

Condensed Unaudited Consolidated Interim Financial Statements of
Colina Holdings Bahamas Limited
Nine Months Ended September 30, 2017
UNAUDITED

Message from the Chairman

Dear Shareholders,

The Board of Directors is pleased to present the Company's results for the nine months ended September 30, 2017. The Company's financial results continue to trend positively, with growth in net income and earnings per share.

Total net income for the nine months September 30, 2017 totalled \$14.1 million, compared with \$13.3 million during the same period in the prior year. Similarly, net income attributable to the Company's ordinary shareholders was \$11.2 million or \$0.46 per ordinary share, compared to \$10.5 million or \$0.43 per ordinary share for the same period in the prior year.

Total revenues for the nine months ended September 30, 2017 increased to \$127.4 million from \$126.1 million in the prior year, as a result of the Company's strategies to diversify its income streams. Gross premium revenues remain the most significant contributor to total revenues comprising \$97.3 million compared to \$98.3 million for the nine months ended September 30, 2016. From an expense perspective, higher claims experience resulted in gross policyholder benefits of \$71.6 million compared to \$64.5 million in the prior year. Net investment income for the nine months ended September 30, 2017 totalled \$22.5 million compared to \$21.6 million for the same period in 2016.

Our high quality investments and disciplined execution of our strategies continue to fortify the Company's balance sheet. Total assets stand at \$754.9 million, compared to \$726.6 million as at December 31, 2016. The Board of Directors is pleased to have been able to approve ordinary and preference shareholder dividend payments of \$5.4 million and \$1.8 million respectively through to September 30, 2017. We will continue our long-term strategy to direct funds in investments in high quality, fixed-income securities to ensure that invested assets remain the largest proportion of our total assets which at September 30, 2017 comprised 76.1% of total assets.

We are pleased that the Company has been able to produce continued strong financial and operating results in the current economic environment and will continue to seek out opportunities which will enable the Company to deliver sustainable earnings in the future.

As always, I speak for the Board of Directors in thanking our shareholders for their respect and loyalty. Colina remains committed to continue our growth in our core businesses while delivering value to every stakeholder.



Terence Hilts
Chairman

COLINA HOLDINGS BAHAMAS LIMITED
Unaudited Consolidated Interim Statement of Financial Position

As at September 30, 2017 with comparative figures as at December 31, 2016
(Expressed in Bahamian dollars)

	September 30, 2017	December 31, 2016
ASSETS		
Term deposits	\$ 22,340,919	\$ 25,940,507
Investment securities and other financial assets	374,300,059	368,797,947
Mortgages and commercial loans	37,210,371	39,534,099
Policy loans	69,538,520	70,053,596
Investment properties	55,720,002	55,720,002
Investment in associates	<u>15,294,569</u>	<u>13,921,852</u>
Total invested assets	574,404,440	573,968,003
Cash and demand balances	32,712,102	18,766,968
Receivables and other assets	113,665,646	98,612,207
Property and equipment	17,781,146	18,589,716
Goodwill	13,371,374	13,371,374
Other intangible assets	<u>2,924,339</u>	<u>3,272,110</u>
Total assets	<u>\$ 754,859,047</u>	<u>\$ 726,580,378</u>
LIABILITIES		
Provision for future policy benefits	\$ 415,414,875	\$ 404,115,806
Policy dividends on deposit	<u>28,141,451</u>	<u>27,896,992</u>
Total policy liabilities	443,556,326	432,012,798
Repurchase agreement	28,000,000	28,000,000
Other liabilities	<u>94,609,279</u>	<u>85,195,297</u>
Total liabilities	<u>566,165,605</u>	<u>545,208,095</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	12,743,107	12,492,293
Retained earnings	<u>80,826,709</u>	<u>75,020,518</u>
Total ordinary shareholders' equity	124,209,179	118,152,174
Preference shares	<u>42,500,000</u>	<u>42,500,000</u>
Total shareholders' equity	166,709,179	160,652,174
Non-controlling interests	<u>21,984,263</u>	<u>20,720,109</u>
Total equity	<u>188,693,442</u>	<u>181,372,283</u>
Total liabilities and equity	<u>\$ 754,859,047</u>	<u>\$ 726,580,378</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, 2017
with comparative figures for the nine months ended September 30, 2016
(Expressed in Bahamian dollars)

	9 Months Ended September 30, 2017	9 Months Ended September 30, 2016
Revenues:		
Premium revenue	\$ 97,278,370	\$ 98,296,204
Less: Reinsurance premiums	<u>9,597,133</u>	<u>9,080,087</u>
Net premium revenue	87,681,237	89,216,117
Net investment income	22,499,143	21,617,981
Share of net gain of associates	1,372,717	2,118,720
Net commission income	2,565,240	2,534,626
Investment management and other fees	10,012,605	8,047,403
Other income	<u>3,245,638</u>	<u>2,520,202</u>
Total revenues	<u>127,376,580</u>	<u>126,055,049</u>
Benefits and expenses:		
Policyholders' benefits	71,635,172	64,500,611
Less: Reinsurance recoveries	<u>11,125,412</u>	<u>5,172,368</u>
Net policyholders' benefits	60,509,760	59,328,243
Changes in provision for future policy benefits	11,299,069	11,679,971
General and administrative expenses	29,874,998	29,660,683
Commissions	7,187,068	7,584,706
Premium and other tax expense	2,702,990	2,655,277
Finance costs	835,712	889,562
Other expenses	<u>891,521</u>	<u>991,643</u>
Total benefits and expenses	<u>113,301,118</u>	<u>112,790,085</u>
Net income for the period:	<u>\$ 14,075,462</u>	<u>\$ 13,264,964</u>
Net income attributable to:		
Equity shareholders of the Company	\$ 13,080,696	\$ 12,540,873
Non-controlling interests	<u>994,766</u>	<u>724,091</u>
Net income for the period	<u>\$ 14,075,462</u>	<u>\$ 13,264,964</u>
Basic earnings per ordinary share (Note 4)	<u>\$ 0.46</u>	<u>\$ 0.43</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, 2017
with comparative figures for the nine months ended September 30, 2016
(Expressed in Bahamian dollars)

	9 Months Ended September 30, 2017	9 Months Ended September 30, 2016
Net income for the period	\$ 14,075,462	\$ 13,264,964
Other comprehensive gains:		
Change in available-for-sale financial assets	250,814	1,661,193
Total comprehensive income for the period	\$ 14,326,276	\$ 14,926,157
 Attributable to:		
Equity shareholders of the Company	\$ 13,331,510	\$ 14,202,066
Non-controlling interests	994,766	724,091
Total comprehensive income for the period	\$ 14,326,276	\$ 14,926,157

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, 2017
with comparative figures for the three months ended September 30, 2016
(Expressed in Bahamian dollars)

	3 Months Ended September 30, 2017	3 Months Ended September 30, 2016
Revenues:		
Premium revenue	\$ 32,539,922	\$ 32,848,338
Less: Reinsurance premiums	<u>3,496,861</u>	<u>3,387,331</u>
Net premium revenue	29,043,061	29,461,007
Net investment income	8,569,672	7,037,729
Share of net gain of associates	442,299	911,683
Net commission income	842,504	910,540
Investment management and other fees	3,231,778	3,252,510
Other income	<u>1,118,808</u>	<u>922,545</u>
Total revenues	<u>43,248,122</u>	<u>42,496,014</u>
Benefits and expenses:		
Policyholders' benefits	22,618,936	22,375,317
Less: Reinsurance recoveries	<u>3,883,140</u>	<u>1,653,557</u>
Net policyholders' benefits	18,735,796	20,721,760
Changes in provision for future policy benefits	6,236,519	3,471,617
General and administrative expenses	10,598,787	10,733,765
Commissions	2,511,557	2,619,891
Premium and other tax expense	929,019	902,432
Finance costs	278,715	298,101
Other expenses	<u>318,582</u>	<u>282,817</u>
Total benefits and expenses	<u>39,608,975</u>	<u>39,030,383</u>
Net income for the period:	<u>\$ 3,639,147</u>	<u>\$ 3,465,631</u>
Net income attributable to:		
Equity shareholders of the Company	\$ 3,270,152	\$ 3,104,844
Non-controlling interests	<u>368,995</u>	<u>360,787</u>
Net income for the period	<u>\$ 3,639,147</u>	<u>\$ 3,465,631</u>
Basic earnings per share (Note 4)	<u>\$ 0.11</u>	<u>\$ 0.10</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, 2017
with comparative figures for the three months ended September 30, 2016
(Expressed in Bahamian dollars)

	3 Months Ended September 30, 2017	3 Months Ended September 30, 2016
Net income for the period	\$ 3,639,147	\$ 3,465,631
Other comprehensive gains:		
Change in available-for-sale financial assets	<u>364,512</u>	<u>332,915</u>
Total comprehensive income for the period	<u>\$ 4,003,659</u>	<u>\$ 3,798,546</u>
Attributable to:		
Equity shareholders of the Company	\$ 3,634,664	\$ 3,437,759
Non-controlling interests	<u>368,995</u>	<u>360,787</u>
Total comprehensive income for the period	<u>\$ 4,003,659</u>	<u>\$ 3,798,546</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, 2017
with comparative figures for the nine months ended September 30, 2016
(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, 2016	\$ 24,729,613	\$ (50,549)	\$ 5,960,299	\$ 10,753,156	\$ 42,500,000	\$ 66,760,641	\$ 19,140,063	\$ 169,793,223
Net gain on remeasurement of available-for-sale securities to fair value	-	-	-	1,661,193	-	-	-	1,661,193
Net income for the period	-	-	-	-	-	12,540,873	724,091	13,264,964
Changes in non-controlling interests	-	-	-	-	-	-	433,856	433,856
Ordinary share dividend	-	-	-	-	-	(5,436,121)	-	(5,436,121)
Preference share dividends	-	-	-	-	-	(1,992,188)	-	(1,992,188)
Balance, September 30, 2016	<u>\$ 24,729,613</u>	<u>\$ (50,549)</u>	<u>\$ 5,960,299</u>	<u>\$ 12,414,349</u>	<u>\$ 42,500,000</u>	<u>\$ 71,873,205</u>	<u>\$ 20,298,010</u>	<u>\$ 177,724,927</u>
Balance, January 1, 2017	\$ 24,729,613	\$ (50,549)	\$ 5,960,299	\$ 12,492,293	\$ 42,500,000	\$ 75,020,518	\$ 20,720,109	\$ 181,372,283
Net loss on remeasurement of available-for-sale securities to fair value	-	-	-	250,814	-	-	-	250,814
Net income for the period	-	-	-	-	-	13,080,696	994,766	14,075,462
Changes in non-controlling interests	-	-	-	-	-	-	269,388	269,388
Ordinary share dividend	-	-	-	-	-	(5,440,514)	-	(5,440,514)
Preference share dividends	-	-	-	-	-	(1,833,991)	-	(1,833,991)
Balance, September 30, 2017	<u>\$ 24,729,613</u>	<u>\$ (50,549)</u>	<u>\$ 5,960,299</u>	<u>\$ 12,743,107</u>	<u>\$ 42,500,000</u>	<u>\$ 80,826,709</u>	<u>\$ 21,984,263</u>	<u>\$ 188,693,442</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, 2017
with comparative figures for the nine months ended September 30, 2016
(Expressed in Bahamian dollars)

	9 Months Ended September 30, 2017	9 Months Ended September 30, 2016
Cash flows from operating activities:		
Net income	\$ 14,075,462	\$ 13,264,964
Adjustments to reconcile net income to net cash used in operating activities:		
Change in unrealized loss on fair value through income securities	1,275,802	2,651,468
Increase in provision for future policy benefits	11,299,069	11,679,971
Changes in loss provisions for loans and receivables	571,926	1,155,456
Depreciation and amortization charges	1,156,341	1,306,420
Net realized loss on fair value through income securities	-	(1,649,669)
Net realized gains on sale of available-for-sale securities	(92,693)	1,435,762
Interest income	(24,504,893)	(24,271,134)
Dividend income	(1,744,642)	(1,712,265)
Operating cash flows before changes in operating assets and liabilities	2,036,372	3,860,973
Changes in operating assets and liabilities:		
Increase in other assets	(14,602,663)	(25,231,183)
Increase(decrease) in other liabilities	7,032,211	(4,276,914)
Net cash used in operating activities	(5,534,080)	(25,647,124)

(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, 2017
with comparative figures for the nine months ended September 30, 2016
(Expressed in Bahamian dollars)

	9 Months Ended September 30, 2017	9 Months Ended September 30, 2016
Cash flows from investing activities:		
Changes in non-controlling interests	269,388	433,856
Decrease in term deposits with original maturities greater than 90 days	5,509,174	11,626,569
Fair value through income securities purchased	(32,284,924)	(14,743,992)
Proceeds on disposal of fair value through income securities	26,948,739	13,027,576
Available-for-sale securities purchased	(8,040,572)	(11,968,604)
Proceeds on disposal of available-for-sale securities	6,942,351	4,695,470
Decrease in loans to policyholders	18,899,863	(35,425)
Disposal of investment property	-	36
Net change in mortgage and commercial loans	2,572,214	2,820,027
Interest received	3,476,201	22,267,349
Dividends received	1,744,642	1,712,265
Additions to property and equipment	-	(60,117)
Net cash provided by investing activities	<u>26,037,076</u>	<u>29,775,010</u>
Cash flows used in financing activities:		
Dividend to ordinary shareholders	(5,440,514)	(5,436,121)
Dividends to preference shareholders	(1,833,991)	(1,992,188)
Net cash used in financing activities	<u>(7,274,505)</u>	<u>(7,428,309)</u>
Net increase/(decrease) in cash and cash equivalents	13,228,491	(3,300,423)
Cash and cash equivalents, beginning of period	<u>17,783,065</u>	<u>29,321,317</u>
Cash and cash equivalents, end of period (Note 3)	<u>\$ 31,011,556</u>	<u>\$ 26,020,894</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, 2017
(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, 2017 approximately 58.1% (2016: 58.1%) of the Company's issued ordinary shares were owned by AF Holdings Ltd. ("AFH") and 41.9% (2016: 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, 2017
(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, 2017	September 30, 2016
Term deposits	\$ 22,340,919	\$ 37,833,094
Less: Deposits with original maturities of greater than 90 days	<u>(20,110,194)</u>	<u>(33,006,687)</u>
Short-term deposits	2,230,725	4,826,407
Cash and demand balances	32,712,102	26,264,596
Less: Bank overdraft	<u>(3,931,271)</u>	<u>(5,070,109)</u>
Total cash and cash equivalents	<u>\$ 31,011,556</u>	<u>\$ 26,020,894</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, 2017	9 Months Ended September 30, 2016
Net income attributable to equity shareholders	<u>\$ 13,080,696</u>	<u>\$ 12,540,873</u>
Net income attributable to ordinary shareholders	<u>\$ 11,246,705</u>	<u>\$ 10,548,685</u>
Weighted average number of ordinary shares outstanding	<u>24,709,631</u>	<u>24,709,631</u>
Basic earnings per ordinary share	<u>\$ 0.46</u>	<u>\$ 0.43</u>

	3 Months Ended September 30, 2017	3 Months Ended September 30, 2016
Net income attributable to equity shareholders	<u>\$ 3,270,152</u>	<u>\$ 3,104,844</u>
Net income attributable to ordinary shareholders	<u>\$ 2,659,216</u>	<u>\$ 2,440,782</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>\$ 0.10</u>

Dividends to the Company's shareholders are recognized as a liability in the period in which they are declared by the Board of Directors. Dividends paid by the Company to ordinary shareholders in the period totalled \$5,440,514 (\$0.22 per share) (2016: \$5,436,121 (\$0.22 per share)).

Dividends paid by the Company to the Class "A" preference shareholders during the period totalled \$1,833,991 (2016: \$1,992,188).

The Company does not have any dilutive shares.