

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

**INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE**  
**THREE-MONTH PERIOD ENDED MARCH 31, 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 PERIOD ENDED MARCH 31, 2014**

<b>Index</b>	<b>Page</b>
Independent auditors' limited review report	2
Interim statement of financial position	3 - 4
Interim statement of insurance operations and accumulated surplus	5
Interim statement of shareholders' income	6
Interim statement of shareholders' comprehensive income	7
Interim statement of changes in shareholders' equity	8
Interim statement of insurance operations' cash flows	9
Interim statement of shareholders' cash flows	10
Notes to interim condensed financial statements	11 - 20



**AL-GHANEM**  
Certified Public Accountants

Member Firm of  
**INTEGRATED INTERNATIONAL**  
Your Global Advantage

## 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 March 31, 2014 and the related interim statements of insurance operations and accumulated surplus, shareholders' income, shareholders' comprehensive income, changes in shareholders' equity, insurance operations' cash flows and shareholders' cash flows for the three-month period then ended, 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 Reporting 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 762  
Dammam 31421  
Saudi Arabia

Nader Abdullah Al-Ghanem  
License Number 270



April 20, 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)

		March 31, 2014 (Unaudited)	As at, December 31, 2013 (Audited)
	Note		
<b>INSURANCE OPERATIONS' ASSETS</b>			
Cash and cash equivalents		198,283	171,605
Short-term deposits		65,973	26,541
Premiums and insurance balances receivable		148,718	148,812
Less: Provision for doubtful debts		(18,230)	(18,230)
Premiums and insurance balances receivable - net	5	130,488	130,582
Receivable from related parties	5	11,255	8,392
Reinsurers' share of unearned premiums		28,908	27,188
Reinsurers' share of outstanding claims		35,301	62,804
Deferred policy acquisition costs		17,633	16,707
Other assets		12,183	7,610
Available-for-sale investments	3	89,375	86,942
Long-term deposit		7,500	7,500
Held-to-maturity investments	3	75,000	75,000
Due from shareholders		44,467	14,823
Furniture, fixtures and equipment		7,597	8,144
<b>TOTAL INSURANCE OPERATIONS' ASSETS</b>		<b>723,963</b>	<b>643,838</b>
<b>SHAREHOLDERS' ASSETS</b>			
Cash and cash equivalents		14,679	891
Short-term deposits		20,404	-
Other assets		2,009	1,208
Available-for-sale investments	3	74,625	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
<b>TOTAL SHAREHOLDERS' ASSETS</b>		<b>247,967</b>	<b>212,663</b>
<b>TOTAL ASSETS</b>		<b>971,930</b>	<b>856,501</b>

The accompanying notes from 1 to 11 form an integral part of these interim condensed financial statements.





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)

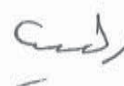
		As at,	
		March 31,	December 31,
	Note	2014	2013
		(Unaudited)	(Audited)
<b>INSURANCE OPERATIONS' LIABILITIES AND SURPLUS</b>			
Reinsurers' balances payable		19,158	39,165
Unearned premiums		320,443	210,840
Outstanding claims		141,616	154,587
Claims incurred but not reported and other reserve		154,744	158,195
		296,360	312,782
Advance premiums		-	7,517
Deferred reinsurance commission		4,693	5,097
Accrued and other liabilities		64,839	51,355
Employee termination benefits		16,426	16,495
<b>Total insurance operations' liabilities</b>		<b>721,919</b>	<b>643,251</b>
Accumulated surplus from insurance operations		2,036	1,658
Fair value reserve on available-for-sale investments		8	(1,071)
<b>Total insurance operations' surplus</b>		<b>2,044</b>	<b>587</b>
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS</b>		<b>723,963</b>	<b>643,838</b>
<b>SHAREHOLDERS' LIABILITIES AND EQUITY</b>			
<b>Shareholders' liabilities</b>			
Accrued zakat and income tax	6	6,852	5,445
Accrued and other liabilities		1,032	1,020
Due to insurance operations		44,467	14,823
<b>Total shareholders' liabilities</b>		<b>52,351</b>	<b>21,288</b>
<b>Shareholders' equity</b>			
Share capital		200,000	200,000
Fair value reserve		2,304	2,378
Accumulated deficit		(6,688)	(11,003)
<b>Total shareholders' equity</b>		<b>195,616</b>	<b>191,375</b>
<b>TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY</b>		<b>247,967</b>	<b>212,663</b>
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS AND SHAREHOLDERS' LIABILITIES AND EQUITY</b>		<b>971,930</b>	<b>856,501</b>

**CONTINGENCIES**

9

The accompanying notes from 1 to 11 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)

		Three-month period ended	
		March 31, 2014	March 31, 2013
	Note	(Unaudited)	(Unaudited)
<b>REVENUES</b>			
Gross premiums written	5	313,502	270,345
Less: Reinsurance premiums ceded	5	(27,196)	(29,115)
Net premiums written		286,306	241,230
Changes in unearned premiums		(107,883)	(93,304)
Net premiums earned		178,423	147,926
Reinsurance commissions	5	4,288	3,549
Commission Income		1,575	724
<b>Total revenues</b>		<b>184,286</b>	<b>152,199</b>
<b>COSTS AND EXPENSES</b>			
Gross claims paid		174,081	146,812
Less: Reinsurers' share		(35,091)	(54,747)
Net claims paid		138,990	92,065
Changes in outstanding claims		11,081	31,584
Net claims incurred		150,071	123,649
Policy acquisition costs		10,720	8,389
General and administrative expenses	5	19,713	16,493
<b>Total costs and expenses</b>		<b>180,504</b>	<b>148,531</b>
Surplus from insurance operations		3,782	3,668
Shareholders' appropriation of surplus		(3,404)	(3,301)
Net result from insurance operations after appropriation of surplus		378	367

The accompanying notes from 1 to 11 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	Three-month period ended	
		March 31, 2014 (Unaudited)	March 31, 2013 (Unaudited)
Net surplus transferred from insurance operations		3,404	3,301
Commission income		2,382	1,666
General and administrative expenses	5	(64)	(32)
Shareholders' net income for the period		5,722	4,935
Weighted average number of ordinary shares outstanding		20 million	20 million
Basic and diluted earnings per share (Saudi Riyals)	8	0.286	0.247

The accompanying notes from 1 to 11 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	Three-month period ended	
		March 31, 2014 (Unaudited)	March 31, 2013 (Unaudited)
Shareholders' net income for the period		5,722	4,935
Provision for zakat and income tax	6	(1,407)	(1,556)
Net income for the period		4,315	3,379
Unrealized loss on available-for-sale investments	3	(74)	(845)
Total comprehensive income for the period		4,241	2,534

The accompanying notes from 1 to 11 form an integral part of these interim condensed financial statements.





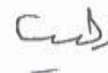


AXA COOPERATIVE INSURANCE COMPANY  
(A Saudi Joint Stock Company)  
INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
(All amounts expressed in thousand Saudi Riyals unless otherwise stated)

	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	-	-	4,315	4,315
Changes in fair value reserve on available-for-sale investments	-	(74)	-	(74)
<b>Balance at March 31, 2014</b>	<b>200,000</b>	<b>2,304</b>	<b>(6,688)</b>	<b>195,616</b>
<u>Unaudited</u>				
Balance at January 1, 2013	200,000	4,297	(23,945)	180,352
Net income for the period	-	-	3,379	3,379
Changes in fair value reserve on available-for-sale investments	-	(845)	-	(845)
<b>Balance at March 31, 2013</b>	<b>200,000</b>	<b>3,452</b>	<b>(20,566)</b>	<b>182,886</b>

The accompanying notes from 1 to 11 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)

	Note	Three-month period ended	
		March 31, 2014 (Unaudited)	March 31, 2013 (Unaudited)
<b>Cash flow from operating activities</b>			
Net result from insurance operations		378	367
Adjustments to reconcile net result from insurance operations to net cash from operating activities:			
Shareholders' appropriation of surplus from insurance operations		3,404	3,301
Depreciation		805	693
		<u>4,587</u>	<u>4,361</u>
<u>Changes in operating assets and liabilities:</u>			
Premiums and insurance balances receivable - net		94	(12,299)
Reinsurers' share of unearned premiums		(1,720)	(1,180)
Reinsurers' share of outstanding claims		27,503	48,953
Deferred policy acquisition costs		(926)	(1,263)
Other assets		(4,573)	(3,867)
Receivable from related parties		(2,863)	(16,605)
Reinsurers' balances payable		(20,007)	(7,399)
Unearned premiums		109,603	94,484
Outstanding claims		(12,971)	(71,462)
Claims incurred but not reported and other reserve		(3,451)	54,093
Advance premiums		(7,517)	-
Deferred reinsurance commission		(404)	(249)
Accrued and other liabilities		13,484	1,203
Payable to a related party		-	(49,730)
Employee termination benefits		(69)	378
Due from shareholders		(33,048)	27,985
<b>Net cash provided by operating activities</b>		<u>67,722</u>	<u>67,403</u>
<b>Cash flow from investing activities</b>			
Purchase of furniture, fixtures and equipment		(258)	(119)
Short-term deposits		(39,432)	(38,975)
Purchase of available-for-sale investments	3	(4,688)	(9,166)
Proceeds from sale of available-for-sale investments	3	3,334	-
Long-term deposit		-	(56,250)
<b>Net cash used in investing activities</b>		<u>(41,044)</u>	<u>(104,510)</u>
<b>Net change in cash and cash equivalents</b>		<u>26,678</u>	<u>(37,107)</u>
Cash and cash equivalents, beginning of the period		<u>171,605</u>	<u>74,118</u>
Cash and cash equivalents, end of the period		<u>198,283</u>	<u>37,011</u>
<u><b>Supplemental cash flow information</b></u>			
<b>Non-cash investing activity</b>			
Unrealized gain on available-for-sale investments	3	<u>1,079</u>	<u>74</u>

The accompanying notes from 1 to 11 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)

	Note	Three-month period ended	
		March 31, 2014 (Unaudited)	March 31, 2013 (Unaudited)
<b>Cash flow from operating activities</b>			
Shareholders' net income for the period		5,722	4,935
Adjustments to reconcile net income to net cash provided by operating activities:			
Appropriation of surplus from insurance operations		(3,404)	(3,301)
		2,318	1,634
<u>Changes in operating assets and liabilities:</u>			
Other assets		(801)	1,197
Accrued and other liabilities		12	2,698
Due to insurance operations		33,048	(27,985)
<b>Net cash provided by (used in) operating activities</b>		<b>34,577</b>	<b>(22,456)</b>
<b>Cash flow from investing activities</b>			
Short-term deposits		(20,404)	56,390
Purchase of available-for-sale investments	3	(3,937)	(4,375)
Proceeds from sale of available-for-sale investments	3	3,552	169
<b>Net cash (used in) provided by investing activities</b>		<b>(20,789)</b>	<b>52,184</b>
<b>Net increase in cash and cash equivalents</b>		<b>13,788</b>	<b>29,728</b>
Cash and cash equivalents, beginning of the period		891	325
<b>Cash and cash equivalents, end of the period</b>		<b>14,679</b>	<b>30,053</b>
<u>Supplemental cash flow information</u>			
<b>Non-cash financing activity:</b>			
Zakat and income tax charged to shareholders' comprehensive income	6	(1,407)	(1,556)
<b>Non-cash investing activity:</b>			
Unrealized loss on available-for-sale investments	3	(74)	(845)

The accompanying notes from 1 to 11 form an integral part of these interim condensed financial statements.





**AXA CO-OPERATIVE INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2014**  
(All amounts expressed in thousand Saudi Riyals unless otherwise stated)

**1 ORGANISATION AND PRINCIPLE 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 9.

**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 period ended March 31, 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 PERIOD ENDED MARCH 31, 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
Amendment to IAS 12	Income taxes
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 April 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
IFRS 14	Regulatory deferral accounts
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**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2014**  
(All amounts expressed in thousand Saudi Riyals 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 Investments**

**Available-for-sale investments**

**As at and for the three-month period ended March 31, 2014 (Unaudited)**

	Insurance operations	Shareholders' operations
Balance, beginning of the period	86,942	74,314
Purchases	4,688	3,937
Disposals	(3,334)	(3,552)
Unrealized gain (loss) - net	1,079	(74)
Balance, end of the period	<u>89,375</u>	<u>74,625</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 gain	(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 March 31, 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	
				March 31, 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**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 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	
				March 31, 2014 (Unaudited)	December 31, 2013 (Audited)
Sukuks	Saudi government	20 years	3.21%	<b>60,000</b>	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**

	Three-month period ended March 31,	
	2014 (Unaudited)	2013 (Unaudited)
Gross premiums written	<b>7,662</b>	7,503
Net claims paid	<b>2,392</b>	3,457
Reinsurance ceded	<b>18,442</b>	17,395
Reinsurance recoveries	<b>4,442</b>	1,139
Reinsurance commissions	<b>1,880</b>	2,114
Expenses charged by related parties	<b>363</b>	309
Directors remunerations	<b>32</b>	32
Key management personnel	<b>1,487</b>	1,469

**b) Related party balances**

**i) Premiums and reinsurance balances receivable**

	March 31, 2014 (Unaudited)	December 31, 2013 (Audited)
Receivable from policy holders	<b>2,865</b>	1,954
Receivable from reinsurers	<b>3,167</b>	2,511
	<b>6,032</b>	4,465
Provision for doubtful debts	<b>(1,335)</b>	(972)
Total	<b>4,697</b>	3,493

**ii) Receivable from related parties**

Receivable from a related party at March 31, 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)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2014**  
(All amounts expressed in thousand Saudi Riyals unless otherwise stated)

**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 had received a final zakat certificate for the year ended December 31, 2010. The Company has revised the provision for zakat and income tax to reflect the effect of the Transfer and has submitted the revised returns for the period / years ended December 31, 2009, 2010 and 2011 after taking into account the effect of the Transfer.

**7 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.

**AXA CO-OPERATIVE INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2014**  
(All amounts expressed in thousand Saudi Riyals unless otherwise stated)

**Fair values of financial instruments (continued)**

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

	Level 1	Level 2	Level 3	Total
<b><u>March 31, 2014 (unaudited)</u></b>				
<b>Available-for-sale investments:</b>				
Insurance operations	89,375	-	-	89,375
Shareholders' operations	74,625	-	-	74,625
<b>Held-to-maturity investments:</b>				
Insurance operations	75,000	-	-	75,000
Shareholders' operations	60,000	-	-	60,000
<b><u>December 31, 2013 (Audited)</u></b>				
<b>Available-for-sale investments:</b>				
Insurance operations	86,942	-	-	86,942
Shareholders' operations	74,314	-	-	74,314
<b>Held-to-maturity investments:</b>				
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 three-month period ended March 31, 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.

## **8 Earnings per share**

Basic and diluted earnings per share for three-month period ended March 31, 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.

## **9 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 March 31, 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.

**AXA CO-OPERATIVE INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2014**  
(All amounts expressed in thousand Saudi Riyals unless otherwise stated)

**10 Segment reporting**

**Insurance operations for the three-month period ended March 31, 2014 and 2013 (Unaudited)**

	General and medical									
<u>2014</u>	Accident and liability	Motor	Property	Marine	Engineering	Other general insurance	Health	Total	Protection	Grand Total
Gross premiums written	8,289	178,051	13,134	11,338	8,074	1,202	79,722	299,810	13,692	313,502
Less: reinsurance premiums ceded	(1,196)	(238)	(6,355)	(5,173)	(4,109)	(345)	(4,484)	(21,900)	(5,296)	(27,196)
Net premiums written	7,093	177,813	6,779	6,165	3,965	857	75,238	277,910	8,396	286,306
Changes in unearned premiums	(2,774)	(91,459)	(3,587)	224	(2,597)	(428)	(2,042)	(102,663)	(5,220)	(107,883)
Net premiums earned	4,319	86,354	3,192	6,389	1,368	429	73,196	175,247	3,176	178,423
Reinsurance commissions	185	-	1,425	1,397	209	-	1,085	4,301	(13)	4,288
Total Revenue	4,504	86,354	4,617	7,786	1,577	429	74,281	179,548	3,163	182,711
Gross claims paid	1,200	82,671	37,165	2,720	1,148	508	46,233	171,645	2,436	174,081
Less: reinsurers' share	-	-	(33,083)	(737)	(164)	-	(1,007)	(34,991)	(100)	(35,091)
Net claims paid	1,200	82,671	4,082	1,983	984	508	45,226	136,654	2,336	138,990
Changes in outstanding claims	359	(7,141)	260	1,661	616	(481)	16,003	11,277	(196)	11,081
Net claims incurred	1,559	75,530	4,342	3,644	1,600	27	61,229	147,931	2,140	150,071
Policy acquisition costs	521	1,430	2,291	838	552	46	5,029	10,707	13	10,720
Operating and administrative salaries	371	5,656	955	801	288	44	4,862	12,977	330	13,307
Other general and administrative expenses	179	2,720	459	385	139	21	2,339	6,242	164	6,406
Total costs and expenses	2,630	85,336	8,047	5,668	2,579	138	73,459	177,857	2,647	180,504
Surplus from insurance operations										2,207
Commission Income										1,575
Net surplus from Insurance operations										3,782
Shareholders' appropriation of surplus from insurance operations										(3,404)
Net result from insurance operations' after appropriation of surplus										378

**AXA CO-OPERATIVE INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2014**  
(All amounts expressed in thousand Saudi Riyals unless otherwise stated)

**10 Segment reporting (continued)**

<u>2013</u>	----- General and medical -----								Protection	Grand Total
	Accident and liability	Motor	Property	Marine	Engineering	Other general insurance	Health	Total		
Gross premiums written	4,668	150,606	17,972	9,307	6,457	2,206	70,018	261,234	9,111	270,345
Less: reinsurance premiums ceded	(1,035)	(2,175)	(11,815)	(4,345)	(3,979)	(45)	(3,564)	(26,958)	(2,157)	(29,115)
Net premiums written	3,633	148,431	6,157	4,962	2,478	2,161	66,454	234,276	6,954	241,230
Changes in unearned premiums	(1,119)	(78,058)	(3,200)	1,222	7	32	(7,057)	(88,173)	(5,131)	(93,304)
Net premiums earned	2,514	70,373	2,957	6,184	2,485	2,193	59,397	146,103	1,823	147,926
Reinsurance commissions	264	-	1,592	1,290	265	-	138	3,549	-	3,549
Total revenue	2,778	70,373	4,549	7,474	2,750	2,193	59,535	149,652	1,823	151,475
Gross claims paid	305	14,787	71,788	1,975	1,263	325	53,275	143,718	3,094	146,812
Less: reinsurers' share	-	-	(49,904)	(563)	(524)	-	(1,509)	(52,500)	(2,247)	(54,747)
Net claims paid	305	14,787	21,884	1,412	739	325	51,766	91,218	847	92,065
Changes in outstanding claims	1,842	48,102	(20,495)	(699)	(698)	(234)	1,505	29,323	2,261	31,584
Net claims incurred	2,147	62,889	1,389	713	41	91	53,271	120,541	3,108	123,649
Policy acquisition costs	324	1,282	1,340	588	594	175	2,825	7,128	1,261	8,389
Operating and administrative salaries	323	2,416	294	1,620	626	154	7,433	12,866	50	12,916
Other general and administrative expenses	82	746	728	149	57	39	1,426	3,227	350	3,577
Total costs and expenses	2,876	67,333	3,751	3,070	1,318	459	64,955	143,762	4,769	148,531
Suplus from insurance operations										2,944
Commission income										724
Net surplus from insurance operations										3,668
Shareholders' appropriation of surplus from insurance operations										(3,301)
Net results from insurance operations' after appropriation of surplus										367

**AXA CO-OPERATIVE INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2014**  
(All amounts expressed in thousand Saudi Riyals unless otherwise stated)

**10 Segment reporting (continued)**

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

	----- General and medical -----									
<b>2014</b>	<b>Accident and liability</b>	<b>Motor</b>	<b>Property</b>	<b>Marine</b>	<b>Engineering</b>	<b>Other general insurance</b>	<b>Health</b>	<b>Total</b>	<b>Protection</b>	<b>Grand Total</b>
<b><u>Insurance operations' assets</u></b>										
Reinsurers' share of unearned premiums	2,406	18	13,209	2,041	3,950	257	3,241	25,122	3,786	28,908
Reinsurers' share of outstanding claims	244	(236)	21,671	8,414	3,117	(210)	1,988	34,988	313	35,301
Deferred policy acquisition costs	871	2,993	1,921	354	934	97	8,905	16,075	1,558	17,633
Unallocated assets										642,121
Total insurance operations' assets										<u>723,963</u>
<b><u>Insurance operations' liabilities</u></b>										
Unearned premiums	10,922	115,126	23,899	5,086	12,513	1,032	138,824	307,402	13,041	320,443
Outstanding claims	6,022	109,387	42,556	14,978	21,023	48	97,437	291,451	4,909	296,360
Deferred reinsurance commission	374	-	1,720	558	153	-	536	3,341	1,352	4,693
Unallocated liabilities										100,423
Total insurance operations' liabilities										<u>721,919</u>



**AXA CO-OPERATIVE INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2014**  
(All amounts expressed in thousand Saudi Riyals unless otherwise stated)

**10 Segment reporting (continued)**

	----- General and medical -----									
<b>2013</b>	<b>Accident and liability</b>	<b>Motor</b>	<b>Property</b>	<b>Marine</b>	<b>Engineering</b>	<b>Other general insurance</b>	<b>Health</b>	<b>Total</b>	<b>Protection</b>	<b>Grand Total</b>
<b><u>Insurance operations' assets</u></b>										
Reinsurers' share of outstanding claims	244	(236)	50,983	7,456	2,792	(210)	1,775	62,804	-	62,804
Reinsurers' share of unearned premiums	2,734	15	18,289	2,734	2,887	-	-	26,659	529	27,188
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>
<b><u>Insurance operations' liabilities</u></b>										
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>

**11 Date of approval**

These interim condensed financial statements were approved by the Company's Board of Directors on April 20, 2014.