



2010 Highlights

For the 6 months ended 30th June 2010



	2010	2009	% Change
Gross Premiums Written	\$122,738,960	\$117,961,226	4.05%
Net Earnings	\$10,707,811	\$7,933,613	34.97%
Total Assets	\$774,172,627	\$725,433,070	6.72%
Shareholders' Equity	\$176,913,818	\$161,066,744	9.84%
Cash Dividends	\$3,345,456	\$3,333,330	0.36%
Net Earnings per Share	\$1.28	\$0.95	34.74%
Cash Dividends per Share	\$0.40	\$0.40	0.00%
Book Value per Share	\$21.26	\$19.32	10.04%
Return on Assets	2.77%	2.25%	23.11%
Return on Shareholders' Equity (annualized)	12.11%	8.74%	38.56%

We are pleased to present the unaudited financial statements for BF&M Limited for the half year to 30th June 2010. Consolidated net earnings for the first six months were \$10,707,811. Earnings for the comparable period in 2009 were \$7,933,613. These 2010 results represent a 12% return on equity for shareholders. At 30th June 2010 assets were \$774.2 million and shareholders equity \$176.9 million.

We were pleased that rating agency A.M. Best maintained their Financial Strength Rating "A" Excellent for BF&M's two principal operating companies BF&M Life Insurance Company Limited ("BF&M Life") and BF&M General Insurance Company Limited ("BF&M General"). A.M. Best's rating system is designed to provide an opinion of an insurer's financial strength and ability to meet ongoing obligations to policyholders. Their opinions are derived from an evaluation of a company's balance sheet strength, operating performance and business profile. A. M. Best's "A" Excellent rating rationale cited "the organization's consistently positive net income, steady premium growth, and strong capitalization". These "A" Excellent ratings for BF&M Life and BF&M General are the strongest of any local insurer in the Bermuda marketplace.

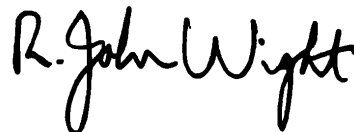
Operationally the insurance, investment advisory, and real estate operations performed according to plan with the exception of health insurance. As disclosed in our 31st December 2009 Annual Report, BF&M's profits in this large and important line of business have decreased each year since 2006. Profitability in this account is a function of raising premium rates annually in relation to medical inflation in Bermuda and overseas. The reality is that our premium increases annually have not been sufficient to cover the increase in health care costs, as our policyholder base during these tough economic times are unable to bear the appropriate rate increases. As a result, BF&M is unable to meet its reasonable profit objectives. At the 6 month point BF&M has lost approximately \$500,000 in its health insurance line of business. We are working closely with the Ministry of Health, Bermuda Health Council, and the Bermuda

Hospitals Board to work to adapt a healthcare model that offers the delivery of high quality care in a cost effective manner. These issues are complex and not unique to Bermuda. Recently the Bermuda Health Council published a Public Consultative Paper called "Enhancing the Regulatory Framework for Health Insurers". In conjunction with other local insurers and interested stakeholders we have reviewed this report with great interest and have responded on behalf of the Company and the policyholders who we serve. We will continue to report on further developments related to this paper when additional clarity is obtained on several key issues within this publication.

There have been a couple of management changes since we last reported to shareholders through our Annual Report. Miguel DaPonte was promoted to Vice President of BF&M Investment Services Limited (formerly named North Atlantic Asset Management Limited). In addition, Michael Rawlins was promoted to Assistant Vice President, Customers Relations for BF&M Life Insurance Company Limited. Both of these promotions were very well earned.

We are looking forward with great anticipation to our sponsorship and involvement in October's Breast Cancer Awareness month and in particular the fun walk to raise funds for this very meaningful cause. Every member of our BF&M family has at one time or another been affected by this disease either personally or through a loved one or friend. We have sponsored the walk for 11 years running and it gives our employees great satisfaction that through our efforts and those of the dedicated people at the Bermuda Cancer & Health Center, we can collectively make a difference.

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



R. John Wight, C.A., CPCU
President & Chief Executive Officer

Consolidated Balance Sheet

AS AT 30th JUNE 2010 (unaudited)



	30th June 2010	30th June 2009
	\$	\$
ASSETS		
Investments	276,729,254	251,393,519
Segregated accounts with a guaranteed return	255,731,360	238,624,951
Cash and short-term deposits	54,937,221	48,880,627
Insurance balances receivable	26,076,420	26,702,825
Deferred acquisition costs	1,923,162	1,863,267
Reinsurers share of:		
Claims provisions	17,547,186	17,658,197
Unearned premiums	21,584,742	22,097,914
Provision for par policy benefits	-	424,548
Accounts receivable and other	41,343,912	36,660,861
Property, plant, and equipment	54,288,842	55,492,746
Goodwill	2,628,848	2,628,848
Intangible assets	21,381,680	23,004,767
	774,172,627	725,433,070
LIABILITIES		
Provision for claims and adjustment expenses	68,905,709	67,398,573
Provision for future policy benefits	132,006,733	116,186,335
Provision for par policy benefits	115,092	-
Segregated accounts with a guaranteed return	255,731,360	238,624,951
Claims payable	3,383,650	1,820,351
Insurance balances payable	10,759,623	12,357,145
Unearned premiums	45,461,789	47,692,102
Deferred commission income	6,387,119	6,299,897
Accounts payable and other	29,043,833	28,500,290
Loans payable	4,689,528	5,266,645
Non-controlling interest	40,774,373	40,220,037
	597,258,809	564,366,326
SHAREHOLDERS EQUITY		
Share capital	8,368,093	8,337,135
Contributed surplus	1,455,501	1,376,835
Share premium	57,005,730	56,653,147
Accumulated other comprehensive income	(1,591,403)	(1,235,043)
Retained earnings	111,675,897	95,934,670
	176,913,818	161,066,744
	774,172,627	725,433,070

Consolidated Statement of Earnings

FOR THE 6 MONTHS ENDED 30th JUNE 2010 (*unaudited*)



	30th June 2010	30th June 2009
	\$	\$
INCOME		
Gross premiums written	122,738,960	117,961,226
Reinsurance ceded	(35,817,575)	(36,954,066)
Net premiums written	86,921,385	81,007,160
Net change in unearned premiums	(1,364,262)	(2,289,594)
Net premiums earned	85,557,123	78,717,566
Investment income	8,709,035	8,928,400
Change in fair value of investments	5,742,501	(7,263,281)
Commissions and other income	12,430,171	12,138,204
	112,438,830	92,520,889
EXPENSES		
Claims and adjustment expenses	12,940,636	9,290,182
Policy benefits	59,342,950	45,326,278
Paid or credited to policyholder accounts	215,108	199,993
Commission expense	4,562,480	3,783,599
Operating	21,074,715	20,144,082
Amortization	1,878,238	1,885,571
Interest on loans	91,524	101,894
Income tax	322,052	1,408,614
Non-controlling interests	1,124,363	2,714,914
	101,552,066	84,855,127
EARNINGS	10,886,764	7,665,762
Participating policyholders' net (income) loss	(178,953)	267,851
NET EARNINGS	10,707,811	7,933,613
Earnings Per Share:		
Basic	\$1.28	\$0.95
Fully diluted	\$1.28	\$0.95

Consolidated Statement of Comprehensive Income

FOR THE 6 MONTHS ENDED 30th JUNE 2010 (*unaudited*)

Net Income	10,707,811	7,933,613
Other comprehensive loss		
Change in unrealized loss on assets held as available for sale	(254,619)	(222,438)
Comprehensive income	10,453,192	7,711,175

Consolidated Statement of Shareholders' Equity

FOR THE 6 MONTHS ENDED 30th JUNE 2010 (*unaudited*)



	30th June 2010	30th June 2009
	\$	\$
Share Capital		
Balance - Beginning of Year	8,339,970	8,327,193
Shares issued under employee share purchase plan	10,119	9,942
Stock options exercised under equity incentive plan	-	-
Stock grants issued under equity incentive plan	18,004	-
Shares issued under stock dividend	-	-
Balance - End of period	8,368,093	8,337,135
Contributed Surplus		
Balance - Beginning of Year	1,409,705	1,299,466
Stock options granted under equity incentive plan	45,796	77,369
Balance - End of period	1,455,501	1,376,835
Share Premium		
Balance - Beginning of Year	56,693,299	56,535,475
Shares issued under employee share purchase plan	312,431	117,672
Stock options exercised under equity incentive plan	-	-
Stock grants issued under equity incentive plan	-	-
Shares issued under stock dividend	-	-
Balance - End of period	57,005,730	56,653,147
Accumulated Other Comprehensive Income		
Balance - Beginning of Year	(1,336,784)	(1,012,605)
Other comprehensive income	(254,619)	(222,438)
Balance - End of period	(1,591,403)	(1,235,043)
Retained Earnings		
Balance - Beginning of Year	104,313,542	91,334,387
Net earnings for the year to date	10,707,811	7,933,613
Cash dividends	(3,345,456)	(3,333,330)
Balance - End of period	111,675,897	95,934,670
Total Shareholders' Equity	176,913,818	161,066,744

Consolidated Statement of Cash Flows

FOR THE 6 MONTHS ENDED 30th JUNE 2010 (*unaudited*)



	30th June 2010	30th June 2009
	\$	\$
Cash flows from operating activities:		
Net earnings for the period	10,707,811	7,933,613
Add (deduct) items not affecting cash:		
Amortization of property, plant and equipment	1,276,769	1,262,280
Amortization of intangible assets	601,469	623,291
Gain on sale of property, plant and equipment	(291)	(677)
Compensation expense related to shares and options	444,111	252,316
Unrealized (gain) loss on held-for-trading assets	(5,742,500)	7,260,334
Non-controlling interests	1,124,363	2,714,914
Changes in assets and liabilities		
Insurance balances receivable	(8,901,380)	(7,424,934)
Deferred acquisition costs	(132,376)	(425,832)
Reinsurers' share of:		
Claims provisions	588,242	236,528
Unearned premiums	(4,069,457)	(4,458,943)
Accounts receivable and other	(3,906,603)	(146,929)
Provision for claims and adjustment expenses	2,124,403	(609,766)
Provision for future policy benefits	11,187,403	521,186
Provision for participating policy benefits	178,953	(267,851)
Claims payable	708,172	(898,070)
Insurance balances payable	4,122,423	5,762,578
Unearned premiums	5,433,719	6,748,539
Deferred commission income	1,065,447	1,034,598
Accounts payable and other	(2,980,185)	(2,299,483)
Income taxes payable	(1,135,062)	(24,151)
Net cash provided by operating activities	12,695,431	17,793,541
Cash flows from investing activities:		
Purchase of investments	(83,722,730)	(67,232,376)
Proceeds from sales of investments	76,491,240	57,311,188
Proceeds from sale of property, plant and equipment	469	-
Acquisition of property, plant and equipment	(311,108)	(565,748)
Acquisition of intangible assets	(3,815,043)	(1,591,699)
Net cash used in investing activities	(11,357,172)	(12,078,635)
Cash flows from financing activities:		
Cash dividends paid	(3,339,882)	(3,331,325)
Loans repaid	(313,233)	(266,917)
Cash dividends paid to non-controlling interests	(1,039,214)	(1,395,965)
Proceeds on issue of common shares	38,590	57,347
Net cash used in financing activities	(4,653,739)	(4,936,860)
Increase (decrease) in cash and short-term deposits	(3,315,480)	778,046
Cash and short-term deposits - beginning of period	58,252,701	48,102,581
Cash and short-term deposits - end of period	54,937,221	48,880,627

Notes to Consolidated Financial Statements

FOR THE 6 MONTHS ENDED 30th JUNE 2010 (*unaudited*)



1 Significant Accounting Policies

These interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Bermuda and Canada. These unaudited interim consolidated financial statements should be read in conjunction with the 31st December 2009 audited annual consolidated financial statements.

2 Convergence with International Financial Reporting Standards

In February 2008, the CICA announced that Canadian generally accepted accounting principles for publicly accountable enterprises will be replaced by International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after 1st January 2011. The Company will be required to report using IFRS for its interim and annual financial statements beginning 1st January 2011 and will be required to prepare an opening balance sheet and provide information that conforms to IFRS for comparative periods presented.

The Company has developed an IFRS changeover plan which addresses key areas such as accounting policies, financial reporting, disclosure controls and procedures, information systems, education and training, and other business activities.

The Company's changeover plan is on schedule, and while the Company is not in a position to determine the impact on our financial statements, we continue to monitor and assess the impact of adopting IFRS.

3. Segmented Information

The tables that follow present the segments of the business based on internal management reporting. The operating segments are as follows:

a) Health, Life, Annuity and Pension

Insurance coverage includes group and individual health and accident, life, disability, annuity and pension business.

b) Property and Casualty

Insurance coverage includes personal and commercial fire, windstorm, burglary, public liability, marine, special types, personal automobile, personal motorcycle, workmen's compensation and commercial vehicles.

c) Real Estate

The Company currently owns and occupies one building and is a majority owner in two buildings that are leased principally to non-related parties.

d) Barbados Operations

Insurance coverage includes motor, property, marine, miscellaneous accident, group health, group life, and pension business.

Notes to Consolidated Financial Statements

FOR THE 6 MONTHS ENDED 30th JUNE 2010 (*unaudited*)



e) Industry Segments

	Health, life, annuity and pension	Property and casualty	Real estate	Barbados operations	Corporate and other	Total
	2010	2010	2010	2010	2010	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Income earned from external customers	73,618	15,947	1,018	21,055	801	112,439
Intersegment income	251	102	780	-	1,600	2,733
Segment amortization	641	91	381	712	53	1,878
Segment interest expense	-	-	92	-	-	92
Segment income tax expense	-	-	-	293	29	322
Segment earnings	3,204	6,700	601	520	(317)	10,708
Segment assets	473,045	121,710	29,005	194,610	33,279	851,649
Segment property, plant and equipment expenditures	1,917	1,853	75	286	-	4,131

	Health, life, annuity and pension	Property and casualty	Real estate	Barbados operations	Corporate and other	Total
	2009	2009	2009	2009	2009	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Income earned from external customers	55,201	15,512	1,727	19,456	625	92,521
Intersegment income	285	140	657	-	1,298	2,380
Segment amortization	664	113	366	685	58	1,886
Segment interest expense	-	-	102	-	-	102
Segment income tax expense	-	-	-	1,367	41	1,408
Segment earnings	(574)	5,310	311	2,422	465	7,934
Segment assets	417,375	110,332	29,845	203,963	18,563	780,078
Segment property, plant and equipment expenditures	807	756	28	541	25	2,157

Figures included in the "corporate and other" column above represent the combined operations of two holding companies, a management company, a financial reinsurance company, and an investment management company.

Notes to Consolidated Financial Statements

FOR THE 6 MONTHS ENDED 30th JUNE 2010 (*unaudited*)



Reconciliation of segment income to total income, segment earnings to total earnings, and segment assets to total assets are listed below:

	30th June 2010	30th June 2009
	\$'000	\$'000
Income		
Total income for reportable segments	112,771	92,978
Other income	2,401	1,923
Elimination of intersegment income	(2,733)	(2,380)
Total company income	112,439	92,521
Earnings		
Total earnings for reportable segments	11,025	7,469
Other profit/(loss)	(317)	465
Total company earnings	10,708	7,934
Assets		
Total assets for reportable segments	818,370	761,515
Other assets	33,279	18,563
Elimination of intersegment assets	(77,476)	(54,645)
Total company assets	774,173	725,433

4. Comparative Figures

Certain of the comparative figures have been restated to reflect the financial statement presentation adopted for the current period.

Board of Directors

Gavin R. Arton

Chairman

L. Anthony Joaquin, FCA

Deputy Chairman

Peter N. Cooper

Nancy L. Gosling, B.Com., C.G.A.

Gregory D. Haycock, FCA, JP

Stephen W. Kempe

Catherine S. Lord, B.Sc., JP

Garry A. Madeiros FCA, JP

R. Blake Marshall, B.B.A., M.Sc., C.A.

S. Caesar "Sy" Raboy, CLU

Richard D. Spurling

C.L.F. "Lee" Watchorn, FCIA, FSA

David A. J. G. White

R. John Wight, C.A., CPCU

Group Executive

R. John Wight, C.A., CPCU

President & Chief Executive Officer

Susan Reed, B.A., CLU, FLMI

Chief Operating Officer

Janet Carew, C.A.

Chief Financial Officer

Glen P. Gibbons, B.A., A.C.I.I.,

Chartered Insurer

Senior Vice President

BF&M General Insurance Company Limited

Lynne A. Woolridge, BSc, FLMI, FALU, HIA

Senior Vice President

BF&M Life Insurance Company Limited

Goulbourne Alleyne, FCII, Are, MBA, ACIS, CAMS, CFE, FLMI, ACS

Vice President, Underwriting & Claims

BF&M General Insurance Company Limited

Gina A. Bradshaw, F.L.M.I.

Vice President, Corporate Strategy

Miguel DaPonte, C.F.A., M.B.A.

Vice President

BF&M Investment Services Limited

Lynda A. Davidson Leader, B.A, C.A.

Vice President, Corporate Services

Holly Flook, RN, BSN

Vice President, Underwriting & Claims

BF&M Life Insurance Company Limited

Debbly L. Graham, P.H.R.

Vice President, Human Resources

Michael Lima

Vice President and General Manager

Bermuda International Insurance Services Limited

Paul Matthews, B.A., PMP

Vice President

Information Technology

Patrick Neal, BA, AU, CPCU

Vice President, Bancassurance

Alyson L. Nicol, C.A., C.P.A.

Vice President, Pensions

BF&M Life Insurance Company Limited

Henry Sutton, CPCU, ARE

Vice President, Customer Relations

BF&M General Insurance Company Limited

DIRECTORS & OFFICERS SHARE INTERESTS

The total shares held by Directors and Officers at 30th June 2010 were 255,729.

SHARE OPTION PLAN

As at 30th June 2010 the total number of share options which can be exercised up to 31st December 2017 were 171,624, at exercise prices ranging from \$6.76 to \$22.00.



Incorporated 1991

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Subsidiary Companies

BF&M General Insurance Company Limited
BF&M Life Insurance Company Limited
BF&M (Canada) Limited
BF&M Properties Limited
Bermuda International Reinsurance Services Limited
Bermuda International Insurance Services Limited
Marchmont Insurance Company Limited
BF&M Investment Services Limited
Hamilton Reinsurance Company Limited
Insurance Corporation of Barbados Limited (51.6% ownership)
Scarborough Property Holdings Limited (60% ownership)
Barr's Bay Properties Limited (60% ownership)
Hamilton Financial Limited

All subsidiaries should be contacted through our Head Office address.