

BAHAMAS FIRST HOLDINGS LIMITED

Quarterly Report on Unaudited Results

For the 12 Months Ended December 31, 2022

Report of the President & CEO

on Unaudited Results for the 12 months ended December 31, 2022

As expected, the economic growth experienced in the first three quarters of 2022 carried over into the final quarter of the year. This stands in contrast to the prior year, 2021, when there was less certainty about the prevailing conditions.

The economic landscapes in both the Cayman Islands and The Bahamas were very much supportive of business development endeavors but constrained somewhat by a lack of reinsurance capacity for catastrophe property damage covers, in particular. During the fourth quarter of 2022, we booked gross income of \$42.7 million, which is 0.9% above the premium levels achieved during the same period in 2021.

Based on the level of GDP improvement in our operating jurisdictions, we believe that the top line performance for the current quarter and, indeed, the full year, would have been better if we were able to access additional capacity from the international reinsurance markets during the year. For reasons previously identified, this was not possible; however, because it was a market-wide problem, we did not find ourselves at a competitive disadvantage.

As foreshadowed in the preceding quarter, the negotiations for our reinsurance contracts for 2023 proved to be especially challenging. The combination of regional and global factors that led to this scenario will likely persist for the next twelve months and possibly longer. We were able, nevertheless, to successfully place all of our reinsurance contracts for 2023 at the best terms available in what has been described as a once-in-a-generation renewal cycle.

The full-year top line grew to \$191.2 million, which exceeds the prior year total of \$178.2 million by 7.3%. The P&C and Health business segments registered growth in both jurisdictions, with the Health segment leading the way with a robust year-over-year increase in premium.

Overall Net Underwriting Income, however, saw a material dip, compared to the prior year, finishing at \$29.4 million, compared to \$33.0 million in 2021. The motor portfolio in The Bahamas experienced a reduction in underwriting profitability due mainly to a return to more normal frequency and severity of damage claims and prior year adverse loss development. Additionally, the Cayman Health business continued to perform below our expectations.

The rollout of new technology and connected systems, together with a change in key personnel within the Health segment, has caused a number of operational challenges for our Cayman subsidiary, leading to negative market perceptions about the company's ability to fulfill its obligations to policyholders. The board and management are focused on the remedial actions that are required to resolve these issues, and to ensure that the benefits of the new systems are experienced by our clients in that market in the shortest possible timeframe.

The investment returns for the year represent a mixed bag of results, with our equity holding in Commonwealth Bank showing improvement, while our fixed income investments posted an unrealized loss. The Commonwealth Bank share price increased by 18% during 2022, which resulted in increases in the unrealized gain; however, these were offset by the decrease in unrealized gain when we sold a portion of our holdings. Consequently, we experienced a net increase in unrealized loss of \$0.3 million while posting a realized gain included in other income of \$2.0 million during the year. Our global bond portfolio has reported an unrealized loss of \$1.5m due to market factors. This was offset by an unrealized gain of \$3.2 million on revaluation of our land and buildings.

We saw a sharp rise in comprehensive income in the current quarter, amounting to \$7.1 million, compared to \$5.8 million in the fourth quarter of 2021. The revaluation of our land and buildings in the fourth quarter was the largest contributor to this result.

The Group's comprehensive income for 2022 is \$6.6 million, compared to \$4.8 million in 2021. During December 2022, the board declared a dividend of four cents per share, bringing the total dividend payout to eight cents per common share, on par with the payout in 2021.

Despite the difficult reinsurance market conditions and our continued dependence on this vital component of our business, we are encouraged by the bright economic outlook in both The Bahamas and The Cayman Islands, which should provide an impetus for improved results in 2023.

Patrick G Ward
Group President & CEO

Financial Summary of Unaudited Results

AS AT DECEMBER 31, 2022
(Expressed in Bahamian dollars)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	As at:	
	31-Dec-22	31-Dec-21
Trade accounts receivable, net	35,186,147	30,911,815
Cash and investments	65,193,608	59,355,647
Deferred reinsurance premiums	42,448,945	43,328,099
Unpaid claims recoverable from reinsurers	32,213,996	35,191,446
Property and equipment	25,242,703	22,531,436
Intangible assets and goodwill	8,419,092	8,268,710
Other assets	9,713,778	9,613,862
Total assets	218,418,269	209,201,015
Unearned premiums	58,693,832	58,712,764
Unpaid claims	58,388,824	52,066,216
Trade accounts payable	10,722,262	9,054,578
Bonds payable	7,619,435	7,618,151
Other liabilities	14,115,961	16,102,115
Total liabilities	149,540,314	143,553,824
Total equity attributable to owners of the company	64,585,831	61,462,925
Non-controlling interest	4,292,124	4,184,266
Total equity	68,877,955	65,647,191
Total liabilities and equity	218,418,269	209,201,015

Financial Summary of Unaudited Results

**FOR THE 3 MONTHS ENDED
DECEMBER 31, 2022
(Expressed in Bahamian dollars)**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	For the 3 Months Ended	
	31-Dec-22	31-Dec-21
Gross premiums written	42,673,731	42,298,412
Net premiums earned	21,950,761	19,310,839
Total underwriting income	31,288,704	29,528,409
Net claims incurred	11,650,370	7,669,246
Total underwriting expenses	22,335,268	17,097,201
Net underwriting income	8,953,436	12,431,208
Total other expenses	5,520,082	7,745,385
Unrealized gain on investment	-	981,589
Other income, net	1,054,273	780,015
Profit for the period	4,487,627	6,447,427
Other comprehensive income/(loss) for the period	2,589,177	(684,870)
Total comprehensive income	7,076,804	5,762,557
Attributable to:		
Owners of the company	6,639,493	5,417,448
Non-Controlling Interest	437,311	345,109
	7,076,804	5,762,557
Earnings per common share (Note 5)	\$ 0.11	\$ 0.16

Financial Summary of Unaudited Results

**FOR THE 12 MONTHS ENDED
DECEMBER 31, 2022
(Expressed in Bahamian dollars)**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	For the 12 Months Ended	
	31-Dec-22	31-Dec-21
Gross premiums written	191,229,632	178,236,473
Net premiums earned	86,160,941	70,784,404
Total underwriting income	114,161,043	98,160,276
Net claims incurred	49,919,452	34,571,962
Total underwriting expenses	84,756,737	65,128,884
Net underwriting income	29,404,306	33,031,392
Total other expenses	27,504,289	27,268,271
Unrealized loss on investment	(348,984)	(1,741,527)
Other income, net	4,091,315	1,600,408
Profit for the period	5,642,348	5,622,002
Other comprehensive income/(loss) for the period	982,357	(855,618)
Total comprehensive income	6,624,705	4,766,384
Attributable to:		
Owners of the company	6,393,834	4,720,346
Non-Controlling Interest	230,871	46,038
	6,624,705	4,766,384
Earnings per common share (Note 5)	\$ 0.14	\$ 0.14

Financial Summary of Unaudited Results

**FOR THE 12 MONTHS ENDED
DECEMBER 31, 2022
(Expressed in Bahamian dollars)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	For the 12 Months Ended	
	31-Dec-22	31-Dec-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 income/(loss)	982,357	(855,618)
Balance at end of period	6,673,564	5,691,207
Retained earnings		
Balance at beginning of period	31,480,443	29,175,407
Total comprehensive income	5,411,477	5,575,964
Preference share dividends	(350,000)	(350,000)
Common share dividends	(2,920,928)	(2,920,928)
Balance at end of period	33,620,992	31,480,443
Non-controlling interest		
Balance at beginning of period	4,184,266	4,507,266
Total comprehensive income	230,871	46,038
Dividends paid by subsidiary	(123,013)	(369,038)
Balance at end of period	4,292,124	4,184,266
Equity at end of period	68,877,955	65,647,191

Financial Summary of Unaudited Results

**FOR THE 12 MONTHS ENDED
DECEMBER 31, 2022**
(Expressed in Bahamian dollars)

CONSOLIDATED STATEMENT OF CASH FLOWS	For the 12 Months Ended	
	31-Dec-22	31-Dec-21
Net cash from/(used in) operating activities	10,960,155	(11,148,191)
Net cash from/(used in) investing activities	5,087,509	(3,441,551)
Net cash used in financing activities	(3,687,327)	(3,943,121)
Net increase/(decrease) in cash and cash equivalents	12,360,337	(18,532,863)
Cash at the beginning of the period	21,276,044	39,808,907
Cash at the end of the period	33,636,381	21,276,044

Selected Explanatory Notes to the Unaudited Financial Results

For the 12 Months Ended December 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 12 Months Ended December 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 12 Months Ended 31-Dec-22				
Net underwriting income	19,070,915	7,721,734	2,611,657	29,404,306
Segment profit/(loss)	4,025,270	3,163,099	(1,546,021)	5,642,348
Capital expenditure	902,252	325,893	289,000	1,517,145
As at 31-Dec-22				
Total assets	138,054,985	52,446,990	27,916,294	218,418,269
Total liabilities	104,068,812	33,547,836	11,923,666	149,540,314
For The 12 Months Ended 31-Dec-21				
Net underwriting income	22,662,730	7,411,524	2,957,138	33,031,392
Segment profit/(loss)	4,795,634	1,974,986	(1,148,618)	5,622,002
Capital expenditure	726,474	31,463	132,698	890,635
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 12 Months Ended December 31, 2022

5. EARNINGS PER COMMON SHARE

	2022	2021
	\$	\$

3 months Ended 31-Dec

Profit for the period attributable to owners of the company	4,204,179	6,102,318
Preference shares dividend paid	(87,500)	(87,500)
Profit for the period attributable to common shareholders	4,116,679	6,014,818
Weighted average number of common shares outstanding	36,511,589	36,511,589
Basic and diluted earnings per common share	0.11	0.16

12 months Ended 31-Dec

Profit for the period attributable to owners of the company	\$ 5,443,428	\$ 5,520,348
Preference shares dividend paid	(350,000)	(350,000)
Profit for the period attributable to common shareholders	5,093,428	5,170,348
Weighted average number of common shares outstanding	36,511,589	36,511,589
Basic and diluted earnings per common share	0.14	0.14

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