BARENTS RE

THE WORLD'S NICHE REINSURER

2018 ANNUAL REPORT

BARENTS RE REINSURANCE COMPANY, INC.

BARENTS RE

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BARENTS RE AT A GLANCE

Barents Re is a leading independent reinsurance group. Established in 1996, Barents Re has a well-established presence in Europe, Latin America, the Middle East and Asia. This translates into more than 600 reinsurance connections in 70 countries.

The company provides a wide range of niche and specialty reinsurance products to property and casualty insurers. Our vision is for Barents Re to become an integral part of the insurance value chain. The expertise of our specialty underwriting teams and their knowledge of our markets and products enables us to offer innovative solutions to our clients.

Barents Re does not participate in every type of business because underwriting discipline is fundamental to its success. On the commercial side, Barents Re is especially strong in Bonds, Energy, Financial Lines, Construction & Engineering, Property, Marine Cargo, Life and Accident & Health. Barents Re is also a growing presence in the Consumer arena with participation in a number of Affinity programs. The Barents Re portfolio is exemplified by low severity risk.

Barents Re seeks to create value for shareholders by generating an underwriting profit. To achieve this, the company allocates capital in line with risk exposure and potential underwriting returns.

This is crucial to maintaining its strong financial position and supporting its business expansion. Barents Re's investment strategy is focused on 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 it believes is critical to its ability to build and maintain long-term relationships and ensure its continued success.

TIMELINE

1996
Barents Re starts operating

2010
Rated by A.M. Best for Financial Strength 'A-' (Excellent) Stable Outlook

European and Latin America expansion begins

2011
New offices in Miami, Paris and Beirut

Property line of business introduced

2012
A.M. Best upgrades Outlook to Positive: 'A-' (Excellent) for Barents Re Reinsurance Company, Inc.

Continued expansion in Europe, Latin America and Middle East

2013
New offices open in London and Madrid

Energy line of business introduced

Best Reinsurance Company of Central America awarded by *Reactions*

2014
Moscow office begins operations as regional hub for Russia, FSU and Eastern Europe

Reinsurer of the Year awarded by *The European*

World Finance 100 Award

2015
A.M. Best upgrades Financial Strength rating to 'A' (Excellent) for Barents Re Reinsurance Company, Inc.

Granted licence to create Luxembourg based subsidiary company, Barents Reinsurance S.A.

Reinsurance Company of the Year, European Banking & Finance Awards

2016
A.M. Best affirms 'A' (Excellent) Financial Strength rating for Barents Re Reinsurance Company, Inc.

A.M. Best assigns 'A' (Excellent) Financial Strength rating to Barents Reinsurance S.A.

Outstanding Independent Reinsurance Group, Global Excellence Awards

2017
Marine Cargo line of business introduced

Reinsurance Company of the Year, Global Business Awards

A.M. Best affirms 'A' (Excellent) Financial Strength rating for Barents Re Reinsurance Company, Inc.

2018
Completion of redomestication to Cayman Islands

A.M. Best affirms 'A' (Excellent) Financial Strength rating for Barents Re Reinsurance Company, Inc. and Barents Reinsurance S.A.

Best Reinsurance Company, Global Banking & Finance Awards

Gerardo García
President & CEO

MESSAGE FROM THE PRESIDENT

I am happy to announce that Barents Re continued to deliver excellent financial results in 2018. We generated a net profit of USD 15.4 million which equates to a 16% net profit margin* In a similar vein, our total assets grew to USD 641.0 million (2017: USD 622.1 million) and Shareholder's Equity rose to USD 471.2 million (USD 2017: USD 463.3 million). Barents Re's performance was especially pleasing given the difficult trading conditions in 2018. Our strong balance sheet and capitalization enables Barents Re to offer superior financial security.

*Under IFRS

MESSAGE FROM THE PRESIDENT

Strategy, Challenges & Market Environment

From the well-established lines of Bonds, Energy and Property, to those more recently created such as Life, Marine and Financial Lines, we have a diversified portfolio designed to withstand the vagaries of the re/insurance cycles in the world's developed and growth markets. Our line of business pillars are underpinned by the discipline and resilience to walk away from opportunities which do not satisfy our stringent underwriting criteria. A further essential ingredient for our success is our ability to obtain superior quality retro cover through trusted business partners, many of whom we have been working with for over a decade. Enduring relationships which are testament to the high regard in which Barents is held in the re/insurance market.

As we look back on 2018 in our Line of Business Overviews, one such vagary with which we had to contend was that rates in certain lines and geographies did not increase across the market at the pace required to produce sustainable technical results. Barents dealt admirably with this challenge in delivering another strong set of profitable results, once again proving the value of our niche underwriting strategy. Looking ahead, we are always alive to opportunities to broaden our offering where we can build a niche-product strategy that is focused on profitability and not on market share. If such an opportunity presents itself then we will seek to capitalise by bringing on board highly experienced and well-renowned underwriters.

Cayman Islands

A major development for the company in 2018 was the redomestication to the Cayman Islands; a jurisdiction which offers a strong legislative framework, a positive long-term credit outlook and political stability. In considering our options for a new home for the company, we always maintained our focus on our core aim: our choice of new jurisdiction must have a positive reputation and credibility with our clients, business partners, regulators and rating agencies. The Cayman Islands ticked all the boxes. Clients and business believe that our move to the Cayman Islands, with its positive reputation as a financial services jurisdiction, will provide even greater reassurance for their own stakeholders.

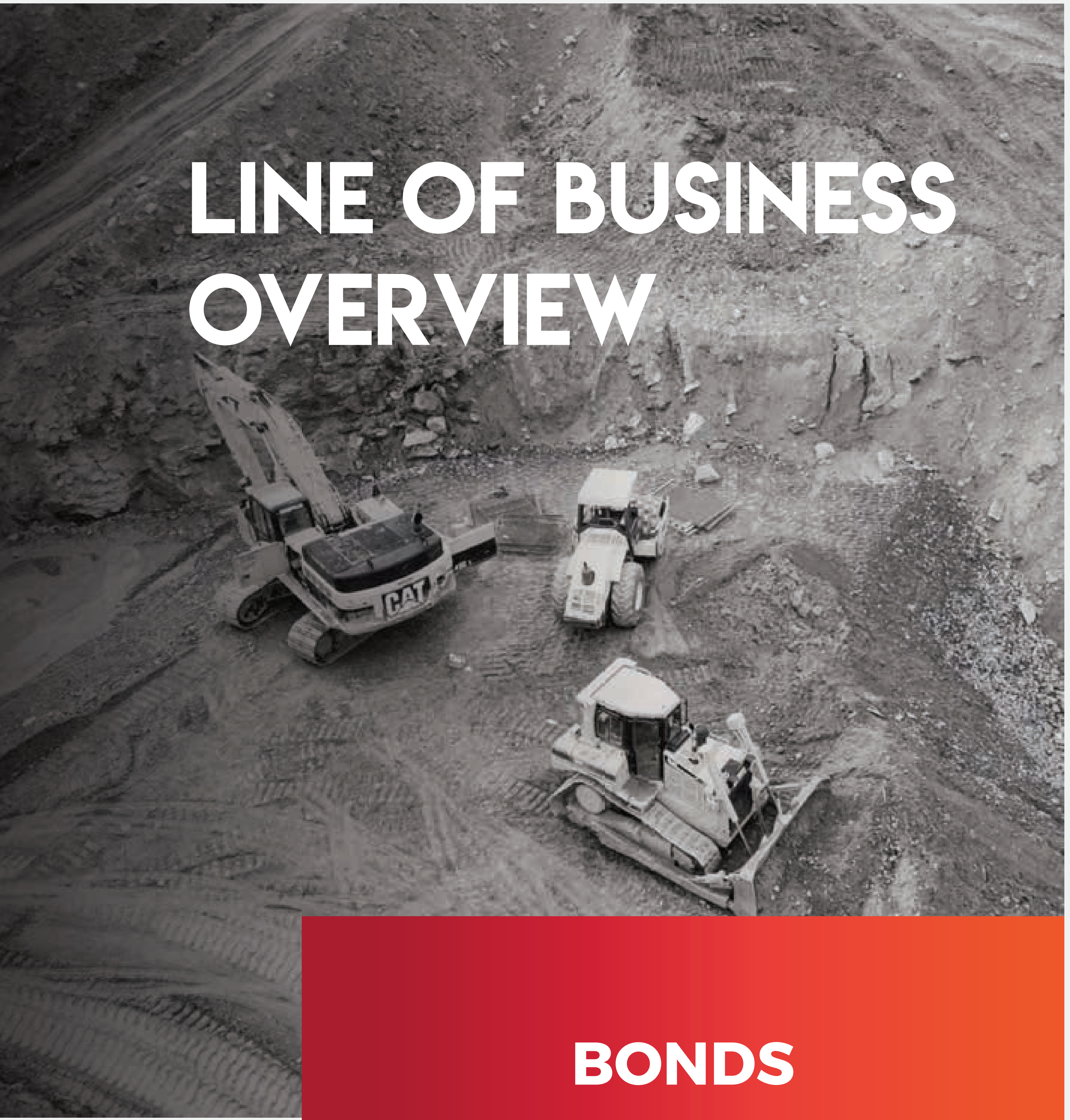
As I write, we are still awaiting clarity on the nature of the UK's future economic and trading relationships with the EU and the wider world. Whilst I believe that Brexit presents businesses with both challenges and opportunities, the uncertainty surrounding its outcome is a destabilising factor in companies' long-term planning. A distinct advantage of the Cayman Islands is that it is an autonomous British overseas territory which may prove to be very beneficial as part of our Brexit planning. The Cayman Islands operates a similar legal and financial framework to the United Kingdom, and indeed Europe, a region that continues to form an important part of our growth strategy.

Rated: A (Excellent)

Just six months after we completed the move to the Cayman Islands, we were delighted to receive affirmation in December 2018 from A.M. Best of our A (Excellent) Stable Outlook financial ratings for Barents Re Reinsurance Company, Inc. and Barents Reinsurance S.A. Looking to the future, the Cayman Islands' long-term outlook is seen as a positive benefit in favour of the A.M. Best ratings because the rating of a company is influenced by the jurisdiction where the company is established.

Aa a fitting conclusion to a summary of another successful year for Barents Re, I would like to take this opportunity to thank all our fantastic staff who deliver the superior service to which we aspire each and every day. We look forward to working with all our clients and business partners in the year ahead.

Gerardo García
Chairman & CEO



LINE OF BUSINESS OVERVIEW

BONDS

Historically strong in Latin America and with significant growth globally over the past decade, particularly in Europe and Asia, Barents Re remains one of the pre-eminent Bonds reinsurers worldwide.

In 2018, rates were stable across international Bonds markets whilst growth in Latin America was hindered by a number of general elections, which tend to create a hiatus in large infrastructure projects. Once new administrations settle into their tenure, the large project market is revitalised with new opportunities arising for specialist Bonds reinsurers such as ourselves. For our Latin American business, the many political changes will afford us the opportunity to develop our Bonds business in infrastructure and construction projects across the region.

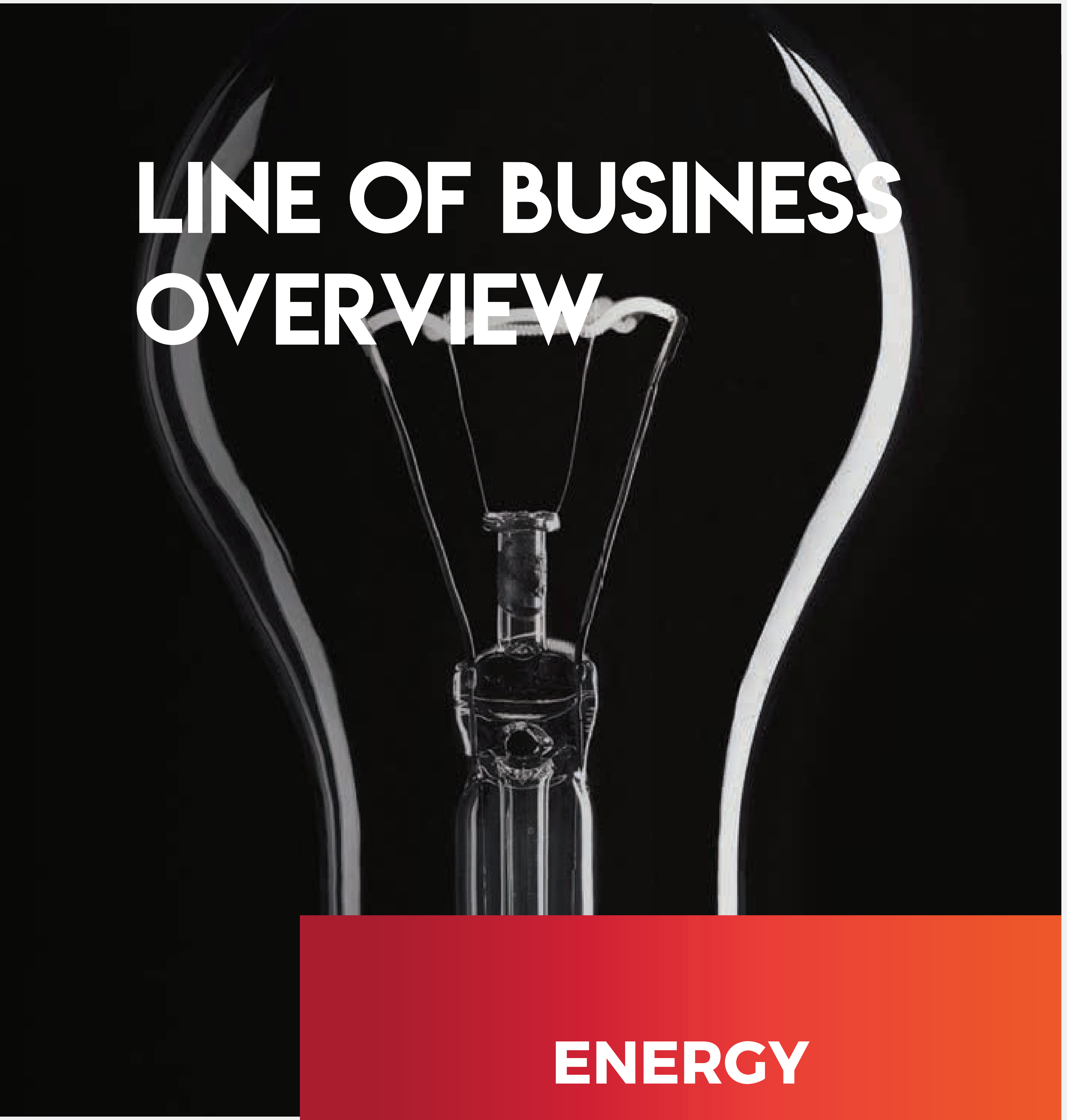
At this stage a year ago, we foresaw an increase in the number of reinsurers and banks collaborating on complex transactions which we believed would be a key driver of large-scale projects. This has proven to be the case. Alongside our prudent progress in Latin America, we were very active last year in building the Barents brand and forging new relationships to keep the pipeline of business flowing. New partnerships in countries such as Turkey and Spain exemplify this approach.

In Turkey, we spoke at the Surety Bonds Seminar in Istanbul on the new Turkish Public Procurement Law approving surety bonds in public tenders. The construction industry will be a significant driver of Turkey's economic development in the next ten years as billions are to be invested in new buildings as well as demolishing and rebuilding old properties in line with new construction regulations.

This event provided the ideal platform for Barents to speak about its construction Bonds expertise and build its credentials in the country and the wider region.

In Europe, we continued to seek out niche opportunities such as those presented at the Galician Shipping Association (ACLUNAGA) conference in Vigo. The purpose of the event was to demonstrate to shipbuilders, shipowners, banks and financial institutions the benefits of an insurance bond to release a shipyard's bank credit lines and ease the problems arising from the complexities of large shipbuilding transactions. By providing a complementary financial solution to work alongside traditional bank guarantees, our reinsurance capacity can diminish the financial risks associated with big shipbuilding projects.

The combination of successful business development initiatives and retaining our reputation as one of the leading Bonds underwriters puts us in an excellent position to capitalise on new opportunities in 2019 and beyond.



LINE OF BUSINESS OVERVIEW

ENERGY

Generally segmented into upstream and downstream, the Energy market witnessed a bifurcation of results and underwriting strategy between these two sectors in 2018. A few specialist companies, such as Barents Re, write a composite book which provides a rewarding balance over the long term. This balanced approach more than proved its worth in 2018 with a profitable year in the upstream book, but a poor year for the energy market as a whole in downstream with losses exceeding premiums.

The global Energy market is centred in London with regional hubs in Dubai, Houston and Singapore. In recent years, decisions and capital in downstream have been divested to these regional hubs, in part driven by the trend to consolidate downstream into the overall property book, whereas upstream has generally maintained a separate capital structure.

The significant market losses last year in the petrochemical sector in the Middle East and Europe and in the refining sector in North America have led to a shift in approach for downstream, manifested in a downscaling of capacity on offer and a drive for increasing rates. We have also seen a retraction of underwriting capacity in the regions, notably Dubai and Singapore, and more centralization of the underwriting authority to head offices, principally to London. Barents is very well positioned for this dynamic as we are centred in London, acting as a London market and responding to a diversified worldwide supply of premium from overseas broking hubs seeking alternative markets.

For upstream, the sustained oil price has led to a resurgence of activity, notably in drilling, which will need prudent underwriting as the commensurate exposures come to the fore. With a highly regarded reputation for disciplined underwriting, Barents is in a position to ensure that standards are met.

In geopolitical developments, the US sanctions imposed on Venezuela and Iran in particular affected the movement of substantial premiums. In addition, the USA has remained highly focused on liberating hydrocarbons whereas European oil and gas companies are diversifying into alternative energy, leading to a mix of exposures such as biofuels, wind, tidal and solar. So far, these exposures are incidental to an Energy company's overall asset register, but this trend is set to continue.

For the insurance sector generally, the trend for consolidation and scale is driving venture capital to seek new opportunities to capitalize on the desire for diversification of supply from both brokers and underwriters. Consequently, there is a trend to scale up selected smaller brokers to capture the fallout from the large underwriter and broker consolidations. Once again, Barents Re is well positioned to exploit these developments as we have established excellent working relationships with both the global players and the growing entities in the broker and insurer spaces.

LINE OF BUSINESS OVERVIEW

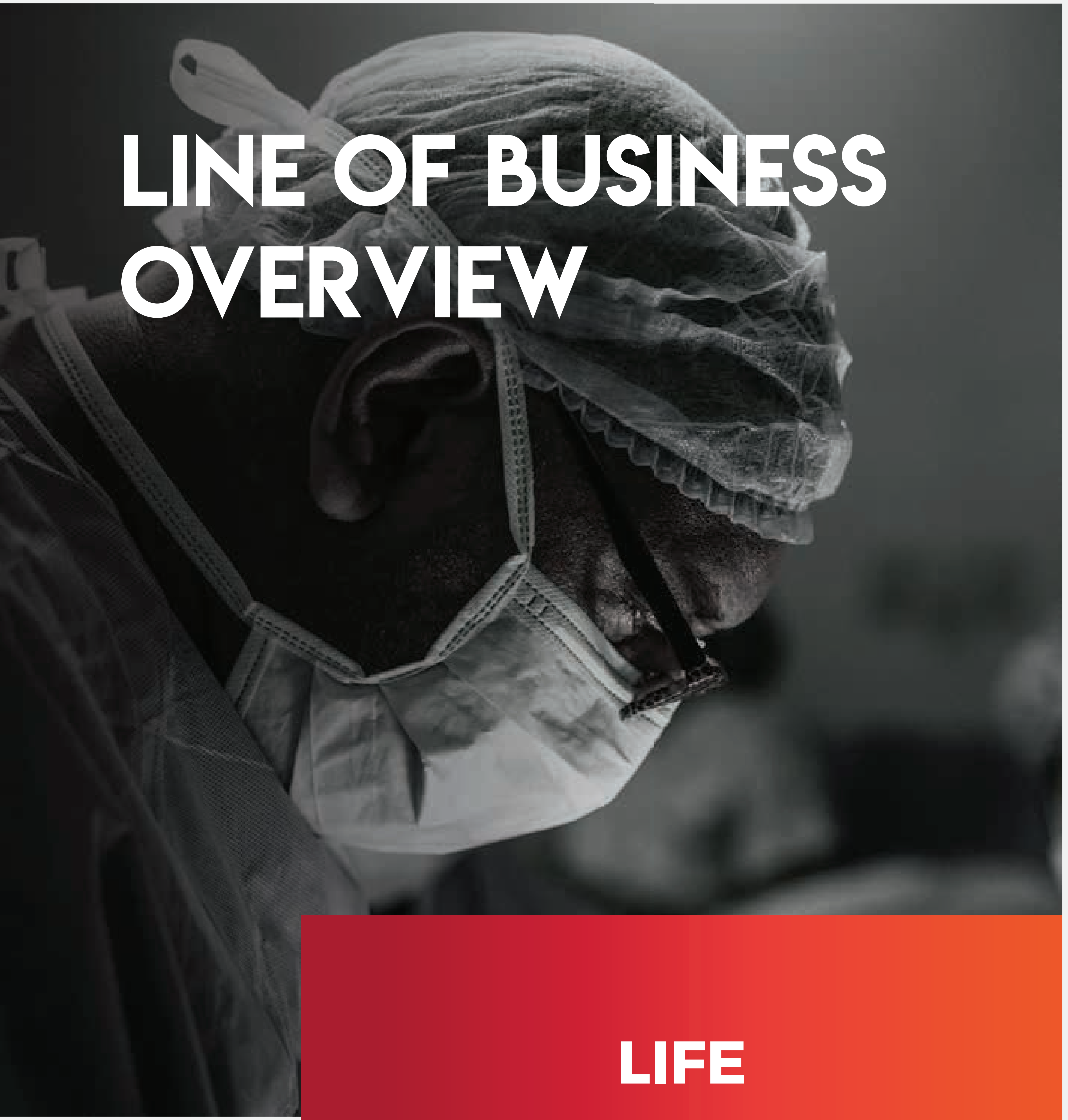
FINANCIAL LINES

2018 was a year of retrenchment in the Financial Lines market with carriers employing more caution in the deployment of capacity, streamlining their appetite and narrowing their sector and product line focus. As carriers pared back their cover and capacity, significant rate increases ensued, notably in those sectors and territories warranting a long-overdue price correction.

Notwithstanding the corrective action taken by carriers, including some Financial Lines carriers exiting specific classes or the sector entirely and the resultant reduction in localised capacity, the competitive environment remained healthy amongst all parties active in the re/insurance arena.

In the year ahead, we expect a sustained focus on underwriting discipline and diligent risk selection at the expense of the pursuit of out-and-out top line growth. Furthermore, we envisage rate increases to continue in 2019, driven by the available capacity permitted by a more judicious underwriting community.

The Barents Re Financial Lines team has built long-standing relationships with brokers and insureds who value our experience, local market knowledge and strong service culture. With our significant capacity and deep sector knowledge, we are ideally placed to take advantage of Financial Lines opportunities as they arise in our specialist areas in 2019.



LINE OF BUSINESS OVERVIEW

LIFE

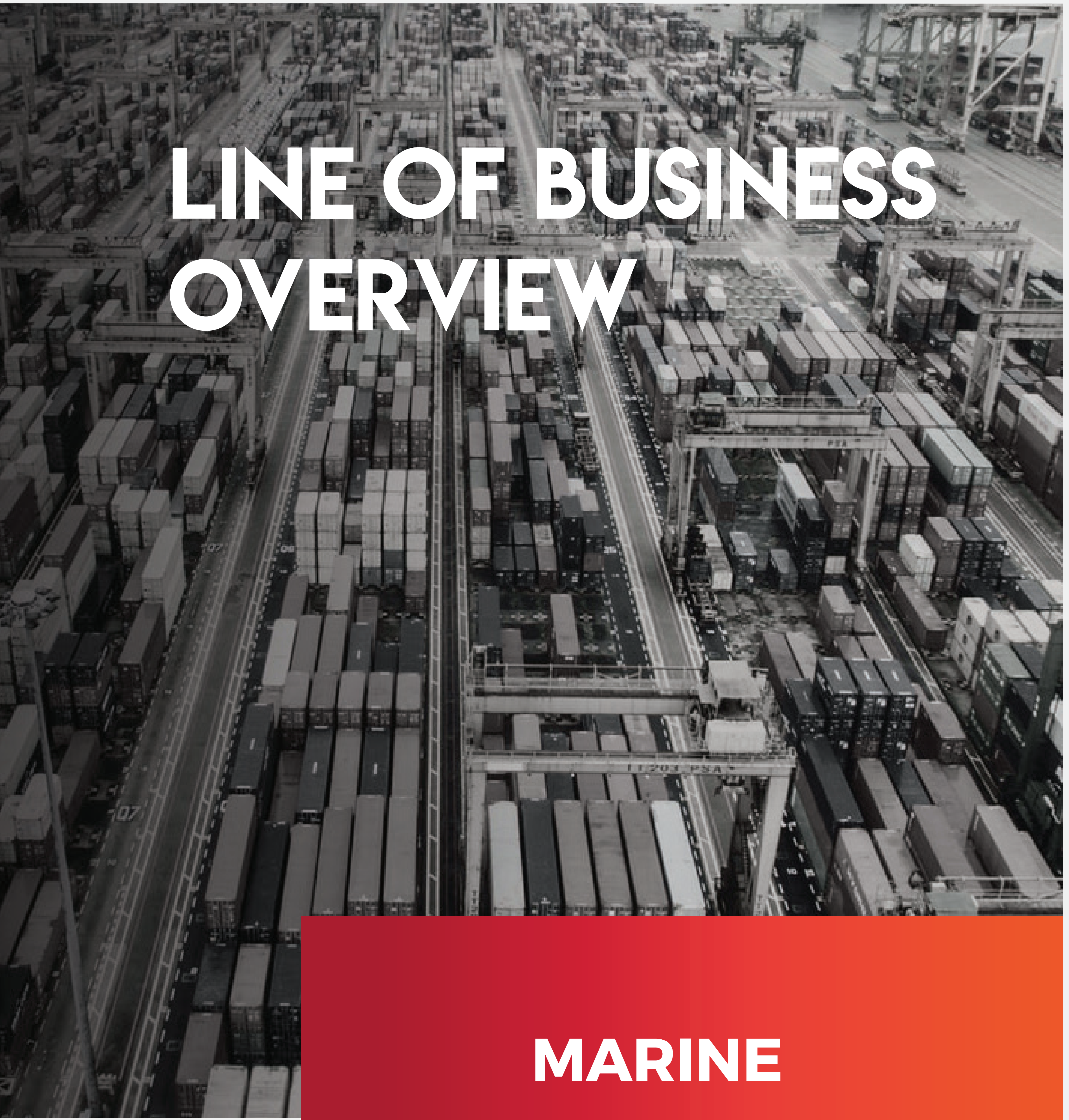
2018 was a year of stable progress for the Life reinsurance sector with no major events or market developments having an undue impact on the performance of carriers. The broader Life insurance market experienced a similar year with single digit growth in the mature markets, such as North America and Europe, but with higher rates of growth in regions with historically lower levels of insurance penetration, notably Asia and Latin America.

With a market size estimated at between USD75 - USD80 billion and with established players remaining predominant in Life reinsurance, the essence of Barents Re's Life strategy is to offer products where there are gaps in coverage for smaller deals, shares of treaties or entities in regions with good growth prospects. Such deals are of lesser interest to the established players, providing an opportunity for Barents Re to step in and fill the coverage void encountered by clients.

We are particularly pleased with our progress in regions with two of the fastest rates of growth: Asia and Latin America. In partnership with clients, our product development work over the past year has borne fruit with greater diversity of cover available for mortality, morbidity, disability and longevity risks. Although the saturated markets of the USA and Canada are not of interest, we continue to seek opportunities in Europe to work with like-minded insurers on niche reinsurance business.

For all parties active in the Life reinsurance sector, there are distinguishing traits which will mark out those who will be ultimately successful in this space, regardless of size. A culture of innovation, embracing technology and ensuring regulatory compliance are at the core of the business will all be fundamental to success. We have adopted all these characteristics to complement our diligent and disciplined underwriting expertise. With a solid year in 2018 and robust plans in place for the year ahead, Barents Re is well placed to achieve further success in the future.

LINE OF BUSINESS OVERVIEW



MARINE

2018 was a year of upheaval in Marine, notably within the Lloyd's cargo arena, as syndicates and company markets attempted to deal with issues that have plagued the sector for some considerable time. After a string of unprofitable years, this upheaval came as no surprise to the experienced players such as ourselves who have been arguing for more market rigour in technical underwriting.

The year itself started badly for the cargo market with the shipboard fire on the Maersk Honam (a 2017 built container ship), in which approximately 2,500 containers (circa 3,750 TEU) were destroyed, with final values and claims still to be resolved at the time of writing.

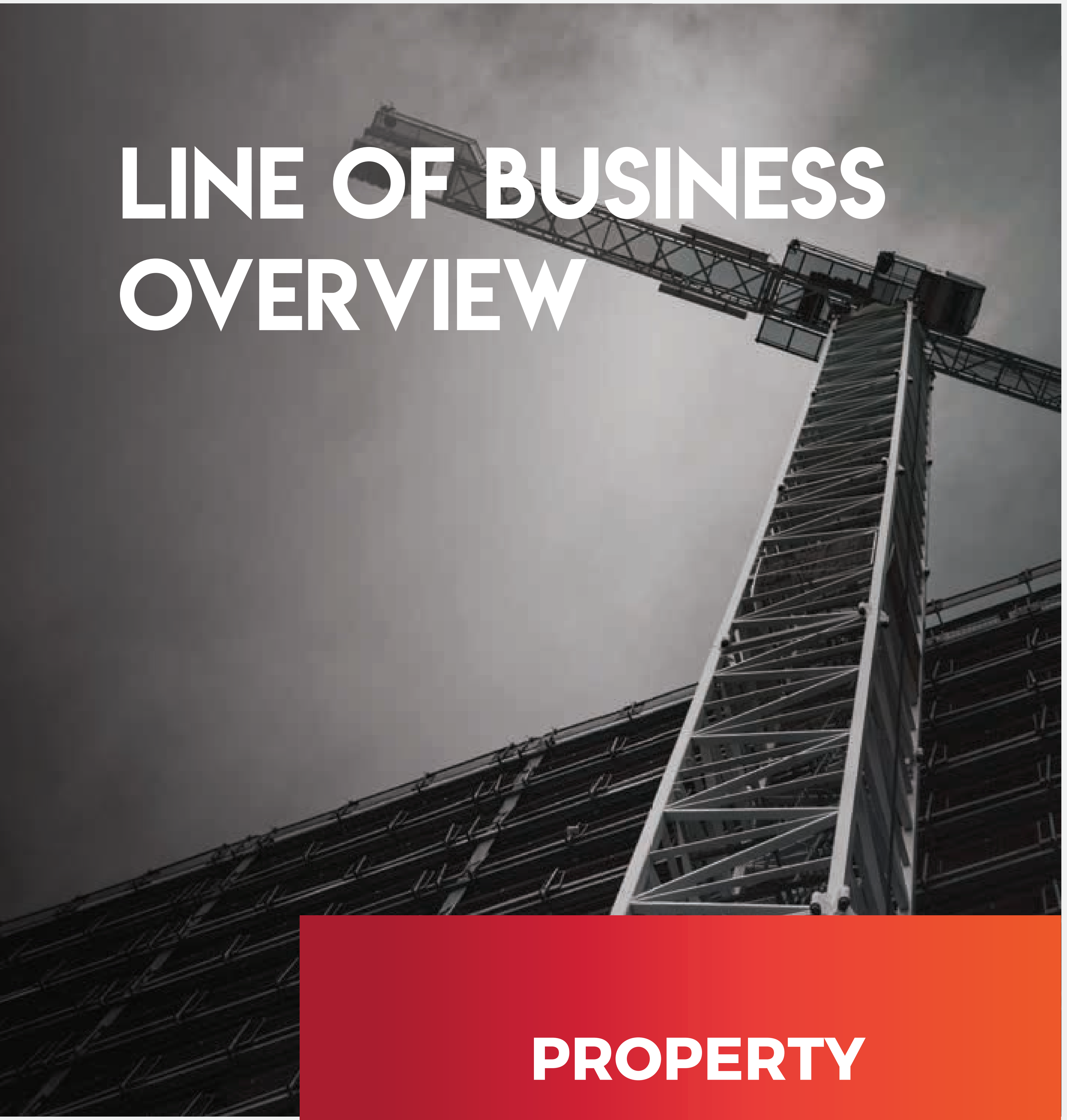
This loss set the tone for a growing concern in the cargo market over the spate of shipboard fires throughout the year, including the Yantian Express and the Grimaldi Grande America. Although different types of vessels (a container carrier and a roll-on, roll-off cargo vessel respectively), the issue of cargo in containers being mis-declared was once again a huge challenge for all parties active in the Marine sector.

The prevalence of fires was not limited to on board incidents, as the market also suffered three large losses on stock throughput accounts, with estimates of USD45m, USD80m and USD100m for the individual losses.

Aside from the market losses, there were significant changes within the dynamics of Lloyd's – still the dominant market in Marine. Foremost amongst these were the non-renewal or dismantling of long-established broker binders that were historically supported by Lloyd's markets. Once the true results of these binders became apparent, many found them to be unacceptable and moved the business to the open market, where prices have been pushed up to realistic levels.

The challenge of excess capacity within Lloyd's now appears to be reducing as several syndicates are withdrawing from the cargo space and aligning capital with other sectors that they feel will generate a greater return. The company market is proving itself more than able to match clients' requirements for coverage and capacity. Furthermore, there has been a marked shift in London market underwriting philosophy to higher technical standards and a diminished emphasis on top line growth.

Looking forward to 2019, we see more of the same; business moving to the company arena, pricing reflective of exposure rather than designed to satisfy budgetary requirements, and the potential for more major losses due to both increased natural catastrophe perils and larger vessels carrying more goods across the world's oceans.



LINE OF BUSINESS OVERVIEW

PROPERTY

The foundations for the Property market's 2018 performance were laid during the significant catastrophe events of the prior year. It was widely predicted that the losses of 2017 would lead to an upturn in pricing in 2018 but, despite initial signs in Q1 that this would be the case, rate increases had lost momentum by the half year point.

However, the cumulative effect of catastrophe losses throughout the year of circa USD80 billion in 2018 (the fourth highest recorded figure including the highest ever for California wildfires of circa USD13 billion) altered the pricing dynamic in the second half of the year. By the final quarter, loss free Property business was witnessing upwards pressure ranging from flat to 10%. Rate movement on loss affected business was understandably higher with variations between industry sectors. Those industries that had suffered large market losses, such as the food industry, were seeing some of the largest rate increases across the board in 2018.

The UK Prudential Regulatory Authority's (PRA) requirement for underwriters, especially those operating in Lloyd's Syndicates, to address poor performing classes with a clear plan for a return to profitability was a key moment, not just for 2018 but for the market's long-term future. Property was one such class of business which, as we at Barents Re had argued for some time, was in need of greater underwriting discipline in certain sections of the market.

Price increases, reduced lines sizes, increased minimum premiums, increased deductibles and the exiting of certain underperforming occupancies and trades became the mantra for many carriers and Lloyd's Syndicates. Policy terms and conditions were being tightened and more emphasis was put on those extensions which may have been providing unintended cover, such as cyber related losses.

The resultant effect was the partial or complete withdrawal by a number of carriers and Lloyd's Syndicates in many classes of business, notably in international Property. Whilst Property capacity in the London market shrank, capacity from overseas markets remained plentiful, meaning the effect of the PRA's mandate was not as extreme as some had first thought.

In terms of the Property market outlook for 2019, rate increases are still widely expected to remain positive rather than flat. Terms, conditions and deductibles are expected to tighten, with the aim of facilitating a return to profitability for the class. The coming year will also likely see a further reduction in appetite and capacity for occupancies that are considered too volatile or underpriced.

For Barents Re, we will continue to enhance our book of business by maintaining focus on our core underwriting principles to develop a solid portfolio focused on high quality risk protection, favourable loss records and a diverse spread of risk.

GLOBAL NETWORK

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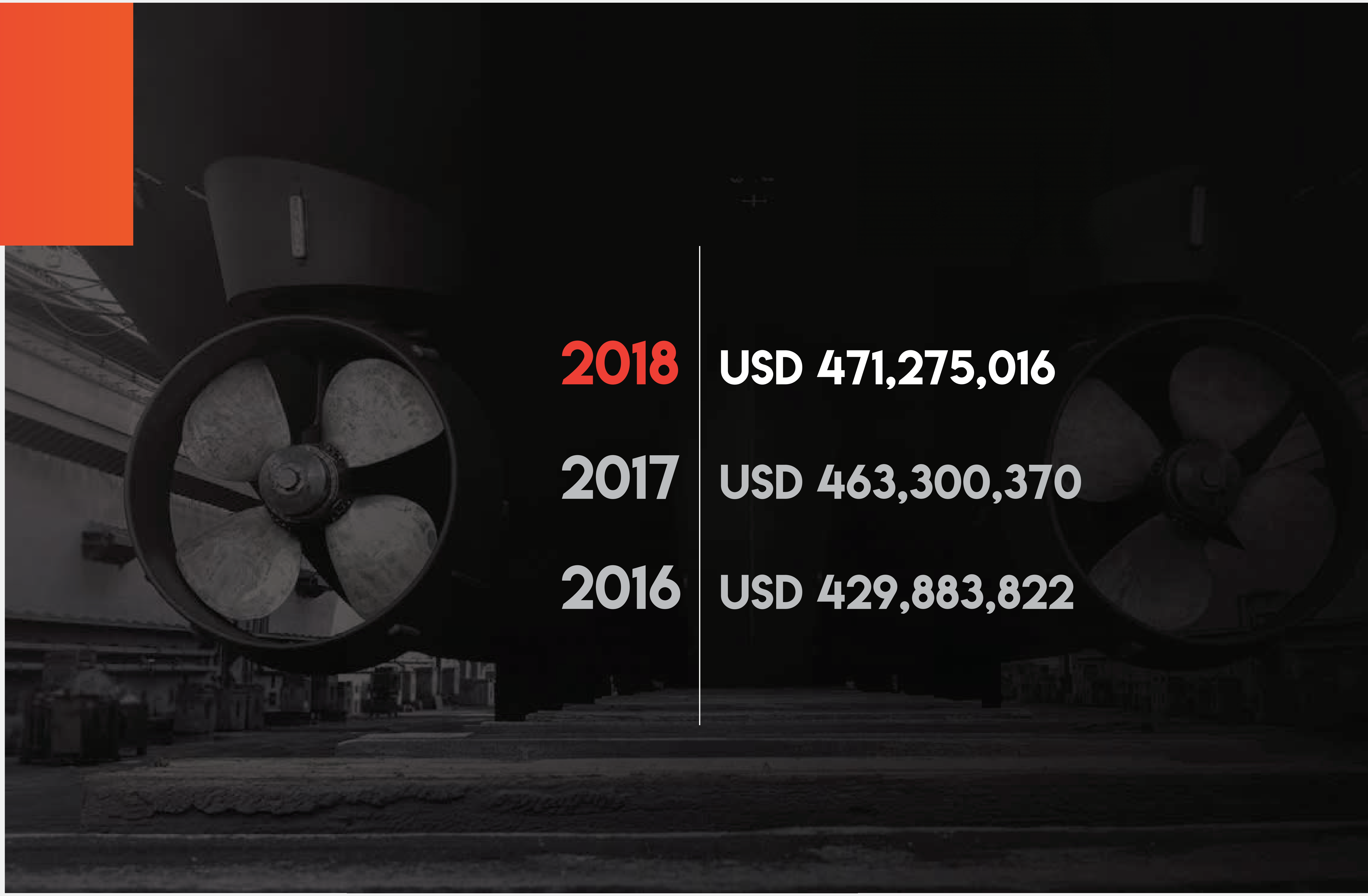
*Representative office/branch ** Barents Risk Management network *** Subsidiary

BARENTS RE

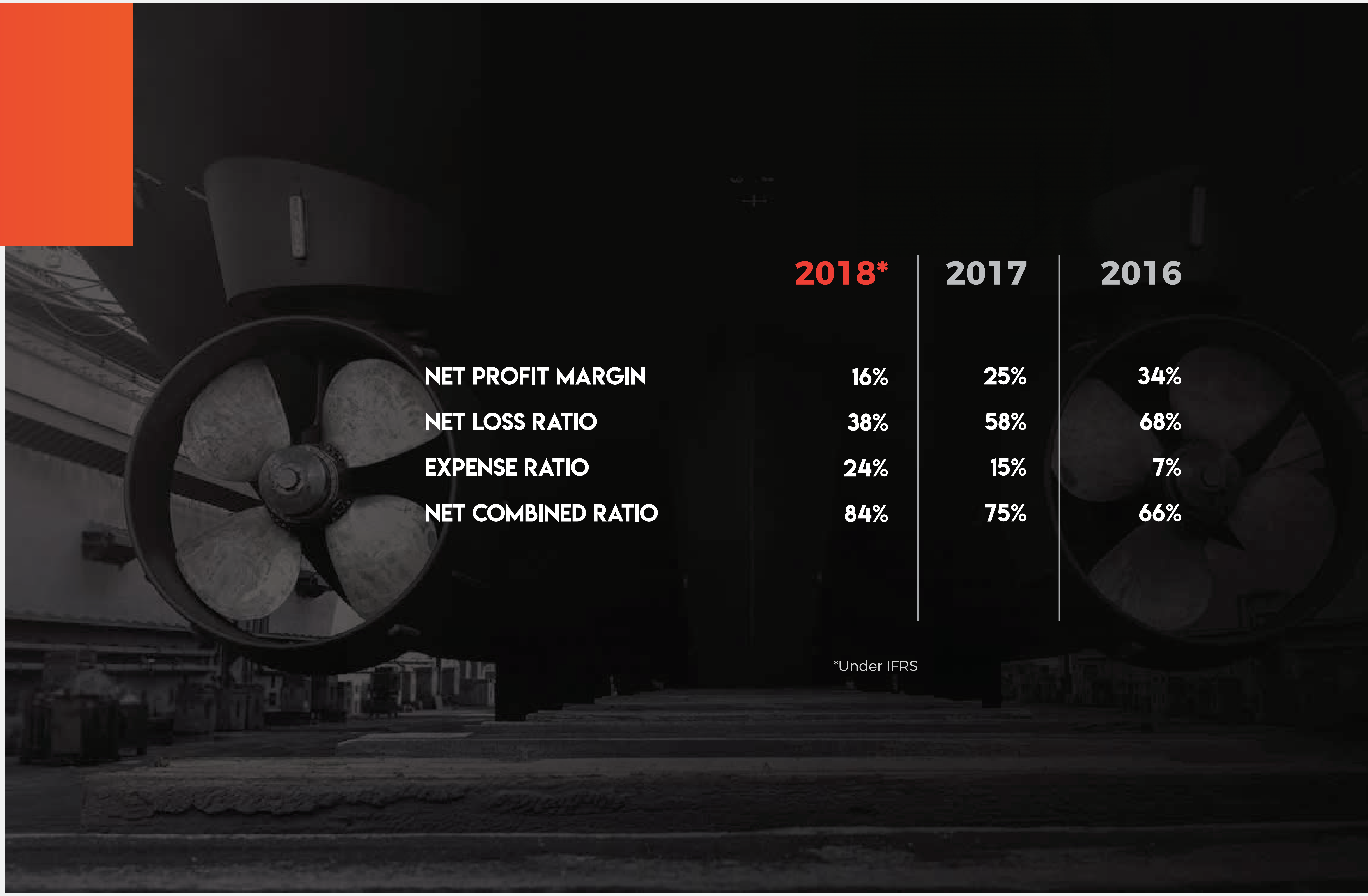
GROWTH IN SHAREHOLDERS' EQUITY



2018	USD 471,275,016
2017	USD 463,300,370
2016	USD 429,883,822

BARENTS RE

FINANCIAL HIGHLIGHTS



	2018*	2017	2016
NET PROFIT MARGIN	16%	25%	34%
NET LOSS RATIO	38%	58%	68%
EXPENSE RATIO	24%	15%	7%
NET COMBINED RATIO	84%	75%	66%

*Under IFRS

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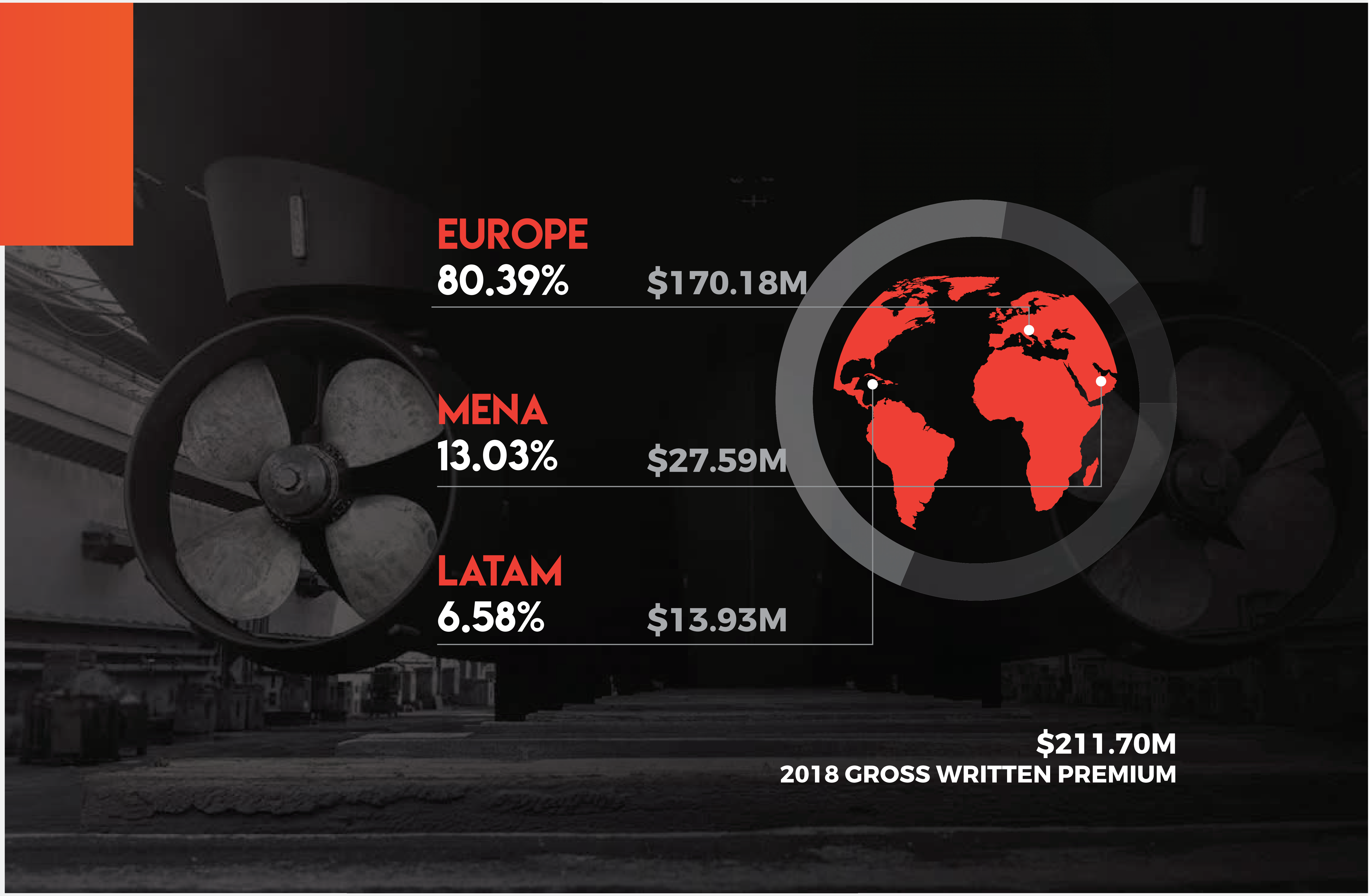
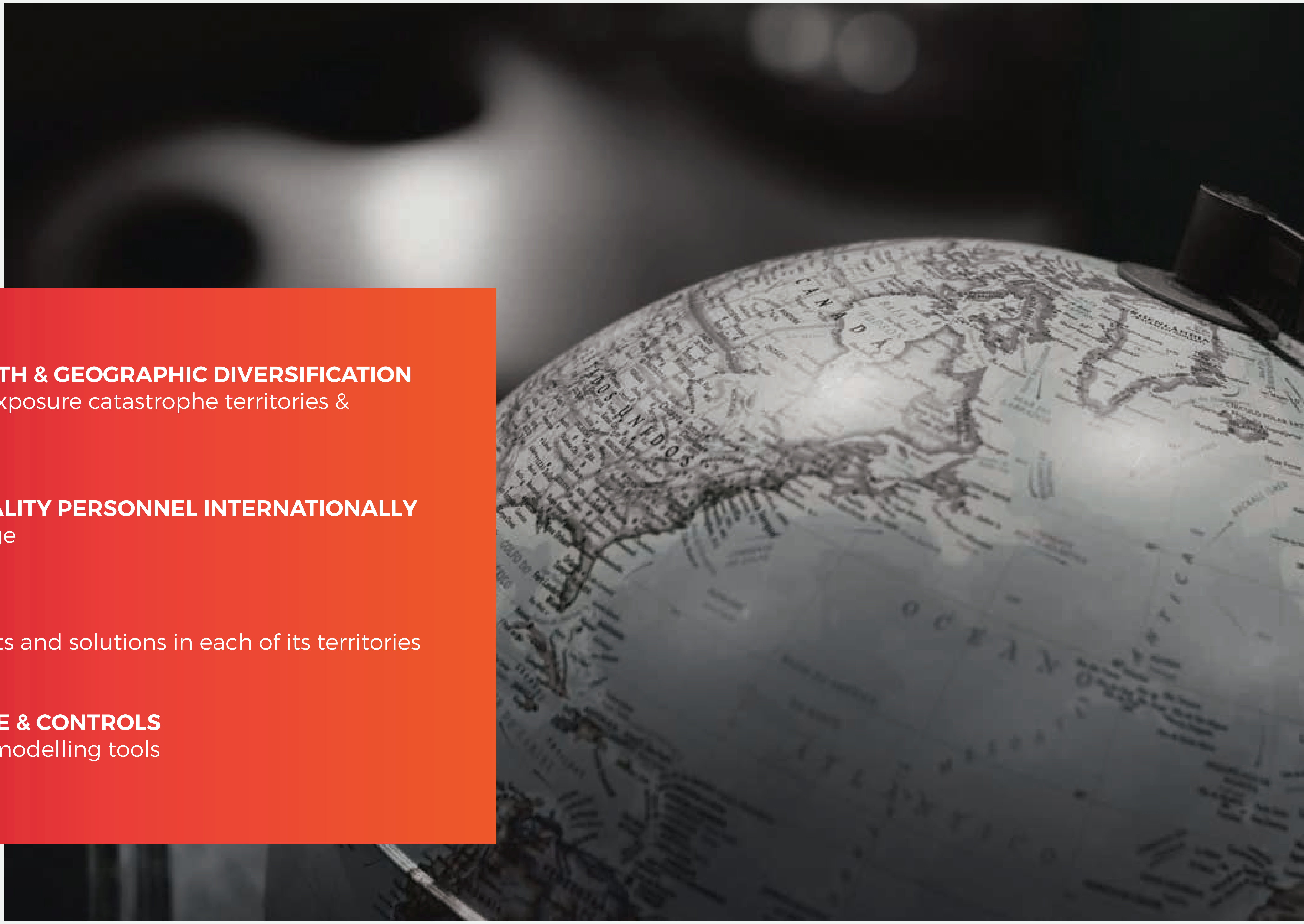
PREMIUM BY REGION



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

STABLE CAPACITY
offering tailor made products and solutions in each of its territories

UNDERWRITING DISCIPLINE & CONTROLS
reinforced by pricing & risk modelling tools

BOARD OF DIRECTORS

GERARDO GARCÍA

CHAIRMAN

Gerardo García has over 25 years' experience in the global insurance and banking sectors. Gerardo is the founder, Chairman and CEO of Barents Re Reinsurance Company, Inc., a role for which he has been awarded numerous leadership accolades on an international basis. Gerardo's prior experience includes investment banking, M&A and advisory roles to national governments on financial services regulations. Gerardo serves as a Board Director for a number of insurance and reinsurance companies alongside his role as Board Director for both Credit & Commerce Bank and for Canal Bank S.A., the latter which he founded in 2014.

KLAUS BULTMANN

DIRECTOR

Klaus Bultmann has more than 40 years' 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.

JOHN HARBOR

DIRECTOR

John Harbor has over 35 years' experience in the international insurance industry, having undertaken numerous senior management roles in accounting, audit and finance. More recently, John has held senior non-executive Director roles in insurance and wider industry sectors. John is a Fellow of the Institute of Chartered Accountants in England & Wales.

GARY CALLAGHAN

DIRECTOR

Gary Callaghan's career spans over 30 years in the reinsurance industry. Formerly Managing Director of Aon Europe, Gary has also held senior positions in Benfield and Willis. Gary was reinsurance buyer for a premier Lloyd's syndicate before joining Barents Re as Head of Retrocession, and was recently appointed as Managing Director of Barents Re Cayman Islands. Gary is also a non-executive Director for a London based broking house.

BARENTS RE

SUPPORTING COMMITTEES

Assists the Board of Directors in the determination and monitoring of the investments undertaken by the Company. Makes recommendations for medium and long-term initiatives and infrastructure projects.

FORMED BY THE FOLLOWING PERSONS:

OLDEMAR PALOMINO, Head of Treasury
MARISA VALLARINO, Administration & Finance Coordinator
GERARDO GARCÍA, Director and Chairman

INVESTMENT COMMITTEE

SUPPORTING COMMITTEES

Assists the Board of Directors to understand adequately the risks to which the Company is exposed, including the types and sources of risk and the potential impact on the business.

FORMED BY THE FOLLOWING PERSONS:

DIRK BORMANN, Director
FERNANDO DIAZ LOZANO, Compliance Officer
JOHN FITZPATRICK, Senior Advisor

RISK AND COMPLIANCE COMMITTEE

BARENTS RE

SUPPORTING COMMITTEES

Monitors the Company's adherence to compliance processes and risk management practices and evaluates the internal controls employed to manage such. Recommends improvements to the Board of Directors to achieve a systematic and disciplined approach to all audit related matters.

FORMED BY THE FOLLOWING PERSONS:

JOHN HARBOR, Director
CESAR UJUETA, Comptroller
DIRK BORMANN, Director

AUDIT COMMITTEE

BARENTS RE

SUPPORTING COMMITTEES

Assists the Board of Directors in the operation, monitoring and evaluation of policies and strategies in all reinsurance matters, including financing and other mechanisms for transferring risks and responsibilities.

FORMED BY THE FOLLOWING PERSONS:

GERARDO GARCIA, Director and Chairman
KLAUS BULTMANN, Director
GARY CALLAGHAN, Director
HIKARU UNO, Head of Bonds & Specialty Lines

REINSURANCE COMMITTEE

BARENTS RE

SUPPORTING COMMITTEES

Assists the Board of Directors in the analysis and determination of compensation packages for the executives of the Company.

FORMED BY THE FOLLOWING PERSONS:

KLAUS BULTMANN, Director
ALYSSA LINCE BOYD, VP of Organizational Development
MARUKEL HIGUERO, Legal Director

COMPENSATION COMMITTEE

CONSOLIDATED FINANCIAL STATEMENTS

BARENTS RE REINSURANCE COMPANY, INC.

Consolidated Financial Statements

Barents Re Reinsurance Company, Inc. and Subsidiary

Consolidated Financial Statements for the year ended December 31, 2018 and Independent Auditors' Report of October 31, 2019

Barents Re Reinsurance Company, Inc. and Subsidiary

Independent Auditors’ Report and 2018 Consolidated Financial Statements

Content **Pages**

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the consolidated financial statements of **Barents Re Reinsurance Company, Inc. and Subsidiary** (the "Company") which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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, 2018, and their financial performance, and cash flows for the year ended, in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of the consolidated financial statements in Cayman Islands and Panama, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the consolidated financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Deloitte.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

Deloitte & Touche

October 31, 2019

Barents Re Reinsurance Company, Inc. and Subsidiary

Consolidated statement of financial position
At December 31, 2018
(In United States of America dollars)

	Notes	2018	2017
Assets			
Cash and bank deposits	7	36,404,313	20,538,225
Premiums receivable, net	8	14,445,177	26,592,863
Deposits in ceding companies	9	34,168,934	30,404,646
Securities available for sale	6, 10	453,649,391	459,053,369
Investment in associate	6,13	6,482,552	5,741,605
Notes and accounts receivable - related parties	6	8,644,500	15,437,409
Accounts receivable - retrocessions	17	25,440,915	17,357,602
Accounts receivable	12	11,345,058	-
Other accounts receivable		8,718,528	2,527,791
Unrealized retrocession premium (UPR)		28,015,550	28,904,178
Deferred acquisition costs		8,197,710	5,403,198
Property, furniture, equipment and improvements, net	11	3,565,011	4,027,508
Other assets	14	2,006,399	6,181,872
Total assets		641,084,038	622,170,266
Liabilities and equity			
Liabilities			
Technical reserve for premiums	15	-	18,453,450
Outstanding claims reserve	16	30,229,069	50,425,116
Unrealized premium (UPR)	15	52,223,346	35,952,636
Commisions payable		678,566	-
IBNR reserves	16	42,071,814	45,087,469
Loans payable	18	8,114,792	720,752
Accounts payable - related companies	6	-	1,176,374
Deposits received from reinsurance companies	19	28,707,594	-
Accounts payable and accrued expenses	20	7,783,841	7,054,099
Total liabilities		169,809,022	158,869,896
Equity			
Common shares	24	311,858,180	305,780,295
Net changes in securities available for sale		3,101,827	2,898,465
Change in foreign currency translation		(1,701,085)	-
Legal reserve		155,827	155,827
Retained earnings		139,612,046	137,983,888
Equity attributable to owners of the Company		453,026,795	446,818,475
Non-conrolling interest	22	18,248,221	16,481,895
Total equity		471,275,016	463,300,370
Total liabilities and equity		641,084,038	622,170,266

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, 2018
(In United States of America dollars)

	Notes	2018	2017
Net income from premiums:			
Gross written premiums		211,701,508	239,629,338
Change in unrealized premium		(18,248,075)	(32,885,156)
Gross earned premium		193,453,433	206,744,182
Retroceded premiums		(99,841,438)	(164,352,685)
Change in unearnd retro premium (URP)		717,211	26,603,685
Total retro cost		(99,124,227)	(137,749,000)
Change in technical reserve		18,453,450	-
Change in claims outstanding		19,316,186	(8,382,030)
Change in IBNR		(7,132,236)	(2,851,374)
Change in retrocession of IBNR		10,147,891	-
Change in acquisition costs		2,580,086	20,750,954
Change in doubtful receivables	8	(461,301)	3,627,673
Gross claims paid		(78,548,770)	26,685,193
Net earned premium		58,684,512	29,164,766
Other incomes (expenses):			
Interests income	6	570,209	454,950
Interests paid		(39,600)	(72,694)
Commisions received		3,717,244	-
Commisions paid		(40,659,635)	(5,550,401)
Risk analysis cost		(116,439)	299,578
Gain in securities available for sale	10	8,230,765	3,818,396
Gain (loss) in controlling participation		-	(625,913)
Other income		7,617,954	65,441
Total income, net		38,005,010	27,554,123
General and administrative expenses:			
Salaries and other employee benefits	6	4,299,014	787,252
Professional fees		13,511,485	7,500,339
Depreciation and amortization	11	223,980	249,414
Taxes		96,525	195,814
Travel expenses		318,705	135,363
Rentals		958,736	4,320
Telecommunications		94,156	39,906
Maintenance and repairs		50,041	48,648
Electrical energy		93,131	48,863
Insurances		138,324	24,770
Bank charges		52,928	27,845
Legal and notarial expenses		402,371	5,161
Dues and subscriptions		32,673	39,659
Customer services		2,320	29,720
Others	21	1,375,363	818,287
Total general and administrative expenses		21,649,752	9,955,361
Profit before income tax		16,355,258	17,598,762
Income tax	25	871,987	234,320
Net profit		15,483,271	17,364,442
Net profit attributable to:			
Owners of the Company		13,716,945	17,965,809
Non-controlling interests	22	1,766,326	(601,367)
Net profit		15,483,271	17,364,442

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, 2018
(In United States of America dollars)

	Notes	2018	2017
Net profit		15,483,271	17,364,442
Other comprehensive income (losses):			
Realized gain transferred to income	10	(8,230,765)	(3,818,396)
Net changes in securities available for sale	10	8,434,127	6,631,271
Total other comprehensive income (loss)		203,362	2,812,875
Total net comprehensive income of the year		15,686,633	20,177,317
Comprehensive income attributable to:			
Owners of the Company		13,920,307	20,778,684
Non-controlling interests	22	1,766,326	(601,367)
Total comprehensive income for the year		15,686,633	20,177,317

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

Barents Re Reinsurance Company, Inc. and Subsidiary

Consolidated statement of changes in equity
For the year ended December 31, 2018
(In United States of America dollars)

	Notes	Attributable to owners of the Company: Common shares	Net changes in securities available for sale	Foreign currency Translation	Legal reserve	Retained earnings	Total	Non- controlling interest	Total equity
Balance as of January 1, 2017		301,893,501	85,590	-	155,827	119,392,166	421,527,084	12,912,725	434,439,809
Other comprehensive income comprised of:									
Net profit		-	-	-	-	17,965,809	17,965,809	(601,367)	17,364,442
Realized gain transferred to income		-	(3,818,396)	-	-	-	(3,818,396)	-	(3,818,396)
Net changes in fair value of securities available for sale		-	6,631,271	-	-	-	6,631,271	-	6,631,271
Total net comprehensive income for the year		-	2,812,875	-	-	17,965,809	20,778,684	(601,367)	20,177,317
Transactions attributable to shareholders:									
Capital contribution		4,340,763	-	-	-	-	4,340,763	-	4,340,763
Excluded affiliated from consolidation		(453,969)	-	-	-	-	(453,969)	-	(453,969)
		3,886,794	-	-	-	-	3,886,794	-	3,886,794
Subsidiaries changes in ownership interest that do not result in a loss of control									
Non-controlling interest		-	-	-	-	625,913	625,913	4,170,537	4,796,450
Total shareholder's transactions		-	-	-	-	625,913	625,913	4,170,537	8,683,244
Balance at December 31, 2017		305,780,295	2,898,465	-	155,827	137,983,888	446,818,475	16,481,895	463,300,370
Other comprehensive income comprised of:									
Net profit	22	-	-	-	-	13,716,945	13,716,945	1,766,326	15,483,271
Realized gain transferred to income	10	-	(8,230,765)	-	-	-	(8,230,765)	-	(8,230,765)
Net changes in fair value of securities available for sale	10		8,434,127			-	8,434,127	-	8,434,127
Total net comprehensive income for the year		-	203,362	-	-	13,716,945	13,920,307	1,766,326	15,686,633
Transactions attributable to shareholders:									
Profits capitalization	24	7,253,267	-	-	-	(7,253,267)	-	-	-
Dividends paid		-	-		-	(4,670,821)	(4,670,821)	-	(4,670,821)
Complementary tax		-	-	-	-	(164,699)	(164,699)	-	(164,699)
Change in foreign currency translation				(1,701,085)			(1,701,085)		(1,701,085)
Transfer of shares in associate	13	(1,175,382)	-	-	-	-	(1,175,382)	-	(1,175,382)
		6,077,885	-	(1,701,085)	-	(12,088,787)	(7,711,987)	-	(7,711,987)
Balance at December 31, 2018		311,858,180	3,101,827	(1,701,085)	155,827	139,612,046	453,026,795	18,248,221	471,275,016

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, 2018
(In United States of America dollars)

	Notes	2018	2017
Cash flows from operating activities:			
Net income		15,483,271	17,364,442
Adjustment for:			
Gain on sale of securities available for sale	10	(8,230,765)	(3,818,396)
Reserve for premiums receivable	8	461,301	3,627,673
Provision outstanding claims reserve	16	(12,073,295)	(2,851,374)
Claims paid	16	(33,221,580)	-
Retrocession outstanding claims	16	25,098,828	-
Provision of unrealized premium (UPR)	15	52,223,346	(8,382,030)
Retrocession of unrealized premium (UPR) reserve	15	(35,952,636)	-
Provision of IBNR	16	7,132,236	20,750,954
Retrocession of IBNR reserve	16	(10,147,891)	-
Unrealized retro premium (UPR)		888,628	-
Deffered adquisition cost		(2,794,512)	-
Commisions payables		678,566	-
Depreciation and amortization	11	223,980	249,414
Disposal of furniture and office equipment	11	263,984	-
Income interest		(570,209)	(454,950)
Income tax		871,987	234,320
Interest expenses		39,600	72,694
Net changes in operating assets and liabilities:			
(Increase) decrease in deposits with maturities greater than 90 days	7	(8,999,967)	(155,196)
Increase in accounts receivable retrocessions	17	(8,083,313)	(15,552,769)
Increase (decrease) in other accounts receivable		(6,190,737)	876,045
(Decrease) increase in thechnical premium reserve and unearned premium reserve	15	(18,453,450)	5,983,198
Decrease in contingency reserve		-	30,404,649
Decrease (increase) in other assets		2,472,711	(4,936,727)
Decrease (increase) in premiums receivable		11,686,385	(22,244,174)
Increase in deposits in ceding companies		(3,764,288)	(30,404,646)
Increase in deposits in other reinsurance companies		28,707,594	-
Increase (decrease) in accounts payable and accrued expenses	20	729,742	(6,087,637)
Increase in accounts receivable		(11,345,058)	-
Interests earned		530,609	379,069
Income tax expense	25	(871,987)	(234,320)
Net cash used in operating activities		(13,206,920)	(15,179,761)
Cash flows from investing activities:			
Adquisition of securities available for sale	10	(671,114,205)	(387,263,105)
Sale of securities available for sale	10	684,952,310	353,762,079
Acquisition of investment in associate	13	(2,268,900)	-
Transferred of shares in associates		352,571	429,959
Adquisition of furniture and office equipment	11	(25,467)	(30,969)
Net cash provided by (used in) investing activities		11,896,309	(33,102,036)
Cash flows from financing activities			
Capital contributon	24	-	4,966,676
Notes and accounts receivable - related parties	6	5,616,535	10,074,527
Loans payable	18	7,394,040	(96,545)
Repurchase agreements		-	(1,021,500)
Dividend paid	24	(4,670,821)	-
Dividend tax	24	(164,699)	-
Capital contribution - non controlling interest	22	-	4,170,537
Net cash provided by financing activities		8,175,055	18,093,695
Increase (decrease) in net cash		6,864,444	(30,188,102)
Cash at the beginning of the year	7	18,383,029	48,571,131
Cash at end of the year	7	25,247,473	18,383,029
Non- monetary transactions:			
Profits Capitalization	24	7,253,267	-

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

1. General information

Barents Re Reinsurance Company, Inc. (the “Company”) was initially incorporated in accordance with the laws of the Republic of Panama in 1996 and started operations as a Reinsurance Company, duly authorized by the Superintendency of Insurance and Reinsurance of Panama.

In March 2018, by Resolution of the shareholders of the Company it was resolved to redomicile the Company by way of continuation to The Cayman Islands. Consequently, on June 8, 2018, the Company completed the process of registration by way of continuation of the Company from the jurisdiction of Panama to The Cayman Islands obtaining a Class D (Reinsurance) License, granted and supervised by The Cayman Islands Monetary Authority (CIMA).

A Class D License authorizes the Company to carry out reinsurance business and is the highest regulated reinsurance license issued in accordance with Cayman Islands Laws. A Class D Licensee is required to maintain a Minimum Capital Requirement (“MCR”) of USD $50,000,000, as well as sufficient economic substance within The Cayman Islands. The reinsurance operations in The Cayman Islands are regulated by the Cayman Islands Insurance Law of 2010, its amendments and other supplementary and accessory regulations. The main office of the Company is located at Valhalla House, 634 South Sound Road, South Sound, Grand Cayman, Cayman Islands.

Standard Capital Shareholdings, Inc. (B.V.I.) is the owner of all the issued and outstanding shares of the Company.

The Company is the owner of all the issued and outstanding shares 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 began operations on March 2006. It possesses an International Reinsurance License granted and supervised by the Office of the Supervisor of Insurance & Private Pension of Belize (OSIPP).

On August 11, 2016, the shareholders of the Company acquired 51% of the issued and outstanding shares of Barents Reinsurance S.A. (Luxembourg), a company duly incorporated and existing in accordance with the laws of the Principality of Luxembourg, possesses a Reinsurance License, granted and supervised by the Commissariat Aux Assurances of Luxembourg (Insurance Commissioner of Luxembourg) and operates under Solvency II.

2. Basis of presentation and adoption of International Financial Reporting Standards (IFRSs)

2.1 Modifications to the IFRSs and the application of new standards that are mandatory for the present year

New IFRSs are effective since January 1st, 2018, and are detailed below. No interpretation of these IFRS had a significant effect on the Financial Statements.

The amendments will have small or no material effects on Barents Re Reinsurance Company, Inc. and Subsidiary, except for the Amendments to IFRS 4 described below.

Due to the close interlinking of underwriting liabilities and investments of insurance companies, it is essential to have an aligned measurement of these line items in the balance sheet in order to prevent balance sheet distortions. The IASB therefore published an amendment standard to IFRS 4, Insurance Contracts, in September 2016. This gives the possibility of postponing the first-time application of IFRS 9 until 2021, but requires evidence based on the financial statements as at December 31, 2015 that most of the Group's activity is in insurance. Insurance business is considered "predominant" if at the time of measurement more than 90% of total liabilities were related to insurance business. Besides liabilities that fall within the scope of IFRS 4, these also include liabilities from investment contracts measured at fair value and other liabilities resulting from insurance business. At Barents Re Reinsurance Company, Inc. and Subsidiary, liabilities related to insurance business accounted for a share of around 95% of total liabilities as at December 31, 2017, date in which the IFRS were completely adopted. Meanwhile, no changes have been made to our business activities that would need a reassessment.

IFRS 15 - Income from ordinary activities from clients' contracts

IFRS 15 establishes a conceptual markup to determine when and for what amount is income registered. It replaces the existing recognition guides, which includes IAS 18 – Income from Ordinary Activities, IAS 11 - Construction Contracts, and IFRIC 13 - Client Fidelity Programs.

The Company has completed a general review of the impact of the adoption of the standard in its financial statements. The results of this review indicate that IFRS 15 does not have a significant impact in the recognition or measurement of the income referenced above.

2.2 New standards and new interpretations and / or revised, but not yet effective

New standards, interpretations and amendments to accounting standards have been published, but are not mandatory for the year ended on December 31st, 2018 and have not been adopted in advance. The main changes in these standards are presented below:

IFRS 16 - Leases

Issued on January 2016, this standard introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. It will supersede the current lease guidance including IAS 17 - Leases and the related interpretations when it becomes effective.

To distinguish leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and replaced by a model where a right -of-use asset and a corresponding liability have to be recognized for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right -of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required. The Group is evaluating the impact that the application of this new standard could generate.

IFRS 9 - Financial Instruments

Classification and Measurement

In July of 2014, the IASB completed the amendment and issued the IFRS 9 – Financial Instruments (2014 revised edition) that replaces the IAS 39 – Financial Instruments: Recognition and Measurement, after its expiration date.

In comparison with its IFRS 9 in its 2013 revised edition, the 2014 edition includes modifications that are limited to the requirements of classification and measurement by adding a measurement category “at a reasonable value with changes in other integral result”, for certain simple debt instruments. It also adds requirements of deterioration inherent to the accounting of credit losses expected of an entity with financial assets and commitments to extend the credit.

The finalized IFRS 9 (2014 revised edition) contains requirements to: a) Classification and Measurements of financial assets and liabilities, b) Deterioration methodology, and c) General Accounting Coverage.

Phase 1: Classification and Measurement of Financial Assets and Liabilities

In respect of the classification and measurement of the compliance with the IFRS, all recognized financial assets that are included in the IAS 39 will be subsequently measured at an amortized cost or reasonable value, Specifically:

- A debt instrument that: (i) is maintained within the business model whose objective is to obtain contractual cash flows, (ii) has contractual cash flows that only constitute capital payments and shares over the amount of outstanding capital that must be measured at amortized cost (net of any impairment loss), unless the asset is designated at fair value through profit or loss, in compliance with this option;

- A debt instrument that: (i) is maintained within a business model whose objective is met by obtaining contractual cash flows and selling financial assets and (ii) possessing contractual terms for the financial asset producing, on specific dates, cash flows that only constitute capital and interest payments on the principal amount outstanding, and which must be measured at fair value with changes in other comprehensive income, unless the asset is designated at fair value with changes in the results, in compliance with this option;

- All other debt instruments must be measured at fair value through profit or loss; and

- All equity investments will be measured in the statement of financial position at fair value, with gains and losses recognized in the statement of profit or loss and other comprehensive income, unless the equity investment is maintained to negotiate, in which case, an irrevocable decision can be made in the initial recognition to measure the investment with a dividend income that is recognized in profit or loss

IFRS 9 also contains requirements for the classification and measurement of financial liabilities and requirements for derecognition. An important change in IAS 39 is linked to the presentation of changes in the fair value of a financial liability designated at fair value with changes in the results, which are attributed to changes in the credit risk of that liability. In accordance with IFRS 9, these changes are present in other comprehensive income, unless the presentation of the effect of the change in the credit risk of the financial liability in other comprehensive income creates or produces a large accounting inconsistency in the gain or loss. In accordance with IAS 39, the total amount of the change in the designated fair value is presented as profit or loss.

<u>Phase 2: Deterioration Methodology</u>

The impairment model in accordance with IFRS 9 reflects expected credit losses, as opposed to credit losses incurred under IAS 39. In the event of impairment in IFRS 9, it is no longer necessary for a credit event to occur before credit losses are recognized. Instead, an entity always accounts for both expected credit losses and their changes. The amount of expected credit losses must be updated on each date of the report to reflect changes in credit risk since initial recognition.

<u>Phase 3: Coverage Accounting</u>

The general hedge accounting requirements of IFRS 9 maintain the three types of hedge accounting mechanisms included in IAS 39. However, the types of transactions ideal for hedge accounting are now much more flexible, especially when expanding the types of instruments that are classified as hedging instruments and the types of risk components of non-financial elements ideal for hedge accounting. In addition, the effectiveness test has been reviewed and replaced by the principle of “economic relationship”. A retrospective evaluation is no longer required to measure the effectiveness of coverage. Many more disclosure requirements about the entity's risk management activities have been added.

In September 2016, IFRS 9 was amended, so that entities that issue insurance contracts may adopt IFRS 9 on January 1, 2018.

Given the interaction between insurance liabilities and the financial assets that support these liabilities, the differences in the effective dates of IFRS 9 and IFRS 17 generate some accounting mismatches that cause volatility in profit and loss when IFRS 9 is applied before IFRS 17. Accordingly, the IASB issued amendments to IFRS 4 and IFRS 9 to resolve issues resulting from differences in the effective dates of IFRS 9 and IFRS 17 (Insurance Contracts - Phase 2). As part of the amendments, two options, Temporary Exemption a or Overlay Approach are introduced for these entities that issue contracts that are within the scope of IFRS 4.

Option 1 - Temporary exemption - allows "eligible entities" to defer the date of implementation of IFRS 9 until IFRS 17 becomes effective (January 2021).

- The temporary exemption applies to "reporting Entity" entities whose insurance activity is predominant, provided they have not previously applied IFRS 9;

- The assessment of whether insurance activity is predominant in an entity is based on the relationship between insurance liabilities and the entity's total liabilities; and

- The activities of an insurer are mainly related to insurance if:

  (a) the book value of its liabilities arising from contracts within the scope of IFRS 4 is significant compared to the total book value of all its liabilities; and

  (b) the percentage of the total carrying amount of your insurance-related liabilities with respect to the total carrying amount of all of your liabilities is greater than 90 percent or less than or equal to 90 percent, but greater than 80 percent and The insurer does not carry out a significant activity without any relation to insurance.

Option 2 - Overlay Approach - allows entities that issue insurance contracts under the scope of IFRS 4 and IFRS 9 to exclude some effects of IFRS 9 from profit and loss and reclassify said comprehensive income effect.

- The option is given for those assets (a) at fair value with changes in results that if IAS 39 were to be applied would not have been fully recognized in results and (b) other assets other than those not connected with insurance contracts; and

- The designation is made instrument by instrument.

The amount reclassified from profit or loss is the difference between what is recognized in the instrument in profit or loss by IFRS 9 versus what would have been recognized by IAS 39.

The Administration is in the process of evaluating the possible impact of the application of this standard in the financial statements of the Company.

<u>IFRS 17 - Insurance contracts (will replace IFRS 4 - Insurance contracts)</u>

This rule will provide a useful and consistent accounting model for insurance contracts, which includes recognition, measurement, presentation and disclosure. This model combines the measurement of the current balance of insurance contract liabilities, changes in estimates of future cash flows and the adjustment of risks, with the recognition of profit during the period in which the services are provided. Entities will have the option of presenting the effect of changes in discount rates, in the statement of income or comprehensive income. IFRS 17 is effective for annual periods beginning on or after January 1, 2022 and its early adoption is permitted.

The Company is in the process of evaluating the impact that the applications of this standard could generate in the financial statements.

- **Other standards**

The following modified standards and interpretations are not expected to have a significant impact on the Company's financial statements.

(a) IFRIC 23 - Uncertainty about Income Tax Treatments;

(b) Advance Payment Characteristics as Negative Compensation (Amendments to IFRS 9);

(c) Long-term participation in Associates and Joint Ventures (Codifications of Standard IAS 28);

(d) Annual Improvements to IFRS Standards, Cycle 2015 - 2017 - various standards; and

(e) Modifications to References to the Conceptual Framework in IFRS Standards.

In addition, The Company anticipates that the aforementioned standards and amendments to the standards will not have an impact on the financial statements for future accounting periods.

3. 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:

3.1 Basis of preparation

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) issued by the Accounting Standards Board. The consolidated financial statements have been prepared on a historical cost basis, except for the securities available for sale which are presented at their fair value.

3.2 Regulatory matters

The Company applies accounting practices specific to the reinsurance 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.

Reserve for claims in process
Losses are recognized in the profit or loss statement based on an estimate of the liabilities that are expected to be settled.

Losses arising from the reinsurance business and loss expenses paid during the year together with the movement in the provision for claims in process. The claims in process are made up of the accumulation of the final costs to settle all the reported and incurred losses at the date of the consolidated statement of financial position.

Reserve for unearned premium
The unearned premium reserve in progress is calculated using the daily pro rata method, in which the subscribed premium is considered proportional to the validity indicated on the invoice, so the amount of the liability is calculated taking into account the proportion of the risk not incurred on each invoice to the valuation date.

Reserve for claims incurred, but not reported (IBNR)
The reserve for claims incurred, but not reported (IBNR), is calculated according to actuarial formulas recognized worldwide: for incidents incurred, using triangulations to estimate future development, applying the global statistical method.

The Company considers that the gross provisions for claims in process are reasonably presented based on the information that is available, the final liability could vary as a result of subsequent information and could result in significant adjustments to the amounts provided.

3.3 Principle of consolidation

The consolidated financial statements comprises 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.

In preparing the consolidated financial statements, management is responsible for combining the consolidated financial statements of the parent company line by line, adding the items representing assets, liabilities, equity, income and expenses of similar content. In order for the consolidated financial statements to present financial information of the Group, as if it were a single economic entity, the process is as follows:

- The carrying amount of the parent's investment in each of the subsidiaries, together with the portion of the equity belonging to the parent company in each of the subsidiaries, are eliminated;
- Non-controlling participants are identified in the results of the consolidated subsidiaries, which refer to the reporting period; and
- Non-controlling interests in the net assets of the consolidated subsidiaries are identified separately from those of the parent company.

3.4 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.

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 generally have collectable terms of 90 days, and they 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 will not be recoverable, with an impairment loss recognized in the profit or loss.

The Company records 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

These consist of securities purchased with the intention of holding them for a period of indefinite duration, and 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 the financial assets are sold 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.

Ceding deposits

The ceding deposits are presented at cost and consist of deposits generated by reinsurance contracts with insurance companies that arise from the normal course of business.

Accounts receivable - retrocessions

Accounts receivable retrocessions are presented at cost and are generated by premium commitments assumed during the current period corresponding to the coverage of the retrocessionaires.

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.

3.5 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.

At the end of each reported period, the premium receivable balance is reviewed to determine if there is an objective evidence of non-recoverable. If so, the loss impairment is recognized immediately in the statement of profit and loss and other comprehensive income. The impairment loss is accounted for as 100% credit risk. In measuring the impairment loss the Administration calculates the credit risk exposure taking into account the accounts receivable net of reinsurer participation, acquisition costs, unearned premiums and related taxes.

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 are 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.

3.6 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.

3.7 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 assets	**2018**	**2017**	**Favir value hierarchy**	**Valuation techniques (s) and key inputs**	**Significant unobservable inputs no observables significativos**	**Relationship of unobservable inputs to fair value**
Securities available for sale						
Government and corporate bonds	450,449,391	455,853,369	Level 1	Quoted prices in active markets	N/A	N/A
Corporate bonds	3,200,000	3,200,000	Level 2	Price of transactions in an organized market, interest rate curves, risk-free rate.	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)

The Company 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.

	2018		2017	
	Carrying value	Fair value	Carrying value	Fair value
Assets				
Cash and deposits in banks	36,404,313	36,404,313	20,538,225	20,538,225
Deposits in ceding companies	34,168,934	34,168,934	30,404,646	30,404,646
Investment available for sale	3,200,000	3,200,000	3,200,000	3,200,000
Premiums receivable	14,445,177	14,445,177	26,592,863	26,592,863
Accounts receivable - retrocessions	25,440,915	25,440,915	17,357,602	17,357,602
	113,659,339	113,659,339	98,093,336	98,093,336
Liabilities				
Loan payable	8,114,792	7,597,533	720,752	656,674

	Total	Fair value hierarchy Level 1	Level 2	Level 3
2018				
Financial assets:				
Cash and deposits in banks	36,404,313	-	36,404,313	-
Deposits in ceding companies	34,168,934	-	-	34,168,934
Premiums receivable	14,445,177	-	-	14,445,177
Accounts receivable - retrocessions	25,440,915	-	-	25,440,915
	110,459,339	-	36,404,313	74,055,026
Financial liabilities:				
Loan payable	7,597,533	-	-	7,597,533

	Total	Fair value hierarchy Level 1	Level 2	Level 3
2017				
Financial assets:				
Cash and deposits in banks	20,538,225	-	20,538,225	-
Deposits in ceding companies	30,404,646	-	-	30,404,646
Premiums receivable	26,592,863	-	-	26,592,863
Accounts receivable - retrocessions	17,357,602	-	-	17,357,602
	94,893,336	-	20,538,225	74,355,111
Financial liabilities:				
Loan payable	656,674	-	-	656,674

In the case of demand deposits and time deposits the carrying value approximates fair value due to their short-term nature. In the case of premiums receivable, book value is the best estimate of fair value due to the nature of the business relationship with the customer.

3.8 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 to maintain 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.

De-recognition of financial liabilities

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

3.9 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.

3.10 Reinsurance contracts

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

Retrocession or reinsurance ceded is arranged 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 occurring and are not amortized. Premiums and claims are presented on a gross basis for both ceded and assumed premiums.

3.11 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.

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 of fair value less cost and used value.

Any item of property, furniture, equipment and improvement is written off at the time of 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.

3.12 Legal reserve

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

3.13 Cash

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

4. Financial risk management

4.1 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. Risk is a fundamental component in the financial business, and operational risks are unavoidable risks incurred whilst carrying on 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 Company.

The activities of the Company 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 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 and which report to the Board of Directors.

Until June 8th, 2018, the Company was subject to the regulations of the Superintendency of Insurance and Reinsurance of the Republic of Panama. As of June 8th, 2018, the Company is subject to the regulations of the Cayman Islands Monetary Authority. Additionally, the Company is subject to the regulations of the Office of the Supervisor of Insurance of the Republic of Belize, in the areas concerning the concentration of risks, liquidity and capitalization, among others.

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

4.2 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 nowithstanding the statistical methodologies applied by the Company in their financial forecasting.

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 reinsurance coverage that protects against loss frequency and severity. Contracts of reinsurance coverage include excess of loss, stop loss and catastrophe. The aim of these contracts is to minimize net insurance losses so that they do not affect the total net assets and liquidity of the Company in any year. Apart from the total reinsurance programme of the Company, additional reinsurance protection can be purchased by facultative contract when 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.

4.3 Credit risk

Is the risk of a financial loss for the Company, 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, The Company 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.

The Company continuously monitors the financial condition of the issuers of securities involving a credit risk to the entity. It 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 the Company's 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:

The Company 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:

	2018	2017
Investment grade	450,449,391	455,853,369
Non rated investment	3,200,000	3,200,000
	453,649,391	459,053,369

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
Non rated	-

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		Securities available for sale	
	2018	**2017**	**2018**	**2017**
Concentration by sector:				
Corporate	14,445,177	26,592,863	93,734,443	86,501,808
Government	-	-	359,914,948	372,551,561
Carrying amount	14,445,177	26,592,863	453,649,391	459,053,369
Geographic concentration:				
South America and Caribbean	14,445,177	26,592,863	3,200,000	3,200,000
United States of America	-	-	450,449,391	455,853,369
Carrying amount	14,445,177	26,592,863	453,649,391	459,053,369

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

4.4 Liquidity or financing risk

Liquidity risk is defined as the risk that the entity may have difficulties 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 moths 1 year	Over a year	Total
2018					
Financial assets:					
Cash and deposits in bank	25,247,473	-	11,156,840	-	36,404,313
Deposits in ceding companies	34,168,934	-	-	-	34,168,934
Securities available for sale	-	-	453,649,391	-	453,649,391
Premiums receivable	-	-	14,445,177	-	14,445,177
Accounts receivable - retrocessions	-	-	25,440,915	-	25,440,915
Total financial assets	59,416,407	-	504,692,323	-	564,108,730
Financial liabilities:					
Loans payable	-	-	7,647,722	467,070	8,114,792

	No maturity	Up to 3 months	3 moths 1 year	Over a year	Total
2017					
Financial assets:					
Cash and deposits in bank	18,383,029	-	2,155,196	-	20,538,225
Deposits in ceding companies	30,404,646	-	-	-	30,404,646
Securities available for sale	-	-	459,053,369	-	459,053,369
Premiums receivable	-	-	26,592,863	-	26,592,863
Accounts receivable - retrocessions	-	-	17,357,602	-	17,357,602
Total financial assets	48,787,675	-	505,159,030	-	553,946,705
Financial liabilities:					
Loans payable	-	-	720,752	-	720,752

4.5 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. Management's objective for market risk 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 Panamanian 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 repricing and the maturity dates:

	Upt o 3 months	3 months to 1 year	1 to 5 years	Over 5 years	No interest rate	Total
2018						
Financial assets:						
Cash and deposits in banks	-	-	-	-	36,404,313	36,404,313
Deposits in ceding companies	-	-	-	-	34,168,934	34,168,934
Securities available for sale	-	453,649,391	-	-	-	453,649,391
Premiums receivable	-	14,445,177	-	-	-	14,445,177
Accounts receivable - retrocessions	-	25,440,915	-	-	-	25,440,915
Total financial assets	-	493,535,483	-	-	70,573,247	564,108,730
Financial liabilities:						
Loan payable	-	7,647,722	467,070	-	-	8,114,792
Net liquidity margin	-	485,887,761	(467,070)	-	70,573,247	555,993,938
2017						
Financial assets:						
Cash and deposits in banks	-	-	-	-	20,538,225	20,538,225
Deposits in ceding companies	-	-	-	-	30,404,646	30,404,646
Securities available for sale	-	459,053,369	-	-	-	459,053,369
Premiums receivable	-	26,592,863	-	-	-	26,592,863
Accounts receivable - retrocessions	-	17,357,602	-	-	-	17,357,602
Total financial assets	-	503,003,834	-	-	50,942,871	553,946,705
Financial liabilities:						
Loan payable	-	720,752	-	-	-	720,752
Net liquidity margin	-	502,283,082	-	-	50,942,871	553,225,953

4.6 Operational risk

Is the risk of potential losses, direct or indirect, related to the Company's operations including, 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.

The Company's objective is to manage operational risk in order to avoid financial losses and damages to the Company's reputation.

4.7 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. The Company complied with the minimum capital established by the Superintendency of Insurance and Reinsurance of Panama until its redomestication date to the Cayman Islands, June 8th, 2018, which set a minimum of US$1,000,000 for reinsurance companies. As of June 8th, 2018, the minimum capital requirement established by the Cayman Islands Monetary Authority is assured, which is set at a minimum of US$50,000,000 for Class D reinsurance companies. Regarding regulations of the International Insurance Act of the Republic of Belize is set at a minimum of US$50,000 for reinsurance companies.

4.8 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
2018			
Assets			
Cash and deposits in bank	49,828	36,354,485	36,404,313
Deposits in ceding companies	-	34,168,934	34,168,934
Securities available for sale	-	453,649,391	453,649,391
Premiums receivable	-	14,445,177	14,445,177
Accounts receivable - retrocessions	-	25,440,915	25,440,915
Total financial assets	49,828	564,058,902	564,108,730
Liabilities			
Loan payable	-	8,114,792	8,114,792

	EURO	USD	Total
2017			
Assets			
Cash and deposits in bank	65,373	20,472,852	20,538,225
Deposits in ceding companies	-	30,404,646	30,404,646
Securities available for sale	-	459,053,369	459,053,369
Premiums receivable	-	26,592,863	26,592,863
Accounts receivable - retrocessions	-	17,357,602	17,357,602
Total financial assets	65,373	553,881,332	553,946,705
Liabilities			
Loan payable	-	720,752	720,752

5. 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.

- *Uncollectible premiums provision* - The Company estimates a provision for possible losses due to premiums and accounts that may be uncollectible. The Company performs an annual evaluation of the possibilities of recovery of the balances in concept of premiums and accounts receivable on individual bases. The estimated amount for possible losses for premiums receivable considered as uncollectible is realized net of the charges inherent to its subscription.

- *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.

- *Furniture, equipment and improvements* - the Company carries out periodic evaluations to determine the estimate of the useful life of the furniture, equipment and improvements.

- *IBNR Reserve* – This reserve is calculated according to actuarial formulas recognized worldwide: for incidents incurred, using triangulations to estimate future development, applying the global statistical method.

- *Outstanding claims reserve* - The company estimates its reserves based on the 100% of outstanding claims.

These estimates were made with the information available as at December 31, 2018 on annualized events and it is possible that future events may require modifying them (increase or decrease) in the coming years.

6. 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:

	2018	2017
Balances with related parties		
Assets		
Securities available for sale	3,200,000	3,200,000
Investment in associate	6,482,552	5,741,605
Notes receivable	4,120,000	3,513,846
Accounts receivable	4,524,500	11,923,563
Liabilities		
Accounts payable	-	1,176,374
Transactions with related parties		
Interest income	55,551	95,692
Uncollectable accounts	-	297,889
Key executives salaries	322,224	360,714

At December 31, 2018, the Company acquired US$4,120,000 (2017: US$3,513,846) relating to certificates of investment issued by the related company Standard Capital Shareholding Inc., (B.V.I), which accrued interest at an annual rate of 2.5% (2017: 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 scheduled repayment date, maturity date nor do they accrue interest.

As of December 31, 2018, according to the analysis of the accounts receivable among related companies, the Company made an adjustment of uncollectible accounts in the amount of US$0 (2017: US$297,889).

7. Cash and bank deposits

Deposits in banks are detailed below:

	2018	2017
Demand deposits - domestic	5,083,987	2,779,772
Time deposits - domestic	11,156,840	2,156,873
Demand deposits - foreign	20,163,486	15,601,580
Total	36,404,313	20,538,225
Less:		
Time deposits at original maturity greater than 90 days	11,156,840	2,155,196
Cash and cash equivalents for consolidated cash flow purpose	25,247,473	18,383,029

As of December 31, 2018, time deposits accrued an interest rate of 1.25%, at maturity on January 2018 and renewed at January 2019 (2017: 0.50%, on January 2017 renewed at January 2018).

8. Premium receivable, net

Premiums receivable are summarized as follows:

	2018	2017
Barents R.M., Inc.	18,534,151	30,220,536
Less: Uncollectible premium provision	(4,088,974)	(3,627,673)
Net premium receivable	14,445,177	26,592,863

The Company has no direct control over Barents R.M., Inc. which is therefore not considered a related party. The balance corresponds to the normal business activity of generating risk policies in the market.

Aging of accounts receivable matured but not uncollectible

	2018	2017
More than 90 days	14,445,177	26,592,863

Provision movement for uncollectible premiums

	2018	2017
Balance at beginning of the year	3,627,673	-
Provision increase	461,301	3,627,673
Balance at end of year	4,088,974	3,627,673

9. Deposits in ceding companies

As of December 31, 2018, the Company placed a deposit of US$34,168,934 (2017: US$30,404,646) under a reinsurance contract signed with a transfer company licensed in Europe, with a term of one year and without interest.

10. Securities available for sale

The securities available for sale are summarized as follows:

	2018	2017
Listed securities (at fair value):		
Governments bonds - foreign	359,914,948	372,551,561
Corporates	90,534,443	83,301,808
	450,449,391	455,853,369
Unlisted securities (at cost):		
Corporates	3,200,000	3,200,000
	453,649,391	459,053,369

The annual interest rate earned by securities available for sale ranged from 0.78% to 5.63% with one-year maturity (2016: 0.813% to 12.74% with maturities up to one year).

The movement of securities available for sale is summarized below:

	2018	2017
Balance at beginning of year	459,053,369	418,921,072
Additions	671,114,205	387,263,105
Sales	(676,721,545)	(349,943,683)
Gain transferred to income	(8,230,765)	(3,818,396)
Change in fair vaue	8,434,127	6,631,271
Balance at year end	453,649,391	459,053,369

During 2018, the Company sold securities available for sale for a total of US$684,952,310 (2017: US$353,762,079), these sales generated a net profit of US$8,230,765 (2017: US$3,818,396).

11. Property, furniture, equipment and improvements

Property, furniture, equipment and improvements are summarized below:

2018	**Improvements**	**Building**	**Office equipment**	**Computer equipment**	**Balance**
Cost					
Balance at the beginning of the year	1,924,030	2,200,433	788,633	253,568	5,166,664
Additions	-	-	-	25,467	25,467
Disposals	-	(359,433)	-	-	(359,433)
Balance at end of the year	1,924,030	1,841,000	788,633	279,035	4,832,698
Accumulated depreciation and amortization					
Balance at the beginning of the year	272,914	308,480	369,977	187,785	1,139,156
Expense for the year	59,051	63,195	75,357	26,377	223,980
Disposals	-	(95,449)	-	-	(95,449)
Balance at end of the year	331,965	276,226	445,334	214,162	1,267,687
Net balance	1,592,065	1,564,774	343,299	64,873	3,565,011
2017					
Cost					
Balance at the beginning of the year	1,924,030	2,200,433	777,831	233,401	5,135,695
Additions	-	-	10,802	20,167	30,969
Balance at end of the year	1,924,030	2,200,433	788,633	253,568	5,166,664
Accumulated depreciation and amortization					
Balance at the beginning of the year	208,780	235,132	293,292	152,538	889,742
Expense for the year	64,134	73,348	76,685	35,247	249,414
Balance at end of the year	272,914	308,480	369,977	187,785	1,139,156
Net balance	1,651,116	1,891,953	418,656	65,783	4,027,508

During 2013, the Company signed a purchase agreement for the acquisition of new premises. The agreed sale price was US$1,800,000 for offices and US$12,000 for the deposit. The outstanding balance of the related loan is of US$614,792 maturing in October 2023 with an annual interest rate of 6.25%.

12. Account receivable

Account receivable is summarized below:

	2018	2017
Barents R. M., Inc.	11,345,058	-

At July 2018, The Company maintains an account receivable at a one year term, renewable with annual interest rate of 2.68%.

13. Investment in associate

Investment in associate are summarized below:

	2018	2017
Nacional de Seguros, S. A.	4,213,652	5,741,605
Fianza Avanza, S. A.	2,268,900	-
Total	6,482,552	5,741,605

Nacional de Seguros, S. A.

On February 28, 2014, the Company acquired 2,041,723,822 shares in Nacional de Seguros, S.A. company incorporated under the laws of the Republic of Colombia, for US$6,625,533, that represents 77% of the outstanding shares at that date. During 2017, The Company disposed of 272,417,800 shares, so at the end of 2017 it retained a total 1,769,306,022 shares valued at US$5,741,605. During 2018, the Company disposed of 470,846,737 shares and retained a total of 1,298,459,285 shares valued at US$4,213,652.

A summary of the statement of financial position and the statement of profit or loss as of December 31, 2018 is detailed as follows:

Consolidated statement of financial position:

	2018	2017
Asset	43,386,283	41,456,209
Liability	33,638,536	31,767,298
Equity	9,747,747	9,688,911
Total liability and equity	43,386,283	41,456,209

Consolidated statement of profit or loss:

Income for premiums:	**2018**	**2017**
Total earned premium	718,232	682,487
Liquidated and recovered claims	371,752	1,870,358
Earned commissions	6,814,987	4,353,459
Net cost	(4,460,644)	(4,433,409)
General and administrative expenses	(2,853,970)	(2,708,120)
Technical result	590,357	(235,225)
Total other income, net	(5,856,150)	889,791
Income before income tax	(5,265,793)	654,566
Income tax	(87,597)	(84,706)
Deferred tax	(298,291)	(183,689)
Net income	(5,651,681)	386,171

According to the Minutes of the Shareholders Assembly dated December 19, 2014, the sale of the totality of share capital in Nacional de Seguros, S.A. was approved, a corporation organized and existing under the laws of the Republic of Colombia. At the date of these consolidated financial statements, we are in the process of obtaining sale authorization from the Financial Superintendency of Colombia. The Company has no control over Nacional de Seguros, S.A.

Fianzas Avanza S.A., de C.V. (México)
On September 30, 2013, the Company acquired 29,400 shares in Grupo Sodafi, S.A. de C.V. a company organized and existing under the laws of the United Mexican States. On November 6, 2016; the Board of Shareholders resolved to change the legal name of the company from Grupo Sodafi, S.A. de C.V. to Fianzas Avanza S.A. de C.V. In compliance with the Laws of Insurances and Bonds, the shareholders approved a capital increase to 31,850 shares. During the year 2018, it was approved a capital increase to 47,266 shares. The Company has no control over Fianzas Avanza S.A. de C.V.

At the end of the year 2018, the contributions to the capital of Fianzas Avanza S.A. de C.V. were in the amount of US$2,268,900 (2017:1,997,019).

A summary of the statement of financial position and the statement of profit or loss as of December 31, 2018 is detailed as follows:

Consolidated statement of financial position:

	2018
Asset	7,207,879
Liability	3,012,805
Equity	4,195,074
Total liability and equity	7,207,879

Consolidated statement of profits or losses:

Income for premiums:	**2018**
Total earned premium	108,960
Liquidated and recovered claims	-
Earned commissions	27,528
Net cost	(3,245)
General and administrative expenses	(907,905)
Technical result	(774,662)
Total other income, net	224,687
Income before income tax	(549,975)
Deferred tax	449,357
Net income	(100,618)

14. Other assets

Other assets is comprised as follow:

	2018	**2017**
Warehouse and offices	991,989	3,183,239
Prepaid expenses	434,063	216,894
Interest receivable	252,229	373,735
Prepaid tax	72,602	214,393
License advance	-	1,997,019
Construction in progress	62,705	13,577
Others	192,811	183,015
	2,006,399	6,181,872

In June of 2018, the Company ceded its rights in the purchase agreements of the offices located at P.H. Times Square Center, Costa del Este, to the companies Times Square 36 Inc., Times Square 37 Inc., Times Square 38 Inc., and Times Square PB Inc.

At December 31, 2017, The Company has made payments for licensing procedures for an insurance company in Mexico, which is in the process of incorporation. For the year 2018, the Company recognized this amount as an investment in associate (See Note 13).

15. Technical premiums reserve and uncollectable premium reserve

Premiums reserve are accrued on the basis of 35% on the net premium subscribed or retained, 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 unearned premium reserve was calculated using the daily pro rata method, in which the subscribed premium is considered proportional to the validity indicated on the invoice, so the amount of the liability is calculated taking into account the proportion of the risk not incurred on each invoice to the valuation date. At December 31, 2018, the unearned premium reserve was US$52,223,346 (2017: US$35,952,636).

The movement in technical premiums and uncollectable premium reserve is presented below:

	2018	2017
Technical premiums reserve:		
Balance at beginning of year	18,453,450	21,304,824
Decrease	(18,453,450)	(2,851,374)
Balance at end of year	-	18,453,450
Unearned premiums reserve:		
Balance at beginning of year	35,952,636	3,067,480
Increase and balance at end of the year	52,223,346	32,885,156
Retrocession of unrearned premiums reserve	(35,952,636)	-
Balance at end of year	52,223,346	35,952,636

16. Claims outstanding and IBNR reserve

The Claims outstanding and IBNR reserve are based on an actuarial valuation dated September 25, 2019, that concluded that the total claims outstanding reserve for the Company is US$30,229,069 (2017: US$50,245,116) and the total IBNR reserve is US$42,071,814 (2017: US$45,087,469).

Claims outstanding include losses arising from the reinsurance business and loss expenses paid during the year together with the movement in the provision for claims in process. The claims outstanding are made up of the accumulation of the final costs to settle all the reported and incurred losses at the date of the statement of financial position.

The reserve for claims incurred, but not reported (IBNR), is calculated according to actuarial formulas recognized worldwide.

The Company considers that the gross provisions for claims in process are reasonably presented based on the information that is available. The final liability could vary as a result of subsequent information and could result in significant adjustments to the amounts provisioned.

The movement of outstanding claims reserve and IBNR reserve is presented below:

	2018	2017
Provision reserve IBNR:		
Balance at beginning of year	45,087,469	49,302,891
Increase (decrease)	7,132,236	(4,215,422)
Retrocession of IBNR	(10,147,891)	-
Balance at end of the year	42,071,814	45,087,469
Reserve for claims in process:		
Balance at beginning of year	50,425,116	3,436,121
Increase (decrease)	(12,073,295)	50,425,116
Claims paid	(33,221,580)	(3,436,121)
Retrocession outstanding	25,098,828	-
Balance at end of the year	30,229,069	50,425,116

17. Accounts receivable - retrocessions

Accounts receivables - retrocessions are detailed below:

	2018	2017
Accounts receivable - retrocessions	25,440,915	17,357,602

Accounts receivable - retrocessions are generated by premium assumed during the current period corresponding to the coverage of the commitments on reinsurers.

18. Loans payable

The loans payable are detailed as follows:

	2018	2017
Capital International Bank Inc.		
Loan at a 10 years term with a minimum annual interest rate of 6.25%, with maturity in October 2023. The Company maintains a collateral trust agreement on real estate as a guarantee of this obligation.	614,792	720,752
Canal Bank, S. A.		
Loan at a one year term with a minimum annual interest rate of 4.25%, with maturity in December 2019. Guaranteed by time deposits.	7,500,000	-
Total	8,114,792	720,752
Short term	7,647,722	720,752
Long term	467,070	-
	8,114,792	720,752

In the year 2018, the loan agreement with Capital Bank was renewed, with a term of 5 years.

19. Deposits received from reinsurance companies

As of December 31st, 2018, the Company maintains deposits in other reinsurance companies for the amounts of US$172,661 with Trina Solar (Spain) System, S.L.U., and the amount of US$28,534,933 with Apicil Prevoyance.

20. Accounts payable and accrued expenses

The accumulated accounts and expenses payable are as follows:

	2018	2017
Reinsurers accounts payable	6,113,271	5,912,762
Suppliers accounts payable	40,191	20,391
Withholdings payable	-	8,102
Other accounts payable	1,630,379	1,112,844
	7,783,841	7,054,099

21. Other expenses

The other expenses account is summarized below:

	2018	2017
Gain in sale of fixed assets	263,984	-
Gain and loss in currencies	112,095	-
Employees benefits expense	90,537	-
Expenditure abroad	71,226	68,448
Promotion and advertising	66,297	20,356
Uncollectable accounts (See Note 6)	-	297,889
Diets	51,135	8,400
Donations	41,010	14,620
Licenses & software	20,583	16,732
Transportation and courriers	7,914	12,025
Others	650,582	379,817
	1,375,363	818,287

22. Non - controlling interest

Non-controlling interest represents the participation of other shareholders in the following subsidiary:

	% of non - controlling interest		2018	2017
Barents Re Reinsurance S.A. (Luxemburgo)	2018	2017		
	49%	49%	18,248,221	16,481,895

Movement of non-controlling interest is detailed as follows:

	2018	2017
Issuance of shares	16,481,895	17,083,262
Profit (Loss) participation	1,766,326	(601,367)
	18,248,221	16,481,895

The capital increase participation by way of increase and / or decrease in profit was proportional and therefore does not change the percentage of the participation in the capital.

23. Cession of Company

On October 31, 2018, the Shareholders' Meeting of Barents Re Reinsurance Company, Inc. (Belize) authorized the free transfer of assets, liabilities and capital of Barents Re Reinsurance Company, Inc. (Belize) in favor of Barents Re Reinsurance Company, Inc. (Cayman), who approved such assignment.

As a result, Barents Re Reinsurance Company, Inc. (Cayman) acquired all of the assets, liabilities and capital held by Barents Re Reinsurance Company, Inc. (Belize) at the time of the assignment.

Cash and bank deposits	21,966,361
Notes and accounts receivable - affiliated	4,998,229
Accounts receivable - related parties	23,097,074
Securities available for sale	296,129,345
Construction in progress	45,200
Account receivable, others	1,990,317
Prepaid expenses	20,150
Other assets	24,196,661
Technical reserve for premiums	(16,825,342)
Contingencies reserve	(39,180,823)
IBNR provision reserve	(4,166,608)
Uncollectable premium reserve	(3,627,673)
Claims reserve in process	(17,203,537)
Other accounts payable	(1,003,530)
Other liabilities	(24,249,423)
Common shares	(141,203,317)
Retained earnings	(124,983,084)

24. Common shares

The capital is composed of 100,000 shares with no par value and amounts to US$311,858,180 (2017: US$305,780,295).

On June 7th, 2018, due to the redomestication of Barents Re Reinsurance Company, Inc., from the Republic of Panama to the Cayman Islands, the Company authorized that the retained earnings of the Company, being US$12,088,787, be disposed in the following manner: (i) declaration and payment of dividends for the amount of US$4,835,520, and (ii) capitalization for the amount of US$7,253,267.

25. Income tax

Until its redomestication date to the Cayman Islands, June 8th, 2018, the Company was subject to the laws of the Republic of Panama. 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, 2018, 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.

Retroactively from January 1, 2011, the effective date of Law No.8 of 15 March 2010, Article 699 of the Fiscal Code of Panama indicates that corporates must pay income tax calculated on the greater of: (1) net taxable income calculated by the traditional method set out in Title I of Book IV of the Fiscal Code, or (2) the net taxable income resulting from applying to total taxable income four point sixty-seven percent (4.67%).

According to current Cayman Islands laws, the Company is not subject to taxes levied on profits, income, gains or appreciations.

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

For the year ended December 31, 2018, the companies, Barents Re Reinsurance Company, Inc. (Panama), did not generate income tax due to its re-domiciliation to Cayman Islands (2017: US0) and Barents Reinsurance S.A. (Luxembourg) generated income tax of US$871,987 (2017: US$231,177).

	2018	2017
Barents Re Reinsurance Company, Inc (Panamá) taxable income	-	12,572
Current income tax 25%	-	3,143
Barents Reinsurance, S. A. (Luxemburgo) taxes	871,987	231,177
	871,987	234,320

26. Approval of financial statements

The consolidated financial statements for the year ended December 31, 2018 were approved and issuance was authorized by the Board of Directors on October 31, 2019.

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DISCLAIMER

This document 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.