

**Barents Re Reinsurance
Company, Inc. and
subsidiaries**

Consolidated financial
statements for the year ended
December 31, 2025 and
independent auditor's report of
June 30, 2026



Barents Re Reinsurance Company, Inc. and subsidiaries

Independent auditor's report and 2025 consolidated financial statements

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Independent Auditor's Report to the Board of Directors of Barents Re Reinsurance Company, Inc. and Subsidiaries

Report on the audit of the financial statements

Opinion

We have audited the consolidated financial statements of **Barents Re Reinsurance Company, Inc. and Subsidiaries** (the "Company") which comprise the consolidated statement of financial position as at December 31, 2025, and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended (all expressed in United States dollars), and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025, and the results of its operations and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. 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. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- 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. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Deloitte & Touche LLP

June 30, 2026

Barents Re Reinsurance Company, Inc. and subsidiaries

Consolidated statement of financial position

at December 31, 2025

(In United States of America dollars)

Assets	Notes	2025	2024
Cash and bank deposits	6,7	46,086,943	90,951,421
Time deposits		13,872,000	16,000,000
Premiums receivable, net	8	260,892,680	252,427,795
Securities available for sale	9	678,938,978	642,990,326
Investment in associate	6,13	18,936,297	15,820,781
Trust agreements	6, 12	12,284,505	11,976,324
Notes and accounts receivable - related parties	6	10,071,669	-
Accounts receivable - retrocessions	18	122,982,588	115,932,407
Accounts receivable	11	11,500,000	11,829,754
Other accounts receivable	6	7,402,393	8,558,324
Commissions receivable		22,140,583	18,883,358
Unrealized retroceded premium	16	60,292,637	109,198,972
IBNR of retroshare	17	27,504,747	28,305,485
Retroshare of claims outstanding	17	160,107,119	174,463,079
Deferred acquisition costs	17	37,150,171	40,367,397
Property, furniture, equipment and improvements, net	10	3,845,842	478,078
Right-of-use assets	14	3,035,174	3,286,338
Other assets	15	3,404,294	3,271,324
Total assets		<u>1,500,448,620</u>	<u>1,544,741,163</u>
Liabilities and equity			
Liabilities			
Claims outstanding reserve	17	233,655,757	266,228,621
Unrealized premium reserve	16	167,707,034	207,471,600
Commissions payable		36,486,428	17,069,502
IBNR reserves	17	159,031,918	172,039,738
Unearned retroceded commission		11,627,193	17,012,320
Loans payable	19	13,872,000	16,000,000
Lease liability	14	3,035,174	3,286,338
Reinsurers accounts payable		85,204,218	115,714,105
Accounts payable and accrued expenses	20	12,165,045	12,333,041
Total liabilities		<u>722,784,767</u>	<u>827,155,265</u>
Equity			
Common shares	24	404,988,405	404,988,405
Net changes in securities available for sale		9,369,911	11,353,094
Capital reserve	25	70,257,379	72,505,820
Change in foreign currency translation		8,886,328	(12,892,449)
Legal reserve		169,771	169,771
Retained earnings		248,230,006	203,391,491
Equity attributable to owners of the Company		<u>741,901,800</u>	<u>679,516,132</u>
Non-controlling interest	23	35,762,053	38,069,766
Total equity		<u>777,663,853</u>	<u>717,585,898</u>
Total liabilities and equity		<u>1,500,448,620</u>	<u>1,544,741,163</u>

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



Barents Re Reinsurance Company, Inc. and subsidiaries

Consolidated statement of profit or loss

for the year ended December 31, 2025

(In United States of America dollars)

	Notes	2025	2024
Net income from premiums:			
Gross written premiums	24	297,777,118	365,949,295
Retroceded premiums		(78,096,583)	(179,337,851)
Change in unearned premium	16	39,764,567	(59,191,426)
Change in unearned retro premium (URP)	16	(48,999,475)	62,309,259
Net earned premium		210,445,627	189,729,277
Change in claims outstanding			
Change in claims outstanding	17	32,572,863	7,837,710
Change in retro outstanding	17	(14,242,425)	16,222,148
Change in IBNR	17	13,007,819	(38,681,776)
Change in retrocession of IBNR	17	(724,940)	37,801,316
Gross claims paid		(163,101,398)	(149,958,725)
Retroscore of claims paid		42,209,505	38,524,001
Net incurred claims		(90,278,576)	(88,255,326)
Change in unearned retrocession commission			
Change in unearned retrocession commission		2,259,086	(9,086,882)
Change in deferred acquisition costs	17	(91,185)	8,015,442
Commissions received		8,659,884	17,449,256
Commissions paid		(80,639,723)	(69,766,596)
Net commission paid		(69,811,938)	(53,388,780)
Other incomes (expenses):			
Interests income, net		921,698	(1,470,032)
Allowance for credit losses	8,18	1,930,920	2,809,558
Share of results of associates	13	2,245,383	1,583,060
Gain in securities available for sale	9	29,176,894	28,528,358
Other income (expenses)		(15,635,741)	2,902,145
Total income, net		68,994,267	82,438,260
General and administrative expenses:			
Salaries and other employee benefits		10,357,032	10,191,951
Professional fees		8,720,800	8,005,099
Depreciation expense	10,14	791,596	828,319
Other expenses	22	6,188,462	5,777,429
Total general and administrative expenses		26,057,890	24,802,798
Profit before income tax		42,936,377	57,635,462
Income tax	27	405,575	1,005,483
Net profit		42,530,802	56,629,979
Net profit attributable to:			
Owners of the Company		44,838,515	54,722,409
Non-controlling interests	24	(2,307,713)	1,907,570
Net profit		42,530,802	56,629,979

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



Barents Re Reinsurance Company, Inc. and subsidiaries

Consolidated statement of comprehensive income

for the year ended December 31, 2025

(In United States of America dollars)

	Notes	2025	2024
Net profit		<u>42,530,802</u>	<u>56,629,979</u>
Other comprehensive income:			
Realized gain transferred to income	9	(29,176,894)	(28,528,358)
Net changes in securities available for sale	9	<u>27,193,712</u>	<u>28,301,579</u>
Total other comprehensive income		<u>(1,983,182)</u>	<u>(226,779)</u>
Total net comprehensive income of the year		<u>40,547,620</u>	<u>56,403,200</u>
Comprehensive income attributable to:			
Owners of the Company		42,855,333	54,495,630
Non-controlling interests	23	<u>(2,307,713)</u>	<u>1,907,570</u>
Total comprehensive income for the year		<u>40,547,620</u>	<u>56,403,200</u>

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



Barents Re Reinsurance Company, Inc. and subsidiaries

Consolidated statement of cash flows

for the year ended December 31, 2025

(In United States of America dollars)

	Notes	2025	2024
Cash flows from operating activities:			
Net income		42,530,802	56,629,979
Adjustment for:			
Share of results of associates	13	(3,115,516)	(1,471,800)
Gain on sale of securities available for sale	9	(29,176,894)	(28,301,580)
Allowance for doubtful receivables	8	(3,047,160)	(4,558,102)
Provision outstanding claims reserve	17	(32,572,864)	(7,837,710)
Retrocession outstanding claims	17	14,355,960	(16,638,429)
Provision of unrealized premium (UPR)	16	(39,764,566)	59,191,425
Retrocession of unrealized premium (UPR) reserve	16	48,906,335	(62,096,251)
Provision of IBNR	17	(13,007,820)	1,358,763
Retrocession of IBNR reserve	17	800,738	(447,575)
Unearned retroceded commission		(5,385,127)	8,168,444
Deferred acquisition cost	17	3,217,226	(7,506,106)
Commissions payable		19,416,926	(7,062,254)
Depreciation	10	223,028	162,188
Disposal and adjustments of property, furniture, equipment and improvements		127,390	24,180
Interest income		(1,299,639)	(852,147)
Income tax		405,575	1,005,483
Interest expenses		377,941	2,317,336
Depreciation from right of use asset	14	512,021	666,131
Net changes in operating assets and liabilities:			
Increase in premiums receivable		(5,417,725)	(73,198,706)
Increase in accounts receivable retrocessions		(7,050,181)	(5,418,885)
Decrease in other accounts receivable		1,155,931	1,729,043
Increase in commissions receivable		(3,257,225)	(15,572,420)
Decrease (increase) in other assets		19,035,514	(1,538,360)
(Decrease) increase in reinsurers account payable		(30,665,890)	64,282,217
(Decrease) increase in accounts payable and accrued expenses		(11,993)	4,216,045
Interests earned		921,698	(1,465,229)
Income tax expense	26	(405,575)	(1,005,483)
Net cash used in operating activities		(22,191,090)	(35,219,803)
Cash flows from investing activities:			
Acquisition of securities available for sale	9	(669,751,096)	(657,844,112)
Sale of securities available for sale	9	660,996,156	617,879,692
Investment in time deposits		2,128,000	(16,000,000)
Notes and accounts receivable related parties		(10,071,669)	30,582,158
Acquisition of furniture and office equipment	10	(3,595,615)	(168,561)
Net cash used in investing activities		(20,294,224)	(25,550,823)
Cash flows from financing activities			
Proceeds from new loans	19	13,872,000	16,000,000
Payments to loans	19	(16,000,000)	(143,562)
Payments on lease liability		(251,164)	2,678,106
Net cash (used in) provided by financing activities		(2,379,164)	18,534,544
Net decrease in cash		(44,864,478)	(42,236,082)
Cash at the beginning of the year	7	90,951,421	133,187,503
Cash at end of the year	7	46,086,943	90,951,421
Non- monetary transactions:			
Trust agreement	12	308,181	328,525
Acquisition of property, furniture, equipment and improvements	12	168,561	168,561

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



Barents Re Reinsurance Company, Inc. and subsidiaries

Notes to the consolidated financial statements

for the year ended December 31, 2025
(In United States of America dollars)

1. Nature of business, basis of presentation and functional currency

Nature of business: 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 US\$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 Act of 2010, its amendments and other supplementary and accessory regulations. The main office of the Company is located at 10 Harrier Drive, Prospect, PO Box 10954 KY1-1007, Grand Cayman, Cayman Islands.

Standard Capital Shareholdings, Inc. (Cayman Islands) is the owner of all the issued and outstanding shares of the Company. On August 22, 2023, the jurisdiction of the shareholder of the Company changed from B.V.I. to The Cayman Islands.

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.

On July 18, 2023, the Company established and incorporated Barents Insurance EAD (Bulgaria), a wholly owned subsidiary duly incorporated and existing under the laws of the Republic of Bulgaria. On July 16, 2024 (Decision № 474-O3), Barents Insurance EAD (Bulgaria) was granted a license to conduct insurance and reinsurance for all lines of non-life business by the Financial Supervision Commission of the Republic of Bulgaria (FSC), which also serves as its regulatory supervisor.

Basis of presentation: The consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Use of estimates: The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although management believes the estimates and assumptions used in the preparation of these consolidated financial statements were appropriate in the circumstances, actual results could differ from those estimates and assumptions.

Consolidation of financial statements: The consolidated financial statements include the consolidated financial statements of Barents Reinsurance S.A. (Luxembourg) and Barents Insurance EAD (Bulgaria). Investments in which the Company has the ability to exercise significant influence but not control are accounted for using the equity method. All significant intercompany transactions and balances have been eliminated in consolidation. The consolidated financial statements incorporate the financial statements of the Company and its controlled entities (subsidiaries) until December 31 of each year. The Company's policy is to consolidate all entities in which it has a voting interest of more than 50% and asserts control.



Non-controlling interests are classified as a separate component in the consolidated balance sheets and consolidated statements of changes in Shareholders' equity. Additionally, net income and comprehensive income attributable to non-controlling interests are reflected separately from consolidated net income and comprehensive income on the consolidated statement of income and consolidated statement of changes in Shareholders' equity. Any change in ownership of a subsidiary while the controlling financial interest is retained is accounted for as an equity transaction between the controlling and non-controlling interests. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized in equity and attributed to the shareholders' equity of the Company.

Foreign currency consolidated financial statements: 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.

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 are recognized in profit or loss. Gains and losses from the translation at year end of assets and liabilities denominated in foreign currencies are recognized as a separate component of equity.

2. Significant accounting policies

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

a. *Cash equivalents*

The Company considers all highly-liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

The Company did not recognize any credit loss on the cash and cash equivalent in the years ended December 31, 2025 and 2024.

b. *Investments in marketable securities*

The Company classifies investments as trading, held-to-maturity, or available-for-sale at the time of purchase and reassesses such classifications as of each balance sheet date.

Investments classified as trading securities are acquired and held principally for the purpose of selling them in the near term. Trading securities are stated at fair value with any unrealized gains or losses recognized within earnings. Held-to-maturity investments are those which the Company has both the ability and intent to hold until maturity and are carried at amortized cost. Available-for-sale securities include investments in debt securities that are classified neither as trading nor held-to-maturity and are stated at fair value with any unrealized gains and losses recorded as a component of other comprehensive income within stockholders' equity and reclassified to current earnings upon their sale or maturity.

When the fair value of a debt security classified as held-to-maturity and available-for-sale is less than its amortized cost basis, the Company evaluates if any events have occurred or economic conditions exist that would indicate that an impairment loss exists and if such loss is other than temporary. The Company considers (i) management's intent to sell the security, (ii) whether it is more likely than not that the Company will be required to sell the security before recovery of the security's amortized cost basis, and (iii) whether the Company expects to recover the entire amortized cost basis of the security. If the reduction in fair value is other than temporary, an impairment charge is recognized in earnings.

Investments in equity securities that are not accounted for by the equity method are recorded at fair value through profit and loss.



c. **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.

Impairment or disposal of long-lived assets are accounted in accordance with ASC 360-10-15.

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.

d. **Lease accounting**

The Company determines if an arrangement is a lease or a service contract at inception. Where an arrangement is a lease the Company determines if it is an operating lease or a finance lease. Classification is reevaluated when the arrangement is modified.

Lessee - Operating leases are included in operating lease right-of-use (“ROU”) assets and operating lease liabilities in the consolidated balance sheet. Finance leases are included in property, plant and equipment and finance lease in our consolidated balance sheets. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term including options to extend or terminate the lease when it is reasonably certain those options will be exercised. The Company has elected to include lease and non-lease components in determining the lease liability for all leased assets. Non-lease components are generally services that the lessor performs in relation to the leased asset. For those leases with payments based on an index, the lease liability is determined using the index at lease commencement. Lease payments based on increases in the index subsequent to lease commencement are recognized as variable lease expense as they occur. The present value of the lease liability is determined using a [risk-free rate at lease inception]. For operating leases, the effective interest rate method is used to account for the lease liability as lease payments are made and the ROU asset is amortized to earnings in a manner that results in expense recognition on a straight-line basis. ROU assets and lease liabilities are not recognized for leases with initial terms of 12 months or less and lease expense is recognized for these leases on a straight-line basis over the lease term. ROU assets are tested at least annually for impairment or whenever events or changes in circumstance indicate that the asset may be impaired.

e. **Equity method investments**

The equity method of accounting is used to account for investments for which the Company has the ability to exercise significant influence, but not control, over an investee. Significant influence is generally deemed to exist when the Company holds an ownership interest in the voting stock of an investee of between 20% and 50%. Under certain conditions, significant influence may be achieved with an ownership of less than 20%. Such conditions include, but are not limited to, the ability to appoint a disproportionate number of directors or the ability to veto significant operating and financial decisions. An impairment charge is recorded whenever a decline in value of an investment below its carrying amount is determined to be other-than-temporary. In determining if a decline is other-than-temporary, factors such as the length of time and extent to which the fair value of the investment has been less than the carrying amount of the investment, the near-term and longer-term operating and financial prospects of the affiliate and the intent and ability to hold the investment for a period of time sufficient to allow for any anticipated recovery are considered.



f. ***Trust agreements***

Assets held in trust includes fixed deposits and real estate property, the Group established an administration trust with Accion Fiduciaria, S.A., a Colombian trust Company, which holds real estate properties located in Colombia and an administration trust with Canal Trust, Inc. related to fixed deposits.

Bank balances for which there are contractual restrictions on their use are included in cash unless such restrictions result in a bank balance that no longer meets the definition of cash.

Property are stated at cost, less accumulated depreciation.

g. ***Fair value of financial instruments and fair value measurements***

An entity is required to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Accounting guidance establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Inputs used to measure fair value may fall into one of three levels:

Level 1 - applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2 - applies to assets or liabilities for which there are inputs other than quoted prices that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3 - applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

h. ***Reserves***

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.

i. ***Reserve for claims outstanding***

Losses are recognized in the consolidated statement of profit or loss based on an estimate of the liabilities once they are reported and are expected to be settled.

These losses include losses from the reinsurance business and loss expenses paid during the year together with the movement in the provision for claims outstanding. The claims outstanding are made up of the accumulation of the estimated final costs of settling all the reported claims, using reports and individual case estimates received from ceding companies at the date of the consolidated statement of financial position.

Retroscore of claims outstanding

This provision accumulates the retroscore portion of the outstanding claims based on estimate of the liabilities once they are reported and are expected to be settled.

Reserve for unrealized premium

The unrealized 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 considering the proportion of the risk not incurred on each invoice to the valuation date.



Unrealized retroceded premium

This provision accumulates the retroshare portion of unrealized premium and is calculated considering 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.

IBNR of retroshare

This provision accumulates the retroshare portion of claims incurred but not reported and is calculated according to actuarial formulas.

Unearned retroceded commission

This unearned retroceded commission comprises all direct and indirect commissions arising from the writing of reinsurance contracts, is amortized and recorded in the consolidated statement of profit or loss.

Deferred acquisition costs

Acquisition costs comprise all direct and indirect costs arising from the writing of reinsurance contracts. Deferred acquisition costs (DAC) comprise other variable costs directly connected with acquisition or renewal of reinsurance contracts.

Deferred acquisition costs represent a proportion of commission and other acquisition costs, which are incurred during a financial year and are deferred to the extent that they are recoverable out of future revenue margins. DAC is amortized over the premium payment period in proportion to the premium revenue recognized.

j. *Premiums and accounts receivables*

Premiums receivables: 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. 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 objective evidence of non-recoverable. If so, the loss impairment is recognized immediately in the consolidated statement of profit or loss. In measuring the impairment loss, the Administration calculates the credit risk exposure considering the accounts receivable net of reinsurer participation, acquisition costs, unearned premiums and related taxes.

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.

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.

k. **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 with the contractual arrangements.

Equity instruments

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

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

l. **Repurchase agreement**

Repurchase agreements are generally accounted for as financing transactions received with guarantees and are recorded at the amount at which the securities were, plus accrued interest. The Company evaluates the market value of securities sold and releases guarantees to counterparties when appropriate.

m. **Premium income**

Income is presented at fair value of the consideration received or receivable, considering 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.

n. **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. Risk management

a. 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 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.

b. Financial risk

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 underwriting and reinsurance risk
- Credit risk
- Liquidity risk
- Market risk
- Operational risk

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

Insurance underwriting and reinsurance 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. This risk represents all the future losses not being covered as the way they should be by the premiums, this can be arising from the inherent uncertainties as to the economic situation, occurring rates and timing of insurance liabilities. By the nature of the insurance contract, this risk is random and therefore unpredictable notwithstanding 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 program of the Company, additional reinsurance protection can be purchased by facultative contract when the risk assessment so warrants.

The Company contains its exposure by creating multiple and diverse models. First, is reviewing and selecting risks which match the Company as a reinsurer, then the Company accepts them by reviewing them under the Company's terms and assigning those an expected cost and level of riskiness.

Strict underwriting standards are applied by the Company, being primarily holding daily underwriting briefings to discuss business progress, pricing, and opportunities, and not getting drive the Company's short-term risk appetite by the excess capital.

In 2025, high economic inflation was a priority consideration for the Board of Directors in relation to insurance risk. The impact was considered in ORSA reports produced by the Risk Management Team. The team concluded that expected inflation is adequately allowed for in the capital model input parameters and assumptions are consistent across the reinsurer. The impact of claims inflation on the Reinsurer is expected to be negligible as sums insured are fixed but as a prudent action, we perform mitigation actions by calibration of our pricing tool of all lines of business to include inflation factors and including adjustments of inflation to our IBNR Models.

As advised above, 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.

Sensitivity to insurance risk

The Company's sensitivity to risk can be clearly seen on the Company's retention for each Retrocession Program on all Lines of Business. We establish our own self retention (Priority) based on each line of business's Underwriting Guidelines and risks are back-to-back with our retrocession arrangements, so as to mitigate yet any gaps in coverage. Our net retentions, after retrocession, are measured (and lowered) and are relative to our individual lines of business and our risk tolerance for each. We have "Cash Loss Clauses" in our Quota Share treaty purchases, and "Simultaneous Settlements Clauses" in our Excess of loss treaty purchases to manage cash flow for large claims.

Overall, the direct impact on the cash flow derived from an insurance event is balanced according to the company's ERM practices. The Company has a conservative approach to risk retention, buying down via reinsurance where the market is still prepared to trade at a risk transfer price acceptable to us. Actuarial and Aggregate Reports (where applicable) are prepared to monitor closely the exposure and possible impacting scenarios.

Credit risk

The Company utilizes a minimum-security quality threshold of A.M. Best 'A-' and/or S&P 'A-' rating. Exceptions require sign-off by the CEO and are advised to the Board of Directors. Self-imposed maximum capacity on any one reinsurer/group is 20%. Quarterly security reviews are prepared to keep record of the security quality and applying possible future changes when applicable and necessary. Our retrocession panel is diversified, in terms of number of counter parties (50+) and their geographical domicile.

Internally, the Company monitors and reviews Counter Party Security and ageing of our Treaty Retro reinsurance Recoverables on a quarterly basis. The amount of balances due to us for retro claims from our brokers/agents/reinsurers beyond 90 days ageing is US\$0. To date, we have no reinsurers that have defaulted.

Liquidity risk

Loss Reserves are set according to actuarial reports based on yearly loss development including claims paid. Provision for claims and retro protection are acquired to minimize potential impact of a major liquidity situation. Premium and loss developments are quarterly prepared and monitored according to annual projection and closely followed; if necessary, projections are updated to accommodate any given situation.



Market risk

The Company's reinsurance placements are not affected directly by fluctuations on interest rates, as the majority of our business is done in USD and we are not involved on purely financial, credit, loan businesses.

On the other hand, since the vast majority of the Company's premium receivables and retrocession payables are denominated in USD, this minimizes foreign exchange currency risk on its consolidated statement of financial position. Most of the portfolio is either in USD or EUR and possible devaluation is considered to be well absorbed within the overall business results.

The Company's underwriting philosophy excludes long-term contracts. Concurrently, the Company's assets are mostly invested in short duration investment grade securities. As such, market and interest rate risks are minimized given short durations of assets and liabilities.

Reserving risk

For reserving risk, the Company includes sophisticated actuarial models to calculate reserves reviewed by 2 independent fellowship actuaries, the Company's IBNR figures considers provision for adverse deviation, adjustment from inflation, ULAE IBNR and detail analysis individually of attritional, large and cat losses.

2025

Loss type	Claims outstanding	IBNR	Loss and LAE reserves	Retroshare of claims outstanding	Retroshare of IBNR	Retroshare loss and LAE reserves	Net loss and LAE reserves	% Retroshare
Attritional losses	123,157,740	134,758,650	257,916,390	65,203,423	14,420,581	79,624,004	178,292,386	24%
Large and CAT losses	110,498,017	24,273,269	134,771,286	96,002,122	13,369,589	109,371,711	25,399,575	45%
Total	<u>233,655,757</u>	<u>159,031,919</u>	<u>392,687,676</u>	<u>161,205,545</u>	<u>27,790,170</u>	<u>188,995,715</u>	<u>203,691,961</u>	32%

2024

Loss type	Claims outstanding	IBNR	Loss and LAE reserves	Retroshare of claims outstanding	Retroshare of IBNR	Retroshare loss and LAE reserves	Net loss and LAE reserves	% Retroshare
Attritional losses	236,164,983	153,073,442	389,238,424	147,422,255	16,908,537	164,330,792	224,907,631	42%
Large and CAT losses	30,063,638	18,966,296	49,029,934	28,025,715	11,606,573	39,632,288	9,397,647	81%
Total	<u>266,228,621</u>	<u>172,039,738</u>	<u>438,268,358</u>	<u>175,447,970</u>	<u>28,515,110</u>	<u>203,963,080</u>	<u>234,305,278</u>	47%

Concentrations

The Company believes the concentration risk on insurance contracts is low, as it participates in pools of risks which the broker divides between several different counterparties, countries and industries.

c. *Credit risk*

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. Credit risk also represents the risk of the stop payments focused on the counterparties by diverse circumstances, mainly: retrocession assets and recoveries and premium receivables from clients; credit risk from investments is minimal.

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's mission is to reduce that loss by using multiple strategies such as:

- Diversification of clients and retrocessionaires worldwide.
- More than 95% of clients and retrocessionaires are A rated.
- No leverage and 95% of investments are from Treasury Bills (risks and rates).
- Diversification of different distribution channels (direct, MGA and brokers).



- 60% are facultative business with usually PPW and no cash-no coverage clauses.
- Several stress scenarios of default of retrocessionaires and increment of receivables to ensure our capital is sufficient.
- The Company's retro capacity needs are relatively small, our geographical footprint maintains our attraction to the reinsurance market.

Also, the Company has an important component of credit risk management which is to establish risk limits across all sectors to reduce the risk of default and keep non-performing assets at prudent levels. In addition, 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 premiums receivable 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:

	2025	2024
Investment grade	678,938,978	642,990,326

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 on December 31 is as follows:

	Premiums receivable, net		Accounts receivable - retrocessions		Accounts receivable		Securities available for sale, net	
	2025	2024	2025	2024	2025	2024	2025	2024
Concentration by sector:								
Corporate debt securities	260,892,680	252,427,795	122,982,588	115,932,407	11,500,000	11,829,754	5,873,956	1,514,843
Equity securities	-	-	-	-	-	-	1,774,600	1,671,186
Government bonds	-	-	-	-	-	-	671,290,422	639,804,297
Carrying amount	260,892,680	252,427,795	122,982,588	115,932,407	11,500,000	11,829,754	678,938,978	642,990,326
Geographic concentration:								
Europe	-	-	122,982,588	115,932,407	11,500,000	11,829,754	43,584,619	31,271,004
South America and Caribbean	260,892,680	252,427,795	-	-	-	-	-	-
United States of America	-	-	-	-	-	-	635,354,359	611,719,322
Carrying amount	260,892,680	252,427,795	122,982,588	115,932,407	11,500,000	11,829,754	678,938,978	642,990,326

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

d. *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 when they are due or would have to incur in excessive or unnecessary costs to do so.

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:

	<u>No maturity</u>	<u>3 moths 1 year</u>	<u>Over a year</u>	<u>Total</u>
2025				
Financial assets:				
Cash and deposits in bank	59,958,943	-	-	59,958,943
Securities available for sale	-	678,938,978	-	678,938,978
Trust agreements	2,471,505	-	9,813,000	12,284,505
Premiums receivable	-	260,892,680	-	260,892,680
Accounts receivable - retrocessions	-	122,982,588	-	122,982,588
Notes and accounts receivable - related parties	10,071,669	-	-	10,071,669
Accounts receivable	11,500,000	-	-	11,500,000
Other accounts receivable	7,402,393	-	-	7,402,393
Total financial assets	91,404,510	1,062,814,246	9,813,000	1,164,031,756
Financial liabilities:				
Commissions payable	36,486,428	-	-	36,486,428
Loans payable	3,872,000	-	10,000,000	13,872,000
Lease liability	-	3,035,174	-	3,035,174
Reinsurers accounts payable	85,204,218	-	-	85,204,218
Total financial liabilities	125,562,646	3,035,174	10,000,000	138,597,820



	<u>No maturity</u>	<u>0 - 3 month to 1 year</u>	<u>Over a year</u>	<u>Total</u>
2024				
Financial assets:				
Cash and deposits in bank	106,951,421	-	-	106,951,421
Securities available for sale	-	642,990,326	-	642,990,326
Trust agreements	2,163,324	-	9,813,000	11,976,324
Premiums receivable	-	252,427,795	-	252,427,795
Accounts receivable - retrocessions	-	115,932,407	-	115,932,407
Accounts receivable	11,829,754	-	-	11,829,754
Other accounts receivable	8,558,324	-	-	8,558,324
Total financial assets	<u>129,502,823</u>	<u>1,011,350,528</u>	<u>9,813,000</u>	<u>1,150,666,351</u>
Financial liabilities:				
Commissions payable	17,069,502	-	-	17,069,502
Loans payable	-	16,000,000	-	16,000,000
Lease liability	-	3,286,338	-	3,286,338
Reinsurers accounts payable	115,714,105	-	-	115,714,105
Total financial liabilities	<u>132,783,607</u>	<u>19,286,338</u>	<u>-</u>	<u>152,069,945</u>

e. **Market risk**

Market risk is the risk that the value of a financial asset may be reduced because of changes in financial market prices 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.

As part of the market risk, the Company 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:

	3 months to 1 year	1 to 5 years	No interest rate	Total
2025				
Financial assets:				
Cash and deposits in banks	-	-	59,958,943	59,958,943
Securities available for sale	678,938,978	-	-	678,938,978
Trust Agreements	-	9,813,000	2,471,505	12,284,505
Premiums receivable	-	-	260,892,680	260,892,680
Accounts receivable - retrocessions	-	-	122,982,588	122,982,588
Accounts receivable	-	-	11,500,000	11,500,000
Other accounts receivable	-	-	7,402,393	7,402,393
Total financial assets	<u>678,938,978</u>	<u>9,813,000</u>	<u>465,208,109</u>	<u>1,153,960,087</u>
Financial liabilities:				
Commissions payable	36,486,428	-	-	36,486,428
Loans payable	13,872,000	-	-	13,872,000
Lease liability	3,035,174	-	-	3,035,174
Reinsurers accounts payable	-	-	85,204,218	85,204,218
Total financial liabilities	<u>53,393,602</u>	<u>-</u>	<u>85,204,218</u>	<u>138,597,820</u>
Net liquidity margin	<u>625,545,376</u>	<u>9,813,000</u>	<u>380,003,891</u>	<u>1,015,362,267</u>



	<u>3 months to 1 year</u>	<u>1 to 5 years</u>	<u>No interest rate</u>	<u>Total</u>
2024				
Financial assets:				
Cash and deposits in banks	-	-	106,951,421	106,951,421
Securities available for sale	642,990,326	-	-	642,990,326
Trust Agreements	-	9,813,000	2,163,324	11,976,324
Premiums receivable	-	-	252,427,795	252,427,795
Accounts receivable - retrocessions	-	-	115,932,407	115,932,407
Accounts receivable	-	-	11,829,754	11,829,754
Other accounts receivable	-	-	8,558,324	8,558,324
Total financial assets	<u>642,990,326</u>	<u>9,813,000</u>	<u>497,863,025</u>	<u>1,150,666,351</u>
Financial liabilities:				
Commissions payable	17,069,502	-	-	17,069,502
Loans payable	16,000,000	-	-	16,000,000
Lease liability	3,286,338	-	-	3,286,338
Reinsurers accounts payable	-	-	115,714,105	115,714,105
Total financial liabilities	<u>36,355,840</u>	<u>-</u>	<u>115,714,105</u>	<u>152,069,945</u>
Net liquidity margin	<u>606,634,486</u>	<u>9,813,000</u>	<u>382,148,920</u>	<u>998,596,406</u>

f. **Investment risk**

The Company defines this risk as the investment volatility resulting from changes in interest and inflation rates, credit spreads and exchange rates, among other things, which may adversely affect the value of the Company's investment portfolio. The Company believes this also helps reduce portfolio risk. The Company annually performs and fulfills their ways to reduce the risk.

- Identify the Company's risk tolerance capacity and liquidity.
- Diversify investments to prevent a bigger risk exposure.
- On a quarterly basis, evaluate doubtful collection accounts and establish an adequate provision to cover any future losses.
- Investment Committee establishing overall investment strategy for the Company and overseeing its execution and results.

The potential impact was considered in the ORSA assuming a stress scenario of a financial crisis and -20% return of assets, which demonstrates that this does not compromise the Company's capital model.

The Company manages reinsurance market risk in several ways, principally being:

- Closely monitoring changes in interest rates, exposures, business conditions and inflation.
- Market consultation to the money market trader to explore forthcoming conditions on the currency price.
- Annual strategic review meeting held (hold quarterly underwriting committee meetings to address issues such as underwriting performance and meetings of the Management Risk, Capital, and Compliance Committee to review relevant risk and capital considerations).



Several policies and measures are in place to manage liquidity risk.

- Low volatility on most securities held in our portfolio.
- Good credit rating and good background reference on this type of issuance.
- Highly liquid investment portfolio to meet expected outflows and potential outflows resulting from a variety of potential stress events.
- Forecasts made on a regular basis to anticipate liquidity needs in both the short and medium term.
- Conduct stress tests to ensure it can withstand extreme loss events and remain liquid. The potential impact was considered in our ORSA assuming a stress scenario of a financial crisis assuming loss due currency fluctuation, increment of premium receivables and increase of operating expenses due inflation, which demonstrates that this do not compromise our capital model.

GWP by original currency

	2025	%	2024	%	% Change
USD	94,130,604	32%	180,049,445	49%	-48%
EUR	85,611,918	29%	33,181,779	9%	158%
Other	118,034,596	40%	152,718,071	37%	-23%
Total	<u>297,777,118</u>		<u>365,949,295</u>		-19%

g. 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.

To help reduce this risk, the Company has approved the relevant permits for the underwriting and trading of securities. The Company has established and uses policies and procedures to:

- Identify, prevent, detect, and mitigate network, email and/or device cyber security threats and take measures to respond in an effective way.
- Ensure that information and documents submitted to the rating agency are correct, reviewed and approved by each department involved in the process.
- In addition, the Company implements the use of information from trusted sources, such as official documents, survey reports, audited consolidated financial statements, etc.
- Constant communication is maintained with the Treasury Department for the confirmation of monthly transactions and movements.

h. 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 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.

Additionally, the Company currently sets its capital requirements based on the Prescribed Capital Requirement (“PCR”) of the Cayman Islands Monetary Authority (CIMA). The Company ensures the ongoing appropriateness of this approach through a comparison with the outcome of several actuarial and risk models including stress tests included in the ORSA, PML Analysis and other capital models including stochastic internal models, and risk based capital models of other regulations.



The calculations are based upon sophisticated mathematical models that reflect the key risks in the business, allowing for the probability of occurrence, the potential impact should losses occur and the interactions between the different risk types.

The results of the modelling confirm that most of the capital is required to support insurance risk.

i. **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:

	<u>EURO</u>	<u>USD</u>	<u>MXN</u>	<u>Total</u>
2025				
Assets				
Cash and deposits in bank	13,884,793	46,068,887	5,263	59,958,943
Securities available for sale	-	678,938,978	-	678,938,978
Trust Agreements	-	12,284,505	-	12,284,505
Premiums receivable	-	260,892,680	-	260,892,680
Accounts receivable - retrocessions	122,982,588	-	-	122,982,588
Accounts receivable	-	11,500,000	-	11,500,000
Other accounts receivable	-	7,402,393	-	7,402,393
	<u>136,867,381</u>	<u>1,017,087,443</u>	<u>5,263</u>	<u>1,153,960,086</u>
Total financial assets				
Liabilities				
Commissions payable	-	36,486,428	-	36,486,428
Loans payable	-	13,872,000	-	13,872,000
Lease liability	-	3,035,174	-	3,035,174
Reinsurers accounts payable	-	85,204,218	-	85,204,218
Total financial liabilities	<u>-</u>	<u>138,597,820</u>	<u>-</u>	<u>138,597,820</u>
	<u>EURO</u>	<u>USD</u>	<u>MXN</u>	<u>Total</u>
2024				
Assets				
Cash and deposits in bank	14,336,322	92,609,455	5,644	106,951,421
Securities available for sale	-	642,990,326	-	642,990,326
Trust Agreements	-	11,976,324	-	11,976,324
Premiums receivable	-	252,427,795	-	252,427,795
Accounts receivable - retrocessions	115,932,407	-	-	115,932,407
Accounts receivable	-	11,829,754	-	11,829,754
Other accounts receivable	-	8,558,324	-	8,558,324
	<u>130,268,729</u>	<u>1,020,391,978</u>	<u>5,644</u>	<u>1,150,666,351</u>
Total financial assets				
Liabilities				
Commissions payable	-	17,069,502	-	17,069,502
Loans payable	-	16,000,000	-	16,000,000
Lease liability	-	3,286,338	-	3,286,338
Reinsurers accounts payable	-	115,714,105	-	115,714,105
Total financial liabilities	<u>-</u>	<u>152,069,945</u>	<u>-</u>	<u>152,069,945</u>



j. ***Strategic and tactical risks***

Strategic risk is the risk of unexpected negative changes in the value of the business due to the negative impact of management decisions on the business strategy and its implementation. This includes reputational risks and the risk of not adapting business strategy to changes in the internal and external environment.

The Company mitigates its exposure by:

- Establish several committees to report through them all progress, issues, milestones, and relevant matters to General Management for its knowledge, consideration, and action if necessary.
- Review audited consolidated financial statements of the client, experience, and shareholders reputation.
- The Company's Board of Directors oversee all relevant events that may impact the reputational risk of the Company and take the necessary actions on time to mitigate any threats beyond the Company's risk tolerance if necessary.

k. ***Concentration risk***

The Company defines this risk as the possibility that a portfolio or financial institution will lose value when an individual or a group of exposures move together in an unfavorable direction. The implication of concentration of risk is that it causes a lot of damage creating irrecoverable losses.

The Company mitigates its exposure by:

- Use concentration indices to measure the level of concentration in the portfolio and applying transaction cost analysis to estimate market impact and incorporating turnover constraints into portfolio analysis.
- The Company's low risk appetite relates to profitability objectives, this includes the investment strategy when selecting the individuals or groups that the Company chooses to invest in.

l. ***Compliance risk***

This is the risk of legal or regulatory sanctions, significant financial losses, or loss of reputation to which the Company may be exposed because of its failure to comply with relevant laws, rules, regulations, self-regulatory rules and codes of conduct for their activities.

Methods used by the Company to mitigate the compliance risk are:

- Stay up to date with changes in the environment, such as the introduction of new laws and the application of those, to adjust the organization's strategy.
- Monitor events that give rise to compliance risks, analyze their frequency and patterns, and draw conclusions (including possible associations and amplifications with other risks).
- Compare progress with the risk management plan, review and update the risk management plan periodically to ensure its adequacy, relevance, and effectiveness in relation to risk management of compliance.

The Company's compendium of manuals, policies, and procedures, provide guidance and internal control for the proper management of the Company's obligations and corporate governance. These manuals are reviewed on a yearly basis at a minimum.

Company staff possesses sufficient controls and dedicated schedules to comply with any regulatory requirement on a timely basis. In addition to the above, the Compliance Officer, as part of his functions, maintains constant and fluid communication with its regulatory authority, the Cayman Islands Monetary Authority (CIMA) and the Financial Supervision Commission of the Republic of Bulgaria (FSC). As a point of contact, the Compliance Officer ensures that queries and requirements are duly met.

m. ***Money laundering, terrorism financing and fraud risk***

Fraud risk is defined as a form of operational risk, which is the risk to current or expected financial condition and resilience due to inadequate or failed internal processes or systems, human error or error, or adverse external events.



7. Cash and bank deposits

Deposits in banks are detailed below:

	2025	2024
Demand deposits - domestic	1,714,616	17,526,180
Time deposits - domestic	13,894,309	16,000,000
Demand deposits - foreign	44,350,018	73,425,241
Total	59,958,943	106,951,421
Less:		
Time deposits at original maturity greater than 90 days	13,872,000	16,000,000
Cash and cash equivalents for consolidated cash flow purpose	46,086,943	90,951,421

8. Premiums receivable, net

Premiums receivables are summarized as follows:

	2025	2024
Barents Risk Management, LTD.	181,052,385	192,567,078
Others	82,887,456	64,137,820
	263,939,841	256,704,898
Less: Uncollectible premium provision	(3,047,161)	(4,277,103)
Net premium receivable	260,892,680	252,427,795

Aging of accounts receivable matured but not uncollectible

	2025	2024
Current	66,188,299	85,261,835
30-60 days	19,117,700	34,720,868
61-90 days	12,461,570	35,132,660
More than 90 days	166,172,272	101,589,535
	263,939,841	256,704,898

Provision movement for uncollectible premiums

	2025	2024
Balance at beginning of the year	4,277,103	7,125,151
Reversal of uncollectible premiums	(1,229,942)	(2,848,048)
Balance at end of year	3,047,161	4,277,103



9. Securities available for sale

Securities available for sale are summarized as follows:

	2025	2024
<u>Listed securities (at fair value):</u>		
Governments bonds - foreign	671,290,422	639,804,297
Corporates debt securities	5,873,956	1,514,843
Equity securities	1,774,600	1,671,186
	<u>678,938,978</u>	<u>642,990,326</u>
Reserve for current expected credit losses	(187,894)	(183,014)
Total	<u>678,751,084</u>	<u>642,807,312</u>

As of December 31, 2025 and 2024, the amortized cost, gross unrealized holding gains and losses, and fair value of available-for-sale investments were as follows:

	Cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
2025				
Corporate debt securities	5,865,521	-	8,435	5,873,956
Government bonds	662,106,422	9,187,882	(3,882)	671,290,422
Other debt securities	1,774,600	-	-	1,774,600
Total	<u>669,746,543</u>	<u>9,187,882</u>	<u>4,553</u>	<u>678,938,978</u>
2024				
Corporate debt securities	1,568,218	-	(26,724)	1,541,494
Government bonds	628,540,549	11,237,097	-	639,777,646
Other debt securities	1,671,186	-	-	1,671,186
Total	<u>631,779,953</u>	<u>11,237,097</u>	<u>(26,724)</u>	<u>642,990,326</u>

The annual interest rate earned by government bonds is 4.57% with maturities up to one year (2024: 1.75%) with maturities up to one year).

The gross unrealized losses are temporary and do not represent continuous loss position.

Realized gain on sales of investments available for sale during 2025 were US\$29,176,894 (2024: US\$28,528,358), respectively. Realized gains and losses are presented within in the consolidated statement of comprehensive income and unrealized gains and losses recorded as a component of other comprehensive income within stockholders' equity and reclassified to current earnings upon their sale or maturity.

As of December 31, 2025, contractual maturities of debt securities were as follows:

	2025	2024
One year or less	671,290,422	626,670,932
Maturing after one year through five years	5,873,956	14,776,956
Maturing after five through ten years	1,774,600	1,542,438
Total	<u>678,938,978</u>	<u>642,990,326</u>



The movement of securities available for sale is summarized below:

	2025	2024
Balance at beginning of the year	642,990,326	574,724,326
Additions	698,927,990	657,844,112
Sales	(690,173,050)	(617,879,692)
Change in fair value	27,193,712	28,301,580
Balance at year end	<u>678,938,978</u>	<u>642,990,326</u>

10. Property, furniture, equipment and improvements

Property, furniture, equipment and improvements are summarized below:

2025	<u>Property</u>	<u>Improvements</u>	<u>Office equipment</u>	<u>Computer equipment</u>	<u>Balance</u>
Cost					
Balance at the beginning of the year	-	586,247	427,335	583,428	1,597,010
Additions	3,544,762	-	12,487	38,366	3,595,615
Disposals	-	-	-	(127,390)	(127,390)
Adjustments	-	78,444	5,956	(42,576)	41,824
Balance at end of the year	<u>3,544,762</u>	<u>664,691</u>	<u>445,778</u>	<u>451,828</u>	<u>5,107,058</u>
Accumulated depreciation and amortization					
Balance at the beginning of the year	-	406,831	266,356	445,745	1,118,932
Expense for the year	30,515	66,805	44,969	80,739	223,028
Adjustments	-	-	-	(80,744)	(80,744)
Balance at end of the year	<u>30,515</u>	<u>473,636</u>	<u>311,325</u>	<u>445,740</u>	<u>1,261,216</u>
Net balance	<u>3,514,247</u>	<u>191,055</u>	<u>134,453</u>	<u>6,088</u>	<u>3,845,843</u>
2024		<u>Improvements</u>	<u>Office equipment</u>	<u>Computer equipment</u>	<u>Balance</u>
Cost					
Balance at the beginning of the year		575,553	366,954	510,122	1,452,629
Additions		26,086	78,152	64,323	168,561
Adjustments		(15,392)	(17,771)	8,983	(24,180)
Balance at end of the year		<u>586,247</u>	<u>427,335</u>	<u>583,428</u>	<u>1,597,010</u>
Accumulated depreciation and amortization					
Balance at the beginning of the year		328,744	238,849	389,151	956,744
Expense for the year		78,087	27,507	56,594	162,188
Balance at end of the year		<u>406,831</u>	<u>266,356</u>	<u>445,745</u>	<u>1,118,932</u>
Net balance		<u>179,416</u>	<u>160,979</u>	<u>137,683</u>	<u>478,078</u>



A summary of the consolidated statement of financial position and the consolidated statement of profit or loss as of December 31, 2025 is detailed as follows:

Statement of financial position:

	2025	2024
Total assets	263,834,601	200,834,394
Total liabilities	<u>245,288,615</u>	<u>179,383,326</u>
Net assets	<u>18,545,986</u>	<u>21,451,068</u>

Statement of profit or loss:

	2025	2024
Income for premiums:		
Total earned premium	3,214,828	2,793,208
Liquidated and recovered claims	7,727,696	16,361,460
Earned commissions	20,947,459	15,744,432
Net cost	(20,785,138)	(28,998,390)
General and administrative expenses	<u>(15,053,102)</u>	<u>(15,948,537)</u>
Technical result	(3,948,257)	(10,047,827)
Total other income, net	<u>10,723,340</u>	<u>15,395,238</u>
Income before income tax	6,775,083	5,347,411
Income tax	(3,226,535)	(2,463,314)
Deferred tax	<u>768,592</u>	<u>219,943</u>
Net income	<u>4,317,140</u>	<u>3,104,040</u>

Investment in associate movement schedule is as follows:

	Nacional de Seguros, S. A.	Nacional de Seguros, S. A.
	2025	2024
Balance at beginning of the year	16,683,554	15,100,494
Share of profit of associate	<u>2,252,743</u>	<u>1,583,060</u>
Ending balance as of December 31	<u>18,936,297</u>	<u>16,683,554</u>

14. Leases

The Company leases buildings for which the average lease term is 24 months. There are currently no residual value guarantees or restrictions or covenants in relation to the Company's lease.



Net operating right-of-use assets by class of assets are comprised as follows:

The right-of-use assets are presented below:

	2025	2024
Buildings	3,952,469	1,290,403
Increase	-	2,662,066
Exchange adjustment	(405,274)	-
Less - depreciation and amortization	<u>512,021</u>	<u>666,131</u>
Net operating right-of-use assets	<u>3,035,174</u>	<u>3,286,338</u>

a. *Amounts recognized in the consolidated statement of profit or loss*

	2025	2024
Depreciation expense on right of use assets	<u>512,021</u>	<u>666,131</u>
Interest expense on lease liabilities	<u>125,584</u>	<u>65,162</u>
Expenses related to short-term leases	<u>797,883</u>	<u>643,773</u>
Interest expense on lease liabilities	<u>65,076</u>	<u>57,726</u>

b. *Lease liabilities*

Lease liabilities are discounted at a discount rate of 4.25%, the balances being as follows:

	2025	2024
Amounts due for settlement within 12 months	637,604	738,556
Amounts due for settlement after 12 months	<u>2,397,570</u>	<u>2,547,782</u>
	<u>3,035,174</u>	<u>3,286,338</u>

Contractual maturities of operating and financing lease liabilities are as follows:

	December 31,	2025
		Operating
2026		637,604
Thereafter		2,523,154
Less unearned interest		<u>(125,584)</u>
Total		<u>3,035,174</u>
	December 31,	2024
		Operating
2025		738,556
Thereafter		2,612,944
Less unearned interest		<u>(65,162)</u>
Total		<u>3,286,338</u>



15. Other assets

Other assets are comprised as follows:

	2025	2024
Interest receivable for accounts receivables (See Note 11)	1,812,282	1,812,282
Prepaid expenses	481,927	831,475
Prepaid tax	489,683	-
Others interest	286,692	357,655
Interest receivable for notes (See Note 6)	84,605	-
Guarantee deposits	17,073	17,073
Others	232,032	252,839
	<u>3,404,294</u>	<u>3,271,324</u>

16. Unrealized premium reserve

The unrealized 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 considering the proportion of the risk not incurred on each invoice to the valuation date. As of December 31, 2025, the unrealized premium reserve was US\$167,707,034 (2024: US\$207,471,601) and the total unrealized retroceded premium is US\$60,695,011(2024: US\$109,694,477).

The movement in technical premiums, unrealized premium reserve and unrealized retroceded premium is presented below:

	2025	2024
Unrealized premium (UPR)		
Balance at the beginning of the year	207,471,601	148,280,175
Increase (decrease)	<u>(39,764,565)</u>	<u>59,191,426</u>
Balance at the end of the year	<u>167,707,036</u>	<u>207,471,601</u>
Unrealized retro premium(UPR)		
Balance at the beginning of the year	109,694,477	47,385,218
Increase (decrease)	<u>(48,999,466)</u>	<u>62,309,259</u>
Balance at the end of the year	<u>60,695,011</u>	<u>109,694,477</u>
Reserve for current expected credit loss	<u>(402,367)</u>	<u>(495,506)</u>
Balance at the end of the year	<u>60,292,644</u>	<u>109,198,971</u>

17. Claims outstanding, IBNR reserve and Deferred acquisition costs

IBNR reserve is based on an actuarial valuation, that concluded that the total claims outstanding reserve for the Company is US\$233,655,757 (2024: US\$266,228,621) and retroshare of claims outstanding US\$161,205,545(2024: US\$175,447,970). The total IBNR reserve is US\$159,031,918 (2024: US\$172,039,738), IBNR of retroshare is US\$27,790,170 (2024: US\$28,515,110). The total deferred acquisition costs are US\$37,150,171 (2024: US\$40,367,397).

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 from 100% of the claims paid.

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

This assets provision is accumulated based on the retroshare portion of claims incurred but not reported, and is calculated according to actuarial formulas.

The movement of claims outstanding reserve, retroshare of outstanding claims, IBNR reserve, IBNR of retroshare, and deferred acquisition costs is presented below:

	2025	2024
Provision reserve IBNR		
Balance at the beginning of the year	172,039,738	170,680,975
Decrease	(13,007,820)	1,358,763
Balance at the end of the year	<u>159,031,918</u>	<u>172,039,738</u>
IBNR of retroshare		
Balance at the beginning of the year	28,515,110	28,036,807
Increase (decrease)	(724,940)	478,303
	<u>27,790,170</u>	<u>28,515,110</u>
Reserve for current expected credit losses	(285,423)	(209,625)
Balance at the end of the year	<u>27,504,747</u>	<u>28,305,485</u>
Claims outstanding reserve:		
Balance at the beginning of the year	266,228,621	274,066,331
(Decrease) increase	(32,572,864)	(7,837,710)
Balance at the end of the year	<u>233,655,757</u>	<u>266,228,621</u>
2025		
2024		
Retroshare of claims outstanding		
Balance at the beginning of the year	175,447,970	159,225,822
Increase	(14,242,425)	16,222,148
	<u>161,205,545</u>	<u>175,447,970</u>
Reserve for current expected credit losses	(1,098,426)	(984,891)
Balance at the end of the year	<u>160,107,119</u>	<u>174,463,079</u>
Total net provision included in the balance	<u>203,691,954</u>	<u>234,305,278</u>
Deferred acquisition costs:		
Balance at the beginning of the year	40,367,397	32,861,291
Deferred	(3,217,226)	7,506,106
Balance at the end of the year	<u>37,150,171</u>	<u>40,367,397</u>

The following table present the total net loss & loss adjustments expenses reserves including claims outstanding and IBNR for the year ended and as of December 31, 2025.

The reserves and the loss development triangle of case incurred is produced by UW year basis and is net of retrocession. All figures are in thousand USD.



Pure underwriter year net of retrocession	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
At end of underwriting year												
one	1,068,200	1,356,113	11,535,572	58,572,766	13,359,820	17,710,081	84,664,713	17,637,698	12,319,416	25,612,068	13,943,397	23,573,279
One year later	13,206,782	21,080,695	24,119,223	73,616,130	36,532,688	45,694,245	105,869,456	50,528,759	44,565,308	82,333,220	70,407,131	
Two years later	21,694,533	25,466,882	49,305,418	105,236,000	48,675,257	61,554,292	122,024,268	87,441,078	54,663,435	101,541,566		
Three years later	24,623,651	29,857,255	73,552,657	78,609,718	49,371,909	66,152,203	128,568,403	93,248,194	59,567,995			
Four years later	25,600,279	37,976,666	67,440,130	83,420,030	52,854,602	68,861,900	128,672,466	94,752,954				
Five years later	29,567,785	39,334,322	80,719,918	92,070,429	55,999,256	70,578,037	127,234,821					
Six years later	31,061,825	40,165,722	96,866,053	90,530,880	53,466,440	69,447,639						
Seven years later	31,405,197	44,457,348	95,556,781	88,418,169	51,723,895							
Eight years later	31,390,941	44,135,145	100,390,952	87,682,554								
Nine years later	29,449,940	42,225,134	100,167,647									
Ten years later	29,204,609	43,043,021										
Eleven years later	29,402,878											
Total Case Incurred	29,402,878	43,043,021	100,167,647	87,682,554	51,723,895	69,447,639	127,234,821	94,752,954	59,567,995	101,541,566	70,407,131	23,573,279
IBNR	80,718	134,227	2,299,414	2,266,968	2,740,599	5,367,480	5,696,661	9,129,637	8,510,995	27,954,142	39,064,508	27,998,037
Cumulative payments	29,661,392	39,895,681	106,528,271	84,603,159	45,191,453	65,922,280	122,313,573	84,100,062	49,646,417	88,068,059	60,762,658	10,010,920
Estimated balance to pay	- 177,797	3,281,567	- 4,061,209	5,346,363	9,273,041	8,892,839	10,617,909	19,782,529	18,432,574	41,427,649	48,708,981	41,560,397
Provision in respect of prior years											-	191,421
Currency												798,542
Total net provision included in the Balance Sheet												203,691,964

The Company employs a consistent methodology for establishing technical provisions for Net Unpaid Loss & LAE Reserves, including case reserves, incurred but not reported (IBNR) reserves, incurred but not enough reserved (IBNER), and the reinsurers' share thereof. The claims development tables illustrate the progression of claims from underwriting year onward, highlighting changes in actuarial assumptions, claim emergence patterns, and claims settlement development over time.

As of December 31, 2025, the total net provision included in the Balance Sheet amounted to USD203,691,961, comprising estimated balances to pay, IBNR reserves, and adjustments related to prior underwriting years. An adjustment of USD798,538 reflects currency conversion impacts arising from the translation of balances between reporting currencies in accordance with applicable accounting standards. Additionally, provisions in respect of prior years resulted in a reserve release of USD191,421. The Company continuously reviews reserve adequacy to ensure technical provisions remain appropriate and reflective of current information and actuarial best estimates.

18. Accounts receivable – retrocessions, net

Accounts receivable - retrocessions are detailed below:

	2025	2024
Accounts receivable - retrocessions	127,764,404	121,351,292
Less: doubtful receivables	4,781,816	5,418,885
Balance at end of year	122,982,588	115,932,407



Provision movement for uncollectible account receivable – retrocessions

	2025	2024
Balance at beginning of the year	5,418,885	4,263,829
(Reversal) provision	<u>(637,069)</u>	<u>1,155,056</u>
Balance at end of year	<u>4,781,816</u>	<u>5,418,885</u>

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

19. Loans payable

The loans payable is detailed as follows:

	2025	2024
Mercantil International Bank Inc.		
Loan at a one years term with annual interest rate of 6.00%, with maturity in October 23th, 2026	3,872,000	-
Banco de Sabadell, S. A.		
Loan at a one years term with annual interest rate of 5.15%, with maturity in October 10th, 2027	<u>10,000,000</u>	<u>16,000,000</u>
Total	<u>13,872,000</u>	<u>16,000,000</u>
Short term	3,872,000	-
Long term	<u>10,000,000</u>	<u>16,000,000</u>
	<u>13,872,000</u>	<u>16,000,000</u>

In April 2025, the Company canceled this obligation with Banco de Sabadell, S. A. In September 2025 the Company acquired a new loan with the same bank.

Below, a summary of the obligations assumed, payments and cancellations during the year:

	2025	2024
Balance at beginning of the year	16,000,000	143,562
Proceeds from new loans	13,872,000	16,000,000
Payments to loans	<u>(16,000,000)</u>	<u>(143,562)</u>
Total	<u>13,872,000</u>	<u>16,000,000</u>



20. Accounts payable and accrued expenses

The accumulated accounts and expenses payable are as follows:

	2025	2024
Accruals payable (a)	7,450,060	6,966,267
Deferred tax liability	2,785,511	2,959,826
Tax payable	896,820	692,863
Withholdings payable	392,831	442,264
Interest payable	354,897	354,897
Deposits received from reinsurance companies	-	156,003
Suppliers accounts payable	76,526	84,231
Other accounts payable	208,400	676,690
	<u>12,165,045</u>	<u>12,333,041</u>

(a) During 2025, the Company accrued for Service Level Agreement (SLA) fees with BRM Beirut for the services received during the year but not invoiced yet, for an amount of US\$0 (2024: US\$6,966,267).

21. Other expenses

The other expenses account is summarized below:

	2025	2024
Rentals	834,261	499,537
Other fees	795,285	619,395
Travel expenses	618,804	435,496
Insurances	457,167	383,875
Taxes	132,983	227,990
Director's compensation	72,402	124,357
Bank charges	49,728	875,729
Legal and notarial expenses	9,113	451,021
Others	3,218,719	2,160,029
	<u>6,188,462</u>	<u>5,777,429</u>

22. Gross written premium

Gross written premium by line of business

	2025	%	2024	%	% Change
Bonds	79,001,481	27%	49,133,871	13%	61%
Life	76,117,254	26%	70,924,272	19%	7%
Energy	71,790,968	24%	103,536,242	28%	-31%
Property	51,174,214	17%	65,262,312	18%	-22%
Specialty lines	19,693,201	7%	77,092,598	21%	-74%
Total	<u>297,777,118</u>		<u>365,949,295</u>		-9%

The Company is a niche reinsurer that provides tailored solutions for its clients, offering a diverse and extensive portfolio across five main lines of reinsurance business. Bonds is now the largest segment within the Company, accounting for 27% of the gross written premium in 2025, increasing significantly from 13% in 2024. Life is also a major contributor to the portfolio, representing 26% of the gross written premium in 2025, compared to 19% in 2024. Energy, which was the largest segment in 2024 with 28% of the portfolio, decreased to 24% in 2025. Property reinsurance represents 17% of the portfolio in 2025, slightly below the 18% reported in 2024. Specialty Lines decreased from 21% in 2024 to 7% in 2025.



Collectively, Barents Re's portfolio remains diversified across its main lines of business, although the 2025 distribution reflects a stronger concentration in Bonds and Life, while Energy and Specialty Lines show a lower contribution compared to the prior year. Overall, the portfolio continues to demonstrate the Company's diversified market presence in the reinsurance industry.

Gross written premium by reinsurance type

	2025	%	2024	%	% Change
Facultative	151,774,271	51%	225,100,260	62%	-33%
Treaty	146,002,847	49%	140,849,035	38%	4%
Total	<u>297,777,118</u>		<u>365,949,295</u>		-19%

The Company's portfolio remained balanced between facultative and treaty reinsurance business in 2025, with facultative business representing 51% of total Gross Written Premium and treaty business 49%, compared to 62% and 38%, respectively, in 2024.

The Company's underwriting philosophy remains focused on a facultative basis, ensuring risks are individually assessed. However, treaty business has increased its participation in 2025, resulting in a more balanced distribution between facultative and treaty reinsurance.

Retroshare of gross written premium and incurred losses

The Company's sophisticated retrocession programmes, primarily based on excess of loss arrangements, are designed to minimize risk according to established risk tolerance limits. These programmes are carefully monitored to ensure that retained premiums are sufficient to pay claims and expenses, providing a robust financial safeguard.

The table below provides an overview of key metrics related to gross written premiums, retrocession premiums, and incurred losses for the years 2025 and 2024.

	2025	2024	% Change
Gross written premium	297,777,118	365,949,295	-19%
Retrocession premium	(78,096,583)	(179,337,851)	-56%
Percentage of retroceded premiums to gross written premiums	26%	49%	-46%
Gross incurred loss & LAE	(163,101,398)	(177,362,916)	-10%
Retroshare incurred loss & LAE	42,209,505	92,774,759	-54%
Percentage of Retro Incurred Loss to Gross Incurred Loss	26%	53%	-49%

In 2025, Gross Written Premiums decreased by 19% to 297,777,118, with 26% of these premiums ceded to retrocession, down from 49% in 2024. Gross Incurred Loss & LAE decreased by 10%, while Retroshare Incurred Loss & LAE dropped 54%, covering 26% of gross losses compared to 51% in 2024.

With 26% of premiums retroceded and 26% of losses recovered, our retrocession programs remain effective

The higher percentage of retroshare in claims (53%) compared to the percentage of ceded premiums (43%) demonstrates the optimal performance of our retrocession programmes.

	2025	%	2024	%	% Change
USD	94,130,604	32%	180,049,445	49%	-48%
EUR	85,611,918	29%	33,181,779	9%	158%
Other	118,034,596	40%	152,718,071	37%	-23%
Total	<u>297,777,118</u>		<u>365,949,295</u>		-19%



23. Non - controlling interests

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

	% of non - controlling interest		2025	2024
	2025	2024		
Barents Re Reinsurance S.A. (Luxembourg)	49%	49%	<u>35,762,053</u>	<u>38,069,766</u>

Movement of non-controlling interest is detailed as follows:

	2025	2024
Initial balance of non-controlling interest	38,069,766	36,162,196
Profit (loss) participation	<u>(2,307,713)</u>	<u>1,907,570</u>
	<u>35,762,053</u>	<u>38,069,766</u>

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.

24. Common shares

The capital is composed of 100,000 shares with no par value and amounts to US\$404,988,405 (2024: US\$404,988,405).

25. Capital reserve

As of December 31, 2025, the Company maintains a capital reserve for amount of US\$70,257,379 (2024: US\$72,505,820).

26. Income tax

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

For the year ended December 31, 2025, Barents Reinsurance S.A. (Luxembourg) generated income tax of US\$405,575 (2024: US\$1,001,769).

	2025	2024
Barents Reinsurance, S. A. (Luxembourg) taxable income	<u>1,089,427</u>	<u>2,720,532</u>
Current income tax	142,165	719,835
Prior year adjustments	<u>92,851</u>	<u>121,946</u>
	235,016	841,781
Wealth tax	<u>170,559</u>	<u>159,988</u>
Income tax	<u>405,575</u>	<u>1,001,769</u>
Barents Insurance EAD	<u>-</u>	<u>3,714</u>
	<u>405,575</u>	<u>1,005,483</u>



27. Fair value of financial instruments

Fair value of financial instruments: The estimated fair value amounts presented below have been determined by the Company using available market information or other appropriate valuation methodologies that require considerable judgment in developing and interpreting the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The carrying amount and estimated fair values of the Company's financial instruments that are not recognized in the balance sheets at fair value are as follows:

	2025		2024	
	<u>Carrying value</u>	<u>Fair value</u>	<u>Carrying value</u>	<u>Fair value</u>
Assets				
Cash and deposits in banks	59,958,943	59,958,943	106,951,421	106,951,421
Trust agreement	12,284,505	12,281,421	11,976,324	12,196,159
Premiums receivable	260,892,680	260,892,680	252,427,795	252,427,795
Notes and accounts receivable - related parties	10,071,669	10,071,669	-	-
Accounts receivable	11,500,000	11,500,000	11,829,754	11,829,754
Other accounts receivable	7,402,393	7,402,393	8,558,324	8,558,324
Commissions receivable	22,140,583	22,140,583	18,883,358	18,883,358
Accounts receivable - retrocessions	122,982,588	122,982,588	115,932,407	115,932,407
	<u>507,233,361</u>	<u>507,230,277</u>	<u>486,684,553</u>	<u>486,576,069</u>
Financial liabilities:				
Loans payable	13,872,000	16,880,689	16,000,000	16,880,689
Lease liability	3,035,174	3,035,174	3,286,338	3,286,338
Reinsurers accounts payable	85,204,218	85,204,218	115,714,105	115,714,105
	<u>102,111,392</u>	<u>105,120,081</u>	<u>135,000,443</u>	<u>135,881,132</u>

	<u>Total</u>	<u>Fair value hierarchy</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
2025				
Financial assets:				
Cash and deposits in banks	59,958,943	-	59,958,943	-
Trust agreement	12,284,505	-	9,813,000	2,471,505
Premiums receivable	260,892,680	-	-	260,892,680
Accounts receivable - retrocessions	122,982,588	-	-	122,982,588
Accounts receivable	11,500,000	-	-	11,500,000
Other accounts receivable	7,402,393	-	-	7,402,393
	<u>475,021,109</u>	<u>-</u>	<u>69,771,943</u>	<u>405,249,166</u>
Financial liabilities:				
Loans payable	13,872,000	-	-	13,872,000
	<u>13,872,000</u>	<u>-</u>	<u>-</u>	<u>13,872,000</u>



	<u>Total</u>	<u>Fair value hierarchy</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
2024				
Financial assets:				
Cash and deposits in banks	106,951,421	-	106,951,421	-
Trust agreement	11,976,324	-	9,813,000	2,163,324
Premiums receivable	252,427,795	-	-	252,427,795
Accounts receivable - retrocessions	115,932,407	-	-	115,932,407
Accounts receivable	11,829,754	-	-	11,829,754
Other accounts receivable	8,558,324	-	-	8,558,324
	<u>507,676,025</u>	<u>-</u>	<u>116,764,421</u>	<u>390,911,604</u>
Financial liabilities:				
Loans payable	16,000,000	-	-	16,000,000
	<u>16,000,000</u>	<u>-</u>	<u>-</u>	<u>16,000,000</u>

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.

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.

Available-for-sale securities - Available-for-sale securities are carried at fair value primarily based on observable market prices. If observable market prices are not available, valuations are based on internally developed discounted cash flow models that use a market-based discount rate and consider recent market transactions, experience of similar securities, current business conditions, and analysis of the underlying collateral, as available. To estimate cash flows, various significant assumptions are utilized including market observable inputs (e.g., forward interest rates) and internally developed inputs (including prepayment speeds, delinquency levels, and credit losses).



Assets and liabilities that are measured at fair value on a recurring basis are as follows:

Description	December 31, 2025	Fair value measurements at reporting date using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:				
Available-for-sale securities	678,938,978	678,938,978	-	-
Total assets	678,938,978	678,938,978	-	-

Description	December 31, 2024	Fair value measurements at reporting date using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:				
Available-for-sale securities	642,990,326	642,990,326	-	-
Total assets	642,990,326	642,990,326	-	-

28. Subsequent events

The Company has evaluated events subsequent to December 31, 2025 to assess the need for potential recognition or disclosure in the accompanying consolidated financial statements. Such events were evaluated through June 30, 2026 the date these consolidated financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or disclosure in the consolidated financial statements.

29. Approval of consolidated financial statements

The consolidated financial statements for the year ended December 31, 2025 were approved and issuance was authorized by the Board of Directors on June 30, 2026.

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