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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 2024, 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 2024, 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.



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
28 February 2025



STATEMENT OF FINANCIAL POSITION**For the year ended 31 December 2024***(Amounts presented are in thousands of Azerbaijani manats, unless otherwise indicated)*

	Notes	31 December 2024	31 December 2023
Assets			
Cash and cash equivalents	5	136,846	83,538
Amounts due from credit institutions	6	92,153	105,853
Investment securities	7	544,704	482,656
Reinsurance contract assets	12	3,176	2,394
Deferred income tax assets	10	6,419	4,518
Property and equipment	8	3,988	2,325
Intangible assets		1,310	1,422
Right-of-use asset	9	2,747	2,539
Other assets	11	2,151	2,203
Total assets		793,494	687,448
Liabilities			
Insurance contracts liabilities	12	625,002	522,337
Reinsurance contracts liabilities	12	891	1,654
Investment contract liabilities	13	3,937	45,032
Borrowings	14	31,600	-
Current income tax liabilities	10	3,658	8,242
Lease liability	16	3,402	3,078
Other liabilities	15	14,400	13,374
Total liabilities		682,890	593,717
Equity			
Share capital	17	40,250	40,250
Retained earnings		65,628	45,252
Net unrealized gain		4,726	8,229
Total equity		110,604	93,731
Total equity and liabilities		793,494	687,448

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

28 February 2025

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 2024***(Amounts presented are in thousands of Azerbaijani manats, unless otherwise indicated)*

	Notes	2024	2023
Insurance revenue	22	136,309	96,288
Insurance service expenses	23	(33,636)	(24,318)
Net expenses from reinsurance contracts	24	(249)	(1,708)
Insurance service result		102,424	70,262
Personnel expenses	19	(19,974)	(17,603)
Other operating and administrative expenses	20	(13,793)	(10,661)
Operating expenses		(33,767)	(28,264)
Investment income	21	44,518	33,597
Finance cost	26	(1,733)	(2,739)
Impairment reversal, net		130	200
Net finance expenses from insurance contracts	25	(39,958)	(27,347)
Net finance income from reinsurance contracts	25	549	429
Other (expense)/income, net		(35)	28
Net operating gain from non-insurance activities		3,471	4,168
Profit before income tax expense		72,128	46,166
Income tax expense	10	(15,752)	(10,187)
Profit for the year		56,376	35,979
Other comprehensive income			
<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		(90)	107
Changes in allowance for expected credit losses of debt instruments at fair value through other comprehensive income	7	(19)	(213)
Net finance expenses from insurance contracts	25	(2,632)	(7,271)
Net finance (expenses)/income from reinsurance contracts	25	(283)	327
Related income tax	10	605	1,410
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods		(2,419)	(5,640)
<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	7	(1,355)	399
Related income tax	10	271	(80)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		(1,084)	319
Total other comprehensive loss for the year		(3,503)	(5,321)
Total comprehensive income for the year		52,873	30,658

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 2024***(Amounts presented are in thousands of Azerbaijani manats, unless otherwise indicated)*

	Share capital	Retained earnings	Net unrealized gains/(losses)	Total equity
1 January 2023	40,250	40,029	13,550	93,829
Dividends to shareholder (Note 17)	-	(30,756)	-	(30,756)
Total comprehensive income for the year	-	35,979	(5,321)	30,658
31 December 2023	40,250	45,252	8,229	93,731
Dividends to shareholder (Note 17)	-	(36,000)	-	(36,000)
Total comprehensive income for the year	-	56,376	(3,503)	52,873
31 December 2024	40,250	65,628	4,726	110,604

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 2024***(Amounts presented are in thousands of Azerbaijani manats, unless otherwise indicated)*

	Notes	2024	2023
Cash flows from operating activities			
Insurance premiums received		584,310	480,354
Reinsurance premiums paid		(1,486)	(1,516)
Insurance claims paid		(400,102)	(237,684)
Acquisition expenses paid		(7,598)	(9,752)
Personnel expenses paid		(27,287)	(21,370)
Other operating and administrative expenses paid		(16,475)	(12,885)
Cash from operating activities before changes in operating liabilities		131,362	197,147
<i>Net increase in operating liabilities</i>			
Investment contract liabilities		(41,810)	(9,842)
Net cash from operating activities before income tax		89,552	187,305
Income tax paid		(21,361)	(17,560)
Net cash from operating activities		68,191	169,745
Cash flows from investing activities			
Amounts placed at credit institutions		(14,712)	(24,315)
Amounts repaid by credit institutions		28,803	4,501
Purchase of investment securities		(232,393)	(175,190)
Proceeds from sale and redemption of investment securities		174,368	83,695
Investment income received		38,597	28,200
Purchase of property and equipment		(2,429)	(390)
Purchase of intangible assets		(1,511)	(1,843)
Net cash used in investing activities		(9,277)	(85,342)
Cash flows from financing activities			
Payment of dividends	17	(36,000)	(30,756)
Proceeds from / (Redemption of) repurchase agreements	14	31,600	(18,931)
Payment of lease liability	16	(837)	(744)
Payment of leasehold improvement liability	15	(369)	(369)
Net cash used in financing activities		(5,606)	(50,800)
Effect of change in ECL on cash and cash equivalents	5	-	1
Net increase in cash and cash equivalents		53,308	33,604
Cash and cash equivalents, beginning of the year		83,538	49,934
Cash and cash equivalents, ending of the year	6	136,846	83,538

Non-cash transactions performed by the Company comprise:

	2024	2023
Withholding tax on investment income	75	150
Reinsurer's share in insurance claims paid	912	201
Insurance claims paid	82	249

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