

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

Message from the Chairman

Dear Shareholders,

I am pleased to report solid results for the first half of 2014.

Net income for the six months ended June 30, 2014 totaled \$7.8 million, compared with \$7.0 million during the same period in the prior year, an increase of 10.8%.

Total equity remains strong at \$151.1 million at June 30, 2014 and is net of a \$3.9 million ordinary shareholder dividend issued in the first quarter in respect of fiscal 2013.

The Company's total revenues for the first six months ended June 30, 2014 have increased to \$85.9 million compared to \$79.7 million for the same period in 2013. Gross policyholder benefits through June 2014 are trending below prior year's experience.

Total assets have increased to \$621.1 million as at June 30, 2014 compared to \$605.5 million as at December 31, 2013. Invested assets remain a significant proportion of the asset base, comprising 85.8% 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 June 30, 2014 with comparative figures as at December 31, 2013
(Expressed in Bahamian dollars)

	June 30, 2014	December 31, 2013
ASSETS		
Term deposits	\$ 49,629,242	\$ 31,784,777
Investment securities	298,468,523	289,400,060
Mortgages and commercial loans	51,349,179	54,771,731
Policy loans	68,632,625	67,145,774
Investment properties	54,999,161	54,998,301
Investment in associates	10,127,907	9,782,328
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Total invested assets	533,206,637	507,882,971
Cash and demand balances	21,716,617	29,933,030
Receivables and other assets	28,009,219	28,959,718
Property and equipment	19,186,686	19,871,616
Goodwill	18,391,916	18,391,916
Other intangible assets	643,685	422,514
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Total assets	\$ 621,154,760	\$ 605,461,765
LIABILITIES		
Provision for future policy benefits	\$ 364,611,294	\$ 352,911,498
Policy dividends on deposit	27,877,910	28,209,136
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Total policy liabilities	392,489,204	381,120,634
Other liabilities	77,574,590	75,286,788
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Total liabilities	470,063,794	456,407,422
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	9,571,067	9,287,941
Retained earnings	53,446,548	51,619,384
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Total ordinary shareholders' equity	93,656,978	91,546,688
Preference shares	40,500,000	40,500,000
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Total shareholders' equity	134,156,978	132,046,688
Non-controlling interests	16,933,988	17,007,655
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Total equity	151,090,966	149,054,343
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Total liabilities and equity	\$ 621,154,760	\$ 605,461,765

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

COLINA HOLDINGS BAHAMAS LIMITED
Unaudited Consolidated Interim Statement of Income

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

	6 Months Ended June 30, 2014	6 Months Ended June 30, 2013
Revenues:		
Premium revenue	\$ 68,103,002	\$ 68,848,834
Less: Reinsurance premiums	<u>6,114,028</u>	<u>6,364,586</u>
Net premium revenue	61,988,974	62,484,248
Net investment income	18,721,255	12,843,083
Share of net gain/(loss) of associates	345,580	(19,208)
Net commission income	1,542,687	1,321,091
Investment management and other fees	2,842,321	2,712,231
Other income	<u>531,163</u>	<u>393,210</u>
Total revenues	<u>85,971,980</u>	<u>79,734,655</u>
Benefits and expenses:		
Policyholders' benefits	44,189,130	48,011,098
Less: Reinsurance recoveries	<u>4,130,718</u>	<u>5,426,974</u>
Net policyholders' benefits	40,058,412	42,584,124
Changes in provision for future policy benefits	11,699,796	3,506,649
General and administrative expenses	18,675,764	17,608,209
Commissions	5,053,233	6,235,208
Premium and other tax expense	1,848,588	1,877,417
Finance costs	609,086	601,618
Other expenses	<u>260,991</u>	<u>313,165</u>
Total benefits and expenses	<u>78,205,870</u>	<u>72,726,390</u>
Net income for the period:	<u>\$ 7,766,110</u>	<u>\$ 7,008,265</u>
Net income attributable to:		
Equity shareholders of the Company	\$ 7,046,331	\$ 6,701,322
Non-controlling interests	<u>719,779</u>	<u>306,943</u>
Net income for the period	<u>\$ 7,766,110</u>	<u>\$ 7,008,265</u>
Basic earnings per ordinary share (Note 4)	<u>\$ 0.23</u>	<u>\$ 0.23</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 six months ended June 30, 2014
with comparative figures for the six months ended June 30, 2013
(Expressed in Bahamian dollars)

	6 Months Ended June 30, 2014	6 Months Ended June 30, 2013
Net income for the period	\$ 7,766,110	\$ 7,008,265
Other comprehensive gain/(loss):		
Change in available-for-sale financial assets	529,126	(291,307)
Total comprehensive income for the period	<u><u>\$ 8,295,236</u></u>	<u><u>\$ 6,716,958</u></u>
Attributable to:		
Equity shareholders of the Company	\$ 7,575,457	\$ 6,410,015
Non-controlling interests	719,779	306,943
Total comprehensive income for the period	<u><u>\$ 8,295,236</u></u>	<u><u>\$ 6,716,958</u></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 June 30, 2014
with comparative figures for the three months ended June 30, 2013
(Expressed in Bahamian dollars)

	3 Months Ended June 30, 2014	3 Months Ended June 30, 2013
Revenues:		
Premium revenue	\$ 33,709,053	\$ 35,497,394
Less: Reinsurance premiums	3,248,297	3,438,057
Net premium revenue	<u>30,460,756</u>	<u>32,059,337</u>
Net investment income	12,299,381	4,856,303
Share of net gain of associates	106,536	100,774
Net commission income	747,518	621,449
Investment management and other fees	225,962	1,282,578
Other income	182,335	489,261
Total revenues	<u>44,022,488</u>	<u>39,409,702</u>
Benefits and expenses:		
Policyholders' benefits	20,512,590	24,131,638
Less: Reinsurance recoveries	541,847	3,341,974
Net policyholders' benefits	<u>19,970,743</u>	<u>20,789,664</u>
Changes in provision for future policy benefits	7,090,674	861,076
General and administrative expenses	9,708,390	9,354,432
Commissions	2,429,805	3,497,443
Premium and other tax expense	952,055	993,224
Finance costs	491,318	303,249
Other (income)/expense	<u>(40,237)</u>	<u>166,783</u>
Total benefits and expenses	<u>40,602,748</u>	<u>35,965,871</u>
Net income for the period	<u>\$ 3,419,740</u>	<u>\$ 3,443,831</u>
Net income/(loss) attributable to:		
Equity shareholders of the Company	\$ 2,931,721	\$ 3,467,475
Non-controlling interests	488,019	(23,644)
Net income for the period	<u>\$ 3,419,740</u>	<u>\$ 3,443,831</u>
Basic earnings per share (Note 4)	<u>\$ 0.09</u>	<u>\$ 0.12</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 June 30, 2014
with comparative figures for the three months ended June 30, 2013
(Expressed in Bahamian dollars)

	3 Months Ended June 30, 2014	3 Months Ended June 30, 2013
Net income for the period	\$ 3,419,740	\$ 3,443,831
Other comprehensive gain/(loss):		
Change in available-for-sale financial assets	880,860	(291,307)
Total comprehensive income for the period	<u><u>\$ 4,300,600</u></u>	<u><u>\$ 3,152,524</u></u>
Attributable to:		
Equity shareholders of the Company	\$ 3,580,821	\$ 3,176,168
Non-controlling interests	719,779	(23,644)
Total comprehensive income for the period	<u><u>\$ 4,300,600</u></u>	<u><u>\$ 3,152,524</u></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 six months ended June 30, 2014
with comparative figures for the six months ended June 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	-	-	-	(291,307)	-	-	-	(291,307)
Net income for the period	-	-	-	-	-	6,701,322	306,943	7,008,265
Changes in non-controlling interests	-	-	-	-	-	-	(713,145)	(713,145)
Unrealized gain on purchase of shares in subsidiary	-	-	-	15,928	-	-	-	15,928
Decrease in treasury shares	-	103,982	-	-	-	-	-	103,982
Ordinary share dividend	-	-	-	-	-	(3,462,146)	-	(3,462,146)
Preference share dividends	-	-	-	-	-	(937,500)	-	(937,500)
Balance, June 30, 2013	<u>\$ 24,729,613</u>	<u>\$ (50,549)</u>	<u>\$ 5,960,299</u>	<u>\$ 8,461,563</u>	<u>\$ 30,000,000</u>	<u>\$ 46,712,668</u>	<u>\$ 13,827,065</u>	<u>\$ 129,640,659</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	-	-	-	529,126	-	-	-	529,126
Net fair value loss transferred to income on disposal of available-for-sale securities	-	-	-	(246,000)	-	-	-	(246,000)
Net income for the period	-	-	-	-	-	7,046,331	719,779	7,766,110
Changes in non-controlling interests	-	-	-	-	-	-	(793,446)	(793,446)
Ordinary share dividend	-	-	-	-	-	(3,953,541)	-	(3,953,541)
Preference share dividends	-	-	-	-	-	(1,265,626)	-	(1,265,626)
Balance, June 30, 2014	<u>\$ 24,729,613</u>	<u>\$ (50,549)</u>	<u>\$ 5,960,299</u>	<u>\$ 9,571,067</u>	<u>\$ 40,500,000</u>	<u>\$ 53,446,548</u>	<u>\$ 16,933,988</u>	<u>\$ 151,090,966</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 six months ended June 30, 2014
with comparative figures for the six months ended June 30, 2013
(Expressed in Bahamian dollars)

	6 Months Ended June 30, 2014	6 Months Ended June 30, 2013
Cash flows from operating activities:		
Net income	\$ 7,766,110	\$ 7,008,265
Adjustments to reconcile net income to net cash used in operating activities:		
Change in unrealized (gain)/loss on fair value through income securities	(1,089,777)	993,899
Increase in provision for future policy benefits	11,699,796	3,506,649
Changes in loss provisions for loans and receivables	923,575	792,267
Depreciation and amortization charges	648,649	1,081,465
Net realized loss/(gain) on fair value through income securities	18,114	(71,308)
Net realized loss on sale of available-for-sale securities	246,000	-
Interest income	(15,154,548)	(11,681,571)
Dividend income	(1,003,590)	(722,280)
Operating cash flows before changes in operating assets and liabilities	<u>4,054,329</u>	<u>907,386</u>
Changes in operating assets and liabilities:		
Decrease in other assets	675,179	4,761,460
Increase in other liabilities	<u>216,447</u>	<u>2,259,963</u>
Net cash provided by operating activities	<u>4,945,955</u>	<u>7,928,809</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 six months ended June 30, 2014
with comparative figures for the six months ended June 30, 2013
(Expressed in Bahamian dollars)

	6 Months Ended June 30, 2014	6 Months Ended June 30, 2013
Cash flows from investing activities:		
Changes in non-controlling interests	(793,446)	(697,218)
(Increase)/decrease in term deposits with original maturities greater than 90 days	(10,732,167)	957,440
Decrease in restricted cash	-	6,625
Fair value through income securities purchased	(6,875,931)	(3,420,132)
Proceeds on disposal of fair value through income securities	2,869,062	418,902
Available-for-sale securities purchased	(6,331,262)	(11,036,678)
Proceeds on disposal of available-for-sale securities	2,378,457	776,865
Decrease in loans to policyholders	(1,386,093)	(87,256)
Additions to investment property	(860)	(235,184)
Net change in mortgage and commercial loans	3,220,194	1,716,205
Interest received	14,262,314	11,326,721
Dividends received	1,003,590	722,280
Additions to property and equipment	(184,890)	(398,262)
	<u>(2,571,032)</u>	<u>50,308</u>
Net cash (used in)/provided by investing activities		
Cash flows used in financing activities:		
Sale of treasury shares	-	103,982
Dividend to ordinary shareholders	(3,953,541)	(3,462,146)
Dividends to preference shareholders	(1,265,626)	(937,500)
	<u>(5,219,167)</u>	<u>(4,295,664)</u>
Net cash used in financing activities		
Net (decrease)/increase in cash and cash equivalents	(2,844,244)	3,683,453
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>\$ 36,964,678</u>	<u>\$ 49,015,091</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 June 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 June 30, 2014 approximately 58.1% (2013: 58.2%) of the Company's issued ordinary shares were owned by AF Holdings Ltd. ("AFH") and 41.9% (2012: 41.8%) 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 June 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:

	June 30, 2014	June 30, 2013
Term deposits	\$ 49,629,242	\$ 36,947,870
Less: Deposits with original maturities of greater than 90 days	<u>(31,828,776)</u>	<u>(8,819,481)</u>
Short-term deposits	17,800,466	28,128,389
Cash and demand balances	21,716,617	22,313,882
Less: Bank overdraft	<u>(2,552,405)</u>	<u>(1,427,180)</u>
Total cash and cash equivalents	<u>\$ 36,964,678</u>	<u>\$ 49,015,091</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.

	6 Months Ended June 30, 2014	6 Months Ended June 30, 2013
Net income attributable to equity shareholders	\$ 7,046,331	\$ 6,701,322
Net income attributable to ordinary shareholders	<u>\$ 5,780,705</u>	<u>\$ 5,763,822</u>
Weighted average number of ordinary shares outstanding	<u>24,709,631</u>	<u>24,682,964</u>
Basic earnings per ordinary share	<u>\$ 0.23</u>	<u>\$ 0.23</u>

	3 Months Ended June 30, 2014	3 Months Ended June 30, 2013
Net income attributable to equity shareholders	\$ 2,931,721	\$ 3,467,475
Net income attributable to ordinary shareholders	<u>\$ 2,298,908</u>	<u>\$ 2,998,725</u>
Weighted average number of ordinary shares outstanding	<u>24,709,631</u>	<u>24,696,298</u>
Basic earnings per ordinary share	<u>\$ 0.09</u>	<u>\$ 0.12</u>

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

For the period ended June 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 loss of associates

Loss from investment in associates totaling (\$19,208) was reclassified from net investment income to share of net gain/(loss) of associate on the consolidated statement of operations.

Net commission income

Net commission income totaling \$1,321,091 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 \$2,712,231 was reclassified from other income and fees to investment management and other fees.