



2017 HIGHLIGHTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017 AND 2016

	2017	2016	% Change
Gross Premiums Written (in \$000's)	\$175,776	\$183,487	(4.2%)
Shareholders' Net Income (in \$000's)	\$13,883	\$13,194	5.2%
Cash Dividends (in \$000's)	\$3,852	\$3,846	0.2%
Net Earnings per Share	\$1.59	\$1.51	5.3%
Cash Dividends per Share	\$0.44	\$0.44	0.0%
Annualised Return on General Fund Assets	2.4%	2.3%	4.3%
Annualised Return on Shareholders' Equity	10.0%	9.8%	2.0%

REPORT TO SHAREHOLDERS

I am pleased to present the unaudited financial statements for BF&M Limited (“BF&M” or “BF&M Group”) for the half year ending 30 June 2017. This has been a strong first half of the year, with consolidated shareholders’ net income for the six months of \$13.9 million. Shareholders’ net income for the comparable period in 2016 was \$13.2 million. The 2017 results represent an annualised return on shareholders’ equity of 10%. At 30 June 2017, equity attributable to shareholders was \$275.2 million and general fund assets totaled \$1.2 billion.

BF&M continues to hold the strongest financial ratings by A.M. Best for a domestic insurer in the Caribbean region. At the time of going to print, our four main principal operating companies are rated as follows:

BF&M General Insurance Company Limited	A (Excellent)	Bermuda
BF&M Life Insurance Company Limited	A (Excellent)	Bermuda
Island Heritage Insurance Company Ltd.	A (Excellent)	Cayman
Insurance Corporation of Barbados Limited	A- (Excellent)	Barbados

Charitable giving is a pillar of the BF&M Group culture and we support a variety of drives, initiatives and charities in Bermuda, Cayman and Barbados, where we have substantial operations. 2017 marks BF&M’s 21st year as sole sponsor for the BF&M Breast Cancer Awareness Walk in Bermuda. Earlier this year, we also launched the BF&M No Limits sailing initiative for children with autism, in association with the America’s Cup Endeavour Program and Bermuda Autism Support and Education. In Cayman, we completed another successful Island Heritage “CharityDrive” – now recognised as a signature event – raising funds for three Cayman charities. I continue to be proud of the level of community engagement from all of our staff across the Group, who give so readily of their time, talents and funds.

Lastly, following the devastating impact of Hurricanes Irma and Maria, BF&M is committed to being there for our customers in the Caribbean islands that were so significantly impacted. We are hard at work supporting our policyholders with assessing damages and turning around claims as quickly as possible. In appreciating that the scope of loss goes beyond our customers, the BF&M Group has made a donation to the Cayman Islands Red Cross – Hurricane Irma Caribbean Appeal, where funds will be directed to relief efforts in the eastern Caribbean islands.

On behalf of all of us at BF&M, thank you for your continued support.



R. John Wight, CPA, CA, CPCU
Group President and Chief Executive Officer

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017 (UNAUDITED) AND 31 DECEMBER 2016 (AUDITED)
(in thousands of Bermuda dollars)

	30 Jun 2017	31 Dec 2016
	\$	\$
ASSETS		
Cash and cash equivalents	120,651	108,896
Fixed deposits	8,219	15,215
Regulatory deposits	16,600	9,033
Investments	657,107	648,707
Insurance receivables and other assets	116,247	92,926
Deferred policy acquisition costs	9,778	9,895
Reinsurance assets	112,337	98,620
Investment properties	35,766	36,164
Property and equipment	24,188	24,580
Tax recoverable	2,423	2,442
Intangible assets	52,917	51,179
Restricted cash	20,085	19,106
Total general fund assets	1,176,318	1,116,763
Segregated funds assets	770,712	685,938
TOTAL ASSETS	1,947,030	1,802,701
LIABILITIES		
Other liabilities	124,643	80,219
Deferred tax liability	870	829
Loans payable	315	477
Retirement benefit obligations	2,955	3,432
Investment contract liabilities	340,510	343,494
Insurance contract liabilities	387,351	379,028
Total general fund liabilities	856,644	807,479
Segregated funds liabilities	770,712	685,938
TOTAL LIABILITIES	1,627,356	1,493,417
EQUITY		
Share capital	8,860	8,784
Treasury shares	(1,572)	(1,265)
Contributed surplus	1,482	1,482
Share premium	62,811	62,162
Accumulated other comprehensive loss	(6,995)	(7,240)
Retained earnings	210,600	200,569
Total shareholders' equity	275,186	264,492
Non-controlling interests	44,488	44,792
TOTAL EQUITY	319,674	309,284
TOTAL LIABILITIES AND EQUITY	1,947,030	1,802,701

CONSOLIDATED STATEMENT OF INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2017 AND 2016 (UNAUDITED)
(in thousands of Bermuda dollars except per share amounts)

	30 Jun 2017 \$	30 Jun 2016 \$
INCOME		
Gross premiums written	175,776	183,487
Reinsurance ceded	(93,195)	(88,018)
Net premiums written	82,581	95,469
Net change in unearned premiums	13,518	12,073
NET PREMIUMS EARNED	96,099	107,542
Investment income	15,726	26,316
Commission and other income	22,407	20,395
Rental income	2,013	2,113
TOTAL INCOME	136,245	156,366
EXPENSES		
Insurance contract benefits and expenses		
Life and health policy benefits	55,635	71,510
Short term claim and adjustment expenses	12,291	12,010
Investment contract benefits	212	3,810
Participating policyholders' net income	52	342
Commission and acquisition expense	15,450	14,790
Operating expenses	33,228	33,286
Amortisation expense	4,597	4,346
Interest on loans	11	23
TOTAL BENEFITS AND EXPENSES	121,476	140,117
INCOME BEFORE INCOME TAXES	14,769	16,249
Income taxes	(305)	(570)
NET INCOME FOR THE PERIOD	14,464	15,679
NET INCOME ATTRIBUTABLE TO:		
Shareholders	13,883	13,194
Non-controlling interests in subsidiaries	581	2,485
NET INCOME FOR THE PERIOD	14,464	15,679
Earnings per share:		
Basic and fully diluted	\$1.59	\$1.51

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2017 AND 2016 (UNAUDITED)

(in thousands of Bermuda dollars)

	30 Jun 2017	30 Jun 2016
	\$	\$
Net income for the period after income taxes	14,464	15,679
Other comprehensive loss		
Items that may be subsequently reclassified to the income statement		
Fair value gains on available for sale investments	302	132
Currency translation differences	90	84
Total other comprehensive income after income taxes	392	216
Other comprehensive income attributable to:		
Shareholders	245	153
Non-controlling interests in subsidiaries	147	63
Total other comprehensive income after income taxes	392	216
Comprehensive income	14,856	15,895
Comprehensive income attributable to:		
Shareholders	14,128	13,347
Non-controlling interests in subsidiaries	728	2,548
Comprehensive income	14,856	15,895

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2017 AND 2016 (UNAUDITED)
(in thousands of Bermuda dollars)

	30 Jun 2017 \$	30 Jun 2016 \$
Share capital		
Balance - beginning of year	8,784	8,722
Shares issued under employee share purchase plan	-	3
Share grants issued under equity incentive plan	76	72
Share grants forfeited under equity incentive plan	-	(9)
Balance - end of period	8,860	8,788
Treasury shares		
Balance - beginning of year	(1,265)	-
Acquisition of shares	(613)	(567)
Shares issued under employee share purchase plan	140	-
Shares issued under equity incentive plan	166	-
Balance - end of period	(1,572)	(567)
Contributed surplus - beginning and end of period	1,482	1,482
Share premium		
Balance - beginning of year	62,162	61,387
Shares issued under employee share purchase plan	-	55
Share grants issued under equity incentive plan	1,161	1,183
Share grants forfeited under equity incentive plan	-	9
Treasury shares allocated	60	-
Deferred share grant	(572)	(881)
Balance - end of period	62,811	61,753
Accumulated other comprehensive loss		
Balance - beginning of year	(7,240)	(7,996)
Other comprehensive income for the period	245	153
Balance - end of period	(6,995)	(7,843)
Retained earnings		
Balance - beginning of year	200,569	193,892
Net income for the period	13,883	13,194
Cash dividends	(3,852)	(3,846)
Balance - end of period	210,600	203,240
Total equity attributable to shareholders of the company	275,186	266,853
Attributable to non-controlling interest		
Balance - beginning of year	44,792	44,846
Net income for the period	581	2,485
Other comprehensive income for the period	147	63
Cumulative foreign exchange adjustment	19	-
Shares issued to non-controlling interests	1	27
Cash dividends	(1,052)	(1,050)
Balance at the end of the year	44,488	46,371
Total equity	319,674	313,224

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2017 AND 2016 (UNAUDITED)
(in thousands of Bermuda dollars)

	30 Jun 2017 \$	30 Jun 2016 \$
Cash flows from operating activities		
Income before income tax	14,769	16,249
Adjustments for:		
Investment income	(10,013)	(9,858)
Net realised loss (gain) on investments	3,404	(215)
Change in fair value of investments	(11,660)	(18,601)
Provision for losses on investments	659	801
Amortisation of property and equipment	1,114	1,170
Amortisation of investment properties	566	461
Amortisation of intangible assets	2,917	2,715
Loss on sale of intangibles & property and equipment	-	34
Interest on loan	11	23
Compensation expense related to shares and options	1,032	768
Changes in assets and liabilities:		
Restricted cash	(979)	960
Regulatory deposits	(7,567)	(340)
Insurance receivables and other assets	(29,905)	(28,278)
Deferred policy acquisition costs	117	(1,046)
Reinsurance assets	(13,717)	(25,573)
Insurance contract liabilities	8,323	35,266
Investment contract liabilities	(2,984)	10,125
Other liabilities	44,424	31,386
Retirement benefit obligations	(477)	(192)
Cash generated from operations	34	15,855
Income taxes paid	(245)	(1,139)
Interest and dividends received	17,024	19,277
Net cash generated from operating activities	16,813	33,993
Cash flows from investing activities		
Purchase of investments	(124,137)	(121,666)
Proceeds from sales of investments	123,209	112,448
Acquisition of property and equipment	(696)	(961)
Maturity of fixed deposits	6,996	-
Proceeds from sales of property and equipment	-	74
Additions to investment properties	(168)	(357)
Acquisition of intangible assets	(4,655)	(3,903)
Net cash generated from (used for) investing activities	549	(14,365)
Cash flows from financing activities		
Cash dividends paid	(3,852)	(3,846)
Interest paid	(11)	(23)
Loan repaid	(162)	(323)
Acquisition of treasury shares	(613)	(567)
Cash dividends paid to non-controlling interest	(1,052)	(1,050)
Cash proceeds on issue of common shares	-	36
Net cash (used for) financing activities	(5,690)	(5,773)
Effect from changes in exchange rates	83	84
Increase in cash and cash equivalents	11,755	13,939
Cash and cash equivalents - beginning of period	108,896	99,297
Cash and cash equivalents - end of period	120,651	113,236

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017 AND 2016 (UNAUDITED)
(in thousands of Bermuda dollars except share and per share amounts)

1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

BF&M Limited (the “Group”) is domiciled in Bermuda as a holding company. It has subsidiaries with operations in 15 countries, with principal offices in Bermuda, Barbados, and the Cayman Islands. The consolidated group’s principal business is insurance. The Group is involved in property, casualty, motor, marine, life, health and long-term disability insurance, annuities, the management and investment of pension plans, as well as the rental of office space in buildings owned by the Group.

The Group reports under International Financial Reporting Standards (“IFRS”). These unaudited interim consolidated financial statements should be read in conjunction with the Group’s 2016 consolidated financial statements, as interim financial statements do not include all the information incorporated in annual consolidated financial statements prepared in accordance with IFRS. These condensed financial statements are presented in accordance with the requirements of Section IIA of the Bermuda Stock Exchange Listing Regulations and may not comply fully with the requirements of IAS 34 - *Interim Financial Reporting*.

The accounting policies used in the preparation of the unaudited interim consolidated financial statements are consistent with those adopted in the 2016 consolidated financial statements except as stated in Note 2 below.

All amounts in the unaudited interim consolidated financial statements and notes are shown in thousands of Bermuda dollars unless otherwise stated.

2. NEW AND REVISED ACCOUNTING POLICIES AND STANDARDS

The Group has adopted the following new standards, interpretations and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2017:

- *Amendments to IAS 7 Statement of Cash Flows*
- *Annual Improvements to IFRSs 2014-2016 Cycle*
- *Amendments to IAS 12 Income Taxes*

The amendments above do not have a material impact on the Group’s overall results and financial position.

The following new standards, interpretations and amendments to existing standards were issued by the International Accounting Standards Board (“IASB”) in 2017 and are expected to be adopted by the Group at the effective date:

- IFRIC 23 *Uncertainty over Income Tax Treatments* was issued in June 2017 and is effective for periods beginning on or after 1 January 2019, to be applied retrospectively. The new interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 *Income Taxes* when there is uncertainty over tax treatments. Adoption of IFRIC 23 is not expected to have a significant impact on the Group’s Consolidated Financial Statements.
- IFRS 17 *Insurance Contracts* was issued in May 2017 and is effective on or after 1 January 2021, to be applied retrospectively. IFRS 17 replaces IFRS 4 *Insurance Contracts* and sets out the principles for the recognition, measurement,

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017 AND 2016 (UNAUDITED)
(in thousands of Bermuda dollars except share and per share amounts)

presentation and disclosure of insurance contracts. The Group is assessing the impact of this standard and expects that it will have a significant impact on the Group's Consolidated Financial Statements.

3. SEGMENTAL INFORMATION

Management has determined the operating segments based on a combination of factors, including the products and geographical areas and on the basis of the reports reviewed by the Chief Executive Officer ("CEO") of the Group that are used to make strategic decisions. All the operating segments used by management meet the definition of a reportable segment.

3.1. Health, life, annuity and pension (Bermuda)

This operating segment includes group and individual health and accident, life, disability, annuity and pension products.

3.2. Property and casualty (Bermuda)

This operating segment includes the following products: personal and commercial property, fire, windstorm, burglary, public liability, marine, special types, personal automobile, personal auto-cycle, workmen's compensation and commercial vehicles.

3.3. Real estate (Bermuda)

This operating segment includes the Group's real estate operations in Bermuda. The Group currently owns and occupies one building and is a majority owner in two buildings that are leased principally to non-related parties.

3.4. Barbados operations

This operating segment is identified by its geographical location. Insurance coverage includes motor, property, marine, miscellaneous accident, group health, group life, and pension business.

3.5. Cayman Islands and other Caribbean operations

This operating segment is identified by its geographical location. Insurance coverage includes motor, property, marine, and casualty business.

3.6. Corporate and other

Corporate operations consist of corporate level income and expenses and returns from investments not allocated to any operating segments. It also represents the combined operations of two holding companies, a management company and an investment management company. The Group manages shared services centrally with most costs allocated based on either head count, expenses or revenues. Some central costs are not allocated and remain within the corporate Group.

Measurement basis

The accounting policies of the segments are the same as those for the Group as a whole. The Group evaluates performance of operating segments on the basis of profit or loss from operations before tax.

Intersegment income is recorded at management's estimate of current market prices.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017 AND 2016 (UNAUDITED)
(in thousands of Bermuda dollars except share and per share amounts)

The segmental information provided to the CEO for the reportable segments for the six months ended 30 June 2017 is as follows:

	Health, life, annuity, and pension 2017 \$	Property and casualty 2017 \$	Real estate 2017 \$	Barbados operations 2017 \$	Cayman and other Caribbean operations 2017 \$	Corporate and other 2017 \$	Total 2017 \$
Shareholders' net income	6,500	4,792	641	245	2,496	(791)	13,883
Other income and expense disclosures							
Income earned from external customers	60,815	17,707	1,453	21,436	19,534	(426)	120,519
Investment (loss) income	12,708	883	-	1,717	757	(339)	15,726
Total income	73,523	18,590	1,453	23,153	20,291	(765)	136,245
Insurance contract benefits and expenses	51,974	3,277	-	10,091	2,584	-	67,926
Commission and acquisition expense	1,712	1,742	-	3,005	8,991	-	15,450
Operating expenses	10,391	5,532	394	8,743	4,262	3,906	33,228
Amortisation expense	1,138	1,767	544	592	354	202	4,597
Interest on loans	-	-	9	-	-	2	11
Income tax expense	-	-	-	116	129	60	305
Impairment losses on mortgages and loans recognised in net income	659	-	-	-	-	-	659
Asset and liability disclosures							
Total Assets	1,366,858	149,269	26,004	224,235	170,379	10,285	1,947,030
Fixed asset & intangible expenditures	1,843	2,373	112	766	25	232	5,351
Total Liabilities	1,272,390	86,160	1,279	152,572	110,478	4,477	1,627,356

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017 AND 2016 (UNAUDITED)
(in thousands of Bermuda dollars except share and per share amounts)

The segmental information provided to the CEO for the reportable segments for the six months ended 30 June 2016 is as follows:

	Health, life, annuity, and pension 2016 \$	Property and casualty 2016 \$	Real estate 2016 \$	Barbados operations 2016 \$	Cayman and other Caribbean operations 2016 \$	Corporate and other 2016 \$	Total 2016 \$
Shareholders' net income	4,058	3,327	740	2,117	2,940	12	13,194
Other income and expense disclosures							
Income earned from external customers	66,724	17,771	1,557	26,016	17,951	31	130,050
Investment (loss) income	23,097	210	-	1,933	1,094	(18)	26,316
Total income	89,821	17,981	1,557	27,949	19,045	13	156,366
Insurance contract benefits and expenses	66,665	3,169	-	11,206	2,480	-	83,520
Commission and acquisition expense	1,293	1,453	-	2,766	9,278	-	14,790
Operating expenses	12,012	6,364	306	8,710	5,648	246	33,286
Amortisation expense	909	1,923	411	566	360	177	4,346
Interest on loans	-	-	23	-	-	-	23
Income tax expense	-	-	-	398	122	50	570
Impairment losses on mortgages and loans recognised in net income	802	-	-	-	-	-	802
Asset and liability disclosures							
Total Assets	1,244,778	133,692	25,703	229,176	141,101	8,629	1,783,079
Fixed asset & intangible expenditures	1,857	1,952	60	636	18	341	4,864
Total Liabilities	1,157,574	69,524	1,868	150,120	87,401	3,368	1,469,855

BOARD OF DIRECTORS

Gavin R. Arton, Chairman
L. Anthony Joaquin, FCA, Deputy Chairman
Nancy L. Gosling, B.Comm., LL.D., C.G.A.
Gregory D. Haycock, FCA, J.P.
Stephen W. Kempe
Catherine S. Lord, B.Sc., J.P.

Garry A. Madeiros, OBE, FCA, J.P.
Paul C. J. Markey
Richard D. Spurling
C.L.F. "Lee" Watchorn, FCIA, FSA
R. John Wight, CPA, CA, CPCU

GROUP EXECUTIVE TEAM

R. John Wight	Group President and Chief Executive Officer
Michael White	Group Chief Financial Officer
Abigail Clifford	Group Chief Administrative Officer
Paul Matthews	Group Chief Information Officer
Andrew Soares	SVP, Head of Life and Health

DIRECTORS AND OFFICERS SHARE INTERESTS

The total shares held by Directors and Officers at 30 June 2017 were 393,177 (30 June 2016 - 424,840).

HEAD OFFICE

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SUBSIDIARY COMPANIES

BF&M General Insurance Company Limited
BF&M Life Insurance Company Limited
Insurance Corporation of Barbados Limited (51.3% ownership)
Insurance Corporation of Barbados Limited/
National Insurance Board Joint Venture (37.2% ownership)
Island Heritage Insurance Company Ltd.
BF&M Investment Services Limited
BF&M (Canada) Limited
BF&M Properties Limited
Barr's Bay Properties Limited (60% ownership)
Hamilton Reinsurance Company Limited
Scarborough Property Holdings Limited (60% ownership)
Hamilton Financial Limited
Kitson Insurance Services Ltd.
Island Heritage Insurance Company N.V.
Lawrence Boulevard Holdings Ltd.





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