innovation
in everything we do

2014 ANNUAL REPORT

Barents Re Reinsurance Company


BARENTS RE

contents

innovation
in everything we do

Typically, the reinsurance industry defines innovation narrowly in terms of insurance product design and pricing. That's just the beginning for Barents Re.

For us innovation is part of our DNA. It is imbedded in our processes and fundamental to our business model. It is the way we go to market. It is part of our client experience. It is the way we are organized so we can deliver reinsurance solutions at competitive prices.

barents re at a glance

WHAT WE DO

Our vision is for Barents Re 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 manage credit and the risk of fraud.

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
- Innovative tailored-made products

overview

Barents Re is a leading independent reinsurance group. We provide a wide range of niche and specialty reinsurance products to property and casualty insurers.

Barents Re has a well established presence in Latin America, Europe and the Middle East North Africa (MENA) region and operates from a network of offices in Panama, Miami, Paris, Beirut, Madrid, Rome, London and Moscow. This translates into more than 530 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 56 countries.

In 2015, subject to regulatory approval, Barents Re intends to establish a subsidiary in Luxembourg and a London branch to support its international development. Additionally, it plans to commence underwriting Financial Institutions, Commercial D&O and General Aviation business.

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 Bonds, Accident, Property / Engineering and Energy. 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 in 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.

timeline

1996

Barents Re
starts operating.

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).

Latin America and European expansion begins.

2011

New offices in Paris and Beirut.

High excess property line of business implementation.

2012

Continue expansion throughout Latin America, Europe and MENA.

Rome office starts operations focused on Bonds.

A.M. Best upgrades Outlook to Positive: A- (Excellent) rating.

2013

New offices open in Madrid and London (at Lloyds building).

New specialized Energy line of business.

Best reinsurance company of Central America award given by Reactions Magazine.

USD 100 million capital infusion to support international expansion.

2014

Moscow office begins operations as a regional hub for Eastern Europe.

Reinsurer of the year award given by The European Magazine.

World Finance 100 award.


28.12%
GROWTH
since 2013

GROWTH IN SHAREHOLDERS' EQUITY

2014	USD 349,571,474
2013	USD 272,854,058
2012	USD 142,036,828
2011	USD 118,543,409

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** Represented by Barents Re Risk Management, Inc.

* Representative Office

a global diversified network

presence in 4 continents and 55+ countries

awards


EUROPEAN
LATAM
Awards 2014
BARENTS RE
Reinsurance Company of the Year
Barents R
WORLD
FINANCE
100
MMXIV
Reactions
LATIN
AMERICA
AWARDS
2013
Central America
Reinsurer
Barents Re

July 2015

TOP 10 CEO

Gerardo Garcia, Barents Re

Growth has been strong and steady for Barents Re, Steered by Mr. Gerardo Garcia, who has over 18 years of experience in the insurance and reinsurance market.

July 2015

WORLD FINANCE 100 AWARD

Barents Re has received the 2014 World Finance 100 award which is given to those companies who have reached the pinnacle of achievement and lead the way in driving their industries forward. Barents Re is one of the 100 companies listed out due to the excellence in their field.

October 2014

A.M. BEST FINANCIAL STRENGTH RATING A- Excellent

A.M. Best Confirmed our financial strength rating at A- (Excellent) Outlook: Positive on October 22, 2014.

May 2014

POWER 50 - LATAM INSURANCE REVIEW'S 2014

LatAm Insurance Review's 2014 Power 50 list aims to compile a snapshot of the leading executives in the region's insurance industry. From underwriters to lawyers, our readers have picked the industry forerunners and rising stars across the whole risk transfer chain, drawing attention to innovation, passion and service excellence.

April 2014

REINSURER OF THE YEAR

LATAM 2015

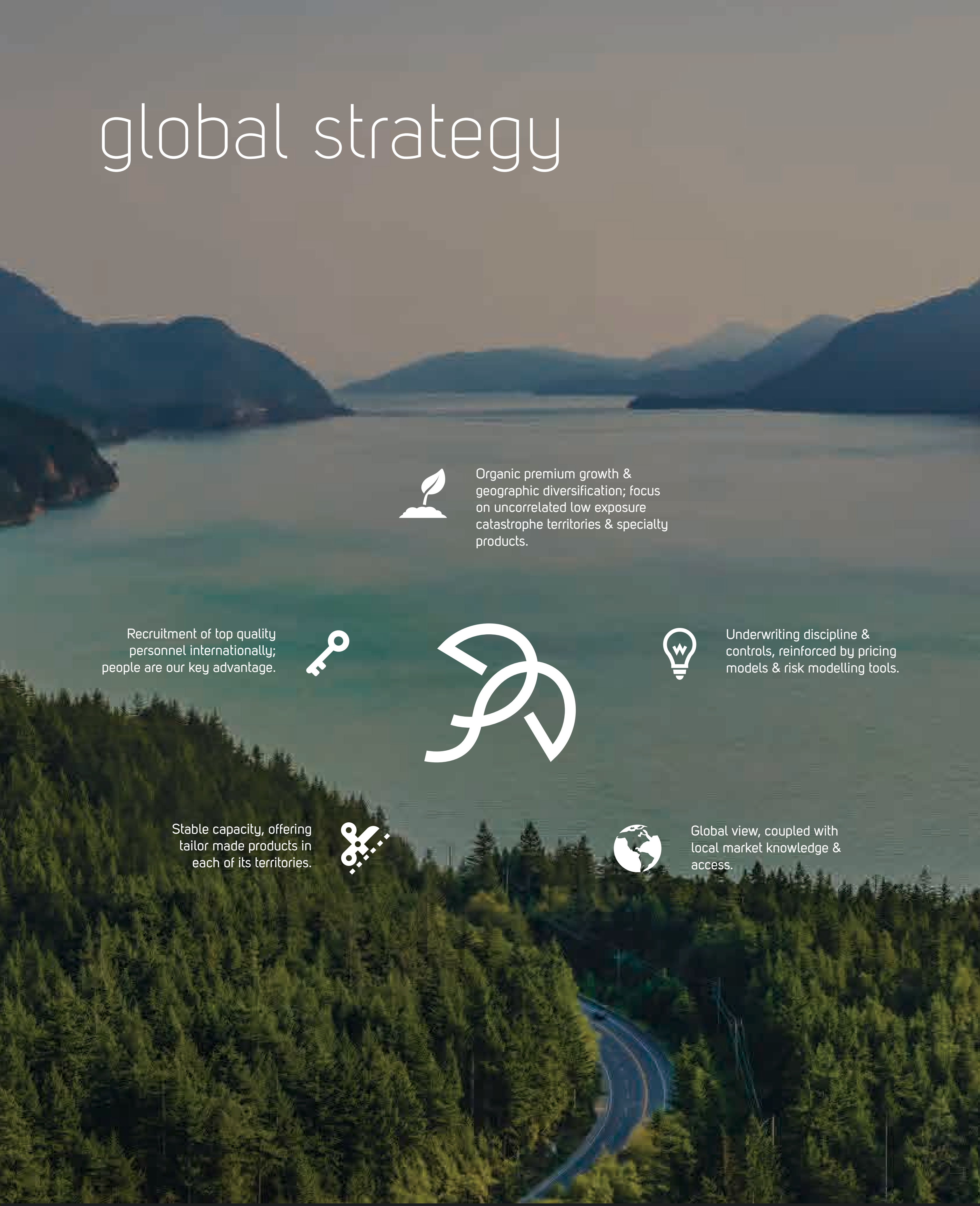
The European Magazine, London U.K.

May 2013

BEST REINSURANCE COMPANY

of Central America

Reactions Latin America Awards
Barents Re received the award for Best Reinsurance Company of Central America, demonstrating their leadership and strong performance in the region.



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.

key business strengths

47%	Combined ratio	**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.
1.9%	Average turnover of senior underwriters (2009-2014)	**UNDERWRITING PERFORMANCE:** Barents Re's underwriting culture is based on market expertise and on specific territorial base. Know-how, across highly specialize underwriter and customer base.
34	Senior managers' average years of industry experience	**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.
18	Major classes of business written	**A HIGHLY SPECIALIZED PORTFOLIO:** Barents Re's portfolio seeks to balance frequency and security. Our approach is to reduce our exposure and portfolio size. Barents Re is an specific specialty reinsurer focused on low security and below average loss ratio businesses.
93%	Business renewal ratio	Strong company supported by first class service.

Strong balance sheet with significant scope for growth

Premium to Surplus Ratio: 0.23
Total Assets: USD 432 MM
Shareholders' Equity: USD 350 MM

underwriting review

In 2014, Barents Re continued to achieve strong premium growth and healthy underwriting results, adding further to the strength of its balance sheet. As always, we kept a tight control on operating expenses. The overall impact was evidenced by net profits of USD 34,000,000 and an increase in the Company's capital to almost USD 350,000,000.

The successful execution of our expansion strategy with its focus on specialty lines of business, coupled with rigorous risk selection, and geographic diversification was key to our success. The Barents Re brand is now well known and respected in our target segments. Our entrepreneurial culture, combined with an experienced management team, allows us to identify and respond to opportunities and attract top quality personnel.

During 2014, we devoted considerable resources to enhancing our Enterprise Risk Management capabilities and developing a robust Economic Capital Model.

Much of Barents Re's activity is focused on emerging markets, which continues to experience strong non life insurance premium growth fueled by economic fundamentals and compulsory insurance. While insurance penetration remains low in most emerging markets, it is on the rise and we expect to develop from that growth.

43.5 %

Net Profit Margin

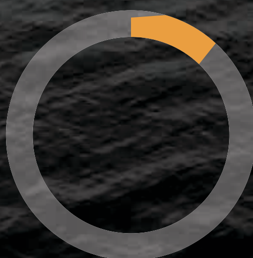
USD 220,066,816 Gross Written Premium

SUMMARY 2014

Barents Re produced a positive underwriting result.

9.9 %

ROE



USD $349,571,474 Shareholders' Equity

message from the president

message from the president

2014 was another successful year for Barents Re, as we completed the fifth 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. There was modest economic growth in Europe. Elsewhere, we saw continued economic and sometimes, political uncertainty.

Selective premium growth, strong underwriting results, low operating expenses and capital gains enabled us to generate in 2014, a net profit of USD 34.6 million, up from USD 30.9 million in 2013, thereby strengthening further our financial security. Additionally, in June, Barents Re obtained an additional USD 40 million capital infusion from a fund managed by BiscayneAmericas Advisers, to support its international expansion, especially in Europe.

During 2014, we made progress in a number of areas that we have identified as critical to our future success. This included taking steps to enhance our Enterprise Risk Management framework and our Compliance standards to international levels. Further progress was made in increasing our geographic footprint by the opening of a representative office in Moscow.

Our international operations, spearheaded by our Underwriting hubs in Europe and MENA continue to develop satisfactorily. Furthering our Hub expansion we are currently in the process of opening offices in Luxemburg and Milan, increasing our overall participation in the Euro Zone. In LATAM we made further progress in deleveraging our balance sheet on the risk side. This is now at its lowest point in Barents Re's history. Our international activity is making a meaningful contribution to Barents Re premium base and geographic mix of business. Barents Re is close to achieving its goal of becoming a leading international specialty and niche reinsurer.

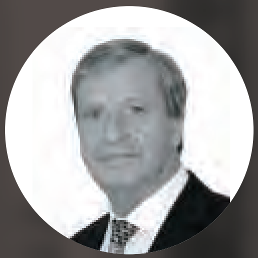
Our strategy is driven by five tenets. First, we look for classes of business in which our analytical approach and market knowledge can produce superior risk adjusted returns. Second, we wish to expand our international footprint through the acquisition of a European entity. Third, we aim to offer vertically 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.

In closing, I would like to thank my colleagues at Barents Re for all their efforts in 2014 and our business partners for their support.

Gerardo Garcia.

Gerardo Garcia - President

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.

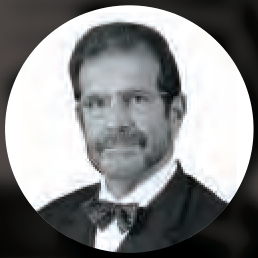


Klaus Bultmann - Chairman

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

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.

board of directors

Roberto Alfaro - Director

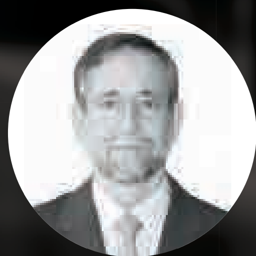
Roberto Alfaro's career encompasses finance, politics and diplomacy. Previously, he was President of Union Group and Compañia de Seguros.
Mr. Alfaro has also served as Panama's Minister of Commerce and Ambassador to the United Nations, Italy and the Vatican. Currently, he is associated with Interglobal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

Ricardo Cazorla - Treasurer

Ricardo Cazorla is a banker. Previously, he was Vice President at the Chase Manhattan Bank NA in Panama.



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.

energy report

Chris Charlton
Global Head of Energy - London/Paris

2014 represented the first full underwriting year for the Energy account and we are pleased to say that development was almost exactly in line with our expectations. It was additionally a very benign year in respect to loss activity and consequently a pleasing result should be realized for shareholders.

The negative consequence of this lack of loss activity, coupled with a large surplus of capital in the global markets, has seen a surfeit of new capital enter the class. The natural consequence of this is pressure on pricing, which although featuring throughout the year, accelerated significantly in the fourth quarter. We expect this to continue in 2015 and anticipate no respite until industry combined ratios climb to over 100%; something that will invariably happen in the same way as a boulder invariably rolls down a hill. Given these circumstances we closely watch pricing adequacy on any risk written as assessed by our underwriting tools and deploy capital accordingly.

We increased our capacity mid-year 2014, taking the opportunity to grow our presence whilst sharing the risk. Consequently we have realized the anticipated benefit in the growth of the account. We do not plan any further increases in capacity for 2015, but stay alive to opportunities.

Our focus continues to be on business from developing markets and our geographical risk distribution bears this out – less than 5% of our business comes from USA and Europe. We are focused on extending our penetration into these markets in 2015. We also are sticking closely to our areas of expertise. Tempting as it is to broaden the scope of what we do, and we have many offers, we do not see our role as being to provide dumb capacity on under priced business. We are happy to leave that to others.

Internally, we added to our team in 2014 and expect to continue this in 2015. These resources are necessary in what is a very technical business line. However, we still run possibly the lowest expense ratio in the market and intend that to continue.

In a challenging market we remain focused on profitability and delivering a satisfactory return to our shareholder.

casualty & specialty lines report

Mark Davies
Global Head Of Casualty - London/Paris

2014 was our most successful year so far closing at USD 22.7m of written premium, which was diversified across Liability, Motor Liability, Bancassurance, Extended Warranty Group Personal Accident, Agriculture and Mass Health product lines.

New capacity, particularly within Lloyd's, has done little to stifle the declining rates within the liability market. Frustratingly this has meant that we have not been able to grow this element of the portfolio in the way we had anticipated. Having reported at this stage last year that we were seeing small signs of upward rate movement we are now back to flat renewals and the monotony of declining rates. We will continue to be mindful when deploying our capacity whilst we sit tight and wait for an overdue change in the market.

The stagnation in our liability portfolio has allowed us to focus attention on our programme business such as Bancassurance, Mass Health, Group Personal Accident, Extended Warranty and Agriculture where we have achieved measurable success. Continued travel to Eastern European and African countries as well as India has, in part, assisted with this progression.

We will continue throughout Europe, MENA and Asia to focus our underwriting strategy on specialty lines of business and niche sub classes which are non-correlating and where members of our underwriting team are seen as leading experts.

We expect that opportunities in 2015 will allow for the continued development of our portfolio of classes and may bring some stability within the liability arena.

treaty report

Joseph Kotran
Treaty Underwriting - MENA

The Middle East North African (MENA) region is witnessing the most competitive re/insurance operating environment ever. This is due in part to the lack of major catastrophic disasters. Other reasons include the introduction of obligatory insurance for Motor and other lines giving rise to increased insurance awareness, and the growth potential of the MENA region, due to favorable economic factors and demographics. In sum, there has been a continuous influx of local and foreign capital into the region, leading to the present surfeit of re/insurance capacity.

Within the MENA region, disciplined underwriting is essential in order to develop a healthy and profitable portfolio of Treaty business.

When providing Treaty capacity, whether proportional or non-proportional, we only support the most reputable, leading companies in each market, whose reinsurance programs are correctly structured. This we do as a following market offering meaningful support lines behind internationally recognized leaders
After three years of operations we have been able to secure business relationships with almost all of our target companies. Going forward, our goal is to develop these business relationships on a mutually beneficial basis.

property report

Keith Goymer
Property and Technical Lines - LATAM

During 2014 our Property book continued to develop satisfactorily and according to our long term plan. Results were highly satisfactory hand underline the business model, which we believe will allow us to trade successfully in all market conditions.

We have positioned ourselves in the niche Property excess of loss segment. Our book is now almost entirely non-proportional. We continue to practice very careful risk selection; searching for those accounts which present low hazard occupancies with top quality risk management practices and measureable catastrophe exposures.

Geographically we continued to expand our underwriting reach into markets where our presence has been traditionally low. We strive to expand and spread to achieve a better-balanced portfolio.

We are expanding our portfolio into CAR / EAR lines of business. We underwrite these segments very conservatively; concentrating on the medium sized contract works with no unduly excessive contract periods and extended testing periods. We in avoid wet risks and risks in our catastrophe critical zones.

We have an established business model backed by careful risk monitoring, attention to detail, robust pricing mechanisms and catastrophe aggregate recording that allows us to manage our book of business for maximum return on capital employed over the long term.

bonds report

Hikaru Uno
Bonds & Specialty Lines - LATAM

Our Bonds Portfolio has been growing steadily on 2014. We planned ahead by concentrating our efforts into new business opportunities on the LATAM market due to the high government investments on infrastructure projects. International clients have also given us a competitive advantage over other players, especially with our office in Spain and Italy, with contractors coming to LATAM.

We have also strengthened our geographic spread by establishing direct insurance companies on key markets like Panama and Colombia. This has leaded us to have more reach on the business.

Market has grown considerably with new players and new capacities. We have kept our conservative underwriting in order to avoid falling into the market tendencies and will continue to strive our strong relationship with clients that have been the result of our continued success.

We foresee a region with continuous projects ahead and will concentrate our efforts on markets we believe will be the key differentiators. Our regional offices in Spain and Italy will compliment this growth.

bonds report

Luis Fernández
Bonds Underwriter - Europe

Presently, Barents Re Surety Bond activity in Europe is orientated in two directions.

Firstly, proving to Spanish contractors that as a well recognized Surety Bond reinsurer in Latin America, with an established underwriting team in Panama, Barents Re should be their partner of choice when tendering for projects in the region, as we can provide end to end solutions for their Surety Bond requirements, including access to Barents Re affiliated insurance companies in Panama, Columbia and shortly Mexico, where many large international projects are currently taking place.

Secondly, that Barents Re is a service orientated Surety Bond reinsurer, with a profound knowledge of European business conditions, laws and regulations, operating from hubs in Madrid and Rome. We provide bespoke reinsurance solutions, supported by large underwriting capacity.

We look forward to the future with confidence.

a&h / affinity report

Francisco Morales
A&H / Affinity Regional Manager - LATAM

During 2014 Barents developed important affinity A&H and other Personal Lines programs throughout the region. Bringing in additional annualized premium of around USD 1.2 m with two digit growth projections for the next 3-5 years. Traditional A&H business is not very common in the reinsurance market as it is mostly retained by the local carriers, however Barents was able to establish an important presence in the market in the A&H Special Risks Segments and Affinity Programs. Our reinsurance presence is growing in these two areas mainly due to the lack of expertise by the local insurance carriers and the new aggregate exposures many countries are facing like acts of terrorism, increased natural disasters and other health-related new risks. Barents Re has taken the lead amongst Global Reinsurers in providing capacity and know-how in these two areas.

One of the more robust programs developed during 2014 was with Group BI, a leading Financial Institution in Central America, where Barents helped developed from the ground-up a Cancer and Critical Illnesses program targeted to more than 2 million credit card holders of the Bank. Among other affinity programs developed throughout the Region were Universities, Sport Clubs and Retail Stores.

Teaming up with local insurance companies was key during 2014 as these local carriers have come to play an important role in the Affinity market in the past 5 years by filling up voids with medium-size financial institutions and other Groups that have been unattended in the past. Barents Re offers turnkey solutions to these sponsors (affinity group owners) that include customized product design, training pre and post implementation and technology platforms for in-house management of these programs.

We continued our steady pace during 2014 and 2015 to reach levels of New Total Annualized Premium in the range of USD 2 million. This has been possible by the strategic targeting of new affinity and special segments.

financial institutions report

Neil Sonnet
Head of Financial Institutions - London/Paris

Barents Re commenced underwriting Financial Institutions and Commercial Directors & Officers business on May 1st 2015, further expanding and complementing the existing lines of business already written by the company.

Although very new, we have been able to use Barents already established market presence to quickly build relationships in key territories such as MENA, Asia, and LATAM and have already had some success in attracting good quality business. The ability to leverage Barents local market knowledge will continue to be a major factor in our future success, having said that, all underwriting will remain centralized as a centre of excellence in order maintain control over spread of risk and avoid over exposure to any one geographical and/or type of account exposure.

The financial institutions and commercial directors and officers landscape is very competitive in the current market and we do not anticipate this changing in the near to medium future. In order to successfully navigate our way through this very challenging period we will continue to focus on our underwriting strategy which is one of conservative and disciplined underwriting and we will not write business simply for the sake of doing so.

general aviation report

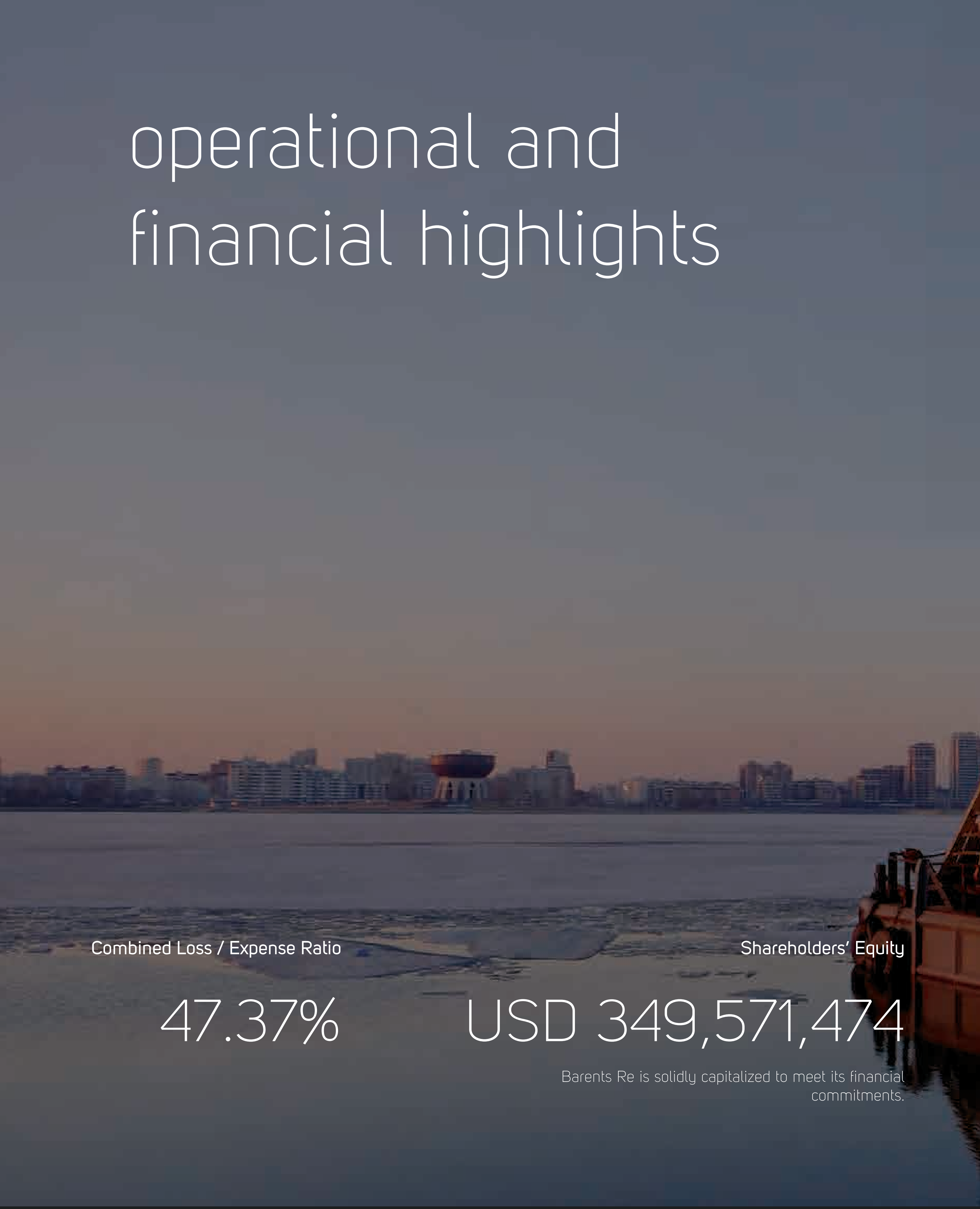
Simon Smith
Manager of Aviation Accounts - London/Paris

Barents Re commenced underwriting General Aviation on the 1st May 2015 in order to gain a market presence in this specialist class of business.
Although this new venture is still in its infancy, the response from brokers who currently have General Aviation portfolios has been positive and supportive. Barents Re have already established trading relationships with 50% of the brokers that we have presented our General Aviation capabilities to, with others confirming their support within the coming months. Barents Re have already underwritten a number of good quality accounts including Insured's who operate large General Aviation fleets with exceptionally low loss rations.

In order to develop and expand our growth in this line of business, Barents Re will continue to build trading relationships with the broking community and via our regional office network were we already have a established market presence.

All sectors of the Aviation re/insurance market including General Aviation is currently competitive with no immediate sign of the market hardening. In order to archive a profit to shareholders in these current market conditions, Barents Re will continue to monitor pricing and be risk selective when offering our capacity.

operational and financial highlights



Combined Loss / Expense Ratio

47.37%

Shareholders' Equity

USD 349,571,474

Barents Re is solidly capitalized to meet its financial commitments.

2014

Net Profit

USD 34,642,561

Barents Re delivered yet again,
positive underwriting results.

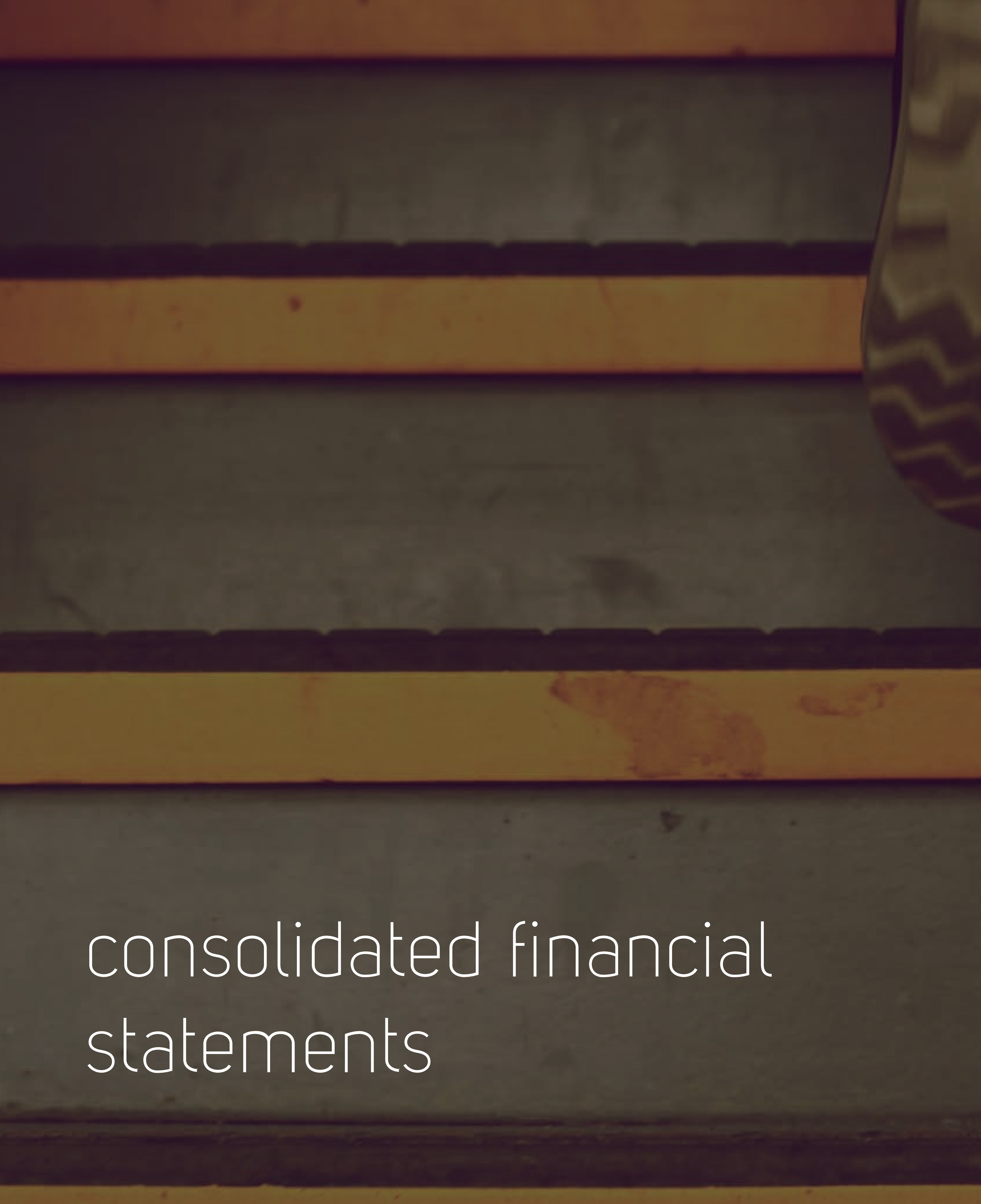
FINANCIAL HIGHLIGHTS	2014	2013	2012
Net Profit	34,642,561	31,040,342	22,148,335
Gross Premiums	220,066,816	213,165,563	202,873,969
Net Retained Premiums	79,732,032	73,455,571	60,554,961
Net Claims	33,794,374	28,034,517	28,332,036
Paid Commissions	3,845,414	3,369,383	2,783,234
General Admin. Expenses	3,971,438	4,305,298	3,384,014
Interest	2,729,293	1,782,959	861,185
Profit on Securities	5,194,944	5,691,177	3,952,331
Total Assets	431,712,909	348,729,538	201,833,164
Securities Available for Sale	340,740,005	232,430,879	160,884,876
Liquid Assets	399,718,633	329,960,977	196,122,994
Other Assets	31,994,276	18,768,561	5,710,170
Short Term Liabilities	1,464,467	1,184,876	106,117
Long Term Liabilities	80,676,968	74,690,602	59,690,219
Total Liabilities	82,141,435	75,875,478	59,796,336
Shareholders' Equity	349,571,474	272,854,058	142,036,828
Common Shares	288,772,429	185,925,044	85,925,044
Liquidity Ratio	272.94	278.48	1,848.18
EBIT	30,613,687	27,837,862	20,718,833

key financial ratios

	2014	2013	2012
Total Equity	81%	78%	70%
Net Profit Margin	43%	42%	37%
ROE	9.9%	11.4%	15.6%
ROI	2.33%	3.22%	2.99%
Shareholders Capitalization	19%	21%	30%
Net Loss Ratio	42.38%	38.17%	46.79%
Expense ratio	5.0%	5.9%	5.6%
Combined Loss / Expense Ratio	47.37%	44.03%	52.38%
Return on Revenues	18%	17%	13%
ROA	8.88%	11.28%	12.06%
EBIT MARGIN	38.40%	37.90%	34.21%

Source: 2014 Audited Financial Statements

All amounts expressed in U.S. dollars except as otherwise noted



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, 2014 and Independent Auditors' Report of May 8, 2015

Barents Re Reinsurance Company, Inc. and Subsidiary

Independent Auditors' Report and
2014 Consolidated Financial Statements

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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, 2014, 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 consolidated 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.

Deloitte.

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, 2014, 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.

Emphasis of Matter

We draw the attention to Note 10 which discloses that the Company has a temporary investment in a associate company recorded at cost. Our opinion is not modified with respect to this matter.

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

(Signed) Deloitte

May 8, 2015
Panama, Republic of Panama

Barents Re Reinsurance Company, Inc. and Subsidiary

Consolidated statement of financial position
December 31, 2014
(In United States of America dollars)

	Notes	2014	2013
Assets			
Due from banks	6	51,240,284	83,843,345
Premiums receivable	7	7,338,115	13,094,500
Securities available for sale	8	340,740,005	232,430,879
Investment in associate	5 , 10	6,625,533	-
Notes receivable - related parties	5	8,128,000	9,298,000
Accounts receivable - related parties	5	5,658,638	-
Accounts receivable - shareholder	5	29,027	90,091
Interests receivable		371,202	502,162
Other accounts receivable		2,193,634	1,174,340
Property, furniture, equipment and improvements, net	9	4,688,034	2,697,894
Other assets	11	4,700,437	5,598,327
Total assets		431,712,909	348,729,538
Liabilities and shareholder's equity			
Liabilities:			
Technical reserve for premiums	12	27,906,211	25,709,450
Claims reserve	13	51,456,307	42,533,808
Account playable - related parties	5	1,314,450	5,947,346
Accounts payable		455,279	128,798
Loan payable	9	992,866	1,080,000
Others payable		6,488	22,001
Accrued expenses		9,834	7,135
Other liabilities		-	500,000
Total liabilities		82,141,435	75,928,538
Shareholder's equity:			
Common shares	15	288,772,429	185,925,044
Changes in securities available for sale		36,946	9,033
Legal reserve		155,827	122,140
Retained earnings		60,606,272	86,744,783
Total shareholder's equity		349,571,474	272,801,000
Total liabilities and shareholder's equity		431,712,909	348,729,538

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, 2014
(In United States of America dollars)

	Notes	2014	2013
Net income from premiums:			
Suscribed premiums		220,066,816	213,165,563
Retroceded premiums		(140,334,784)	(139,709,992)
Total retained premiums, net		79,732,032	73,455,571
Increase in technical reserve on premiums	12	2,196,761	4,515,221
Increase in claims reserve	13	8,922,499	9,245,775
Net claims paid		33,794,374	28,034,517
Total accrued premiums		34,818,398	31,660,058
Other income (expenses)			
Interests income	5	2,729,293	1,782,959
Interests expenses		(78,266)	-
Commisions paid		(3,845,414)	(3,369,383)
Risk analysis cost		(359,297)	(452,813)
Profit on sale of securities available for sale	8	5,194,944	5,691,177
Other income		160,662	33,642
Total income, net		38,620,320	35,345,640
General and administrative expenses:			
Salaries and other employee benefits	5	1,091,504	992,894
Professional fees		1,308,247	2,144,727
Travel expenses		409,303	226,660
Rental expenses		-	6,489
Depreciation and amortization	9	189,351	51,653
Insurances		28,938	11,976
Taxes		89,629	90,229
Telecommunications		33,172	47,949
Electrical energy		66,448	6,300
Dues and subscriptions		9,123	20,893
Customer's attention		2,965	4,472
Maintenance and repairs		83,411	41,802
Bank charges		124,168	161,025
Legal and notarial expenses		32,963	57,502
Donations		41,668	20,000
Investment expenses		5,965	25,455
Others	14	454,583	395,272
Total general and administrative expenses		3,971,438	4,305,298
Profit before income tax		34,648,882	31,040,342
Income tax	16	6,321	53,058
Net profit		34,642,561	30,987,284

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, 2014
(In United States of America dollars)

	Note	2014	2013
Net profit		34,642,561	30,987,284
Other comprehensive income:			
Gain realized transferred to income		(5,194,944)	(5,691,177)
Net changes in securities available for sale	8	5,222,857	5,468,065
Total of other comprehensive income (loss)		27,913	(223,112)
Total net comprehensive income of the year		34,670,474	30,764,172

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
for the year ended December 31, 2014
(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, 2012		142,036,828	85,925,044	232,145	14,295,000	106,112	41,478,527
Comprehensive income comprised of:							
Net profit		30,987,284	-	-	-	-	30,987,284
Realized gain transferred to income		(5,691,177)	-	(5,691,177)	-	-	-
Net changes in fair value of 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		30,764,172	-	(223,112)	(14,295,000)	-	45,282,284
		172,801,000	85,925,044	9,033	-	106,112	86,760,811
Transactions attributable to shareholders:							
Capital contribution		100,000,000	100,000,000	-	-	-	-
Other equity transactions:							
Increase in legal reserve		-	-	-	-	16,028	(16,028)
Balance at December 31, 2013		272,801,000	185,925,044	9,033	-	122,140	86,744,783
Comprehensive income consists of:							
Net profit		34,642,561	-	-	-	-	34,642,561
Realized gain transferred to profit or loss		(5,194,944)	-	(5,194,944)	-	-	-
Net changes in fair value of securities available for sale		5,222,857	-	5,222,857	-	-	-
Total net comprehensive income of the year		34,670,474	-	27,913	-	-	34,642,561
Transactions attributable to shareholders:							
Capital contribution	15	42,100,000	42,100,000	-	-	-	-
Capitalization of profits	15	-	60,747,385	-	-	-	(60,747,385)
		42,100,000	102,847,385	-	-	-	(60,747,385)
Other equity transactions:							
Increase in legal reserve		-	-	-	-	33,687	(33,687)
Balance at December 31, 2014		349,571,474	288,772,429	36,946	-	155,827	60,606,272

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, 2014
(In United States of America dollars)

	Notes	2014	2013
Cash flows from operating activities:			
Net income		34,642,561	30,987,284
Adjustment by:			
Gain on sale of securities available for sale	8	(5,194,944)	(5,691,177)
Technical reserve on premiums	12	2,196,761	4,515,221
Claims reserve	13	8,922,499	9,245,775
Depreciation and amortization	9	189,351	51,653
Income interests		(2,729,293)	(1,782,959)
Interest expenses		78,266	-
Net changes in operating assets and liabilities:			
Decrease (increase) in deposits with maturities greater than 90 days		1,892,109	(52,109)
Decrease in premiums receivable		5,756,385	7,023,934
(Increase) decrease in other accounts receivable		(1,019,294)	15
Decrease in interests receivable		2,860,253	1,411,509
Decrease (increase) in other assets		766,566	(1,789,134)
Increase in other accounts payable		379,539	132,053
Decrease in other liabilities		(515,513)	-
Increase in accrued expenses payable		2,699	3,505
Net cash provided by operating activities		48,227,945	44,055,570
Cash flows from investing activities:			
Purchase of securities available for sale	8	(426,372,221)	(242,653,991)
Sale of securities available for sale	8	323,285,952	176,576,053
Acquisition of investment in associate	10	(6,625,533)	-
Accounts receivable and payable, shareholders		61,064	110,912
Purchase of furniture and office equipment	9	(2,179,491)	(2,022,925)
Net cash used in investing activities		(111,830,229)	(67,989,951)
Cash flows from financing activities:			
Loan payable		(87,134)	1,080,000
Notes receivable	5	1,170,000	(9,298,000)
Capital contribution	15	42,100,000	100,000,000
Accounts receivable and payable - related parties	5	(10,291,534)	1,239,389
Net cash provided by financing activities		32,891,332	93,021,389
(Decrease) increase in cash		(30,710,952)	69,087,008
Cash at beginning of the year	6	81,791,236	12,704,228
Cash at end of the year	6	51,080,284	81,791,236
Non-monetary transactions:			
Capitalization of profits	15	60,747,385	-

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. (Belize) 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. (Belize).

Barents Re Reinsurance Company, Inc. (Belize) 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 Reinsurance Company, Inc. (Belize) became the holder of all of the shares issued and outstanding of Barents Re Reinsurance Company Inc. (Barbados), society which was domiciled in 2010 to the Republic of Barbados and therefore, reincorporated under this jurisdiction. The main activity of the latter 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 significant accounting principles and practices applied in the recording of transactions and preparation of the accompanying consolidated financial statements are as follows:

2.1 Basis of preparation

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

2.2 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 the gained or incurred income or expenses of the year, the commissions earned on ceded reinsurance, the fees paid to brokers on premiums.

Technical reserve for premiums

According to legal requirements, the Company defers 35% of net premiums retained 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 reserve premiums are accrued the following year.

Contingency reserve

Reinsurance contracts are based on the expected cost of claims reported at the date of the consolidated statement of financial position and the estimated costs of claims incurred but not reported to the Company. It may take a significant period of time before it is established with certainty the ultimate cost of claims.

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

2.3 Principle of consolidation

The consolidated financial statements incorporate the financial statements of Barents Re Reinsurance Company, Inc. and subsidiaries controlled by the Company. Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee 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 in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Income and each component of other comprehensive income are attributed to the controlling and non-controlling interests. Comprehensive income is attributed to the controlling and non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

2.4 Balances and transactions in foreign currency

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 dollars (US$), the functional and presentation currency of the Company.

Balances and transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation at year end of assets and liabilities denominated in foreign currencies are recognized in profit or loss.

2.5 Financial assets

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

Premiums receivable

Premiums receivable are generally have terms of 30 to 45 days, are recognized at the amount of the respective insurance contracts, and are measured at cost. The book value of premiums receivable is reviewed for impairment when events and circumstances indicate that they are not be recoverable, with an impairment loss recognized in the profit or loss.

The Company recorded as accounts receivable uncollected premiums at maturity of the agreed form of payment. These premiums receivable are held for a period of 90 days, whether or not they have 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 holding them for a period of indefinite duration, which can be sold in response to the needs for liquidity or changes in interest rates or prices of equity instruments. After initial recognition, investments available for sale are measured at 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 the fair value of securities 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 quoted market price at the date of the consolidated 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 when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.6 Impairment of financial assets

Premiums receivable

Premiums 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 April 3, 2012 issued by the Republic of Panama, less the estimated provisions for uncollectible premiums.

Article 161 of Law No.12 states:

a) Any cancellation notice should be notified to the insured to the last physical, postal, or email address recorded in the policy file kept by the insurer. A copy of the 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) The written cancellation notice of the policy for late payment of the premium must be sent to the insured with an anticipation of fifteen working days. 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 the profit or loss, are removed from equity and recognized in the consolidated profit or loss. Impairment losses recognized in the consolidated statement of 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.

2.7 *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.

2.8 *Fair value measurement and valuation process*

The Company measures fair value using hierarchy levels that reflect the meaning of the input used to make the measurements. The Company has established a documented process and policy to determine the fair value in which the responsibilities and segregation of functions between the different responsible areas that intervene in this process are defined and approved by the Board of Directors.

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

- Level 1 inputs are quoted prices (unadjusted) 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 prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability

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

Some of the Company's 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 and inputs used).

	Fair value					
Financial asset	2014	2013	Fair value hierarchy	Valuation techniques(s) and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Securities available for sale	340,740,005	232,430,879	Level 1	Quoted prices in active market	N/A	N/A

Fair value of the Company's financial assets and liabilities that are not measured at fair value (but fair value disclosures are required)

Except as detailed in the table below, Management believes that the carrying values of the financial assets and financial liabilities recognized at amortized cost in the consolidated financial statements approximate their fair value.

	2014		2013	
	Carrying value	Fair Value	Carrying value	Fair Value
Assets				
Demand deposits	51,080,284	51,084,284	81,791,237	81,791,237
Time deposits	160,000	160,000	2,059,615	2,059,615
Premium receivable (excludes related company)	7,338,115	7,338,115	2,478,778	2,478,778
	58,578,399	58,582,399	86,329,630	86,329,630
Liabilities				
Loan payable	992,866	936,069	1,080,000	1,141,776

In the case of premiums and accounts receivable, due to their short-term nature they approximate their fair value.

	Total	Fair value hierarchy Level 1	Level 2	Level 3
2014				
Financial assets:				
Demand deposits	51,084,284	-	51,084,284	-
Time deposits	160,000	-	-	160,000
Premiums receivable	7,338,115	-	-	7,338,115
	58,582,399	-	51,084,284	7,498,115
Financial liabilities:				
Loan payable	936,069	-	936,069	-

	Total	Fair value hierarchy Level 1	Level 2	Level 3
2013				
Financial assets:				
Demand deposits	81,791,237	-	81,791,237	-
Time deposits	2,059,615	-	-	2,059,615
Premiums receivable	2,478,778	-	-	2,478,778
	86,329,630	-	81,791,237	4,538,393
Financial liabilities:				
Loan payable	1,141,776	-	1,141,776	-

The fair value of financial assets and financial liabilities included in Level 3 is the book value given their short-term nature.

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

2.9 Financial liabilities and equity instruments issued by the Company

Classification as debt or equity

Debt and equity instruments are classified as financial liabilities or as equity in accordance to 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 with changes in 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.

2.10 Premium income

Income is presented at fair value of the consideration received or receivable, taking into account the amount of any commercial discounts, bonuses or rebates granted by the entity.

Income from subscribed premiums and related production costs (commissions paid, ceded reinsurance, and commissions earned from reinsurance) are recognized when the reinsurance contracts come into force and the amount of the premiums is received.

2.11 Reinsurance contracts

In the normal course of business, the Company has signed reinsurance agreements with insurance and reinsurance companies.

Retrocession or reinsurance ceded is hired with the primary purpose of obtaining a recovery of direct losses that could be generated by events or disasters. However, reinsurance contracts do not relieve the Company from its contractual 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 reinsurance company 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 statement of 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 premiums.

2.12 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.

The depreciation and amortization are charged to current operations on a straight-line method, based on the estimated useful life of the assets:

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

Assets subject to amortization are reviewed for impairment as long as changes in the circumstances indicate that the carrying value is not recoverable. The carrying value of the assets is immediately reduced to the recoverable amount, which is the higher between fair value less cost and used value.

An item of property, furniture, equipment and improvement is written off its eventual disposal or when no future economic benefit 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 improvement are determined as the difference between the sales proceeds and the carrying amount of the asset, and is recognized in the consolidated statement of profit or loss.

2.13 Legal reserve

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

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

2.14 *Cash*

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

Regarding a portfolio of contracts where the theory of large numbers and probabilities for pricing and dispose provisions are applied, the main risk the Company faces 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

Is the risk of a financial loss for the entity, which occurs when a counterpart of a financial instrument fails to comply with 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 the 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 for its subsequent disclosure and 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:

Regarding the 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 portfolio of securities available for sale which are exposed to credit risk, and its corresponding assessment based on its rating:

	2014	**2013**
Investment grade	340,740,005	232,430,879

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 consolidated financial statements at December 31 is as follows:

	Premiums receivable (excludes related parties)		Securities available for sale	
	2014	**2013**	**2014**	**2013**
Concentration by sector:				
Corporate	7,338,115	2,478,778	49,745,902	-
Government	-	-	290,994,103	232,430,879
Carrying amount	7,338,115	2,478,778	340,740,005	232,430,879
Geographic concentration:				
South America and Caribbean	7,338,115	2,478,778	-	-
United States of America	-	-	340,740,005	232,430,879
Carrying amount	7,338,115	2,478,778	340,740,005	232,430,879

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 have problems to obtain the funds to meet timely its commitments or obligations.

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

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 determined financial assets and financial liabilities 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
2014					
Financial assets:					
Deposits in banks	51,080,284	-	160,000	-	51,240,284
Premiums receivable (excluded related)	-	-	7,338,115	-	7,338,115
Securities available for sale	-	-	340,740,005	-	340,740,005
Investments in associates	-	-	6,625,533	-	6,625,533
Total financial assets	51,080,284	-	354,863,653	-	405,943,937
Financial liabilities:					
Technical premiums reserve	27,906,211	-	-	-	27,906,211
Claim reserves	51,456,307	-	-	-	51,456,307
Loan payable	-	-	-	992,866	992,866
Total financial liabilities	79,362,518	-	-	992,866	80,355,384
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
Loan payable	-	-	-	1,080,000	1,080,000
Total financial liabilities	68,243,258	-	-	1,080,000	69,323,258

3.5 Market risk

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 or 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 regarding the maximum amount of loss that require the closing of positions that caused such losses; and the requirement that, unless approved by the Board of Directors, substantially all assets and liabilities are denominated in United States Dollars or in Balboas.

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

Interest rate risk of cash flow and fair value - The cash flow and interest rate risks of fair value 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 summarizes the Company´s exposure to interest rate risks. The Company´s financial assets and financial liabilities are included in the table at its carrying amount, categorized by the earlier between the new contractual rate fixing and the maturity dates.

	Up to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	No interest rate	Total
2014						
Financial assets:						
Deposits in banks	-	160,000	-	-	51,080,284	51,240,284
Premiums receivable (excluded related)	-	7,338,115	-	-	-	7,338,115
Securities available for sale	-	340,740,005	-	-	-	340,740,005
Investments in associates	-	6,625,533	-	-	-	6,625,533
Total financial assets	-	354,863,653	-	-	51,080,284	405,943,937
Financial liabilities:						
Technical premiums reserve	-	-	-	-	27,906,211	27,906,211
Claims reserve	-	-	-	-	51,456,307	51,456,307
Loan payable	-	-	992,866	-	-	992,866
Total financial liabilities	-	-	992,866	-	79,362,518	80,355,384
Net cash margin	-	354,863,653	(992,866)	-	(28,282,234)	325,588,553
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
Loan payable	-	-	1,080,000	-	-	1,080,000
Total financial liabilities	-	-	1,080,000	-	68,243,258	69,323,258
Net cash margin	-	236,961,766	(1,080,000)	-	13,547,978	249,429,744

3.6 Operational risk

Is the risk of potential losses, direct or indirect, 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	Total
2014			
Assets			
Deposits in bank	75,835	51,164,449	51,240,284
Premiums receivable	-	7,338,115	7,338,115
Securities available for sale	-	340,740,005	340,740,005
Investment in associate	-	6,625,533	6,625,533
Total financial assets	75,835	405,868,102	405,943,937
Liabilities			
Technical reserve for premiums	-	27,906,211	27,906,211
Claims reserve	-	51,456,307	51,456,307
Loan payable	-	992,866	992,866
Total financial liabilities	-	80,355,384	80,355,384

	EURO	USD	Total
2013			
Assets	197,046	83,646,299	83,843,345
Deposits in bank	-	2,478,778	2,478,778
Premiums receivable	-	232,430,879	232,430,879
Otros activos	197,046	318,555,956	318,753,002
Total financial assets			
Liabilities	-	25,709,450	25,709,450
Technical reserve for premiums	-	42,533,808	42,533,808
Otros pasivos	-	1,080,000	1,080,000
Total financial liabilities	-	69,323,258	69,323,258

4. Accounting estimates and critical judgments

The Company makes estimates and judgments that affect the reported amounts of the assets and liabilities within the following fiscal year. Estimates and judgments are continually evaluated based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. These estimates are subjective by nature, involve uncertainty and critical elements and therefore, cannot be determined with exactitude. The changes in the assumptions or criteria can significantly affect the estimations.

- 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.

- These estimates were made with the information available as at December 31, 2014 on annualized events and it is possible that future events may require modifying them (increase or decrease) in the coming years.

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:

	2014	2013
Balances with related parties		
Assets		
Notes receivable	8,128,000	9,298,000
Investment in associate	6,625,533	-
Accounts receivable - related companies	5,658,638	-
Accounts receivable - shareholders	29,027	90,091
Liabilities		
Accounts payable - related companies	1,314,450	5,947,346
Transactions with related parties		
Interests income	217,144	217,420
Key executives salaries	524,341	250,000

At December 31, 2014, the Company acquired US$8,128,000 (2013: US$9,298,000) relating to certificates of investment issued by the related company Standard Capital, which accrue interest at an annual rate of 2.5% (2013: 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 do they accrue interests.

6. Deposits in banks

Deposits in banks are detailed below:

	2014	2013
Demand deposits - domestic	12,262,222	46,522,196
Time deposits - domestic	-	2,052,109
Demand deposits - foreign	2,143,824	35,269,040
Time deposits - foreign	36,834,238	-
Total	51,240,284	83,843,345
Less:		
Time deposits at original maturity greater than 90 days	160,000	2,052,109
Cash and cash equivalents for consolidated cash flow purpose	51,080,284	81,791,236

At December 31, 2014, time deposits earned an interest rate of 0.47% and 1.25%, with maturity on March 2015 thru June 2015 (2013: 0.2% y 3%, with maturity on January 2014 and June 2014).

7. Premiums receivable

Premiums receivable are summarized as follows:

	2014	2013
Montgomery Moore Re, Ltd.	7,338,115	10,615,723
Nacional de Seguros de Panamá y Centroamerica, S.A.	-	2,478,777
Total	7,338,115	13,094,500

Aging of accounts receivable matured but not uncollectible

	2014	2013
Current	7,338,115	3,408,757
30-60 days	-	242,500
61-90 days	-	4,806,173
More than 90 days	-	4,637,070
Total	7,338,115	13,094,500

Management considers that it is not necessary to establish a provision for premiums receivable since there is no objective evidence of their impairment.

8. Securities available for sale

Securities available for sale are summarized as follows:

	2014	**2013**
Listed securities (at fair value):		
Government bonds - foreign	340,740,005	232,430,879

The annual interest rate earned by securities available for sale ranged from 0.15% to 4.67% with maturities between January and December 2015; (2013: 0.14% with maturities between February and December 2014).

The movement of securities available for sale is summarized below:

	2014	**2013**
Balance at beginning of year	232,430,879	160,884,876
Additions	426,372,221	242,653,991
Sales	(318,091,008)	(170,884,876)
Gain transferred to income	(5,194,944)	(5,691,177)
Changes in fair value	5,222,857	5,468,065
Balance at end of year	340,740,005	232,430,879

During 2014, the Company sold securities available for sale for a total of US$318,091,008 (2013: US$170,884,876); during 2014, these sales generated a net profit of US$5,194,944 (2013: US$5,691,177).

9. Property, furniture, equipment and improvements

Property, furniture, equipment and improvements are summarized below:

2014	Improvements	Property	Furniture equipment	Computer equipment	Balance
Cost					
Balance at beginning of year	350,314	2,171,433	330,759	13,184	2,865,690
Additions	1,573,716	29,000	404,982	171,793	2,179,491
Balance at end of year	1,924,030	2,200,433	735,741	184,977	5,045,181
Accumulated depreciation and amortization					
Balance at beginning of year	34,642	35,544	86,326	11,284	167,796
Charged to expenses	45,870	52,892	51,905	38,684	189,351
Balance at end of year	80,512	88,436	138,231	49,968	357,147
Net balance	1,843,518	2,111,997	597,510	135,009	4,688,034
2013					
Cost	350,314	2,171,433	330,759	13,184	2,865,690
Accumulated depreciation and amortization	34,642	35,544	86,326	11,284	167,796
Net balance	315,672	2,135,889	244,433	1,900	2,697,894

During 2013, the Company signed 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$992,866 payable in 5 years and annual interest rate of 6.25%.

The short and long term obligation is as follows:

	2014	2013
Short-term obligations	145,560	145,560
Long-term obligations	847,306	934,440
	992,866	1,080,000

The Company maintains a trust guarantee contract with the baking institution on the property to guarantee the fulfillment of this obligation.

10. Investments in associate

On December 31, 2014, the Company has investments in the following associate:

Name of associate	Activity	Country of incorporation	% of participation	2014	2013
Nacional de Seguros Colombia	Reinsurances	Colombia	77%	6,625,533	-

On February 28, 2014, the Company acquired 2,041,723,822 shares from Nacional de Seguros S.A. an organized and existing corporation under the laws of the Republic of Colombia, for the amount of US$6,625,533, representing 77% of the outstanding shares at that date.

Below is a summary of the net assets acquired:

	In thousands of Colombian pesos	USD
Cash and demand deposits in banks	2,216,683	1,085,405
Securities available for sale	11,503,746	5,632,841
Other assets	4,668,581	2,285,983
Other liabilities	816,173	399,641
Total net asset	17,572,837	8,604,588
Cost of acquisition and participation in the purchase of 77% of net assets	13,531,084	6,625,533
Less:		
Cash and deposits of acquired subsidiary	2,216,683	1,085,405
Cash paid on acquisition	11,314,401	5,540,128

At December 31, 2104, this investment is recorded at cost because it is considered a temporary investment.

According to the Minutes of the Shareholders Assembly dated December 19, 2014, the sale was approved of the totality of share capital in Nacional de Seguros S.A., a corporation organized and existing under the laws of the Republic of Colombia. At the date of the consolidated financial statements, we are in the process of obtaining sale authorization from the Financial Superintendency of Colombia.

11. Other assets

The account of other assets is as follows:

	2014	2013
Land	917,896	917,896
Warehouses	3,271,882	3,271,882
Construction on process	-	1,328,978
Software development	-	79,571
Prepaid expenses	10,836	-
Prepaid tax	54,703	-
Other assets	445,120	-
	4,700,437	5,598,327

At December 31, 2014, other assets of US$445,120 include advances for licensing processes for an insurance company in Mexico in the process of incorporation.

12. Technical reserve for premiums

Reserves for premiums 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 coverages 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 16, 2015, that concluded that the total reserve for the Company is US$27,906,211 (2013: US$25,709,450).

The movement of the technical premiums reserve is presented below:

	2014	2013
Balance at beginning of year	25,709,450	21,194,229
Increase	2,196,761	4,515,221
Balance at end of year	27,906,211	25,709,450

13. Claims reserve

The claims reserve are based on an actuarial valuation, concluding that the total reserves amount to US$79,362,518 (2013: US$68,243,258) based on the contingency rate assumed by the Company. As established by the Panamanian Law on Insurance and Reinsurance, 35% of the net premium withheld was determined as technical reserve on premiums. The remaining of US$51,456,307 (2013: US$42,533,808), was accrued as claim reserve for possible contingencies.

The movement of the reserve is summarized below:

	2014	2013
Balance at beginning of year	42,533,808	33,288,033
Increase	8,922,499	9,245,775
Balance at end of year	51,456,307	42,533,808

14. Other expenses

The other expenses account is summarized below:

	2014	2013
Promotion and advertising announcement	249,463	90,897
Transportation and couriers	22,188	9,481
Expenses abroad	113,966	132,303
Others	68,966	162,591
	454,583	395,272

15. Common shares

On Shareholders meeting dated November 12, 2013 a change in the par value of shares structures of par of shares of US$1,000 to 100,000 at no par value. At December 31, 2014 the capital of the Company is US$288,772,429 at US$2,887.72 each (2013: 185,925,044 at US$1,859.25 each value).

In Minutes of Special Meeting of Shareholders' Assembly, dated June 16 and September 30, 2014, the capital contribution was approved in the amount of US$42,100,000 by Standard Capital Shareholdings.

As Minutes of Extraordinary Meeting of Shareholders, dated 22 and December 30, 2014, the capitalization of retained earnings of US$60,747,385 was approved.

16. Income tax

Income tax returns of the companies incorporated in the Republic of Panama are subject to revision by the local tax authorities for the last three years, including the year ended December 31, 2014, according to current fiscal regulations.

According to current Panamanian tax Legislation, companies are exempt from payment of income tax on profits derived from foreign operations, interest earned on time deposits placed in local banks, interest earned on Panamanian Government securities and securities issued through the Superintendency of Securities Exchange of Panama.

The Subsidiaries Barents Re Reinsurance Company, Ltd. (Belize) and Barents Re Reinsurance Company, Inc. (Barbados) are not subject to pay income tax in their respective jurisdictions, due to the nature of its foreign operations. However, the income tax caused on operations that generate taxable income in other jurisdictions is classified within income tax expense.

By Law No.8 of March 15, 2010 the alternate calculation method of income tax called (CAIR) is eliminated and is replaced with the presumption of Income Tax, forcing all individuals who earn income in excess of one million five hundred thousand dollars (B/.1,500,000), to determine the taxable amount of such tax, the amount greater of: (a) the net taxable income calculated by the standard method established in the Tax Code and (b) net taxable income resulting from the application of four point sixty-seven percent (4.67%) to total taxable income.

For the year ended December 31, 2014, the companies, Barents Re Reinsurance Company, Inc. (Panama), generated income tax for US$6,321 (2013; US$53,058).

17. Approval of financial statements

The consolidated financial statements for the year ended December 31, 2014 were approved and issuance was authorized by the Board of Directors on May 8, 2015.

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