

**PASHA Insurance OJSC**

**Interim condensed financial statements**

*30 June 2020*

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### Report on Review of Interim Financial Information

#### Interim condensed financial statements

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## Report on Review of Interim Financial Information

To the Shareholder and Board of Directors of  
PASHA Insurance OJSC

### Introduction

We have reviewed the accompanying interim condensed financial statements of PASHA Insurance OJSC, which comprise the interim condensed statement of financial position as at 30 June 2020 and the related interim condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended and selected explanatory notes (interim financial information). Management is responsible for the preparation and presentation of this interim condensed financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information 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 interim financial information 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 interim condensed financial information is not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.

*Ernst & Young Holdings (CIS) B.V.*

08 September 2020

Baku, Azerbaijan


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

## INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

|  | Notes | 30 June 2020<br>(unaudited) | 31 December<br>2019 |
|--|-------|-----------------------------|---------------------|
| <b>Assets</b>  |       |                             |                     |
| Cash and cash equivalents                              | 3     | 9,152                       | 11,571              |
| Investment securities                                  | 4     | 100,942                     | 90,594              |
| Amounts due from credit institutions                   | 5     | 28,820                      | 31,060              |
| Insurance receivables                                  | 6     | 30,538                      | 18,107              |
| Deferred expenses                                      |       | 2,601                       | 2,498               |
| Reinsurance assets                                     | 7     | 18,911                      | 23,505              |
| Deferred income tax assets                             |       | 1,871                       | 267                 |
| Property, equipment and intangible assets              |       | 3,716                       | 2,565               |
| Right-of-use assets                                    |       | 4,023                       | 4,389               |
| Other assets   |       | 14,366                      | 17,105              |
| <b>Total assets</b>                                    |       | <b>214,940</b>              | <b>201,661</b>      |
| <b>Liabilities</b>                                     |       |                             |                     |
| Insurance contract liabilities                         | 7     | 107,411                     | 88,105              |
| Insurance payables                                     | 8     | 16,429                      | 11,586              |
| Borrowings   | 9     | 5,210                       | –                   |
| Deferred revenue                                       |       | 1,508                       | 2,178               |
| Current income tax liabilities                         |       | 1,894                       | 3,689               |
| Lease liabilities                                      |       | 4,308                       | 4,593               |
| Other liabilities                                      |       | 10,794                      | 8,875               |
| <b>Total liabilities</b>                               |       | <b>147,554</b>              | <b>119,026</b>      |
| <b>Equity</b>  |       |                             |                     |
| Share capital  | 11    | 50,000                      | 50,000              |
| Retained earnings                                      |       | 20,088                      | 30,673              |
| Net unrealized (losses)/gains on investment securities |       | (2,702)                     | 1,962               |
| <b>Total equity</b>                                    |       | <b>67,386</b>               | <b>82,635</b>       |
| <b>Total liabilities and equity</b>                    |       | <b>214,940</b>              | <b>201,661</b>      |

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

  
 Ulviyya Jabbarova  
 Chief Executive Officer,  
 Chairman of the Management Board



  
 Ulviyya Abbasova  
 Chief Financial Officer,  
 Member of the Management Board

08 September 2020

The accompanying notes on pages 5 to 21 are an integral part of these interim condensed financial statements.

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

## INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

|  | Notes   | For the six months ended 30 June<br>(unaudited) |                 |
|--|---------|---|-----------------|
|  |         | 2020  | 2019            |
| Gross written premiums   |         | 99,814  | 88,398          |
| Premiums ceded to reinsurers   |         | (13,485)  | (14,084)        |
| <b>Net written premiums</b>  |         | <b>86,329</b>                                   | <b>74,314</b>   |
| Change in provision for unearned premiums, net of reinsurance  |         | (27,198)  | (24,417)        |
| <b>Premiums earned, net of reinsurance</b>   |         | <b>59,131</b>                                   | <b>49,897</b>   |
| Claims incurred, net of reinsurance  |         | (27,291)  | (27,024)        |
| Fees and commission (expense)/income, net  |         | (286)   | 60              |
| <b>Insurance activity results</b>  | 13      | <b>31,554</b>                                   | <b>22,933</b>   |
| Personnel expenses   | 14      | (7,237)   | (5,760)         |
| General and administrative expenses  | 15      | (5,023)   | (3,541)         |
| Marketing and advertisement expenses   |         | (488)   | (444)           |
| Depreciation and amortization expenses   |         | (822)   | (730)           |
| <b>Operating expenses</b>  |         | <b>(13,570)</b>                                 | <b>(10,475)</b> |
| Investment income  | 16      | 4,921   | 5,315           |
| Dividend income  |         | 414   | –               |
| Interest expense   |         | (400)   | (314)           |
| Impairment (loss)/gain   | 4, 5, 6 | (21)  | 17              |
| Foreign exchanges loss, net  |         | (85)  | (10)            |
| Other income, net  |         | 135   | 156             |
| <b>Profit before income tax</b>  |         | <b>22,948</b>                                   | <b>17,622</b>   |
| Income tax expense   | 10      | (4,949)   | (3,660)         |
| <b>Profit for the year</b>   |         | <b>17,999</b>                                   | <b>13,962</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                        |         | (2,026)   | 531             |
| Changes in allowance for expected credit losses of debt instruments at fair value through other comprehensive income | 4       | 21  | 4               |
| Tax effects of gains/(losses) on investment securities   | 10      | 401   | (107)           |
| <b>Net other comprehensive (loss)/income to be classified to profit or loss in subsequent periods</b>                |         | <b>(1,604)</b>                                  | <b>428</b>      |
| <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                      | 18      | (3,825)   | –               |
| Tax effects of losses on investment securities   | 10      | 765   | –               |
| <b>Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods</b>                   |         | <b>(3,060)</b>                                  | <b>–</b>        |
| <b>Other comprehensive (loss)/income, net of tax</b>   |         | <b>(4,664)</b>                                  | <b>428</b>      |
| <b>Total comprehensive income for the period</b>   |         | <b>13,335</b>                                   | <b>14,390</b>   |

The accompanying notes on pages 5 to 21 are an integral part of these interim condensed financial statements.

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

## INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

|   | Notes | Share capital | Retained earnings | Net unrealized (losses)/ gains on investment securities | Total equity  |
|---|-------|---------------|-------------------|---|---------------|
| <b>As at 1 January 2019</b>               |       | <b>50,000</b> | <b>23,561</b>     | <b>1,424</b>  | <b>74,985</b> |
| Dividends to shareholder                  | 11    | –             | (21,472)          | –   | (21,472)      |
| Total comprehensive income for the period |       | –             | 13,962            | 428   | 14,390        |
| <b>As at 30 June 2019 (unaudited)</b>     |       | <b>50,000</b> | <b>16,051</b>     | <b>1,852</b>  | <b>67,903</b> |
| <b>As at 1 January 2020</b>               |       | <b>50,000</b> | <b>30,673</b>     | <b>1,962</b>  | <b>82,635</b> |
| Dividends to shareholder                  | 11    | –             | (28,584)          | –   | (28,584)      |
| Total comprehensive income for the period |       | –             | 17,999            | (4,664)   | 13,335        |
| <b>As at 30 June 2020 (unaudited)</b>     |       | <b>50,000</b> | <b>20,088</b>     | <b>(2,702)</b>  | <b>67,386</b> |

The accompanying notes on pages 5 to 21 are an integral part of these interim condensed financial statements.

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

## INTERIM CONDENSED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

|   | Notes | For the six months ended 30 June<br>(unaudited) |                 |
|---|-------|---|-----------------|
|   |       | 2020  | 2019            |
| <b>Cash flows from operating activities</b>                       |       |   |                 |
| Insurance premiums received                                       |       | 85,511  | 79,642          |
| Reinsurance premiums paid   |       | (7,812)   | (8,697)         |
| Claims paid   |       | (29,076)  | (26,503)        |
| Claims received, reinsurers' share of claims paid                 |       | 93  | 352             |
| Fees and commissions paid, net                                    |       | (852)   | (347)           |
| Personnel expenses paid   |       | (7,416)   | (5,723)         |
| General and administrative expenses paid                          |       | (4,926)   | (3,340)         |
| Marketing and advertising expenses paid                           |       | (266)   | (297)           |
| Subrogation income received                                       |       | 551   | 618             |
| <b>Net cash flows from operating activities before income tax</b> |       | <b>35,807</b>                                   | <b>35,705</b>   |
| Income tax paid   |       | (6,517)   | (4,070)         |
| <b>Net cash from operating activities</b>                         |       | <b>29,290</b>                                   | <b>31,635</b>   |
| <b>Cash flows from investing activities</b>                       |       |   |                 |
| Investment income received  |       | 3,919   | 4,132           |
| Purchase of investment securities                                 |       | (32,771)  | (34,926)        |
| Proceeds from sale and redemption of investment securities        |       | 23,679  | 30,464          |
| Return of investment in equity securities                         |       | 2,327   | –               |
| Dividend income received  |       | 373   | –               |
| Amounts placed at credit institutions                             |       | (15,500)  | (10,700)        |
| Amounts repaid by credit institutions                             |       | 18,102  | 13,938          |
| Amounts borrowed from credit institutions                         |       | –   | 3,400           |
| Purchase of property, equipment and intangible assets             |       | (1,553)   | (404)           |
| Proceeds from sale of property, equipment and intangible assets   |       | –   | 1               |
| <b>Net cash (used in) / from investing activities</b>             |       | <b>(1,424)</b>                                  | <b>5,905</b>    |
| <b>Cash flows from financing activities</b>                       |       |   |                 |
| Dividends paid, net of tax  | 12    | (25,726)  | (19,325)        |
| Sale and repurchase operations                                    | 9     | (4,020)   | (14,911)        |
| Lease payment   |       | (514)   | (514)           |
| <b>Net cash used in financing activities</b>                      |       | <b>(30,260)</b>                                 | <b>(34,750)</b> |
| Effect of exchange rates changes on cash and cash equivalents     |       | (25)  | (21)            |
| <b>Net (decrease)/increase in cash and cash equivalents</b>       |       | <b>(2,419)</b>                                  | <b>2,769</b>    |
| Cash and cash equivalents, beginning                              | 3     | 11,571  | 3,987           |
| <b>Cash and cash equivalents, ending</b>                          | 3     | <b>9,152</b>                                    | <b>6,756</b>    |

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

|   | Notes | 2020    | 2019    |
|---|-------|---------|---------|
| <b>Cash flows from operating activities</b>                                   |       |         |         |
| Gross written premiums and premiums ceded to reinsurers on fronting contracts |       | 1,579   | 280     |
| <b>Cash flows from investing activities</b>                                   |       |         |         |
| Purchase of investment securities through sale and repurchase operations      | 9     | (9,060) | (9,265) |
| <b>Cash flows from financing activities</b>                                   |       |         |         |
| Amounts borrowed through sale and repurchase operations                       | 9     | 9,060   | 9,265   |
| Withholding tax on interest and dividend income                               |       | 811     | 531     |

The accompanying notes on pages 5 to 21 are an integral part of these interim condensed financial statements.