

Our people. Our strength.



2020 Highlights

For the six months ended 30 June 2020 and 2019

	30 June 2020	Restated* 30 June 2019	% change
Gross premiums written (in \$000's)	\$149,201	\$166,014	(10.1)%
Shareholders' net income (in \$000's)	\$10,366	\$11,368	(8.8)%
Cash dividends (in \$000's)	\$4,264	\$4,058	5.1%
Net earnings per share	\$1.17	\$1.29	(9.3)%
Cash dividends per share	\$0.48	\$0.46	4.3%
Annualised return on general fund assets	1.4%	1.3%	7.7%
Annualised return on shareholders' equity	7.2%	8.0%	(10.0)%

* See Note 3 to the Consolidated Financial Statements

Report to Shareholders

I am pleased to present the unaudited consolidated financial statements for BF&M Limited ("BF&M" or "BF&M Group") for the half year ending 30 June 2020. Consolidated shareholders' net income for the six months was \$10.4 million. Shareholders' net income for the comparable period in 2019 was \$11.4 million. The 2020 results represent an annualised return on shareholders' equity of 7.2%. At 30 June 2020, equity attributable to shareholders was \$287.1 million and general fund assets totaled \$1.5 billion.

BF&M's financial strength ratings by AM Best

Bermuda

BF&M General Insurance Company Limited

A (Excellent)

BF&M Life Insurance Company Limited

A (Excellent)

Cayman

Island Heritage Insurance Company Ltd.

A (Excellent)

The first six months of 2020 have been like no other in the history of the BF&M Group. Within that period, we have witnessed the immeasurable fallout from a global pandemic on the health and lives of so many, and on the global economy as a whole. Our thoughts are with all those who continue to be affected in the wake of Covid-19.

Throughout the turbulence, we focused on dialogue with our clients and optimising the operation of our business, and we were able to report strong operating results for the first half of 2020. Both our Property & Casualty operations and our Life & Health businesses performed well.

With shelter-in-place and economic crisis impacting so many, we worked hard to support the continued provision of insurance coverage. In our Health operation, we deferred certain employers' policy renewal dates, extended the age limit of children on parents' medical insurance plans, and facilitated necessary overseas care.

Our top priority throughout this period has been the safety of our staff and employees. In response to the news of the virus, the organisation swiftly and successfully transitioned to a remote-working model—the first in our industry in Bermuda to do so. When it was deemed safe enough, we reopened with a

skeleton staff to serve those customers relying on walk-in service, always following stringent health and safety protocols.

In addition to the pandemic, we responded to major legislative changes in two of our jurisdictions allowing for eligible members to withdraw Pension funds in light of Covid-19 hardship. Once again, our reaction was swift and we accelerated enhancements to processes and systems as a result.

In recognition of the hardships experienced by so many at this time, we were pleased to confirm our commitment to those charities who have come to depend on BF&M over the years, at a time when fundraising was more challenged than ever.

In closing, I would like to take this opportunity to say "thank you" to all the employees of the BF&M group of companies. Each and every one of them has persevered through great upheaval to go above and beyond for our customers. I deeply appreciate their invaluable contributions through a severely challenging time.



R. John Wight, FCPA, FCA, CPCU
Group Chairman and
Chief Executive Officer

Consolidated Statement of Financial Position

As at 30 June 2020 (unaudited) and 31 December 2019 (audited)
(in thousands of Bermuda dollars)

	30 Jun 2020 \$	31 Dec 2019 \$
Assets		
Cash and cash equivalents	119,202	143,333
Regulatory assets	23,904	23,258
Investments	651,253	630,147
Insurance receivables and other assets	137,456	120,992
Deferred acquisition costs	11,119	11,614
Reinsurance assets	254,871	514,101
Investment properties	20,560	20,097
Property and equipment	16,250	16,039
Tax recoverable	1,174	1,212
Deferred tax asset	762	746
Intangible assets	40,082	42,590
Assets held for sale	185,603	175,375
Total general fund assets	1,462,236	1,699,504
Segregated funds assets	1,016,858	1,028,050
Total assets	2,479,094	2,727,554
Liabilities		
Other liabilities	167,960	182,465
Retirement benefit obligations	1,570	1,441
Investment contract liabilities	313,638	299,608
Insurance contract liabilities	516,761	769,756
Liabilities held for sale	136,430	126,531
Total general fund liabilities	1,136,359	1,379,801
Segregated funds liabilities	1,016,858	1,028,050
Total liabilities	2,153,217	2,407,851
Equity		
Share capital	9,027	8,923
Treasury shares	(1,664)	(1,168)
Contributed surplus	1,482	1,482
Share premium	64,533	63,589
Accumulated other comprehensive loss	(6,012)	(5,509)
Retained earnings	219,686	213,584
Total shareholders' equity	287,052	280,901
Non-controlling interests	38,825	38,802
Total equity	325,877	319,703
Total liabilities and equity	2,479,094	2,727,554

Consolidated Statement of Income

For the six months ended 30 June 2020 and 2019 (unaudited)
(in thousands of Bermuda dollars except per share amounts)

	30 Jun 2020 \$	Restated* 30 Jun 2019 \$
Income		
Gross premiums written	149,201	166,014
Reinsurance ceded	(93,837)	(93,038)
Net premiums written	55,364	72,976
Net change in unearned premiums	14,377	8,302
Net premiums earned	69,741	81,278
Investment income	23,156	35,043
Commission and other income	21,373	21,731
Rental income	1,362	1,462
Total income	115,632	139,514
Expenses		
Insurance contract benefits and expenses		
Life and health policy benefits	50,536	69,371
Short term claim and adjustment expenses	4,214	6,552
Investment contract benefits	4,726	7,026
Participating policyholders' net income	391	83
Commission and acquisition expense	13,651	14,769
Operating expenses	26,331	23,911
Amortisation expense	5,032	5,262
Interest expense	34	64
Total benefits and expenses	104,915	127,038
Income before income taxes	10,717	12,476
Income taxes	(217)	(137)
Income from continuing operations	10,500	12,339
Income / (loss) from discontinued operations	162	(965)
Net income for the period	10,662	11,374
Net income attributable to:		
Shareholders	10,366	11,368
Non-controlling interests in subsidiaries	296	6
Net income for the period	10,662	11,374
Net income from continuing operations attributable to:		
Shareholders – from continuing operations	10,102	11,878
Non-controlling interests in subsidiaries – from continuing operations	398	461
Net income from continuing operations for the period	10,500	12,339
Net income / (loss) from discontinued operations attributable to:		
Shareholders – from discontinued operations	264	(510)
Non-controlling interests in subsidiaries – from discontinued operations	(102)	(455)
Net income / (loss) from discontinued operations for the period	162	(965)
Earnings per share:		
Basic and fully diluted	\$1.17	\$1.29
Basic and fully diluted – from continuing operations	\$1.14	\$1.35
Basic and fully diluted – from discontinued operations	\$0.03	-\$0.06

*See Note 3 to the Consolidated Financial Statements

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2020 and 2019 (unaudited)
(in thousands of Bermuda dollars)

	30 Jun 2020 \$	Restated* 30 Jun 2019 \$
Net income for the period	10,662	11,374
Other comprehensive income / (loss)		
Items that may be subsequently reclassified to the income statement		
Investments classified as available for sale		
Fair value (losses) / gains from discontinued operations	(559)	94
Currency translation differences	(217)	165
Total other comprehensive (loss) / income after income taxes	(776)	259
Other comprehensive (loss) / income attributable to:		
Shareholders	(503)	213
Non-controlling interests in subsidiaries	(273)	46
Total other comprehensive (loss) / income after income taxes	(776)	259
Other comprehensive (loss) / income from continuing operations attributable to:		
Shareholders	(217)	165
Non-controlling interests in subsidiaries	-	-
Total other comprehensive (loss) / income from continuing operations after income taxes	(217)	165
Other comprehensive (loss) / income from discontinued operations attributable to:		
Shareholders	(286)	48
Non-controlling interests in subsidiaries	(273)	46
Total other comprehensive (loss) / income from discontinued operations after income taxes	(559)	94
Comprehensive income	9,886	11,633
Comprehensive income attributable to:		
Shareholders	9,863	11,581
Non-controlling interests in subsidiaries	23	52
Comprehensive income	9,886	11,633
Comprehensive income from continuing operations attributable to:		
Shareholders	10,431	12,043
Non-controlling interests in subsidiaries	(148)	461
Comprehensive income	10,283	12,504
Comprehensive (loss) / income from discontinued operations attributable to:		
Shareholders	(568)	(462)
Non-controlling interests in subsidiaries	171	(409)
Comprehensive (loss)	(397)	(871)

*See Note 3 to the Consolidated Financial Statements

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020 and 2019 (unaudited)
(in thousands of Bermuda dollars)

	30 Jun 2020 \$	30 Jun 2019 \$
Share capital		
Balance – beginning of year	8,923	8,827
Shares issued under employee share purchase plan	8	26
Shares issued under equity incentive plan	10	13
Share grants issued under equity incentive plan	86	79
Share grants forfeited under equity incentive plan	-	(16)
Balance – end of period	9,027	8,929
Treasury shares		
Balance – beginning of year	(1,168)	(325)
Acquisition of shares	(496)	(673)
Balance – end of period	(1,664)	(998)
Contributed surplus – beginning and end of period	1,482	1,482
Share premium		
Balance – beginning of year	63,589	62,167
Shares issued under employee share purchase plan	152	374
Shares issued under equity incentive plan	180	197
Share grants issued under equity incentive plan	1,485	1,185
Share grants forfeited under equity incentive plan	(22)	2
Deferred share grant	(851)	(685)
Balance – end of period	64,533	63,240
Accumulated other comprehensive loss		
Balance – beginning of year	(5,509)	(5,468)
Other comprehensive income for the period – from continuing operations	(217)	165
Other comprehensive income for the period – from discontinued operations	(286)	48
Balance – end of period	(6,012)	(5,255)
Retained earnings		
Balance – beginning of year	213,584	209,984
Net income for the period – from continuing operations	10,102	11,878
Net income / (loss) for the period – from discontinued operations	264	(510)
Cash dividends	(4,264)	(4,058)
Balance – end of period	219,686	217,294
Total equity attributable to shareholders of the company	287,052	284,692
Attributable to non-controlling interests		
Balance – beginning of year	38,802	38,676
Net income for the period – from continuing operations	398	461
Net loss for the period – from discontinued operations	(102)	(455)
Other comprehensive (loss) / income for the period – from discontinued operations	(273)	46
Cash dividends	-	(576)
Balance – end of period	38,825	38,152
Total equity	325,877	322,844

Consolidated Statement of Cash Flows

For the six months ended 30 June 2020 and 2019 (unaudited)
(in thousands of Bermuda dollars)

	30 Jun 2020 \$	30 Jun 2019 \$
Cash flows from operating activities		
Income from continuing operations before income taxes	10,717	12,476
Income / (loss) from discontinued operations before income taxes	162	(965)
<i>Adjustments for:</i>		
Investment income	(9,449)	(11,755)
Net realised gain on investments	(5,261)	(181)
Change in fair value of investments	(11,987)	(25,367)
Impairment of investments	1,341	-
Amortisation of property and equipment	667	1,136
Amortisation of investment properties	359	510
Amortisation of intangible assets	3,999	4,157
Gain on sale of intangibles & property and equipment	-	(55)
Interest on lease liabilities	34	64
Compensation expense related to shares and options	918	552
Changes in assets and liabilities:		
Restricted cash	-	6,656
Fixed and regulatory assets	(646)	(2,955)
Insurance receivables and other assets	(15,438)	(25,998)
Deferred acquisition costs	495	(749)
Reinsurance assets	259,230	10,514
Insurance contract liabilities	(252,995)	(36)
Investment contract liabilities	14,030	12,295
Other liabilities	(14,505)	36,937
Retirement benefit obligations	129	(154)
Cash (used for) generated from operations	(18,200)	17,082
Income taxes paid	(195)	(418)
Interest received	8,404	10,342
Dividends received	364	818
Net cash (used for) generated from operating activities	(9,627)	27,824
Cash flows from investing activities		
Purchase of investments	(90,715)	(117,236)
Proceeds from sales of investments	85,171	82,473
(Additions) / Disposals of property and equipment	(820)	(3,764)
(Additions) / Disposals to investment properties	(822)	(797)
(Additions) / Disposals of intangible assets	(1,491)	(1,182)
Changes in net assets and liabilities held for sale	(946)	-
Net cash (used for) investing activities	(9,623)	(40,506)
Cash flows from financing activities		
Cash dividends paid	(4,264)	(4,058)
Interest paid	(34)	(64)
Acquisition of treasury shares	(496)	(673)
Cash dividends paid to non-controlling interest	-	(576)
Cash proceeds on issue of common shares	130	623
Net cash (used for) financing activities	(4,664)	(4,748)
Effect from changes in exchange rates	(217)	158
(Decrease) in cash and cash equivalents	(24,131)	(17,272)
Cash and cash equivalents – beginning of year	143,333	160,712
Cash and cash equivalents – end of period	119,202	143,440

Notes to Consolidated Financial Statements

For the six months ended 30 June 2020 and 2019 (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 2019 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 2019 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.

Impact of COVID-19 on critical estimates, judgments and assumptions

In the first quarter of 2020, the outbreak of a virus known as COVID-19 and the ensuing global pandemic resulted in significant global economic disruption and could have significant longer term consequences on the global economy and may impact the operations and strategic plans of the Group. While the duration and impact of the COVID-19 and impact of the COVID-19 pandemic continues to be unknown at this time, the Group believes that its capital adequacy has sufficient margin to absorb the possible financial impacts of COVID-19.

The results of the Group reflect management's judgments regarding the impact of prevailing market conditions. Given the uncertainty surrounding the current environment, the actual financial results could differ from the estimates made in preparation of these consolidated financial statements.

2. New and revised accounting standards

A. New and revised accounting standards adopted in 2020

The Group has applied the following standards, interpretations and amendments for the first time for its annual reporting period commencing 1 January 2020:

- *The Conceptual Framework for Financial Reporting and Amendments to the Conceptual Framework*
- Amendments to IFRS 3 – *Business Combinations*, IAS 1 – *Presentation of Financial Statements*, and IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors*

In March 2020, the IASB decided to defer the effective date of IFRS 17 – *Insurance Contracts* to 1 January 2023 along with the extension of the temporary exemption from applying IFRS 9 – *Financial Instruments* as provided for in the existing financial standard, IFRS 4 – *Insurance Contracts*.

3. Discontinued operations

In October 2019, Group management committed to a plan to dispose of its Barbados operation and its holding company Hamilton Financial Limited ("ICBL/Ham Fin") following a strategic

Notes to Consolidated Financial Statements

For the six months ended 30 June 2020 and 2019 (unaudited)
(in thousands of Bermuda dollars except share and per share amounts)

decision to place greater focus on the Group's core territories. An initial non-binding term sheet of the sale was signed in November 2019. Subsequent to year-end, a binding sales agreement was executed, refer to Note 5.

The Barbados operation was classified as a discontinued operation as at 31 December 2019 but did not meet the classification requirements as at 30 June 2019. Thus, the comparative consolidated statement of income and OCI has been represented to show the discontinued operation separately from continuing operations.

4. 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.

4.1. Health, life, annuity and pension

This operating segment includes group and individual health and accident, life, disability, annuity and pension products offered in Bermuda, Bahamas and Cayman.

4.2. 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.

4.3. 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.

4.4. Barbados operations

This operating segment is identified by its geographical location. Insurance coverage includes motor, property, marine, miscellaneous accident, group and individual health, group and individual life, and pension business. This operating segment is now classified as held for sale and discontinued operations, refer to Note 3.

4.5. Cayman Islands and other Caribbean operations

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

4.6. 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 net assets, 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 2020 and 2019 (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 2020 is as follows:

	Health, life, annuity, and pension 2020 \$	Property and casualty 2020 \$	Real estate 2020 \$	Barbados operations 2020 \$	Cayman & Other Caribbean operations 2020 \$	Corporate and other 2020 \$	Total 2020 \$
Segments							
Income earned from external customers	56,721	12,635	1,349	-	21,798	(27)	92,476
Investment income (loss)	24,689	(1,608)	-	-	202	(127)	23,156
Total income	81,410	11,027	1,349	-	22,000	(154)	115,632
Insurance contract benefits and expenses	50,536	2,140	-	-	2,074	-	54,750
Commission and acquisition expense	524	1,582	-	-	11,545	-	13,651
Operating expenses	11,452	7,659	434	-	5,596	1,190	26,331
Amortisation expense	1,538	2,356	449	-	165	524	5,032
Interest on lease liabilities	2	(87)	-	-	(2)	121	34
Income tax expense	-	-	-	-	53	164	217
Income from discontinued operations	-	-	-	162	-	-	162
Non-controlling interest	-	-	398	(102)	-	-	296
Shareholders' net income	10,540	(1,236)	558	264	803	(563)	10,366
Impairment losses recognised in income	1,341	-	-	-	-	-	1,341
Assets and liabilities disclosures							
Total assets	1,684,523	160,251	31,911	185,591	390,749	26,069	2,479,094
Fixed asset & intangible expenditures	2,087	903	21	-	(182)	(518)	2,311
Total liabilities	1,586,025	75,924	1,166	136,427	337,905	15,770	2,153,217

Notes to Consolidated Financial Statements

For the six months ended 30 June 2020 and 2019 (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 2019 is as follows:

	Health, life, annuity, and pension 2019 \$	Property and casualty 2019 \$	Real estate 2019 \$	Barbados operations 2019 \$	Cayman & Other Caribbean operations 2019 \$	Corporate and other 2019 \$	Total 2019 \$
Segments							
Income earned from external customers	68,141	14,568	1,448	-	20,355	(41)	104,471
Investment income (loss)	32,639	1,791	-	-	2,611	(1,998)	35,043
Total income	100,780	16,359	1,448	-	22,966	(2,039)	139,514
Insurance contract benefits and expenses	69,371	3,763	-	-	2,789	-	75,923
Commission and acquisition expense	1,380	2,257	-	-	11,132	-	14,769
Operating expenses	9,986	6,127	54	-	4,235	3,509	23,911
Amortisation expense	1,447	2,595	465	-	281	474	5,262
Interest on lease liabilities	-	-	-	-	-	64	64
Income tax expense	-	-	-	-	94	43	137
Loss from discontinued operations	-	-	-	(965)	-	-	(965)
Non-controlling interest	-	-	461	(455)	-	-	6
Shareholders' net income	8,262	2,351	715	(510)	2,294	(1,744)	11,368
Impairment losses recognised in income	-	-	-	-	-	-	-
Assets and liabilities disclosures							
Total assets	1,578,924	146,347	29,881	197,480	228,863	15,661	2,197,156
Fixed asset & intangible expenditures	355	3,230	1,382	1,946	382	(2,220)	5,075
Total liabilities	1,472,496	71,909	784	143,551	176,651	8,921	1,874,312

5. Subsequent event

In September 2020, the Group executed the agreement to sell its Barbados operation and its holding company Hamilton Financial Limited upon receipt of regulatory approvals and fulfillment of closing conditions.

Board of Directors

R. John Wight, FCPA, FCA, CPCU, Group Chairman and Chief Executive Officer
L. Anthony Joaquin, FCA, J.P., Deputy Chairman
Nancy L. Gosling, B.Comm., LL.D., C.G.A.
Christopher Harris, FCAS, CFA, CPCU
Gordon J. Henderson, B.A. (Hons.), LL.B.
Andrew Lo, BASc, P.Eng
Paul C. J. Markey
Conor O'Dea, FCA
Jennifer Reynolds, MBA, ICD.D

Group Executive Committee

R. John Wight, FCPA, FCA, CPCU, Group Chairman and Chief Executive Officer
Abigail Clifford, B.A., M.Sc., Group Chief Operating Officer
Lily Chen, CPA, CA, Group Chief Financial Officer
Stephanie Hanson, LL.B (Hons), Group General Counsel and Group Compliance Officer

Directors and Officers Share Interests

The total shares held by Directors and Officers at 30 June 2020 were 241,093 (30 June 2019 - 284,517).

Head Office

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Subsidiary Companies

BF&M General Insurance Company Limited
BF&M Life Insurance Company Limited
Island Heritage Insurance Company Limited
Island Heritage Retirement Trust Company Limited
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)
BF&M Brokers Limited
Island Heritage Insurance Company N.V.
Lawrence Boulevard Holdings Ltd.



BF&M Life | BF&M General



Island Heritage



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