



KPMG Audit Azerbaijan LLC  
Port Baku South Tower  
Neftchilar Avenue, 153  
Baku, Azerbaijan AZ1010  
+994 12 404 89 10

# Independent Auditors' Report

To the Shareholder and Board of Directors of PASHA Life Insurance OJSC

## Opinion

We have audited the financial statements of PASHA Life Insurance OJSC (the "Company"), which comprise the statement of financial position as at 31 December 2023, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

## 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Azerbaijan, 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

The financial statements of the Company as at and for the year ended 31 December 2022 were audited by other auditors who expressed an unmodified opinion on those statements on 28 February 2023.



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

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

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

## **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 auditors' 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 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 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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.

The engagement partner on the audit resulting in this independent auditors' report is:

Nasiba Muradkhanova  
KPMG Audit Azerbaijan LLC  
Baku, the Republic of Azerbaijan  
29 February 2024



**STATEMENT OF FINANCIAL POSITION****For the year ended 31 December 2023***(Amounts presented are in thousands of Azerbaijani manats, unless otherwise indicated)*

	Notes	31 December 2023	31 December 2022 (restated*)	1 January 2022 (restated*)
<b>Assets</b>				
Cash and cash equivalents	6	83,538	49,934	36,216
Amounts due from credit institutions	7	105,853	85,948	64,177
Investment securities	8	482,656	385,844	271,481
Reinsurance contract assets	14	2,394	1,678	872
Current income tax assets		-	-	215
Deferred income tax assets	12	4,518	-	-
Property and equipment	9	2,325	2,790	3,327
Intangible assets	10	1,422	794	806
Right-of-use asset	11	2,539	2,929	3,319
Other assets	13	2,203	1,896	1,483
<b>Total assets</b>		<b>687,448</b>	<b>531,813</b>	<b>381,896</b>
<b>Liabilities</b>				
Insurance contracts liabilities	14	522,337	339,163	256,550
Reinsurance contracts liabilities	14	1,654	1,273	609
Investment contract liabilities	15	45,032	53,922	28,460
Borrowings	16	-	18,931	-
Current income tax liabilities	12	8,242	9,058	-
Deferred income tax liabilities	12	-	3,524	3,636
Lease liability	18	3,078	3,399	3,643
Other liabilities	17	13,374	8,714	7,493
<b>Total liabilities</b>		<b>593,717</b>	<b>437,984</b>	<b>300,391</b>
<b>Equity</b>				
Share capital	19	40,250	40,250	40,250
Retained earnings		45,252	40,029	38,685
Net unrealized gain/(loss)		8,229	13,550	2,570
<b>Total equity</b>		<b>93,731</b>	<b>93,829</b>	<b>81,505</b>
<b>Total equity and liabilities</b>		<b>687,448</b>	<b>531,813</b>	<b>381,896</b>

\*See Note 3

Signed and authorized for release on behalf of the Management Board of the Company:

Chairman of the Management Board, CEO




Mr. Niyaz Ismayilov

Member of the Management Board, CFO



Ms. Dilara Babayeva

Director of Finance Department



Mr. Anar Jafarli

28 February 2024

*The accompanying notes on pages 5-65 are an integral part of these financial statements.*

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME****For the year ended 31 December 2023***(Amounts presented are in thousands of Azerbaijani manats, unless otherwise indicated)*

	<b>Notes</b>	<b>2023</b>	<b>2022 (restated*)</b>
Insurance revenue	24	96,288	87,348
Insurance service expenses	25	(24,318)	(35,585)
Net expenses from reinsurance contracts	26	(1,708)	(748)
<b>Insurance service result</b>		<b>70,262</b>	<b>51,015</b>
Personnel expenses	21	(17,603)	(13,835)
Other operating and administrative expenses	22	(10,661)	(10,309)
<b>Operating expenses</b>		<b>(28,264)</b>	<b>(24,144)</b>
Investment income	23	33,597	24,605
Finance cost	28	(2,739)	(1,529)
Impairment reversal, net		200	143
Net finance income/(expenses) from insurance contracts	27	(27,347)	(13,334)
Net finance income/(expenses) from reinsurance contracts	27	429	112
Other income/(expenses), net		28	108
<b>Net operating gain from non-insurance activities</b>		<b>4,168</b>	<b>10,105</b>
<b>Profit before income tax expense</b>		<b>46,166</b>	<b>36,976</b>
Income tax expense	12	(10,187)	(9,379)
<b>Profit for the year</b>		<b>35,979</b>	<b>27,597</b>
<b>Other comprehensive income</b>			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>			
Net change in fair value of debt instruments at fair value through other comprehensive income		107	(299)
Changes in allowance for expected credit losses of debt instruments at fair value through other comprehensive income	8	(213)	(401)
Net finance income/(expenses) from insurance contracts	27	(7,271)	16,508
Net finance income/(expenses) from reinsurance expenses	27	327	24
Income tax relating to components of other comprehensive income	12	1,410	(3,166)
<b>Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods</b>		<b>(5,640)</b>	<b>12,666</b>
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>			
Net change in fair value of equity instruments at fair value through other comprehensive income	8	399	(2,108)
Income tax relating to components of other comprehensive income	12	(80)	422
<b>Net other comprehensive income not to be reclassified to profit or loss in subsequent periods</b>		<b>319</b>	<b>(1,686)</b>
<b>Total other comprehensive income for the year</b>		<b>(5,321)</b>	<b>10,980</b>
<b>Total comprehensive income for the year</b>		<b>30,658</b>	<b>38,577</b>

\*See Note 3

*The accompanying notes on pages 5-65 are an integral part of these financial statements.*

**STATEMENT OF CHANGES IN EQUITY****For the year ended 31 December 2023***(Amounts presented are in thousands of Azerbaijani manats, unless otherwise indicated)*

	<b>Share capital</b>	<b>Retained earnings</b>	<b>Net unrealized gains/(losses)</b>	<b>Total equity</b>
<b>1 January 2022</b>	<b>40,250</b>	<b>28,647</b>	<b>2,570</b>	<b>71,467</b>
Impact of correction of errors (Note 3(B))	-	1,647	-	1,647
Adjustment for IFRS 17, net of tax	-	8,391	-	8,391
<b>Restated* balance at 1 January 2022</b>	<b>40,250</b>	<b>38,685</b>	<b>2,570</b>	<b>81,505</b>
Dividends to shareholder (Note 19)	-	(26,253)	-	(26,253)
Total comprehensive income for the year	-	27,597	10,980	38,577
<b>Restated* balance at 31 December 2022</b>	<b>40,250</b>	<b>40,029</b>	<b>13,550</b>	<b>93,829</b>
Dividends to shareholder (Note 19)	-	(30,756)	-	(30,756)
Total comprehensive income for the year	-	35,979	(5,321)	30,658
<b>31 December 2023</b>	<b>40,250</b>	<b>45,252</b>	<b>8,229</b>	<b>93,731</b>

\*See Note 3

*The accompanying notes on pages 5-65 are an integral part of these financial statements.*

**STATEMENT OF CASH FLOWS****For the year ended 31 December 2023***(Amounts presented are in thousands of Azerbaijani manats, unless otherwise indicated)*

	<b>Notes</b>	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities</b>			
Insurance premiums received		480,354	353,796
Reinsurance premiums paid		(1,516)	(799)
Insurance claims paid		(237,684)	(192,367)
Acquisition expenses paid		(9,752)	(10,085)
Personnel expenses paid		(21,370)	(18,379)
Other income received		-	115
Other operating and administrative expenses paid		(12,885)	(13,512)
<b>Cash from operating activities before changes in operating liabilities</b>		<b>197,147</b>	<b>118,769</b>
<i>Net increase in operating liabilities</i>			
Investment contract liabilities		(9,842)	22,117
<b>Net cash from operating activities before income tax</b>		<b>187,305</b>	<b>140,886</b>
Income tax paid		(17,560)	(2,819)
<b>Net cash from operating activities</b>		<b>169,745</b>	<b>138,067</b>
<b>Cash flows from investing activities</b>			
Amounts placed at credit institutions		(24,315)	(64,317)
Amounts repaid by credit institutions		4,501	42,384
Purchase of investment securities		(175,190)	(215,737)
Proceeds from sale and redemption of investment securities		83,695	98,747
Placements of cash on reverse repurchase agreements		(184,934)	(6,180)
Proceeds from redemption of reverse repurchase agreements		184,928	6,180
Investment income received		28,535	24,301
Purchase of property and equipment		(390)	(341)
Purchase of intangible assets		(1,843)	(878)
<b>Net cash used in investing activities</b>		<b>(85,013)</b>	<b>(115,841)</b>
<b>Cash flows from financing activities</b>			
Payment of dividends	19	(30,756)	(26,253)
Proceeds from repurchase agreements	16	250,626	172,346
Redemption of repurchase agreements		(269,886)	(153,530)
Payment of lease liability	18	(744)	(701)
Payment of leasehold improvement liability	17	(369)	(369)
<b>Net cash used in financing activities</b>		<b>(51,129)</b>	<b>(8,507)</b>
Effect of change in ECL on cash and cash equivalents	6	1	(1)
<b>Net increase in cash and cash equivalents</b>		<b>33,604</b>	<b>13,718</b>
Cash and cash equivalents, beginning of the year		49,934	36,216
<b>Cash and cash equivalents, ending of the year</b>	6	<b>83,538</b>	<b>49,934</b>
Non-cash transactions performed by the Company comprise:			
		<b>2023</b>	<b>2022</b>
Withholding tax on investment income		150	150
Reinsurer's share in insurance claims paid		201	121
Insurance claims paid		249	3,370

*The accompanying notes on pages 5-65 are an integral part of these financial statements.*