

Consolidated Statement of Changes in Shareholders' Equity (Unaudited)
For the nine months ended September 30, 2011
(Expressed in BSD)

	SHARE CAPITAL					
	PREFERENCE SHARES	ORDINARY SHARES	SHARE PREMIUM	REVALUATION RESERVE	RETAINED EARNINGS	TOTAL
	\$	\$	\$	\$	\$	\$
Balance as of December 31, 2009	10,000,000	2,000,000	10,801,080	9,790,713	26,145,063	58,716,856
Net income for 2009	–	–	–	–	5,163,619	5,163,619
Adjustment to fair value of investment in equities	–	–	–	(138,974)	–	(138,974)
Dividends declared and paid –						
preference shares	–	–	–	–	(700,000)	(700,000)
ordinary shares (\$0.24 per share)	–	–	–	–	(2,400,000)	(2,400,000)
Balance as of December 31, 2010	10,000,000	2,000,000	10,801,080	9,651,739	28,208,682	60,661,501
Net income for the period	–	–	–	–	3,057,334	3,057,334
Adjustment to fair value of investment in equities	–	–	–	(286,519)	–	(286,519)
Dividends declared and paid –						
preference shares	–	–	–	–	(350,000)	(350,000)
ordinary shares (\$0.18 per share)	–	–	–	–	(1,800,000)	(1,800,000)
Balance as of September 30, 2011	10,000,000	2,000,000	10,801,080	9,365,220	29,116,016	61,282,317

See accompanying notes to unaudited consolidated financial statements.

Notes to the Unaudited Interim Financial Statements
As at September 30, 2011

1. Accounting Policies

These interim consolidated financial statements have been prepared in accordance with International Accounting Standards 34: Interim Financial Reporting. The accounting policies used in the preparation of the interim consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended December 31, 2010.

These unaudited consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Family Guardian Insurance Company, FG Insurance Agents & Brokers Limited, FG Financial Limited, FG Capital Markets Limited and BahamaHealth Insurance Brokers and Benefit Consultants Limited.

2. Earnings Per Share

	9 MONTHS TO SEPT 30, 2011	9 MONTHS TO SEPT 30, 2010
Weighted average number of shares outstanding	10,000,000	10,000,000
Consolidated net income	\$ 3,057,334	\$ 1,655,109
Earnings per share	\$ 0.31	\$ 0.17

3. Commitments

Outstanding commitments to extend credit under the mortgage loan agreements amounted to approximately \$ 1,627,703 as at September 30, 2011 (December 31, 2010: \$1,552,570).

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visit our website at www.famguardbahamas.com



Incorporated under the laws of the Commonwealth of The Bahamas



Unaudited
results for
the nine
months ended
SEPTEMBER 30, 2011

INTERIM REPORT

Message From The Chairman

INTERIM REPORT — NINE MONTHS ENDING SEPTEMBER 30, 2011

Dear Shareholders:

At the end of the third quarter we recorded net income of \$3.06 million which represents an increase of 85% over the same period last year. Earnings per share increased to \$0.31 from \$0.17 recorded at the end of September 2010.

The net income of \$3.06 million is noteworthy taking into account the impact of the reduction in the Bahamian prime rate in June 2011. The effect of this rate reduction on our Company's results was minimized based on the structure inherent in the core insurance and investment products. As a result of this rate reduction we recorded a one-time reserve increase which reduced profits by \$942 thousand.

In spite of the challenging economic conditions, the Company's net premium revenue and annuity deposits grew by 12.8% or \$8.5 million over the past twelve months to September 30, 2011. We are also pleased to report that the group division, throughout this year maintained the positive trend in medical loss ratios which has enabled us to record sustained improvements in net income from this product line. During the quarter we also successfully completed the implementation of new software which will further strengthen operational efficiencies in this division.

The Company's total assets and shareholders' equity continue to grow increasing by \$8.8 million and \$621 thousand respectively during the nine month period ending September 2011.

I am very pleased to advise that the Board of Directors declared a dividend of \$0.06 per share which was paid to shareholder on November 21, 2011.

Sincerely,



Norbert F. Boissiere
Chairman

Consolidated Statement of Financial Position (Unaudited)

As at September 30, 2011
(Expressed in BSD)

	2011	DEC 31 2010
	\$	\$
ASSETS		
Cash and bank balances	5,958,938	4,488,057
Short-term bank deposits	345,586	344,130
Other bank term deposits	11,875,840	11,379,922
Financial Investment Assets:		
Held-to-maturity	60,840,615	60,490,124
Available for sale	6,687,384	6,474,103
Loans	72,982,188	74,785,118
Total investment assets	158,690,551	157,961,454
Reinsurance assets and recoveries	13,153,852	9,814,759
Receivables and other assets	6,309,289	2,689,053
Premiums receivable	8,279,624	6,498,329
Property, plant and equipment	32,138,209	32,830,991
TOTAL	218,571,525	209,794,586
LIABILITIES & EQUITY		
LIABILITIES:		
Reserves for future policyholders' benefits	140,712,671	131,560,862
Other policyholders' funds	9,706,141	8,862,146
Policy liabilities	150,418,812	140,423,008
Payables and accruals	6,870,396	8,710,077
Total liabilities	157,289,208	149,133,085
EQUITY:		
Preference shares	10,000,000	10,000,000
Ordinary shares	2,000,000	2,000,000
Share premium	10,801,080	10,801,080
Revaluation surplus	9,365,220	9,651,739
Retained earnings	29,116,017	28,208,682
Total equity	61,282,317	60,661,501
TOTAL	218,571,525	209,794,586

Consolidated Statement of Income (Unaudited)

For the nine months ended September 30, 2011
(Expressed in BSD)

	9 MONTHS TO SEPT 30, 2011	9 MONTHS TO SEPT 30, 2010
	\$	\$
INCOME		
Net premium income and annuity deposits	74,853,439	66,311,000
Investment income	7,720,668	7,596,714
Realized gain (loss) from sale of assets	(58,818)	(155,993)
Other operating income	927,127	647,558
Total income	83,442,415	74,399,279
BENEFITS & EXPENSES		
Net policyholder benefits	56,170,854	49,327,031
Commissions	9,202,888	8,956,425
Operating expenses	11,264,562	10,632,972
Depreciation and amortization expense	1,472,679	1,599,452
Premium tax	2,082,400	2,062,531
Bad debt expense	191,698	165,759
Total benefits and expenses	80,385,081	72,744,170
NET INCOME	3,057,334	1,655,109
Earnings per share	0.31	0.17
	3 MONTHS TO SEPT 30, 2011	3 MONTHS TO SEPT 30, 2010
	\$	\$
INCOME		
Net premium income and annuity deposits	24,719,259	22,717,636
Investment income	2,478,035	2,547,003
Realized gain (loss) from sale of assets	(59,026)	(11,479)
Other operating income	354,180	272,796
Total income	27,492,448	25,525,956
BENEFITS & EXPENSES		
Net policyholder benefits	18,605,463	16,704,028
Commissions	2,885,285	3,034,808
Operating expenses	4,155,858	3,617,846
Depreciation and amortization expense	494,826	531,397
Premium tax	664,344	696,975
Bad debt expense	33,856	162,360
Total benefits and expenses	26,839,632	24,747,414
NET INCOME	652,816	778,542
Earnings per share	0.07	0.08

Consolidated Statement of Comprehensive Income (Unaudited)

	9 MONTHS TO SEPT 30, 2011	9 MONTHS TO SEPT 30, 2010
	\$	\$
NET INCOME	3,057,335	1,655,109
OTHER COMPREHENSIVE INCOME:		
Net value loss on available-for-sale financial assets	(286,519)	(233,159)
Total other comprehensive income	(286,519)	(233,159)
TOTAL COMPREHENSIVE INCOME	2,770,816	1,421,950
COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Ordinary shareholders	2,420,816	1,071,950
Preferred shareholders	350,000	350,000
	2,770,816	1,421,950

Consolidated Statement of Cash Flows (Unaudited)

For the nine months ended September 30, 2011
(Expressed in BSD)

	9 MONTHS TO SEPT 30, 2011	9 MONTHS TO SEPT 30, 2010
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	3,057,334	1,655,109
Adjustment for:		
Depreciation	1,472,679	1,599,452
Gain (loss) on disposal of financial assets	–	155,993
Reserve for policyholder benefits	9,151,809	9,034,930
Interest income	(7,428,820)	(7,314,559)
Dividend income	(291,848)	(282,155)
Operating profit before working capital changes	5,961,154	4,848,770
(Increase) in reinsurance assets and recoveries	(3,339,093)	–
(Increase) in receivables and other assets	(3,620,236)	(2,906,813)
(Increase) in premiums in arrears	(1,781,295)	(1,205,155)
Increase (decrease) in payables and accruals	(1,839,681)	(1,309,912)
Increase in other policyholder funds	843,995	1,257,362
Net cash from operating activities	(3,775,155)	684,252
CASH FLOWS FROM INVESTING ACTIVITIES		
Maturity of bank term deposits	3,573,599	–
Placement of bank term deposits	(4,069,517)	(2,016,995)
Net government bonds (purchased) redeemed	(350,490)	200,000
Available for sale assets (purchased) sold	(499,800)	–
Net mortgage loans repaid (issued)	1,431,380	(837,213)
Policy loans repaid (issued)	39,963	(463,349)
Other loans repaid	331,587	–
Purchase of fixed assets	(799,897)	(848,538)
Interest received	7,428,820	7,707,173
Dividends received	291,848	282,155
Net cash from investing activities	7,397,492	4,023,233
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid – preference shares	(350,000)	(350,000)
Dividends paid – ordinary shares	(1,800,000)	(1,800,000)
Net cash used in financing activities	(2,150,000)	(2,150,000)
Net (decrease) increase in cash and cash equivalents	1,472,337	2,557,485
Cash and cash equivalents at beginning of period	4,832,187	4,335,492
Cash and cash equivalents at end of period	6,304,524	6,892,977
CASH & CASH EQUIVALENTS COMPRISED OF:		
Cash and bank balances	5,958,938	6,549,329
Short term bank deposits	345,586	343,648
	6,304,524	6,892,977

See accompanying notes to unaudited consolidated financial statements.