



STRENGTH
FOR TODAY.

RESILIENCE
FOR TOMORROW.



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CHAIRMAN'S REPORT

Financial strength, sound investment principles and a diverse portfolio drive Colina Holdings Bahamas Limited's (CHBL's) accomplishments. They are the tenets that have helped the Company succeed in good times and in times of adversity.

CHBL continued to build on its balance sheet strength with its performance during fiscal 2019. Driven largely by Colina Insurance Limited's ("CIL") improved claims experience over 2018, CHBL's 2019 net income attributable to equity shareholders of the Company increased to \$17.6 million compared to \$12.3 million in 2018. CHBL's balance sheet saw an increase of \$33.4 million in total assets to \$793.3 million at December 31, 2019, compared to \$759.9 million in 2018 as a result of continued investments in high-quality investment securities and other investments.

Our primary objective and commitment to our policyholders is that we fulfill our obligations to have the financial capacity and strength to pay claims as they become due. We continue to have strong liquidity and capital ratios which provide the Company with the flexibility to meet these obligations in the regular course of business, and more importantly, in times of extreme stress.

The Company focused on investing in an asset portfolio that supports our investment strategy of having the right balance of liquidity while ensuring long-term growth and returns within our accepted investment, credit, and financial risk tolerances. Invested assets totaled \$622.4 million, comprising 78.5% of total assets. This strategy has resulted in an improvement in net investment

income with returns totaling \$38.9 million compared to \$26.6 million in the prior year.

The Company continues its efforts on transforming its service offerings to digital and online capabilities to better enhance accessibility of its products and services to its customers and partners. This ongoing emphasis on technology positioned its principal operating subsidiaries, CIL, Colina Financial Advisors Ltd. ("CFAL") and Colina General Insurance Agents & Brokers Limited ("CGIA") to survive a six-week mandated closure of its offices in compliance with the Emergency Powers (COVID-19)(No. 2) Order, 2020 enacted on March 17, 2020. These Companies successfully transitioned to full virtual operations overnight, with minimum disruption in services. CHBL's resilience amidst the complicated and unprecedented challenges of COVID-19 is a testament of its focused leadership and consistent planning for business continuity regardless of the scenario.

CIL's individual clients are able to make payments on the Company's website, via pre-authorized cheque transactions and through the online platforms of various local clearing banks; policyowners can apply for a policy loan or dividend or make a universal life policy withdrawal at www.colina.com; and potential clients are able to generate instant quotes for life, health, home and auto insurance. The new individual

policyowner portal features a single view of all individual life and health insurance policies, up-to-date premium information and policy values and electronic notices. The portal also allows clients to initiate online payments and application for policy transactions, as well as the ability to communicate with us at any time. Meanwhile, healthcare providers enjoy the convenience of electronic verification of benefits and patient cost sharing information, e-claim submissions, and electronic funds transfers and explanation of payments. Group Plan Administrators are utilizing our new portal that was launched in 2019. It allows them to enroll and terminate employees and their dependent(s), request changes and Member ID cards, and more. Comprehensive digital services are no longer optional; we are determined to equip our stakeholders to do business remotely at their convenience, whenever, wherever, and with no restrictions as they were able to do during the six weeks CIL's physical offices were closed.

Over the years, CFAL has invested heavily in technology to provide cutting-edge software to its clients. This allowed CFAL to easily transition during the COVID-19 pandemic, utilizing its disaster recovery plan to work remotely and fully service clients for the six-week Emergency Order period. CFAL continues to invest in technology and is constantly working on updating its website and portals to ensure ease of access for its clients.

CGIA closed its branches in response to the COVID-19 Emergency Order, equipping Customer Service Representatives with the tools required to connect with clients remotely. Customers were able to connect with us primarily via e-mail and phone. CGIA representatives called clients directly regarding renewal transactions. Access to communication devices allowed for business acquisition and retention amidst the shutdown. CGIA is now preparing for enhanced digital services through the launch of a new administration system that will result in automation of 90% of their processes, generally improving efficiency and allowing CGIA to reach more clients and potential clients via mass emailing of various products and services.

Kudos to our sales teams for demonstrating immense work ethic and positive attitude, in spite of the challenges The Bahamas faced in 2019. Salespersons are the intermediary between CHBL and the public. They are the engine that drives the financial wellbeing of our company and its clients. We also salute the administrative and business professionals who work at all of the operating companies under CHBL. We acknowledge that CHBL's success is a result of their collective efforts and are grateful for the role each individual plays executing on the Company's core values and our clients' important missions.

In 2019, general and administrative expenses totaled \$35.8 million comprising 19.6% of total revenues compared to \$33.4 million and 19.8% respectively in 2018.

From a capital standpoint, CHBL strengthened its total shareholders' equity position to \$184.4 million, an increase of \$9.1 million over the prior year. Ordinary shareholder equity has increased to \$141.9 million, compared to \$132.8 million in 2018. As a result of the growth in equity and the diverse investments the Company has made, the Company enjoys strong capital ratios which speak to its ability to meet its obligations over the long term.

Global Credit Rating Agency AM Best reaffirmed CIL's Financial Strength Rating of A-(Excellent) and Long-Term Issuer Credit Rating (Long-Term ICR) of "a-" in 2019. Following Hurricane Dorian's passage, AM Best placed the Credit Ratings of all the major property/casualty and life/health insurance companies domiciled in The Bahamas "under review with developing implications". CIL was later able to successfully have the "under review" removed by providing AM Best with its comprehensive analysis of CIL's financial strength and the storm's impact on the company.

CFAL, our investment arm, has seen its assets under management grow from \$2.6 million in 1997 to over \$1.9 billion in 2019, which comprises Pension and Investment Assets. It is one of The Bahamas' largest pension management firms.

CGIA's revenue base has increased by 6.3% over prior year, attributable to premium growth in fire, accident and marine insurance.

Thank you to the shareholders of CHBL for your ongoing support of the Company and for your confidence in the Board of Directors and Management to provide the steady leadership required for success. We are well positioned for a future of continued growth.

Looking ahead, although these are unusual times, we believe that we are in a good position to withstand the uncertainties within this current environment. We will continue to focus on executing our business strategies, enabling us to meet the financial needs of our clients in ever more flexible ways.



TERRY HILTS
Chairman



MANAGEMENT'S DISCUSSION & ANALYSIS



FORWARD-LOOKING STATEMENTS

This MD&A is dated April 17, 2020.

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 (“CIL”), Colina General Insurance Agency & Brokers Limited (“CGIA”), and Colina Financial Advisors Ltd. (“CFAL”).

CIL 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's 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.

Overall PERFORMANCE

Colina Holdings Bahamas Limited Statistical Financial Reporting Data

(All data in B\$000s with the exception of \$/per share amounts)

	2019	2018	2017
Net income for the year	\$ 19,458	\$ 12,900	\$ 17,565
Net income for equity shareholders	\$ 17,613	\$ 12,292	\$ 16,606
Net income for ordinary shareholders	\$ 15,169	\$ 9,849	\$ 14,161
Gross premium revenue	\$ 135,458	\$ 136,400	\$ 130,887
Net premium revenue	\$ 120,198	\$ 120,952	\$ 117,455
Net commission income*	\$ 3,804	\$ 3,593	\$ 3,262
Investment management and other fees*	\$ 14,672	\$ 13,217	\$ 13,085
Total revenues	\$ 182,839	\$ 168,496	\$ 165,061
Total assets	\$ 793,285	\$ 759,924	\$ 743,486
Total invested assets*	\$ 622,437	\$ 620,595	\$ 596,611
Total ordinary shareholders' equity	\$ 141,865	\$ 132,804	\$ 129,660
Total equity	\$ 212,446	\$ 199,037	\$ 194,332
Shareholders' equity	\$ 184,365	\$ 175,304	\$ 172,159
Return as % of total assets	2.5%	1.7%	2.4%
Return on total opening ordinary equity	11.4%	7.6%	12.0%
Earnings per ordinary share	\$ 0.61	\$ 0.40	\$ 0.57

SUMMARY OF QUARTERLY RESULTS

Colina Holdings Bahamas Limited

Quarterly Financial Information

(All data in B\$000s with the exception of \$ per share amounts)

	2019				2018			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net premium revenue (for the quarter)	\$31,540	\$30,190	\$28,387	\$30,081	\$29,992	\$30,116	\$29,223	\$31,621
Total revenue (for the quarter)	\$44,158	\$47,692	\$45,273	\$45,716	\$41,355	\$42,987	\$39,497	\$44,657
Net Earnings by Quarter								
Total net income	\$ 7,321	\$ 3,190	\$ 4,928	\$ 4,019	\$ 3,218	\$ 2,817	\$ 2,310	\$ 4,555
Net income attributable to equity shareholders	\$ 6,863	\$ 2,947	\$ 4,632	\$ 3,171	\$ 3,339	\$ 2,407	\$ 2,298	\$ 4,248
Net income attributable to ordinary shareholders	\$ 6,251	\$ 2,337	\$ 4,021	\$ 2,560	\$ 2,729	\$ 1,796	\$ 1,687	\$ 3,637
Quarterly Earnings per Ordinary Share	\$ 0.26	\$ 0.09	\$ 0.16	\$ 0.10	\$ 0.11	\$ 0.07	\$ 0.07	\$ 0.15

CHANGES IN ACCOUNTING POLICIES:

A description of changes in accounting policies and disclosures is included in Note 2.5 to the Consolidated Financial Statements.

SUMMARY OF FINANCIAL PERFORMANCE

The Company experienced a reduction in benefit costs in 2019 relative to 2018 which contributed to the improvement in net income attributable to equity shareholders which totalled \$17.6 million compared to \$12.3 million in 2018. Total revenues were \$14.3 million higher than prior year, totalling \$182.8 million compared to \$168.5 million in 2018.

Total gross premium revenues were slightly under the prior year, \$135.5 million for the 12 months ended December 31, 2019 compared to \$136.4 million in the prior year.

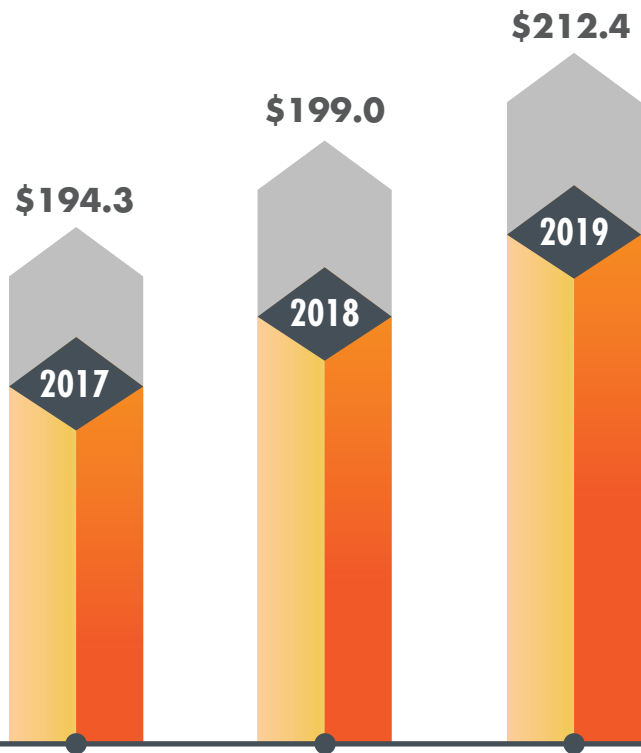
The Company's invested asset portfolio has delivered returns of \$38.9 million in 2019, up from \$26.6 million in the prior year – returns on the Company's investment securities have improved over prior year, as a result of the growing investment portfolio base. Interest income on the Company's investments contributes largely to net investment income, offset by unrealized losses on the mark to market of certain investment holdings and impairment

adjustments taken on the revaluation of investment properties.

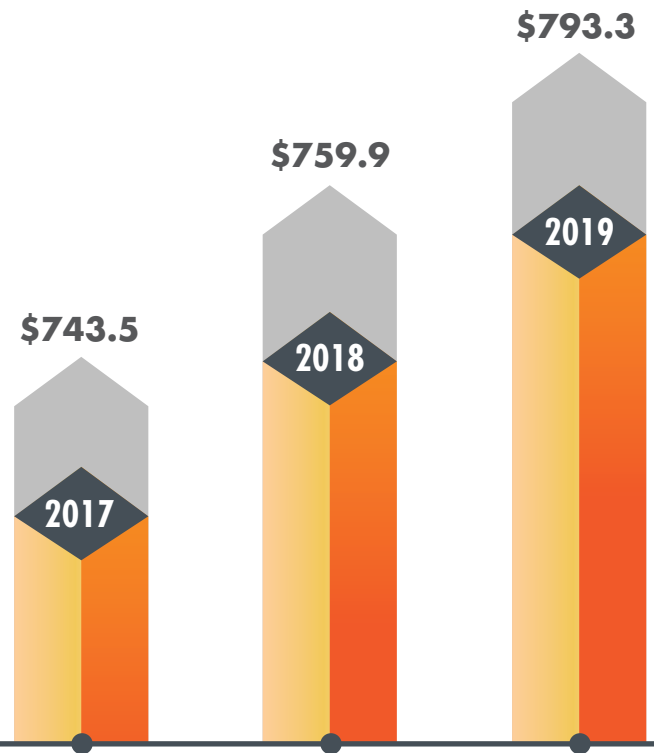
The Company continued to achieve its objective of balance sheet growth, increasing total assets by \$33.4 million to \$793.3 million at December 31, 2019, representing a 4.4% increase over total assets as at December 31, 2018. The Company continued to direct the majority of this asset growth in additional investments in high-quality securities during the year.

The Company continues to invest 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. Its administrative expense ratios have been conservative, comprising 19.6% in 2019 and 19.8% in 2018 respectively of total revenues. 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".

Total EQUITY (In B\$ millions)

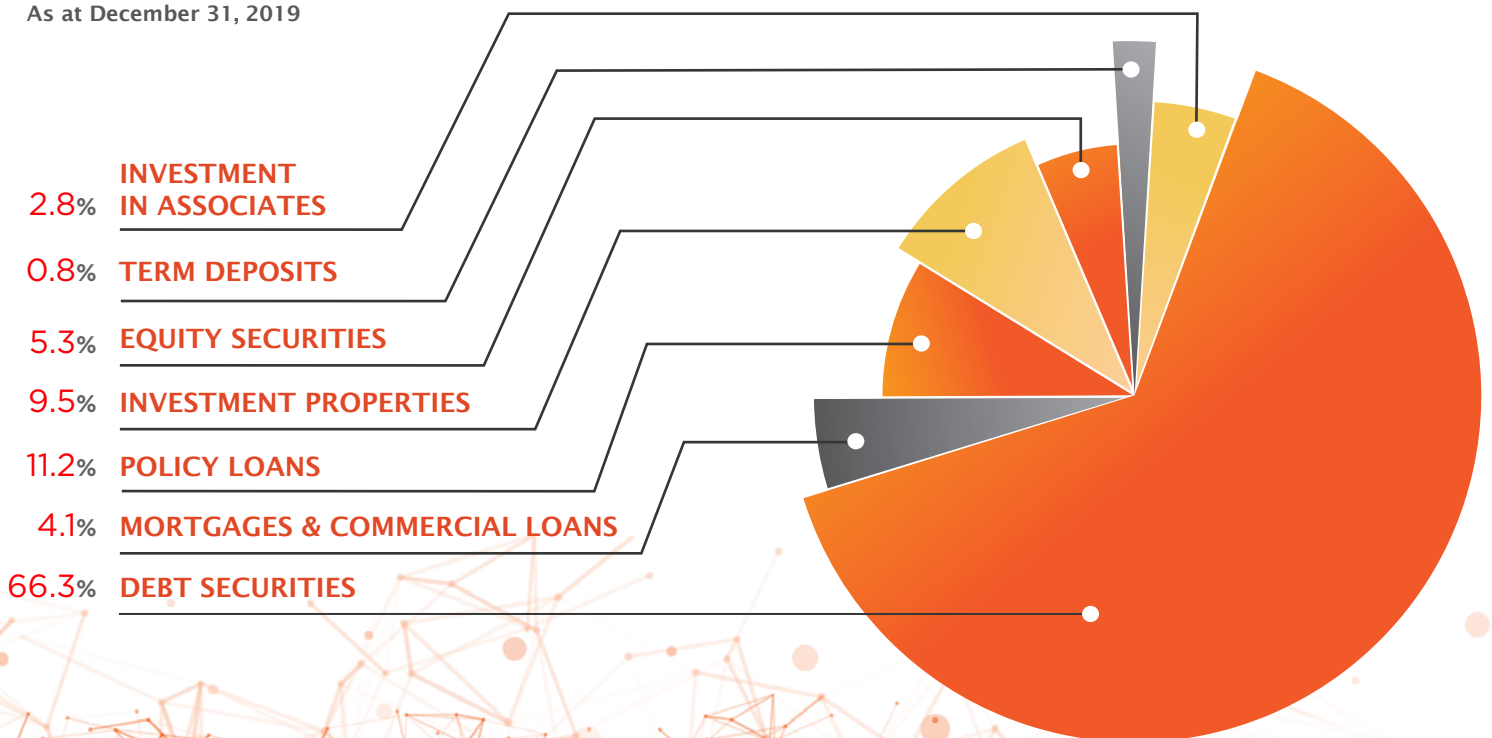


Total ASSETS (In B\$ millions)



Invested Assets COMPOSITION

As at December 31, 2019



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, 2019, the Company held cash and liquid short-term investments of \$49.5 million (\$61.0 million in 2018). The Company and its subsidiaries held over \$412.5 million in debt securities, 90.2% 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 35 to the Consolidated Financial Statements.

OFF-BALANCE SHEET ARRANGEMENTS

As at December 31, 2019, the Company did not provide any guarantees to third parties. Included, however, in term deposits and investment securities are \$2.3 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 24 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 35 to the Consolidated Financial Statements. The Group's activities also include trading activities which introduce settlement risk exposures which are also discussed in Note 35.

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 34 to the Consolidated Financial Statements.

CAPITAL MANAGEMENT

The Company's total shareholders' equity base has grown by 5.2% to \$184.4 million at December 31, 2019 from \$175.3 million in the prior year. The growth in retained earnings as a result of the fiscal performance in 2019 enabled the Company to declare dividends to the Class "A" Ordinary Shareholders of \$5.4 million or \$0.22 / share after dividend distributions to the Class "A" Preference Shareholders of \$2.4 million.



COLINA INSURANCE LIMITED (CIL)

Meet the EXECUTIVE TEAM



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



Anthony R. Ferguson
President, CFAL



Steve Haughey
Chief Operating Officer,
CHBL



Catherine Williams
Vice President, Finance
CIL



Marcus J. Bosland
Resident Actuary, CIL



Wendy Butler
Vice President, Group
& Health Benefits, CIL



DeAndrea R. Lewis
Vice President,
Life Operations, CIL



Giorgina Duncanson-Thompson
Chief Group Internal Auditor,
CHBL



Charles Nevins III
General Manager, CMCO



Ruvania E. Deveaux
Chief Risk & Compliance
Officer, CHBL



Philip Smallwood
Director of Sales, CIL



Maxine Seymour
Director of Communications,
CHBL

COMPANY FOUNDATION

Colina Insurance Limited is a diversified financial services company offering comprehensive life and health insurance solutions. CIL was built on a firm foundation of trust, integrity and responsibility, evolving over the years to become the country's largest life and health insurer, with a solid reputation for providing insurance and related financial services products that help clients prepare for life's unexpected events.

FINANCIAL STRENGTH

Throughout 2019 and at the fiscal year end, CIL 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.

CIL 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, 2019, CIL's MCCSR exceeded the target.

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 \$8.5 million to the Company's operating profit, an increase over the prior year's divisional contribution of \$4.5 million. The divisions' profits benefited from the improvement in net investment income compared to the prior year, which was offset partially by the increased policyholder benefits (policy benefits and reserves) allocated to this division.

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 \$7.5 million to total net income in 2019 compared to \$6.0 million in 2018.

The improvement in claims experience positively contributed to this divisions' profit in 2019 compared to prior year.

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, such as experienced in 2018 fiscal.

CIL's MANAGEMENT TEAM



Sapna Chatlani
Actuary



Leah Major
Actuary



Sandra Thomas
Manager, Group Administration



Cheryl Martins
Manager, Group Sales
& Administration



Lavaughn Fernander
Manager, Customer Service



Charmaine S. Parker
Manager, Customer Service



Todney Marsh
Sr. Manager New Business
& Underwriting



Samantha Adderley
Manager, Life Claims



Antoinette Moxey
Financial Controller



Simone Coakley
Financial Reporting Officer



Paula Hospedales
Manager, Reinsurance
Administration



Beverly Ferguson
Manager, Credit Collections



Nickara Roberts-Burrows
Manager, Information Systems
& Projects



Enrique Pyfrom
Manager, IT Operations



Dion Gibson
Development Operations Manager



Leatha Nixon
Manager, Human Resources



Frank Ellis
Facilities Manager

CIL in the COMMUNITY



HOLIDAY CHEER FOR KIDS

Residents of the Bilney Lane Home Children's Home were treated to a day of fun at Fusion Superplex, including a movie, games, food and treats.



SWEAT FETE

CIL volunteers distributed water at Sweat Fete on Goodman's Bay on Saturday, October 5, 2019. The breast cancer awareness initiative featured a number of food, healthcare and fitness vendors.



MALL GIFTWRAPPING

CIL employee volunteers wrapped gifts at the Mall at Marathon over the holidays. All funds were donated to Hands For Hunger.



FINAL BITE

CIL sponsored the 'Final Bite of Food' at Paradise Plates - Hands for Hunger's signature fundraising event held on December 7, 2019. Paradise Plates concluded at midnight with a Junkanoo parade that ushered people out of the ballroom to the popular Conch 'n' Cone retro-themed food truck where they queued up for a CIL branded signature conch dish - a final bite of food to enjoy on the way home.



RED RIBBON BALL

CIL employees attend the 26th Annual Red Ribbon Ball on Saturday, November 23, 2019 in support of The Bahamas AIDS Foundation. CIL has been a leading corporate sponsor of the Ball since inception when its legacy company, Imperial Life Financial, envisioned and pioneered the event which has become a major fundraiser for The Bahamas AIDS Foundation. Pictured (l to r) Ruvania Deveaux, Chief Risk & Compliance Officer; Paula-Maria Hospedales, Reinsurance Administration Manager; Marcus J. Bosland, Resident Actuary; Maxine V. Seymour, Director, Corporate Communications; Giorgina R. Thompson, Chief Group Internal Auditor; and Chantal A. Horton, Communications Officer.

JBLN

CIL sponsored two Junior Baseball League of Nassau (JBLN) teams ahead of the league's 2020 season. The Colina Tigers were set to compete in the Coach-Pitch (ages 7-8) division while the CIL Crushers would contend in the Girls Softball (under-21) division.



PINK FOR CANCER

CIL commemorated breast cancer awareness with denim days each Friday in October. Employees wore jeans along with pink tops and donated to the Cancer Society.



ACE DIABETES

CIL sponsored the 4th annual ACE Diabetes Expo on November 30, 2019 at the Baha Mar Convention Center. Health screenings and healthy cooking demonstrations, along with other educational and engaging activities were offered without charge to the public.

Sales MANAGERS



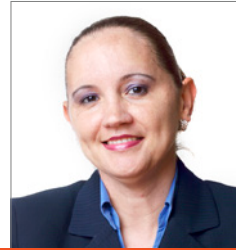
Jeffrey Randall
Branch Manager



Elrod Outten
Branch Manager



Kino McCartney
Branch Manager



Karen Sweeting
Manager, Marketing
Administration



Clothie Lockhart
Manager, Sales Training



Joseph Sweeting
Sales Manager



Yvonne Gibson-Sands
Sales Manager



Sandra Walkes
Asst. Branch Manager

2019 SALES AWARDS



ADMIRAL'S CLUB

BRANCH PERSISTENCY AWARD



SANDRA WALKES

COLLINS BRANCH

Sales Conference Qualifier
Unit Recruiting Award



C. KINO MCCARTNEY

COLLINS BRANCH

Sales Conference Qualifier
Branch Recruiting Award



Colina congratulates its 2019 TOP ACHIEVERS

SALESPERSONS OF THE YEAR



**SANDRADEE
HENFIELD**
ADMIRAL'S CLUB

Sales Person of the Year
MDRT Qualifier
President's Conference 1st Year Qualifier

Sales Conference Qualifier
Outstanding Sales Achievement
Gold Qualifier Award - 2019



**VEOSHE
JOHNSON**
NORTHERN BRANCH

Sales Person of the Year
MDRT Qualifier
President's Conference 1st Year Qualifier

Sales Conference Qualifier
Outstanding Sales Achievement
Gold Qualifier Award - 2019

(Above) Philip Smallwood, Director of Sales, presents the Salespersons of the Year with their awards.

EMPLOYEE OF THE YEAR



**ELROD
OUTTEN**
BRANCH MANAGER
GRAND BAHAMA

Branch Performance Award
Employee of the 3rd Quarter 2019

SALES HALL OF FAME



Anthony Longley



Sheryl Seymour

Anthony Longley and Sheryl Seymour unveil personal portraits during CIL's Wall of Fame Induction Ceremony at Sapodilla on January 17, 2019. Each of the two inductees has been an agent for at least 25 years, is a life member of MDRT and has contributed to the company's growth. The Wall of Fame has 16 members who are all outstanding examples in the industry.



Anthony R. Ferguson
President



Pamela Q. Ferguson
VP Investments



Sophia Thurston
VP Operations &
Pension Administration



COLINA FINANCIAL ADVISORS LTD. (CFAL)





Tamara Evans
Manager, Settlements



Jeanelle Francis
Manager, Brokerage
& Trading



Tiffany Smith
Manager, Investments



Dionne Comery
Pension Manager

PLANNING FOR OUR FUTURE

CFAL is a leading independent investment and advisory firm based in Nassau, 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:

INVESTMENT MANAGEMENT

CFAL's experienced and knowledgeable investment team is able to design an appropriate mix of fixed income and equity securities that provides a portfolio consistent with the risk and return objectives of each client. The protection and enhancement of clients' assets is the most important aspect of CFAL's responsibilities.

WEALTH SERVICES

CFAL provides a comprehensive array of wealth services to investors. CFAL's combination of competitive rates and outstanding professional service set it apart from its competitors.

MUTUAL FUNDS

CFAL Advisors can help clients choose from a suite of professionally managed funds as part of an investment strategy that is individually tailored to each client's individual investment profile, investment approach or risk appetite.

RETIREMENT PLANNING & PENSION CONSULTING

CFAL provides extensive pension consultation to ensure companies are able to provide employees the kind of retirement they've worked so hard to achieve.

CORPORATE ADVISORY

This team comprises experienced investment advisors who assist companies in achieving their strategic goals, whether through mergers, acquisitions, IPOs, debt financing or equity investments.

FINANCIAL STRENGTH

ASSETS UNDER MANAGEMENT AND ADMINISTRATION

CFAL has, over the past 20 years, developed the financial strength and capital resources to boost and implement its strategic goals while executive management simultaneously remains focused on growing the company's asset base and developing the core business. CFAL has seen its Assets under Management grow from \$2.6 million in 1997 to over \$1.9 billion in 2019, which comprises Pension and Investment Assets.

CFAL continues to manage its administrative costs carefully, with overall costs remaining within acceptable levels relative to revenue generated.

Hurricane DORIAN RELIEF



Following the passage of Hurricane Dorian, CFAL donated to The Bahamas Feeding Network and also matched employee donations for the family of CFAL staff in Grand Bahama. Water and cleaning supplies were shipped to the island right away.

CFAL Budget PASS 2019

The CFAL BudgetPass 2019 was an event aimed at providing insight and analysis on the 2019/20 Budget and the wider economy. The inaugural conference was held on July 8 at the Baha Mar Convention Centre, under the theme “Striking the Right Balance” and featured a diverse group of industry practitioners as well as leading business experts who provided their perspectives on the Budget and how it affects Bahamians.



(CFAL representatives in front row, L-R): James Smith, Chairman; Sophia Thurston, Vice President, Pension Administration and Operation; Anthony Ferguson, Founder and President; Pamela Ferguson, Vice President, Investments; and JoMarie Thompson, Office Manager and IT Supervisor along with CFAL’s staff.



Michael Halkitis, former Minister of State for Finance presents at the conference.



The Hon. K. Peter Turnquest, M.P., Deputy Prime Minister & Minister of Finance gives remarks.



(L-R) Dwight Strachan, Host of Morning Blend, Guardian Radio 96.9; Anthony Ferguson, President and Founder, CFAL; Chester Robards, Senior Business Reporter, Nassau Guardian.



Ednol Farquharson
Chief Executive Officer



COLINA GENERAL INSURANCE AGENTS & BROKERS LIMITED (CGIA)





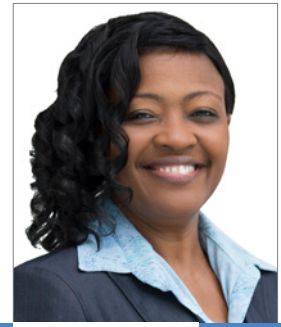
Zania Arthur
Operations Manager



Anthony Lowe
Financial Controller



Carlton Adderley
Asst. Operations Manager/
Human Resources Manager



Jacqueline Gardiner
Manager, Underwriting

COMPANY FOUNDATION

CGIA is a fully registered insurance broker and agent, providing general insurance coverage for home, auto, marine, liability and commercial risks. In essence, CGIA’s primary business objective is to offer to its client’s access to a wide range of products and services, customized to protect those insurable assets that matter most. The company recorded another year of positive results and continues to contribute to CHBL’s overall returns since its acquisition in December 2011. The operating results are included in the “Other” category of CHBL’s segmented information. CGIA’s revenue base has increased by 6.3% over prior year. The increase has been attributed to premium growth in its major classes of business including fire, accident and marine policies.

Hurricane RESPONSE



CGIA employees prepare to ship supplies to CGIA’s Grand Bahama office in the wake of Hurricane Dorian. These supplies were distributed among CGIA’s staff after the storm ravaged the northern Bahamas.



CGIA participated in a Post-storm Advisory Clinic for those impacted by Hurricane Dorian. The event was held at Queen’s College on October 5, 2019 and featured presentations on legal matters, insurance claims and disaster coping. There were free health screenings, prizes, a live radio remote and more. Partners included CIL, CGIA, Alexiou Knowles Counsel & Attorneys-at-law, Walk-In Clinic, Guardian Media Group, The Bahamas Psychological Association and Queen’s College.

Corporate GOVERNANCE

BOARD COMPOSITION

The composition of CHBL's 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 of Directors 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.



Terence Hilts
Chairman



Emanuel M. Alexiou
Executive Vice Chairman



Anthony Ferguson
Director



Sandra J. Knowles
Director



Macgregor Robertson
Director



Glenn V. Bannister
Director



Ednol Farquhason
Director



Willie A. Moss
Director



Lloyd Steinke
Director



Earle Bethell
Director



Andrew Alexiou
Director



Nikolai Sawyer
Corporate Secretary

THE DIRECTORS

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

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

Anthony R. Ferguson ^{2,3,5,8,9}
President, CFAL
Executive Vice Chairman,
Ansbacher (Bahamas) Limited
New Providence, Bahamas
Director since 2002

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

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 ^{1,4,8}
Retired Chartered Accountant
New Providence, Bahamas
Director since 2005

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

Willie A. Moss ^{1,4,7,8}
Partner, Graham, Thompson & Co.
Grand Bahama, Bahamas
Director since 2007

Lloyd Steinke ^{9,10}
Executive Consultant
Toronto, Canada
Director since 2012

Andrew Alexiou ⁹
Managing Director
Ansbacher (Bahamas) Limited
New Providence, Bahamas
Director since 2016

Nikolai Sawyer
Corporate Secretary

BOARD COMMITTEES

1. Audit & Finance Committee
2. Compensation, Nominating & Corporate Governance Committee
3. Complaints Review Committee
4. Conduct Review Committee
5. Information Technology Committee
6. Investment Committee
7. Participating Policy Committee
8. Risk Management Committee
9. Strategic Growth & Acquisition Committee
10. Reinsurance Steering Committee

BOARD MEETINGS ATTENDED

Terence Hilts	4
Emanuel M. Alexiou	4
Anthony Ferguson	2
Sandra J. Knowles	4
Macgregor Robertson	4
Glenn V. Bannister	4
Ednol Farquharson	4
Willie A. Moss	3
Lloyd Steinke	4
Earle Bethell	4
Andrew Alexiou	4

Board COMMITTEES

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, & CORPORATE GOVERNANCE COMMITTEE

Chaired by Terence Hilts, 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 companywide 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 and is responsible for the Investment Manager's compliance with the investment policy at all times.

PARTICIPATING POLICY 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-a-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.

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 Lloyd Steinke, 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.

About Colina

HOLDINGS BAHAMAS LIMITED

CHBL is comprised of 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)

CIL's flexible and cost effective comprehensive health plans offer Individuals and Groups access to vital medical services, preventative care, prescription drugs and the country's largest overseas health network to access top medical facilities in The Bahamas and North America.

Restore Group Critical Illness coverage is the first of its kind in The Bahamas.

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.

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 general insurance solutions that best suit their needs and financial position.

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 (CICL) is purchased from CIGNA by Bahamian consortium INVESCO.

2002

CICL 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

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

2005

CICL 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 (CIL) and adopts a new logo.

2010

CIL 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 and other shareholder references 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

KPMG 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

Actuarial Consultants

Oliver Wyman

Communication with Shareholders

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

The Annual General Meeting of the Company will be held at 5:00 p.m. on Thursday, June 25, 2020 at the JW Pinder Centre at 21 Collins Avenue.

The Notice of the Meeting, detailing the business of the meeting, is sent to all shareholders.



CONSOLIDATED FINANCIAL STATEMENTS

Audited Consolidated Financial Statements

Year Ended December 31, 2019

With Report of Independent Auditors



KPMG.
 PO Box N 123
 Montague Sterling Centre
 East Bay Street
 Nassau, Bahamas

Telephone (242) 393-2007
 Fax (242) 393-1772
 Internet www.kpmg.com.bs

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Colina Holdings Bahamas Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the 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, 2019, the consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising significant accounting policies and other explanatory information as set out on pages 5-64.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Provision for future policy benefits (\$458,614,942, see note 18)	
The risk	Our response
<p>Significant estimates are made in valuing the Group's provision for future policy benefits. The key valuation assumptions are disclosed in note 19. When making these assumptions the Group takes independent actuarial advice relating to their appropriateness.</p> <p>The valuation is considered to be a significant risk as small changes in the assumptions can have a material financial impact on the consolidated financial statements.</p>	<p>In this area, our audit procedures included inspecting the Group's actuarial reports and challenging the key assumptions used, including mortality and morbidity, policy lapse rates, investment yields, medical claims costs and expenses by comparing with externally derived data, with the support of our own actuarial specialists. We assessed whether the reserve estimation approach is in accordance with actuarial standards of practice; assessed the appropriateness of methodology and underlying assumptions; and tested the outcomes for reasonableness.</p> <p>We also considered the adequacy of the Group's disclosures in respect of the sensitivity to key assumptions in note 18.</p>

Investment properties (\$59,036,402, see note 13)	
The risk	Our response
<p>Significant unobservable inputs are used in valuing the Group's investment properties. The key unobservable inputs used are disclosed in note 13. The Group uses independent appraisers with experience in the local market as well as management's valuations for investment properties where appraisals are not obtained.</p> <p>The valuation is considered to be a significant risk as small changes in the inputs can have a material financial impact on the consolidated financial statements.</p>	<p>In this area, our audit procedures included assessing the independent appraisal reports and management's valuation reports for reasonableness of the valuations, challenging the key inputs used, including discount rates, capitalization rates, growth rates and inflation rates by comparing them against externally derived data, with the support of our own valuation specialists.</p> <p>We also considered the adequacy of the Group's disclosures in respect of the significant unobservable inputs in note 13.</p>

Investment securities and other financial assets (\$445,753,030 see note 9)	
The risk	Our response
<p>The Group has a significant portfolio of investment securities and other financial assets in its investment portfolio, comprising equity and debt securities.</p> <p>The valuation and disclosure of investment securities are considered to be a key audit area due to the material financial impact of this asset class on the Group's consolidated financial statements.</p>	<p>In this area, our audit procedures included obtaining confirmations from investment managers and/or custodians and comparing the Group's valuations of the portfolio of investments to independent valuations thereof.</p> <p>We also considered the adequacy of the Group's disclosures in respect of the fair value hierarchy in note 9.</p>

Premium revenue (\$135,458,195 see note 26)	
The risk	Our response
<p>Premium revenue is the Group's primary source of revenues.</p> <p>The existence and accuracy of premium revenue are considered to be a key audit area due to the material financial impact of premium revenue on the Group's consolidated financial statements.</p>	<p>In this area, our audit procedures included reviewing the internal controls and testing the key controls surrounding the premium revenue process and testing samples of premium revenue items.</p>

Other information

We expect to receive other information from the Group on May 8, 2020, which will comprise the information to be included in the Group's annual report, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not and will not cover other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether there are indications that the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we determine that there is a material misstatement of this other information, we would be required to report that fact.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the



going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Lambert Longley.

April 17, 2020



Jacques Tremblay FCIA, MAAA, FSA
Partner

Oliver Wyman
120 Bremner Boulevard Suite 800
Toronto, ON M5J 0A8
Canada

Tel: +1 416 868 7071
jacques.tremblay@oliverwyman.com

April 17, 2020

Subject: **2019 certification of actuarial liabilities**

I have valued the actuarial liabilities of Colina Holdings Bahamas Limited for its consolidated balance sheet as of December 31, 2019, for a total amount of \$458,614,942 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

Oliver Wyman Limited



COLINA HOLDINGS BAHAMAS LIMITED
Consolidated Statement of Financial Position

At December 31, 2019 with corresponding figures at December 31, 2018
(Expressed in Bahamian dollars)

	Notes	2019	2018
ASSETS			
Cash and demand balances	8	\$ 44,330,366	\$ 43,474,899
Term deposits	7,8	5,170,577	17,568,907
Investment securities and other financial assets	7,9	445,753,030	429,020,638
Receivables and other assets	10	94,542,220	66,264,018
Policy loans	7,11	69,614,153	69,443,735
Mortgages and commercial loans	7,12	25,330,141	28,480,688
Investment properties	7,13	59,036,402	59,461,743
Equity-accounted investees	7,14	17,532,501	16,619,083
Property and equipment	15	17,028,963	14,179,640
Goodwill	16	13,065,819	13,065,819
Other intangible assets	17	1,881,027	2,344,722
Total assets		\$ 793,285,199	\$ 759,923,892
LIABILITIES			
Provision for future policy benefits	18	\$ 458,614,942	\$ 434,961,581
Policy dividends on deposit		28,035,994	27,901,230
Total policy liabilities		486,650,936	462,862,811
Repurchase agreement	19	7,000,000	14,000,000
Loans and other borrowings	20	4,167,356	5,840,331
Other liabilities	21	83,020,960	78,183,489
Total liabilities		580,839,252	560,886,631
EQUITY			
Ordinary shares	22	24,729,613	24,729,613
Contributed capital		5,960,299	5,960,299
Revaluation reserve	23	13,902,509	13,964,081
Retained earnings		97,272,149	88,149,601
Total ordinary shareholders' equity		141,864,570	132,803,594
Preference shares	22	42,500,000	42,500,000
Total shareholders' equity		184,364,570	175,303,594
Non-controlling interests		28,081,377	23,733,667
Total equity		212,445,947	199,037,261
Total liabilities and equity		\$ 793,285,199	\$ 759,923,892

The accompanying notes on pages 11-64 are an integral part of these consolidated financial statements.

The financial statements were approved⁴³⁻⁹⁶ by the Board of Directors on April 17, 2020 and signed on its behalf by:



T. Hilts - Chairman



E. M. Alexiou – Executive Vice-Chairman

COLINA HOLDINGS BAHAMAS LIMITED
Consolidated Statement of Profit or Loss

For the Year Ended December 31, 2019 with corresponding figures for the Year Ended December 31, 2018
(Expressed in Bahamian dollars)

	Notes	2019	2018
Revenues:			
Premium revenue		\$ 135,458,195	\$ 136,400,044
Less: Reinsurance premiums	26	(15,260,141)	(15,447,548)
Net premium revenue	26	120,198,054	120,952,496
Net investment income	13,27	38,931,291	26,567,968
Share of profit of equity-accounted investees	14	913,418	1,073,426
Net commission income		3,803,765	3,592,766
Investment management and other fees		14,671,588	13,217,297
Other income and fees		4,320,534	3,092,490
Total revenues		<u>182,838,650</u>	<u>168,496,443</u>
Benefits and expenses:			
Policyholders' benefits		101,059,263	106,477,263
Less: Reinsurance recoveries	28	(11,100,680)	(13,279,741)
Net policyholders' benefits	28	89,958,583	93,197,522
Changes in provision for future policy benefits	18	23,653,361	13,294,013
General and administrative expenses	13,29	35,800,898	33,360,621
Commission expense		8,205,611	9,585,491
Premium and other tax expense		3,618,129	3,669,916
Finance costs and interest	30	2,143,907	2,390,248
Impairment of goodwill	16	-	98,600
Total benefits and expenses		<u>163,380,489</u>	<u>155,596,411</u>
Net income for the year		<u>\$ 19,458,161</u>	<u>\$ 12,900,032</u>
Net income attributable to:			
Equity shareholders of the Company	31	\$ 17,613,110	\$ 12,292,387
Non-controlling interests		1,845,051	607,645
Net income for the year		<u>\$ 19,458,161</u>	<u>\$ 12,900,032</u>
Basic earnings per ordinary share	31	<u>\$ 0.61</u>	<u>\$ 0.40</u>

The accompanying notes on pages 11-64 are an integral part of these consolidated financial statements.

COLINA HOLDINGS BAHAMAS LIMITED
Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended December 31, 2019 with corresponding figures for the Year Ended December 31, 2018
(Expressed in Bahamian dollars)

	Notes	2019	2018
Net income for the year		\$ 19,458,161	\$ 12,900,032
Other comprehensive income/(loss):			
Reclassification during the year to profit or loss	23	168,898	90,696
Change in available-for-sale financial assets	23,27	<u>(230,470)</u>	<u>(1,354,933)</u>
Other comprehensive loss for the year		<u>(61,572)</u>	<u>(1,264,237)</u>
Total comprehensive income for the year		<u>\$ 19,396,589</u>	<u>\$ 11,635,795</u>
Attributable to:			
Equity shareholders of the Company		\$ 17,551,538	\$ 11,028,150
Non-controlling interests		<u>1,845,051</u>	<u>607,645</u>
Total comprehensive income for the year		<u>\$ 19,396,589</u>	<u>\$ 11,635,795</u>

The accompanying notes on pages 11-64 are an integral part of these consolidated financial statements.

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COLINA HOLDINGS BAHAMAS LIMITED
Consolidated Statement of Changes in Equity

For the Year Ended December 31, 2019 with corresponding figures for the Year Ended December 31, 2018
(Expressed in Bahamian dollars)

	Ordinary Share Capital	Contributed Capital	Revaluation Reserve	Preference Share Capital	Retained Earnings	Non- controlling Interests	Total Equity
Balance, December 31, 2017	\$ 24,729,613	\$ 5,960,299	\$ 15,228,318	\$ 42,500,000	\$ 83,741,479	\$ 22,172,296	\$ 194,332,005
Net income for the year	-	-	-	-	12,292,387	607,645	12,900,032
Net loss on remeasurement of available-for-sale securities to fair value (Note 23)	-	-	(1,354,933)	-	-	-	(1,354,933)
Reclassification during the year to profit or loss (Note 23)	-	-	90,696	-	-	-	90,696
Changes in non-controlling interests	-	-	-	-	-	953,726	953,726
Dividends paid to ordinary shareholders (Note 31)	-	-	-	-	(5,440,515)	-	(5,440,515)
Preference share dividends (Note 31)	-	-	-	-	(2,443,750)	-	(2,443,750)
Balance, December 31, 2018, as previously reported	\$ 24,729,613	\$ 5,960,299	\$ 13,964,081	\$ 42,500,000	\$ 88,149,601	\$ 23,733,667	\$ 199,037,261
Impact of change in accounting policy (Note 2.5)	-	-	-	-	(606,297)	-	(606,297)
Adjusted balances at January 1, 2019	24,729,613	5,960,299	13,964,081	42,500,000	87,543,304	23,733,667	198,430,964
Net income for the year	-	-	-	-	17,613,110	1,845,051	19,458,161
Net loss on remeasurement of available-for-sale securities to fair value (Note 23)	-	-	(230,470)	-	-	-	(230,470)
Reclassification during the year to profit or loss (Note 23)	-	-	168,898	-	-	-	168,898
Changes in non-controlling interests	-	-	-	-	-	2,502,659	2,502,659
Dividends paid to ordinary shareholders (Note 31)	-	-	-	-	(5,440,515)	-	(5,440,515)
Preference share dividends (Note 31)	-	-	-	-	(2,443,750)	-	(2,443,750)
Balance, December 31, 2019	<u>\$ 24,729,613</u>	<u>\$ 5,960,299</u>	<u>\$ 13,902,509</u>	<u>\$ 42,500,000</u>	<u>\$ 97,272,149</u>	<u>\$ 28,081,377</u>	<u>\$ 212,445,947</u>

The accompanying notes on pages 11-64 are an integral part of these consolidated financial statements.

COLINA HOLDINGS BAHAMAS LIMITED
Consolidated Statement of Cash Flows

For the Year Ended December 31, 2019 with corresponding figures for the Year Ended December 31, 2018
(Expressed in Bahamian dollars)

	Notes	2019	2018
Cash flows from operating activities:			
Net income		\$ 19,458,161	\$ 12,900,032
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:			
Change in unrealized losses on fair value through profit or loss securities	9	(7,332,021)	4,388,005
Increase in provision for future policy benefits		23,653,361	13,294,013
Changes in loss provisions for loans and receivables		1,386,402	1,303,727
Depreciation and impairment/amortization charges		2,140,756	2,302,396
Net realized (gains)/losses on fair value through profit or loss securities	9	(1,844,065)	14,152
Net realized losses/(gains) on sale of available-for-sale securities		1,690,673	(460,941)
Interest income		(31,871,860)	(31,455,381)
Dividend income		(2,342,082)	(2,114,791)
Net fair value losses/(gains) on investment properties		985,000	(891,802)
Finance costs and interest		2,143,907	2,390,248
		<u>8,068,232</u>	<u>1,669,658</u>
Operating cash flows before changes in operating assets and liabilities			
Changes in operating assets and liabilities:			
Increase in other assets		(33,454,308)	(6,188,715)
Increase in other liabilities		4,972,235	5,747,220
		<u>(20,413,841)</u>	<u>1,228,163</u>
Net cash (used in)/provided by operating activities			

(Continued)

The accompanying notes on pages 43-96 are an integral part of these consolidated financial statements.

COLINA HOLDINGS BAHAMAS LIMITED
Consolidated Statement of Cash Flows

For the Year Ended December 31, 2019 with corresponding figures for the Year Ended December 31, 2018
(Expressed in Bahamian dollars)

	Notes	2019	2018
Cash flows from investing activities:			
Decrease in term deposits with original maturities greater than 90 days		12,125,573	32,972,148
Fair value through profit or loss securities purchased		(49,359,084)	(22,486,144)
Proceeds on disposal of fair value through profit or loss securities		35,915,912	28,521,870
Available-for-sale securities purchased		(48,308,349)	(71,806,766)
Proceeds on disposal of available-for-sale securities		52,274,072	12,408,533
Issuance of loans and receivables		-	(10,000,000)
Reclassification during the year to profit or loss	23	168,898	90,696
Net change in loans to policyholders		(112,998)	(57,495)
Repayments from loan to SBL Ltd.		4,417,509	2,056,724
Net decrease in mortgages and commercial loans		2,187,972	4,451,068
Additions to investment property		(729,661)	(495,743)
Proceeds from sale of investment property		170,002	-
Interest received		31,235,792	29,983,161
Dividends received		2,342,082	2,114,791
Proceeds on disposal of property and equipment, net		534,062	12,668
Additions to property and equipment		(729,781)	(1,096,769)
Net cash provided by investing activities		<u>42,132,001</u>	<u>6,668,742</u>
Cash flows from financing activities:			
Changes in non-controlling interests		2,502,659	953,726
Interest paid on other contracts		(1,942,647)	(2,390,248)
Payments on repurchase agreement		(7,000,000)	(7,000,000)
Payments on borrowings		(4,081,222)	(2,019,639)
Payment of lease liabilities		(970,866)	-
Dividends paid to ordinary shareholders		(5,440,515)	(5,440,515)
Dividends paid to preference shareholders		(2,443,750)	(2,443,750)
Net cash used in financing activities		<u>(19,376,341)</u>	<u>(18,340,426)</u>
Net increase/(decrease) in cash and cash equivalents		2,341,819	(10,443,521)
Cash and cash equivalents, beginning of year		<u>41,988,547</u>	<u>52,432,068</u>
Cash and cash equivalents, end of year	8	<u>\$ 44,330,366</u>	<u>\$ 41,988,547</u>

(Concluded)

Premium and other taxes paid during the period totaled \$3,618,129 (2018: \$3,669,916).

The accompanying notes on pages 43-96 are an integral part of these consolidated financial statements.

COLINA HOLDINGS BAHAMAS LIMITED
Notes to Consolidated Financial Statements

For the Year Ended December 31, 2019 with corresponding figures for the Year Ended December 31, 2018
(Expressed in Bahamian dollars)

1. Reporting Entity

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, 2019, approximately 58.1% (2018: 58.1%) of the Company's issued ordinary shares were owned by AF Holdings Ltd. (“AFH”) and 41.9% (2018: 41.9%) by the Bahamian public. All significant balances and transactions with AFH and parties related to AFH are disclosed as related party transactions in these consolidated financial statements (See Note 34).

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, 2019 were authorized for issue in accordance with a resolution of the Company's Board of Directors on April 17, 2020.

2. Basis of Preparation

2.1 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 (“IASB”).

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 reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 35.

2.2 Basis of accounting

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 profit or loss unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group.

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Group presents an additional statement of financial position at the beginning of the preceding period where retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in the financial statements.

2.3 Functional currency and foreign currency transactions

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 rates of exchange prevailing at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when

2. Basis of Preparation (continued)

2.3 Functional currency and foreign currency transactions (continued)

the fair value was determined. 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.

2.4 Use of judgement and estimates

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.

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, 2019 of long term insurance contract liabilities with DPF is \$224,076,258 (2018: \$219,632,020) and of investment contract liabilities with DPF is \$5,496,173 (2018: \$6,345,023) (See Note 18).

(b) Accident and 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 reporting 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 for accident and health insurance.

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 reporting date of accident & health insurance contract liabilities is \$16,596,637 (2018: \$15,300,568) (See Note 18).

2. Basis of Preparation (continued)

2.4 Use of judgement and estimates (continued)

(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 \$13,065,819 (2018: \$13,065,819) (See Note 16).

(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 profit or loss. 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 13.

2.5 Changes in accounting policies

The Group initially applied IFRS 16 Leases from January 1, 2019. A number of other new standards are also effective from January 1, 2019 but they do not have a material effect on the Group's financial statements.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where the Group is a lessor.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at January 1, 2019. Accordingly, the comparative information presented for 2018 is not restated but is presented as previously reported under IAS 17 and related interpretations. The details of the changes in accounting policies are described in below. Additionally, the disclosure requirements of IFRS 16 have not generally been applied to comparative information.

IFRS 16 – Leases

i. Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the definition of a lease as explained in Note 3.24.

On transition to IFRS16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16.

ii. As a lessee

As a lessee, the Group leases properties. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognizes right-of-use assets (ROU assets) and lease liabilities for most of these leases.

For Lease of property the Group has elected to separate non-lease components and account for these as an expense as they are incurred.

COLINA HOLDINGS BAHAMAS LIMITED
Notes to Consolidated Financial Statements

For the Year Ended December 31, 2019 with corresponding figures for the Year Ended December 31, 2018
(Expressed in Bahamian dollars)

2. Basis of Preparation (continued)

2.5 Changes in accounting policies (continued)

IFRS 16 – Leases (continued)

ii. As a lessee (continued)

Leases classified as operating leases under IAS 17

Previously, the Group classified property leases as operating leases under IAS 17. On transition for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group’s incremental borrowing rate (IBR) as at January 1, 2019.

Right-of-use assets are measured at their carrying amount as if IFRS 16 had been applied at the commencement date of the lease, discounted using the Group’s IBR at the date of initial application.

The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the ROU assets are impaired.

The Group has used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Group:

- did not recognize ROU assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognize ROU assets and liabilities for leases of low value assets;
- excluded initial direct costs from the measurement of the ROU asset at the date of initial application; and
- used hindsight when determining the lease term.

The Group did not have any leases classified as finance leases under IAS 17.

iii. As a lessor

The Group leases its investment properties, including own property and ROU assets. The Group has classified these leases as operating leases.

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease

Impact on transition at January 1, 2019

On transition to IFRS 16, the Group recognized additional ROU assets, including investment property, and additional lease liabilities, recognizing the difference in retained earnings. The impact on transition is summarized below:

	January 1, 2019
ROU assets - property, plant and equipment (See Note 15)	\$ 4,330,665
Lease liabilities (See Note 20)	<u>(4,936,962)</u>
Adjustment to retained earnings, January 1, 2019	<u>\$ (606,297)</u>

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its Incremental Borrowing Rate (“IBR”) at January 1, 2019. The weighted-average rate applied is 6%.

	January 1, 2019
Operating lease commitments at December 31, 2018 as disclosed under IAS 17 in the Group's consolidated financial statements	\$ 2,210,628
Discounted using the incremental borrowing rate at January 1, 2019	<u>\$ 4,936,962</u>

2. Basis of Preparation (continued)

2.6 New standards and interpretations 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.

- IFRS 9 – Financial Instruments
- Amendments to IFRS 9 – Prepayment Features with Negative Compensation.
- Amendments to References to Conceptual Framework in IFRS Standards
- Amendments to IFRS 3 – Definition of a Business
- Amendments to IAS 1 and IAS 8 – Definition of Material
- IFRS 17 – Insurance Contracts

The IASB has issued a temporary exemption for the effective date of implementation of IFRS 9 for insurance companies which meet certain qualifying criteria. This exemption allows the application of IFRS 9 to be deferred until the adoption of IFRS 17 – Insurance Contracts, which is effective for periods commencing on or after January 1, 2023. At December 31, 2019, the Company's major subsidiary, Colina Insurance Limited, meets these qualifying criteria based on the following and has therefore deferred implementation of IFRS 9.

Effective January 1, 2018, the Company has adopted the amendments to IFRS 4. The detail, nature and effects of the changes are explained below:

Amendments to IFRS 4 – Insurance Contracts provide two optional solutions to reduce the impact of the differing effective dates of IFRS 9, Financial Instruments (effective January 1, 2018), and IFRS 17 – Insurance Contracts (effective January 1, 2023).

IFRS 9 is generally effective for annual reporting periods beginning on or after January 1, 2018. In September 2016, the International Accounting Standards Board ("IASB") issued amendments to IFRS 4 - Insurance contracts ("IFRS 4"), which provide optional relief to eligible insurers in respect of IFRS 9. The options permit (a) entities whose predominant activity is issuing insurance contracts within the scope of IFRS 17 – Insurance contracts ("IFRS 17") a temporary exemption to defer the implementation of IFRS 9, or alternatively (b) give entities issuing insurance contracts the option to remove from profit or loss the incremental volatility caused by changes in the measurement of specified financial assets upon application of IFRS 9. Entities that apply either of the options will be required to adopt IFRS 9 on January 1, 2023, which aligns with the effective date of IFRS 17.

The Company evaluated its liabilities at December 31, 2015, the prescribed date of assessment under the temporary exemption provisions and concluded that all of the liabilities were predominantly connected with insurance. At December 31, 2015, the provision for future policy benefits totaled \$387,181,176. Of this amount, 98% were liabilities that arose from contracts within the scope of IFRS 17. Total liabilities at December 31, 2015 amounted to \$541,082,433 and 86% of these liabilities arose because the Company issues insurance contracts and fulfil obligations arising from insurance contracts.

Additionally, the Company has not previously applied any version of IFRS 9. Therefore, the Company is an eligible insurer that qualifies for optional relief from the application of IFRS 9. As at January 1, 2018, the Company has elected to apply the optional transitional relief under IFRS 4 that permits the deferral of the adoption of IFRS 9 for eligible insurers. The Company will continue to apply IAS 39 – Financial instruments: Recognition and measurement ("IAS 39") until January 1, 2023.

At December 31, 2019, the Company's corporate bonds, mutual funds, unquoted and quoted investments are classified as Available-for-Sale ("AFS") in accordance with IAS 39. The AFS financial assets are recorded at fair value on the Company's statements of financial position with changes in their fair value recorded in other comprehensive income.

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.

The accounting policies adopted are consistent with those of the previous financial year except as discussed below. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. 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.

3.1 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.

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 are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Non-controlling interests consist of the amount of those interests at the date of the original business combination (See Note 3.2) 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.

3.2 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 fair value

3. Summary of Significant Accounting Policies (continued)

3.2 Business combinations (continued)

of 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.

3.3 Equity-accounted investees

The Group's equity-accounted investees are 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 equity-accounted investee 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 reporting date whether there is any objective evidence that the entire carrying amount of the equity-accounted investee is impaired by comparing its carrying value to its recoverable amount. Any impairment losses are recognized immediately in the consolidated statement of profit or loss.

The consolidated statement of profit or loss 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.

3.4 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.

3.5 Financial assets

Classification

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")

3. Summary of Significant Accounting Policies (continued)

3.5 Financial assets (continued)

Classification (continued)

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 profit or loss 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.

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.

Recognition

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.

Derecognition

Financial assets 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.

Measurement

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 profit or loss 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 profit or loss.

Loans and receivables are measured at amortised cost.

3.6 Fair value measurement

The Group measures financial instruments and non-financial assets such as investment properties and certain items of property and equipment at fair value at each reporting 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.

3. Summary of Significant Accounting Policies (continued)

3.6 Fair value measurement (continued)

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 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.

3.7 Impairment of financial assets

Financial assets carried at amortized cost

The Group assesses at each reporting 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 restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- 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

3. Summary of Significant Accounting Policies (continued)

3.7 Impairment of financial assets (continued)

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

Financial assets carried at amortized cost

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 reporting 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 profit or loss. The impairment loss is reversed through the consolidated statement of profit or loss 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.

3.8 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 initially measured 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 profit or loss 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 profit or loss 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 profit or loss.

3.9 Property and equipment

Property and equipment, with the exception of certain Land improvements and Buildings, are carried at cost less accumulated depreciation and any accumulated impairment losses. Land improvements and

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3. Summary of Significant Accounting Policies (continued)

3.9 Property and equipment (continued)

buildings are carried at their revalued amounts, as assessed by qualified independent property appraisers or management valuation in intervening periods. 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 reporting 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 profit or loss.

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 profit or loss and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

3.10 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") 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 3.3.

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 profit or loss. At each reporting 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 equity-accounted investees

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 equity-accounted investees are amortized on a straight-line basis as follows:

3. Summary of Significant Accounting Policies (continued)

3.10 Goodwill and other intangible assets (continued)

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 equity-accounted investees is reviewed at each reporting 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.

3.11 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
 - 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 Discretionary Participation Features (“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 reporting 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.

3. Summary of Significant Accounting Policies (continued)

3.11 Insurance contracts (continued)

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 Colina. As Colina 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.

3.12 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").

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.

3. Summary of Significant Accounting Policies (continued)

3.12 Provision for future policy benefits (continued)

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.

3.13 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.

3.14 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.

3.15 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 21.

3.16 Policy dividends on deposit

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

3.17 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 reporting date are dealt with as an event after the reporting date.

3.18 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 3.24. For the revenue recognition policies surrounding insurance contracts, see Note 3.11.

3. Summary of Significant Accounting Policies (continued)

3.19 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 profit or loss.

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.

3.20 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 profit or loss as employee/salespersons' benefits expense in the year to which they relate.

3.21 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 \$31,343 in 2019 (2018: \$33,171) and is included in employee/salespersons' benefits expense.

3.22 Taxation

The Group is subject to tax on taxable gross premium income at the flat rate of 3% (2018: 3%). Premium taxes are included in premium and other tax expense in the consolidated statement of profit or loss. The Group is also subject to Value Added Tax ("VAT") on taxable supplies at the standard rate of 7.5% from January 1 through June 30, 2018 and at the standard rate of 12.0% from July 1, 2018 through December 31, 2019. 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.

3. Summary of Significant Accounting Policies (continued)

3.23 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, 2019, these assets amounted to \$50.5 million (2018: \$47.4 million). The Group has entered into a sub-investment management agreement with Colina Financial Advisors Ltd. to manage a significant portion of these assets.

3.24 Leases

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

Policy applicable from January 1, 2019

The Group assesses at contract inception whether a contract is, or contains a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets ("ROU" assets) representing the right to use the underlying assets.

i) Right-of-use assets

Right-of-use assets are initially measured at cost, comprising the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

Right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

ii) Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from external financial sources and make certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise and extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

3. Summary of Significant Accounting Policies (continued)

3.24 Leases (continued)

When the lease liability is remeasured in this way, a corresponding adjustment is made of the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in “property, plant & equipment” and lease liabilities in “loans and borrowing” in the statement of financial position.

iii) Short-term leases and leases of low value assets

The Group applies the short-term lease recognition exemption to short-term leases of assets that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Group as a lessor (continued)

When the Group is an intermediate lessor, it accounts for its interests in the main lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the main lease, not with reference to the underlying asset. If a main lease is a short-term lease to which the Group applies the exemption described previously, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to the allocate the consideration in the contract.

The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of “rental income”.

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from IFRS 16.

Policy applicable before January 1, 2019

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 profit or loss on a straight-line basis over the period of the lease.

3.25 Bank borrowings

Bank borrowings 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.

3.26 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.

3. Summary of Significant Accounting Policies (continued)

3.26 Other financial liabilities and insurance, trade and other payables (continued)

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 profit or loss.

3.27 Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably.

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event; it is probable that the Company will be required to settle that obligation; and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the expenditure required to settle that obligation at the reporting date and are discounted to present value.

4. 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.

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5. Subsidiaries

Subsidiaries of the Company as of December 31, 2019 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		
Colina MTS Limited	The Bahamas	100%
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	90%
CFAL Global Equity Fund Ltd.	The Bahamas	28%
Ikonik Fund SAC Limited	The Bahamas	93%
General Insurance Agency		
Colina General Insurance Agents & Brokers Limited ("CGIA")	The Bahamas	100%
Administrative and Corporate Services		
Colina Corporate Services Limited (See Note 36)	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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6. 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 associated 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 2019 or 2018. 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:

	2019			
	Life	Health	Other	Total
INCOME				
Net premium revenue	\$ 52,406,539	\$ 52,905,793	\$ 14,885,722	\$ 120,198,054
Net investment income	36,465,180	578,750	2,800,779	39,844,709
Net commission income	-	-	3,803,765	3,803,765
Investment management and other fees	-	7,848,371	6,823,217	14,671,588
Other income and fees	848,352	1,985,683	1,486,499	4,320,534
Total revenues	89,720,071	63,318,597	29,799,982	182,838,650
POLICYHOLDER BENEFITS	59,736,148	38,747,117	15,128,679	113,611,944
EXPENSES	21,507,765	17,120,668	11,140,112	49,768,545
NET INCOME	\$ 8,476,158	\$ 7,450,812	\$ 3,531,191	\$ 19,458,161
TOTAL ASSETS	\$ 632,821,770	\$ 106,559,844	\$ 53,903,585	\$ 793,285,199
TOTAL LIABILITIES	\$ 523,562,647	\$ 39,593,680	\$ 17,682,925	\$ 580,839,252

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6. Segment Information (continued)

	2018			
	Life	Health	Other	Total
INCOME				
Net premium revenue	\$ 51,617,153	\$ 54,606,189	\$ 14,729,154	\$ 120,952,496
Net investment income	26,407,213	419,838	814,343	27,641,394
Net commission income	-	-	3,592,766	3,592,766
Investment management and other fees	-	7,238,857	5,978,440	13,217,297
Other income and fees	<u>105,612</u>	<u>1,474,703</u>	<u>1,512,175</u>	<u>3,092,490</u>
Total revenues	78,129,978	63,739,587	26,626,878	168,496,443
POLICYHOLDER BENEFITS				
EXPENSES	52,981,120	40,284,704	13,225,711	106,491,535
	<u>20,656,886</u>	<u>17,467,336</u>	<u>10,980,654</u>	<u>49,104,876</u>
NET INCOME	<u>\$ 4,491,972</u>	<u>\$ 5,987,547</u>	<u>\$ 2,420,513</u>	<u>\$ 12,900,032</u>
TOTAL ASSETS	<u>\$ 639,285,496</u>	<u>\$ 74,452,714</u>	<u>\$ 46,185,682</u>	<u>\$ 759,923,892</u>
TOTAL LIABILITIES	<u>\$ 509,327,169</u>	<u>\$ 38,078,460</u>	<u>\$ 13,481,002</u>	<u>\$ 560,886,631</u>

7. Invested Assets

The following represent the Company's total invested assets which are comprised of the following:

	2019	2018
Term deposits	\$ 5,170,577	\$ 17,568,907
Investment securities and other financial assets	445,753,030	429,020,638
Mortgages and commercial loans	25,330,141	28,480,688
Policy loans	69,614,153	69,443,735
Investment properties	59,036,402	59,461,743
Equity-accounted investees	<u>17,532,501</u>	<u>16,619,083</u>
Total invested assets	<u>\$ 622,436,804</u>	<u>\$ 620,594,794</u>

Invested assets comprise 78.5% of total assets at December 31, 2019 (2018: 81.7%).

8. Cash and Cash Equivalents

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

	2019	2018
Term deposits	\$ 5,170,577	\$ 17,568,907
Less: Deposits with original maturities of greater than 90 days	(5,170,577)	(17,296,150)
Short-term deposits	-	272,757
Cash and demand balances	44,330,366	43,474,899
Less: Bank overdraft (See Note 20)	<u>-</u>	<u>(1,759,109)</u>
Total cash and cash equivalents	<u>\$ 44,330,366</u>	<u>\$ 41,988,547</u>

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8. Cash and Cash Equivalents (continued)

As of the reporting date, the weighted-average interest rate on short-term deposits is 0.0% (2018: 0.0%). These short-term deposits have an average maturity of 30 days (2018: 30 days). The weighted-average interest rate on deposits with original maturities greater than 90 days is 2.9% (2018: 2.4%).

Included in deposits with original maturities of greater than 90 days are restricted balances held in favour of regulatory bodies in the Turks & Caicos Islands and the Cayman Islands totaling \$2,284,829 (2018: \$2,254,449). No restricted amounts are included in cash and demand balances (2018: Nil).

9. Investment Securities and other Financial Assets

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

	2019	2018
Equity securities		
Fair value through profit or loss	\$ 16,813,235	\$ 10,477,641
Available-for-sale	<u>16,406,317</u>	<u>17,851,426</u>
Total equity securities	<u>33,219,552</u>	<u>28,329,067</u>
Non-pledged debt securities		
Fair value through profit or loss	89,519,725	48,816,030
Available-for-sale	271,645,926	275,237,723
Loans and receivables	<u>44,150,040</u>	<u>45,000,000</u>
Total debt securities (non-pledged)	<u>405,315,691</u>	<u>369,053,753</u>
Pledged debt securities (See Note 19)		
Fair value through profit or loss	<u>7,217,787</u>	<u>31,637,818</u>
Total debt securities (pledged)	<u>7,217,787</u>	<u>31,637,818</u>
Total pledged and non-pledged debt securities	<u>412,533,478</u>	<u>400,691,571</u>
Total investment securities and other financial assets	<u>\$ 445,753,030</u>	<u>\$ 429,020,638</u>

Included in financial assets at fair value through profit or loss are financial instruments in the Bahamas Investment Fund (See Note 33).

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 1.4% to 8.6% per annum (2018: from 2.6% to 7.1% per annum) and scheduled maturities between 2020 and 2065 (2018: between 2019 and 2065).

Included in debt securities classified as 'available-for-sale' is \$2,185,000 (2018: \$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.

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9. Investment Securities and other Financial Assets (continued)

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

	FVPL	Available- for-sale	Loans and receivables	Total
At December 31, 2017	101,369,372	234,584,908	35,000,000	\$ 370,954,280
Additions	22,486,144	71,806,766	10,000,000	104,292,910
Disposals and maturities	(28,521,870)	(12,408,533)	-	(40,930,403)
Net fair value losses	(4,402,157)	(893,992)	-	(5,296,149)
At December 31, 2018	90,931,489	293,089,149	45,000,000	429,020,638
Additions	49,359,084	48,308,349	-	97,667,433
Disposals and maturities	(35,915,912)	(52,274,072)	-	(88,189,984)
Net fair value gains/(losses)	9,176,086	(1,071,183)	(849,960)	7,254,943
At December 31, 2019	<u>\$ 113,550,747</u>	<u>\$ 288,052,243</u>	<u>\$ 44,150,040</u>	<u>\$ 445,753,030</u>

Realized net fair value gains/(losses) are included in net investment income in the consolidated statement of income.

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

At December 31, 2019	Level 1	Level 2	Total Fair Value
<i>Financial assets designated at fair value through profit or loss:</i>			
<i>Non-Pledged Securities</i>			
Equity securities	\$ 13,791,759	\$ 2,761,140	\$ 16,552,899
Shares in investment funds	-	260,336	260,336
Government securities	-	77,847,455	77,847,455
Preferred shares	-	1,492,856	1,492,856
Other debt securities	-	10,179,414	10,179,414
Sub-total	<u>13,791,759</u>	<u>92,541,201</u>	<u>106,332,960</u>
<i>Pledged Securities (See Note 19)</i>			
Government securities	\$ -	\$ 4,484,236	\$ 4,484,236
Other debt securities	-	2,733,551	2,733,551
Sub-total	<u>-</u>	<u>7,217,787</u>	<u>7,217,787</u>
Total	<u>\$ 13,791,759</u>	<u>\$ 99,758,988</u>	<u>\$ 113,550,747</u>
<i>Available-for-sale financial assets:</i>			
Equity securities	\$ 7,415,223	\$ 4,344,366	\$ 11,759,589
Shares in investment funds	-	4,646,728	4,646,728
Government securities	-	245,529,817	245,529,817
Preferred shares	-	14,502,275	14,502,275
Other debt securities	-	11,613,834	11,613,834
Total	<u>\$ 7,415,223</u>	<u>\$ 280,637,020</u>	<u>\$ 288,052,243</u>
<i>Loans and receivables:</i>			
Sovereign debt	\$ -	\$ 44,150,040	\$ 44,150,040
Total	<u>\$ -</u>	<u>\$ 44,150,040</u>	<u>\$ 44,150,040</u>

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9. Investment Securities and other Financial Assets (continued)

The Group did not have any financial instruments classified as Level 3 as at December 31, 2019.

At December 31, 2018	Level 1	Level 2	Total Fair Value
Financial assets designated at fair value through profit or loss:			
<u>Non-Pledged Securities</u>			
Equity securities	\$ 7,293,155	\$ 2,641,953	\$ 9,935,108
Shares in investment funds	-	542,532	542,532
Government securities	-	41,017,832	41,017,832
Preferred shares	-	1,525,428	1,525,428
Other debt securities	-	6,272,771	6,272,771
Sub-total	<u>7,293,155</u>	<u>52,000,516</u>	<u>59,293,671</u>
<u>Pledged Securities (See Note 19)</u>			
Government securities	\$ -	\$ 28,113,518	\$ 28,113,518
Other debt securities	-	3,524,300	3,524,300
Sub-total	-	<u>31,637,818</u>	<u>31,637,818</u>
Total	<u>\$ 7,293,155</u>	<u>\$ 83,638,334</u>	<u>\$ 90,931,489</u>
Available-for-sale financial assets:			
Equity securities	\$ 7,498,388	\$ 3,951,376	\$ 11,449,764
Shares in investment funds	-	6,401,663	6,401,663
Government securities	-	243,562,960	243,562,960
Preferred shares	-	18,026,039	18,026,039
Other debt securities	-	13,648,723	13,648,723
Total	<u>\$ 7,498,388</u>	<u>\$ 285,590,761</u>	<u>\$ 293,089,149</u>
Loans and receivables:			
Sovereign debt	\$ -	\$ 45,000,000	\$ 45,000,000
Total	<u>\$ -</u>	<u>\$ 45,000,000</u>	<u>\$ 45,000,000</u>

The Group did not have any financial instruments classified as Level 3 as at December 31, 2018.

10. Receivables and Other Assets

Receivables and other assets are comprised of the following:

	2019	2018
Financial assets		
Premiums receivable	\$ 3,922,815	\$ 4,207,971
Less: Provision on premiums receivable	(1,811,421)	(1,957,457)
Reinsurance recoveries receivable	8,461,647	10,811,937
Net balances receivable on ASO plans	54,212,503	19,384,287
Agents' balances	1,034,629	981,364
Less: Provision on agents' balances	(1,020,301)	(972,194)
Accrued interest income	4,809,166	4,752,274
Loan to SBL Ltd. (See Notes 20 and 34)	1,611,642	6,029,151
Receivables from related parties (See Note 34)	83,048	222,112
Participation in IRM reinsurance facilities	3,356,062	2,171,774
Non-financial assets		
Properties assumed under mortgage defaults	1,785,400	1,785,400
Land held for development	4,468,501	4,533,403
Prepayments and other assets	<u>13,628,529</u>	<u>14,313,996</u>
Total receivables and other assets	<u>\$ 94,542,220</u>	<u>\$ 66,264,018</u>

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10. Receivables and Other Assets (continued)

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.

In June 2015, the Company entered into a senior term loan facility (the FCIB Loan) with First Caribbean 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 proceeds of the FCIB Loan were immediately used by the Company to issue a loan on the exact same interest and repayment terms as the original FCIB Loan agreement to its affiliate, SBL Ltd. in 2015 and is included in receivables and other assets as “Loan to SBL.” The Company, using excess available cash, repaid the FCIB Loan in advance of the original maturity date. The loan was settled in full as at March 7, 2019. The FCIB Loan is included in Note 20 “Loans and other Borrowings”. No changes have been made to the original terms of the Loan to SBL.

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.

11. Policy Loans

Policy loans are comprised of:

	2019	2018
Policy loans	\$ 65,762,722	\$ 65,649,724
Accrued interest on policy loans	<u>3,903,562</u>	<u>3,825,616</u>
Subtotal	69,666,284	69,475,340
Less: Provisions	<u>(52,131)</u>	<u>(31,605)</u>
Policy loans, net	<u>\$ 69,614,153</u>	<u>\$ 69,443,735</u>

Policy loans are secured by the cash surrender values of the policies on which the loans are made with the exception of \$52,131 (2018: \$31,605) 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, 2019. 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 11.6% (2018: 11.4%).

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12. Mortgages and Commercial Loans

Mortgages and commercial loans are comprised of the following:

	2019	2018
Mortgages and commercial loans	\$ 32,528,433	\$ 34,716,405
Accrued interest	11,225,265	10,724,035
	<u>43,753,698</u>	<u>45,440,440</u>
Subtotal	43,753,698	45,440,440
Less: Provisions	(18,423,557)	(16,959,752)
	<u>25,330,141</u>	<u>28,480,688</u>
Mortgages and commercial loans, net	\$ 25,330,141	\$ 28,480,688

Mortgages and commercial loans are classified into the following categories:

	2019	2018
Residential mortgages	\$ 18,072,645	\$ 18,916,852
Commercial mortgages	11,756,601	13,111,824
Commercial paper	2,699,187	2,687,729
	<u>32,528,433</u>	<u>34,716,405</u>
Subtotal	32,528,433	34,716,405
Accrued interest	11,225,265	10,724,035
	<u>43,753,698</u>	<u>45,440,440</u>
Total	\$ 43,753,698	\$ 45,440,440

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, 2019 are loans to employees and salespersons amounting to \$2,291,855 (2018: \$2,879,334).

Provisions on mortgages and commercial loans are as follows:

	2019	2018
Residential mortgages	\$ 3,780,582	\$ 3,382,297
Commercial mortgages	5,289,286	4,705,652
Accrued interest	9,353,689	8,871,803
	<u>18,423,557</u>	<u>16,959,752</u>
Total provisions on mortgages and commercial loans	\$ 18,423,557	\$ 16,959,752

The movement in loan loss provisions is as follows:

	2019	2018
Balance, beginning of year	\$ 16,959,752	\$ 15,311,124
Increase in provisions	2,332,490	2,207,978
Provisions written back to income	(868,685)	(559,350)
	<u>18,423,557</u>	<u>16,959,752</u>
Balance, end of year	\$ 18,423,557	\$ 16,959,752

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12. Mortgages and Commercial Loans (continued)

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

	2019	2018
Residential mortgages	7.54%	7.57%
Commercial mortgages	9.19%	9.15%
Commercial paper	7.90%	7.90%

13. 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, 2017	\$ 3,140,000	\$ 630,000	\$ 51,075,002	\$ 54,845,002
Additions	-	-	495,743	495,743
Transfers from property & equipment (See Note 15)	-	-	3,229,196	3,229,196
Net gain from fair value adjustments	-	-	891,802	891,802
At December 31, 2018	\$ 3,140,000	\$ 630,000	\$ 55,691,743	\$ 59,461,743
Additions	-	-	729,661	729,661
Disposals	-	-	(170,002)	(170,002)
Net loss from fair value adjustments	-	-	(985,000)	(985,000)
At December 31, 2019	\$ 3,140,000	\$ 630,000	\$ 55,266,402	\$ 59,036,402

Net gains/(losses) from fair value adjustments are included in net investment income on the consolidated statement of profit or loss (See Note 27).

During the period, certain of the individual properties were valued by independent appraisers from Quantum Appraisal Services and Coldwell Banker Lightbourn Realty. All appraisers used are accredited independent appraisers with experience in the location and category of the investment property valued. The investment properties valued by the independent appraisers were evaluated using a weighted average of the Income Approach (IA) and Replacement Cost (RC).

In accordance with the Group's policy for the valuation of investment property holdings in intervening periods, the fair values of all properties at December 31, 2019 were based on valuations performed by management using the Discounted Cash Flow Method (DCF) and the Sales Comparison Method (SC). (2018: DCF and SC).

Significant unobservable inputs used in the valuations in 2019 were as follows:

Property Classification	Valuation technique	Significant unobservable inputs	Range (weighted average)
Land and land lots	SC	Sales price / acre	\$10,000 - \$375,000 (\$11,700)
Residential	SC	Sales price / sq.ft.	\$330 (\$330)
	DCF	Estimated rental rate / sq.ft. / p.a.	\$10 - \$78

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Commercial office		Discount rate	9.25%-10.5%
		Rent growth p.a.	1.0% - 3.0%
		Expense inflation p.a.	3.0%
		Capitalization rate for terminal value	8.0% - 9.25%
		Vacancy rate	5% - 32.0%
	SC	Sales price / sq. ft.	\$12 (\$12)
	IA	Capitalization rate	9.0%
		Estimated rental rate / sq.ft./ p.a.	\$19 -\$29

Significant unobservable inputs used in the valuations in 2018 were as follows:

Property Classification	Valuation technique	Significant unobservable inputs	Range (weighted average)
Land and land lots	SC	Sales price / acre	\$10,000 - \$320,000 (\$9,953)
	DCF	Estimated rental rate / sq.ft. / p.a.	\$3
		Discount rate	10.5%
		Rent growth p.a.	3%
		Expense inflation p.a.	3%
		Capitalization rate for terminal value	9.25%
Vacancy rate	0%		
Residential	SC	Sales price / sq.ft.	\$330 (\$330)
Commercial office	DCF	Estimated rental rate / sq.ft. / p.a.	\$9 - \$78
		Discount rate	9.25% -9.5%
		Rent growth p.a.	1.0%-2.0%
		Expense inflation p.a.	3.0%
		Capitalization rate for terminal value	8.0% - 9.0%
	Vacancy rate	5% - 32.0%	
	SC	Sales price / sq. ft.	\$12 (\$12)
	IA	Capitalization rate	9.0%
		Estimated rental rate / sq.ft./ p.a.	\$9 - \$29

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13. Investment Properties (continued)

Under the IA method, the projected net annual income net of estimated building expenses is determined and is divided by the capitalization rate. The capitalization rate is the expected rate of return used on similar investments.

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 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.

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.

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 \$13.0 million (2018: \$13.5 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 \$5,140,433 (2018: \$4,947,720), is included in rental income in net investment income. Direct expenses related to generating rental income from investment properties, amounting to \$1,666,110 (2018: \$1,539,630), are included in general and administrative expenses.

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14. Equity-accounted investees

Equity-accounted investees are comprised of:

	2019	2018
Walk-In Holdings Limited	\$ 4,126,881	\$ 3,808,047
SBL Ltd.	<u>13,405,620</u>	<u>12,811,036</u>
Total	<u>\$ 17,532,501</u>	<u>\$ 16,619,083</u>

Gains and losses from the Group's equity-accounted investees are comprised of the following:

	2019	2018
Share of profit of equity-accounted investees		
Walk-In Holdings Limited	\$ 318,834	\$ 154,666
SBL Ltd.	<u>594,584</u>	<u>918,760</u>
Share of profit of equity-accounted investees	<u>\$ 913,418</u>	<u>\$ 1,073,426</u>

Walk-In Holdings Limited

In November 2007, the Group, through its wholly-owned subsidiary, PRO Health Holdings Ltd., acquired interest in Walk-In Holdings Limited ("WIHL"), a privately-held company incorporated in The Bahamas at a cost of \$3,402,631. The Group now owns 31% (2018: 31%) of WIHL. WIHL owns and operates medical clinics in The Bahamas.

The investment in WIHL is comprised of the following:

	2019	2018
Total assets	\$ 11,319,651	\$ 10,235,867
Total liabilities	<u>(370,681)</u>	<u>(542,287)</u>
Net assets of WIHL	<u>\$ 10,948,970</u>	<u>\$ 9,693,580</u>
Company's share of WIHL's balance sheet	\$ 3,394,180	\$ 3,075,346
Goodwill	<u>732,701</u>	<u>732,701</u>
Total investment in WIHL	<u>\$ 4,126,881</u>	<u>\$ 3,808,047</u>

Management estimates that the carrying value of the investment in WIHL approximates its fair value at the reporting date.

The Group's share of WIHL's net income is as follows:

	12 Months Ended Dec. 31, 2019	12 Months Ended Dec. 31, 2018
Total revenue	\$ <u>8,468,449</u>	\$ <u>7,902,917</u>
Total net income for the period	<u>\$ 1,255,389</u>	<u>\$ 498,923</u>
Share of WIHL's net income	<u>\$ 318,834</u>	<u>\$ 154,666</u>

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14. Equity-accounted investees (continued)

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 equity-accounted investee 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, these additional investments did not impact the Company's consolidated percentage ownership in SBL nor its classification as an equity-accounted investee. In June 2015, the Company facilitated a \$15 million loan to SBL using proceeds received from bank borrowings (See Notes 10 and 20). 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:

	2019	2018
Total assets	\$ 462,994,238	\$ 456,877,906
Total liabilities	(388,040,228)	(385,570,372)
Net assets of SBL	<u>\$ 74,954,010</u>	<u>\$ 71,307,534</u>
Company's share of SBL's balance sheet	\$ 12,290,281	\$ 11,240,912
Intangible assets	<u>1,115,339</u>	<u>1,570,124</u>
Total investment in SBL	<u>\$ 13,405,620</u>	<u>\$ 12,811,036</u>

Management estimates that the carrying value of the investment in SBL approximates its fair value at the reporting date.

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

	12 Months Ended Dec. 31, 2019	12 Months Ended Dec. 31, 2018
Total revenue	\$ 26,857,666	\$ 25,665,796
Total net income for the period	<u>\$ 5,342,095</u>	<u>\$ 4,835,580</u>
Share of SBL's net income	<u>\$ 594,584</u>	<u>\$ 918,760</u>

The following table shows an analysis of goodwill and other intangible assets included in equity-accounted investees for the years ending December 31, 2019 and 2018:

	Goodwill	Other Intangibles Assets	Total
Balance as of December 31, 2017	\$ 732,701	\$ 2,060,910	\$ 2,793,611
Acquired during the year	-	1,900	1,900
Amortization	-	(492,686)	(492,686)
Balance as of December 31, 2018	<u>732,701</u>	<u>1,570,124</u>	<u>2,302,825</u>
Amortization	-	(454,785)	(454,785)
Balance as of December 31, 2019	<u>\$ 732,701</u>	<u>\$ 1,115,339</u>	<u>\$ 1,848,040</u>

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14. Equity-accounted investees (continued)

The gross carrying value and accumulated amortization by major category of other intangible assets as of December 31, 2019, is shown below.

	Other Intangibles		
	Gross Carrying Value	Accumulated Amortization	Total
Customer relationships	\$ 2,648,770	\$ (1,564,351)	\$ 1,084,419
Software	585,696	(554,776)	30,920
Total Other Intangible Assets	<u>\$ 3,234,466</u>	<u>\$ (2,119,127)</u>	<u>\$ 1,115,339</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 intangibles included in Equity-accounted Investees
2020	\$ 443,420
2021	427,938
2022	243,951
2023 and thereafter	<u>30</u>
	<u>\$ 1,115,339</u>

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15. Property and Equipment

	Land, land improvements and buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Total
Cost / revalued amounts:					
At December 31, 2017	\$ 24,379,162	\$ 1,597,381	\$ 4,149,816	\$ 46,156	\$ 30,172,515
Additions	78,178	-	1,018,591	-	1,096,769
Disposals	-	(680)	(48,217)	-	(48,897)
Transfers to Investment Property (See Note 13)	(4,294,142)	-	-	-	(4,294,142)
At December 31, 2018	\$ 20,163,198	\$ 1,596,701	\$ 5,120,190	\$ 46,156	\$ 26,926,245
Recognition of right-of-use assets on initial application of IFRS 16	6,236,058	-	-	-	6,236,058
Adjusted balance, January 1, 2019	26,399,256	1,596,701	5,120,190	46,156	33,162,303
Additions	44,187	-	646,241	39,353	729,781
Disposals	(234,011)	-	(365,710)	(6,250)	(605,971)
At December 31, 2019	\$ 26,209,432	\$ 1,596,701	\$ 5,400,721	\$ 79,259	\$ 33,286,113
Accumulated depreciation:					
At December 31, 2017	\$ 7,946,885	\$ 1,051,144	\$ 3,563,543	\$ 38,792	\$ 12,600,364
Disposals	-	(680)	(35,549)	-	(36,229)
Depreciation charge	649,285	130,454	465,157	2,520	1,247,416
Transfers to Investment Property (See Note 13)	(1,064,946)	-	-	-	(1,064,946)
At December 31, 2018	\$ 7,531,224	\$ 1,180,918	\$ 3,993,151	\$ 41,312	\$ 12,746,605
Recognition of right-of-use assets on initial application of IFRS 16	1,905,393	-	-	-	1,905,393
Adjusted balance, January 1, 2019	9,436,617	1,180,918	3,993,151	41,312	14,651,998
Disposals	(53,222)	-	(12,437)	(6,250)	(71,909)
Depreciation charge	1,345,949	118,715	204,759	7,638	1,677,061
At December 31, 2019	\$ 10,729,344	\$ 1,299,633	\$ 4,185,473	\$ 42,700	\$ 16,257,150
Net book value:					
At December 31, 2019	\$ 15,480,088	\$ 297,068	\$ 1,215,248	\$ 36,559	\$ 17,028,963
At December 31, 2018	\$ 12,631,974	\$ 415,783	\$ 1,127,039	\$ 4,844	\$ 14,179,640

Property, plant and equipment includes ROU assets of \$3,493,177 related to leased properties that do not meet the definition of investment property.

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

	2019	2018
Land and land improvements	\$ 5,110,001	\$ 5,188,179
ROU assets (gross)	6,069,032	-
Buildings	15,030,399	14,975,019
Total Cost/revalued amount	\$ 26,209,432	\$ 20,163,198

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.

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

If land, land improvements and buildings were stated on a historical cost basis, the carrying amount would be approximately \$8.9 million (2018: \$9.4 million).

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16. Goodwill

	2019	2018
Cost	\$ 17,244,032	\$ 17,244,032
Accumulated impairment charges	<u>(4,178,213)</u>	<u>(4,178,213)</u>
Net book amount	<u>\$ 13,065,819</u>	<u>\$ 13,065,819</u>
Balance, beginning of year	\$ 13,065,819	\$ 13,164,419
Impairment charge	<u>-</u>	<u>(98,600)</u>
Balance, end of year	<u>\$ 13,065,819</u>	<u>\$ 13,065,819</u>

17. Other Intangible Assets

	2019	2018
Cost	\$ 10,384,019	\$ 10,384,019
Accumulated amortization	<u>(8,502,992)</u>	<u>(8,039,297)</u>
Net book amount	<u>\$ 1,881,027</u>	<u>\$ 2,344,722</u>
Balance, beginning of year	\$ 2,344,722	\$ 2,808,416
Amortization charge	<u>(463,695)</u>	<u>(463,694)</u>
Balance, end of year	<u>\$ 1,881,027</u>	<u>\$ 2,344,722</u>

Upon acquisition of CFAL in September 2013, the excess of the purchase price over total net assets acquired totaled \$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, 2019 is shown below:

	Other Intangible Assets		
	Gross Carrying Value	Accumulated Amortization	Total
Customer relationships	\$ 4,572,000	\$ (2,822,222)	\$ 1,749,778
Trade name	<u>300,000</u>	<u>(168,751)</u>	<u>131,249</u>
Total Other Intangible Assets	<u>\$ 4,872,000</u>	<u>\$ (2,990,973)</u>	<u>\$ 1,881,027</u>

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17. Other Intangible Assets (continued)

Expected amortization of other intangible assets is shown below:

	Expected Amortization Other Intangible Assets
2020	\$ 463,694
2021	463,694
2022	463,694
2023 and thereafter	489,945
	<u>\$ 1,881,027</u>

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 \$68.9 million or decrease by \$52.5 million.

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18. Provision for Future Policy Benefits (continued)

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 range of 1.73% to 2.5% throughout the 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 \$6.4 million or decrease by \$6.4 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 future margins on lapse rates are to differ by 10% from that assumed, the liability would increase by \$8.8 million or decrease by \$8.3 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 \$3.5 million or decrease by \$3.2 million.

Medical claims costs

The principal assumption underlying the estimate of the medical claims reserve is the Company's past claims development experience and loss ratios. If the average claim costs were to increase by 10%, gross liabilities would increase by \$1.0 million, with the net liabilities increasing by \$0.9 million. If the average claim costs were to decrease by 10%, gross liabilities would decrease by \$1.0 million, with the net liabilities decreasing by \$1.0 million.

Analysis of provision for future policy benefits

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

	2019	2018
Life insurance	\$ 417,622,768	\$ 395,143,587
Annuities	18,899,364	18,172,403
Accident and health	16,596,637	15,300,568
Colina Investment Plan (See Note 33)	<u>5,496,173</u>	<u>6,345,023</u>
Total provision for future policy benefits	<u>\$ 458,614,942</u>	<u>\$ 434,961,581</u>

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18. Provision for Future Policy Benefits (continued)

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

	2019	2018
Short-term insurance contracts	\$ 18,207,639	\$ 16,616,029
Long-term insurance and other contracts		
-with fixed and guaranteed terms	191,160,905	173,590,746
-with fixed and guaranteed terms and with DPF	209,583,817	204,869,587
-without fixed and guaranteed terms	19,673,967	18,777,763
-without fixed and guaranteed terms and with DPF	14,492,441	14,762,433
Long-term investment contracts with DPF	<u>5,496,173</u>	<u>6,345,023</u>
Total provision for future policy benefits	<u>\$ 458,614,942</u>	<u>\$ 434,961,581</u>

Analysis of change in provision for future policy benefits

	2019	2018
Balance, beginning of year	\$ 434,961,581	\$ 421,667,568
Normal changes in policy liabilities	17,157,037	7,133,682
Changes in assumptions and refinement of estimates	<u>6,496,324</u>	<u>6,160,331</u>
Balance, end of year	<u>\$ 458,614,942</u>	<u>\$ 434,961,581</u>

Closed Participating Fund

In the provision for future policy benefits as of December 31, 2019 are actuarial reserves totaling \$33.5 million (2018: \$34 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, 2019 shows that it had the following asset mix:

	2019	2018
Government securities	62.0%	60.9%
Policy loans	20.7%	21.5%
Equity securities	9.5%	9.1%
Mortgage loans	2.8%	3.6%
Cash and equivalents	1.8%	0.9%
Preference shares	0.0%	0.6%
Corporate bonds	3.2%	3.4%
Total	<u>100.0%</u>	<u>100.0%</u>

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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 of 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 repurchase agreement requires the funded amount by DB to Colina of US\$35 million to be repaid in 5 equal principal repayment instalments of US\$7 million. The Company met its scheduled repayments for the fiscal years ended December 2016 through 2019, and is scheduled to continue the scheduled repayments annually until December 10, 2020.

If the value of the Pledged Bonds falls by more than a minimum transfer amount of US\$250,000, Colina will be required to post the shortfall with DB in cash or cash equivalents within 1 business day. The minimum transfer amount was increased to US\$500,000 by an amendment dated May 24, 2016.

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

	2019	2018
Payables under sale and repurchase agreements	\$ 7,000,000	\$ 14,000,000
Carrying amount of collateral provided in respect of above	\$ 7,217,787	\$ 31,637,818

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.

20. Loans and other Borrowings

	Interest rate % / IBR	Maturity	2019	2018
Bank borrowings (See Note 10)	3M LIBOR + 2%	12/31/2019	\$ -	4,081,222
Bank overdraft (See Note 8)	-	on demand	-	1,759,109
Lease liabilities	6%	2020 to 2029	4,167,356	-
Total loans and borrowings			<u>\$ 4,167,356</u>	<u>\$ 5,840,331</u>

Bank borrowings

In June 2015, the Company entered into a senior term loan facility (the FCIB Loan) with First Caribbean 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 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. in 2015 and is included in receivables and other assets as "Loan to SBL." (See Notes 10 and 14). In accordance with the original terms of the agreement, a principal repayment was made prior to June 24, 2016 to reduce the principal balance to \$10 million US Dollars.

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.

During 2016, the Company negotiated an "Amending Agreement" with FCIB, whose terms had been accepted in principle by all parties to the agreement. The revised terms required principal repayments to reduce the facility to \$8 million US Dollars by December 31, 2017 with the remaining principal balance on the facility due on December 31, 2019. The Company complied with the terms of the "Amending Agreement" and made additional early principal payments to reduce the FCIB loan balance to \$6,100,861 by December 31, 2017 and to \$4,081,222 by December 31, 2018. The balance of the loan was repaid in full on May 31, 2019.

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20. Loans and other Borrowings (continued)

Lease liabilities

The Group has lease contracts for property and other real estate used in its operations. Leases generally have lease terms between 5 and 20 years, inclusive of renewable clauses that are likely to be exercised. Where lease terms are for periods of 12 months or less or are for low value, the Group has applied the 'short-term lease' and 'lease of low-value assets' recognition exemption.

The carrying amounts of ROU assets recognized and the movements during the period are included in Note 15 with Property and Equipment.

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2019	2018
At December 31, 2018	\$ -	\$ -
Recognition of lease liability on initial application of IFRS 16 (Note 2.5)	<u>4,936,962</u>	<u>-</u>
Adjusted balance, January 1,	\$ 4,936,962	\$ -
Additions	41,588	-
Accretion of interest	272,443	-
Payments	(899,367)	-
Lease terminations	<u>(184,270)</u>	<u>-</u>
As at December 31,	<u>\$ 4,167,356</u>	<u>\$ -</u>
Current	\$ 642,901	\$ -
Non-current	<u>3,524,455</u>	<u>-</u>
Total	<u>\$ 4,167,356</u>	<u>\$ -</u>

The following are the amounts recognized in profit or loss:

	2019	2018
Depreciation expense ROU assets (See Note 15)	\$ 415,709	\$ -
Interest expense on lease liabilities (See Note 30)	<u>201,260</u>	<u>-</u>
Total amount recognized in profit or loss	<u>\$ 616,969</u>	<u>\$ -</u>

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

21. Other Liabilities

	2019	2018
Third party pension liabilities	\$ 28,034,042	\$ 27,413,434
Benefits payable to policyholders	15,786,004	14,551,392
Accrued expenses and other liabilities	35,516,126	31,297,086
Reinsurance payables	<u>3,684,788</u>	<u>4,921,577</u>
Total other liabilities	<u>\$ 83,020,960</u>	<u>\$ 78,183,489</u>

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22. Share Capital

	2019		2018
Authorized:			
45,000,000 Class "A" Preference Shares of B\$1.00 each (2018: 45,000,000)	\$ 45,000,000	\$	45,000,000
30,000,000 Class "B" Preference Shares of B\$0.01 each (2018: 30,000,000)	\$ 300,000	\$	300,000
35,000,000 Class "A" Ordinary Shares of B\$1.00 each (2018: 35,000,000)	\$ 35,000,000	\$	35,000,000
40,000,000 Class "B" Ordinary Shares of B\$0.01 each (2018: 40,000,000)	\$ 400,000	\$	400,000
Issued and fully paid:			
42,500,000 Class "A" Preference Shares of B\$1.00 each (2018: 42,500,000)	\$ 42,500,000	\$	42,500,000
24,729,613 Class "A" Ordinary Shares of	\$ 24,729,613	\$	24,729,613

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, 2019 and December 31, 2018, none of the Class "B" ordinary or preference share capital were issued.

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23. 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.

	Available-for-Sale	Subsidiary Acquisitions	Land and Building	Total
Balance as of December 31 , 2017	\$ 7,681,157	\$ 2,291,925	\$ 5,255,236	\$ 15,228,318
Net fair value losses during the year	(1,354,933)	-	-	(1,354,933)
Transfers to net income	90,696	-	-	90,696
Balance as of December 31 , 2018	6,416,920	2,291,925	5,255,236	13,964,081
Net fair value losses during the year	(230,470)	-	-	(230,470)
Transfers to net income	168,898	-	-	168,898
Balance as of December 31 , 2019	<u>\$ 6,355,348</u>	<u>\$ 2,291,925</u>	<u>\$ 5,255,236</u>	<u>\$ 13,902,509</u>

24. 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. Other than as disclosed in Note 10, as at December 31, 2019, the Group did not provide any guarantees to third parties in the ordinary course of business. (2018: 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, 2019 (2018: Nil).

Purchase of property and equipment: The Company had no commitments for the purchase of capital equipment or services at December 31, 2019 (2018: Nil).

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25. 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, 2019 are as follows:

	At December 31, 2019	At December 31, 2018
No later than 1 year	\$ 1,620,813	\$ 2,103,648
Later than 1 year and no later than 5 years	4,865,976	3,929,219
Later than 5 years	1,396,549	1,608,791
	<u>7,883,338</u>	<u>7,641,658</u>
Total	<u>\$ 7,883,338</u>	<u>\$ 7,641,658</u>

26. Net Premium Revenue

Net premium revenue is comprised of the following:

	2019	2018
Life and health insurance premiums	\$ 120,519,325	\$ 121,569,613
Less: Reinsurance premiums	<u>(15,260,141)</u>	<u>(15,447,548)</u>
Subtotal	105,259,184	106,122,065
Premiums from IRM reinsurance facilities (See Note 10)	<u>14,938,870</u>	<u>14,830,431</u>
Net premium revenue	<u>\$ 120,198,054</u>	<u>\$ 120,952,496</u>

Net premium revenues are classified in the following categories:

	2019	2018
Short-term insurance contracts	\$ 74,078,830	\$ 75,941,679
Long-term insurance and other contracts		
-with fixed and guaranteed terms	33,829,562	33,280,074
-with fixed and guaranteed terms and with DPF	17,925,099	18,798,008
-without fixed and guaranteed terms	2,016,624	81,570
-without fixed and guaranteed terms and with DPF	6,785,711	7,222,515
Long-term investment contracts with DPF	<u>822,369</u>	<u>1,076,198</u>
Total premium revenue arising from contracts issued	135,458,195	136,400,044
Premiums ceded to reinsurers	<u>(15,260,141)</u>	<u>(15,447,548)</u>
Net premium revenue	<u>\$ 120,198,054</u>	<u>\$ 120,952,496</u>

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27. Net Investment Income

Net investment income is classified as follows:

	2019	2018
Term deposits	\$ 139,233	\$ 704,632
Investment securities		
Interest income	23,914,408	9,222,528
Dividend income	2,342,082	2,114,791
Net fair value losses included in the revaluation reserve (See Note 23)	<u>(230,470)</u>	<u>(1,354,933)</u>
Net investment return on managed assets	26,165,253	10,687,018
Mortgages and commercial loans	1,021,753	1,419,703
Policy loans	7,527,660	7,457,111
Rental income	4,876,411	4,712,911
Net fair value (losses)/gains on investment properties (See Note 13)	(985,000)	891,802
Other fees and income	<u>94,744</u>	<u>44,490</u>
Total return on invested assets	38,700,821	25,213,035
Less: Fair value losses in the revaluation reserve	<u>230,470</u>	<u>1,354,933</u>
Total net investment income recognized in income	<u>\$ 38,931,291</u>	<u>\$ 26,567,968</u>

Included in net investment income are impairment charges from investment securities totaling \$938,750 (2018: \$4,151,862).

28. Net Policyholders' Benefits

Net policyholders' benefits are comprised of the following:

	2019	2018
Life and health policyholder benefits	\$ 89,458,473	\$ 93,932,508
Less: Reinsurance recoveries	<u>(11,100,680)</u>	<u>(13,279,741)</u>
Subtotal	78,357,793	80,652,767
Benefits paid on IRM reinsurance facilities (See Note 10)	<u>11,600,790</u>	<u>12,544,755</u>
Total net policyholders' benefits	<u>\$ 89,958,583</u>	<u>\$ 93,197,522</u>

Included in life and health policyholder benefits is \$826,841 related to interest on policy dividends on deposit (2018: \$847,565).

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28. Net Policyholders' Benefits (continued)

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

	2019	2018
Short-term insurance contracts	\$ 54,782,141	\$ 57,445,980
Long-term insurance and other contracts		
-with fixed and guaranteed terms	14,983,937	15,312,584
-with fixed and guaranteed terms and with DPF	22,622,015	25,094,024
-without fixed and guaranteed terms	1,930,648	1,943,029
-without fixed and guaranteed terms and with DPF	4,360,830	3,707,415
Long-term investment contracts with DPF	<u>2,379,692</u>	<u>2,974,231</u>
Total policyholders' benefits	101,059,263	106,477,263
Reinsurance recoveries	<u>(11,100,680)</u>	<u>(13,279,741)</u>
Net policyholders' benefits	<u>\$ 89,958,583</u>	<u>\$ 93,197,522</u>

29. General and Administrative Expenses

General and administrative expenses are comprised of:

	2019	2018
Salaries and employee/salesperson benefits	\$ 17,665,314	\$ 16,757,018
Fees, insurance and licences	6,176,198	5,028,510
IRM reinsurance facilities expenses (See Note 10)	1,643,596	1,958,141
Advertising and communications expense	3,896,312	3,735,675
Depreciation and amortization (See Notes 15 and 17)	2,140,756	1,711,110
Premises and maintenance	3,553,881	3,682,414
Underwriting fees	746,366	597,911
Other expenses/(write-offs)	<u>(21,525)</u>	<u>(110,158)</u>
Total general and administrative expenses	<u>\$ 35,800,898</u>	<u>\$ 33,360,621</u>

30. Finance Costs and Interest

Finance costs and interest are comprised of:

	2019	2018
Interest on third party pension liabilities	\$ 1,181,803	\$ 1,143,371
Interest on liabilities due to ASO groups	562,058	1,023,142
Interest on lease liabilities (See Note 20)	201,260	-
Other interest costs	<u>198,786</u>	<u>223,735</u>
Total finance costs and interest	<u>\$ 2,143,907</u>	<u>\$ 2,390,248</u>

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31. 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. There were no treasury shares held by the Company as at December 31, 2019.

	2019	2018
Net income attributable to equity shareholders	\$ 17,613,110	\$ 12,292,387
Net income attributable to ordinary shareholders	\$ 15,169,360	\$ 9,848,637
Weighted average number of ordinary shares outstanding	24,729,613	24,729,613
Basic earnings per ordinary share	\$ 0.61	\$ 0.40

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 the Class "A" ordinary shareholders in 2019 totalled \$5,440,515 (\$0.22 per share) (2018: \$5,440,515 (\$0.22 per share)).

Dividends paid by the Company to the Class "A" preference shareholders during 2019 totalled \$2,443,750 (2018: \$2,443,750).

The Company does not have any dilutive shares.

32. 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 \$825,395 and is included in salaries and employee/salespersons' benefits expense (2018: \$838,477).

33. 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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33. Unit Linked Funds and Investment Plans (continued)

The underlying assets of the BIF and CIP that are included in their respective categories in the reporting at December 31, 2019 are as follows:

	Bahamas Investment Fund		Colina Investment Plan	
	2019	2018	2019	2018
Equities - listed	\$ 3,668,204	\$ 3,487,629	\$ 2,599,280	\$ 2,577,355
Equities - unquoted	66,894	66,894	15,000	15,000
Preferred shares - unquoted	492,855	525,428	264,428	295,214
Government securities	6,178,114	7,591,000	2,794,018	3,537,741
Debt securities - unquoted	475,001	485,716	28,572	28,572
Policy loans	-	-	559,949	596,919
Cash	1,016,554	102,044	189,226	16,445
Due to general fund	(303,939)	(111,020)	(954,300)	(722,223)
Total assets	<u>\$ 11,593,683</u>	<u>\$ 12,147,691</u>	<u>\$ 5,496,173</u>	<u>\$ 6,345,023</u>

34. 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:

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34. Related Party Balances and Transactions (continued)

	AFH	Other affiliates	Other related parties	Total 2019	Total 2018
Revenues					
Group medical insurance	\$ 26,254	\$ 952,113	\$ 928,876	\$ 1,907,243	\$ 1,802,867
Investment management and other fees	-	366,488	19,807	386,295	394,517
Rental income	-	-	72,000	72,000	72,000
Interest and other income	-	-	1,152,479	1,152,479	1,260,764
Total	\$ 26,254	\$ 1,318,601	\$ 2,173,162	\$ 3,518,017	\$ 3,530,148
Expenses					
Management and consulting	\$ 107,284	\$ -	\$ 1,519	\$ 108,803	\$ 107,445
Legal fees	-	272,602	-	272,602	305,864
Administration, Registrar and Transfer Agent fees	-	118,590	-	118,590	81,224
Property management fees	-	61,920	-	61,920	61,920
Advertising and marketing	-	156,386	-	156,386	170,753
Property rental	-	683,522	32,500	716,022	728,498
Medical lab expenses	-	-	399,481	399,481	445,285
Interest and financing costs	-	4,184	395,863	400,047	-
Other	204,000	608,491	26,402	838,893	575,040
Total	\$ 311,284	\$ 1,905,695	\$ 855,765	\$ 3,072,744	\$ 2,476,029

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, 2019 was \$3,959,922 (2018: \$3,850,595).

Directors' fees

Fees paid to Directors for services rendered on the Company's Board and Board Committees for the year ended December 31, 2019 totaled \$281,168 (2018: \$283,500).

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 2019	Total 2018
Assets						
Investment securities	\$ -	\$ 285,986	\$ 5,000,000	\$ -	\$ 5,285,986	\$ 5,361,308
ROU assets	\$ -	\$ 2,377,849	\$ 48,663	\$ -	\$ 2,426,512	\$ -
Mortgages and commercial loans, net	\$ -	\$ -	\$ -	\$ 327,721	\$ 327,721	\$ 406,546
Cash and bank balances	\$ -	\$ -	\$ 406,015	\$ -	\$ 406,015	\$ 519,374
Receivables and other assets	\$ 8,298	\$ 51,680	\$ 1,634,712	\$ -	\$ 1,694,690	\$ 6,251,263
Liabilities						
Loans and other borrowings	\$ -	\$ 3,007,046	\$ 60,063	\$ -	\$ 3,067,109	\$ -
Other liabilities	\$ -	\$ 54,832	\$ -	\$ -	\$ 54,832	\$ 87,825

34. Related Party Balances and Transactions (continued)

Included in “Investment securities” and “Receivables and other assets” in 2019 is the \$5 million investment in ABL Preference Shares (2018: \$5 million) and the \$1.6 million loan to SBL (2018: \$6 million) respectively (See Notes 10 and 14).

Loans advanced to related parties included in mortgages and commercial loans carry interest rates of 5.5% p.a. (2018: 5.5% p.a.).

35. 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.

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.

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35. Risk Management (continued)

	2019 (in \$000s)	2018 (in \$000s)
\$0 to \$49,999	\$ 387,496	\$ 407,866
\$50,000 to \$99,999	834,808	859,823
\$100,000 to \$149,999	2,020,140	2,090,139
\$150,000 and over	3,155,745	3,153,832
Total	<u>\$ 6,398,189</u>	<u>\$ 6,511,660</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:

	2019	2018
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.

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

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35. Risk Management (continued)

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).

The table following 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, 2019 (in \$000s)	Balances with		Current		Past due but not impaired		Total
	no scheduled repayment dates	Investment Grade	Non- Graded	Unit Linked	30 - 90 days	>90 days	
Financial assets							
Term deposits	\$ -	\$ 5,171	\$ -	\$ -	\$ -	\$ -	\$ 5,171
FVPL securities	-	10,125	92,545	10,881	-	-	113,551
AFS securities	-	4,816	277,535	5,701	-	-	288,052
Loans and receivables	-	-	44,150	-	-	-	44,150
Mortgages and commercial loans	-	-	10,486	-	2,014	12,830	25,330
Policy loans	69,054	-	-	560	-	-	69,614
Cash and demand balances	43,124	-	-	1,206	-	-	44,330
Premiums receivable	-	-	1,589	-	495	27	2,111
Reinsurance receivables	-	-	1,579	-	4,144	2,739	8,462
Loan to SBL Ltd.	-	-	1,612	-	-	-	1,612
Other financial assets	3,453	4,809	54,213	-	-	-	62,475
Total financial assets	\$ 115,631	\$ 24,921	\$ 483,709	\$ 18,348	\$ 6,653	\$ 15,596	\$ 664,858

December 31, 2018 (in \$000s)	Balances with		Current		Past due but not impaired		Total
	no scheduled repayment dates	Investment Grade	Non- Graded	Unit Linked	30 - 90 days	>90 days	
Financial assets							
Term deposits	\$ -	\$ 17,569	\$ -	\$ -	\$ -	\$ -	\$ 17,569
FVPL securities	-	3,807	74,967	12,157	-	-	90,931
AFS securities	-	4,921	281,714	6,454	-	-	293,089
Loans and receivables	-	-	45,000	-	-	-	45,000
Mortgages and commercial loans	-	-	7,828	-	6,281	14,372	28,481
Policy loans	68,847	-	-	597	-	-	69,444
Cash and demand balances	43,357	-	-	118	-	-	43,475
Premiums receivable	-	-	1,707	-	544	-	2,251
Reinsurance receivables	-	-	1,191	-	6,661	2,960	10,812
Loan to SBL Ltd.	-	-	6,029	-	-	-	6,029
Other financial assets	2,403	4,752	19,384	-	-	-	26,539
Total financial assets	\$ 114,607	\$ 31,049	\$ 437,820	\$ 19,326	\$ 13,486	\$ 17,332	\$ 633,620

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

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35. Risk Management (continued)

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.

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, 2019 (in \$000s)	Up to a year	1-5 years	Over 5 years	No Term	Not Classified	Total
Insurance and Investment Contracts						
Short-term insurance contracts	\$ 6,253	\$ 49	\$ 104	\$ -	\$ 12,891	\$ 19,297
Long-term insurance and other contracts						
-with fixed and guaranteed terms	(9,999)	(14,490)	683,798	-	9,675	668,984
-with fixed and guaranteed terms, with DPF	10,632	49,028	556,291	-	4,178	620,129
-without fixed and guaranteed terms	1,917	6,856	17,637	-	348	26,758
-without fixed and guaranteed terms, with DPF	2,576	7,064	11,344	-	(1,255)	19,729
Long-term investment contracts with DPF	-	-	-	-	5,496	5,496
Financial Liabilities						
Policy dividends on deposit	-	-	-	28,036	-	28,036
Repurchase agreement	7,000	-	-	-	-	7,000
Loans and other borrowings	643	3,028	496	-	-	4,167
Other financial liabilities	-	-	-	83,021	-	83,021
Total	\$ 19,022	\$ 51,535	\$ 1,269,670	\$ 111,057	\$ 31,333	\$ 1,482,617

December 31, 2018 (in \$000s)	Up to a year	1-5 years	Over 5 years	No Term	Not Classified	Total
Insurance and Investment Contracts						
Short-term insurance contracts	\$ 7,388	\$ 3	\$ 107	\$ -	\$ 9,057	\$ 16,555
Long-term insurance and other contracts						
-with fixed and guaranteed terms	(10,738)	(17,573)	645,682	-	9,949	627,320
-with fixed and guaranteed terms, with DPF	10,203	48,448	547,769	-	3,334	609,754
-without fixed and guaranteed terms	1,842	6,608	16,564	-	377	25,391
-without fixed and guaranteed terms, with DPF	2,547	7,172	11,575	-	(1,172)	20,122
Long-term investment contracts with DPF	-	-	-	-	6,345	6,345
Financial Liabilities						
Policy dividends on deposit	-	-	-	27,901	-	27,901
Repurchase agreement	7,000	7,000	-	-	-	14,000
Other financial liabilities	-	-	-	78,183	-	78,183
Total	\$ 18,242	\$ 51,658	\$ 1,221,697	\$ 106,084	\$ 27,890	\$ 1,425,571

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:

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35. Risk Management (continued)

December 31, 2019 (in \$000s)	Current	Non-Current	Unit Linked	Total
Term deposits	\$ 5,171	\$ -	\$ -	\$ 5,171
Investment securities				
FVPL securities	-	102,670	10,881	113,551
AFS securities	-	282,351	5,701	288,052
Loans and receivables	-	44,150	-	44,150
Mortgages and commercial loans	2,684	22,646	-	25,330
Policy loans	-	69,054	560	69,614
Investment properties	-	59,036	-	59,036
Equity-accounted investees	-	17,533	-	17,533
Cash and demand balances	43,124	-	1,206	44,330
Receivables and other assets	94,542	-	-	94,542
Property and equipment	-	17,029	-	17,029
Goodwill	-	13,066	-	13,066
Other intangible assets	-	1,881	-	1,881
Total Assets	\$ 145,521	\$ 629,416	\$ 18,348	\$ 793,285
December 31, 2018 (in \$000s)	Current	Non-Current	Unit Linked	Total
Term deposits	\$ 17,569	\$ -	\$ -	\$ 17,569
Investment securities				
FVPL securities	-	78,774	12,157	90,931
AFS securities	-	286,635	6,454	293,089
Loans and receivables	-	45,000	-	45,000
Mortgages and commercial loans	2,209	26,272	-	28,481
Policy loans	-	68,847	597	69,444
Investment properties	-	59,462	-	59,462
Equity-accounted investees	-	16,619	-	16,619
Cash and demand balances	43,357	-	118	43,475
Receivables and other assets	66,264	-	-	66,264
Property and equipment	-	14,179	-	14,179
Goodwill	-	13,066	-	13,066
Other intangible assets	-	2,345	-	2,345
Total Assets	\$ 129,399	\$ 611,199	\$ 19,326	\$ 759,924

35. Risk Management (continued)

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 settlement risk. 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.

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, 2019, 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, 2019, Colina's MCCSR exceeded the target.

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35. Risk Management (continued)

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 throughout 2019.

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.

36. Other Subsequent Events

Change of Company Name

On January 20, 2020, Colina Corporate Services Limited, a wholly-owned subsidiary owned by the Company, changed its name to CPCH Bahamas Limited.

Current Economic Conditions

Since the start of January 2020, the outbreak of the Novel Coronavirus (COVID-19), which is a rapidly evolving situation, has adversely impacted global commercial activities. The rapid development and fluidity of this situation precludes any prediction as its ultimate impact, which may have a continued adverse impact on economic and market conditions and trigger a period of global economic slowdown. The Directors do not believe there is any financial impact to these Consolidated Financial Statements as at December 31, 2019 as a result of this subsequent event. Management continues to monitor developments relating to the coronavirus pandemic and is coordinating its operational response based on existing business continuity plans and on guidance from global and health organization, relevant governments, and general pandemic response best practices.

Management has prepared an assessment of the potential impact on the Group and, after adjusting their projections from a very conservative viewpoint, determined that the Group could experience a significant decrease in its original projected net income for 2020 as a direct result of the pandemic primarily due to possible decreases in premium income and potential impairment losses on certain assets. However, the Directors and management believe that the Group has a very strong capital base, sufficient liquidity and the ability to meet its obligations even under significant stress.

NOTES

