

**Condensed Unaudited Consolidated Interim Financial Statements of
Colina Holdings Bahamas Limited
Nine Months Ended September 30, 2011
UNAUDITED**

Message from the Chairman

Dear Shareholders,

For the period January 1, 2011 to September 30, 2011, the Company recorded net income attributable to ordinary shareholders of \$1.3 million or \$0.05 per ordinary share. This compares to \$11.4 million or \$0.46 per ordinary share for the same period in 2010. The Company's results were largely affected by the reduction in the Bahamian \$ Prime Interest Rate in the second quarter, which required the Company to increase its actuarial reserves on its long-term insurance business.

The Company withstood these changes in the economic landscape, providing fully for this extraordinary change in reserves in our second quarter results while returning to profitability in the third quarter with total net income for the 3 months ended September 30, 2011 of \$1.3 million.

Total shareholders' equity stands at \$102.1 million at September 30, 2011 and, while down slightly, continues to exceed our solvency requirements and enable the Company to make all the appropriate adjustments required as a result of the decreased Bahamian prime rate. Our strong balance sheet has also proven to be an advantage during this period. For the nine months ended September 30, 2011, total assets grew to \$548.5 million, of which over 80.9% or \$444.0 million are invested assets.

Gross policyholder benefits for the 9 months ended September 30, 2011 have increased by \$6.5 million to \$70.9 million compared to the same period in the prior year. General and administrative expenses continue to be managed carefully as administrative expenses have reduced to 22.3% of gross premiums for the 9 months ended September 30, 2011 compared to 23.9% in the prior year.

The Company continues to look for opportunities to improve stakeholder value, and we are optimistic that management will succeed in executing effective initiatives to temper the impact of reduced investment income, by ensuring an appropriate mix of investment assets that will provide an acceptable return for our shareholders.

We thank our shareholders, employees and other stakeholders for their continued support.



Terence Hilts
Chairman

COLINA HOLDINGS BAHAMAS LIMITED
Unaudited Consolidated Interim Statement of Financial Position

As at September 30, 2011 with comparative figures as at December 31, 2010
(Expressed in Bahamian dollars)

	September 30, 2011	December 31, 2010
ASSETS		
Term deposits	\$ 25,382,748	\$ 15,172,686
Investment securities	225,199,327	207,683,148
Mortgages and commercial loans	67,168,501	68,877,119
Policy loans	65,974,174	69,581,644
Investment properties	49,263,200	49,248,407
Investment in associates	11,021,318	10,747,280
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Total invested assets	444,009,268	421,310,284
Cash and demand balances	24,562,852	20,011,805
Receivables and other assets	48,332,800	52,296,830
Property and equipment	19,914,563	19,835,270
Goodwill	10,931,580	10,931,580
Other intangible assets	774,346	1,211,359
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Total assets	\$ 548,525,409	\$ 525,597,128
LIABILITIES		
Provision for future policy benefits	\$ 325,843,693	\$ 311,797,811
Policy dividends on deposit	31,021,705	31,488,577
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Total policy liabilities	356,865,398	343,286,388
Third party pension liabilities	27,191,891	26,107,997
Other liabilities	48,888,157	40,704,148
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Total liabilities	432,945,446	410,098,533
EQUITY		
Ordinary shares	24,729,613	24,729,613
Treasury shares	(211,235)	(331,614)
Share premium	5,960,299	5,960,299
Revaluation reserve	7,676,068	6,985,968
Retained earnings	36,972,137	39,655,010
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Total ordinary shareholders' equity	75,126,882	76,999,276
Preference shares	27,000,000	26,027,000
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Total shareholders' equity	102,126,882	103,026,276
Non-controlling interests	13,453,081	12,472,319
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Total equity	115,579,963	115,498,595
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Total liabilities and equity	\$ 548,525,409	\$ 525,597,128

The accompanying notes are an integral part of these consolidated financial statements.

COLINA HOLDINGS BAHAMAS LIMITED
Unaudited Consolidated Interim Statement of Comprehensive Income

For the nine months ended September 30, 2011
with comparative figures for the nine months ended September 30, 2010
(Expressed in Bahamian dollars)

	9 Months Ended September 30, 2011	9 Months Ended September 30, 2010
Revenues:		
Premium revenue	\$ 99,230,264	\$ 93,529,765
Less: Reinsurance premiums	<u>10,814,478</u>	<u>9,468,276</u>
Net premium revenue	88,415,786	84,061,489
Net investment income	22,513,461	24,589,841
Other income	<u>4,363,245</u>	<u>3,838,371</u>
Total revenues	<u>115,292,492</u>	<u>112,489,701</u>
Benefits and expenses:		
Policyholders' benefits	70,940,283	64,427,507
Less: Reinsurance recoveries	<u>6,087,308</u>	<u>8,879,324</u>
Net policyholders' benefits	64,852,975	55,548,183
Changes in provision for future policy benefits	14,045,883	7,458,986
General and administrative expenses	22,096,056	22,373,781
Commissions	7,675,823	8,626,697
Premium and other tax expense	2,576,333	3,479,155
Finance costs	76,878	40,759
Other expenses	<u>1,076,894</u>	<u>1,524,249</u>
Total benefits and expenses	<u>112,400,842</u>	<u>99,051,810</u>
Net income for the period:	<u>\$ 2,891,650</u>	<u>\$ 13,437,891</u>
Net income attributable to:		
Equity shareholders of the Company	\$ 2,568,695	\$ 12,597,916
Non-controlling interests	<u>322,955</u>	<u>839,975</u>
Net income for the period	<u>\$ 2,891,650</u>	<u>\$ 13,437,891</u>
Basic earnings per ordinary share (Note 4)	<u>0.05</u>	<u>0.46</u>

The accompanying notes are an integral part of these consolidated financial statements.

COLINA HOLDINGS BAHAMAS LIMITED
Unaudited Consolidated Interim Statement of Comprehensive Income

For the nine months ended September 30, 2011
with comparative figures for the nine months ended September 30, 2010
(Expressed in Bahamian dollars)

	9 Months Ended September 30, 2011	9 Months Ended September 30, 2010
Net income for the period	\$ 2,891,650	\$ 13,437,891
Other comprehensive income:		
Change in available-for-sale financial assets	682,194	154,995
Total comprehensive income for the period	<u>\$ 3,573,844</u>	<u>\$ 13,592,886</u>
Attributable to:		
Equity shareholders of the Company	3,250,889	12,750,104
Non-controlling interests	322,955	842,782
Total comprehensive income for the period	<u>\$ 3,573,844</u>	<u>\$ 13,592,886</u>

The accompanying notes are an integral part of these consolidated financial statements.

COLINA HOLDINGS BAHAMAS LIMITED
Unaudited Consolidated Interim Statement of Comprehensive Income

For the three months ended September 30, 2011
with comparative figures for the three months ended September 30, 2010
(Expressed in Bahamian dollars)

	3 Months Ended September 30, 2011	3 Months Ended September 30 2010
Revenues:		
Premium revenue	\$ 32,640,600	\$ 31,326,092
Less: Reinsurance premiums	<u>3,655,549</u>	<u>3,093,188</u>
Net premium revenue	28,985,051	28,232,904
Net investment income	7,738,086	8,236,887
Other income	<u>1,422,868</u>	<u>1,164,938</u>
Total revenues	<u>38,146,005</u>	<u>37,634,729</u>
Benefits and expenses:		
Policyholders' benefits	27,058,980	23,321,340
Less: Reinsurance recoveries	<u>3,596,290</u>	<u>3,806,966</u>
Net policyholders' benefits	23,462,690	19,514,374
Changes in provision for future policy benefits	2,637,290	3,470,090
General and administrative expenses	6,330,170	7,923,589
Commissions	3,145,693	2,657,405
Premium and other tax expense	929,308	992,079
Finance costs	28,094	4,487
Other expenses	<u>353,591</u>	<u>516,874</u>
Total benefits and expenses	<u>36,886,836</u>	<u>35,078,898</u>
Net income for the period:	<u>\$ 1,259,169</u>	<u>\$ 2,555,831</u>
Net income attributable to:		
Equity shareholders of the Company	\$ 1,324,910	\$ 2,231,303
Non-controlling interests	<u>(65,741)</u>	<u>324,528</u>
Net income for the period	<u>\$ 1,259,169</u>	<u>\$ 2,555,831</u>
Basic earnings per ordinary share (Note 4)	<u>\$ 0.04</u>	<u>\$ 0.07</u>

The accompanying notes are an integral part of these consolidated financial statements.

COLINA HOLDINGS BAHAMAS LIMITED
Unaudited Consolidated Interim Statement of Comprehensive Income

For the three months ended September 30, 2011
with comparative figures for the three months ended September 30, 2010
(Expressed in Bahamian dollars)

	3 Months Ended September 30, 2011	3 Months Ended September 30, 2010
Net income for the period	\$ 1,259,169	\$ 2,555,831
Other comprehensive income:		
Change in available-for-sale financial assets from unrealized available-for-sale net gains	(109,150)	689,649
Total comprehensive income for the period	<u>\$ 1,150,019</u>	<u>\$ 3,245,480</u>
Attributable to:		
Equity shareholders of the Company	1,213,760	2,925,696
Non-controlling interests	(63,741)	319,784
Total comprehensive income for the period	<u>\$ 1,150,019</u>	<u>\$ 3,245,480</u>

The accompanying notes are an integral part of these consolidated financial statements.

COLINA HOLDINGS BAHAMAS LIMITED
Unaudited Consolidated Statement of Changes in Equity

For the nine months ended September 30, 2011
with comparative figures for the nine months ended September 30, 2010
(Expressed in Bahamian dollars)

	Ordinary Share Capital	Treasury Shares	Share Premium	Revaluation Reserve	Retained Earnings	Preference Share Capital	Non-controlling Interests	Total Equity
Balance, January 1, 2010	\$ 24,729,613	\$ (81,615)	\$ 5,960,299	\$ 5,567,530	\$ 34,105,176	\$ 20,000,000	\$ 12,981,905	\$ 103,262,908
Net gain on remeasurement of available-for-sale securities to fair value	-	-	-	154,995	-	-	-	154,995
Net fair value loss transferred to income on disposal of available-for-sale securities	-	-	-	(159)	-	-	-	(159)
Net income for the period	-	-	-	-	12,597,916	-	839,975	13,437,891
Changes in non-controlling interests	-	-	-	-	-	-	(2,917,455)	(2,917,455)
Ordinary share dividends	-	-	-	-	(3,709,442)	-	-	(3,709,442)
Unrealized gain on purchase of shares in subsidiary	-	-	-	-	-	-	-	-
Issuance of preference shares	-	-	-	-	(105,000)	6,027,000	-	5,922,000
Distributions by subsidiaries	-	-	-	-	-	-	(200,700)	(200,700)
Increase in treasury shares	-	(249,999)	-	-	-	-	-	(249,999)
Preference share dividends	-	-	-	-	(1,157,494)	-	-	(1,157,494)
Balance, September 30, 2010	<u>\$ 24,729,613</u>	<u>\$ (331,614)</u>	<u>\$ 5,960,299</u>	<u>\$ 5,722,366</u>	<u>\$ 41,731,156</u>	<u>\$ 26,027,000</u>	<u>\$ 10,703,725</u>	<u>\$ 114,542,545</u>
Balance, January 1, 2011	\$ 24,729,613	\$ (331,614)	\$ 5,960,299	\$ 6,985,968	\$ 39,655,010	\$ 26,027,000	\$ 12,472,319	\$ 115,498,595
Net gain on remeasurement of available-for-sale securities to fair value	-	-	-	682,194	-	-	-	682,194
Changes in non-controlling interests	-	-	-	-	-	-	657,807	657,807
Net income for the period	-	-	-	-	2,568,695	-	322,955	2,891,650
Ordinary share dividends	-	-	-	-	(3,956,738)	-	-	(3,956,738)
Unrealized gain on purchase of shares in subsidiary	-	-	-	7,906	-	-	-	7,906
Issuance of preference shares	-	-	-	-	(7,129)	973,000	-	965,871
Decrease in treasury shares	-	120,379	-	-	-	-	-	120,379
Preference share dividends	-	-	-	-	(1,287,701)	-	-	(1,287,701)
Balance, September 30, 2011	<u>\$ 24,729,613</u>	<u>\$ (211,235)</u>	<u>\$ 5,960,299</u>	<u>\$ 7,676,068</u>	<u>\$ 36,972,137</u>	<u>\$ 27,000,000</u>	<u>\$ 13,453,081</u>	<u>\$ 115,579,963</u>

The accompanying notes are an integral part of these consolidated financial statements.

COLINA HOLDINGS BAHAMAS LIMITED
Unaudited Consolidated Statement of Cash Flows

For the nine months ended September 30, 2011
with comparative figures for the nine months ended September 30, 2010
(Expressed in Bahamian dollars)

	9 Months Ended September 30, 2011	9 Months Ended September 30, 2010
Cash flows from operating activities:		
Net income	\$ 2,891,650	\$ 13,437,891
Adjustments to reconcile net income to net cash used in operating activities:		
Change in unrealized loss/(gain) on fair value through income securities	357,975	(737,955)
Increase in provision for future policy benefits	14,045,882	8,323,650
Changes in loss provisions for loans and receivables	(668,484)	(1,142,587)
Depreciation and amortization charges	1,121,281	1,718,168
Net realized (loss)/gain on fair value through income securities	(55,510)	78,486
Net realized (loss)/gain on sale of available-for-sale securities	(3,332)	1,341
Interest income	(18,523,463)	(18,872,032)
Dividend income	(1,194,631)	(1,010,960)
Fair value gains on investment properties	-	(1,029,407)
Finance costs	-	40,759
Operating cash flows before changes in operating assets and liabilities	(2,028,632)	807,354
Changes in operating assets and liabilities:		
Decrease/(increase) in other assets	3,462,966	(8,095,610)
Increase/(decrease) in other liabilities	7,244,789	(378,227)
Net cash provided by/(used in) operating activities	<u>8,679,123</u>	<u>(7,666,483)</u>

(Continued)

The accompanying notes are an integral part of these consolidated financial statements.

COLINA HOLDINGS BAHAMAS LIMITED
Unaudited Consolidated Statement of Cash Flows

For the nine months ended September 30, 2011
with comparative figures for the nine months ended September 30, 2010
(Expressed in Bahamian dollars)

	9 Months Ended September 30, 2011	9 Months Ended September 30, 2010
Cash flows from investing activities:		
Acquisition of subsidiaries, net of cash acquired	7,906	-
Decrease /(increase) in term deposits with original maturities greater than 90 days	3,283,778	1,312,293
(Increase)/decrease in restricted cash	(1,299)	394,718
Fair value through income securities purchased	(20,341,886)	(16,371,569)
Proceeds on disposal of fair value through income securities	7,141,247	9,925,838
Available-for-sale securities purchased	(40,664,863)	(11,620,781)
Proceeds on disposal of available-for-sale securities	36,732,381	6,887,377
Decrease/(Increase) in treasury shares	120,379	(249,999)
Decrease in loans to policyholders	3,936,060	1,918,145
Additions to investment property	(14,793)	(1,843,260)
Net change in mortgage and commercial loans	1,971,566	3,394,651
Interest received	18,827,437	21,769,328
Dividends received	1,194,631	1,010,960
Proceeds on disposal of property and equipment, net	(400)	-
Additions to property and equipment	(763,161)	(395,778)
Additions to other intangible assets	-	(1,721,687)
	<u>11,428,982</u>	<u>14,410,236</u>
Net cash provided by investing activities		
Cash flows used in financing activities:		
Proceeds from issuance of preference shares	965,871	5,922,000
Distributions by subsidiaries	-	(200,700)
Interest paid on guaranteed investment and other contracts	-	(2,238)
Payment of bank loan interest	-	(38,521)
Dividends paid to ordinary shareholders	(3,956,738)	(3,709,442)
Dividends paid to preference shareholders	(1,287,701)	(1,157,494)
Repayment of bank loan principal	-	(2,903,756)
	<u>(4,278,568)</u>	<u>(2,090,151)</u>
Net cash used in financing activities		
Net increase in cash and cash equivalents	15,829,538	4,653,602
Cash and cash equivalents, beginning of period	<u>29,383,587</u>	<u>20,510,737</u>
Cash and cash equivalents, end of period (Note 3)	<u>\$ 45,213,125</u>	<u>\$ 25,164,339</u>

(Concluded)

The accompanying notes are an integral part of these consolidated financial statements.

COLINA HOLDINGS BAHAMAS LIMITED
Selected Explanatory Notes to the Unaudited Consolidated Financial Statements

For the period ended September 30, 2011
(Expressed in Bahamian dollars)

1. General Information

Colina Holdings Bahamas Limited ("the Company") was incorporated under the laws of the Commonwealth of The Bahamas on July 6, 1993.

The Company acts principally as the holding company of Colina Insurance Limited ("Colina"), a wholly-owned life and health insurer incorporated and registered to operate as a life and health insurer in The Bahamas, The Cayman Islands and The Turks and Caicos Islands.

The ordinary shares of the Company are listed on the Bahamas International Securities Exchange. At September 30, 2011, approximately 58.1% of the Company's issued ordinary shares were owned by A.F. Holdings Ltd. and 41.9% by the Bahamian public.

The registered office of the Company is located at St. Andrew's Court, Frederick Street Steps, P.O. Box N-4805, Nassau, The Bahamas and its principal place of business is located at 308 East Bay Street, P.O. Box N-3013, Nassau, The Bahamas.

2. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") for interim financial information. Accordingly, they do not include all of the information and footnotes required by IFRS for complete consolidated financial statements. In the opinion of management, these unaudited condensed consolidated financial statements reflect all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the Company's financial position and results of operations as at the end of and for the periods presented. All significant intercompany accounts and transactions have been eliminated from these consolidated financial statements. The preparation of unaudited condensed consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

3. Cash and Cash Equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents are comprised of the following:

	September 30, 2011	September 30, 2010
Term deposits	\$ 25,382,748	\$ 15,355,852
Less: Deposits with original maturities of greater than 90 days	<u>(1,056,919)</u>	<u>(2,208,499)</u>
Short-term deposits	24,325,829	13,147,353
Cash and demand balances	24,562,852	15,266,446
Less: Restricted cash balances	(1,003,987)	(350,908)
Less: Bank overdraft	<u>(2,671,569)</u>	<u>(2,898,552)</u>
Total cash and cash equivalents	<u>\$ 45,213,125</u>	<u>\$ 25,164,339</u>

COLINA HOLDINGS BAHAMAS LIMITED
Selected Explanatory Notes to the Unaudited Consolidated Financial Statements

For the period ended September 30, 2011
(Expressed in Bahamian dollars)

4. Basic Earnings Per Ordinary Share

Basic earnings per ordinary share is calculated by dividing net income attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares issued and outstanding during the period, excluding ordinary shares of the Company acquired by Colina held as treasury shares.

	9 Months Ended September 30, 2011	9 Months Ended September 30, 2010
Net income attributable to equity shareholders	\$ 2,568,695	\$ 12,597,916
Net income attributable to ordinary shareholders	<u>\$ 1,280,994</u>	<u>\$ 11,440,422</u>
Weighted average number of ordinary shares outstanding	<u>24,606,214</u>	<u>24,678,848</u>
Basic earnings per ordinary share	<u>\$ 0.05</u>	<u>\$ 0.46</u>
	3 Months Ended September 30, 2011	3 Months Ended September 30, 2010
Net income attributable to equity shareholders	\$ 1,324,910	\$ 2,231,303
Net income attributable to ordinary shareholders	<u>\$ 907,986</u>	<u>\$ 1,807,865</u>
Weighted average number of ordinary shares outstanding	<u>24,616,503</u>	<u>24,634,403</u>
Basic earnings per ordinary share	<u>\$ 0.04</u>	<u>\$ 0.07</u>