

**Condensed Unaudited Consolidated Interim Financial Statements of
Colina Holdings Bahamas Limited
Nine Months Ended September 30, 2013
UNAUDITED**

Message from the Chairman

Dear Shareholders,

I am pleased, on behalf of the Board of Directors, to report that the financial results of the third quarter of 2013 continue to demonstrate consistent profitability, driven by positive growth in key financial indicators including premium revenue, net income, shareholders' equity and total assets.

Net income attributable to the Company's ordinary shareholders for the nine-month period ended September 30, 2013 rose to \$7.3 million or \$0.30 per ordinary share, compared to \$7.1 million or \$0.29 per ordinary share for the same period in the prior year. Total net premium revenues increased by 4.3% to \$93.5 million, compared to \$89.6 million for the nine months ended September 30, 2012. While the Company continues to produce positive results from its core insurance operations, the current economic environment has impacted net investment earnings, which stand at \$19.3 million compared to \$22.3 million in the same period in the prior year.

General and administrative expenses for the nine months ended September 30, 2013 have increased to \$25.8 million from \$24.8 million in the prior year, however, the Company's administrative expense ratio remains within the targeted range.

The Company's total equity continues on an upward trend, rising to \$134.6 million at September 30, 2013 compared to \$127.9 million at December 31, 2012. Total assets have increased by \$11.7 million to \$594.8 million from \$583.1 million at December 31, 2012. Invested assets remain a significant proportion of the asset base, comprising 84% of total assets.

Despite the prevailing economic climate, the Company continues to defend its leading market position and stable financial outlook. Our results over the third quarter of the year have us well positioned to deliver on our financial and operational targets for 2013 and I am confident that we will continue to create sustained value for all of our stakeholders during the final three months of this year.

However, in light of legislative processes underway regarding tax reform, specifically a Value Added Tax (VAT), the Company, like the rest of our industry, remains cautious about the new economic climate in which we will operate in 2014. We are working with our partners to fully define the possible impact that the new external environment will have on operations as we prepare for implementation.

Finally, I wish to thank our stakeholders who continue to support us, and to pay tribute to the members of the Board, Executive Committee, salespersons and employees for their dedicated service.



Terence Hilts
Chairman

COLINA HOLDINGS BAHAMAS LIMITED
Unaudited Consolidated Interim Statement of Financial Position

As at September 30, 2013 with comparative figures as at December 31, 2012
(Expressed in Bahamian dollars)

	September 30, 2013	December 31, 2012
ASSETS		
Term deposits	\$ 31,282,732	\$ 32,507,472
Investment securities	285,915,854	258,285,312
Mortgages and commercial loans	55,123,375	58,507,747
Policy loans	66,632,579	65,749,812
Investment properties	49,711,718	49,476,534
Investment in associates	<u>10,821,854</u>	<u>10,862,733</u>
Total invested assets	499,488,112	475,389,610
Cash and demand balances	22,024,247	23,900,097
Receivables and other assets	40,469,925	50,416,789
Property and equipment	19,743,579	19,951,616
Goodwill	12,512,749	12,512,749
Other intangible assets	<u>533,886</u>	<u>963,873</u>
Total assets	<u>\$ 594,772,498</u>	<u>\$ 583,134,734</u>
LIABILITIES		
Provision for future policy benefits	\$ 351,271,517	\$ 342,605,833
Policy dividends on deposit	<u>28,766,215</u>	<u>29,367,158</u>
Total policy liabilities	380,037,732	371,972,991
Other liabilities	<u>80,108,679</u>	<u>83,245,161</u>
Total liabilities	<u>460,146,411</u>	<u>455,218,152</u>
EQUITY		
Ordinary shares	24,729,613	24,729,613
Treasury shares	(50,549)	(154,531)
Share premium	5,960,299	5,960,299
Revaluation reserve	8,536,698	8,736,942
Retained earnings	<u>47,294,485</u>	<u>44,410,992</u>
Total ordinary shareholders' equity	86,470,546	83,683,315
Preference shares	<u>30,000,000</u>	<u>30,000,000</u>
Total shareholders' equity	116,470,546	113,683,315
Non-controlling interests	<u>18,155,541</u>	<u>14,233,267</u>
Total equity	<u>134,626,087</u>	<u>127,916,582</u>
Total liabilities and equity	<u>\$ 594,772,498</u>	<u>\$ 583,134,734</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, 2013
with comparative figures for the nine months ended September 30, 2012
(Expressed in Bahamian dollars)

	9 Months Ended September 30, 2013	9 Months Ended September 30, 2012
Revenues:		
Premium revenue	\$ 103,169,146	\$ 100,543,307
Less: Reinsurance premiums	<u>9,700,252</u>	<u>10,940,203</u>
Net premium revenue	93,468,894	89,603,104
Net investment income	19,293,812	22,293,259
Other income	<u>6,571,932</u>	<u>5,850,430</u>
Total revenues	<u>119,334,638</u>	<u>117,746,793</u>
Benefits and expenses:		
Policyholders' benefits	69,030,246	70,459,681
Less: Reinsurance recoveries	<u>6,707,608</u>	<u>10,104,966</u>
Net policyholders' benefits	62,322,638	60,354,715
Changes in provision for future policy benefits	8,665,684	11,597,668
General and administrative expenses	25,850,008	24,844,730
Commissions	8,842,186	7,806,063
Premium and other tax expense	2,702,466	2,683,546
Finance costs	897,111	177,173
Other expenses	<u>423,619</u>	<u>866,638</u>
Total benefits and expenses	<u>109,703,712</u>	<u>108,330,533</u>
Net income for the period:	<u>\$ 9,630,926</u>	<u>\$ 9,416,260</u>
Net income attributable to:		
Equity shareholders of the Company	\$ 9,209,024	\$ 8,574,391
Non-controlling interests	<u>421,902</u>	<u>841,869</u>
Net income for the period	<u>\$ 9,630,926</u>	<u>\$ 9,416,260</u>
Basic earnings per ordinary share (Note 4)	<u>\$ 0.30</u>	<u>\$ 0.29</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, 2013
with comparative figures for the nine months ended September 30, 2012
(Expressed in Bahamian dollars)

	9 Months Ended September 30, 2013	9 Months Ended September 30, 2012
Net income for the period	\$ 9,630,926	\$ 9,416,260
Other comprehensive (loss)/gain:		
Change in available-for-sale financial assets	<u>(200,244)</u>	<u>64,273</u>
Total comprehensive income for the period	<u>\$ 9,430,682</u>	<u>\$ 9,480,533</u>
Attributable to:		
Equity shareholders of the Company	\$ 9,008,780	\$ 8,638,664
Non-controlling interests	<u>421,902</u>	<u>841,869</u>
Total comprehensive income for the period	<u>\$ 9,430,682</u>	<u>\$ 9,480,533</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, 2013
with comparative figures for the three months ended September 30, 2012
(Expressed in Bahamian dollars)

	3 Months Ended September 30, 2013	3 Months Ended September 30, 2012
Revenues:		
Premium revenue	\$ 34,320,312	\$ 34,353,774
Less: Reinsurance premiums	<u>3,335,666</u>	<u>3,783,198</u>
Net premium revenue	30,984,646	30,570,576
Net investment income	6,469,937	8,102,705
Other income	<u>2,145,400</u>	<u>979,008</u>
Total revenues	<u>39,599,983</u>	<u>39,652,289</u>
Benefits and expenses:		
Policyholders' benefits	21,019,148	26,893,754
Less: Reinsurance recoveries	<u>1,280,634</u>	<u>2,771,558</u>
Net policyholders' benefits	19,738,514	24,122,196
Changes in provision for future policy benefits	5,159,035	1,231,430
General and administrative expenses	8,241,799	7,935,445
Commissions	2,606,978	2,664,654
Premium and other tax expense	825,049	881,532
Finance costs	295,493	65,989
Other expenses	<u>110,454</u>	<u>292,321</u>
Total benefits and expenses	<u>36,977,322</u>	<u>37,193,567</u>
Net income for the period:	<u>\$ 2,622,661</u>	<u>\$ 2,458,722</u>
Net income attributable to:		
Equity shareholders of the Company	\$ 2,507,702	\$ 2,106,601
Non-controlling interests	<u>114,959</u>	<u>352,121</u>
Net income for the period	<u>\$ 2,622,661</u>	<u>\$ 2,458,722</u>
Basic earnings per share (Note 4)	<u>\$ 0.06</u>	<u>\$ 0.05</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, 2013
with comparative figures for the three months ended September 30, 2012
(Expressed in Bahamian dollars)

	3 Months Ended September 30, 2013	3 Months Ended September 30, 2012
Net income for the period	\$ 2,622,661	\$ 2,458,722
Other comprehensive gains:		
Change in available-for-sale financial assets	<u>91,063</u>	<u>180,826</u>
Total comprehensive income for the period	<u>\$ 2,713,724</u>	<u>\$ 2,639,548</u>
Attributable to:		
Equity shareholders of the Company	\$ 2,598,765	\$ 2,287,427
Non-controlling interests	<u>114,959</u>	<u>352,121</u>
Total comprehensive income for the period	<u>\$ 2,713,724</u>	<u>\$ 2,639,548</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, 2013
with comparative figures for the nine months ended September 30, 2012
(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, 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 gain on remeasurement of available-for-sale securities to fair value	-	-	-	64,274	-	-	-	64,274
Net income for the period	-	-	-	-	-	8,574,391	841,869	9,416,260
Changes in non-controlling interests	-	-	-	-	-	-	73,762	73,762
Unrealized gain on purchase of shares in subsidiary	-	-	-	23,335	-	-	-	23,335
Decrease in treasury shares	-	7,804	-	-	-	-	-	7,804
Ordinary share dividends	-	-	-	-	-	(3,956,738)	-	(3,956,738)
Preference share dividends	-	-	-	-	-	(1,427,162)	-	(1,427,162)
Balance, September 30, 2012	<u>\$ 24,729,613</u>	<u>\$ (154,450)</u>	<u>\$ 5,960,299</u>	<u>\$ 7,903,390</u>	<u>\$ 30,000,000</u>	<u>\$ 42,173,857</u>	<u>\$ 13,253,153</u>	<u>\$ 123,865,862</u>
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 dividends	-	-	-	-	-	(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>

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, 2013
with comparative figures for the nine months ended September 30, 2012
(Expressed in Bahamian dollars)

	9 Months Ended September 30, 2013	9 Months Ended September 30, 2012
Cash flows from operating activities:		
Net income	\$ 9,630,926	\$ 9,416,260
Adjustments to reconcile net income to net cash used in operating activities:		
Change in unrealized loss/(gain) on fair value through income securities	2,148,189	(1,947,759)
Increase in provision for future policy benefits	8,665,684	11,597,668
Changes in loss provisions for loans and receivables	1,350,075	1,614,599
Depreciation and amortization charges	1,036,286	2,007,550
Net realized gain on fair value through income securities	(112,184)	(7,142)
Interest income	(17,720,876)	(16,565,133)
Dividend income	(1,435,931)	(1,095,041)
Operating cash flows before changes in operating assets and liabilities	3,562,169	5,021,002
Changes in operating assets and liabilities:		
Decrease/(increase) in other assets	10,288,153	(4,068,004)
(Decrease)/increase in other liabilities	(3,433,215)	91,591
Net cash provided by operating activities	<u>10,417,107</u>	<u>1,044,589</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, 2013
with comparative figures for the nine months ended September 30, 2012
(Expressed in Bahamian dollars)

	9 Months Ended September 30, 2013	9 Months Ended September 30, 2012
Cash flows from investing activities:		
Acquisition of subsidiaries, net of cash acquired	3,500,372	23,335
(Increase)/decrease in term deposits with original maturities greater than 90 days	(10,887,134)	4,897,315
Decrease/(increase) in restricted cash	6,625	(1,554)
Fair value through income securities purchased	(17,304,674)	(5,812,946)
Proceeds on disposal of fair value through income securities	1,146,163	543,812
Available-for-sale securities purchased	(19,884,692)	(6,728,232)
Proceeds on disposal of available-for-sale securities	6,176,413	41,400
Decrease in loans to policyholders	(772,055)	(1,217,846)
Additions to investment property	(235,184)	(238,078)
Net change in mortgage and commercial loans	2,255,440	6,029,109
Interest received	17,088,611	16,386,860
Dividends received	1,435,931	1,095,041
Proceeds on disposal of property and equipment, net	-	14,373
Additions to property and equipment	(398,262)	(1,369,070)
Additions to other intangible assets	-	(573,100)
	<u> </u>	<u> </u>
Net cash (used in)/provided by investing activities	<u>(17,872,446)</u>	<u>13,090,419</u>
Cash flows used in financing activities:		
Sale of treasury shares	103,982	7,804
Dividends to ordinary shareholders	(4,450,531)	(3,956,738)
Dividends to preference shareholders	(1,875,000)	(1,427,162)
	<u> </u>	<u> </u>
Net cash used in financing activities	<u>(6,221,549)</u>	<u>(5,376,096)</u>
Net (decrease)/increase in cash and cash equivalents	(13,676,888)	8,758,912
Cash and cash equivalents, beginning of period	<u>45,331,638</u>	<u>32,921,872</u>
Cash and cash equivalents, end of period (Note 3)	<u>\$ 31,654,750</u>	<u>\$ 41,680,784</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, 2013
(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”) and Colina General Insurance Agency & Brokers Limited (“CGIA”), both of which are wholly-owned. Colina is a 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. CGIA is a general insurance agent and broker, incorporated and registered to operate in The Bahamas.

The ordinary shares of the Company are listed on the Bahamas International Securities Exchange. At September 30, 2013, 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-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, 2013
(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, 2013	September 30, 2012
Term deposits	\$ 31,282,732	\$ 20,631,077
Less: Deposits with original maturities of greater than 90 days	<u>(20,664,055)</u>	<u>(5,675,787)</u>
Short-term deposits	10,618,677	14,955,290
Cash and demand balances	22,024,247	31,813,117
Less: Restricted cash balances	-	(1,006,801)
Less: Bank overdraft	<u>(988,174)</u>	<u>(4,080,822)</u>
Total cash and cash equivalents	<u>\$ 31,654,750</u>	<u>\$ 41,680,784</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, 2013	9 Months Ended September 30, 2012
Net income attributable to equity shareholders	<u>\$ 9,209,024</u>	<u>\$ 8,574,391</u>
Net income attributable to ordinary shareholders	<u>\$ 7,334,024</u>	<u>\$ 7,147,229</u>
Weighted average number of ordinary shares outstanding	<u>24,691,853</u>	<u>24,668,110</u>
Basic earnings per ordinary share	<u>\$ 0.30</u>	<u>\$ 0.29</u>

	3 Months Ended September 30, 2013	3 Months Ended September 30, 2012
Net income attributable to equity shareholders	<u>\$ 2,507,702</u>	<u>\$ 2,106,601</u>
Net income attributable to ordinary shareholders	<u>\$ 1,570,202</u>	<u>\$ 1,168,743</u>
Weighted average number of ordinary shares outstanding	<u>24,709,631</u>	<u>24,669,631</u>
Basic earnings per ordinary share	<u>\$ 0.06</u>	<u>\$ 0.05</u>

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

For the period ended September 30, 2013
(Expressed in Bahamian dollars)

5. Other Subsequent Events

Acquisition of CFAL Ltd.

The Company entered into an agreement with AF Holdings Ltd. to acquire all issued and outstanding shares of CFAL Ltd. for a purchase price of \$10.5 million plus any change in net assets between December 31, 2012 and the purchase effective date of October 1, 2013. The purchase was principally funded by the issuance of 10,500,000 Class "A" Preference Shares of par value B\$1.00 which were issued on October 1, 2013.