

Bahamas **FIRST**

Meeting the Moment

Bahamas First Holdings Limited
2021 Annual Report





We began 2021 with a lot of unknowns.

We were tasked to navigate changing times and define a new normal. We took the challenge head on, reaching past the limits of normal to reformulate our model for service, reinvent our digital space, and reaffirm what it means to be first. We ended 2021 knowing how to adapt and thrive and with a deeper understanding of the power of effective collaboration.

Bahamas **FIRST F**

Cayman **FIRST F**



The consolidated financial statements in this report include the accounts of Bahamas First Holdings Limited ("BFH" or the "Company") and its subsidiaries, which are collectively referred to as the "Group". The subsidiaries are as follows: Bahamas First General Insurance Company Limited ("BFG"), Cayman First Insurance Company Limited ("CFI"), NUA Insurance Agents & Brokers Ltd. ("NUA"), Bahamas First Corporate Services Ltd. ("BFCS"), First Response Limited ("FRL"), BFH International Limited ("BFHIL"), BRAC Insurance Associates Ltd. ("BIA"), CMA Insurance Brokers & Agents Ltd ("CMA") and BFH Services (Cayman) Limited ("BFHS").

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About Bahamas First Holdings Limited

Bahamas First Holdings Limited is a diversified group of companies providing insurance and related services in The Bahamas and the Cayman Islands.

12

Offices and branches
on 5 islands in the
Bahamian archipelago
and the Cayman
Islands

205

Employees
across its operating
markets

3

Registered
insurance
intermediaries

1

Claims servicing
company



The primary entities of Bahamas First Holdings Limited can trace their genesis back over 56 years with the establishment of Nassau Underwriters Limited.

- **1966**
Nassau Underwriters Limited (“NUL”) is established in August through the amalgamation of the insurance interests of Solomon Brothers Ltd., Sir George Roberts, and Sir Stafford Sands.
- **1970**
NUL changes its name to Nassau Underwriters Agency Limited (“NUAL”).
- **1975**
The insurance interests of R.H. Curry & Co. Ltd. are acquired.
- **1978**
The insurance portfolio of Inter Island Services Company is purchased.
- **1979**
NUAL opens an office in Freeport, Grand Bahama.
- **1982**
Bahamas First General Insurance Company Limited (“BFG”) is incorporated in September and opens its doors the following year.
- **1996**
Bahamas First Holdings Limited (“BFH”) is formed in September, incorporating the shareholding base of BFG and NUAL as wholly owned subsidiaries of BFH.
- **1998**
BFH acquires Allied Bahamas Insurance Co. Ltd. and the portfolios of Peter Cole & Associates and T. Dan Albury Insurance. Allied’s portfolio is taken over by BFG, while the other two agencies are initially merged to form Cole Albury Insurance Agency.
- **1999**
BFG becomes the first Bahamian property and casualty company to have its financial strength and ability to pay claims assigned a rating by A.M. Best. The company has maintained its initial A- (Excellent) rating ever since.
- **2004**
NUAL is renamed and incorporated as Nassau Underwriters Cole Albury Insurance Agency Limited (“NUCA”).
- **2006**
NUCA purchases the sub-agency portfolio of Sam Gray Insurance in January and establishes a branch office in George Town, Exuma. In March, NUCA changes its name to Nassau Underwriters Agency Insurance Agents & Brokers Ltd. (“NUA Insurance Agents & Brokers” or “NUA”).
- **2007**
BFG launches First Response, which provides on-location assistance from the moment of a motor vehicle accident through the claim and repair process. It is the first programme of its kind in The Bahamas and is offered at no cost to drivers whose vehicles are insured through authorized agents of BFG.
- **2008**
BFG celebrates its silver anniversary (incorporated in 1982, it opened to the public in January 1983).
- **2010**
BFH acquires the majority equity interest in a Cayman based insurance company, which was subsequently rebranded as Cayman First Insurance Company Limited (“CFI”).
- **2015**
The Bahamas First Innovation Centre is established to ensure that BFG is able to leverage strong leadership, technology, and innovation to meet the ever-changing demands of the industry and clients.
- **2018**
CMA Insurance Brokers & Agents Ltd. and Response Insurance Agency become a part of NUA.
- **2019**
CFI celebrates 35 years in the Cayman Islands.
- **2020**
BFH is added to the Official Roster of companies listed on the Bahamas International Securities Exchange (“BISX”).
- **2021**
BFG launches First Online, a new online insurance portal that allows customers to get instant quotes, pay premiums, submit claims and download important documents all in one place.

Message from the Chair

As the world attempts to emerge from a more than two-year hibernation period, I see a light at the end of the tunnel. Although we are not out of the woods, particularly from a financial and economic standpoint, we do need to reflect on what we have learned and what should remain as part of our “new normal”.

So what will normal look like in the future? I don't have a crystal ball, but, clearly, technological advances were accelerated during COVID and are here to stay. These advances include, among other things, more companies providing customers with online access, increased remote access for employees working from home, better security measures as a result of remote data access, and virtual meetings. Fortunately, Bahamas First was already in the stages of developing a new online platform to better serve customers before COVID began; however, as with all new systems, it has not been without its challenges. We have met these challenges and have completed the rollout of Phase 1 of our online customer platform.

Another positive development from COVID is a greater awareness of the importance of our mental and physical health. Developing better work-life balance is not only important for individual employees, but also for the company as a whole. The view that working long hours under stressful

conditions is essential for an individual or a company's growth is outdated. At Bahamas First, many of our staff were working from home where they were balancing an even more stressful work-life situation, as they continued to work and provide schooling for their children at the same time. Their capacity for resilience has been impressive and I wish to thank all our staff for their dedication during these very exacting times.

You may have noticed in the last couple of years, a more dedicated approach by the Company to environmental, social and governance (ESG) matters. As a Bahamas based insurance company that operated through the impact of Hurricane Dorian, we cannot fail to recognize climate change as one of the greatest challenges now facing us. We are committed to transitioning our company to a low-carbon future, including initiatives focused on alternative energy, reducing waste and engaging responsible suppliers. ESG has been a primary focus of many European countries for many years, but it has been slow to migrate to North America. We hope this is an increasing trend in our region and we are happy to work with not only our suppliers, agents and brokers in this regard, but are open to exchanges of views and collaboration with any companies willing to increase their ESG awareness and commitment.

While our financial year started with some challenges in the performance of our health claims, significant improvement in this area was achieved by the end of the year. Our last quarter, which was significantly better than prior quarters, primarily due to the recognition of profit commissions and improvement in health claims, resulted in a profit for the year of



Alison J. Treco
Chair

“So what will normal look like in the future? I don't have a crystal ball, but, clearly, technological advances were accelerated during COVID and are here to stay.”

\$5.6 million. Of particular note, our gross premiums written achieved a new all-time high of \$178 million, increasing by more than 11% over the prior year.

Unfortunately, an unrealized loss on investment continues to depress our results and emphasizes the need for insurance companies to be able to diversify their investments outside of The Bahamas. Not only is there a limited pool of available investments in The Bahamas, but in the event of a major catastrophe, all local investments would be subject to the same economic hardships following the disaster. We, therefore, appeal to our Government and the Central Bank to consider a special exemption for all P&C companies to externalize a portion of their investment portfolios, so that the population of The Bahamas is even better financially protected in the event of a disaster.

As challenging as it has been for all our staff, I would like to specifically

thank our management team, who have remained resilient and innovative during the fast pace of an ever-changing work environment. Adjusting to change is critical and leadership in this process is key, so from myself and the Board as a whole, we extend our thanks for your steadfast and significant contributions.

Without our customers, intermediary partners, and shareholders, we would not be here, so I extend my thanks to you for your continued confidence and trust.

Finally, I would like to give a special thanks to our Board of Directors, who have been called upon more than ever in the last few years to provide support and advice. It has been much appreciated. I also want to thank Neil McKinney specifically for his service, as he will not be standing for re-election this year. We will miss his contribution and insights, although I suspect we will continue to receive his advice as an ongoing customer.

“Without our customers, intermediary partners, and shareholders, we would not be here, so I extend my thanks to you for your continued confidence and trust.”



Message from the Group President & CEO

For the majority of 2021, we experienced a continuation of restrictions induced by the COVID-19 pandemic, with the emergence of new virus variants and a series of public health policies and initiatives designed to contain the spread of the virus.

The theme of this year's annual report is "Meeting the Moment" and, as we progressed through the year, we certainly had to contend with multiple challenges in the course of navigating each quarter.

Fortunately, despite the occurrence of Tropical Storm Grace, which impacted the Cayman Islands in August of 2021, we benefited from a benign hurricane season and a number of other positive developments within our business segments. In particular, the remarkable performance of the P&C segment in both The Bahamas and Cayman provided a significant tailwind for our overall results in 2021.

While the performance of the Health Account did not meet our expectations during Q1-Q3/2021, we were able to achieve a meaningful improvement in Q4/2021, reducing the underwriting loss from this segment of our business.

Based on the adjusted methodology for calculating the overall loss ratio, the result for this metric increased from 51.2% in 2020 to 57.8% in the current year. This increase was offset by a decrease in the net expense ratio from 37.2% in 2020 to 32.6% in 2021. Overall, we were able to contain the Group's combined ratio to 90.4% for 2021, compared to 88.4% for the prior year.

One of the brighter aspects of our performance in 2021 was the growth in core business in both jurisdictions where we operate. Gross premiums increased by 11% in 2021, to \$178.2 million, while net premiums also increased by the slightly higher margin of 12.9%, compared to the prior year.

The Group's 2021 net underwriting income finished at \$33 million, which was flat compared to 2020, despite the significant growth factor and the earlier headwinds created by the lackluster performance of the Health Account.

The total profit for 2021 improved to \$5.6 million, compared to \$4.9 million the prior year, representing an increase of 13.5%. However, total comprehensive income reduced by 10.2% to \$4.8 million in 2021, compared to \$5.3 million in 2020.

The book value of our common shares grew to \$1.55 in 2021, which is 2.6% more than the 2020 value of \$1.51 per common share.

As we look forward, we must continue to sharpen our focus on the strategies that have a clear connection to our business development and profitability objectives. The Group entered 2022 with an improved operating platform and is, therefore, well positioned to deliver stronger underwriting performances in the future.



Patrick G. Ward
Group President
& CEO

While we might not have the ability to see around corners, it is essential that we develop a more perceptive line of sight on both the threats and opportunities that lie ahead of us, so that we can boldly **meet every moment**.

We have made considerable investments in both the technology and analytics infrastructure across our organization in order to enhance our success rate in this regard. This should enable us to create an important differentiating advantage relative to our domestic and regional peers.

Concurrently, we remain committed to promoting sustainability initiatives among Group entities and partners, in keeping with the core values of our various stakeholders.

“As we look forward, we must continue to sharpen our focus on the strategies that have a clear connection to our business development and profitability objectives.”



Summary of Financial Results

For the Year Ended December 31, 2021

(Expressed in B\$000s with the exception of \$ per share amounts)

Consolidated Statement of Financial Position	2021	2020	% Change	2019
Total assets	209,201	226,647	-7.7%	450,232
Total equity	65,647	64,521	1.7%	62,327
Equity attributable to owners of the company	61,463	60,014	2.4%	57,970
Book value per common share	1.55	1.51	2.6%	1.45

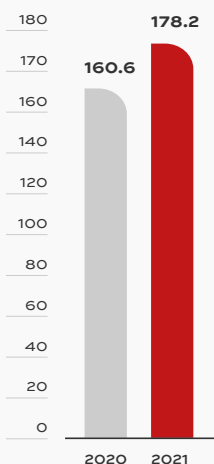
Consolidated Statement of Comprehensive Income	2021	2020	% Change	2019
Gross premiums written	178,236	160,568	11.0%	162,129
Net written premiums	72,722	64,412	12.9%	68,746
Net premiums earned	70,784	66,082	7.1%	68,177
Net commission	12,555	10,017	25.3%	6,880
Net claims incurred	34,572	28,695	20.5%	39,892
Excess of loss reinsurance	10,963	10,052	9.1%	10,059
Net underwriting income	33,031	33,067	-0.1%	20,618
Other income	1,600	1,321	21.1%	291
Premium tax	4,773	4,285	11.4%	4,490
Other expenses	27,268	26,554	2.7%	25,989
Total profit	5,622	4,953	13.5%	(5,080)
Total profit attributable to owners of the company	5,520	4,627	19.3%	(5,550)
Total comprehensive income	4,766	5,306	-10.2%	(2,376)
Total comprehensive income attributable to owners of the company	4,720	4,950	-4.6%	(2,993)
Earnings per common share	0.14	0.12		(0.16)

Ratios

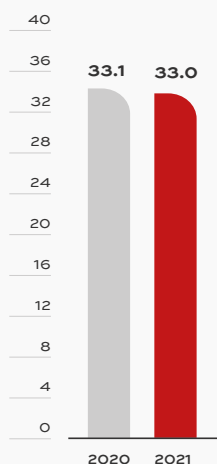
Solvency ratio	106.3%	118.7%	106.2%
Combined ratio	90.4%	88.4%	109.2%
Loss ratio	57.8%	51.2%	68.6%
Net expense ratio	32.6%	37.2%	40.6%

Solvency ratio: Total equity as a % of Net written premiums less cost of excess of loss reinsurance. **Combined ratio:** Net claims incurred, premium tax and other expenses less net commission as a % of net premiums earned less cost of excess of loss reinsurance. **Loss ratio:** Net claims incurred as a % of net premiums earned less cost of excess of loss reinsurance. **Expense ratio:** Other expenses less net commission as a % of net premiums earned less cost of excess of loss reinsurance. **NOTE: Ratios have been adjusted for 2021 to conform to the revised formula.**

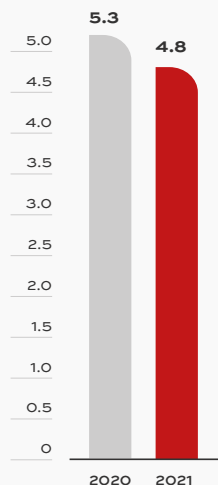
Gross Written Premium (in B\$ millions)



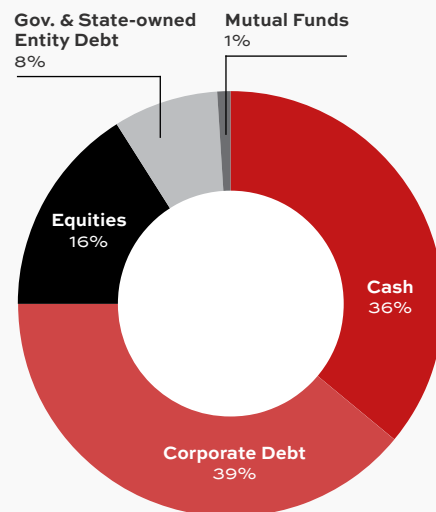
Net Underwriting Income (in B\$ millions)



Total Comprehensive Income (in B\$ millions)



Asset Allocation



▲ **1.7%**

Increase in
Total Equity

▼ **-0.1%**

Decrease in **Net Underwriting Income**

▼ **-10.2%**

Decrease in **Total Comprehensive Income**

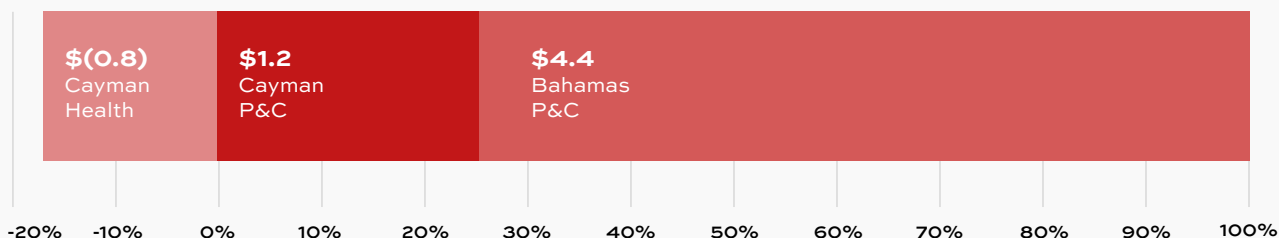
▲ **\$2.39**

Share Price
(compared to \$1.84 at 31 Dec 2020)

▲ **\$65.6m**

Total Equity
(compared to \$64.5 at 31 Dec 2020)

Total Comprehensive Income (in B\$ millions)



Leadership Perspectives – An Interview with the Executive Team



PW

Patrick G.W. Ward
Group President &
CEO, Bahamas First
Holdings Limited



WR

Warren T. Rolle
Group Sr. Vice
President & Chief
Operating Officer,
Bahamas First
Corporate Services
Ltd



AT

Andrae Thompson
Group Chief
Financial Officer,
Bahamas First
Corporate Services
Ltd



KR

V. Keith Rolle
Senior Vice President
- Underwriting
& Reinsurance,
Bahamas First
General Insurance
Company Limited

In what ways is Bahamas First Holdings Limited different from the company it was two years ago?

PW We're different as an organization in ways that are more subtle than dramatic. One of the indicators that I point to is that a few years ago, prior to the beginning of the COVID-19 pandemic, we had already set out the strategic goal to become much more of a digital company, with technology as a main point of focus both in terms of the underwriting of risk and the delivery of services generally to our client base. So, when the pandemic began, it validated the need for us to continue along that path at an accelerated rate. We are different now because we've become a more digital company with a heavier reliance on that mindset as we approach our processes and services and manage the expectations we have of our partners.

When you began the year, what did you envision success would look like? How does that image align with reality?

PW Bearing in mind the difficulties that are confronting our company, the country, the region and, in fact, the globe, we did not have significantly challenging ambitions around where we thought we would end up in 2021. To be frank, our mere expectations were that 2021 would prove to be better than 2020 and anything close to that would be considered a win. In many respects, we have exceeded expectations around some important benchmarks, including seeing revenue exceed our budgeted targets and the prior year's overall gross revenue. Secondly, the underwriting result for the P&C line of business exceeded our performance expectations so that the profit that we derived from that segment is going to be higher than it

would have been in 2020 and what we budgeted. Unfortunately, the health business did not perform within profit expectations and, as a result of this reality, the overall company results will be impacted.

WR Apart from meeting the typical growth and net income projections, Cayman First is cognizant that the customer experience is paramount to the success of most companies. Many have made changes to their customer service interface through innovation and technology to improve the customer experience. We have taken a similar approach with the launch of our consumer portal to allow 24-hour convenience to clients to transact end to end Personal Lines insurance business online from the comfort of their homes or anywhere in the world. We also undertook to upgrade our Health policy administration system, to enhance the digital interface for both

our customers and medical providers, at the same time automating manual processes for greater efficiencies. The implementation of the upgraded Health policy administration commenced in Q3 2021 and will launch in Q2 2022.

We have met growth targets as Written Premiums are up year-over-year by \$8.3 million. However, a sharp increase in Health claims for the first nine months of the year, which tailed off to more traditional levels in Q4, has negatively impacted earnings. We anticipate that the favourable claims experience in Q4 will continue into 2022.

SC Success for me in my role as Acting Managing Director of NUA coming into 2021 was to continue to garner the trust, respect and confidence of the leadership team as I continued to guide the agency forward in very difficult times. My goal was to surpass the production levels of 2020 (new business and renewals) and improve on our Accounts Receivables position which took a major hit at the end of 2020 due to various circumstances. I also envisioned that we would improve our customer service as the various pressures of the COVID-19 environment impacted our service, communication and processes.

In terms of how we actually did as an organization in 2021, I was confirmed as Managing Director of the agency, along with Sanchez Brooks as Assistant Managing Director, on July 1, 2021, which speaks to the confidence that the Board of Directors had in our ability to lead the organization. We believe we will meet our premium production goals as we progress forward and our Accounts Receivables position will also improve as we tighten our collection protocols. Our customer service is still a work in progress as we seek to improve the servicing times to our customers. At the end of 2021 we relaunched our Customer Service P.R.I.D.E. (Personal Responsibility in Delivering

Excellence) initiative to our staff which we expect to place focused attention on how we deliver service to our customers. I expect continued improvement of our service as we progress through 2022.

AT When I reflect on the uncertainty we faced entering 2021, a successful year meant returning to some normalcy without significant deterioration in financial results. I feel that there are some areas of improvement as we look towards 2022, but the lion's share of key targets was achieved.

The Cayman Islands only reopened its borders in the final quarter of 2021, cautiously trailing much of the world. How did operating in what was an effectively closed society for a year and a half affect your business?

WR The prolonged border closure resulted in the tourism sector, which accounts for 25% of the economy, to contract by 80%. Consequently, foreign workers who make up a significant part of the workforce in this sector were repatriated, resulting in a decline in the number of lives that Cayman First insured. Restricted travel hindered specialists entering the island to perform surgeries, which had implications on health claims costs.

Fortunately, a robust construction sector, combined with strong performance in the financial services sector, mitigated the lost revenue from tourism. To address the economic fallout from the pandemic, the Government introduced a pension holiday, which allowed persons early withdrawal of their pension funds, subject to a cap, of which many persons took advantage. Some consumers used a portion of the funds for vehicle purchases, which we benefited from, as it contributed to a 10% growth in our Motor premiums.

The closed borders also resulted in a lower frequency of Motor claims over the period. However, the average cost per claim increased due to supply chain issues.

Overall, from a gross revenue perspective, there was little impact to our business.


The company invested significantly in technology last year. In what ways do you expect to see a return on that investment?

PW The investment return is not something that can be simply measured by the dollar return on the amount of capital we've deployed in this area. It's also about measuring the improvement in the convenience factor for our clients regarding the ease of doing business and measuring our progress in operating in an environment that requires us to work remotely because of conditions on the ground or other business circumstances. So, the fundamental question is whether we have made strategic steps to enable us to be able to effectively navigate through another pandemic scenario if it were to occur again. I think the answer is 'yes'.

AT There are two key areas. The first is the expanded offerings and how our clients engage with us – whether through purchasing our products or reporting claims. The second is greater efficiencies which will facilitate more customization and personalized service to our clients.

How were you able to support customers during such an extraordinary year?

SB On the heels of the challenges experienced in 2020, we were compelled to adapt to new ways of work, including using all available means to reach our diverse customer base. A large percentage of our clients remain traditional in the sense

Two wooden human figures, one slightly taller than the other, are positioned on a blue surface. A red line runs horizontally across the bottom of the frame, passing behind the figures. The background is a solid blue color.

that they still transact business by physically visiting our offices. Therefore, due to limited office access for the first half of the year, physical distancing requirements, long queues, etc. we implemented new programs such as an appointment and drop-off service to enhance our overall customer experience. On the other end of the spectrum, there were clients who were expecting a fully digital experience, which meant utilizing technology to transact business while also collecting online payments. We were able to facilitate the more technologically savvy clients using email and social media platforms as a means of connecting. While this is a standard process for NUA, we saw an increased demand for these types of transactions which meant reallocation of team members to ensure that our service levels remained high.

How is HR trying to retool the company for “the future of work”?

RiK One of the things we want to do is make sure that we have systems that work flawlessly. In 2022 we plan to introduce a new human resources information system that will allow us to manage remote working and connect and engage with our employees wherever they are. It will serve as a central hub and expand our automated capabilities beyond the standard administrative functions to focus on how we manage productivity and performance for a dispersed workforce.

How has living and working through a global pandemic changed you and the way you do business?

PW I’ve had a mindset change. The pandemic has forced me to become more flexible in my own view about what constitutes how someone is going to contribute to the company.

**RD****Richard Darville**

Vice President -
Claims & Support
Services, Bahamas
First General
Insurance Company
Limited

**RiK****Richenda King**

Group Vice
President - HR &
Training/CHRO,
Bahamas First
Corporate Services
Limited

**SC****Stanford Charlton**

Managing Director,
NUA Insurance
Agents & Brokers
Ltd

**RuK****Ruth Kibe**

Chief Financial
Officer, Cayman
First Insurance
Company Limited

We traditionally think about work as being done within the workplace, within a certain construct of buildings, where someone sits at a desk in an office or meeting room. But I think it's now clear that you can have a very high level of productivity with a lot more flexibility around what constitutes a workplace. It could be one's home; technology now provides us with the means for making it so. One can be very productive and do many things that were not previously possible because of technology. On the other hand, I still believe there is the need for gathering and coming into the same space because there are many benefits of collaboration in a physical sense; however, the notion of someone being able to be productive in an integral way even though they're not actually in close proximity to the office building is something that is more tenable to me now.

SC It forced us to become more agile in how we operate and service our internal and external clients. NUA was compelled to shift a large proportion of our service capability online and adapt quickly to remote business operations. We had to adjust operating procedures to accommodate more online transactions which entailed increased interaction with clients via e-mail and telephone to disseminate renewal notices, provide quotes, receipts and other important insurance information. We adapted to using new

systems for interoffice connectivity and safe access to company files, folders and documents. We also learned that once staff have the adequate tools to work remotely, they can perform their job functions at a high level. Of course, this requires proper management of staff, along with setting clear goals, objectives and expectations.

SB The COVID-19 pandemic has reinforced the term, "It is no longer business as usual". For us that means that we must remain flexible and be ready to pivot on short notice. Personal and professional agility must be kept at the forefront of all we do. Locally, technology has always been something that we viewed as "nice to have", but the pandemic taught us quickly that digitally mature entities were better positioned to handle the increased demand for remote/distance interactions with clients. Further, these businesses were better prepared not only to survive but to thrive during times of uncertainty. The entities that can pivot quickly toward digital are the ones that will have longevity.

AT This experience has renewed our focus on incorporating stress testing into our forecasting and budgeting. This better prepares us for unexpected events and minimizes disruptions to our operations.

KR The pandemic has severely curtailed the ability to have in person

interaction with family, friends and colleagues. Virtual business meetings and virtual personal chats have become the norm. Through it all, while face to face interaction has always been considered best, we have seen that these virtual interactions can still yield positive results in both our business and personal lives. It has meant changing our mindset on the way that we have our interactions with others, but I think that we have adapted to this very quickly and it is likely that many businesses will continue with this model going forward even in the absence of a pandemic.

The pandemic has also brought about a change in the way we work. Many companies have had their eyes opened to the fact that employees can be productive while working from their own homes. Going forward, many companies will move to adopt full work from home scenarios for certain employees and a hybrid for others where only two or three days of "in office" work will be required.

Additionally, it has accelerated the development of the online consumer portal which now allows existing and potential clients to obtain quotes for and purchase private motor and homeowner policies online.

RD From a work perspective, it has forced the online revolution in earnest. Most of the financial sector and other business places have now

moved away from or discouraging in-person clients, opting instead for online sales, professional service and contactless product delivery.

Personally, my focus has been to make more meaningful connections with my family and friends considering the physical distance recommendations implemented by the medical community.

RIK It made me think continuously about how I bring solutions to the problems, challenges and disruption that have confronted employee connectivity. I couldn't rely on my sense of evaluating people and determining how they were coping because they were not in the workplace, or their time in the workplace was limited and the socialization process that normally happens in the workplace was not there. Wanting to understand and be in a position to help was a challenge for me so I had to find ways to just reach out to people to look at some of the signs that may not previously have been indicators to just see how we can help. Fulfillment at work is critical and I want to leave every day knowing that I've done a good job of making sure we have a productive, adjusted, adaptable and agile workforce.

What kept you awake at night in 2021?

PW Frankly, nothing. Having gone through 2020 and the difficulties associated with that year and coming out of it feeling that we met all the challenges head on, I honestly can say that nothing else kept me awake at night.

WR The success of our business is predicated on our ability to retain and attract customers. A corollary to achieving this objective is ensuring that our systems, processes, and employees are performing optimally to meet and exceed customer expectations. This is particularly important in a COVID environment,

where remote working of our staff is more commonplace than was previously the case, which makes it more challenging to monitor productivity. Additionally, more persons accessing our systems remotely increases the risk of cyber intrusion, which has major adverse implications for our business. These are a few of the items that keep me awake at night.

SC The uncertainty brought on by the pandemic to our customers, staff and ultimately our business. Many persons were being laid off from their jobs and this created hardship that affected their ability to maintain their insurance policies. Our accounts receivables also increased tremendously coming into 2021 and this created immense pressure on us to reduce this while at the same time ensuring we got at least 80% renewal of our accounts.

SB The high probability that a large percentage of our team could be away from the office due to COVID-19 infections, underpinned by the stark reality that NUA is the client-facing sales arm of our organization. The fact of the matter is that if we had large numbers of persons out sick, particularly in a single unit or small branch, we would not be able to provide the level of service expected by our clients. As a management team having this possibility at the forefront of our minds, COVID-19 protocol management became paramount to our unit's overall risk management and mitigation strategies.

AT The challenges of uncertain economic growth and rising inflation has increased the difficulty of producing reliable financial projections. Fortunately, our resilience as a Group has prepared us to weather difficult periods such as this.

KR 1. Ensuring that we have the talent on board to service our agents at a high level. We have bolstered

resources by adding one additional employee to the team.

2. Maintaining buy in from agents to use our IT platform and constantly encouraging them to get their personnel trained to utilize it on a continuous basis.

3. Constantly keeping in contact with Agents to manage the transition to the new rating structure to ensure we are flexible enough along the way as we strived to balance premium changes with business retention.

RD Whether the unit would be severely impacted by a mass outbreak of COVID-19 – and not only from the perspective of workload impact, but also what that would have meant in terms of the future protection of employees, particularly those responding to accidents scenes.

What opportunities were you able to seize last year?

PW The pandemic has caused a lot of our business partners to think about whether they are really in partnership with the right carriers; that is, whether they are supporting the strongest companies and the companies that are going to be around for the long term. We have definitely benefited from that. I think they are refocusing their attention to look at the financial standing of the entities that they're dealing with. In 2021, we saw an increase in premium and organic growth compared to 2020 from almost all existing sources of business in The Bahamas and Cayman. I think what's happening is that there is a move towards quality over quantity where brokers and agents representing multiple carriers reduced the number of carriers they work with so that they could go to their client and say that they're backing people who they think are going to be the long-term players.



JC

Judy Campbell

Vice President
- Property &
Casualty, Cayman
First Insurance
Company Limited



NH

**Nadia Lewis-
Hamilton**

Assistant Vice
President - Group
Insurance Services,
Cayman First
Insurance Company
Limited



SB

Sanchez Brooks

Assistant
Managing Director,
NUA Insurance
Agents & Brokers
Ltd

SC We are in discussions with a local financial institution to offer our insurance services to their customers in-branch for an onsite/system service fee. We are still working through the details but we expect that this will be a good business development opportunity for us in 2022 and will also help the institution add value to their service.

SB One of the biggest things we were able to accomplish is cleaning up our data protocols. While many of our clients were still at home, we used this opportunity to reach out to them to update their accounts. Data is King, and we wanted to ensure that our clients would not be disadvantaged by the upcoming digital offering due to the lack of up-to-date contact information. In December 2021 we participated in a pilot program for First Online, the country's first full-service insurance consumer portal pioneered by Bahamas First. We have been receiving rave reviews about the service and convenience, as it provides our clients with easier access to us to do business at their own convenience. We're confident that 2022 will be a better year overall compared to the previous two years based on the foundations laid in 2021.

RD We were able to move the motor claims service to an online claims platform and allow claims examiners

to work more comfortably at home. While there will still be the need for persons in the office to service walk-in-clients, beyond the initial visit this service can be directed towards a more convenient online experience for claims handling.

RiK We decided that we were going to keep a certain standard and level of employment in the organization throughout the year. We were able to attract some key talent to the organization last year when other companies were perhaps looking at downsizing or cutting back on professional development and training. We looked at that as an opportunity to continue to position ourselves as an employer of choice.

What were the critical elements of your unit's success in 2021?

PW The critical element of our success was being consistent and determined in our approach to complete some of the outstanding projects that were carried over from the prior year and which were integral to the whole process of digitization. I think that gives us now a competitive advantage that we can use for the next few years.

SC Improved Accounts Receivables protocols, control of overall expenses, renewal retention with some new business bookings, steady improvements to customer service and focus on succession planning & staff development.

SB All unit efforts were focused toward:

1. Retention Strategy. We decided that 2021 would be a year based on providing focused attention to our existing customer base to ensure that we retain our profitable accounts while seeking selective growth opportunities which were in line with our company's overall growth strategy.

2. Reducing and Managing Receivables. We embarked on an extensive exercise with a laser focus on collecting outstanding account balances. Additionally, realizing that we were operating in a challenging economic environment, we also revisited our provisions for providing credit.

3. Containment of Expenses. We chose not to disengage any employees due to the effects of the pandemic. To offset this, we carried out a review of our existing expenses with hopes of leaning out our expense line. All non-essential expenses were eliminated, and we reduced budgets as best we could to support this initiative.

AT The keys were flexibility and teamwork. We were able to overcome any challenge posed through effective collaboration.

KR The agents continue to navigate and become familiar with our new IT platform. It was imperative that we dedicate sufficient resources to be able to assist them with any issues encountered as they navigated the system. Underwriting personnel worked tirelessly to ensure that we responded to these issues in a timely manner. A continued

commitment from the underwriting team to provide top notch service to the agents is critical as many of them have partnerships with other insurers. Keeping our service levels up, being able to facilitate a full suite of products and services is essential, as having access to international reinsurance markets for specialty lines of business, remains key to our success.

RD Undoubtedly, staff buy-in!

Despite the challenges, there was not only commitment by our staff, but the flexibility and support to pivot as necessary. And this was not only in respect of workload management but also utilization of 'quiet time' to catch up on backlogs (mid-year review) or learn new skill sets towards job improvement.

RiK We were able to improve our bench strength and so our succession planning has been able to proceed. We've been able to transition with regards to number of key leadership positions without any interruption.

What are the big themes on your agenda for 2022?

PW This year is a year for consolidation in terms of finishing the elements that have not yet been fully completed on our outstanding projects. We want to now start to track some of our 'return on investment items' – the soft and the hard ones – related to the technology investment that we've made. We also want to make sure that we continue to sustain our organic growth momentum, so we're thinking of what we can do to maintain and encourage even more organic growth from our existing sources of business. The other element that's always critical for us is how we recruit and develop our key HR resources for now and the future, given the shortage in qualified staff impacting the insurance industry in the Caribbean.

WR 1. Enhanced customer and business partner interface with the launch of the consumer portal and upgraded Health policy administration system.

2. Leadership training & succession planning.

3. Opportunistic portfolio growth.

4. New product development.

5. Digitizing the Property & Casualty claims process.

6. Achieving our Return on Equity target.

SB Our overarching theme of 2022 is "Better". We want to provide better value to our clients by ramping up the knowledge of our team. This way, there is more certainty and confidence about the expert insurance advice we provide. Additionally, we want to offer better value-added service to our clients by honing the First Online digital client experience. The last few years have proven that the expectations of our clients have grown exponentially, and we want to be able to meet and/or exceed those expectations. We also realize that a significant demographic of our clientele still prefers in-office visits, so we also plan on making their experiences more pleasant by limiting their wait times, providing more in-depth coverage explanations and working with our Insurer to provide better value added products and services, such as the recently rolled out Private Motor Policy enhancements.

AT Our team's biggest project is the implementation of the IFRS 17 accounting standard. This standard seeks to standardize reporting for insurers globally, so we anticipate material changes to accounting policies and reporting presentation.

KR 1. Positioning the team for new leadership in keeping with changing circumstances. Given the pace of change internally and externally,

it is imperative that we prepare the underwriting department's management team to lead for the future. This will entail extensive training and job shadowing for several persons so that we are poised for a seamless transition at the right time.

2. Working more closely with agents to forge even stronger ties. The ultimate goal is to be considered the insurer of choice in each agent's mind when deciding where to place their clients' business.

3. Identifying strategic partners who can assist us with specialty placements i.e., nonstandard liability & Marine covers.

4. Working with the Operations Team to complete the e-Learning Platform that will give intermediaries access to online training modules for the various lines of business.

RIK The whole talent thing is essential right now. We've been focusing a lot on succession to make sure that we did not have any leadership gaps. We're now using a more holistic approach and taking succession down to different levels in the organization so we're not just looking at key talent or top leadership management but we're looking at critical processes and technical talent across the organization. We want to make sure that we are constantly positioned to help persons succeed in different careers within the organization. This is important in the insurance industry because you learn insurance in the industry and so it is our job to continuously train and develop the talent to build that talent pool for the future.



Management's Discussion & Analysis

Our core business, by definition, involves uncertainty and volatility at varying levels. This requires us continually to elevate our data collection and analysis capabilities to obtain useful insight which can be leveraged to our benefit. That is why we are constantly focused on improving the effectiveness of the tools that we deploy in this regard.

The means of the Group to absorb unexpected or unusual events was once again tested and we demonstrated our ability to meet all claim commitments in every sector of our business. Our brush with a natural catastrophe in 2021 was not material to the year's overall results, but that was not the case in the broader global context for several international market participants.

In fact, with some \$105 billion in insured losses, 2021 is currently ranked as the fourth most expensive year since 1970 for natural catastrophe losses, with Hurricane Ida leading the way.

In a region where natural catastrophe events are frequent and sometimes extraordinarily dangerous, it can be a demanding endeavor to balance the need to be competitive (which speaks to relevance for our clients) and the imperative to achieve profitability (essential for our long-term viability). Nevertheless, we are committed to the mandate of providing products and services that our clients need and desire, while focusing on improving the quality of our portfolio of business for the long-term.

Business Development

Notwithstanding the lingering effects of the pandemic, the outlook for the near to medium-term is far more optimistic than it was when we projected the 2021 performance. Fortunately, for both Cayman and The Bahamas, we ended 2021 in a stronger position than we were at the end of 2020. The economies of both jurisdictions showed signs of improvement and business development, or top line revenue, during 2021 in both locations.

In The Bahamas, the rebuilding work following Hurricane Dorian continues and this, along with construction projects of varying sizes and types, provided material input into the economic activities registered in 2021.

While we continue to face intense competition, we were able to improve our top-line or Gross Written Premium levels to \$178.2 million in 2021, an increase of 11% over the prior year, while improving Net Written Premiums by 12.9% to \$72.7 million.

	2021	2020
Gross Written Premium	\$178.2 M	\$160.6M
Net Written Premium	\$72.7M	\$64.4M

Property

Our property portfolio benefited from continued favorable rate development, which we fully expect to continue into 2022 based on our current knowledge of prevailing market conditions and the terms and provisions required by the reinsurers that provide the region with underwriting support and capacity.

The overall catastrophe exposure and non-catastrophe aggregates that were booked in 2021 exceeded the prior year totals, notwithstanding the rate increases in both Cayman and The Bahamas. Both new business and upward revisions in sums insured by clients drove the increases.

Total premiums derived from this line of business increased to \$82 million compared to \$73 million in 2020.

Tropical Storm Grace, which impacted the Cayman Islands in August 2021, generated 170 claims and incurred losses of \$2 million but our Cayman underwriting income from this line of business was still positive for 2021. The profitability margin for The Bahamas was particularly good, given the absence of any major loss activity.

Motor / Liability

During 2021, we saw a reversal of the decline in top line revenue from the motor class of business in The Bahamas. In Cayman, we experienced a continuation of the growth achieved in the prior year, but at an accelerated pace.

At the close of 2020, we recorded gross premiums of \$37 million for our motor class, but this improved to \$40 million in 2021 – more in line with the result achieved in the pre-pandemic 2019 year.

For both territories, the 2021 loss ratio for motor showed an improvement over the prior year, which itself was exceptionally good. The revamping of our private and commercial motor rating structure has been completed and fully released in both Cayman and The Bahamas and we believe that this will augur well for our future results.

Health

We generated robust growth in gross premiums for this line of business, increasing from \$29 million in 2020 to \$34 million in 2021.

Unfortunately, for most of the year, the loss ratio was much higher than planned, but the overall result was mitigated by corrective action which started to bear fruit in the fourth quarter of the year. Our close monitoring of developments related to this line of business continues and, with the assistance of external

experts, we expect to see additional improvements. We also anticipate additional growth in the near term.

Marine

The premium levels for 2021 were relatively flat compared to the prior year, while profitability was up by 14% in respect of underwriting income.

Engineering

As expected, the historic levels of premium development on this line of business continued into 2021, with an even higher level of underwriting income than was recorded in 2020. Over time, the rebuilding effort in various islands of The Bahamas that was originally spurred on by the post Hurricane Dorian rebuilding impetus will eventually fade and with it the premium that accompanied these efforts.

Investment and Asset Management

As at the close of 2021, we booked an unrealized loss on our main equity investment in Commonwealth Bank of (\$1.7) million, which represents a significant reduction from the (\$2.9) million unrealized loss recorded in 2020. In addition to this, our bond portfolio, like most global portfolios, was subject to those market conditions that adversely shaped prices and yields during 2021.

The total investment loss for 2021 was (\$0.9) million, which represents

an investment return of (0.4)%, compared to (\$1.2) million loss in 2020.

Capital & Risk Management

The solvency margins we maintain in both Cayman and The Bahamas are both well above the regulatory requirements in each jurisdiction. Total shareholder equity at the close of 2021 was \$65.6 million, compared to \$64.5 million the prior year.

During the year, A.M. Best reaffirmed the of A- (Excellent) financial strength rating for both Cayman First Insurance and Bahamas First General Insurance, with a stable outcome in both cases.

Future Outlook

As our minds turn toward the future, we will look to leverage the organic growth momentum we experienced in 2021 to the benefit of our business partners and other stakeholders. We are encouraged by the early signs regarding the promise of payback from our recent technology investments and efforts to consolidate our operational platform.

The recruitment, retention and development of our human capital will remain a major point of focus for us as we continue to build a team that is up to the challenges that will confront us now and into the future.

Highlights of Group Activities

Covered in a Click

A December 2021 soft-launch in The Bahamas introduced the public to First Online, the Group's new online insurance portal. Launching first for home and auto insurance policies, the self-service platform provides users with hassle-free online quote, purchase, and payment transactions and claim initiation. First Online operates 24 hours a day, 7 days a week at bahamasfirst.com and provides users with the ability to engage with support teams by web chat or phone during normal business hours.

While research and development of First Online began in 2018, the business restrictions imposed by the pandemic and lockdowns of 2020 changed the way people consume products and services, and heightened Bahamas First's awareness of the need to leverage technology and modify distribution strategies to meet increasing customer demand for automated contactless transactions.



The new platform offers comprehensive self-service – from quote to purchase, with built-in account management capabilities.

- ✓ Instant quotes
- ✓ Policy purchase
- ✓ Premium payments
- ✓ Document download
- ✓ Simplified claim reporting
- ✓ Consolidated view of multiple policies



“Self-service is no longer a 'nice to have' feature. It has become essential for any business that is serious about customer acquisition and support in the digital age,” said Group President & CEO Patrick Ward. “This was one of several key lessons that companies around the world learned during the pandemic of 2020. First Online is an important milestone in our strategy to build an insurance company for the future. It also supports our agency network’s in-person expert service by providing an online option driven by technology and data.”

Commenting on the launch, Innovation Centre Manager Gina Brooks said, “First Online empowers our customers to transact insurance services effortlessly by providing continuous client access without the constraints of time or the client’s location. We have invested tremendously in the function of the platform, as well as in support and security, so the public can be confident that we can continue to meet their expectations for secure transactions and high-quality service.”

Brooks said First Online was designed for the large percentage of the population who are digital natives but suggested that First Online’s user-friendly interface will also appeal to anyone who has been waiting for a comprehensive online service to meet their needs for speed and convenience. She added that First Online is tied to Bahamas First’s agency network so customers can maintain the relationships they have developed over the years with their agents.



Gina Brooks
Manager,
Innovation Centre,
BFG



Roger Balkissoon
Technical Manager,
CFI

More Protection. Same Great Care.



Kevin Hudson
Vice President -
Underwriting, BFG



Charles Sands
Underwriting
Manager, BFG



Anquin Cooper
Group Analytics
Manager, BFCS



Tania Ramsaran
Operations Manager
- Health, CFI



Kira Matthews
Customer Care
Manager - Health, CFI

Level Up

Bahamas First rolled out new benefits for private motor insurance policies, giving customers more choice and coverage options than ever before.

Enhanced benefits included:

- Free available open driver coverage for all qualified licensed drivers aged 25-70.
- Up to 100% increase in available coverage for Windshield Damage and Loss of Use benefits.

The new design of Bahamas First Motor Insurance products allows agents to use their expertise to guarantee customers are properly insured for their lifestyles.

Mental Health is Health

When it comes to one's well-being, mental health is just as important as physical health. That's why Cayman First has updated its policy benefits with respect to mental health coverage.

- Annual maximums have been removed from medical health prescriptions.
- Mental health prescriptions are no longer separated from other prescription benefits.
- Consultations with psychologists and other behavioral therapists are now covered.

These enhancements demonstrate the company's belief that mental health is health, and will ensure that its health insurance products meet all the needs of customers.



Talent & Succession



Stanford Charlton
Managing Director,
NUA



Sanchez Brooks
Assistant Managing
Director, NUA

Two for the Top

Stanford Charlton was confirmed as Managing Director at NUA Insurance Agents & Brokers in September 2021 after acting in that capacity since 1 January 2020. Charlton took over the role from former Managing Director Warren Rolle after the latter was tapped to lead Cayman First Insurance Company in Grand Cayman. Concurrently, seasoned insurance professional Sanchez Brooks was appointed Assistant Managing Director.

Charlton is a proven insurance executive with over 30 years of experience in Underwriting, Brokering and Claims acquired through training and work in The Bahamas, London and the Turks & Caicos Islands. He joined NUA in 2003 and has held progressively senior roles at the company, serving most recently as Assistant Managing Director. He holds a Bachelor of Arts degree in Business Administration and is a Fellow of the Chartered Insurance Institute, London.

Brooks' appointment as Assistant Managing Director follows a three-year term as Manager of the Carmichael Branch where he assisted with the oversight of operations and production of seven offices throughout The Bahamas. He has also served as Business Support Manager at NUA and as Business Development Manager at Cayman First. Brooks holds a dual Bachelor of Science degree in Management Information Systems and Business Administration from the Florida Institute of Technology. He is a Fellow of the Chartered Insurance Institute, London.

BFH Group President & CEO Patrick Ward said, "Stanford has the right balance of comprehensive insight into the complex needs of our clients and deep understanding of the insurance industry at all levels. As Acting Managing Director of NUA, he led the effective and disciplined management of the company amid the COVID-19 pandemic, and I am confident that he will be a steady hand as we advance our strategic roadmap. We also greatly appreciate former NUA Managing Director Warren Rolle for his dedication to NUA over the years and commend him for the expertise and leadership he brought to the business in the Cayman Islands."

Commenting on his appointment, Mr. Charlton said: "I feel privileged to work with the committed and capable team at NUA. I am very proud of our achievements to date, and I look forward to continuing our plans to provide superior service, protection, and confidence to our policyholders. I am glad to have Sanchez, a proven operator, to assist in the variety of endeavors that we will take on in this challenging environment."



Paulette Nixon-Roache
Claims Manager -
Litigation, BFG



Travis Donald
Claims Manager,
First Response,
BFG



Ineka Johnson
Manager - Freeport
Branch, NUA



Kiesha Curry
Assistant Manager
- Carmichael
Branch, NUA



Cindy Tinker
Assistant Manager
- P&C, BFG



Drew-Erin Bartlett
Assistant Manager
- Innovation
Centre, BFG

Forward and Upward

Senior Insurance professionals were appointed to new roles in 2021.

Paulette Nixon-Roache, Claims Manager - Litigation, BFG

Nixon-Roache is an attorney with more than 24 years of experience in complex corporate and commercial matters and civil litigation. She most recently served BFG as Assistant Manager of Claims/Litigation. She earned a Bachelor of Science degree in Applied Psychology from the Loyola University of Chicago and an LLB from the University of Buckingham in England. She read the Professional Bar Course at BPP Law School in London and was called to the Bar of England and Wales as a member of the Honorable Society of Lincoln's Inn and to the Bahamas Bar in 1997. Subsequently, she obtained certification in Liability Insurances from the Chartered Insurance Institute, London.

Travis Donald, Claims Manager, First Response

Donald joined the Bahamas First Group in 2007 as a Motor Engineer and most recently served as Assistant Manager of the First Response Unit. He holds the Advanced Vehicle Damage Assessor (VDA) designation from Thatcham Insurance Research Institute, UK, and is The Bahamas' first Certified Mobile Crane and Heavy Equipment Inspector, achieved through the North American Crane Bureau, Florida. He has also trained as an At-Scene Traffic Crash/Traffic Homicide Investigator at the University of North Florida's Institute of Police Technology and Management.

Ineka Johnson, Manager - Freeport Branch, NUA

Johnson is an Insurance Sales Executive with 25 years' experience managing Commercial & Personal Insurance portfolios and supervising sales teams. Ineka began her career at NUA in September 2020 as Branch Supervisor at the Freeport Branch. In her first few months in this position, she was named Agent of the Quarter. She was appointed Assistant Manager in May 2021, and subsequently promoted to Branch Manager. She earned an Associate's Degree in Business Administration from Success Training College and holds the designate CERT CII.

Kiesha Curry, Assistant Manager - Carmichael Branch, NUA

Throughout her 20-year career, Curry has connected clients with insurance solutions tailored to their unique needs and has delivered high-quality customer service that creates long-term relationships and trust. She is a recipient of multiple Top Customer Service and Top Producer of the Quarter Awards and has been named Employee of the Quarter and Employee of the Year. Kiesha is a member of the company's 2010 Future Leaders cohort. In 2018, she was promoted to Account Executive and transitioned to the Brokering Department.

Cindy Tinker, Assistant Manager - P&C, BFG

Tinker holds a Bachelor of Science degree in Aviation Management from Florida Memorial University and was named in the "Who's Who Among Students in American Colleges and Universities". She is a Fellow of the Insurance Institute of Canada and has completed a Diploma in Risk Management from the Institute. She currently holds the position of Vice President of the Insurance Institute of The Bahamas.

Drew-Erin Bartlett, Assistant Manager - Innovation Centre, BFG

Bartlett holds a Bachelor of Science degree in Business Management and Advertising from the University of Tampa and a Master of Science degree in Human Resources from Nova Southeastern University. Continuing her studies, she completed certified courses in Business Process Management (Villanova University) and a Certificate in Insurance (CII). Drew joined Bahamas First in 2011 as a member of the company's Future Leaders Program and finished as valedictorian of her cohort.



Amanda Dean
Human Resources
Manager, BFCS

Inspired Leadership

At the beginning of 2021, management outlined a critical enterprise-wide goal to “build and maintain a strong talent management program that supports the succession and development goals throughout the Group.” One of the programs developed to achieve this goal was the launch of an Inspired Leadership Workshop and RightPath Assessment. The month-long training program for all managers in The Bahamas and Cayman Islands was designed to produce transformative and long-lasting results in the company’s management team. The curriculum focused on leadership growth plan development, enhancing productivity through virtual work teams and leadership coaching.



Kalama Bennett
former Underwriter -
P&C, CFI



Marvin Bain
former Group
Technical P&C Training
Coordinator, BFG



Linda Thompson
former Senior Motor
Engineer, BFG

The 7-day Weekend

Kalama Bennett joined Cayman First as an Assistant Underwriter in December 2005 and was promoted to Underwriter - P&C in 2019. She retired, after 15 years of exemplary service with the company, in April 2021.

Following long careers in the insurance sector and dedicated service to Bahamas First, Group Technical P&C Training Coordinator Marvin Bain and Senior Motor Engineer Linda Thompson retired from the company in December 2021, after 23 years and 20 years, respectively.

Tributes poured in from company leadership and colleagues at celebrations to honor the contributions that Bennett, Bain and Thompson made to the Group over the years.



Future Leaders

After a brief hiatus brought on by the COVID-19 pandemic, Bahamas First launched Cycle 5 of its Future Leaders Development Program. The program is designed to develop the skills of promising employees in order to ensure the Group maintains a pipeline of talent to support its growth strategy. The initiative offers participants comprehensive training in leadership, management and professional development.



Annique Lowe-Saunders
Accounts Assistant -
Financial Reporting,
BFCS



Candice Hanna
Executive
Administrative
Assistant, NUA



Candice Thompson
Supervisor – BSU, NUA



Carla Rolle-Stubbs
Senior Underwriter,
BFG



Cedric Smith
Supervisor, Customer
Service - FRL, BFG



Cindy Tinker
Assistant Claims
Manager - P&C, BFG



Lesley Bannister
Customer Accounts
Supervisor, Operations,
NUA



Rachael Brown
Accounts Assistant -
Receivables, BFCS



Renaldo Coakley
Assistant Manager
Information Technology
Operations, BFCS



Sanjay Kelly
Customer Service
Representative -
Personal Lines, NUA



Shanthonique Smith
Customer Service
Representative -
Commercial Lines, NUA



Tina Malcolm
Client Support
Supervisor, BFCS



Unlocking the Door to Education

On 7 December 2021, Bahamas First signed a Memorandum of Understanding with the University of The Bahamas to establish a four-year scholarship tenable at the University in the fields of Business, Information Technology, Eco-Tourism, Sustainability and Engineering. Group President & CEO, Patrick Ward, said the signing is a commitment to a deepened partnership between Bahamas First and the University. “In our industry, a signature is more than just a jot of ink on a sheet of paper.” He said, “it endorses a promise. It guarantees a pledge. It seals an agreement. And it is no different as The Bahamas’ first university and The Bahamas’ first local general insurance company enter into an agreement to support the youth of The Bahamas in their pursuit of education.”

Ward revealed the Bahamas First Insurance Emerging Leaders Scholarship is a comprehensive four-year award that will unlock the door to education for high school seniors who possess the potential to succeed but struggle with doubts about their next steps because of their family’s financial insecurity. He added, “The scholarship will help the door to education swing open wider than it ever has before and usher qualified students into leading-edge disciplines so that they can become independent thinkers and creative problem-solvers who will transform their communities and this country.”



Leading the Field

A Life’s Work

In August 2021, Group President & CEO, Patrick G. Ward, received the Lifetime Achievement Award from the Bahamas Chapter of GAMA Global, the international association dedicated to promoting the professional development and leadership skills of the insurance, investment, and financial services industry.

Left: Patrick Ward receives the Lifetime Achievement Award from GAMA Global President Bonnie Godsmann

It's Good to be Excellent

Bahamas First Holdings Limited announced in June that global credit rating agency AM Best affirmed the Financial Strength Rating of A- (Excellent) and the Long-Term Issuer Credit Ratings of "a-" of its property/casualty operating subsidiaries Bahamas First General Insurance Company Limited and Cayman First Insurance Company Limited. The outlook of these ratings is stable.

"The affirmation of our A- rating and stable outlook is an important recognition of our consistent financial performance even during these uncertain economic times," said Group President and CEO Patrick G. Ward. "AM Best's continued positive assessment of our financial strength attests that the Bahamas First Group is well-capitalized with a promising outlook for growth and success well into the future, and gives policyowners and shareholders the assurance that we will continue to be here for them to deliver on the promises we've made."



Producers of the Year

Despite the economic uncertainty of the year, NUA continued its mandate to service customers' essential needs and to operate with a high degree of professionalism.

The awards recognize those who consistently excel in the market throughout the year.



Rozalia Bowe
Account Executive,
NUA



Wanda Smith
Sr. Customer
Service
Representative
- Personal Lines,
NUA



E. Theresa Culmer
Branch Supervisor
- Eleuthera Branch,
NUA



First Class Performers

Cayman First recognizes the importance of recognizing employees' substantial contribution to the organization through their loyalty and hard work. To show appreciation, the company bestows its First Class Performer recognition awards to thank employees for a variety of achievements in the prior year.



Alexandra Mattocks
Claims Examiner –
GIS, CFI



Allison Chantiloupe
Claims Examiner -
P&C, CFI



Amanda Silva
Accounts
Assistant, CFI



Cheyenne Smith
Supervisor,
Customer Service -
P&C, CFI



Christina Rivers
Risk Analyst -
GIS, CFI



David Hawkins
Risk Surveyor -
P&C/Facilities
Manager, CFI



Deana McClean
Group Insurance
Administrator, CFI



Dianne Russell
Assistant
Underwriter - P&C,
CFI



Elisha Carter
Customer Service/
Accounts Agent,
Brac Insurance
Associates



Estefhany Rivers
Accounts
Assistant, CFI



Jordan McLean
Group Insurance
Administrator, CFI



Kerry-Ann Johnson
Accounts Officer,
CFI



Krystle Miller
Supervisor,
Underwriting -
GIS, CFI



Michael Atterbury
Motor Engineer,
CFI



Nathalia Douglas
Customer Care
Representative -
GIS, CFI



Roshain Anderson
Assistant
Underwriter -
P&C, CFI



Shernell Whittaker
Ferrufino
Assistant
Underwriter -
P&C, CFI



Tisa Dixon
Assistant Manager,
Brac Insurance
Associates



Vanessa Conolly
Assistant Financial
Controller, CFI



Xiomara Kelly
Senior Claims
Examiner - GIS, CFI

Connections

Customer Connections

NUA opens a new office at Carmichael



Employee Connections

Long-serving employees are recognized for their hard work and commitment

40 Years



V. Keith Rolle
Senior Vice President
- Underwriting &
Reinsurance, BFG

30 Years



Richard Darville
Vice President Claims
& Support Services,
BFG



Cecilia Stewart Hyre
Assistant Manager &
Branch Administrator,
CFI



Agatha Elfreda Laidlaw
Senior Underwriter -
P&C, CFI



Joann Bodden
Assistant Manager
- Producer Services -
P&C, CFI

20 Years



David Hawkins
Risk Surveyor &
Facilities Manager, CFI



Linda Thompson
Sr. Motor Engineer,
BFG



Gina Brooks
Manager - Innovation
Centre, BFCS



Candice Thompson
Supervisor - BSU, NUA



Sabrina Sweeting
Customer Service
Representative, NUA

15 Years

10 Years



Meredith Carter
Office Manager, NUA



Drew-Erin Bartlett
Assistant Manager
- Innovation Centre,
BFCS



Cheyenne Smith
Supervisor - Customer
Service, CFI



Valarie Wilson
Customer Accounts
Representative, NUA



Frances Campbell
Claims Manager, CFI

Partner Connections

Cayman First enjoys 'Cocktails & Conversation' with brokers



Building Resilience



Darcel Smith-Williamson
Group Chief Legal &
Compliance Officer, BFCS

A Level Playing Field

In response to Bahamas First Holdings' listing of its securities on the Bahamas International Stock Exchange ("BISX") in 2020, the company formalized its internal governance and guidance on BISX trading and regulatory processes. The protocol was designed to outline proper trading and exchange ethics and practice directions for directors and employees of the company and its subsidiary companies in order to 1) ensure compliance with BISX trading and governance rules; and 2) eliminate even the appearance of non-compliance or improper behavior.



Jamaal Davis
Group Information
Technology Manager,
BFCS

Cloud Cover

A 2019 Deloitte Insights study of IT executives on Cloud migration revealed that a majority of participants cited security and data protection as the main reasons for this trend. Bahamas First started its journey to the Cloud for similar reasons. With the imperative to keep company data safe, leveraging the Cloud is essential to assist companies in managing their security and protecting their data. The Group started a project in 2020, at the onset of the pandemic, using Microsoft 365 to help increase productivity. In the first quarter of 2021, we continued this process by moving all company email and data files to the Cloud. With this initiative alone, the Group mitigated one of the most vulnerable touchpoints of our infrastructure. Applications are on the move to this powerful tool as well. Our new consumer portal, First Online Insurance, is also hosted in the Cloud. New Cayman First health applications are also being developed in the Cloud to increase security and reliability.



Supporting the Business

The Finance team played key roles in supporting the major Group projects which launched in 2021 – from producing financial submissions for A.M. Best and BISX to facilitating the digital payments to support First Online – the Finance team has remained in sync with the various units to deliver key projects and operational deliverables.



Kendra Lopez
Financial Controller,
BFCS



Area Wilson-Pratt
Assistant Financial
Controller, BFCS

Corporate Social Responsibility

Companies are increasingly being evaluated in terms of the UN's Sustainable Development Goals and environmental, social, and governance (ESG) criteria. Here's how the Group is incorporating social responsibility into its business operations.

Bahamas First believes that the escalation of climate-linked issues such as extreme heat, rising sea levels, catastrophic hurricanes and biodiversity loss poses an existential threat. We are acutely aware that island nations like The Bahamas and the Cayman Islands are among the countries most significantly impacted by climate change and so we're committed to doing our part as responsible corporate citizens. Our Corporate Social Responsibility Committee ("CSRC") was established to develop and oversee policies which direct the Group's social, ethical, and environmental management initiatives. Realizing that it takes action at all levels to preserve our country and our planet for future generations, the CSRC investigates alternative energy, manages relationships with "greener" suppliers, and educates employees on behaviors that can reduce our carbon footprint.

"Today, many businesses still see climate change as something for governments to address, but the increasing frequency and severity of extreme weather events has heightened insurers' urgent focus on climate change. We know that meaningful action is needed. The nature of our business is to help people become more resilient and, as corporate citizens, we play a role in increasing the resilience of our society as well."



Deborah McKinney

Group Operations & Special Projects Manager, BFCS, and Chair, Corporate Social Responsibility Committee



Cans 4 Kids

The CSRC began its ESG journey focusing on the environmental aspect of sustainability. The CSRC launched this process with its most valuable resource – its employees. We believe that is very important that employees take on the sustainability mindset at the office and continue it in their personal lives. In 2021 we focused on educating employees on what sustainability means and how it can be incorporated into everyday life.

The first initiative in The Bahamas was signing on to the Cans 4 Kids recycling initiative. All cans collected in participating offices are recycled and the money awarded upon the redemption of the cans are donated to the Stapledon School, which serves children with developmental challenges.

Sustainability First

Studies suggest that just one office employee can generate up to 350 pounds of wastepaper per year! Multiply that by 200 employees and you get a clearer picture of the sheer volume of wastepaper the Group can produce. But we have decided to curtail that wastage now. In November 2021, the company launched a paper reduction campaign designed to reduce our carbon footprint, preserve natural resources, cut waste, and promote sustainable habits.

Key Program Objectives:

- **Reducing Office Paper Consumption.** Our goal is to reduce paper consumption by 7%-10% by Q2/2022, and by 25% by the end of 2022.
- **Green Purchasing.** We will minimize the environmental impact of the goods we purchase by working with responsible suppliers and choosing only sustainably sourced paper and paper products.
- **Promoting Recycling Activities.** We will continue to actively engage in paper recycling in Cayman where it is available and commit to reusing paper in The Bahamas where paper recycling is not yet available.
- **Digital Customer Communication.** Ultimately, as the law and regulations allow, we will work toward reducing customer mailings by post and increasing our use of electronic billing and policy documentation.

We will monitor the progress and continue to develop initiatives to reduce paper usage.

Join the Charge

In 2021, BFG acquired new service vehicles. Integral to the decision-making process was the vehicles' impact on the environment. We reduced the size of the vehicle fleet, both in terms of engine size and re-evaluating the need for larger vehicles. We intend to work on incorporating an electric vehicle into our fleet.



Earth Day 2021

#RestoreOurEarth

On Earth Day 2021, the Group hosted its first Conversation on Climate Change webinar featuring Her Excellency Mrs. Sarah Dickson, British High Commissioner to The Bahamas, along with regional climate change experts.

Employees in The Bahamas and the Cayman Islands welcomed the High Commissioner along with Amy Smith, MBE, COP26 Caribbean Climate Change Policy Manager at the British High Commission Bridgetown; Jerusa Ali, Political Attaché at the British High Commission Nassau; and Catherine Childs, Education Manager - Island Offsets at Cayman Sea Sense in the Cayman Islands for a lunchtime discussion about the effect that transportation, industrial emissions, human diets and lifestyles continue to have on climate change.

“Talking to Bahamas First on Earth Day is a really good place to be because of how you are so intertwined with the extreme weather that comes from climate change,” said High Commissioner Dickson. “The Bahamas is so beautiful. You have mangroves, reefs, and beautiful landscapes. Protecting them – making sure they’re there for your children and your children’s children – I think, is a really important goal for us all. With seas rising, with extreme weather happening more often, you have to be part of the solution. This industry is at the crux of it. It’s a challenge as well as a massive opportunity.”



A Sustainable Future

The annual desktop calendars produced by NUA and Cayman First broke with tradition going into production for 2022, replacing their conventional images of native flora and fauna with custom vignettes promoting sustainability and environmental stewardship.

The calendar, published in both jurisdictions and titled ‘A Sustainable Future’, was designed as an educational tool and offers practical monthly tips for living sustainably, including advice to reduce plastics, explore electric vehicles, and adopt a “plant-forward” diet that moderates meat consumption and reduces the overall greenhouse gas effects of animal agriculture.

NUA Managing Director, Stanford Charlton, said the recycled and recyclable publication demonstrates NUA’s commitment to the model of sustainability adopted in 2020 by its parent company, Bahamas First Holdings, to drive positive change toward alternative energy, “greener” vendor relationships and other corporate behavior modifications that protect the environment.



“Our Group joined the conversation on climate change because we realized our place in a climate vulnerable country, but we also realized the important role that the insurance sector plays in identifying risk and building resilience,” he said. “NUA is committed to ensuring that sustainability runs through everything we do, and we believe that our annual calendar can help educate the public on small changes they can make to build resilience in their homes and communities. It is just one of many ways that our Group is compounding our legacy of philanthropy and volunteerism to benefit our country.”

Warren Rolle, Managing Director of Cayman First at the time of the calendar launch added, “A variety of industries contributed to the current climate equation, and no industry will avoid the impact of climate change in the coming years. In our region, much of the buzz surrounding climate change focuses on initiatives coordinated by governments and NGOs, but insurers like Cayman First are in a distinct position to activate tangible efforts within our purview to help our communities build climate resilience. Education is key, and our calendar is one tool of education that will help individuals understand the small actions they can take on a daily basis to ensure the endurance of the positive change initiated by national entities.”

“Climate change is undoubtedly an expansive topic and one that the average citizen thinks is bigger than them. Our goal in creating ‘A Sustainable Future’ was to use the calendar’s monthly format to present a series of “how-to” moments that illustrate simple habits people can undertake to live more sustainable lifestyles.”



Melanie Hutcheson
Group Marketing & Communications Manager, BFCS; Deputy Chair, Corporate Social Responsibility Committee; and Creative Director for the Sustainable Future calendar project



All Hands on Deck

Ramping up efforts to practise and promote sustainability within our company and community, Bahamas First and NUA volunteers joined the Bahamas National Trust (“BNT”) to plant trees at the BNT Fruit Forest in observation of World Biodiversity Day. Volunteers also laid soil, spread mulch and painted recycled drums to be used as trash receptacles at a local elementary school.





We believe that strong communities make better countries. Our partnerships with local civic, humanitarian, environmental and cultural organizations help those in need and support community development.

The Bahamas

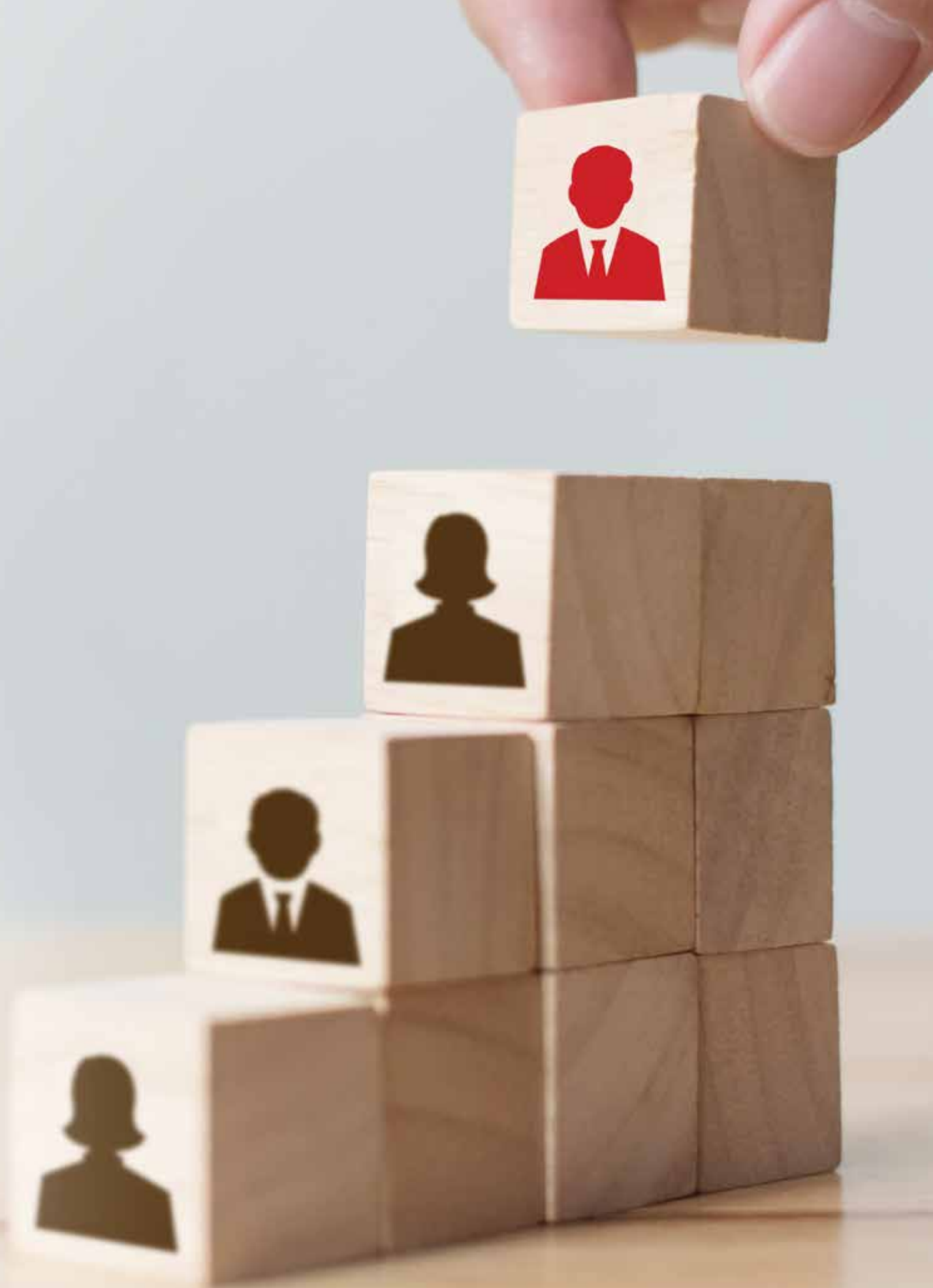
Bahamas AIDS Foundation
 Bahamas Feeding Network
 Bahamas Girl Guides Association
 Bahamas Historical Society
 Bahamas Humane Society
 Bahamas National Trust
 Bilney Lane Children's Home
 Cancer Society of The Bahamas
 Coach Ricky Moxey Track & Field Club
 Crisis Centre of The Bahamas
 Elizabeth Estates Children's Home
 Fourteen Clubs Golf Academy
 Grand Bahama Children's Home
 Great Commission Ministries
 Mario Ford Baseball Camp
 New Vision Outreach & Community Services
 PACE Foundation
 Persis Rodgers Home for the Aged
 Pilot Club of Lucaya
 REACH
 Rotary Club of Lucaya
 Rotary of Southeast Nassau
 Royal Bahamas Police Force
 Sickle Cell Association
 Sister Sister Breast Cancer Support Group
 Stapledon School
 The Castle
 The Salvation Army
 United Faith Ministries International
 Unity House
 Urban Renewal

Cayman Islands

Alex Panton Foundation
 AllStar Netball Team
 Alzheimer's & Dementia Association of the Cayman Islands
 Arrive Alive 345
 Autism Society of the Cayman Islands
 Cayman Heart Fund
 Cayman Islands Cancer Society
 Cayman Islands Diabetes Association
 Cayman Islands Government: Youth Services Unit
 Cayman's ARK
 Chamber of Commerce (Earth Day, and Leadership Cayman)
 Crisis Centre Cayman Islands
 Feed our Future
 Guardians Alive
 Jasmine
 Lions Club Cayman Brac
 Meals on Wheels Cayman Islands
 NCVO Cayman Islands
 Special Needs Foundation Cayman

Corporate Governance Framework

The corporate governance framework of Bahamas First Holdings is based on the belief that good governance requires adherence to all legal requirements, regulations and stated Group policies, and a mature culture of responsibility. It includes an engaged Board whose members possess a diverse range of skills and experience, an effective Board Committee structure, clear and transparent communication with our shareholders, strong risk management processes and ethos, and a principled corporate philosophy that directs how we operate to meet our strategic objectives.



Corporate Governance

Bahamas First's directors and management are committed to conducting business in an ethical, fair and transparent manner in accordance with high standards of corporate governance. The Board and management team lead by example. We have a robust corporate governance framework in place and are committed to fostering a culture of compliance that values personal and corporate integrity, accountability, and continuous improvement.

Our policies and practices are implemented through the specific responsibilities of the Corporate Governance Committee as follows:

- annually reviewing the adequacy of the Group's corporate governance practices and principles and recommending to the Board any changes or new practices it considers appropriate;
- considering and recommending to the Board any new committees it believes are appropriate, and developing mandates for such committees;
- monitoring regulatory developments and best practices relating to corporate governance issues and recommending appropriate changes to the Board;
- monitoring investor relations activities and any material transactions with significant shareholders;
- overseeing the preparation of any public disclosure about the Group's corporate governance practices, including any report to be included in the proxy circular for its annual meeting; and
- reviewing the Group's Code of Business Conduct annually and, within its purview, making recommendations to the Board and overseeing compliance, complaint resolution and investigations related to the Code.

The Role of the Board

The Board is accountable to shareholders for the performance of the Group. It directs and monitors the business and affairs of the Group on behalf of shareholders and is responsible for the Group's overall corporate governance. The Board Chair provides leadership to enhance Board effectiveness and to manage the affairs of the Board in accordance with the Group's by-laws, foundational documents and governance policies.

The Board has adopted a Board Mandate, which details its role and responsibilities, including, but not limited to:

- setting the 'tone from the top' through influencing the corporate culture, ethical standards and reputation of the Group;
- approving the strategic objectives and direction of the Group and overseeing management's implementation of those strategic objectives;
- monitoring the Group's operational performance generally, including its financial state and the effectiveness of the Group's sustainability strategies;
- approving major expenditures, transactions, budgets, funding plans and capital management initiatives;
- monitoring the integrity, effectiveness and consistency of the Group's risk management framework, controls and systems;
- setting the overall remuneration framework for the Group;
- appointing, setting the remuneration of and assessing the performance of the CEO, as well as approving the appointment and remuneration of senior executives and overseeing their performance;
- overseeing executive succession planning; and
- monitoring the effectiveness of the Group's governance practices, including overseeing shareholder reporting and engagement and compliance with the Group's continuous disclosure obligations.

The Role of Management

The CEO, together with the Bahamas First executive team, is responsible for the development and implementation of strategy and the overall day-to-day running of the Company.

Consistent with the Company's primary objective to enhance long-term shareholder value, this includes operational, financial and strategic delivery, risk management and compliance, leadership, analytics, marketing and management's provision of accurate, timely and clear information to enable the Board to perform its responsibilities. Bahamas First has employment contracts in place with senior executives which set out the terms of their employment.



Directors and Officers



Alison J. Treco

Chair

Ms. Treco started her accounting career in 1980 with Peat Marwick Mitchell (later KPMG) in London, England. In 1984, she transferred to KPMG's office in The Bahamas and in 1993 became a partner at KPMG Bahamas. In 2004, Ms. Treco left KPMG and established her own firm. In 2006, her business was merged into FT Consultants Ltd., which provides accounting, advisory and restructuring services to local and international clients. Ms. Treco has served as a Director of Bahamas First Holdings Limited since 2012. She was Chair of the Board's Audit Committee from 2012 to 2018 and the Finance & Investment Committee from 2018 to 2019. Ms. Treco was appointed Chair of the Board and its subsidiary companies, effective 25 May 2018. She also serves as Chair of the Human Resources & Compensation Committee.



Patrick G. W. Ward

Group President & CEO

Mr. Ward is Group President and Chief Executive Officer of Bahamas First Holdings Limited. Prior to holding that position, he was the President & Managing Director of Bahamas First General Insurance Company Limited. Mr. Ward has been a Director of Bahamas First Holdings Limited since 1998. Mr. Ward is a director of the Insurance Association of the Caribbean. He is the former non-executive Chairman of the Bahamas Mortgage Corporation and former non-executive Chairman of the National Insurance Board. Over the years, Mr. Ward has been called on to assist the Government of The Bahamas in various capacities on matters related to the insurance sector and was appointed to the National Economic Recovery Committee in 2020, commissioned in response to the COVID-19 pandemic.



Linda Goss

Director

Ms. Goss has 40 years of experience in the property and casualty insurance industry, leveraging her actuarial expertise in senior executive and consulting roles. Ms. Goss became the principal owner of Linda Goss Consulting following her retirement as Senior Vice President & Chief Actuary at Economical Mutual Insurance Company in 2021. She is a Fellow of the Canadian Institute of Actuaries and the Casualty Actuarial Society and earned the ICD.D designation from the Institute of Corporate Directors in Canada. Ms. Goss was elected as a Director of Bahamas First Holdings Limited in March 2014 and resigned in November 2020. She was re-elected as a Director in August 2021 at the Company's Annual General Meeting and serves as Chair of the Technical Review & Risk Compliance Committee.



Kenwood Kerr

Director

Mr. Kenwood Kerr is the founder, President & CEO of Providence Advisors Ltd., a Bahamian financial services company. Prior to launching Providence, he served variously as Manager of Investment Services, Sr. Manager of Corporate Services and Head of Marketing & New Business Development for The Bahamas & Caribbean at SG Hambros Bank & Trust (Bahamas) Limited, a Société Générale subsidiary in The Bahamas. Mr. Kerr was elected to the Board of Bahamas First Holdings Limited in April 2019 and serves as Chair of the Finance & Investment Committee.



Paul MacDonald

Director

Mr. MacDonald is an Executive Vice President of Personal Insurance at Definity Insurance Company (“Definity”) (formerly Economical Mutual Insurance Company) with significant experience in the insurance sector. He has expertise across multiple disciplines, including strategic planning, operational management, technology implementation, intermediary relations, and data analytics. Prior to joining Definity, Mr. MacDonald worked with RSA Canada as the Senior Vice President and Chief Claims Officer, at SGI Canada as the Vice President of the Canadian operations, and at PricewaterhouseCoopers where he served as the Vice President of Insurance Consulting - Strategy and Operations. Mr. MacDonald was elected to the Board of Bahamas First Holdings Limited in July 2020 at the Company’s Annual General Meeting and serves as Chair of the Information Technology Committee.



Liam McFarlane

Director

Mr. McFarlane is an Executive of Definity Insurance Company (“Definity”) (formerly Economical Mutual Insurance Company) with extensive actuarial expertise. Prior to working with Definity, Mr. McFarlane was a Partner at Ernst & Young LLP in Toronto, where he led the Canadian actuarial practice. For more than ten years in that role, he worked in audit and consulting capacities for financial institutions, corporations, and insurers, including Economical. Mr. McFarlane also held key executive positions at Dion Durrell + Associates Inc., Dominion of Canada General Insurance Company, and helped to establish the actuarial function at The Co-operators General Insurance Company. Between his service on various high-profile advisory committees, such as the Canadian Institute of Actuaries, and his dedication to making insurance better, Mr. McFarlane contributes significantly to both Definity and the entire actuarial profession. Mr. McFarlane was elected to the Board of Bahamas First Holdings Limited in November 2020.

Directors and Officers



D. Neil McKinney

Director

Mr. McKinney worked in importing and retail for 30 years at John S. George until the business was sold in 2004. During that time, he also served for two years as President of the Bahamas Chamber of Commerce. He is a long-time supporter and former president of the Bahamas National Trust and remains a Council Member. Mr. McKinney began his career in real estate in 2007 at Bahamas Waterfront Properties and joined Bahama Islands Realty in 2009. He was elected to the Board of Bahamas First Holdings Limited in July 2015.



Dr. Samir Mikhael

Director

Dr. Mikhael is the immediate Past President of the Medical Staff at Doctors Hospital, serving from 2003 to 2018. A retired Ophthalmic Surgeon, he holds several medical posts. He was elected to the Board of Bahamas First Holdings Limited in July 2015. Prior to this, he served on the NUA Board, beginning in 2004.



Dawn Patton

Director

Mrs. Patton is a member of The Bahamas Institute of Chartered Accountants. She was a partner at PricewaterhouseCoopers (PwC) until her retirement in 2016. Mrs. Patton worked with PwC for 30 years, where her primary client focus was on international clients in the financial services industry. Mrs. Patton was elected to the Board of Bahamas First Holdings Limited in June 2019 and serves as Chair of the Audit Committee.



Judith A. Whitehead

Director

Mrs. Whitehead is the Managing Partner of Graham Thompson, a leading law firm in The Bahamas, and a member of the firm's Private Client, Trust & Estates practice group. She oversees the firm's operations, providing leadership of its strategic direction. She has served in other corporate governance capacities and on governing boards in the non-profit and public sectors, in areas of education, academic achievement and public health. Mrs. Whitehead has served as a Director of Bahamas First Holdings Limited since 2005 and is Chair of the Corporate Governance, Conduct Review & Nominations Committee.



Abagale Butler

Corporate Secretary

Ms. Butler is the Corporate Secretary of Bahamas First Holdings Limited and its subsidiary companies. Prior to this, she served as Assistant to the Legal & Compliance Manager/Corporate Secretary.

Board Committees

To assist in effectively discharging its duties and responsibilities, and in satisfaction of regulatory requirements, the Board has established the following standing Committees to oversee important issues of policy. The committees, generally, review matters on behalf of the Board and refer matters and recommendations to the Board for decision. Meeting minutes and other committee papers are circulated to the Board members for final determination.

Audit Committee

The Committee assists the Board in fulfilling its oversight responsibilities as they relate to the Group's accounting policies, financial reporting, internal control, and the legal and regulatory environment.

Members

Dawn Patton, Chair
Alison J. Treco
Linda M. Goss
Neil McKinney
Liam McFarlane

Finance & Investment Committee

The Committee focuses on two objectives: Financial Risk Management and Investment Policy Oversight.

Members

Kenwood Kerr, Chair
Alison J. Treco
Patrick G. W. Ward
Neil McKinney

Human Resources & Compensation Committee

The Committee is responsible for reviewing and approving the Group's compensation plan and evaluating executive performance.

Members

Alison J. Treco, Chair
Samir Mikhael
Judith Whitehead
Paul MacDonald

Corporate Governance Conduct Review & Nominations Committee

The Committee measures the Group's governance against best practices and makes recommendations for Board appointments and composition.

Members

Judith A. Whitehead, Chair
Alison Treco
Dawn Patton
Paul MacDonald

Information Technology Committee

The Committee is responsible for ensuring that the Group's technology programs support the Group's business objectives and strategies, provide for appropriate data security and data privacy, and advise the Board on technology-related matters. This Committee is also responsible for overseeing risks related to the quality and effectiveness of the Group's information technology security, data privacy and disaster recovery capabilities.

Members

Paul MacDonald, Chair
Kenwood Kerr
Neil McKinney
Liam McFarlane

Technical Review & Risk Compliance Committee

The Committee is responsible for ensuring adherence to risk management guidelines as well as reviewing and assessing technical and reinsurance matters.

Members

Linda Goss, Chair
Patrick G. W. Ward
Samir Mikhael
Paul MacDonald

The BFH Group Retirement Fund Committee

Plan Administrator

Colonial Pension Services (Bahamas) Limited

Trustee/Custodian:

Butterfield Trust (Bahamas) Limited

Investment Committee

Company Representative

Warren T. Rolle, Chair

Independent Representative

Kenwood Kerr, Secretary

Staff Representative

Area Wilson-Pratt

Staff Representative

Warren T. Rolle

Meeting Attendance

Members of the Board and committees typically meet once per quarter. Meeting attendance in 2021 is displayed below:

	Board Of Directors	Audit Committee	Finance & Investment Committee	Technical Review & Risk Compliance Committee	Corporate Governance, Conduct Review & Nominations Committee	Human Resources & Compensation Committee	Information Technology Committee
Director	Meetings Held: 6	Meetings Held: 8	Meetings Held: 5	Meetings Held: 5	Meetings Held: 4	Meetings Held: 6	Meetings Held: 2
Alison J. Treco	6	8	5	--	4	6	--
Linda M. Goss	3	8	--	5	--	--	--
Kenwood Kerr	6	--	5	--	--	--	2
Paul MacDonald	6	--	--	5	4	6	2
Liam McFarlane	5	3	--	--	--	--	1
D. Neil McKinney	5	7	4	--	--	--	1
Samir Mikhael	6	--	--	5	--	6	--
Dawn Patton	6	8	--	--	4	--	--
Patrick G. W. Ward	6	--	5	4	--	--	--
Judith A. Whitehead	6	--	--	--	3	5	--

Director Compensation

Fees paid to Directors for services rendered on the Company's Board and Board Committees for the year ended 31 December, 2021 totaled \$348,884.



Internal Audit & Risk Management

The Group is substantively compliant with the Securities Industry (Corporate Governance) Rules. The Group does not have an Internal Audit Unit; however, the Group relies on a reputable internal audit firm who has a track record of being effective in the performance of their duties. The Group may review its selection of auditors from time to time to ensure the highest audit standards are being upheld.

Additionally, the internal auditors review the risk management policies and processes and report directly to the Audit Committee. 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 Committee reports regularly to the Board of Directors on its activities.

Risk Management Practices

Effective assurance and risk management practices help Bahamas First to achieve its strategic objectives, enable compliance with its legal obligations and protect the best interests of the Company and its shareholders.

Risk Identification and Management

The Board has established policies for the oversight and management of material business risks and internal controls. The Audit Committee and the Technical Review & Risk Compliance Committee oversee the policies, internal controls and procedures that the Group uses to identify business risks, manage those risks and enable compliance with relevant regulatory requirements. The design and implementation of the risk management and internal control systems to manage the Group's material business risks are the responsibility of management.

The Board has adopted the following key elements for the oversight and management of material business risks:

- On a quarterly basis, the Board reviews with Management the principal business risks to the Company to gain and maintain reasonable assurance that appropriate procedures are implemented to identify, monitor, manage and mitigate those risks.
- The Board will gain and maintain reasonable assurance that effective systems are in place to monitor the integrity of the Company's internal controls and management information systems.
- The Board will gain and maintain reasonable assurance that management processes are in place to address and comply with applicable laws and regulations, including applicable corporate, securities and regulatory requirements.
- The Board will confirm and monitor that processes are in place to comply with the Company's bylaws, Code and the Company's ethics reporting program.

In addition to the above, risk assessments are also performed for individual material projects, capital expenditure, products and risks as required.

Other Statutory Information

Nomination Process for Board Members

Board members are typically nominated by the Corporate Governance, Conduct Review & Nominations Committee, but they can also be nominated by a Director or a Shareholder. The Committee is responsible for identifying qualified individuals. In making its candidacy recommendations, the Committee will, after conducting the reviews, examinations and inquiries it believes are appropriate, consider:

- the competencies and skills that the Board considers to be necessary for the Board as a whole, its chair and its committees to possess, in light of the opportunities and risks facing the Group, its strategy and its succession planning needs;
- the competencies and skills that the Board considers to be necessary for each existing director to possess and that the Committee considers necessary for any new nominee to possess;
- the ability of potential nominees to devote sufficient time and resources to his or her duties as a Board member;
- the independence requirements applicable to the Board and each committee;
- the requirements of committees for distinctive or specialized expertise; and
- the most recent performance evaluation of the Board, Board committees and individual directors.

Procedure

1. The Nominating Committee will receive recommendations for new board members from current board members.

2. The committee then reviews and discusses the resumes of potential candidates, assessing their skills and experience to determine if they meet qualifications for the position.

3. Finally, the committee will recommend the candidates to the full board for formal approval. Nominees are not present at this meeting to allow for open discussion by the board.

The following Board members will stand for re-election at the Company's 2022 Annual General Meeting:

Alison J. Treco
Patrick G. W. Ward
Linda M. Goss
Kenwood Kerr
Paul MacDonald
Liam McFarlane
Samir Mikhael
Dawn Patton
Judith A. Whitehead

Code of Business Conduct

The Company is not aware of any non-compliance by the Directors and employees with respect to their individual compliance with the Company's Code of Business Conduct.

Human Resources Policies

The Human Resources Policies and Procedures Manual has been provided as a central reference for all managers, supervisors and employees and applies to all employees across the Group. The Manual forms part of the employment contract, guiding management and employees with respect to the operation of the Human Resources Department and the conduct of all employees.

All policies and procedures must be consistent with the Group's Core Values and its approach to:

- Employing talented individuals whose creativity and imagination will support and contribute to achieving the Group's business objectives;
- Communicating the Group's standards and expectations in all aspects of employment including performance;
- Valuing diversity and assuring equal employment opportunity and a workplace where relationships are based on mutual trust and respect;
- Treating all employees, contractors, customers and stakeholders, in a professional, courteous, non-discriminatory manner;
- Providing safe, effective working conditions; and
- Providing competitive terms and conditions in the workplace.

The Group's Human Resources policies include, but are not limited to the following:

- Employee Handbook & Manual
- Confidentiality Agreement
- Flex Time Policy
- Anti-Sexual Harassment Policy
- Code of Business Conduct
- Remote Work Policy
- Dress Code Policy

From time to time the Group's policies are reviewed to ensure that we remain aligned with our Core Values.

Integrity of Reporting

The Board and management have established controls that are designed to safeguard the Group's interests and the integrity of its reporting. These include accounting, financial reporting, sustainability and client risk rating (Anti-Money Laundering/ Know Your Customer (AML/

KYC)) and other internal control policies and procedures which are directed at monitoring whether the Group complies with regulatory requirements. In accordance with the Group's system of internal sign offs prior to approval of its financial statements for a relevant period, both the CEO and the CFO provide declarations of their opinion to the Board that, following the completion of appropriate enquiries,

- the financial records of the Group have been properly maintained; and
- the financial statements of the Group comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Group; and
- that the opinion has been formed on the basis of a sound and effective system of risk management and internal control.

We, the Chair and the CFO, on behalf of the Board of Directors of Bahamas First Holdings Limited, confirm that the financial statements included herein present a true and fair view of the affairs of the Company. During the year ended December 31, 2021, the Company has been substantively compliant with the Securities Industry (Corporate Governance) Rules and are committed to consistently reviewing and updating the Company's degree of compliance.

Authorized Agents & Brokers

Our extensive network of agents in The Bahamas spans the archipelago. In the Cayman Islands, we enjoy the support of a vibrant network of agents and brokers for all of our product lines. Our agents have been the backbone of our company since we began to offer insurance services, and continue to deliver the highest quality of service to our customers.

The Bahamas

New Providence

BAF General & Health Insurance Brokers and Agents Ltd.
(242) 461-1000

BMG Insurance Agency & Brokers Ltd.
(242) 322-2221/322-2128

Chandler Gilbert Insurance Associates Ltd.
(242) 676-2306

Confidence Insurance Bahamas Agency Ltd.
(242) 323-6920

FG Insurance Agents & Brokers Ltd.
(242) 396-1490

Freeport Insurance Agents & Brokers
(242) 352-8501

Island Insurance Agents & Brokers Ltd.
(242) 322-1106

Jack Stanley Insurance Agents & Brokers Limited
(242) 397-1733/4

NUA Insurance Agents and Brokers Ltd.
(242) 302-9100

Professional Insurance Consultants Ltd.
(242) 327-2143

RMS Insurance Agents & Brokers
(242) 698-7233

Safeguard Insurance Brokers Ltd.
(242) 676-7521

SHIELD Insurance Agents & Brokers Ltd.
(242) 356-7202

Star General Insurance Agents & Brokers Ltd.
(242) 676-0800

Sunshine Insurance Agents & Brokers Ltd.
(242) 394-0011

Tavares and Higgs Insurance Agents and Brokers Ltd.
(242) 702-9025

Grand Bahama

FG Insurance Agents & Brokers Ltd.
(242) 396-1490

Freeport Insurance Agents & Brokers
(242) 352-8501

NUA Insurance Agents and Brokers Ltd.
(242) 352-7891

SHIELD Insurance Agents & Brokers Ltd.
(242) 356-7202

Star General Insurance Agents & Brokers (Grand Bahama) Ltd.
(242) 350-7827

Abaco

Abaco Insurance Agency Ltd.
(242) 367-2549

NUA Insurance Agents and Brokers Ltd.
(242) 367-2222

Eleuthera

Island Insurance Agents & Brokers Ltd.
(242) 332-0380

NUA Insurance Agents & Brokers Ltd.
(242) 332-0451/2

Exuma

Island Insurance Agents & Brokers Ltd.
(242) 336-3500

Cayman Islands

Grand Cayman

AON Risk Solutions (Cayman)
(345) 945-1266

Balderamos Insurance Services
(345) 945-3450

Bogle Insurance Brokers
(345) 949-0579

Caribbean Insurance Practice
(345) 943-2475

Cayman Insurance Centre
(345) 949-4657

Fidelity Insurance (Cayman)
(345) 949-7221

FIS Insurance Brokers
(345) 945-5616

Hyperion Risk Solutions (Cayman)
(345) 623-6500

International Property Insurance
(345) 623-1111

Island Insurance Brokers
(345) 949-0883

Marsh Management Services Cayman
(345) 949-7988

Pensum Services
(345) 945-1830

Premier Group Insurance Brokers
(345) 769-0092

Briat Insurance
(345) 945-0030

Scotiabank (Cayman)
(345) 949-7666

Willis Management (Cayman)
(345) 949-6039

Cayman Brac

Brac Insurance Associates
(345) 948-2266



Key Contacts

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F: (242) 302-3901

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askus@bahamasfirst.com

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Nassau, Bahamas

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Nassau, Bahamas

Cayman Islands

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P.O. Box 309
Grand Cayman, KY1-1104
Cayman Islands

Internal Audit

Ernst & Young
One Montague Place
East Bay Street
Nassau, Bahamas

Registrar & Transfer Agent

Bahamas Central Securities
Depository Limited (BCSD)
Suite 202
Fort Nassau Centre
British Colonial Hilton
Nassau, Bahamas

Investor Materials

Bahamas First Holdings
Limited's securities trade on
the Bahamas International
Securities Exchange (BISX)
under the following symbols:

Ordinary Shares – BFH
Preference Shares – BFHP
Bonds – BFHB

For investor information,
including additional copies of
our Annual Report or other
financial literature, please visit
our website at bahamasfirst.com/financial-reports or
contact us via email at
askus@bahamasfirst.com
or via phone at
(242) 302-3900.

Consolidated Financial Statements

For the Year Ended December 31, 2021

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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, 2021, and the consolidated statement of profit or loss and other 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 a summary of significant accounting policies.

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, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”).

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’ *Code of Ethics for Professional Accountants* (“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
Unpaid claims liability	<p>As at December 31, 2021 the Group had recorded unpaid claims liability of \$52,066,216 (see Notes 4 and 10 of the consolidated financial statements). The unpaid claims liability includes claims incurred but not reported (“IBNR”) of \$18,109,000.</p> <p>Management makes key judgments and estimates in determining the valuation of the unpaid claims liability 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, 2021.</p>	<p>We obtained an understanding of the Group’s claims reserving process for determining and recording the unpaid claims liability to assess the appropriateness of the policy and controls. We tested the design and implementation of controls related to determining and recording the unpaid claims liability.</p> <p>We obtained an understanding of management’s external actuary, including their qualifications. 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 unpaid claims liability, (3) assess whether the methods used by management’s external actuary were in accordance with professional actuarial standards, (4) develop an independent range of reasonable unpaid claims liability valuations and (5) perform retrospective procedures to assess the adequacy of previously determined reserves.</p>

Key Audit Matter	Summary of the Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Net claims incurred – Health	<p>For the year ended December 31, 2021 the Group had net claims incurred of \$34,571,962 (see consolidated statement of profit or loss). The net claims incurred includes net claims incurred related specifically to the Group's Health line of business ("net claims incurred – Health") of \$29,089,274.</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 validity 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 (1) the nature and volume of health claims; and (2) the increase in health claims reported.</p>	<p>We obtained an understanding of the Group's process for adjudicating health claims and tested the design and implementation of controls related to the adjudication and settlement of health claims.</p> <p>We enquired of Group personnel and management to obtain an understanding for the increase in health claims.</p> <p>We assessed management's explanations for the increase in health claims by (1) the use of computer assisted audit techniques including the performance of analytical procedures to identify health claims which had characteristics that were inconsistent with those of the general population and (2) tested a sample of health claims paid and vouched them to supporting documents.</p>

Key Audit Matter	Summary of the Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Gross premiums written	<p>For the year ended December 31, 2021 the Group had gross premiums written of \$178,236,473 (see Notes 3(j) and 5 of the consolidated financial statements).</p> <p>The occurrence and accuracy of gross premiums written are considered to be a key audit matter due to the material financial impact of gross premiums written on the consolidated financial statements of the Group and the presumption that there are risks of fraud related to revenue recognition in accordance with the ISAs.</p> <p>Premiums are written primarily by related and third-party agents on behalf of the Group. These agents manage customer relationships, can adjust policies that are already in existence and can contractually bind the Group. This inherently increases the risks associated with the occurrence and accuracy of gross premiums written.</p> <p>The Group's processes for recording gross premiums written involves manual intervention to retrieve the premiums written from the Group's underwriting systems and record those amounts in the Group's financial reporting systems.</p>	<p>We obtained an understanding of the Group's revenue recognition policy to assess the appropriateness of the policy. We tested the design and implementation of controls related to revenue recognition. We tested a sample of policies written during the year by vouching the relevant attributes of the sample of policies to supporting documentation and assessed the appropriateness of the revenue recognized for each sample.</p> <p>We requested confirmation of the gross premiums written by the Group's non-related party agents during the year from those agents and compared the responses to the amounts reported in the consolidated financial statements. We obtained a rollforward of the Group's premiums written and premiums receivable for policies written by related party agents and (1) obtained an understanding and assessed the appropriateness of the methodology of the roll-forward, (2) tested the mathematical accuracy of the roll-forward, (3) tested the inputs of the roll-forward.</p> <p>We analyzed the reconciliation of the gross premiums written listing during the year with the amount reported in the consolidated financial statements.</p>

Other Information

Management and those charged with governance are responsible for the Other Information. The Other Information comprises the information included in the Bahamas First Holdings Limited 2021 Annual Report (the "Annual Report"), but does not include the consolidated financial statements and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement of this other information, we are required to communicate the matter to those charged with governance.

Other Matter

The consolidated statements of the Group for the year ended December 31, 2020 were audited by another auditor who expressed an unmodified opinion on those statements on May 17, 2021.

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 IFRSs, 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.

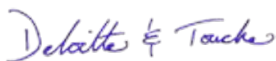
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group's 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.



Nassau, Bahamas
April 7, 2022

BAHAMAS FIRST HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021
(Expressed in Bahamian dollars)

	Notes	2021	2020
ASSETS			
Cash and cash equivalents		\$ 21,276,044	\$ 39,808,907
Trade accounts receivable, net	4,8	30,911,815	30,496,304
Sundry receivables and prepayments	22	2,947,727	6,189,285
Deferred commission costs	9	5,917,549	4,464,438
Deferred reinsurance premiums	9	43,328,099	36,825,812
Unpaid claims recoverable from reinsurers	4,10	35,191,446	38,795,245
Investments	6	38,079,603	37,415,048
Property and equipment	4,11	22,531,436	22,748,681
Right-of-use assets	12	748,586	777,164
Intangible assets and goodwill	4,13	<u>8,268,710</u>	<u>9,125,678</u>
TOTAL ASSETS		<u>\$ 209,201,015</u>	<u>\$ 226,646,562</u>

(Continued)

See notes to consolidated financial statements.

BAHAMAS FIRST HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021
(Expressed in Bahamian dollars)

	Notes	2021	2020
LIABILITIES AND EQUITY			
LIABILITIES:			
Accrued expenses and other liabilities		\$ 4,432,522	\$ 3,332,487
Reinsurance balances payable		9,054,578	32,968,848
Unearned commission income	9	10,848,463	9,320,623
Unearned premiums	9	58,712,764	50,273,186
Unpaid claims	4.10	52,066,216	57,774,921
Lease liabilities	12	821,130	838,858
Bonds payable	14	7,618,151	7,616,866
Total liabilities		<u>143,553,824</u>	<u>162,125,789</u>
EQUITY:			
Common shares	15	365,116	365,116
Preference shares	15	5,000,000	5,000,000
Contributed surplus		14,926,159	14,926,159
General reserve	16	4,000,000	4,000,000
Revaluation reserve	17	5,691,207	6,546,825
Retained earnings		<u>31,480,443</u>	<u>29,175,407</u>
Total equity attributable to owners of the company		<u>61,462,925</u>	<u>60,013,507</u>
Non-controlling interest	18	<u>4,184,266</u>	<u>4,507,266</u>
Total equity		<u>65,647,191</u>	<u>64,520,773</u>
TOTAL LIABILITIES AND EQUITY		<u>\$ 209,201,015</u>	<u>\$ 226,646,562</u>

(Concluded)

See notes to consolidated financial statements.

These consolidated financial statements were approved by the Board of Directors on March 31, 2022 and are signed on its behalf by:



Alison Treco, Chairman



Patrick G.W. Ward, Director

BAHAMAS FIRST HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED DECEMBER 31, 2021

(Expressed in Bahamian dollars)

	Notes	2021	2020
UNDERWRITING INCOME:			
Gross premiums written	5,19,22	\$ 178,236,473	\$ 160,568,017
Movement in unearned premiums	9	<u>(8,439,578)</u>	<u>1,030,864</u>
		169,796,895	161,598,881
Premiums ceded to reinsurers		<u>(105,514,778)</u>	<u>(96,156,369)</u>
Movement in deferred reinsurance premiums	9	<u>6,502,287</u>	<u>639,302</u>
Net premiums earned	19	70,784,404	66,081,814
Commission income		<u>27,375,872</u>	<u>24,462,316</u>
Total underwriting income	19	<u>98,160,276</u>	<u>90,544,130</u>
UNDERWRITING EXPENSES:			
Net claims incurred	10	34,571,962	28,694,909
Commission expense	22	14,821,208	14,444,956
Cost of excess of loss reinsurance		10,963,132	10,052,456
Premium tax	19	<u>4,772,582</u>	<u>4,284,770</u>
Total underwriting expenses	19	<u>65,128,884</u>	<u>57,477,091</u>
Net underwriting income		<u>33,031,392</u>	<u>33,067,039</u>
OTHER EXPENSES:			
Salaries, benefits and bonuses	21,22	14,877,885	14,348,197
General and administrative expenses	22	9,009,430	8,610,158
Interest expense	12	1,144,727	1,479,260
Depreciation and amortization of intangible assets	11,12,13	<u>2,236,229</u>	<u>2,115,951</u>
Total other expenses		<u>27,268,271</u>	<u>26,553,566</u>
UNREALIZED (LOSS) ON INVESTMENT	6	(1,741,527)	(2,881,437)
OTHER INCOME, NET	20	<u>1,600,408</u>	<u>1,321,413</u>
PROFIT FOR THE YEAR		<u>\$ 5,622,002</u>	<u>\$ 4,953,449</u>
ATTRIBUTABLE TO:			
OWNERS OF THE COMPANY		\$ 5,520,348	\$ 4,626,907
NON-CONTROLLING INTEREST	18	<u>101,654</u>	<u>326,542</u>
		<u>\$ 5,622,002</u>	<u>\$ 4,953,449</u>
BASIC AND DILUTED EARNINGS PER COMMON SHARE	15	<u>\$ 0.14</u>	<u>\$ 0.12</u>

See notes to consolidated financial statements.

BAHAMAS FIRST HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME/(LOSS)

FOR THE YEAR ENDED DECEMBER 31, 2021

(Expressed in Bahamian dollars)

	Notes	2021	2020
PROFIT FOR THE YEAR		\$ 5,622,002	\$ 4,953,449
OTHER COMPREHENSIVE INCOME:			
Items that may be reclassified subsequently to profit or loss:			
Unrealized (loss)/gain on available-for-sale investments	6,17	(855,618)	352,761
		(855,618)	352,761
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		(855,618)	352,761
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		\$ 4,766,384	\$ 5,306,210
ATTRIBUTABLE TO:			
OWNERS OF THE COMPANY		\$ 4,720,346	\$ 4,949,530
NON-CONTROLLING INTEREST	18	46,038	356,680
		\$ 4,766,384	\$ 5,306,210

See notes to consolidated financial statements.

BAHAMAS FIRST HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2021

(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		
Balance at December 31, 2019	\$ 365,316	\$ 5,000,000	\$ 14,926,159	\$ 4,000,000	\$ 6,194,064	\$ 27,484,448	\$ 4,357,247	\$ 62,327,034
Profit for the year	-	-	-	-	-	4,626,907	326,542	4,953,449
Other comprehensive income/loss (Note 17)	-	-	-	-	752,761	(30,158)	30,158	752,761
Total comprehensive income	-	-	-	-	752,761	4,596,769	356,680	5,308,210
Transactions with shareholders	-	-	-	-	-	-	-	-
Dividends paid by CFI	-	-	-	-	-	-	(206,661)	(206,661)
Preference shares dividend paid (Note 15)	-	-	-	-	-	(350,000)	-	(350,000)
Dividends paid (\$0.07 per common share) (Note 15)	-	-	-	-	-	(2,555,810)	-	(2,555,810)
Balance at December 31, 2020	\$ 365,316	\$ 5,000,000	\$ 14,926,159	\$ 4,000,000	\$ 6,546,825	\$ 29,175,407	\$ 4,507,266	\$ 64,520,773
Profit for the year	-	-	-	-	-	5,520,348	101,654	5,622,002
Other comprehensive (loss)/income (Note 17)	-	-	-	-	(855,618)	55,616	(55,616)	(855,618)
Total comprehensive income	-	-	-	-	(855,618)	5,575,964	46,038	4,766,384
Transactions with shareholders	-	-	-	-	-	-	-	-
Dividends paid by CFI	-	-	-	-	-	-	(369,038)	(369,038)
Preference shares dividend paid (Note 15)	-	-	-	-	-	(350,000)	-	(350,000)
Dividends paid (\$0.08 per common share) (Note 15)	-	-	-	-	-	(2,920,928)	-	(2,920,928)
Balance at December 31, 2021	\$ 365,316	\$ 5,000,000	\$ 14,926,159	\$ 4,000,000	\$ 3,691,207	\$ 31,480,443	\$ 4,184,266	\$ 65,647,191

See notes to consolidated financial statements.

BAHAMAS FIRST HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2021

(Expressed in Bahamian dollars)

	Notes	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit for the year		\$ 5,622,002	\$ 4,953,449
Adjustments for:			
Depreciation	11,12	1,324,540	1,152,979
Interest on leases	12	41,693	59,856
Amortization of intangible assets	13	911,689	962,972
Amortization of discounts on bonds	6,20	90,689	73,778
Share of net earnings from associate	7,20	-	(140,180)
Loss on sale of investment in associate	7,20	-	218,160
Realized gain on sales of investments	6,20	(470,519)	(49,270)
Unrealized loss on FVTPL investments	6	1,741,527	2,881,437
Gain on disposal of property and equipment	20	(5,954)	(4,000)
(Increase)/decrease in operating assets			
Increase in trade accounts receivable, net		(415,511)	(2,513,798)
Decrease in sundry receivables and prepayments	7	2,916,558	760,870
(Increase)/decrease in right of use asset	12	(242,803)	137,000
(Increase)/decrease in deferred commission costs	9	(1,453,111)	596,712
Increase in deferred reinsurance premiums	9	(6,502,287)	(639,302)
Increase/(decrease) in operating liabilities			
Increase in accrued expenses and other liabilities		1,100,035	1,585,630
Increase in bonds payable		1,285	-
Decrease in reinsurance balances payable		(23,914,270)	(39,565,958)
Increase in unearned commission income	9	1,527,840	19,690
Increase/(decrease) in unearned premiums	9	8,439,578	(1,030,864)
Decrease in net unpaid claims	10	(2,104,906)	(1,995,406)
Increase/(decrease) in lease liability		243,734	(68,230)
Net cash used in operating activities		\$ (11,148,191)	\$ (32,604,475)

(Continued)

See notes to consolidated financial statements.

BAHAMAS FIRST HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2021

(Expressed in Bahamian dollars)

	Notes	2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	11	\$ (835,914)	\$ (724,975)
Purchase of intangible assets	13	(54,721)	(2,925,000)
Proceeds from disposal of property and equipment	11,20	5,954	4,000
Proceeds from disposal of investment in associate	7	325,000	325,000
Proceeds from sale and maturity of investments	6	6,907,643	3,463,903
Purchase of investments	6	(9,789,513)	(598,000)
Net cash used in investing activities		<u>\$ (3,441,551)</u>	<u>\$ (455,072)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Preference shares dividend paid	15	\$ (350,000)	\$ (350,000)
Changes in non-controlling interest		(369,038)	(206,661)
Common shares dividend paid	15	(2,920,928)	(2,555,810)
Lease liability cash payments		(303,155)	(317,354)
Net cash used in financing activities		<u>\$ (3,943,121)</u>	<u>\$ (3,429,825)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(18,532,863)	(36,489,372)
CASH AND CASH EQUIVALENTS:			
BEGINNING OF YEAR		<u>39,808,907</u>	<u>76,298,279</u>
END OF YEAR		<u>\$ 21,276,044</u>	<u>\$ 39,808,907</u>
CASH AND CASH EQUIVALENTS ARE COMPRISED OF:			
Cash on hand		\$ 9,168	\$ 9,168
Cash at bank		17,526,797	38,981,264
Due from investment broker		<u>3,740,079</u>	<u>818,475</u>
		<u>\$ 21,276,044</u>	<u>\$ 39,808,907</u>
SUPPLEMENTAL CASH FLOW DISCLOSURES:			
Interest received		<u>\$ 1,066,996</u>	<u>\$ 1,124,227</u>
Dividends received		<u>\$ 126,657</u>	<u>\$ 250,313</u>
Premium taxes paid	19	<u>\$ 4,772,582</u>	<u>\$ 4,284,770</u>
Interest expense paid		<u>\$ 1,143,442</u>	<u>\$ 1,539,116</u>

(Concluded)

See notes to consolidated financial statements.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

(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”)
- CMA Insurance Brokers & Agents Limited (“CMA”)

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.

Claims servicing company:

- First Response Limited (“FRL”)

FRL provides motor claim roadside assistance and claim adjusting services to BFG.

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, 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, 2021 (CONTINUED)

(Expressed in Bahamian dollars)

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, 2021. However, they do not have a material effect on the Group’s financial statements.

b. Standards and Interpretations effective but not affecting the reported results or financial position on the basis that the Group elected for the temporary exemption

IFRS 9 – Financial Instruments

IFRS 9 includes three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income and fair value through profit or loss. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held-to-maturity investments, loans and receivables, and available-for-sale financial assets. IFRS 9 also replaces the ‘incurred loss’ model in IAS 39 with a forward-looking ‘expected credit loss’ model. Under IFRS 9 credit losses are recognized earlier than under IAS 39.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (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 effective but not affecting the reported results or financial position on the basis that the Group elected for the temporary exemption (continued)*

IFRS 9 – Financial Instruments (continued)

During 2021, the Group performed a high-level impact assessment of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. Overall, the Group expects no significant impact on its consolidated statement of financial position and equity, except for the effect of applying the impairment requirements of IFRS 9. The Group expects a higher loss allowance resulting in a negative impact on equity and will perform a detailed assessment in the future to determine the extent.

The IASB issued a temporary exemption for the effective date of implementation of IFRS 9 for insurance companies which meet certain qualifying criteria. This exemption allows the application of IFRS 9 to be deferred until January 1, 2023. At December 31, 2021, the Group met these qualifying criteria of i) not applying any previous version of IFRS 9 and ii) at least 90% of its total liabilities being connected to insurance contracts and has therefore deferred implementation of IFRS 9.

- c. *Standards and Interpretations in issue but not yet effective*

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the aforementioned date.

Effective for annual periods beginning on or after January 1, 2023

IFRS 17 – Insurance contracts

IFRS 17 was issued in May 2017 as a replacement for IFRS 4, Insurance Contracts. IFRS 17 applies to all types of insurance contracts as well as to certain financial instruments with discretionary participation features. In contrast to the requirements in IFRS 4, which are largely based on grandfathering of previous local accounting policies, IFRS 17 provides a comprehensive and consistent approach to insurance contracts. The core of IFRS 17 is the general model, supplemented by a specific adaption for contracts with direct participation features (the variable fee approach) and a simplified approach (the premium allocation approach) mainly for short-duration contracts.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (CONTINUED)

(Expressed in Bahamian dollars)

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

c. Standards and Interpretations in issue but not yet effective (continued)

Effective for annual periods beginning on or after January 1, 2023 (continued)

IFRS 17 – Insurance contracts (continued)

The main features of the new accounting model for insurance contracts are, as follows: the measurement of the present value of future cash flows incorporating an explicit risk adjustment and remeasured at each reporting period (the fulfilment cash flows); a contractual service margin that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profit of the insurance contracts to be recognized in profit or loss over the service period (coverage period); the presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of insurance services provided during the period; and extensive disclosures to provide information on the recognized amounts from insurance contracts and the nature and extent of risks arising from these contracts.

The standard allows a choice between recognizing changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts. The Group has not yet fully assessed the impact of the new standard on its results.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (CONTINUED)

(Expressed in Bahamian dollars)

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

c. Standards and Interpretations in issue but not yet effective (continued)

Effective for annual periods beginning on or after January 1, 2023 (continued)

Amendments to IAS 1 Presentation of Financial Statements—Classification of Liabilities as Current or Noncurrent

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. It further explains that rights are in existence if covenants are complied with at the end of the reporting period and introduce a definition of “settlement” to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

This amendment is not anticipated to have a material impact on the Group’s financial statements.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term “significant accounting policies” with ‘material accounting policy information’. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

This amendment is not anticipated to have a material impact on the Group’s financial statements.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (CONTINUED)

(Expressed in Bahamian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies:

- a. ***Basis of preparation*** - These financial statements have been prepared in accordance with IFRS. They have been prepared on the 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.

The accounting policies are consistent with those used in previous years.

- 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 unrealized 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, 2021 (CONTINUED) (Expressed in Bahamian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (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 recognized in contributed surplus in the consolidated statement of changes in equity.

d. *Investment in associates* - An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee.

The results, and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially carried at cost and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss of the associate after the date of acquisition. Distributions received from the associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Company's proportionate interest in the associate arising from changes in the associate's other comprehensive income. The Company's share of those changes is recognized in other income, net in the consolidated statement of profit or loss.

After application of the equity method, the carrying amount of the investment is tested for impairment by comparing its recoverable amount with its carrying value. Losses of associates in excess of the Group's interest in those associates are not recognized.

Where a company within the Group transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate. Losses may provide evidence of an impairment of the asset transferred in which case appropriate provision is made for impairment.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (CONTINUED)

(Expressed in Bahamian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. *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, transaction costs directly attributable to the acquisition or issue of the financial asset or liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately, while on other financial instruments they are amortized.

The classification depends on the nature and purpose of the financial assets. Management determines the classification of its investments at initial recognition and re-evaluates the classification at each reporting date.

Financial assets are classified as either: financial assets at fair value through profit or loss ("FVTPL"); held-to-maturity investments; loans and receivables; or available-for-sale ("AFS") and are measured as follows:

(i) Financial assets at fair value through profit or loss

Financial assets are classified as FVTPL where the financial asset is either held for trading or is designated as FVTPL. A financial asset is classified into the FVTPL category at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short-term profit-taking, or if so designated by management. These assets are stated at fair value, with any resultant gain or loss recognized in the consolidated statement of profit or loss.

(ii) Available-for-sale investments

AFS financial assets are those non-derivative financial assets that are either designated as available for sale or are not classified as a) FVTPL, b) held-to-maturity or c) loans and receivables. AFS assets are stated at fair value. Cost may be used to approximate the fair value of AFS assets.

(iii) Held-to-maturity investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are non-derivative financial assets which are carried at amortized cost using the effective interest method less any impairment, with revenue recognized on an effective yield basis.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (CONTINUED)

(Expressed in Bahamian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. *Financial instruments (continued)*

(iii) Held-to-maturity investments (continued)

Investment income is recorded in interest income in the consolidated statement of profit or loss. As at December 31, 2021 the Group does not hold any investments within this classification.

(iv) Loans and receivables

Loans and other receivables are non-derivative financial assets that have fixed or determinable payments that are not quoted in an active market, and which the Group has no intention of trading or designating at fair value. Loans and receivables are recognized when the Group provides goods or services to debtors or cash is advanced to borrowers. Loans and receivables are subsequently carried at amortized cost using the effective interest method, less any impairment.

After initial recognition, financial liabilities are measured at amortized cost using the effective interest method, except for financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, are measured at fair value.

Cash and cash equivalents, trade accounts receivable and sundry receivables and prepayments are classified as loans and receivables and are carried at cost, which equates to amortized cost, less provision for bad debts. Reinsurance balances payable, accrued expenses and other liabilities and bonds payable are financial liabilities, which are carried at cost, which equates to amortised cost.

Investments in Bahamas Government Registered Stock are classified as loans and receivables and are carried at amortized cost. Preference shares and redeemable fixed rate note investments that meet the criteria are also classified as loans and receivables and carried at amortized cost. Preference shares and mutual fund investments that do not meet the loan and receivables recognition criteria are classified as available-for-sale and are measured at fair value at the consolidated statement of financial position date. All other investments are classified as financial assets at fair value through profit or loss.

Gains and losses arising from changes in fair value of available-for-sale investments are recognized in other comprehensive income (loss) until the investments are disposed of or are determined to be permanently impaired, at which time the cumulative gain or loss previously recognized in other comprehensive income (loss) is included in profit or loss for the period. Investments are measured at fair value with reference to market prices, or, for non-listed companies, financial information on the company. The gain or loss on investments classified as at fair value through profit or loss is recognized in the consolidated statement of profit or loss.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (CONTINUED)

(Expressed in Bahamian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. *Financial instruments (continued)*

Recognition and derecognition - Regular way purchases and sales of financial assets are recognized on the trade date on which the Group commits to purchase or sell the asset. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are recognized 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 derecognized 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 derecognized when they are extinguished.

f. *Trade accounts receivable* - Trade accounts receivable is stated at cost less provision for bad debts. The provision for bad debts is based on management's evaluation of the accounts receivable portfolio, as noted in Note 4(d).

g. *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 capitalized. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the property and equipment. All other expenditure is recognized in the consolidated statement of profit or loss as an expense as incurred. Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognized in the consolidated statement of profit or loss.

Depreciation is charged to the consolidated statement of profit or loss 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
Furniture and equipment	5 - 10 years
Leasehold improvements and others	3 - 6 years
Motor vehicles	5 years

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (CONTINUED)

(Expressed in Bahamian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g. *Property and equipment (continued)*

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 categorized in Level 3 in the fair value hierarchy. A revaluation increment is recorded in other comprehensive income (loss), unless it reverses a revaluation decrease of the same asset previously recognized as an expense and is transferred to retained earnings to the extent realized by complete or partial disposal of the related asset, including depreciation.

Any revaluation decrease is recognized as an expense unless it reverses a revaluation increase that was previously recognized in other comprehensive income (loss).

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.

h. *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 amortized 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 recognized 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.
- (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 profit or loss in the period in which the investment is acquired.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (CONTINUED) (Expressed in Bahamian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h. *Intangible assets and goodwill (continued)*

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 amortized using the straight-line method over the estimated useful life of 3-20 years, and amortization expense is included in depreciation and amortization of intangible assets in the consolidated statement of profit or loss. An intangible asset with an indefinite useful life is not amortized, 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 derecognized on disposal or when no future economic benefit is expected from its use or disposal. The gain or loss arising from the derecognition is recognized in the consolidated statement of profit or loss.

i. *Impairment* - Goodwill and intangible assets that have an indefinite useful life are not subject to amortization 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 recognized 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 other than goodwill and intangible 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 suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period in the consolidated statement of profit or loss.

In assessing whether financial assets carried at amortized cost are impaired, due consideration is given to the factors outlined in Note 4c.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (CONTINUED) (Expressed in Bahamian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j. *Insurance contracts*

Product classification - Insurance contracts are those that transfer significant insurance risk at the effective date of the contract. Insurance risk is transferred when the Group agrees to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Any contracts not meeting the definition of an insurance contract under IFRS 4, Insurance Contracts are classified as investment contracts. The main insurance contracts issued by the Group are as follows:

Property and casualty (“P&C”) insurance contracts - Property and casualty 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 - Health and Group Life contracts are one year 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.

Reinsurance contracts - Contracts with reinsurers under which the Group is compensated for losses are classified as reinsurance contracts held. Insurance contracts in which the contract holder is another insurer (inwards reinsurance) are accounted for in the same manner as insurance contracts.

The benefits to which the Group is entitled under its reinsurance contracts held are recognized as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term recoverables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts.

Amounts recoverable from or balances payable to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

The Group assesses its reinsurance assets for impairment on an ongoing basis. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes that impairment loss in the consolidated statement of profit or loss.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (CONTINUED)

(Expressed in Bahamian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j. *Insurance contracts (continued)*

Portfolio Transfer In / (Out) - At the option of the Group and at the anniversary date of the reinsurance agreements, proportional reinsurers agree to relinquish (assume) liability for all policies in force at such anniversary date. The Group debits (credits) the reinsurers with the related portion of the unearned premiums and unpaid claims calculated in accordance with the method outlined in the agreement.

Premiums - Premiums written are recognized as income over the periods covered by the related policies taking into consideration the exposure period to which they relate. The adjustment to apportion the gross premiums written and ceded over the life of the policy is made through the movement in the unearned premiums.

Unearned premiums at year end, represent the proportion of the premiums written which relate to periods of insurance subsequent to the consolidated statement of financial position date. This amount is calculated on a quarterly pro-rated basis using the eights method with some catastrophe based seasonality adjustments. This method is based on the general assumption that the premiums are spread uniformly over the quarter. For property business exposed to catastrophes, the apportionment is adjusted accordingly to better align the recognition of premium income with the exposure of the hurricane season.

Premiums ceded - Premiums ceded to reinsurers are recognized as an expense over the periods covered by the related policies taking into consideration the exposure period to which they relate.

Deferred reinsurance premiums in the consolidated statement of financial position at year end represent the proportion of the premiums ceded which relate to periods of insurance subsequent to the consolidated statement of financial position date. This amount is calculated on a quarterly pro-rated basis using the eights method, adjusting accordingly for seasonality to align with the exposure of the hurricane season.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (CONTINUED)

(Expressed in Bahamian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- k. ***Unpaid claims and unpaid claims recoverable from reinsurers*** - The provision for unpaid claims, and the reinsurers' share thereof, represents an estimate of the amount needed to provide for the ultimate expected cost of settling claims related to insured losses (both reported and unreported) that have occurred on or before each consolidated statement of financial position date.

The provision is periodically reviewed and evaluated in the light of emerging claims experience and changing circumstances. Changes in estimate of the ultimate liability are included in net claims incurred in the consolidated statement of profit or loss.

At the date of the consolidated statement of financial position, liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities, using current estimates of the related expected future cash flows. If a test indicates that the carrying value of insurance contract liabilities is inadequate, then the liabilities are adjusted to correct the deficiency. Management has engaged independent actuaries to assist in performing the liability adequacy test at year-end.

- l. ***Policy acquisition costs***

Deferred and unearned commissions - At year end, deferred and unearned commissions represent the proportion of the commission paid to agents and brokers and received from reinsurers which related to periods of insurance subsequent to the consolidated statement of financial position date. These amounts are calculated on a quarterly pro-rated basis taking into consideration the exposure period to which they relate using the eights method, adjusting accordingly for seasonality to align with the exposure of the hurricane season.

Commission income and expense - Base commissions paid to agents and received from insurers and reinsurers are calculated based on gross premiums written and reinsured. Base commissions paid and received are adjusted so that they are recognized over the period covered by the related policies taking into consideration the exposure period to which they relate.

Profit commissions received from reinsurers and non-group insurers, calculated based on past underwriting results, are received from other insurance companies for whom Group agents may act and from the Group's reinsurers. Profit commission income and expense are recognized when the Group's right to receive, or obligation to make, payment has been established.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (CONTINUED)

(Expressed in Bahamian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- m. ***Dividend and interest income*** - Dividends are recognized in profit or loss when the Group's right to receive the dividend income is established. Interest income is accounted for on an accrual basis. Both are recognized in other income, net in the consolidated statement of profit or loss.
- n. ***Investment premiums and discounts*** - Premiums and discounts arising on acquisition of fixed income securities are amortized over the period remaining to maturity and are recognized in other income, net in the consolidated statement of profit or loss.
- o. ***Cash and cash equivalents*** - Cash and cash equivalents consist of cash on hand and deposits with banks maturing within ninety days from the date of acquisition.
- p. ***Borrowings*** - Borrowings are recognized initially at fair value, net of transaction costs incurred. Subsequent to initial recognition, interest bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the consolidated statement of profit or loss over the period of borrowing using the effective rate method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan and are capitalized, and included in sundry receivables and prepayments in the consolidated statement of financial position. Capitalized fees are amortized over the period of the facility to which it relates, and are included in general and administrative expenses in the consolidated statement of profit or loss.

- q. ***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 recognized 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 recognized as a liability and deducted from equity when they are declared by the Group's Board of Directors.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (CONTINUED)

(Expressed in Bahamian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

r. *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 profit or loss

s. *Related parties* - Related parties include:

- (i) key management personnel, including 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).

t. *Pension benefits* - The Group's employees participate in a defined contribution plan. Under the plan, 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 salaries, benefits and bonuses in the consolidated statement of profit or loss.

u. *Share-based payments* - The Company has a share option plan for executives and, on occasion, a share subscription offer for employees. When the options are exercised the Company issues new shares and the proceeds received are credited to common shares and contributed surplus in the consolidated statement of changes in equity.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (CONTINUED)

(Expressed in Bahamian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- v. **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.
- w. **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 recognizes 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.

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 analyzing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (CONTINUED) (Expressed in Bahamian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

w. *Leases (continued)*

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 amortized 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.

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 profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents the 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 recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including leases of IT equipment. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (CONTINUED)

(Expressed in Bahamian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- x. **Taxation** - Subsidiaries of the Group operating in The Bahamas are subject to tax on taxable gross premium income at the flat rate of 3% (2020: 3%) for premium tax on all policies; and at 12% (2020: 12%), for value added tax ("VAT") on all policies except owner occupied dwellings.

Subsidiaries of the Group operating in the Cayman Islands charge policyholders a stamp duty of Cayman Islands ("CI") \$12 on each new or renewed insurance policy in accordance with the Stamp Duty Act (2019 Revision). Additionally, the subsidiaries also charge stamp duty of 2% of the premium relating to immovable property. For health policyholders, C\$10 for each insured person with no dependants and C\$20 for each insured person with dependants, is charged monthly to customers on behalf of the Health Insurance Commission.

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. Gross premiums written are presented inclusive of The Bahamas' premium tax and Cayman Islands' stamp duty and surcharges in the consolidated statement of profit or loss. The premium tax expense (inclusive of stamp duties and surcharges) is presented within the underwriting expenses section of the consolidated statement of profit or loss.

Refer to Note 19 for tax related reclassifications pertaining to prior year amounts.

There are no other taxes on corporate income or capital gains levied on the Group in any of the jurisdictions in which it operates.

- y. **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 general insurance only and Cayman's segment includes both general insurance and health and group life. General insurance comprises fire, motor, marine, engineering and general accident. The health and life insurance segment includes group life and medical insurance.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (CONTINUED)

(Expressed in Bahamian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- z. **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 recognized 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 recognized because it cannot be measured reliably.

Provisions are recognized 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 recognized 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, 2021 (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 continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a. *The ultimate liability arising from claims made under 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 provision for unpaid 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 unpaid 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 claims are normally reported within three months of the event and are usually settled within days of being reported.

Information for long-tail claims such as casualty claims for bodily injury, general third party liability, employers' liability, workmen's compensation and long term disability may not be readily available. The provision for the long-tail claims is continually 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, 2021 (CONTINUED)

(Expressed in Bahamian dollars)

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

a. *The ultimate liability arising from claims made under insurance contracts (continued)*

The ultimate cost of outstanding claims 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 ultimate liabilities on an undiscounted basis.

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 and the provision for unpaid claims. 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.

The carrying value at the consolidated statement of financial position date of gross unpaid claims reported and loss adjustment expenses and claims incurred but not reported ("IBNR") was \$52,066,216 (2020: \$57,774,921). The amount of reinsurance recoveries estimated at the consolidated statement of financial position date is \$35,191,446 (2020: \$38,795,245).

Refer to Note 10 for further information on the provision for unpaid claims.

b. *Pro-ration of Premiums and Commissions*

As described in Note 3(j), unearned premiums and deferred reinsurance premiums at year end represent the proportion of the premiums which relate to periods of insurance subsequent to the consolidated statement of financial position date. Similarly, as per Note 3(l), deferred and unearned commissions at year end represent the proportion of the commission paid to agents and brokers and received from reinsurers which relate to periods of insurance subsequent to the consolidated statement of financial position date. These premium and commission amounts are recognised on a quarterly pro-rated basis taking into consideration the exposure period to which they relate.

Commissions received from reinsurers are dependent on the underlying loss ratio of the various classes of business, on an underwriting year basis. Commissions are susceptible to adjustments in future years as the underwriting year result develops.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (CONTINUED)

(Expressed in Bahamian dollars)

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

c. *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 was \$8,268,710 (2020: \$9,125,678).

d. *Provision for bad debts*

As described in Note 3f, provision for bad debts is based on management's evaluation of the respective portfolios. This evaluation is based on the aged analysis of the trade accounts receivable. Trade accounts receivable, which is shown net of provision for bad debts, is comprised of (1) amounts receivable from insurance agents that have signed agency agreements with the Group insurers ("insurer trade receivables"); (2) clients of the Group's agency subsidiaries ("policyholders' receivables"); and (3) amounts receivable from reinsurers based on the benefits the Group is entitled to under its reinsurance contracts held ("reinsurers' receivables").

Provisions are recorded for policyholders' receivables as follows:

Over 6 months	10% provision
Over 9 months	20% provision
Over 1 year	100% provision

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering the trade accounts receivable in its entirety or a portion thereof. The carrying value at the consolidated statement of financial position date for trade accounts receivable, net was \$30,911,815 (2020: \$30,496,304).

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (CONTINUED)

(Expressed in Bahamian dollars)

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

e. *Depreciation*

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

f. *Fair value of financial assets and liabilities*

The fair values of listed equities are based on current bid prices reported on recognized exchanges. The fair value of debt securities is based on either current bid prices reported on recognized exchanges, secondary markets or pricing data provided by internationally recognized 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 realized 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 recognized 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.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (CONTINUED)

(Expressed in Bahamian dollars)

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

f. *Fair value of financial assets and liabilities (continued)*

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 revenues, net earnings, earnings before interest, taxes, depreciation and amortization ("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 fair value due to the short term nature of these instruments. Such instruments include trade accounts receivable, sundry receivables and prepayments, reinsurance balances payable and accrued expenses and other liabilities.

For long term financial instruments carried at cost with fixed interest rates, despite a change in market rates since the issuance of the financial assets there has been no observable change in fair values; accordingly, the carrying values approximate fair values. Other long term instruments carried at cost have rates that periodically reset to market rates minimizing 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.

g. *Land and building revaluation*

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 11.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (CONTINUED)

(Expressed in Bahamian dollars)

5. RISK MANAGEMENT

The Group is concerned about the risks inherent in its business activities (insurance risk) and the risks associated with the management of the financial assets and liabilities (financial risk) which support the operational activities. The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management structure. The Group has established the Technical Review and Risk Compliance Committee, and the Finance and Investment Committee to oversee the management of the risks assigned within its respective Board approved mandate. It is management's responsibility to adhere to the parameters established within the Board's risk management structure. This is executed through periodic evaluation of risk registers, development of appropriate policies and procedures, periodic measurement of Key Performance Indicators, and the necessary controls to ensure reliable reporting and material compliance with regulatory guidelines. The Group's Internal Audit function reviews the risk management policies and processes and reports directly to the Audit Committee. 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.

The Group has exposures to risks that may develop in each class of business within each operating segment and could have a material impact upon the Group's financial position.

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.

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 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.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (CONTINUED)

(Expressed in Bahamian dollars)

5. RISK MANAGEMENT (CONTINUED)

Insurance risk (continued)

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 property and casualty 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.

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 this risk through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. Underwriting limits are in place to enforce appropriate risk selection criteria. The Group actively manages and pursues early settlement of all claims to reduce its exposure to unpredictable developments. It has a dedicated in-house claims department and uses third party loss adjusters as necessary. The Group will, where necessary, appoint lawyers to act on the Group's behalf in respect of serious bodily injury claims thus ensuring settlements and avoiding claims development.

The Group follows the policy of underwriting and reinsuring contracts of insurance, which generally limit the liability for any one risk. In addition, catastrophe reinsurance is obtained to limit liability 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.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (CONTINUED)

(Expressed in Bahamian dollars)

5. RISK MANAGEMENT (CONTINUED)

Insurance risk (continued)

Property and casualty insurance risks (continued)

In the event that the Group's reinsurers were 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, but 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 as they become due, and is not aware of any disputes with reinsurers, overdue amounts or any specific credit issues.

Health and group life insurance risks

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

The reinsurance program used by the Group is reviewed and approved by the Technical Review and Risk Compliance Committee on an annual basis.

Financial risk

The Group is exposed to financial risk through its financial assets and liabilities. The components of financial risk that 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.

Financial risk is a significant risk for the Group's operations. The risk 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.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (CONTINUED)

(Expressed in Bahamian dollars)

5. RISK MANAGEMENT (CONTINUED)

Financial risk (continued)

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

	2021	2020
Financial assets:		
Cash	\$ 21,276,044	\$ 39,808,907
Investments:		
Fair value through profit or loss	9,631,456	11,372,983
Available-for-sale	23,462,783	19,978,347
Loans and receivables:		
Debt securities	4,985,364	6,063,718
Trade accounts receivable, net	30,911,815	30,496,304
Sundry receivables*	<u>2,099,758</u>	<u>5,780,271</u>
Total financial assets	<u>92,367,220</u>	<u>113,500,530</u>
Non - financial assets	<u>116,833,795</u>	<u>113,146,032</u>
Total assets	<u>\$ 209,201,015</u>	<u>\$ 226,646,562</u>
Financial liabilities:		
Payables at amortized cost:		
Reinsurance balances payable, accrued expenses and other liabilities	\$ 13,487,100	\$ 36,301,335
Bonds payable at amortised cost		
- Fair Value: \$7,618,151 (2020: \$7,616,866)	<u>7,618,151</u>	<u>7,616,866</u>
Total financial liabilities	<u>21,105,251</u>	<u>43,918,201</u>
Non - financial liabilities	<u>122,448,573</u>	<u>118,207,588</u>
Total liabilities	<u>\$ 143,553,824</u>	<u>\$ 162,125,789</u>

*excludes prepaid expenses of \$847,969 (2020: \$409,014)

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (CONTINUED)

(Expressed in Bahamian dollars)

5. RISK MANAGEMENT (CONTINUED)

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 the cash and cash equivalents, investments, unpaid claims recoverable from reinsurers, trade accounts receivable and sundry receivables.

The Group's investment policy permits the Group to invest in fixed income securities, equity securities, private placements of financial institutions and term deposits, and to 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.

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

The Group is exposed to credit risk with respect to the amounts recoverable from its reinsurers. The Group's liability as primary insurer is not discharged if a reinsurer defaults on the obligation to pay. The Technical Review and Risk Compliance Committee ensures that management assesses the creditworthiness of all reinsurers by reviewing credit ratings as determined by independent rating agencies and other publicly available financial information. The Group has approved limits for the maximum participation of any one reinsurer in its reinsurance program. Reinsurance coverage is placed with a number of major international third party reinsurers, including 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 minimize the Group's exposure to significant losses from reinsurer insolvency.

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

	2021	2020
Available-for-sale securities:		
Fixed income debt securities	\$ 21,404,080	\$ 15,792,310
Mutual funds	508,703	2,386,037
Preference shares	1,550,000	1,800,000
Loans and receivables:		
Debt securities	4,985,364	6,063,718
Trade accounts receivable	32,276,279	31,646,880
Sundry receivables	2,099,758	5,780,271
Reinsurers' share of provision for unpaid claims	35,191,446	38,795,245
Cash	<u>21,276,044</u>	<u>39,808,907</u>
Total	<u>\$ 119,291,674</u>	<u>\$ 142,073,368</u>

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (CONTINUED)

(Expressed in Bahamian dollars)

5. RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Debt securities are analysed in the table below using Standard & Poor's ("S&P") ratings.

	2021	2020
AA	\$ 1,061,985	\$ 540,655
A	10,194,907	6,350,775
BBB	10,829,538	9,578,610
Below BBB or Not rated	<u>4,303,014</u>	<u>5,385,988</u>
Total debt securities	<u>\$ 26,389,444</u>	<u>\$ 21,856,028</u>

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

At December 31, 2021	Neither past due nor impaired	Past due but not impaired	Impaired	Total
Available-for-sale securities	\$ 23,462,783	\$ -	\$ -	\$ 23,462,783
Loans and receivables:				
Debt securities	4,985,364	-	-	4,985,364
Trade accounts receivable	23,895,618	7,016,197	1,364,464	32,276,279
Sundry receivables	2,099,758	-	-	2,099,758
Reinsurers' share of provision for unpaid claims	35,191,446	-	-	35,191,446
Cash	<u>21,276,044</u>	<u>-</u>	<u>-</u>	<u>21,276,044</u>
Total assets exposed to credit risk	<u>\$ 110,911,013</u>	<u>\$ 7,016,197</u>	<u>\$ 1,364,464</u>	<u>\$ 119,291,674</u>

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (CONTINUED)

(Expressed in Bahamian dollars)

5. RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

At December 31, 2020	Neither past due nor impaired	Past due but not impaired	Impaired	Total
Available-for-sale securities	\$ 19,978,347	\$ -	\$ -	\$ 19,978,347
Loans and receivables:				
Debt securities	6,063,718	-	-	6,063,718
Trade accounts receivable	21,385,717	9,110,587	1,150,576	31,646,880
Sundry receivables	5,780,271	-	-	5,780,271
Reinsurers' share of provision for unpaid claims	38,795,245	-	-	38,795,245
Cash	39,808,907	-	-	39,808,907
Total assets exposed to credit risk	<u>\$ 131,812,205</u>	<u>\$ 9,110,587</u>	<u>\$ 1,150,576</u>	<u>\$ 142,073,368</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 concentration of the Group's gross premiums written are as follows:

	2021	2020
Group agents and insurers	\$ 114,744,874	\$ 104,012,402
Non-Group agents	63,491,599	51,292,336
Associate	-	5,263,279
Total	<u>\$ 178,236,473</u>	<u>\$ 160,568,017</u>

The concentration of credit risk is regularly monitored and evaluated. Specifically for non-group agents, the Group evaluates payment history as well as its financial position on a periodic basis. As outlined in Note 19, the 2020 figure reported for gross premiums written via Group agents and insurers was increased by \$1,470,766.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (CONTINUED)

(Expressed in Bahamian dollars)

5. RISK MANAGEMENT (CONTINUED)

Concentration of exposure (continued)

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

	2021	%	2020	%
Bahamas	\$ 18,645,523	49%	\$ 23,592,738	63%
USA	12,164,950	32%	5,790,295	15%
Europe	2,098,885	6%	2,180,060	6%
United Kingdom	2,025,755	5%	2,114,770	6%
Asia	1,547,591	5%	2,096,480	6%
Caribbean	557,165	1%	579,040	2%
Australia	532,984	1%	550,295	1%
South Africa	506,750	1%	511,370	1%
Total	<u>\$ 38,079,603</u>	<u>100%</u>	<u>\$ 37,415,048</u>	<u>100%</u>

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument or future cashflows will fluctuate due to changes in market interest rates. This is primarily a concern with fixed and fluctuating interest rate financial instruments, which the Group intends to hold for the long-term.

The Group's investment in debt securities, mutual funds, cash and cash equivalents, and its bonds payables are all subject to interest rate risk. Fluctuations in interest rates impact the level of gains and losses on the Group's interest bearing financial instruments.

The coupon rates associated with the fixed income debt securities held by the Group range from 1.05% to 8.00 % (2020: 2.95% to 8.00%) per annum. The underlying debt securities of the money market fund may be affected by changes in interest rates. Interest on the bonds payable is at B\$ prime rate plus 2.00% [effective rate 6.25% (2020: 6.25%)] per annum.

The average interest yields of investments held during the year are as follows:

Debt securities	3.44% (2020: 4.50%)
Cash and cash equivalents	0.01% (2020: 0.01%)

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (CONTINUED)

(Expressed in Bahamian dollars)

5. RISK MANAGEMENT (CONTINUED)

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 Group is not directly exposed to foreign currency risk, as investments are denominated in Bahamian dollars and US dollars. The Bahamian dollar is fixed to the US dollar at the following rate: B\$1 = US\$ and the Cayman Island 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. All other assets and liabilities of the Group are denominated in Bahamian dollars, Cayman Island dollars or US dollars.

Price risk

The Group is subject to price risk on its investments due to fluctuations in fair value as a result 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.

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, 2021 (CONTINUED)

(Expressed in Bahamian dollars)

5. RISK MANAGEMENT (CONTINUED)

Price risk (continued)

The Group is sensitive to price risk on its fair value through profit or loss and available-for-sale securities. These securities are managed according to the benchmarks as specified in the Group's statement of investment policy and guidelines. The effect of a 10% increase (2020: 10%) and a 10% decrease (2020: 10%) in prices at the date of the consolidated statement of financial position are set out below:

	Carrying value	Effect on profit and equity +10%	Effect on profit and equity -10%
At December 31, 2021			
Listed equity securities	\$ 9,625,899	\$ 962,590	\$ (962,590)
Unlisted debt securities	26,389,444	2,638,944	(2,638,944)
Listed preference shares	1,550,000	155,000	(155,000)
Listed mutual funds	508,703	50,870	(50,870)
Unlisted equity securities	5,557	556	(556)
Total	<u>\$ 38,079,603</u>	<u>\$ 3,807,960</u>	<u>\$ (3,807,960)</u>
At December 31, 2020			
Listed equity securities	\$ 11,367,426	\$ 1,136,743	\$ (1,136,743)
Unlisted debt securities	21,856,028	2,185,603	(2,185,603)
Listed preference shares	1,800,000	180,000	(180,000)
Listed mutual funds	2,386,037	238,604	(238,604)
Unlisted equity securities	5,557	556	(556)
Total	<u>\$ 37,415,048</u>	<u>\$ 3,741,506</u>	<u>\$ (3,741,506)</u>

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (CONTINUED)

(Expressed in Bahamian dollars)

5. RISK MANAGEMENT (CONTINUED)

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. Most of the Group's investments are either in a market that is not highly active or do not have a market and therefore may not be readily realizable. As a result, the Group may not be able to quickly liquidate its 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 was \$4,216,657 (2020: \$3,330,812). Except for the investment assets due in over one year, the unpaid claims recoverable from reinsurers projections 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 liabilities as at December 31, 2021 and 2020:

2021 Liabilities	Cash flows			
	Total	< 1 year	1 - 5 years	> 5 years
Accrued expenses and other liabilities	\$ 4,432,522	\$ 4,432,522	\$ -	\$ -
Reinsurance balances payable	9,054,578	9,054,578	-	-
Unpaid claims	52,066,216	30,782,909	16,087,094	5,196,213
Less: unpaid claims recoverable from reinsurers	(35,191,448)	(19,863,892)	(11,559,410)	(3,768,146)
Bonds payable	7,618,151	118,151	7,500,000	-
Total undiscounted cash flows	<u>\$ 37,980,019</u>	<u>\$ 24,524,268</u>	<u>\$ 12,027,684</u>	<u>\$ 1,428,067</u>

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (CONTINUED)

(Expressed in Bahamian dollars)

5. RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

2020 Liabilities	Cash flows			
	Total	< 1 year	1 - 5 years	> 5 years
Accrued expenses and other liabilities	\$ 3,332,487	\$ 3,332,487	\$ -	\$ -
Reinsurance balances payable	32,968,848	32,968,848	-	-
Unpaid claims	57,774,921	31,842,626	21,472,092	4,460,203
Less: unpaid claims recoverable from reinsurers	(38,795,245)	(20,638,186)	(15,040,301)	(3,116,758)
Bonds payable	<u>7,616,866</u>	<u>116,866</u>	<u>7,500,000</u>	<u>-</u>
Total undiscounted cash flows	<u>\$ 62,897,877</u>	<u>\$ 47,622,641</u>	<u>\$ 13,931,791</u>	<u>\$ 1,343,445</u>

In addition to the analysis above, we have disclosed the cash flows for lease liabilities in Note 12. All other liabilities are current liabilities.

Sensitivity analysis

The Group predominantly funds its net insurance liabilities through its cash generated in the normal course of its operations. In the event of a catastrophe, the net insurance liabilities may be required to be funded through the Group's portfolio of investments. Several of the Group's investments are subject to the impact of interest rate fluctuations.

Insurance liabilities are calculated using historical claims data to determine an estimate of the amount needed to provide for the ultimate expected cost of settling claims related to insured losses (both reported and unreported) that have occurred at the date of the consolidated statement of financial position. Projections are based on assumptions implicit in the historic claims development. As such, the sensitivity of the insurance liabilities is based on the financial impact of changes to the reported loss ratio. The provision for long tail claims is determined by using the incurred loss method and loss ratio method. The loss development factors used are based on the Group's experience.

The sensitivity analysis overleaf is based on a change in one assumption while holding all other assumptions constant. The analyses assume that there is no correlation between the assumptions.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (CONTINUED)

(Expressed in Bahamian dollars)

5. RISK MANAGEMENT (CONTINUED)

Sensitivity analysis (continued)

Sensitivity factor			Description of sensitivity factor applied			
Interest rates			The impact of a change in market interest rates by 1%			
Underwriting expenses excluding claims			The impact of a change in underwriting expenses by 5%			
Loss ratio			The impact of a change in loss ratio by 5%			
December 31, 2021 in \$	Interest rates		Underwriting expenses excluding claims		Loss ratio*	
	+1%	-1%	+5%	-5%	+5%	-5%
Impact on profit	488,402	(488,402)	(1,527,846)	1,527,846	(2,991,064)	2,991,064
Impact on equity	488,402	(488,402)	(1,527,846)	1,527,846	(2,991,064)	2,991,064
December 31, 2020 in \$	Interest rates		Underwriting expenses excluding claims		Loss ratio*	
	+1%	-1%	+5%	-5%	+5%	-5%
Impact on profit	583,565	(583,565)	(1,439,109)	1,439,109	(2,727,930)	2,727,930
Impact on equity	583,565	(583,565)	(1,439,109)	1,439,109	(2,727,930)	2,727,930

*Loss ratio calculation has been adjusted to deduct cost of excess of loss reinsurance from net earned premiums. This amendment has been applied to the prior year calculation.

Capital management

The Group's objectives when managing Capital are:

- To safeguard the Group's ability to continue as a going concern through prudent and sustainable growth, so that it can continue to maximize returns for shareholders;
- To ensure that it maintains a strong credit rating (minimum AM Best rating of A-Excellent) and healthy capital ratios in order to support its business objectives; and
- To comply with the regulatory capital requirements 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 range from \$50,000 to \$6,600,000. 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, 2021 (CONTINUED)

(Expressed in Bahamian dollars)

6. INVESTMENTS

	2021	2020
Loans and receivables:		
Debt securities:		
Bahamas Government Registered Stocks -		
at cost		
Unrestricted - Fair value: \$2,179,100 (2020: \$2,179,100)	\$ 2,179,100	\$ 2,179,100
Restricted - Fair value: \$1,000,000 (2020: \$1,000,000)	1,000,000	1,000,000
Other fixed income debt securities,		
at cost - Fair value : \$1,806,264 (2020: \$2,884,618)	1,806,264	2,884,618
Total loans and receivables	<u>4,985,364</u>	<u>6,063,718</u>
Fair value through profit or loss:		
Bahamas International Securities Exchange Limited (BISX)		
12 (2020: 12) common shares - at cost \$130,556		
(2020: \$130,556)	5,557	5,557
Commonwealth Bank Limited		
3,166,414 (2020: 3,166,414) common shares -		
Cost \$1,306,277 (2020: \$1,306,277)	9,625,899	11,367,426
Total at fair value through profit or loss	<u>9,631,456</u>	<u>11,372,983</u>
Available-for-sale:		
Fixed income debt securities, at fair value;		
amortised cost \$21,203,281 (2020: \$15,091,363)	21,404,080	15,792,310
Mutual funds, at fair value;		
cost \$397,073 (2020: \$1,918,939)	508,703	2,386,037
Preference shares, at fair value;		
cost \$1,550,000 (2020: \$1,800,000)	1,550,000	1,800,000
Total available-for-sale	<u>23,462,783</u>	<u>19,978,347</u>
Total investments	<u>\$ 38,079,603</u>	<u>\$ 37,415,048</u>

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (CONTINUED)

(Expressed in Bahamian dollars)

6. INVESTMENTS (CONTINUED)

Loans and receivables investments are recorded at amortized cost based on the effective interest rate method. The variable interest rate instruments are tied to BS prime, with interest rates ranging from 4.41% to 4.50% (2020: 4.41% to 4.50%) per annum and scheduled maturities between 2022 and 2030 (2020: 2022 and 2030) at the date of the consolidated statement of financial position.

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, 2021, the investment in Commonwealth Bank Limited (the “Bank”) was valued at \$3.04 (2020: \$3.59) per share, which was the quoted price by the Bahamas International Securities Exchange (“BISX”). As a result, the Group recorded an unrealized loss of \$1,741,527 (2020: loss of \$2,881,437) for the year then ended.

The amortized cost and fair value of available-for-sale fixed income debt securities held at December 31, 2021, by contractual maturities, are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to repay obligations early without repayment penalties. Interest rates range from 1.05% to 6.50% (2020: 2.95% to 6.50%) per annum at the date of the consolidated statement of financial position.

	2021		2020	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Available-for-sale:				
Due in less than 1 year	\$ 3,004,161	\$ 3,031,135	\$ 3,011,495	\$ 3,052,790
Due from 1 through 5 years	16,058,056	16,253,665	12,059,868	12,719,520
Due after 5 years	2,141,065	2,119,280	20,000	20,000
Total available-for-sale:	<u>\$ 21,203,282</u>	<u>\$ 21,404,080</u>	<u>\$ 15,091,363</u>	<u>\$ 15,792,310</u>

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (CONTINUED)

(Expressed in Bahamian dollars)

6. INVESTMENTS (CONTINUED)

The Group's fixed income debt securities are comprised of the following:

	2021	2020
Corporate debt securities	\$ 21,366,915	\$ 16,626,103
Government debt securities	<u>1,843,430</u>	<u>2,050,825</u>
Total	<u>\$ 23,210,344</u>	<u>\$ 18,676,928</u>

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

	Loans & Receivables	Fair value through profit or loss	Available- for-sale	Total
At December 31, 2019	\$ 5,970,763	\$ 14,254,420	\$ 22,608,952	\$ 42,834,135
Cost of investments purchased	500,000	-	98,000	598,000
Sales and maturities	(407,045)	-	(3,056,858)	(3,463,903)
Amortization of discounts on bonds (Note 20)	-	-	(73,778)	(73,778)
Realized gains on sales of investments (Note 20)	-	-	49,270	49,270
Unrealised (loss)/gain on investments	-	(2,881,437)	352,761	(2,528,676)
At December 31, 2020	6,063,718	11,372,983	19,978,347	37,415,048
Cost of investments purchased	-	-	9,789,513	9,789,513
Sales and maturities	(1,078,354)	-	(5,829,289)	(6,907,643)
Amortization of discounts on bonds (Note 20)	-	-	(90,689)	(90,689)
Realized gains on sales of investments (Note 20)	-	-	470,519	470,519
Unrealised loss on investments	-	(1,741,527)	(855,618)	(2,597,145)
At December 31, 2021	<u>\$ 4,985,364</u>	<u>\$ 9,631,456</u>	<u>\$ 23,462,783</u>	<u>\$ 38,079,603</u>

Management believes that there is no objective evidence of impairment of its investment portfolio as there has not been a significant or prolonged decline in the fair value of any of its securities.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (CONTINUED)

(Expressed in Bahamian dollars)

6. INVESTMENTS (CONTINUED)

Fair value measurement

In accordance with IFRS 13 Fair Value Measurement, 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 recognized 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 the disclosures on 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 recognized 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, are used to determine fair value for the remaining financial instruments.

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

The Loans and receivables investments are measured at amortized and the fair value of these instruments were 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, 2021 (CONTINUED)

(Expressed in Bahamian dollars)

6. INVESTMENTS (CONTINUED)

Fair value measurement (Continued)

The following table presents the Group's financial assets measured at fair value at December 31, 2021, by the level in the fair value hierarchy into which the fair value measurement is categorized:

	Level 1	Level 2	Level 3	Total
Financial assets designated at fair value through profit or loss:				
Equity securities	\$ 9,631,456	\$ -	\$ -	\$ 9,631,456
Total	9,631,456	-	-	9,631,456
Available-for-sale financial assets:				
Fixed income debt securities	1,970,000	19,414,080	20,000	21,404,080
Mutual funds	-	508,703	-	508,703
Preference shares	1,550,000	-	-	1,550,000
Total	3,520,000	19,922,783	20,000	23,462,783
Total financial assets measured at fair value	\$ 13,151,456	\$ 19,922,783	\$ 20,000	\$ 33,094,239

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

The following table presents the Group's financial assets measured at fair value at December 31, 2020, by the level in the fair value hierarchy into which the fair value measurement is categorized:

	Level 1	Level 2	Level 3	Total
Financial assets designated at fair value through profit or loss:				
Equity securities	\$ 11,372,983	\$ -	\$ -	\$ 11,372,983
Total	11,372,983	-	-	11,372,983
Available-for-sale financial assets:				
Fixed income debt securities	1,970,000	13,802,310	20,000	15,792,310
Mutual funds	-	2,386,037	-	2,386,037
Preference shares	1,550,000	250,000	-	1,800,000
Total	3,520,000	16,438,347	20,000	19,978,347
Total financial assets measured at fair value	\$ 14,892,983	\$ 16,438,347	\$ 20,000	\$ 31,351,330

There were no transfers between the various levels during 2020.

There were no changes in the carrying value of Level 3 instruments during 2021 and 2020.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (CONTINUED)

(Expressed in Bahamian dollars)

6. INVESTMENTS (CONTINUED)

Fair value measurement (Continued)

As set out in Note 2b, the Group has chosen to defer application of IFRS 9 due to its activities being predominantly connected with insurance. To facilitate comparison with entities applying IFRS 9 in full, the table below segments the fair value of the Group's investments as at the reporting date between those that are considered to have contractual terms which are solely payments of principal and interest on the principal amount outstanding ("SPPI") and those that do not give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding ("non-SPPI"). The following table presents the fair value as at the reporting date and the amount of change in the fair value during the year then ended:

2021

	Total carrying value	SPPI financial assets		Non-SPPI financial assets	
		Fair value	Change in Fair value	Fair value	Change in Fair Value
Loans and receivables	\$ 4,985,364	\$ 4,985,364	\$ -	\$ -	\$ -
Available-for-sale	23,462,783	21,404,080	(963,379)	2,058,703	107,761
Fair value through profit or loss	9,631,456	-	-	9,631,456	(1,741,527)
	<u>\$ 38,079,603</u>	<u>\$ 26,389,444</u>	<u>\$ (963,379)</u>	<u>\$ 11,690,159</u>	<u>\$ (1,633,766)</u>

2020

	Total carrying value	SPPI financial assets		Non-SPPI financial assets	
		Fair value	Change in Fair value	Fair value	Change in Fair Value
Loans and receivables	\$ 6,063,718	\$ 6,063,718	\$ -	\$ -	\$ -
Available-for-sale	19,978,347	15,792,310	245,000	4,186,037	107,761
Fair value through profit or loss	11,372,983	-	-	11,372,983	(2,881,437)
	<u>\$ 37,415,048</u>	<u>\$ 21,856,028</u>	<u>\$ 245,000</u>	<u>\$ 15,559,020</u>	<u>\$ (2,773,676)</u>

Credit ratings of the SPPI financial assets are disclosed within Note 5.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (CONTINUED)

(Expressed in Bahamian dollars)

7. INVESTMENT IN ASSOCIATE

Effective September 7, 2020, BFH sold its 20% equity interest in Star General Insurance Agents & Brokers (Grand Bahama) Limited ("Star General") through a Share Purchase Agreement with Star General for consideration of \$650,000. During 2020, \$325,000 of the consideration was received, with the remaining \$325,000 received during 2021. The balance of \$325,000 at December 31, 2020 was presented within the caption sundry receivables and prepayments in the consolidated statement of financial position.

During 2020, BFH recognized a loss on sale of investment of \$218,160.

	2021	2020
Balance at January 1	\$ -	\$ 727,980
Share of net earnings for the year (Note 20)	-	140,180
Sale of investment in associate	-	(650,000)
Loss on sale of investment in associate (Note 20)	-	(218,160)
Balance at December 31	<u>\$ -</u>	<u>\$ -</u>

Share of associate's unaudited statement of comprehensive income:

Revenues	<u>\$ -</u>	<u>\$ 503,647</u>
Net income	<u>\$ -</u>	<u>\$ 140,180</u>

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (CONTINUED)

(Expressed in Bahamian dollars)

8. TRADE ACCOUNTS RECEIVABLE, NET

Trade accounts receivable, which is shown net of provision for bad debts, is comprised of:

- amounts receivable from insurance agents that have signed agency agreements with the Group insurers (“insurer trade receivables”),
- clients of the Group’s agency subsidiaries (“policyholders’ receivables”), and
- amounts receivable from reinsurers based on the benefits the Group is entitled to under its reinsurance contracts held (“reinsurers’ receivables”).

	2021	2020
Insurer trade receivables	\$ 17,819,483	\$ 16,593,514
Policyholders’ receivables	13,783,126	13,468,198
Reinsurers’ receivables	<u>673,670</u>	<u>1,585,168</u>
	<u>32,276,279</u>	<u>31,646,880</u>
Provision for bad debts:		
Balance at January 1	1,150,576	949,411
Increase in provision for the year	394,588	325,066
Bad debt written off during the year	<u>(180,700)</u>	<u>(123,901)</u>
Balance at December 31	<u>1,364,464</u>	<u>1,150,576</u>
Trade accounts receivable, net	<u>\$ 30,911,815</u>	<u>\$ 30,496,304</u>

Ageing of trade accounts receivable, net is as follows:

	2021	2020
Less than 3 months	\$ 22,380,269	\$ 21,385,717
3-6 months	4,648,798	4,907,232
6-9 months	2,830,012	3,410,289
9 months - 1 year	<u>1,052,736</u>	<u>793,066</u>
	<u>\$ 30,911,815</u>	<u>\$ 30,496,304</u>

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (CONTINUED)

(Expressed in Bahamian dollars)

9. DEFERRED/UNEARNED PREMIUMS AND COMMISSIONS

	<u>Insurance Assets</u>		<u>Insurance Liabilities</u>	
	<u>Deferred</u>	<u>Deferred</u>		<u>Unearned</u>
	<u>Reinsurance</u>	<u>Commission</u>	<u>Unearned</u>	<u>Commission</u>
	<u>Premiums</u>	<u>Costs</u>	<u>Premiums</u>	<u>Income</u>
Balance at December 31, 2019	\$ 36,186,510	\$ 5,061,150	\$ (51,304,050)	\$ (9,300,933)
Movement during the year	<u>639,302</u>	<u>(596,712)</u>	<u>1,030,864</u>	<u>(19,690)</u>
Balance at December 31, 2020	36,825,812	4,464,438	(50,273,186)	(9,320,623)
Movement during the year	<u>6,502,287</u>	<u>1,453,111</u>	<u>(8,439,578)</u>	<u>(1,527,840)</u>
Balance at December 31, 2021	<u>\$ 43,328,099</u>	<u>\$ 5,917,549</u>	<u>\$ (58,712,764)</u>	<u>\$ (10,848,463)</u>

10. UNPAID CLAIMS AND CLAIMS INCURRED

	<u>Gross</u>	<u>Reinsurance</u>	<u>Net</u>
Unpaid claims at December 31, 2019	\$ 244,237,144	\$ (223,262,062)	\$ 20,975,082
Claims incurred, arising from current year claims	45,071,663	(14,933,323)	30,138,340
Claims incurred, arising from prior year claims	(18,114,511)	16,671,080	(1,443,431)
Claims paid, current year	(32,064,809)	7,809,006	(24,255,803)
Claims paid, prior years	<u>(181,354,566)</u>	<u>174,920,054</u>	<u>(6,434,512)</u>
Unpaid claims at December 31, 2020	57,774,921	(38,795,245)	18,979,676
Claims incurred, arising from current year claims	53,414,475	(13,286,267)	40,128,208
Claims incurred, arising from prior year claims	(4,362,654)	(1,193,592)	(5,556,246)
Claims paid, current year	(36,933,759)	5,590,364	(31,343,395)
Claims paid, prior years	<u>(17,826,767)</u>	<u>12,493,294</u>	<u>(5,333,473)</u>
Unpaid claims at December 31, 2021	<u>\$ 52,066,216</u>	<u>\$ (35,191,446)</u>	<u>\$ 16,874,770</u>

Net claims incurred for the year ended December 31, 2021 was \$34,571,962 (2020: \$28,694,909). Net claims paid during the year ended December 31, 2021 was \$36,676,868 (2020: \$30,690,315).

The tables on the following page shows the development of claims over a period of time on a gross basis, and also shows the cumulative incurred claims, including both notified and IBNR claims for each successive accident year.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (CONTINUED)

(Expressed in Bahamian dollars)

10. UNPAID CLAIMS AND CLAIMS INCURRED (CONTINUED)

	2014	2015	2016	2017	P&C	2018	2019	2020	2021	Total
Gross ultimate claims incurred at end of reporting year	\$ 23,695,599	\$ 30,382,165	\$ 113,514,913	\$ 22,918,792	\$	32,646,833	\$ 387,033,519	\$ 21,010,694	\$ 23,731,589	
One year later	23,168,363	29,418,761	107,507,658	28,187,490		35,949,789	371,918,953	20,046,171		
Two years later	23,851,734	27,598,709	107,348,016	31,078,344		32,797,630	372,405,504	-		
Three years later	22,275,874	28,352,746	107,137,970	30,769,721		32,684,317	-	-		
Four years later	22,784,680	28,011,825	106,803,189	30,677,962		-	-	-		
Five years later	23,512,205	28,269,702	105,722,259	-		-	-	-		
Six years later	23,678,982	28,299,837	-	-		-	-	-		
Seven years later	23,620,098									
Total incurred to date	23,620,098	28,299,837	105,722,259	30,677,962		32,684,317	372,405,504	20,046,171	23,731,589	637,187,737
Cumulative payments to date	(21,723,838)	(26,294,428)	(102,934,088)	(26,256,961)		(26,651,919)	(363,970,817)	(15,948,153)	(10,850,873)	(594,631,077)
Liability included in the consolidated statement of financial position	\$ 1,896,260	\$ 2,005,409	\$ 2,788,171	\$ 4,421,001	\$	6,032,398	\$ 8,434,687	\$ 4,098,018	\$ 12,880,716	42,556,660
Reserves for prior years										5,613,956
Total unpaid claims for P&C business including amount recoverable from reinsurer										\$ 48,170,616
	2014	2015	2016	2017	H&L	2018	2019	2020	2021	Total
Gross ultimate claims incurred at end of reporting year	\$ 16,369,190	\$ 17,853,743	\$ 18,638,992	\$ 19,645,726	\$	19,747,056	\$ 21,097,945	\$ 24,060,971	\$ 29,682,886	
One year later	15,957,295	18,164,801	17,974,956	18,529,456		19,388,453	20,888,892	23,595,558	-	
Total incurred to date	15,957,295	18,164,801	17,974,956	18,529,456		19,388,453	20,888,892	23,595,558	29,682,886	164,182,297
Cumulative payments to date	(15,957,295)	(18,164,801)	(17,974,956)	(18,529,456)		(19,388,453)	(20,888,892)	(23,595,558)	(26,082,886)	(160,582,297)
Liability included in the consolidated statement of financial position	\$ -	\$ -	\$ -	\$ -	\$	-	\$ -	\$ -	\$ 3,600,000	3,600,000
Reserves for prior years										295,600
Total unpaid claims for H&L business including amount recoverable from reinsurer										\$ 3,895,600
Total unpaid claims including amount recoverable from reinsurer in the consolidated statement of financial position										\$ 52,066,216
Comprises:										
Specific claim reserves										\$ 33,957,216
Claims incurred but not reported										18,109,000
										\$ 52,066,216

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (CONTINUED)

(Expressed in Bahamian dollars)

11. PROPERTY AND EQUIPMENT

	Land & Buildings	Furniture & Equipment	Leasehold Improvements and Others	Motor Vehicles	Total
2021					
COST/VALUATION:					
At January 1, 2021	\$ 24,079,603	\$ 3,194,230	\$ 1,527,114	\$ 254,639	\$ 29,055,586
Additions	53,512	293,651	426,260	62,491	835,914
Disposals/Transfers	-	-	-	(83,429)	(83,429)
At December 31, 2021	<u>24,133,115</u>	<u>3,487,881</u>	<u>1,953,374</u>	<u>233,701</u>	<u>29,808,071</u>
ACCUMULATED DEPRECIATION:					
At January 1, 2021	2,868,095	2,402,200	825,309	211,301	6,306,905
Charge for the year	486,577	444,824	106,332	15,426	1,053,159
Disposals	-	-	-	(83,429)	(83,429)
At December 31, 2021	<u>3,354,672</u>	<u>2,847,024</u>	<u>931,641</u>	<u>143,298</u>	<u>7,276,635</u>
Carrying amount 2021	<u>\$ 20,778,443</u>	<u>\$ 640,857</u>	<u>\$ 1,021,733</u>	<u>\$ 90,403</u>	<u>\$ 22,531,436</u>
2020					
COST/VALUATION:					
At January 1, 2020	\$ 23,817,387	\$ 2,783,287	\$ 1,485,887	\$ 282,265	\$ 28,368,826
Additions	262,216	410,943	41,227	10,589	724,975
Disposals/Transfers	-	-	-	(38,215)	(38,215)
At December 31, 2020	<u>24,079,603</u>	<u>3,194,230</u>	<u>1,527,114</u>	<u>254,639</u>	<u>29,055,586</u>
ACCUMULATED DEPRECIATION:					
At January 1, 2020	2,380,658	1,994,993	738,558	234,975	5,349,184
Charge for the year	487,437	407,207	86,751	14,541	995,936
Disposals	-	-	-	(38,215)	(38,215)
At December 31, 2020	<u>2,868,095</u>	<u>2,402,200</u>	<u>825,309</u>	<u>211,301</u>	<u>6,306,905</u>
Carrying amount 2020	<u>\$ 21,211,508</u>	<u>\$ 792,030</u>	<u>\$ 701,805</u>	<u>\$ 43,338</u>	<u>\$ 22,748,681</u>

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (CONTINUED)

(Expressed in Bahamian dollars)

11. PROPERTY AND EQUIPMENT (CONTINUED)

In 2019, 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 are derived from capitalized 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 has been no change in the valuation technique or market inputs and assumptions during the year. The fair value measurement of the Group's land and building 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 illustrates the impact of changes in estimates and assumptions in the determination of fair values of land and buildings.

<u>Estimate/Assumption</u>	<u>Change</u>	<u>Impact on fair value</u>
Rental Revenue (\$27-\$59/sq. ft)	5.00%/-5.00%	\$1,045,943/(\$1,045,957)
Vacancy rates (5%)	5.00%/-5.00%	(\$1,101,007)/\$1,100,993
Discount rate (8.25%-9%)	1.00%/-1.00%	(\$2,159,092)/\$2,727,713

The net book value of the land and buildings, excluding effects of revaluations, would have been \$4,263,243 (2020: \$4,673,487) and \$14,570,211 (2020: \$14,580,067) respectively.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (CONTINUED)

(Expressed in Bahamian dollars)

12. 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. For some leases, payments are renegotiated every three to five years to reflect market rentals. 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, 2020	\$ 1,013,560	\$ 57,647	\$ 1,071,207
Depreciation charge for the year	(137,827)	(19,216)	(157,043)
Additions	245,941	-	245,941
Disposals	(382,941)	-	(382,941)
Balance at December 31, 2020	738,733	38,431	777,164
Depreciation charge for the year	(243,332)	(28,049)	(271,381)
Additions	242,803	-	242,803
Balance at December 31, 2021	\$ 738,204	\$ 10,382	\$ 748,586

The depreciation charge attributable to the right of use asset is presented within depreciation and amortization of intangible assets within the consolidated statement of profit or loss.

At December 31, 2021, the future minimum lease payments under non-cancellable operating leases were payable as follows.

	2021	2020
Maturity analysis – Contractual undiscounted cash flows		
Less than one year	\$ 291,454	\$ 246,145
Between one and five years	590,545	663,297
Total undiscounted lease liabilities at December 31	\$ 881,999	\$ 909,442

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, 2021 amounted to \$41,693 (2020: \$59,856).

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (CONTINUED)

(Expressed in Bahamian dollars)

12. 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.

13. INTANGIBLE ASSETS AND GOODWILL

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

2021	Goodwill	Customer relationships	Non-compete agreements	Computer Software	Total
COST					
At January 1, 2021	\$ 2,650,810	\$ 5,228,199	\$ 39,590	\$ 9,030,101	\$ 16,948,700
Additions	-	-	-	54,721	54,721
Balance at December 31, 2021	2,650,810	5,228,199	39,590	9,084,822	17,003,421
ACCUMULATED AMORTISATION:					
At January 1, 2021	-	2,096,095	15,836	5,711,091	7,823,022
Amortization	-	304,970	7,918	598,801	911,689
Balance at December 31, 2021	-	2,401,065	23,754	6,309,892	8,734,711
Carrying amount 2021	<u>\$ 2,650,810</u>	<u>\$ 2,827,134</u>	<u>\$ 15,836</u>	<u>\$ 2,774,930</u>	<u>\$ 8,268,710</u>
2020					
COST					
At January 1, 2020	\$ 2,650,810	\$ 5,228,199	\$ 39,590	\$ 6,105,101	\$ 14,023,700
Additions	-	-	-	2,925,000	2,925,000
Balance at December 31, 2020	2,650,810	5,228,199	39,590	9,030,101	16,948,700
ACCUMULATED AMORTISATION:					
At January 1, 2020	-	1,634,077	7,918	5,218,055	6,860,050
Amortization	-	462,018	7,918	493,036	962,972
Balance at December 31, 2020	-	2,096,095	15,836	5,711,091	7,823,022
Carrying amount 2020	<u>\$ 2,650,810</u>	<u>\$ 3,132,104</u>	<u>\$ 23,754</u>	<u>\$ 3,319,010</u>	<u>\$ 9,125,678</u>

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (CONTINUED)

(Expressed in Bahamian dollars)

13. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

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

	2021	2020
Cayman's cash-generating unit - goodwill	<u>2,650,810</u>	<u>2,650,810</u>
	<u>\$ 2,650,810</u>	<u>\$ 2,650,810</u>

The Group performed its annual impairment test as at December 31, 2021. The recoverable amounts of Cayman's cash-generating unit 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 was 10.01% (2020: 12.5%) and 3% (2020: 3%) respectively. As the recoverable amounts exceeded the carrying amounts, management did not identify any impairment for the cash-generating unit.

14. BONDS PAYABLE

On October 15, 2010, the Group 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.

	2021	2020
Series II Corporate Bonds		
\$7,500,000 at B\$ prime rate + 2.00%, presently 6.25%		
(2020: 6.25%) per annum - Due 2025	\$ 7,500,000	\$ 7,500,000
Accrued interest	<u>118,151</u>	<u>116,866</u>
Total	<u>\$ 7,618,151</u>	<u>\$ 7,616,866</u>

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (CONTINUED) (Expressed in Bahamian dollars)

15. SHARE CAPITAL

The Company's share capital is comprised as follows:

	2021	2020
Common shares		
Authorized: 45,000,000 (2020: 45,000,000) at \$0.01 each		
Issued and fully paid: 36,511,589 (2020: 36,511,589) par value \$0.01 per share	\$ 365,116	\$ 365,116
Preference shares		
Authorized: 5,000,000 (2020: 5,000,000) at \$1.00 each		
Issued and fully paid: 5,000,000 (2020: 5,000,000) par value \$1.00 per share	\$ 5,000,000	\$ 5,000,000

The calculation of basic earnings per share is as follows:

	2021	2020
Profit for the year attributable to owners of the Company	\$ 5,520,348	\$ 4,626,907
Preference shares dividend paid	(350,000)	(350,000)
Profit for the year attributable to common shareholders	5,170,348	4,276,907
Weighted average number of common shares outstanding	36,511,589	36,511,589
Basic and diluted earnings per common share	\$ 0.14	\$ 0.12

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 (2020: \$0.07) per common share [total dividends \$2,920,928 (2020: \$2,555,810)] 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 a contractual obligation to deliver cash or other financial assets to the preference shareholders, and therefore the directors may make dividend payments at their discretion.

During 2020 & 2021, 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, 2021 (CONTINUED)

(Expressed in Bahamian dollars)

16. GENERAL RESERVE

The Group has established a general reserve from retained earnings in the amount of \$4,000,000 (2020: \$4,000,000), which the Board of Directors have determined is not available for distribution.

17. REVALUATION RESERVE

	Land & Buildings	AFS Investments	Total
Balance at December 31, 2019	\$ 5,420,096	\$ 773,968	\$ 6,194,064
Net increase in fair value of AFS investments	-	352,761	352,761
Other comprehensive loss	-	352,761	352,761
Balance at December 31, 2020	5,420,096	1,126,729	6,546,825
Net decrease in fair value of AFS investments	-	(855,618)	(855,618)
Other comprehensive income	-	(855,618)	(855,618)
Balance at December 31, 2021	<u>\$ 5,420,096</u>	<u>\$ 271,111</u>	<u>\$ 5,691,207</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 2019. The next appraisal is due in 2022 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, 2021 (CONTINUED)

(Expressed in Bahamian dollars)

18. NON-CONTROLLING INTEREST

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

	2021	2020
NCI percentage	<u>12.30%</u>	<u>12.30%</u>
Total assets	\$ 70,275,169	\$ 69,687,601
Total liabilities	36,260,204	33,046,885
Net assets	34,014,965	36,640,716
Gross Premiums Written	\$ 67,356,234	\$ 58,984,937
Net underwriting income	10,368,662	11,382,676
Total comprehensive income	374,249	2,899,542
Cash flows from operating activities	\$ 2,672,221	\$ 2,534,360
Cash flows (used in)/from investment activities	(2,407,669)	2,926,802
Cash flows (used in) financing activities	(3,044,096)	(1,725,115)

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (CONTINUED)

(Expressed in Bahamian dollars)

19. REVISION OF CLASSIFICATION OF PREMIUM TAXES

Gross premiums written, in the consolidated statement of profit or loss for the year ended December 31, 2020, were reported net of stamp duties on property and casualty insurance contracts and surcharges on health insurance contracts within the Cayman Islands. These stamp duty and surcharge amounts, totalling \$1,470,766 for the year ended December 31, 2020, have been reclassified to the premium tax line in the corresponding consolidated statement of profit or loss. Gross premiums written have been grossed up accordingly to reflect this reclassification. There is no impact on the previously presented amount of net underwriting income. The reclassified figures for 2020 are presented below:

Consolidated statement profit or loss items:

	Previously presented	Reclassified
Gross Premiums Written	\$ 159,097,251	\$ 160,568,017
Net Premiums Earned	\$ 64,611,048	\$ 66,081,814
Total underwriting income	\$ 89,073,364	\$ 90,544,130
Premiums Taxes	\$ 2,814,004	\$ 4,284,770
Underwriting Expenses	\$ 56,006,325	\$ 57,477,091
Net underwriting income	\$ 33,067,039	\$ 33,067,039

Consolidated statement of cash flows items:

Premium taxes paid	\$ 2,814,004	\$ 4,284,770
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BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (CONTINUED)

(Expressed in Bahamian dollars)

20. OTHER INCOME, NET

	2021	2020
Interest income - loans and receivables	\$ 303,815	\$ 316,451
Interest income - available for sale	762,769	803,670
Interest income - bank deposit	412	4,106
Dividend income - equity securities	126,657	250,313
Realized gains on sales of investments (Note 6)	470,519	49,270
Share of net earnings from associate (Note 7)	-	140,180
Loss on sale of investment in associate (Note 7)	-	(218,160)
Sub-lease income	22,400	33,600
Amortization of discounts on bonds (Note 6)	(90,689)	(73,778)
Gain on disposal of property and equipment	5,954	4,000
Other (loss)/income	(1,429)	11,761
Total	<u>\$ 1,600,408</u>	<u>\$ 1,321,413</u>

21. PENSION PLAN

Employees of the Group participate in defined contribution plans registered 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. Contributions under these plans totalled \$456,969 (2020: \$451,335) and are included in salaries, benefits and bonuses in the consolidated statement of profit or loss.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (CONTINUED)

(Expressed in Bahamian dollars)

22. RELATED PARTY TRANSACTIONS AND BALANCES

Related party transactions and balances are as follows:

	2021	2020
Gross premiums written - associate	\$ -	\$ 5,263,279
Commission expense - associate	\$ -	\$ 918,517

No expense has been recognized in the period for bad or doubtful debts 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 operation. Compensation to key management personnel is included in salaries, benefits and bonuses and compensation to directors is included in general and administrative expenses in the consolidated statement of profit or loss. The receivables from directors and key management personnel are included in sundry receivables and prepayments in the consolidated statement of financial position and are as follows:

	2021	2020
Short-term benefits	\$ 1,920,838	\$ 2,038,449
Post employment benefits	77,974	81,772
Total	\$ 1,998,812	\$ 2,120,221
Commission expense	\$ 276,902	\$ 206,319
Receivables from key management personnel	\$ 2,624	\$ 16,234

23. CONTINGENCIES

In the normal course of its business, the Group is involved in various legal proceedings arising out of and incidental to its insurance operations. The Group is of the opinion that litigation arising from these legal proceedings will not have a significant impact on the financial position, results of operations or cash flows of the Group.

BAHAMAS FIRST HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (CONTINUED)

(Expressed in Bahamian dollars)

24. SEGMENTED INFORMATION

In accordance with IFRS 8 Operating Segments, the Group has identified the Chief Operating Decision Maker as the Board of Directors. Key decisions on assessing performance and allocation of resources are reviewed by the Board or its sub-committees.

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 years ended December 31, 2021 and 2020 are as follows:

	Bahamas	Cayman		
	<u>P&C</u>	<u>P&C</u>	<u>H&L</u>	<u>Total</u>
2021				
Net underwriting income	\$ 22,662,730	\$ 7,411,524	\$ 2,957,138	\$ 33,031,392
Depreciation of property & equipment	649,581	232,057	171,521	1,053,159
Depreciation of right of use asset	228,736	24,521	18,124	271,381
Amortization of intangible assets	898,757	1,380	11,552	911,689
Interest expense	985,771	91,400	67,556	1,144,727
Segment profit/(loss) for the year	4,795,634	1,974,986	(1,148,618)	5,622,002
Total segment assets	138,925,846	50,490,362	19,784,807	209,201,015
Total segment liabilities	107,293,620	31,084,568	5,175,636	143,553,824
Capital expenditure	726,474	31,463	132,698	890,635
	Bahamas	Cayman		
	<u>P&C</u>	<u>P&C</u>	<u>H&L</u>	<u>Total</u>
2020				
Net underwriting income	\$ 21,684,362	\$ 6,576,508	\$ 4,806,169	\$ 33,067,039
Depreciation of property & equipment	589,077	233,944	172,915	995,936
Depreciation of right of use asset	113,646	24,953	18,444	157,043
Amortization of intangible assets	904,994	16,560	41,418	962,972
Interest expense	1,339,120	80,581	59,560	1,479,260
Segment profit for the year	2,298,908	1,556,488	1,098,053	4,953,449
Total segment assets	156,958,960	48,505,474	21,182,128	226,646,562
Total segment liabilities	129,078,904	28,945,747	4,101,138	162,125,789
Capital expenditure	3,519,920	60,407	69,648	3,649,975

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BAHAMAS FIRST HOLDINGS LIMITED

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