



BAHAMAS FIRST HOLDINGS LIMITED

CHAIRMAN'S REPORT

ON UNAUDITED RESULTS
FOR THE 6 MONTHS ENDED:

JUNE 30 2017

DEAR SHAREHOLDERS:

I am pleased to report that Bahamas First Holdings Limited's Comprehensive Income for the six months ended June 30, 2017 was \$3.4 million. While this result is below the prior year by 43.4% it does nonetheless exceed our budget by an even greater margin. The Investment income for the first half of 2016 was a major contributing factor to the 2016 outcome, adding some \$4.3 million in unrealized gains from the Group's equity and international bond holdings. This was not repeated in 2017.

Despite the continued challenges of operating in both Cayman and The Bahamas, primarily linked to intense competition and undisciplined pricing, we have managed to significantly improve our technical underwriting result for the first half of the year. Additionally, as a result of our focus on improving rate margins on our property book of business in the aftermath of Hurricane Matthew, we have now experienced two successive quarters of premium growth in our Bahamas based property portfolio. Overall premium income for the first half of the year was 3.4% higher than the same period last year, as a direct consequence of the above and the new motor business generated in both Cayman and The Bahamas. The growth in our Health business in Cayman also contributed to the improved top line for the period. Across the entire P&C and Health business lines, both in The Bahamas and Cayman, we have seen a return to normalized claims experience or expenditure levels, particularly for our major lines of business.

Operating Expenses remained relatively flat to the prior year, and we expect our expense ratio to improve during the second half of 2017.

In May of this year, our Cayman subsidiary paid dividends totaling \$0.7 million of which 87.65% inured to our benefit.

Cayman First continues to perform well contributing \$1 million towards the Group's comprehensive income of \$3.4 million.

The Group's Equity attributable to owners of the parent increased to \$59.6 million compared to \$56.6 million at December 2016, primarily as a result of the operational earnings generated during the period. The Group's Return on Equity for the 6 months ended June 30, 2017 shows

that we are steadily progressing towards the annual target of 15%.

We continue to maintain strong capital and solvency ratios, well in excess of the regulatory requirements within the respective jurisdictions in which we operate. Our capital oversight actions are guided by our Board Approved Capital Plan, in addition to our Risk Tolerance Limits, which we review annually.

I am delighted to report that our efforts to recruit a new CFO have been successful and the replacement candidate will join our Executive team in early September 2017.

As foreshadowed at our recent AGM, in May 2017, the Directors subsequently approved a dividend of four cents per ordinary share, totaling \$1.46 million, which was paid in July 2017.

On behalf of the Board of Directors of Bahamas First Holdings, I wish to extend sincere thanks to our shareholders and customers for their continued support and to our dedicated and hardworking staff.

Sincerely,



IAN D. FAIR
Chairman



FINANCIAL SUMMARY OF UNAUDITED RESULTS

FOR THE 6 MONTHS ENDED JUNE 30, 2017
 (Expressed in Bahamian dollars)

	As at:		
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	30-Jun-17	30-Jun-16	% Change
Trade accounts receivable, net	26,637,958	27,519,272	-3.2%
Total cash and investments	67,609,731	75,002,889	-9.9%
Total assets	223,607,318	208,104,866	7.4%
Unearned premiums	62,373,012	61,566,586	1.3%
Unpaid claims	61,530,083	44,522,552	38.2%
Total liabilities	160,766,048	143,755,606	11.8%
Equity attributable to owners of the parent	59,645,149	61,244,790	-2.6%
Book value per common share	1.50	1.54	-2.6%

	For the 6 Months Ended:		
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	30-Jun-17	30-Jun-16	% Change
Gross premiums written (net of premium tax)	71,699,444	68,945,507	3.4%
Net written premiums	30,066,901	27,383,686	9.8%
Net premiums earned	27,165,211	25,213,340	7.7%
Commission income	8,067,538	8,111,643	-0.05%
Net claims incurred	13,726,111	13,496,855	1.7%
Net underwriting income	13,222,040	11,446,254	15.5%
Operating expenses	11,208,108	11,010,507	1.8%
Unrealized gain on investments	158,647	4,263,724	-77.1%
Investment and Other income	1,185,737	1,178,269	-0.6%
Total comprehensive income	3,358,316	5,877,740	-43.4%

Total comprehensive income attributed to:

- Bahamas	2,297,341	4,436,501	-48.2%
- Cayman	922,250	1,250,827	-26.3%
- Non-Controlling Interest	138,725	190,412	-27.2%
	3,358,316	5,877,740	-43.4%

SELECTED EXPLANATORY NOTES TO THE UNAUDITED FINANCIAL RESULTS

FOR THE 6 MONTHS ENDED JUNE 30, 2017
 (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 ("BFHIL"), Cayman First Insurance Company Limited ("CFI"), BRAC Insurance Associates Ltd. ("BIA") and BFH Services (Cayman) Limited ("BFHS") which are incorporated under the laws of the Cayman Islands.

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

Registered insurers:

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

Registered insurance intermediaries:

- Nassau Underwriters Agency Insurance Agents & Brokers Ltd. ("NUA")
- BRAC Insurance Associates Ltd. ("BIA")

Management company:

- Bahamas First Corporate Services Ltd. ("BFCS")

Claims servicing company:

- First Response Limited ("FRL")

Health referral agency:

- BFH Services (Cayman) Limited ("BFHS")

Insurance holding company:

- BFH International Limited ("BFHIL")

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

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed interim financial results have been prepared in accordance with IAS 34 Interim Financial Reporting ("IAS 34"), using the accounting policies adopted in the last annual financial statements for the year ended December 31, 2016. The Company has consistently applied the same accounting policies through all periods presented. These interim unaudited consolidated financial results should be read in conjunction with the consolidated financial statements of the Group for the year ended December 31, 2016.

3. SEASONALITY

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

4. DIVIDENDS

The Directors have approved an interim quarterly dividend of four (4) cents per common share for shareholders of record as of July 17, 2017, payable on July 20, 2017.

5. SEGMENTED INFORMATION

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

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

The segment results for the interim periods are as follows:

	<u>Bahamas</u>		<u>Cayman</u>	
	P&C	P&C	H&L	
2017	\$	\$	\$	
Gross premiums written	47,440,897	11,195,462	13,063,085	
Net underwriting income	8,428,639	2,204,656	2,588,745	
Segment comprehensive income	2,297,341	284,953	776,022	
2016				
Gross premiums written	45,065,380	12,052,076	11,828,051	
Net underwriting income	7,094,885	2,174,230	2,177,139	
Segment comprehensive income	4,436,501	886,706	572,533	

6. CAUTIONARY NOTE ON FORWARD LOOKING STATEMENTS

Certain statements contained herein are forward-looking, providing current expectations of future events based on certain assumptions. These forward-looking statements involve known and unknown risks, and other uncertainties which may cause the Group's actual results to differ materially from its 2017 Budget. The Group operates in a continually changing environment. Readers are cautioned not to place undue reliance on forward-looking statements.



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