

PASHA Insurance OJSC

Interim condensed financial statements

30 June 2025

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Auditors' Report on Review of Condensed Interim Financial Statements

Interim condensed financial statements

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Independent Auditors' Report on Review of Condensed Interim Financial Statement

To the Shareholder and Board of Directors of PASHA Insurance OJSC

Introduction

We have reviewed the accompanying condensed statement of financial position of PASHA Insurance OSJC (the "Company") as at 30 June 2025, the condensed interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the condensed interim financial statement (the "condensed interim financial statements"). Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of condensed interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements as at and for the six months ended 30 June 2025 are not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

Nasiba Muradkhanova
"KPMG Audit Azerbaijan" LLC
Baku, the Republic of Azerbaijan
5 September 2025

Reviewed entity: PASHA Insurance OJSC

Baku, the Republic of Azerbaijan

Independent auditor: "KPMG Audit Azerbaijan" LLC, a company incorporated under the Laws of the Republic of Azerbaijan, and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

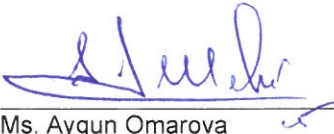
Interim condensed statement of financial position as at 30 June 2025*(Amounts presented are in thousands of Azerbaijani manats)*

	Notes	30 June 2025	31 December 2024
Assets			
Cash and cash equivalents	3	39,156	11,468
Investment securities	4	161,911	186,813
Amounts due from credit institutions	5	64,692	32,968
Receivables	6	5,530	9,409
Reinsurance contract assets	7	6,626	11,819
Insurance contract assets	7	518	-
Deferred expenses		1,600	772
Current income tax assets		-	1,350
Deferred income tax assets		247	643
Property, equipment and intangible assets		10,456	10,075
Right-of-use assets		5,800	5,848
Other assets		7,538	7,152
Total assets		304,074	278,317
Liabilities			
Insurance contract liabilities	7	169,437	143,415
Reinsurance contract liabilities	7	2,525	1,595
Payables	8	7,682	10,393
Borrowings		-	5,585
Deferred revenue		994	1,224
Current income tax liabilities		1,722	-
Lease liabilities		6,192	6,333
Tax payables on dividends		438	299
Other liabilities		14,906	16,928
Total liabilities		203,896	185,772
Equity			
Share capital	10	50,000	50,000
Retained earnings	10	49,847	44,130
Net unrealized gains / (losses) on investment securities	10	331	(1,585)
Total equity		100,178	92,545
Total liabilities and equity		304,074	278,317

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




Mr. Niyaz Ismayilov
Chief Executive Officer
Chairman of the Management Board



Ms. Aygun Omarova
Chief Operational Officer,
Member of the Management Board

5 September 2025

The accompanying notes on pages 5 to 25 are an integral part of these interim condensed financial statements.

Interim condensed statement of profit or loss and other comprehensive income for the six months ended 30 June 2025

(Amounts presented are in thousands of Azerbaijani manats)

	<i>Notes</i>	30 June 2025 (unaudited)	30 June 2024 (unaudited)
Insurance revenue	12	137,111	140,351
Insurance service expenses	12	(79,138)	(96,136)
Net results from reinsurance contracts	12	(29,704)	(15,481)
Insurance service result		28,269	28,734
Personnel expenses	13	(9,532)	(8,857)
Other operating and administrative expenses	14	(6,373)	(5,525)
Operating expenses		(15,905)	(14,382)
Investment income	15	8,583	7,793
Dividend income	15	21	3,000
Interest expense		(339)	(117)
Loss on derecognition of financial assets		(305)	-
Impairment loss, net	4, 5	(294)	(299)
Foreign exchanges gain / (loss), net		3	(51)
Other income / (expense), net		943	(115)
Profit before income tax		20,976	24,563
Income tax expense	9	(3,650)	(3,619)
Profit for the year		17,326	20,944
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>			
Changes in allowance for expected credit losses of debt instruments at fair value through other comprehensive income	4	-	(29)
Income tax relating to components of other comprehensive income		-	6
Net other comprehensive loss to be classified to profit or loss in subsequent periods		-	(23)
<i>Other comprehensive income that will not 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	17	2,395	(1,370)
Income tax relating to components of other comprehensive income		(479)	274
Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods		1,916	(1,096)
Other comprehensive loss, net of tax		1,916	(1,119)
Total comprehensive income for the period		19,242	19,825

The accompanying notes on pages 5 to 25 are an integral part of these interim condensed financial statements.

Interim condensed statement of changes in equity for the six months ended 30 June 2025*(Amounts presented are in thousands of Azerbaijani manats, unless otherwise indicated)*

	<i>Share capital</i>	<i>Retained earnings</i>	<i>Net unrealized (losses)/gains on investment securities</i>	<i>Total equity</i>
Balance at 1 January 2024	50,000	37,915	471	88,386
Dividends to shareholders (Note 10)	-	(29,500)	-	(29,500)
Total comprehensive income for the period	-	20,944	(1,119)	19,825
Balance at 30 June 2024 (unaudited)	50,000	29,359	(648)	78,711
Balance at 1 January 2025	50,000	44,130	(1,585)	92,545
Dividends to shareholders (Note 10)	-	(11,609)	-	(11,609)
Total comprehensive income for the period	-	17,326	1,916	19,242
As at 30 June 2025 (unaudited)	50,000	49,847	331	100,178

The accompanying notes on pages 5 to 25 are an integral part of these interim condensed financial statements.

Interim condensed statement of cash flows for the six months ended 30 June 2025*(Amounts presented are in thousands of Azerbaijani manats, unless otherwise indicated)*

	Notes	For the six months ended 30 June (unaudited)	
		2025	2024
Cash flows from operating activities			
Insurance premiums received		178,023	174,936
Reinsurance premiums paid		(34,376)	(31,688)
Claims paid		(64,115)	(67,456)
Claims received, reinsurers' share of claims paid		180	967
Fees and commissions paid, net		(5,777)	(1,711)
Personnel expenses paid		(19,894)	(17,862)
General and administrative expenses paid		(9,706)	(10,745)
Marketing and advertising expenses paid		(1,358)	(621)
Subrogation income received		1,001	737
Other operating income received		221	16
Net cash flows from operating activities before income tax		44,199	46,573
Income tax paid		(666)	(5,620)
Net cash from operating activities		43,533	40,953
Cash flows from investing activities			
Investment income received		8,540	7,567
Purchase of investment securities		(14,936)	(42,814)
Proceeds from sale and redemption of investment securities		41,964	26,373
Dividend income received		-	2,850
Amounts placed at credit institutions		(57,500)	(25,500)
Amounts repaid by credit institutions		25,500	18,500
Purchase of property, equipment and intangible assets		(1,760)	(1,343)
Proceeds from sale of property, equipment and intangible assets		100	165
Net cash used in investing activities		1,908	(14,202)
Cash flows from financing activities			
Dividends paid	10	(11,470)	(28,161)
Payment of lease liabilities		(819)	(550)
Repayment of repurchase agreements		(5,585)	-
Net cash used in financing activities		(17,874)	(28,711)
Effect of exchange rates changes on cash and cash equivalents		121	(46)
Net increase / (decrease) in cash and cash equivalents		27,688	(2,006)
Cash and cash equivalents, beginning	3	11,468	12,382
Cash and cash equivalents, ending	3	39,156	10,376

Non-cash transactions performed by the Company comprise the following:

	For the six months ended 30 June (unaudited)	
	2025	2024
Cash flows from operating activities		
Gross written premiums and premiums ceded to reinsurers on fronting contracts	34	296
Cash flows from financing activities		
Withholding tax on interest income	-	150
Addition of right-of-use assets	351	-
Addition of lease liabilities	(351)	-

The accompanying notes on pages 5 to 25 are an integral part of these interim condensed financial statements.

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

1. Principal activities

PASHA Insurance Open Joint Stock Company (the "Company") was established under the laws of the Republic of Azerbaijan on 15 March 2006. On 4 July 2006 the Ministry of Finance of the Republic of Azerbaijan granted a five-year insurance license (the "Insurance License") under which the Company started its insurance and reinsurance operations. The Insurance License was prolonged for infinite period on 1 July 2011.

On 27 February 2014, the Company obtained separate reinsurance operations license (the "Reinsurance license") for an infinite period required as per amendments to *Law on Insurance Activity of the Republic of Azerbaijan* dated 29 October 2013.

On 23 December 2011, the Company was included in the register of member insurers of the Compulsory Insurance Bureau (the "Bureau"). On 25 November 2016, the Company became the Member of the Council of Trustees of the Bureau.

The Company provides voluntary and compulsory insurance and reinsurance services to legal entities and individuals in the Republic of Azerbaijan. Insurance business of the Company includes, but is not limited to medical, motor, property, liability, marine, energy and reinsurance.

On 27 August 2025, a Financial Strength Rating of "B++" and a Long-Term Issuer Credit Rating of "BBB" was assigned to the Company by AM Best. The outlook assigned to these ratings was "stable".

The registered office of the Company is 170 Tolstoy Street, Baku, AZ1000, Azerbaijan.

As at 30 June 2025 and 31 December 2024, the Company is wholly-owned by PASHA Holding LLC (the "Parent") and the Company is ultimately owned by Mrs. Leyla Aliyeva, Mrs. Arzu Aliyeva, Mr. Arif Pashayev and Mr. Mir Jamal Pashayev, who exercise collective control over the Company.

2. Basis of preparation

General

These condensed interim financial statements for the six months ended 30 June 2025 have been prepared in accordance with IAS 34 *Interim Financial Reporting*, and should be read in conjunction with the Company's last annual financial statements as at and for the year ended 31 December 2024 ('last annual financial statements'). They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS Accounting Standards. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements.

Standards and interpretations issued, but not yet effective

A number of new accounting standards and amendments to accounting standards are effective for annual reporting periods beginning after 1 January 2025 and earlier application is permitted. However, the Company has not early adopted any of the forthcoming new or amended accounting standards in preparing these condensed interim financial statements.

The following forthcoming requirements are required to be applied for annual reporting periods beginning after January 2025 and that are available for early adoption in annual periods beginning on 1 January 2025:

- Classification and Measurement of Financial Instruments — Amendments to IFRS 9 and IFRS 7;
- Contracts Referencing Nature-dependent Electricity — Amendments to IFRS 9 and IFRS 7;
- Annual Improvements to IFRS Accounting Standards — Volume 11;
- IFRS 18 Presentation and Disclosure in Financial Statements;
- IFRS 19 Subsidiaries without Public Accountability: Disclosures.

New accounting standards or amendments

The following new currently effective standards has been assessed not to have a significant impact on the Company's financial statements:

- Lack of Exchangeability (Amendments to IAS 21).

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

3. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	30 June 2025 <i>(unaudited)</i>	31 December 2024
Current accounts with credit institutions	35,052	11,468
Reverse repurchase agreements up to 90 days	4,104	-
Total cash and cash equivalents	39,156	11,468

As at 30 June 2025, current accounts with credit institutions consist of an account balance with nineteen (31 December 2024: eighteen) resident banks in the amount of AZN 34,956 (31 December 2024: AZN 11,372) and with one (31 December 2024: one) non-resident banks in the amount of AZN 96 (31 December 2024: AZN 96). As at 30 June 2025, AZN 33,135 or 95% of total current account balances (31 December 2024: AZN 9,476 or 83%) are in two (31 December 2024: two) banks.

As at 30 June 2025, the Company's reverse repurchase agreements are due by 08 July 2025 and are collateralized by the underlying government bonds at fair value of 4,104 AZN issued by the Ministry of Finance of the Republic of Azerbaijan.

As at 30 June 2025 and 31 December 2024, all balances of cash and cash equivalents are allocated to Stage 1.

4. Investment securities

Investment securities comprise the following:

	30 June 2025 <i>(unaudited)</i>	31 December 2024
Debt securities at amortised cost		
Government bonds issued by the Republic of Azerbaijan	106,605	135,701
Corporate bonds issued by Southern Gas Corridor	24,334	15,870
Corporate bonds issued by PASHA Bank OJSC	-	9,317
Corporate bonds issued by SOCAR	4,381	-
U.S. T-bill	5,323	7,128
Less: ECL	(78)	(154)
Debt securities at amortised cost	140,565	167,862
Equity instruments at FVOCI		
Preferred shares issued by Kapital Bank OJSC	21,346	18,951
Equity instruments at FVOCI	21,346	18,951
Total investment securities	161,911	186,813

Included in balances as at 30 June 2025 is accrued interest receivable of AZN 2,443 (31 December 2024: AZN 2,789).

Investment securities bore effective interest rate in the range of 4.32-9.99% p.a. (31 December 2024: 4.32-9.99% p.a.) and maturing up to 7 March 2030 (31 December 2024: 1 September 2029) as at 30 June 2025.

An analysis of changes in the ECL during the six months ended 30 June 2025 is as follows:

	Stage 1
Debt securities at amortised cost	
At 1 January 2025	(154)
New assets originated or purchased	(12)
Assets derecognised or matured	7
Changes to models and inputs used for ECL calculations	81
At 30 June 2025 (unaudited)	(78)

An analysis of changes in the ECL during the six months ended 30 June 2024 is as follows:

	Stage 1
Debt securities at amortised cost	
At 1 January 2024	(278)
New assets originated or purchased	(29)
Assets derecognised or matured	3
Changes to models and inputs used for ECL calculations	(11)
At 30 June 2024 (unaudited)	(315)