



BAHAMAS FIRST HOLDINGS LIMITED

CHAIRMAN'S REPORT

ON UNAUDITED RESULTS
FOR THE 6 MONTHS ENDED:

JUNE 30 2016

DEAR SHAREHOLDERS:

I am pleased to report that Bahamas First Holding Limited's Comprehensive Income for the six months ended June 30, 2016 was \$5.9 million, and exceeded the same period in 2015 by 94%. Investment income during 2016 has exceeded both budget and prior year by significant amounts as a result of the sharp uplift in the value of our Equity and International Bond Holdings, resulting in an unrealized gain of \$4.3 million.

The present insurance market conditions for P&C insurers and intermediaries in both Bahamas and Cayman are best characterized by intense competition leading to price reductions. Rates in our property class of business continue to decline relative to the prior year resulting in a 5% reduction in Gross premiums written. Fortunately, the benefit of a higher level of incoming base commissions (5% increase) coupled with a decline in our own cost of reinsurance protection (14% decrease) has resulted in additional income to help mitigate the effect of rate reductions. Net premiums written and earned declined by 6% due to our intentional reduction in the retention of the motor / liability account.

Apart from the motor / liability account in the Bahamas, all lines of business reflected improved loss ratios compared to 2015. The Motor line experienced an elevated loss ratio owing to adverse development on a few prior year claims, primarily contributing to a 6% increase in Net claims incurred. As a result of the aforementioned, the Group's Net underwriting income decreased by 10% to \$11.4 million.

Operating Expenses remained relatively flat to the prior year, and we expect our expense ratio to improve during the second half of 2016 with the redemption of 50% of the outstanding Series I Corporate Bonds in July 2016.

In April of this year, our Cayman subsidiary paid dividends totaling \$1.4 million of which 87.65% inured to our benefit. Cayman First continues to perform well contributing \$1.25 million towards the Group's comprehensive income - 37% improvement over the prior year.

The Group's Equity attributable to owners of the parent increased to \$61.2 million compared to \$54.6 million at June 2015, primarily as a result of the operational earnings generated during the period. The Group's Return on Equity for the 12 months ended June 30, 2016 stands at 17.4%, on track to exceed our 2016 Budget.

The Group continues to maintain strong capital and solvency ratios, well in excess of the regulatory requirements within the respective jurisdictions 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.

The Board continues to seek opportunities for future growth, whilst at the same time carefully monitoring our existing activities.

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, 2016

(Expressed in Bahamian dollars)

	As at:		
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	30-Jun-16	30-Jun-15	% Change
Trade accounts receivable, net	27,519,272	28,996,695	-5%
Total cash and investments	75,002,889	70,925,056	6%
Total assets	208,104,866	208,427,993	0%
Unearned premiums	61,566,586	66,617,804	-8%
Unpaid claims	44,522,552	44,415,448	0%
Total liabilities	143,755,606	150,998,612	-5%
Equity attributable to owners of the parent	61,244,790	54,552,571	12%
Book value per common share	1.54	1.36	14%

	For the 6 Months Ended:		
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	30-Jun-16	30-Jun-15	% Change
Gross premiums written (net of premium tax)	68,945,507	72,893,097	-5%
Net written premiums	27,383,686	29,037,693	-6%
Net premiums earned	25,213,340	26,839,908	-6%
Commission income	8,111,643	7,739,118	5%
Net claims incurred	13,496,855	12,734,881	6%
Net underwriting income	11,446,254	12,657,879	-10%
Operating expenses	11,010,507	10,954,929	1%
Unrealized gain on investments	4,263,724	243,946	1648%
Investment and Other income	1,178,269	1,086,147	8%
Total comprehensive income	5,877,740	3,033,043	94%

Total comprehensive income attributed to:

- Bahamas	4,436,501	1,969,013	125%
- Cayman	1,250,827	912,389	37%
- Non-Controlling Interest	190,412	151,641	26%
	5,877,740	3,033,043	94%

SELECTED EXPLANATORY NOTES TO THE UNAUDITED FINANCIAL RESULTS

FOR THE 6 MONTHS ENDED JUNE 30, 2016
 (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") and Cayman First Insurance Company Limited ("CFI"), which are incorporated under the laws (2009 Revision) 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")
- Carib Insurance Brokers & Agents Limited ("CIA")

Management company:

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

Claims servicing company:

- First Response Limited ("FRL")

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, 2015. 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, 2015.

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 five (5) cents per common share for shareholders of record as of April 29, 2016, payable on May 9, 2016.

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
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	868,706	572,533
2015			
Gross premiums written	46,794,070	14,275,386	11,823,641
Net underwriting income	8,090,457	2,254,950	2,312,472
Segment comprehensive income	1,969,013	484,117	579,913

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 2016 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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