Reinsurance Company

MOVING FORWARD 2012 annual report

CONT TS

V

CLANNA

CONTENTS

OVERVIEW

- 03 Overview
- 09 Message from the President & Chief Executive Officer

REPORT FROM OUR REGIONAL DIRECTOR'S

- 10 Latin America
- 11 Europe
- 12 Middle East North Africa (MENA)

STRUCTURE

- 14 -15 Board of Directors
- 16 Latin America Team
- 17 18 MENA & Europe Team
- 19 FINANCIAL HIGHLIGHTS
- 21 0. CONSOLIDATED FINANCIAL STATEMENTS

OVERVIEW

OVERVIEW

A leading independent reinsurance group, Barents Re in conjunction with Barents Risk Management, which is spearheading the Company's international development, provides a wide range of niche and specialty reinsurance products to Property & Casualty insurers, Accident & Health insurers and others, from its regional offices in Panama, Miami, Paris and Beirut. New regional offices in Madrid and Rome are planned for 2013.

Barents Re has a well established presence in Latin America, Europe and in the Middle East North Africa region (MENA). This translates into more than 500 reinsurance connections worldwide. Our clients include some of the world's largest insurance companies, as well as financial institutions, public entities and global corporations. Barents Re's portfolio is geographically diversified; it does business in over 52 countries.

The expertise of our specialty facultative underwriting teams and their knowledge of our markets, products and clients enables us to offer innovative solutions. We offer bespoke added value products and services, rather than commoditized reinsurance capacity. The biggest classes of business underwritten are accident, credit, bonds, property and engineering. The Company is also active in the niche areas of travel insurance, contingency, credit and political risk. For specialty clients, we selectively provide treaty support in key business areas. Barents Re's portfolio is exemplified by low severity risk. Our catastrophe aggregate exposures are very low.

We seek to create value for our shareholders by generating an underwriting profit. To achieve this, we allocate capital in line with risk exposure and potential underwriting returns. This is crucial to maintaining our strong financial position and supporting our business expansion. Barents Re's investment strategy emphasizes high grade bonds tailored to underlying insurance liabilities, with an allocation to alternative investments

Barents Re is committed to providing the highest level of service to its clients and brokers, which we believe is crucial to our ability to build and maintain long-term relationships, ensuring the Company's continued success.

RATING Barents Re is a highly rated reinsurance group.



A.M. Best Co. on September 26, 2013 confirmed Financial Strength Rating (FSR) of A- (Excellent) Positive Outlook, and issuer credit rating of "a-" for Barents Re Reinsurance Company, Inc. and subsidiaries.

GROWTH IN SHAREHOLDERS' EQUITY

- 2012 USD 142,036,828
- 2011 USD 118,543,409
- 2010 USD 101,765,561
- 2009 USD 65,333,009

HISTORIC TIMELINE

Barents Re Panama started operations.

1996

Evolution into monoline Political Risk Reinsurance.

2002

Develop first niche reinsurance portfolio.

2001

Develop strategy to become a multiline niche market direct reinsurer.

2005

Creation of a joint venture underwriting and risk analysis office in Miami, Florida

2009

Rated by A.M. Best with Financial Strength Rating of A-(Excellent).

2010

New offices in Miami, Paris and Beirut. Confirmation of A-(Excellent) rating by A.M Best. Continued expansion throughout Latin America, Europe and MENA regions. Decision made to open new offices in Madrid and Rome in 2013.

Excellent A.M. Best Financial Strength Rating

2011 2012

2012

OPERATIONAL AND FINANCIAL HIGHLIGHTS

Gross Written Premium

5.8% Increase

Gross Written Premium in 2012 increased by 5.8% compared to 2011, in line with our expectations

Shareholders' Equity

U.S. \$142,319,008

Barents Re capital has a solid equity position to serve adequately our risk positions

Net Profit

U.S. \$22,148,335

Barents Re delivered yet again, a positive technical result

OUR VALUES

- I. Efficiency: Optimum quality standards and cost-effectiveness.
- 2. Transparency: Open communication with clients, brokers and cedants
- 3. Sustainability: Balance between economic, social and environmental development in society, at large.
- 4. Integrity: Commit ourselves to honest and ethical principles.



2013 BEST REINSURANCE COMPANY

of Central America.

REACTIONS LATIN AMERICA AWARDS

Recruitment of top quality personnel internationally; people are our key advantage Global view, coupled with local market knowledge & access

Stable capacity, offering tailor made products in each of its territories

GLOBAL STRATEGY

Underwriting discipline & controls, reinforced by pricing models & risk modelling tools

Organic premium growth & geographic diversification; focus on uncorrelated low exposure catastrophe territories & specialty products

UNDERWRITING REVIEW Focus on underwriting excellence

A combination of premium growth, strong underwriting results and capital gains enabled us to generate in 2012 a net profit of U.S.\$22,148,335.

Barents Re believes that its strategy of focusing on niche specialty reinsurance products, coupled with rigorous risk selection and geographic diversification will continue to produce satisfactory underwriting results.

THE GLOBAL MARKET

Natural catastrophes and man made disasters claimed some 14,000 lives and resulted in economic losses of U.S.\$186 billion in 2012, according to a recent sigma report. Insured losses were over U.S.\$77 billion making 2012 the third –highest loss year since 1970. The cost to reinsurers was less severe, but the tally continues to increase.

During 2012, emerging markets continued to show significant growth in the insurance sector, but market penetration remains generally low.

2012

Barents Re produced a positive underwriting result

SUMMARY

U.S. \$202,873,969 Gross Written Premium

U.S. \$28,332,036 Net Losses 47 % Loss Ratio

5.8 % Premium increase



MESSAGE FROM THE PRESIDENT & CHIEF EXECUTIVE OFFICER

MESSAGE FROM THE PRESIDENT & CHIEF EXECUTIVE OFFICER

2012 was a successful year for Barents Re, as we completed the third year of our 5 year global strategy. Our clear and consistent focus on implementing our strategy, enabled us to overcome the challenges we faced in many of our markets, against a backdrop of economic and sometimes, political uncertainty.

Selective premium growth, strong underwriting results, a low cost operating base and capital gains enabled us to generate in 2012, a net profit of U.S. \$22 million, thereby strengthening further our financial security. This enables us to invest in the many opportunities we see around the world, both in terms of business development and specialist talent, thereby allowing us to acquire niche portfolios at reasonable cost.

Our new offices in Paris and Beirut, which lead our European and Middle East North Africa (MENA) regional development activity, have been most successful in expanding our geographical footprint, increasing the number of countries in which we now active. These regions are starting to make a meaningful contribution to Barents Re's overall premium base and geographic mix of business.

We do not write business in the United States, Canada, the United Kingdom, Japan or Australia due to the natural catastrophe potential and / or legal environment in these countries.

Barents Re is well on its way to achieving its goal of becoming a leading international specialty and niche reinsurer.

Enterprise Risk Management ("ERM") and Corporate Governance are priorities for the Board and Senior Management. Our ERM philosophy is built on communication, risk modeling / analytics and organizational accountability. Having a largely independent Board of Directors with diverse, international business backgrounds bolsters Barents Re's Corporate Governance. The Board believes that the integration of corporate responsibility across Barents Re operations and the inclusion of broader social and environmental issues into our decision making will help us achieve our business goals, act as a building block for growth in shareholder value and benefit the communities in which we operate.

I would like to thank my colleagues at Barents Re for their contributions in making 2012 such a successful year. Finally, I would also like to thank our business partners for their support.

Gerardo Garcia G.

2012 ANNUAL REPORT



REPORT FROM OUR

"Our Latin America and Caribbean team has consistently exceeded expectations in our continued expansion in the region. While our premium has increased, we also have had excellent results in a very competitive environment. With the economies of the US and Europe still weak from the aftermath of the recession, a large number of players have set their sights on Latin America to fuel their appetite for income. Our presence has grown in those markets that we consider as key to our business plan and we have successfully introduced our expertise in the areas of Bancassurance, Affinity and mass market products, where we see a tremendous need. Our Casualty facultative underwriting team continues to be a preferred partner for many of our clients and our Property underwriting team continues to expand while providing excellent results.

We see consolidation in our markets and we are taking advantage of the demand for niche products and specialty lines. During the first quarter of 2013, we plan to establish a Treaty Department to reinforce our Facultative expertise and provide new avenues for future growth. By limiting our exposure to catastrophic losses, we are uniquely positioned to continue our results oriented growth."

Arturo E. Falcon



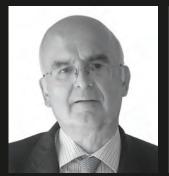
REPORT FROM OUR Europe regional director

Against the backdrop of a challenging economic climate, the Paris office had a successful first year of operations. We have grown the team to enhance our product offering and will continue to do so over the course of the next twelve months. The foundations of our portfolio are General Liability, Personal Accident, Bancassurance, Conditional Bonds and other ancillary lines of business.

We pride ourselves in having an in-depth understanding of each of our chosen markets. Combining local expertise with detailed knowledge of our products, allows us to provide innovative reinsurance solutions for our producers. This, together with adapting ourselves to the markets we operate in, working on the basis of local language wordings where possible, and extensive travel, has provided a genuine added value proposition.

The next twelve months will see us expand our product offering by continuing to deliver niche classes of business to relatively untapped countries such as those across Central and more particularly Eastern Europe. While in comparison to other parts of the world, these markets are relatively small and undeveloped; the scope for expansion is substantial.

Mark Davies



REPORT FROM OUR Mena regional director

Our office in Beirut has been established in order to spearhead the Company's expansion into the Emerging Markets of Asia and Africa, with an eye toward both a greater territorial diversification of the Company's existing portfolio and the dynamic potential of these economic powerhouses of the future. While the initial scope of activity of the office is limited to the Middle East, North Africa (MENA) and Turkey, the plan is for this scope to quickly enlarge to include selected markets in Central Asia, the Far East and Central / Southern Africa. In all of these regions, the demand for reinsurance capacity continues to expand as accelerating economic development surpasses the capacities and risk retention appetite of insurers. The Company's A- rating from A.M. Best has assisted our marketing efforts by highlighting its high-quality security.

In late 2011, the office successfully developed relationships with key regional insurers and intermediaries and set the stage for significant inroads during 2012. We are now seeing a substantial flow of submissions from across the MENA region and beyond, indicating that the coming years should be productive and that the future expansion of the underwriting scope should proceed satisfactorily. We are also seeing significant firming in rate levels and reinsurance terms across the MENA region, indicating that the future looks bright.

While the bulk of the business in the MENA region is placed on a proportional basis, we do expect some shift to excess of loss in coming years as these markets become more sophisticated and the levels of insurers' risk retention increases. We will be ready to meet the markets' needs in this respect. Additionally, we foresee significant growth in bancassurance and specialty insurance lines, where Barents Re has traditionally been very strong. As a result, we plan to introduce and / or promote some of the specialty products successfully underwritten by Barents Re in Latin America.

John Barrett

STRUCTURE

BOARD OF DIRECTORS

GERARDO GARCIA - PRESIDENT & CHIEF EXECUTIVE OFFICER

Gerardo Garcia has over 20 years experience in insurance and reinsurance. Prior to joining Barents Re, he was an advisor to insurance companies and reinsurance brokerage firms throughout Latin America. He has an actuarial background.





KLAUS BULTMANN - CHAIRMAN

Klaus Bultmann has more than 40 years reinsurance experience. Previously, he was a member of the board of Gerling Global Reinsurance and Frankona Re.

ROBERTO ALFARO - DIRECTOR

Roberto Alfaro's career encompasses finance, politics and diplomacy. Previously, he was President of Union Group and Compañia de Seguros. Mr. Alfaro has also served as Panama's Minister of Commerce and Ambassador to the United Nations, Italy and the Vatican. Currently, he is associated with Interglobal Consulting.



BOARD OF DIRECTORS



DIRK BORMANN – DIRECTOR

Dirk Bormann has wide experience in the construction sector and has served on the board of directors of Philipp Holzmann AG, Hochtief AG and Wayss & Freytag. He is Chief Executive Officer of the German Federal Association for Economic Development and Foreign Trade.

ROBERTO BRENES – SECRETARY

Roberto Brenes is a leading figure in the capital markets of Panama. He was the first President of the Panamanian National Securities Commission, President of the Panama National Bank and a founder member of the Panama Stock Exchange. Presently, he is Executive Vice President & General Manage of the Panama Stock Exchange.





RICARDO CAZORLA - TREASURER

Ricardo Cazorla is a banker. Previously, he was Vice President at the Chase Manhattan Bank NA in Panama and is now Vice President / Manager at Creditcorp Bank S.A.

JUAN MANUEL URQUIJO, MARQUIS OF URQUIJO & LORIANA DIRECTOR

Juan Manuel Urquijo is an international businessman and company director. He served on the boards of Urquijo Leasing S.A. and Banvivienda Bank for many years. He was also a director of Mundial Insurance Group in Central America for 20 years, until it was sold to Mapfre Central America.



LATIN AMERIGA TEAM



ARTURO E. FALCON – REGIONAL DIRECTOR, LATIN AMERICA

Arturo Falcon is a reinsurance professional with more than 30 years experience. He was previously Chief Underwriting Officer at Odyssey America Reinsurance Company and Endurance Reinsurance. He has held senior positions at TIG Re and American Re, now Munich Re.

Mr. Arturo's focus is business development and market strategy for Latin America and the Caribbean.



WILLIAM BELLO - ACCIDENT & HEALTH MANAGER

William Bello has over 20 years insurance experience. A graduate of the University of Santo Tomas in Bogota, Mr. Bello held numerous Accident & Health underwriting and marketing positions, with Cigna / ACE in Colombia and Puerto Rico, prior to joining Barents Re.



KEITH GOYMER – PROPERTY & TECHNICAL LINES REGIONAL MANAGER

Keith Goymer's 30-year career encompasses insurance, reinsurance and brokerage, in various underwriting and management capacities. He began his career with the Royal Insurance Group in the UK, who seconded him to Venezuela to help develop their portfolio in this market. Mr. Goymer was recruited by Alexander Howden, now Aon, to develop a property facultative portfolio based in London. He later successfully transferred the portfolio to Miami.



MAURICIO PONCE - CASUALTY MANAGER, LATIN AMERICA

Mauricio Ponce began his career with AIG Mexico in the Multinational Department, where he also trained as a Financial Lines underwriter. He subsequently worked at Zurich Insurance and ACE Insurance, where he held progressive positions in the Multinational Department. He also performed the duties of Financial Lines Deputy Manager and Casualty Senior Underwriter.



HIKARU UNO - BONDS & REINSURANCE UNDERWRITING COORDINATOR

Hikaru Uno has 6 years reinsurance underwriting experience in the Latin America region. He is a specialist in reinsurance contract administration, collection and underwriting coordination. He is also experienced in financial analysis, contract negotiation and underwriting portfolio management.

EUROPE TEAM



MARK DAVIES - GLOBAL HEAD OF CASUALTY

Mr. Davies has over 17 years experience within the London insurance market, 12 of those years having been spent underwriting International Liability. He has held positions at ACE, Catlin, DA Constable Syndicate and most recently at Novae where he set up and managed the International Liability division. He has experience in all liability sectors dealing with clients in all industries and across all territories.



GUIDO ROMANI – REGIONAL MANAGER

Guido Romani has nearly 30 years experience in reinsurance underwriting and business development in the Italian, Iberian and in selected Latin American markets. He has held senior positions at Munich Re, Cologne Re and most recently General Re, where he was the Principal Officer of the Spanish branch. Mr. Romani has a Doctorate in Law from the University of Turin.



BENJAMIN DE BONTIN – OPERATIONS MANAGER

Benjamin De Bontin helped establish the Paris office in 2012. In parallel to his operational responsibilities within the Paris office, he works closely with Mr. Davies in developing the Casualty portfolio. Prior to joining Barents Re, Mr. De Bontin worked for an international consultancy firm, where he specialized in Construction and Liability insurance for large European corporate accounts.



ISABELLE LEVERNE – PARIS OFFICE LEGAL REPRESENTATIVE

Isabelle Leverne has a legal education and has held positions at Marine Wendel, LMAY Law Publishing, Reass France and the law firm of Natal & Planchat. She is a specialist on the legal aspects of risk management and corporate compliance.

MENA TEAM



JOHN BARRETT – GENERAL MANAGER, AFRO/ASIA

John Barrett has over 40 years of experience in the insurance and reinsurance industry. He started his career with the Royal Insurance Group in the UK and was later transferred to the Barcelona branch. He subsequently held senior management positions at the Emirates Insurance Company in Abu Dhabi, Euromepa in Paris and UFA Insurance Company in Beirut. Mr. Barrett s a committee member of the British Lebanese Business Group, an ordinary member of the American Lebanese Chamber of Commerce and a Warden for the British Embassy.



JOSEPH E. GEARA - DIRECTOR OF BUSINESS DEVELOPMENT, MENA

Joseph Geara has more than 15 years insurance and reinsurance experience. He has held managerial positions at Adir / Natexis Insurance Company, American Life Insurance Company and with a regional reinsurance broker in Lebanon. Mr. Geara has a MBA from Durham University in the UK and Chartered Insurer / ACII designations from the UK.



JOSEPH KOTRAN - SENIOR MANAGER, TREATY UNDERWRITING, MENA

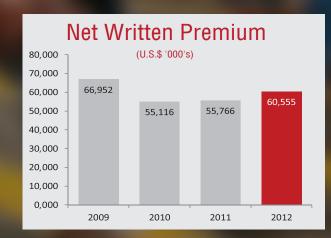
Joseph Kotran has more than 10 years treaty reinsurance experience. He has held positions at Trust International, Ras Al Kaimah National Insurance Company and more recently at Hannover Re in Bahrain.

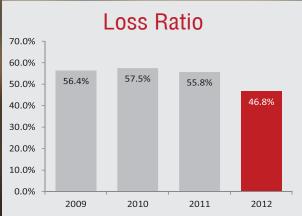
FINANCIAL HIGHLIGHTS

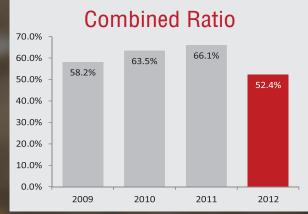


KEY FINANCIAL RATIOS

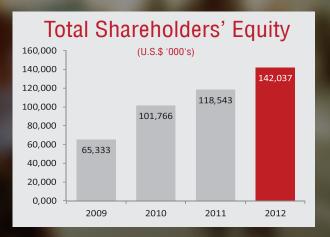


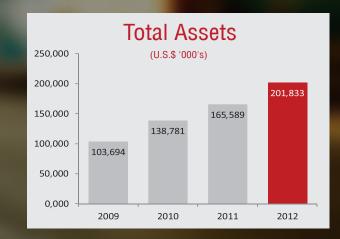


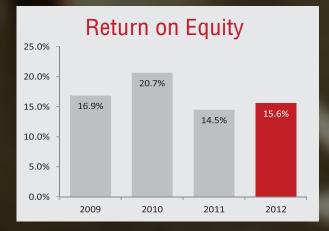


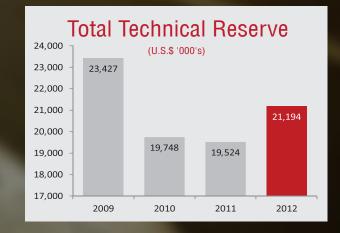


KEY FINANCIAL RATIOS









KEY FINANCIAL RATIOS

in USD Millions	2012	2011	2010	2009				
Results								
Written Premium	202.874	191.757	173.315	181.919				
Net Retained Premium	60.555	55.766	55.116	66.952				
Net Claims	28.332	31.115	31.690	37.780				
EBIT	20.719	10.179	19.515	8.263				
Underwriting Result	17.335	4.442	16.209	7.059				
Net Income	22.148	17.224	21.053	11.049				
Balance Sheet								
Total Assets	201.833	165.589	138.781	103.694				
Total Equity	142.037	118.543	101.766	65.333				
Total Reserve	54.482	46.435	36.918	38.152				
Total Technical Reserve	21.194	19.524	19.748	23.427				
Total Contingencies Reserve ¹	33.288	26.910	17.170	14.725				
Ratios (%)								
Loss Ratio	46.8%	55.8%	57.5%	56.4%				
Net Reserving Ratio	90.0%	83.3%	67.0%	57.0%				
Expense Ratio	5.6%	10.3%	6.0%	1.8%				
Combined Ratio	52.4%	66.1%	63.5%	58.2%				
Large Losses as percentage of net premium	12.6%	18.3%	32.1%	6.3%				
Retention	29.8%	29.1%	31.8%	36.8%				
Net Profit Margin	36.6%	30.9%	38.2%	16.5%				
Liquid Asset ²	97.2%	97.7%	87.1%	95.9%				
EBIT Margin ³	34.2%	18.3%	35.4%	12.3%				
ROA 4	12.1%	11.3%	17.4%	13.3%				
ROE	15.6%	14.5%	20.7%	16.9%				

1. Voluntary reserve stablished by the company, in addition to the regulatory reserve

2. Operating result (EBIT)/Net Premium

3. Liquid Assets/Total Assets

4. ROA: Net Income/Average Assets

Source: Financial Statement 2012



CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

(FREE ENGLISH LANGUAGE TRANSLATION FROM SPANISH VERSION)

Barents Re Reinsurance Company, Inc. and Subsidiary

Consolidated Financial Statements for the year ended December 31, 2012 and Independent Auditors' Report of April 30, 2013



(Free English Language Translation of Spanish Version)

INDEPENDENT AUDITORS' REPORT

Messrs Shareholders and Board of Directors Barents Re Reinsurance Company, Inc. and Subsidiary

We have audited the accompanying consolidated financial statements of **Barents Re Reinsurance Company**, **Inc. and Subsidiary** which comprise the consolidated statement of financial position as at December 31, 2012, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year ended, and a summary of significant accounting policies applied and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting requirements of the insurance industry in the Republic of Panama established by the Superintendency of Insurance and Reinsurance of Panama for monitoring purposes 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.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of **Barents Re Reinsurance Company, Inc. and Subsidiary** at December 31,2012, and the results of its operations and cash flows for the year ended, in accordance with accounting requirements of the Superintendency of Insurance. and Reinsurance of Panama for monitoring purposes, as described in Note 2 of these consolidated financial statements.

Deloitte.

Emphasis of Matter

The Company prepares its financial statements based on specific accounting requirements to the insurance industry in the Republic of Panama, which could differ in certain respects from International Financial Reporting Standards and practices of other jurisdictions. Therefore, the accompanying consolidated financial statements are not intended to present financial position, results of operations and cash flows of the Company in accordance with International Financial Reporting Standards and generally accepted practices in countries and jurisdictions different to those of the Republic of Panama.

This report is intended solely for the information and use of the Board of Directors and Management of the Company and to comply with regulations established by the Superintendency of Insurance and Reinsurance of Panama and should not be used by any other persons except the parties specified herein.

Deloitte (signed)

April 30, 2013 Panama, Republic of Panama

Consolidated statement of financial position December 31, 2012

(In United States of America dollars)

	Notes	2012	2011
Assets			
Deposits in banks	7	14,704,228	5,859,569
Premiums receivable	6 and 8	20,118,434	4,965,690
Securities available for sale	9	160,884,876	150,517,227
Investment in associate		-	1,813,000
Accounts receivable - related companies	6	-	347,460
Accounts receivable - shareholders	6	284,744	120,000
Interests receivable		130,712	246,464
Other accounts receivable		1,174,355	68,272
Property, furniture, equipment and improvements, net	10	726,622	765,559
Other assets	10	3,809,193	885,690
Total assets		201,833,164	165,588,931
Liabilities and equity			
Liabilities:			
Technical premiums reserve	11	21,194,229	19,524,210
Claims reserve	12	33,288,033	26,910,499
Accounts payable - related companies	6	4,707,957	
Accounts payable	-	12,258	13,910
Accounts payable - shareholders	6	83,741	83,741
Other accounts payable	-	6,488	10,731
Accrued expenses		3,630	2,431
Other liabilities		500,000	500,000
Total liabilities		59,796,336	47,045,522
Charabaldara' a resiter			
Shareholders' equity: Common shares	13	85,925,044	83,925,044
Net changes in securities available for sale	15	232,145	85,925,044
Foreign currency translation		14,295,000	14,295,000
Legal reserve		14,295,000	99,150
•		41,478,527	19,337,154
Retained earnings			
Total shareholders' equity		142,036,828	118,543,409
Total liabilities and shareholders' equity		201,833,164	165,588,931

Consolidated statement of profit or loss For the year ended December 31, 2012 (In United States of America dollars)

	Notes	2012	2011
Premiums income, net: Subscribed premiums Retroceded premiums		202,873,969 (142,319,008)	191,756,655 (135,990,662)
Total retained premiums, net		60,554,961	55,765,993
Increase (decrease) in technical premiums reserve Increase in claims reserve Net claims paid	11 12	1,670,019 6,377,534 28,332,036	(223,964) 9,740,752 <u>31,115,279</u>
Total accrued premiums		24,175,372	15,133,926
Other income (expenses) Interests earned		861,185	989,180
Commissions paid Cost risk analysis		(2,783,234) (673,305)	(4,954,912)
Gain on sale of securities available for sale Gain on sale of other investments Other income	9	3,952,331	8,913,646 2,851,024 27,844
Total income, net		25,532,349	22,960,708
		23,332,349	22,900,708
General and administrative expenses: Salaries and other employee benefits Professional fees	6	1,985,235 449,316	2,802,901 1,591,615
Travel expenses		145,968	551,991
Rental expense Depreciation and amortization Insurances	10	14,565 40,386 12,841	11,679 50,160 8,421
Taxes Telephone		90,923 22,077	96,317 11,756
Electricity Fees and subscriptions Client's attention		14,856 89,082 11,244	14,679 - 17,657
Repairs and maintenance Bank charges		36,131 87,697	28,412 66,206
Legal and notarial expenses Others		61,896 321,797	129,022 356,174
Total general and administrative expenses		3,384,014	5,736,990
Net profit		22,148,335	17,223,718

Consolidated statement of comprehensive income For the year ended December 31, 2012

(In United States of America dollars)

	Note	2012	2011
Net profit		22,148,335	17,223,718
Other comprehensive income:			
Gain realized transferred to income	9	(3,952,331)	(8,913,646)
Net changes in securities available for sale	9	3,297,415	8,517,109
Total of other comprehensive income		(654,916)	(396,537)
Total net comprehensive income of the year		21,493,419	16,827,181

Consolidated statement of changes in shareholders' equity For the year ended December 31, 2012 (In United States of America dollars)

	Note	Total equity	Common shares	Net changes in securities available for sale	Foreign currency translation	Legal reserve	Retained earnings
Balance at December 31, 2010		101,765,561	63,925,044	1,283,598	14,295,000	99,150	22,162,769
Comprehensive income comprised of: Net profit Comprehensive loss of the year		17,223,718 (396,537)	-	(396,537)		-	17,223,718
Total net comprehensive income of the year		16,827,181		(396,537)			17,223,718
Capitalized profit Affiliated excluded from the consolidation	13	(49,333)	20,000,000			-	(20,000,000) (49,333)
Balance at December 31, 2011		118,543,409	83,925,044	887,061	14,295,000	99,150	19,337,154
Comprehensive income consists of: Net profit Comprehensive loss of the year		22,148,335 (654,916)		(654,916)	-	- 	22,148,335
Total net comprehensive income of the year		21,493,419		(654,916)			22,148,335
Capital contribution Increase in legal reserve Balance at December 31, 2012	13	2,000,000	2,000,000	232,145		<u> </u>	

Consolidated statement of cash flows

For the year ended December 31, 2012

(In United States of America dollars)

	Notes	2012	2011
Cash flows from operating activities:			
Net income		22,148,335	17,223,718
Adjustment by:			
Gain on sale of securities available for sale	9	(3,952,331)	(8,913,646)
Technical premiums reserve	11	1,670,019	(223,964)
Claims reserve	12	6,377,534	9,740,752
Depreciation and amortization	10	40,386	50,160
Interest earned		(861,185)	(989,180)
Net changes in operating assets and liabilities:			
Time deposits with maturities over 90 days		(2,000,000)	2,648,300
Premiums receivable		(15,152,744)	(1,032,429)
Other investments		-	11,078,952
Other accounts receivable		(1,106,083)	1,104,014
Accounts receivable - related parties		5,055,417	2,690,736
Other assets		(2,923,503)	(875,228)
Other accounts payable		(4,243)	12,386
Other liabilities		(1,652)	500,000
Accrued expenses		1,199	1,301
Interest received		976,937	1,020,733
Net cash provided by operating activities		10,268,086	34,036,605
Cash flows from investing activities:			
Purchase of securities available for sale	9	(161,539,792)	(150,913,764)
Sale of securities available for sale	9	154,469,558	118,173,492
Retained earnings from affiliated excluded from the combination		-	(49,333)
Accounts payable shareholders		(164,744)	48,144
Purchase of furniture and office equipment	10	(1,449)	(5,661)
Net cash used in investing activities		(7,236,427)	(32,747,122)
Cash flows from financing activities:			
Sale of investment in associate		1,813,000	-
Capital contribution	13	2,000,000	
Net cash provided by financing activities		3,813,000	
Net increase in cash		6,844,659	1,289,483
Cash at beginning of year	7	5,859,569	4,570,086
	,		.,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
Cash at end of year	7	12,704,228	5,859,569



Reinsurance Company



FINANCIAL STRENGTH A- Excellent rating by A.M. Best R E I N S U R A N C E Property & Casualty - Bonds - Personal Accident - Non Cat Treaty

PANAMA

La Rotonda Street Costa del Este Prime Time Tower, 23th Floor Panama City T + (507) 301-0578 F + (507) 300-2859 MIAMI ** 1110 Brickell Avenue Suite 515 Miami, Florida 33131 T + 1 (786) 691-1671 PARIS 80, Avenue d'Iena 75116 Paris T + 33 (1) 5367-7000 F + 33 (1) 5367-7011
 BEIRUT

 157 Saad Zaghloul street

 Down Town Beirut

 Lebanon

 T + 00 961 (0) 1 998 772/3/4

 F + 00 961 (0) 1 998 775

ROME * Via Flaminia, 21 00196 Rome Italy T + 39 (6) 45506650 F + 39 (6) 45506668

* Representative Office

LONDON * 10 Fenchurch Avenue, London EC3M 5BN MADRID * P° de la Castellana 60 E - 28046 Madrid Spain

** Represented by Barents Re Risk Management, Inc.

www.barentsre.com 🗹 f