

BAHAMAS FIRST HOLDINGS LIMITED

Quarterly Report on Unaudited Results

For the 3 Months Ended March 31, 2022

Report of the President & CEO

on Unaudited Results for the 3 months ended March 31, 2022

While the war in Ukraine continues and inflation increases due to supply chain disruptions and pandemic-driven consumer demand for goods, we have become increasingly aware that occurrences thousands of miles away can have a very direct impact on our day-to-day existence. As this report is being written, the IMF has reduced its global economic projection for GDP to 3.6%, from the earlier forecast of 4.4%.

The USA, our main trading partner in the region, is a standout in some respects, with record low unemployment statistics despite an environment where inflation is high by recent standards.

The reality on the ground for our Cayman and Bahamas based operations reflects a more buoyant mood, as the rebound in tourism, driven by the North American market, is fueling a fairly robust economic recovery. Our production numbers for the first quarter of 2022 provide evidence that the operating environment is improving.

Gross premiums recorded in the period increased to \$47.9 million, compared to the prior year result of \$43.4 million. Although our net claims and overall underwriting expenses also increased, we were able to achieve a net underwriting income of \$7.8 million, an improvement over the prior year total of \$6.2 million.

The continuation of favorable technical results in the P&C segment puts us on track to exceed the full year total registered in 2021; however, it should be noted that our business is subject to substantial volatility due to the threat of significant natural catastrophe losses.

Our concerted remedial actions in the Health Account continued to bear fruit, as we saw an improved loss ratio for the current quarter compared to the prior year, and a positive variance to our budgeted expectation.

The current level of inflation is presenting operational challenges both in terms of pricing our products and adjudicating claims. However, we are taking proactive steps to mitigate the risks associated with each of these inflationary pressures.

During the quarter, we booked unrealized losses for our main equity investment and recognized unrealized losses on our available for sale investments, both of which combined for just over \$2.1 million.

As a result of the aforementioned factors, our comprehensive income for the quarter is (\$1.1 million), a noted improvement over 2021 when we experienced a similar investment outcome.

We continue to be encouraged by the vast support we receive from our business partners in both jurisdictions and the successful rollout of our various technology offerings that will ultimately bring major improvements to our customer service initiatives.

Patrick G Ward
Group President & CEO

Financial Summary of Unaudited Results

AS AT MARCH 31, 2022
(Expressed in Bahamian Dollars)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	As at:	
	31-Mar-22	31-Dec-21
Trade accounts receivable, net	36,567,962	30,911,815
Cash and investments	58,904,355	59,355,647
Deferred reinsurance premiums	51,113,088	43,328,099
Unpaid claims recoverable from reinsurers	34,654,746	35,191,446
Property and equipment	22,403,266	22,531,436
Intangible assets and goodwill	8,732,661	8,268,710
Other assets	9,937,556	9,613,862
Total assets	222,313,634	209,201,015
Unearned premiums	69,491,079	58,712,764
Unpaid claims	51,894,403	52,066,216
Reinsurance balances payable	11,330,669	9,054,578
Bonds payable	7,500,000	7,618,151
Other liabilities	17,621,785	16,102,115
Total liabilities	157,837,936	143,553,824
Total equity attributable to owners of the company	60,282,406	61,462,925
Non-controlling interest	4,193,292	4,184,266
Total equity	64,475,698	65,647,191
Total liabilities and equity	222,313,634	209,201,015

Financial Summary of Unaudited Results

**FOR THE 3 MONTHS ENDED
MARCH 31, 2022
(Expressed in Bahamian Dollars)**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	For the 3 Months Ended	
	31-Mar-22	31-Mar-21 (Note 6)
Gross premiums written	47,901,440	43,360,077
Net premiums earned	20,236,732	15,301,404
Total underwriting income	24,691,732	19,221,515
Net claims incurred	10,323,351	7,620,413
Total underwriting expenses	16,902,612	13,024,418
Net underwriting income	7,789,120	6,197,097
Total other expenses	7,187,578	5,867,709
Unrealised loss on investment	(1,203,238)	(1,899,848)
Other income, net	423,531	329,688
Loss for the period	(178,165)	(1,240,772)
Other comprehensive loss for the period	(905,828)	(103,376)
Total comprehensive loss	(1,083,993)	(1,344,148)
Attributable to:		
Owners of the company	(1,093,019)	(1,265,646)
Non-Controlling Interest	9,026	(78,502)
	(1,083,993)	(1,344,148)
Loss per common share	\$ (0.01)	\$ (0.03)

Financial Summary of Unaudited Results

**FOR THE 3 MONTHS ENDED
MARCH 31, 2022
(Expressed in Bahamian Dollars)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	For the 3 Months Ended	
	31-Mar-22	31-Mar-21
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	5,691,207	6,546,825
Other comprehensive loss	(905,828)	(103,376)
Balance at end of period	4,785,379	6,443,449
Retained earnings		
Balance at beginning of period	31,480,443	29,175,407
Total comprehensive loss	(187,191)	(1,162,270)
Preference share dividends	(87,500)	(87,500)
Balance at end of period	31,205,752	27,925,637
Non-controlling interest		
Balance at beginning of period	4,184,266	4,507,266
Total comprehensive income/(loss)	9,026	(78,502)
Balance at end of period	4,193,292	4,428,764
Equity at end of period	64,475,698	63,089,125

Financial Summary of Unaudited Results

**FOR THE 3 MONTHS ENDED
MARCH 31, 2022
(Expressed in Bahamian Dollars)**

CONSOLIDATED STATEMENT OF CASH FLOWS	For the 3 Months Ended	
	31-Mar-22	31-Mar-21
Net cash from/(used in) operating activities	2,540,077	(5,195,630)
Net cash from investing activities	375,704	670,004
Net cash (used in) financing activities	(154,545)	(134,628)
Net increase/(decrease) in cash and cash equivalents	2,761,236	(4,660,254)
Cash at the beginning of the period	21,276,044	39,808,907
Cash at the end of the period	24,037,280	35,148,653

Selected Explanatory Notes to the Unaudited Financial Results

For the 3 Months Ended March 31, 2022

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, 2021. 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, 2021.

Selected Explanatory Notes to the Unaudited Financial Results

For the 3 Months Ended March 31, 2022

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 3 Months Ended 31-Mar-22	\$	\$	\$	\$
Net underwriting income	4,764,575	1,573,453	1,451,092	7,789,120
Segment (loss)/profit	(788,445)	218,171	392,109	(178,165)
Capital expenditure	721,902	9,870	88,509	820,281
As at 31-Mar-22				
Total assets	151,135,383	49,333,452	21,844,799	222,313,634
Total liabilities	120,784,024	32,148,892	4,941,020	157,837,936
For The 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
As at 31-Dec-21				
Total assets	138,925,846	50,490,362	19,784,807	209,201,015
Total liabilities	107,293,620	31,084,568	5,175,636	143,553,824

Selected Explanatory Notes to the Unaudited Financial Results

For the 3 Months Ended March 31, 2022

5. EARNINGS PER COMMON SHARE

3 Months Ended 31-Mar	2022	2021
	\$	\$
Loss for the period attributable to owners of the company	(253,237)	(1,177,116)
Preference shares dividend paid	(87,500)	(87,500)
Loss for the period attributable to common shareholders	(340,737)	(1,264,616)
Weighted average number of common shares outstanding	36,511,589	36,511,589
Basic and diluted loss per common share	(0.01)	(0.03)

6. GROSS PREMIUMS WRITTEN

Gross Premiums Written reported in the Quarterly report for the 3 Months ended Mar 31, 2021, were reported net of stamp duties on property and casualty insurance contracts and surcharges on health insurance contracts within the Cayman Islands. For the 3 Months ended March 31, 2021, 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 2021 are presented below:

3 Months Ended 31-Mar-21	Previously Presented	Reclassified
	\$	\$
Gross Premiums Written	42,985,126	43,360,077
Net Premiums Earned	14,926,453	15,301,404
Total Underwriting Income	18,846,564	19,221,515
Underwriting Expenses	12,649,467	13,024,418
Net Underwriting income	6,197,097	6,197,097

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