

Second Quarter Results to June 30, 2010

Chairman's Statement

My dear fellow shareholders

The first six months of 2010 have proven to be excellent for the Guardian Group. In February of this year we completed the sale of our loss making U.K. motor business, Zenith, thus removing a huge drag on our earnings. In May we announced that the International Finance Corporation and GHL had entered into an equity transaction to both bolster the Group's balance sheet and provide additional growth capital. Additionally, A.M. Best recently reaffirmed their A- (excellent) rating for both Guardian Life of the Caribbean and Guardian General. I will address each of these in more detail later on.

Operationally during the first six months, we continued to deliver on our primary goal of producing consistent, good quality earnings. For the half year our profit after tax was \$217.2 million as compared to \$62.8 million over the comparable period last year. This represents a 245% increase in profit. Excluding the effects of Zenith from the six month 2009 results shows an impressive increase in after tax profits of 25%.

On the revenue side, our business has demonstrated its resilience in the face of the continued economic slowdown that affects our region. Despite the continued economic contraction in our major markets our net written premium increased 12% over the prior year. Continuing its impressive double-digit organic growth, our Life, Health, and Pension business recorded top line growth of 18% over the comparable period last year. Our Caribbean Property and Casualty business meanwhile continued to hold the line against rate decreases in a very competitive marketplace and, while achieving minimum growth, delivered exceptional underwriting profits.

Profit before tax from continuing operations amounted to \$322 million compared to the six month 2009 result of \$254 million, a 26% improvement. Both of our regional insurance segment's operating performance beat last year's similar period results, with Guardian General in particular achieving an extremely good combined loss ratio of 75.1%. Unfortunately our International Property and Casualty business, which now comprises our Lloyds business and our reinsurance business Guardian Re, suffered net losses after tax of \$26 million due primarily to the Chilean earthquake losses and the European windstorm losses which we reported on in the first quarter.

Our investment activities comprise our proprietary investment activities related to our insurance business as well as our third-party asset management business, both of which are managed by Guardian Asset Management. Our proprietary investment activities also performed very well during the first six months of 2010. Investment income amounted to \$431 million, while our investment portfolio produced fair value gains of \$173 million during the first six months of the year. In addition, as indicated in my last report, we look for opportunities to crystallize our fair value gains, and so far during this year we can report \$19 million in realized gains as compared to \$7 million last year. The third-party asset management business saw its operating profits before fair value gains increase by 12% over last year's similar period, while Guardian Asset Management in Trinidad and Tobago increased its funds under management to \$1.4 billion. As reported in the press recently, we have entered an agreement to sell our asset management business in Jamaica. With the local government and regulators in Jamaica de-emphasizing the main business of GAM Jamaica, which is their repurchase trading business, we felt this was an opportune time to exit the business. Subject to regulatory approval and confirmatory due diligence of the buyer, we expect this transaction to close by the end of August. We continue to be very bullish on the Guardian Asset Management business in Trinidad and Tobago.

A very meaningful milestone in the Group's history is the aforementioned equity transaction with the IFC. The agreement, which has now passed all of the IFC's internal approval processes, awaits only our shareholders' approval before closing. This investment by the IFC, which was made at a significant premium above our share price, was achieved only after they performed an extremely thorough due diligence on the company. The IFC makes equity investments only in companies that demonstrate the best in class for corporate governance, risk management, and corporate social responsibility. GHL has demonstrated all of these qualities. From IFC's perspective, GHL, with its track record and wide reach within the Caribbean, provides an excellent platform to help achieve their goal of expanding and deepening insurance penetration throughout the Caribbean and beyond. Both the IFC and GHL see tremendous potential shareholder value creation in this agreement.

Another external affirmation of the Group's strength was the recently released A.M. Best rating of Guardian Life of the Caribbean and Guardian General. While many of our competitors in the region and internationally have suffered downgrades, A.M. Best reaffirmed the excellent financial strength rating of both of these flagship companies. Additionally, I would like to note that World Finance magazine has bestowed the prestigious Caribbean Company of the Year award upon Guardian Life of the Caribbean for an unprecedented third year in a row.

Given the continued improvement in the financial results of the Group, your Board of Directors has approved an interim dividend of .17 per share. Contemplating the dividend for the 29.7 million new shares to the IFC, this represents a dividend payout of \$39 million, a 77% increase over last year's interim dividend. I would like to point out to our shareholders that while the GHL share price, which is of course subject to many external factors and beyond our immediate control, has depreciated over the last 5 years; we have continued to maintain a good dividend policy, through the good times and bad. Over the last five and one-half years we have paid out over \$446 million in dividends, \$284 million which has come over the last two and one-half years. In uncertain financial markets like we currently have, I hope you see, like I do, the value in holding GHL shares.



Arthur Lok Jack
Chairman
August 10, 2010

Consolidated Income Statement

	Unaudited 6-Months June 2010 TT\$'000	Unaudited 6-Months June 2009 TT\$'000 (Restated)	Unaudited 3-Months June 2010 TT\$'000	Unaudited 3-Months June 2009 TT\$'000 (Restated)	Audited 12-Months Dec 2009 TT\$'000
Gross premiums written	2,434,285	2,255,559	1,190,463	1,074,945	4,247,838
Reinsurance ceded	(437,910)	(475,969)	(273,754)	(259,065)	(753,363)
Net premiums written	1,996,375	1,779,590	916,709	815,880	3,494,475
Net movement in unearned premiums	(77,553)	(183,802)	30,486	(71,499)	(190,767)
Net insurance premium income earned	1,918,822	1,595,788	947,195	744,381	3,303,708
Investment income	431,169	476,041	208,530	241,760	939,843
Fee & commission income	67,063	64,986	37,356	34,751	142,924
Other operating income	40,401	89,830	12,465	53,603	156,176
Total revenue	2,457,455	2,226,645	1,205,546	1,074,495	4,542,651
Net insurance benefits and claims	(1,410,282)	(1,189,446)	(669,717)	(590,587)	(2,392,236)
Policy acquisition expenses	(505,837)	(430,672)	(255,396)	(200,081)	(914,568)
Operating expenses	(355,846)	(357,294)	(182,422)	(202,427)	(704,286)
Operating profit before fair value gains	185,490	249,233	98,011	81,400	531,561
Fair value gains	173,004	62,056	27,974	159,045	57,062
Operating profit	358,494	311,289	125,985	240,445	588,623
Share of profit / (loss) of associated companies	8,020	(5,325)	5,273	(9,244)	15,573
Finance charges	(44,319)	(51,501)	(24,603)	(25,717)	(110,286)
Profit before taxation	322,195	254,463	106,655	205,484	493,910
Taxation					
- Current tax	(69,803)	(51,951)	(36,142)	(29,068)	(115,053)
- Deferred tax	(25,216)	(22,375)	(5,517)	(29,161)	(1,623)
Profit after taxation	227,176	180,137	64,996	147,255	377,234
Amount attributable to participating policyholders	(9,133)	(6,452)	(1,240)	(6,348)	(6,398)
Profit from continuing operations	218,043	173,685	63,756	140,907	370,836
Net (loss) / profit on discontinued operations	(821)	(110,840)	3,156	(96,795)	(1,191,863)
Profit / (loss) for the period	217,222	62,845	66,912	44,112	(821,027)
Profit / (loss) attributable to:					
Owners of the parent	204,702	52,365	63,149	41,461	(844,707)
Non-controlling interests	12,520	10,480	3,763	2,651	23,680
	217,222	62,845	66,912	44,112	(821,027)
Earnings / (loss) per share:					
Basic	\$1.01	(\$0.26)			(\$4.18)
Diluted	\$0.98	(\$0.25)			(\$4.04)

Consolidated Statement of Comprehensive Income

	Unaudited 6-Months June 2010 TT\$'000	Unaudited 6-Months June 2009 TT\$'000 (Restated)	Unaudited 3-Months June 2010 TT\$'000	Unaudited 3-Months June 2009 TT\$'000 (Restated)	Audited 12-Months Dec 2009 TT\$'000
Profit / (loss) for the period	217,222	62,845	66,912	44,112	(821,027)
Exchange differences on translating foreign operations	(8,927)	45,254	12,074	151,685	284,343
Gains on property revaluation	-	-	-	-	10,824
Net gain on available-for-sale financial assets of mutual funds	49,289	46,362	26,788	49,274	92,819
Actuarial losses on defined benefit pension plans	-	-	-	-	(49,697)
Reserve movements	(3,486)	(966)	(4,696)	5	1,677
Income tax relating to components of other comprehensive income	16	-	(125)	-	181
Other comprehensive income for the period	36,892	90,650	34,041	200,964	340,147
Total comprehensive income / (loss) for the period	254,114	153,495	100,953	245,076	(480,880)
Total comprehensive income / (loss) attributable to:					
- Owners of the parent	217,155	112,230	83,745	201,755	(570,106)
- Non-controlling interests	36,959	41,265	17,208	43,321	89,226
	254,114	153,495	100,953	245,076	(480,880)

Second Quarter Results to June 30, 2010

Consolidated Statement of Financial Position

	Unaudited June 2010 TT\$'000	Unaudited June 2009 TT\$'000 (Restated)	Audited Dec 2009 TT\$'000
ASSETS			
Property, plant and equipment	502,696	590,852	508,644
Investment properties	944,965	785,412	959,190
Intangible assets	269,086	678,902	270,232
Investment in associated companies	273,836	266,580	274,074
Financial assets	11,344,454	11,187,374	10,741,996
Financial assets of Mutual Fund unit holders	1,164,869	827,130	962,445
Loans and receivables including reinsurance receivables	1,065,743	1,169,801	1,196,828
Pension plan assets	46,369	114,748	53,973
Value to shareholders of inforce long term business	616,100	562,807	583,705
Deferred tax asset	23,845	57,648	47,378
Reinsurance assets	506,657	1,270,093	408,138
Deferred acquisition costs	493,510	608,053	466,540
Taxation recoverable	186,685	129,180	158,295
Cash and cash equivalents	1,951,761	2,851,468	2,104,353
Cash and cash equivalents of Mutual Fund unit holders	127,564	37,505	130,308
Other assets	1,217,961	1,740,872	1,155,944
Assets held for sale	961,657	-	1,319,239
	<u>21,697,758</u>	<u>22,878,425</u>	<u>21,341,282</u>
Segregated funds			
Segregated fund assets of life insurance policyholders	445,428	371,018	400,944
Total assets	<u>22,143,186</u>	<u>23,249,443</u>	<u>21,742,226</u>
EQUITY AND LIABILITIES			
Share capital	1,547,609	1,544,012	1,545,659
Reserves	(313,888)	(593,008)	(329,809)
Retained earnings	1,259,366	2,090,384	1,124,860
Equity attributable to owners of the parent	<u>2,493,087</u>	<u>3,041,388</u>	<u>2,340,710</u>
Non-controlling interests			
Mutual Fund holders	1,062,658	698,792	866,167
Non-controlling interests in subsidiaries	94,080	101,118	105,429
Total non-controlling interests	<u>1,156,738</u>	<u>799,910</u>	<u>971,596</u>
Total equity	<u>3,649,825</u>	<u>3,841,298</u>	<u>3,312,306</u>
LIABILITIES			
Insurance contracts	11,218,497	13,166,138	10,511,045
Financial liabilities	4,576,116	4,729,851	4,844,724
Post retirement medical benefit obligations	73,998	56,152	69,498
Deferred tax liability	190,298	236,823	199,726
Provision for taxation	121,128	80,465	95,776
Other liabilities	799,720	767,698	860,608
Liabilities related to assets held for sale	1,068,176	-	1,447,599
	<u>18,047,933</u>	<u>19,037,127</u>	<u>18,028,976</u>
Segregated fund liabilities of life insurance policyholders			
	445,428	371,018	400,944
Total liabilities	<u>18,493,361</u>	<u>19,408,145</u>	<u>18,429,920</u>
Total equity and liabilities	<u>22,143,186</u>	<u>23,249,443</u>	<u>21,742,226</u>

These financial statements have been approved for issue by the Board of Directors on August 5, 2010 and signed on its behalf:

Director: 

Director: 

Consolidated Statement of Changes in Equity

	Unaudited June 2010 TT\$'000	Unaudited June 2009 TT\$'000 (Restated)	Audited Dec 2009 TT\$'000
Balance at the beginning of the period	3,312,306	3,589,253	3,589,253
Profit / (loss) for the period	217,222	62,845	(821,027)
Other comprehensive income for the period	36,892	90,650	340,147
Total comprehensive income / (loss) for the period	<u>254,114</u>	<u>153,495</u>	<u>(480,880)</u>
Net change in Mutual Fund holder balances	163,469	185,335	323,334
Share option scheme - value of services provided	1,950	5,293	9,193
Repurchase of shares	-	(1,529)	(1,529)
Dividends	(82,014)	(90,549)	(127,065)
Balance at the end of the period	<u>3,649,825</u>	<u>3,841,298</u>	<u>3,312,306</u>

Consolidated Statement of Cash Flows

	Unaudited June 2010 TT\$'000	Unaudited June 2009 TT\$'000 (Restated)	Audited Dec 2009 TT\$'000
Profit before taxation from continuing operations	322,195	254,463	493,910
Loss before taxation from discontinued operations	(821)	(110,840)	(1,190,388)
Adjustment for specific items included on the accruals basis:			
- Interest expense	44,319	51,501	110,286
- Investment income	(431,169)	(476,041)	(939,843)
Interest and dividends received	517,867	498,011	899,147
Adjustments for non-cash items	(91,768)	2,817	1,241,426
Operating profit before changes in operating assets / liabilities	360,623	219,911	614,538
Net increase in insurance liabilities	707,452	1,033,456	843,071
Net purchases of financial assets	(665,731)	(703,747)	(1,029,316)
Net movement in other operating assets and liabilities	(157,741)	(831,695)	(1,051,088)
Cash provided by / (used in) operating activities	244,603	(282,075)	(622,795)
Interest paid	(40,742)	(51,233)	(99,268)
Net taxation paid	(39,079)	(35,483)	(73,826)
Net cash provided by / (used in) operating activities	164,782	(368,791)	(795,889)
Net cash (used in) / provided by investing activities	(11,453)	(18,292)	35,910
Net cash (used in) / provided by financing activities	(275,439)	196,678	513,844
Net decrease in cash and cash equivalents	<u>(122,110)</u>	<u>(190,405)</u>	<u>(246,135)</u>

Segment Information

	Life, health and pension business TT\$'000	Property and casualty business TT\$'000	Asset management TT\$'000	Other TT\$'000	Total Group TT\$'000
Six months ended 30 June 2010					
Total segment revenue	1,499,744	1,193,756	78,586	34,003	2,806,089
Inter-segment revenue	(41,856)	(273,014)	(3,532)	(30,232)	(348,634)
Revenue from external customers	<u>1,457,888</u>	<u>920,742</u>	<u>75,054</u>	<u>3,771</u>	<u>2,457,455</u>
Operating profit / (loss) before fair value gains	122,021	72,229	36,556	(45,316)	185,490
Fair value gains	84,902	11,740	76,350	12	173,004
Operating profit / (loss)	<u>206,923</u>	<u>83,969</u>	<u>112,906</u>	<u>(45,304)</u>	<u>358,494</u>
Six months ended 30 June 2009					
Total segment revenue	1,338,556	1,146,663	79,586	33,610	2,598,415
Inter-segment revenue	(22,178)	(303,543)	(17,987)	(28,062)	(371,770)
Revenue from external customers	<u>1,316,378</u>	<u>843,120</u>	<u>61,599</u>	<u>5,548</u>	<u>2,226,645</u>
Operating profit / (loss) before fair value gains / (losses)	154,393	101,323	32,993	(39,476)	249,233
Fair value gains / (losses)	32,084	5,051	26,267	(1,346)	62,056
Operating profit / (loss)	<u>186,477</u>	<u>106,374</u>	<u>59,260</u>	<u>(40,822)</u>	<u>311,289</u>
Total assets					
30 June 2010	13,122,528	5,793,491	2,930,911	296,256	22,143,186
30 June 2009 (Restated)	11,930,940	8,028,534	2,332,218	957,751	23,249,443
31 December 2009	12,396,513	5,765,505	2,917,319	662,889	21,742,226

Note:

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2009. For comparative purposes, adjustments and reclassifications to prior year numbers have been made to conform to the current year reporting.