



Six Month Report  
30 June 2015

STRONG  
PROGRESSIVE  
GROWING

## 2015 Highlights

FOR THE SIX MONTHS ENDED 30 JUNE 2015 AND 2014

|   | 2015             | 2014      | % Change |
|---|------------------|-----------|----------|
| Gross Premiums Written (in \$000's)       | <b>\$181,155</b> | \$184,694 | (1.9%)   |
| Net Income (in \$000's)                   | <b>\$11,420</b>  | \$17,494  | (34.7%)  |
| Cash Dividends (in \$000's)               | <b>\$3,823</b>   | \$3,614   | 5.8%     |
| Net Earnings per Share                    | <b>\$1.32</b>    | \$2.04    | (35.6%)  |
| Cash Dividends per Share                  | <b>\$0.44</b>    | \$0.42    | 4.8%     |
| Annualised Return on General Fund Assets  | <b>2.0%</b>      | 3.0%      | (33.6%)  |
| Annualised Return on Shareholders' Equity | <b>9.8%</b>      | 14.4%     | (31.9%)  |

# Report to Shareholders

We are pleased to present the unaudited financial statements for BF&M Limited for the half year to 30 June 2015. Consolidated shareholders' net income for the first six months was \$11.4 million. Shareholders' net income for the comparable period in 2014 was \$17.5 million. These 2015 results represent an annualised 9.8% return on equity for shareholders. At 30 June 2015, general fund assets totaled \$1.1 billion and shareholders' equity was \$248.8 million. Based on the Company's strong balance sheet and six month results, the Board of Directors declared and maintained the dividend of 22c per share for shareholders of record at 30 September 2015.

We were pleased that A.M. Best announced that it had affirmed the financial strength ratings for BF&M's four principal operating companies:

|   |                |          |
|---|----------------|----------|
| 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 |

A.M. Best cited "The ratings of BF&M Life and BF&M General reflect their consistently positive net income, solid capitalisation, strong market positions and increased business diversification. The ratings for Island Heritage reflect its strong risk – adjusted capitalisation and excellent profitability whilst ICBL's ratings reflect the company's strong risk – adjusted capitalisation, low underwriting leverage and solid performance."

In April, Valor Group Ltd acquired BF&M's offshore life insurance business, Bermuda International Insurance Services Limited, following the company's decision to focus its full attention on our core domestic insurance and investment advisory businesses in Bermuda and the Caribbean.

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



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

# Consolidated Statement of Financial Position

AS AT 30 JUNE 2015 (UNAUDITED) AND 31 DECEMBER 2014 (AUDITED)  
(IN THOUSANDS OF BERMUDA DOLLARS)

|  | 30 Jun 2015      | 31 Dec 2014      |
|--|------------------|------------------|
|  | \$               | \$               |
| <b>ASSETS</b>                          |                  |                  |
| Cash and cash equivalents              | 84,059           | 53,805           |
| Fixed deposits                         | -                | 2,021            |
| Regulatory deposits                    | 18,176           | 18,231           |
| Investments                            | 656,473          | 660,655          |
| Insurance receivables and other assets | 120,831          | 79,910           |
| Deferred policy acquisition costs      | 9,870            | 10,118           |
| Reinsurance assets                     | 100,470          | 89,211           |
| Investment properties                  | 37,095           | 37,313           |
| Property and equipment                 | 24,662           | 24,585           |
| Tax recoverable                        | 1,500            | 472              |
| Deferred tax asset                     | 113              | -                |
| Intangible assets                      | 48,351           | 48,001           |
| Restricted cash                        | 13,904           | 12,996           |
| Assets held for sale                   | -                | 97,661           |
| <b>Total general fund assets</b>       | <b>1,115,504</b> | <b>1,134,979</b> |
| <b>Segregated funds assets</b>         | <b>657,754</b>   | <b>628,874</b>   |
| <b>TOTAL ASSETS</b>                    | <b>1,773,258</b> | <b>1,763,853</b> |
| <b>LIABILITIES</b>                     |                  |                  |
| Other liabilities                      | 117,012          | 69,455           |
| Deferred tax liability                 | 1,077            | 1,135            |
| Loans payable                          | 1,446            | 1,769            |
| Retirement benefit obligations         | 4,315            | 4,325            |
| Investment contract liabilities        | 340,092          | 336,003          |
| Insurance contract liabilities         | 357,692          | 363,846          |
| Liabilities held for sale              | -                | 74,152           |
| <b>Total general fund liabilities</b>  | <b>821,634</b>   | <b>850,685</b>   |
| <b>Segregated funds liabilities</b>    | <b>657,754</b>   | <b>628,874</b>   |
| <b>TOTAL LIABILITIES</b>               | <b>1,479,388</b> | <b>1,479,559</b> |
| <b>EQUITY</b>                          |                  |                  |
| Share capital                          | 8,720            | 8,652            |
| Contributed surplus                    | 1,482            | 1,482            |
| Share premium                          | 60,958           | 60,303           |
| Accumulated other comprehensive loss   | (7,646)          | (7,598)          |
| Retained earnings                      | 185,242          | 177,645          |
| <b>Total shareholders' equity</b>      | <b>248,756</b>   | <b>240,484</b>   |
| <b>Non-controlling interests</b>       | <b>45,114</b>    | <b>43,810</b>    |
| <b>TOTAL EQUITY</b>                    | <b>293,870</b>   | <b>284,294</b>   |
| <b>TOTAL LIABILITIES AND EQUITY</b>    | <b>1,773,258</b> | <b>1,763,853</b> |

# Consolidated Statement of Income

FOR THE SIX MONTHS ENDED 30 JUNE 2015 AND 2014 (UNAUDITED)  
(IN THOUSANDS OF BERMUDA DOLLARS EXCEPT PER SHARE AMOUNTS)

|   | 30 Jun 2015    | 30 Jun 2014    |
|---|----------------|----------------|
|   | \$             | \$             |
| <b>INCOME</b>                             |                |                |
| Gross premiums written                    | 181,155        | 184,694        |
| Reinsurance ceded                         | (93,425)       | (93,602)       |
| Net premiums written                      | 87,730         | 91,092         |
| Net change in unearned premiums           | 11,948         | 13,130         |
| Net premiums earned                       | 99,678         | 104,222        |
| Investment income                         | 2,845          | 21,355         |
| Commission and other income               | 20,405         | 19,514         |
| Rental income                             | 2,025          | 2,089          |
| <b>TOTAL INCOME</b>                       | <b>124,953</b> | <b>147,180</b> |
| <b>EXPENSES</b>                           |                |                |
| Insurance contract benefits and expenses  |                |                |
| Life and health policy benefits           | 45,191         | 62,292         |
| Short term claim and adjustment expenses  | 10,492         | 11,895         |
| Investment contract benefits              | 678            | 397            |
| Paid or credited to policyholder accounts | 616            | 1,057          |
| Participating policyholders' net income   | (397)          | (60)           |
| Commission and acquisition expense        | 15,837         | 16,277         |
| Operating expenses                        | 32,197         | 31,865         |
| Amortisation expense                      | 5,710          | 3,898          |
| Interest on loans                         | 37             | 256            |
| <b>TOTAL BENEFITS AND EXPENSES</b>        | <b>110,361</b> | <b>127,877</b> |
| <b>INCOME BEFORE INCOME TAXES</b>         | <b>14,592</b>  | <b>19,303</b>  |
| Income taxes                              | (919)          | (655)          |
| <b>NET INCOME FOR THE PERIOD</b>          | <b>13,673</b>  | <b>18,648</b>  |
| Non-controlling interests in subsidiaries | (2,253)        | (1,154)        |
| <b>SHAREHOLDERS' NET INCOME</b>           | <b>11,420</b>  | <b>17,494</b>  |
| <b>Earnings per share:</b>                |                |                |
| Basic and fully diluted                   | \$1.32         | \$2.04         |

# Consolidated Statement of Comprehensive Income

FOR THE SIX MONTHS ENDED 30 JUNE 2015 AND 2014 (UNAUDITED)  
(IN THOUSANDS OF BERMUDA DOLLARS)

|   | 30 Jun 2015<br>\$ | 30 Jun 2014<br>\$ |
|---|-------------------|-------------------|
| <b>Net income after income taxes</b>                                | <b>13,673</b>     | 18,648            |
| <b>Other comprehensive income</b>                                   |                   |                   |
| Items that may be subsequently reclassified to the income statement |                   |                   |
| Fair value loss on assets held as available for sale                | <b>68</b>         | (243)             |
| Currency translation differences                                    | <b>(83)</b>       | 21                |
| Total other comprehensive loss after income taxes for the period    | <b>(15)</b>       | (222)             |
| Total other comprehensive loss attributable to:                     |                   |                   |
| Shareholders  | <b>(48)</b>       | (104)             |
| Non-controlling interests in subsidiaries                           | <b>33</b>         | (118)             |
| Total other comprehensive loss after income taxes for the period    | <b>(15)</b>       | (222)             |
| <b>Comprehensive income</b>   | <b>13,658</b>     | 18,426            |
| <b>Comprehensive income attributable to:</b>                        |                   |                   |
| Shareholders  | <b>11,372</b>     | 17,390            |
| Non-controlling interests in subsidiaries                           | <b>2,286</b>      | 1,036             |
| <b>Comprehensive income</b>   | <b>13,658</b>     | 18,426            |

# Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30 JUNE 2015 AND 2014 (UNAUDITED)  
(IN THOUSANDS OF BERMUDA DOLLARS)

|   | 30 Jun 2015    | 30 Jun 2014    |
|---|----------------|----------------|
|   | \$             | \$             |
| <b>Share capital</b>  |                |                |
| Balance - beginning of year                                     | 8,652          | 8,558          |
| Share issuance under employee share purchase plan               | 13             | 17             |
| Shares issued under equity incentive plan                       | -              | -              |
| Share grants issued under equity incentive plan                 | 55             | 65             |
| <b>Balance - end of year</b>                                    | <b>8,720</b>   | <b>8,640</b>   |
| <b>Contributed surplus – beginning and end of year</b>          |                |                |
|   | <b>1,482</b>   | <b>1,482</b>   |
| <b>Share premium</b>  |                |                |
| Balance - beginning of year                                     | 60,303         | 59,037         |
| Share issuance under employee share purchase plan               | 211            | 264            |
| Shares issued under equity incentive plan                       | -              | -              |
| Share grants issued under equity incentive plan                 | 912            | 1,081          |
| Deferred share grants issued under equity incentive plan        | (468)          | (631)          |
| <b>Balance - end of year</b>                                    | <b>60,958</b>  | <b>59,751</b>  |
| <b>Accumulated other comprehensive loss</b>                     |                |                |
| Balance – beginning of year                                     | (7,598)        | (4,521)        |
| Other comprehensive loss for the year                           | (48)           | (104)          |
| <b>Balance - end of year</b>                                    | <b>(7,646)</b> | <b>(4,625)</b> |
| <b>Retained earnings</b>  |                |                |
| Balance - beginning of year                                     | 177,645        | 163,258        |
| Net income for the year   | 11,420         | 17,494         |
| Cash dividends  | (3,823)        | (3,614)        |
| <b>Balance – end of year</b>                                    | <b>185,242</b> | <b>177,138</b> |
| <b>Total equity attributable to shareholders of the company</b> | <b>248,756</b> | <b>242,386</b> |
| <b>Attributable to non-controlling interests</b>                |                |                |
| Balance - beginning of year                                     | 43,810         | 43,919         |
| Net income for the year   | 2,253          | 1,154          |
| Other comprehensive loss for the year                           | 33             | (118)          |
| Shares issued to non-controlling interests                      | 65             | -              |
| Cash dividends  | (1,047)        | (1,046)        |
| <b>Balance – end of year</b>                                    | <b>45,114</b>  | <b>43,909</b>  |
| <b>Total equity</b>   | <b>293,870</b> | <b>286,295</b> |

# Consolidated Statement of Cash Flows

FOR THE SIX MONTHS ENDED 30 JUNE 2015 AND 2014 (UNAUDITED)  
(IN THOUSANDS OF BERMUDA DOLLARS)

|  | 30 Jun 2015<br>\$ | 30 Jun 2014<br>\$ |
|--|-------------------|-------------------|
| <b>Cash flows from operating activities</b>                        |                   |                   |
| <b>Income before income taxes</b>                                  | <b>14,592</b>     | 19,303            |
| <b>Adjustments for:</b>  |                   |                   |
| Investment income  | (10,894)          | (11,069)          |
| Net realised (gain) loss on investments                            | (3,421)           | 670               |
| Change in fair value of investments                                | 10,703            | (14,673)          |
| Unrealised gain on investments allocated to insurance contracts    | -                 | (2,652)           |
| Provision for losses on investments                                | 354               | 1,299             |
| Loss on disposal of subsidiary                                     | 483               | -                 |
| Amortisation of property and equipment                             | 1,102             | 944               |
| Amortisation of investment properties                              | 450               | 470               |
| Amortisation of intangible assets                                  | 2,658             | 2,484             |
| Impairment of intangible assets                                    | 1,500             | -                 |
| Gain on sale of property and equipment                             | -                 | (3)               |
| Interest on loan   | 37                | 256               |
| Compensation expense related to shares and options                 | 753               | 714               |
| <b>Changes in assets and liabilities:</b>                          |                   |                   |
| Restricted cash  | (908)             | -                 |
| Cash in assets held for sale                                       | 6,123             | -                 |
| Insurance receivables and other assets                             | (40,510)          | (24,203)          |
| Deferred policy acquisition costs                                  | 248               | (457)             |
| Reinsurance assets   | (10,211)          | (23,817)          |
| Insurance contract liabilities                                     | (11,818)          | 43,930            |
| Investment contract liabilities                                    | 4,089             | 2,563             |
| Other liabilities  | 45,968            | 44,234            |
| Retirement benefit obligations                                     | (10)              | 182               |
| <b>Cash generated from operations</b>                              | <b>11,288</b>     | 40,175            |
| Income taxes paid  | (2,118)           | (546)             |
| Interest and dividends received                                    | 11,160            | 11,186            |
| <b>Net cash generated from operating activities</b>                | <b>20,330</b>     | 50,815            |
| <b>Cash flows from investing activities</b>                        |                   |                   |
| Purchase of investments  | (98,033)          | (126,848)         |
| Proceeds from sales of investments                                 | 122,617           | 110,248           |
| Acquisition of property and equipment                              | (1,178)           | (1,261)           |
| Purchase of fixed and regulatory deposits                          | 2,076             | 1,224             |
| Proceeds from sales of property and equipment                      | -                 | 57                |
| Acquisition of investment properties                               | (231)             | (70)              |
| Acquisition of intangible assets                                   | (3,007)           | (2,295)           |
| Cash proceeds from disposal of subsidiary                          | 7,300             | -                 |
| Cash disposed and deferred consideration on disposal of subsidiary | (14,342)          | -                 |
| <b>Net cash generated from (used for) investing activities</b>     | <b>15,202</b>     | (18,945)          |
| <b>Cash flows from financing activities</b>                        |                   |                   |
| Cash dividends paid  | (3,823)           | (3,614)           |
| Interest paid  | (37)              | (256)             |
| Loans repaid   | (323)             | (3,771)           |
| Cash dividends paid to non-controlling interest                    | (1,047)           | (1,046)           |
| Proceeds on issue of common shares                                 | 35                | 82                |
| <b>Net cash used for financing activities</b>                      | <b>(5,195)</b>    | (8,605)           |
| Effect from changes in exchange rates                              | (83)              | 21                |
| <b>Increase in cash and cash equivalents</b>                       | <b>30,254</b>     | 23,286            |
| <b>Cash and cash equivalents - beginning of period</b>             | <b>53,805</b>     | 74,032            |
| <b>Cash and cash equivalents - end of period</b>                   | <b>84,059</b>     | 97,318            |

# Notes to Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015 AND 2014 (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 17 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 2014 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 2014 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

### 2.1. Accounting standards

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2015.

- Annual Improvements to IFRSs 2010-2012 Cycle
- Annual Improvements to IFRSs 2011-2013 Cycle
- Amendments to IAS 19, Employee Benefits

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

# Notes to Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015 AND 2014 (UNAUDITED)  
(IN THOUSANDS OF BERMUDA DOLLARS EXCEPT SHARE AND PER SHARE AMOUNTS)

## 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, a financial reinsurance company, and an investment management company. The Group manages shared services centrally with most costs allocated based on adjusted capital. 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 2015 AND 2014 (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 2015 is as follows:

| Segments                                 | Health, life,<br>annuity, and<br>pension<br>\$ | Property<br>and<br>casualty<br>\$ | Real<br>estate<br>\$ | Barbados<br>operations<br>\$ | Cayman<br>and other<br>Caribbean<br>operations<br>\$ | Corporate<br>and other<br>\$ | Total<br>\$      |
|--|--|-----------------------------------|----------------------|------------------------------|--|------------------------------|------------------|
| Income earned from external customers    | 61,479   | 14,921                            | 1,466                | 23,113                       | 21,039   | 90                           | 122,108          |
| Investment income                        | 508  | 16                                | -                    | 2,076                        | 244  | 1                            | 2,845            |
| <b>Total income</b>                      | <b>61,987</b>                                  | <b>14,937</b>                     | <b>1,466</b>         | <b>25,189</b>                | <b>21,283</b>  | <b>91</b>                    | <b>124,953</b>   |
| Insurance contract benefits and expenses | 40,413   | 2,821                             | -                    | 9,826                        | 2,623  | -                            | 55,683           |
| Commission and acquisition expense       | 1,650  | 1,508                             | -                    | 2,450                        | 10,229   | -                            | 15,837           |
| Operating expenses                       | 11,363   | 6,180                             | 386                  | 7,993                        | 4,924  | 1,351                        | 32,197           |
| Amortisation expense                     | 916  | 666                               | 410                  | 759                          | 330  | 2,629                        | 5,710            |
| Interest expense                         | -  | -                                 | 37                   | -                            | -  | -                            | 37               |
| Income tax expense                       | -  | -                                 | -                    | 304                          | 484  | 131                          | 919              |
| Shareholders' net income                 | 5,401  | 3,798                             | 1,174                | 3,634                        | 2,615  | (5,202)                      | 11,420           |
| Impairment losses recognised in income*  | 354  | -                                 | -                    | -                            | -  | 1,500                        | 1,854            |
| <b>Assets</b>                            | <b>1,222,891</b>                               | <b>133,643</b>                    | <b>36,783</b>        | <b>237,089</b>               | <b>147,205</b>                                       | <b>(4,353)</b>               | <b>1,773,258</b> |
| Fixed asset & intangible expenditures    | 1,523  | 978                               | 53                   | 881                          | 632  | 118                          | 4,185            |
| <b>Liabilities</b>                       | <b>1,135,864</b>                               | <b>83,932</b>                     | <b>2,506</b>         | <b>161,467</b>               | <b>92,939</b>  | <b>2,680</b>                 | <b>1,479,388</b> |

\*The table below summarises impairment losses by asset type:

| Segments          | Health, life,<br>annuity, and<br>pension<br>\$ | Property<br>and<br>casualty<br>\$ | Real<br>estate<br>\$ | Barbados<br>operations<br>\$ | Cayman<br>and other<br>Caribbean<br>operations<br>\$ | Corporate<br>and other<br>\$ | Total<br>\$  |
|-------------------|--|-----------------------------------|----------------------|------------------------------|--|------------------------------|--------------|
| Mortgages         | 354  | -                                 | -                    | -                            | -  | -                            | 354          |
| Intangible assets | -  | -                                 | -                    | -                            | -  | 1,500                        | 1,500        |
| <b>TOTAL</b>      | <b>354</b>                                     | <b>-</b>                          | <b>-</b>             | <b>-</b>                     | <b>-</b>   | <b>1,500</b>                 | <b>1,854</b> |

# Notes to Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015 AND 2014 (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 2014 is as follows:

| Segments                                 | Health, life,<br>annuity, and<br>pension<br>\$ | Property<br>and<br>casualty<br>\$ | Real<br>estate<br>\$ | Barbados<br>operations<br>\$ | Cayman<br>and other<br>Caribbean<br>operations<br>\$ | Corporate<br>and other<br>\$ | Total<br>\$ |
|--|--|-----------------------------------|----------------------|------------------------------|--|------------------------------|-------------|
| Income earned from external customers    | 66,344   | 13,921                            | 1,552                | 21,051                       | 22,918   | 39                           | 125,825     |
| Investment income                        | 19,528   | 279                               | -                    | 2,235                        | 313  | (1,000)                      | 21,355      |
| Total income                             | 85,872   | 14,200                            | 1,552                | 23,286                       | 23,231   | (961)                        | 147,180     |
| Insurance contract benefits and expenses | 59,023   | 2,796                             | -                    | 11,038                       | 1,330  | -                            | 74,187      |
| Commission and acquisition expense       | 2,808  | 1,398                             | -                    | 2,270                        | 9,801  | -                            | 16,277      |
| Operating expenses                       | 13,275   | 5,725                             | 322                  | 7,771                        | 4,910  | (138)                        | 31,865      |
| Amortisation expense                     | 763  | 534                               | 405                  | 733                          | 259  | 1,204                        | 3,898       |
| Interest expense                         | -  | -                                 | 52                   | -                            | -  | 204                          | 256         |
| Income tax expense                       | -  | -                                 | -                    | 145                          | 264  | 246                          | 655         |
| Shareholders' net income                 | 7,367  | 4,156                             | 787                  | 649                          | 5,612  | (1,077)                      | 17,494      |
| Impairment losses recognised in income*  | 299  | -                                 | -                    | -                            | -  | 1,000                        | 1,299       |
| Assets                                   | 1,266,762                                      | 86,804                            | 24,282               | 212,536                      | 161,046  | 35,365                       | 1,786,795   |
| Fixed asset & intangible expenditures    | 1,533  | 857                               | 12                   | 327                          | 792  | 30                           | 3,551       |
| Liabilities                              | 1,162,675                                      | 71,366                            | 2,960                | 148,610                      | 101,254  | 13,635                       | 1,500,500   |

\*The table below summarises impairment losses by asset type:

| Segments  | Health, life,<br>annuity, and<br>pension<br>\$ | Property<br>and<br>casualty<br>\$ | Real<br>estate<br>\$ | Barbados<br>operations<br>\$ | Cayman<br>and other<br>Caribbean<br>operations<br>\$ | Corporate<br>and other<br>\$ | Total<br>\$ |
|-----------|--|-----------------------------------|----------------------|------------------------------|--|------------------------------|-------------|
| Mortgages | 299  | -                                 | -                    | -                            | -  | 1,000                        | 1,299       |
| TOTAL     | 299  | -                                 | -                    | -                            | -  | 1,000                        | 1,299       |

# Notes to Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015 AND 2014 (UNAUDITED)  
(IN THOUSANDS OF BERMUDA DOLLARS EXCEPT SHARE AND PER SHARE AMOUNTS)

## 4. DISPOSITION OF ASSETS AND LIABILITIES HELD FOR SALE

Effective 13 April 2015, the Group completed the disposition of a subsidiary which specialises in insurance to international high net worth individuals via a merger transaction with a third party. The disposition included the transfer of related operating assets and liabilities, systems and employees that supported this business. Total sale proceeds were \$7,314. The loss was computed as follows:

|                            |         |
|----------------------------|---------|
| Gross proceeds on disposal | \$7,314 |
| Less: equity at disposal   | 7,797   |
| Net (loss) on disposal     | \$(483) |

The components of the net assets included in the disposal consisted of the following:

|  |               |
|--|---------------|
| As at:                                 | 13 Apr 2015   |
|  | \$            |
| <b>ASSETS</b>                          |               |
| Cash and cash equivalents              | 14,386        |
| Investments                            | 77,488        |
| Insurance receivables and other assets | 700           |
| Reinsurance assets                     | (16,376)      |
| <b>TOTAL ASSETS</b>                    | <b>76,198</b> |
| <b>LIABILITIES</b>                     |               |
| Other liabilities                      | 865           |
| Insurance contract liabilities         | 67,536        |
| <b>TOTAL LIABILITIES</b>               | <b>68,401</b> |
| <b>EQUITY</b>                          |               |
| Share capital                          | 250           |
| Contributed surplus                    | 13,176        |
| Retained earnings                      | (5,629)       |
| <b>TOTAL EQUITY</b>                    | <b>7,797</b>  |
| <b>TOTAL LIABILITIES AND EQUITY</b>    | <b>76,198</b> |

# Notes to Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2015 AND 2014 (UNAUDITED)  
(IN THOUSANDS OF BERMUDA DOLLARS EXCEPT SHARE AND PER SHARE AMOUNTS)

The net assets and liabilities of the disposal group were comprised almost entirely of financial assets and liabilities that were not within the scope of the measurement requirements of IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations and are therefore measured according to other relevant standards. IFRS 5 does not address the situation which arises when the carrying amount of scoped-in non-current assets are less than the amount by which a disposal group's carrying amount exceeds its fair value less costs to sell. We concluded that it is appropriate to recognise the loss on disposition at the time the transaction was completed and the related assets and liabilities were derecognised.

This subsidiary was included within our health, life, annuity and pension (Bermuda) reporting segment. The operations and cash flows of this subsidiary can be clearly distinguished, operationally and for financial reporting purposes. However, while separate, it does not represent a major line of business for the group and as a result has not been separately disclosed as discontinued operations within the consolidated statement of income.

The composition of the assets and liabilities of the disposal group classified as held for sale included in the consolidated statement of financial position as at 31 December 2014 were as follows:

|  | 2014<br>\$    |
|--|---------------|
| <b>Assets</b>  |               |
| Cash and cash equivalents  | 6,123         |
| Investments  | 106,049       |
| Insurance receivables and other assets                                 | 799           |
| Reinsurance assets   | (15,328)      |
| Intangible assets  | 18            |
| <b>TOTAL Assets of disposal group classified as held for sale</b>      | <b>97,661</b> |
| <b>Liabilities</b>   |               |
| Other liabilities  | 952           |
| Insurance contract liabilities   | 73,200        |
| <b>TOTAL Liabilities of disposal group classified as held for sale</b> | <b>74,152</b> |

# Directors & Group Senior Management Team

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## Board of Directors

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Gavin R. Arton, Chairman  
L. Anthony Joaquin, FCA, Deputy Chairman  
Nancy L. Gosling, B.Comm., LL.D., C.G.A.  
Gregory D. Haycock, FCA, JP  
Stephen W. Kempe  
Catherine S. Lord, B.Sc., JP  
Garry A. Madeiros, OBE, FCA, JP  
Richard D. Spurling  
<sup>1</sup>Ann B. Teixeira, LLIF  
C.L.F. "Lee" Watchorn, FCIA, FSA  
R. John Wight, CPA, CA, CPCU

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<sup>1</sup>Retired April 2015

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## Group Senior Management Team

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|                    |   |
|--------------------|---|
| R. John Wight      | Group President and Chief Executive Officer                       |
| Michael White      | Group Chief Financial Officer                                     |
| Abigail Clifford   | Group Chief Human Resources Officer                               |
| Paul Matthews      | Group Chief Information Officer                                   |
| Ingrid Innes       | ICBL, Chief Executive Officer                                     |
| Marc Shirra        | Island Heritage, Chief Executive Officer                          |
| Glen Gibbons       | Senior Vice President, BF&M General                               |
| Patrick Neal       | Senior Vice President, BF&M Business Development                  |
| Bryan O'Neal       | Senior Vice President, BF&M,<br>Operations and Corporate Strategy |
| Goulbourne Alleyne | ICBL, Deputy Chief Executive Officer                              |

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## Directors & Officers Share Interests

The total shares held by Directors and Officers at 30 June 2015 were 407,466 (30 June 2014 - 394,521).

# Head Office

Insurance Building, 112 Pitts Bay Road, Pembroke HM 08, Bermuda  
P. O. Box HM 1007, Hamilton HM DX, Bermuda

Tel: 441-295-5566  
Fax: 441-292-8831  
www.bfm.bm

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## Subsidiary Companies

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BF&M General Insurance Company Limited  
BF&M Life Insurance Company Limited  
Insurance Corporation of Barbados Limited (51.3% ownership)  
Island Heritage Holdings Ltd.  
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

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