



**AZRE REINSURANCE OJSC
AND ITS SUBSIDIARY**
Consolidated Financial Statements
and Independent Auditor's Report

For the year ended December 31, 2023



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Independent auditor's report

To the Shareholders of Azre Reinsurance OJSC and its subsidiary

Report on the audit of Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Azre Reinsurance OJSC and its subsidiary (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *international Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter Paragraph

The consolidated financial statements of the Group for the year ended 31 December 2022 were audited by another auditor, who through their report dated 26 September 2023 expressed an unmodified opinion thereon.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and for such internal control as management determines is necessary to enable the preparation of 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.

Independent auditor's report

To the Shareholders of Azre Reinsurance OJSC and its subsidiary (continued)

Report on the audit of Consolidated Financial Statements (continued)

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 ISA 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 ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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's 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.



GRANT THORNTON
Baku, the Republic of Azerbaijan

19 August 2024

Azre Reinsurance OJSC and its subsidiary
Consolidated Financial Statements

Consolidated statement of financial position
As at 31 December 2023

	Note	2023 AZN	Restated 2022 AZN	Restated 2021 AZN
Assets			(Note 4)	(Note 4)
Cash and cash equivalents	6	4,579,670	4,113,501	10,491,032
Deposits with banks	7	5,755,538	13,299,067	13,184,025
Investments at amortized cost	8	109,863,747	90,883,097	73,429,695
Investment at fair value through other comprehensive income	9	9,335,506	7,475,175	5,776,341
Restricted cash	10	5,100,000	5,100,000	5,100,000
Insurance contract assets	11	3,968,979	1,167,355	548,200
Reinsurance contract assets	11	3,513,702	26,699,460	3,863,140
Current tax asset	12	-	1,872,366	5,011,400
Deferred tax asset	12	865,884	1,470,123	598,848
Intangible assets	13	265,229	269,710	413,457
Premises and equipment	14	713,941	690,610	480,866
Right-of-use assets	15	942,024	389,466	771,088
Other assets	16	846,951	158,092	215,397
Total assets		145,751,171	153,588,022	119,883,489
Liabilities				
Insurance contract liabilities	11	43,615,915	64,763,149	36,306,801
Reinsurance contract liabilities	11	209,581	35,239	47,977
Borrowings	17	-	3,390,737	-
Current tax liability	12	1,022,374	1,007,100	544,193
Lease liabilities	18	977,673	415,949	783,928
Other payables	19	1,835,477	1,109,531	3,340,557
Total liabilities		47,661,020	70,721,705	41,023,456
Equity				
Share capital	20	50,000,000	50,000,000	50,000,000
Surplus on investment at fair value through other comprehensive income		2,724,100	1,300,247	133,561
Retained earnings		43,311,074	29,557,396	26,805,709
Equity attributable to the Owners of the Company		96,035,174	80,857,643	76,939,270
Non-controlling interest		2,054,977	2,008,674	1,920,763
Total equity		98,090,151	82,866,317	78,860,033
Total liabilities and shareholders' equity		145,751,171	153,588,022	119,883,489

These consolidated financial statements for the year ended 31 December 2023 (including comparatives) were approved for issue and signed on behalf of the Management Board on 19 August 2024 as follows:

Mr. Yusal Abbasov
Chairman of the Board

Mrs. Lala Afandiyeva
Chief financial officer

Azre Reinsurance OJSC and its subsidiary
Consolidated Financial Statements

Consolidated statement of comprehensive income
For the year ended 31 December 2023

	Note	2023 AZN	Restated 2022 (Note 4) AZN
Insurance revenue	11 & 21	71,982,468	53,435,639
Insurance service expenses	11 & 22	(67,309,824)	(44,757,699)
Insurance services results before reinsurance contracts held		4,672,644	8,677,940
Allocation of reinsurance premiums	11	(9,849,635)	(5,559,142)
Amounts recoverable from reinsurance for incurred claims	11	36,256,130	23,644,830
Net expenses from reinsurance contracts held		26,406,495	18,085,688
Insurance services results		31,079,139	26,763,628
Insurance finance expense for insurance contracts issued	11 & 23	(3,494,365)	(4,644,524)
Reinsurance finance income for reinsurance contracts held	11 & 23	811,416	412,617
Net insurance financial results		28,396,190	22,531,721
Finance income	24	6,779,484	5,612,172
Operating expenses	25	(8,755,796)	(8,107,743)
Finance cost	26	(84,198)	(64,021)
Other income/(expense) - net	27	722,173	(413,160)
Profit for the year before tax		27,057,853	19,558,969
Taxation:			
- income tax expense	12	(6,265,111)	(5,108,084)
- deferred tax (expense)/income	12	(232,173)	1,132,780
Profit for the year		20,560,569	15,583,665
Other comprehensive income/(loss) for the year			
Items that may be reclassified subsequently to profit or loss: Surplus/(deficit) on investment at fair value through other comprehensive income - net of deferred tax liability		1,488,265	(148,401)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		22,048,834	15,435,264
Profit for the year attributable to:			
Owners of the Company		19,828,678	14,914,348
Non-controlling interest		731,891	669,317
		20,560,569	15,583,665
Total comprehensive income for the year attributable to:			
Owners of the Company		21,252,531	14,780,787
Non-controlling interest		796,303	654,477
		22,048,834	15,435,264

Azre Reinsurance OJSC and its subsidiary
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Consolidated statement of changes in equity
For the year ended 31 December 2023

	Share capital	Surplus on investment at fair value through other comprehensive income	Retained earnings	Total attributable to the owner of Parent Company	Non-controlling interest (NCI)	Total equity
	AZN	AZN	AZN	AZN	AZN	AZN
Balance at 01 January 2022, as previously reported	50,000,000	133,561	25,928,311	76,061,872	2,012,160	78,074,032
Impact of initial application of IFRS 17 (note 4)	-	-	877,398	877,398	(91,397)	786,001
Restated balance at 1 January 2022	50,000,000	133,561	26,805,709	76,939,270	1,920,763	78,860,033
Profit for the year - (restated)	-	-	14,914,348	14,914,348	669,317	15,583,665
Other comprehensive income	-	(133,561)	-	(133,561)	(14,840)	(148,401)
Total comprehensive income - (restated)	-	(133,561)	14,914,348	14,780,787	654,477	15,435,264
<i>Transaction with owners</i>						
Dividend paid	-	-	(11,857,500)	(11,857,500)	(617,500)	(12,475,000)
Restated balance at 31 December 2022	50,000,000	-	29,862,557	79,862,557	1,957,740	81,820,297
Impact of initial application of IFRS 9 (note 4.2)	-	1,300,247	(305,161)	995,086	50,934	1,046,020
Restated balance at 1 January 2023	50,000,000	1,300,247	29,557,396	80,857,643	2,008,674	82,866,317
Profit for the year	-	-	19,828,678	19,828,678	731,891	20,560,569
Other comprehensive income	-	1,423,853	-	1,423,853	64,412	1,488,265
Total comprehensive income	-	1,423,853	19,828,678	21,252,531	796,303	22,048,834
<i>Transaction with owners</i>						
Dividend paid (note 20)	-	-	(6,075,000)	(6,075,000)	(750,000)	(6,825,000)
Balance at December 31, 2023	50,000,000	2,724,100	43,311,074	96,035,174	2,054,977	98,090,151

Azre Reinsurance OJSC and its subsidiary
Consolidated Financial Statements

Consolidated statement of cash flows
For the year ended 31 December 2023

	Note	2023 AZN	Restated 2022 AZN
OPERATING ACTIVITIES			
Profit before tax for the year		27,057,853	19,558,969
Adjustments for non-cash and non-operating items:			
Depreciation of intangible assets	13	57,746	171,991
Depreciation of premises and equipment	14	273,778	205,203
Amortisation of right-of-use assets	15	388,414	381,622
(Reversal)/impairment in investment at amortized cost	8	(125,309)	268,311
Reversal of provision on deposits with banks	7	(86,135)	-
Interest income on deposits with banks	24	(788,486)	(846,501)
Interest income on investments at amortized cost	24	(5,990,998)	(4,765,671)
Finance cost on lease liabilities	26	84,198	64,021
Operating cash flows before changes in working capital		20,871,061	15,037,945
Changes in working capital:			
Insurance and reinsurance contract assets - net		20,384,134	(23,455,475)
Insurance and reinsurance contract liabilities - net		(20,972,892)	28,443,610
Other assets		(688,859)	57,305
Other payables		725,946	(1,531,026)
		20,319,390	18,552,359
Taxes paid		(4,377,471)	(1,506,143)
Net cash generated from operating activities		15,941,919	17,046,216
INVESTING ACTIVITIES			
Proceeds from deposits with banks – net		8,418,150	580,422
Acquisition of investment securities at amortized cost - net		(12,864,343)	(13,344,715)
Additions to premises and equipment		(299,390)	(486,578)
Additions to intangible assets		(53,265)	(34,189)
Proceeds from disposal of premises and equipment		2,281	71,631
Proceeds from disposal of intangible assets		-	5,945
Net cash used in investing activities		(4,796,567)	(13,207,484)

Azre Reinsurance OJSC and its subsidiary
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Consolidated statement of cash flows
For the year ended 31 December 2023

	Note	2023 AZN	Restated 2022 AZN
FINANCING ACTIVITIES			
Dividend paid	20	(6,825,000)	(13,175,000)
Proceeds from borrowings	17	-	6,911,178
Repayment of borrowings	17	(3,390,737)	(3,520,441)
Lease liabilities paid	18	(463,446)	(432,000)
Net cash used in financing activities		(10,679,183)	(10,216,263)
Net change in cash and cash equivalents		466,169	(6,377,531)
Cash and cash equivalents at the beginning of the year		5,241,464	11,618,995
Cash and cash equivalents at the end of year	6	5,707,633	5,241,464