

OJSC “AZRE REINSURANCE”

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

31 December 2022



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 subsidiary (together – the "Group") as at 31 December 2022, 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 2022;
- 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 management 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.

PricewaterhouseCoopers Audit Azerbaijan LLC

Baku, the Republic of Azerbaijan

26 September 2023

“AZRE REINSURANCE” OJSC
Consolidated Statement of Financial Position

<i>In Azerbaijani Manats</i>	Note	31 December 2022	31 December 2021
Assets			
Cash and cash equivalents	7	4,113,501	10,491,032
Deposits with banks	8	13,450,104	13,184,025
Held-to-maturity investments	9	68,890,409	47,348,315
Available-for-sale investments	10	28,009,302	31,857,721
Restricted cash	11	5,100,000	5,100,000
Insurance and reinsurance receivables	12	8,835,895	5,071,320
Reinsurers' share of reserves for unearned premiums	14	2,624,362	2,697,166
Reinsurers' share of insurance loss reserves	15	24,909,527	2,349,438
Deferred acquisition costs	24	1,985,453	1,124,990
Prepayment for current income tax		1,872,366	5,011,400
Deferred tax asset	21	1,899,890	747,955
Right-of-use assets	19	389,466	771,088
Premises, equipment and intangible assets	20	960,320	894,323
Other non-financial assets		62,542	354,496
Total assets		163,103,137	127,003,269
Liabilities			
Reserves for unearned premiums, gross	14	21,341,618	18,965,411
Insurance loss reserves, gross	15	45,953,195	18,016,210
Insurance and other payables	18	5,648,301	5,606,886
Advance received	13	3,333,480	3,552,496
Borrowings	16,17	3,390,737	-
Current income tax liability		1,007,100	544,193
Lease liabilities	19	415,949	783,928
Deferred tax liability	21	-	23,986
Other liabilities		865,225	736,127
Dividend payables		-	700,000
Total liabilities		81,955,605	48,929,237
Equity			
Share capital	22	50,000,000	50,000,000
Retained earnings		29,120,754	25,928,311
Other reserves		-	133,561
Equity attributable to the Group's owners		79,120,754	76,061,872
Non-controlling interest		2,026,778	2,012,160
Total equity		81,147,532	78,074,032
Total liabilities and shareholders' equity		163,103,137	127,003,269

Approved for issue and signed on behalf of the Management Board on 26 September, 2023.

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	2022	2021
Gross Premiums written	23	55,005,252	70,635,344
Premiums ceded	23	(5,899,000)	(9,319,611)
Premiums cancelled	23	(1,076,424)	(1,636,153)
Net premiums written		48,029,828	59,679,580
Increase in reserve for unearned premiums, gross	23	(2,376,207)	(7,072,358)
Increase in reinsurers' share of reserve for unearned premiums	23	(72,804)	377,867
Change in reserve for unearned premiums, net		(2,449,011)	(6,694,491)
Net premiums earned		45,580,817	52,985,089
Claims paid, gross	23	(11,240,612)	(47,505,631)
Claims recovered from reinsurers	23	392,192	469,139
Claims paid, net of reinsurers' share		(10,848,420)	(47,036,492)
(Increase)/Decrease in insurance loss reserves, gross	23	(27,936,986)	24,707,218
Increase/(Decrease) in reinsurers' share of insurance loss reserves	23	22,560,089	(292,755)
Change in loss reserve, net		(5,376,897)	24,414,463
Net claims incurred		(16,225,317)	(22,622,029)
Acquisition costs	24	(5,770,398)	(7,021,064)
Commission income		302,921	760,656
Commission expenses		(3,984)	(1,349)
Operating expenses	25	(8,768,984)	(15,599,589)
Depreciation and amortisation	19,20	(758,816)	(966,834)
Interest income on deposits with banks		844,186	374,137
Interest income on debt securities		4,765,671	6,692,596
Gains less losses from trading investments		(305,408)	-
Finance cost		(64,021)	(55,308)
Foreign exchange translation loss		(48,230)	(45,206)
Other income net		80,626	(99,035)
Profit before taxation		19,629,063	14,402,064
Income tax expense	21	(3,932,162)	(3,914,960)
Profit for year from continuing operations		15,696,901	8,197,437
Profit for year from discontinued operations		-	2,289,667
NET PROFIT FOR THE YEAR		15,696,901	10,487,104
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		(148,401)	88,014
Other comprehensive income / (loss) for the year		(148,401)	88,014
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		15,548,500	10,575,118
Profit is attributable to:			
- Owners of the Group		15,049,943	9,980,158
- Non-controlling interest		646,958	506,946
Profit for the year		15,696,901	10,487,104
Total comprehensive income is attributable to:			
- Owners of the Group		14,916,382	10,059,370
- Non-controlling interest		632,118	515,748
Total comprehensive income for the year		15,548,500	10,575,118

“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 2021	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
Profit for the year	-	15,049,943	-	15,049,943	646,958	15,696,901
Other comprehensive losses for the year	-	-	(133,561)	(133,561)	(14,840)	(148,401)
Dividends declared	-	(11,857,500)	-	(11,857,500)	(617,500)	(12,475,000)
Balance at 31 December 2022	50,000,000	29,120,754	-	79,120,754	2,026,778	81,147,532