963,566	32,981,973
Segment profit/(loss)	4,795,634	1,790,970	(964,602)	5,622,002
Capital expenditure	781,193	25,171	84,269	890,633
As at 31-Dec-21				
Total assets	138,708,828	49,192,620	21,082,552	208,984,000
Total liabilities	107,076,600	31,908,984	4,351,225	143,336,809
For The 12 Months Ended 31-Dec-20				
Net underwriting income	21,684,362	6,576,508	4,806,169	33,067,039
Segment profit	2,298,908	1,556,488	1,098,053	4,953,449
Capital expenditure	3,519,920	60,407	69,648	3,649,975
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 12 Months Ended December 31, 2021

5. EARNINGS PER COMMON SHARE

	2021	2020
3 Months Ended 31-Dec	\$	\$
Profit/(loss) for the period attributable to owners of the company	6,102,318	(1,653,295)
Preference shares dividend paid	(87,500)	(87,500)
Profit/(loss) for the period attributable to common shareholders	6,014,818	(1,740,795)
Weighted average number of common shares outstanding	36,511,589	36,511,589
Basic and diluted earnings/(loss) per common share	0.16	(0.05)
For the 12 Months Ended 31-Dec		
Profit for the period attributable to owners of the company	5,575,964	4,626,907
Preference shares dividend paid	(350,000)	(350,000)
Profit for the period attributable to common shareholders	5,225,964	4,276,907
Weighted average number of common shares outstanding	36,511,589	36,511,589
Basic and diluted earnings per common share	0.14	0.12

6. GROSS PREMIUMS WRITTEN

Gross Premiums Written reported in the Quarterly report for the 12 Months ended December 31, 2020, were reported net of stamp duties on property and casualty insurance contracts and surcharges on health insurance contracts within the Cayman Islands. For the 12 Months ended December 31, 2020, the comparative stamp duty and surcharge amounts have been reclassified to the Underwriting Expenses line on the Statement of Comprehensive Income. Gross Premiums Written have been grossed up to reflect this reclassification. There is no impact to Net Underwriting Income. The reclassified figures for 2020 are presented below:

	Previously Presented	Reclassified
3 Months Ended 31-Dec-20	\$	\$
Gross Premiums Written	34,117,690	34,490,561
Net Premiums Earned	16,437,758	16,810,629
Total Underwriting Income	24,156,221	24,529,091
Underwriting Expenses	18,659,135	19,032,004
Net Underwriting income	5,497,086	5,497,086
12 Months Ended 31-Dec-20		
Gross Premiums Written	159,097,251	160,568,017
Net Premiums Earned	64,611,048	66,081,814
Total Underwriting Income	89,073,364	90,544,130
Underwriting Expenses	56,006,325	57,477,091
Net Underwriting income	33,067,039	33,067,039

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