

AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE
THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2014 (UNAUDITED)
AND INDEPENDENT AUDITORS' LIMITED REVIEW REPORT

AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2014

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INDEPENDENT AUDITORS' LIMITED 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 September 30, 2014 and the related interim statements of insurance operations and accumulated surplus, shareholders' income, shareholders' comprehensive income for the three-month and nine-month periods then ended and the interim statement of changes in shareholders' equity, insurance operations' cash flows and shareholders' cash flows for the nine-month period ended September 30, 2014 and the notes 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 (IAS) - 34 "Interim Financial Reporting" and submitted to us together with all the information and explanations which we required.

We conducted our limited review in accordance with the Standard on Review of Interim Financial information issued by the Saudi Organization for Certified Public Accountants (SOCPA). A limited review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. The scope of such limited review is substantially less than an audit conducted in accordance with auditing standards generally accepted in 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 limited 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 Note 2 of the accompanying interim condensed financial statements. These interim condensed financial statements are prepared in accordance with IAS-34 and not in accordance with the Standard of Interim Financial Reporting issued by SOCPA.

PricewaterhouseCoopers
P.O. Box 467
Dhahran Airport 31932
Saudi Arabia

Omar M. Al Sagga
License Number 369



Al-Ghanem
P.O. Box 782
Dammam 31421
Saudi Arabia

Nader Abdullah Al-Ghanem
License Number 270



October 26, 2014

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

		September 30, 2014	As at, December 31, 2013
	Note	(Unaudited)	(Audited)
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents		97,563	171,805
Short-term deposits		153,000	26,541
Premiums and insurance balances receivable		197,890	148,812
Less: Provision for doubtful debts		(21,980)	(18,230)
Premiums and insurance balances receivable - net	5	175,910	130,582
Receivable from related parties	5	16,570	8,392
Reinsurers' share of unearned premiums		35,966	27,188
Reinsurers' share of outstanding claims		55,804	62,804
Deferred policy acquisition costs		21,229	16,707
Other assets		8,980	7,610
Available-for-sale investments	3	73,592	86,942
Long-term deposit		7,500	7,500
Held-to-maturity investments	3	75,000	75,000
Due from shareholders		39,120	14,823
Furniture, fixtures and equipment		7,191	8,144
TOTAL INSURANCE OPERATIONS' ASSETS		767,425	643,838
SHAREHOLDERS' ASSETS			
Cash and cash equivalents		7,221	891
Short-term deposits		20,000	-
Other assets		2,766	1,208
Available-for-sale investments	3	89,680	74,314
Long-term deposits		56,250	56,250
Held-to-maturity investments	3	60,000	60,000
Statutory deposit	4	20,000	20,000
TOTAL SHAREHOLDERS' ASSETS		255,917	212,663
TOTAL ASSETS		1,023,342	856,501

The accompanying notes from 1 to 12 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 FINANCIAL POSITION (Continued)
 (All amounts expressed in thousand Saudi Riyals unless otherwise stated)

		September 30, 2014	As at, December 31, 2013
	Note	(Unaudited)	(Audited)
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Reinsurers' balances payable		25,329	39,166
Unearned premiums		312,114	210,840
Outstanding claims		177,683	164,587
Claims incurred but not reported and other reserve		179,527	158,196
		357,210	312,782
Advance premiums		-	7,517
Deferred reinsurance commission		6,006	5,097
Accrued and other liabilities		45,177	51,355
Employee termination benefits		17,159	18,495
Total insurance operations' liabilities		762,996	643,251
Accumulated surplus from insurance operations		3,170	1,658
Fair value reserve on available-for-sale investments		1,260	(1,071)
Total insurance operations' surplus		4,430	587
TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS		767,425	643,838
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Accrued zakat and income tax	6	7,133	5,445
Accrued and other liabilities		1,225	1,020
Due to insurance operations		39,120	14,823
Total shareholders' liabilities		47,478	21,288
Shareholders' equity			
Share capital	7	200,000	200,000
Fair value reserve		5,189	2,378
Accumulated surplus (deficit)		3,250	(11,003)
Total shareholders' equity		208,439	191,375
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		255,917	212,663
TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS AND SHAREHOLDERS' LIABILITIES AND EQUITY		1,023,342	856,501
CONTINGENCIES			
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The accompanying notes from 1 to 12 form an integral part of these interim condensed financial statements.

AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED SURPLUS
(All amounts expressed in thousand Saudi Riyals unless otherwise stated)

		For three-month period ended September 30,		For nine-month period ended September 30,	
	Note	2014 (Unaudited)	2013 (Unaudited)	2014 (Unaudited)	2013 (Unaudited)
REVENUES					
Gross premiums written	5	263,921	272,213	761,747	658,203
Less: Reinsurance premiums ceded	5	(38,156)	(39,329)	(93,870)	(82,272)
Net premiums written		225,765	232,884	667,877	575,931
Changes in unearned premiums		(19,133)	(71,794)	(92,496)	(104,374)
Net premiums earned		206,632	161,090	575,381	471,557
Reinsurance commissions	5	3,707	3,363	13,200	10,597
Commission income		2,022	1,137	5,540	3,320
Total revenues		212,361	165,590	594,121	485,474
COSTS AND EXPENSES					
Gross claims paid		157,078	116,535	471,781	368,254
Less: Reinsurers' share		(8,961)	(3,065)	(46,995)	(83,180)
Net claims paid		148,117	113,470	424,786	305,074
Changes in outstanding claims		18,285	17,255	51,428	83,607
Net claims incurred		166,402	130,725	476,214	388,681
Policy acquisition costs		12,434	7,918	34,117	25,104
General and administrative expenses	5	27,019	24,559	68,678	58,844
Total costs and expenses		205,855	163,202	579,009	472,629
Net surplus from Insurance operations		6,506	2,388	15,112	12,845
Shareholders' appropriation of surplus		(5,855)	(2,150)	(13,600)	(11,561)
Net results from Insurance operations after appropriation of surplus		651	238	1,512	1,284
Accumulated surplus, beginning of the period		2,519	557	1,658	557
Accumulated surplus, end of the period		3,170	795	3,170	1,841

The accompanying notes from 1 to 12 form an integral part of these interim condensed financial statements.

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

	Note	For three-month period ended September 30,		For nine-month period ended September 30,	
		2014 (Unaudited)	2013 (Unaudited)	2014 (Unaudited)	2013 (Unaudited)
Net surplus transferred from insurance operations		5,855	2,150	13,800	11,561
Commission Income		1,640	2,069	6,455	4,910
General and administrative expenses		(286)	(435)	(1,070)	(1,025)
Shareholders' net income for the period		7,209	3,784	18,985	15,446
Weighted average number of outstanding shares		20 million	20 million	20 million	20 million
Basic and diluted earnings per share (Saudi Riyals)	9	0.360	0.189	0.949	0.772

The accompanying notes from 1 to 12 form an integral part of these interim condensed financial statements.





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

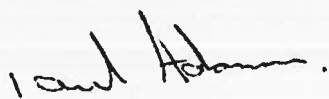
	Note	For three-month period ended September 30,		For nine-month period ended September 30,	
		2014 (Unaudited)	2013 (Unaudited)	2014 (Unaudited)	2013 (Unaudited)
Shareholders' net income for the period		7,209	3,784	18,985	15,446
Provision for zakat and Income tax	6	(1,762)	(496)	(4,732)	(4,286)
Net income for the period		5,447	3,288	14,253	11,160
Unrealized gain (loss) on available-for- sale investments	3	1,382	369	2,811	(3,184)
Total comprehensive income for the period		6,829	3,657	17,064	7,976

The accompanying notes from 1 to 12 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 thousand Saudi Riyals unless otherwise stated)

	Share capital	Fair value reserve	Accumulated deficit	Total
<u>Unaudited</u>				
Balance at January 1, 2014	200,000	2,378	(11,003)	191,375
Net Income for the period	-	-	14,253	14,253
Changes in fair value reserve on available-for-sale investments	-	2,811	-	2,811
Balance at September 30, 2014	200,000	5,189	3,250	208,439
<u>Unaudited</u>				
Balance at January 1, 2013	200,000	4,297	(23,945)	180,352
Net Income for the period	-	-	11,160	11,160
Changes in fair value reserve on available-for-sale investments	-	(3,184)	-	(3,184)
Balance at September 30, 2013	200,000	1,113	(12,785)	188,328

The accompanying notes from 1 to 12 form an integral part of these interim condensed financial statements.


AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS
(All amounts expressed in thousand Saudi Riyals unless otherwise stated)

		Nine-month period ended	
		September 30,	September 30,
		2014	2013
	Note	(Unaudited)	(Unaudited)
Cash flow from operating activities			
Net result from insurance operations		1,512	1,284
Adjustments to reconcile net result from insurance operations to net cash from operating activities:			
Shareholders' appropriation of surplus from insurance operations		13,600	11,561
Depreciation		2,687	6,143
		17,799	18,988
Changes in operating assets and liabilities:			
Premiums and insurance balances receivable - net		(45,328)	(25,111)
Reinsurers' share of unearned premiums		(8,778)	14,992
Reinsurers' share of outstanding claims		7,000	(7,076)
Deferred policy acquisition costs		(4,522)	(2,780)
Other assets		(1,370)	(4,751)
Receivable from related parties		(8,178)	(21,869)
Reinsurers' balances payable		(13,836)	1,295
Unearned premiums		101,274	111,450
Outstanding claims		23,096	(17,832)
Claims incurred but not reported and other reserve		21,332	86,432
Advance premiums		(7,517)	-
Deferred reinsurance commission		909	1,306
Accrued and other liabilities		(6,178)	21,468
Payable to a related party		-	(49,730)
Employee termination benefits		664	884
Due from shareholders		(37,897)	59,541
Net cash provided by operating activities		38,470	187,207
Cash flow from investing activities			
Purchase of furniture, fixtures and equipment		(1,734)	(5,528)
Short-term deposits		(126,459)	(75,762)
Purchase of available-for-sale investments	3	(8,410)	(33,559)
Proceeds from sale of available-for-sale investments	3	24,091	-
Net cash used in investing activities		(112,512)	(114,849)
Net change in cash and cash equivalents		(74,042)	72,358
Cash and cash equivalents, beginning of the period		171,605	74,118
Cash and cash equivalents, end of the period		97,563	146,476
Supplemental cash flow information			
Non-cash investing activity			
Unrealized gain (loss) on available-for-sale investments	3	2,331	(2,123)

The accompanying notes from 1 to 12 form an integral part of these interim condensed financial statements.

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

		<u>Nine-month period ended</u>	
		<u>September 30,</u>	<u>September 30,</u>
		<u>2014</u>	<u>2013</u>
	<u>Note</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Cash flow from operating activities			
Shareholders' net income for the period		18,985	15,446
Adjustments to reconcile net income to net cash provided by operating activities:			
Appropriation of surplus from Insurance operations		(13,600)	(11,561)
		<u>5,385</u>	<u>3,885</u>
<u>Changes in operating assets and liabilities:</u>			
Other assets		(1,558)	1,137
Zakat and Income tax paid		(3,044)	(2,302)
Accrued and other liabilities		205	(1,378)
Due to Insurance operations		<u>37,897</u>	<u>(59,541)</u>
Net cash provided by (used in) operating activities		<u>38,885</u>	<u>(58,199)</u>
Cash flow from investing activities			
Short-term deposits		(20,000)	62,400
Purchase of available-for-sale investments	3	(17,608)	(4,284)
Proceeds from sale of available-for-sale investments	3	<u>5,053</u>	<u>-</u>
Net cash (used in) provided by Investing activities		<u>(32,555)</u>	<u>58,116</u>
Net change in cash and cash equivalents		6,330	(83)
Cash and cash equivalents, beginning of the period		<u>891</u>	<u>325</u>
Cash and cash equivalents, end of the period		<u>7,221</u>	<u>242</u>
<u>Supplemental cash flow information</u>			
Zakat and Income tax charged to shareholders' comprehensive income	6	<u>(4,732)</u>	<u>(4,286)</u>
Unrealized gain (loss) on available-for-sale investments	3	<u>2,811</u>	<u>(3,184)</u>

The accompanying notes from 1 to 12 form an integral part of these interim condensed financial statements.

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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 NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2014
(All amounts expressed in thousand Saudi Riyals unless otherwise stated)

1 ORGANISATION 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, 2012), 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 has formally entered into a purchase agreement with the shareholders' of the Seller to effect the transfer. Also, the shareholders of the Company have 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. Also see Note 10.

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 three-month and nine-month periods ended September 30, 2014 and 2013 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	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 NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2014
(All amounts expressed in thousand Saudi Riyals unless otherwise stated)

Basis of preparation (continued)

The accompanying 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, 2013, 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, 2013. The Company's interim results may not be indicative of its annual results.

<u>Standard</u>	<u>Description</u>
Amendment to IAS 32	Financial instruments: Presentation on asset and liability offsetting
Amendments to IFRS 10, 12 and IAS 27	Consolidation for investment entities
Amendment to IAS 36	Impairment of assets: Recoverable amount disclosures for impaired assets
Amendment to IAS 39	Novation of derivatives and hedge accounting
IFRIC 21	Levies

The Company's management decided not to choose the early adoption of the following new and amended standards and interpretations issued which will become effective for the periods commencing on or after July 1, 2014:

<u>Standard</u>	<u>Description</u>
Amendment to IAS 19	Defined benefit plans
Amendment to IFRS 9	Financial instruments regarding general hedge accounting
IFRS 9	Financial instruments
Annual improvements 2012	
Annual improvements 2013	

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 and employee termination benefits.

AXA CO-OPERATIVE INSURANCE COMPANY
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FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2014
(All amounts expressed in thousand Saudi Riyals unless otherwise stated)

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 Investments

Available-for-sale investments

As at and for the nine-month period ended September 30, 2014 (Unaudited)

	Insurance operations	Shareholders' operations
Balance, beginning of the period	86,942	74,314
Purchases	8,410	17,608
Disposals	(24,091)	(5,053)
Unrealized gain - net	2,331	2,811
Balance, end of the period	<u>73,592</u>	<u>89,680</u>

As at and for the year ended December 31, 2013 (Audited)

	Insurance operations	Shareholders' operations
Balance, January 1, 2013	54,514	63,085
Purchases	34,651	20,059
Disposals	(906)	(6,911)
Unrealized loss - net	(1,317)	(1,919)
Balance, December 31, 2013	<u>86,942</u>	<u>74,314</u>

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

Available-for-sale investments at September 30, 2014 include 1,923,078 shares (2013: 1,923,078) in Najam for Insurance Services, and are held by the Company at Nil value.

Held-to-maturity investments

Insurance operations:

Type of security	Issuer	Maturity period	Profit margin	Book value net of amortization	
				September 30, 2014 (Unaudited)	December 31, 2013 (Audited)
Sukuks	Saudi government	20 years	3.21%	60,000	60,000
Sukuks	Saudi company	10 years	3.47%	15,000	15,000
				<u>75,000</u>	<u>75,000</u>

AXA CO-OPERATIVE INSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2014
(All amounts expressed in thousand Saudi Riyals unless otherwise stated)

Investments (continued)

Held-to-maturity investments (continued)

Shareholders' operations:

Type of security	Issuer	Maturity period	Profit margin	Book value net of amortization	
				September 30, 2014 (Unaudited)	December 31, 2013 (Audited)
Sukuks	Saudi government	20 years	3.21%	60,000	60,000

4 Statutory deposit

The statutory deposit represents 10% of the paid-up share capital which is maintained in accordance with the Law. This statutory deposit cannot be withdrawn without the consent of SAMA.

5 Related party transactions and balances

a) Related party transactions

	For three-month period ended September 30,		For nine-month period ended September 30,	
	2014 (Unaudited)	2013 (Unaudited)	2014 (Unaudited)	2013 (Unaudited)
Gross premiums written	9,016	8,138	21,799	21,316
Net claims paid	2,043	1,723	6,370	7,101
Reinsurance ceded	16,878	12,585	55,312	41,786
Reinsurers' share of outstanding claims	7,829	10,718	29,856	14,820
Reinsurance commissions	1,777	1,584	5,531	4,903
Expenses charged by related parties	411	664	1,394	1,707
Directors remunerations	282	271	932	861
Key management personnel	1,478	1,386	4,451	4,272

b) Related party balances

i) Premiums and insurance balances receivable

	September 30, 2014 (Unaudited)	December 31, 2013 (Audited)
Receivable from policy holders	2,705	1,954
Receivable from reinsurers	-	2,511
	2,705	4,465
Provision for doubtful debts	(279)	(972)
Total	2,426	3,493

ii) Receivable from related parties

Receivable from a related party at September 30, 2014 and December 31, 2013 represents amount receivable from the Seller and AXA Insurance Gulf B.S.C (c.).

iii) Reinsurers' balances payable

Reinsurers' balances payable mainly include balances payable to AXA Cessions Paris.

AXA CO-OPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
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6 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 certificate

The Company has filed revised tax and zakat returns for the years from 2009 to 2012 to reflect the effect of the portfolio transfer. During the period ended September 30, 2014 the Department of Zakat and Income Tax ("DZIT") has issued assessments for the years from 2009 to 2012 amounting to Saudi Riyals 11.6 million. The Company has filed an appeal against the assessment of the DZIT for additional demand arising out of various disallowances for years 2009 to 2012.

Zakat and Tax return for the year 2013 has been filed and the Company has received restricted certificate from the DZIT.

7 Share capital

The authorised, issued and paid up share capital of the Company is 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 is currently in the process of obtaining approval from the Capital Market Authority (CMA) subject to completion of certain regulatory requirements including submission of certain specified information and documents required by CMA.

8 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.

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Fair values of financial instruments (continued)

The table below presents the financial assets measured at fair value as at September 30, 2014 and December 31, 2013 based on the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
<u>September 30, 2014 (unaudited)</u>				
Available-for-sale investments:				
Insurance operations	73,592	-	-	73,592
Shareholders' operations	89,680	-	-	89,680
Held-to-maturity investments:				
Insurance operations	75,000	-	-	75,000
Shareholders' operations	60,000	-	-	60,000
<u>December 31, 2013 (Audited)</u>				
Available-for-sale investments:				
Insurance operations	86,942	-	-	86,942
Shareholders' operations	74,314	-	-	74,314
Held-to-maturity investments:				
Insurance operations	75,000	-	-	75,000
Shareholders' operations	60,000	-	-	60,000

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 nine-month period ended September 30, 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.

9 Earnings per share

Basic and diluted earnings per share for three-month and nine-month periods ended September 30, 2014 and 2013 has been computed by dividing the shareholders' net income for the periods by the weighted average number of ordinary shares outstanding during such periods.

10 Contingencies

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; and
- Limitation on duration within which payment of consideration can be made.

Considering the above conditions, financial performance and the Company's future business plans, management believes that the Company will not be required to pay the consideration. Accordingly, the consideration of Saudi Riyals 106.57 million is disclosed as a contingent liability. Management will however, reassess the conditions for settlement of the consideration at each balance sheet date during the period in which payment can be made and will recognize a liability, if required.

Guarantee

At September 30, 2014, the Company was contingently liable for a counter guarantee amounting to Saudi Riyals 1.8 million issued to Yousuf bin Ahmed Kanoo Company LLC (Kanoo), a related party, against a bank guarantee submitted by Kanoo with the Ministry of Foreign Affairs (MOFA) on behalf of the Company.

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11 Segment reporting

Insurance operations for the three-month period ended September 30, 2014 and 2013 (Unaudited)

	General and medical							Total	Protection	Grand Total
	Accident and liability	Motor	Property	Marine	Engineering	Other general insurance	Health			
2014										
Gross premiums written	5,876	94,705	28,852	13,165	5,332	670	110,128	258,728	5,193	263,921
Less: reinsurance premiums ceded	(2,390)	(304)	(24,921)	(6,076)	(3,668)	(31)	(266)	(37,656)	(500)	(38,156)
Net premiums written	3,486	94,401	3,931	7,089	1,664	639	109,862	221,072	4,693	225,765
Changes in unearned premiums	1,625	867	1,036	(634)	1,673	281	(26,363)	(21,515)	2,382	(19,133)
Net premiums earned	5,111	95,268	4,967	6,455	3,337	920	83,499	199,557	7,075	206,632
Reinsurance commissions	209	-	1,740	1,493	225	-	180	3,847	(140)	3,707
Total Revenue	5,320	95,268	6,707	7,948	3,562	920	83,679	203,404	6,935	210,339
Gross claims paid	340	82,181	11,878	2,988	405	12	55,411	153,215	3,863	157,078
Less: reinsurers' share	-	-	(7,112)	(912)	(79)	-	(858)	(8,961)	-	(8,961)
Net claims paid	340	82,181	4,766	2,076	326	12	54,553	144,254	3,863	148,117
Changes in outstanding claims	(855)	666	3,246	2,407	(112)	17	13,507	18,876	(591)	18,285
Net claims incurred	(515)	82,847	8,012	4,483	214	29	68,060	163,130	3,272	166,402
Policy acquisition costs	651	1,962	1,898	956	588	53	5,137	11,245	1,189	12,434
Operating and administrative salaries	366	6,244	1,209	830	487	139	5,545	14,820	587	15,407
Other general and administrative expenses	273	4,754	904	641	359	105	4,181	11,217	395	11,612
Total costs and expenses	775	95,807	12,023	6,910	1,648	326	82,923	200,412	5,443	205,855
Net underwriting result	4,545	(539)	(5,316)	1,038	1,914	594	756	2,992	1,492	4,484
Commission Income										2,022
Net surplus from Insurance operations										6,506
Shareholders' appropriation of surplus from insurance operations										(5,855)
Net result from insurance operations' after appropriation of surplus										651

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11 Segment reporting (continued)

	General and medical									
2013	Accident and liability	Motor	Property	Marine	Engineering	Other general insurance	Health	Total	Protection	Grand Total
Gross premiums written	7,360	134,189	25,899	9,896	4,516	431	88,320	270,611	1,602	272,213
Less: reinsurance premiums ceded	(4,280)	(184)	(23,980)	(6,363)	(3,602)	(28)	(119)	(38,556)	(773)	(39,329)
Net premiums written	3,080	134,005	1,919	3,533	914	403	88,201	232,055	829	232,884
Changes in unearned premiums	1,355	(56,486)	1,529	16	1,835	230	(22,706)	(74,227)	2,433	(71,794)
Net premiums earned	4,435	77,519	3,448	3,549	2,749	633	65,495	157,828	3,262	161,090
Reinsurance commissions	286	-	1,672	998	249	-	159	3,364	(1)	3,363
Total revenue	4,721	77,519	5,120	4,547	2,998	633	65,654	161,192	3,261	164,453
Gross claims paid	703	63,495	3,640	2,296	353	23	45,204	115,714	821	116,535
Less: reinsurers' share	(76)	-	(1,047)	(990)	-	-	(767)	(2,880)	(185)	(3,065)
Net claims paid	627	63,495	2,593	1,306	353	23	44,437	112,834	636	113,470
Changes in outstanding claims	(753)	7,110	(3,370)	3,365	976	(4)	9,354	16,678	577	17,255
Net claims incurred	(126)	70,605	(777)	4,671	1,329	19	53,791	129,512	1,213	130,725
Policy acquisition costs	446	994	1,501	801	521	63	3,368	7,694	224	7,918
Operating and administrative salaries	363	2,715	1,331	1,821	704	173	6,855	13,962	556	14,518
Other general and administrative expenses	230	2,094	(376)	418	161	111	7,632	10,270	(229)	10,041
Total costs and expenses	913	76,408	1,679	7,711	2,715	366	71,646	161,438	1,764	163,202
Net underwriting result	3,808	1,111	3,441	(3,164)	283	267	(5,992)	(246)	1,497	1,251
Commission income										1,137
Net surplus from insurance operations										2,388
Shareholders' appropriation of surplus from insurance operations										(2,150)
Net results from insurance operations' after appropriation of surplus										238

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11 Segment reporting (continued)

Insurance operations for the nine-month period ended September 30, 2014 and 2013 (Unaudited)

	General and medical									
	Accident and Liability	Motor	Property	Marine	Engineering	Other general insurance	Health	Total	Protection	Grand Total
2014										
Gross premiums written	22,957	300,161	56,718	39,402	26,772	2,619	290,054	738,683	23,064	761,747
Less: reinsurance ceded	(5,108)	(806)	(44,007)	(19,091)	(13,776)	(192)	(4,992)	(87,972)	(5,898)	(93,870)
Net premiums written	17,849	299,355	12,711	20,311	12,996	2,427	285,062	650,711	17,166	667,877
Changes in unearned premiums	(3,521)	(25,330)	(3,354)	(801)	(4,692)	(398)	(50,970)	(89,066)	(3,430)	(92,496)
Net premiums earned	14,328	274,025	9,357	19,510	8,304	2,029	234,092	561,645	13,736	575,381
Reinsurance commissions	599	-	4,813	4,426	600	-	1,440	11,878	1,322	13,200
Total revenue	14,927	274,025	14,170	23,936	8,904	2,029	235,532	573,523	15,058	588,581
Gross claims paid	2,251	233,428	50,856	6,961	5,053	570	164,687	463,806	7,975	471,781
Less: reinsurers' share	(3)	-	(41,033)	(2,023)	(874)	-	(2,962)	(46,895)	(100)	(46,995)
Net claims paid	2,248	233,428	9,823	4,938	4,179	570	161,725	416,911	7,875	424,786
Changes in outstanding claims	(7)	7,644	4,888	4,663	1,148	(480)	33,564	51,420	8	51,428
Net claims incurred	2,241	241,072	14,711	9,601	5,327	90	195,289	468,331	7,883	476,214
Policy acquisition costs	1,831	5,445	6,191	2,740	1,582	101	14,755	32,645	1,472	34,117
Operating and administrative salaries	1,015	18,228	3,367	2,514	1,300	394	15,778	42,596	1,194	43,790
Other general and administrative expenses	577	10,360	1,914	1,429	739	224	8,968	24,211	677	24,888
Total costs and expenses	5,664	275,105	26,183	16,284	8,948	809	234,790	567,783	11,226	579,009
Net underwriting result	9,263	(1,080)	(12,013)	7,652	(44)	1,220	742	5,740	3,832	9,572
Commission income										5,540
Net surplus from insurance operations										15,112
Shareholders' appropriation of surplus from insurance operations										(13,600)
Net results from insurance operations' after appropriation of surplus										1,512

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11 Segment reporting (continued)

2013	General and medical								Protection	Grand Total
	Accident and Liability	Motor	Property	Marine	Engineering	Other general insurance	Health	Total		
Gross premiums written	19,074	300,745	52,890	30,695	19,220	2,065	219,426	644,115	14,088	658,203
Less: Reinsurance ceded	(6,537)	(548)	(41,013)	(15,954)	(11,485)	(205)	(3,764)	(79,506)	(2,766)	(82,272)
Net premiums written	12,537	300,197	11,877	14,741	7,735	1,860	215,662	564,609	11,322	575,931
Changes in unearned premiums	462	(74,355)	(2,016)	551	420	(182)	(28,358)	(103,478)	(896)	(104,374)
Net premiums earned	12,999	225,842	9,861	15,292	8,155	1,678	187,304	461,131	10,426	471,557
Reinsurance commissions	800	-	4,802	3,427	776	-	439	10,244	353	10,597
Total revenues	13,799	225,842	14,663	18,719	8,931	1,678	187,743	471,375	10,779	482,154
Gross claims paid	1,864	120,983	78,783	6,075	3,803	76	150,165	361,749	6,505	368,254
Less: Reinsurers' share	(78)	-	(53,735)	(2,094)	(1,617)	-	(3,067)	(60,591)	(2,589)	(63,180)
Net claims paid	1,786	120,983	25,048	3,981	2,186	76	147,098	301,158	3,916	305,074
Changes in outstanding claims	2,605	75,096	(18,521)	2,731	469	(37)	17,474	79,817	3,790	83,607
Net claims incurred	4,391	196,079	6,527	6,712	2,655	39	164,572	380,975	7,706	388,681
Policy acquisition costs	1,442	3,546	4,194	2,471	1,925	164	9,497	23,239	1,865	25,104
Operating and administrative salaries	1,021	7,640	1,930	5,124	1,980	487	22,009	40,191	658	40,849
Other general and administrative expenses	412	3,752	1,243	749	288	198	10,804	17,446	549	17,995
Total costs and expenses	7,266	211,017	13,894	15,056	6,848	888	206,882	461,851	10,778	472,629
Net underwriting result	6,533	14,825	769	3,663	2,083	790	(19,139)	9,524	1	9,525
Commission income										3,320
Net surplus from insurance operations										12,845
Shareholders' appropriation of surplus from insurance operations										(11,561)
Net results from insurance operations' after appropriation of surplus										1,284

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11 Segment reporting (continued)

Insurance operations' financial position as at September 30, 2014 (Unaudited) and December 31, 2013 (Audited)

	General and medical									
2014	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	3,119	33	20,871	3,317	5,358	27	1,085	33,810	2,156	35,966
Reinsurers' share of outstanding claims	668	(236)	33,779	11,098	5,403	(210)	2,287	52,789	3,015	55,804
Deferred policy acquisition costs	1,154	4,061	3,823	472	1,517	55	8,792	19,874	1,355	21,229
Unallocated assets										654,426
Total insurance operations' assets										<u>767,425</u>
<u>Insurance operations' liabilities</u>										
Unearned premiums	12,383	49,014	29,512	7,387	17,832	772	185,593	302,493	9,621	312,114
Outstanding claims	6,079	124,172	59,291	20,649	23,840	51	115,303	349,385	7,825	357,210
Deferred reinsurance commission	433	-	3,910	940	554	(24)	179	5,992	14	6,006
Unallocated liabilities										87,665
Total insurance operations' liabilities										<u>762,995</u>

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11 Segment reporting (continued)

	General and medical									
2013	Accident and liability	Motor	Property	Marine	Engineering	Other general insurance	Health	Total	Protection	Grand Total
Insurance operations' assets										
Reinsurers' share of unearned premiums	2,734	15	18,289	2,734	2,887	-	-	26,659	529	27,188
Reinsurers' share of outstanding claims	244	(236)	50,983	7,456	2,792	(210)	1,775	62,804	-	62,804
Deferred policy acquisition costs	658	1,801	3,132	378	729	22	9,987	16,707	-	16,707
Unallocated assets										537,139
Total insurance operations' assets										<u>643,838</u>
Insurance operations' liabilities										
Unearned premiums	8,477	23,664	25,391	6,003	8,854	348	133,538	206,275	4,565	210,840
Outstanding claims	5,663	116,516	71,607	12,358	20,082	529	81,224	307,979	4,803	312,782
Reinsurance share of deferred acquisition costs	363	-	2,510	773	234	-	909	4,789	308	5,097
Unallocated liabilities										114,532
Total insurance operations' liabilities and accumulated surplus										<u>643,251</u>

12 Date of approval

These interim condensed financial statements were approved by the Company's Board of Directors on October 26, 2014.