

OJSC “AZRE REINSURANCE”

**International Financial Reporting Standards
Consolidated Financial Statements and
Independent Auditor’s Report**

31 December 2021



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 2021, 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 2021;
- 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 Audit Azerbaijan LLC

Baku, the Republic of Azerbaijan

27 July 2022

"AZRE REINSURANCE" OJSC
Consolidated Statement of Financial Position

<i>In Azerbaijani Manats</i>	Note	31 December 2021	31 December 2020
Assets			
Cash and cash equivalents	7	10,491,032	37,157,517
Deposits with banks	8	13,184,025	6,674,166
Held-to-maturity investments	9	47,348,315	71,320,714
Available-for-sale investments	10	31,857,721	28,191,811
Restricted cash	11	5,100,000	-
Mandatory reserve with Compulsory Insurance Bureau		-	600,000
Insurance and reinsurance receivables	12	5,071,320	13,163,835
Reinsurers' share of reserves for unearned premiums	14	2,697,166	5,860,464
Reinsurers' share of insurance loss reserves	15	2,349,438	3,861,833
Deferred acquisition costs	22	1,124,990	3,489,139
Prepayment for current income tax		5,011,400	4,509,313
Deferred tax asset	19	747,955	1,149,316
Other non-financial assets		354,496	1,660,350
Right-of-use assets	17	771,088	1,669,451
Premises, equipment and intangible assets	18	894,323	1,725,579
Total assets		127,003,269	181,033,488
Liabilities			
Reserves for unearned premiums, gross	14	18,965,411	31,729,372
Insurance loss reserves, gross	15	18,016,210	45,178,041
Insurance and other payables	16	5,606,886	3,600,917
Received advances	13	3,552,496	15,274,150
Current income tax liability		544,193	487,944
Lease liabilities	17	783,928	1,125,424
Deferred commission income		-	286,699
Deferred tax liability	19	23,986	-
Other liabilities		736,127	1,577,224
Dividend payables	20	700,000	-
Total liabilities		48,929,237	99,259,771
Equity			
Share capital	20	50,000,000	50,000,000
Retained earnings		25,928,311	29,446,634
Other reserves		133,561	54,348
Equity attributable to the Group's owners		76,061,872	79,500,982
Non-controlling interest		2,012,160	2,272,735
Total equity		78,074,032	81,773,717
Total liabilities and shareholders' equity		127,003,269	181,033,488

Approved for issue and signed on behalf of the Management Board on 27 July, 2022.

Mr. Vusal Abbasov
Chairman of the Board



Mrs. Lala Afandiyeva
Finance Director

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

<i>In Azerbaijani Manats</i>	Note	2021	2020
Gross Premiums written	21	70,635,344	96,756,801
Premiums ceded	21	(9,319,611)	(16,170,676)
Premiums cancelled	21	(1,636,153)	(1,687,742)
Net premiums written		59,679,580	78,898,383
Increase in reserve for unearned premiums, gross	21	(7,072,358)	(4,005,538)
Increase in reinsurers' share of reserve for unearned premiums	21	377,867	522,405
Change in reserve for unearned premiums, net		(6,694,491)	(3,483,133)
Net premiums earned		52,985,089	75,415,250
Claims paid, gross	21	(47,505,631)	(31,106,924)
Claims recovered from reinsurers	21	469,139	729,372
Claims paid, net of reinsurers' share		(47,036,492)	(30,377,552)
(Increase)/Decrease in insurance loss reserves, gross	21	24,707,218	(29,293,514)
Increase/(Decrease) in reinsurers' share of insurance loss reserves	21	(292,755)	1,372,551
Change in loss reserve, net		24,414,463	(27,920,963)
Net claims incurred		(22,622,029)	(58,298,515)
Acquisition costs	22	(7,021,064)	(7,750,630)
Commission income		760,656	65,568
Commission expenses		(1,349)	-
Operating expenses	23	(15,599,589)	(13,158,344)
Depreciation and amortisation	17,18	(966,834)	(945,587)
Interest income on deposits with banks		374,137	511,976
Interest income on debt securities		6,692,596	7,867,652
Provision for impairment of cash and cash equivalents	7	-	-
Provision for impairment of deposits with banks		-	(13,158)
Gains less losses from trading investments		-	1,045,469
Finance cost	17	(55,308)	(95,037)
Foreign exchange translation gain/(loss), net		(45,206)	35,482
Other income net		(99,035)	20,613
Profit before taxation		14,402,064	4,700,739
Income tax expense	19	(3,914,960)	(1,486,590)
Profit for year from continuing operations		8,197,437	3,214,149
Profit for year from discontinued operations		2,289,667	-
NET PROFIT FOR THE YEAR		10,487,104	3,214,149
Other comprehensive income/ (loss):			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Available-for-sale investments:			
- Gains less losses arising during the year		88,014	(1,911)
Other comprehensive income / (loss) for the year		88,014	(1,911)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		10,575,118	3,212,238
Profit / (loss) is attributable to:			
- Owners of the Group		9,980,158	2,993,207
- Non-controlling interest		506,946	220,942
Profit for the year		10,487,104	3,214,149
Total comprehensive income / (loss) is attributable to:			
- Owners of the Group		10,059,370	2,991,487
- Non-controlling interest		515,748	220,751
Total comprehensive income for the year		10,575,118	3,212,238

"AZRE REINSURANCE" OJSC
Consolidated Statement of Changes in Equity

	Share capital	Retained earnings	Revaluation reserve for AFS securities	Total equity attributable to the owners of the Group	Non-controlling interest	Total equity
<i>In Azerbaijani Manats</i>						
Balance at 1 January 2020	50,000,000	50,403,427	56,068	100,459,495	2,051,984	102,511,479
Profit for the year	-	2,993,207	-	2,993,207	220,942	3,214,149
Other comprehensive loss for the year	-	-	(1,720)	(1,720)	(191)	(1,911)
Dividends declared	-	(23,950,000)	-	(23,950,000)	-	(23,950,000)
Balance at 31 December 2020	50,000,000	29,446,634	54,348	79,500,982	2,272,735	81,773,717
Profit for the year	-	9,980,158	-	9,980,158	506,946	10,487,104
Other comprehensive income for the year	-	-	79,213	79,213	8,801	88,014
Dividends declared	-	(8,050,000)	-	(8,050,000)	(700,000)	(8,750,000)
Shares issued	-	-	-	-	894,447	894,447
Disposal of subsidiary	-	-	-	-	(970,769)	(970,769)
Contributions to shareholders other than dividends	-	(5,448,481)	-	(5,448,481)	-	(5,448,481)
Balance at 31 December 2021	50,000,000	25,928,311	133,561	76,061,872	2,012,160	78,074,032

"AZRE REINSURANCE" OJSC
Consolidated Statement of Cash Flows

<i>In Azerbaijani Manats</i>	Note	2021	2020
Cash flows from operating activities			
Gross premiums received		65,530,323	98,588,689
Ceded premiums paid		(7,613,811)	(14,912,452)
Net claims paid		(48,014,814)	(29,901,604)
Acquisition cost paid		(3,825,333)	(8,287,899)
Commission income received		473,957	162,671
Operating expenses paid		(18,462,916)	(12,105,787)
Interest income received		7,741,745	8,194,603
Other income received		(99,035)	7,455
Cash flows (used in)/from operating activities before changes in operating assets and liabilities		(2,269,884)	41,785,676
Changes in operating assets and liabilities			
Decrease/(Increase) in other assets		1,260,152	(1,116,924)
Net cash (used in)/generated from operating activities before income tax		(1,009,732)	40,648,752
Income tax paid		(4,360,798)	(6,780,767)
Net cash (used in)/generated from operating activities		(5,370,530)	33,867,985
Cash flows from investment activities			
Acquisition of property and equipment and intangible assets	18	(897,550)	(300,873)
Payments for placements of deposits in banks		(17,100,000)	(6,109,480)
Proceeds from matured deposits in banks		5,000,000	7,529,184
Acquisition of investments in debt securities carried at amortised cost		(41,796,211)	(34,398,611)
Proceeds from redemption of debt securities carried at amortised cost		45,115,057	44,804,182
Purchases of available-for-sale investments		(18,916,915)	(22,724,500)
Proceeds from the sale of available-for-sale investments		15,226,509	18,720,462
Sale/(Purchases) of trading securities		-	7,306,137
Proceeds from disposal of subsidiaries, net of cash disposed		4,697,924	-
Net cash (used in)/from investment activities		(8,671,186)	14,826,501
Cash flows from financing activities			
Dividends paid		(8,050,000)	(23,950,000)
Issue of ordinary shares		894,447	-
Cash pledged		(5,100,000)	-
Lease payments		(369,216)	(1,212,095)
Net cash used in financing activities		(12,624,769)	(25,162,095)
Effect of exchange rate changes on cash and cash equivalents		-	-
Impairment provision on cash and cash equivalents		-	-
Net (decrease)/increase in cash and cash equivalents		(26,666,485)	23,532,391
Cash and cash equivalents at the beginning of year	7	37,157,517	13,625,126
Cash and cash equivalents at the end of year	7	10,491,032	37,157,517