

**Condensed Unaudited Consolidated Interim Financial Statements of
Colina Holdings Bahamas Limited
Three Months Ended March 31, 2012
UNAUDITED**

Message from the Chairman

Dear Shareholders,

Colina's first quarter results are an impressive start to the year. The Company was able to meet the unique challenges of 2011 from a position of considerable financial strength and continue this momentum through the first three months of 2012 to achieve positive growth in key financial indicators including net income, investment earnings and gross premium revenue.

Net income attributable to the Company's ordinary shareholders for the period January 1, 2012 to March 31, 2012 rose to \$1.7 million or \$0.07 per ordinary share, compared to net income of \$1.6 million or \$0.07 per ordinary share for the same period in the prior year. Similarly, gross premium revenues during the first quarter of 2012 have grown by 6.1% or \$1.9 million relative to the same period in 2011.

Income growth was boosted by an increase in the values of a number of Colina's investment securities compared to the prior year. Net investment income for the quarter stood at \$7.8 million compared to \$7.2 million for the same period in 2011.

General and administrative expenses have increased by \$1.2 million relative to the same period in the prior year but remain at 20.2% of total revenues, this percentage being only slightly higher than the previous year's ratio of 19.1%. Net policyholder benefits have increased by \$0.6 million to \$21.8 million compared to the same period in the prior year.

Our solid capital position, high quality investments and disciplined operational capabilities remain a source of competitive advantage. Invested assets remain a significant proportion of the asset base, comprising 81.9% of total assets. Total equity stands at \$118.7 million at March 31, 2012 compared to \$119.7 million at December 31, 2011, decreasing primarily as a result of dividend payments to ordinary and preference shareholders net of contributions from net income.

The environment in which we operate remains challenging but we have a proven ability to adapt and grow our business in the face of external change. Colina continues to commit both human and capital resources to achieving its strategic financial and operational targets, and will proceed cautiously to maximize efforts to deliver on our return targets.

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 March 31, 2012 with comparative figures as at December 31, 2011
(Expressed in Bahamian dollars)

| | March 31, 2012 | December 31, 2011 |
|--------------------------------------|------------------------------|------------------------------|
| ASSETS | | |
| Term deposits | \$ 32,351,058 | \$ 32,641,513 |
| Investment securities | 236,776,570 | 233,713,661 |
| Mortgages and commercial loans | 64,582,512 | 67,662,693 |
| Policy loans | 64,041,975 | 64,263,516 |
| Investment properties | 49,396,230 | 49,207,360 |
| Investment in associates | <u>10,280,053</u> | <u>10,193,720</u> |
| Total invested assets | 457,428,398 | 457,682,463 |
| Cash and demand balances | 19,407,122 | 13,143,815 |
| Receivables and other assets | 47,568,477 | 44,740,763 |
| Property and equipment | 20,235,986 | 20,102,630 |
| Goodwill | 12,921,910 | 12,921,910 |
| Other intangible assets | <u>1,206,209</u> | <u>1,369,011</u> |
| Total assets | <u>\$ 558,768,102</u> | <u>\$ 549,960,592</u> |
| LIABILITIES | | |
| Provision for future policy benefits | \$ 330,311,128 | \$ 326,094,058 |
| Policy dividends on deposit | <u>30,449,053</u> | <u>30,695,059</u> |
| Total policy liabilities | 360,760,181 | 356,789,117 |
| Other liabilities | <u>79,310,170</u> | <u>73,507,148</u> |
| Total liabilities | <u>440,070,351</u> | <u>430,296,265</u> |
| EQUITY | | |
| Ordinary shares | 24,729,613 | 24,729,613 |
| Treasury shares | (162,254) | (162,254) |
| Share premium | 5,960,299 | 5,960,299 |
| Revaluation reserve | 7,707,431 | 7,815,781 |
| Retained earnings | <u>37,740,928</u> | <u>38,983,366</u> |
| Total ordinary shareholders' equity | 75,976,017 | 77,326,805 |
| Preference shares | <u>30,000,000</u> | <u>30,000,000</u> |
| Total shareholders' equity | 105,976,017 | 107,326,805 |
| Non-controlling interests | <u>12,721,734</u> | <u>12,337,522</u> |
| Total equity | <u>118,697,751</u> | <u>119,664,327</u> |
| Total liabilities and equity | <u>\$ 558,768,102</u> | <u>\$ 549,960,592</u> |

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

COLINA HOLDINGS BAHAMAS LIMITED
Unaudited Consolidated Interim Statement of Income

For the three months ended March 31, 2012
with comparative figures for the three months ended March 31, 2011
(Expressed in Bahamian dollars)

| | 3 Months Ended March 31, 2012 | 3 Months Ended March 31, 2011 |
|---------------------------------------------------|------------------------------------------|------------------------------------------|
| Revenues: | | |
| Premium revenue | \$ 34,149,469 | \$ 32,190,700 |
| Less: Reinsurance premiums | <u>2,991,330</u> | <u>3,473,189</u> |
| Net premium revenue | 31,158,139 | 28,717,511 |
| Net investment income | 7,824,107 | 7,200,323 |
| Other income | <u>2,197,305</u> | <u>1,516,140</u> |
| Total revenues | <u>41,179,551</u> | <u>37,433,974</u> |
| Benefits and expenses: | | |
| Policyholders' benefits | 24,602,998 | 22,273,164 |
| Less: Reinsurance recoveries | <u>2,800,578</u> | <u>1,166,168</u> |
| Net policyholders' benefits | 21,802,420 | 21,106,996 |
| Changes in provision for future policy benefits | 4,217,073 | 3,059,506 |
| General and administrative expenses | 8,314,567 | 7,157,969 |
| Commissions | 3,056,102 | 2,441,716 |
| Premium and other tax expense | 887,427 | 945,713 |
| Finance costs | 52,495 | 21,636 |
| Other expenses | <u>251,051</u> | <u>358,385</u> |
| Total benefits and expenses | <u>38,581,135</u> | <u>35,091,921</u> |
| Net income for the period: | <u>\$ 2,598,416</u> | <u>\$ 2,342,053</u> |
| Net income attributable to: | | |
| Equity shareholders of the Company | \$ 2,206,847 | \$ 2,105,238 |
| Non-controlling interests | <u>391,569</u> | <u>236,815</u> |
| Net income for the period | <u>\$ 2,598,416</u> | <u>\$ 2,342,053</u> |
| Basic earnings per ordinary share (Note 4) | <u>\$ 0.07</u> | <u>\$ 0.07</u> |

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

COLINA HOLDINGS BAHAMAS LIMITED
Unaudited Consolidated Interim Statement of Comprehensive Income

For the three months ended March 31, 2012
with comparative figures for the three months ended March 31, 2011
(Expressed in Bahamian dollars)

| | 3 Months Ended March 31, 2012 | 3 Months Ended March 31, 2011 |
|--------------------------------------------------|------------------------------------------|------------------------------------------|
| Net income for the period | \$ 2,598,416 | \$ 2,342,053 |
| Other comprehensive income: | | |
| Change in available-for-sale financial assets | <u>(108,350)</u> | <u>(20,896)</u> |
| Total comprehensive income for the period | <u>\$ 2,490,066</u> | <u>\$ 2,321,157</u> |
| | | |
| Attributable to: | | |
| Equity shareholders of the Company | \$ 2,098,497 | \$ 2,084,342 |
| Non-controlling interests | <u>391,569</u> | <u>236,815</u> |
| Total comprehensive income for the period | <u>\$ 2,490,066</u> | <u>\$ 2,321,157</u> |

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

COLINA HOLDINGS BAHAMAS LIMITED
Unaudited Consolidated Statement of Changes in Equity

For the three months ended March 31, 2012
with comparative figures for the three months ended March 31, 2011
(Expressed in Bahamian dollars)

| | Ordinary Share Capital | Treasury Shares | Share Premium | Revaluation Reserve | Preference Share Capital | Retained Earnings | Non-controlling Interests | Total Equity |
|--------------------------------------------------------------------------------|------------------------------|---------------------|---------------------|------------------------|--------------------------------|----------------------|------------------------------|-----------------------|
| Balance, January 1, 2011 | \$ 24,729,613 | \$ (331,614) | \$ 5,960,299 | \$ 6,985,968 | \$ 26,027,000 | \$ 39,655,010 | \$ 12,472,319 | \$ 115,498,595 |
| Net loss on remeasurement of available-for-sale securities to fair value | - | - | - | (20,896) | - | - | - | (20,896) |
| Net income for the period | - | - | - | - | - | 2,105,238 | 236,815 | 2,342,053 |
| Changes in non-controlling interests | - | - | - | - | - | - | (41,581) | (41,581) |
| Unrealized gain on purchase of shares in subsidiary | - | - | - | 23,681 | - | - | - | 23,681 |
| Issuance of preference shares | - | - | - | - | 260,000 | - | - | 260,000 |
| Preference share dividends | - | - | - | - | - | (460,042) | - | (460,042) |
| Balance, March 31, 2011 | <u>\$ 24,729,613</u> | <u>\$ (331,614)</u> | <u>\$ 5,960,299</u> | <u>\$ 6,988,753</u> | <u>\$ 26,287,000</u> | <u>\$ 41,300,206</u> | <u>\$ 12,667,553</u> | <u>\$ 117,601,810</u> |
| Balance, January 1, 2012 | \$ 24,729,613 | \$ (162,254) | \$ 5,960,299 | \$ 7,815,781 | \$ 30,000,000 | \$ 38,983,366 | \$ 12,337,522 | \$ 119,664,327 |
| Net loss on remeasurement of available-for-sale securities to fair value | - | - | - | (108,350) | - | - | - | (108,350) |
| Net income for the period | - | - | - | - | - | 2,206,847 | 391,569 | 2,598,416 |
| Changes in non-controlling interests | - | - | - | - | - | - | (7,357) | (7,357) |
| Ordinary share dividend (Note 5) | - | - | - | - | - | (2,959,985) | - | (2,959,985) |
| Preference share dividends | - | - | - | - | - | (489,300) | - | (489,300) |
| Balance, March 31, 2012 | <u>\$ 24,729,613</u> | <u>\$ (162,254)</u> | <u>\$ 5,960,299</u> | <u>\$ 7,707,431</u> | <u>\$ 30,000,000</u> | <u>\$ 37,740,928</u> | <u>\$ 12,721,734</u> | <u>\$ 118,697,751</u> |

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

COLINA HOLDINGS BAHAMAS LIMITED
Unaudited Consolidated Statement of Cash Flows

For the three months ended March 31, 2012
with comparative figures for the three months ended March 31, 2011
(Expressed in Bahamian dollars)

| | 3 Months Ended March 31, 2012 | 3 Months Ended March 31, 2011 |
|----------------------------------------------------------------------------------|------------------------------------------|------------------------------------------|
| Cash flows from operating activities: | | |
| Net income | \$ 2,598,416 | \$ 2,342,053 |
| Adjustments to reconcile net income to net cash used in operating activities: | | |
| Change in unrealized (gain)/loss on fair value through income securities | (351,461) | 151,055 |
| Increase in provision for future policy benefits | 4,217,070 | 3,059,506 |
| Changes in loss provisions for loans and receivables | 89,370 | 59,410 |
| Depreciation and amortization charges | 588,774 | 461,219 |
| Net realized (gain)/loss on fair value through income securities | (3,056) | 2,875 |
| Interest income | (6,046,631) | (5,848,310) |
| Dividend income | <u>(476,582)</u> | <u>(516,046)</u> |
| Operating cash flows before changes in operating assets and liabilities | 615,900 | (288,238) |
| Changes in operating assets and liabilities: | | |
| (Increase)/decrease in other assets | (2,942,720) | 4,634,150 |
| Increase in other liabilities | <u>6,820,805</u> | <u>3,715,564</u> |
| Net cash provided by operating activities | <u>4,493,985</u> | <u>8,061,476</u> |

(Continued)

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

COLINA HOLDINGS BAHAMAS LIMITED
Unaudited Consolidated Statement of Cash Flows

For the three months ended March 31, 2012
with comparative figures for the three months ended March 31, 2011
(Expressed in Bahamian dollars)

| | 3 Months Ended March 31, 2012 | 3 Months Ended March 31, 2011 |
|-------------------------------------------------------------------------|------------------------------------------|------------------------------------------|
| Cash flows from investing activities: | | |
| Acquisition of subsidiaries, net of cash acquired | (7,357) | 23,681 |
| Decrease in term deposits with original maturities greater than 90 days | 9,516,612 | 3,236,327 |
| Increase in restricted cash | (350) | (218) |
| Fair value through income securities purchased | (398,181) | (6,859,052) |
| Proceeds on disposal of fair value through income securities | 280,941 | 326,107 |
| Available-for-sale securities purchased | (2,792,536) | (1,366,950) |
| Proceeds on disposal of available-for-sale securities | 93,034 | 1,750,963 |
| Decrease in loans to policyholders | 369,136 | 478,264 |
| Additions to investment property | (188,870) | (194,363) |
| Net change in mortgage and commercial loans | 2,881,044 | (430,932) |
| Interest received | 6,037,476 | 6,003,704 |
| Dividends received | 476,582 | 516,046 |
| Proceeds on disposal of property and equipment, net | - | (400) |
| Additions to property and equipment | <u>(559,328)</u> | <u>(342,671)</u> |
| Net cash provided by investing activities | <u>15,708,203</u> | <u>3,140,506</u> |
| Cash flows used in financing activities: | | |
| Proceeds from issuance of preference shares | - | 260,000 |
| Dividends to ordinary shareholders | (2,959,985) | - |
| Dividends to preference shareholders | <u>(489,300)</u> | <u>(460,042)</u> |
| Net cash used in financing activities | <u>(3,449,285)</u> | <u>(200,042)</u> |
| Net increase in cash and cash equivalents | 16,752,903 | 11,001,940 |
| Cash and cash equivalents, beginning of period | <u>32,921,872</u> | <u>29,383,586</u> |
| Cash and cash equivalents, end of period (Note 3) | <u>\$ 49,674,775</u> | <u>\$ 40,385,526</u> |

(Concluded)

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

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

For the period ended March 31, 2012
(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 March 31, 2012, approximately 58.2% of the Company's issued ordinary shares were owned by A.F. Holdings Ltd. and 41.8% 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-4728, 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 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 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 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:

| | March 31, 2012 | March 31, 2011 |
|--------------------------------------------------------------------|---------------------------|---------------------------|
| Term deposits | \$ 32,351,058 | \$ 20,520,591 |
| Less: Deposits with original maturities of greater than 90 days | <u>(1,056,490)</u> | <u>(1,104,370)</u> |
| Short-term deposits | 31,294,568 | 19,416,221 |
| Cash and demand balances | 19,407,122 | 25,052,182 |
| Less: Restricted cash balances | (1,005,597) | (1,002,906) |
| Less: Bank overdraft | <u>(21,318)</u> | <u>(3,079,971)</u> |
| Total cash and cash equivalents | <u>\$ 49,674,775</u> | <u>\$ 40,385,526</u> |

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

For the period ended March 31, 2012
(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.

| | 3 Months Ended March 31, 2012 | 3 Months Ended March 31, 2011 |
|--------------------------------------------------------|----------------------------------------------|----------------------------------------------|
| Net income attributable to equity shareholders | <u>\$ 2,206,847</u> | <u>\$ 2,105,238</u> |
| Net income attributable to ordinary shareholders | <u>\$ 1,717,547</u> | <u>\$ 1,645,196</u> |
| Weighted average number of ordinary shares outstanding | <u>24,666,545</u> | <u>24,601,070</u> |
| Basic earnings per ordinary share | <u>\$ 0.07</u> | <u>\$ 0.07</u> |

5. Ordinary Dividend

The Board of Directors, by resolution dated March 27, 2012, approved an ordinary shareholder dividend of 12 cents (consisting of an ordinary dividend of 8 cents and an extra-ordinary dividend of 4 cents) to be paid to ordinary shareholders of record on April 30, 2012.