

**AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)**

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
FOR THE THREE AND SIX MONTH PERIODS ENDED 30 JUNE 2015**

AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTH PERIOD ENDED 30 JUNE 30 2015

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**INDEPENDENT AUDITORS' REVIEW REPORT TO THE SHAREHOLDERS OF
AXA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

SCOPE OF REVIEW

We have reviewed the accompanying interim statement of financial position of AXA Cooperative Insurance Company (A Saudi Joint Stock Company) (the "Company") as at 30 June 2015, the related interim statements of income - insurance operations, shareholders' operations and statement of comprehensive income - shareholders' operations for the three month and six month periods then ended, the related interim statement of changes in shareholders' equity, statements of cash flows - insurance operations and shareholders' operations for the six month period then ended and the related notes 1 to 14 which form an integral part of these interim condensed financial statements. These interim condensed financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Accounting Standard - 34 "Interim Financial Reporting" (IAS 34) and submitted to us together with all the information and explanations which we required. We conducted our review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). A review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

CONCLUSION

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim condensed financial statements for them to be in conformity with IAS 34.

EMPHASIS OF MATTER

We draw attention to the fact that these interim condensed financial statements are prepared in accordance with IAS 34 and not in accordance with the Standard on Interim Financial Reporting issued by SOCPA.

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11 Shawwal 1436H
(27 July 2015)

AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF FINANCIAL POSITION
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

| | | June 30, 2015 | December 31, 2014 |
|--|-------------|--------------------------|------------------------------|
| | Note | (Unaudited) | (Audited) |
| INSURANCE OPERATIONS' ASSETS | | | |
| Cash and cash equivalents | 3 | 162,600 | 188,876 |
| Short-term deposits | | 173,797 | 168,299 |
| Premiums and insurance balances receivable | | 218,145 | 162,042 |
| Less: Provision for doubtful debts | | (21,980) | (21,980) |
| Premiums and insurance balances receivable - net | 6 | 196,165 | 140,062 |
| Receivable from related parties | 6 | 547 | 236 |
| Reinsurers' share of unearned premiums | | 31,148 | 35,073 |
| Reinsurers' share of outstanding claims | | 130,278 | 141,529 |
| Deferred policy acquisition costs | | 24,210 | 17,475 |
| Other assets | | 9,990 | 6,445 |
| Available-for-sale investments | 4 | 83,330 | 74,454 |
| Long-term deposit | | 7,500 | 7,500 |
| Held-to-maturity investments | 4 | 75,000 | 75,000 |
| Due from shareholders | | 45,956 | 51,472 |
| Furniture, fixtures and equipment | | 3,941 | 4,464 |
| Intangibles - computer software | | 2,912 | 3,004 |
| TOTAL INSURANCE OPERATIONS' ASSETS | | 947,374 | 913,889 |
| SHAREHOLDERS' ASSETS | | | |
| Cash and cash equivalents | 3 | 62,385 | 10,636 |
| Short-term deposits | | 155,000 | 20,000 |
| Goodwill on acquisition of insurance portfolio | 12 | 50,000 | - |
| Other assets | | 2,322 | 4,234 |
| Available-for-sale investments | 4 | 122,400 | 95,069 |
| Long-term deposits | | 71,250 | 56,250 |
| Held-to-maturity investments | 4 | 60,000 | 60,000 |
| Statutory deposit | 5 | 45,000 | 20,000 |
| TOTAL SHAREHOLDERS' ASSETS | | 568,357 | 266,189 |
| TOTAL ASSETS | | 1,515,731 | 1,180,078 |

The accompanying notes from 1 to 14 form an integral part of these interim condensed financial statements.

Paul Adamson

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AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF FINANCIAL POSITION (Continued)
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

| | | June 30, 2015 | December 31, |
|---|-------------|--------------------------|------------------|
| | Note | (Unaudited) | 2014 |
| | | | (Audited) |
| INSURANCE OPERATIONS' LIABILITIES AND SURPLUS | | | |
| Reinsurers' balances payable | | 42,193 | 42,723 |
| Unearned premiums | | 342,003 | 279,550 |
| Outstanding claims | | 238,904 | 258,938 |
| Claims incurred but not reported and other reserve | | 232,882 | 220,668 |
| | | 471,786 | 479,606 |
| Deferred reinsurance commission | | 4,522 | 4,831 |
| Accrued and other liabilities | | 62,691 | 85,733 |
| Employee termination benefits | | 18,603 | 17,380 |
| Total insurance operations' liabilities | | 941,798 | 909,823 |
| Accumulated surplus from insurance operations | | 4,480 | 2,926 |
| Fair value reserve on available-for-sale investments | | 1,096 | 1,140 |
| Total insurance operations' accumulated surplus | | 5,576 | 4,066 |
| TOTAL INSURANCE OPERATIONS' LIABILITIES AND ACCUMULATED SURPLUS | | 947,374 | 913,889 |
| SHAREHOLDERS' LIABILITIES AND EQUITY | | | |
| Shareholders' liabilities | | | |
| Accrued zakat and income tax | 7 | 5,068 | 4,839 |
| Accrued and other liabilities | | 1,404 | 2,734 |
| Payable on a portfolio transfer | 12 | 50,000 | - |
| Due to insurance operations | | 45,956 | 51,472 |
| Total shareholders' liabilities | | 102,428 | 59,045 |
| Shareholders' equity | | | |
| Share capital | 8 | 450,000 | 200,000 |
| Statutory reserve | 9 | 3,818 | 921 |
| Fair value reserve | | 4,058 | 2,541 |
| Accumulated surplus | | 8,053 | 3,682 |
| Total shareholders' equity | | 465,929 | 207,144 |
| TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY | | 568,357 | 266,189 |
| TOTAL INSURANCE OPERATIONS' LIABILITIES AND ACCUMULATED SURPLUS AND SHAREHOLDERS' LIABILITIES AND EQUITY | | 1,515,731 | 1,180,078 |
| CONTINGENCIES | 12 | | |

The accompanying notes from 1 to 14 form an integral part of these interim condensed financial statements.

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AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF INCOME - INSURANCE OPERATIONS
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

| | | For three-month period ended June 30, | | For six-month period ended June 30, | |
|--|------|--|---------------------|--|---------------------|
| | Note | 2015 (Unaudited) | 2014 (Unaudited) | 2015 (Unaudited) | 2014 (Unaudited) |
| REVENUES | | | | | |
| Gross premiums written | 13 | 214,399 | 184,324 | 617,265 | 497,826 |
| Less: Reinsurance premiums ceded | 13 | (29,003) | (28,518) | (55,091) | (55,714) |
| Net premiums written | | 185,396 | 155,806 | 562,174 | 442,112 |
| Changes in unearned premiums | | 78,149 | 34,520 | (66,378) | (73,363) |
| Net premiums earned | | 263,545 | 190,326 | 495,796 | 368,749 |
| Reinsurance commissions | 13 | 4,219 | 5,205 | 8,535 | 9,493 |
| Commission income | | 2,223 | 1,943 | 4,174 | 3,518 |
| Total revenues | | 269,987 | 197,474 | 508,505 | 381,760 |
| COSTS AND EXPENSES | | | | | |
| Gross claims paid | | 235,564 | 140,622 | 439,826 | 314,703 |
| Less: Reinsurers' share | | (27,563) | (2,943) | (32,165) | (38,034) |
| Net claims paid | | 208,001 | 137,679 | 407,661 | 276,669 |
| Changes in outstanding claims | | 13,970 | 22,062 | 3,431 | 33,143 |
| Net claims incurred | | 221,971 | 159,741 | 411,092 | 309,812 |
| Policy acquisition costs | | 16,755 | 10,963 | 32,580 | 21,683 |
| General and administrative expenses | | 24,656 | 21,946 | 49,297 | 41,659 |
| Total costs and expenses | | 263,382 | 192,650 | 492,969 | 373,154 |
| Net surplus from insurance operations | | 6,605 | 4,824 | 15,536 | 8,606 |
| Shareholders' appropriation of surplus | | (5,945) | (4,341) | (13,983) | (7,745) |
| Net results from insurance operations after appropriation of surplus | | 660 | 483 | 1,553 | 861 |
| Accumulated surplus, beginning of the period | | 3,820 | 2,036 | 2,927 | 1,658 |
| Accumulated surplus, end of the period | | 4,480 | 2,519 | 4,480 | 2,519 |

The accompanying notes from 1 to 14 form an integral part of these interim condensed financial statements.

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AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF INCOME - SHAREHOLDERS' OPERATIONS
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

| Note | For three-month period ended June 30, | | For six-month period ended June 30, | |
|--|--|---------------------|--|---------------------|
| | 2015 (Unaudited) | 2014 (Unaudited) | 2015 (Unaudited) | 2014 (Unaudited) |
| Net surplus transferred from insurance operations | 5,945 | 4,341 | 13,983 | 7,745 |
| Commission income | 2,820 | 2,433 | 5,042 | 4,815 |
| General and administrative expenses | (507) | (720) | (881) | (784) |
| Shareholders' net income for the period | 8,258 | 6,054 | 18,144 | 11,776 |
| Weighted average number of outstanding shares | 45,000 | 33,532 | 42,402 | 33,532 |
| Basic and diluted earnings per share (Saudi Riyals) | 0.18 | 0.18 | 0.43 | 0.35 |

The accompanying notes from 1 to 14 form an integral part of these interim condensed financial statements.

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AXA COOPERATIVE INSURANCE COMPANY**(A Saudi Joint Stock Company)****INTERIM STATEMENT OF COMPERHENSIVE INCOME - SHAREHOLDERS' OPERATIONS**

(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

| | Note | For three-month period ended June 30, | | For six-month period ended June 30, | |
|---|------|--|---------------------|--|---------------------|
| | | 2015 (Unaudited) | 2014 (Unaudited) | 2015 (Unaudited) | 2014 (Unaudited) |
| Shareholders' net income for the period | | 8,258 | 6,054 | 18,144 | 11,776 |
| Provision for zakat and income tax | 7 | (2,671) | (1,563) | (3,661) | (2,970) |
| Net income for the period | | 5,587 | 4,491 | 14,483 | 8,806 |
| Unrealized gain on available-for- sale investments | 4 | 437 | 1,355 | 1,517 | 1,429 |
| Total comprehensive income for the period | | 6,024 | 5,846 | 16,000 | 10,235 |

The accompanying notes from 1 to 14 form an integral part of these interim condensed financial statements.



AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

| | Note | Share capital | Statutory reserve | Fair value reserve | Accumulated surplus (deficit) | Total |
|--|------|----------------|-------------------|--------------------|-------------------------------|----------------|
| <u>Unaudited</u> | | | | | | |
| Balance at January 1, 2015 | | 200,000 | 921 | 2,541 | 3,682 | 207,144 |
| Net income for the period | | - | - | - | 14,483 | 14,483 |
| Share capital | | 250,000 | - | - | - | 250,000 |
| Transfer to statutory reserve | 9 | - | 2,897 | - | (2,897) | - |
| Rights issue transaction costs | | - | - | - | (7,215) | (7,215) |
| Changes in fair value reserve on available-for-sale investments, net | | - | - | 1,517 | - | 1,517 |
| Balance at June 30, 2015 | | 450,000 | 3,818 | 4,058 | 8,053 | 465,929 |
| <u>Unaudited</u> | | | | | | |
| Balance at January 1, 2014 | | 200,000 | - | 2,378 | (11,003) | 191,375 |
| Net income for the period | | - | - | - | 8,806 | 8,806 |
| Changes in fair value reserve on available-for-sale investments | | - | - | 1,429 | - | 1,429 |
| Balance at June 30, 2014 | | 200,000 | - | 3,807 | (2,197) | 201,610 |

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AXA CO-OPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF CASH FLOWS - INSURANCE OPERATIONS
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

| | Note | Six month period ended | |
|--|------|------------------------------|------------------------------|
| | | June 30, 2015 (Unaudited) | June 30, 2014 (Unaudited) |
| Cash flow from operating activities | | | |
| Net result from insurance operations | | 1,553 | 861 |
| Adjustments to reconcile net result from insurance operations to net cash from operating activities: | | | |
| Shareholders' appropriation of surplus from insurance Operations | | 13,983 | 7,745 |
| Amortization of intangibles | | 710 | |
| Depreciation | | 1,232 | 1,795 |
| | | 17,478 | 10,401 |
| <u>Changes in operating assets and liabilities:</u> | | | |
| Premiums and insurance balances receivable - net | | (56,103) | (19,899) |
| Reinsurers' share of unearned premiums | | 3,925 | 325 |
| Reinsurers' share of outstanding claims | | 11,251 | 8,828 |
| Deferred policy acquisition costs | | (6,735) | (2,964) |
| Other assets | | (3,545) | (880) |
| Receivable from related parties | | (311) | (10,309) |
| Reinsurers' balances payable | | (530) | 579 |
| Unearned premiums | | 62,453 | 73,038 |
| Outstanding claims | | (7,820) | 24,315 |
| Advance premiums | | - | (7,517) |
| Deferred reinsurance commission | | (309) | (1,692) |
| Accrued and other liabilities | | (23,042) | (9,903) |
| Employee termination benefits | | 1,223 | 568 |
| Due from shareholders | | (8,467) | (35,213) |
| Net cash (used in) provided by operating activities | | (10,532) | 29,677 |
| Cash flow from investing activities | | | |
| Purchase of furniture, fixtures and equipment | | (709) | (1,007) |
| purchase of computer software | | (617) | - |
| Short-term deposits | | (5,498) | (66,079) |
| Purchase of available-for-sale investments | 4 | (10,110) | (8,410) |
| Proceeds from sale of available-for-sale investments | 4 | 1,190 | 9,067 |
| Net cash used in investing activities | | (15,744) | (66,429) |
| Net change in cash and cash equivalents | | (26,276) | (36,752) |
| Cash and cash equivalents, beginning of the period | 3 | 188,876 | 171,605 |
| Cash and cash equivalents, end of the period | 3 | 162,600 | 134,853 |
| <u>Supplemental cash flow information</u> | | | |
| Non-cash investing activity | | | |
| Unrealized (loss) / gain on available-for-sale investments | | (44) | 2,038 |

The accompanying notes from 1 to 14 form an integral part of these interim condensed financial statements.

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AXA CO-OPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF CASH FLOWS - SHAREHOLDERS' OPERATIONS
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

| | Note | Six-month period ended | |
|---|------|------------------------------|------------------------------|
| | | June 30, 2015 (Unaudited) | June 30, 2014 (Unaudited) |
| Cash flow from operating activities | | | |
| Shareholders' net income for the period | | 18,144 | 11,776 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Appropriation of surplus from insurance operations | | (13,983) | (7,745) |
| | | 4,161 | 4,031 |
| <u>Changes in operating assets and liabilities:</u> | | | |
| Other assets | | 1,912 | (210) |
| Zakat and income tax paid | | (3,432) | (2,043) |
| Accrued and other liabilities | | (1,330) | (418) |
| Due to insurance operations | | 8,467 | 35,213 |
| Net cash provided by operating activities | | 9,778 | 36,573 |
| Cash flow from investing activities | | | |
| Short-term deposits | | (135,000) | (20,218) |
| long term deposit | | (15,000) | - |
| Statutory deposit | | (25,000) | - |
| Purchase of available-for-sale investments | 4 | (28,420) | (13,057) |
| Proceeds from sale of available-for-sale investments | 4 | 2,606 | 5,028 |
| Net cash used in investing activities | | (200,814) | (28,247) |
| Cash flow from financing activities | | | |
| Share capital issued | | 250,000 | - |
| Right issue transactions cost | | (7,215) | - |
| Net cash provided by financing activities | | 242,785 | - |
| Net increase in cash and cash equivalents | | 51,749 | 8,326 |
| Cash and cash equivalents, beginning of the period | 3 | 10,636 | 891 |
| Cash and cash equivalents, end of the period | 3 | 62,385 | 9,217 |
| <u>Supplemental cash flow information</u> | | | |
| Zakat and income tax charged to shareholders' comprehensive income | 7 | (3,661) | (2,970) |
| Unrealized gain on available-for-sale investments | 4 | 1,517 | 1,429 |
| Goodwill on acquisition of insurance portfolio | | 50,000 | - |

The accompanying notes from 1 to 14 form an integral part of these interim condensed financial statements.

Paul Adamson

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AXA CO-OPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2015
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

1 ORGANIZATION AND PRINCIPAL ACTIVITIES

a. General information

AXA Cooperative Insurance Company (the "Company") is a Saudi joint stock company established in the Kingdom of Saudi Arabia by the Royal Decree No. M/36 dated 27 Jumada II 1429H (July 1, 2008) (date of inception). The Company was incorporated vide Ministerial Order No Q/192, dated 10 Jumada II 1430H, (June 3, 2009) (date of ministerial resolution). The Company is registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010271203 issued in Riyadh on 20 Rajab 1430H (July 13, 2009). The Company's registered address is P.O. Box 753, Riyadh 11421, Kingdom of Saudi Arabia.

The principal activities of the Company are to engage in cooperative insurance operations and all related activities including reinsurance activities under the Law on Supervision of Co-operative Insurance Companies (the "Law") and the Company's bye-law and other regulations promulgated in the Kingdom of Saudi Arabia. The Company obtained licence from the Saudi Arabian Monetary Agency ("SAMA") to practice general and medical insurance and reinsurance business in the Kingdom of Saudi Arabia vide licence no. TMN/25/2010, dated 11 Safar 1431H (corresponding to January 26, 2010). The Company has commenced insurance operations on 4 Rabi' I 1431H (corresponding to February 18, 2010) after obtaining full product approval for certain products and temporary approval for the remaining products. Currently, the Company is in the process of obtaining full product approval for the remaining products from the regulators. Management believes that such approvals will be obtained in due course.

b. Portfolio transfer

The shareholders' of the AXA Insurance (Saudi Arabia) B.S.C. (c) (the 'Seller'), at the time of formation of the Company, had principally agreed to transfer certain of the Seller's assets and liabilities and the insurance portfolio (the "Transfer") in Saudi Arabia to the Company with effect from January 1, 2009, subject to approval and at a value to be determined by SAMA.

On 15 Dhul-Qadah 1433H (corresponding to October 1, 2013), SAMA approved the transfer, with effect from January 1, 2009, at a maximum consideration of Saudi Riyals 106.57 million. Consequent to SAMA's approval, the Company had formally entered into a purchase agreement with the shareholders' of the Seller to effect the transfer. Also, the shareholders of the Company had approved the portfolio transfer at their Extra Ordinary General Assembly Meeting held on December 10, 2012. The effects of the transfer have been reflected in the financial statements for the period from June 3, 2009 to December 31, 2010 and the year ended December 31, 2011.

On 15 Ramadan 1436H (corresponding to June 24, 2015) the Company received an approval for initial payment of consideration to seller amounting to Saudi Riyals 50 million from SAMA (Note 12).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies applied in the preparation of these interim condensed financial statements are set out below. These policies are consistently applied for all periods presented.

2.1 Basis of preparation

The Company has prepared its interim condensed financial statements for the six-month period ended June 30, 2015 and 2014 in accordance with International Accounting Standard (IAS) 34 - "Interim Financial Reporting". Accordingly, these interim condensed financial statements are not intended to be a presentation in conformity with accounting principles generally accepted in the Kingdom of Saudi Arabia, i.e. in accordance with Standard on Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants.

As required by the Law, the Company maintains separate accounts for insurance operations and shareholders' operations. The physical custody and title of all assets related to the insurance operations and shareholders' operations are held by the Company. Revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined by management and the Board of Directors of the Company.

As per the law and the by-laws of the Company, surplus arising from the insurance operations is distributed as follows:

| | |
|---|-------------|
| Transfer to shareholders' operations | 90% |
| Transfer to insurance operations' accumulated surplus | 10% |
| | <u>100%</u> |

AXA CO-OPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2015
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

Basis of preparation (continued)

These interim condensed financial statements include all adjustments comprising mainly of normal recurring accruals considered necessary by the Company's management to present a fair statement of the financial position, results of operations and cash flows.

2.2 Accounting policies

The accounting policies used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the annual audited financial statements as at and for the year ended December 31, 2014, except for the adoption of certain amendments and revisions to existing standards as mentioned below, which had no significant financial impact on the interim condensed financial statements of the Company. These interim condensed financial statements should therefore be read in conjunction with the audited financial statements for the year ended December 31, 2014. The results of the interim period are not indicative of the results of the full statutory financial year.

Standard

Description

Amendments to IAS 19

Defined benefit plans

The adoption of the above standards did not have any impact on the accounting policies, financial position or performance of the Company.

The Company's management decided not to choose the early adoption of the following new and amended standards and interpretations issued which became effective for the periods commencing on or after April 1, 2015:

Standard

Description

IFRS 9

Financial instruments

IFRS 14

Regulatory deferral accounts

IFRS 15

Revenue from contracts with customers

Amendment to IAS 1

Presentation of financial statements

Amendments to IFRS 9

Financial instruments regarding general hedge accounting

Amendments to IAS 16 and IAS 38

'Property, plant and equipment' and 'Intangible assets' – depreciation and amortization

Amendments to IAS 27

separate financial statements

Annual improvements 2014

2.3 Use of estimates and assumptions in the preparation of financial statements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and the Company's financial statements present fairly, in all material respects, the financial position and results of operations.

2.4 Segment reporting

A segment is a distinguishable component of the Company that is engaged in providing products or services (a business segment) which is subject to risk and reward that are different from those of other segments. Consistent with the Company's internal reporting process, operating segments have been approved by management in respect of the Company's activities, assets and liabilities as stated below:

- Segment assets do not include cash and cash equivalents, short-term deposits, available-for-sale investments, held-to-maturity investments, receivable from related parties, premiums and insurance balances receivable, other assets, due from shareholders' operations and furniture, fixtures and equipment; and
- Segment liabilities do not include reinsurers' balances payable, advance premiums, accrued and other liabilities, payable to a related party and employee termination benefits.

AXA CO-OPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2015
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

Segment reporting (continued)

For management purposes, the Company is organized into business units based on their products and services and has the following reportable segments:

- Accident and liability;
- Motor;
- Property;
- Marine;
- Engineering;
- Health; and
- Protection

3 Cash and cash equivalents

| | 30 June 2015 | 31 Dec 2014 |
|---------------------------|---------------------|-------------|
| | (Unaudited) | (Audited) |
| Insurance operations: | | |
| Cash and cash equivalents | 5,525 | 98,538 |
| Time deposits | 157,075 | 90,338 |
| | 162,600 | 188,876 |
| Shareholder's operations: | | |
| Cash and cash equivalents | - | 10,000 |
| Time deposits | 62,385 | 636 |
| | 62,385 | 10,636 |

Time deposits are placed with local and foreign banks with an original maturity of less than three months from date of acquisition and earn commission income at rate of 0.40% to 1.15% (2014: 0.4% to 1.15%) per annum

4 Investments

4 -a Available-for-sale investments

As at and for the Six-month period ended June 30, 2015 (Unaudited)

| | Insurance operations | Shareholders' Operations |
|--|-----------------------------|---------------------------------|
| Balance, beginning of the period | 74,453 | 95,069 |
| Purchases | 10,111 | 28,420 |
| Disposals | (1,154) | (2,245) |
| Accretion of premium on available-for-sale investments | (43) | (70) |
| Amortization of the discount on available-for-sale investments | 7 | 5 |
| Impairment | - | (296) |
| Changes in fair value, net | (44) | 1,517 |
| Balance, end of the period | 83,330 | 122,400 |

AXA CO-OPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
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4 -a Investments (continued)

As at and for the year ended December 31, 2014 (Audited)

| | Insurance operations | Shareholders' operations |
|--|---------------------------------|-------------------------------------|
| Balance, beginning of the period | 86,942 | 74,314 |
| Purchases | 9,410 | 26,032 |
| Disposals | (23,949) | (5,102) |
| Accretion of premium on available-for-sale investments | (169) | (108) |
| Amortization of the discount on available-for-sale investments | 9 | 8 |
| Impairment | - | (238) |
| Changes in fair value, net | 2,211 | 163 |
| Balance, end of the period | <u>74,454</u> | <u>95,069</u> |

These represent investments in publicly traded sukuk bonds and certain other publicly traded equity securities.

Available-for-sale investments at June 30, 2015 include 1,923,078 shares (2014: 1,923,078) in Najam for Insurance Services, and are held by the Company at Nil value.

4 -b Held-to-maturity investments

Insurance operations:

| Type of security | Issuer | Maturity period | Profit margin | Book value net of amortization | |
|------------------|------------------|-----------------|---------------|--------------------------------|--------------------------------|
| | | | | June 30, 2015 (Unaudited) | December 31, 2014 (Audited) |
| Sukuks | Saudi government | 10 years | 3.21% | 60,000 | 60,000 |
| Sukuks | Saudi government | 10 years | 3.47% | 15,000 | 15,000 |
| | | | | <u>75,000</u> | <u>75,000</u> |

Shareholders' operations:

| Type of security | Issuer | Maturity period | Profit margin | Book value net of amortization | |
|------------------|------------------|-----------------|---------------|--------------------------------|--------------------------------|
| | | | | June 30, 2015 (Unaudited) | December 31, 2014 (Audited) |
| Sukuks | Saudi government | 10 years | 3.21% | 60,000 | 60,000 |

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5 Statutory deposit

The statutory deposit represents 10% of the paid-up share capital, which is maintained in accordance with the Law. During the period ended June 30, 2015, the Company increased the share capital by Saudi Riyals 250 million through a rights issue. The additional statutory deposit of Saudi Riyals 25 million, related to the aforementioned increase in share capital was deposited in the designated bank. This statutory deposit cannot be withdrawn without the consent of SAMA.

6 Related party transactions and balances

a) Related party transactions

| Nature of transaction | For three-month period ended June 30, | | For six-month period ended June 30, | |
|---|--|---------------------|--|---------------------|
| | 2015 (Unaudited) | 2014 (Unaudited) | 2015 (Unaudited) | 2014 (Unaudited) |
| Gross premiums written | 7,076 | 5,121 | 15,768 | 12,783 |
| Net claims paid | 2,604 | 1,935 | 5,770 | 4,327 |
| Reinsurance ceded | 19,775 | 19,992 | 34,634 | 38,434 |
| Reinsurers' share of outstanding claims | 4339 | 17,585 | 15,459 | 22,027 |
| Reinsurance commissions | 2,186 | 1,874 | 3,706 | 3,754 |
| Expenses charged by related parties | 738 | 620 | 1,028 | 983 |
| Directors remunerations | 287 | 618 | 569 | 650 |
| Key management personnel | 1,813 | 1,486 | 3,526 | 2,973 |
| Contributions to pension fund | 173 | 160 | 346 | 327 |

b) Related party balances

i) Premiums and insurance balances receivable

| | June 30, 2015 (Unaudited) | December 31, 2014 (Audited) |
|--------------------------------|---------------------------------|-----------------------------------|
| Receivable from policy holders | 5,468 | 1,482 |
| Receivable from reinsurers | 8,210 | 5,076 |
| | 13,678 | 6,558 |
| Provision for doubtful debts | (467) | (313) |
| Total | 13,211 | 6,245 |

ii) Receivable from related parties

Receivable from related parties at June 30, 2015 and December 31, 2014 represents amount receivable from the Seller and AXA Insurance Gulf B.S.C (c.).

iii) Reinsurers' balances payable

Reinsurers' balances payable includes balances payable to AXA Global P&C (formerly AXA Cessions).

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7 Zakat and income tax matters

Components of zakat base

Significant components of zakat base of the Company principally comprise of shareholders' equity at the beginning of the period, adjusted net income and certain other items.

Provision for zakat and income tax

Provision for zakat has been made at 2.5% of approximate zakat base attributable to the Saudi shareholders of the Company.

Provision for income tax has been made at 20% of the adjusted net income attributable to the foreign shareholders of the Company.

Status of zakat and income tax assessment

The Company has filed revised zakat and tax returns for the years from 2009 to 2012 to reflect the effect of portfolio transfer and has received provisional zakat certificates from the year 2009 to 2014. During the year ended December 31, 2014, the Department of Zakat and Income Tax ("DZIT") had issued assessments for the years from 2009 to 2012 amounting to Saudi Riyals 11.6 million, which was subsequently reduced to Saudi Riyals 8.5 million. The Company has filed an appeal against the assessment of DZIT for additional demand arising out of various disallowances from years 2009 to 2012 with Preliminary Appeal Committee and the additional liability was further reduced to 4.9 million. The Company has filed an appeal with Higher Appeal Committee for this additional liability.

8 Share capital

The authorized, issued and paid up share capital of the Company is Saudi Riyals 450 million at June 30, 2015 consisting of 45 million shares of Saudi Riyals 10 each (December 31, 2014: Saudi Riyals 200 million, consisting of 20 million shares of Saudi Riyals 10 each).

The Board of Directors in their meeting held on June 27, 2012 (corresponding to 7 Sha'ban 1433H) proposed to increase the share capital by Saudi Riyals 250 million. On April 23, 2014 (corresponding to 23 Jumada II 1435H), the Company has received an approval from SAMA for increasing its share capital by way of issuance of right shares to its existing shareholders. The Company also received an approval from the Capital Market Authority (CMA) on November 26, 2014 (corresponding to 4 Safar, 1436H) to proceed with the right issue. The shareholders approved the rights issue in their General Assembly meeting held on February 10, 2015 (corresponding to 21 Rabi Al-Thani 1436H). The right issue process was completed on March 11, 2015 when the company announced on Tadawal its completion of its rights issue process.

As a result of rights issue during the six-month period ended June 30, 2015, the share capital of the Company has increased to Saudi Riyals 450 million comprising of 45 million issued and paid up shares of Saudi Riyals 10 each.

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9 Statutory reserve

In accordance with the law, the Company is required to transfer not less than 20% of its annual net income, after deducting accumulated losses, to a statutory reserve until such reserve amounts to 100% of the paid-up share capital of the Company. This reserve is not available for distribution to the shareholders until the liquidation of the Company.

10 Fair values of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The fair values of the Company's financial assets and liabilities are not materially different from their carrying values at the reporting date.

The Company's financial assets consist of cash and cash equivalents, premium and insurance balances receivables, short-term deposits, long-term deposits, investments, accrued income and financial liabilities consisting of payables and accrued expenses.

Determination of fair value and fair value hierarchy:

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted prices in active markets for the identical assets or liabilities (i.e. without modification or repacking).

Level 2: quoted prices in active markets for similar financial assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

Level 3: valuation techniques for which any significant input is not based on observable market data.

The table below presents the financial instruments measured at fair value as at June 30, 2015 and December 31, 2014 based on the fair value hierarchy:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---------|---------|---------|---------|
| <u>June 30, 2015 (Unaudited)</u> | | | | |
| Available-for-sale investments: | | | | |
| Insurance operations | 83,330 | - | - | 83,330 |
| Shareholders' operations | 122,400 | - | - | 122,400 |
| <u>December 31, 2014 (Audited)</u> | | | | |
| Available-for-sale investments: | | | | |
| Insurance operations | 74,454 | - | - | 74,454 |
| Shareholders' operations | 95,069 | - | - | 95,069 |

For financial instruments that are recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

During the six-month period ended June 30, 2015 and 2014, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

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11 Earnings per share

Basic and diluted earnings per share for six-month period June 30, 2015 and 2014 has been computed by dividing the shareholders' net income for the periods by the weighted average number of shares outstanding during such periods.

The weighted average number of shares at June 30, 2015 and 2014 has been determined as follows:

| | Six months period ended | |
|---|--------------------------------|----------------------|
| | June 2015 | June 2014 |
| | (Unaudited) | (Unaudited) |
| Weighted average number of shares outstanding before rights issue | 20,000,000 | 20,000,000 |
| Add: effects of rights issue | 22,402,000 | 13,532,000 |
| Weighted average number of shares outstanding after rights issue | 42,402,000 | 33,532,000 |

Also see Note 8.

12 Contingencies and commitment

Contingent consideration payable to the Seller

As stated in Note 1, the Company acquired the insurance portfolio from the Seller at a consideration based on SAMA's instructions. Settlement of such consideration can only be made upon fulfilling certain conditions dictated by SAMA which include, among others, the following:

- Maintenance of required solvency margin and minimum share capital;
- Restriction on repayment upto a maximum of 50% of the profit earned in the current year;
- Restriction on settlement in the year of loss or out of retained earnings;
- Limitation on duration within which payment of consideration can be made; and
- Specific approval from SAMA for payment of any consideration.

During the period ended June 30, 2015 the Company has increased the capital and has met condition for maintenance of required solvency margin. As a result the Company received approval from SAMA for the initial payment of consideration, not exceeding 20% of the capital increase, amounting to Saudi Riyals 50 million. Accordingly the Company has recognized goodwill amounting to Saudi Riyals 50 million in lieu of consideration payable to the seller which was previously recognized as contingent liability. The payment of remaining Saudi Riyals 56.7 million depends upon various condition, mentioned above, and recorded as a contingent liability. Management will however, reassess the conditions for settlement of the consideration at the end of the year and will recognize further liability, if required.

Bank Guarantee

The Company has provided bank guarantee in favour of the Department of Zakat and Income Tax ("DZIT") of Saudi Riyals 4.87 million against the settlement of the tax and zakat from 2009 till 2012.

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13 Segment reporting

Insurance operations for the three-month period ended June 30, 2015 and 2014 (Unaudited)

| 30 June 2015 | Accident and liability | Motor | Property | Marine | General and medical Engineering | Other general insurance | Health | Total | Protection | Grand Total |
|--|------------------------|---------|----------|---------|---------------------------------|-------------------------|---------|----------|------------|-------------|
| Gross premiums written | 7,224 | 72,834 | 14,879 | 16,643 | 14,534 | 1,039 | 82,927 | 210,080 | 4,319 | 214,399 |
| Less: reinsurance premiums ceded | (567) | (852) | (10,104) | (9,818) | (7,879) | (38) | (333) | (29,591) | 588 | (29,003) |
| Net premiums written | 6,657 | 71,982 | 4,775 | 6,825 | 6,655 | 1,001 | 82,594 | 180,489 | 4,907 | 185,396 |
| Changes in unearned premiums | (550) | 70,355 | (34) | 9 | (4,259) | (190) | 10,516 | 75,847 | 2,302 | 78,149 |
| Net premiums earned | 6,107 | 142,337 | 4,741 | 6,834 | 2,396 | 811 | 93,110 | 256,336 | 7,209 | 263,545 |
| Reinsurance commissions | 175 | 9 | 1,776 | 1,982 | 171 | - | 26 | 4,139 | 80 | 4,219 |
| Total Revenue | 6,282 | 142,346 | 6,517 | 8,816 | 2,567 | 811 | 93,136 | 260,475 | 7,289 | 267,764 |
| Gross claims paid | 175 | 111,456 | 27,433 | 7,279 | 1,518 | 54 | 83,378 | 231,293 | 4,271 | 235,564 |
| Less: reinsurers' share | - | (1) | (20,335) | (5,723) | (835) | - | (69) | (26,963) | (600) | (27,563) |
| Net claims paid | 175 | 111,455 | 7,098 | 1,556 | 683 | 54 | 83,309 | 204,330 | 3,671 | 208,001 |
| Changes in outstanding claims | 2,043 | 11,339 | (6,351) | 4,258 | 9,908 | (55) | (7,736) | 13,406 | 564 | 13,970 |
| Net claims incurred | 2,218 | 122,794 | 747 | 5,814 | 10,591 | (1) | 75,573 | 217,736 | 4,235 | 221,971 |
| Policy acquisition costs | 733 | 6,739 | 2,009 | 872 | 895 | 39 | 4,891 | 16,178 | 577 | 16,755 |
| Operating and administrative salaries | 408 | 7,822 | 1,016 | 751 | 355 | 34 | 5,037 | 15,422 | 338 | 15,760 |
| Other general and administrative expenses | 230 | 4,413 | 574 | 424 | 201 | 19 | 2,845 | 8,706 | 190 | 8,896 |
| Total costs and expenses | 3,589 | 141,767 | 4,345 | 7,861 | 12,042 | 91 | 88,346 | 258,042 | 5,341 | 263,382 |
| Surplus from insurance operations | | | | | | | | | | 4,382 |
| Commission Income | | | | | | | | | | 2,223 |
| Net surplus from Insurance operations | | | | | | | | | | 6,605 |
| Shareholders' appropriation of surplus from insurance operations | | | | | | | | | | (5,945) |
| Net result from insurance operations' after appropriation of surplus | | | | | | | | | | 660 |

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13 Segment reporting (Continuing)

| <u>30 June 2014</u> | ----- General and medical ----- | | | | | | | | Protection | Grand Total |
|--|---------------------------------|--------|----------|---------|-------------|-------------------------|----------|----------|------------|-------------|
| | Accident and liability | Motor | Property | Marine | Engineering | Other general insurance | Health | Total | | |
| Gross premiums written | 8,792 | 27,405 | 14,732 | 14,899 | 13,366 | 747 | 100,204 | 180,145 | 4,179 | 184,324 |
| Less: reinsurance premiums ceded | (1,522) | (264) | (12,731) | (7,842) | (5,999) | 184 | (242) | (28,416) | (102) | (28,518) |
| Net premiums written | 7,270 | 27,141 | 2,001 | 7,057 | 7,367 | 931 | 99,962 | 151,729 | 4,077 | 155,806 |
| Changes in unearned premiums | (2,372) | 65,262 | (803) | (391) | (3,768) | (251) | (22,565) | 35,112 | (592) | 34,520 |
| Net premiums earned | 4,898 | 92,403 | 1,198 | 6,666 | 3,599 | 680 | 77,397 | 186,841 | 3,485 | 190,326 |
| Reinsurance commissions | 205 | - | 1,648 | 1,536 | 166 | - | 175 | 3,730 | 1,475 | 5,205 |
| Total Revenue | 5,103 | 92,403 | 2,846 | 8,202 | 3,765 | 680 | 77,572 | 190,571 | 4,960 | 195,531 |
| Gross claims paid | 711 | 68,576 | 1,813 | 1,253 | 3,500 | 50 | 63,043 | 138,946 | 1,676 | 140,622 |
| Less: reinsurers' share | (3) | - | (838) | (374) | (631) | - | (1,097) | (2,943) | - | (2,943) |
| Net claims paid | 708 | 68,576 | 975 | 879 | 2,869 | 50 | 61,946 | 136,003 | 1,676 | 137,679 |
| Changes in outstanding claims | 489 | 14,119 | 1,382 | 595 | 644 | (16) | 4,054 | 21,267 | 795 | 22,062 |
| Net claims incurred | 1,197 | 82,695 | 2,357 | 1,474 | 3,513 | 34 | 66,000 | 157,270 | 2,471 | 159,741 |
| Policy acquisition costs | 659 | 2,053 | 2,002 | 946 | 442 | 2 | 4,589 | 10,693 | 270 | 10,963 |
| Operating and administrative salaries | 278 | 6,328 | 1,203 | 883 | 525 | 211 | 5,371 | 14,799 | 277 | 15,076 |
| Other general and administrative expenses | 125 | 2,886 | 551 | 403 | 241 | 98 | 2,448 | 6,752 | 118 | 6,870 |
| Total costs and expenses | 2,259 | 93,962 | 6,113 | 3,706 | 4,721 | 345 | 78,408 | 189,514 | 3,136 | 192,650 |
| Surplus from insurance operations | | | | | | | | | | 2,881 |
| Commission Income | | | | | | | | | | 1,943 |
| Net surplus from Insurance operations | | | | | | | | | | 4,824 |
| Shareholders' appropriation of surplus from insurance operations | | | | | | | | | | (4,341) |
| Net result from insurance operations' after appropriation of surplus | | | | | | | | | | 483 |

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13 Segment reporting (Continuing)

Insurance operations for the six-month period ended June 30, 2015 and 2014 (Unaudited)

| | ----- General and medical ----- | | | | | | | | | |
|--|---------------------------------|----------|----------|----------|-------------|-------------------------------|----------|----------|------------|-------------|
| <u>30 June 2015</u> | Accident and Liability | Motor | Property | Marine | Engineering | Other general insurance | Health | Total | Protection | Grand Total |
| Gross premiums written | 16,357 | 301,756 | 28,601 | 30,146 | 24,490 | 2,276 | 194,747 | 598,373 | 18,892 | 617,265 |
| Less: reinsurance ceded | (1,367) | (1,635) | (17,669) | (15,573) | (11,932) | (188) | (960) | (49,324) | (5,767) | (55,091) |
| Net premiums written | 14,990 | 300,121 | 10,932 | 14,573 | 12,558 | 2,088 | 193,787 | 549,049 | 13,125 | 562,174 |
| Changes in unearned premiums | (2,946) | (45,651) | (2,801) | 544 | (6,856) | (635) | (4,423) | (62,768) | (3,610) | (66,378) |
| Net premiums earned | 12,044 | 254,470 | 8,131 | 15,117 | 5,702 | 1,453 | 189,364 | 486,281 | 9,515 | 495,796 |
| Reinsurance commissions | 328 | 18 | 3,327 | 3,622 | 353 | - | 35 | 7,683 | 852 | 8,535 |
| Total revenue | 12,372 | 254,488 | 11,458 | 18,739 | 6,055 | 1,453 | 189,399 | 493,964 | 10,367 | 504,331 |
| Gross claims paid | 860 | 203,013 | 29,596 | 11,500 | 2,405 | 68 | 185,905 | 433,347 | 6,479 | 439,826 |
| Less: reinsurers' share | (63) | (19) | (20,645) | (8,013) | (841) | - | (1,283) | (30,864) | (1,301) | (32,165) |
| Net claims paid | 797 | 202,994 | 8,951 | 3,487 | 1,564 | 68 | 184,622 | 402,483 | 5,178 | 407,661 |
| Changes in outstanding claims | 3,002 | 16,666 | (5,313) | 5,670 | 9,867 | 87 | (27,486) | 2,493 | 938 | 3,431 |
| Net claims incurred | 3,799 | 219,660 | 3,638 | 9,157 | 11,431 | 155 | 157,136 | 404,976 | 6,116 | 411,092 |
| Policy acquisition costs | 1,405 | 11,937 | 3,614 | 1,984 | 1,889 | 77 | 9,872 | 30,778 | 1,802 | 32,580 |
| Operating and administrative Salaries | 856 | 14,561 | 2,082 | 1,654 | 804 | 60 | 10,807 | 30,824 | 733 | 31,557 |
| Other general and administrative Expenses | 481 | 8,185 | 1,170 | 930 | 452 | 34 | 6,075 | 17,328 | 412 | 17,740 |
| Total costs and expenses | 6,541 | 254,343 | 10,504 | 13,725 | 14,576 | 326 | 183,890 | 483,905 | 9,064 | 492,969 |
| Surplus from insurance operations | | | | | | | | | | 11,362 |
| Commission income | | | | | | | | | | 4,174 |
| Net surplus from insurance operations | | | | | | | | | | 15,536 |
| Shareholders' appropriation of surplus from insurance operations | | | | | | | | | | (13,983) |
| Net results from insurance operations' after appropriation of surplus | | | | | | | | | | 1,553 |

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13 Segment reporting (Continuing)

| | ----- General and medical ----- | | | | | | | | | |
|---|---------------------------------|--------------|-----------------|---------------|--------------------|--------------------------------|---------------|--------------|-------------------|--------------------|
| 30 June 2014 | Accident and Liability | Motor | Property | Marine | Engineering | Other general insurance | Health | Total | Protection | Grand Total |
| Gross premiums written | 17,081 | 205,456 | 27,866 | 26,237 | 21,440 | 1,949 | 179,926 | 479,955 | 17,871 | 497,826 |
| Less: reinsurance ceded | (2,718) | (502) | (19,086) | (13,015) | (10,108) | (161) | (4,726) | (50,316) | (5,398) | (55,714) |
| Net premiums written | 14,363 | 204,954 | 8,780 | 13,222 | 11,332 | 1,788 | 175,200 | 429,639 | 12,473 | 442,112 |
| Changes in unearned premiums | (5,146) | (26,197) | (4,390) | (167) | (6,365) | (679) | (24,607) | (67,551) | (5,812) | (73,363) |
| Net premiums earned | 9,217 | 178,757 | 4,390 | 13,055 | 4,967 | 1,109 | 150,593 | 362,088 | 6,661 | 368,749 |
| Reinsurance commissions | 390 | - | 3,073 | 2,933 | 375 | - | 1,260 | 8,031 | 1,462 | 9,493 |
| Total revenue | 9,607 | 178,757 | 7,463 | 15,988 | 5,342 | 1,109 | 151,853 | 370,119 | 8,123 | 378,242 |
| Gross claims paid | 1,911 | 151,247 | 38,978 | 3,973 | 4,648 | 558 | 109,276 | 310,591 | 4,112 | 314,703 |
| Less: reinsurers' share | (3) | - | (33,921) | (1,111) | (795) | - | (2,104) | (37,934) | (100) | (38,034) |
| Net claims paid | 1,908 | 151,247 | 5,057 | 2,862 | 3,853 | 558 | 107,172 | 272,657 | 4,012 | 276,669 |
| Changes in outstanding claims | 848 | 6,978 | 1,642 | 2,256 | 1,260 | (497) | 20,057 | 32,544 | 599 | 33,143 |
| Net claims incurred | 2,756 | 158,225 | 6,699 | 5,118 | 5,113 | 61 | 127,229 | 305,201 | 4,611 | 309,812 |
| Policy acquisition costs | 1,180 | 3,483 | 4,293 | 1,784 | 994 | 48 | 9,618 | 21,400 | 283 | 21,683 |
| Operating and administrative Salaries | 649 | 11,984 | 2,158 | 1,684 | 813 | 255 | 10,233 | 27,776 | 607 | 28,383 |
| Other general and administrative Expenses | 304 | 5,606 | 1,010 | 788 | 380 | 119 | 4,787 | 12,994 | 282 | 13,276 |
| Total costs and expenses | 4,889 | 179,298 | 14,160 | 9,374 | 7,300 | 483 | 151,867 | 367,371 | 5,783 | 373,154 |
| Surplus from insurance operations | | | | | | | | | | 5,088 |
| Commission income | | | | | | | | | | 3,518 |
| Net surplus from insurance operations | | | | | | | | | | 8,606 |
| Shareholders' appropriation of surplus from insurance operations | | | | | | | | | | (7,745) |
| Net results from insurance operations' after appropriation of surplus | | | | | | | | | | 861 |

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13 Segment reporting (continued)

Insurance operations' financial position as at June 30, 2015 (Unaudited) and December 31, 2014 (Audited)

| | General and medical | | | | | | | | | |
|---|-------------------------------|--------------|-----------------|---------------|--------------------|--------------------------------|---------------|--------------|-------------------|--------------------|
| 30 June 2015 | Accident and liability | Motor | Property | Marine | Engineering | Other general insurance | Health | Total | Protection | Grand Total |
| <u>Insurance operations' assets</u> | | | | | | | | | | |
| Reinsurers' share of unearned premiums | 1,269 | 127 | 11,202 | 4,793 | 10,243 | 62 | 333 | 28,029 | 3,119 | 31,148 |
| Reinsurers' share of outstanding claims | 482 | 1 | 81,625 | 39,739 | 6,852 | (210) | 580 | 129,069 | 1,209 | 130,278 |
| Deferred policy acquisition costs | 1,367 | 7,628 | 1,864 | 471 | 1,792 | 66 | 9,679 | 22,867 | 1,343 | 24,210 |
| Unallocated assets | - | - | - | - | - | - | - | - | - | 761,738 |
| Total insurance operations' assets | - | - | - | - | - | - | - | - | - | <u>947,374</u> |
| <u>Insurance operations' liabilities</u> | | | | | | | | | | |
| Unearned premiums | 14,469 | 90,620 | 21,273 | 8,398 | 27,556 | 1,139 | 166,024 | 329,479 | 12,524 | 342,003 |
| Outstanding claims | 7,924 | 182,105 | 104,209 | 56,517 | 30,783 | 96 | 79,233 | 460,867 | 10,919 | 471,786 |
| Deferred reinsurance commission | 231 | 19 | 1,404 | 1,442 | 1,180 | (24) | 82 | 4,334 | 188 | 4,522 |
| Unallocated liabilities | - | - | - | - | - | - | - | - | - | 129,063 |
| Total insurance operations' liabilities | - | - | - | - | - | - | - | - | - | <u>947,374</u> |

AXA CO-OPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2015
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

13 Segment reporting (continued)

| | ----- General and medical ----- | | | | | | | | | |
|---|---------------------------------|---------|----------|--------|-------------|-------------------------------|---------|---------|------------|----------------|
| | Accident and liability | Motor | Property | Marine | Engineering | Other general insurance | Health | Total | Protection | Grand Total |
| 31 December 2014 | | | | | | | | | | |
| <u>Insurance operations' assets</u> | | | | | | | | | | |
| Reinsurers' share of unearned premiums | 2,387 | 21 | 22,000 | 3,189 | 6,747 | - | - | 34,344 | 729 | 35,073 |
| Reinsurers' share of outstanding claims | 467 | 4 | 91,715 | 42,367 | 4,938 | (210) | 1,708 | 140,989 | 540 | 141,529 |
| Deferred policy acquisition costs | 1,018 | 3,623 | 2,371 | 471 | 1,372 | 22 | 7,563 | 16,440 | 1,035 | 17,475 |
| Unallocated assets | | | | | | | | | | 719,812 |
| Total insurance operations' assets | | | | | | | | | | <u>913,889</u> |
| <u>Insurance operations' liabilities</u> | | | | | | | | | | |
| Unearned premiums | 12,641 | 44,864 | 29,270 | 7,338 | 17,204 | 442 | 161,267 | 273,026 | 6,524 | 279,550 |
| Outstanding claims | 4,907 | 165,446 | 119,611 | 53,475 | 18,998 | 10 | 107,848 | 470,295 | 9,311 | 479,606 |
| Deferred reinsurance commission | 332 | - | 2,680 | 864 | 679 | (24) | - | 4,531 | 300 | 4,831 |
| Unallocated liabilities | | | | | | | | | | 149,902 |
| Total insurance operations' liabilities | | | | | | | | | | <u>913,889</u> |

14 Date of approval

These interim condensed financial statements were approved by the Company's Board of Directors on July 27, 2015.