

BAHAMAS FIRST HOLDINGS LIMITED

Quarterly Report on Unaudited Results

For the 12 Months Ended December 31, 2023

Disclaimers

This document includes forward-looking statements, assumptions, and information about the financial condition, results, business, strategy, plans and objectives of Bahamas First Holdings Limited (BFH), including in relation to BFH's current or future projects. It should be noted that the achievement of these objectives, forward-looking statements, assumptions and information is dependent on circumstances and facts that arise in the future. No guarantee can be given regarding the achievement of these forward-looking statements, assumptions and information. These forward-looking statements, assumptions and information are not guarantees of future performance. Forward-looking statements, assumptions and information (including on objectives) may be impacted by known or unknown risks, identified or unidentified uncertainties and other factors that may significantly alter the future results, performance and accomplishments planned or expected by BFH.

Therefore, any assessments, any assumptions and, more generally, any figures presented in this report will necessarily be estimates based on evolving analyses, and encompass a wide range of theoretical hypotheses, which are highly evolutive. These points of attention on forward-looking statements are all the more essential as the adoption of IFRS 17 – Insurance Contracts and IFRS 9 – Financial Instruments, which are new accounting standards, results in significant accounting changes for BFH – the impact of which may not be fully assessed. IFRS 17 is a new accounting standard applicable to insurance and reinsurance contracts. IFRS 17 replaced IFRS 4 on January 1, 2023. IFRS 9 replaces IAS 39 and has resulted in changes to the measurement and recognition of financial instruments. The adoption of IFRS 9 and IFRS 17 results in significant accounting changes for BFH. Any assessments, assumptions, estimates or expectations under or relating to IFRS 9 or IFRS 17 in this document reflect BFH's current view of the impact of the standards. No guarantee can be given regarding their accuracy; they are subject to changes, which may be significant, in the course of 2023. Accordingly, no undue reliance should be placed on such assessments, assumptions, estimates or expectations. The financial information for the 12 months ended December 31, 2023, included in this document is unaudited.

Report of the Executive Chair

on Unaudited Results for the 12 months ended December 31, 2023

Year 2023 results

The overall performance for the Group for 2023 was a comprehensive income of \$6.0m, which was 14.9% (\$1.0m) below the prior year. The Group's profit for the year was \$1.6m, down 63.1%, from the prior year's result of \$4.4m. The profit for the property and casualty segments, for the year ended December 31, 2023, was \$6.5m, a 4.5% increase from the prior year. Unfortunately, the Group's result was impacted by the ongoing issues with the health segment, which incurred a loss in 2023 of \$4.9m compared to a loss in 2022 of \$1.8m. The performance of the segments is set out in more detail below.

Q4 2023

For the 3 months ended December 31, 2023, the Group reported a total comprehensive income of \$6.8m which was 11.4% (\$0.9m) below Q4 2022. The Group's profit for Q4 was \$3.3m, which was 34.1% lower than the prior year despite higher insurance revenue which was offset by higher operating expenses. Prior year profit was also aided by revaluation gains on building revaluation of \$0.8m within investment and other income. As in the previous year, but with even greater emphasis under IFRS 17, the seasonal nature of earning premium and commission is significantly weighted to the fourth quarter, resulting in a higher profit in Q4 than the total profit for the year.

Accounting policy change

During the last quarter the Board elected to change the accounting policy for equity instruments as permitted under the new standard, IFRS 9. Equity instruments continue to be valued at fair value, however they are now accounted for as other comprehensive income rather than investment and other income, which impacts the profit, but not the total comprehensive income. The prior periods have been restated as explained in note 6.

Health segment

For the year ended December 31, 2023, Cayman First Insurance Company Limited's ("CFI's") health unit saw a 12.9% decline in gross written premium compared to 2022. The loss of business resulted from the issues with claims payments in 2023 arising from the implementation of the new IT system.

In 2023, the health operation also experienced an increase in costs, as CFI sought to remediate the issues and this, combined with the lower premium level, resulted in a higher loss on the segment than prior year. The loss ratio did not deteriorate when compared to the prior year but is still unacceptably high. CFI is implementing the necessary adjustments

to pricing to improve the loss ratio but this will not impact financial results until late 2024 and into 2025.

In the last quarter of 2023, CFI engaged a new CEO and Vice President of Health with the immediate goal of stabilizing operations. This has resulted in a significant improvement in the claims turnaround time to within regulatory guidelines. There are some claims legacy issues that are still being worked through. As we continue to remediate the issues in 2024, the health unit is expected to incur costs over and above the expected operational norms.

Property and casualty segments

The reinsurance capacity for property catastrophe insurance remains limited entering 2024 and the restricted capacity also comes with a cost as reinsurers are requiring premium increases. As a result, the increase in reinsurance costs has had a significant impact on our customers' rates and is unlikely to reduce in the near future. The lack of catastrophe claim events and resulting increase in profit commission from reinsurance contracts contributed to the improved profit over prior year.

Staff changes

At the end of 2023, Mr. Patrick Ward, the former CEO of the Group, retired. Mr. Ward remains a director of Bahamas First General Insurance Company Limited ("BFG"), a subsidiary of the Group. Mr. Warren Rolle the Chief Operating Officer also retired during 2023. Both Mr. Ward and Mr. Rolle had been with the Group for more than 30 years and we thank them for their service.

In addition to Mr. Ward being the Group's CEO, he was also the Managing Director and CEO of BFG. In November 2023, Mr. Richard Darville, who has been with the Group for almost 30 years, and was Vice President of Claims, was promoted to CEO of BFG. As Executive Chair, I am currently overseeing the Group's operations as we look to make some strategic changes aimed at improving operational efficiency and ultimately the overall performance of the Group.

Alison Treco

Executive Chair

Financial Summary of Unaudited Results

AS AT DECEMBER 31, 2023
(Expressed in Bahamian dollars)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	As at:	
	31-Dec-23	31-Dec-22 (Note 2)
Cash and investments	69,863,610	65,055,358
Broker receivables	15,389,521	19,103,446
Reinsurance contract assets	54,330,047	50,467,996
Property and equipment	24,683,003	25,242,703
Intangible assets and goodwill	8,359,936	8,419,092
Other assets	3,047,608	2,959,645
Total assets	175,673,725	171,248,240
Insurance contract liabilities	90,127,241	89,213,178
Bonds payable	7,616,866	7,619,435
Other liabilities	2,083,249	1,259,046
Total liabilities	99,827,356	98,091,659
Total equity attributable to owners of the company	71,499,864	68,705,231
Non-controlling interest	4,346,505	4,451,350
Total equity	75,846,369	73,156,581
Total liabilities and equity	175,673,725	171,248,240

Financial Summary of Unaudited Results

FOR THE 3 MONTHS ENDED
DECEMBER 31, 2023
(Expressed in Bahamian dollars)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	For the 3 Months Ended	
	31-Dec-23	31-Dec-22 (Note 2)
Insurance revenue	59,124,736	52,691,389
Insurance service expenses	(25,710,245)	(22,632,933)
Net expenses from reinsurance contracts held	(26,545,707)	(24,411,265)
Insurance service result	6,868,784	5,647,191
Finance expenses from insurance contracts issued	(437,385)	(1,572,500)
Finance income from reinsurance contracts held	265,012	1,130,654
Net insurance finance expenses	(172,373)	(441,846)
Investment and other income, net (Note 6)	524,807	1,822,211
Other expenses	(3,874,831)	(1,951,355)
Profit (Note 6)	3,346,387	5,076,201
Other comprehensive income (Note 6)	3,411,238	2,553,177
Total comprehensive income	6,757,625	7,629,378
Attributable to:		
Owners of the company	6,678,326	7,201,467
Non-Controlling Interest	79,299	427,911
Earnings per common share based on profit attributable to owners of the company (Note 5 & 6)	0.09	0.13

Financial Summary of Unaudited Results

FOR THE 12 MONTHS ENDED
DECEMBER 31, 2023
(Expressed in Bahamian dollars)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	For the 12 Months Ended	
	31-Dec-23	31-Dec-22 (Note 2)
Insurance revenue	191,730,146	184,757,205
Insurance service expenses	(94,020,514)	(93,538,202)
Net expenses from reinsurance contracts held	(83,189,622)	(77,203,233)
Insurance service result	14,520,010	14,015,770
Finance expenses from insurance contracts issued	(1,004,601)	(1,721,802)
Finance income from reinsurance contracts held	700,374	1,286,678
Net insurance finance expenses	(304,227)	(435,124)
Investment and other income, net	1,632,523	2,897,410
Other expenses	(14,209,128)	(12,031,086)
Profit	1,639,178	4,446,970
Other comprehensive income	4,321,538	2,559,218
Total comprehensive income	5,960,716	7,006,188
Attributable to:		
Owners of the company	6,065,561	6,789,764
Non-Controlling Interest	(104,845)	216,424
Earnings per common share based on profit attributable to owners of the company (Note 5)	0.04	0.11

Financial Summary of Unaudited Results

FOR THE 12 MONTHS ENDED
DECEMBER 31, 2023
(Expressed in Bahamian dollars)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	For the 12 Months Ended	
	31-Dec-23	31-Dec-22 (Note 2)
Common shares, Preference shares, Contributed surplus and General reserve		
Balance at beginning and end of period	24,291,275	24,291,275
Revaluation reserve		
Balance at beginning of period as previously reported	6,673,564	5,691,207
Adjustment on initial application of IFRS 9 (Note 2)	7,934,638	8,319,622
Restated balance at January 1, 2023 and 2022	14,608,202	14,010,829
Total comprehensive income attributable to revaluation reserve	2,759,464	597,373
Balance at end of period	17,367,666	14,608,202
Retained earnings		
Balance at December 31, 2022 and 2021 as previously reported	33,620,992	31,480,443
Adjustment on initial application of IFRS 9 and 17 (Note 2)	(3,815,238)	(4,596,152)
Restated balance at January 1, 2023 and 2022	29,805,754	26,884,291
Total comprehensive income attributable to retained earnings	3,306,097	6,192,391
Preference share dividends	(350,000)	(350,000)
Common share dividends	(2,920,928)	(2,920,928)
Balance at end of period	29,840,923	29,805,754
Non-controlling interest		
Balance at December 31, 2022 and 2021 as previously reported	4,292,124	4,184,266
Adjustment on initial application of IFRS 9 and 17 (Note 2)	159,226	173,673
Restated balance at January 1, 2023 and 2022	4,451,350	4,357,939
Total comprehensive (loss)/income attributable to non-controlling interest	(104,845)	216,424
Dividends paid by subsidiary	-	(123,013)
Balance at end of period	4,346,505	4,451,350
Equity at end of period	75,846,369	73,156,581

Financial Summary of Unaudited Results

FOR THE 12 MONTHS ENDED
DECEMBER 31, 2023
(Expressed in Bahamian dollars)

CONSOLIDATED STATEMENT OF CASH FLOWS	For the 12 Months Ended	
	31-Dec-23	31-Dec-22
Net cash from operating activities	6,371,168	10,960,155
Net cash (used in)/from investing activities	(1,988,291)	5,087,509
Net cash used in financing activities	(3,593,582)	(3,687,327)
Net increase in cash and cash equivalents	789,295	12,360,337
Cash and cash equivalents at the beginning of the period	33,636,381	21,276,044
Cash and cash equivalents at the end of the period	34,425,676	33,636,381

Selected Explanatory Notes to the Unaudited Financial Results

For the 12 Months Ended December 31, 2023

1. GENERAL

Bahamas First Holdings Limited (“BFH” or the “Company”) and its subsidiaries are incorporated under the laws of the Commonwealth of The Bahamas, except BFH International Limited, Cayman First Insurance Company Limited, BRAC Insurance Associates Ltd. and BFH Services (Cayman) Limited which are incorporated under the laws of the Cayman Islands.

These consolidated unaudited financial results include the accounts of BFH and its subsidiaries, which are hereinafter collectively referred to as the “Group”. The primary activity of the Group is the carrying on of general insurance business (property and casualty) and health and group life insurance. The subsidiaries are as follows:

Registered insurers

- Bahamas First General Insurance Company Limited (“BFG”)
- Cayman First Insurance Company Limited (“CFI”)

Registered insurance intermediaries

- Nassau Underwriters Agency Insurance Agents & Brokers Ltd. (“NUA”)
- BRAC Insurance Associates Ltd. (“BIA”)
- CMA Insurance Brokers & Agents Limited (“CMA”)

Management company

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

Claims servicing company

- First Response Limited (“FRL”)

Health referral agency

- BFH Services (Cayman) Limited (“BFHS”)

Insurance holding company

- BFH International Limited (“BFHIL”)

All of the above subsidiaries are wholly-owned except for CFI.

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed interim financial results have been prepared in accordance with IAS 34 Interim Financial Reporting (“IAS 34”), using the accounting policies adopted in the last annual financial statements for the year ended December 31, 2022. With the exception of the changes required by the adoption of IFRS 9 – Financial Instruments and IFRS 17 – Insurance Contracts during the current reporting period, the Group has consistently applied the same accounting policies through all periods presented. These interim unaudited consolidated financial results should be read in conjunction with the consolidated financial statements of the Group for the year ended December 31, 2022.

IFRS 9

The Group adopted IFRS 9 for the first time for the interim period ended March 31, 2023. The adoption of IFRS 9 has resulted in changes to the measurement and recognition of financial instruments. As a first-time adopter, the Group has applied the following practical expedients:

- Use of the modified retrospective approach, which means that the cumulative effect of initial application is recognized as an adjustment to the opening balance of retained earnings at January 1, 2022.

Selected Explanatory Notes to the Unaudited Financial Results (Continued)

For the 12 Months Ended December 31, 2023

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IFRS 9 (continued)

The adoption of IFRS 9 has resulted in the following adjustments to the financial statements:

- Election to present changes in fair value of equity instruments that are not held for trading in other comprehensive income.
- Impairment losses on financial instruments have shifted from an incurred credit loss model to an expected credit loss model.

The election to present changes in fair value of equity instruments through other comprehensive income resulted in a prior period reclassification from retained earnings to revaluation reserve of \$7,934,638 as at January 1, 2023 and \$8,319,622 as at January 1, 2022. This differs from reporting in earlier quarters for 2023.

IFRS 17

The Group adopted IFRS 17 for the first time for the interim period ended March 31, 2023. IFRS 17 requires insurers to recognize insurance contract revenue and expenses in a way that reflects the timing of transfer of insurance risk from the insurer to the policyholder. The Group has applied IFRS 17 retrospectively, with the cumulative effect of the transition recognized as an adjustment to the opening balance of retained earnings as of the beginning of the earliest period presented. The transition date was January 1, 2022.

The standard introduces new financial statement presentation captions that differ from previous presented statements. Below we have outlined the new captions:

Statement of Financial Position

- Insurance contract assets/liabilities: The financial obligation to the policy owners of insurance contracts written, which includes a liability for claims that have been incurred as of the reporting date but have not yet been settled (liability for incurred claims), a liability for the remaining obligations on contracts (liability for remaining coverage), as well as the expenses that are expected to be required to fulfill the obligations of the insurance

contracts. These liabilities are measured as the present value of the expected cash flows for claims payments, using an appropriate discount rate and risk adjustment.

- Reinsurance contract assets/liabilities: The amount an insurer expects to recover from a reinsurer under a reinsurance contract. This asset is initially measured as the present value of the expected cash flows from the reinsurer, using an appropriate discount rate and risk adjustment.

Statement of comprehensive income

- Insurance contract revenue: The amount of premium allocated to the services provided in the period. For insurance contracts with significant seasonality, the premiums allocated to each period will be proportional to the expected seasonality (refer to Note 3). Insurance revenue is net of any transaction-based taxes such as premium tax.
- Insurance contract expenses: The expenses associated with fulfilling insurance contracts, such as claims, commissions, policy acquisition costs and general expenses that are directly attributable to providing insurance contract services..
- Net expenses from reinsurance contracts held: The expenses incurred by an insurer after taking into account the recoveries expected to be received from reinsurers under reinsurance contracts held.
- Finance expenses from insurance contracts issued and finance income from reinsurance contracts held: The changes in the insurance liability for incurred claims and the reinsurance asset for incurred claims that are related to changes in economic and financial assumptions. Specifically, the amounts represent the effect of interest accretion and changes in the current discount rates.

Restatement of statement of financial position

Balances reported previously in the statement of financial position as at December 31, 2022 have been restated to align with IFRS 9 and IFRS 17 accounting policy decisions.

Selected Explanatory Notes to the Unaudited Financial Results (Continued)

For the 12 Months Ended December 31, 2023

3. MEASUREMENT

The Group measures insurance liabilities/assets and reinsurance assets/liabilities for portfolios of contracts, as per the requirements of IFRS 17. Portfolios of contracts, which contain contracts with similar risks that are managed together, must be separated for insurance contracts written and reinsurance contracts held. The Group has always managed insurance contracts and reinsurance contracts using product lines, which meet the above portfolio criteria, and these have been used to define portfolios for IFRS 17. Portfolios are further separated into groups of contracts, such that contracts are separated based on their expected profitability, and that no contracts included in a group are issued more than 12 months apart.

The Group has applied the Premium Allocation Approach (“PAA”) to all insurance and reinsurance contracts. The PAA is a simplified measurement model relative to the General Model that is intended for short-term insurance and reinsurance contracts. The Group assumes that no contracts are onerous unless facts and circumstances indicate otherwise.

The Group has identified insurance acquisition expenses as all expenses that arise from activities related to selling, underwriting, and acquiring groups of insurance contracts. The Group has elected to defer the recognition of insurance acquisition expenses and recognize them over the coverage period of insurance contracts.

The Group does not adjust the liability for remaining coverage (“LRC”) to reflect the time value of money. The Group has adjusted the liability for incurred claims (“LIC”) for the time value of money for all portfolios with the exception of the Health portfolio where the settlement time for claims is less than twelve months. The adjustment for time value of money is calculated using discount rates that are current and specific to the country of the liability. The discount rates reflect the characteristics of the expected insurance liability cash flows. There is significant judgement in the determination of the discount rates.

For insurance liabilities in The Bahamas, the Group has used a top-down approach to determine discount rates, which adjusts the yields on Government of The Bahamas bonds for the credit spread associated with the possibility of default. For insurance liabilities in the Cayman Islands, the Group has used a bottom-up approach which adjusts the US treasury yields for an illiquidity premium consistent with the illiquidity of the insurance liabilities. The Group does not expect insurance liability cash flows to occur beyond the duration when observable market prices become unobservable, and thus the Group has not made any assumptions about yields in the unobservable period.

The Group includes within the LIC an explicit Risk Adjustment for Non-Financial Risk (“RA”). The RA represents the compensation required by the Group for bearing the uncertainty about the amount and timing of the cash flows that arise from non-financial risk as the Group fulfils the insurance contract obligations. There is no RA within the LRC unless a group of contracts has been identified as being onerous. The RA for groups of reinsurance contracts represents the amount of risk transferred from the Group to the reinsurer. The Group has determined the RA using a confidence level approach using a target confidence level of 75%.

Seasonality

The Property and Casualty insurance business is seasonal in nature with the bulk of the catastrophe insurance revenue being recognized during the hurricane months of June to November. The insurance service result is driven mainly by claims associated with weather conditions and may vary significantly between quarters. Profit commission earned from reinsurers and paid to agents are significantly impacted by natural catastrophes and are therefore recorded only in the fourth quarter.

Selected Explanatory Notes to the Unaudited Financial Results (Continued)

For the 12 Months Ended December 31, 2023

4. SEGMENTED INFORMATION

The Group's operations are segmented into the following business segments by geographic location:

- General Insurance / Property and Casualty (P&C)
- Health and Life (H&L)

The segment results for the interim periods are noted in the table displayed ►

	BAHAMAS		CAYMAN	
	P&C	P&C	H&L	TOTAL
	\$	\$	\$	\$
For The 12 Months Ended 31-Dec-23				
Insurance service result	15,284,048	4,309,970	(5,074,008)	14,520,010
Profit/(Loss)	2,876,600	3,651,983	(4,889,405)	1,639,178
Capital expenditure	1,799,223	68,946	244,926	2,113,095
As at 31-Dec-23				
Total assets	112,829,898	38,733,937	24,109,890	175,673,725
Total liabilities	73,760,965	20,309,120	5,757,271	99,827,356
For The 12 Months Ended 31-Dec-22				
Insurance service result	12,799,537	3,068,609	(1,852,376)	14,015,770
Profit/(Loss) (Note 2)	2,947,052	3,298,313	(1,798,395)	4,446,970
Capital expenditure	902,252	325,893	289,000	1,517,145
As at 31-Dec-22				
Total assets (Note 2)	102,103,694	41,497,521	27,647,025	171,248,240
Total liabilities (Note 2)	67,175,917	20,106,577	10,809,165	98,091,659

Selected Explanatory Notes to the Unaudited Financial Results (Continued)

For the 12 Months Ended December 31, 2023

5. EARNINGS PER COMMON SHARE

	2023 \$	2022 \$ (Note 2)
3 months Ended 31-Dec		
Profit for the period attributable to owners of the company	3,311,963	4,802,128
Preference shares dividend paid	(87,500)	(87,500)
Profit for the period attributable to common shareholders	3,224,463	4,714,628
Weighted average number of common shares outstanding	36,511,589	36,511,589
Basic and diluted earnings per common share	0.09	0.13
12 months Ended 31-Dec		
Profit for the period attributable to owners of the company	1,791,501	4,262,497
Preference shares dividend paid	(350,000)	(350,000)
Profit for the period attributable to common shareholders	1,441,501	3,912,497
Weighted average number of common shares outstanding	36,511,589	36,511,589
Basic and diluted earnings per common share	0.04	0.11

6. Changes in accounting policy under IFRS 9

The Group restated its quarterly report on unaudited results for the periods ended June 30, 2023 and September 30, 2023 to reclassify gains on equity instruments measured at fair value through other comprehensive income from investment income to other comprehensive income. The same changes resulted in restatements for all interim periods in 2022. For all periods restated, there was no change to total comprehensive income. The figures previously stated for the 3-month period ended March 31, 2023, also remain unchanged. The effect of the restatement on the unaudited financial statements is as follows:

	Previously Presented \$	Restated \$
3 Months Ended 30-Jun-23		
Investment and other income, net	367,274	368,765
Loss for the period	(984,692)	(983,201)
Other comprehensive loss	(57,012)	(58,503)
Loss per common share	(0.03)	(0.03)

	Previously Presented \$	Restated \$
3 Months Ended 30-Sep-23		
Investment and other income, net	1,285,675	458,945
Profit for the period	2,252,970	1,426,240
Other comprehensive (loss)/income	(42,820)	783,910
Earnings per common share	0.06	0.04

Selected Explanatory Notes to the Unaudited Financial Results (Continued)

For the 12 Months Ended December 31, 2023

6. Changes in accounting policy under IFRS 9 (continued)

	Previously Presented	Restated
	\$	\$
3 Months Ended 31-Mar-22		
Investment and other income, net	(779,707)	423,531
(Loss)/profit for the period	(825,195)	378,043
Other comprehensive loss	(905,828)	(2,109,066)
(Loss)/earnings per common share	(0.03)	0.01

	Previously Presented	Restated
	\$	\$
3 Months Ended 30-Jun-22		
Investment and other income, net	3,243,915	305,483
Profit/(loss) for the period	2,109,798	(828,634)
Other comprehensive (loss)/income	(407,935)	2,530,497
Earnings per common share	0.06	0.01

	Previously Presented	Restated
	\$	\$
3 Months Ended 30-Sep-22		
Investment and other income, net	223,852	346,185
Loss for the period	(300,971)	(178,638)
Other comprehensive loss	(293,057)	(415,390)
Loss per common share	(0.01)	(0.05)

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