

FamGuard Corporation Limited  
**Consolidated Statement of Changes in Equity**  
 For the six months ended June 30, 2012  
 (Expressed in BSD)

Unaudited

	<b>SHARE CAPITAL</b>					
	<b>PREFERENCE SHARES</b>	<b>ORDINARY SHARES</b>	<b>SHARE PREMIUM</b>	<b>REVALUATION RESERVE</b>	<b>RETAINED EARNINGS</b>	<b>TOTAL</b>
	\$	\$	\$	\$	\$	\$
<b>Balance as of December 31, 2010</b>	<b>10,000,000</b>	<b>2,000,000</b>	<b>10,801,080</b>	<b>9,651,739</b>	<b>28,208,682</b>	<b>60,661,501</b>
Net income for 2011	-	-	-	-	5,218,386	5,218,386
Adjustment to fair value of investment in equities	-	-	-	(312,986)	-	(312,986)
Adjustment to appraised value of land and buildings	-	-	-	1,241,690	-	-
Dividends declared and paid – preference shares	-	-	-	-	(662,500)	(662,500)
ordinary shares (\$0.24 per share)	-	-	-	-	(2,400,000)	(2,400,000)
<b>Balance as of December 31, 2011</b>	<b>10,000,000</b>	<b>2,000,000</b>	<b>10,801,080</b>	<b>10,580,443</b>	<b>30,364,568</b>	<b>63,746,091</b>
Net income for the period	-	-	-	-	2,467,182	2,467,182
Adjustment to fair value of investment in equities	-	-	-	(267,736)	-	(267,736)
Adjustment to appraised value of land and buildings	-	-	-	-	-	-
Dividends declared and paid – preference shares	-	-	-	-	(312,500)	(312,500)
ordinary shares (\$0.12 per share)	-	-	-	-	(1,200,000)	(1,200,000)
<b>Balance as of June 30, 2012</b>	<b>10,000,000</b>	<b>2,000,000</b>	<b>10,801,080</b>	<b>10,312,707</b>	<b>31,319,250</b>	<b>64,433,037</b>

FamGuard Corporation Limited  
**Notes to the Unaudited Interim Financial Statements**  
 As at June 30, 2012

**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, 2011.

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**

	<b>6 MONTHS TO JUNE 30, 2012</b>	<b>6 MONTHS TO JUNE 30, 2011</b>
Weighted average number of shares outstanding	10,000,000	10,000,000
Consolidated net income	\$ 2,467,182	\$ 2,404,518
<b>Earnings per share</b>	<b>\$ 0.25</b>	<b>\$ 0.24</b>

**3. Commitments**

Outstanding commitments to extend credit under the mortgage loan agreements amounted to approximately \$1,678,827 as at June 30, 2012 (December 31, 2011: \$2,018,022).

**Company Addresses**

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 bcarroll@familyguardian.com

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**Carmichael District**

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**Freeport**

**Financial Services and Mortgages**  
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**Home Service District Office**

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**Abaco Office**

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visit our website at [www.famguardbahamas.com](http://www.famguardbahamas.com)



Incorporated under the laws of the Commonwealth of The Bahamas

**SECOND QUARTER  
 INTERIM REPORT**

Unaudited results for the six months  
 ended JUNE 30, 2012



**Message From The Chairman**
**INTERIM REPORT —Six Months Ending June 30, 2012**
**Dear Shareholders:**

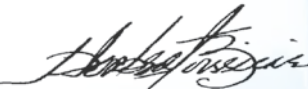
FamGuard reported net profits of \$2.467 million for the six month period ending June 30, 2012 representing an increase of 3% above the same period last year.

Gross premium continued its growth trend and at the end of the second quarter 2012 reflected a 5% increase over prior year-to-date. Responding to decreases in interest rates, annuity deposits declined sharply from \$9.1 million at the end of June 2011 to \$3.2 million at the end of the second quarter 2012. During the first half of the year we also recorded an improving trend in our net policyholder benefits which declined by 9% compared to June 30, 2011.

At the end of the second quarter, total assets stood at \$231.5 million which represents an increase of \$8.7 million or 3.9% over year end 2011 and in keeping with our investment strategy to diversify our assets we reduced the volume of mortgage loans in favour of investments in government and corporate bonds. Mortgages currently represent 35.9% of investment assets down from 39.4% at the end of 2011. Our non-performing mortgage rate stands at 7.4% which is considerably below industry levels and which reflects the quality of our mortgage loan portfolio. Our minimum continuing capital and solvency ratio (MCCSR) has also improved since year end 2011 underscoring the strength and stability of our company.

I am pleased to advise that the Board of Directors declared a dividend of \$0.06 per share for shareholders of record as of August 8, 2012, which was paid on August 13, 2012.

Sincerely,



Norbert F. Boissiere  
Chairman

	2012	DEC 31 2011
	\$	\$
<b>ASSETS</b>		
Cash and bank balances	8,259,968	5,634,365
Short-term bank deposits	347,048	346,071
Other bank term deposits	23,353,754	13,935,452
Financial Investment Assets:		
Held-to-maturity	67,557,637	65,707,822
Available for sale	6,394,332	6,660,917
Loans	72,534,434	73,337,635
Total investment assets	178,447,173	165,622,262
Reinsurance assets and recoveries	10,171,951	13,126,974
Receivables and other assets	5,465,373	4,508,638
Premiums receivable	4,781,258	6,420,955
Property, plant and equipment, net	32,656,192	33,124,807
<b>TOTAL ASSETS</b>	<b>231,521,947</b>	<b>222,803,636</b>
<b>LIABILITIES &amp; EQUITY</b>		
<b>LIABILITIES</b>		
Reserves for future policyholders' benefits	141,859,624	137,118,184
Other policyholders' funds	16,518,435	15,152,093
Policy liabilities	158,378,059	152,270,277
Payables and accruals	8,710,851	6,787,268
Total liabilities	167,088,910	159,057,545
<b>EQUITY</b>		
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	10,312,707	10,580,443
Retained earnings	31,319,250	30,364,568
Total equity	64,433,037	63,746,091
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>231,521,947</b>	<b>222,803,636</b>

FamGuard Corporation Limited  
**Consolidated Statement of Comprehensive Income**  
For the six months ended June 30, 2011  
(Expressed in BSD)

Unaudited

	6 MONTHS TO JUNE 30, 2012	6 MONTHS TO JUNE 30, 2011
	\$	\$
NET INCOME	2,467,182	2,404,518
<b>Other Comprehensive Income:</b>		
Net value loss on available-for-sale financial assets	(267,736)	(123,054)
Total other comprehensive income	(267,736)	(123,054)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>2,199,447</b>	<b>2,281,464</b>
<b>Comprehensive Income Attributable To:</b>		
Ordinary shareholders	1,886,947	1,931,464
Preferred shareholders	312,500	350,000
	<b>2,199,447</b>	<b>2,281,464</b>

FamGuard Corporation Limited  
**Consolidated Statement of Income**  
For the six months ended June 30, 2012  
(Expressed in BSD)

Unaudited

	6 MONTHS TO JUNE 30, 2012	6 MONTHS TO JUNE 30, 2011
	\$	\$
<b>INCOME</b>		
Net premium income and annuity deposits	46,934,944	50,134,178
Investment income	5,197,755	5,242,633
Realized gain (loss) from sale of assets	(25,331)	208
Other operating income	818,250	572,947
<b>Total income</b>	<b>52,925,618</b>	<b>55,949,966</b>
<b>BENEFITS &amp; EXPENSES</b>		
<b>BENEFITS</b>		
Policyholders' benefits, net of recoveries	29,262,533	32,909,123
Increase in reserves for policyholders benefits	4,741,441	4,656,267
Net policyholder benefits	34,003,975	37,565,390
<b>EXPENSES</b>		
Commissions	6,068,170	6,317,603
Operating expenses	7,777,727	7,108,704
Depreciation	974,317	977,853
Premium tax	1,506,339	1,418,056
Bad debt expenses	127,909	157,842
<b>Total benefits and expenses</b>	<b>50,458,436</b>	<b>53,545,449</b>
<b>NET INCOME</b>	<b>2,467,182</b>	<b>2,404,518</b>
Earnings per share	0.25	0.24

**INCOME**

	3 MONTHS TO JUNE 30, 2012	3 MONTHS TO JUNE 30, 2011
Net premium income and annuity deposits	22,946,818	25,511,682
Investment income	2,604,851	2,584,220
Realized gain (loss) from sale of assets	3,014	(1,748)
Other operating income	435,578	278,901
<b>Total income</b>	<b>25,990,261</b>	<b>28,373,055</b>
<b>BENEFITS &amp; EXPENSES</b>		
<b>BENEFITS</b>		
Policyholders' benefits, net of recoveries	14,663,197	15,773,820
Increase in reserves for policyholders' benefits	2,178,121	3,163,778
Net policyholder benefits	16,841,319	18,937,597
<b>EXPENSES</b>		
Commissions	2,918,992	3,031,606
Operating expenses	3,767,163	3,522,794
Depreciation	761,692	694,946
Premium tax	467,477	488,536
Bad debt expenses	40,782	118,273
<b>Total benefits and expenses</b>	<b>24,797,424</b>	<b>26,793,753</b>
<b>NET INCOME</b>	<b>1,192,837</b>	<b>1,579,303</b>
Earnings per share	0.12	0.16

FamGuard Corporation Limited  
**Consolidated Statement of Cash Flows**  
For the six months ended June 30, 2012  
(Expressed in BSD)

Unaudited

	6 MONTHS TO JUNE 30, 2012	6 MONTHS TO JUNE 30, 2011
	\$	\$
<b>Cash flows from operating activities</b>		
Net income	2,467,182	2,404,518
Adjustment for:		
Depreciation	974,317	977,853
Gain (loss) on disposal of financial assets	-	-
Reserve for policyholder benefits	4,741,440	4,656,267
Interest income	(4,989,370)	(5,022,296)
Dividend income	(208,385)	(220,337)
Operating profit before working capital changes	2,985,184	2,796,007
Decrease (increase) in reinsurance assets and recoveries	2,955,023	(2,525,435)
(Increase) in receivables and other assets	(956,735)	(1,058,701)
Decrease (Increase) in premiums in arrears	1,639,697	(2,903,950)
Increase (decrease) in payables and accruals	1,923,583	209,473
Increase in other policyholder funds	1,366,342	1,554,152
Net cash from operating activities	<b>9,913,093</b>	<b>(1,928,454)</b>
<b>Cash flows from investing activities</b>		
Maturity of bank term deposits	7,401,357	4,565,435
Placement of bank term deposits	(16,819,659)	(1,739,670)
Net government bonds (purchased) redeemed	(1,849,815)	497,104
Purchase of equities	(1,150)	(499,800)
Net mortgage loans repaid (issued)	482,852	360,116
Policy loans repaid (issued)	244,388	240,043
Other loans repaid	75,961	219,070
Property, plant and equipment, net	(505,702)	(565,022)
Interest received	4,989,370	5,015,589
Dividends received	208,385	220,337
Net cash from investing activities	<b>(5,774,013)</b>	<b>8,313,200</b>
<b>Cash flows from financing activities</b>		
Dividends paid – preference shares	(312,500)	(350,000)
Dividends paid – ordinary shares	(1,200,000)	(1,200,000)
Net cash used in financing activities	<b>(1,512,500)</b>	<b>(1,550,000)</b>
Net (decrease) increase in cash and cash equivalents	2,626,580	4,834,746
Cash and cash equivalents at beginning of period	5,980,436	4,832,187
Cash and cash equivalents at end of period	<b>8,607,016</b>	<b>9,666,933</b>
<b>Cash and cash equivalents is comprised of:</b>		
Cash and bank balances	8,259,968	9,321,837
Short term bank deposits	347,048	345,096
	<b>8,607,016</b>	<b>9,666,933</b>

See accompanying notes to unaudited consolidated financial statements.