

leadership & impact

2015 ANNUAL REPORT



COLINA
HOLDINGS BAHAMAS LIMITED



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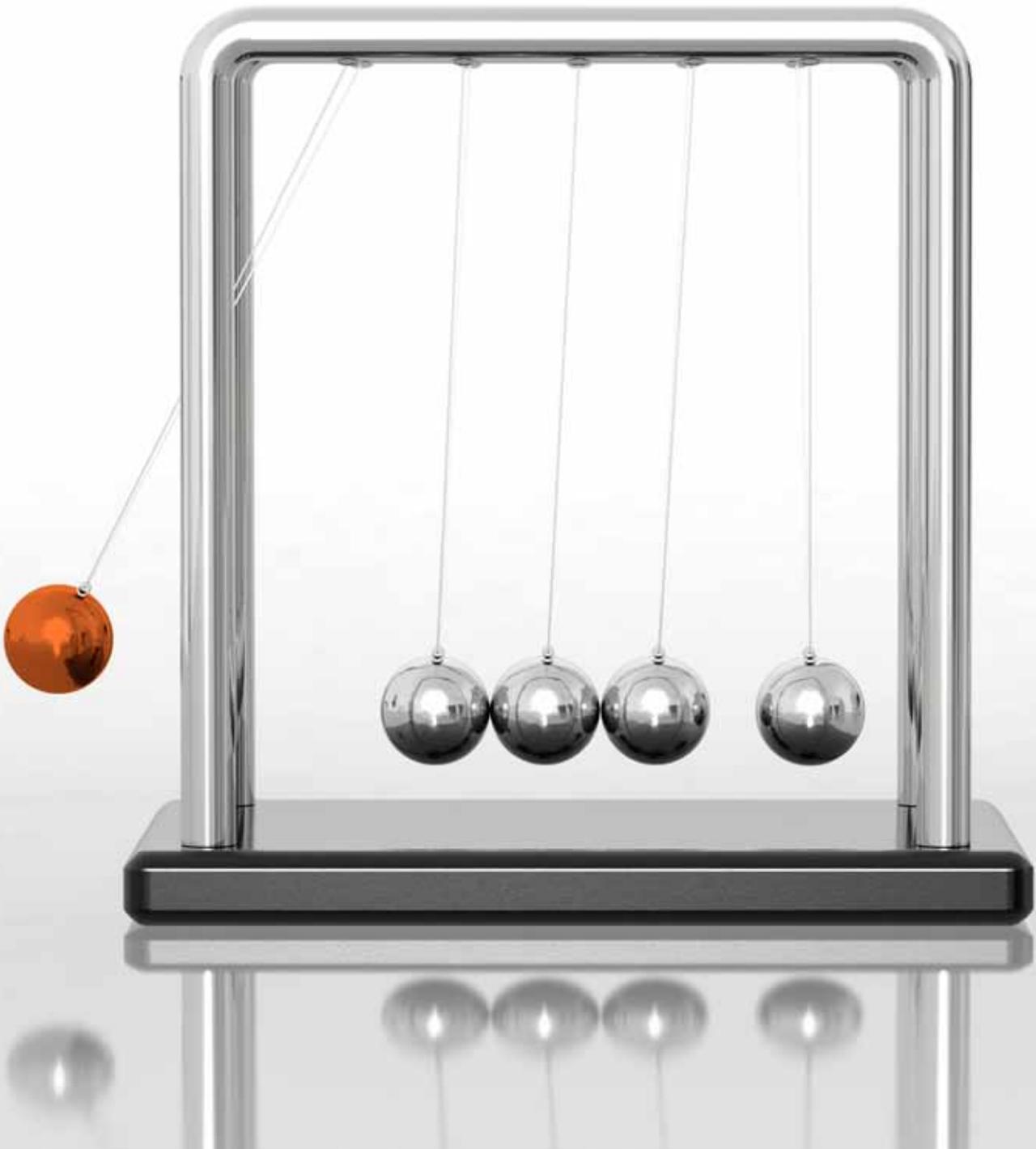
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CHAIRMAN'S report





Terence Hilts Chairman,
Colina Holdings Bahamas Limited

Despite changing market dynamics, Colina Holdings Bahamas Limited (CHBL) has been able to maintain its leadership position, deliver strong growth and impact stakeholder value by maintaining its focus on customers and ensuring the prudent management of the Company's assets.

We are seeing the payoff of our strategic evolution from the holding company of a single insurance entity into a world class financial services group that enhances the lives of thousands of customers. In 2015, our performance strategies, driven by strong management teams and more than 370 employees and salespersons within our member entities, contributed to steady expansion that returned sound value and high quality service for customers and shareholders.

Collectively, we have continued to perform strongly – steadily increasing net income, equity and assets; building pathways to future growth; continuing to invest in technology; and returning more than \$4.9 million in dividends to our ordinary shareholders.

Robust results over successive quarters of the year continued to reflect consistent profitability, most notably:

- Net income attributable to the Company's equity shareholders rose to \$15.6 million compared to \$14.5 million in 2014.
- We have grown basic earnings per ordinary share from \$0.49 in 2014 to \$0.53 in 2015
- Total revenues increased to \$174.0 million, compared to \$170.0 million for 2014.

- Our total assets position has increased from \$633.4 million in 2014 to \$710.9 million. Invested assets remain a significant proportion of the asset base, comprising 83% of total assets.
- The Company's total equity continues on an upward trend, rising to \$169.8 million at December 31, 2015 compared to \$157.7 million at December 31, 2014.

Business Strategy Adapts to Regulatory Change

Our results in 2015 benefited from the sustained execution of our product development, customer experience and growth strategies in the face of regulatory change, including the introduction of Value Added Tax (VAT) on fees and services on January 1 and on medical insurance premiums on July 1. With the imposition of additional taxes on health insurance, Colina Insurance Limited (Colina) developed a new option in its individual medical insurance suite in order to offer clients an alternative to terminating coverage. The product has been met with favourable response from the public and served to ensure that hundreds of Bahamians were not forced to go uninsured.

Much of 2015 was spent in speculation about and preparation for the introduction by the government of National Health Insurance (NHI) – a programme poised to fund universal health coverage (UHC), which would change the landscape of healthcare delivery and financing in The Bahamas. CHBL, like most enlightened corporate citizens, is a keen supporter of UHC and is closely monitoring the NHI discussion in order to finalise its strategy for the new economic environment.

Leadership & Impact

In October 2015, A.M. Best, the world's oldest and most widely recognised provider of insurance ratings and financial news, affirmed the financial

strength rating of A– (Excellent) and issuer credit rating of "A–" of Colina Insurance Limited. The outlook for both ratings is stable. Colina is proud to have maintained this rating consistently since its initial rating in 2004.

The breadth of talent within our Company continues to expand, with several employees taking on leadership positions within the industry.

- Emmanuel Komolafe, Chief Risk & Compliance Officer, CHBL, was elected chairman of the Bahamas Insurance Association.
- Marcus Bosland, Resident Actuary, Colina, was elected president of the Caribbean Actuarial Association.

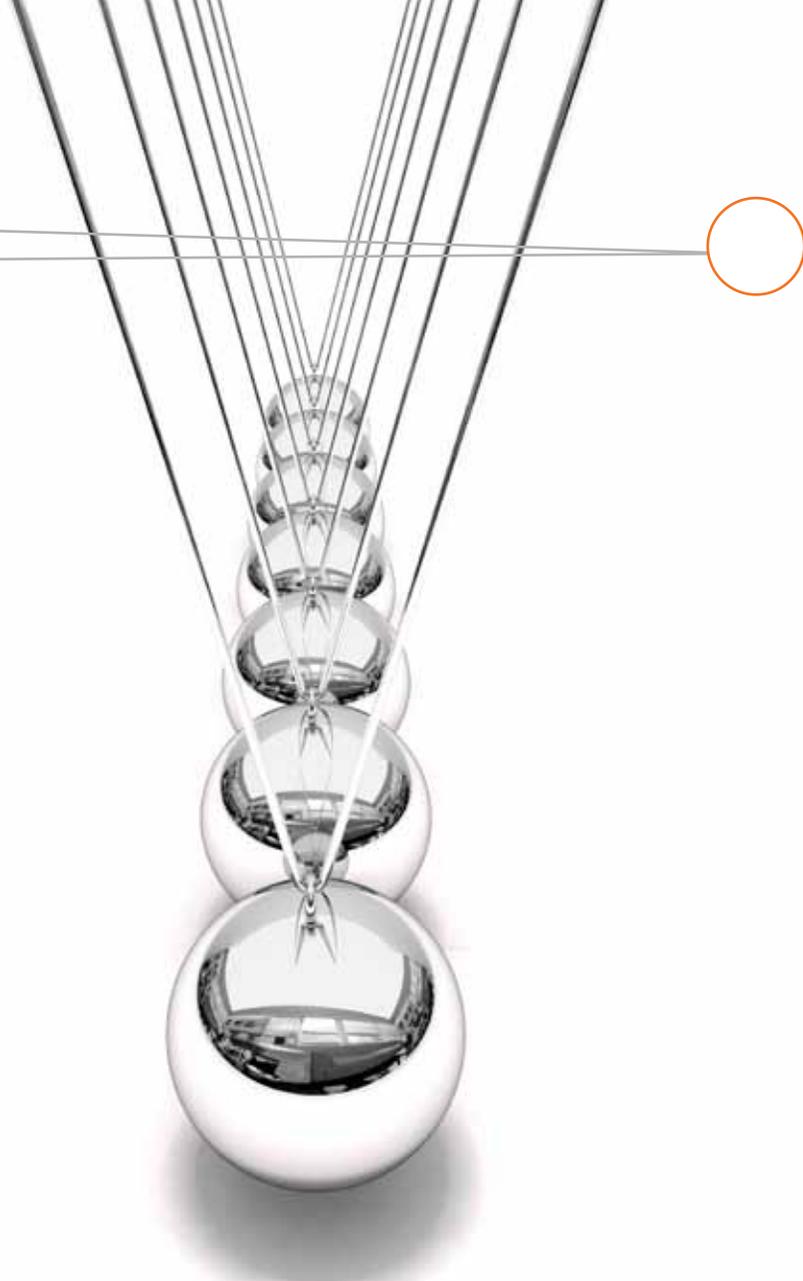
Outlook

There are many reasons to be excited about the future of our Company. Looking ahead, CHBL is well positioned to continue growing. We will seek to continue product development to anticipate the needs of our wide audience and find ways to maximize our asset value by looking for opportunities to expand domestically and internationally through strategic investments.

Acknowledgements

On behalf of the Board of Directors, I would like to thank all our stakeholders – our customers, our employees and sales force, our shareholders and the communities in which we live and work – for their continuing support. When weighing your investment options, you continue to place your trust in our Company's ability to create value. We will continue to work to deliver a performance in 2016 that will validate your confidence in CHBL.

Terence Hilts | Chairman



What sort of year was 2015 for your industry?

EMA: 2015 was a very busy year. In addition to focusing on our core business performance goals, the Company also devoted key resources and a significant amount of time to address a number of legislative proposals – namely the successful implementation of VAT and the evolution of the NHI discussion.

EF: In 2015, the Property & Casualty insurance industry continued to be impacted by a slow and unsteady economic recovery. Job losses in both the public and private sectors have sent the unemployment rate up to 14.8%. For many, purchasing insurance had become a challenge, due to the implementation of VAT which has escalated the cost of insurance further by 7.5%. Offering competitive rates, expanding distribution channels, market penetration, and improving the customer experience were steps that have given providers the leverage needed to improve new business and retention results in the face of challenging market conditions.

How would you assess CHBL'S performance in 2015?

EMA: 2015 was one of the best years financially for CHBL. We made some very good investments in subsidiaries from which we are now reaping the benefits. CHBL is no longer just the holding company of an insurance subsidiary but an investment company with strategic investments in a broad range of financial companies yielding profitable results.

EXECUTIVE interview



Emanuel M. Alexiou
Executive Vice Chairman, CHBL;
Chief Executive Officer, Colina



Steve Haughey
Chief Operating Officer, CHBL



Catherine Williams
Vice President, Finance, Colina



Emmanuel Komolafe
Chief Risk & Compliance Officer,
CHBL

How did CHBL respond to the implementation of the new Value Added Tax regime which commenced on January 1, 2015?

CW: We began the work to assess the implications of VAT on its business and developing a strategy for implementation on both a Group and individual company level in 2014. As the treatment of VAT on insurance and medical services would have a significant impact on Colina and its clients, we spent a lot of time clarifying our understanding and liaising with industry and the Government. Colina is a mixed product provider and, as other entities in this class, ultimately has VAT costs that are not eligible for credit. We have assessed the impact of these costs on our business and product offerings and established plans for any changes that this would require. We had to ensure we had processes to account for VAT throughout every step of our business cycle – from the issuance of billings and invoices to the complexities of ensuring VAT was properly allocated between the insured and Colina on costs related to medical benefits paid. We also worked with industry partners to communicate with the public what they should expect beginning January 1st – the initial VAT implementation date – as well as July 1st when certain insurance products became subject to VAT. While we have had some bumps along the way (as would be expected with an implementation of this scope), overall, I'm very happy with what CHBL and its companies achieved to successfully meet the VAT implementation dates.

Walk us through some of the main highlights of the Group's 2015 financial results.

CW: We are very pleased with CHBL's consolidated results in light of a very challenging and active year. CHBL in 2015 continued to exceed a significant number of its operational and financial targets. Our balance sheet remains strong and well diversified with the only concentration of assets being in high quality investments. While premium revenues have declined over prior year, we are pleased to see that our investment decisions have been prudent, resulting in increased investment income to improve our overall total revenues over 2014. The Company paid over \$94 million in gross policyholder benefit costs in 2015 and has further set aside another \$17.5 million in 2015 in reserves to provide for future benefit costs. We are very happy that we were able to fulfil the promises to our policyholders while being able to generate continued returns for our shareholders. The decision by the Board to grow CHBL with the acquisition of complementary financial services companies in recent years has provided us with additional revenue streams which has diversified our overall business. All of CHBL's principal subsidiary companies, Colina Insurance Limited, Colina General Insurance Agency & Brokers Limited and Colina Financial Advisors Ltd. have demonstrated themselves as strong contributors to the success of the Group.

What was CHBL's approach to dividends in 2015?

CW: CHBL's Board of Directors ensures that dividend distribution decisions are carefully considered –

dividends are paid only after the Company's financial benchmarks and capital and solvency margins are well within a Board approved targeted range. We are very pleased that our financial success over the past several years has enabled us to invest heavily in our operating activities while being able to meet all of our current liabilities and provide for our future obligations to our policyholders. With more than sufficient capital, we have been able to meet our preference share obligations and ensure that we share our success with CHBL's shareholders with interim and annual ordinary dividend distributions.

What is required to make 2016 a successful year for CHBL?

CW: CHBL's success in the past has largely been determined by ensuring that plans and actions taken today are considered for their impact on the long-term sustainability and success of the Company. Speaking specifically from the perspective of Colina, we are very interested in the development of the Government's NHI initiative as it will significantly impact Colina and its clients. Colina understands the importance of having access to quality medical care as a large part of our business is based on the premise of ensuring that our medical insureds are protected against loss from sickness or injury within a well-managed sustainable cost structure. We believe that Colina and the local insurance industry have a critical part to play in the development of any national universal health care initiative, given our collective experience, knowledge and well-established operations infrastructures. To continue our successes in 2016, Colina has to be highly adaptive and continue to invest in technology to ensure that it can quickly anticipate changes that may be required as Colina's role develops in any universal health care reform that the Government implements. While a significant amount of attention will be paid to our health division, we will need to ensure that we push forward with our strategies and plans to grow our life insurance business and to work with our sister companies within the CHBL family to ensure that we provide the best in financial service offerings.

What will be CHBL's strategy for its insurance business with the introduction of National Health Insurance in 2016?

EK: CHBL recognizes that change is a constant and is inevitable. The imminent implementation of the proposed NHI scheme means that change is on the horizon and the Company is well positioned to adapt to this significant change. The monumental and progressive initiative that NHI epitomizes represents both a threat and opportunity for CHBL. We join the rest of the insurance industry as a supporter of the concept universal healthcare and remain committed to assisting the Government in the implementation of a UHC model that best suits The Bahamas while bringing about minimal disruption to our industry and the economy at large.

In order to not just survive but rather thrive in a post-NHI environment, CHBL will need to be more innovative and creative in its product offering. The diversity and multiple income streams of the financial conglomerate that is CHBL places the Company and its shareholders in a unique position of strength. Our increased focus on meeting the needs of clients and customers will continue to pay dividends as we anticipate the new normal within the Bahamian health insurance

What do you think is the role of insurers and how do you see it evolving?

EK: The role of private health insurers under the proposed NHI scheme remains unclear at this time. While the debate on the right UHC model continues and the final version of the model is yet to be determined, the extent to which the private health insurance sector will evolve remains unknown. Additionally, in the absence of detailed regulations, guidelines and rules that will govern the NHI

that are required to provide service to 21st Century customers in an information age. The value for money proposition will go beyond just the payment of claims to the intangibles which include ongoing education, personalized service and community involvement.



Pamela Q. Musgrove
Vice President, Investments, CFAL



Sophia Thurston
Vice President, Operations & Pension Administration, CFAL



Zania Arthur
Operations Manager, CGIA



DeAndrea R. Lewis
Vice President, Life Operations, Colina

sector. CHBL has invested significantly in upgrading its information technology platforms across the various companies and business lines to achieve operational efficiency and better serve its clients. This should enable us to better leverage technology and market intelligence to remain competitive and better serve the Bahamian people. It will be extremely important for CHBL to continue to promote public-private partnerships by working with policy makers to implement changes which create an environment that fosters economic growth for The Bahamas.

The Company's growth strategy will continue to be rooted in sound corporate governance practices, prudent investment decisions, and a comprehensive risk management framework. This approach will enable CHBL to grasp and take advantage of opportunities for expansion and acquisitions within or outside The Bahamas. Additionally, a customer-focused, and outcome oriented culture will continue to be blended with a commitment to building a talented and skilled team of professionals.

program, it is difficult to accurately predict the role of insurers in the future. However, it seems fair to state that regardless of the model of UHC implemented in The Bahamas, the business models of private health insurers will have to evolve. The suite of insurance products, benefits offered and service levels will need to be reviewed and/or upgraded to meet the demands of the insurance market. A shift to tailor-made products to service niche markets within and outside The Bahamas seems inevitable and imminent. The era of minimal engagement of consumers of insurance products is long gone and insurers will be expected to be more involved in promoting healthy lifestyles, wellness programs and preventative care. Insurers will face more scrutiny by their clients and the general public vis-à-vis their corporate social responsibility efforts within the community. Distribution channels and the ease of doing business with insurers will be another focal point in the days ahead as technology and social media become more prominent. The role of insurers will evolve from that of facilitators of the transfer of risk to true risk management entities

What were the most significant developments of the year in your division?

WB: The migration of our Individual Medical block of business to a more robust and advanced policy administration platform in June 2015 has helped to streamline processes, resulting in greater efficiency.

We launched the e-Verification of Benefits phase of our Client Access Web Portal in April 2015. This web-based solution will be accessible by health care providers, employers, and insureds to access e-Services.

With the introduction of VAT on medical insurance premiums, and acknowledging the increased costs related to the provision of health care, we anticipated the need to develop a new individual medical product with streamlined benefits that would provide our policyholders with more options for affordable and flexible coverage. We were pleased to successfully introduce our Shape D plan which, in addition to providing our existing clients

with more options, has enabled us to provide even more Bahamians with affordable health insurance.

Our external social media wellness challenge “Wellness in Action: Reclaim Your Health” was a huge success. Five contestants lost an aggregate of 103 lbs. over a period of 8 weeks and all had impressive improvements in their initial health screenings.



Wendy Butler

Vice President, Group & Health Benefits, Colina

DRL: We are living in an increasingly digital world. Clients are becoming more accustomed to being able to complete transactions with the push of a button from wherever they are. This presents a unique challenge for insurers who have to balance the need for access with the need to protect the information of our clients. At Colina we are well on our way to meeting this need with the recent implementation of electronic application submission. Workflows have also been re-vamped to allow for seamless integration between departments.

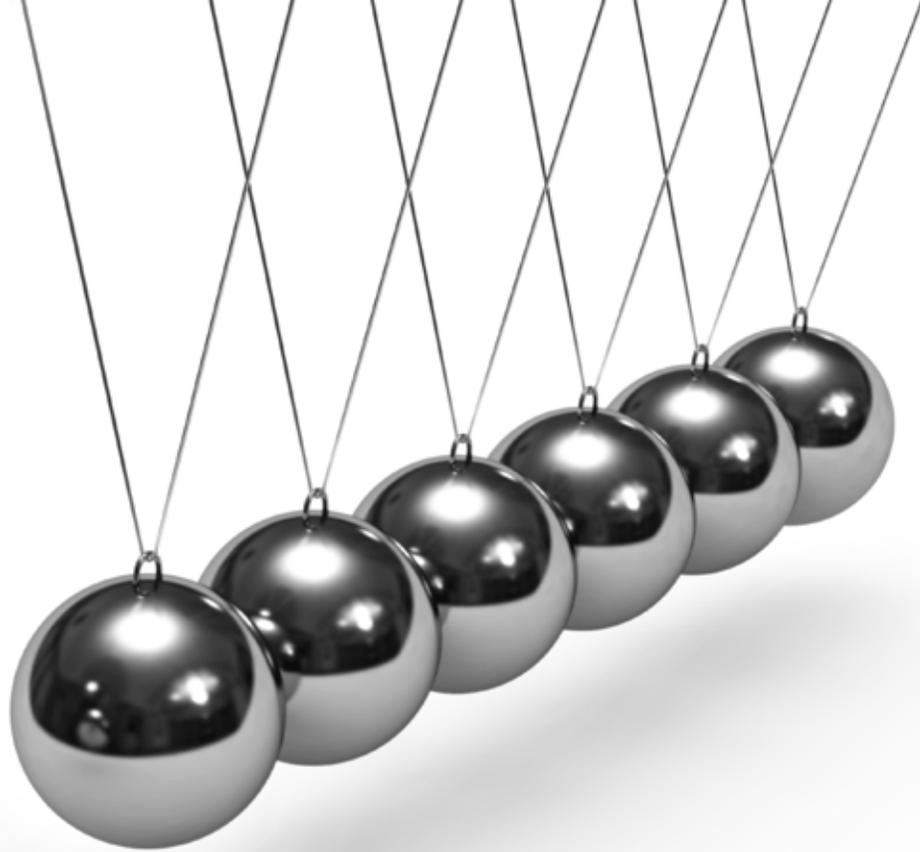
How is your division working to strengthen existing business?

WB: Recognizing that human capital is a company’s most valuable asset, the Health Division will continue to develop highly skilled, motivated and committed employees. Ongoing evaluation of our processes and services will enable us to explore strategies and leverage technology to further streamline our business and operate at optimum efficiency. We will continue to tweak our customer service model to keep pace with customer demands and expectations to improve the customer experience.

DRL: Colina continues to be responsive to its clients’ needs – from Saturday hours at select locations to staying in touch with our clients preferences through our annual client satisfaction survey. In the Life Division, we have expanded our text messaging campaign and anticipate increasing the avenues for submission of policyowner requests in the not too distant future. Colina is also committed to developing highly skilled employees. In the past year nine persons received designations from LOMA, the industry’s premier source for knowledge.

EF: CGIA is working to strengthen existing business through retention strategies that encompass customer expectation and their perception of the quality of service that the company provides.

The prime objective of the process is to acquire an acceptable rate of existing policies at all times through a series of quality interactive transactions between the customer and the company. These transactions encompass the life cycle of the policy from the point of renewal notifications, information research, products and premium rates to policy delivery.



The renewal process is a shared responsibility between all departments and distribution channels working as a team, delivering quality experiences to the customer that will inspire confidence, respect, trust, and a sense of commitment.

Contact GCS is a digital customer contact program that sends out “best wishes” messages at birthdays, anniversaries and national holidays to current and former clients as part of the company’s “Let’s Stay in Touch” program.

ARF: CFAL’s success is grounded in years of proven investment return consistency, a committed and diverse clientele, a cadre of experienced and knowledgeable staff, and a philosophy of adaptability to varying circumstances. In building on the success of our existing business, we will place significant priority on preserving and improving our established environment of teamwork, client focus and long-term stewardship.

Which key factors influenced your division’s financial performance in 2015?

EF: Leadership, vision, business structure, HR competencies, corporate culture and adopting a more customer-centric approach were all critical factors which gave CGIA a competitive advantage in the market. These factors were also the driving force behind the positive customer experience which was closely linked to increases in referrals, additional business and greater profitability for the company.

ARF: 2015 was a year of sustainable growth for CFAL. Notwithstanding the country’s economic challenges CFAL was able to grow its core business of pension and institutional asset management. Our performance benefited from clients’ continued commitment to wealth accumulation and the need to provide staff with pension benefits.

What are the trends shaping your industry?

EF: Changing market conditions across the industry in terms of customer demands, preferences, expectations, the need for efficient interactive services and increasingly competitive premium rates are current industry trends. For those companies that strive to achieve innovation, they have initiated transformation in their technology, distribution network, policy administration and sales and marketing strategies within the organizational structure. The overall objective is to achieve operational efficiencies, reduce acquisition and retention costs in order to retain acceptable levels of profitability results.

ARF: The level of saving and high quality investment options will determine the future success of the local asset management industry.

Where do you expect to place your focus in 2016?

EF: First, focus will be placed on continuing to develop business structures that will improve CGIA’s efficiency and operational ratios. Second, improving workforce optimization as it relates to employees acquiring a better understanding of the fundamentals of the business – the challenges that the company faces, the ability to identify new developments in the marketplace and their impact on current and future performance and the agility to respond effectively to business opportunities and challenges across the company.

ARF: CFAL will continue to focus on improving returns for our clients and increased revenues for stakeholders. These goals will be supported by the company’s robust financial profile and sustained operating efficiencies. For 2016 and beyond, we will focus on investment strategies that seek to deliver strong performance for clients, which has already contributed to CFAL’s meaningful growth.



Tatjana Jancic-Turner
Chief Group Internal Auditor, CHBL



Andrew Alexiou
Vice President & General Counsel, CHBL



Anthony Lowe
Financial Controller, CGIA

Digitalization is changing the way the public does business. How is your company responding?

EF: As an insurance broker, CGIA's ability to meet the demands of the digital era is limited; the insurers we represent hold key cards to implementing and satisfying digitalization demands with regard to policy processing and policy inquiry. However, CGIA utilizes a number of digital resources to satisfy our consumers' needs for fast-paced and readily available information.

The CGIA website provides current and prospective clients with important company information; including products and services. The company also has a social media presence on Facebook. Clients are able to keep up to date with company news and special offers. Mobile texts and emails are used as effective and direct communication with the busy client. Clients are informed of the status of their policies, account balances and upcoming renewal information through a medium that is easily accessible to them. Finally, CGIA uses a contact centre solutions provider to keep clients' records updated as it relates to sending birthday greetings and holiday announcements throughout the year.

ARF: One of the core principles of CFAL has been to embrace digitalization. We have developed a propriety pension management system and have made continuous upgrades to this system over the years. Ongoing improvements to our systems have helped us to deliver transparent, convenient and competitively priced solutions to our clients. Investment in digital advancement has improved the client experience and has allowed CFAL to market our investment solutions more effectively.

What is your outlook for the investment industry and regulatory environment?

ARF: Since the global financial crisis in 2008, the wealth management industry both locally and globally has changed substantially. Driven by increased regulation, such as the Foreign Account Tax Compliance Act (FATCA) and the upcoming Common Reporting Standard (CRS), the industry is transitioning from undeclared to declared assets, and regulators are placing increased demands on investment management firms. To lessen the financial impact of the increased regulatory regime, CFAL has embraced the digital agenda and streamlined operating efficiencies in an effort to improve our competitive position and compliance efforts.

“ Changing market conditions across the industry in terms of customer demands, preferences, expectations, the need for efficient interactive services and low premium rates are current industry trends.”

Ednol Farquharson
Chief Executive Officer, CGIA



Anthony R. Ferguson
President, CFAL



Ednol Farquharson
Chief Executive Officer, CGIA



Marcus J. Bosland
Resident Actuary, Colina



MANAGEMENT'S DISCUSSION & ANALYSIS



Colina Holdings Bahamas Limited
Management Discussion & Analysis
For the period ended December 31, 2015

This MD&A is dated March 16, 2016



Paula-Maria Hospedales
Reinsurance Administration
Manager, Colina



Simone Coakley Financial
Reporting Officer, Colina



Karen Hawkins Manager,
Accounts Payable, Colina



Charmaine Parker Manager,
Premium Accounting, Colina



Antoinette Moxey Financial
Controller, Colina

FORWARD-LOOKING STATEMENTS

OVERVIEW:

Colina Holdings Bahamas Limited (“CHBL” or “the Company”) is a holding company incorporated in 1993. CHBL subsidiaries provide financial services solutions through the production, distribution, and administration of insurance and investment products. CHBL’s subsidiaries include Colina Insurance Limited (“Colina”), Colina General Insurance Agency & Brokers Limited (“CGIA”), and Colina Financial Advisors Ltd. (“CFAL”).

Colina is a wholly-owned life and health insurer whose principal operations are conducted largely in The Bahamas and which is also registered to operate in the Cayman Islands and The Turks and Caicos Islands. CGIA is a general insurance agent and broker. CFAL is an investment advisory firm, established to provide financial services including investment management, pension management and administration, corporate advisory services, escrow, registrar and transfer agent services.

All references to financial information presented are in relation to the consolidated financial statements of the Company and its subsidiaries (collectively, “The Group”), unless otherwise identified.

BASIS OF PRESENTATION AND SUMMARY OF ACCOUNTING POLICIES:

The Consolidated Financial Statements of the Company, on which the information presented in this report is based, have been prepared in accordance with International Financial Reporting Standards. This report should be read in conjunction with the annual consolidated financial statements and accompanying note disclosures.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES:

The Group’s accounting policies require the use of judgments relating to a variety of assumptions and estimates that affect amounts reported in the Consolidated Financial Statements. In particular, with respect to insurance related assumptions and estimates, these include expectations of current and future mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. Management has also applied judgement in its assessment of valuations of real estate and goodwill which include assumptions and estimates in relation to rates such as discount, growth, vacancy, and inflation. In applying its accounting policies, management makes subjective and complex judgments that frequently estimate matters which are inherently uncertain. Many of these policies are common in the insurance and financial services industries; others are specific to the Group’s business and operations. Due to the inherent uncertainty of using the

assumptions and estimates, the effect of certain accounting policies under different conditions or assumptions could be materially different from those reported in the consolidated financial statements. A discussion of the most significant accounting policies follows:

Provision for future policy benefits

The establishment of adequate actuarial reserves to meet the Group's obligations to its policyholders involve estimating liabilities for future policy benefits on life and health insurance policies and requires the use of assumptions such as those relative to future investment yields, mortality, morbidity, longevity, persistency, expenses, and other applicable assumptions based on historical experience modified as necessary to reflect anticipated trends and to include margins for risk and possible adverse deviation.

Goodwill and Other Intangible assets

Intangible assets on the Company's consolidated balance sheet include goodwill and other intangible assets. The assessment of goodwill requires an annual estimate of the future cash flows of the respective cash-generating units. Revisions to the estimates that result in the impairment of the carrying value of these assets cause the amounts to be expensed in the reporting period in which the revisions are made. Other intangible assets include acquired computer software licenses which are capitalized on the basis of the costs incurred for its acquisition and implementation. Management reviews the carrying amounts annually to determine if there are any indications that these assets are impaired at which time, the impairment losses are recognized.

Revaluation of property and equipment, investment properties, and other real estate holdings

The Group carries investment properties at fair value with changes in fair value recognized in the consolidated statement of income. Land and buildings are measured at their revalued amounts with changes in fair value recognized in the revaluation reserve. Other real estate holdings such as land held for development and properties assumed under mortgage default are held at the lower of cost or realizable value. The valuation of real estate for impairment and changes in fair value are assessed annually by management with reference to periodic appraisals obtained from independent appraisers in intervening periods. Management assessment of the appropriateness of the carrying amounts are carried out using a number of valuation methodologies

including the discounted cash flow (DCF) model which requires the use of assumptions including capitalization rates, vacancy rates, rental and expense growth rates.

CHANGES IN ACCOUNTING POLICIES:

A description of changes in accounting policies and disclosures is included in Note 2 to the Consolidated Financial Statements.

2015 ECONOMIC REVIEW

The year 2015 was a challenging year for The Bahamas and can be characterized by a series of economic highs and lows. The relatively smooth implementation of the new Value Added Tax (VAT) at the beginning of the year, mainly due to the assistance of the private sector, is on the list of highs. With the implementation of VAT, tax revenue receipts expanded during 2015, putting the Government on a path to achieving its revenue projections. Another positive in 2015 was the improvement in the hotel sector, as evidenced by the 3.0% increase in total room revenues. Other improvements in the sector included a 2.5 percentage point increase in average occupancy to 69.2% and a 6.0% uptick in the average daily room rate to \$253.88. Topping the list of lows are the stalled Baha Mar development and the Standard & Poor's downgrade of the Bahamas' sovereign debt rating to BBB-/A-3 from BBB+/A-2, which was in large part due to the failure of Baha Mar to deliver a much needed economic boost. While the country's economic recovery is slow, continued improvements in public finances, beyond VAT and deficit reduction, and rebalancing of the Bahamian economy are essential. More must be done to support Bahamian businesses and investments which are the engine for economic growth.

The Bahamas economy is expected to continue its positive but lacklustre growth of approximately 1% in 2015 and projected 1% for 2016. Policy makers are projecting the mild paced growth for 2016 will be supported by gains in tourism, and construction activities related to foreign investment projects. Headwinds, however, continue to exist and growth projections remain uncertain. The structurally high unemployment rate of 14.8% with a youth unemployment rate of 30.0%, and the expansion in the country's national debt continue to weigh on the economy. Job creation continues to be hindered by the weak economic growth, skills shortages, the reliability and cost of energy and low business confidence. A stimulus plan that will assist in closing the country's infrastructural gap and spur economic activity is needed to improve the local economy.

OVERALL PERFORMANCE

For the year ended December 31, 2015

Colina Holdings Bahamas Limited Statistical Financial Reporting Data
(All data in B\$000s with the exception of \$ per share amounts)

	2015	2014	2013
Net income for the year	\$ 16,192	\$ 14,126	\$ 14,594
Net income for equity shareholders	\$ 15,569	\$ 14,521	\$ 13,698
Net income for ordinary shareholders	\$ 13,037	\$ 11,988	\$ 11,659
Gross premium revenue	\$ 139,418	\$ 141,326	\$ 140,551
Net premium revenue	\$ 126,877	\$ 128,460	\$ 127,349
Net commission income	\$ 3,058	\$ 2,909	\$ 3,192
Investment management and other fees	\$ 9,651	\$ 11,551	\$ 6,771
Total revenues	\$ 174,006	\$ 170,005	\$ 162,869
Total assets	\$ 710,876	\$ 633,413	\$ 605,462
Total invested assets	\$ 587,964	\$ 535,777	\$ 507,883
Total ordinary shareholders' equity	\$ 108,153	\$ 99,454	\$ 91,547
Total equity	\$ 169,793	\$ 157,680	\$ 149,054
Return as % of total assets	2.3%	2.2%	2.4%
Return on total opening ordinary equity	13.1%	13.1%	13.9%
Earnings per ordinary share	\$ 0.53	\$ 0.49	\$ 0.47
Cash dividends declared per share by class			
Class A Preference Shares	\$ 0.06	\$ 0.06	\$ 0.06
Class A Ordinary Shares	\$ 0.20	\$ 0.20	\$ 0.18

SUMMARY OF FINANCIAL PERFORMANCE

The Company's total revenues have increased over prior year in aggregate, with growth in revenue streams from its recent financial services acquisitions. The Company's strategy to diversify revenue streams has been successful in mitigating fluctuations in claims reserves related to policyholder benefits.

Net income after non-controlling interests was \$15.6 million compared to \$14.5 million in the prior year, an increase of \$1.0 million or 7.2%.

Gross premium revenues decreased by \$1.9 million or 1.3%, totaling \$139.4 million for the 12 months ended December 31, 2015 compared to \$141.3 million in the prior year.

The Company's invested asset portfolio has delivered returns of \$30.7 million in 2015, an increase of 22.1% over the prior year.

The Company continued to achieve its objective of balance sheet growth, increasing total assets by \$77.5 million to \$710.9 million at December 31, 2015, representing a 12.3% increase over total assets as at December 31, 2014. The

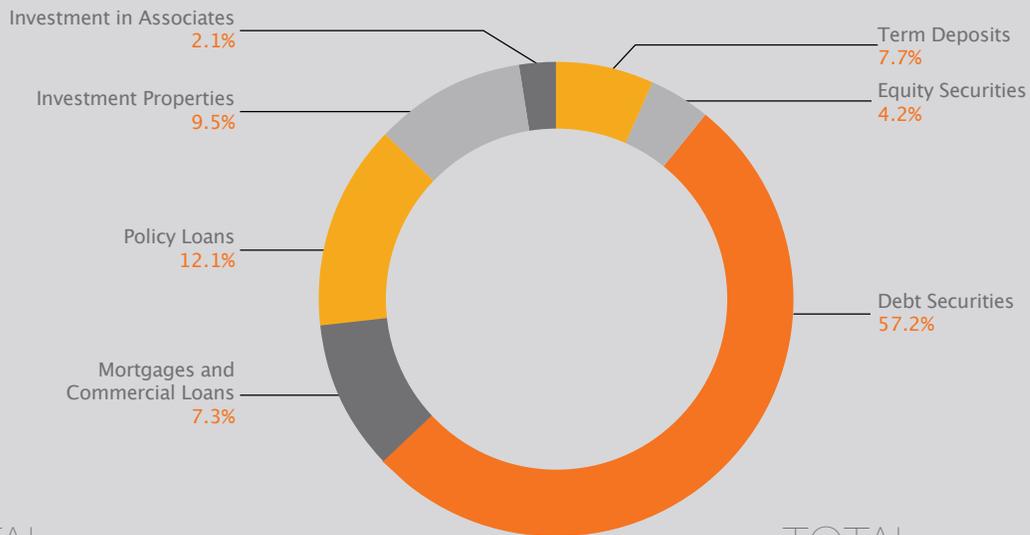
Company continued to direct the majority of this asset growth in additional investments in high-quality, fixed income securities during the year.

The Company has been deliberate and cautious in managing its administrative expense ratios with 2015 and 2014 administrative expenses comprising 21.7% and 21.2% respectively of total revenues. The Company continues to invest significantly in technology and administrative system improvements aimed at reducing recurring costs over the long term and which will enhance overall service delivery to its clients.

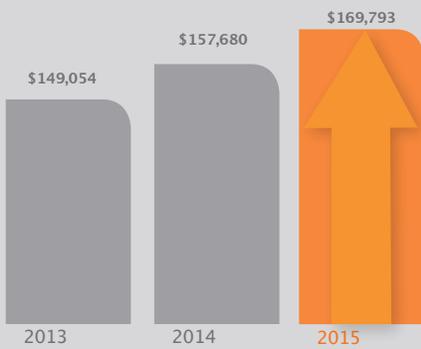
The Company divides its operating segments into three classifications of Life, Health and Other. The Life and Health divisions include the Company's Individual Life Insurance and Individual and Group Health Insurance business respectively. Results from the Company's reinsurance and other subsidiary and associate operating activities are captured in "Other". We discuss highlights that affected the Company's segmented operating results:

INVESTED ASSETS COMPOSITION

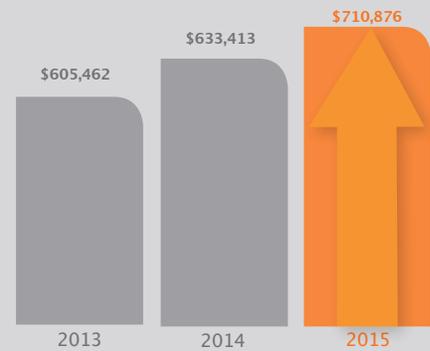
As at December 31, 2015



TOTAL EQUITY (B\$000s)



TOTAL ASSETS (B\$000s)



Colina Insurance Limited

Life Division

The Company's Life Division offers a wide range of whole life and term insurance, pension, annuity, and savings and investment products.

The life division contributed \$5.2 million to the Company's operating profit, an increase of \$3.4 million over the prior year. The increase in profitability in this division is due to a combination of an increase in net settled individual life sales and increased gains from allocated invested assets. Claims experience also improved with claims and reserves comprising 65.7% of revenues in 2015 compared to 68.7% in 2014.

Health Division

The Company's Health Division offers a wide range of comprehensive individual medical and group life and medical insurance.

The health division contributed \$8.8 million to total net income in 2015 compared to \$13.1 million in 2014. While the health insurance business is generally volatile, in addition to rising medical claims costs, the introduction of VAT on medical insurance premiums and medical claims costs has resulted in increased out of pocket costs to the consumer. These price pressures have had an impact on the divisions' gross sales in 2015.

The Company has continued to fulfill its obligations and commitments to ensure that medical claims payments for its policyholders were settled with policyholder benefits comprising over 54.1% of divisional revenues in 2015 compared to 51.1% in 2014.

Mindful of the volatility of claims, the Company continues to rigorously assess renewals of existing business to ensure that they adequately reflect perceived risk exposure and changes in claims experience. The Company will maintain this discipline as it has proven to be effective over the long-term and has enabled the Company to limit losses in high claims years.

Colina General Insurance Agency & Brokers Limited ("CGIA")

CGIA recorded another year of positive results and continues to contribute to CHBL's overall returns since its acquisition in December 2011.

In November 2012, CGIA became registered as an insurance broker and subsequently changed its name to Colina General Insurance Agency & Brokers Limited in December 2012. CGIA's operating results are included in the "Other" category of CHBL's segmented information. The following is a summary of their financial results.

CGIA's commission revenues have declined slightly in 2015 in comparison to prior year due to volatility in the general insurance market and increased competition. CGIA continues to focus on developing its carrier relationships and investing in training for its employees and sales representatives.

CGIA management has been successful in exploring additional distribution channels and is working with the Group to enhance its financial service product offerings. CGIA has also implemented plans that contribute to the strengthening of its conservation programmes to further improve renewals and retention rates.

Colina Financial Advisors Ltd. ("CFAL")

CFAL was added to CHBL's complement of financial service entities in September 2013. CFAL is a leading investment and advisory firm and is the largest pension provider in The Bahamas, with a long and proven record of financial stability and integrity in all economic climates. CFAL provides innovative financial planning solutions for institutions and individuals and advises clients both internationally and in The Bahamas on a range of services including pension management, brokerage and investment management accounts.

The following comments compare CFAL's operating information for the 12 months December 31, 2015 to the 12 months prior.

CFAL's revenue base has increased by 7.3% relative to prior year, largely driven by commission related income. Expenses increased slightly by 4.4% but remained within acceptable levels relative to revenue generated.

Capital Management

The Company was successful in issuing an additional \$2.0 million in Class A preference share capital in 2015 to assist with its strategic growth plans. The additional preference share capital,



combined with the contributions to equity from profits net of dividend distributions resulted in an increase in the total equity base to \$169.8 million in total equity from \$157.7 million in the prior year. Ordinary shareholders' equity has increased by \$8.7 million to \$108.2 million from \$99.5 million as at December 31, 2014, inclusive of capital distributions to Class A ordinary shareholders of \$4.9 million or \$0.20 per ordinary share during fiscal 2015 and preference share distributions to the Class A preference shareholders of \$2.5 million or \$0.06 per preference share.

Throughout 2015 and at the fiscal year end, Colina exceeded both the statutory margin requirement and the minimum ratio requirement of qualifying to admissible assets as set by the Insurance Commission of The Bahamas.

Colina also measures its solvency ratio using Canadian reserving methodologies and solvency standards as measured by the Minimum Continuing Capital and Surplus Requirement (MCCSR). The Canadian Insurance regulator has set a MCCSR supervisory target of 150% and at December 31, 2015, Colina's MCCSR exceeded the target.

Summary of Quarterly Results and analysis of Q4 Results

Liquidity Analysis

The Company's current and short-term cash needs are adequately funded through cash generated from its regular operations. Cash in excess of short-term needs are invested in a managed portfolio where the Company also maintains adequate levels of liquid investments in accordance with established liquidity margin requirements as per the Company's investment mandate. At December 31, 2015, the Company held cash and liquid short-term investments of \$74.2 million (\$67.2 million in 2014). The Company and its subsidiaries held

over \$332.3 million in fixed income securities, 82.6% of which were investments in government and sovereign debt with the majority invested in Bahamas Government Registered Stock.

The Company maintains a sufficient amount of liquid assets to meet unanticipated cash flow requirements prior to their maturity.

An analysis of the maturity profile of the financial liabilities of the Company based on remaining contractual obligations on an undiscounted cash flow basis is summarized in Note 34 to the Consolidated Financial Statements.

Off-Balance Sheet Arrangements

As at December 31, 2015, the Company did not provide any guarantees to third parties. Included, however, in term deposits and investment securities are \$0.8 million and \$2.2 million, respectively, in restricted balances held in favour of various regulatory bodies.

Other contingent liabilities and commitments are discussed in Note 23 to the Consolidated Financial Statements.

Financial Instruments and other Instruments

Risk exposures that arise as a result of the financial instruments that the Company invests in – such as financial, interest rate, credit and liquidity risks – are discussed in Note 34 to the Consolidated Financial Statements. The Group's activities also include trading activities which introduce settlement risk exposures which are also discussed in Note 34.

Transactions with Related Parties

In the normal course of business, the Company has entered into transactions with related parties and affiliates. These balances and transactions are identified and discussed in Note 33 to the Consolidated Financial Statements.

Colina Holdings Bahamas Limited
Quarterly Financial Information
(All data in B\$000s with the exception of \$ per share amounts)

	2015				2014			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net premium revenue	\$ 31,818	\$ 28,258	\$ 31,776	\$ 35,025	\$ 31,285	\$ 35,186	\$ 30,461	\$ 31,528
Total revenue	\$ 39,055	\$ 42,488	\$ 44,199	\$ 48,264	\$ 37,799	\$ 46,235	\$ 44,022	\$ 41,949
Net Earnings by Quarter								
Total Net income	\$ 4,954	\$ 3,966	\$ 2,191	\$ 5,081	\$ 3,366	\$ 2,994	\$ 3,420	\$ 4,346
Net income attributable to equity shareholders	\$ 4,524	\$ 3,908	\$ 2,161	\$ 4,976	\$ 4,032	\$ 3,442	\$ 2,932	\$ 4,115
Net income attributable to ordinary shareholders	\$ 3,890	\$ 3,275	\$ 1,529	\$ 4,343	\$ 3,397	\$ 2,810	\$ 2,299	\$ 3,482
Quarterly Earnings per Ordinary Share	\$ 0.16	\$ 0.13	\$ 0.06	\$ 0.18	\$ 0.15	\$ 0.11	\$ 0.09	\$ 0.14

OPERATIONAL overview



Ngaio Griffin Asst. Vice President,
Pension Administration, CFAL



Tamara Evans Manager, Settlements,
CFAL



Nickara Roberts Manager, IT Systems,
Colina



Vendryes Braham Manager, Application
Development, Colina



Enrique Pyfrom Manager, IT Operations,
Colina



Jeanelle Francis Manager, Brokerage &
Trading, CFAL

ADAPTING to **change**

Successful Implementation of VAT Regime

The Group was successful in its phased implementation of Value Added Tax (VAT) in 2015 – first with the tax’s application to services and fees commencing January 1 and the implementation of VAT on medical premiums as at July 1. This new tax regime was one of the Group’s major areas of focus for 2015 and involved the implementation of four separate projects, including the conversion of Colina’s Individual Medical portfolio from the current individual medical policy administration system to a hybrid of the Colina’s main policy administration system and the claims administration system. All deadlines were met without any major delay and administration, while encountering initial expected challenges, continues to proceed smoothly.

New product helps clients retain coverage

In July 2015, Colina expanded its SHAPE ABC suite of Individual Medical insurance products with the launch of a new option called SHAPE D. With the proposed introduction of VAT on medical premiums expected to impact policyholder disposable income, the new product with streamlined benefits was introduced to provide affordable alternative coverage for clients who needed to step down from their existing plan. SHAPE D offers the same lifetime maximum benefit as SHAPE C but with simplified benefits that allowed the product to be introduced at a cost 22% below the SHAPE C plan.



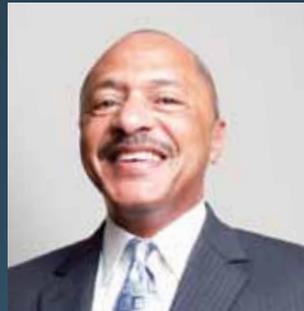
Richard Coleby Manager, Properties, Colina



Jacqueline Gardiner Manager, Underwriting, CGIA



Carlton Adderley Asst. Operations Manager/Human Resources Manager, CGIA



Ken Donathan President, CREFL



Charles Nevins III General Manager, CMCO



Beverley Ferguson Manager, Credit Collections, CMCO

LEADERSHIP & impact



Colina inducts 7 into Sales Wall of Fame

On December 3, Colina inducted its Sales Wall of Fame Class of 2015, honouring individuals who have provided dedicated service to their clients over decades of diligent effort. Honourees included:

Greg Bonamy
Eddison Brice
Faith Ene
Deveral Ferguson
Elnicka Forbes
Arlette Hutchinson
Carmen Major



Greg Bonamy



Eddison Brice



Faith Ene



Deveral Ferguson



Elnicka Forbes



Arlette Hutchinson



Carmen Major



Sapna Chatlani Actuary, Colina



Clothie Lockhart Manager, Sales Training, Colina



Karen Sweeting Manager, Sales Training, Colina



Angela Taylor Director, Underwriting and New Business, Colina



Leah Major Actuary, Colina



Charlene Rodgers Assistant Vice President, Group and Health Benefits, Colina



Melanie Hutcheson Director, Corporate Communications, Colina



Sandra Thomas Manager, Administration and Claims, Group and Health Benefits, Colina



Julie Dean Manager, Customer Services, Colina



Lavaughn Fernander Manager, Customer Services, Colina



Millicent Wong Manager, Life Claims, Colina



WELLNESS **for life**

Five Colina clients lose 103 lbs in wellness challenge

After eight weeks of exhausting workouts and nutrition counseling, Betty Taylor was named the winner of Colina's Wellness in Action: Reclaim your Health Challenge. Five finalists began the wellness journey in April 2015 for the opportunity to improve their health and wellbeing. All five revealed impressive numbers on the scale but, having shed 45 lbs, Taylor ultimately lost a higher percentage of weight than her competitors and was declared the winner, taking home a prize bundle valued at \$3,000.

Taylor, an educator, stated in her entry submission that the benefits of the challenge would bring very practical victories for her, including being able to walk the stairs at her school without feeling winded. She began the programme weighing more than 303 lbs and ended at 258 lbs. However, she noted that even though this stage of the competition is over, her personal journey continues.

The wellness journey began on Facebook in March when the five finalists were selected from dozens of participants who wrote to Colina to explain why they needed to adopt healthier eating and exercise habits. In addition to losing body fat, each of the finalists also achieved personal wellness goals, including reducing BMI to a healthy range, lowering total cholesterol and glucose levels, and balancing blood pressure.

Colina partnered with JEMI Health & Wellness and the Walk-In Clinic in this initiative.



LEADING EDGE

technology

eForms a significant milestone in technology roadmap

In December 2015, Colina went live with its Electronic Forms solution designed to allow the company to convert its paper forms to eForms, facilitating the replacement of most printed forms and reducing operational costs while increasing productivity. The solution also provides the flexibility to integrate with existing databases for pre-population of forms and easy integration with Colina's document management system. The first phase of this project began with eight Customer Service forms and will be continued throughout the course of the year.

Web portal offers providers convenient online access

Colina launched the first phase of a provider access web portal to allow for online eligibility and verification of benefits. The system allows real time connectivity for providers to check for patient eligibility, patient financial responsibility, and limits on services. Implementation of the online portal to facilitate verification of benefits for providers has assisted in improving the customer service efficiency of the Group & Medical Departments and enhanced the operational efficiencies for Colina.

TRAINING & PROFESSIONAL development

CHBL Chief Group Risk & Compliance Officer elected Chairman of the Bahamas Insurance Association



Emmanuel O. Komolafe, Chief Risk & Compliance Officer was elected Chairman of the Bahamas Insurance Association (BIA) at the Annual General Meeting of the BIA on May 12, 2015. He previously served five years as Deputy Chairman and currently serves as Chairman of the Insurance Advisory Committee, a statutory body established to advise the Insurance Commission of The Bahamas on matters relating to the domestic and international insurance industry.

Emmanuel is responsible for the implementation of the risk management and compliance framework for CHBL and affiliate companies. In addition to chairing the Insurance Advisory Committee, Emmanuel is also a member of the government's Foreign Account Tax Compliance Act (FATCA) Advisory Committee.

A Fellow of both the Life Management Institute (FLMI), and International Compliance Association (FICA), he is also a member of the Institute of Risk Management, the Institute of Chartered Secretaries and Administrators (ICSA) and International Compliance Association in the UK. He holds qualifications in Accountancy, Business Economics, Compliance and Anti-Money Laundering, as well as a Master of Laws degree specializing in banking law, securities regulation and international law.

Colina employee qualifies as Fellow of the Society of Actuaries



Leah Major qualified as a Fellow of the Society of Actuaries (FSA) on June 3, 2015. Leah's admittance as a Fellow is the single most important credential that an actuary receives, and is earned over many years of post-university independent study and a rigorous examination process. Leah has seven years of experience in the life and health insurance industry, carrying out various pricing, valuation and solvency

responsibilities. Currently, Leah leads the Health Unit of Colina's Actuarial department where she is responsible for the pricing and valuation of the company's group and individual medical line of business.

With most insurance companies in The Bahamas outsourcing their actuarial functions to overseas firms, Colina continues to strengthen its in-house actuarial team working alongside external consultants. Leah is now one of four qualified actuaries employed by Colina and one of only two qualified Bahamian actuaries practising in The Bahamas: DeAndrea Lewis, FSA, is also employed at Colina as the company's Vice President of Life Operations.

Financial executive earns Certified Management Accountant (CMA) designation



Financial Controller Antoinette Moxey earned the globally recognized Certified Management Accountant (CMA) designation from the Institute of Management Accountants (IMA) in July. Achieving the CMA demonstrates Antoinette's professional expertise in many facets of accounting and financial management, including financial planning, analysis, control, decision support, and professional ethics.

CMAs earn the advanced-level credential through completion of a comprehensive two-part examination, meeting a Management Accounting experience requirement, and agreeing to comply with the Standards of Ethical Conduct for Management Accountants. The CMA designation is an indication to the professional community that Antoinette has met the highest standards of expertise and integrity in the field of financial management. Her contributions allow Colina to maintain the strongest financial management team possible.

Antoinette joined Colina in 2009 as Financial Analyst and was named Financial Controller in 2010. She holds a BA in Banking & Financial Services and an MSc in Banking & Financial Services Management from Boston University.

Colina branch leaders earn insurance industry awards from GAMA International

Three of Colina's branch leaders have been recognized for excellence in traditional and contemporary field management in the financial services industry by GAMA International, the global non-profit organization dedicated to the development of leaders in insurance, investment and financial services.

Branch Managers Sandra Smith and Kino McCartney were among recipients of GAMA's International Management Award at the Bronze Level, which recognizes first-line managers. Assistant Branch Manager Sandra Walkes earned the Frontline Leader Award along with frontline managers worldwide who supervise at least five full-time career agents, advisors or sales representatives.

The recipients of the International Management Awards and Frontline Leader Award were recognized at GAMA's annual LAMP conference in Orlando, Florida in March and included in the July/August 2015 issue of GAMA International Journal.



Kino McCartney Branch Manager, Collins Branch, Colina



Sandra Smith Branch Manager, Collins Branch, Colina



Sandra Walkes Asst. Branch Manager, Collins Branch, Colina



Leatha Nixon Human Resources Manager, Colina

Colina earns award for professional development

On September 9th, in Boston, Massachusetts, Human Resources Manager Leatha Nixon accepted the LOMA Educational Achievement Award for Latin America and the Caribbean on behalf of Colina. Colina once again displayed its commitment to education and development, this being the fifth consecutive year that the company has earned this award.

HR Manager Leatha Nixon earns Human Resource Management Professional (HRMP) designation

Human Resources Manager Leatha Nixon successfully attained the HRMP (Human Resource Management Professional) designation in 2015. The designation is a global competency-based credential that is designed to validate professional-level core HR knowledge and skills. The credential demonstrates mastery of generally accepted HR principles in strategy, policy development and service delivery. Independent of geographic region, the credential complements local HR practices.



Sales Leadership

Our sales team consists of more than 100 licensed insurance professionals who counsel Bahamians daily about the crucial importance of seeking professional insurance advice as part of a sound financial plan and who go beyond the call of duty for clients and their families.



Jeffrey Randall, Branch Manager, Centreville, Colina



Yvonne Gibson-Sands Sales Manager, Centreville, Colina



Joseph Sweeting Sales Manager, Centreville, Colina



Kino McCartney Branch Manager, Collins, Colina



Sandra Walkes Asst. Branch Manager, Collins, Colina



Amanda Knowles Sales Manager, Collins, Colina



Bridgette Sands Sales Manager, Collins, Colina



Elrod Outten Northern Branch Manager, Colina

COLINA connects

Colina and affiliates donate \$100,000 to Hurricane Joaquin relief efforts

In response to the destruction caused by Hurricane Joaquin in the central and south-eastern Bahamas, CHBL donated \$100,000 in cash and supplies to support relief efforts on Crooked Island and Acklins. The donation comes from the members of the group and is part of Operation Full Restoration, a multi-phased rebuilding project launched by Colina affiliate The Nassau Guardian and its partners.

Generators, stoves, beds, clothing, grocery items, cleaning items, toiletries and other urgent supplies donated by the companies and through employee donations comprise the first lot of the Colina group's commitment to the comprehensive project to help restore islands devastated by the Category 4 storm at the beginning of October. The next phase will include a partnership with local organizations to rebuild homes levelled by the hurricane.



Colina sponsors visit by 1972 Munich Olympics Massacre survivor

In March, Colina was one of several corporate sponsors who paved the way for the country to hear the story of a man who survived the first live broadcast terrorist attack. Dan Alon, an Olympic Fencer was the keynote speaker, and shared the harrowing tale of his narrow escape from the 1972 Munich Massacre in Germany. The event

was organized by the Nassau Jewish Community. This is not the first lecture of its kind that the local Jewish Community has put on. Three years ago, Colina assisted in the organization of the group's hosting of a Schindler's List survivor, which drew an audience of nearly 700 people.



From left; Christopher Tsavoussis, Ash Henderson, Eric Dyer, Daniel Brunner, Rabbi Sholom Bluming, Diane Phillips, Colina Executive Vice Chairman/CEO and Nassau Guardian Publisher Emanuel M. Alexiou and Carlton Mortier take a photo with Dan Alon (center)



Colina expands into social media

Social media encourages engagement and develops relationships with clients, the general public and employees across multiple channels. The company debuted on LinkedIn & YouTube in 2014 to tout its corporate strengths, the expertise of its employees and salespersons and for recruitment. In March 2015, Colina began using the ubiquitous Facebook platform to promote the company's work in the community, marketing and advertising campaigns and for targeted customer service.



CORPORATE
governance

Board Composition

The composition of the Board has been designed to include individuals with a broad range of skills, expertise, knowledge and valuable experience to ensure effective oversight of the Company's business. Directors are also expected to possess high standards of integrity, honesty and loyalty to the Company.

Philosophy

It is the philosophy of the Board that good corporate governance is a pre-requisite to the achievement of the Company's goals and objectives. The Directors remain committed to the upholding of high standards of corporate governance in the execution of their duties and in the delivery of sustainable value to shareholders.

Leadership

The roles of the Chairman of the Board and Executive Vice Chairman ("EVC") are distinct and clearly defined to ensure appropriate balance and to dilute the powers of decision between both offices. The Chairman is responsible for the long-term strategic development of the Company as well as the leadership and governance of the Board. The EVC is responsible for the development of business plans, the management of the daily affairs of the Company and the implementation of the Board's strategy. The EVC is advised and assisted in the discharge of his duties as delegated by the Board by an executive management team which comprises functional specialists and professionals.

Role of the Board

The Board is responsible for the stewardship of the Company, including supervising its activities and managing its investments and affairs. The management of the daily operations of the Company in this regard is done by proxy through the EVC and the executive management team. However, the Board's Charter sets out matters that are exclusively and specifically reserved to it for decision to ensure that the Board exercises effective control over the affairs of the Company. These matters include but are not limited to, the approval of dividend payments, annual and interim financial results, significant transactions, material changes, strategic plans and matters affecting the Company's share capital.

Terence Hilts Chairman



Emanuel M. Alexiou
Executive Vice Chairman



Anthony Ferguson Director



Earle Bethell Director



Lloyd Steinke Director



Sandra J. Knowles Director



Ednol Farquharson Director



Macgregor Robertson Director

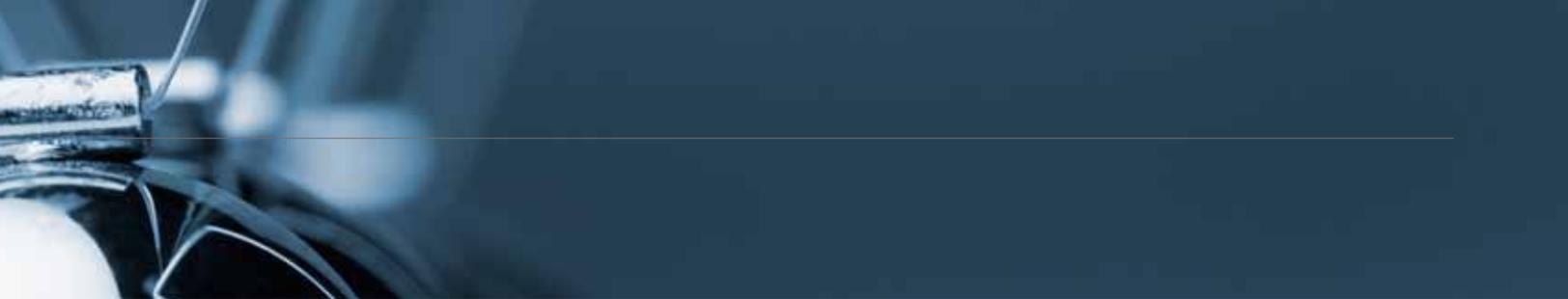


Glenn V. Bannister Director



Willie A. Moss Director





BOARD committees

In order to effectively discharge its duties and fulfil its mandate, the Board has established the following standing Committees to oversee and debate important issues of policy outside of main Board meetings:

Audit & Finance Committee

Chaired by Macgregor Robertson, the Committee’s principal role is to assist the Board of Directors in its oversight of the integrity of the Company’s financial statements, strategy and objectives. This Committee supervises the qualification, independence and performance of the external auditor and internal auditors of the Company.

Compensation, Nominating and Corporate Governance Committee

Chaired by Terence Hilt, the Committee’s principal role is to assist in the review and oversight of the evaluation of the performance of the executives of the Company, including setting their compensation (including benefits, compensation plans, policies and programmes) and succession planning. The Committee annually reviews the Board’s performance

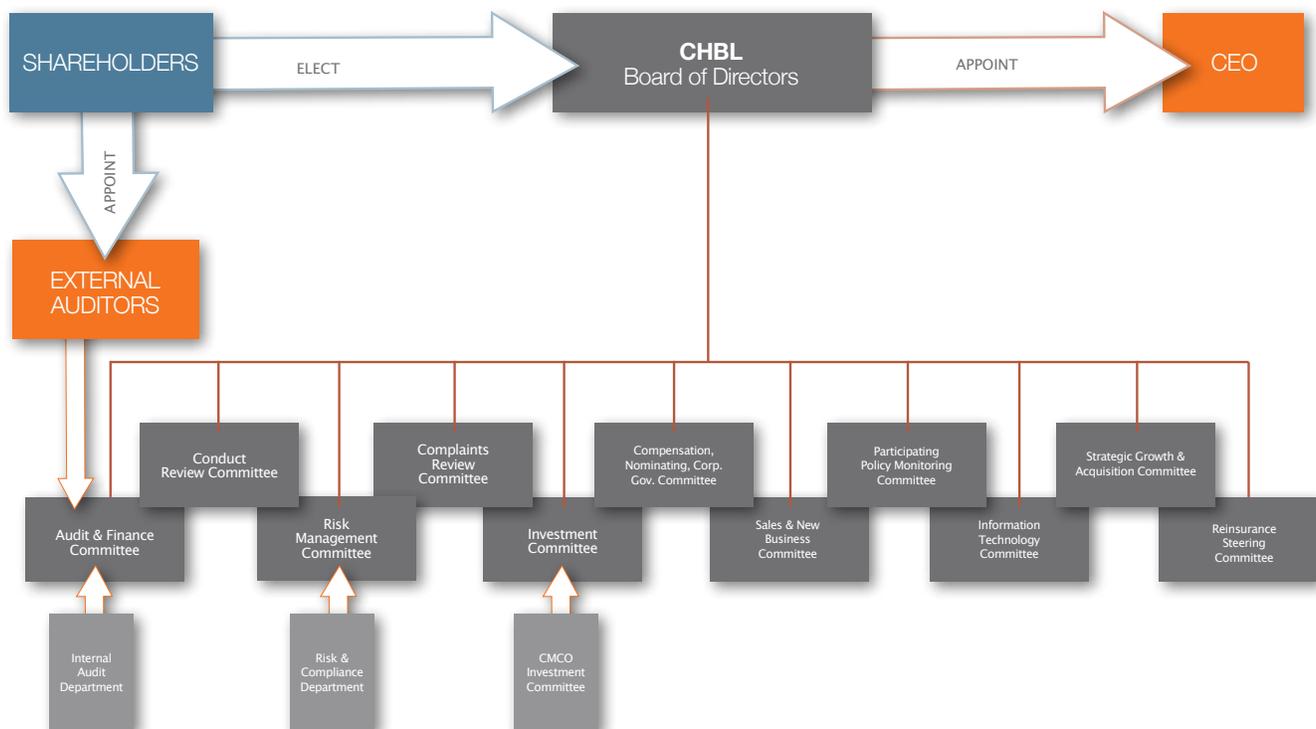
and develops criteria for selecting new Board members and identifying and considering candidates.

Complaints Review Committee

Chaired by Emanuel M. Alexiou, the Committee reviews and approves policies and procedures concerning customer complaints, and reviews trends identified in relation to complaints received with a view to recommending and implementing corrective actions. The Committee oversees the investigation of any discrepancies, complaints and regulatory concerns emanating from customer complaints or grievances.

Conduct Review Committee

Chaired by Macgregor Robertson, the Committee’s principal role is to ensure management establishes procedures for identifying transactions with related parties of the Company that may have a material effect on the stability or solvency of the Company. The Committee is charged with reviewing established procedures to ensure compliance with rules on related party transactions. The Committee ensures compliance with the provisions of the Insurance (General)



Regulations 2010 (in relation to related party transactions) and the Company's Related Party Transactions Policy.

Information Technology Committee

Chaired by Anthony Ferguson, the Committee serves as an oversight committee on matters of Information Technology and is responsible for setting the Company's overall IT strategic direction. The Committee is charged with recommending and reviewing company wide IT policies, procedures and standards for operational efficiency and System security. The Committee assumes responsibility for developing and approving an effective and robust IT Risk Management Framework and reviews IT risk assessments as conducted by management or external consultants. The Committee also determines priorities for the implementation of applications and capital requests.

Investment Committee

Chaired by Emanuel M. Alexiou, the Committee establishes the Company's policies, standards and procedures, and reviews, approves and monitors the Company's investment strategy, portfolio and results. The Investment Committee designates an Investment Manager(s) and is responsible for the Investment Manager's compliance with the investment policy at all times.

Participating Policy Monitoring Committee

Chaired by Emanuel M. Alexiou, the Committee is mandated to review and approve policies governing participating policies issued or proposed by the Company, periodically reviewing the rate of premium for participating policies as approved by the Company's actuary for participating policies. The Company's dividend policy, *vis-à-vis* participating policies, is also reviewed by this Committee, which oversees the investigation of any discrepancies, complaints and regulatory concerns affecting participating policies issued by the Company.

Risk Management Committee

Chaired by Anthony Ferguson, the Committee is charged with identifying and monitoring the key risks to which the Company is exposed (including operational, credit, liquidity, regulatory, legal and reputational risk) and assessing the Company's business strategies and plans from a risk perspective. The Committee approves risk management policies that establish the appropriate approval levels for decisions and other checks and balances to manage risk. The Committee is not responsible for planning or conducting audits.

Strategic Growth & Acquisition Committee

Chaired by Lloyd Steinke, the Committee provides guidance on initiatives that will best support sustainable growth of the Company. Committee members work to identify potential growth opportunities for the Company within The Bahamas and to research and prioritize potential external market entry. The Committee reviews the structure of the Company and evaluates current holdings or businesses and recommends changes as needed.

Reinsurance Steering Committee

Chaired by Emanuel M. Alexiou, the Committee is charged with oversight over all reinsurance matters pertaining to individual products, group products, and assumed reinsurance. The Committee assesses and monitors retention levels and reinsurance arrangements on a regular basis.

All Board Committees operate within defined terms of reference as contained in the Company's Corporate Governance Manual. The Chairpersons of the aforementioned Committees reported to the Board at regular intervals during the year. Additionally, minutes of the Committees' meetings were readily available to all members of the Board for review.

The full remit of each Committee of the Board is available for review on the Company's website www.colina.com.

Board Meeting Attendance

The Board and its Directors meet regularly, operating to an agreed timetable of scheduled meetings. The attendance of Directors at Board meetings held in 2015 is shown in the following table:

No. of Meetings	7
Terence Hilts	6
Emanuel M. Alexiou	7
Anthony Ferguson	4
Sandra J. Knowles	7
Macgregor Robertson	6
Glenn V. Bannister	6
Ednol Farquharson	7
Willie A. Moss	5
Earle Bethell	6
Lloyd Steinke	6

THE DIRECTORS

Terence Hilts (Chairman) ^{2(c),6,11}
Retired Banking Executive
New Providence, Bahamas
Director since 2004

Emanuel M. Alexiou (Executive Vice Chairman) ^{2,3(c),6(c),7(c),9,10(c)}
CEO, Colina
Partner, Alexiou, Knowles & Co.
Publisher, The Nassau Guardian (1844) Ltd
New Providence, Bahamas
Director since 2002

Anthony R. Ferguson ^{2,3,5(c),8(c)}
President, CFAL
Executive Vice Chairman, Ansbacher (Bahamas) Limited
New Providence, Bahamas
Director since 2002

Sandra J. Knowles ⁸
Chairperson, Cable Cares Foundation
New Providence, Bahamas
Director since 2004

Earle Bethell ^{3,5}
General Manager, Hope Town Harbour Lodge
Abaco, Bahamas
Director since 2006

Glenn V. Bannister ^{1,2,4,6}
Retired Executive
New Providence, Bahamas
Director since 2005

Ednol Farquharson ³
President, CGIA
New Providence, Bahamas
Director since 2005

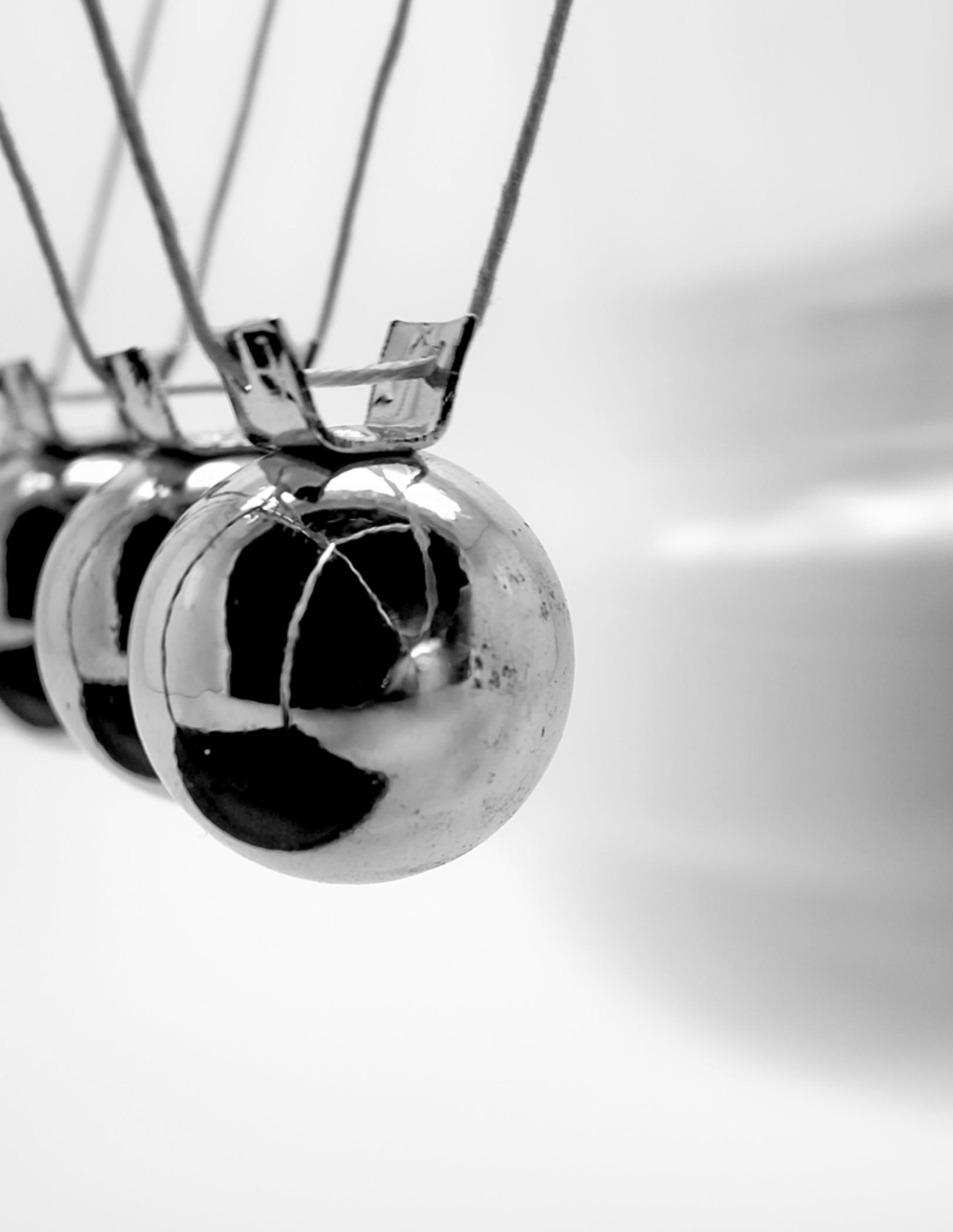
Macgregor Robertson ^{1(c),4(c)}
Retired Chartered Accountant
New Providence, Bahamas
Director since 2005

Willie A. Moss ^{1,4,7}
Partner, Graham, Thompson & Co.
Grand Bahama, Bahamas
Director since 2007

Lloyd Steinke ^{9(c)}
Executive Consultant
Toronto, Canada
Director since 2012

Board Committees

- | | |
|---|--|
| 1 Audit & Finance Committee | 7 Participating Policy Committee |
| 2 Compensation, Nominating & Corporate Governance Committee | 8 Risk Management Committee |
| 3 Complaints Review Committee | 9 Strategic Growth & Acquisition Committee |
| 4 Conduct Review Committee | 10 Reinsurance Steering Committee |
| 5 Information Technology Committee | 11 Chairman of the Board of Directors |
| 6 Investment Committee | (c) Committee Chairman |



about Colina

HOLDINGS BAHAMAS LIMITED

CHBL comprises three principal subsidiary operating companies:

Colina Insurance Limited

Life Division (Life Insurance, Retirement and Investment Planning Products)

Life products include Whole Life, Term and Endowment plans that meet a variety of needs over one's lifetime and which can be built into one's financial plan for final expenses, income protection, investments or retirement.

Health Division (Individual & Group Health Coverage)

Colina's flexible and cost effective comprehensive health plans offer individuals and groups access to vital medical services, preventive care, prescription drugs and the country's largest overseas health network to guarantee access to top medical facilities in The Bahamas and North America. Restore Group Critical Illness coverage is the first of its kind in The Bahamas.

Colina Mortgage Corporation (Residential Mortgage Lending)

A wholly owned subsidiary of Colina Insurance Limited, Colina Mortgage Corporation's mortgage specialists can tailor a highly competitive residential loan solution or home equity refinancing option to help clients make their dream of owning a home a reality.

Colina General Insurance Agents & Brokers Limited (Property & Casualty)

CGIA is a wholly owned subsidiary of CHBL which offers general insurance coverage for home, auto, marine and business and safeguards the financial wellbeing of its clients by providing insurance solutions that best suit their needs and financial position.

Colina Financial Advisors Ltd. (Pensions, Investments, Brokerage, Corporate Advisory)

CFAL is a leading investment and advisory firm and the largest pension provider in The Bahamas, with a long and proven record of financial stability and integrity in all economic climates. CFAL provides innovative financial planning solutions for institutions and individuals and advises clients both internationally and in The Bahamas on a range of services including pension management, brokerage and investment management accounts.

1899

Imperial Life Assurance Company of Canada establishes agency in The Bahamas.

1965

Insurance Company of North America (INA) (later CIGNA International), begins operations in The Bahamas.

1997

Colina Insurance Company Limited is purchased from CIGNA by Bahamian consortium INVESCO.

2002

Colina merges with Global Life Assurance Bahamas Limited. The newly formed Colina Holdings Bahamas Limited (CHBL) is registered on the Bahamas International Stock Exchange (BISX).

2004

Colina's intended acquisition of The Bahamas operations of Imperial Life Financial is announced. Colina finalizes acquisition of Canada Life insurance Company. The Company earns an A- (Excellent) rating from A.M. Best Company.

2005

Colina and Imperial Life Financial merge, forming the largest life and health insurer in The Bahamas – ColinaImperial Insurance Limited.

2009

The name "Imperial" is retired. The Company is now known as Colina Insurance Limited and adopts a new logo.

2010

Colina acquires majority interest in RND Holdings Limited, which later changed its name to Colina Real Estate Fund Ltd. (CREFL)

2011

CHBL acquires all issued and outstanding shares in Colina General Insurance Agency Limited ("CGIA").

2012

Colina General Insurance Agency Limited ("CGIA") changes its name to Colina General Insurance Agents & Brokers Limited.

2013

CHBL acquires all issued and outstanding shares of Colina Financial Advisors Ltd. ("CFAL") and its wholly owned subsidiary CFAL Securities Ltd.

shareholder INFORMATION

As required by the Company's Corporate Governance guidelines, CHBL and its subsidiaries review its relationships with key service providers on an annual basis and from time to time may rotate appointments.

CHBL's key professional relationships are summarized below:

Corporate Headquarters

308 East Bay Street
Second Floor
PO Box N-4728
Nassau, Bahamas

General Enquiries

242.396.2000
info@colina.com
www.colina.com

Listing

Bahamas International Securities Exchange (BISX)
Symbol: CHL

Registrar and Transfer Agent

Bahamas Central Securities Depository Ltd.
202 British Colonial Hilton
PO Box N-9307
Nassau Bahamas

Auditors

Ernst & Young Chartered Accountants

Legal Counsel

Alexiou Knowles & Co.

Bankers

CIBC FirstCaribbean International Bank Ltd.
Citibank, N.A.

Reinsurers

Munich Reinsurance Company Canada Branch (Life)
International Reinsurance Managers, LLC
Swiss Re Life and Health Canada
Optimum Re Insurance Company
RGA Life Reinsurance Company of Canada
Pacific Services Canada Limited
Custom Disability Solutions

Actuarial Consultants

Oliver Wyman

Communication with Shareholders

The following reports are available on our website
www.colina.com
Annual Report
Quarterly Reports

Annual General Meeting

The Annual General Meeting of the Company will be held at 5:30pm on Wednesday, May 18, 2016 at the JW Pinder Centre at the Colina complex at 21 Collins Avenue. The Notice of the meeting, detailing the business of the meeting, is sent to all shareholders.

A Newton's cradle with five silver spheres hanging from thin wires against a dark background. The spheres are in motion, with some blurred to suggest movement.

CONSOLIDATED **financial statements**

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
Independent Auditor's Report
Report of the Appointed Actuary
Consolidated Statement of Financial Position
Consolidated Statements of Income and Comprehensive Income
Consolidated Statement of Changes in Equity
Consolidated Statement of Cash Flows
Notes to Consolidated Financial Statements



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Independent Auditors' Report

The Shareholders
Colina Holdings Bahamas Limited

We have audited the accompanying consolidated financial statements of Colina Holdings Bahamas Limited and its Subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2015, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

March 16, 2016

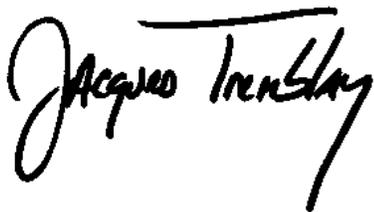
March 16, 2016

Subject: **2015 Certification of actuarial liabilities**

I have valued the actuarial liabilities of Colina Holdings Bahamas Limited for its consolidated balance sheet as of December 31, 2015, for a total amount of \$387,181,176 and their change in the consolidated statement of operations for the year then ended in accordance with accepted actuarial practice, the Canadian Institute of Actuaries' Standards of Practice (for Life companies), and the Canadian valuation method ("CALM"), all of which are accepted in The Bahamas, including selection of appropriate assumptions and methods.

In my opinion, the amount of the actuarial liabilities reported above makes appropriate provision for all future policyholder obligations, and the consolidated financial statements of Colina Holdings Bahamas Limited present fairly the results of the valuation.

Respectfully submitted,



Jacques Tremblay FCIA, MAAA, FSA,

Fellow of Canadian Institute of Actuaries, Member of the American Academy of Actuaries,
Fellow of Society of Actuaries

Appointed Actuary for Colina Insurance Limited

COLINA HOLDINGS BAHAMAS LIMITED
Consolidated Statement of Financial Position

 At December 31, 2015
 (Expressed in Bahamian dollars)

	Notes	2015	2014
ASSETS			
Term deposits	8	\$ 44,905,119	\$ 44,579,342
Investment securities and other financial assets	9	363,193,466	308,347,632
Mortgages and commercial loans	10	42,504,002	48,444,180
Policy loans	11	70,138,729	69,561,430
Investment properties	12	55,155,393	54,165,435
Investment in associates	13	12,067,214	10,678,574
		<u>587,963,923</u>	<u>535,776,593</u>
Total invested assets			
Cash and demand balances	8	29,309,126	22,613,360
Receivables and other assets	14	56,609,050	36,193,930
Property and equipment	15	19,787,836	21,065,123
Goodwill	16	13,469,916	13,519,916
Other intangible assets	17	3,735,805	4,243,694
		<u>112,911,733</u>	<u>107,555,083</u>
Total assets		\$ 710,875,656	\$ 633,412,616
LIABILITIES			
Provision for future policy benefits	18	\$ 387,181,176	\$ 369,693,794
Policy dividends on deposit		27,783,495	27,685,794
		<u>414,964,671</u>	<u>397,379,588</u>
Total policy liabilities			
Repurchase agreement	19	35,000,000	-
Other liabilities	20	91,117,762	78,353,208
		<u>126,117,762</u>	<u>78,353,208</u>
Total liabilities		541,082,433	475,732,796
EQUITY			
Ordinary shares	21	24,729,613	24,729,613
Treasury shares	21	(50,549)	(50,549)
Contributed capital		5,960,299	5,960,299
Revaluation reserve	22	10,753,156	10,148,509
Retained earnings		66,760,641	58,665,932
		<u>107,743,160</u>	<u>99,453,804</u>
Total ordinary shareholders' equity			
Preference shares	21	42,500,000	40,500,000
		<u>42,500,000</u>	<u>40,500,000</u>
Total shareholders' equity		150,243,160	139,953,804
Non-controlling interests		19,140,063	17,726,016
		<u>19,140,063</u>	<u>17,726,016</u>
Total equity		169,383,223	157,679,820
Total liabilities and equity		\$ 710,875,656	\$ 633,412,616

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

Approved by the Board of Directors on March 16, 2016 and signed on its behalf by:


 T. Hills - Chairman


 E. M. Alexiou – Executive Vice-Chairman

COLINA HOLDINGS BAHAMAS LIMITED
Consolidated Statement of Income

For the Year Ended December 31, 2015
(Expressed in Bahamian dollars)

	Notes	2015	2014
Revenues:			
Premium revenue		\$ 139,418,170	\$ 141,325,616
Less: Reinsurance premiums	25	(12,541,266)	(12,865,989)
Net premium revenue	25	126,876,904	128,459,627
Net investment income	26	30,664,307	25,119,422
Share of net gain of associates	13	1,388,640	896,248
Net commission income		3,058,440	2,909,107
Investment management and other fees		9,650,758	11,551,456
Other income and fees		2,366,799	1,069,322
Total revenues		174,005,848	170,005,182
Benefits and expenses:			
Policyholders' benefits		94,715,700	99,808,613
Less: Reinsurance recoveries	27	(8,367,197)	(12,734,083)
Net policyholders' benefits	27	86,348,503	87,074,530
Changes in provision for future policy benefits	18	17,487,382	16,782,296
General and administrative expenses	28	37,692,372	35,994,379
Commission expense		10,142,002	10,414,387
Premium and other tax expense		3,757,906	3,828,953
Finance costs and interest	29	2,335,504	1,785,075
Impairment of goodwill	16	50,000	-
Total benefits and expenses		157,813,669	155,879,620
Net income for the year		\$ 16,192,179	\$ 14,125,562
Net income attributable to:			
Equity shareholders of the Company	30	\$ 15,568,912	\$ 14,520,524
Non-controlling interests		\$ 623,267	(394,962)
Net income for the year		\$ 16,192,179	\$ 14,125,562
Basic earnings per ordinary share	30	\$ 0.53	\$ 0.49

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

COLINA HOLDINGS BAHAMAS LIMITED
Consolidated Statement of Comprehensive Income

For the Year Ended December 31, 2015
(Expressed in Bahamian dollars)

	2015	2014
Net income for the year	\$ 16,192,179	\$ 14,125,562
Other comprehensive income:		
Reclassification during the year to profit and loss	(357,534)	379,745
Change in available-for-sale financial assets	962,181	480,823
Other comprehensive income for the year	<u>604,647</u>	<u>860,568</u>
Total comprehensive income for the year	<u>\$ 16,796,826</u>	<u>\$ 14,986,130</u>
Attributable to:		
Equity shareholders of the Company	\$ 16,173,559	\$ 15,381,092
Non-controlling interests	623,267	(394,962)
Total comprehensive income for the year	<u>\$ 16,796,826</u>	<u>\$ 14,986,130</u>

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

COLINA HOLDINGS BAHAMAS LIMITED
Consolidated Statement of Changes in Equity

For the Year Ended December 31, 2015
(Expressed in Bahamian dollars)

	Ordinary Share Capital	Treasury Shares	Share Premium
Balance, December 31, 2013	\$ 24,729,613	\$ (50,549)	\$ 5,960,299
Net income for the year	-	-	-
Net gain on remeasurement of available-for-sale securities to fair value	-	-	-
Reclassification during the year to profit and loss	-	-	-
Changes in non-controlling interests	-	-	-
Dividends paid to ordinary shareholders (Note 30)	-	-	-
Preference share dividends (Note 30)	-	-	-
Balance, December 31, 2014	24,729,613	(50,549)	5,960,299
Net income for the year	-	-	-
Net gain on remeasurement of available-for-sale securities to fair value	-	-	-
Reclassification during the year to profit and loss	-	-	-
Changes in non-controlling interests	-	-	-
Issuance of preference share capital	-	-	-
Dividends paid to ordinary shareholders (Note 30)	-	-	-
Preference share dividends (Note 30)	-	-	-
Balance, December 31, 2015	<u>\$ 24,729,613</u>	<u>\$ (50,549)</u>	<u>\$ 5,960,299</u>

Share Premium	Revaluation Reserve	Preference Share Capital	Retained Earnings	Non- controlling Interests	Total Equity
5,960,299	\$ 9,287,941	\$ 40,500,000	\$ 51,619,384	\$ 17,007,655	\$ 149,054,343
-	-	-	14,520,524	(394,962)	14,125,562
-	480,823	-	-	-	480,823
-	379,745	-	-	-	379,745
-	-	-	-	1,113,323	1,113,323
-	-	-	(4,941,926)	-	(4,941,926)
-	-	-	(2,532,050)	-	(2,532,050)
5,960,299	10,148,509	40,500,000	58,665,932	17,726,016	157,679,820
-	-	-	15,568,912	623,267	16,192,179
-	962,181	-	-	-	962,181
-	(357,534)	-	-	-	(357,534)
-	-	-	-	790,780	790,780
-	-	2,000,000	-	-	2,000,000
-	-	-	(4,941,926)	-	(4,941,926)
-	-	-	(2,532,277)	-	(2,532,277)
5,960,299	\$ 10,753,156	\$ 42,500,000	\$ 66,760,641	\$ 19,140,063	\$ 169,793,223

COLINA HOLDINGS BAHAMAS LIMITED
Consolidated Statement of Cash Flows

For the Year ended December 31, 2015
(Expressed in Bahamian dollars)

	2015	2014
Cash flows from operating activities:		
Net income	\$ 16,192,179	\$ 14,125,562
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:		
Change in unrealized (gains)/losses on fair value through profit or loss securities	(2,614,402)	447,554
Increase in provision for future policy benefits	17,487,382	16,782,296
Changes in loss provisions for loans and receivables	(1,008,745)	2,743,530
Depreciation and impairment/amortization charges	2,376,764	3,016,514
Net realized losses/(gains) on fair value through profit or loss securities	378,356	(2,054,119)
Net realized gains on sale of available-for-sale securities	13,049	72,229
Interest income	(28,528,086)	(27,308,333)
Dividend income	(2,014,030)	(2,058,452)
Net fair value (gain)/loss on investment properties	(888,777)	912,442
Finance costs and interest	2,335,504	1,785,075
Proceeds on disposal of property and equipment, net	8,276	-
Operating cash flows before changes in operating assets and liabilities	3,737,470	8,464,298
Changes in operating assets and liabilities:		
Increase in other assets	(4,668,912)	(9,448,053)
(Decrease)/ increase in other liabilities	(731,565)	1,689,502
Net cash (used in)/provided by operating activities	(1,663,007)	705,747

(Continued)

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

COLINA HOLDINGS BAHAMAS LIMITED
Consolidated Statement of Cash Flows

For the Year ended December 31, 2015
(Expressed in Bahamian dollars)

	2015	2014
Cash flows from investing activities:		
(Increase)/decrease in term deposits with original maturities greater than 90 days	(27,930,353)	4,393,706
Fair value through profit or loss securities purchased	(32,845,429)	(15,943,170)
Proceeds on disposal of fair value through profit or loss securities	19,289,832	3,996,175
Available-for-sale securities purchased	(15,402,610)	(9,661,887)
Proceeds on disposal of available-for-sale securities	12,297,551	4,676,469
Issuance of loans and receivables	(35,000,000)	-
Reclassification during the year to profit and loss	(357,534)	379,745
Net increase in loans to policyholders	(504,871)	(2,288,936)
Loan to SBL Ltd.	(15,000,000)	-
Net decrease in mortgages and commercial loans	5,755,309	5,531,091
Additions to investment property	(101,181)	(79,576)
Interest received	27,400,872	26,377,539
Dividends received	2,014,030	2,058,452
Additions to property and equipment	(436,312)	(2,984,602)
Net cash (used in)/provided by investing activities	<u>(60,820,696)</u>	<u>16,455,006</u>
Cash flows from financing activities:		
Changes in non-controlling interests	790,780	1,113,323
Interest paid on other contracts	(2,335,504)	(1,785,075)
Proceeds from repurchase agreement	35,000,000	-
Proceeds from borrowings	15,000,000	-
Net proceeds of preference share offering	2,000,000	-
Dividends paid to ordinary shareholders	(4,941,926)	(4,941,926)
Dividends paid to preference shareholders	(2,532,277)	(2,532,050)
Net cash provided by/(used in) financing activities	<u>42,981,073</u>	<u>(8,145,728)</u>
Net (decrease)/increase in cash and cash equivalents	(19,502,630)	9,015,025
Cash and cash equivalents, beginning of year	<u>48,823,947</u>	<u>39,808,922</u>
Cash and cash equivalents, end of year (Note 8)	<u>\$ 29,321,317</u>	<u>\$ 48,823,947</u>

(Concluded)

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

COLINA HOLDINGS BAHAMAS LIMITED

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2015
(Expressed in Bahamian dollars)

1. Corporate 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 December 31, 2015, approximately 58.1% (2014: 58.1%) of the Company's issued ordinary shares were owned by AF Holdings Ltd. ("AFH") and 41.9% (2014: 41.9%) by the Bahamian public. All significant balances and transactions with AFH and parties related to AFH are disclosed in these consolidated financial statements (See Note 33).

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.

The consolidated financial statements of the Company and its subsidiaries (collectively, "the Group") for the year ended December 31, 2015 were authorized for issue in accordance with a resolution of the Company's Board of Directors on March 16, 2016.

2. Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations. The following accounting policy adopted was amended in the year commencing January 1, 2015:

- Mandatory Effective Date and Transition Disclosures (Amendments to IFRS 7)

The adoption of the above has not had any material impact on the amounts reported for current and prior years but may affect the accounting for future transactions and arrangements.

3. Standards Issued but not yet Effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

Effective for annual periods beginning on or after January 1, 2018:

- IFRS 9 Financial Instruments - Classification and Measurement.
- IFRS 15 Revenue from Contracts with Customers.

Effective for annual periods beginning on or after January 1, 2016:

- Disclosure Initiative (Amendments to IAS 1);
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12, and IAS 28);
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28);
- Equity Method in Separate Financial Statements (Amendments to IAS 27);
- Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41);
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11);

COLINA HOLDINGS BAHAMAS LIMITED
Notes to Consolidated Financial Statements

For the Year Ended December 31, 2015
(Expressed in Bahamian dollars)

- Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38); and
- IFRS 14 Regulatory Deferral Accounts.

Management has not yet assessed the full impact of the relevant adoption of these standards and interpretations in future periods against the consolidated financial statements of the Group.

4. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

4.1 Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with IFRS as issued by the International Accounting Standards Board.

The Group presents its consolidated statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within twelve months after the consolidated statement of financial position date (current) and more than 12 months after the consolidated statement of financial position date (non-current) is presented in Note 34.

4.2 Basis of preparation

The consolidated financial statements of the Group have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities and investment properties that are required to be remeasured at fair value. The Company, with the concurrence of The Insurance Commission of The Bahamas, uses actuarial practices generally accepted in Canada for the valuation of its provision for future policyholder benefits as no specific guidance is provided by IFRS for determining such provisions. The adoption of IFRS 4 – Insurance Contracts, permits the Group to continue with this valuation policy.

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense will not be offset in the consolidated statement of income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group.

4.3 Significant accounting judgments and key sources of estimation uncertainty

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, and the accompanying disclosures and the disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

(a) Valuation of long term insurance contract liabilities and investment contract liabilities with a Discretionary Participation Feature (“DPF”)

The liability for life insurance contracts and investment contracts with DPF is either based on current assumptions or on assumptions established at inception of the contract, reflecting the best estimate at the time increased with a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflect management’s best current estimate of future cash flows.

The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates, and discount rates. The Group bases mortality and morbidity rates on standard industry Canadian mortality tables which reflect historical experiences, adjusted when appropriate to reflect the Group’s unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk related to longevity, prudent allowance is made for expected future mortality improvements as well as wide ranging changes to life style, could result in significant changes to the expected future mortality exposure.

COLINA HOLDINGS BAHAMAS LIMITED
Notes to Consolidated Financial Statements

For the Year Ended December 31, 2015
(Expressed in Bahamian dollars)

Estimates are also made as to future investment income arising from the assets backing life insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

Assumptions on future expense are based on current expense levels, adjusted for expected expense inflation if appropriate.

Lapse and surrender rates are based on the Group's historical experience of lapses and surrenders.

Discount rates are based on current industry risk rates, adjusted for the Group's own risk exposure.

The carrying value at December 31, 2015 of long term insurance contract liabilities with DPF is \$213,409,439 (2014: \$211,914,259) and of investment contract liabilities with DPF is \$7,609,526 (2014: \$7,356,177).

(b) Accident & health insurance contract liabilities

For medical insurance contracts, estimates have to be made for the expected ultimate cost of claims reported at the consolidated statement of financial position date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the consolidated statement of financial position date. It can take a significant period of time before the ultimate claims cost can be established with certainty and for certain types of policies, IBNR claims form the majority of the consolidated statement of financial position liability.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques.

The main assumption underlying these techniques is that a company's past claims development experience can be used to project future claims development and hence, ultimate claims costs.

The carrying value at the consolidated statement of financial position date of accident & health insurance contract liabilities is \$13,327,663 (2014: \$13,984,839).

(c) Goodwill impairment testing

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than their carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

The carrying value of goodwill is \$13,469,916 (2014: \$13,519,916).

(d) Revaluation of property and equipment and investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognized in the consolidated statement of income. In addition, it measures land and buildings at revalued amounts with changes in fair value being recognized in the revaluation reserve. The Group assesses its property holdings through the use of independent valuation specialists on a periodic basis, performing management assessments in the intervening years. For investment properties, a valuation methodology based on a discounted cash flow (DCF) model was used, as there is a lack of comparable market data due to the nature of the properties. Land and buildings were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location, and the condition of the respective property. Key assumptions used to determine the fair value of the properties and sensitivity analysis are discussed in Note 12.

4.4 Principles of consolidation

The consolidated financial statements include the accounts of the Company and subsidiaries. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

COLINA HOLDINGS BAHAMAS LIMITED
Notes to Consolidated Financial Statements

For the Year Ended December 31, 2015
(Expressed in Bahamian dollars)

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangements with the other vote holders of equity in the investee;
- Rights arising from other contractual arrangements; and
- The Company's voting rights and potential voting rights.

Where the Company has control, subsidiaries are fully consolidated from the date on which control is transferred to the Company and are de-consolidated from the date on which control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Company's equity. Non-controlling interests consist of the amount of those interests at the date of the original business combination (See Note 4.5) and the non-controlling interest's share of changes in equity since the date of the combination.

All material inter-company balances and transactions are eliminated on consolidation. The accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

4.5 Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Company has an option to measure any non-controlling interests in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred and included in administrative expenses.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. This includes separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date and any resulting gain or loss is recognized through profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or a liability will be recognized as measurement period adjustments in accordance with the applicable IFRS. If the contingent consideration is classified as equity, it will not be remeasured and its subsequent settlement will be accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Company re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the re-assessment still results in an excess of the fair value of the net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to an appropriate cash-generating unit that is expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

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4.6 Investment in associates

The Group's investment in associates is accounted for using the equity method of accounting. An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of the net assets of the associate. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. As goodwill relating to an associate forms part of the carrying amount of an investment in associate and is not separately recognized, it is neither amortized nor individually tested for impairment.

After application of the equity method, the Group assesses at each consolidated statement of financial position date whether there is any objective evidence that the entire carrying amount of the investment in associate is impaired by comparing its carrying value to its recoverable amount. Any impairment losses are recognized immediately in the consolidated statement of income.

The consolidated statement of income reflects the share of the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity. Profits or losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's interest in the relevant associate.

Upon loss of significant influence over an associate, the Group measures and recognizes any remaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal is recognized in profit or loss.

4.7 Foreign currency translation

The Group's functional and presentation currency is the Bahamian dollar. Monetary assets and liabilities denominated in currencies other than the Bahamian dollar are translated to Bahamian dollars using the rate of exchange prevailing at the consolidated statement of financial position date. Income and expense items denominated in foreign currencies are translated at a rate of exchange that approximates the actual rate prevailing at the time of the transaction. Resulting differences are recognized in income in the reporting period in which they arise.

4.8 Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise: cash on hand; demand deposits; term deposits with original maturities of 90 days or less; net of bank overdrafts.

4.9 Financial assets

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates the classification at every reporting date.

Financial assets at fair value through profit or loss ("FVPL")

Financial assets at FVPL has two sub categories - namely, financial assets held for trading, and those designated at fair value through the consolidated statement of income at inception. Investments typically bought with the intention to sell in the near future are classified as held for trading. For investments designated at initial recognition as at FVPL, the following criteria must be met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets and liabilities or recognizing gains and losses on a different basis; or
- The assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

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Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group intends to sell in the short term or that it has designated as at FVPL or available-for-sale. Balances that are included in this classification include: mortgages and commercial loans, policy loans, receivables arising from insurance contracts, and term deposits with maturities of greater than 90 days.

Available-for-sale ("AFS") financial assets

AFS financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

Regular way purchases and sales of financial assets are recognized on trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus, in the case of all financial assets not carried at FVPL, transaction costs that are directly attributable to their acquisition.

Investments are derecognized when the rights to receive cash flows from the investments have expired or where they have been transferred and the Group has also transferred substantially all risks and rewards of ownership.

AFS financial assets and financial assets at FVPL are carried at fair value. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets classified in the FVPL category are included in the consolidated statement of income in the period in which they arise. Unrealized gains and losses arising from changes in the fair value of financial assets classified as AFS are recognized in the revaluation reserve in the consolidated statement of changes in equity. When financial assets classified as AFS are sold or impaired, the difference between cost or amortized cost and estimated fair value is removed from the revaluation reserve and charged to the consolidated statement of income.

4.10 Fair value measurement

The Group measures financial instruments and non-financial assets such as investment properties at fair value at each balance sheet date. Fair value is defined under accounting guidance currently applicable to the Group to be the prices that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between open market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or;
- In the absence of a principal market, in the most advantageous and accessible market for the asset or liability.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing

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categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

There have been no material changes in the Group's valuation techniques in the period represented in these consolidated financial statements.

4.11 Impairment of financial assets

Financial assets carried at amortized cost

The Group assesses at each consolidated statement of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset ('a loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following events:

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or delinquency in payments;
- it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties;
or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, though the decrease cannot yet be identified with the individual financial assets in the group, including:
 - adverse changes in the payment status of issuers or debtors in the group; or
 - local economic conditions that correlate with defaults on the assets in the group.

If there is objective evidence that an impairment loss has been incurred on loans and receivables carried at amortized cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

Financial assets carried at fair value

The Group assesses at each consolidated statement of financial position date whether there is objective evidence that an AFS financial asset is impaired, including in the case of equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost. If any evidence exists for AFS financial assets, the cumulative loss – measured as the difference between the acquisition cost and current fair value, less any impairment loss on the financial asset previously recognized in profit or loss – is removed from equity and recognized in the consolidated statement of income. The impairment loss is reversed through the consolidated statement of income if in a subsequent period the fair value of a debt instrument classified as AFS increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

For unlisted shares classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

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4.12 Investment properties

Investment properties comprise freehold land and buildings, residential rental properties, and commercial properties that are held for long-term yields and capital appreciation. Investment properties are held initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and exclude the costs of day-to-day servicing of an investment property.

Subsequent to initial recognition, such properties are measured at estimated fair value based on open market value determined periodically by external appraisers with management valuations in intervening periods. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of income in the year in which they arise.

Investment properties are derecognized either when they have been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use evidenced by the end of owner-occupation, commencement of an operating lease to another party, or completion of construction or development. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of the change in use.

When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognized in the consolidated statement of income.

4.13 Property and equipment

Property and equipment, with the exception of certain Land improvements and Buildings, are carried at cost less accumulated depreciation and any impairment losses. Depreciation is charged using the straight-line method to allocate the cost of the assets over their estimated useful lives, as follows:

- Furniture, fixtures and equipment 5 to 10 years
- Computer hardware 3 to 5 years
- Motor vehicles 4 to 5 years
- Leasehold improvements 5 to 15 years, or shorter lease term
- Land improvements and buildings 40 to 50 years

Land is not depreciated. The assets' useful lives are reviewed at each consolidated statement of financial position date and adjusted if appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the consolidated statement of income.

Increases in the carrying amount arising on revaluation of land and buildings are credited to the revaluation reserve in equity.

Decreases that offset previous increases of the same asset are charged against the revaluation reserve directly in equity; all other decreases are charged to the consolidated statement of income and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

4.14 Goodwill and other intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquiree at the acquisition date. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses related to goodwill cannot be reversed in future periods. Goodwill is allocated to Cash Generating Units ("CGUs")

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for the purpose of impairment testing. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

For goodwill arising from the purchase of insurance related business, goodwill is allocated to CGUs identified according to the nature and type of insurance contract by major block of business.

For each CGU, the impairment charge is calculated by comparing the present value of the in force and projected new business at time of purchase and currently to determine how much the value has decreased relative to the original amount of goodwill recorded.

The Group's policy for goodwill arising on the acquisition of an associate is described in Note 4.6.

Other intangible assets

Other intangible assets include acquired computer software licenses which are capitalized on the basis of the costs incurred to acquire and implement the specific software. These costs are amortized using the straight-line method over the estimated useful life, not exceeding a period of three years and are included in general and administrative expenses in the consolidated statement of income. At each consolidated statement of financial position date, the Group reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

Other intangible assets included in investment in associates

These intangible assets include customer relationships, non-competitive agreement, trade name, and software and are carried at cost less accumulated amortization. Intangible assets included in investment in associates are amortized on a straight-line basis as follows:

Customer relationships	10 years
Non-competitive agreement	2 years
Trade name	5 to 9 years
Software	3 years

The carrying amount of intangible assets included in investment in associates is reviewed at each consolidated statement of financial position date to assess whether it is recorded in excess of its recoverable amount. Where the carrying value exceeds this estimated value the asset is written down to the recoverable amount.

4.15 Insurance contracts

The Group issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. Significant insurance risk is defined as the probability of paying significantly more on the occurrence of an insured event than if the insured event did not occur.

Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index or other variable.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can however be reclassified as insurance contracts after inception if insurance risk becomes significant.

A number of insurance and investment contracts contain a DPF. This feature entitles the contract holder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

- that are likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the Group, and;
- that are contractually based on:
 - the performance of a specified pool of contracts or a specified type of contract;
 - realized and/or unrealized investment returns on a specified pool of assets held by the Group; or

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- the profit or loss of the Group, fund or other entity that issues the contract.

The amount and timing of the distribution to individual contract holders is at the discretion of the Group, subject to the advice of the Appointed Actuary.

Insurance contracts and investment contracts with and without DPF are classified into three main categories, depending on the duration of risk and whether or not the terms and conditions are fixed.

Short-term insurance contracts

Short duration life insurance contracts protect the Group's customers from the financial consequences of events (such as death, sickness, or disability). Benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policyholder. There are no maturity or surrender benefits.

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the consolidated statement of financial position date even if they have not yet been reported to the Group. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group and statistical analyses for the claims IBNR.

Individual health insurance premiums are recognized as revenue when received. Group life and health insurance premiums are recognized as revenue over the related contract periods.

Long-term insurance and other contracts

Long-term insurance and other contracts insure events associated with human life (for example death, or survival) over a long duration. Premiums are recognized as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission. Benefits are recorded as an expense when they are incurred.

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognized. The liability is based on assumptions as to mortality, persistency, maintenance expenses and investment income that are reviewed annually. A margin for adverse deviations is included in the assumptions.

Long-term insurance and other contracts are further classified into the following sub-categories:

- with fixed and guaranteed terms;
- with fixed and guaranteed terms and with DPF;
- without fixed and guaranteed terms; and
- without fixed and guaranteed terms and with DPF.

The contracts containing DPF participate in the profits of the Group. As the Group declares the amount to be paid, it is credited to the individual policyholders.

Long-term investment contracts with DPF

The fair value of these contracts is determined with reference to the fair value of the underlying financial assets and they are recorded at inception at their fair value.

4.16 Provision for future policy benefits

The provision for future policy benefits represents the amount required, in addition to future premiums and investment income, to provide for estimated future benefit payments, taxes (other than income taxes), commissions and policy administration expenses for all insurance and annuity policies in force with the Group. The Group's Appointed Actuary is responsible for determining the provision for future policy benefits.

The provision for future policy benefits is determined using accepted actuarial practices established by the Canadian Institute of Actuaries ("CIA"), which are accepted in The Bahamas. In accordance with these standards, the actuarial liabilities have been determined by the Appointed Actuary using the Canadian Asset Liability Method ("CALM") and the CIA Standards of Practice (Practice – Specific Standards For Insurers), Section 2300, Life and Health Insurance ("SOP").

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CALM involves the projection of future interest rate scenarios in order to determine the amount of assets needed to provide for all future obligations. The method consists of four basic steps:

1. Determination of the period over which these projections are performed.
2. Projection of liability cash flows.
3. Projection of asset cash flows.
4. Performance of interest rate scenario testing under a variety of plausible economic conditions.

The Group maintains specific assets to back the policy liabilities by lines of business. The projection of liability and asset cash flows recognizes these specific assets. The projection period is chosen so as to include all insured events in the valuation process.

The actuarial liabilities for very small blocks of business have been set up as 100% of their annual premiums. IBNR reserves for group life, accident and health are computed as a percentage of related premiums based on experience studies. These bases are in accordance with CALM and SOP.

4.17 Repurchase agreements

Repurchase agreements are transactions in which the Group sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at a fixed price on a future date. The Group continues to recognize the securities in their entirety in the consolidated statement of financial position because it retains substantially all of the risks and rewards of ownership. The consideration received is recognized as a financial asset and a financial liability is recognized for the obligation to pay the repurchase price. Because the Group sells the contractual rights to the cash flows of the securities, it does not have the ability to use the transferred assets during the term of the arrangement. Such transferred assets are included in "pledged financial assets at fair value through profit or loss" in Investment Securities and Other Financial Assets in Note 9.

4.18 Commission expense

Commission expenses comprise commissions earned by the Group's salespersons in respect of insurance and investment products sold. Commission expenses are recognized when payable.

4.19 Pension business

The pension business consists of third party pension plans with fund accumulations at rates of interest determined by the Group. There are no future interest or annuity rate guarantees. The liability established for future pension benefits for each of these plans is equal to the fund balance at the valuation date. Such third party pension liabilities are included in 'other liabilities,' see Note 20.

4.20 Policy dividends on deposit

Policy dividends on deposit comprise dividends declared on policies but not withdrawn from the Group, together with accrued interest.

4.21 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds.

Where any subsidiary purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently sold, reissued or otherwise disposed of, any consideration received is included in equity attributable to the Company's equity holders, net of any directly attributable incremental transaction costs.

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Company's Board of Directors. Dividends for the year that are approved after the consolidated statement of financial position date are dealt with as an event after the consolidated statement of financial position date.

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4.22 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when payment will be made. Revenue is measured at the fair value of the consideration received or receivable. Interest income for financial assets that are not classified as at FVPL is recognized using the effective interest method. Dividend income is recognized when the Group's right to receive payment is established – this is the ex-dividend date for equity securities. Commission income is earned on completion of the sale and is recognized at the effective date of writing the policy. Interest income on financing of premiums to customers is recognized over the financing period. The Group's policy for recognition of revenue from operating leases is described in Note 4.28. For the revenue recognition policies surrounding insurance contracts, see Note 4.15.

4.23 Reinsurance

In the normal course of business, the Group seeks to limit its exposure to loss on any single insured and to recover benefits paid, by ceding premiums to reinsurers under excess coverage contracts. Contracts entered into that meet the classification requirements of insurance contracts are classified as reinsurance contracts held. Amounts recoverable from reinsurers are estimated in a manner consistent with the policy liability associated with the reinsured and in accordance with the terms of each reinsurance contract.

Reinsurance liabilities are primarily premiums due for reinsurance contracts and are recognized as an expense when due.

An impairment review of recoverable amounts is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Group may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Group will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the consolidated statement of income.

Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

The Group also assumes reinsurance risk in the normal course of business for non-life insurance contracts. Premiums and claims on assumed reinsurance are recognized as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in manner consistent with the related reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

4.24 Defined contribution pension plan

The Group's subsidiaries operate separate defined contribution pension plans. Contributions are made to the plans on a mandatory and voluntary basis. The Company has no further payment obligations once the contributions have been paid. The Company's portion of the contributions is charged to the consolidated statement of income as employee/salespersons' benefits expense in the year to which they relate.

4.25 Share-based payments

The Group's subsidiaries operate separate Employee Share Ownership Plans ("ESOP"). Under these plans, eligible employees and salespersons can purchase common shares of the Company on the open market through regular payroll deductions up to a maximum of 10% of eligible earnings. Employee and salespersons' contributions are matched by the Company at rates ranging between 20% to 100% of eligible earnings. The Group's matching contribution fully vests to the employee or salesperson after a period of 1-4 years, subject to the individual plan requirements. These share-based payments to employees and salespersons are measured at the fair value of the equity instruments at the grant date. The cost of matching employee and salespersons' contributions amounted to \$26,214 in 2015 (2014: \$29,779) and is included in employee/salespersons' benefits expense.

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4.26 Taxation

The Group is subject to tax on taxable gross premium income at the flat rate of 3% (2014: 3%). Premium taxes are included in premium and other tax expense on the consolidated statement of income. The Group is also subject to Value Added Tax (VAT) on taxable supplies at the standard rate of 7.5%. The Group is eligible, however, for input tax credits to reduce its VAT liability based on an apportionment formula based on its proportion of standard rated taxable supplies to non-taxable supplies. VAT incurred by the Group in excess of input tax credits received are apportioned to the Group's general and administrative expenses. There are no other corporate, income or capital gains taxes levied on the Group in The Bahamas or in any other jurisdictions in which the Group operates.

4.27 Segregated fund

With the acquisition of Imperial Life in 2005, certain contracts were acquired which allow unit holders to invest in a segregated fund managed by the Group for their benefit. Substantially all risks and rewards of ownership accrue to the unit holders and, consequently, the assets held in the segregated fund account are excluded from the assets in the Group's general funds. As of December 31, 2015, these assets amounted to \$44.5 million (2014: \$43.7 million). The Group has entered into a sub-investment management agreement with Colina Financial Advisors Ltd. to manage a significant portion of these assets.

4.28 Leases

Rental income due from lessees on operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Where the Group is the lessee, leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the consolidated statement of income on a straight-line basis over the period of the lease.

4.29 Loans

Loans are initially recognized at fair value, which is the cost of the consideration received, net of issue costs and any discount or premium on settlement. Subsequent to initial recognition, they are measured at amortized cost, using the effective interest rate method.

Borrowing costs are recognized as an expense when incurred.

4.30 Other financial liabilities and insurance, trade and other payables

These items are recognized when due and measured on initial recognition at the fair value of the consideration paid. Subsequent to initial recognition, they are measured at amortized cost using the effective interest rate method.

Financial liabilities and insurance, trade and other payables are derecognized when the obligation under the liability is discharged, cancelled or expired. When the existing liability is replaced by another from the same lender on substantially different terms, or the terms of the existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

4.31 Contingent liabilities

Provisions for contingent liabilities are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the consolidated statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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5. Responsibilities of the Appointed Actuary and Independent Auditors

The Appointed Actuary is appointed by the Board of Directors and is responsible for carrying out an annual valuation of the Group's policy liabilities in accordance with accepted actuarial practice and reporting thereon to the Board of Directors. In performing the valuation, the Appointed Actuary makes assumptions as to the future rates of interest, asset default, mortality, claims experience, policy termination, inflation, reinsurance recoveries, expenses and other contingencies taking into consideration the circumstances of the Group and the policies in force. The Appointed Actuary's report outlines the scope of the valuation and the actuary's opinion.

The Independent Auditors have been appointed by the shareholders and are responsible for conducting an independent and objective audit of the consolidated financial statements in accordance with International Standards on Auditing. They report to the shareholders regarding the fairness of the presentation of the Group's consolidated financial statements in accordance with IFRS. In carrying out their audit, the Independent Auditors also make use of the work of the Appointed Actuary and the Appointed Actuary's report on the policy liabilities. The Independent Auditors' report outlines the scope of their audit and their opinion.

6. Subsidiaries

Subsidiaries of the Company as of December 31, 2015 are as follows:

Name	Place of Incorporation	Shareholding
Life and Health Insurance Company		
Colina Insurance Limited ("Colina")	The Bahamas	100%
Mortgage Company		
Colina Mortgage Corporation Ltd. ("CMCO")	The Bahamas	100%
Investment Property Holding Companies		
Bay St. Holdings Ltd.	The Bahamas	100%
Colina Real Estate Fund Ltd.	The Bahamas	84%
Collmpco One Ltd.	The Bahamas	100%
Dax Limited	The Bahamas	100%
Goodman's Bay Development Company Limited ("GBDC")	The Bahamas	86%
IMPCO Properties (Bahamas) Limited	The Bahamas	100%
IMPCO Real Estate Holdings (Bahamas) Limited	The Bahamas	100%
NCP Holdings Ltd.	The Bahamas	100%
P.I. Investments Ltd.	The Bahamas	100%
Wednesday Holding Company Ltd.	The Bahamas	100%
Investment Holding Companies		
Fairway Close Development Company Ltd.	The Bahamas	100%
Partner Investment Ltd.	The Bahamas	100%
PRO Health Holdings Ltd.	The Bahamas	100%
Sharp Investment Ltd.	The Bahamas	100%
Investment Funds		
CFAL Global Bond Fund Ltd.	The Bahamas	91%
CFAL Global Equity Fund Ltd.	The Bahamas	30%
Ikonik Fund SAC Limited	The Bahamas	75%
General Insurance Agency		
Colina General Insurance Agency & Brokers Limited ("CGIA")	The Bahamas	100%
Administrative and Corporate Services		
Colina Corporate Services Limited	The Bahamas	100%
Investment Brokerage and Advisory Services		
Colina Financial Advisors Ltd. ("CFAL")	The Bahamas	100%
CFAL Securities Ltd.	The Bahamas	100%

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7. Segment Information

For management purposes, the Group is organized into business units based on its products and services and has three reportable operating segments as follows:

- Life Division - offers a wide range of whole life and term insurance, pension, annuity, and savings and investment products.
- Group and Health Division – offers a wide range of individual medical and group life and health medical insurance.
- Other – includes the Group’s participation in International Reinsurance Managers, LLC (IRM) reinsurance facilities and the operations of its other subsidiary and associate companies.

Segment performance is evaluated based on profit or loss, which in certain respects is measured differently from profit or loss in the consolidated financial statements.

No inter-segment transactions occurred in 2015 or 2014. If any transaction were to occur, transfer prices between operating segments are set on an arm’s length basis in a manner similar to transactions with third parties. Segment income, expense and results would then include those transfers between business segments which would then be eliminated on consolidation.

The segment results for the period ended December 31 are as follows:

	2015			
	Life	Health	Other	Total
INCOME				
Net premium revenue	\$ 56,496,879	\$ 52,494,517	\$ 17,885,508	\$ 126,876,904
Net investment income	30,395,936	483,596	1,173,415	32,052,947
Net commission income	-	-	3,058,440	3,058,440
Investment management and other fees	-	4,307,987	5,342,771	9,650,758
Other income and fees	558,922	868,030	939,847	2,366,799
Total revenues	<u>87,451,737</u>	<u>58,154,130</u>	<u>28,399,981</u>	<u>174,005,848</u>
POLICYHOLDER BENEFITS	57,496,798	31,465,566	14,873,521	103,835,885
EXPENSES	<u>24,737,234</u>	<u>17,913,785</u>	<u>11,326,765</u>	<u>53,977,784</u>
NET INCOME	<u>\$ 5,217,705</u>	<u>\$ 8,774,779</u>	<u>\$ 2,199,695</u>	<u>\$ 16,192,179</u>
TOTAL ASSETS	<u>\$ 608,806,352</u>	<u>\$ 55,017,241</u>	<u>\$ 47,052,063</u>	<u>\$ 710,875,656</u>
TOTAL LIABILITIES	<u>\$ 484,435,005</u>	<u>\$ 32,004,132</u>	<u>\$ 24,643,296</u>	<u>\$ 541,082,433</u>

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	2014			
	Life	Health	Other	Total
INCOME				
Net premium revenue	\$ 56,484,465	\$ 56,995,869	\$ 14,979,293	\$ 128,459,627
Net investment income	25,382,370	920,604	(287,304)	26,015,670
Net commission income	-	-	2,909,107	2,909,107
Investment management and other fees	-	6,054,646	5,496,810	11,551,456
Other income and fees	311,202	270,574	487,546	1,069,322
Total revenues	<u>82,178,037</u>	<u>64,241,693</u>	<u>23,585,452</u>	<u>170,005,182</u>
POLICYHOLDER BENEFITS	56,497,153	32,803,818	14,555,855	103,856,826
EXPENSES	<u>23,856,151</u>	<u>18,323,225</u>	<u>9,843,418</u>	<u>52,022,794</u>
NET INCOME / (LOSS)	<u>\$ 1,824,733</u>	<u>\$ 13,114,650</u>	<u>\$ (813,821)</u>	<u>\$ 14,125,562</u>
TOTAL ASSETS	<u>\$ 568,977,810</u>	<u>\$ 41,206,410</u>	<u>\$ 23,228,396</u>	<u>\$ 633,412,616</u>
TOTAL LIABILITIES	<u>\$ 436,941,952</u>	<u>\$ 31,202,928</u>	<u>\$ 7,587,916</u>	<u>\$ 475,732,796</u>

8. Cash and Cash Equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents are comprised of the following:

	2015	2014
Term deposits	\$ 44,905,119	\$ 44,579,342
Less: Deposits with original maturities of greater than 90 days	<u>(44,633,256)</u>	<u>(16,702,903)</u>
Short-term deposits	271,863	27,876,439
Cash and demand balances	29,309,126	22,613,360
Less: Bank overdraft (See Note 20)	<u>(259,672)</u>	<u>(1,665,852)</u>
Total cash and cash equivalents	<u>\$ 29,321,317</u>	<u>\$ 48,823,947</u>

The carrying amounts disclosed above reasonably approximate fair value at the consolidated statement of financial position date.

As of the consolidated statement of financial position date, the weighted-average interest rate on short-term deposits is 0.2% (2014: 1.7%). These short-term deposits have an average maturity of 30 days (2014: 78 days). The weighted-average interest rate on deposits with original maturities greater than 90 days is 1.7% (2014: 1.7%).

Included in deposits with original maturities of greater than 90 days are restricted amounts of \$826,522 (2014: \$825,517). No restricted amounts are included in cash and demand balances (2014: NIL).

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9. Investment Securities and other Financial Assets

Investment securities and other financial assets comprise equity and debt securities classified into the following categories:

	2015	2014
Equity securities		
Fair value through profit or loss	\$ 16,478,972	\$ 15,284,288
Available-for-sale	14,418,530	13,059,377
Total equity securities	<u>30,897,502</u>	<u>28,343,665</u>
Non-pledged debt securities		
Fair value through profit or loss	33,155,616	71,127,560
Available-for-sale	211,571,445	208,876,407
Loans and receivables	35,000,000	-
Total debt securities (non-pledged)	<u>279,727,061</u>	<u>280,003,967</u>
Pledged debt securities (See Note 19)		
Fair value through profit or loss	52,568,903	-
Total debt securities (pledged)	<u>52,568,903</u>	<u>-</u>
Total pledged and non-pledged debt securities	<u>332,295,964</u>	<u>280,003,967</u>
Total investment securities and other financial assets	<u>\$ 363,193,466</u>	<u>\$ 308,347,632</u>

Financial assets at fair value through profit or loss are comprised primarily of financial instruments in the Bahamas Investment Fund (See Note 32).

Included in investment securities and other financial assets are government debt securities which are mainly comprised of fixed rate and variable rate bonds tied to the Bahamian \$ Prime Rate issued by The Bahamas Government. These securities have interest rates ranging from 4.3% to 7.1% per annum (2014: from 4.4% to 7.1% per annum) and scheduled maturities between 2016 and 2065 (2014: between 2015 and 2044).

Included in debt securities classified as 'available-for-sale' is \$2,185,000 (2014: \$2,185,000) representing a restricted balance which is held in favour of the CIL Statutory Trust (the "Trust"). The Trust was established in accordance with the Insurance Act, 2005 and Insurance (General) Regulations 2010 (as amended). The aforementioned legislation requires that a minimum of \$2,000,000 in assets be deposited in favour of the Insurance Commission of The Bahamas by registered insurers in respect of any entities which propose to carry on life and/or health insurance business.

The movements in the categories of investment securities are as follows:

	FVPL	Available- for-sale	Loans and receivables	Total
At December 31, 2013	\$ 72,858,288	\$ 216,541,772	\$ -	\$ 289,400,060
Additions	15,943,170	9,661,887	-	25,605,057
Disposals and maturities	(3,996,175)	(4,676,469)	-	(8,672,644)
Net fair value gains	1,606,565	408,594	-	2,015,159
At December 31, 2014	86,411,848	221,935,784	-	308,347,632
Additions	32,845,429	15,402,610	35,000,000	83,248,039
Disposals and maturities	(19,289,832)	(12,297,551)	-	(31,587,383)
Net fair value gains	2,236,046	949,132	-	3,185,178
At December 31, 2015	<u>\$ 102,203,491</u>	<u>\$ 225,989,975</u>	<u>\$ 35,000,000</u>	<u>\$ 363,193,466</u>

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The following table shows an analysis of financial instruments recorded at fair value by level within the fair value hierarchy:

At December 31, 2015	Level 1	Level 2	Total Fair Value
<i>Financial assets designated at fair value through profit or loss:</i>			
<u>Non-Pledged Securities</u>			
Equity securities	\$ 11,494,493	\$ 2,323,472	\$ 13,817,965
Shares in investment funds	-	2,661,007	2,661,007
Government securities	-	19,608,604	19,608,604
Preferred shares	-	1,550,000	1,550,000
Other debt securities	-	11,997,012	11,997,012
Sub-total	<u>11,494,493</u>	<u>38,140,095</u>	<u>49,634,588</u>
<u>Pledged Securities (See Note 19)</u>			
Government securities	\$ -	\$ 48,844,204	\$ 48,844,204
Other debt securities	-	3,724,699	3,724,699
Sub-total	-	52,568,903	52,568,903
Total	<u>\$ 11,494,493</u>	<u>\$ 90,708,998</u>	<u>\$ 102,203,491</u>
<i>Available-for-sale financial assets:</i>			
Equity securities	\$ 5,723,122	\$ 4,630,575	\$ 10,353,697
Shares in investment funds	-	4,064,833	4,064,833
Government securities	-	171,004,097	171,004,097
Preferred shares	-	24,201,875	24,201,875
Other debt securities	-	16,365,473	16,365,473
Total	<u>\$ 5,723,122</u>	<u>\$ 220,266,853</u>	<u>\$ 225,989,975</u>
<i>Loans and receivables:</i>			
Sovereign debt	\$ -	\$ 35,000,000	\$ 35,000,000
Total	<u>\$ -</u>	<u>\$ 35,000,000</u>	<u>\$ 35,000,000</u>

The Group did not have any financial instruments classified as Level 3 as at December 31, 2015.

At December 31, 2014	Level 1	Level 2	Total Fair Value
<i>Financial assets designated at fair value through profit or loss:</i>			
Equity securities	\$ 10,376,742	\$ 2,357,448	\$ 12,734,190
Shares in investment funds	-	2,550,098	2,550,098
Government securities	-	56,627,974	56,627,974
Preferred shares	-	1,550,000	1,550,000
Other debt securities	-	12,949,586	12,949,586
Total	<u>\$ 10,376,742</u>	<u>\$ 76,035,106</u>	<u>\$ 86,411,848</u>
<i>Available-for-sale financial assets:</i>			
Equity securities	\$ 4,386,006	\$ 5,163,695	\$ 9,549,701
Shares in investment funds	-	3,509,676	3,509,676
Government securities	-	170,737,648	170,737,648
Preferred shares	-	19,495,290	19,495,290
Other debt securities	-	18,643,469	18,643,469
Total	<u>\$ 4,386,006</u>	<u>\$ 217,549,778</u>	<u>\$ 221,935,784</u>

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The Group did not have any financial instruments classified as Level 3 as at December 31, 2014.

10. Mortgages and Commercial Loans

Mortgages and commercial loans are comprised of the following:

	2015	2014
Mortgages and commercial loans	\$ 45,894,082	\$ 51,649,391
Accrued interest	7,901,353	7,181,999
Subtotal	53,795,435	58,831,390
Less: Provisions	(11,291,433)	(10,387,210)
Mortgages and commercial loans, net	<u>\$ 42,504,002</u>	<u>\$ 48,444,180</u>

Mortgages and commercial loans are classified into the following categories:

	2015	2014
Residential mortgages	\$ 27,004,942	\$ 31,147,169
Commercial mortgages	16,218,545	17,693,153
Commercial paper	2,670,595	2,809,069
Subtotal	45,894,082	51,649,391
Accrued interest	7,901,353	7,181,999
Total	<u>\$ 53,795,435</u>	<u>\$ 58,831,390</u>

The totals above represent the Group's gross exposure on mortgages and commercial loans. It is the Group's policy not to lend more than 75% of collateralized values pledged reducing the Group's overall net exposure.

Included in residential mortgages at December 31, 2015 are loans to employees and salespersons amounting to \$4,968,320 (2014: \$5,575,919).

Provisions on mortgages and commercial loans are as follows:

	2015	2014
Residential mortgages	\$ 1,653,246	\$ 2,064,937
Commercial mortgages	4,325,217	3,572,271
Accrued interest	5,312,970	4,750,002
Total provisions on mortgages and commercial loans	<u>\$ 11,291,433</u>	<u>\$ 10,387,210</u>

The movement in loan loss provisions is as follows:

	2015	2014
Balance, beginning of year	\$ 10,387,210	\$ 8,867,934
Increase in provisions	2,439,474	2,759,034
Provisions written back to income	(1,535,251)	(1,239,758)
Balance, end of year	<u>\$ 11,291,433</u>	<u>\$ 10,387,210</u>

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As of the year-end reporting date, the approximate weighted average interest rates on mortgages and commercial loans are as follows:

	2015	2014
Residential mortgages	7.49%	7.51%
Commercial mortgages	9.16%	8.37%
Commercial paper	7.90%	7.94%

11. Policy Loans

Policy loans are comprised of:

	2015	2014
Policy loans	\$ 66,356,346	\$ 65,851,475
Accrued interest on policy loans	3,795,103	3,715,952
Subtotal	70,151,449	69,567,427
Less: Provisions	(12,720)	(5,997)
Policy loans, net	\$ 70,138,729	\$ 69,561,430

Policy loans are secured by the cash surrender values of the policies on which the loans are made with the exception of \$12,720 (2014: \$5,997) in policy overloans. Policy overloans represent policy loans in excess of the cash surrender values of the policies on which the loans are made. These overloans are not secured by cash surrender values; however, the related policies remain in force. The policy overloans have been fully provided for at December 31, 2015. Interest is accrued on a monthly basis and the loans are settled on termination of the policy, if not repaid while the policy remains in force. The approximate effective interest rate on policy loans is 11.64% (2014: 11.7%).

12. Investment Properties

The Group's investment properties consist of land holdings, residential rental properties, and commercial office rental properties and are carried at fair value. All investment properties have been classified as Level 3 in the fair value measurement hierarchy and there were no transfers from or to Level 3 during the period. Movements in investment properties classified by category are as follows:

	Land	Residential	Commercial Office	Total
At December 31, 2013	\$ 4,937,442	\$ 650,000	\$ 49,410,859	\$ 54,998,301
Additions (subsequent expenditure)	-	-	79,576	79,576
Net loss from fair value adjustments	(912,442)	-	-	(912,442)
At December 31, 2014	4,025,000	650,000	49,490,435	54,165,435
Additions (subsequent expenditure)	-	-	101,181	101,181
Net gain/(loss) from fair value adjustments	135,000	(20,000)	773,777	888,777
At December 31, 2015	\$ 4,160,000	\$ 630,000	\$ 50,365,393	\$ 55,155,393

During the period, a number of the individual properties were valued by independent appraisers from Coldwell Banker and Bahamas Realty. All appraisers used are accredited independent appraisers with experience in the location and category of the investment property valued. In accordance with the Group's policy for the valuation of investment property holdings in intervening periods, the fair values of all other properties at December 31, 2015 were based on valuations performed by management using the Discounted Cash Flow Method (DCF), Replacement Cost (RC) and the Sales Comparison Method (SC). (2014: DCF, SC and Cost Approach Method (CA))

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Significant unobservable inputs used in the valuations in 2015 were as follows:

Property Classification	Valuation technique	Significant unobservable inputs	Range (weighted average)
Land and land lots	SC	Sales price / acre	\$13,500-\$320,000 (\$14,927)
Residential	SC	Sales price / sq.ft	\$330 (\$330)
Commercial office	DCF	Estimated rental rate/sqft/p.a.	\$11
		Discount rate	8.75%-12.75%
		Rent growth p.a.	3.0%
		Expense inflation p.a.	3.0%
		Capitalization rate for terminal value	8.75%-11.0%
		Vacancy rate	0% to 35.7%
	SC	Cost / sqft	\$12 (\$12)
	RC	Cost/ sqft	\$125 -\$350

Significant unobservable inputs used in the valuations in 2014 were as follows:

Property Classification	Valuation technique	Significant unobservable inputs	Range (weighted average)
Land and land lots	DCF	Estimated rental rate/sqft/p.a.	\$3 (\$3)
		Discount rate	8.75%
		Rent growth p.a.	3.0%
		Expense inflation p.a.	3.0%
		Capitalization rate for terminal value	9.0%
		Vacancy rate	0.0%
	SC	Sales price / acre	\$13,500-\$300,000 (\$14,800)
Residential	SC	Sales price / sq.ft	\$340
Commercial office	DCF	Estimated rental rate/sqft/p.a.	\$9-\$100
		Discount rate	8.70%-9.70%
		Rent growth p.a.	3.0%
		Expense inflation p.a.	3.0%

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		Capitalization rate for terminal value	9.0%-10.0%
		Vacancy rate	0.0%-22%
	CA	Cost / sqft	\$86(\$86)

Under the DCF method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a real property interest. A market-derived discount rate is applied to establish the present value of the income streams associated with the property. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of the inflows and outflows are determined by events such as lease renewals, and related re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behavior that is a characteristic of the class of property. Periodic cash flows are typically estimated as gross rental income less vacancy, non-recoverable expenses, maintenance and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

The RC method bases the cost of replacing the subject property with a structure providing similar utility. The cost estimate may not be necessarily based on similar materials if considered appropriate by the appraiser based on current construction standards.

Under the SC method, fair value is determined by a comparison of recent property sales similar to the subject property. The prices for these properties provide the basis for estimating the value of the subject by comparison. Appropriate adjustments are made for the differences in the properties as they compare to the subject. The adjusted process yields various indicators of value which are analyzed and correlated to provide a value estimate for the subject property.

The CA method provides an analysis showing the fee simple value of the land, the value of site improvements and the cost to construct the building at current building rates. Physical depreciation is then deducted from the construction cost. Functional obsolescence and economic depreciation are also factored in the depreciation if applicable.

Significant increases (decreases) in estimated rental values and rent growth per annum in isolation would result in a significantly higher (lower) fair value of the property. Significant increase (decrease) in long-term vacancy rates and discount rates in isolation would result in a significantly lower (higher) fair value. Increases/(decreases) in the capitalization rate would result in a significantly lower (higher) fair value.

Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and discount rate and an opposite change in the long term vacancy rate.

The Company has no restrictions on the realisability of its investment properties and no contractual obligations to either purchase, construct or develop investment property for repair, maintenance and enhancement.

Investment properties, with carrying values totaling approximately \$43.2 million (2014: \$41.9 million), have been mortgaged in support of loans advanced to subsidiary companies by the Group – the referenced loans have been eliminated on consolidation. Income from investment properties, which amounted to \$4,504,576 (2014: \$4,812,056), is included in rental income in net investment income. Direct expenses related to generating rental income from investment properties, amounting to \$1,706,542 (2014: \$1,039,996), are included in general and administrative expenses.

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13. Investment in Associates

Investment in Associates is comprised of:

	2015	2014
Walk-In Holdings Limited	\$ 4,238,634	\$ 4,640,156
SBL Ltd.	<u>7,828,580</u>	<u>6,038,418</u>
Total	<u>\$ 12,067,214</u>	<u>\$ 10,678,574</u>

Gains and losses from the Group's investment in associates are comprised of the following:

	2015	2014
Share of profit of investment in associate		
Walk-In Holdings Limited	\$ 98,478	\$ 216,597
SBL Ltd.	1,790,162	679,651
Impairment of goodwill - WIHL	<u>(500,000)</u>	<u>-</u>
Share of net gain of associates	<u>\$ 1,388,640</u>	<u>\$ 896,248</u>

Walk-In Holdings Limited

In November 2007, the Group, through its wholly-owned subsidiary, PRO Health Holdings Ltd., acquired a 30% interest in Walk-In Holdings Limited ("WIHL"), a privately-held company incorporated in The Bahamas at a cost of \$3,402,631. WIHL owns and operates medical clinics in The Bahamas.

The investment in WIHL is comprised of the following:

	2015	2014
Total assets	\$ 9,253,996	\$ 8,771,280
Total liabilities	<u>(1,078,712)</u>	<u>(913,665)</u>
Net assets of WIHL	<u>\$ 8,175,284</u>	<u>\$ 7,857,615</u>
Company's share of WIHL's balance sheet	\$ 2,505,933	\$ 2,407,455
Goodwill	<u>1,732,701</u>	<u>2,232,701</u>
Total investment in WIHL	<u>\$ 4,238,634</u>	<u>\$ 4,640,156</u>

Management estimates that the carrying value of the investment in WIHL approximates its fair value at the consolidated statement of financial position date.

The Group's share of WIHL's profit is as follows:

	12 Months Ended Dec. 31, 2015	12 Months Ended Dec. 31, 2014
Total revenue	\$ <u>2,975,553</u>	\$ <u>7,017,817</u>
Total profit for the period	<u>\$ 317,669</u>	<u>\$ 731,460</u>
Share of WIHL's profit	<u>\$ 98,478</u>	<u>\$ 216,597</u>

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SBL Ltd.

In July 2009, the Company and Colina, purchased 7% and 12% of SBL Ltd. ("SBL") at a cost of \$3 million and \$5 million respectively. In considering the classification of its 19% equity holding in SBL, the Group has classified its investment in SBL as an investment in associate as two of the ten Board members of SBL are also Directors of the Company. In May 2009, SBL acquired the issued and outstanding shares of Ansbacher (Bahamas) Limited ("ABL") and in July 2009, merged ABL subsequently with Sentinel Bank & Trust Limited ("SBT") with the surviving entity retaining the name Ansbacher (Bahamas) Limited. ABL's principal activities comprise private and specialist banking, wealth protection and management, and fiduciary services.

During 2013, the Company and Colina made additional capital contributions of \$124,473 and \$213,382 respectively in SBL Ltd. The funds were used by SBL's subsidiary, ABL to partially fund the acquisition of Finter Bank and Trust (Bahamas) Limited. CHBL and Colina's percentage ownership in SBL Ltd. after the capital contribution remained at 7% and 12% respectively.

The Company made additional investments in SBL and ABL during 2015, however, neither transaction impacted the Company's consolidated percentage ownership in SBL Ltd. nor its classification as an investment in associate. In June 2015, the Company facilitated a \$15 million loan to SBL using proceeds received from bank borrowings (See Note 14). In December 2015, the Company purchased 1 Series B Preference Share of ABL with a par value of \$0.01 and Share Premium of \$4,999,999.99 for a total investment of \$5 million. The Preference Share was issued at the rate of 7% per annum and is cumulative and non-voting and is included in Investment Securities in the available-for-sale classification.

The investment in SBL is comprised of the following:

	2015	2014
Total assets	\$ 662,929,143	\$ 768,801,903
Total liabilities	<u>(622,020,563)</u>	<u>(737,312,553)</u>
Net assets of SBL	<u>\$ 40,908,580</u>	<u>\$ 31,489,350</u>
Company's share of SBL's balance sheet	\$ 7,489,249	\$ 5,529,585
Intangible assets	<u>339,331</u>	<u>508,833</u>
Total investment in SBL	<u>\$ 7,828,580</u>	<u>\$ 6,038,418</u>

Management estimates that the carrying value of the investment in SBL approximates its fair value at the consolidated statement of financial position date.

The Group's share of SBL's income is as follows:

	12 Months Ended Dec. 31, 2015	12 Months Ended Dec. 31, 2014
Total revenue	\$ 26,071,254	\$ 18,296,097
Total gain for the period	<u>\$ 9,838,793</u>	<u>\$ 4,077,109</u>
Share of SBL's gain	<u>\$ 1,790,162</u>	<u>\$ 679,561</u>

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The following table shows an analysis of goodwill and other intangible assets included in investment in associates for the years ending December 31, 2015 and 2014:

	Other Intangible Assets		
	Goodwill	Assets	Total
Balance as of December 31, 2013	\$ 2,232,701	\$ 523,732	\$ 2,756,433
Acquired during the year	-	103,750	103,750
Amortization	-	(174,599)	(174,599)
Balance as of December 31, 2014	2,232,701	452,883	2,685,584
Amortization	-	(113,552)	(113,552)
Impairment losses	(500,000)	-	(500,000)
Balance as of December 31, 2015	<u>\$ 1,732,701</u>	<u>\$ 339,331</u>	<u>\$ 2,072,032</u>

The gross carrying value and accumulated amortization by major category of other intangible assets as of December 31, 2015, is shown below.

	Other Intangible Assets		
	Gross Carrying Value	Accumulated Amortization	Total
Customer relationships	\$ 522,120	\$ (343,729)	\$ 178,391
Non-competitive agreement	86,260	(86,260)	-
Trade name	140,980	(140,980)	-
Software	858,060	(697,120)	160,940
Total Other Intangible Assets	<u>\$ 1,607,420</u>	<u>\$ (1,268,089)</u>	<u>\$ 339,331</u>

The useful life of intangible assets with finite lives ranges from 2 to 10 years, with a weighted average amortization period of 9 years. Expected amortization of the intangible assets is shown below:

	Other intangible assets included in Investment in Associates
2016	\$ 114,060
2017	76,554
2018	71,799
2019 and thereafter	76,918
	<u>\$ 339,331</u>

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14. Receivables and Other Assets

Receivables and other assets are comprised of the following:

	2015	2014
Financial assets		
Premiums receivable	\$ 9,006,280	\$ 9,097,790
Less: Provision on premiums receivable	(2,116,044)	(3,705,171)
Reinsurance recoveries receivable	2,762,546	8,685,645
Net balances receivable/(payable) on ASO plans	6,926,814	(4,608,475)
Agents' balances	1,323,190	1,634,568
Less: Provision on agents' balances	(1,312,633)	(1,643,197)
Accrued interest income	3,872,935	3,544,226
Loan to SBL Ltd. (See Note 20 and Note 33)	15,000,000	-
Receivables from related parties (See Note 33)	210,504	371,099
Participation in IRM reinsurance facilities	719,755	31,552
Non-financial assets		
Properties assumed under mortgage defaults	1,795,400	2,616,700
Land held for development	5,942,466	5,708,704
Prepayments and other assets	12,477,837	14,460,489
Total receivables and other assets	<u>\$ 56,609,050</u>	<u>\$ 36,193,930</u>

The carrying amounts disclosed above reasonably approximate fair value at the consolidated statement of financial position date.

Administrative Services Only (ASO) receivables

Included in receivables and other assets are net amounts due from / (due to) groups to whom the Group provides administrative services only ("ASO").

Loan to SBL Ltd.

During the year, the Company entered into a senior term loan facility (the FCIB Loan) with FirstCaribbean International Bank (Bahamas) Limited for an amount totaling \$15 million US Dollars at the interest rate of 3M LIBOR plus 2% per annum with interest due quarterly. The terms of the agreement require that the principal balance on the FCIB Loan be reduced to \$10 million US Dollars by June 24, 2016. The remaining principal balance on the facility is due on maturity, December 24, 2016.

The proceeds of the FCIB Loan were immediately used by the Company to issue a loan on the exact same interest and repayment terms to its affiliate, SBL Ltd. and is included in receivables and other assets as "Loan to SBL" The FCIB Loan is included in "other liabilities" as "Bank borrowings" (See Note 20).

The FCIB Loan is collateralized by a pledge of assets owned by AFH along with guarantees by both AFH and SBL. The terms of the FCIB Loan include covenants to maintain a maximum loan to asset value ratio of 30% and a minimum total equity of \$150 million. Throughout the reporting period, the Company has complied with all financial covenants.

Participation in IRM reinsurance facilities

The Group participates in reinsurance facilities managed by International Reinsurance Managers, LLC ("IRM"), an underwriting management company domiciled in the United States of America which provides group health reinsurance services to small and medium sized insurance companies in the Caribbean and Latin America. The Group's participation in these facilities varies from 10% to 50% for differing underwriting years and its interest is included above. The underlying assets of the reinsurance facilities are principally comprised of US Treasury money market instruments.

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15. Property and Equipment

	Land, land improvements and buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Total
Cost:					
At December 31, 2014	\$ 24,366,183	\$ 2,560,881	\$ 6,182,252	\$ 80,685	\$ 33,190,001
Additions	-	1,526	434,786	-	436,312
Disposals	-	-	-	(15,511)	(15,511)
At December 31, 2015	<u>\$ 24,366,183</u>	<u>\$ 2,562,407</u>	<u>\$ 6,617,038</u>	<u>\$ 65,174</u>	<u>\$ 33,610,802</u>
Accumulated depreciation:					
At December 31, 2014	\$ 5,818,838	\$ 1,538,432	\$ 4,706,999	\$ 60,609	\$ 12,124,878
Disposals	-	-	-	(7,235)	(7,235)
Depreciation charge	709,044	253,067	734,961	8,251	1,705,323
At December 31, 2015	<u>\$ 6,527,882</u>	<u>\$ 1,791,499</u>	<u>\$ 5,441,960</u>	<u>\$ 61,625</u>	<u>\$ 13,822,966</u>
Net book value:					
At December 31, 2015	<u>\$ 17,838,301</u>	<u>\$ 770,908</u>	<u>\$ 1,175,078</u>	<u>\$ 3,549</u>	<u>\$ 19,787,836</u>
At December 31, 2014	<u>\$ 18,547,345</u>	<u>\$ 1,022,449</u>	<u>\$ 1,475,253</u>	<u>\$ 20,076</u>	<u>\$ 21,065,123</u>

The opening balances have been adjusted for fully depreciated assets.

The cost of land, land improvements and buildings is comprised of the following:

	2015	2014
Land and land improvements	\$ 6,035,523	\$ 6,035,523
Buildings	<u>18,330,660</u>	<u>18,330,660</u>
Total cost	<u>\$ 24,366,183</u>	<u>\$ 24,366,183</u>

Properties are stated at their revalued amounts, as assessed by qualified independent property appraisers or management valuation in intervening periods. The revalued amount is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the property required by the business and disregarding potential alternative uses.

If land, land improvements and buildings were stated on a historical cost basis, the carrying amount would be \$13.1 million (2014: \$13.7 million).

16. Goodwill

	2015	2014
Cost	\$ 17,244,032	\$ 17,244,032
Accumulated impairment charges	<u>(3,774,116)</u>	<u>(3,724,116)</u>
Net book amount	<u>\$ 13,469,916</u>	<u>\$ 13,519,916</u>
Balance, beginning of year	\$ 13,519,916	\$ 18,391,916
Transfer of intangible assets related to CFAL acquisition (Note 17)	-	(4,872,000)
Impairment charge	<u>(50,000)</u>	<u>-</u>
Balance, end of year	<u>\$ 13,469,916</u>	<u>\$ 13,519,916</u>

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17. Other Intangible Assets

	2015	2014
Cost	\$ 10,384,019	\$ 10,384,019
Accumulated amortization	(6,648,214)	(6,140,325)
Net book amount	<u>\$ 3,735,805</u>	<u>\$ 4,243,694</u>
Balance, beginning of year	\$ 4,243,694	\$ 422,514
Allocation from goodwill related to CFAL	-	4,872,000
Amortization charge related to CFAL allocation	(463,695)	(672,500)
Amortization charge	(44,194)	(378,320)
Balance, end of year	<u>\$ 3,735,805</u>	<u>\$ 4,243,694</u>

The following table shows an analysis of other intangible assets for the years ending December 31, 2015 and 2014:

	From acquisitions	Other Intangible Assets	Total
Balance as of December 31, 2013	\$ -	\$ 422,514	\$ 422,514
Transfer of identified intangible assets related to CFAL acquisition	4,872,000	-	4,872,000
Amortization	(672,500)	(378,320)	(1,050,820)
Balance as of December 31, 2014	4,199,500	44,194	4,243,694
Amortization	(463,695)	(44,194)	(507,889)
Balance as of December 31, 2015	<u>\$ 3,735,805</u>	<u>\$ -</u>	<u>\$ 3,735,805</u>

Upon acquisition of CFAL in September 2013, the excess of the purchase price over total net assets acquired totalled \$5,879,167 and was recognised as goodwill. At the time of acquisition, the analysis to identify intangible assets for allocation purposes of purchase price over net assets acquired had not been completed.

During 2014, an independent valuation exercise was performed in order to determine this allocation at the valuation date of October 1, 2013. As a result of this, an amount of \$4,872,000 was allocated to intangible assets.

The gross carrying value and accumulated amortization by major category of other intangible assets from acquisitions as of December 31, 2015 is shown below:

	Other Intangible Assets		Total
	Gross Carrying Value	Accumulated Amortization	
Customer relationships	\$ 4,572,000	\$ (1,072,444)	\$ 3,499,556
Trade name	300,000	(63,751)	236,249
Total Other Intangible Assets	<u>\$ 4,872,000</u>	<u>\$ (1,136,195)</u>	<u>\$ 3,735,805</u>

Expected amortization of other intangible assets is shown below:

	Other Intangible Assets
2016	463,694
2017	463,694
2018	463,694
2019 and thereafter	2,344,723
	<u>\$ 3,735,805</u>

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18. Provision for Future Policy Benefits

The provision for future policy benefits is calculated using expected future policy lapse rates, mortality, morbidity, investment yield and policy maintenance expense assumptions and any other relevant contingency.

The provisions for adverse deviation recognize uncertainty in establishing these best estimates and allow for possible deterioration in experience. As the best estimate assumption is realized, the provisions for adverse deviations will be released in future income to the extent that they are no longer required to cover adverse experience.

The assumptions used in determining the provision for future policy benefits are reviewed regularly, compared to emerging experience and updated when appropriate. The assumptions that are most sensitive to change are investment yields, expenses, policy lapse rates, and mortality and morbidity.

Margins for Adverse Deviation Assumptions

The basic assumptions made in establishing provisions for future policy benefits are best estimates for a range of possible outcomes. To recognize the uncertainty in establishing these best estimates, to allow for possible deterioration in experience and to provide greater comfort that the provisions are adequate to pay future benefits, the Appointed Actuary is required to include a margin in each assumption.

The impact of these margins is to increase provisions and decrease the income that would be recognized on inception of the policy. The Canadian Institute of Actuaries prescribes a range of allowable margins. The Company uses assumptions which take into account the risk profiles of the business. The Closed Participating Fund ("Closed Par Fund"), discussed below, has the lowest margins, as the risk is passed back to the policyholders by dividend distributions.

Investment yields

The computation of provisions takes into account projected net investment income on assets supporting policy liabilities and income expected to be earned or forgone on reinvestment or financing of mismatched cash flows. Uncertainties exist with respect to projections of interest rates and the magnitude of losses from asset defaults. The Company accounts for such uncertainties by incorporating provisions for losses into projections of investment income. A margin for adverse deviation is calculated by interest rate scenario testing under the CALM methodology. The margin in the most adverse scenario can be interpreted as deducting 35 basis points from the current (Prime) rates immediately and assuming future interest rates remain at that level in the long term. If future interest rates were to differ by 100 basis points from that assumed in the valuation, without changing the policyholder dividend scale, the liability would increase by \$57.8 million or decrease by \$43.9 million.

Expenses

The administration expense assumption is based on an expense study conducted by the Company. The expenses are allocated by line of business using allocation factors developed by the Company. Such expense studies are conducted annually, and are subject to changes in the Company's cost structure as well as the rate of inflation. Best estimate expenses are assumed to increase with inflation of 2.11% in all years. Expenses are increased by a range of 0% to 6.25%, where the Closed Par Fund has no margin. If future expenses are to differ by 10% from that assumed, the liability would increase by \$6.7 million or decrease by \$6.7 million.

Policy lapse rates

Policyholders may allow their policies to lapse by choosing not to continue to pay premiums. The Company bases its estimate of future lapse rates on previous experience for a block of policies. A margin for adverse deviation is added by increasing or decreasing lapse rates, whichever is adverse, by a range of 5% to 20%. If

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future lapse rates are to differ by 10% from that assumed, the liability would increase by \$8.9 million or decrease by \$8.6 million.

Mortality and Morbidity

Assumptions for life business are based on Company and industry experience. A margin is added for adverse deviation in the range of 4.0 to 11.25 per 1000 divided by the expectation of life for mortality, and between 15% and 20% for morbidity. The Closed Par Fund has the lowest margin added. If future mortality and morbidity are to differ by 10% from that assumed, the liability would increase by \$3.6 million or decrease by \$3.3 million.

Medical claims costs

The principal assumption underlying the estimate of the medical claims reserve is the Company's past claims development experience. This includes assumptions in respect of average claim costs and claims inflation factors. If the average claim costs were to increase by 10%, gross liabilities would increase by \$0.7 million, with the net liabilities increasing by \$0.7 million. If the average claim costs were to decrease by 10% gross liabilities would decrease by \$0.7 million, with the net liabilities decreasing by \$0.7 million.

Analysis of provision for future policy benefits

The following is a summary of the provision for future policy benefits by product line:

	2015	2014
Life insurance	\$ 345,893,242	\$ 326,958,909
Annuities	20,350,745	21,393,869
Accident and health	13,327,663	13,984,839
Colina Investment Plan (See Note 32)	7,609,526	7,356,177
	<u>387,181,176</u>	<u>369,693,794</u>
Total provision for future policy benefits	<u>\$ 387,181,176</u>	<u>\$ 369,693,794</u>

The following is a summary of the provision for future policy benefits by contract category:

	2015	2014
Short-term insurance contracts	\$ 13,648,242	\$ 14,318,572
Long-term insurance and other contracts		
-with fixed and guaranteed terms	132,061,779	114,850,969
-with fixed and guaranteed terms and with DPF	196,775,170	195,750,519
-without fixed and guaranteed terms	20,452,190	21,253,817
-without fixed and guaranteed terms and with DPF	16,634,269	16,163,740
Long-term investment contracts with DPF	7,609,526	7,356,177
	<u>387,181,176</u>	<u>369,693,794</u>
Total provision for future policy benefits	<u>\$ 387,181,176</u>	<u>\$ 369,693,794</u>

Analysis of change in provision for future policy benefits

	2015	2014
Balance, beginning of year	\$ 369,693,794	\$ 352,911,498
Changes in discretionary participation features	(888,172)	(8,712,256)
Normal changes in policy liabilities	12,664,414	10,090,575
Changes in assumptions and refinement of estimates	5,711,140	15,403,977
	<u>387,181,176</u>	<u>369,693,794</u>
Balance, end of year	<u>\$ 387,181,176</u>	<u>\$ 369,693,794</u>

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Closed Participating Fund

Included in the provision for future policy benefits as of December 31, 2015 are actuarial reserves totaling \$32.0 million (2014: \$31.8 million) relating to Colina's commitment to maintain and operate a Closed Participating Fund ("Closed Par Fund") covering the individual participating business (both life and annuity) of the Canada Life portfolio of business acquired on January 1, 2004. The objective of this Closed Par Fund is to finance the participating policyholders' reasonable expectations that Colina will: (i) pay the benefits guaranteed by each participating policy according to its terms; (ii) pay dividends according to the current dividend scale provided that current experience continues; and (iii) make an equitable adjustment to the dividend scale in future years to reflect any deviations from the current experience, in accordance with the insurer's dividend policy as well as applicable actuarial standards. Future profits that may emerge within the Closed Par Fund are for the sole benefit of the participating policyholders.

The Appointed Actuary's valuation of the Closed Par Fund as of December 31, 2015 shows that it had the following asset mix:

	2015	2014
Government securities	51.8%	51.5%
Policy loans	23.6%	25.2%
Equity securities	9.3%	8.8%
Mortgage loans	7.1%	8.4%
Cash and equivalents	3.6%	0.7%
Preference shares	3.4%	4.1%
Corporate bonds	1.2%	1.3%

19. Repurchase Agreement

On December 7, 2015, Colina entered into a structured repurchase transaction with Deutsche Bank AG (DB), acting through its London Branch. On the initial exchange, DB funded Colina with an amount totaling US\$35 million at an annual fixed rate of 4.85% in exchange for delivery by Colina to DB assets with face amounts totaling US\$47.5 million (the Pledged Bonds). The Pledged Bonds by Colina in respect of this transaction are bonds held by Colina through its interests in its subsidiary CFAL Global Bond Fund Ltd. (CGBF). Colina owns 100% of the issued shares in Class C of the CGBF and by agreement dated December 7, 2015, has been granted all rights and obligations over all assets and liabilities in Class C of the CGBF.

The funded amount by DB to Colina of US\$35 million will be repaid in 5 equal principal repayment instalments of US\$7 million each beginning December 10, 2016 and annually until December 10, 2020. On each repayment date, DB releases a pro-rata portion of the Pledged Bonds.

If the value of the Pledged Bonds falls by more than US\$250,000, Colina will be required to post the shortfall with DB in cash or cash equivalents within 1 business day.

The table below shows the amount of collateral given in respect of the repurchase agreement:

	2015	2014
Payables under sale and repurchase agreements	\$ 35,000,000	\$ -
Carrying amount of collateral provided in respect of above	\$ 52,568,903	\$ -

Collateral provided includes securities transferred under the repurchase agreement. The Company continues to recognize these securities in the statement of financial position and presents them within pledged financial assets at fair value through profit or loss.

The repurchase transaction is scheduled to terminate on December 10, 2020.

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20. Other Liabilities

	2015	2014
Third party pension liabilities	\$ 24,866,860	\$ 26,584,541
Benefits payable to policyholders	14,237,806	17,582,205
Bank borrowings (See Note 14)	15,000,000	-
Accrued expenses and other liabilities	35,011,118	29,910,602
Bank overdraft (See Note 8)	259,672	1,665,852
Reinsurance payables	1,742,306	2,610,008
	<u>\$ 91,117,762</u>	<u>\$ 78,353,208</u>
Total other liabilities	<u>\$ 91,117,762</u>	<u>\$ 78,353,208</u>

The carrying amounts disclosed above reasonably approximate fair value at the consolidated balance sheet date.

21. Share Capital

	2015	2014
Authorized:		
45,000,000 Class "A" preference shares of B\$1.00 each (2014: 45,000,000)	\$ 45,000,000	\$ 45,000,000
30,000,000 Class "B" preference shares of B\$0.01 each (2014: nil)	\$ 300,000	\$ -
35,000,000 Class "A" Ordinary shares of B\$1.00 each (2014: 35,000,000)	\$ 35,000,000	\$ 35,000,000
40,000,000 Class "B" Ordinary shares of B\$0.01 each (2014: nil)	\$ 400,000	\$ -
Issued and fully paid:		
42,500,000 Class "A" preference shares of B\$1.00 each (2014: 40,500,000)	\$ 42,500,000	\$ 40,500,000
24,709,631 Class "A" Ordinary shares of B\$1.00 each (2014: 24,709,631)	\$ 24,679,064	\$ 24,679,064

Treasury shares are stated at cost and at December 31, 2015, comprise 19,982 (2014: 19,982) ordinary shares of the Company that are held by Colina.

The Class "A" preference shares were authorized for issue on September 30, 2005, as non-voting and redeemable at the discretion of the Board of Directors at any time after September 30, 2006, upon 90 days' notice. The shares were issued with dividends payable quarterly at the Bahamian \$ Prime rate plus 2.25% per annum on the par value outstanding to shareholders of record on the record date.

The Company gave notice to the Class "A" preference shareholders on October 29, 2008 of its intention to retire all issued and fully paid Class "A" preference shares. Preference Shareholders of record on that date were provided with the first right of refusal to subscribe for an equivalent amount of Par Value of Class "A" preference shares which were issued at a dividend rate payable quarterly at the Bahamian \$ Prime rate plus 1.5% per annum. On January 31, 2009, all issued and fully paid Class "A" Preference Shares issued and fully paid on that date were issued at the new dividend rate. The Class "A" preference shares rank in priority to the ordinary shares in a winding up with respect to repayment of capital and any cumulative dividends in arrears. During 2015, an additional 2,000,000 of Class "A" Preference shares were issued.

At the Extraordinary Annual General Meeting of the Company held June 3, 2015, the shareholders approved resolutions to authorize an additional 30,000,000 of Class "B" preference share capital with a par value of \$0.01 each and an additional 40,000,000 of Class "B" ordinary voting share capital with a par value of \$0.01. At December 31, 2015, none of the Class "B" ordinary or preference share capital were issued.

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22. Revaluation Reserve

The revaluation reserve is comprised of the net gain/(loss) on remeasurement of available-for-sale securities to fair value and revaluation adjustments related to land and buildings. Also included in the revaluation reserve are unrealized gains related to the purchase of additional equity in a subsidiary company subsequent to the date control was first established.

	2015	2014
Balance, beginning of year	\$ 10,148,509	\$ 9,287,941
Net fair value gains during the year	962,181	480,823
Transfers to net income	(357,534)	379,745
Balance, end of year	<u>\$ 10,753,156</u>	<u>\$ 10,148,509</u>

23. Contingent Liabilities and Commitments

The Group has the following contingent liabilities and commitments as of the year-end reporting date:

Legal proceedings and regulations

The Group operates in the insurance and financial services industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigations) will have a material effect on its results and financial position.

The Group is also subject to insurance solvency regulations in all the jurisdictions in which it operates and has complied with all regulations. There are no contingencies associated with the Group's compliance or lack of compliance with such regulations.

Contingent liabilities

The Group may have contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business. It is not anticipated that any material loss will arise from the contingent liabilities. As at December 31, 2015, the Group did not provide any guarantees to third parties in the ordinary course of business. (2014: NIL).

The Group, is from time to time, in connection with its normal operations, named as a defendant in actions for damages and costs allegedly sustained by the plaintiffs. The Board of Directors is of the opinion, based upon the advice of counsel, that the final outcome of such actions will not have a material adverse effect on the financial position of the Group.

Commitments

Lending: The company had no commitments to extend credit for mortgages and commercial loans at December 31, 2015 (2014: \$271,161).

Purchase of property and equipment: The Company had no commitments for the purchase of capital equipment or services at December 31, 2015 (2014: NIL).

Leases: The Group leases office and other space for use in its day-to-day business activities pursuant to the terms of non-cancelable operating leases. The expenditures related to these lease arrangements are not considered to be material. The future aggregate minimum lease payments under operating leases as of December 31, 2015 are as follows:

	At December 31, 2015
No later than 1 year	\$ 663,434
Later than 1 year and no later than 5 years	3,022,740
Later than 5 years	1,660,089
Total	<u>\$ 5,346,263</u>

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24. Future Minimum Lease Payments Receivable

The Group derives rental income from certain of its investment properties under non-cancellable rental agreements. The future minimum lease payments due to be received under these agreements as of December 31, 2015 are as follows:

	At December 31, 2015
No later than 1 year	\$ 2,283,884
Later than 1 year and no later than 5 years	<u>2,819,527</u>
Total	<u>\$ 5,103,411</u>

25. Net Premium Revenue

Net premium revenue is comprised of the following:

	2015	2014
Life and health insurance premiums	\$ 121,086,477	\$ 125,961,742
Less: Reinsurance premiums	<u>(12,541,266)</u>	<u>(12,865,989)</u>
Subtotal	108,545,211	113,095,753
Premiums from IRM reinsurance facilities (See Note 14)	<u>18,331,693</u>	<u>15,363,874</u>
Net premium revenue	<u>\$ 126,876,904</u>	<u>\$ 128,459,627</u>

Net premium revenues are classified in the following categories:

	2015	2014
Short-term insurance contracts	\$ 76,643,787	\$ 78,498,189
Long-term insurance and other contracts		
-with fixed and guaranteed terms	31,985,399	29,978,543
-with fixed and guaranteed terms and with DPF	20,710,996	21,251,063
-without fixed and guaranteed terms	68,351	140,367
-without fixed and guaranteed terms and with DPF	10,392,557	8,723,941
Long-term investment contracts with DPF	<u>(382,920)</u>	<u>2,733,513</u>
Total premium revenue arising from contracts issued	139,418,170	141,325,616
Premiums ceded to reinsurers	<u>(12,541,266)</u>	<u>(12,865,989)</u>
Net premium revenue	<u>\$ 126,876,904</u>	<u>\$ 128,459,627</u>

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26. Net Investment Income

Net investment income is classified as follows:

	2015	2014
Term deposits	\$ 667,595	\$ 1,035,739
Investment securities	15,666,718	10,874,873
Net fair value gains included in the revaluation reserve (See Note 22)	<u>962,181</u>	<u>480,823</u>
Net investment return on managed assets	17,296,494	12,391,435
Mortgages and commercial loans	2,433,605	2,490,095
Policy loans	7,695,698	7,566,115
Rental income	4,504,576	4,812,056
Net fair value gains/(losses) on investment properties (See Note 12)	888,777	(912,442)
Fair value losses on property assumed under mortgage default	(826,000)	-
Other fees and income	<u>(366,662)</u>	<u>(747,014)</u>
Total return on invested assets	31,626,488	25,600,245
Less: Fair value gains in the revaluation reserve	<u>(962,181)</u>	<u>(480,823)</u>
Total net investment income recognized in income	<u>\$ 30,664,307</u>	<u>\$ 25,119,422</u>

There are no impairment charges included in net investment income from investment securities (2014: \$Nil).

27. Net Policyholders' Benefits

Net policyholders' benefits are comprised of the following:

	2015	2014
Life and health policyholder benefits	\$ 80,383,314	\$ 85,932,346
Less: Reinsurance recoveries	<u>(8,367,197)</u>	<u>(12,734,083)</u>
Subtotal	72,016,117	73,198,263
Benefits paid on IRM reinsurance facilities (See Note 14)	<u>14,332,386</u>	<u>13,876,267</u>
Total net policyholders' benefits	<u>\$ 86,348,503</u>	<u>\$ 87,074,530</u>

Included in life and health policyholder benefits is \$863,341 related to interest on policy dividends on deposit (2014: \$839,979).

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Policyholders' benefits for the year by contract classification were as follows:

	2015	2014
Short-term insurance contracts	\$ 48,337,177	\$ 50,315,998
Long-term insurance and other contracts		
-with fixed and guaranteed terms	13,982,446	15,846,475
-with fixed and guaranteed terms and with DPF	21,439,979	21,772,896
-without fixed and guaranteed terms	2,130,317	1,747,771
-without fixed and guaranteed terms and with DPF	8,211,476	9,093,091
Long-term investment contracts with DPF	614,305	1,032,382
Total policyholders' benefits	94,715,700	99,808,613
Reinsurance recoveries	(8,367,197)	(12,734,083)
Net policyholders' benefits	<u>\$ 86,348,503</u>	<u>\$ 87,074,530</u>

28. General and Administrative Expenses

General and administrative expenses are comprised of:

	2015	2014
Salaries and employee/salesperson benefits	\$ 17,380,449	\$ 17,897,495
Fees, insurance and licences	5,040,666	3,938,782
IRM reinsurance facilities expenses (See Note 14)	2,803,309	1,974,874
Advertising and communications expense	3,340,835	3,135,223
Depreciation and amortization	2,213,212	2,841,915
Premises and maintenance	3,734,259	4,018,756
Underwriting fees	731,851	563,001
Other expenses	2,447,791	1,624,333
Total general and administrative expenses	<u>\$ 37,692,372</u>	<u>\$ 35,994,379</u>

29. Finance Costs and Interest

Finance costs and interest are comprised of:

	2015	2014
Interest on third party pension liabilities	\$ 1,172,121	\$ 1,230,189
Interest on liabilities due to ASO groups	824,217	554,886
Other interest costs	339,166	-
Total finance costs and interest	<u>\$ 2,335,504</u>	<u>\$ 1,785,075</u>

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30. Earnings Per Share and Dividends Per 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 year, excluding ordinary shares of the Company acquired by Colina and held as treasury shares.

	2015	2014
Net income attributable to equity shareholders	\$ 15,568,912	\$ 14,520,524
Net income attributable to ordinary shareholders	\$ 13,036,635	\$ 11,988,474
Weighted average number of ordinary shares outstanding	24,709,631	24,709,631
Basic earnings per ordinary share	\$ 0.53	\$ 0.49

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 2015 totalled \$4,941,926 (\$0.20 per share) (2014: \$4,941,926 (\$0.20 per share)).

Dividends paid by the Company to the Class "A" preference shareholders during 2015 totalled \$2,532,277 (2014: \$2,532,050).

The Company does not have any dilutive shares.

31. Pension Plan

The Group's subsidiaries operate various defined contribution plans for eligible administrative employees and salespersons which are administered by CFAL. Under the respective plans, eligible staff and salespersons contribute between 5% to 7.5% of pensionable earnings with the subsidiary Companies contributing between 5% to 7.5%. The subsidiary Group's matching contributions vest with the employee/salesperson on various scales but fully vest after five to ten years. Pension expense for the year was \$838,669 and is included in salaries and employee/salespersons' benefits expense (2014: \$797,573).

32. Unit Linked Funds and Investment Plans

Certain policy contracts allow the policyholder to invest in units in a notional fund called the Bahamas Investment Fund (the "BIF"). The value of the units is linked to the performance of the underlying assets of the BIF. These assets may be varied by the Company from time to time and neither the policyholder nor any other person who may be entitled to benefit has any legal or beneficial interest in the BIF or the units or any underlying assets, which are solely the property of the Group.

Certain policy contracts, obtained through the acquisition of the former Colina in 2002, allow the policyholder to acquire units in a notional investment fund known as the Colina Investment Plan (the "CIP"). The value of the units is based on the performance of the underlying assets of the CIP. These assets may be varied from time to time.

Depending on the issue date of their policy, the Group may have guaranteed investors in the CIP a minimum rate of return of either 4% or 4.5% per annum, payable at maturity. The liabilities in relation to these guarantees are included in the provision for future policy benefits.

Issuance of new CIP policies was discontinued in January 2001.

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The underlying assets of the BIF and CIP that are included in their respective categories in the consolidated statement of financial position at December 31, 2015 are as follows:

	Bahamas Investment Fund		Colina Investment Plan	
	2015	2014	2015	2014
Equities - listed	\$ 9,921,012	\$ 7,442,934	\$ 2,585,421	\$ 2,295,893
Equities - unquoted	66,894	66,894	15,000	15,000
Preferred shares - unquoted	550,000	550,000	318,000	318,000
Government securities	6,923,800	6,102,800	5,268,000	6,340,721
Debt securities - unquoted	517,858	528,572	39,287	42,858
Term deposits	576,437	1,184,630	623,398	539,155
Policy loans	-	-	803,959	807,280
Cash	103,917	258,129	148,585	114,230
Due to general fund	(5,113,641)	(2,245,997)	(2,192,124)	(3,116,960)
Total assets	<u>\$ 13,546,277</u>	<u>\$ 13,887,962</u>	<u>\$ 7,609,526</u>	<u>\$ 7,356,177</u>

33. Related Party Balances and Transactions

Related parties are entities or individuals where there is effective control or significant influence by the Company, its directors, AFH or its shareholders. All significant balances and transactions with AFH and entities or individuals controlled or significantly influenced by AFH or otherwise related to it, are disclosed in these consolidated financial statements as being with related parties.

Transactions with related parties

The following transactions were carried out with related parties:

	AFH	Other affiliates	Other related parties	Total 2015	Total 2014
Revenues					
Group medical insurance	\$ 12,056	\$ 955,271	\$ 840,251	\$ 1,807,578	\$ 1,688,509
Investment management and other fees	-	335,595	308,753	644,348	599,193
Other income	-	-	100,000	100,000	-
Total	<u>\$ 12,056</u>	<u>\$ 1,290,866</u>	<u>\$ 1,249,004</u>	<u>\$ 2,551,926</u>	<u>\$ 2,287,702</u>
Expenses					
Management and consulting	\$ 353,240	\$ -	\$ -	\$ 353,240	\$ 103,892
Legal fees	-	324,540	-	324,540	635,299
Administration, Registrar and Transfer Agent fees	-	78,705	-	78,705	143,845
Property management fees	-	61,920	-	61,920	61,920
Advertising and marketing	-	259,118	-	259,118	232,866
Property rental	-	661,434	24,033	685,467	460,593
Medical lab expenses	-	-	545,644	545,644	494,260
Other	250,000	328,253	1,994	580,247	500,000
Total	<u>\$ 603,240</u>	<u>\$ 1,713,970</u>	<u>\$ 571,671</u>	<u>\$ 2,888,881</u>	<u>\$ 2,632,675</u>

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Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group and its subsidiaries, directly or indirectly, including any director (whether executive or otherwise) of the Group. Compensation for key management personnel for the year ended December 31, 2015 was \$3,878,801 (2014: \$4,185,398).

Directors' fees

Fees paid to Directors for services rendered on the Company's Board and Board Committees for the year ended December 31, 2015 totaled \$216,101 (2014: \$283,658).

Year-end balances arising from sales/purchases of products and /or services

The following related party amounts are included in the consolidated statement of financial position as at December 31:

	AFH	Other affiliates	Other related parties	Key Management / Directors	Total 2015	Total 2014
Assets						
Investment securities	\$ -	\$ 614,025	\$ 5,000,000	\$ -	\$ 5,614,025	\$ 116,126
Mortgages and and commercial loans, net	\$ -	\$ -	\$ -	\$ 1,375,531	\$ 1,375,531	\$ 1,607,240
Cash and bank balances	\$ -	\$ -	\$ 3,880,564	\$ -	\$ 3,880,564	\$ 7,640,156
Receivables and other assets	\$ 54,633	\$ 98,874	\$ 15,056,997	\$ -	\$ 15,210,504	\$ 371,099
Liabilities						
Other liabilities	\$ -	\$ 140,872	\$ 5,833	\$ -	\$ 146,705	\$ 55,312

Included in investment securities and receivables and other assets in 2015 is the \$5 million investment in ABL Preference Shares and the \$15 million loan to SBL respectively (See Notes 13 and 14).

Loans advanced to related parties included in mortgages and commercial loans carry interest rates between 5.5% and 8.5% % p.a. (2014: 5.5% and 8.5% p.a.).

During the year, Colina entered into a credit agreement allowing it to purchase certain assets (See Note 9). ABL funded, and as a result acquired \$10 million of the acquired assets.

34. Risk Management

Governance Framework

The primary objective of the Company's Corporate Governance framework is to protect the Company's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognizes the critical importance of having efficient and effective risk management systems in place. The Group has a clear organizational structure with documented delegated authorities and responsibilities from the Board of Directors to executive management committees and senior managers.

Regulatory Framework

Regulators are primarily interested in protecting the rights of the policyholders and have established guidelines and regulations by which the Group is required to comply to ensure that the Group is satisfactorily managing affairs for their benefit. The operations of the Group are subject also to regulatory requirements in the foreign jurisdictions in which it operates. The Group's regulators are interested in ensuring that the Group maintains an appropriate solvency position to meet unforeseen liabilities arising from changes in the economic environment. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions to minimize the risk of default and insolvency on the part of insurance companies to meet unforeseen liabilities as they arise.

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Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount and timing of the resulting claim.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that increase insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

Frequency and severity of claims

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics or wide spread changes in lifestyle such as eating, smoking and exercise habits, resulting in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant factor is continued improvement in medical science and social conditions that would increase longevity.

At present, these risks do not vary significantly in relation to the location of the risk insured by the Group. However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

The table below indicates the concentration of insured benefits across four bands of insured benefits per coverage insured rounded to the nearest thousand.

	2015 (in \$000s)	2014 (in \$000s)
\$0 to \$49,999	\$ 457,575	\$ 483,214
\$50,000 to \$99,999	939,826	968,046
\$100,000 to \$149,999	2,116,854	2,154,493
\$150,000 and over	3,176,525	3,163,176
Total	<u>\$ 6,690,780</u>	<u>\$ 6,768,929</u>

The Group manages risks through its underwriting strategy and reinsurance arrangements. The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of type of risk and the level of insured benefits. Medical selection is also included in the Group's underwriting procedures with premiums varied to reflect the health condition and family medical history of the applicants. The Group limits the amount of loss on any one policy by reinsuring certain levels of risk in various areas of exposure with other insurers.

Generally, the Group has retention limits on insurance policies as follows:

	2015	2014
Individual life	\$ 50,000	\$ 50,000
Individual accidental death and dismemberment	\$ 50,000	\$ 50,000
Individual personal accident	\$ 50,000	\$ 50,000
Group accidental death and dismemberment	\$ 50,000	\$ 50,000
Individual and Group Medical	\$ 250,000	\$ 250,000

Reinsurance ceded does not discharge the Group's liability as the primary insurer and failure of reinsurers to honour their obligations could result in losses to the Group.

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Financial risk

The Group is exposed to financial risk through its financial assets, financial liabilities (investment contracts and borrowings), reinsurance assets and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance and investment contracts. The most important components of this financial risk are interest rate risk, credit risk and liquidity risk.

These risks arise from open positions in interest rate and equity products, all of which are exposed to general and specific market movements. The risk that the Group primarily faces due to the nature of its investments and liabilities is interest rate risk.

The Group manages these positions within an asset liability management ("ALM") framework that has been developed to maximize long-term investment returns in excess of its obligations under insurance and investment contracts. The principal technique of the Group's ALM is to match cash flows from assets to the liability cash flows arising from insurance and investment contracts by reference to the type of benefits payable to contract holders. For each distinct category of liabilities, a separate portfolio of assets is maintained.

The Group's ALM is integrated with the management of the financial risks associated with the Group's other financial assets and liabilities not directly associated with insurance and investment liabilities.

Interest rate risk

The Group is vulnerable to periods of declining interest rates given that most of its investments in government bonds have floating interest rates tied to the Bahamian \$ Prime rate. The Group manages this risk by attempting to retain a level of assets to liabilities with similar principal values, effective interest rates and maturity dates.

The Group monitors interest rate risk by calculating the duration of the investment portfolio and the liabilities issued. The duration is an indicator of the sensitivity of the assets and liabilities to changes in current interest rates. The duration of the liabilities is determined by projecting expected cash flows from the contracts using best estimates of mortality, morbidity and terminations. No future discretionary supplemental benefits are assumed to accrue. The duration of the assets is calculated in a consistent manner. Any gap between the duration of the assets and the duration of the liabilities is minimized by means of buying and selling securities of different durations. The Group's sensitivity to interest rate risk is included in Note 18.

Credit risk

Credit risk arises from the failure of a counterparty to perform according to the terms of the contract. From this perspective, the Group's credit risk exposure is primarily concentrated in its deposits placed with other financial institutions, loans to policyholders and other clients, and amounts due from reinsurers and insurance contract holders.

The Group's deposits are primarily placed with well-known high quality financial institutions. Loans to policyholders are generally collateralized by cash surrender values of the respective policies. Mortgage loans are adequately secured by properly registered legal charges on real property. With respect to the Group's unsecured commercial paper loans and other material unsecured receivables, management is satisfied that the debtors concerned are both financially able and willing to meet their obligations to the Group except in those instances where impairment provisions have been made.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract. The Appointed Actuary advises management with respect to the Group's reinsurance placement policy and assists with assessing the creditworthiness of all reinsurers by reviewing credit grades provided by rating agencies and other publicly available financial information. The Group's main reinsurer is Munich Reinsurance Company Canada Branch (Life).

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The table below provides information regarding the credit risk exposure of the Group by classifying assets according to the Group's internal assessments of the credit ratings of counterparties. The table also includes an aging analysis of financial assets, providing information regarding the Group's exposures on amounts current, and past due:

December 31, 2015 (in \$000s)	Balances with no scheduled repayment dates	Current			Past due but not impaired		Total
		Investment Grade	Non- Graded	Unit Linked	30 - 90 days	>90 days	
Financial assets							
Term deposits	\$ 43,705	\$ -	\$ -	\$ 1,200	\$ -	\$ -	\$ 44,905
FVPL securities	-	1,574	82,649	17,980	-	-	102,203
AFS securities	-	3,138	214,626	8,226	-	-	225,990
Loans and receivables	-	-	35,000	-	-	-	35,000
Mortgages and commercial loans	-	-	20,984	-	3,247	18,273	42,504
Policy loans	69,335	-	-	804	-	-	70,139
Cash and demand balances	29,056	-	-	253	-	-	29,309
Premiums receivable	-	-	2,115	-	1,245	3,530	6,890
Reinsurance receivables	-	-	1,359	-	1,404	-	2,763
Loan to SBL Ltd.	-	-	15,000	-	-	-	15,000
Other financial assets	942	3,873	6,927	-	-	-	11,742
Total financial assets	\$ 143,038	\$ 8,585	\$ 378,660	\$ 28,463	\$ 5,896	\$ 21,803	\$ 586,445

December 31, 2014 (in \$000s)	Balances with no scheduled repayment dates	Current			Past due but not impaired		Total
		Investment Grade	Non- Graded	Unit Linked	30 - 90 days	>90 days	
Financial assets							
Term deposits	\$ 42,855	\$ -	\$ -	\$ 1,724	\$ -	\$ -	\$ 44,579
FVPL securities	-	2,935	68,786	14,691	-	-	86,412
AFS securities	-	2,089	210,835	9,012	-	-	221,936
Mortgages and commercial loans	-	-	25,655	-	2,943	19,846	48,444
Policy loans	68,754	-	-	807	-	-	69,561
Cash and demand balances	22,241	-	-	372	-	-	22,613
Premiums receivable	-	-	2,443	-	1,956	994	5,393
Reinsurance receivables	-	-	1,443	-	3,948	3,295	8,686
Other financial assets	395	3,544	(4,608)	-	-	-	(669)
Total financial assets	\$ 134,245	\$ 8,568	\$ 304,554	\$ 26,606	\$ 8,847	\$ 24,135	\$ 506,955

Management's internal credit rating assessment allows for Government Securities and listed equity securities to be included in the 'Investment Grade' classification.

Liquidity risk

The Group is exposed to daily calls on its available cash resources, mainly from claims arising from insurance contracts. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. Management sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of borrowing facilities that should be in place to cover maturities, claims and surrenders at unexpected levels of demand.

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The table below summarizes the maturity profile of the financial liabilities of the Group based on remaining contractual obligations (undiscounted cash flow basis):

December 31, 2015 (in \$000s)	Up to a year		Over 5	No	Not	Total
		1-5 years	years	Term	Classified	
Insurance and Investment Contracts						
Short-term insurance contracts	\$ 6,180	\$ (3)	\$ 77	\$ -	\$ 7,289	\$ 13,543
Long-term insurance and other contracts						
-with fixed and guaranteed terms	(11,411)	(21,954)	567,837	-	13,642	548,114
-with fixed and guaranteed terms, with DPF	8,425	43,925	544,630	-	3,869	600,849
-without fixed and guaranteed terms	1,800	6,818	20,130	-	422	29,170
-without fixed and guaranteed terms, with DPF	2,806	7,967	13,143	-	(968)	22,948
Long-term investment contracts with DPF	-	-	-	-	7,610	7,610
Financial Liabilities						
Policy dividends on deposit	-	-	-	27,783	-	27,783
Repurchase agreement	7,000	28,000	-	-	-	35,000
Other financial liabilities	-	-	-	91,118	-	91,118
Total	\$ 14,800	\$ 64,753	\$ 1,145,817	\$ 118,901	\$ 31,864	\$ 1,376,135
December 31, 2014 (in \$000s)						
Insurance and Investment Contracts						
Short-term insurance contracts	\$ 6,801	\$ 122	\$ 73	\$ -	\$ 7,204	\$ 14,200
Long-term insurance and other contracts						
-with fixed and guaranteed terms	(11,394)	(23,329)	551,679	-	6,945	523,901
-with fixed and guaranteed terms, with DPF	7,707	41,030	548,698	-	6,912	604,347
-without fixed and guaranteed terms	1,808	6,916	21,582	-	382	30,688
-without fixed and guaranteed terms, with DPF	2,715	7,208	13,321	-	(632)	22,612
Long-term investment contracts with DPF	-	-	-	-	7,356	7,356
Financial Liabilities						
Policy dividends on deposit	-	-	-	27,686	-	27,686
Other financial liabilities	-	-	-	78,353	-	78,353
Total	\$ 7,637	\$ 31,947	\$ 1,135,353	\$ 106,039	\$ 28,167	\$ 1,309,143

Due to system limitations, certain balances were not able to be classified and have been included in the caption 'not classified'.

The table below summarizes the expected recovery or settlement of assets:

December 31, 2015 (in \$000s)	Current	Non-Current	Unit Linked	Total
Term deposits	\$ 43,705	\$ -	\$ 1,200	\$ 44,905
Investment securities				
FVPL securities	-	84,223	17,980	102,203
AFS securities	-	217,764	8,226	225,990
Loans and receivables	-	35,000	-	35,000
Mortgages and commercial loans	3,502	39,002	-	42,504
Policy loans	-	69,335	804	70,139
Investment properties	-	55,155	-	55,155
Investment in associates	-	12,067	-	12,067
Cash and demand balances	29,056	-	253	29,309
Receivables and other assets	56,609	-	-	56,609
Property and equipment	-	19,788	-	19,788
Goodwill	-	13,470	-	13,470
Other intangible assets	-	3,736	-	3,736
Total Assets	\$ 132,872	\$ 549,540	\$ 28,463	\$ 710,875

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December 31, 2014 (in \$000s)	Current	Non-Current	Unit Linked	Total
Term deposits	\$ 42,855	\$ -	\$ 1,724	\$ 44,579
Investment securities				
FVPL securities	-	71,721	14,691	86,412
AFS securities	-	212,924	9,012	221,936
Mortgages and commercial loans	1,694	46,750	-	48,444
Policy loans	-	68,754	807	69,561
Investment properties	-	54,165	-	54,165
Investment in associates	10,679	-	-	10,679
Cash and demand balances	22,241	-	372	22,613
Receivables and other assets	36,194	-	-	36,194
Property and equipment	-	21,065	-	21,065
Goodwill	-	13,520	-	13,520
Other intangible assets	-	4,244	-	4,244
Total Assets	\$ 113,663	\$ 493,143	\$ 26,606	\$ 633,412

Price risk

The Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group has a relatively small investment in local equities which are exposed to market price risk arising from uncertainties about the future values of the investment. A sensitivity analysis has therefore not been presented. Securities reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors and/or respective Board Committees review and approve equity investment decisions meeting thresholds established in each respective subsidiary's Investment guidelines.

Settlement Risk

The Group's trading activities may give rise to the risk that at the time of settlement of those trades. Settlement risk is the risk of loss due to the failure of counterparty to honor its obligations to deliver cash, securities, or other assets as contractually agreed.

For those transactions, the Group mitigates settlement risk by the simultaneous commencement of the payment and the delivery parts of the transaction.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes or systems. Internal processes include activities relating to accounting, reporting, operations, compliance and personnel management. Such risk manifests itself in various breakdowns, errors and business interruptions and can potentially result in financial losses and other damage to the Group.

The Group regularly assesses new systems which will better enable the Group to monitor and control its exposure to operational risk in order to keep operational risk at appropriate levels.

Capital Management

The Group manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in economic conditions and risk characteristics of the Group's activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid or return of capital to the shareholders.

COLINA HOLDINGS BAHAMAS LIMITED
Notes to Consolidated Financial Statements

For the Year Ended December 31, 2015
(Expressed in Bahamian dollars)

Subsidiary Capital Requirements

The Company and its subsidiaries fully complied with all externally imposed capital requirements during the reported financial period and no changes were made to the Company's capital base, objectives, policies and processes from the prior year. The following is a summary of capital requirements by principal subsidiary:

Colina

Externally imposed capital requirements for Colina are set and regulated by the Insurance Commission of The Bahamas. These requirements are put in place to ensure sufficient solvency margins. At December 31, 2015, Colina exceeded both the statutory margin requirement and the minimum ratio requirement of qualifying to admissible assets. Further objectives are set by management and the Board to maintain a strong credit rating and healthy capital ratios in order to support its business objectives and maximize shareholders' value. For the purposes of assessing its capital position, Colina uses the capital on its consolidated statement of financial position excluding goodwill and with limitations placed on all but the strongest forms of capital.

In addition to the solvency margins as required by statute, Colina measures its solvency ratio using Canadian reserving methodologies and solvency standards as measured by the Minimum Continuing Capital and Surplus Requirement ("MCCSR"). The Canadian Insurance regulator has set a MCCSR supervisory target of 150%. At December 31, 2015, Colina's MCCSR exceeded the target.

CFAL

CFAL is required to have a minimum capital of \$25,000 calculated as per the Securities Act and was well in excess of the minimum requirement.

CGIA

CGIA's Board of Directors reviews its capital structure on an annual basis and considers the cost of capital and the risks associated with each class of capital.

35. Other Subsequent Events

Dividends declared for Ordinary and Preference Shareholders

The Board of Directors, by resolution dated March 16, 2016, authorized the payment of preference share dividends for the Class "A" Preference Shareholders of the Company for the quarter ended March 31, 2015, subject to any regulatory approvals.

The Board further approved an ordinary dividend of \$0.16 per share for all issued and outstanding Class "A" Ordinary Shareholders of record on April 30, 2015, subject to any regulatory approvals.



