

BAHAMAS FIRST HOLDINGS LIMITED

Quarterly Report on Unaudited Results

For the 6 Months Ended June 30, 2022

Report of the President & CEO

on Unaudited Results for the 6 months ended June 30, 2022

The first six months of the year were characterized by severe weather events across the globe, with unusual heatwaves, significant flooding and severe convective storms accounting for the majority of the cumulative economic and insured losses that resulted from these various events.

In The Bahamas, during the months of May and June, we experienced unprecedented levels of rainfall – over twelve inches for one event – in the north and western sections of New Providence and in parts of Grand Bahama to a lesser extent.

These flooding events and accompanying severe lightning activity caused damage both to vehicles and other property and, as a consequence, we recorded 49 claims with a combined gross loss of \$1.6 million. We do not envisage that this figure will grow in the months to come, and the net impact, after reinsurance recoveries, is not expected to be material to our results.

Fortunately, the Cayman Islands did not experience any such severe weather activity.

These unusual events are a stark reminder of the consequences of climate change, and they are occurring against a backdrop of macroeconomic deterioration in the global marketplace.

One of the main drivers of this widespread economic fallout is the Russian and Ukrainian war which, sadly, continues with no clear end in sight.

This conflict has helped to drive inflation to heights not observed in decades. The cost burden associated with the rise in pricing on a broad range of goods and services is already working its way into the costs of claims across the Group, particularly on the Motor Account.

The cost per claim, compared to prior periods, is steadily creeping upward and we anticipate that the majority of this adverse impact will be confined to the Motor portfolio in the absence of a major hurricane or catastrophe loss. In both jurisdictions in which we operate, we have active mitigation initiatives which have either already been deployed or are on standby for deployment as needed. We continue to see this both as a risk pricing and claims process issue, so our efforts are focused equally on these aspects.

On a year-to-date basis, we are benefiting from the overall improvement in the economic conditions in both The Bahamas and Cayman, as demonstrated by the continued growth pattern for our topline. We recorded gross premiums of \$94.4 million, compared to \$90.0 in 2021, an increase of 5%.

Coincident with the growth in business, net claims incurred increased during the second quarter in both the P&C and Health segments of our business when compared to the same period last year. Despite this fact, we were able to achieve net underwriting income \$14.1 million at the midyear point, which compares favorably to the prior year result of \$13.9 million.

A more pleasing development during the quarter was the reversal of the unrealized losses on our main equity investment, which saw the Q1-2022 unrealized loss of \$1.2 million revert to an unrealized gain of \$1.3 million.

Unfortunately, the unrealized losses on our combined available for sale investments expanded in Q2-2022 to \$1.3 million, a reflection of the volatile global market conditions.

The Group's comprehensive income for the midyear point is \$0.9 million, which puts us well ahead of the prior year and on track for a respectable full-year outcome.

During the current quarter, the Directors approved a dividend payment of \$0.04 per share, representing a disbursement of \$1.5 million in May 2022. Our capital base remains strong, and this fact was emphasized in June 2022 with AM Best's affirmation of our A- (Excellent) rating with a stable outlook.

As we look forward to the remaining quarters of the year, we are reminded that the August/September months are typically the most active and costliest, as it relates to natural catastrophe claims. So, while we are optimistic about the balance of the year, we must view our expectations through this historical lens.

Patrick G Ward

Group President & CEO

Financial Summary of Unaudited Results

AS AT JUNE 30, 2022
(Expressed in Bahamian Dollars)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	As at:	
	30-Jun-22	31-Dec-21
Trade accounts receivable, net	38,689,327	30,911,815
Cash and investments	62,786,597	59,355,647
Deferred reinsurance premiums	54,548,142	43,328,099
Unpaid claims recoverable from reinsurers	33,479,175	35,191,446
Property and equipment	22,257,822	22,531,436
Intangible assets and goodwill	8,517,222	8,268,710
Other assets	10,432,648	9,613,862
Total assets	230,710,933	209,201,015
Unearned premiums	72,200,430	58,712,764
Unpaid claims	53,345,148	52,066,216
Reinsurance balances payable	14,273,872	9,054,578
Bonds payable	7,618,151	7,618,151
Other liabilities	18,466,558	16,102,115
Total liabilities	165,904,159	143,553,824
Total equity attributable to owners of the company	60,756,870	61,462,925
Non-controlling interest	4,049,904	4,184,266
Total equity	64,806,774	65,647,191
Total liabilities and equity	230,710,933	209,201,015

Financial Summary of Unaudited Results

**FOR THE 3 MONTHS ENDED
JUNE 30, 2022**
(Expressed in Bahamian Dollars)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	For the 3 Months Ended	
	30-Jun-22	30-Jun-21 (Note 6)
Gross premiums written	46,529,028	46,633,527
Net premiums earned	20,738,982	17,123,859
Total underwriting income	26,298,648	22,387,855
Net claims incurred	12,425,173	7,915,712
Total underwriting expenses	19,984,431	14,646,397
Net underwriting income	6,314,217	7,741,458
Total other expenses	7,107,071	6,692,452
Unrealized gain/(loss) on investment	2,498,310	(791,604)
Other income, net	745,605	299,728
Profit for the period	2,451,061	557,130
Other comprehensive (loss) for the period	(404,274)	(4,445)
Total comprehensive income	2,046,787	552,685
Attributable to:		
Owners of the company	2,067,162	602,547
Non-Controlling Interest	(20,375)	(49,862)
	2,046,787	552,685
Earnings per common share (Note 5)	\$ 0.06	\$ 0.01

Financial Summary of Unaudited Results

**FOR THE 6 MONTHS ENDED
JUNE 30, 2022
(Expressed in Bahamian Dollars)**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	For the 6 Months Ended	
	30-Jun-22	30-Jun-21 (Note 6)
Gross premiums written	94,430,468	89,993,604
Net premiums earned	40,975,713	32,425,261
Total underwriting income	50,990,380	41,609,369
Net claims incurred	22,748,523	15,536,125
Total underwriting expenses	36,887,044	27,670,814
Net underwriting income	14,103,336	13,938,555
Total other expenses	14,335,722	12,560,161
Unrealized gain/(loss) on investment	1,295,072	(2,691,452)
Other income, net	1,169,137	629,416
Profit/(loss) for the period	2,231,823	(683,642)
Other comprehensive (loss) for the period	(1,313,763)	(107,821)
Total comprehensive income/(loss)	918,060	(791,463)
Attributable to:		
Owners of the company	929,409	(663,099)
Non-Controlling Interest	(11,349)	(128,364)
	918,060	(791,463)
Earnings/(Loss) per common share (Note 5)	\$ 0.05	\$ (0.02)

Financial Summary of Unaudited Results

FOR THE 6 MONTHS ENDED JUNE 30, 2022
(Expressed in Bahamian Dollars)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 6 Months Ended

30-Jun-22

30-Jun-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)	(1,313,763)	(107,821)
Balance at end of period	4,377,444	6,439,004

Retained earnings

Balance at beginning of period	31,480,443	29,175,407
Total comprehensive income/(loss)	2,243,172	(555,278)
Preference share dividends	(175,000)	(175,000)
Common share dividends	(1,460,464)	(1,460,464)
Balance at end of period	32,088,151	26,984,665

Non-controlling interest

Balance at beginning of period	4,184,266	4,507,266
Total comprehensive (loss)	(11,349)	(128,364)
Dividends paid by subsidiary	(123,013)	(369,038)
Balance at end of period	4,049,904	4,009,864

Equity at end of period	64,806,774	61,724,808
--------------------------------	-------------------	-------------------

Financial Summary of Unaudited Results

**FOR THE 6 MONTHS ENDED
JUNE 30, 2022**
(Expressed in Bahamian Dollars)

CONSOLIDATED STATEMENT OF CASH FLOWS	For the 6 Months Ended	
	30-Jun-22	30-Jun-21
Net cash from operating activities	5,774,095	996,058
Net cash from/(used in) investing activities	1,380,010	(1,738,623)
Net cash (used in) financing activities	(1,892,567)	(1,884,077)
Net increase/(decrease) in cash and cash equivalents	5,261,538	(2,626,642)
Cash at the beginning of the period	21,276,044	39,808,907
Cash at the end of the period	26,537,582	37,182,265

Selected Explanatory Notes to the Unaudited Financial Results

For the 6 Months Ended June 30, 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 6 Months Ended June 30, 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
	\$		\$	\$
For The 6 Months Ended 30-Jun-22				
Net underwriting income	8,584,695	3,422,736	2,095,905	14,103,336
Segment profit/(loss)	1,530,245	761,234	(59,656)	2,231,823
Capital expenditure	722,195	25,835	153,040	901,070
As at 30-Jun-22				
Total assets	156,995,881	50,664,780	23,050,272	230,710,933
Total liabilities	125,111,811	35,782,109	5,010,239	165,904,159
For The 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 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 6 Months Ended June 30, 2022

5. EARNINGS PER COMMON SHARE

	2022	2021
	\$	\$
3 months Ended 30-Jun		
Profit for the year attributable to owners of the company	2,439,830	588,263
Preference shares dividend paid	(87,500)	(87,500)
Profit for the year attributable to common shareholders	2,352,330	500,763
Weighted average number of common shares outstanding	36,511,589	36,511,589
Basic and diluted earnings per common share	0.06	0.01
6 months Ended 30-Jun		
Profit/(Loss) for the year attributable to owners of the company	2,145,520	(574,007)
Preference shares dividend paid	(175,000)	(175,000)
Profit/(Loss) for the year attributable to common shareholders	1,970,520	(749,007)
Weighted average number of common shares outstanding	36,511,589	36,511,589
Basic and diluted earnings/(loss) per common share	0.05	(0.02)

6. GROSS PREMIUMS WRITTEN

Gross Premiums Written reported in the Quarterly report for the 6 Months ended Jun 30, 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 period ended June 30, 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:

	Previously Presented	Reclassified
	\$	\$
3 Months Ended 30-Jun-21		
Gross Premiums Written	46,232,770	46,633,527
Net Premiums Earned	16,723,102	17,123,859
Total Underwriting Income	21,987,098	22,387,855
Total Underwriting Expenses	14,245,640	14,646,397
Net Underwriting income	7,741,458	7,741,458
6 Months Ended 30-Jun-21		
Gross Premiums Written	89,217,897	89,993,604
Net Premiums Earned	31,649,554	32,425,261
Total Underwriting Income	40,833,662	41,609,369
Total Underwriting Expenses	26,895,107	27,670,814
Net Underwriting income	13,938,555	13,938,555

Bahamas First Holdings Limited

32 Collins Avenue

Nassau, The Bahamas

T: [242] 302 3900

F: [242] 302 3901

Send inquiries to: info@bahamasfirst.com