

BAHAMAS FIRST HOLDINGS LIMITED

Quarterly Report on Unaudited Results

For the 9 Months Ended September 30, 2022

Report of the President & CEO

on Unaudited Results for the 9 months ended September 30, 2022

The growing momentum in overall economic activity that we experienced in the previous quarters of this year continued into the current quarter. In fact, we expect the prevailing conditions to continue for the balance of this year.

Both the Cayman Islands and The Bahamas are enjoying a spell of elevated GDP growth and development when compared to the same period last year and the period around the onset of the COVID-19 pandemic restrictions in 2020. Unfortunately, inflation levels are also trending higher than normal, although there are early signs that some of the drivers of this development are abating. Because these factors are mostly external and beyond our control, we are constrained in our ability to offer precise predictions about their overall impact.

During the current quarter, we were closely monitoring Hurricane Ian, a late September storm, which, at its closest point, passed 100 miles to the west of Grand Cayman on the September 26, 2022 as it made its way further north. The hurricane subsequently made landfall on the west coast of Florida as a Category Four hurricane a few days later. The insured losses from this event are expected to be in the range of \$60 billion globally but, fortunately, we were spared any material claim activity in Cayman.

The growth in topline revenue continued in Q3-2022, with gross premiums reaching \$148.6m by the close of the period. This compares with \$135.9m for the same period in 2021.

Because capacity for catastrophe related property business is becoming more difficult to secure on the global reinsurance markets – even at significantly higher prices and more restrictive terms – we have not been able to accommodate as much new property business as we would have wished in either jurisdiction. Prior to the start of 2022, we secured some additional capacity in anticipation of organic growth, but the actual demand has exceeded our expectations. The lack of additional capacity has caused us to refocus our priority on existing customers for the remainder of the year as we take steps to manage our exposures and ensure that we are positioned to look after their requirements.

We anticipate that the renewal of our reinsurance program for 2023 will be particularly challenging, as more and more reinsurers announce their intent either to withdraw or reduce their exposures within the region. Nevertheless, we are confident that our strong relationships with the key reinsurers that support us will inure to our benefit. As we move further past the “lockdowns” that were characteristic of the pandemic, we are experiencing an expected increase in motor claims frequency, but with an elevated cost

per claim for physical damage due to the rising inflation impact. This is true in both jurisdictions.

The effect of inflation is a huge topic globally, particularly within the insurance/reinsurance industry as it has significant implications for current and future claim costs and pricing decisions. We have developed mitigation strategies to combat this issue, which have been deployed across the Group.

Our Health line of business also saw an increase in the dollar value of claims paid, but the loss ratio declined slightly because of the higher premium levels associated with this class.

As the operating environment continues to normalize, we expect operating expenses to return closer to pre-pandemic levels and this accounts for some of the increase in expenses for the current quarter and the year-to-date result, when compared to the prior periods in 2021. Additionally, expenses related to government taxes, provisions for bad debt, and bank charges accounted for a significant portion of the overall increase.

The Group’s profit for 2022 year to date is \$1.2 million, compared to a loss of \$0.8m for the first nine months of 2021. Unfortunately, the unrealized losses booked for our available-for-sale (AFS) investments increased from \$1.3 million at the end of Q2 2022 to \$1.6 million at the close of Q3 2022. This has resulted in a reduction in comprehensive income of \$0.3m for the current quarter.

The impact of the fair value adjustment on our AFS investments reflects the level of global volatility in the international bond markets. We typically hold these investments to maturity so, barring any adverse event, we expect to recover both the original investment in addition to the interest income associated with these globally diversified investments. Given the direction of recent actions against The Bahamas’ sovereign debt rating and the uncertainty surrounding the future outlook, we continue to prioritize having a geographically diversified investment portfolio to protect against the potential downside risks of a single jurisdiction concentration.

We will remain focused on the key initiatives that will influence the overall outcome of our results for the full year, with a sense of optimism that is rooted in our deep understanding of the market conditions we now face.

Patrick G Ward
Group President & CEO

Financial Summary of Unaudited Results

AS AT SEPTEMBER 30, 2022
(Expressed in Bahamian dollars)

| CONSOLIDATED STATEMENT OF FINANCIAL POSITION | As at: | |
|--|--------------------|--------------------|
| | 30-Sep-22 | 31-Dec-21 |
| Trade accounts receivable, net | 37,524,851 | 30,911,815 |
| Cash and investments | 65,762,212 | 59,355,647 |
| Deferred reinsurance premiums | 49,874,940 | 43,328,099 |
| Unpaid claims recoverable from reinsurers | 33,908,372 | 35,191,446 |
| Property and equipment | 22,056,167 | 22,531,436 |
| Intangible assets and goodwill | 8,517,908 | 8,268,710 |
| Other assets | 9,894,512 | 9,613,862 |
| Total assets | 227,538,962 | 209,201,015 |
| Unearned premiums | 67,438,239 | 58,712,764 |
| Unpaid claims | 59,378,062 | 52,066,216 |
| Reinsurance balances payable | 13,044,059 | 9,054,578 |
| Bonds payable | 7,500,000 | 7,618,151 |
| Other liabilities | 16,829,484 | 16,102,115 |
| Total liabilities | 164,189,844 | 143,553,824 |
| Total equity attributable to owners of the company | 59,494,305 | 61,462,925 |
| Non-controlling interest | 3,854,813 | 4,184,266 |
| Total equity | 63,349,118 | 65,647,191 |
| Total liabilities and equity | 227,538,962 | 209,201,015 |

Financial Summary of Unaudited Results

**FOR THE 3 MONTHS ENDED
SEPTEMBER 30, 2022**
(Expressed in Bahamian dollars)

| CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME | For the 3 Months Ended | |
|--|------------------------|-----------------------|
| | 30-Sep-22 | 30-Sep-21 (Note 6) |
| Gross premiums written | 54,125,433 | 45,945,310 |
| Net premiums earned | 23,234,468 | 19,049,155 |
| Total underwriting income | 31,881,959 | 26,973,932 |
| Net claims incurred | 15,520,557 | 11,366,591 |
| Total underwriting expenses | 25,534,425 | 20,361,721 |
| Net underwriting income | 6,347,534 | 6,612,211 |
| Total other expenses | 7,648,485 | 7,081,594 |
| Unrealized loss on investment | (1,644,056) | (31,664) |
| Other income, net | 1,867,908 | 359,264 |
| Loss for the period | (1,077,099) | (141,783) |
| Other comprehensive loss for the period | (293,057) | (62,927) |
| Total comprehensive loss | (1,370,156) | (204,710) |
| Attributable to: | | |
| Owners of the company | (1,175,066) | (34,003) |
| Non-Controlling Interest | (195,090) | (170,707) |
| | (1,370,156) | (204,710) |
| (Loss)/Earnings per common share (Note 5) | \$ (0.03) | \$ 0.00 |

Financial Summary of Unaudited Results

**FOR THE 9 MONTHS ENDED
SEPTEMBER 30, 2022
(Expressed in Bahamian dollars)**

| CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME | For the 9 Months Ended | |
|--|------------------------|-----------------------|
| | 30-Sep-22 | 30-Sep-21 (Note 6) |
| Gross premiums written | 148,555,901 | 135,938,913 |
| Net premiums earned | 64,210,181 | 51,474,416 |
| Total underwriting income | 82,872,340 | 68,583,300 |
| Net claims incurred | 38,269,080 | 26,902,716 |
| Total underwriting expenses | 62,421,469 | 48,032,534 |
| Net underwriting income | 20,450,871 | 20,550,766 |
| Total other expenses | 21,984,207 | 19,641,755 |
| Unrealized loss on investment | (348,984) | (2,723,116) |
| Other income, net | 3,037,044 | 988,680 |
| Profit/(loss) for the period | 1,154,724 | (825,425) |
| Other comprehensive loss for the period | (1,606,820) | (170,748) |
| Total comprehensive loss | (452,096) | (996,173) |
| Attributable to: | | |
| Owners of the company | (245,657) | (697,102) |
| Non-Controlling Interest | (206,439) | (299,071) |
| | (452,096) | (996,173) |
| Earnings/(Loss) per common share (Note 5) | \$ 0.03 | \$ (0.02) |

Financial Summary of Unaudited Results

**FOR THE 9 MONTHS ENDED
SEPTEMBER 30, 2022
(Expressed in Bahamian dollars)**

| CONSOLIDATED STATEMENT OF CHANGES IN EQUITY | For the 9 Months Ended | |
|--|------------------------|-------------------|
| | 30-Sep-22 | 30-Sep-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 | (1,606,820) | (170,748) |
| Balance at end of period | 4,084,387 | 6,376,077 |
| Retained earnings | | |
| Balance at beginning of period | 31,480,443 | 29,175,407 |
| Total comprehensive income/(loss) | 1,361,163 | (526,354) |
| Preference share dividends | (262,500) | (262,500) |
| Common share dividends | (1,460,463) | (1,460,463) |
| Balance at end of period | 31,118,643 | 26,926,090 |
| Non-controlling interest | | |
| Balance at beginning of period | 4,184,266 | 4,507,266 |
| Total comprehensive loss | (206,439) | (299,071) |
| Dividends paid by subsidiary | (123,014) | (369,038) |
| Balance at end of period | 3,854,813 | 3,839,157 |
| Equity at end of period | 63,349,118 | 61,432,599 |

Financial Summary of Unaudited Results

**FOR THE 9 MONTHS ENDED
SEPTEMBER 30, 2022**
(Expressed in Bahamian dollars)

| CONSOLIDATED STATEMENT OF CASH FLOWS | For the 9 Months Ended | |
|---|------------------------|--------------------|
| | 30-Sep-22 | 30-Sep-21 |
| Net cash from/(used in) operating activities | 9,639,064 | (3,838,769) |
| Net cash from/(used in) investing activities | 4,918,846 | (3,400,766) |
| Net cash used in financing activities | (2,047,112) | (2,048,029) |
| Net increase/(decrease) in cash and cash equivalents | 12,510,798 | (9,287,564) |
| Cash at the beginning of the period | 21,276,044 | 39,808,907 |
| Cash at the end of the period | 33,786,842 | 30,521,343 |

Selected Explanatory Notes to the Unaudited Financial Results

For the 9 Months Ended September 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 9 Months Ended September 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 | TOTAL |
| | \$ | \$ | \$ | \$ |
| For The 9 Months Ended 30-Sep-22 | | | | |
| Net underwriting income | 13,842,803 | 5,511,833 | 1,096,235 | 20,450,871 |
| Segment profit/(loss) | 1,841,868 | 1,553,254 | (2,240,398) | 1,154,724 |
| Capital expenditure | 675,245 | 30,924 | 466,499 | 1,172,668 |
| As at 30-Sep-22 | | | | |
| Total assets | 151,085,726 | 50,328,769 | 26,124,467 | 227,538,962 |
| Total liabilities | 119,073,377 | 38,709,119 | 6,407,348 | 164,189,844 |
| For The 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 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 9 Months Ended September 30, 2022

5. EARNINGS PER COMMON SHARE

| | 2022 | 2021 |
|--|------------------|------------------|
| | \$ | \$ |
| 3 months Ended 30-Sep | | |
| Profit for the period attributable to owners of the company | (906,269) | 47,653 |
| Preference shares dividend paid | (87,500) | (87,500) |
| Profit for the period attributable to common shareholders | (993,769) | (39,847) |
| Weighted average number of common shares outstanding | 36,511,589 | 36,511,589 |
| Basic and diluted (loss)/earnings per common share | (0.03) | 0.00 |
| 9 months Ended 30-Sep | | |
| Profit/(Loss) for the period attributable to owners of the company | 1,239,251 | (526,354) |
| Preference shares dividend paid | (262,500) | (262,500) |
| Profit/(Loss) for the period attributable to common shareholders | 976,751 | (788,854) |
| Weighted average number of common shares outstanding | 36,511,589 | 36,511,589 |
| Basic and diluted earnings/(loss) per common share | 0.03 | (0.02) |

6. GROSS PREMIUMS WRITTEN

Gross Premiums Written reported in the Quarterly report for the 9 Months ended September 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 September 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-Sep-21 | | |
| Gross Premiums Written | 45,493,420 | 45,945,310 |
| Net Premiums Earned | 18,597,265 | 19,049,155 |
| Total Underwriting Income | 26,522,042 | 26,973,932 |
| Total Underwriting Expenses | 19,909,831 | 20,361,721 |
| Net Underwriting income | 6,612,211 | 6,612,211 |
| 9 Months Ended 30-Sep-21 | | |
| Gross Premiums Written | 134,711,317 | 135,938,913 |
| Net Premiums Earned | 50,246,820 | 51,474,416 |
| Total Underwriting Income | 67,355,704 | 68,583,300 |
| Total Underwriting Expenses | 46,804,938 | 48,032,534 |
| Net Underwriting income | 20,550,766 | 20,550,766 |

Bahamas First Holdings Limited

32 Collins Avenue

Nassau, The Bahamas

T: [242] 302 3900

F: [242] 302 3901

Send inquiries to: info@bahamasfirst.com