

BAHAMAS FIRST HOLDINGS LIMITED

**Consolidated Financial Statements
For The Year Ended December 31, 2024 and
Independent Auditors' Report**

BAHAMAS FIRST HOLDINGS LIMITED

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Bahamas First Holdings Limited:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of **Bahamas First Holdings Limited** and its subsidiaries (the “Group”), which comprise the consolidated statement of financial position as at December 31, 2024, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (“IASB”).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the *Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ *International Code of Ethics for Professional Accountants (including International Independence Standards)* (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	Summary of the Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Insurance Contract Liabilities – Liability for incurred claims “LIC”	<p>As at December 31, 2024 the Group reported liability for incurred claims of \$50,586,002 (refer to Note 8).</p> <p>The Group makes key judgments and estimates in determining the liability arising from claims made under insurance contracts, which has the most significant impact on the Group’s financial position. A number of assumptions must be made with high estimation uncertainty related to expected loss ratios and loss development patterns. As a result, small changes in the underlying assumptions may have a material impact on the overall year-end result reported in the consolidated financial statements. Additionally, the process requires the selection and application of actuarial methods that result in complex calculations to project the ultimate loss.</p> <p>Management engages an external actuary to prepare a valuation of the Group’s insurance contract liabilities as at December 31, 2024.</p>	<p>We obtained an understanding of the Group’s claims reserving process for determining and recording the liability for incurred claims. We evaluated the design and implementation of controls related to determining and recording the liability for incurred claims.</p> <p>We obtained an understanding of management’s external actuary, including their qualifications.</p> <p>We engaged our actuarial specialists to (1) obtain and inspect the reports of management’s external actuary, (2) assess the appropriateness of the assumptions and judgments made by management to determine the liability for incurred claims, (3) assess whether the methods used by management’s external actuary were in accordance with professional actuarial standards, and (4) develop an independent range of reasonable liability for incurred claim valuations.</p>

Key Audit Matter	Summary of the Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Completeness of the LIC and insurance services expense	<p>For the year ended December 31, 2024 the Group reported gross liability for incurred claims of \$50,586,002 (refer to Note 8) and insurance services expense of \$86,188,504.</p> <p>The liability for incurred claims includes claims specific to the Group's Health line of business ("H&L") of \$4,673,321 (Note 9 – Claims Development) as of December 31, 2024.</p> <p>Health claims are submitted by third-party health services providers ("the providers") to the Group for the reimbursement of costs. These costs are related to services rendered by the providers to individuals insured by the Group.</p> <p>The completeness and accuracy of the costs incurred, as reported by the providers, and incurred by the Group, are considered to be a key audit matter due to the nature and volume of health claims.</p>	<p>We involved our information technology specialists to understand the controls over access and change management.</p> <p>We obtained an understanding of the Group's process for adjudicating health claims and evaluated any changes in controls compared to the prior year.</p> <p>We evaluated the completeness of the health claims by sending confirmations to providers on a sample basis. We reviewed responses and evaluated any differences confirmed to determine whether the recorded amount for the LIC was reasonable.</p>

Key Audit Matter	Summary of the Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Measurement of Goodwill	<p>The consolidated financial statements at December 31, 2024 include Goodwill recorded at \$2,050,810.</p> <p>The Group tested for impairment the carrying amount of goodwill at the reporting date, by comparing the carrying amount of cash-generating units or groups of cash generating units ("CGUs") to which goodwill is allocated, to their recoverable amount. The recoverable amount was estimated based on the fair value less costs to sell approach.</p> <p>Impairment testing requires complex valuations and a high level of judgment, especially in relation to the CGUs' expected cash flows, calculated by taking into account historical cash flows, the general economic performance and forecasts about the Group's future performance and the financial parameters to be used to discount the cash flows.</p>	<p>We obtained an understanding of the Group's impairment process and methodology.</p> <p>We tested the design and implementation of controls around the preparation of the impairment model including key assumptions.</p> <p>We engaged valuation specialists to assist with the assessment of the methodology, model inputs, discount rate and long-term growth rate.</p> <p>We evaluated the reasonableness of the short-term growth rate and projections over the discrete period for reasonableness by performing a retrospective analysis using past data.</p> <p>We further obtained an understanding for assumptions that did not correlate to past data. Where assumptions were not reasonable, we assessed the impact of changes on the impairment model and performed sensitivity analysis to confirm impact of these changes.</p> <p>We also assessed the sufficiency and appropriateness of the disclosures given in respect of goodwill and its sensitivity.</p>

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as issued by the IASB, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is S. Tshombe Godet.

A handwritten signature in blue ink that reads "Deloitte & Touche".

Nassau, Bahamas
May 22, 2025

BAHAMAS FIRST HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2024
(Expressed in Bahamian dollars)

	Notes	2024	2023
ASSETS			
Cash and cash equivalents		\$ 27,266,483	\$ 34,425,676
Broker receivables, net	7	21,446,375	15,903,121
Sundry receivables and prepayments	22	1,995,890	1,782,254
Reinsurance contract assets	4,8	55,351,927	54,330,047
Investments, net	6	43,585,168	35,463,023
Property and equipment, net	10	24,387,043	24,683,003
Right-of-use assets	11	990,393	1,240,264
Intangible assets and goodwill	4,12	<u>7,187,378</u>	<u>8,359,936</u>
TOTAL ASSETS		\$ 182,210,657	\$ 176,187,324
LIABILITIES AND EQUITY			
LIABILITIES:			
Accrued expenses and other liabilities		\$ 866,746	\$ 820,249
Broker payables		538,184	513,599
Insurance contract liabilities	4,8	93,130,530	90,127,241
Lease liabilities	11	1,026,588	1,263,000
Bonds payable	13	<u>7,616,866</u>	<u>7,616,866</u>
Total liabilities		<u>103,178,914</u>	<u>100,340,955</u>
EQUITY:			
Common shares	14	365,116	365,116
Preference shares	14	5,000,000	5,000,000
Contributed surplus		14,926,159	14,926,159
General reserve	15	4,000,000	4,000,000
Revaluation reserve	16	16,682,470	17,403,666
Retained earnings		<u>33,433,031</u>	<u>29,804,911</u>
Total equity attributable to owners of the company		<u>74,406,776</u>	<u>71,499,852</u>
Non-controlling interest	17	<u>4,624,967</u>	<u>4,346,517</u>
Total equity		<u>79,031,743</u>	<u>75,846,369</u>
TOTAL LIABILITIES AND EQUITY		\$ 182,210,657	\$ 176,187,324

See notes to consolidated financial statements.

These consolidated financial statements were approved by the Board of Directors on May 21, 2025 and are signed on its behalf by:

Alison Treco, Director

Dr. Samir Mikhael, Director

BAHAMAS FIRST HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2024 (Expressed in Bahamian dollars)

	Notes	2024	2023
Insurance revenue	8	\$ 194,848,249	\$ 191,730,146
Insurance service expenses	8,21,22	(86,188,504)	(94,020,514)
Net expenses from reinsurance contracts held	8	<u>(88,745,762)</u>	<u>(83,189,622)</u>
Insurance service result		<u>19,913,983</u>	<u>14,520,010</u>
Insurance finance expenses from insurance contracts issued	8,20	(1,055,010)	(1,004,601)
Reinsurance finance income from reinsurance contracts held	8,20	<u>522,638</u>	<u>700,374</u>
Net finance expenses from insurance and reinsurance contracts	20	<u>(532,372)</u>	<u>(304,227)</u>
Interest revenue from financial assets not measured at FVTPL		1,426,343	1,345,347
Dividend income		335,252	299,772
Net credit impairment/(recovery) on financial assets	6,7	<u>(7,984)</u>	<u>19,900</u>
Net investment income		<u>1,753,611</u>	<u>1,665,019</u>
Other operating expenses	18,21,22	(14,324,645)	(14,229,028)
Other income, net	19	<u>135,261</u>	<u>(12,596)</u>
PROFIT FOR THE YEAR		6,945,838	1,639,178
OTHER COMPREHENSIVE INCOME:			
Items that will not be reclassified subsequently to profit or loss:			
Net (losses)/gains on investments in equity securities measured at FVTOCI	6,16	(645,135)	3,880,473
Items that may be reclassified subsequently to profit or loss:			
Net gains on investments in debt securities measured at FVTOCI	6,16	<u>155,599</u>	<u>441,065</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		<u>(489,536)</u>	<u>4,321,538</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>\$ 6,456,302</u>	<u>\$ 5,960,716</u>
PROFIT ATTRIBUTABLE TO:			
OWNERS OF THE COMPANY		\$ 6,687,941	\$ 1,791,500
NON-CONTROLLING INTEREST	17	<u>257,897</u>	<u>(152,322)</u>
BASIC AND DILUTED EARNINGS PER COMMON SHARE	14	<u>\$ 0.17</u>	<u>\$ 0.04</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
OWNERS OF THE COMPANY		\$ 6,177,852	\$ 6,065,549
NON-CONTROLLING INTEREST	17	<u>278,450</u>	<u>(104,833)</u>
		<u>\$ 6,456,302</u>	<u>\$ 5,960,716</u>

See notes to consolidated financial statements.

BAHAMAS FIRST HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2024 (Expressed in Bahamian dollars)

	Attributable to owners of the group							Non-controlling interest		Total
	Common Shares	Preference Shares	Contributed Surplus	General Reserve	Revaluation Reserve	Retained Earnings	Controlling Interest			
Balance at December 31, 2022	\$ 365,116	\$ 5,000,000	\$ 14,926,159	\$ 4,000,000	\$ 14,644,202	\$ 29,769,754	\$ 4,451,350	\$ 73,156,581		
Profit/(loss) for the year	-	-	-	-	-	1,791,500	(152,322)	1,639,178		
Other comprehensive income	-	-	-	-	2,759,464	1,514,585	47,489	4,321,538		
Total comprehensive income/(loss)	-	-	-	-	2,759,464	3,306,085	(104,833)	5,960,716		
<u>Transactions with shareholders</u>										
Preference shares dividend paid (Note 14)	-	-	-	-	-	(350,000)	-	(350,000)		
Dividends paid (\$0.08 per common share) (Note 14)	-	-	-	-	-	(2,920,928)	-	(2,920,928)		
Balance at December 31, 2023	\$ 365,116	\$ 5,000,000	\$ 14,926,159	\$ 4,000,000	\$ 17,403,666	\$ 29,804,911	\$ 4,346,517	\$ 75,846,369		
Profit for the year	-	-	-	-	-	6,687,941	257,897	6,945,838		
Other comprehensive (loss)/income	-	-	-	-	(721,196)	211,107	20,553	(489,536)		
Total comprehensive (loss)/income	-	-	-	-	(721,196)	6,899,048	278,450	6,456,302		
<u>Transactions with shareholders</u>										
Preference shares dividend paid (Note 14)	-	-	-	-	-	(350,000)	-	(350,000)		
Dividends paid (\$0.08 per common share) (Note 14)	-	-	-	-	-	(2,920,928)	-	(2,920,928)		
Balance at December 31, 2024	<u>\$ 365,116</u>	<u>\$ 5,000,000</u>	<u>\$ 14,926,159</u>	<u>\$ 4,000,000</u>	<u>\$ 16,682,470</u>	<u>\$ 33,433,031</u>	<u>\$ 4,624,967</u>	<u>\$ 79,031,743</u>		

See notes to consolidated financial statements.

BAHAMAS FIRST HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2024 (Expressed in Bahamian dollars)

	Notes	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit for the year		\$ 6,945,838	\$ 1,639,178
Adjustments for:			
Depreciation and amortisation	10,11,12	2,460,346	2,365,999
Impairment of goodwill	12	-	600,000
Credit loss provision/(recovery)	6,7	7,984	(19,900)
Interest on leases	11	57,304	27,568
Amortisation of discounts on bonds	6,19	127,565	172,049
Loss/(gain) on disposal of property and equipment	19	9,202	(200)
(Increase)/decrease in operating assets			
(Increase)/decrease in broker receivables, gross	7	(5,545,638)	3,971,512
(Increase)/decrease in sundry receivables and prepayments		(213,636)	626,759
Increase in reinsurance contract assets	8	(1,021,880)	(3,862,051)
Increase/(decrease) in operating liabilities			
Increase in accrued expenses and other liabilities		46,497	195,613
Decrease in bonds payable	13	-	(2,569)
Increase/(decrease) in broker payable		24,585	(254,282)
Increase in insurance contract liabilities	8	3,003,289	914,063
Net cash from operating activities		<u>\$ 5,901,456</u>	<u>\$ 6,373,739</u>

(Continued)

See notes to consolidated financial statements.

BAHAMAS FIRST HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2024 (Expressed in Bahamian dollars)

	Notes	2024	2023
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	10	\$ (733,440)	\$ (426,761)
Purchase of intangible assets	12	(33,300)	(1,686,334)
Proceeds from disposal of property and equipment	10,19	15,581	200
Proceeds from sale and maturity of investments	6	4,550,975	5,453,866
Purchase of investments	6	<u>(13,295,821)</u>	<u>(5,331,833)</u>
Net cash used in investing activities		<u>\$ (9,496,005)</u>	<u>\$ (1,990,862)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Preference shares dividend paid	14	\$ (350,000)	\$ (350,000)
Common shares dividend paid	14	(2,920,928)	(2,920,928)
Lease liability cash payments	11	<u>(293,716)</u>	<u>(322,654)</u>
Net cash used in financing activities		<u>\$ (3,564,644)</u>	<u>\$ (3,593,582)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(7,159,193)	789,295
CASH AND CASH EQUIVALENTS:			
BEGINNING OF YEAR		<u>34,425,676</u>	<u>33,636,381</u>
END OF YEAR		<u>\$ 27,266,483</u>	<u>\$ 34,425,676</u>
CASH AND CASH EQUIVALENTS ARE COMPRISED OF:			
Cash on hand		\$ 9,628	\$ 9,188
Cash at bank		19,860,961	26,029,498
Cash at investment broker		6,396,646	5,360,152
Treasury bills		<u>999,248</u>	<u>3,026,838</u>
		<u>\$ 27,266,483</u>	<u>\$ 34,425,676</u>
SUPPLEMENTAL CASH FLOW DISCLOSURES:			
Interest received		<u>\$ 1,257,799</u>	<u>\$ 1,176,287</u>
Dividends received		<u>\$ 335,252</u>	<u>\$ 297,890</u>
Premium taxes paid		<u>\$ 5,433,820</u>	<u>\$ 5,289,517</u>
Interest expense paid		<u>\$ 1,045,768</u>	<u>\$ 1,127,366</u>

(Concluded)

See notes to consolidated financial statements.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 *(Expressed in Bahamian dollars)*

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 financial statements 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”)

Management company:

- Bahamas First Corporate Services Ltd. (“BFCS”)

BFCS provides administrative and corporate services to the Group and charges management fees to the various Group companies, which are eliminated on consolidation.

Insurance holding company:

- BFH International Limited (“BFHIL”)

Dormant companies:

- CMA Insurance Brokers & Agents Limited (“CMA”)
- First Response Limited (“FRL”)
- BFH Services (Cayman) Limited (“BFHS”)

All of the above subsidiaries are wholly-owned except for CFI, of which BFHIL owns 87.70%. The ordinary and preference shares along with the corporate bonds are listed and traded on the Bahamas International Securities Exchange (“BISX”). The registered office of the Company is located at 32 Collins Avenue, Nassau, The Bahamas.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

1. GENERAL (CONTINUED)

As of December 31, 2024, BFH Services (Cayman) Limited (“BFHS”) and First Response Limited (“FRL”), wholly owned subsidiaries of the Group, ceased all active operations and are considered dormant. The companies remain legally registered but inactive. During the year, FRL provided motor claim roadside assistance and claim adjusting services to BFG and BFHS operated as a health referral agency.

2. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”) AND INTERNATIONAL ACCOUNTING STANDARDS (“IAS”)

a. *New and amended Standards and Interpretations adopted by the Group*

In the current year, there were several new and amended Standards and Interpretations issued by the International Accounting Standards Board (the “IASB”) and the International Financial Reporting Interpretations Committee of the IASB effective for annual reporting periods beginning on or after January 1, 2024. However, they do not have a material effect on the Group’s financial statements.

b. *Standards and Interpretations issued but not yet effective*

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the dates noted below:

Effective for annual periods beginning on or after January 1, 2026

Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 – Financial Instruments (“IFRS 9”) and IFRS 7 – Financial Instruments: Disclosures (“IFRS 7”).

On 30 May 2024, the IASB issued targeted amendments to IFRS 9 and IFRS 7 to respond to recent questions arising in practice, and to include new requirements. These amendments:

- (i) clarify the date of recognition and derecognition of some financial assets and liabilities;
- (ii) clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest criterion;
- (iii) add new disclosures for certain instruments with contractual terms that can change cash flows; and
- (iv) update the disclosures for equity instruments designated at fair value through other comprehensive income.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

2. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”) AND INTERNATIONAL ACCOUNTING STANDARDS (“IAS”) (CONTINUED)

b. *Standards and Interpretations issued but not yet effective (continued)*

These amendments are not anticipated to have a material impact on the Group’s financial statements.

Effective for annual periods beginning on or after January 1, 2027

IFRS 18 – Presentation and Disclosure in Financial Statements (“IFRS 18”)

IFRS 18 will replace IAS 1 Presentation of financial statements, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though IFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on presentation and disclosure are expected to be pervasive, in particular those related to the statement of financial performance and providing management-defined performance measures within the financial statements. Management is currently assessing the detailed implications of applying the new standard on the Group’s financial statements.

IFRS 19 – Subsidiaries without Public Accountability: Disclosures (“IFRS 19”)

Issued in May 2024, IFRS 19 allows for certain eligible subsidiaries of parent entities that report under IFRS Accounting Standards to apply reduced disclosure requirements. Management is currently assessing the detailed implications of applying the new standard on the Group’s financial statements.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION

The following is a summary of the material accounting policy information:

- a. **Basis of preparation** - These consolidated financial statements have been prepared in accordance with IFRS. They have been prepared on an accrual basis and under the historical cost convention, except as outlined in the accounting policies below. The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Where necessary, in the consolidated financial statements, corresponding figures have been reclassified to conform with changes in presentation in the current year. The accounting policies are consistent with those used in the prior year.

- b. **Basis of consolidation** - Subsidiaries are those entities controlled by BFH. Control exists when the Company has power over the investee, is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. In assessing control, the potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.
- c. **Business combinations** - The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a “concentration test” that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

c. *Business combinations (continued)*

The cost of the acquisition is measured at the aggregate of the consideration transferred (measured at acquisition date fair value), and the amount of any non-controlling interest in the acquiree. For each business combination, the Company measures the non-controlling interest in the acquiree at the proportionate share of the acquiree's identifiable net assets. Acquisition cost incurred is expensed. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of the combination.

Changes in the Company's ownership in a subsidiary that do not result in a loss of control are accounted for as equity transactions and are recognised in contributed surplus in the consolidated statement of changes in equity.

d. *Financial instruments*

Classification and measurement

On initial recognition, a financial asset or liability is measured at its fair value plus, in the case of investments not at fair value through profit or loss ("FVTPL"), transaction costs directly attributable to the acquisition or issue of the financial asset or liability. Transaction costs on financial assets and financial liabilities at FVTPL are expensed immediately, while on other financial instruments they are amortised.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

d. *Financial instruments (continued)*

Classification and measurement (continued)

(i) Debt instruments

The classification and measurement of debt instruments is dependent on the business model under which the Group manages its investments as well as their cash flow characteristics. They are reclassified when the business model for managing those assets changes.

Debt instruments are classified as either financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income (“FVTOCI”) or financial assets measured at FVTPL as follows:

Amortised cost	FVTOCI	FVTPL
Assets held for the collection of contractual cash flows.	Assets held for the collection of contractual cash flows and for the sale of financial assets.	Assets that do not meet the criteria for amortised cost nor FVTOCI are measured at FVTPL.
Cash flows represent solely payments of principal and interest (“SPPI”).	Cash flows represent SPPI.	An irrevocable election can be made (on an instrument-by-instrument basis) to designate assets as FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Business model assessment

A business model refers to how an entity manages its financial assets in order to generate cash flows, i.e. by collecting contractual cash flows, selling financial assets or both. There are three business models under IFRS 9:

- Hold to collect (contractual cash flows)
- Hold to collect and sell
- Hold to trade

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

d. *Financial instruments (continued)*

Classification and measurement (continued)

(i) Debt instruments (continued)

SPPI assessment

The second criterion for determining the classification of a debt instrument is whether the contractual cash flows are SPPI. For contractual cash flows to be SPPI they must include returns consistent with a basic lending arrangement.

The Group's debt instruments are consistent with a basic lending arrangement and the contractual cash flows are solely payments of principal and interest. Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. We are not aware of any features that would result in the Group's debt instruments failing the SPPI test.

(ii) Equity instruments

There are two measurement categories under which an equity instrument could be classified: as FVTOCI or FVTPL:

FVTOCI (without recycling of gains or losses to profit or loss on derecognition)	FVTPL
Irrevocable election (on an instrument-by-instrument basis) on the date of acquisition. Designation is not permitted if the equity instrument is held for trading.	Default classification for all equity instruments.

The Group does not hold any equity instruments for trading purposes. All equities were designated as FVTOCI. An entity may, at initial recognition, irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. This may be applicable for an insurance company if the assets supporting the liabilities are measured differently. The FVTPL option was not taken by the Group.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

d. *Financial instruments (continued)*

Classification and measurement (continued)

Investments in Bahamas Government Registered Stock are classified as debt instruments and are carried at amortised cost. Preference shares and redeemable fixed rate note investments that meet the criteria are also classified as debt instruments and carried at amortised cost. All other investments are classified as FVTOCI and are measured at fair value at the consolidated statement of financial position date.

After initial recognition, financial assets are measured as follows:

Debt instruments at amortised cost	Debt instruments at FVTOCI	Equity instruments at FVTOCI
Debt instruments at amortised cost are measured, using the effective interest rate (“EIR”) method, less allowance for impairment. Expected credit losses (“ECLs”) are recognised in the consolidated statement of comprehensive income when the investments are impaired. Gains or losses are recognised in profit or loss on derecognition or impairment, as well as through the amortisation process.	Debt instruments at FVTOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in other comprehensive income (“OCI”), with gains or losses recycled to profit or loss on derecognition.	Equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI, with no recycling of gains or losses to profit or loss on derecognition.

After initial recognition, financial liabilities are measured at amortised cost using the effective interest method, except for financial liabilities at FVTPL. Such liabilities, including derivatives that are liabilities, are measured at fair value.

Cash and cash equivalents, broker receivables and sundry receivables and prepayments are carried at cost, which equates to amortised cost, less provision for ECLs. Broker payables, accrued expenses and other liabilities and bonds payable are financial liabilities which are carried at cost, which equates to amortised cost.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

d. *Financial instruments (continued)*

Recognition and derecognition – Financial assets and financial liabilities (including assets and liabilities designated at FVTPL) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument. A financial asset is derecognised when the rights to receive cash flows from the asset have expired or the Group has transferred its right to receive cash flows from the asset and substantially all risks and rewards of ownership. Financial liabilities are derecognised when they are extinguished.

- e. **Broker receivables** - Broker receivables are stated at cost less provision for ECLs. The provision for ECLs is based on management's evaluation of the portfolio, as described in note 3h.
- f. **Property and equipment** – Property and equipment, other than freehold land and buildings, are stated at cost less accumulated depreciation and impairment losses.

Expenditure incurred in the construction or replacement of property and equipment is capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the property and equipment. All other expenditure is recognised in the consolidated statement of comprehensive income as an expense as incurred. Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised in the consolidated statement of comprehensive income.

Depreciation is charged to the consolidated statement of comprehensive income on a straight-line basis over the estimated useful lives of the assets. Land is not depreciated and expenditure incurred on construction-in-progress is not depreciated until construction is completed.

The estimated useful lives are as follows:

Buildings	40 years
Motor vehicles	5 years
Computer equipment	3 - 5 years
Furniture and equipment	3 - 10 years
Leasehold improvements	3 - 10 years

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

f. *Property and equipment (continued)*

The assets' useful lives are reviewed at each date of the consolidated statement of financial position and adjusted if appropriate.

Freehold land and buildings are stated at fair market value, based on independent professional appraisals, which are performed at least once every three years. At the end of each reporting period, management updates its assessment of the fair value of each property, considering current information available and the most recent independent valuations. The fair value measurement is categorised as Level 3 in the fair value hierarchy.

A revaluation increment is recorded in other comprehensive income, unless it reverses a revaluation decrease of the same asset previously recognised as an expense and is transferred to retained earnings to the extent realised by complete or partial disposal of the related asset, including depreciation. Any revaluation decrease is recognised as an expense unless it reverses a revaluation increase that was previously recognised in other comprehensive income. Any depreciation accumulated on an asset at the date of revaluation is eliminated against the gross carrying amount of the asset and the resulting net amount restated to the revalued amount of the asset. The accumulated depreciation is reduced or eliminated, and any remaining surplus is used to increase cost.

g. *Intangible assets and goodwill*

On acquisition of an investment in an associate/subsidiary any goodwill arising (i.e. the excess of the cost of the investment over the investor's share of the net fair value of the identifiable assets, liabilities and contingent liabilities) is accounted for as follows:

- (i) goodwill is included in the carrying amount of the investment in associate and is neither amortised nor individually tested for impairment. For subsidiaries, it is included as goodwill in the consolidated statement of financial position and is tested for impairment at least annually.
- (ii) other intangible assets identified on acquisition of a subsidiary are recognised at cost, only if future economic benefits attributable to the asset will flow to the Group, and if the fair value of the asset can be measured reliably. In addition, for purposes of recognition, the intangible asset must be separable from the business being acquired or must arise from contractual or legal rights. On acquisition, the useful life of the asset is estimated and determined to be either finite or indefinite.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

g. *Intangible assets and goodwill (continued)*

- (iii) any excess of the investor's share of the fair value of the net assets over the cost of the investment is included in the consolidated statement of comprehensive income in the period in which the investment is acquired.

In addition to goodwill and other intangible assets arising from business combinations, included in this caption are acquired software licenses. The software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. After initial recognition, an intangible asset with a finite useful life is amortised using the straight-line method over the estimated useful life of the specific intangible asset, estimates of which range from 3 to 20 years, and amortisation expense is included in the consolidated statement of comprehensive income. An intangible asset with an indefinite useful life is not amortised but tested for impairment at least annually. An intangible asset shall be regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows to the Group.

An intangible asset shall be derecognised on disposal or when no future economic benefit is expected from its use or disposal. The gain or loss arising from the derecognition is recognised in the consolidated statement of comprehensive income.

h. *Impairment*

The Group recognises an allowance for ECLs for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the appropriate effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

h. *Impairment (continued)*

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The key elements and the mechanics of the ECL calculations are outlined below:

- (i) The Probability of Default (“PD”) is an estimate of the likelihood of default over a given time horizon. It is estimated with consideration of economic scenarios and forward-looking information.
- (ii) The Exposure at Default (“EAD”) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, and accrued interest from missed payments.
- (iii) The Loss Given Default (“LGD”) is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive. It is usually expressed as a percentage of the EAD.

The Group allocates its assets subject to ECL calculations into one of the following stages:

- (i) Stage 1 Financial instruments – 12-month ECL: The provision is calculated as the portion of Lifetime ECLs that represent the ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. The Group calculates the 12-month ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an appropriate effective interest rate (“EIR”).
- (ii) Stage 2 Financial instruments – Lifetime expected credit loss (“LTECL”): When an instrument has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument. The expected losses are discounted by an appropriate EIR.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

h. *Impairment (continued)*

(iii) Stage 3 Financial instruments – Credit impaired: The Group recognises the lifetime ECLs for financial assets that are considered impaired. The method is similar to that for LTECL assets, with the PD set at 100%.

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Non-financial assets other than goodwill that previously suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period. To the extent that the impairment is reversed, it is recognised in the consolidated statement of comprehensive income.

In assessing whether financial assets carried at amortised cost and non-financial assets are impaired, due consideration is given to the factors outlined in note 4f and note 4g, respectively.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

i. *Insurance contracts*

Definition and classification

Insurance contracts are contracts under which the Group accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis. The Group uses judgement to assess whether a contract transfers insurance risk and whether the accepted insurance risk is significant. The main insurance contracts issued by the Group are as follows:

Property and Casualty (“P&C”) insurance contracts – P&C contracts are generally one year renewable contracts issued by the Group covering insurance risks over property, motor, marine, engineering and general accident.

Health and Group Life (“H&L”) insurance contracts – H&L contracts are month to month renewable contracts. Health insurance contracts cover insureds for medical expenses incurred. Group Life insurance contracts protect the Group’s customers from the consequences of events (such as death or disability). Guaranteed benefits paid on occurrence of the specified insurance event are fixed.

All of the Group’s insurance contracts transfer significant insurance risk. The Group does not issue insurance contracts with direct or indirect participating features, nor any features that should be accounted for separately in accordance with IFRS 17 requirements. Riders, representing add-on provisions to a basic insurance policy that provide additional benefits to the policyholder at additional cost, which are issued together with the main insurance contracts form part of a single insurance contract with all of the cash flows within its boundary.

In the normal course of business, the Group uses reinsurance to mitigate its risk exposures. A reinsurance contract held transfers significant risk if it transfers a substantial portion of the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss. The Group does not issue any reinsurance contracts directly or indirectly.

The Group measures insurance contracts issued and reinsurance contracts held applying the Premium Allocation Approach (“PAA”).

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

i. *Insurance contracts (continued)*

Unit of account

The Group manages insurance contracts issued by product lines, where each product line and geographic region includes contracts that are subject to similar risks and are managed together. All insurance contracts within a product line represent a portfolio of contracts. Each portfolio is further disaggregated into groups of contracts that are issued within a calendar year (annual cohorts) and are:

- (i) contracts that are onerous at initial recognition;
- (ii) contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or
- (iii) a group of remaining contracts.

These groups represent the level of aggregation at which insurance contracts are initially recognised and measured. Such groups are not subsequently reconsidered.

For each portfolio of contracts, the Group determines the appropriate level at which reasonable and supportable information is available, to assess whether these contracts are onerous at initial recognition and whether non-onerous contracts have a significant possibility of becoming onerous. This level of granularity determines sets of contracts.

The Group uses judgement to determine at what level of granularity the Group has reasonable and supportable information that is sufficient to conclude that all contracts within a set are sufficiently homogeneous and will be allocated to the same group without performing an individual contract assessment.

The Group assumes that no contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise. If facts and circumstances indicate that some contracts are onerous, an additional assessment is performed to distinguish onerous contracts from non-onerous ones. For non-onerous contracts, the Group assesses the likelihood of changes in the applicable facts and circumstances in the subsequent periods in determining whether contracts have a significant possibility of becoming onerous.

Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued. Applying the grouping requirements to reinsurance contracts held, the Group aggregates reinsurance contracts held concluded within a calendar year (annual cohorts) into groups of: (i) contracts for which there is a net gain at initial recognition; (ii) contracts for which, at initial recognition, there is no significant possibility of a net gain arising subsequently; and (iii) remaining contracts in the portfolio.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

i. *Insurance contracts (continued)*

Unit of account (continued)

Reinsurance contracts held are assessed for aggregation requirements at the portfolio level. The Group tracks internal management information reflecting historical experience of such contracts' performance to assess the associated profitability cohort of groups of reinsurance contracts.

Recognition and derecognition

Groups of insurance contracts issued are initially recognised from the earliest of the following:

- (i) the beginning of the coverage period;
- (ii) the date when the first payment from the policyholder is due or actually received, if there is no due date; or
- (iii) when the Group determines that a group of contracts becomes onerous.

Reinsurance contracts held are recognised as follows:

- (i) a group of reinsurance contracts held that provide proportionate coverage (quota share reinsurance) is recognised at the later of:
 - the beginning of the coverage period of the group; or
 - the initial recognition of any underlying insurance contract.
- (ii) all other groups of reinsurance contracts held are recognised from the beginning of the coverage period of the group of reinsurance contracts held. This is unless the Group entered into the reinsurance contract held, at or before the date when an onerous group of underlying contracts is recognised (which is prior to the beginning of the coverage period of the group of reinsurance contracts held). In this case, the reinsurance contract held is recognised at the same time as the group of underlying insurance contracts is recognised.

Only contracts that individually meet the recognition criteria by the end of the reporting period are included in the groups. When contracts meet the recognition criteria in the groups after the reporting date, they are added to the groups in the reporting period in which they meet the recognition criteria, subject to the annual cohorts restriction. Composition of the groups is not reassessed in subsequent periods.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

i. *Insurance contracts (continued)*

Recognition and derecognition (continued)

An insurance contract is derecognised when it is:

- (i) extinguished; or
- (ii) the contract is modified and additional criteria discussed below are met.

When an insurance contract is modified by the Group as a result of an agreement with the counterparties or due to a change in regulations, the Group treats changes in cash flows caused by the modification as an adjustment to the Liability for Remaining Coverage (“LRC”), unless the conditions for the derecognition of the original contract are met.

The Group derecognises the original contract and recognises the modified contract as a new contract if any of the following conditions are present:

- (i) if the modified terms had been included at contract inception and the Group would have concluded that the modified contract:
 - is not within the scope of IFRS 17;
 - results in different separable components;
 - results in a different contract boundary; or
 - belongs to a different group of contracts.
- (ii) the modification means that the contract no longer meets the eligibility criteria for that approach.

When an insurance contract is derecognised, adjustments to remove related rights and obligations to account for the effect of the derecognition result in the following amounts being reported immediately in the consolidated statement of comprehensive income:

- (i) if the contract is extinguished, any net difference between the derecognised part of the LRC of the original contract and any other cash flows arising from extinguishment;
- (ii) if the contract is transferred to a third party, any net difference between the derecognised part of the LRC of the original contract and the premium charged by the third party; or

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

i. *Insurance contracts (continued)*

Recognition and derecognition (continued)

- (iii) if the original contract is modified resulting in its derecognition, any net difference between the derecognised part of the LRC and the hypothetical premium that the entity would have charged if it had entered into a contract with equivalent terms as the new contract at the date of the contract modification, less any additional premium charged for the modification.

Fulfilment cash flows and contract boundary

The term fulfilment cash flows (“FCFs”) in the context of insurance contracts are the current estimates of the future cash flows within the contract boundary of a group of contracts that the Group expects to collect from premiums and pay out for claims, benefits and expenses, adjusted to reflect the timing and the uncertainty of those amounts.

The estimates of FCFs:

- (i) are based on a probability-weighted mean of the full range of possible outcomes;
- (ii) are determined from the perspective of the Group, provided that the estimates are consistent with observable market prices for market variables; and
- (iii) reflect conditions existing at the measurement date.

The Group estimates certain FCF at the portfolio level or higher and then allocates such estimates to groups of contracts. The Group uses consistent assumptions to measure the estimates of the present value of future cash flows for the group of reinsurance contracts held and such estimates for the groups of underlying insurance contracts.

The Group uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts. Cash flows are within the boundary of an insurance contract if they arise from the rights and obligations that exist during the period in which the policyholder is obligated to pay premiums or the Group has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation ends when:

- (i) the Group has the practical ability to reprice the risks of the particular policyholder or change the level of benefits so that the price fully reflects those risks; or

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

i. *Insurance contracts (continued)*

Fulfilment cash flows and contract boundary (continued)

(ii) both of the following criteria are satisfied:

- the Group has the practical ability to reprice the contract or a portfolio of contracts so that the price fully reflects the reassessed risk of that portfolio; and
- the pricing of premiums up to the date when risks are reassessed does not reflect the risks related to periods beyond the reassessment date.

In assessing the practical ability to reprice the contract, risks transferred from the policyholder to the Group, such as insurance risk and financial risk, are considered; other risks, such as lapse or surrender and expense risk, are not included. Cash flows outside the insurance contracts boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

For groups of reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations of the Group that exist during the reporting period in which the Group is compelled to pay amounts to the reinsurer or in which the Group has a substantive right to receive insurance contract services from the reinsurer.

The Group defines acquisition cash flows as cash flows that arise from costs of selling, underwriting and starting a group of insurance contracts and that are directly attributable to the portfolio of insurance contracts to which the group belongs. Insurance acquisition cash flows are allocated to groups of insurance contracts on a systematic and rational basis. Insurance acquisition cash flows that are directly attributable to a group of insurance contracts are allocated:

- (i) to that group; and
- (ii) to groups that will include insurance contracts that are expected to arise from renewals of the insurance contracts in that group.

Insurance acquisition cash flows not directly attributable to a group of contracts but directly attributable to a portfolio of contracts are allocated to groups of contracts in the portfolio or expected to be in the portfolio.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

i. *Insurance contracts (continued)*

Fulfilment cash flows and contract boundary (continued)

Before a group of insurance contracts is recognised, the Group could pay for directly attributable acquisition costs to originate them. Such balances are recognised as insurance acquisition cash flow assets within the carrying amount of insurance contracts issued and are subsequently derecognised when respective groups of insurance contracts are recognised and the insurance acquisition cash flows are included in the group's measurement. The amounts allocated to groups of insurance contracts yet to be recognised are revised at each reporting date, to reflect any changes in assumptions that determine the inputs to the method of allocation used.

Insurance acquisition cash flow assets not yet allocated to a group are assessed for recoverability if facts and circumstances indicate that the assets might be impaired. Impairment losses reduce the carrying amount of these assets and are recognised in insurance service expenses. Previously recognised impairment losses are reversed to the extent that the impairment conditions no longer exist or have improved.

Before a group of insurance contracts is recognised, the Group could recognise assets or liabilities for cash flows related to a group of insurance contracts other than insurance acquisition cash flows, either because of the occurrence of the cash flows or because of the requirements of another IFRS standard. Cash flows are related to the group of insurance contracts if they would have been included in the FCF at initial recognition of the group and if they had been paid or received after that date. Such assets or liabilities (referred to as 'other pre-recognition cash flows') are included in the carrying amount of the related portfolios of insurance contracts issued or in the carrying amount of the portfolios of reinsurance contracts held.

Cash flows that are not directly attributable to a portfolio of insurance contracts are recognised as they are incurred, as other operating expenses within the consolidated statement of comprehensive income.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

i. *Insurance contracts (continued)*

Measurement

The Group uses the PAA for measuring contracts with a coverage period of one year or less. For contracts with longer periods, the PAA simplification would produce a measurement of the LRC that would not differ materially from the one that would be produced by applying the General Measurement Model (“GMM”) based on assessments performed by the Group.

For P&C insurance contracts issued, insurance acquisition cash flows allocated to a group are deferred and recognised over the coverage period of contracts in a group. H&L insurance contracts are month to month renewable contracts, insurance acquisition cash flows are expensed as incurred.

For insurance contracts issued, on initial recognition, the Group measures the LRC at the amount of premiums received, less any acquisition cash flows paid and any amounts arising from the derecognition of the insurance acquisition cash flows asset and the derecognition of any other relevant pre-recognition cash flows. The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of:

- (i) the LRC; and
- (ii) the Liability for Incurred Claims (“LIC”), comprising the FCF related to past service allocated to the group at the reporting date.

For insurance contracts issued, at each of the subsequent reporting dates, the LRC is:

- (i) increased for premiums received in the period, excluding amounts that relate to premium receivables included in the LIC;
- (ii) decreased for insurance acquisition cash flows paid in the period;
- (iii) decreased for the amounts of expected premium receipts recognised as insurance revenue for the services provided in the period; and
- (iv) increased for the amortisation of insurance acquisition cash flows in the period recognised as insurance service expenses.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

i. *Insurance contracts (continued)*

Measurement (continued)

For reinsurance contracts held, on initial recognition, the Group measures the remaining coverage at the amount of ceding premiums paid, plus broker fees paid to a party other than the reinsurer and any amounts arising from the derecognition of any other relevant pre-recognition cash flows. The carrying amount of a group of reinsurance contracts held at the end of each reporting period is the sum of:

- (i) the remaining coverage; and
- (ii) the incurred claims, comprising the FCF related to past service allocated to the group at the reporting date.

For reinsurance contracts held, at each of the subsequent reporting dates, the remaining coverage is:

- (i) increased for ceding premiums paid in the period;
- (ii) increased for broker fees paid in the period; and
- (iii) decreased for the expected amounts of ceding premiums and broker fees recognised as reinsurance expenses for the services received in the period.

The Group does not adjust the LRC for insurance contracts issued and the remaining coverage for reinsurance contracts held for the effect of the time value of money. For LIC, the estimates of future cash flows for P&C insurance are adjusted using current discount rates to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of cash flows. The discount rates reflect the characteristics of the cash flows arising from the groups of insurance contracts, including timing, currency and liquidity of cash flows. The determination of the discount rates that reflect the characteristics of the cash flows and liquidity characteristics of the insurance contracts requires significant judgement and estimation. The Group does not adjust the cash flows for H&L insurance claims to reflect the time value of money.

An explicit risk adjustment for non-financial risk is estimated separately from the other estimates. It reflects the compensation that the Group requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Group fulfils insurance contracts. Unless the contracts are onerous, the explicit risk adjustment for non-financial risk is only estimated for the measurement of the LIC. For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Group to the reinsurer.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

i. *Insurance contracts (continued)*

Measurement (continued)

The Group adjusts the assets for reinsurance contracts held for the effect of the risk of reinsurer's non-performance. In the measurement of reinsurance contracts held, the probability-weighted estimates of the present value of future cash flows include the potential credit losses and other disputes of the reinsurer to reflect the non-performance risk of the reinsurer. Based on current use of reinsurers, this provision is materially nil.

If facts and circumstances indicate that a group of insurance contracts measured under the PAA is onerous on initial recognition or becomes onerous subsequently, the Group increases the carrying amount of the LRC to the amounts of the FCF with the amount of such an increase recognised in insurance service expenses, and a loss component is established for the amount of the loss recognised. Subsequently, the loss component is remeasured at each reporting date as the difference between the amounts of the FCF relating to the future service and the carrying amount of the LRC without the loss component. Where applicable, resulting changes in the loss component are recognised as insurance service expenses within the consolidated statement of comprehensive income.

When a loss is recognised on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group, the carrying amount of the asset for remaining coverage for reinsurance contracts held is increased by the amount of income recognised in the consolidated statement of comprehensive income and a loss-recovery component is established or adjusted for the amount of income recognised. The referred income is calculated by multiplying the loss recognised on underlying insurance contracts by the percentage of claims on underlying insurance contracts that the Group expects to recover from the reinsurance contract held that are entered into before or at the same time as the loss is recognised on the underlying insurance contracts.

When underlying insurance contracts are included in the same group with insurance contracts issued that are not reinsured, the Group applies a systematic and rational method of allocation to determine the portion of losses that relates to underlying insurance contracts.

Where applicable, changes in the loss-recovery component are recognised as net income from reinsurance contracts held.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

i. *Insurance contracts (continued)*

Insurance service result from insurance contracts issued

The Group recognises insurance revenue based on the passage of time over the coverage period of a group of contracts, except for groups of contracts for which the expected pattern of release of risk during the coverage period differs significantly from the passage of time. For these groups of contracts, the Group recognises insurance revenue based on the expected timing of incurred insurance service expenses. The amount of insurance revenue for the period is the amount of expected premium receipts (excluding any investment component and adjusted to reflect the effect of financial risk) allocated to the period.

Insurance service expenses include the following:

- (i) incurred claims and benefits, reduced by loss component allocations;
- (ii) other incurred directly attributable expenses, including amounts of any other pre-recognition cash flows assets (other than insurance acquisition cash flows) derecognised at the date of initial recognition;
- (iii) insurance acquisition cash flows amortisation;
- (iv) changes that relate to past service – changes in the FCF relating to the LIC;
- (v) changes that relate to future service – changes in the FCF that result in onerous contract losses or reversals of those losses; and
- (vi) insurance acquisition cash flows assets impairment.

Amortisation of insurance acquisition cash flows is based on the timing of recognition of insurance revenue. Other expenses not meeting the above categories are included in other operating expenses in the consolidated statement of comprehensive income.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

i. *Insurance contracts (continued)*

Insurance service result from reinsurance contracts held

The Group presents financial performance of groups of reinsurance contracts held on a net basis in net income (expenses) from reinsurance contracts held, comprising the following amounts:

- (i) reinsurance expenses;
- (ii) incurred claims recovery, reduced by loss-recovery component allocations;
- (iii) other incurred directly attributable expenses;
- (iv) changes that relate to past service – changes in the FCF relating to incurred claims recovery;
- (v) effect of changes in the risk of reinsurers' non-performance; and
- (vi) amounts relating to accounting for onerous groups of underlying insurance contracts issued.

Reinsurance expenses are recognised similarly to insurance revenue. The amount of reinsurance expenses recognised in the reporting period depicts the transfer of received insurance contract services at an amount that reflects the portion of ceding premiums that the Group expects to pay in exchange for those services.

The Group recognises reinsurance premiums based on the same methodology used for recognising insurance revenue.

Ceding commissions that are not contingent on claims of the underlying contracts issued reduce ceding premiums and are accounted for as part of reinsurance expenses. Ceding commissions that are contingent on claims of the underlying contracts issued are treated as incurred claims recovery.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

i. *Insurance contracts (continued)*

Net finance income or expenses from insurance and reinsurance contracts

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

- (i) the effect of the time value of money and changes in the time value of money; and
- (ii) the effect of financial risk and changes in financial risk.

The Group does not apply the other comprehensive income (“OCI”) option to disaggregate insurance finance income or expenses between profit or loss and OCI. The effect of changes in the time value of money and changes in financial risk on the LIC for insurance contracts issued and reinsurance contracts held are reflected in profit or loss.

The Group does not disaggregate changes in the risk adjustment for non-financial risk between insurance service result and insurance finance income or expenses.

j. *Net investment income*

Interest income on debt securities measured at amortised cost is recognised on an accrual basis, using the effective interest rate method. Interest income on debt securities classified as FVTOCI is recognised in interest income using the effective interest rate method, including the transaction costs. Dividends are recognised when the shareholders’ right to receive payment is established, which is the ex-dividend date.

k. *Investment premiums and discounts*

Premiums and discounts arising on acquisition of debt securities are amortised over the period remaining to maturity and are recognised in other income, net in the consolidated statement of comprehensive income.

l. *Cash and cash equivalents*

Cash and cash equivalents consist of cash on hand and deposits with banks and debt securities maturing within ninety days from the date of acquisition.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

m. *Borrowings*

Borrowings are recognised initially at fair value, net of transaction costs incurred. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the consolidated statement of comprehensive income over the period of borrowing using the effective rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan and are capitalised, and included in sundry receivables and prepayments in the consolidated statement of financial position. Capitalised fees are amortised over the period of the facility to which it relates, and are included in general and administrative expenses in the consolidated statement of comprehensive income.

n. *Share capital*

Shares are classified as equity when there is no obligation to transfer cash or other assets. Share capital is comprised of common and preference shares. The preference shares are non-voting and redeemable at the option of the Company. When common shares are repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction in equity.

Dividends on common and preference shares are recognised as a liability and deducted from equity when they are declared by the Company's Board of Directors.

o. *Foreign currency translation:*

(i) ***Functional and presentation currency*** - Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Bahamian dollars, which is BFH's functional and presentation currency.

(ii) ***Transactions and balances*** - Assets and liabilities denominated or accounted for in currencies other than the Bahamian dollar are translated into Bahamian dollars at the exchange rate prevailing at the consolidated statement of financial position date. Foreign currency transactions and income and expense items have been translated at the exchange rates prevailing at the date of the transaction. Gains or losses arising from transactions in foreign currencies are included in the consolidated statement of comprehensive income.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

p. ***Related parties*** – Related parties include:

- (i) key management personnel, Directors, and close members of that person's family;
- (ii) entities that have the ability to control or exercise significant influence over the Group in making financial or operational decisions; and
- (iii) entities that are controlled, jointly controlled or significantly influenced by parties in (i) and (ii).

q. ***Pension benefits***

The Group's employees participate in defined contribution plans. Under the plans, the Group contributes a fixed percentage of annual salary that is expensed in the year. Once the contributions have been made, the Group has no further obligations. The expensed amount is included in insurance service expenses and other operating expenses in the consolidated statement of comprehensive income.

r. ***Earnings per share***

Earnings per share is computed by dividing the profit attributable to the common shareholders by the weighted average number of common shares outstanding during the year. The weighted average number of common shares outstanding during the year is the number of common shares outstanding at the beginning of the period, adjusted by the number of common shares repurchased or issued during the period multiplied by a time-weighting factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the year. There is no material difference between basic earnings per share and fully diluted earnings per share.

s. ***Leases***

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16, Leases.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to office premises.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

s. *Leases (continued)*

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- (i) fixed payments, including in-substance fixed payments;
- (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (iii) amounts expected to be payable under a residual value guarantee; and
- (iv) the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

s. *Leases (continued)*

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the consolidated statement of comprehensive income if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents its right-of-use assets and lease liabilities in the consolidated statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including leases of Information Technology equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

t. *Taxation*

Subsidiaries of the Group operating in The Bahamas are subject to premium tax on taxable gross premium income at the flat rate of 3% (2023: 3%) on all policies and at 10% (2023: 10%) for value added tax (“VAT”) on all policies except owner occupied dwellings. Insurance subsidiaries operating in The Bahamas are subject to a business license tax on non-premium turnover at a sliding scale rate ranging from 0.5% to 1.25% (2023: 0.5% to 1.25%).

Subsidiaries of the Group operating in the Cayman Islands (Cayman subsidiaries) charge policyholders a stamp duty of Cayman Islands (“CI”) \$12 (2023: CI\$12) on each new or renewed insurance policy in accordance with the CI Stamp Duty Act (2019 Revision). Additionally, the Cayman subsidiaries also charge stamp duty of 2% (2023: 2%) of the premium relating to immovable property. For the H&L policies, the Group bears the cost of the stamp duty on behalf of the policyholders. The charges are recognised in the consolidated statement of comprehensive income.

In accordance with the CI Health Insurance Regulations (2017 Revision), the Cayman subsidiaries also charge health policy holders a health insurance surcharge based on the number of insured persons.

The VAT on premiums, premium taxes, stamp duties and surcharges are recorded as receivables from the policyholders and payables to the government agencies in the month in which they are processed. There are no other taxes on corporate income or capital gains levied on the Group in any of the jurisdictions in which it operates.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

u. *Segment reporting*

In identifying its operating segments, management generally follows the Group's business operating activities by geographic location (Bahamas & Cayman). The Bahamas' segment includes P&C insurance only and Cayman's segment includes both P&C and H&L insurance. P&C insurance comprises fire, motor, marine, engineering and general accident insurance. The H&L insurance segment includes group life and medical insurance.

v. *Contingent liabilities*

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably.

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that the Group will be required to settle that obligation; and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the expenditure required to settle that obligation at the reporting date and are discounted to present value.

Potential recoveries from third parties are recognised as a receivable when it is virtually certain that the recoveries will be received, and the amount can be measured reliably.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgments are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a. *Methods used to measure insurance contracts*

The estimation of the ultimate liability arising from claims made under insurance contracts is the Group's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the amounts that the Group will ultimately pay to settle such claims.

The liability for incurred claims is necessarily based on estimates due to the fact that ultimate disposition of claims incurred prior to the date of the consolidated statement of financial position, whether reported or not, is subject to the outcome of events that have not yet occurred. Examples of these events include, *inter alia*, jury decisions, court interpretations, legislative changes, changes in the medical condition of claimants, changes in medical costs and the cost of automobile and property repair materials and labour rates.

Any estimate of future costs is subject to the inherent uncertainties in predicting the course of future events. Consequently, the amounts recorded in respect of the liability for incurred claims may change significantly in the short term. Management estimates and judgments are based on the Group's claims experience, relevant circumstances and/or advice from legal counsel.

Short-tail claims, such as for automobile and property damage, are normally reported soon after the incident and are generally settled within one to three months after the claims event. Health and group life claims are normally reported within three months of the event and are usually settled within 30 days of being reported.

Information for long-tail claims such as casualty claims for bodily injury, general third party and employers' liability, and long term disability claims may not be readily available. The provision for long-tail claims is regularly evaluated by management and is based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

a. *Methods used to measure insurance contracts (continued)*

The ultimate undiscounted cost of claims which have occurred but not yet settled is estimated using a range of standard actuarial claims projection techniques. The Group's actuary has used a combination of actuarial methodologies to determine the estimate of the present value of undiscounted ultimate liabilities.

The assumptions used in most non-life actuarial projection techniques, including future rates of claims inflation or loss ratio assumptions, are implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in the future in order to arrive at a point estimate for the ultimate cost of claims that represents the likely outcome, from a range of possible outcomes, taking account of all the uncertainties involved.

The Group does not establish provisions for catastrophes (such as natural disasters) in advance of the occurrence of such events. These events can cause significant volatility in the Group's level of incurred losses. The impact of critical accounting estimates and judgments on the ultimate liability arising from claims made under insurance contracts is partially mitigated through relief arising from reinsurance contracts held.

Once estimates of the undiscounted claim liabilities are established, the projected future cash flows are estimated and then adjusted to reflect the time value of money and the risks related to those cash flows. See notes 4b, 4c and 4d for details on the derivation of future cash flows, discount rates and risk adjustment for non-financial risk respectively.

The carrying value at the consolidated statement of financial position date of insurance contract liabilities is \$93,130,530 (2023: \$90,127,241). The amount of reinsurance contract assets estimated at the consolidated statement of financial position date is \$55,351,927 (2023: \$54,330,047). Refer to note 8 for further information on reconciliations of insurance contract liabilities and reinsurance contract assets. Refer to note 9 for further information on the liability for incurred claims and claims development.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

b. *Estimates of future cash flows to fulfil insurance contracts*

Included in the measurement of each group of contracts within the scope of IFRS 17 are all of the future cash flows within the boundary of each group of contracts. The estimates of these future cash flows are based on probability-weighted expected future cash flows. The Group estimates which cash flows are expected and the probability that they will occur as at the measurement date. In making these estimates, the Group uses information about past events, current conditions and forecasts of future conditions. The Group's estimate of future cash flows is the mean of a range of scenarios that reflect the full range of possible outcomes. Each scenario specifies the amount, timing and probability of cash flows. The probability-weighted average of the future cash flows is calculated using a deterministic scenario representing the probability-weighted mean of a range of scenarios.

Uncertainty in the estimation of future claims and benefit payments arises primarily from the severity and frequency of claims. Assumptions used to develop estimates about future cash flows are reassessed annually and adjusted where required.

Where estimates of expense-related cash flows are determined at the portfolio level or higher, they are allocated to groups of contracts on a systematic and rational basis. An entity can use judgement to determine which cash flows within the boundary of insurance contracts are those that relate directly to the fulfilment of the contracts. The Group performs regular expense studies and uses judgement to determine the extent to which fixed and variable overheads are directly attributable to fulfilling insurance contracts.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

c. *Discount rates*

The top-down approach was used to derive the discount rates for Bahamas P&C claims. Under this approach, the discount rates are determined as the yield implicit in the fair value of a reference portfolio adjusted for differences between the reference portfolio of assets and respective liability cash flows. The reference portfolio consists of Government of Bahamas fixed coupon bonds available in the market denominated in the same currency as the product being measured. The yields from the reference portfolio were adjusted to remove spread associated with credit risk. These adjustments were estimated using information from observed historical levels of default relating to the bonds included in the reference portfolio.

The bottom-up approach was used to determine the discount rates for Cayman Islands P&C claims. Under this approach, the discount rates are determined by adjusting a liquid risk-free yield curve to reflect the liquidity characteristics of insurance liability cash flows. However, as there are no assets traded in the Cayman Islands that can be used as a reference portfolio, the Group has determined the discount rates based on an approximation. The credit rating of the Cayman Islands government is high enough that, if it were to issue bonds, there would be very minimal credit risk, similar to more developed markets. Further, the Cayman Islands economy and currency has very close ties to the USA. Consequently, the Group has used the US Treasury Yield Curve for the bottom-up discount rate approach.

The settlement of the Group's current outstanding claims are all expected to occur within the period for which observable market information is available to determine the IFRS 17 discount rates.

The yield curves (spot rates) that were used to discount the estimates of future cash flows are as follows:

P&C (issued and reinsurance held)								
	2024				2023			
	1 Year	5 years	10 years	20 years	1 Year	5 years	10 years	20 years
Bahamian dollars	1.7%	2.4%	4.0%	4.8%	1.6%	2.3%	4.0%	4.8%
Cayman Islands dollars	4.8	5.4%	6.2%	6.5%	5.4%	4.8%	5.4%	5.8%

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

d. *Methods used to measure the risk adjustment for non-financial risk*

The risk adjustment for non-financial risk is the compensation that is required for bearing the uncertainty about the amount and timing of cash flows that arises from non-financial risk as the insurance contract is fulfilled. Because the risk adjustment represents compensation for uncertainty, estimates are made on the degree of diversification benefits and expected favourable and unfavourable outcomes in a way that reflects the Group's degree of risk aversion. The Group estimates an adjustment for non-financial risk separately from all other estimates.

The Group quantifies the risk adjustment at a consolidated level which is then allocated down to groups of contracts in accordance with their risk profiles. This approach reflects the diversification that occurs between the companies at the consolidation level as well as between groups of contracts within the Group. The confidence level method was used to derive the risk adjustment for non-financial risk.

In the confidence level method, the risk adjustment is determined by developing a loss distribution based on the Group's historical claims data and selecting a level of risk adjustment that is at least equivalent to the target confidence level. The target confidence level is 75% (2023: 75%).

e. *Contracts measured under the PAA approach*

For insurance contracts issued measured under the PAA, management judgement is required to assess whether facts and circumstances indicate that a group of contracts has become onerous. Further, judgement is required to assess whether facts and circumstances indicate that there are any changes in the onerous group's profitability and whether any loss component remeasurement is required.

The Group sets premiums considering recent experience and future expectations with the intention of underwriting profitable contracts. As part of annual budgeting the Group quantifies the expected profits or losses for each portfolio of contracts which would be used to assess whether facts and circumstances exist that indicate that there are onerous groups of contracts. There are currently no facts or circumstances that indicate that onerous groups of contracts exist, and thus all contracts measured by the Group in 2023 and 2024 under the PAA were determined to be non-onerous.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

f. *Impairment losses on financial assets*

The measurement of impairment losses under IFRS 9 across relevant financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of any significant increase in credit risk. These estimates are driven by the outcome of modelled ECL scenarios and the relevant inputs used.

As at December 31, 2024, \$2,526,800 (2023: \$3,114,321) of investments were classified as Stage 2 with a LTECL of \$76,760 (2023: \$97,409). All other investments were classified as Stage 1 with an aggregate 12-month ECL of \$29,992 (2023: \$24,251). All broker receivables at December 31, 2024 and 2023 were classified as Stage 1. Refer to note 7 for the 12-month ECL.

g. *Impairment of goodwill and intangible assets*

Determining whether goodwill or intangible assets are impaired requires an estimation of (i) the value in use or (ii) the fair value less costs to sell of the cash-generating unit or group of units to which the value has been allocated:

- (i) The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit(s) and a suitable discount rate in order to calculate present value, both of which are material sources of uncertainty.
- (ii) The fair value less costs to sell is the amount obtainable from the sale of an asset or cash-generating unit(s) between knowledgeable willing parties, less the costs of disposal.

The carrying value at the consolidated statement of financial position date for intangible assets and goodwill is \$7,187,378 (2023: \$8,359,936).

h. *Depreciation of property and equipment and amortisation of intangible assets*

Depreciation and amortisation are based on management's estimates of the future useful lives of property and equipment and intangible assets. Estimates may change due to technological developments, competition, changes in market conditions and other factors and may result in changes in the estimated useful lives and in the depreciation and amortisation charges. The Group reviews the future useful life of property and equipment and intangible assets periodically, taking into consideration the factors mentioned above and all other important factors. In case of significant changes in the estimated useful lives, depreciation and amortisation charges are adjusted prospectively.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

i. *Fair value of financial assets and liabilities*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

The fair values of listed equities are based on current bid prices reported on recognised exchanges. The fair value of debt securities is based on either current bid prices reported on recognised exchanges, secondary markets or pricing data provided by internationally recognised pricing services. Mutual funds are carried at fair value based on the net asset value per share provided by the administrator of the fund. If prices are not readily available, the fair value is estimated using either dealer quotes or pricing models or discounted cash flow models or management's estimate of amounts that could be realised under current market conditions and which are based on observable market-based inputs when available.

Where fair value has been determined using data provided by a recognised pricing service, dealer quotes, pricing models or net asset value per share, the Group has obtained an understanding of the methods, models and inputs used in pricing and has controls in place that management considers sufficient to validate that prices represent fair value.

Investments for which observable market prices do not exist are reported at fair value as determined in good faith by management. Fair value is based on the best information available and is determined by reference to information including, but not limited to the following: projected income, net earnings, earnings before interest, taxes, depreciation and amortisation ("EBITDA"), book value, relevant public or private transactions, valuations for publicly traded companies, and/or other measures, and consideration of any other pertinent information including the types of securities held and restrictions on disposition. The amount determined to be fair value may incorporate management's own assumptions (including appropriate risk adjustments for non-performance and lack of marketability).

For certain financial instruments carried at cost, the carrying amounts approximate to fair value due to the short-term nature of these instruments. Such instruments include broker receivables, sundry receivables and prepayments, broker payables and sundry payables and accruals. For long term financial instruments carried at cost with fixed interest rates, the carrying values approximate fair values. Other long-term instruments carried at cost have rates that periodically reset to market rates minimising the exposure to fair value interest rate risk. Refer to notes 5 and 6 for further information on the fair value of financial assets and liabilities.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

j. *Land and buildings revaluations*

Land and buildings are revalued triennially based on outputs derived from an independent appraisal report. The techniques used by the appraiser involve the use of assumptions to provide a fair value estimate of land and buildings. Information about the valuation technique and inputs used in determining the fair value of the land and buildings are disclosed in note 10.

5. RISK MANAGEMENT

The Group actively monitors the risks inherent in its business activities (insurance risk) and the risks associated with the management of its financial assets and liabilities (financial risk) which support the operational activities. The Board of Directors (“the Board”) has overall responsibility for the oversight of the Group’s risk management structure and has established a number of sub-committees of the Board, including the Technical Insurance Committee, the Audit Committee, the Corporate Governance Committee and the Finance and Investment Committee, to oversee the management of the risks assigned within each Committee’s respective Board approved mandate. It is management’s responsibility to adhere to the parameters established within the Board’s risk management framework. This is executed through the development of risk appetite and tolerance limits, development of appropriate policies and procedures, quarterly measurement of key performance indicators, stress testing, quarterly evaluation of risk registers and the necessary controls to ensure reliable reporting and material compliance with regulatory guidelines. The Group’s Internal Auditors review processes and controls by operational unit on a rotational basis and report on their findings directly to the Audit Committee and other appropriate Committees. The Audit Committee oversees how management monitors compliance with risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks that face the Group. The committees report regularly to the Board of Directors on their activities.

a. *Insurance risk*

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, the risk is random and therefore unpredictable.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

5. RISK MANAGEMENT (CONTINUED)

a. *Insurance risk (continued)*

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims payments exceed the carrying amount of the insurance liabilities.

This could occur because the frequency and/or severity of claims are greater than estimated. Insurance events are random and the actual number and amount of claims will vary from year to year from the level established using statistical techniques.

Risk factors that affect insurance are many and include the lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered. The Group insures the risks of entities and individuals within The Bahamas and the Cayman Islands. There is a concentration of insurance risk in those territories. Below is a discussion of insurance risks specific to the lines of coverage provided by the operating segments within the Group.

Property and casualty insurance risks

Property risks are comprised of physical damage to property. Property policies are underwritten by reference to the commercial replacement value of the properties and content insured.

Casualty risks are comprised of personal injury from motor claims, public liability, employers' liability, workmen's compensation and personal liability coverage.

For the Group's P&C insurance contracts, significant risk exposure arises from low frequency, high severity events such as hurricanes. Single events, such as flooding and fires may also generate significant claims.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

5. RISK MANAGEMENT (CONTINUED)

a. *Insurance risk (continued)*

Property and casualty insurance risks (continued)

Claim payment limits are always included to cap the amount payable on occurrence of the insured event. The key factors that influence the quantum of claim settlements are the costs of rebuilding properties and the replacement of or indemnity for building contents.

The frequency and severity of claims can be affected by several factors with the single most significant event being a catastrophic event. The Group manages these risks through its underwriting strategy, reinsurance arrangements and claims handling. Underwriting guidelines are in place to ensure appropriate risk selections. Analytics are used to look at pricing models to ensure that loss ratios remain relatively stable. The Group has a dedicated in-house claims department and uses third party loss adjusters as necessary. The Group manages and seeks early settlement of claims, which has been determined to reduce exposure to claims deterioration. The Group will, where necessary, appoint lawyers to act on the Group's behalf in respect of serious bodily injury claims or other claims.

Health and group life insurance risks

The most significant factors that could increase the overall frequency of claims relating to H&L insurance contracts are epidemics or widespread changes in lifestyle, resulting in earlier or more claims than expected.

The Group manages risks by way of new business underwriting which analyses each risk for acceptance and determines appropriate pricing given the risk profile. The in-force business is analysed annually to revise base rates and monthly for renewal pricing. Risks are also managed through benefit plan designs to manage frequency and severity exposures, contracted discounts with providers to manage cost, claim adjudication procedures to ensure appropriate billing and payments, and reinsurance for mitigating the risk of high-cost individual claims.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

5. RISK MANAGEMENT (CONTINUED)

a. *Insurance risk (continued)*

Reinsurance risks

The Group follows the policy of underwriting and reinsuring contracts of insurance, which generally limit the liability for any one risk. Catastrophe deductibles are limited to a maximum of 10% of the Group's capital and reserves in the event of a series of claims arising out of a single occurrence.

The Group is exposed to contractual disputes with its reinsurers and the possibility of default by its reinsurers. The Group is also exposed to the credit risk assumed in fronting arrangements and to potential reinsurance constraints. The Group's strategy is to select reinsurers with the best combination of financial strength, price and capacity.

In the event that the Group's reinsurers are unable to meet their obligations under the reinsurance programs in place, the Group would still be obligated to pay all claims made under the insurance policies it issues however it would only receive reimbursement to the extent that the reinsurers could meet their above-mentioned obligations.

Management does not anticipate that there will be any issues with the collection of amounts due from reinsurers.

The reinsurance program is reviewed by the Technical Insurance Committee and approved by the Board on an annual basis.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

5. RISK MANAGEMENT (CONTINUED)

a. *Insurance risk (continued)*

Concentration of insurance contract assets and liabilities

The following table shows the net insurance contract assets and liabilities by major product line:

	2024			2023		
	<u>Insurance</u>	<u>Reinsurance</u>	<u>Net</u>	<u>Insurance</u>	<u>Reinsurance</u>	<u>Net</u>
Property	27,868,576	23,482,192	4,386,384	26,245,522	20,842,852	5,402,670
Motor	53,670,425	26,591,915	27,078,510	52,596,226	27,815,843	24,780,383
Health	5,267,310	402,575	4,864,735	5,372,794	1,466,995	3,905,799
Other	6,324,219	4,875,245	1,448,974	5,912,699	4,204,357	1,708,342
Total	93,130,530	55,351,927	37,778,603	90,127,241	54,330,047	35,797,194

Sensitivity

The following table presents information on how a 5% change in average claims severity, assuming no changes to other variables, may impact the Group's insurance service expense after risk mitigation by reinsurance contracts held.

	2024		2023	
	Average claims severity		Average claims severity	
	+5%	-5%	+5%	-5%
Impact on profit	\$ (2,129,330)	\$ 2,129,330	\$ (2,599,664)	\$ 2,599,664
Impact on equity	\$ (2,129,330)	\$ 2,129,330	\$ (2,599,664)	\$ 2,599,664

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

5. RISK MANAGEMENT (CONTINUED)

b. *Financial risk*

The Group is exposed to financial risk through its financial assets and financial liabilities. The components of financial risk that may have an impact on the Group are credit risk, market risk and liquidity risk. Market risk exposure results from adverse movements in market rates and prices and as a result the Group is exposed to interest rate risk, foreign currency risk and price risk. The risk management framework combines investment policies, limits, stress tests and regular monitoring to control the nature and level of financial risk and to ensure adherence to Group and regulatory policies and guidelines.

The following table reconciles financial assets and financial liabilities to the Group's consolidated statement of financial position:

	2024	2023
Financial assets:		
Cash and cash equivalents	\$ 27,266,483	\$ 34,425,676
Investments, net:		
Debt securities at amortised cost	6,450,596	7,031,660
Equity securities at FVTOCI	12,232,409	11,876,564
Debt securities at FVTOCI	24,902,163	16,554,799
Receivables:		
Broker receivables, net	21,446,375	15,903,121
Sundry receivables*	<u>886,605</u>	<u>425,776</u>
Total financial assets	<u>93,184,631</u>	<u>86,217,596</u>
Non - financial assets	<u>89,026,026</u>	<u>89,969,728</u>
Total assets	<u><u>\$ 182,210,657</u></u>	<u><u>\$ 176,187,324</u></u>

Financial liabilities:

Payables at amortised cost:

Broker payables, accrued expenses		
and other liabilities	\$ 1,404,930	\$ 1,333,848
Lease liabilities	1,026,588	1,263,000
Bonds payable at amortised cost		
- Fair Value: \$7,616,866 (2023: \$7,616,866)	<u>7,616,866</u>	<u>7,616,866</u>
Total financial liabilities	<u>10,048,384</u>	<u>10,213,714</u>
Non - financial liabilities	<u>93,130,530</u>	<u>90,127,241</u>
Total liabilities	<u><u>\$ 103,178,914</u></u>	<u><u>\$ 100,340,955</u></u>

*excludes prepaid expenses of \$1,109,285 (2023: \$1,356,478)

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

5. RISK MANAGEMENT (CONTINUED)

c. *Credit risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Key areas where the Group is exposed to credit risk are in cash and cash equivalents, investments, reinsurance contract assets, broker receivables, and sundry receivables.

The Group's investment policy permits the Group to invest in debt securities, equity securities, private placements of financial institutions and term deposits within certain specified limits. The investment policy also has a fixed limit exposure to any one issuer. The Group's deposits are placed with well-known high quality financial institutions. Policies and guidelines are in place to limit the exposure faced by the Group. Any exceptions to these limits are approved by the Board.

The Group is exposed to credit risk in respect of broker receivable balances due from intermediaries that bind insurance policies on its behalf. The Group periodically inspects the financial records of these companies to address any negative trends. Commissions paid to these intermediaries are also netted off against amounts due from them to reduce the amount at risk for default.

The Group is also exposed to credit risk with respect to reinsurance contract assets. The Group's liability as primary insurer is not discharged if a reinsurer defaults on the obligation to pay. The Technical Insurance Committee sets guidelines for approved reinsurers. Management implements the guidelines, including the assessment of the creditworthiness of all reinsurers. The Group assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit ratings as determined by independent rating agencies and other publicly available financial information, to ensure they are within acceptable limits of the Group's reinsurance policy. Any exceptions to the reinsurance policy must be reviewed by the Technical Insurance Committee and approved by the Board.

The Group has approved limits for the maximum participation of any one reinsurer in its reinsurance program, which requires Board approval for any waiver of the limit. Reinsurance coverage is placed with a number of major international third party reinsurers, as well as underwriting members of Lloyd's, with credit ratings of A- or higher from A.M. Best or Standard & Poor's. The concentration of credit risk is also monitored to minimise the Group's exposure to significant losses from reinsurer insolvency.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

5. RISK MANAGEMENT (CONTINUED)

c. *Credit risk (continued)*

The following assets of the Group are exposed to credit risk:

	2024	2023
Debt securities at amortised cost	\$ 6,546,800	\$ 7,134,321
Debt securities at FVTOCI	24,933,219	16,573,798
Broker receivables	21,453,104	15,907,466
Sundry receivables	886,605	425,776
Reinsurance contract assets	55,351,927	54,330,047
Cash and cash equivalents	27,266,483	34,425,676
Total	\$ 136,438,138	\$ 128,797,084

Debt securities are analysed in the table below using Standard & Poor's ("S&P") ratings (or an equivalent rating when not available from S&P). Corresponding figures from the prior year have been reclassified to conform with the current year's presentation.

	2024	2023
A- or Above	\$ 8,241,175	\$ 6,639,040
BBB	14,563,669	12,093,858
Below BBB or Not rated	8,675,175	4,975,221
Total debt securities	\$ 31,480,019	\$ 23,708,119

Financial and other assets exposed to credit risk that are neither past due nor impaired, past due but not impaired and impaired are analysed in the table below:

At December 31, 2024	Neither past due nor impaired	Past due but not impaired	Impaired	Total
Debt securities at amortised cost	\$ 6,450,596	\$ -	\$ 96,204	\$ 6,546,800
Debt Securities at FVTOCI	24,902,163	-	31,056	24,933,219
Broker receivables	17,223,046	4,223,329	6,729	21,453,104
Sundry receivables	886,605	-	-	886,605
Reinsurance contract assets	55,351,927	-	-	55,351,927
Cash and cash equivalents	27,266,483	-	-	27,266,483
Total assets exposed to credit risk	\$ 132,080,820	\$ 4,223,329	\$ 133,989	\$ 136,438,138

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

5. RISK MANAGEMENT (CONTINUED)

c. *Credit risk (continued)*

At December 31, 2023	Neither past due nor impaired	Past due but not impaired	Impaired	Total
Debt securities at amortised cost	\$ 7,031,660	\$ -	\$ 102,661	\$ 7,134,321
Debt Securities at FVTOCI	16,554,799	-	18,999	16,573,798
Broker receivables	13,384,971	2,518,150	4,345	15,907,466
Sundry receivables	425,776	-	-	425,776
Reinsurance contract assets	54,330,047	-	-	54,330,047
Cash and cash equivalents	<u>34,425,676</u>	<u>-</u>	<u>-</u>	<u>34,425,676</u>
Total assets exposed to credit risk	<u>\$ 126,152,929</u>	<u>\$ 2,518,150</u>	<u>\$ 126,005</u>	<u>\$ 128,797,084</u>

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed above. The Group does not hold collateral as security.

Concentration of exposure

The Group's gross written premium between Group and non-Group agents are as follows:

	2024	2023
Group agents	\$ 92,319,131	\$ 86,799,548
Non-Group agents	<u>112,304,387</u>	<u>112,164,755</u>
Total	<u>\$ 204,623,518</u>	<u>\$ 198,964,303</u>

The concentration of credit risk is regularly monitored and evaluated. Specifically for non-group agents, the Group evaluates payment history as well as their financial position on a periodic basis.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

5. RISK MANAGEMENT (CONTINUED)

c. *Credit risk (continued)*

Concentration of exposure (continued)

The geographical locations of the Group's portfolio of investments are as follows:

	2024	%	2023	%
Bahamas	\$ 16,481,721	38%	\$ 18,527,448	52%
USA	25,911,231	59%	15,469,329	43%
Europe	812,726	2%	-	0%
United Kingdom	486,750	1%	471,135	1%
Caribbean	20,000	0%	20,000	0%
Asia	-	0%	498,180	2%
Australia	-	0%	498,575	2%
Canada	-	0%	100,016	0%
Total	<u>\$ 43,712,428</u>	<u>100%</u>	<u>\$ 35,584,683</u>	<u>100%</u>

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

5. RISK MANAGEMENT (CONTINUED)

d. *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument, insurance or reinsurance contract will fluctuate due to changes in market interest rates. Variable rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest rate risk. The Group's investment in debt securities, cash and cash equivalents, and its bonds payables are all subject to interest rate risk.

The coupon rates associated with the fixed interest rate debt instruments held by the Group range from 1.05% to 9.00 % (2023: 1.05% to 9.00%) per annum at the date of the consolidated statement of financial position. The variable interest rate instruments are tied to B\$ prime, with interest rates of 4.41% to 6.00% (2023: 4.41% to 6.00%) per annum at the date of the consolidated statement of financial position. Interest on the bonds payable is at B\$ prime rate plus 2.00% [effective rate 6.25% (2023: 6.25%)] per annum.

The Group's LIC and Asset for Incurred Claims ("AIC") are subject to interest rate risk. The net equivalent single rate used to discount the Bahamas' and Cayman Islands' P&C claim liabilities is 2.77% (2023: 2.71%) and 4.23% (2023: 4.31%) respectively.

Sensitivity

The impact of hypothetical 1% change in interest rates, assuming no changes to other variables, is as shown below.

For the year ended: in \$	2024		2023	
	Interest rates		Interest rates	
	+1%	-1%	+1%	-1%
<u>Change in debt securities</u>				
Impact on profit	33,271	(33,271)	33,271	(33,271)
Impact on equity	(185,413)	729,634	(283,956)	293,859
<u>Change in LIC net of AIC</u>				
Impact on profit	471,768	(519,069)	472,517	(517,161)
Impact on equity	471,768	(519,069)	472,517	(517,161)

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

5. RISK MANAGEMENT (CONTINUED)

e. *Foreign currency risk*

Foreign currency risk relates to the Group operating in different currencies and converting non-Bahamian earnings at different foreign exchange levels when adverse changes in foreign currency exchange rates occur. The Bahamian dollar is fixed to the US dollar at the following rate: B\$1 = US\$1 and the Cayman Islands dollar is fixed to the US\$ at the following rate: CI\$1 = US\$1.20, at the date of the consolidated statement of financial position. Whilst both the Bahamian dollar and Cayman Islands dollar remain fixed to the US dollar, the Group is not exposed to foreign currency risk on translation of its Cayman Islands operating entity from Cayman Islands dollars to Bahamian dollars. All underlying assets and liabilities of the Group are denominated in Bahamian dollars, Cayman Islands dollars or US dollars.

f. *Price risk*

The Group is subject to price risk on its investments due to fluctuations in fair value as a result of changes in market prices. One of the primary objectives of the Group's risk management policy is to mitigate potential adverse impacts of market movements. Price risk arises primarily from changes in the value of equity investments and debt securities in the event that these are required to be sold to meet liquidity needs or if there is a significant deterioration in the market price.

Trading levels in The Bahamas, whether on BISX or over-the-counter markets, are generally low and therefore, the ability of the Group to liquidate large positions may be difficult and prices received may be severely impacted. The Central Bank has created a secondary market for certain debt securities issued by the Government of The Bahamas, and prices currently being observed in this market and over-the-counter approximate the face values of such securities.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

5. RISK MANAGEMENT (CONTINUED)

f. *Price risk (continued)*

Securities are managed in accordance with the benchmarks set out in the Group's statement of investment policy and guidelines. The effects of a 10% (2023: 10%) change in prices at the date of the consolidated statement of financial position are set out below:

	Carrying value	Effect on profit and equity		Effect on profit and equity
		+10%	-10%	
At December 31, 2024				
Listed equity securities	\$ 12,226,852	\$ 1,222,685	\$ (1,222,685)	
Listed debt securities	26,463,219	2,646,322	(2,646,322)	
Unlisted debt securities	5,016,800	501,680	(501,680)	
Unlisted equity securities	5,557	556	(556)	
Total	<u>\$ 43,712,428</u>	<u>\$ 4,371,243</u>	<u>\$ (4,371,243)</u>	
At December 31, 2023				
Listed equity securities	\$ 11,871,007	\$ 1,187,101	\$ (1,187,101)	
Listed debt securities	18,103,798	1,810,380	(1,810,380)	
Unlisted debt securities	5,604,321	560,432	(560,432)	
Unlisted equity securities	5,557	556	(556)	
Total	<u>\$ 35,584,683</u>	<u>\$ 3,558,469</u>	<u>\$ (3,558,469)</u>	

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

5. RISK MANAGEMENT (CONTINUED)

g. *Liquidity risk*

Liquidity risk is the risk that the Group may have difficulty liquidating its positions due to existing or unforeseen market constraints to meet obligations associated with financial instruments. In respect of catastrophic events, the Group is exposed to liquidity risk associated with the timing differences between cash flows and expected reinsurance recoveries to meet its insurance liability obligation. The Group has certain investments that are in a market that is not highly active or do not have a market and therefore may not be readily realisable. As a result, the Group may not be able to quickly liquidate those investments at an amount close to their fair value in order to meet liquidity requirements. The Group mitigates this risk by maintaining significant holdings in cash and cash equivalents and also ensures that there are set guidelines for asset allocations, portfolio limit structures and maturity profiles of investments. The consolidated statement of financial position presents assets and liabilities in order of liquidity. The carrying value of investment assets with contractual maturities of less than one year at the consolidated statement of financial position date is \$4,863,048 (2023: \$3,561,404). Except for the net insurance contract liabilities shown below, property and equipment, right-of-use assets and intangible assets and goodwill, all assets are current assets.

The following tables indicate the timing of undiscounted cash flows arising from financial liabilities (excluding lease liabilities) as at December 31, 2024 and 2023. The analysis also includes discounted cash flows arising from non-financial liabilities for insurance contract liabilities and the matching cash flows for reinsurance contract assets. Undiscounted cash flows arising from lease liabilities are disclosed in note 11.

Liabilities	Cash flows			
	Total	< 1 year	1 - 5 years	> 5 years
Accrued expenses and other liabilities	\$ 866,746	\$ 866,746	\$ -	\$ -
Broker payables	538,184	538,184	-	-
Insurance contract liabilities	93,130,530	66,161,930	18,269,773	8,698,827
Less: Reinsurance contract assets	(55,351,927)	(38,999,854)	(11,154,661)	(5,197,412)
Bonds payable	<u>7,616,866</u>	<u>7,616,866</u>	<u>-</u>	<u>-</u>
Total cash flows	<u>\$ 46,800,399</u>	<u>\$ 36,183,872</u>	<u>\$ 7,115,112</u>	<u>\$ 3,501,415</u>

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

5. RISK MANAGEMENT (CONTINUED)

g. *Liquidity risk (continued)*

Liabilities	At December 31, 2023	Cash flows			
		Total	< 1 year	1 - 5 years	> 5 years
Accrued expenses and other liabilities	\$ 820,249	\$ 820,249	\$ -	\$ -	\$ -
Broker payables	513,599	513,599	-	-	-
Insurance contract liabilities	90,127,241	62,686,279	18,342,647	9,098,315	-
Less: Reinsurance contract assets	(54,330,047)	(36,750,222)	(11,835,824)	(5,744,001)	-
Bonds payable	7,616,866	116,866	7,500,000	-	-
Total cash flows	\$ 44,747,908	\$ 27,386,771	\$ 14,006,823	\$ 3,354,314	-

h. *Capital management*

The Group has a capital management policy that has been established to ensure that it has adequate capital to support its business operations and strategy and that it meets the following objectives:

- To safeguard the Group's ability to continue as a going concern through prudent and sustainable growth, so that it can continue provide returns for shareholders and benefits for other stakeholders and maintain optimum capital structure;
- To ensure that it maintains a strong credit rating and appropriate capital ratios in order to support its business objectives; and
- To comply with regulatory capital requirements stipulated in the jurisdictions in which the Group operates.

In each country in which the Group operates, the insurance regulator specifies the minimum amount and type of capital that must be held and solvency ratio that must be maintained, based on the applicable laws and regulations governing the country's insurance industry. The minimum capital requirements applicable to the Group's entities range from \$50,000 to \$7,400,000. The minimum solvency ratios for insurers range from 125% to 150%. The Group has complied with all of the externally imposed capital requirements to which it is subject.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

6. INVESTMENTS, NET

Investments, net comprise the following:

	2024	2023
Debt securities at amortised cost:		
Bahamas Government Registered Stock		
Unrestricted - Fair value: \$777,100 (2023: \$1,179,100)	\$ 777,100	\$ 1,179,100
Restricted - Fair value: \$1,000,000 (2023: \$1,000,000)	1,000,000	1,000,000
Other fixed income debt securities,		
- Fair value : \$4,769,700 (2023: \$4,955,221)	<u>4,769,700</u>	<u>4,955,221</u>
Total debt securities at amortised cost, gross	<u>6,546,800</u>	<u>7,134,321</u>
ECL provision	<u>(96,204)</u>	<u>(102,661)</u>
Total debt securities at amortised cost, net	<u>6,450,596</u>	<u>7,031,660</u>
Equity Securities at fair value through other comprehensive income:		
Bahamas International Securities Exchange Limited (BISX)		
12 (2023: 12) common shares -at cost \$130,556		
(2023: \$130,556)	5,557	5,557
Mutual funds and exchange traded funds		
21,875 units (2023: 8,181 units) at cost \$1,551,857	2,297,488	881,551
(2023: \$750,117)		
Commonwealth Bank Limited		
1,970,112 (2023: 2,016,414) common shares		
Cost \$812,753 (2023: \$831,854)	<u>9,929,364</u>	<u>10,989,456</u>
Total equities at fair value through other comprehensive income	<u>12,232,409</u>	<u>11,876,564</u>
Debt securities at fair value through other comprehensive income:		
Fixed income debt securities		
Cost \$24,184,039 (2023: \$17,305,230)	<u>24,933,219</u>	<u>16,573,798</u>
Total debt securities at fair value through other comprehensive income, gross	<u>24,933,219</u>	<u>16,573,798</u>
ECL provision	<u>(31,056)</u>	<u>(18,999)</u>
Total debt securities at fair value through other comprehensive income, net	<u>24,902,163</u>	<u>16,554,799</u>
Total investments, net	<u>\$ 43,585,168</u>	<u>\$ 35,463,023</u>

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

6. INVESTMENTS, NET (CONTINUED)

In 2011, in accordance with the Insurance Act 2005 (Amended 2009), and regulations 61 and 62 of the Insurance (General) Regulations 2010, the Group established a Trust Account (the “BFG Trust”) in which \$1,000,000 of the Bahamas Government Registered Stocks have been placed in Trust. This amount is restricted for regulatory purposes but the interest income accrues to the Group.

As at December 31, 2024, the Group’s investment in Commonwealth Bank Limited (the “Bank”) is valued at \$5.04 (2023: \$5.45) per share, which is the quoted price by the Bahamas International Securities Exchange (“BISX”). The Group sold 99,302 (2023: 500,000) shares during the year which resulted in realised gains of \$231,660 (2023: \$1,562,074) and an unrealised loss of \$1,040,991 (2023: unrealised gain of 2,186,965) on the investment for the year then ended.

Reconciliation of movements in the balance of investments is provided below:

	Debt	Equity	Debt	Total
	Securities at Amortised Cost	Securities at FVTOCI	Securities at FVTOCI	
Balance at January 1, 2023	\$ 7,198,408	\$ 9,014,319	\$ 15,206,248	\$ 31,418,975
Cost of investments purchased	-	750,117	4,581,716	5,331,833
Sales and maturities	(185,521)	(1,768,345)	(3,500,000)	(5,453,866)
Amortisation of discounts on bonds (Note 19)	-	-	(172,049)	(172,049)
Realised gains on sales of investments	-	1,562,074	-	1,562,074
Expected credit loss recovery/(provision)	18,773	-	(2,181)	16,592
Unrealised loss on investments	-	2,318,399	441,065	2,759,464
Balance at December 31, 2023	7,031,660	11,876,564	16,554,799	35,463,023
Cost of investments purchased	-	1,251,740	12,044,081	13,295,821
Sales and maturities	(587,521)	(250,760)	(3,712,694)	(4,550,975)
Amortisation of discounts on bonds (Note 19)	-	-	(127,565)	(127,565)
Realised gains on sales of investments	-	231,660	-	231,660
Expected credit loss recovery/(provision)	6,457	-	(12,057)	(5,600)
Unrealised (loss)/gain on investments	-	(876,795)	155,599	(721,196)
At December 31, 2024	<u>6,450,596</u>	<u>12,232,409</u>	<u>24,902,163</u>	<u>\$ 43,585,168</u>

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) *(Expressed in Bahamian dollars)*

6. INVESTMENTS, NET (CONTINUED)

Fair value measurement

In accordance with IFRS 13 Financial Instruments: Disclosure, fair value measurements are classified as Level 1, 2 or 3 based on the degree to which fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities; and are actively traded on recognised exchanges.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

In addition to the measurement hierarchy, financial instruments, which have significant unobservable inputs (classified as Level 3), require disclosure of the transfers into and out of Level 3, a reconciliation of the opening and closing balances, total gains and losses for the period split between those recognised in other comprehensive income, purchases, sales, issues and settlements, and sensitivity analysis of reasonably possible changes in assumptions, if material. Disclosure is also required of the movements between different levels of the fair value hierarchy and the reason for those movements.

Specific valuation techniques used to fair value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments
- Other techniques, such as discounted cash flow analyses.

Significant unobservable inputs for a discounted cash flow analysis are cash flows and the discount rate.

The fair value of debt security investments measured at amortised cost have been disclosed earlier in the note. These approximate fair values were derived from secondary market prices and accordingly would be classified as Level 2 in the fair value hierarchy.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

6. INVESTMENTS, NET (CONTINUED)

Fair value measurement (Continued)

The following table presents the Group's financial assets measured at fair value at December 31, 2024, by the level in the fair value hierarchy into which the fair value measurement is categorised:

2024

	Level 1	Level 3	Total
Financial assets designated at fair value through OCI:			
Equity securities	\$ 12,226,852	\$ 5,557	\$ 12,232,409
Debt securities	<u>24,913,219</u>	<u>20,000</u>	<u>24,933,219</u>
Total financial assets measured at fair value	<u>\$ 37,140,071</u>	<u>\$ 25,557</u>	<u>\$ 37,165,628</u>

The following table presents the Group's financial assets measured at fair value at December 31, 2023, by the level in the fair value hierarchy into which the fair value measurement is categorised:

2023

	Level 1	Level 3	Total
Financial assets designated at fair value through OCI:			
Equity securities	\$ 11,871,007	\$ 5,557	\$ 11,876,564
Debt securities	<u>16,553,798</u>	<u>20,000</u>	<u>16,573,798</u>
Total financial assets measured at fair value	<u>\$ 28,424,805</u>	<u>\$ 25,557</u>	<u>\$ 28,450,362</u>

There were no transfers between the various levels during 2024 and 2023. There were no changes in the carrying value of Level 3 instruments during 2024 and 2023.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

7. BROKER RECEIVABLES, NET

Broker receivables, which are shown net of provision for ECLs, is comprised of:

- amounts receivable from insurance intermediaries that have signed agreements with the Group insurers (“insurer trade receivables”),
- amounts receivable from insurance agents that have signed sub-agency agreements with the Group’s agency subsidiaries (“sub-agent broker receivables”), and
- amounts receivable from partner organisations that have agreed to compensate the Group for revenues derived from their relationship with the Group (“fee receivables”).

	2024	2023
Broker receivables, gross	\$ 21,453,104	\$ 15,907,466
Provision for ECLs:		
Balance at January 1	4,345	7,652
Increase/(decrease) in provision for the year	<u>2,384</u>	<u>(3,307)</u>
Balance at December 31	<u>6,729</u>	<u>4,345</u>
Broker receivables, net	<u><u>\$ 21,446,375</u></u>	<u><u>\$ 15,903,121</u></u>

Ageing of broker receivables, net is as follows:

	2024	2023
Less than 3 months	\$ 17,223,046	\$ 13,379,788
3-6 months	3,740,594	2,060,291
6 months - 1 year	<u>482,735</u>	<u>463,042</u>
	<u><u>\$ 21,446,375</u></u>	<u><u>\$ 15,903,121</u></u>

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

8. RECONCILIATION OF INSURANCE AND REINSURANCE CONTRACTS

The following tables present reconciliations of insurance contract liabilities and reinsurance contract assets excluding insurance acquisition cash flows assets and other pre-recognition cash flows:

	2024	2023
Liability for remaining coverage - premiums	\$ 50,927,379	\$ 45,074,325
Liability for remaining coverage - acquisition cash flows	(8,382,851)	(8,209,791)
Liability for incurred claims	<u>50,586,002</u>	<u>53,262,707</u>
Total insurance contract liabilities	<u><u>\$ 93,130,530</u></u>	<u><u>\$ 90,127,241</u></u>

	2024	2023
Asset for remaining coverage	\$ 18,267,341	\$ 16,186,890
Asset for incurred claims	<u>37,084,586</u>	<u>38,143,157</u>
Total reinsurance contract assets	<u><u>\$ 55,351,927</u></u>	<u><u>\$ 54,330,047</u></u>

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

8. RECONCILIATION OF INSURANCE AND REINSURANCE CONTRACTS (CONTINUED)

	<u>Liability Remaining</u>		<u>Liability for Incurred Claims</u>		Total
	<u>Coverage</u>	<u>Excl Loss Component</u>	<u>Future Cash Flows</u>	<u>Risk Adjustment</u>	
Insurance contract liability/(asset) at December 31, 2023	\$ 36,864,534	\$ 50,899,055	\$ 2,363,652	\$ 90,127,241	
Insurance revenue	(194,848,249)		-	-	(194,848,249)
Insurance service expenses					
Incurred claims and other directly attributable expenses		-	68,485,440	747,105	69,232,545
Changes that relate to past service		-	(5,604,282)	(1,152,969)	(6,757,251)
Insurance acquisition cash flows amortisation	23,713,210		-	-	23,713,210
Insurance service expenses	23,713,210	62,881,158	(405,864)	86,188,504	
Insurance finance expense from insurance contracts issued		-	1,055,010	-	1,055,010
Net cash flows					
Premiums received	200,701,303		-	-	200,701,303
Claims and other directly attributable expenses paid	-	(66,207,009)		-	(66,207,009)
Insurance acquisition cash flows	(23,886,270)		-	-	(23,886,270)
Net cash flows	176,815,033	(66,207,009)	-	-	110,608,024
Insurance contract liability/(asset) at December 31, 2024	\$ 42,544,528	\$ 48,628,214	\$ 1,957,788	\$ 93,130,530	

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

8. RECONCILIATION OF INSURANCE AND REINSURANCE CONTRACTS (CONTINUED)

	<u>Liability Remaining</u>		<u>Liability for Incurred Claims</u>		<u>Total</u>
	<u>Coverage</u>		<u>Future Cash</u>	<u>Risk</u>	
	<u>Excl Loss Component</u>	<u>Flows</u>	<u>Adjustment</u>		
Insurance contract liability/(asset) at December 31, 2022	\$ 32,762,686	\$ 53,838,191	\$ 2,612,301	\$ 89,213,178	
Insurance revenue	(191,730,146)	-	-	(191,730,146)	
Insurance service expenses					
Incurred claims and other directly attributable expenses	-	71,001,207	759,965	71,761,172	
Changes that relate to past service	-	639,794	(1,008,614)	(368,820)	
Insurance acquisition cash flows amortisation	22,628,162	-	-	22,628,162	
Insurance service expenses	<u>22,628,162</u>	<u>71,641,001</u>	<u>(248,649)</u>	<u>94,020,514</u>	
Insurance finance expense from insurance contracts issued	-	1,004,601	-	1,004,601	
Net cash flows					
Premiums received	196,019,227	-	-	196,019,227	
Claims and other directly attributable expenses paid	-	(75,584,738)	-	(75,584,738)	
Insurance acquisition cash flows	(22,815,395)	-	-	(22,815,395)	
Net cash flows	<u>173,203,832</u>	<u>(75,584,738)</u>	<u>-</u>	<u>97,619,094</u>	
Insurance contract liability/(asset) at December 31, 2023	<u>\$ 36,864,534</u>	<u>\$ 50,899,055</u>	<u>\$ 2,363,652</u>	<u>\$ 90,127,241</u>	

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

8. RECONCILIATION OF INSURANCE AND REINSURANCE CONTRACTS (CONTINUED)

	<u>Asset for Remaining Coverage</u>		<u>Asset for Incurred Claims</u>		<u>Total</u>
	<u>Excluding Loss Recovery Component</u>	<u>Future Cash Flows</u>	<u>Risk Adjustment</u>		
Reinsurance contract (asset)/liability at December 31, 2023	\$ (16,186,890)	\$ (36,777,984)	\$ (1,365,173)	\$ (54,330,047)	
Net expenses (income) from reinsurance contracts held					
Reinsurance expenses from recoveries and other directly attributable expenses	108,622,462	(23,237,989)	(114,476)	85,269,997	
Changes that relate to past service	-	3,109,173	366,592	3,475,765	
Net expenses (income) from reinsurance contracts held	108,622,462	(20,128,816)	252,116	88,745,762	
Reinsurance finance income	-	(522,638)	-	(522,638)	
Net cash flows					
Premiums paid net of ceding commissions	(110,702,913)	-	-	(110,702,913)	
Recoveries from reinsurance and other directly attributable expenses paid	-	21,457,909	-	21,457,909	
Net cash flows	(110,702,913)	21,457,909	-	(89,245,004)	
Reinsurance contract (asset)/liability at December 31, 2024	\$ (18,267,341)	\$ (35,971,529)	\$ (1,113,057)	\$ (55,351,927)	

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

8. RECONCILIATION OF INSURANCE AND REINSURANCE CONTRACTS (CONTINUED)

	<u>Asset for Remaining Coverage</u>		<u>Asset for Incurred Claims</u>		<u>Total</u>
	<u>Excluding Loss Recovery Component</u>	<u>Future Cash Flows</u>	<u>Risk Adjustment</u>		
Reinsurance contract (asset)/liability at December 31, 2022	\$ (14,750,978)	\$ (34,311,879)	\$ (1,405,139)	\$ (50,467,996)	
Net expenses (income) from reinsurance contracts held					
Reinsurance expenses from recoveries and other directly attributable expenses	102,588,689	(19,936,975)	(310,172)	82,341,542	
Changes that relate to past service	-	497,942	350,138	848,080	
Net expenses (income) from reinsurance contracts held	102,588,689	(19,439,033)	39,966	83,189,622	
Reinsurance finance income					
Net cash flows					
Premiums paid net of ceding commissions	(104,024,601)	-	-	(104,024,601)	
Recoveries from reinsurance and other directly attributable expenses paid	-	17,673,302	-	17,673,302	
Net cash flows	(104,024,601)	17,673,302	-	(86,351,299)	
Reinsurance contract (asset)/liability at December 31, 2023	\$ (16,186,890)	\$ (36,777,984)	\$ (1,365,173)	\$ (54,330,047)	

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

9. CLAIMS DEVELOPMENT

Actual claim payments are compared with previous estimates of the undiscounted amounts of the claims in the claims development disclosure below on a gross of reinsurance basis as at 31 December 2024.

	2015	2016	2017	2018	2019	P&C 2020	2021	2022	2023	2024	Total
Estimates of undiscounted gross cumulative claims	\$ 30,382,165	\$ 113,514,913	\$ 22,918,792	\$ 32,646,833	\$ 391,526,833	\$ 21,010,694	\$ 23,731,589	\$ 22,625,285	\$ 22,532,720	\$ 29,694,288	
<u>Revised estimates</u>											
One year later	29,418,761	107,507,658	28,187,490	35,949,789	379,430,580	20,046,171	20,857,200	22,639,000	21,714,000		
Two years later	27,598,709	107,348,016	31,078,344	32,797,630	380,053,645	20,187,200	20,211,000	22,027,000			
Three years later	28,352,746	107,137,970	30,769,721	32,684,317	381,301,278	19,821,357	19,803,709				
Four years later	28,011,825	106,803,189	30,677,962	32,438,032	381,710,278	20,643,910					
Five years later	28,269,702	107,203,957	31,215,659	32,136,032	380,406,489						
Six years later	29,851,787	107,519,754	31,578,633	31,227,891							
Seven years later	30,094,692	107,159,773	30,916,970								
Eight years later	30,226,692	107,241,773									
Nine years later	29,819,211										
Current estimate	29,819,211	107,241,773	30,916,970	31,227,891	380,406,489	20,643,910	19,803,709	22,027,000	21,714,000	29,694,288	693,495,241
Cumulative payments to date	<u>(28,781,031)</u>	<u>(105,405,150)</u>	<u>(28,579,536)</u>	<u>(28,658,220)</u>	<u>(377,369,838)</u>	<u>(18,976,399)</u>	<u>(16,995,253)</u>	<u>(18,042,699)</u>	<u>(15,103,351)</u>	<u>(14,530,739)</u>	<u>(652,442,216)</u>
Undiscounted Liability included in the consolidated statement of financial position	<u>\$ 1,038,180</u>	<u>\$ 1,836,623</u>	<u>\$ 2,337,434</u>	<u>\$ 2,569,671</u>	<u>\$ 3,036,651</u>	<u>\$ 1,667,511</u>	<u>\$ 2,808,456</u>	<u>\$ 3,984,301</u>	<u>\$ 6,610,649</u>	<u>\$ 15,163,549</u>	41,053,025
Undiscounted reserves for prior years											5,271,923
Unallocated loss adjustment expenses											1,077,600
Effect of discounting											(5,263,758)
Effect of the risk adjustment for non-financial risk											1,801,711
Other liabilities included within the LIC											1,972,180
Gross liability for incurred claims for P&C business											<u>\$ 45,912,681</u>

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

9. CLAIMS DEVELOPMENT (CONTINUED)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
Estimates of undiscounted gross cumulative claims	\$ 17,853,743	\$ 18,638,992	\$ 19,645,726	\$ 19,747,056	\$ 21,097,945	\$ 24,060,971	\$ 29,682,886	\$ 39,720,157	\$ 35,040,000	\$ 28,740,000	
<u>Revised estimates</u>											
One year later	18,164,801	17,974,956	18,529,456	19,388,453	20,888,892	23,595,558	29,410,177	41,004,000	34,680,000		
Two years later	18,164,801	17,974,956	18,529,456	19,388,453	20,888,892	23,595,558	29,410,177	40,397,368			
Current estimate	18,164,801	17,974,956	18,529,456	19,388,453	20,888,892	23,595,558	29,410,177	40,397,368	34,680,000	28,740,000	251,769,661
Cumulative payments to date	<u>(18,164,801)</u>	<u>(17,974,956)</u>	<u>(18,529,456)</u>	<u>(19,388,453)</u>	<u>(20,888,892)</u>	<u>(23,595,558)</u>	<u>(29,410,177)</u>	<u>(40,383,904)</u>	<u>(34,254,217)</u>	<u>(24,984,728)</u>	<u>(247,575,142)</u>
Undiscounted Liability included in the consolidated statement of financial position	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ 13,464	\$ 425,783	\$ 3,755,272		4,194,519
Undiscounted reserves for prior years											48,800
Unallocated loss adjustment expenses											216,000
Effect of the risk adjustment for non-financial risk											156,076
Other liabilities included within the LIC											<u>57,926</u>
Gross liability for incurred claims for H&L business											<u>\$ 4,673,321</u>
Gross liability for incurred claims in the consolidated statement of financial position											<u>\$ 50,586,002</u>

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

9. CLAIMS DEVELOPMENT (CONTINUED)

Actual claim payments are compared with previous estimates of the undiscounted amounts of the claims in the claims development disclosure below on a net of reinsurance basis as at 31 December 2024. Estimates of undiscounted net cumulative property claims are not reflected in the development table below:

	2015	2016	2017	2018	2019	P&C 2020	2021	2022	2023	2024	Total
Estimates of undiscounted net cumulative claims	\$ 10,043,088	\$ 9,323,148	\$ 9,557,179	\$ 10,086,586	\$ 13,366,964	\$ 5,657,755	\$ 8,405,008	\$ 8,325,713	\$ 9,451,838	\$ 11,097,720	
<u>Revised estimates</u>											
One year later	9,537,982	8,824,261	9,359,984	10,229,280	12,798,208	5,868,902	7,106,100	8,582,000	9,474,200		
Two years later	9,860,880	8,938,680	9,823,093	10,612,251	12,582,999	6,078,968	7,345,400	8,194,600			
Three years later	9,929,676	8,643,329	10,074,364	10,916,071	12,934,618	6,154,508	7,181,905				
Four years later	9,739,928	8,553,028	8,873,988	10,213,978	13,256,818	5,899,608					
Five years later	9,934,616	8,456,417	10,385,420	10,162,141	12,826,381						
Six years later	9,857,666	8,711,906	10,582,218	9,956,199							
Seven years later	10,191,674	8,468,906	10,350,418								
Eight years later	10,254,074	8,472,306									
Nine years later	10,097,301										
Current estimate	10,097,301	8,472,306	10,350,418	9,956,199	12,826,381	5,899,608	7,181,905	8,194,600	9,474,200	11,097,720	93,550,638
Cumulative payments to date	<u>(9,662,973)</u>	<u>(7,902,225)</u>	<u>(9,538,021)</u>	<u>(9,052,262)</u>	<u>(12,052,720)</u>	<u>(5,561,328)</u>	<u>(6,173,953)</u>	<u>(6,465,581)</u>	<u>(6,592,335)</u>	<u>(5,035,675)</u>	<u>(78,037,073)</u>
Undiscounted Liability included in the consolidated statement of financial position	\$ 434,328	\$ 570,081	\$ 812,397	\$ 903,937	\$ 773,661	\$ 338,280	\$ 1,007,952	\$ 1,729,019	\$ 2,881,865	\$ 6,062,045	15,513,565
Undiscounted reserves for property and prior years											2,291,467
Unallocated loss adjustment expenses											796,800
Effect of discounting											(2,147,162)
Effect of the risk adjustment for non-financial risk											700,227
Other liabilities included within the LIC											(7,071,112)
Net liability for incurred claims for P&C business											\$ 10,083,785

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

9. CLAIMS DEVELOPMENT (CONTINUED)

	2015	2016	2017	2018	2019	H&L	2020	2021	2022	2023	2024	Total	
Estimates of undiscounted net cumulative claims	\$ 16,939,590	\$ 18,347,208	\$ 19,387,008	\$ 19,627,056	\$ 20,857,945	\$ 22,598,471	\$ 29,377,967	\$ 39,000,156	\$ 34,440,000	\$ 28,440,000			
<u>Revised estimates</u>													
One year later	17,145,610	17,902,410	18,510,630	19,388,453	20,844,514	22,309,777	29,149,490	39,756,000	33,948,000				
Two years later	17,145,610	17,902,410	18,510,630	19,388,453	20,844,514	22,309,777	29,149,490	39,244,314					
Current estimate	17,145,610	17,902,410	18,510,630	19,388,453	20,844,514	22,309,777	29,149,490	39,244,314	33,948,000	28,440,000	246,883,198		
Cumulative payments to date	<u>(17,145,610)</u>	<u>(17,902,410)</u>	<u>(18,510,630)</u>	<u>(19,388,453)</u>	<u>(20,844,514)</u>	<u>(22,309,777)</u>	<u>(29,149,490)</u>	<u>(39,237,582)</u>	<u>(33,535,918)</u>	<u>(24,956,226)</u>	<u>(242,980,610)</u>		
Undiscounted Liability included in the consolidated statement of financial position	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ 6,732	\$ 412,082	\$ 3,483,774		3,902,588	
Undiscounted reserves for prior years												10,000	
Unallocated loss adjustment expenses												216,000	
Effect of the risk adjustment for non-financial risk												144,499	
Other liabilities included within the LIC												<u>(855,456)</u>	
Net liability for incurred claims for H&L business												<u>\$ 3,417,631</u>	
Net liability for incurred claims in the consolidated statement of financial position												<u>\$ 13,501,416</u>	

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

10. PROPERTY AND EQUIPMENT, NET

The movement of property and equipment for the year is as follows:

2024	Leasehold				Total
	Land & Buildings	Furniture & Equipment	Improvements and Others	Motor Vehicles	
At January 1, 2023					
Cost/Valuation	\$ 25,772,395	\$ 3,960,413	\$ 2,000,792	\$ 266,553	\$ 32,000,153
Accumulated Depreciation	(2,504,926)	(3,476,672)	(1,177,378)	(158,174)	(7,317,150)
Net book amount	<u>\$ 23,267,469</u>	<u>\$ 483,741</u>	<u>\$ 823,414</u>	<u>\$ 108,379</u>	<u>\$ 24,683,003</u>
Year ended December 31, 2024					
Opening Net book amount	\$ 23,267,469	\$ 483,741	\$ 823,414	\$ 108,379	\$ 24,683,003
Additions	-	390,223	343,217	-	733,440
Disposals	-	(9,559)	-	(15,224)	(24,783)
Depreciation charge	(553,922)	(303,884)	(138,123)	(8,688)	(1,004,617)
At December 31, 2024	<u>\$ 22,713,547</u>	<u>\$ 560,521</u>	<u>\$ 1,028,508</u>	<u>\$ 84,467</u>	<u>\$ 24,387,043</u>
2023	Leasehold				Total
	Land & Buildings	Furniture & Equipment	Improvements and Others	Motor Vehicles	
At January 1, 2023					
Cost/Valuation	\$ 24,318,778	\$ 3,727,669	\$ 1,963,438	\$ 233,701	\$ 30,243,586
Accumulated Depreciation	(621,509)	(3,175,468)	(1,051,352)	(152,554)	(5,000,883)
Net book amount	<u>\$ 23,697,269</u>	<u>\$ 552,201</u>	<u>\$ 912,086</u>	<u>\$ 81,147</u>	<u>\$ 25,242,703</u>
Year ended December 31, 2023					
Opening Net book amount	\$ 23,697,269	\$ 552,201	\$ 912,086	\$ 81,147	\$ 25,242,703
Additions	121,041	235,515	37,354	32,851	426,761
Depreciation charge	(550,841)	(303,975)	(126,026)	(5,619)	(986,461)
At December 31, 2023	<u>\$ 23,267,469</u>	<u>\$ 483,741</u>	<u>\$ 823,414</u>	<u>\$ 108,379</u>	<u>\$ 24,683,003</u>

The net book value of property and equipment sold during the year was \$24,783 (2023: \$nil).

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

10. PROPERTY AND EQUIPMENT (CONTINUED)

In September 2022, the land and buildings were revalued to fair market value based on a valuation performed by an independent appraiser for financial statement purposes. The fair value of the land and buildings is derived from capitalised income projections based on a property's estimated net market income adjusted for vacancies, and a discount rate derived from an analysis of market evidence. There was no change in the valuation technique used in the 2022 valuation from the prior valuation. Assumptions around the projected rental revenue changed from a range of \$27 - \$59/sq. ft. in the prior valuation to \$29 - \$59/sq. ft. in the 2022 valuation. Updated assumptions are noted in the table below. The fair value measurement of the Group's land and buildings is classified as Level 3 in the fair value hierarchy. Land and buildings are classified as Level 3 as inputs are generally unobservable.

There were no transfers between the various levels during the year.

The following table presents information on how reasonably possible changes in assumptions made by the Group may impact the estimates of fair values of the land and buildings in 2022 valuation.

Estimate/Assumption	Change	Impact on fair value
Rental Revenue (\$29-\$59/sq. ft.)	5.00%/-5.00%	\$1,136,593/(\$1,136,593)
Vacancy rates (5%)	5.00%/-5.00%	(\$1,196,419)=\$1,196,415
Discount rate (8.25%-9%)	1.00%/-1.00%	(\$2,348,714)=\$2,967,626

The net book value of the land and buildings, excluding effects of revaluations, would have been \$4,263,243 (2023: \$4,263,243) and \$13,247,818 (2023: \$13,971,642) respectively.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

11. LEASES

The Group leases office premises and vehicles. The leases typically run for a period of three to five years, with an option to renew the lease after that date. Lease payments are usually renegotiated every three to five years to reflect market rental rates. Some leases provide for additional rent payments that are based on changes in local price indices.

Information about leases for which the Group is a lessee is presented below:

Right-of-use asset

	Office		
	premises	Vehicles	Total
Balance at January 1, 2023	\$ 529,599	\$ 21,037	\$ 550,636
Amortisation charge for the year	(213,011)	(21,037)	(234,048)
Additions	923,676	-	923,676
Balance at December 31, 2023	1,240,264	-	1,240,264
Amortisation charge for the year	(249,871)	-	(249,871)
Balance at December 31, 2024	\$ 990,393	\$ -	\$ 990,393

The amortisation charge attributable to the right-of-use asset is presented within insurance service expenses and other operating expenses within the consolidated statement of comprehensive income.

At December 31, 2024, the future minimum lease payments under non-cancellable operating leases were payable as follows.

	2024	2023
Maturity analysis – Contractual undiscounted cash flows		
Less than one year	\$ 243,383	\$ 284,100
Between one and five years	505,339	1,211,845
Greater than 5 years	449,853	-
Total undiscounted lease liabilities at December 31	\$ 1,198,575	\$ 1,495,945

Lease payments are presented within the financing section of the consolidated statement of cash flows. Interest expense on the lease liability for the year ended December 31, 2024 amounted to \$57,304 (2023: \$27,568) and is presented within the caption interest expense in the consolidated statement of comprehensive income.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

11. LEASES (CONTINUED)

Extension options

Some leases of office premises contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at the lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control. These extensions have been factored in the lease term in determining the lease liability in the consolidated statement of financial position.

12. INTANGIBLE ASSETS AND GOODWILL

The table below summarises the Group's goodwill and intangible assets:

2024	Goodwill	Customer relationships	Non-compete agreements	Computer Software	Total
At January 1, 2024					
Cost	\$ 2,050,810	\$ 5,228,199	\$ 39,590	\$ 11,596,149	\$ 18,914,748
Accumulated amortisation	-	(3,001,805)	(39,590)	(7,513,417)	(10,554,812)
Net book amount	<u>\$ 2,050,810</u>	<u>\$ 2,226,394</u>	<u>\$ -</u>	<u>\$ 4,082,732</u>	<u>\$ 8,359,936</u>
Year ended December 31, 2023					
Opening Net book amount	\$ 2,050,810	\$ 2,226,394	\$ -	\$ 4,082,732	\$ 8,359,936
Additions	-	-	-	33,300	33,300
Amortisation	-	(341,820)	-	(864,038)	(1,205,858)
At December 31, 2024	<u>\$ 2,050,810</u>	<u>\$ 1,884,574</u>	<u>\$ -</u>	<u>\$ 3,251,994</u>	<u>\$ 7,187,378</u>
2023	Goodwill	Customer relationships	Non-compete agreements	Computer Software	Total
At January 1, 2023					
Cost	\$ 2,650,810	\$ 5,228,199	\$ 39,590	\$ 10,166,452	\$ 18,085,051
Accumulated amortisation	-	(2,701,435)	(31,672)	(6,932,852)	(9,665,959)
Net book amount	<u>\$ 2,650,810</u>	<u>\$ 2,526,764</u>	<u>\$ 7,918</u>	<u>\$ 3,233,600</u>	<u>\$ 8,419,092</u>
Year ended December 31, 2023					
Opening Net book amount	\$ 2,650,810	\$ 2,526,764	\$ 7,918	\$ 3,233,600	\$ 8,419,092
Additions	-	-	-	1,686,334	1,686,334
Impairment	(600,000)	-	-	-	(600,000)
Amortisation	-	(300,370)	(7,918)	(837,202)	(1,145,490)
At December 31, 2023	<u>\$ 2,050,810</u>	<u>\$ 2,226,394</u>	<u>\$ -</u>	<u>\$ 4,082,732</u>	<u>\$ 8,359,936</u>

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

12. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

Intangible assets with indefinite lives and goodwill acquired through business combinations have been allocated to a cash-generating unit for impairment testing as follows:

	2024	2023
Cayman's cash-generating unit - goodwill (P&C)	\$ 813,172	\$ 813,172
Cayman's cash-generating unit - goodwill (Health)	<u>1,237,638</u>	<u>1,237,638</u>
	<u><u>\$ 2,050,810</u></u>	<u><u>\$ 2,050,810</u></u>

The Group performed its annual impairment test as at December 31, 2024. The recoverable amounts of Cayman's cash-generating unit ("CGU") has been determined by the fair value less costs to sell calculation based on a discounted cash flow model using a 5-year cash flow forecast, and incorporating a Catastrophe event every 3 years. The discount rate and premium growth rate used in the cash flow model is 13.35% (2023: 14.41%) and 3% (2023: 3%) respectively. As the recoverable amounts exceeded the carrying amounts, management did not identify any impairment for the cash generating unit during 2024. During the year ended December 31, 2023, the Group recognised an impairment loss of \$600,000 related to goodwill.

13. BONDS PAYABLE

On October 15, 2010, the Company effected a private offering of Series II Redeemable Cumulative Variable Rate Corporate Bonds ("the bonds"), which bear interest at a rate of B\$ prime plus 2.00% per annum. The net proceeds were used for general corporate purposes. The bonds rank equally among themselves and with all other existing and future unsubordinated and unsecured debt of the Company. The bonds rank senior to the Company's existing and all future preference and ordinary shares. The carrying value of bonds payable is estimated to approximate its fair value, which is derived from secondary market prices and accordingly is classified in the fair value hierarchy as Level 2.

	2024	2023
Series II Corporate Bonds		
\$7,500,000 at B\$ prime rate + 2.00%, presently 6.25%		
(2023: 6.25%) per annum - Due October 15, 2025	\$ 7,500,000	\$ 7,500,000
Accrued interest	116,866	116,866
Total	<u>\$ 7,616,866</u>	<u>\$ 7,616,866</u>

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

14. SHARE CAPITAL

The authorised, issued, and fully paid share capital is comprised as follows:

	2024	2023
Common shares		
Authorised: 40,000,000 (2023: 40,000,000) at \$0.01 each		
Issued and fully paid: 36,511,589 (2023: 36,511,589) par value \$0.01 per share	<u>\$ 365,116</u>	<u>\$ 365,116</u>
Preference shares		
Authorised: 5,000,000 (2023: 5,000,000) at \$1.00 each		
Issued and fully paid: 5,000,000 (2023: 5,000,000) par value \$1.00 per share	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>

The calculation of basic and diluted earnings per share is as follows:

	2024	2023
Profit for the year attributable to owners of the Company	<u>\$ 6,687,941</u>	<u>\$ 1,791,500</u>
Preference shares dividend paid	<u>(350,000)</u>	<u>(350,000)</u>
Profit for the year attributable to common shareholders	<u>6,337,941</u>	<u>1,441,500</u>
Weighted average number of common shares outstanding	<u>36,511,589</u>	<u>36,511,589</u>
Basic and diluted earnings per common share	<u>\$ 0.17</u>	<u>\$ 0.04</u>

There were no transactions that would dilute earnings per share.

Dividends are accounted for in the period in which they are declared by the Group's Board of Directors. During the year, dividends of \$0.08 (2023: \$0.08) per common share [total dividends \$2,920,928 (2023: \$2,920,928)] were declared and subsequently paid.

The preference shares are non-convertible, non-voting, cumulative, redeemable "A" with a dividend rate of 7% per annum. These shares are redeemable at the option of the Company. The preference shares rank, as to payment of a dividend and capital, ahead of the Company's ordinary share capital. On a winding up, they carry a preferential right of return of capital ahead of the ordinary shares. The Company does not have an obligation to deliver cash or other financial assets to the preference shareholders, and therefore the directors may make dividend payments at their discretion.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

15. GENERAL RESERVE

The Group has established a general reserve from retained earnings in the amount of \$4,000,000 (2023: \$4,000,000), which the Board of Directors has determined is not available for distribution.

16. REVALUATION RESERVE

The movement in the revaluation reserve is as follows:

	Land & Buildings	Investments	Total
Balance at December 31, 2022	\$ 7,886,387	\$ 6,757,815	\$ 14,644,202
Net increase in fair value of OCI investments	_____ -	2,759,464	2,759,464
Other comprehensive income	_____ -	2,759,464	2,759,464
Balance at December 31, 2023	7,886,387	9,517,279	17,403,666
Net decrease in fair value of OCI investments	_____ -	(721,196)	(721,196)
Other comprehensive loss	_____ -	(721,196)	(721,196)
Balance at December 31, 2024	<u>\$ 7,886,387</u>	<u>\$ 8,796,083</u>	<u>\$ 16,682,470</u>

In accordance with the Group's accounting policy, freehold land and buildings are subject to a revaluation exercise that is performed by an independent professional appraiser every three years. Freehold land and buildings were independently valued in September 2022. The next appraisal is due in 2025 or when the fair value of a revalued asset differs materially from its carrying amount due to the current economic condition, whichever is earlier.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

17. NON-CONTROLLING INTEREST

The following table summarises the information relating to CFI which is the Group's sole subsidiary with a material non-controlling interest ("NCI"), before any intra-group eliminations.

	2024	2023
NCI percentage	<u>12.30%</u>	<u>12.30%</u>
Total assets	\$ 63,646,397	\$ 61,400,338
Total liabilities	26,047,876	26,066,392
Net assets	37,598,521	35,333,946
Insurance revenue	\$ 75,586,672	\$ 80,739,382
Insurance service result	3,142,122	(164,039)
Total comprehensive income/(loss)	2,264,575	(852,217)
Cash flows from/(used in) operating activities	\$ 2,043,997	\$ (2,679,583)
Cash flows used in investment activities	(8,409,282)	(2,145,702)
Cash flows used in financing activities	(46,954)	(46,322)

During 2023 and 2024, BFHIL acquired nil shares from minority shareholders resulting in no change in percentage holdings.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

18. EXPENSES

An analysis of the expenses incurred by the Group in the reporting period is included in the table below. Acquisition cash flows and other directly attributable expenses are included in insurance service expenses and net expenses from reinsurance contracts held within the consolidated statement of comprehensive income:

	2024			
	Acquisition cash flows	Other directly attributable expenses	Other operating expenses	Total
Salaries, benefits and bonuses	4,986,745	3,448,222	9,044,274	17,479,241
Depreciation and amortisation	742,123	986,445	731,778	2,460,346
General and administrative expenses	4,217,891	4,172,108	4,548,593	12,938,592
Total	9,946,759	8,606,775	14,324,645	32,878,179

	2023			
	Acquisition cash flows	Other directly attributable expenses	Other operating expenses	Total
Salaries, benefits and bonuses	4,894,070	3,325,749	8,413,125	16,632,944
Depreciation and amortisation	556,118	633,369	1,176,512	2,365,999
General and administrative expenses	4,145,052	5,348,896	4,639,391	14,133,339
Total	9,595,240	9,308,014	14,229,028	33,132,282

19. OTHER INCOME, NET

	2024	2023
Rental income	\$ 38,500	\$ 16,800
Amortisation of discounts on bonds (Note 6)	(127,565)	(172,049)
Amortisation of premiums on treasury bills	170,754	55,051
(Loss)/gain on disposal of property and equipment	(9,202)	200
Other income	62,774	87,402
Total	\$ 135,261	\$ (12,596)

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

20. NET FINANCE EXPENSES FROM INSURANCE AND REINSURANCE CONTRACTS

An analysis of net finance expenses from insurance and reinsurance contracts is presented below:

	2024	2023
<u>Finance income (expenses) from insurance contracts issued</u>		
Interest accrued	(1,047,857)	(946,949)
Effect of changes in interest rates and other financial assumptions	(7,153)	(57,652)
Finance expenses from insurance contracts issued	(1,055,010)	(1,004,601)
 <u>Finance income (expenses) from reinsurance contracts held</u>		
Interest accrued	666,197	590,210
Effect of changes in interest rates and other financial assumptions	(143,559)	110,164
Finance income from reinsurance contracts held	522,638	700,374
Net finance expenses from insurance and reinsurance contracts	(532,372)	(304,227)

21. PENSION PLAN

Employees of the Group participate in defined contribution plans in The Bahamas and in the Cayman Islands. These plans are administered by independent administrators and trustees and membership is mandatory for all eligible employees. Under these plans, the Group paid contributions of 3% - 5% per annum of base salary. The Group paid contributions for the year amounting to \$554,068 (2023: \$506,759), which are included in insurance service expenses and other operating expenses in the consolidated statement of comprehensive income.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

22. RELATED PARTY TRANSACTIONS AND BALANCES

No expense has been recognised in the period for ECLs in respect of the amounts owed by related parties. Key management personnel include members of the Group's management team having authority and responsibility for planning, directing and controlling the activities of the Group's operations. Compensation to key management personnel and compensation to directors as noted below are included in insurance service expenses and other operating expenses within the consolidated statement of comprehensive income.

	2024	2023
Short-term benefits	\$ 2,193,503	\$ 2,333,473
Post employment benefits	<u>59,904</u>	<u>90,211</u>
Total	<u>\$ 2,253,407</u>	<u>\$ 2,423,684</u>
Commission expense	<u>\$ 370,277</u>	<u>\$ 302,461</u>

The receivables from key management personnel are included in sundry receivables and prepayments in the consolidated statement of financial position and are as follows:

	2024	2023
Receivables from key management personnel	<u>\$ 2,719</u>	<u>\$ 20,531</u>

23. CONTINGENCIES

In the normal course of its business, the Group is involved in various legal proceedings incidental to its operations. Based on legal advice and the Group's assessment of the facts, management does not believe that these proceedings give rise to any present obligation requiring a separate provision under IAS 37. Any expected insurance-related cash outflows arising from such matters are included in the measurement of insurance contract liabilities in accordance with IFRS 17. Accordingly, no separate provision has been recognized.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

24. SEGMENTED INFORMATION

The Group's operating segments are identified based on the internal reports that are regularly reviewed by the Chief Operating Decision Maker for the purpose of allocating resources and assessing performance. The Group's operations are organised into the following operating segments of P&C and H&L insurance and by geographic location:

The segment results for the years ended December 31, 2024 and 2023 are as follows:

	Bahamas		Cayman		<u>Total</u>
	<u>P&C</u>	<u>P&C</u>	<u>H&L</u>		
2024					
Insurance service result	\$ 16,031,721	\$ 4,826,258	\$ (943,996)	\$ 19,913,983	
Depreciation and amortisation	1,808,445	327,506	324,395	2,460,346	
Interest expense	936,996	83,038	83,038	1,103,072	
Segment profit/(loss) for the year	4,724,439	3,488,028	(1,266,629)	6,945,838	
Total segment assets	113,274,321	44,544,997	24,391,339	182,210,657	
Total segment liabilities	77,392,473	20,300,903	5,485,538	103,178,914	
Capital expenditure	646,294	43,852	76,594	766,740	
		<u>P&C</u>	<u>P&C</u>	<u>H&L</u>	<u>Total</u>
Insurance service result	\$ 13,984,672	\$ 5,009,347	\$ (4,474,009)	\$ 14,520,010	
Depreciation and amortisation	1,879,691	238,471	247,837	2,365,999	
Interest expense	988,766	81,800	81,800	1,152,366	
Segment profit/(loss) for the year	3,449,021	3,706,078	(5,515,921)	1,639,178	
Total segment assets	110,268,556	40,104,852	25,813,916	176,187,324	
Total segment liabilities	74,338,500	20,237,876	5,764,579	100,340,955	
Capital expenditure	1,799,223	65,044	248,828	2,113,095	

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