OJSC "AZRE REINSURANCE"

International Financial Reporting Standards Consolidated Financial Statements and Independent Auditor's Report

31 December 2020

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Independent Auditor's Report

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Independent Auditor's Report

To the Shareholders and Board of Directors of the AzRe Reinsurance OJSC:

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of AzRe Reinsurance OJSC (the "Company") and its subsidiaries (together – the "Group") as at 31 December 2020, and the Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

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

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.



Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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



• Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Price waterhouse Coopers And if Azerbaijan LLC Baku, the Republic of Azerbaijan

Baku, the Republic of Azerbaijan 23 July 2021

"AZRE REINSURANCE" OJSC Consolidated Statement of Financial Position

In Azerbaijani Manats	Note	31 December 2020	31 December 2019
Assets			
	7	37,157,517	13,625,126
Cash and cash equivalents Deposits with banks	8	6,674,166	7,795,089
	9	71,320,714	81,704,204
Held-to-maturity investments	9 10	28,191,811	24,054,326
Available-for-sale investments	10	20,191,011	
Trading Investments	11	600.000	6,260,668
Mandatory reserve with Compulsory Insurance Bureau	10	600,000	600,000
Insurance and reinsurance receivables	12	13,163,835	7,823,772
Reinsurers' share of reserves for unearned premiums	14	5,860,464	5,338,059
Reinsurers' share of insurance loss reserves	15	3,861,833	2,489,282
Deferred acquisition costs	22	3,489,139	2,512,908
Prepayment for current income tax		4,509,313	662
Deferred tax asset	19	1,149,316	937,730
Other non-financial assets		1,660,350	604,530
Right-of-use assets	17	1,669,451	905,958
Premises, equipment and intangible assets	18	1,725,579	1,800,988
Total assets		181,033,488	156,453,302
Liabilities			
Reserves for unearned premiums, gross	14	31,729,372	27,723,834
Insurance loss reserves, gross	15	45,178,041	15,884,527
Insurance and other payables	16	3,600,917	1,833,439
Received advances	13	15,274,150	5,489,561
	13		
Current income tax liability	47	487,944	1,096,984
	17	1,125,424	909,684
Deferred commission income		286,699	189,596
Deferred tax liability		4 577 00 4	108,578
Other liabilities		1,577,224	705,620
Total liabilities		99,259,771	53,941,823
Equity			
Share capital	20	50,000,000	50,000,000
Retained earnings	20	29,446,634	50,403,427
Other reserves		54,348	56,068
		04,040	
Equity attributable to the Company's owners		79,500,982	100,459,495
Non-controlling interest		2,272,735	2,051,984
Total equity		81,773,717	102,511,479
Total liabilities and shareholders' equity		181,033,488	156,453,302

Approved for issue and signed on behalf of the Management Board on July 23, 2021.

«Aylee Mr. Vuşal Abbasov Chairman of the Board Mrs. Lala Afandiyeva Takrarugorus Finance Director

The notes set out on pages 5 to 47 form an integral part of these financial statements.

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"AZRE REINSURANCE" OJSC Consolidated Statement of Profit or Loss and Other Comprehensive Income

Gross Premiums written Premiums caded 21 96,756,801 (16,170,676) 82,517,134 (1,2819,880) Premiums caded 21 (16,170,676) (16,170,676) (1,2819,880) Net premiums written Increase in reserve for unearned premiums gross 67,936,954 (1,760,20) Increase in reserve for unearned premiums and premiums aret 78,898,383 (9,101,543) Net premiums samed 21 522,405 58,0424 Claims recoveration reserve for unearned premiums, net 78,465,201 59,422,459 59,422,459 Claims paid, gross 21 (31,106,924) (15,835,617) 59,422,459 Claims recoveration reinsurers areserves, gross 11 (17,270,209,630) (1,152,149) Acquisition costs 22 (7,780,630) (7,271,869) 3,678,496 Commission income 0.96,568 734,788 (10,98,569) 11,152,140) Acquisition costs 21 (1,27,00,20) (7,271,869) - Commission income 0.96,568 734,788 (10,98,569) - Depreciation and amortisation 17,18 (945,587) - -	In Azerbaijani Manats	Note		2020		2019
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gross 21 (4,005,538) (9,101,543) increase in reinsurers' share of reserve for uneamed premiums 21 522,405 587,048 Change in reserve for uneamed premiums, net (3,483,133) (8,514,495) 59,422,459 Claims paid, gross 21 (31,106,924) 75,415,250 59,422,459 Claims paid, et of reinsurers' share (Increase)/Decrease in insurance loss reserves, gross 21 (21,929,3514) 4,698,538 Increase/(Decrease) in reinsurers' share of insurance loss reserves, net 11,372,551 (10,220,042) 3,678,496 Change in loss reserve, net (8,298,615) (11,552,140) 4,698,558) 3,678,496 Net claims incurred (63,298,615) (11,552,140) 3,678,496 Commission income (23,201,514) (10,988,569) (11,552,140) Acquisition costs 22 (7,750,030) (7,271,689) 73,788 Operating expenses 17,8 (945,657) (1,984,69) 11,576 Interest income on deposits with banks 11,376 455,746 1,377,552 6,539,387 Froreine exchange translation gain/(loss), net			(1,007,742)	78,898,383	(1,700,290)	67,936,954
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Other comprehensive income/ (loss):Items that may be reclassified subsequently to profit or loss: Available-for-sale investments: - Gains less losses arising during the year (1,911)(1,911)Other comprehensive income / (loss) for the year(1,911)62,298TOTAL COMPREHENSIVE INCOME FOR THE YEAR3,212,23829,479,926Profit / (loss) is attributable to: - Owners of the Company2,993,20729,173,396Non-controlling interest220,942244,232Profit for the year3,214,14929,417,628Total comprehensive income / (loss) is attributable to: - Owners of the Company2,991,48729,229,464Profit for the Company2,991,48729,229,464Stattributable to: - Owners of the Company2,991,48729,229,464	Income tax expense	19		(1,486,590)		(7,361,320)
Items that may be reclassified subsequently to profit or loss:Available-for-sale investments:- Gains less losses arising during the year(1,911)Other comprehensive income / (loss) for the yearTOTAL COMPREHENSIVE INCOME FOR THE YEAR3,212,23829,479,926Profit / (loss) is attributable to: - Owners of the Company2,993,20729,173,396Non-controlling interest20,942244,232Profit for the year3,214,14929,417,628Total comprehensive income / (loss) is attributable to: - Owners of the Company2,991,48729,229,464- Owners of the Company2,991,48729,229,464- Non-controlling interest20,751250,462	PROFIT FOR THE YEAR			3,214,149		29,417,628
to profit or loss: Available-for-sale investments: - Gains less losses arising during the year (1,911) 62,298 Other comprehensive income / (loss) for the year (1,911) 62,298 TOTAL COMPREHENSIVE INCOME FOR THE YEAR 3,212,238 29,479,926 Profit / (loss) is attributable to: - Owners of the Company 2,993,207 29,173,396 - Non-controlling interest 220,942 244,232 Profit for the year 3,214,149 29,417,628 Total comprehensive income / (loss) is attributable to: - Owners of the Company 2,991,487 29,229,464 - Non-controlling interest 220,751 250,462	Other comprehensive income/ (loss):					
- Gains less losses arising during the year(1,911)62,298Other comprehensive income / (loss) for the year(1,911)62,298TOTAL COMPREHENSIVE INCOME FOR THE YEAR3,212,23829,479,926Profit / (loss) is attributable to: - Owners of the Company2,993,20729,173,396Non-controlling interest220,942244,232Profit for the year3,214,14929,417,628Total comprehensive income / (loss) is attributable to: - Owners of the Company2,991,48729,229,464Non-controlling interest220,751250,462	to profit or loss:					
the year(1,911)62,298TOTAL COMPREHENSIVE INCOME FOR THE YEARProfit / (loss) is attributable to: - Owners of the Company3,212,23829,479,926Profit / (loss) is attributable to: - Owners of the Company2,993,20729,173,396- Non-controlling interest220,942244,232Profit for the year3,214,14929,417,628Total comprehensive income / (loss) is attributable to: - Owners of the Company2,991,48729,229,464- Owners of the Company2,991,48729,229,464- Non-controlling interest220,751250,462	- Gains less losses arising during the year			(1,911)		62,298
THE YEAR3,212,23829,479,926Profit / (loss) is attributable to: - Owners of the Company - Non-controlling interest2,993,207 220,94229,173,396 244,232Profit for the year3,214,14929,417,628Total comprehensive income / (loss) is attributable to: - Owners of the Company - Non-controlling interest2,991,487 220,75129,229,464 250,462	the year			(1,911)	-	62,298
- Owners of the Company2,993,20729,173,396- Non-controlling interest220,942244,232Profit for the year3,214,14929,417,628Total comprehensive income / (loss) is attributable to: - Owners of the Company2,991,48729,229,464- Non-controlling interest220,751250,462				3,212,238	-	29,479,926
Total comprehensive income / (loss) isattributable to:- Owners of the Company- Non-controlling interest220,751250,462	- Owners of the Company					
attributable to:2,991,48729,229,464- Owners of the Company2,991,48729,229,464- Non-controlling interest220,751250,462	Profit for the year			3,214,149	-	29,417,628
- Owners of the Company 2,991,487 29,229,464 - Non-controlling interest 220,751 250,462						
Total comprehensive income for the year3,212,23829,479,926	- Owners of the Company					
	Total comprehensive income for the year			3,212,238	-	29,479,926

"AZRE REINSURANCE" OJSC Consolidated Statement of Changes in Equity

In Azerbaijani Manats	Share capital	Retained earnings	Revaluation reserve for AFS securities	Total equity attributable to the owners of the Company	Non- controlling interest	Total equity
Balance at 1 January 2019	50,000,000	44,125,031		94,125,031	1,641,361	95,766,392
Profit / (Loss) for the year Other comprehensive	-	29,173,396	-	29,173,396	244,232	29,417,628
income/ (loss) for the year	-	-	56,068	56,068	6,230	62,298
Dividends declared	-	(22,895,000)		(22,895,000)		(22,895,000)
Shares issued	-	-	-	-	160,161	160,161
Balance at 31 December 2019	50,000,000	50,403,427	56,068	100,459,495	2,051,984	102,511,479
Profit / (Loss) for the year Other	ļ	2,993,207	-	2,993,207	220,942	3,214,149
comprehensive income/ (loss) for the year	÷	-	(1,720)	(1,720)	(191)	(1,911)
Dividends declared	-	(23,950,000)	-	(23,950,000)	-	(23,950,000)
Shares issued	9	-	-	-	-	-
Balance at 31 December 2020	50,000,000	29,446,634	54,348	79,500,982	2,272,735	81,773,717

The notes set out on pages 5 to 47 form an integral part of these financial statements.