“A New Way”

Barents Re Reinsurance Company

2013 Annual Report

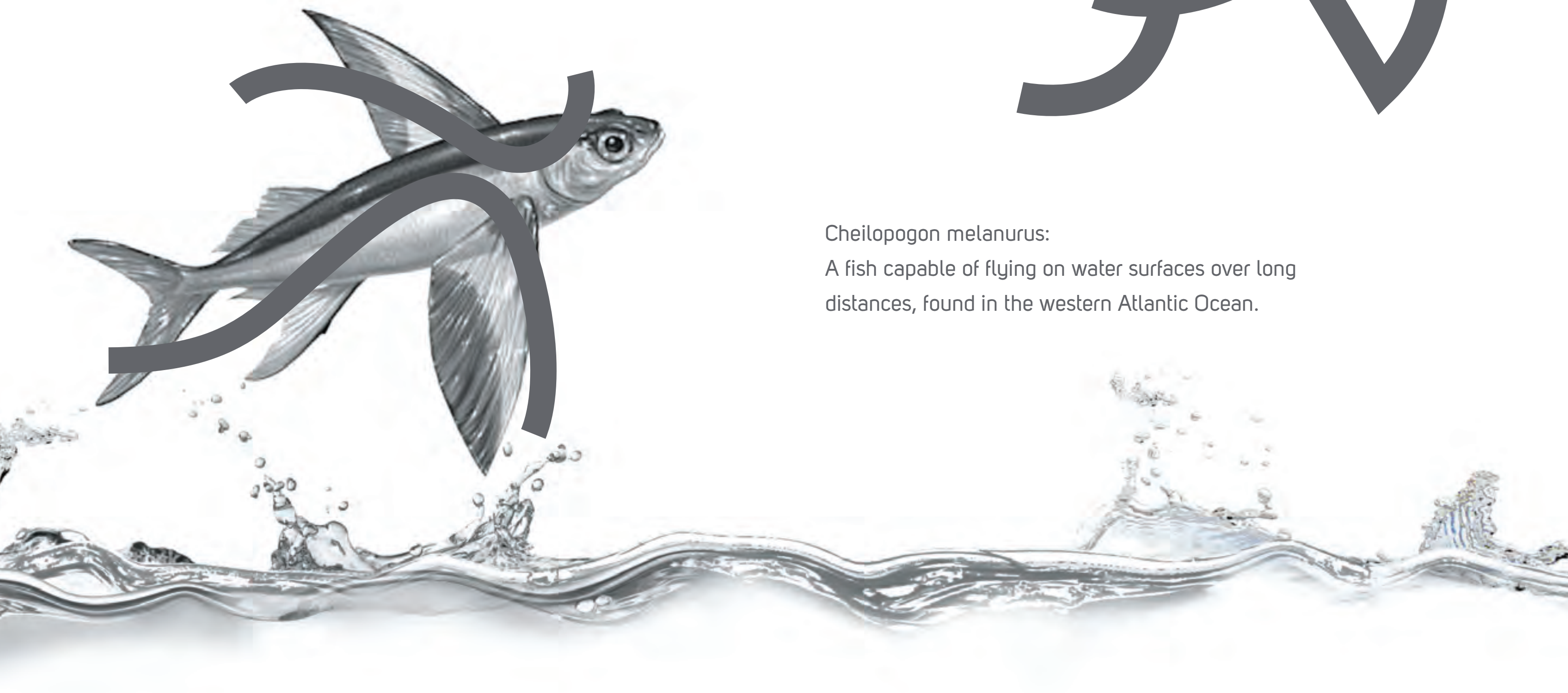
BARENTS RE

The Business Review contains certain forward looking statements which are subject to assumptions, risks and uncertainties; actual future results may differ materially from those expressed in or implied in such statements. Many of these assumptions, risks and uncertainties relate to factors that are beyond Barents Re's ability to control or estimate precisely. The forward looking statements reflect the knowledge and information available at the date of preparation of the Annual Report, and will not be updated during the year. Nothing in this Annual Report should be construed as a profit forecast.

Contents

NEW BEGINNINGS

Our new identity represents our pursuit of new and distinct ways to create diverse products and services. It symbolizes our unique ability to translate ideas into actions, as we globally expand our operations.



Cheilopogon melanurus:
A fish capable of flying on water surfaces over long distances, found in the western Atlantic Ocean.

Today we are not just presenting a new beginning. We are presenting in our identity what we are, like this flying fish that propels itself underwater at 60 km/hour and skims on the water surface for up to 400 meters. This way BARENTS Re has stood out as a model of evolution, adapting to specialized markets like no other reinsurer.

WE ARE CONTINUING TO EVOLVE AND BUILD THE FUTURE.

BARENTS RE

BARENTS RE AT A GLANCE

WHAT WE DO

"Our vision is for Barents Re people,
data and technology
to become an integral part
of the insurance value chain"

We hold and manage substantial amounts of data and engage global experts to develop analytics and software platforms to help our clients make informed decisions.

HOW WE HELP OUR CLIENTS

We help our clients make informed decisions when interacting with their customers and help consumers to manage credit and the risk of fraud. We provide a wide range of data, analytics, software and expertise to help support our clients across the customer journey.

HOW WE ARE ORGANISED

Our regions and global business lines are organised in a matrix structure.

We provide services in Latin America, Europe and the Middle East North Africa.

OUR STRATEGY FOR GROWTH

We seek to create value for our shareholders by investing in our business to:

- Create new customer segments
- Expand geographically
- Innovate and devise new products

OVERVIEW

Overview

Barents Re, in conjunction with Barents Re Risk Management, is a leading independent reinsurance group. We provide a wide range of niche and specialty reinsurance product including to property and casualty insurers, and accident and health insurers.

Barents Re has a well established presence in Latin America, Europe and in the Middle East North Africa region (MENA) and operates from a network of offices in Panama, Miami, Paris, Beirut, Madrid, Rome and London. 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.

In 2014, subject to Russian regulatory approval, Barents Re intends to establish a representative office in Moscow to pursue development in the Russian Federation and countries of the former Soviet Union.

The expertise of our specialty underwriting teams and their knowledge of our markets, products and clients enables us to offer innovative solutions. We offer bespoke products and services individually tailored to our clients' needs.

The biggest classes of business underwritten are Accident, Bonds, Property and Engineering. The Company is also active in the niche areas of Travel insurance, Contingency, 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 critical to our ability to build and maintain long-term relationships and ensure our continued success.

HISTORIC TIMELINE

GROWTH IN SHAREHOLDERS' EQUITY

2013	USD 272,854,058
2012	USD 142,036,828
2011	USD 118,543,409
2010	USD 101,765,561
2009	USD 65,333,009

2009
Creation of a joint venture underwriting and risk analysis office in Miami, Florida.

2010
Rated by A.M. Best with Financial Strength Rating of A-(Excellent).

2011
New offices in Miami, Paris and Beirut.

2012
Continued expansion throughout Latin America, Europe and MENA. Opening of the Rome office. A.M. Best upgrades Outlook to Positive: A- (Excellent) rating.

2013
New offices opened on London, Madrid and Rome, with Moscow scheduled for early 2014. U.S.$100 million capital infusion to support international expansion.

Financial Strength Rating
A.M. BEST
A- Excellent

A- A.M. Best Financial Strength Rating Excellent

A.M. Best Company reaffirmed our financial strength with a rating of A- (Excellent) on September 26th 2013.

THE EUROPEAN

REINSURER OF THE YEAR LATAM 2014
The European Magazine London U.K. , March 2014

Reactions LATIN AMERICA AWARDS 2013

BEST REINSURANCE COMPANY OF CENTRAL AMERICA,
`Reactions Latin America Awards'

The European Magazine
London U.K. , March 2014

REINSURER OF THE YEAR LATAM 2014

Barents Re was awarded the annual prize of Reinsurer of the Year - Latam 2014, The European magazine (www.the-european.eu).

This division award, The European Magazine honors the most innovative companies in the financial sector. For the second consecutive year, the awards were given to the best companies in each sector worldwide.

GLOBAL STRATEGY

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

Recruitment of top quality personnel internationally; people are our key advantage.

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

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

Global view, coupled with local market knowledge & access.

Underwriting Review

Focus On Underwriting Excellence

Strong premium growth, exceptional underwriting results, capital gains and tight control of operating costs enabled us to produce in 2013 a net profit exceeding $28,000,000.

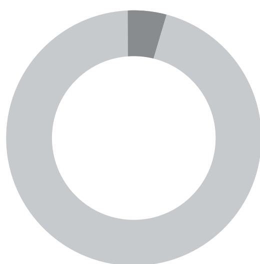
We believe our strategy of focusing on specialty reinsurance products, coupled with rigorous risk selection and geographic diversification will continue to produce satisfactory underwriting results. The recruitment of top quality staff is essential to our success.

Much of Barents Re's activity is focused on emerging markets. In 2013 non-life premium growth remained strong at 8.3% after 9.3% in 2012, and was solid across all regions with the exception of Central and Eastern Europe (CEE). A Sigma report recently noted "As people get wealthier and acquire more physical assets to protect, for example vehicles, they spend more on non-life insurance products......" In sum, while insurance penetration remains low in most emerging markets, it is nevertheless on the rise and we expect to benefit from that growth.

SUMMARY 2013

Barents Re produced a positive underwriting result.

U.S. $213,165,563
Gross Written Premium



5.4 %
Premium increase

U.S. $272,854,058
Shareholder's Equity

11.4 %
ROE

2013

OPERATIONAL AND FINANCIAL HIGHLIGHTS

Gross Written Premium

5% Increase

Gross Written Premium in 2013 increased by 5% compared to 2012, in line with our expectations.

Shareholders´ Equity

U.S. $272,854,058

Barents Re is solidly capitalized to meet its financial commitments.

Net Profit

U.S. $31,040,342

Barents Re delivered yet again, positive underwriting results.

Our Values

1. Efficiency: Optimum quality standards and cost-effectiveness.

2. Transparency: Open communication.

3. Sustainability: Balance between economic, social and environmental development.

4. Integrity: Commit ourselves to honest and ethical principles.

KEY BUSINESS STRENGTHS

1. **RESULT FOCUS UNDERWRITING**
Barents Re´s underwriting philosophy is focused on net profitability and a highly discipline approach to specific business lines. We are not a market share underwriter or a premium base reinsurer.

44%
Combined ratio

2. **UNDERWRITING PERFORMANCE:**
Barents Re´s underwriting culture is based on market expertise and on specific territorial base.

Knowhow, across highly specialize underwriter and customer base.

2.2%
Average turnover of senior underwriters (2009-2014)

3. **EXPERIENCED TEAM:**
Our underwriters and senior management is one of the most experienced in the industry. Bringing a wealth of know how and practical experience.

32
Senior managers' average years of industry experience

4. **A HIGHLY SPECIALIZED PORTFOLIO:**
Barents Re´s portfolio seeks to balance frequency and security. Our approach is to reduce our exposure and portfolio size. To specify CAT and high severity risk. Barents Re is an specific specialty reinsurer focused on low security and below average loss ratio businesses.

18
Major classes of business written

5. **Strong company supported by first class service.**

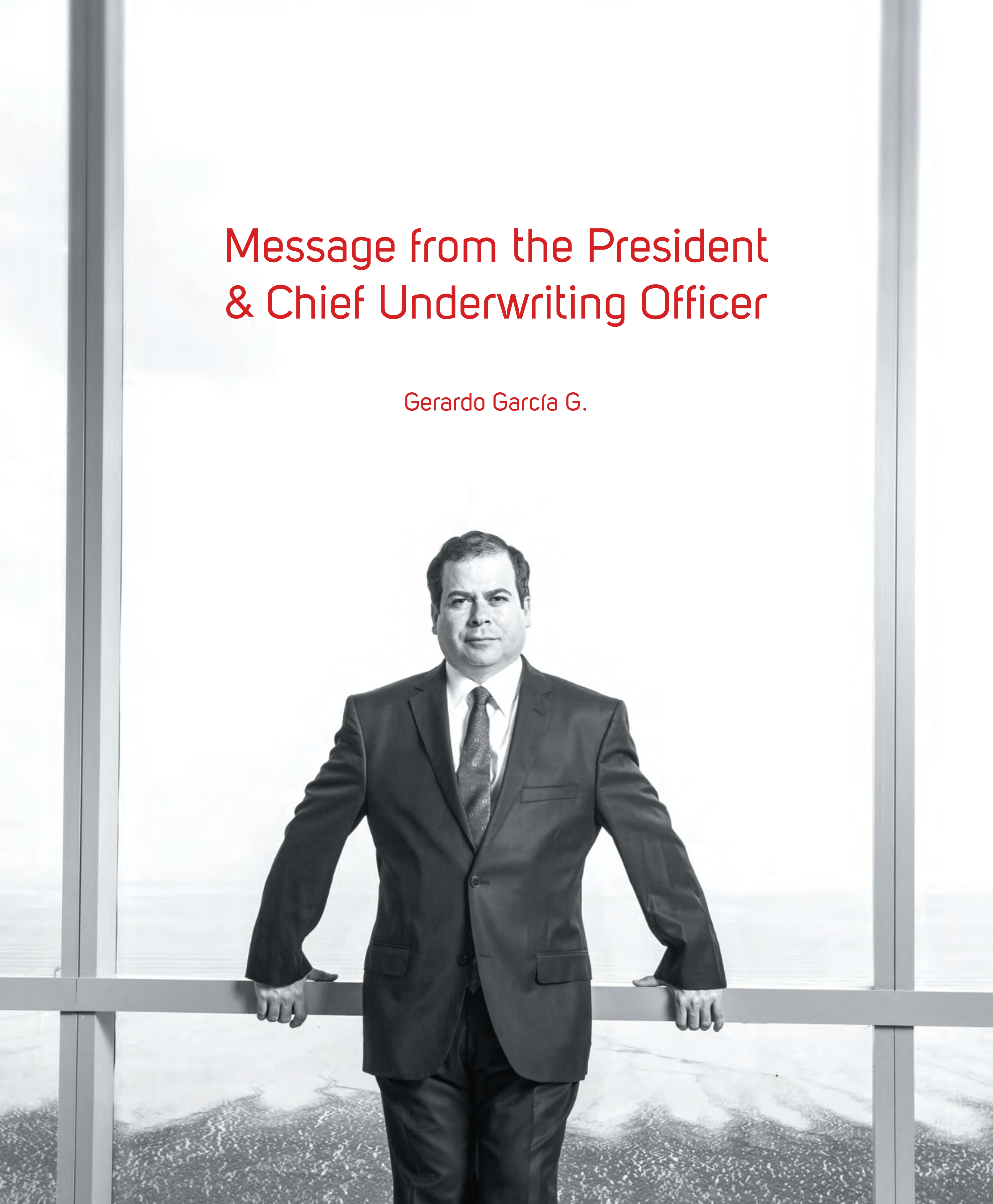
92%
Business renewal ratio

6. **Strong balance sheet with significant scope for growth**

Total assets: 349 MM
Shareholders equity: 273 MM

Message from the President & Chief Underwriting Officer

Gerardo García G.



Message from the President & Chief Underwriting Officer

2013 was another successful year for Barents Re, as we completed the fourth year of our 5-year global strategy. Our clear and consistent focus in implementing our strategy enabled us to overcome the challenges we faced in many of our markets, against a backdrop of continued economic and, sometimes, political uncertainty.

Selective growth in premiums, strong underwriting results, low operating expenses and capital gains enabled us to generate a net profit of U.S.$33 million, up from U.S.$22.1 million in 2012., thereby strengthening further our financial security.

During 2013, we made progress in a number of areas that we have identified as critical to our future success. This included taking steps to improve the efficiency of our underwriting and support operations with the introduction of new technology. We also continued to improve the diversification of our business, not least by opening representative offices in London, Madrid and Rome and establishing an Energy underwriting team in Paris.

Our international operations, spearheaded by our offices in Paris and Beirut, which lead our European and Middle East North Africa (MENA) development, continue to develop satisfactorily. Our international activity is starting to make a meaningful contribution to Barents Re's premium base and geographic mix of business. Barents Re is close to achieving its goal of becoming a leading international specialty and niche reinsurer.

Our strategy is driven by five tenets. First, we look for classes of business in which our analytical approach and market knowledge can produce superior risk adjusted returns. Second, we wish to expand our international footprint through the acquisition of a European entity. Third, we aim to offer vertically integrated niche / specialty products and services. Fourth, we will manage our assets to ensure preservation of capital and liquidity; and fifth, we maintain a sufficient level of profitability and retained earnings to pursue business opportunities as they arise.

At Barents Re, we strongly believe that vertical integration is an essential strategy for reinsurers. With premium rates on the decline, the only way to achieve satisfactory returns is to manage intermediary costs. This involves more than brokerage and may include overriding commission to issue a policy etc. Reinsurers need to be more integrated, offering to clients both insurance and reinsurance platforms in order to provide efficient, cost competitive capacity and service. In the coming years, rather than being judged on the size of their balance sheets, we believe reinsurers will be measured by their risk profile relative to their balance sheet. This will be a fundamental change and will likely result in many larger reinsurers deleveraging their current operations, in order to survive.

In closing, I would like to thank my colleagues at Barents Re for all their efforts in 2013 and our business partners for their support.

Gerardo Garcia G.

REGIONAL DIRECTOR REPORT MENA 2013

John Barrett

Since late 2011, when Barents Re opened its regional office in Beirut, we have seen a proliferation of international reinsurance companies setting up offices in the MENA region, especially in Dubai in the DIFC. This is a trend we expect to continue given the robust growth in GDP and population within MENA and Turkey. In consequence, the Non Life insurance sector grew on average 7% per annum from 2007 to 2012.

Coupled with strong economic growth is MENA's second major strength – the relative absence of natural catastrophe exposure, except for Turkey, Iran, (where we do not write business) and parts of North Africa and the Levant, (where we are very selective/restrictive in our acceptances).

The main difficulty affecting reinsurers in the MENA region is the continued fierce competition between local Insurers, aided by reinsurers. This is a cycle that we are closely monitoring. We continue to be selective in our own acceptances, both Treaty and Facultative, as we strive to develop long-term profitable partnerships with the leading direct players in each of the MENA markets as, in general, they have better overall technical results due to their large portfolio diversifications. Indeed as regulatory controls become more stringent, Saudi Arabia is currently leading the way; we believe that we shall inevitably witness an impetus towards mergers amongst smaller direct MENA Insurers as their shareholders are being asked to inject additional funds.

While the majority of the business in the MENA region is placed on a proportional basis, we expect a shift to excess of loss in the coming years, as these markets become more sophisticated and the levels of insurers' risk retention increases. We will be ready. Additionally, we foresee significant growth in bancassurance and specialty lines, where Barents Re is traditionally very strong.

All in all we are very satisfied with the results of our first two years of operation and very much look forward to building on this during 2014 and beyond.

John Barrett

REGIONAL MANAGER REPORT EUROPE 2013

Mark Davies

EUROPE

Notwithstanding the difficult economic and competitive business environment, the European branch had a successful second year of operations. We continued to enhance our product offering and presence in each of our chosen markets.

The past 12 months has been an active time for Barents Re within Europe. We have stepped up our European expansion plans and, aside from our Paris office, now have representative offices in London, Rome, Madrid and, most recently, Moscow.

We have maintained our strategy of recruiting top quality personnel internationally with proven track records of producing profitable portfolios of accounts in niche areas and territories. As forecast in our 2012 Annual Report, this can be seen with our recent expansion into Russia and Central & Eastern Europe, as well as our recent diversification into the Energy arena.

As we look back over the work of the last year and ahead to the challenges of the next, we find ourselves in a position to now push further forward and capitalise on our increasingly strong market footprint.

Mark Davies

REGIONAL DIRECTOR REPORT
LATIN AMERICA 2013

Arturo E. Falcon

LATAM

During 2013, the Latin America & Caribbean team continued to exceed expectations. We were very satisfied by our premium growth and results in our target markets and business niches, notwithstanding the competitive marketplace. There continues to be a steady flow of new entrants, particularly Lloyd's Syndicates, setting up regional offices in Miami.

In our largest business line Property Facultative, the shift in our strategy from proportional to excess layer placements was almost completed. We feel excess layers allow us to exercise better underwriting judgement and are better rated for the exposure. We were not affected by the Ingrid and Manuel storms that hit Mexico during the year.

In Casualty Facultative, we are a preferred partner for our brokers and clients. The good results in this line of business, reflects the non litigious environment in most Latin American countries, but there is no room for complacency.

In Accident & Health, we started to offer a broader range of Bancassurance, Affinity and Mass Marketing products, were we bring product design / pricing expertise, in addition to reinsurance capacity. We are encouraged by our progress to date and anticipate this will result in the creation of a number of long term relationships.

We successfully established a Treaty Department to focus on non catastrophe lines in the First Quarter. The support we received was most gratifying.

By maintaining our disciplined underwriting approach and selection of best in class clients, we are confident that Barents Re can continue to grow its business in the region with acceptable results in ther coming year.

Arturo E. Falcon

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.

ROBERT KOFFLER
DIRECTOR

Mr. Koffler has 30 years of experience in global capital markets, and since 1999 has been the Chairman and Chief Executive of BiscayneAmericas Advisers LLC in Miami, Florida. Prior to joining BiscayneAmericas, he was the President and Director of Americas Trust Bank, Director and Executive Vice President Mr. of Vestrust Securities Inc., Vestrust Asset Management Corp. and Director and President of KGG Financial Corp.

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

With more than 30 years of experience in the financial market, Mr. Brenes has an extended career in the capital market in Panama, combining business and regulatory experience. He was the first President of the National Securities Comission, President of the Panama National Bank and Founder of the Panama Stock Exchange. To date he functions as the Executive Vice-president and General Manager 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 Credicorp 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.

MADRID REPORT

MADRID

Guido Romani
General Manager for Iberica

"In our first half-year of activity in the Spanish market we have far exceeded our expectations as to submissions received and businesses analyzed. Considering the number of quotes issued, we gained the impression that we are filling a large gap between offer and demand in capacity for bonds business related to Spanish and Portuguese contractors working abroad, particularly in Latin American and the Caribbean countries. And that is a real need they actually have since the national activity has dramatically diminish. Let's just remark that the majority of those contractors currently find their 80%-90% revenues in foreign countries. Our vicinity to the parent companies of those operators and to their brokers, together with a deep market knowledge and the access to privileged information as well as the deployment of substantial capacities and operating facilities overseas, are the main factors of this success, which we are confident to maintain in the forthcoming years.

In the meantime, while actively promoting the brand of Barents Re, we have developed a committed facultative underwriting process and very effective coordination with our head office in order to service timely and effectively our clients. In the meantime, our surety underwriting team in Madrid has been reinforced with an additional resource, in order to comply with our promise of response time and improve the business pace.

In addition to Latin America we are actively exploring the possibility to provide capacity and support also in some selected European and African markets in the near future.

It is worthwhile to mention the excellent results in marketing our appetite for Energy risks, which allowed us to write in a very short time some of the main Spanish Oil & Gas accounts.

MOSCOW

MOSCOW REPORT

Dmitry Garmash
Head of Moscow Representative Office

Opened in April 2014, the Barents Re Moscow office is devoted to providing high quality reinsurance services to existing and potential clients in the Russian Federation and the countries of the former Soviet Union, through a well known Russian-speaking team who are supported, as necessary, by the extensive worldwide resources of Barents Re.

The opening of the Moscow office is a logical step in the Company's business strategy that is focused on establishing a local presence in territories with high growth potential, staffed by experienced local professionals. This is evidenced by the fact that the insurance markets in Russia and its neighbors have grown on average 25% per annum in the last five years.

Initially, the Moscow office will target traditional lines of business like Property, Engineering, Marine Energy, General Liability and Personal Accident on both a treaty and facultative basis. Progressively, we want to foster the development of specialty / niche products in which Barents Re has expertise.

Located in the very center of Moscow, steps from the Kremlin, Barents Re, Moscow office, is now the fourth foreign reinsurance company with a local presence.

Robert Koffler

Director

Investors have a direct investment in the preferred shares of Standard Capital Shareholdings, Inc. Standard Capital was contractually required to use the proceeds of the investment to capitalize Barents Re Reinsurance Company, Inc. Investing in Standard Capital provides investors with exposure to Barents Re which is a company that operates in an industry that has been traditionally uncorrelated to other financial markets and brings a geographic diversification that is difficult to obtain on a reinsurer of its size. Investors look to make a long term investment in Standard Capital by acquiring up to 20% of Standard Capital in the form of preferred shares, convertible in a 5 year period into the equivalent of equal amount of common stock.

• Standard Capital will have the option to convert the preferred shares to common stock at any point in time before the 5th year. However, convertibility to common stock will be triggered automatically after year 5.

• Holders of the preferred shares will be entitled to elect one (1) director, while fully supporting current management team, strategy and practices.

GROWING

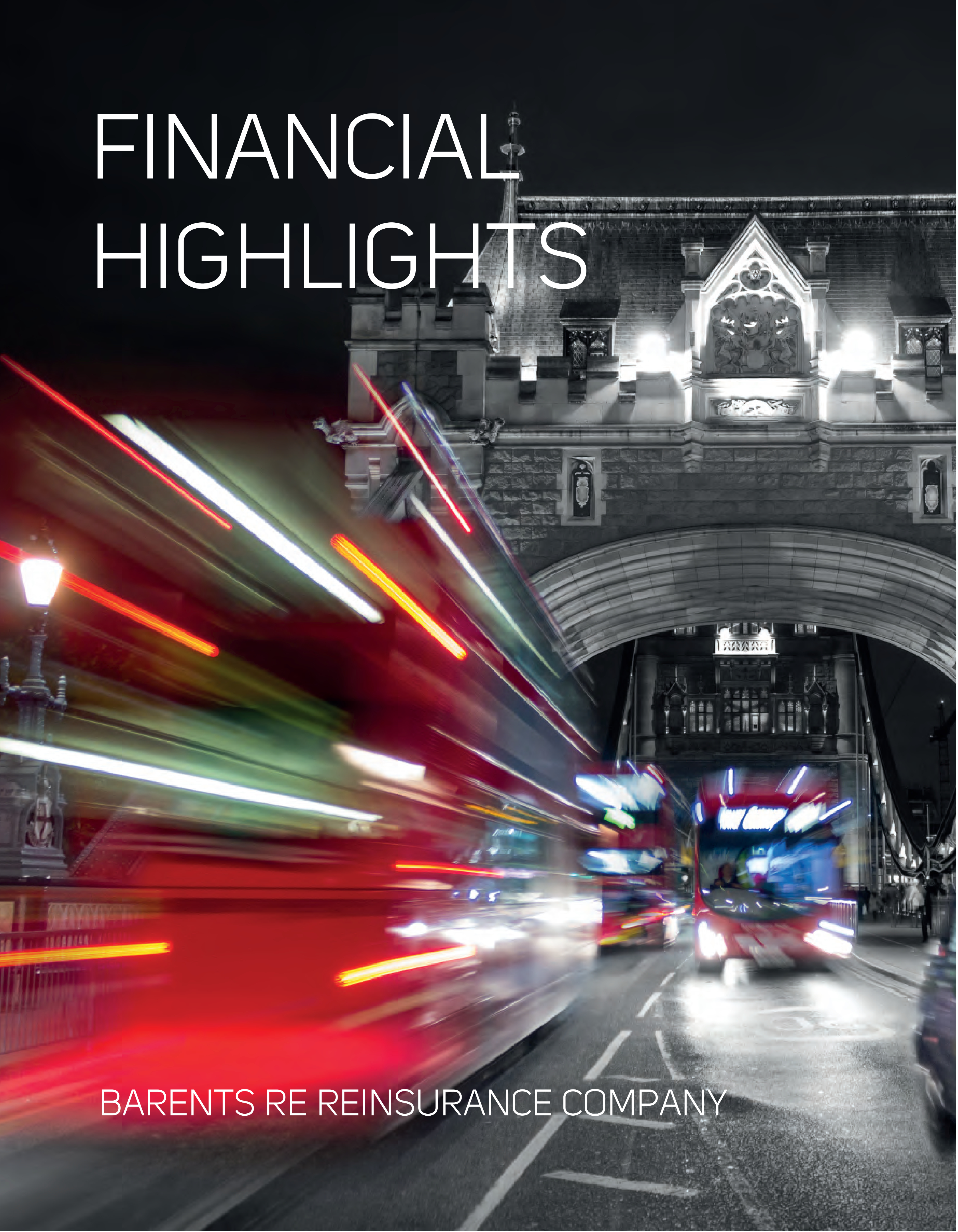
Barents Re commenced writing an onshore and offshore energy account on the 1st September 2013. Progress in the first year has exceeded expectations with the planned income marginally exceeded. We have benefited from our diverse sources of distribution and the strengths of Barents Re´s model are a significant plus for this class of business. We benefit from being able to apply local knowledge to risks, although the control over underwriting is focused in Paris as a centre of excellence. Clearly this is a class of business with potential for volatility in loss severity, but we purchase a comprehensive reinsurance programme to manage this and ensure that we stay within our risk tolerances. We continue to build our presence in this market and see the potential for it to enhance our return to shareholders for the future.

Chris Charlton
Global Head Of Energy

2013

TOGETHER

FINANCIAL HIGHLIGHTS



BARENTS RE REINSURANCE COMPANY

KEY FINANCIAL RATIOS

FINANCIAL HIGHLIGHTS	2013	2012	2011
Net Profit	31,040,342	22,148,335	17,223,718
Gross Premiums	213,165,563	202,873,969	191,756,655
Net Retained Premiums	73,455,571	60,554,961	55,765,993
Net Claims	28,034,517	28,332,036	31,115,279
Paid Commissions	3,369,383	2,783,234	4,954,912
General Admin. Expenses	4,305,298	3,384,014	5,736,990
Interest	1,782,959	861,185	989,180
Profit on Securities	5,691,177	3,952,331	11,764,670
Total Assets	348,729,538	201,833,164	165,588,931
Securities Available for Sale	232,430,879	160,884,876	150,517,227
Liquid Assets	329,960,977	196,122,994	161,708,950
Other Assets	18,768,561	5,710,170	3,879,981
Short Term Liabilities	1,184,876	106,117	110,813
Long Term Liabilities	74,690,602	59,690,219	46,934,709
Total Liabilities	75,875,478	59,796,336	47,045,522
Shareholder's Equity	272,854,058	142,036,828	118,543,409
Common Shares	185,925,044	85,925,044	83,925,044
Liquidity Ratio	278.48	1,848.18	1,459.30
EBIT	27,837,862	20,718,833	10,179,014
Total Equity	78%	70%	72%
Net Profit Margin	42%	37%	31%
ROE	11.4%	15.6%	14.53%
ROI	3.22%	2.99%	8.47%
Shareholders Capitalization	21%	30%	28%
Net Loss Ratio	38.17%	46.79%	55.80%
Expense ratio	5.9%	5.6%	10.3%
Combined Loss/ Expense Ratio	44.03%	52.38%	66.08%
Return on Revenues	17%	13%	12%
ROA	11.28%	12.06%	10.40%
EBIT MARGIN	37.90%	34.21%	18.25%

Source: 2013 Audited Financial Statements

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, 2013 and Independent Auditors' Report dated April 25, 2014

Deloitte.

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(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, 2013, 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, 2013, 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 the requirements to the insurance industry in the Republic of Panama, which could differ in certain respects from the International Financial Reporting Standards and practices the other jurisdictions. Therefore, the accompanying consolidated financial statements are not intended to present the 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.

The accompanying consolidated financial statements have been translated from Spanish into English for the convenience of readers outside of the Republic of Panama.

Deloitte (signed)

April 25, 2014
Panama, Republic of Panama

Barents Re Reinsurance Company, Inc. and Subsidiary

Consolidated statement of financial position
December 31, 2013
(In United States of America dollars)

	Notes	2013	2012
Assets			
Due from banks	6	83,843,345	14,704,228
Premiums receivable	5 , 7	13,094,500	20,118,434
Securities available for sale	5 ,8	232,430,879	160,884,876
Notes receivable - related parties	5	9,298,000	-
Accounts receivable - shareholder	5	90,091	284,744
Interests receivable		502,162	130,712
Other accounts receivable		1,174,340	1,174,355
Property, furniture, equipment and improvements, net	9	2,697,894	726,622
Other assets	10	5,598,327	3,809,193
Total assets		348,729,538	201,833,164
Liabilities and shareholder's equity			
Liabilities:			
Technical reserve for premiums	11	25,709,450	21,194,229
Claims reserve	12	42,533,808	33,288,033
Accounts payable - related parties	5	5,947,346	4,707,957
Accounts payable		75,740	12,258
Accounts payable - shareholders	5	-	83,741
Loan payable	9	1,080,000	-
Other payable		22,001	6,488
Accrued expenses		7,135	3,630
Other liabilities		500,000	500,000
Total liabilities		75,875,480	59,796,336
Shareholder's equity:			
Common shares	13	185,925,044	85,925,044
Changes in securities available for sale		9,033	232,145
Foreign currency translation		-	14,295,000
Legal reserve		122,140	106,112
Retained earnings		86,797,841	41,478,527
Total shareholder's equity		272,854,058	142,036,828
Total liabilities and shareholder's equity		348,729,538	201,833,164

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

Barents Re Reinsurance Company, Inc. and Subsidiary

Consolidated statement of profit or loss
For the year ended December 31, 2013
(In United States of America dollars)

	Notes	2013	2012
Net income from premiums:			
Suscribed premiums		213,165,563	202,873,969
Retroceded premiums		(139,709,992)	(142,319,008)
Total retained premiums, net		73,455,571	60,554,961
Increase (decrease) in technical reserve on premiums	11	4,515,221	1,670,019
Increase in claims reserve	12	9,245,775	6,377,534
Net claims paid		28,034,517	28,332,036
Total accrued premiums		31,660,058	24,175,372
Other income (expenses):			
Interests earned		1,782,959	861,185
Commissions paid		(3,369,383)	(2,783,234)
Risk analysis cost		(452,813)	(673,305)
Profit on sale of securities available for sale	8	5,691,177	3,952,331
Other income		33,642	-
Total income, net		35,345,640	25,532,349
General and administrative expenses:			
Salaries and employee benefits	5	992,894	1,985,235
Fees and professional services		2,144,727	449,316
Travel expenses		226,660	145,968
Rental expense		6,489	14,565
Depreciation and amortization	9	51,653	40,386
Insurances		11,976	12,841
Taxes		90,229	90,923
Telecomunication		47,949	22,077
Electrical energy		6,300	14,856
Dues and subscriptions		20,893	89,082
Customer's attention		4,472	11,244
Maintenance and repairs		41,802	36,131
Bank charges		161,025	87,697
Legal and notarial expenses		57,502	61,896
Donations		20,000	-
Others		420,727	321,797
Total general and administrative expenses		4,305,298	3,384,014
Net profit		31,040,342	22,148,335

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

Barents Re Reinsurance Company, Inc. and Subsidiary

Consolidated statement of comprehensive income
For the year ended December 31, 2013
(In United States of America dollars)

	Note	2013	2012
Net profit		31,040,342	22,148,335
Other comprehensive income:			
Gain realized transferred to income		(5,691,177)	(3,952,331)
Net changes in securities available for sale	8	5,468,065	3,297,415
Total of other comprehensive income		(223,112)	(654,916)
Total net comprehensive income of the year		30,817,230	21,493,419

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

Barents Re Reinsurance Company, Inc. and Subsidiary

Consolidated statement of changes in shareholder's equity
December 31, 2013
(In United States of America dollars)

	Note	Total shareholder's equity	Common shares	Net changes in securities available for sale	Foreign currency translation	Legal reserve	Retained earnings
Balance at December 31, 2011		118,543,409	83,925,044	887,061	14,295,000	99,150	19,337,154
Comprehensive income comprised of:							
Net profit		22,148,335	-	-	-	-	22,148,335
Realized gains transferred to income		(3,952,331)	-	(3,952,331)	-	-	-
Net changes in securities available for sale		3,297,415	-	3,297,415	-	-	-
Total net comprehensive income of the year		21,493,419	-	(654,916)	-	-	22,148,335
		140,036,828	83,925,044	232,145	14,295,000	99,150	41,485,489
Transactions attributable to shareholders:							
Capital contribution	12	2,000,000	2,000,000	-	-	-	-
Other equity transactions:							
Increase in legal reserve		-	-	-	-	6,962	(6,962)
Balance at December 31, 2012		142,036,828	85,925,044	232,145	14,295,000	106,112	41,478,527
Comprehensive income consists of:							
Net profit		31,040,342	-	-	-	-	31,040,342
Realized gains transferred to income		(5,691,177)	-	(5,691,177)	-	-	-
Net changes in securities available for sale		5,468,065	-	5,468,065	-	-	-
Change in foreign currency translation		-	-	-	(14,295,000)	-	14,295,000
Total net comprehensive income of the year		30,817,230	-	(223,112)	(14,295,000)	-	45,335,342
Transactions attributable to shareholders:							
Capital contribution	12	100,000,000	100,000,000	-	-	-	-
Other equity transactions:							
Increase in legal reserve		-	-	-	-	16,028	(16,028)
Balance at December 31, 2013		272,854,058	185,925,044	9,033	-	122,140	86,797,841

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

Barents Re Reinsurance Company, Inc. and Subsidiary

Consolidated statement of cash flows
For the year ended December 31, 2013
(In United States of America dollars)

	Notes	2013	2012
Cash flows from operating activities:			
Net income		31,040,342	22,148,335
Adjustment by:			
Gain on sale of securities available for sale	8	(5,691,177)	(3,952,331)
Technical premiums reserve	11	4,515,221	1,670,019
Claims reserve	12	9,245,775	6,377,534
Depreciation and amortization	9	51,653	40,386
Interest earned		(1,782,959)	(861,185)
Net changes in operating assets and liabilities:			
Time deposits with maturities greater than 90 days		(52,109)	(2,000,000)
Premiums receivable		7,023,934	(15,152,744)
Other accounts receivable		15	(1,106,083)
Other assets		(1,789,134)	(2,923,503)
Other accounts payable		78,995	(4,243)
Other liabilities		-	(1,652)
Accrued expenses		3,505	1,199
Interest received		1,411,509	976,937
Net cash provided by operating activities		44,055,570	10,268,086
Cash flows from investing activities:			
Purchase of securities available for sale	8	(242,653,991)	(161,539,792)
Sale of securities available for sale	8	176,576,053	154,469,558
Sale of investment in associate		-	1,813,000
Accounts from/to shareholders		110,912	(164,744)
Loan payable		1,080,000	-
Purchase of furniture and office equipment	9	(2,022,925)	(1,449)
Net cash used in investing activities		(66,909,951)	(5,423,427)
Cash flows from financing activities:			
Notes receivable	5	(9,298,000)	-
Capital contribution	13	100,000,000	2,000,000
Accounts receivable - related parties	5	1,239,389	5,055,417
Net cash provided by financing activities		91,941,389	7,055,417
Net increase in cash		69,087,008	6,844,659
Cash at beginning of the year	6	12,704,228	5,859,569
Cash at end of the year	6	81,791,236	12,704,228

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

1. General information

Barents Re Reinsurance Company, Inc. (the "Company") was incorporated in accordance with the laws of the Republic of Panama in 1996 and started operations in April 1996. This Company was acquired as of December 1999. Its main activity is to provide reinsurance services according to the International Reinsurance License granted by the Superintendency of Insurance and Reinsurance through Resolution CNR-03 of August 13, 1996 and according to the General Reinsurance License granted by the Superintendency of Insurance and Reinsurance of Panama through Resolution No.005 of December 16, 2011.

The reinsurance operations in Panama are regulated by the Superintendency of Insurance and Reinsurance of Panama, through Insurance Law No.63 of September 19, 1996. The main office is located at la Rotonda street Costa del Este, Prime Time Tower, floor 23.

Barents Re Reinsurance Company, Inc. (Panamá) is a subsidiary of Standard Capital Shareholdings, Inc., (B.V.I.), which is part of the company Arden & Price, Inc. (Bahamas).

On December 28, 2009, the shareholders of Barents Re Reinsurance Company, Inc. (Belice) transferred the 100% of its shares to Barents Re Reinsurance Company, Inc. (Panama), becoming Barents Re Reinsurance Company, Inc. (Panama) the holder of all the shares issued and outstanding of Barents Re Reinsurance Company, Inc. (Belice).

Barents Re Reinsurance Company, Inc. (Belice) was incorporated in accordance with the laws of the Republic of Belize in January 2000 and started operations on March 2006. It has an International Reinsurance License granted by the Republic of Belize and is authorized to carry out reinsurance operations by regulators in the Latin American region.

On December 31, 2011, Barents Re International Reinsurance Company, Inc. (Belice) became the holder of all of the shares issued and outstanding of Barents Re Reinsurance Company Inc. (Barbados), society which was redomiciled in 2010 to the Republic of Barbados and therefore, reincorporated under this jurisdiction. The main activity of the latest is to provide reinsurance services according to the International Reinsurance License granted by the Ministry of Finances of the Government of Barbados.

2. Significant accounting policies

The consolidated financial statements have been prepared in accordance with accounting requirements of the insurance industry in Panama and modified by prudential regulations issued by the Superintendency of Insurance and Reinsurance of Panama for monitoring purposes.

The significant accounting principles and practices applied in the recording of transactions and preparation of the accompanying consolidated financial statements are as follows:

2.1 Regulatory matters

The Company uses accounting practices, specific to the insurance industry which emphasize the liquidity and solvency of the Company to fulfill its obligations. Under these practices, the Company records when they are earned or incurred, the commissions earned on ceded reinsurance, the fees paid to brokers on premiums.

Reserve for premium

According to legal requirements, the Company defers 35% of net premiums with held in the twelve months preceding the date of the consolidated statements of financial position, except for the maritime industry in which 10% is deferred. Reinsurance premiums assumed each year are deferred by 35%. These accrued premiums are amortized in income in the following year.

Claims reserve

Reinsurance contracts are based on the expected cost of claims reported at the date of the consolidated statement of financial position and includes estimates of claims incurred but its final cost not reported to the Company. Claims can take a significant period of time before it can be reliable estimate.

Adjustments to reserves are recorded each year in the consolidated profit or loss. The reserve is adjusted to recognize the reinsurers in the event.

2.2 Principles of consolidation

The consolidated financial statements include the Barents Re Reinsurance Company, Inc. and its subsidiaries in which it has control. Control is achieved where the Company:

- Has power over investment
- Exposed, or has rights, to variable returns from its involvement with the entity, and
- Has the ability to affect those returns through its power over the entity that invests.

The Company reassesses whether it controls an entity if the facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee has power over it when voting rights are sufficient to give the practical ability to direct their relevant activities unilaterally. The Company considers all relevant facts and circumstances to assess whether the voting rights of the Company in an investee are sufficient to give it power, including:

- The percentage share of the Company in the voting rights in relation to the percentage and dispersion of the voting rights of the other holders of the same;
- Potential voting rights held by the Company, other shareholders or third;
- The rights under other contractual arrangements, and
- All additional facts and circumstances indicate that the Company has or does not have the current ability to direct the relevant activities at the time that decisions should be taken, including trends in shareholder voting in previous assemblies

The Subsidiaries are consolidated from the date on which control is transferred to the Company, and are no longer consolidated from the date that control is lost. Gains and losses of subsidiaries acquired or sold during the year are included in the consolidated statements of income and other comprehensive income from the date of acquisition or up to the date of sale, as the case.

Income and each component of other comprehensive income are attributed to the controlling and noncontrolling interests. Comprehensive income attributed to the controlling and non-controlling interests even if it leads to a déficit in the latter.

All balances and transactions between the Company and its subsidiaries have been eliminated in consolidation.

2.3 Foreign currency transactions

Functional and presentation currency

The items included in the consolidated financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in (US$) dollar, the functional currency and of presentation of the Company.

Balances and transactions

Foreign currency transactions are converted into the functional currency using the exchange rates prevailing at the dates of transactions. Gains and losses resulting from the settlement of such transactions and from the conversion at the end of the year of assets and liabilities denominated in foreign currencies are recognized in profit and loss, except when are deferred in the equity as cash flow hedge.

2.4 Financial assets

Financial assets are classified into the following specific categories: securities available for sale and premiums receivable. The classification depends on the nature and purpose of the financial assets and is determined at initial recognition.

Premiums receivable

Premiums receivable are generally 30 to 45 day terms, are recognized at the amount of the respective insurance contracts and are measured at amortized cost using the effective interest rate. The book value of premiums receivable is reviewed for impairment when events and circumstances indicate that there may not be recoverable, an impairment loss recognized in profit or loss.

The Company recorded as accounts receivable uncollected premiums at maturity of the agreed form of payment. These premiums receivable are maintained for a period of 90 days, whether or not accrued redemption values except when it comes to premiums receivable with related parties.

Securities available-for-sale

They consist of securities purchased with the intention of keeping them for an indefinite period of time, which can be sold in response to the needs for liquidity or changes in interest rates, or prices of equity instruments. After initial recognition, securities available-for-sale are measured at their fair value. For those cases where fair value estimates are not reliable, investments are held at cost or amortized cost.

Gains or losses arising from changes in fair value of securitires available-for-sale are recognized directly in equity until are discharged the financial assets or impairment is determined. At this time, the cumulative gain or loss, previously recognized in equity is recognized in the results.

Dividends on equity instruments available-for-sale are recognized in the consolidated statement of profit or loss when the entity's right to receive payment is established.

The fair value of an investment in securities is generally determined based on the quoted market price at the date of the statement of financial position. If the quoted market price is not available, the fair value of the instrument is estimated using pricing models or technical calculations of discounted cash flows.

Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to receive cash flows have expired or when the Company has transferred financial assets and substantially all the risks and rewards of ownership of the asset to another entity. If the Company does not transfer or retain substantially all the risks and benefits of ownership and control continues with the asset transferred, the Company recognizes its retained interest in the assets and liabilities related to the amounts that it may have to pay. If the Company retains substantially all risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a liability secured by the amount received.

2.5 Impairment of financial assets

Premiums receivable

Premium receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Premiums receivable are stated at their outstanding collectible amount, according to Articles 156 and 161 of Law No.12 of 2012 issued by the Republic of Panama, less estimated provisions for uncollectible premiums.

Article 161 of Law No.12 states:

a) Any cancellation notice should be notified to the insured by sending to the last physical, post or email address recorded in the policy file. Copy of cancellation notice shall be issued to the insurance broker.

b) Any change of address of the insured shall be notified to the insurance; otherwise the last address recorded in the policy file is valid.

c) Fifteen labor days the cancellation notice of the policy for late payment of the premium must be notify to the insured by written. If the notice is not sent, the contract shall remain in force and the matter stipulated in Article 998 of the Commercial Code shall be applied.

Assets classified as available for sale

At the date of the consolidated statement of financial position, the Company assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity instruments classified as available for sale, a significant or prolonged decline in the fair value of the financial asset is decreased below its cost is taken into account in determining whether the assets are impaired. If such evidence exists for financial assets available for sale , the cumulative loss , measured as the difference between the acquisition cost and the current fair value, less any impairment loss on financial assets previously recognized in profit or loss, are removed from equity and recognized in the consolidated profit or loss. Impairment losses recognized in the consolidated profit or loss on equity instruments are not reversed through the consolidated statement of profit or loss but the amount is recognized in the equity account. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the loss impairment be reversed through the consolidated statement of profit or loss.

2.6 *Impairment of non-financial assets*

On the date of each consolidated statement of financial position, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss in value. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss in value, if any. Where the asset does not generate cash flows that are themselves independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is subjected to an impairment test once a year.

If it is estimated that the recoverable amount of an asset (or cash-generating unit) is less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Immediately an impairment loss is recognized in the results of operations.

2.7 *Fair value measurement and valuation process*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between participants in the principal market on the measurement date, or in his absence, in the most advantageous market to which the Company has access to time. The fair value of a liability reflects the effect of default risk.

To estimate the fair value of an asset or a liability, the Company uses observable data when they are available. Management regularly reports to the Board the causes of significant fluctuations in the fair value of assets and liabilities for information about the valuation techniques and inputs used in the fair value of assets and liabilities. (See Note 4)

The Company discloses transfers between levels of the fair value hierarchy at the end of the period during which the change occurred.

2.8 Financial liabilities and equity instruments issued

Classification as debt or equity

Debt and equity instruments are classified as financial liabilities or as equity in accordance with the contractual arrangements

Equity instruments

An equity instrument is any contract that evidences a residual interest on the assets of an entity after deducting all its liabilities. Equity instruments issued by the Company are recorded at the amount received, net of direct issuance costs.

Barents Re Reinsurance Company, Inc., has an internal capitalization and dividend policy aimed at providing the units in a rational and objective manner the necessary capital to cover the risks assumed.

Financial liabilities

Financial liabilities are classified as financial liabilities through profit or loss and other financial liabilities.

Derecognition of financial liabilities

The Company writes off financial liabilities when, and only when, the obligations of the Company are settled, canceled or expired.

2.9 Premium income

Revenues are presented at fair value of the consideration received or receivable, taking into account the amount of any discounts, rebates or rebate granted by the commercial entity.

Revenues subscribed and related production costs (commissions paid, ceded reinsurance and commissions earned from reinsurance premiums) are recognized as reinsurance contracts entered into and the amount of premium is received.

2.10 Reinsurance contracts

In the normal course of business, the Company has entered into reinsurance agreements with insurance and reinsurance.

Retrocession or reinsurance ceded contracts with the primary purpose of obtaining recovery for direct losses that could be generated by events or disasters. However, reinsurance contracts do not relieve the Company from its obligations to policyholders or beneficiaries.

The amounts expected to be recovered from reinsurers are recognized in accordance with the clauses in the contracts signed by both parties. To ensure consistency of this policy, the reinsurer evaluates on a periodic basis, the financial condition of its retrocession, risk concentration, as well as changes in economic and regulatory environment.

Gains and losses on reinsurance contracts are recognized in the consolidated profit or loss immediately at the time of hiring and are not amortized. Premiums and claims are presented on a gross basis for both ceded and assumed premium.

2.11 Property, furniture, equipment and improvements

The property, furniture, equipment and improvements are stated at cost of acquisition, net of accumulated depreciation and amortization. Significant improvements are capitalized, while minor repairs and maintenance that do not extend the life or improve the asset are charged to expenses as incurred.

Depreciation and amortization is charged to current operations and is calculated by the straight-line method based on estimated useful lives:

Furniture and office equipment	3 - 10 years
Computer equipment	3 - 7 years
Building and improvements	30 years

Assets that are subject to amortization are reviewed for impairment whenever changes in the circumstances indicate that the carrying value is not recoverable. The book value of the assets is immediately reduced to the recoverable amount, which is the higher of the asset at fair value less cost and value in use.

An item of property, furniture, equipment and improvement withdraws its eventual disposal or when no future economic benefits arising from the continued use of the asset is expected. Any gain or loss arising on the disposal or retirement of an item of furniture, equipment and improvements are determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the consolidated profit or loss.

2.12 Legal reserve

The legal reserve is established based on 20% of annual profit before income tax, up to US$2,000,000 is funded; after this amount is accumulated, 10% of the profit before income tax.

The legal reserve is established based reinsurance to 1/4% percent of the increase in premiums each year compared to previous years.

2.13 Cash

For the purposes of presenting the consolidated statement of cash flows, cash balances with banks and interest-bearing deposits with original maturities of three months or less from the date of the deposit was placed.

3. Credit risk management

3.1 Financial risk management objectives

The Company's activities are exposed to a variety of financial risks and such activities include the analysis, assessment, acceptance and management of a certain degree of risk or a combination of risks. Taking risks is basic in the financial business, and operational risks are unavoidable risks when being in the business. Therefore, Management's objective is to achieve an adequate balance between the risks and return and minimize possible adverse effects on the financial execution of the entity.

The activities of the entity are primarily related to the use of financial instruments and, as such, the consolidated statement of financial position consists mainly of financial instruments. Being exposed to the following risks when using them:

- Insurance risk
- Credit risk
- Liquidity risk
- Market risk
- Operational risk

The Company's Management is responsible for establishing and supervising the risk management policies on financial instruments. To that effect, it has appointed committees to take care of periodic administration and supervision of the risks to which the entity is exposed.

Additionally, the Company is subject to the regulations of the Superintendency of Insurance and Reinsurance in the jurisdictions of the Bolivarian Republic of Venezuela, Republic of Ecuador, Republic of Belize, Republic of Barbados and Republic of Panama, in those areas concerning the concentration of risks, liquidity and capitalization, among others.

The main risks identified by the entity are credit, liquidity, market and operational risks which are described as follows:

3.2 Insurance risk

The risk covered under a contract, in any of its various forms, is the possibility that the insured event occurs and therefore the uncertainty is realized in the amount of the claim. By the nature of the insurance contract, this risk is random and therefore unpredictable.

Related to a portfolio of contracts where the theory of large numbers and probabilities for pricing and dispose provisions are applied, the main risk of the Company is that the claims and/or payments of benefits covered by the policies exceed the carrying amount of insurance liabilities. This could happen as the frequency and/or severity of claims and benefits are greater than estimated. The factors that are considered to make the assessment of insurance risks are:

- Frequency and severity of claims
- Sources of uncertainty in the calculation of future claims

The Company has contracted automated reinsurance coverage that protect against loss frequency and severity. Negotiations of reinsurance coverage include exceed loss, stop loss and catastrophe. The aim of these negotiations is that the net insurance losses do not affect the total net assets and liquidity of the Company in any year. Besides of the total reinsurance program of the Company, additional reinsurance protection can be purchased by facultative contract in each opportunity that the risk assessment so warrants.

The Company has developed an insurance underwriting strategy to diversify the types of insurance risks accepted. Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, and geographic location. The underwriting strategy attempts to ensure that underwriting risks are well diversified in terms of type and amount of risk. Subscription limits function to execute the selection criteria of appropriate risk.

3.3 Credit risk

It is the risk of a financial loss for the entity that occurs when a counterpart of a financial instrument defaults on its contractual obligations, and arises mainly from investment in securities.

For risk management purposes, Management considers all elements of credit risk exposure: issuer risk, country risk and sector or industry risk. Credit risk arising from holding securities is considered as a component of credit risk exposure.

Management continuously monitors the financial condition of the issuers of securities involving a credit risk to the entity. Management is responsible for developing changes to the credit policies and presenting the same to the Board of Directors which has the responsibility for their final approval.

The Company has established certain procedures to manage credit risk, as summarized below:

Preparation of Credit Policies:

Credit policies are issued or revised per recommendation of any member of Senior Management and Board of Directors, considering the following factors:

- Changes in market conditions.
- Risk factors.
- Changes in laws and regulations.
- Changes in financial conditions and credit availability.
- Other factors relevant at the time.

Every change in policies or preparation of new policies must be approved by the Board of Directors, which in turn issues a memorandum of instructions to be disclosed and subsequent implementation.

Similarly, the entity has limited its exposure in various places through the country risk policy, where countries have been defined to have exposure based on Management's strategic plan; in turn, exposure limits for investment have been implemented in these countries, based on the credit rating of each of them.

Maximum Limits per Counterparty:

With regard to exposures by counterparties, there are limits based on risk rating of the counterparty, as a proportion of the capital of the Company.

Policy Compliance Review:

Management is responsible for the quality and performance of loans in their portfolios, as well as for control and monitoring of their risks.

The table below analyzes the Company's portfoli o of securities available for sale which are exposed to credit risk, and its corresponding assessment based on its rating:

	2013	**2012**
Investment grade	232,430,879	160,884,876

In the previous table, the factors of greatest risk exposure of the investment portfolio have been detailed.

To manage financial risk exposures of the investment portfolio, the entity uses external investment ratings as detailed below:

Investment rating	**International qualifications**
Investment grade	AAA, AA, AA+, AA-, A+, A-, BBB+, BBB, BBB-
Standard monitoring	BB+, BB, BB-, B+, B, B-
Special monitoring	CCC to C
Ungraded	-

Management monitors the credit risk concentration by sector and geographical location. The credit risk concentration analysis of the financial statements at December 31 is as follows:

	Premiuns receivable (Excludes accounts related)		Securities available for sale	
	2013	2012	2013	2012
Concentration by sector:				
Corporate	2,478,448	10,079,253	-	-
Government	-	-	232,430,879	160,884,876
Carrying amount	2,478,448	10,079,253	232,430,879	160,884,876
Geographic concentration:				
South America and Caribbean Area	2,478,778	10,079,253	-	-
United States of America	-	-	232,430,879	160,884,876
Carrying amount	2,478,778	10,079,253	232,430,879	160,884,876

The geographical concentration for investments is measured based on the issuer's location of the investment.

3.4 Liquidity or financing risk

Liquidity risk is defined as the risk that the entity may find problems in obtaining the funds to meet timely its commitments or obligations.

Management has established minimum liquidity levels to meet its commitments and operating needs.

The Liquidity Risk caused by the mismatch of terms between assets and liabilities is measured by using the Liquidity Gap or Term Matching. In this analysis, simulations and stress tests are done based on the difficulties caused by the lack of liquidity, such as, unexpected withdrawals of funds contributed by creditors or clients, impairment in the quality of the loan portfolio, volatility of resources obtained, etc.

The analysis of the maturities of the financial assets and liabilities determined based on the remaining period at the date of the consolidated statement of financial position or up to the contractual maturity date is detailed below:

	No Maturity	Up to 3 months	3 months to 1 year	Over 1 year	Total
2013					
Financial assets:					
Deposits in banks	81,783,730	-	2,059,615	-	83,843,345
Premiums receivable (excluded related)	-	-	2,478,778	-	2,478,778
Securities available for sale	-	-	232,430,879	-	232,430,879
Total financial assets	81,783,730	-	236,969,272	-	318,753,002
Financial liabilities:					
Technical premiums reserve	25,709,450	-	-	-	25,709,450
Claim reserves	42,533,808	-	-	-	42,533,808
Total financial liabilities	68,243,258	-	-	-	68,243,258
2012					
Financial assets:					
Deposits in banks	11,682,528	1,021,700	2,000,000	-	14,704,228
Premiums receivable (excluded related)	-	-	10,079,253	-	10,079,253
Securities available for sale	-	-	160,884,876	-	160,884,876
Total financial assets	11,682,528	1,021,700	172,964,129	-	185,668,357
Financial liabilities:					
Technical premiums reserve	21,194,229	-	-	-	21,194,229
Claim reserves	33,288,033	-	-	-	33,288,033
Total financial liabilities	54,482,262	-	-	-	54,482,262

3.5 Market risk

It is the risk that the value of a financial asset may be reduced because of changes in interest rates, currency exchange rates, stock prices, and other financial variables, as well as the reaction of market participants to political and economic events, whether by latent losses as well as potential profits. Market risk management's objective is to manage and monitor the risk exposures and at the same time to make sure that they are maintained within acceptable parameters optimizing the risk returns.

The risk management policies provide the compliance with limits for each financial instrument, limits with respect to maximum loss amounts that require the closing of positions that caused such losses, and the requirement that, unless approved by the Board of Directors, all assets and liabilities are substantially denominated in United States Dollars or in Balboas.

As part of the market risk, the entity is exposed mainly to interest rate risk.

Interest rate risk of the cash flow and fair value - The interest rate risks of cash flow and the fair value risk are the risks that the future cash flows and the value of financial instruments may fluctuate due to changes in market interest rates.

The table below summarized the Company´s exposures to risk of interest rate. The Company´s financial assets and liabilities are included in the table at its carrying amount, classified by categories by the earlier date between the contractual date and the repricing date.

	Up to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	No interest rate	Total
2013						
Financial assets:						
Deposits in banks	-	2,052,109	-	-	81,791,236	83,843,345
Premiums receivable (excluded related)	-	2,478,778	-	-	-	2,478,778
Securities available for sale	-	232,430,879	-	-	-	232,430,879
Total financial assets	-	236,961,766	-	-	81,791,236	318,753,002
Financial liabilities:						
Technical premiums reserve	-	-	-	-	25,709,450	25,709,450
Claims reserve	-	-	-	-	42,533,808	42,533,808
Total financial liabilities	-	-	-	-	68,243,258	68,243,258
Net cash margin	-	236,961,766	-	-	13,547,978	250,509,744
2012						
Financial assets:						
Deposits in banks	1,021,700	2,000,000	-	-	11,682,528	14,704,228
Premiums receivable (excluded related)	-	10,079,253	-	-	-	10,079,253
Securities available for sale	-	160,884,876	-	-	-	160,884,876
Total financial assets	1,021,700	172,964,129	-	-	11,682,528	185,668,357
Financial liabilities:						
Technical premiums reserve	-	-	-	-	21,194,229	21,194,229
Claims reserve	-	-	-	-	33,288,033	33,288,033
Total financial liabilities	-	-	-	-	54,482,262	54,482,262
Net cash margin	1,021,700	172,964,129	-	-	(42,799,734)	131,186,095

3.6 Operational risk

It is the risk of potential losses, directly or indirectly, related to the entity's process, human resources, technology, infrastructure and other external factors that are not related to credit, market or liquidity risks, such as those arising from legal and regulatory requirements and from the behavior of generally accepted corporate standards.

Management's objective is to manage operational risk in other to avoid financial losses and damages to the entity's reputation.

3.7 Capital risk management

The main objectives of the Company when managing capital is to maintain its ability to continue as an ongoing business to generate returns to the shareholders and to maintain an optimal capital structure to reduce the costs of raising capital. To maintain an optimal capital structure, factors such as: amount of dividends payable, return of capital to shareholders or issuance of shares, are taken into consideration. In addition, compliance with the minimum capital established by the Superintendency of Insurance and Reinsurance of Panama is assured, which sets a minimum of US$1,000,000 for insurance and reinsurance companies. Regarding regulations of the International Insurance Act of the Republic of Belize is set at a minimum of US$50,000 for insurance and reinsurance companies, as well as for the Financial Service Commission of Barbados, which set a minimum of US$250,000 for companies with reinsurance license.

3.8 *Currency risk*

The Company is exposed to the effects of fluctuating changes in currency rates. The Company has exposure limits for currency rates, which are reviewed on a daily basis. Below are details of the currency positions:

	EURO	USD	Venezuelan bolivares	Total
2013				
Assets				
Deposits in bank	197,046	83,646,299	-	83,843,345
Premiums receivable (excluded related)	-	2,478,778	-	2,478,778
Securities available for sale	-	232,430,879	-	232,430,879
Total financial assets	197,046	318,555,956	-	318,753,002
Liabilities				
Technical reserve for premiums	-	25,709,450	-	25,709,450
Claims reserve	-	42,533,808	-	42,533,808
Total financial liabilities	-	68,243,258	-	68,243,258

	EURO	USD	Venezuelan bolivares	Total
2012				
Assets				
Deposits in bank	245.704	14.434.551	23.973	14.704.228
Premiums receivable (excluded related)	-	10.079.253	-	10.079.253
Securities available for sale	-	160.884.876	-	160.884.876
Total financial assets	245.704	185.398.680	23.973	185.668.357
Liabilities				
Technical reserve for premiums	-	21.194.229	-	21.194.229
Claims reserve	-	30.843.768	2.444.265	33.288.033
Total financial liabilities	-	52.037.997	2.444.265	54.482.262

4. Accounting estimates and critical judgements

The Company has made certain estimates and assumptions concerning the future. Estimates and judgements are continually evaluated based on historical experience and other factors including expectations of future events that are created to be reasonable under the circumstances. In the future, actual experience may differ from those estimates and assumptions. The estimates and assumptions that involve a significant risk of significant amounts recorded in the financial statements are presented below settings

- *Demand and time deposits* - For these financial instruments, the carrying value approximates the fair value, due to its short-term nature.

- *Premiums receivable* - Premiums receivable are recorded at their outstanding recoverable value.

- *Securities available for sale* - For these securities, the fair value is based on market price quoted or quotes from brokers and dealers. If a reliable quoted market price is not available, the fair value of the instrument is estimated using pricing models or techniques of discounted cash flows.

The Company measures the fair value using level hierarchy that reflects the significance of the input data used in making the measurements. The Company has established a documented policy and process for determining the fair value at which the responsibilities and segregation of function between different responsible areas involved in this process, approved by the Board are defined.

IFRS 13 set a hierarchy level of the valuation techniques based on whether the information to those valuation techniques are observable or unobservable. The observable information reflects market data from independent sources; the unobservable input reflects Bank´s market assumptions. These two types of information have set the following fair value hierarchy:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

- Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

- Level 3 inputs are unobservable inputs for the asset or liability.

Fair value of the Company financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Company financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial Assets	Fair Value 2013	Fair Value 2012	Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Securities available for sale	232,430,879	160,884,876	Level 1	Quoted prices in an active market	N/A	N/A

Fair value of financial assets and liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

Except as detailed in the following table, the Management considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate to their fair values.

	2013		2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Demand deposits with banks	81,791,237	81,791,237	11,682,528	11,682,528
Time deposits	2,059,615	2,059,615	2,000,000	2,000,000
Premiums receivable (excluded related)	2,478,778	2,478,778	10,079,253	10,079,253
Accounts receivable - related	1,264,431	1,264,431	1,459,099	1,459,099
Interest receivable	493,223	493,223	130,712	130,712
	88,087,284	88,087,284	25,351,592	25,351,592
Liabilities				
Loan payable	1,080,000	1,141,776	-	-

Primes and account receivables of the short-term nature approximate their fair value

	Total	Fair value hierarchy Level 1	Level 2	Level 3
2013				
Financial assets				
Demand deposits with banks	81,791,236	-	81,791,236	-
Time deposits	2,052,109	-	-	2,052,109
Premiums receivable	2,478,778	-	-	2,478,778
Interest receivable	502,162	-	-	502,162
	86,824,285	-	81,791,236	5,033,049
Financial Liabilities				
Loan payable	1,080,000	-	1,080,000	-

The fair value of the portfolio of investments included in Level 1 are determined through observable active markets.

The fair value of financial assets and liabilities included in Level 3 have been determined based on discounted cash flows.

In the case of demand deposits and savings deposits carrying value approximates their fair value.

5. Balances and transactions with related parties

Balances and transactions with related parties included in the consolidated statement of financial position and consolidated statement of profit or loss, are summarized below:

	2013	2012
Balances with related parties		
Assets		
Premiums receivable	10,615,723	10,039,181
Notes receivable	9,298,000	-
Accounts receivable - shareholders	90,091	284,744
Liabilities		
Accounts payable - related companies	5,947,346	4,707,957
Accounts payable shareholders	-	83,741
Transactions with related parties		
Interest income	217,420	-
Key executives salaries	250,000	1,976,228

At December 31, 2013, the Company acquired US$9,298,000 relating to certificates of investment issued by the related company Standard Capital, they accrue interest at an annual rate of 2.5% with a maturity of one year.

The Company is part of a group of related companies which have significant transactions among them.

Accounts receivable and payable with related companies do not have a schedule repayment date, maturity date nor accrual of interest.

6. Deposits in banks

Deposits in banks are detailed below:

	2013	2012
Demand deposits - domestic	46,522,196	4,987,377
Time deposits - domestic	2,052,109	2,000,000
Demand deposits - foreign	35,269,040	6,695,151
Time deposits - foreign	-	1,021,700
	83,843,345	14,704,228
Less:		
Time deposits at original maturity greater than 90 days	2,052,109	2,000,000
Total	81,791,236	12,704,228

At December 31, 2013 time deposits earned an interest rate of 0.2% and 3%, with maturity on January 2014 and June 2014 (2012: 0.2% and 3%, with maturity on January 2013 and June 2013). Time deposits due in January 2014 were placed.

7. Premiums receivable

Premiums receivable are summarized as follows:

	2013	2012
Montgomery Moore Re, Ltd.	10,615,723	10,039,181
Nacional de Seguros	2,478,777	10,079,253
Total	13,094,500	20,118,434

In January and April 2014, the Company received from its related Montgomery Moore Re, Ltd. cash payments of US$733,242 and $ 2,742,015, respectively.

The Management considers that it is not necessary a provision for premiums receivable, because there is no objective evidence of impairment.

8. Securities available for sale

Securities available for sale, are summarized as follows:

	2013	2012
Listed securities (at fair value):		
Government bonds - foreign	232,430,879	160,884,876

The annual interest rate earned by securities available for sale ranged from 0.14 % with maturities between February and December 2014 (2012: 0.083% and maturities between January 2013 and November 2019).

The movement of securities available for sale is summarized below:

	2013	2012
Balance at beginning of year	160,884,876	150,517,227
Additions	242,653,991	161,539,792
Sales	(170,884,876)	(150,517,227)
Gain transferred to income	(5,691,177)	(3,952,331)
Changes in fair value	5,468,065	3,297,415
Balance at end of year	232,430,879	160,884,876

During 2013, the Company sold securities available for sale by US$170,884,876 (2012:US$150,517,227), during 2013 these sales generated a net profit of US$5,691,177 (2012: US$3,952,331).

9. Property, furniture, equipment and improvements

Property, furniture, equipment and improvements are summarized below:

2013	Improvements	Property	Furniture equipment	Computer equipment	Balance
Cost					
Balance at beginning of year	350,314	359,433	119,834	13,184	842,765
Additions	-	1,812,000	210,925	-	2,022,925
Balance at end of year	350,314	2,171,433	330,759	13,184	2,865,690
Accumulated depreciation and amortization					
Balance at beginning of year	22,965	23,563	62,314	7,301	116,143
Charged to expenses	11,677	11,981	24,012	3,983	51,653
Balance at end of year	34,642	35,544	86,326	11,284	167,796
Net balance	315,672	2,135,889	244,433	1,900	2,697,894
2012					
Cost	350,314	359,433	119,834	13,184	842,765
Accumulated depreciation & amortization	22,965	23,563	62,314	7,301	116,143
Net balance	327,349	335,870	57,520	5,883	726,622

During 2013, the Company entered into a purchase and sale contract for the acquisition of the new headquarters offices. The agreed sale price was US$1,800,000 for offices and US$ 12,000 for the warehousing. The Company has a loan with a bank for US$1,080,000 payable in 5 years and annual interest rate of 6.25%.

The short and long term obligation is as follows:

	2013	2012
Short-term obligations	145,560	-
Long-term obligation	934,440	-
	1,080,000	-

The Company maintains a trust contract security right on the property to guarantee the fulfillment of this bank obligation.

10. Other assets

The account of other assets is as follows:

	2013	2012
Land	917,896	917,896
Offices	3,271,882	2,835,104
Construction in progress	1,328,978	-
Software development	79,571	56,192
	5,598,327	3,809,193

At December 31, 2013, construction in progress of US$1,328,978 is for the premises and equipment not yet completed the new headquarters of the Company.

11. Technical premiums reserve

Premiums reserve are accrued on a basis of 35% on the net premium subscribed or withheld, in the twelve months preceding the date of the consolidated statement of financial position in all coverage except the transport of goods and collective life. Adjustments to the reserve are recorded in the consolidated statement of profit or loss, at each reporting date of the consolidated financial statements.

The technical reserves for premiums are based on an actuarial valuation dated March 18, 2014, that concluded that the total reserve for the Company is US$25,709,450 (2012: US$21,194,229).

The movement of the technical premiums reserve is presented below:

	2013	2012
Balance at beginning of year	21,194,229	19,524,210
Increase	4,515,221	1,670,019
Balance at end of year	25,709,450	21,194,229

12. Claims reserve

The claims reserve are based on an actuarial valuation, that concluded that the total reserves is US$68,243,258 (2012: US$54,482,262) based on the contingency rate assumed by the Company. As established by the Panamanian Law on Insurance and Reinsurance, the 35% of the net premium assumed was determined as technical premium reserve. The remaining of US$42,533,808 (2012:US$33,288,033), was accrued as claim reserve for possible contingencies.

The movement of the reserve is summarized below:

	2013	2012
Balance at beginning of year	33,288,033	26,910,499
Increase	9,245,775	6,377,534
Balance at end of year	42,533,808	33,288,033

13. Common shares

On Shareholders meeting dated November 12, 2013 a change in the pattern of the shares of par value of US$1,000 to 100,000 shares with no par value. At December 31, 2013 the capital of the Company is US$185,925,044 to US$185,925 per share (2012: 185.925 to US$1,000 par value).

14. Income tax

Due of the nature of its transactions, the Company is income tax exempted, as they are perfected, consumed and take effects outside the territory of the Republic of Panama.

15. Approval of financial statements

The consolidated financial statements for the year ended December 31, 2013 were approved and the issuance was authorized by the Board of Directors on April 25, 2014.

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