

**Condensed Unaudited Consolidated Interim Financial Statements of
Colina Holdings Bahamas Limited
Nine Months Ended September 30, 2018
UNAUDITED**

Message from the Chairman

Dear Shareholders,

For the 9 months ended September 30, 2018, the Company recorded net income attributable to ordinary shareholders of \$7.1 million or \$0.29 per ordinary share. This compares to \$11.2 million and \$0.46 per ordinary share for the same period in 2017. The Company's results were largely impacted by an increase in claims experience and to a lesser extent, a decrease in net investment income relative to prior year.

Net premium revenues for the 9 months ended September 30, 2018 totalled \$90.9 million compared to \$87.7 million in the prior year, representing a \$3.3 million or a 3.7% increase over the prior period. Net investment income was impacted by mark to market adjustments and impairment provisions resulting in total net investment income of \$20.6 million for the 9 months ended September 30, 2018 compared to \$22.5 million for the same prior year period.

Net policyholder benefits for the period totalled \$68.4 million, comprising 75.2% of net premiums written for the 9 months of 2018, compared to \$60.5 million or 69.01% of net premiums written in the prior year. Colina continues, however, to ensure that reserves are sufficiently able to support the Company through fluctuations in claims volatility.

Colina's policyholder liabilities stand at \$459.4 million at September 30, 2018 compared to \$449.9 million at December 31, 2017. Supporting these reserves are invested assets, comprised primarily of high-quality, fixed income securities. Invested assets comprise 83.0% of total assets, and has increased to \$633.0 million at September 30, 2018, compared to \$596.6 million at December 31, 2017.

Colina remains well capitalized and through the quarter ended September 30, 2018, had sufficient excess capital to declare the quarterly preference share dividends due of \$0.6 million, bringing total preference share distributions for the 9 months ended September 30, 2018 to \$1.8 million and ordinary share dividend distributions through September 30, 2018 totalling \$5.4 million.

The Company continues to look for opportunities to improve stakeholder value and will remain focused on its plans for accomplishing its financial and operating objectives to deliver sustainable earnings over the long-term.



Terence Hilts
Chairman

COLINA HOLDINGS BAHAMAS LIMITED
Unaudited Consolidated Interim Statement of Financial Position

As at September 30, 2018 with comparative figures as at December 31, 2017
(Expressed in Bahamian dollars)

	September 30, 2018	December 31, 2017
ASSETS		
Term deposits	\$ 51,921,806	\$ 52,006,821
Investment securities and other financial assets	409,860,124	370,954,280
Mortgages and commercial loans	30,092,648	33,851,653
Policy loans	69,543,022	69,407,663
Investment properties	55,095,652	54,845,002
Investment in associates	<u>16,496,135</u>	<u>15,545,657</u>
Total invested assets	633,009,387	596,611,076
Cash and demand balances	26,674,987	50,741,986
Receivables and other assets	68,959,655	62,588,326
Property and equipment	17,613,664	17,572,151
Goodwill	13,164,419	13,164,419
Other intangible assets	<u>2,460,645</u>	<u>2,808,416</u>
Total assets	<u>\$ 761,882,757</u>	<u>\$ 743,486,374</u>
LIABILITIES		
Provision for future policy benefits	\$ 431,490,469	\$ 421,667,568
Policy dividends on deposit	<u>27,879,255</u>	<u>28,196,322</u>
Total policy liabilities	459,369,724	449,863,890
Repurchase agreement	21,000,000	21,000,000
Other liabilities	<u>86,468,384</u>	<u>78,290,479</u>
Total liabilities	<u>566,838,108</u>	<u>549,154,369</u>
EQUITY		
Ordinary shares	24,729,613	24,729,613
Share premium	5,960,299	5,960,299
Revaluation reserve	13,116,482	15,228,318
Retained earnings	<u>85,420,899</u>	<u>83,741,479</u>
Total ordinary shareholders' equity	129,227,293	129,659,709
Preference shares	<u>42,500,000</u>	<u>42,500,000</u>
Total shareholders' equity	171,727,293	172,159,709
Non-controlling interests	<u>23,317,356</u>	<u>22,172,296</u>
Total equity	<u>195,044,649</u>	<u>194,332,005</u>
Total liabilities and equity	<u>\$ 761,882,757</u>	<u>\$ 743,486,374</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, 2018
with comparative figures for the nine months ended September 30, 2017
(Expressed in Bahamian dollars)

	9 Months Ended September 30, 2018	9 Months Ended September 30, 2017
Revenues:		
Premium revenue	\$ 101,297,420	\$ 97,278,370
Less: Reinsurance premiums	<u>10,338,020</u>	<u>9,597,133</u>
Net premium revenue	90,959,400	87,681,237
Net investment income	20,616,396	22,499,143
Share of net gain of associates	950,478	1,372,717
Net commission income	2,732,129	2,565,240
Investment management and other fees	9,681,419	10,012,605
Other income	<u>2,201,472</u>	<u>3,245,638</u>
Total revenues	<u>127,141,294</u>	<u>127,376,580</u>
Benefits and expenses:		
Policyholders' benefits	77,115,229	71,635,172
Less: Reinsurance recoveries	<u>8,716,692</u>	<u>11,125,412</u>
Net policyholders' benefits	68,398,537	60,509,760
Changes in provision for future policy benefits	9,822,901	11,299,069
General and administrative expenses	27,795,845	29,874,998
Commissions	6,826,614	7,187,068
Premium and other tax expense	2,761,916	2,702,990
Finance costs	854,834	835,712
Other expenses	<u>998,603</u>	<u>891,521</u>
Total benefits and expenses	<u>117,459,250</u>	<u>113,301,118</u>
Net income for the period:	<u>\$ 9,682,044</u>	<u>\$ 14,075,462</u>
Net income attributable to:		
Equity shareholders of the Company	\$ 8,952,749	\$ 13,080,696
Non-controlling interests	<u>729,295</u>	<u>994,766</u>
Net income for the period	<u>\$ 9,682,044</u>	<u>\$ 14,075,462</u>
Basic earnings per ordinary share (Note 4)	<u>\$ 0.29</u>	<u>\$ 0.46</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, 2018
with comparative figures for the nine months ended September 30, 2017
(Expressed in Bahamian dollars)

	9 Months Ended September 30, 2018	9 Months Ended September 30, 2017
Net income for the period	\$ 9,682,044	\$ 14,075,462
Other comprehensive gains/(losses):		
Change in available-for-sale financial assets	<u>(2,202,532)</u>	<u>250,814</u>
Total comprehensive income for the period	<u>\$ 7,479,512</u>	<u>\$ 14,326,276</u>
Attributable to:		
Equity shareholders of the Company	\$ 6,750,217	\$ 13,331,510
Non-controlling interests	<u>729,295</u>	<u>994,766</u>
Total comprehensive income for the period	<u>\$ 7,479,512</u>	<u>\$ 14,326,276</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, 2018
with comparative figures for the three months ended September 30, 2017
(Expressed in Bahamian dollars)

	3 Months Ended September 30, 2018	3 Months Ended September 30, 2017
Revenues:		
Premium revenue	\$ 33,803,613	\$ 32,539,922
Less: Reinsurance premiums	<u>3,688,036</u>	<u>3,496,861</u>
Net premium revenue	30,115,577	29,043,061
Net investment income	8,036,383	8,569,672
Share of net gain of associates	386,793	442,299
Net commission income	760,097	842,504
Investment management and other fees	3,202,889	3,231,778
Other income	<u>484,950</u>	<u>1,118,808</u>
Total revenues	<u>42,986,689</u>	<u>43,248,122</u>
Benefits and expenses:		
Policyholders' benefits	24,323,590	22,618,936
Less: Reinsurance recoveries	<u>1,614,113</u>	<u>3,883,140</u>
Net policyholders' benefits	22,709,477	18,735,796
Changes in provision for future policy benefits	4,339,073	6,236,519
General and administrative expenses	9,216,936	10,598,787
Commissions	2,365,876	2,511,557
Premium and other tax expense	918,502	929,019
Finance costs	283,015	278,715
Other expenses	<u>336,623</u>	<u>318,582</u>
Total benefits and expenses	<u>40,169,502</u>	<u>39,608,975</u>
Net income for the period:	<u>\$ 2,817,187</u>	<u>\$ 3,639,147</u>
Net income attributable to:		
Equity shareholders of the Company	\$ 2,407,247	\$ 3,270,152
Non-controlling interests	<u>409,940</u>	<u>368,995</u>
Net income for the period	<u>\$ 2,817,187</u>	<u>\$ 3,639,147</u>
Basic earnings per share (Note 4)	<u>\$ 0.15</u>	<u>\$ 0.11</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, 2018
with comparative figures for the three months ended September 30, 2017
(Expressed in Bahamian dollars)

	3 Months Ended September 30, 2018	3 Months Ended September 30, 2017
Net income for the period	\$ 2,817,187	\$ 3,639,147
Other comprehensive gains/(losses):		
Change in available-for-sale financial assets	<u>51,247</u>	<u>364,512</u>
Total comprehensive income for the period	<u>\$ 2,868,434</u>	<u>\$ 4,003,659</u>
Attributable to:		
Equity shareholders of the Company	\$ 2,458,494	\$ 3,634,664
Non-controlling interests	<u>409,940</u>	<u>368,995</u>
Total comprehensive income for the period	<u>\$ 2,868,434</u>	<u>\$ 4,003,659</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, 2018
with comparative figures for the nine months ended September 30, 2017
(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, 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 gain 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 dividends	-	-	-	-	-	(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>
Balance, January 1, 2018	\$ 24,729,613	\$ -	\$ 5,960,299	\$ 15,228,318	\$ 42,500,000	\$ 83,741,479	\$ 22,172,296	\$ 194,332,005
Net loss on remeasurement of available-for-sale securities to fair value	-	-	-	(2,202,532)	-	-	-	(2,202,532)
Realized gains on available-for-sale securities	-	-	-	90,696	-	-	-	90,696
Net income for the period	-	-	-	-	-	8,952,749	729,295	9,682,044
Changes in non-controlling interests	-	-	-	-	-	-	415,765	415,765
Ordinary share dividends	-	-	-	-	-	(5,440,515)	-	(5,440,515)
Preference share dividends	-	-	-	-	-	(1,832,814)	-	(1,832,814)
Balance, September 30, 2018	<u>\$ 24,729,613</u>	<u>\$ -</u>	<u>\$ 5,960,299</u>	<u>\$ 13,116,482</u>	<u>\$ 42,500,000</u>	<u>\$ 85,420,899</u>	<u>\$ 23,317,356</u>	<u>\$ 195,044,649</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, 2018
with comparative figures for the nine months ended September 30, 2017
(Expressed in Bahamian dollars)

	9 Months Ended September 30, 2018	9 Months Ended September 30, 2017
Cash flows from operating activities:		
Net income	\$ 9,682,044	\$ 14,075,462
Adjustments to reconcile net income to net cash used in operating activities:		
Change in unrealized loss on fair value through income securities	3,469,251	1,275,802
Increase in provision for future policy benefits	9,822,901	11,299,069
Changes in loss provisions for loans and receivables	1,595,797	571,926
Depreciation and amortization charges	707,770	1,156,341
Net realized loss on fair value through income securities	34,256	-
Net realized gains on sale of available-for-sale securities	-	(92,693)
Interest income	(24,426,833)	(24,504,893)
Dividend income	(1,642,195)	(1,744,642)
Operating cash flows before changes in operating assets and liabilities	(757,009)	2,036,372
Changes in operating assets and liabilities:		
Increase in other assets	(7,754,647)	(14,602,663)
Increase in other liabilities	9,460,585	7,032,211
Net cash provided by/(used in) operating activities	<u>948,929</u>	<u>(5,534,080)</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, 2018
with comparative figures for the nine months ended September 30, 2017
(Expressed in Bahamian dollars)

	9 Months Ended September 30, 2018	9 Months Ended September 30, 2017
Cash flows from investing activities:		
Changes in non-controlling interests	415,765	269,388
(Increase)/decrease in term deposits with original maturities greater than 90 days	(1,380,751)	5,509,174
Fair value through income securities purchased	(27,936,334)	(32,284,924)
Proceeds on disposal of fair value through income securities	14,967,995	26,948,739
Available-for-sale securities purchased	(40,004,216)	(8,040,572)
Proceeds on disposal of available-for-sale securities	8,451,368	6,942,351
Repayment on loan by SBL Ltd.	2,033,746	-
Decrease in loans to policyholders	111,910	18,899,863
Net change in mortgage and commercial loans	3,306,332	2,572,214
Interest received	21,435,536	3,476,201
Dividends received	1,642,195	1,744,642
Net changes to property and equipment	(401,512)	-
Net cash (used in)/provided by investing activities	<u>(17,608,616)</u>	<u>26,037,076</u>
Cash flows used in financing activities:		
Dividend to ordinary shareholders	(5,440,515)	(5,440,514)
Dividends to preference shareholders	(1,832,814)	(1,833,991)
Repayment on borrowings	(2,016,791)	-
Net cash used in financing activities	<u>(9,290,120)</u>	<u>(7,274,505)</u>
Net (decrease)/increase in cash and cash equivalents	(25,949,807)	13,228,491
Cash and cash equivalents, beginning of period	<u>52,432,068</u>	<u>17,783,065</u>
Cash and cash equivalents, end of period (Note 3)	<u>\$ 26,482,261</u>	<u>\$ 31,011,556</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, 2018
(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, 2018 approximately 58.1% (2017: 58.1%) of the Company's issued ordinary shares were owned by AF Holdings Ltd. (“AFH”) and 41.9% (2017: 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 June 30, 2018
(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, 2018	September 30, 2017
Term deposits	\$ 51,921,806	\$ 22,340,919
Less: Deposits with original maturities of greater than 90 days	<u>(51,649,049)</u>	<u>(20,110,194)</u>
Short-term deposits	272,757	2,230,725
Cash and demand balances	26,674,987	32,712,102
Less: Bank overdraft	<u>(465,483)</u>	<u>(3,931,271)</u>
Total cash and cash equivalents	<u>\$ 26,482,261</u>	<u>\$ 31,011,556</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, 2018	9 Months Ended September 30, 2017
Net income attributable to equity shareholders	<u>\$ 8,952,749</u>	<u>\$ 13,080,696</u>
Net income attributable to ordinary shareholders	<u>\$ 7,119,935</u>	<u>\$ 11,246,705</u>
Weighted average number of ordinary shares outstanding	24,729,613	24,709,631
Basic earnings per ordinary share	<u>\$ 0.29</u>	<u>\$ 0.46</u>
	3 Months Ended September 30, 2018	3 Months Ended September 30, 2017
Net income attributable to equity shareholders	<u>\$ 2,407,247</u>	<u>\$ 3,270,152</u>
Net income attributable to ordinary shareholders	<u>\$ 1,796,309</u>	<u>\$ 2,659,216</u>
Weighted average number of ordinary shares outstanding	24,729,613	24,709,631
Basic earnings per ordinary share	<u>\$ 0.07</u>	<u>\$ 0.11</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 \$5,440,515 (\$0.22 per share) (2017: \$5,440,514 (\$0.22 per share)).

Dividends paid by the Company to the Class "A" preference shareholders during the period totalled \$1,832,814 (2017: \$1,833,991).

The Company does not have any dilutive shares.