

**Condensed Unaudited Consolidated Interim Financial Statements of
Colina Holdings Bahamas Limited
Nine Months Ended September 30, 2014
UNAUDITED**

Message from the Chairman

Dear Shareholders,

I am pleased to report solid results for the third quarter 2014.

Net income for the nine months ended September 30, 2014 totaled \$10.8 million, compared with \$9.6 million during the same period in the prior year, an increase of 11.7%.

Total equity remains strong at \$154.6 million as at September 30, 2014 and is net of \$4.9 million in ordinary shareholder dividends issued in the reporting period.

The Company's total revenues for the first nine months to September 30, 2014 have increased to \$132.2 million compared to \$119.3 million for the same period in 2013, however gross policyholder benefits through September 2014 are trending below prior year's experience.

Total assets have increased to \$632.0 million as at September 30, 2014 compared to \$605.5 million as at December 31, 2013. Invested assets remain a significant proportion of the asset base, comprising 84.9% of total assets.

Colina remains committed to continue our growth in our core businesses while pursuing sound investment and operational efficiency initiatives to increase value for our customers and shareholders.



Terence Hilts
Chairman

COLINA HOLDINGS BAHAMAS LIMITED
Unaudited Consolidated Interim Statement of Financial Position

As at September 30, 2014 with comparative figures as at December 31, 2013
(Expressed in Bahamian dollars)

	September 30, 2014	December 31, 2013
ASSETS		
Term deposits	\$ 44,658,414	\$ 31,784,777
Investment securities	306,667,688	289,400,060
Mortgages and commercial loans	50,407,689	54,771,731
Policy loans	69,288,195	67,145,774
Investment properties	55,043,421	54,998,301
Investment in associates	<u>10,537,968</u>	<u>9,782,328</u>
Total invested assets	536,603,375	507,882,971
Cash and demand balances	17,229,163	29,933,030
Receivables and other assets	40,259,885	28,959,718
Property and equipment	18,987,434	19,871,616
Goodwill	18,391,916	18,391,916
Other intangible assets	<u>493,148</u>	<u>422,514</u>
Total assets	<u>\$ 631,964,921</u>	<u>\$ 605,461,765</u>
LIABILITIES		
Provision for future policy benefits	\$ 370,214,840	\$ 352,911,498
Policy dividends on deposit	<u>27,743,133</u>	<u>28,209,136</u>
Total policy liabilities	397,957,973	381,120,634
Other liabilities	<u>79,433,717</u>	<u>75,286,788</u>
Total liabilities	<u>477,391,690</u>	<u>456,407,422</u>
EQUITY		
Ordinary shares	24,729,613	24,729,613
Treasury shares	(50,549)	(50,549)
Share premium	5,960,299	5,960,299
Revaluation reserve	9,708,749	9,287,941
Retained earnings	<u>55,266,959</u>	<u>51,619,384</u>
Total ordinary shareholders' equity	95,615,071	91,546,688
Preference shares	<u>40,500,000</u>	<u>40,500,000</u>
Total shareholders' equity	136,115,071	132,046,688
Non-controlling interests	<u>18,458,160</u>	<u>17,007,655</u>
Total equity	<u>154,573,231</u>	<u>149,054,343</u>
Total liabilities and equity	<u>\$ 631,964,921</u>	<u>\$ 605,461,765</u>

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

COLINA HOLDINGS BAHAMAS LIMITED
Unaudited Consolidated Interim Statement of Income

For the nine months ended September 30, 2014
with comparative figures for the nine months ended September 30, 2013
(Expressed in Bahamian dollars)

	9 Months Ended September 30, 2014	9 Months Ended September 30, 2013
Revenues:		
Premium revenue	\$ 106,410,243	\$ 103,169,146
Less: Reinsurance premiums	<u>9,234,970</u>	<u>9,700,252</u>
Net premium revenue	97,175,273	93,468,894
Net investment income	22,658,568	19,176,705
Share of net gain of associates	755,641	117,107
Net commission income	2,306,852	1,896,714
Investment management and other fees	8,494,542	4,228,314
Other income	<u>815,983</u>	<u>446,904</u>
Total revenues	<u>132,206,859</u>	<u>119,334,638</u>
Benefits and expenses:		
Policyholders' benefits	70,287,959	69,030,246
Less: Reinsurance recoveries	<u>6,976,822</u>	<u>6,707,608</u>
Net policyholders' benefits	63,311,137	62,322,638
Changes in provision for future policy benefits	17,303,342	8,665,684
General and administrative expenses	28,814,307	25,850,008
Commissions	7,894,427	8,842,186
Premium and other tax expense	2,799,437	2,702,466
Finance costs	917,045	897,111
Other expenses	<u>407,097</u>	<u>423,619</u>
Total benefits and expenses	<u>121,446,792</u>	<u>109,703,712</u>
Net income for the period:	<u>\$ 10,760,067</u>	<u>\$ 9,630,926</u>
Net income attributable to:		
Equity shareholders of the Company	\$ 10,487,940	\$ 9,209,024
Non-controlling interests	<u>272,127</u>	<u>421,902</u>
Net income for the period	<u>\$ 10,760,067</u>	<u>\$ 9,630,926</u>
Basic earnings per ordinary share (Note 4)	<u>\$ 0.35</u>	<u>\$ 0.30</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, 2014
with comparative figures for the nine months ended September 30, 2013
(Expressed in Bahamian dollars)

	9 Months Ended September 30, 2014	9 Months Ended September 30, 2013
Net income for the period	\$ 10,760,067	\$ 9,630,926
Other comprehensive gains/(losses):		
Change in available-for-sale financial assets	<u>789,808</u>	<u>(200,244)</u>
Total comprehensive income for the period	<u>\$ 11,549,875</u>	<u>\$ 9,430,682</u>
Attributable to:		
Equity shareholders of the Company	\$ 11,277,748	\$ 9,008,780
Non-controlling interests	<u>272,127</u>	<u>421,902</u>
Total comprehensive income for the period	<u>\$ 11,549,875</u>	<u>\$ 9,430,682</u>

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

COLINA HOLDINGS BAHAMAS LIMITED
Unaudited Consolidated Interim Statement of Income

For the three months ended September 30, 2014
with comparative figures for the three months ended September 30, 2013
(Expressed in Bahamian dollars)

	3 Months Ended September 30, 2014	3 Months Ended September 30, 2013
Revenues:		
Premium revenue	\$ 38,307,241	\$ 34,320,312
Less: Reinsurance premiums	<u>3,120,942</u>	<u>3,335,666</u>
Net premium revenue	35,186,299	30,984,646
Net investment income	3,937,313	6,333,622
Share of net gain of associates	410,062	136,315
Net commission income	764,165	575,624
Investment management and other fees	5,652,221	1,516,083
Other income	<u>284,820</u>	<u>53,693</u>
Total revenues	<u>46,234,880</u>	<u>39,599,983</u>
Benefits and expenses:		
Policyholders' benefits	26,098,829	21,019,148
Less: Reinsurance recoveries	<u>2,846,104</u>	<u>1,280,634</u>
Net policyholders' benefits	23,252,725	19,738,514
Changes in provision for future policy benefits	5,603,546	5,159,035
General and administrative expenses	10,138,543	8,241,799
Commissions	2,841,194	2,606,978
Premium and other tax expense	950,849	825,049
Finance costs	307,959	295,493
Other expenses	<u>146,107</u>	<u>110,454</u>
Total benefits and expenses	<u>43,240,923</u>	<u>36,977,322</u>
Net income for the period:	<u>\$ 2,993,957</u>	<u>\$ 2,622,661</u>
Net income/(loss) attributable to:		
Equity shareholders of the Company	\$ 3,441,609	\$ 2,507,702
Non-controlling interests	<u>(447,652)</u>	<u>114,959</u>
Net income for the period	<u>\$ 2,993,957</u>	<u>\$ 2,622,661</u>
Basic earnings per share (Note 4)	<u>\$ 0.11</u>	<u>\$ 0.06</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, 2014
with comparative figures for the three months ended September 30, 2013
(Expressed in Bahamian dollars)

	3 Months Ended September 30, 2014	3 Months Ended September 30, 2013
Net income for the period	\$ 2,993,957	\$ 2,622,661
Other comprehensive gains:		
Change in available-for-sale financial assets	<u>260,682</u>	<u>91,063</u>
Total comprehensive income for the period	<u>\$ 3,254,639</u>	<u>\$ 2,713,724</u>
Attributable to:		
Equity shareholders of the Company	\$ 3,702,291	\$ 2,598,765
Non-controlling interests	<u>(447,652)</u>	<u>114,959</u>
Total comprehensive income for the period	<u>\$ 3,254,639</u>	<u>\$ 2,713,724</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, 2014
with comparative figures for the nine months ended September 30, 2013
(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, 2013	\$ 24,729,613	\$ (154,531)	\$ 5,960,299	\$ 8,736,942	\$ 30,000,000	\$ 44,410,992	\$ 14,233,267	\$ 127,916,582
Net loss on remeasurement of available-for-sale securities to fair value	-	-	-	(200,244)	-	-	-	(200,244)
Net income for the period	-	-	-	-	-	9,209,024	421,902	9,630,926
Changes in non-controlling interests	-	-	-	-	-	-	3,500,372	3,500,372
Decrease in treasury shares	-	103,982	-	-	-	-	-	103,982
Ordinary share dividend	-	-	-	-	-	(4,450,531)	-	(4,450,531)
Preference share dividends	-	-	-	-	-	(1,875,000)	-	(1,875,000)
Balance, September 30, 2013	<u>\$ 24,729,613</u>	<u>\$ (50,549)</u>	<u>\$ 5,960,299</u>	<u>\$ 8,536,698</u>	<u>\$ 30,000,000</u>	<u>\$ 47,294,485</u>	<u>\$ 18,155,541</u>	<u>\$ 134,626,087</u>
Balance, January 1, 2014	\$ 24,729,613	\$ (50,549)	\$ 5,960,299	\$ 9,287,941	\$ 40,500,000	\$ 51,619,384	\$ 17,007,655	\$ 149,054,343
Net gain on remeasurement of available-for-sale securities to fair value	-	-	-	789,808	-	-	-	789,808
Net fair value loss transferred to income on disposal of available-for-sale securities	-	-	-	(369,000)	-	-	-	(369,000)
Net income for the period	-	-	-	-	-	10,487,940	1,178,378	11,666,318
Changes in non-controlling interests	-	-	-	-	-	-	272,127	272,127
Ordinary share dividends	-	-	-	-	-	(4,941,926)	-	(4,941,926)
Preference share dividends	-	-	-	-	-	(1,898,439)	-	(1,898,439)
Balance, September 30, 2014	<u>\$ 24,729,613</u>	<u>\$ (50,549)</u>	<u>\$ 5,960,299</u>	<u>\$ 9,708,749</u>	<u>\$ 40,500,000</u>	<u>\$ 55,266,959</u>	<u>\$ 18,458,160</u>	<u>\$ 154,573,231</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, 2014
with comparative figures for the nine months ended September 30, 2013
(Expressed in Bahamian dollars)

	9 Months Ended September 30, 2014	9 Months Ended September 30, 2013
Cash flows from operating activities:		
Net income	\$ 11,666,318	\$ 9,630,926
Adjustments to reconcile net income to net cash used in operating activities:		
Change in unrealized loss on fair value through income securities	307,124	2,148,189
Increase in provision for future policy benefits	17,303,342	8,665,684
Changes in loss provisions for loans and receivables	552,758	1,350,075
Depreciation and amortization charges	998,438	1,036,286
Net realized loss/(gain) on fair value through income securities	18,114	(112,184)
Net realized loss on sale of available-for-sale securities	369,000	-
Interest income	(23,032,961)	(17,720,876)
Dividend income	(1,677,125)	(1,435,931)
Operating cash flows before changes in operating assets and liabilities	<u>6,505,008</u>	<u>3,562,169</u>
Changes in operating assets and liabilities:		
(Increase)/decrease in other assets	(11,890,459)	10,288,153
Increase/(decrease) in other liabilities	<u>2,989,775</u>	<u>(3,433,215)</u>
Net cash (used in)/provided by operating activities	<u>(2,395,676)</u>	<u>10,417,107</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, 2014
with comparative figures for the nine months ended September 30, 2013
(Expressed in Bahamian dollars)

	9 Months Ended September 30, 2014	9 Months Ended September 30, 2013
Cash flows from investing activities:		
Acquisition of subsidiaries, net of cash acquired	272,127	3,500,372
Increase in term deposits with original maturities greater than 90 days	(5,642,871)	(10,887,134)
Decrease in restricted cash	-	6,625
Fair value through income securities purchased	(15,335,343)	(17,304,674)
Proceeds on disposal of fair value through income securities	3,047,756	1,146,163
Available-for-sale securities purchased	(8,484,597)	(19,884,692)
Proceeds on disposal of available-for-sale securities	3,231,127	6,176,413
Decrease in loans to policyholders	(1,893,414)	(772,055)
Additions to investment property	(45,120)	(235,184)
Net change in mortgage and commercial loans	4,416,496	2,255,440
Interest received	22,013,393	17,088,611
Dividends received	1,677,125	1,435,931
Additions to property and equipment	(184,890)	(398,262)
Net cash provided by/(used in) investing activities	<u>3,071,789</u>	<u>(17,872,446)</u>
Cash flows used in financing activities:		
Sale of treasury shares	-	103,982
Dividends to ordinary shareholders	(4,941,926)	(4,450,531)
Dividends to preference shareholders	(1,898,439)	(1,875,000)
Net cash used in financing activities	<u>(6,840,365)</u>	<u>(6,221,549)</u>
Net decrease in cash and cash equivalents	(6,164,252)	(13,676,888)
Cash and cash equivalents, beginning of period	<u>39,808,922</u>	<u>45,331,638</u>
Cash and cash equivalents, end of period (Note 3)	<u>\$ 33,644,670</u>	<u>\$ 31,654,750</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, 2014
(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 a holding company of its principal subsidiaries, Colina Insurance Limited (“Colina”), a wholly-owned life and health insurer incorporated in The Bahamas; Colina General Insurance Agency & Brokers Limited (“CGIA”), a wholly-owned general insurance agent and broker; and Colina Financial Advisors Ltd. (“CFAL”), a wholly-owned financial services company.

Colina is registered to operate as a life and health insurer in The Bahamas, The Cayman Islands, and The Turks and Caicos Islands. CGIA holds a dual registration as a general insurance broker and agent for operations in The Bahamas. CFAL is licensed as a broker dealer in The Bahamas.

The ordinary shares of the Company are listed on the Bahamas International Securities Exchange. At September 30, 2014 approximately 58.1% (2013: 58.1%) of the Company’s issued ordinary shares were owned by AF Holdings Ltd. (“AFH”) and 41.9% (2013: 41.9%) by the Bahamian public.

The registered office of the Company is located at Trinity Place Annex, Frederick and Shirley Streets, 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.

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

For the period ended September 30, 2014
(Expressed in Bahamian dollars)

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, 2014	September 30, 2013
Term deposits	\$ 44,658,414	\$ 31,282,732
Less: Deposits with original maturities of greater than 90 days	<u>(26,739,480)</u>	<u>(20,664,055)</u>
Short-term deposits	17,918,934	10,618,677
Cash and demand balances	17,229,163	22,024,247
Less: Bank overdraft	<u>(1,503,427)</u>	<u>(988,174)</u>
Total cash and cash equivalents	<u>\$ 33,644,670</u>	<u>\$ 31,654,750</u>

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, 2014	9 Months Ended September 30, 2013
Net income attributable to equity shareholders	\$ 10,487,940	\$ 9,209,024
Net income attributable to ordinary shareholders	<u>\$ 8,589,501</u>	<u>\$ 7,334,024</u>
Weighted average number of ordinary shares outstanding	<u>24,709,631</u>	<u>24,691,853</u>
Basic earnings per ordinary share	<u>\$ 0.35</u>	<u>\$ 0.30</u>

	3 Months Ended September 30, 2014	3 Months Ended September 30, 2013
Net income attributable to equity shareholders	\$ 3,441,609	\$ 2,507,702
Net income attributable to ordinary shareholders	<u>\$ 2,808,796</u>	<u>\$ 1,570,202</u>
Weighted average number of ordinary shares outstanding	<u>24,709,631</u>	<u>24,709,631</u>
Basic earnings per ordinary share	<u>\$ 0.11</u>	<u>\$ 0.06</u>

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

For the period ended September 30, 2014
(Expressed in Bahamian dollars)

5. Corresponding Figures

The following corresponding figures have been reclassified to facilitate a more comparative basis of the financial statements based on current year presentation:

Share of net gain of associates

Gain from investment in associates totaling \$117,107 was reclassified from net investment income to share of net gain of associate on the consolidated statement of operations.

Net commission income

Net commission income totaling \$1,896,714 was reclassified from other income and fees to net commission income on the consolidated statement of operations.

Other income and fees

Other income and fees totaling \$4,228,314 was reclassified from other income and fees to investment management and other fees.