

AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

**INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED
JUNE 30, 2018 (UNAUDITED)
AND REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION**

AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2018

	Page
Report on review of interim condensed financial information	2
Interim condensed statement of financial position	3 - 4
Interim condensed statement of income	5
Interim condensed statement of comprehensive income	6
Interim condensed statement of changes in shareholders' equity	7 - 8
Interim condensed statement of cash flows	9 - 10
Notes to the interim condensed financial information	11 - 43



International
Accountants
المحاسبون الدوليون

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Report on review of interim financial information

To the shareholders of AXA Cooperative Insurance Company.
(A Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying interim condensed statement of financial position of AXA Cooperative Insurance Company (a Saudi Joint Stock Company) (the "Company") as of June 30, 2018 and the related interim condensed statements of income and comprehensive income for the three-month and six-month periods then ended and the interim condensed statements of changes in shareholders' equity and cash flows for the six-month period ended June 30, 2018 and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this interim condensed financial information in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34") as modified by Saudi Arabian Monetary Authority ("SAMA") for the accounting of zakat and income tax. Our responsibility is to express a conclusion on this interim condensed financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity", as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, as endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial information is not prepared, in all material respects, in accordance with IAS 34 as modified by SAMA for the accounting of zakat and income tax.

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

Bader I. Benmohareb
License Number 471

International Accountants
P.O. Box 18025
Riyadh 11415
Kingdom of Saudi Arabia

Khalid Ali Ibrahim Otain
License Number 373

August 6, 2018



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

		June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
	Note		
ASSETS			
Cash and cash equivalents	4	49,216	117,776
Short-term deposits		700,996	576,973
Premiums and reinsurers' balances receivable - net	5	301,695	153,398
Reinsurers' share of unearned premiums	7	45,299	22,059
Reinsurers' share of outstanding claims	7	132,178	120,206
Reinsurers' share of claims incurred but not reported and other reserves	7	38,255	34,548
Deferred policy acquisition costs		35,556	28,158
Investments	6	640,813	534,625
Prepaid expenses and other assets		18,369	17,525
Long-term deposits		155,000	208,380
Property and equipment		5,119	7,016
Intangible assets		9,471	9,983
Due from shareholders'/insurance operations		188,953	78,456
Goodwill	18	50,000	50,000
Statutory deposit	13	45,000	45,000
Accrued income on statutory deposit		3,117	2,693
TOTAL ASSETS		2,419,037	2,006,796
LIABILITIES			
Accrued and other liabilities		104,682	131,562
Reinsurers' balances payable		80,388	59,093
Advance premiums		13,660	17,842
Unearned premiums	7	508,554	345,030
Unearned reinsurance commission		7,753	4,284
Outstanding claims	7	291,545	264,286
Claims incurred but not reported and other reserves	7	573,020	496,716
Due to related parties		3,790	4,335
Employee benefit obligations		29,780	24,744
Zakat and income tax		34,614	27,076
Due to shareholders'/insurance operations		188,953	78,456
Accrued income payable to SAMA		3,117	2,693
TOTAL LIABILITIES		1,839,856	1,456,117
ACCUMULATED SURPLUS - INSURANCE OPERATIONS			
Surplus distribution payable		11,683	7,422
Fair value reserve on investments		(4,635)	(488)
TOTAL LIABILITIES AND ACCUMULATED SURPLUS		1,846,904	1,463,051

AXA COOPERATIVE INSURANCE COMPANY

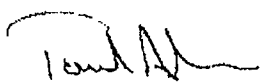
(A Saudi Joint Stock Company)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (continued)

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

		June 30, 2018	December 31,
	Note	(Unaudited)	2017
			(Audited)
SHAREHOLDERS' EQUITY			
Share capital	16	450,000	450,000
Statutory reserve	14	26,426	20,162
Performance share reserve	15	1,009	982
Retained earnings		97,765	72,865
Fair value reserve on investments		(3,067)	(264)
TOTAL SHAREHOLDERS' EQUITY		572,133	543,745
TOTAL LIABILITIES, ACCUMULATED SURPLUS AND SHAREHOLDERS' EQUITY			
		2,419,037	2,006,796

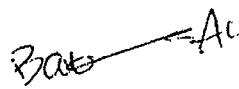
The accompanying notes 1 to 21 form an integral part of these interim condensed financial information.



Paul Adamson
Managing Director



Gary Lewin
Chief Executive Officer



Babar Ali Khan
Chief Financial Officer

AXA COOPERATIVE INSURANCE COMPANY

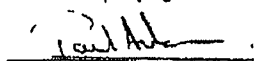
(A Saudi Joint Stock Company)


INTERIM CONDENSED STATEMENT OF INCOME

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

	Three-month period ended June 30, 2018 (Unaudited)	Three-month period ended June 30, 2017 (Unaudited)	Six-month period ended June 30, 2018 (Unaudited)	Six-month period ended June 30, 2017 (Unaudited)
REVENUES				
Gross premiums written				
- Direct	183,528	217,665	855,948	935,608
- Reinsurance	461	2,268	2,979	5,567
	183,989	219,933	858,927	941,175
Reinsurance premiums ceded				
- Foreign	(15,828)	(23,954)	(66,917)	(93,854)
- Local	(487)	(1,104)	(35,609)	(55,260)
	(16,313)	(25,058)	(102,528)	(149,114)
Net premiums written	167,676	194,875	756,401	792,061
Changes in unearned premiums, net	141,796	127,696	(140,284)	(160,991)
Net premiums earned	309,472	322,571	616,117	631,070
Reinsurance commissions	8,181	8,207	13,166	14,168
TOTAL REVENUES	317,653	330,778	629,283	645,238
UNDERWRITING COSTS AND EXPENSES				
Gross claims paid	265,704	211,270	440,637	437,982
Reinsurers' share of claims paid	(31,179)	(18,589)	(51,951)	(33,266)
Net claims and other benefits paid	234,525	192,681	388,686	404,716
Changes in outstanding claims, net	3,055	3,481	15,287	7,522
Changes in claims incurred but not reported and other reserves, net	1,604	71,274	72,597	107,893
Net claims and other benefits incurred	239,184	267,436	476,570	520,131
Policy acquisition costs	24,398	27,046	52,270	49,921
TOTAL UNDERWRITING COSTS AND EXPENSES	263,582	294,482	528,840	570,052
NET UNDERWRITING INCOME	54,071	36,296	100,443	75,186
OTHER OPERATING (EXPENSES) INCOME				
General and administrative expenses	(37,997)	(28,506)	(73,729)	(58,590)
Commission income on deposits	10,541	8,435	19,896	17,365
TOTAL OTHER OPERATING EXPENSES, NET	(27,456)	(20,071)	(53,833)	(41,225)
Total income for the period	26,615	16,225	46,610	33,961
Total income attributed to the insurance operations	(2,503)	(1,397)	(4,261)	(2,860)
Total income for the period attributable to the shareholders	24,112	14,828	42,349	31,101
Earnings per share (expressed in SAR per share)				
Basic earnings per share	0.54	0.33	0.94	0.69
Diluted earnings per share	0.54	0.33	0.94	0.69

The accompanying notes 1 to 21 form an integral part of these interim condensed financial information.


Paul Adamson
Managing Director


Gary Lewin
Chief Executive Officer


Babar Ali Khan
Chief Financial Officer

AXA COOPERATIVE INSURANCE COMPANY


(A Saudi Joint Stock Company)


INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

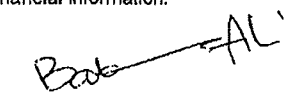
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

	Note	Three-month period ended June 30, 2018 (Unaudited)	Three-month period ended June 30, 2017 (Unaudited)	Six-month period ended June 30, 2018 (Unaudited)	Six-month period ended June 30, 2017 (Unaudited)
Total income for the period		26,615	16,225	46,610	33,961
Other comprehensive (loss) income:					
<i>Items that will be reclassified to the interim condensed statement of income in subsequent periods</i>					
Performance shares re- measurement		-	(101)	-	-
Net change in fair value of available-for-sale investments	6	(567)	672	(6,950)	2,135
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	19	26,048	16,796	39,660	36,096

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Paul Adamson
Managing Director

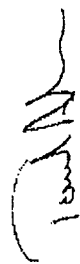

Gary Lewin
Chief Executive Officer


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Babar Ali Khan
Chief Financial Officer


AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

	Note	Share capital	Statutory reserve	Performance share reserve	Retained earnings	Fair value reserve	Total
Balance as at January 1, 2018		450,000	20,162	982	72,865	(264)	543,745
Total comprehensive income for the period							
Total income for the period attributable to shareholders		-	-	-	42,349	-	42,349
Changes in fair values of available-for-sale investments	6	-	-	-	-	(2,803)	(2,803)
Total comprehensive income for the period attributable to shareholders							
Transfer to statutory reserve		-	-	-	42,349	(2,803)	39,546
Performance share reserve		-	6,264	-	(6,264)	-	-
Performance share reserve - settlement		-	-	256	-	-	256
Transfer from retained earnings		-	-	(385)	-	-	(385)
Provision for zakat		-	-	156	(156)	-	-
Provision for income tax		-	-	-	(7,599)	-	(7,599)
		-	-	-	(3,430)	-	(3,430)
Balance as at June 30, 2018		450,000	26,426	1,009	97,765	(3,067)	572,133

The accompanying notes 1 to 21 form an integral part of these interim condensed financial information.


Paul Adamson
Managing Director


Gary Lewin
Chief Executive Officer


Babar Ali Khan
Chief Financial Officer

AXA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)


INTERIM CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (continued)


FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018


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

	Share capital	Statutory reserve	Performance share reserve	Retained earnings	Fair value reserve	Total
Balance as at January 1, 2017	450,000	11,150	640	36,929	830	499,549
Total income for the period attributable to shareholders	-	-	-	31,101	-	31,101
Changes in fair values of available-for-sale investments	-	-	-	-	414	414
Total comprehensive income for the period attributable to shareholders	-	-	-	31,101	414	31,515
Transfer to statutory reserve	-	4,665	-	(4,665)	-	-
Performance share reserve	-	-	273	-	-	273
Performance share reserve - settlement	-	-	(295)	-	-	(295)
Transfer from retained earnings	-	-	97	(97)	-	-
Provision for zakat	-	-	-	(5,197)	-	(5,197)
Provision for income tax	-	-	-	(2,578)	-	(2,578)
Balance as at June 30, 2017	450,000	15,815	715	55,493	1,244	523,267

The accompanying notes 1 to 21 form an integral part of these interim condensed financial information.


Paul Adamson
Managing Director


Gary Lewin
Chief Executive Officer


Babar Ali Khan
Chief Financial Officer

AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

	Six-month period ended June 30, 2018 (Unaudited)	Six-month period ended June 30, 2017 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Total income for the period	46,610	33,961
<u>Adjustments for non-cash items:</u>		
Depreciation of property and equipment	2,070	1,245
Amortization of intangible assets	1,865	952
Accretion of discount on available-for-sales investments	(279)	125
Amortization of premium on available-for-sale investments	61	(92)
Amortization of premium on held-to-maturity investments	8	-
Impairment loss on available-for-sale investments	806	827
Performance share reserve	256	273
<u>Changes in operating assets and liabilities:</u>		
Premiums and reinsurers' balances receivable - net	(148,297)	(86,014)
Reinsurers' share of unearned premiums	(23,240)	(40,195)
Reinsurers' share of outstanding claims	(11,972)	(7,409)
Reinsurers' share of claims incurred but not reported and other reserves	(3,707)	(22,005)
Deferred policy acquisition costs	(7,398)	(18,740)
Prepaid expenses and other assets	(844)	2,983
Accrued income on statutory deposit	(424)	(430)
Accrued and other liabilities	(26,880)	15,506
Reinsurers' balances payable	21,295	65,481
Advance premiums	(4,182)	-
Unearned premiums	163,524	201,186
Unearned reinsurance commission	3,469	2,524
Outstanding claims	27,259	14,930
Claims incurred but not reported and other reserves	76,304	129,899
Due to related parties	(545)	(277)
Employee benefit obligations	5,036	1,572
Zakat and income tax paid	(3,491)	(5,252)
Accrued income payable to SAMA	424	430
Surplus contribution paid	-	(2,430)
Net cash generated from operating activities	117,728	289,050
CASH FLOWS FROM INVESTING ACTIVITIES		
Placements in short-term deposits	(150,134)	(26,509)
Proceeds from disposals of short-term deposits	26,111	50,000
Purchase of investments	(127,696)	(124,879)
Proceeds from disposal of investments	13,962	40,555
Placements in long-term deposits	(6,620)	(134,630)
Proceeds from disposal of long-term deposits	60,000	-
Additions in property and equipment	(173)	(1,737)
Additions to intangible assets	(1,353)	(712)
Net cash used in investing activities	(185,903)	(197,912)

AXA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

INTERIM CONDENSED STATEMENT OF CASH FLOWS (continued)**FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**

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

	Note	Six-month period ended June 30, 2018 (Unaudited)	Six-month period ended June 30, 2017 (Unaudited)
Cash flows from financing activities			
Performance share reserve - settlement		(385)	(295)
Net change in cash and cash equivalents		(68,560)	90,843
Cash and cash equivalents, beginning of the period		117,776	132,662
Cash and cash equivalents, end of the period	4	49,216	223,505
Supplemental non-cash information:			
Changes in fair value of available-for sale-investments		(6,950)	2,135
Zakat and income tax provisions charged to shareholders' equity		(11,029)	(7,775)

The accompanying notes 1 to 21 form an integral part of these interim condensed financial information.

Paul Adamson
Managing DirectorGary Lewin
Chief Executive OfficerBabar Ali Khan
Chief Financial Officer

AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2018
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

1. General

AXA Cooperative Insurance Company (a Joint Stock Company incorporated in Kingdom of Saudi Arabia), "the Company", was formed pursuant to Royal Decree No. M/36 dated 27 Jumada II 1429H. (July 1, 2008) (date of inception). The Company was incorporated vide Ministerial Order number Q/192, dated 10 Jumada II 1430H, (June 3, 2009) (date of incorporation). The Company is registered in the Kingdom of Saudi Arabia under commercial registration number 1010271203 issued in Riyadh on Rajab 20, 1430H (July 13, 2009). The Company's registered address is P.O. Box 753, Riyadh 11421, Kingdom of Saudi Arabia.

The purpose of the Company is to transact cooperative insurance operations and all related activities including reinsurance activities. Its principal lines of business include health, motor, marine, property, engineering, accident and liability and protection insurance.

The principal activities of the Company are to engage in cooperative insurance operations and related activities including reinsurance activities in accordance with the Law on Supervision of Cooperative Insurance (the "Law"), the Company's by-laws and other regulations promulgated in the Kingdom of Saudi Arabia. The Company obtained licence from the Saudi Arabian Monetary Authority ("SAMA") to practice general and health insurance and reinsurance business in the Kingdom of Saudi Arabia vide licence number TMN/25/20101, dated Safar 11, 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. During 2016, the Company obtained approval for the remaining products.

2. Basis of preparation

(a) Basis of presentation

The interim condensed financial information of the Company has been prepared in accordance with 'International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") as modified by SAMA for the accounting of zakat and income tax', which requires, adoption of all International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") except for the application of IAS 12 - 'Income Taxes' and IFRIC 21 - 'Levies' so far as these relate to zakat and income tax. As per the SAMA Circular number 381000074519 dated April 11, 2017 and subsequent amendments through certain clarifications relating to the accounting for zakat and income tax ("SAMA Circular"), the zakat and income tax are to be accrued on a quarterly basis through shareholders' equity under retained earnings.

The interim condensed financial information is prepared under the going concern basis and the historical cost convention, except for the measurement at fair value of available-for-sale investments. The Company's interim condensed statement of financial position is not presented using a current/non-current classification. However, the following balances would generally be classified as current: cash and cash equivalents, short-term deposits, premiums and reinsurers' balances receivable - net, prepaid expenses and other assets, accrued income on statutory deposit, accrued and other liabilities, reinsurers' balances payable, advance premiums, due to related parties, zakat and income tax and accrued income payable to SAMA. The following balances would generally be classified as non-current: long-term deposits, deferred policy acquisition costs, investments, property and equipment, intangible assets, goodwill, statutory deposit, unearned premiums, unearned reinsurance commission, outstanding claims, claims incurred but not reported and other reserves, net and employee benefit obligations.

As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for Insurance Operations and Shareholders' Operations and presents the financial information accordingly. Assets, liabilities, 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 and approved by the management and the Board of Directors.

The interim condensed statements of financial position, income, comprehensive income and cash flows of the insurance operations and shareholders operations which are presented on pages 33 to 43 of the financial information have been provided as supplementary financial information and to comply with the requirements of the guidelines issued by SAMA implementing regulations. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders operations. Accordingly, the interim condensed statements of financial position, income, comprehensive income and cash flows prepared for the insurance operations and shareholders operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2018
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

2. Basis of preparation (continued)

(a) Basis of presentation (continued)

In preparing the Company's financial information in compliance with IFRS, the balances and transactions of the insurance operations are amalgamated and combined with those of the shareholders' operations. Interoperation balances, transactions and unrealized gains or losses, if any, are eliminated in full during amalgamation. The accounting policies adopted for the insurance operations and shareholders operations are uniform for like transactions and events in similar circumstances.

The inclusion of separate information of the insurance operations with the financial information of the Company in the interim condensed statements of financial position, income, comprehensive income and cash flows as well as certain relevant notes to the financial information represents additional supplementary information as required by the Implementing Regulations.

The interim condensed financial information does not include all of the information required for full annual financial statement and should be read in conjunction with the annual financial statement as of and for the year ended December 31, 2017.

This interim condensed financial information is expressed in Saudi Arabian Riyals ("SAR") and are rounded off to the nearest thousands.

(b) Critical accounting judgments, estimates and assumptions

The preparation of interim condensed financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed financial information, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty including the risk management policies were the same as those that applied to the annual financial statement as at and for the year ended December 31, 2017.

Following are the accounting judgments and estimates that are critical in preparation of this interim condensed financial information:

i) Liability arising from claims under insurance contracts

Considerable judgement by management is required in the estimation of amounts due to policyholders arising from claims made under insurance policies. Such estimates are necessarily based on significant assumptions about several factors involving varying, and possible significant, degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the date of statement of financial position and for the expected ultimate cost of claims incurred but not yet reported ("IBNR") at the reporting date. The primary technique adopted by management in estimating the cost of notified and IBNR claims is that of using past claim settlement trends to predict future claims settlement trends.

Claims requiring court or arbitration decisions, if any, are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred and claims incurred but not reported, on a quarterly basis.

AXA COOPERATIVE INSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2018
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

2. Basis of preparation (continued)

(b) Critical accounting judgments, estimates and assumptions (continued)

ii) Impairment of premiums and insurance balances receivable and goodwill

An estimate of the uncollectible amount of premium receivable, if any, is made when collection of the full amount of the receivables as per the original terms of the insurance policy is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and an allowance applied according to the length of time past due and Company's past experience.

The recoverable amount of goodwill is estimated based on the present value of the future cash flows expected to be derived from the asset. In case, receivable amount is less than carrying value, difference is charged to statement of insurance operations income and accumulated surplus as impairment loss.

iii) Impairment of available-for-sale investments

The Company treats available-for-sale investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment. In addition, the Company evaluates other factors, including normal volatility in share price for quoted investments and the future cash flows and the discount factors for unquoted investments

(c) Seasonality of operations

There are no seasonal changes that may affect the insurance operations of the Company.

3. Significant accounting policies

The accounting policies, estimates and assumptions used in the preparation of these interim condensed financial information are consistent with those used in the preparation of the annual financial information for the year ended December 31, 2017 except as explained below:

- IFRS 9, 'Financial Instruments' (including amendments to IFRS 4, Insurance Contracts)

In July 2014, the IASB published IFRS 9 Financial Instruments which will replace IAS 39 Financial Instruments: Recognition and Measurement. The standard incorporates new classification and measurements requirements for financial assets, the introduction of an expected credit loss impairment model which will replace the incurred loss model of IAS 39, and new hedge accounting requirements. Under IFRS 9, all financial assets will be measured at either amortised cost or fair value through profit or loss ("FVTPL"). The basis of classification will depend on the business model and the contractual cash flow characteristics of the financial assets. The standard retains most of IAS 39's requirements for financial liabilities except for those designated at FVTPL whereby that part of the fair value changes attributable to own credit is to be recognised in the statement of comprehensive income instead of the statement of income. The hedge accounting requirements are more closely aligned with risk management practices and follow a more principle based approach.

In September 2016, the IASB published amendments to IFRS 4 Insurance Contracts that address the accounting consequences of the application of IFRS 9 to insurers prior to the publication of the forthcoming accounting standard for insurance contracts. The amendments introduce two options for insurers: the deferral approach and the overlay approach. The deferral approach provides an entity, if eligible, with a temporary exemption from applying IFRS 9 until the earlier of the effective date of a new insurance contract standard or 2021. The overlay approach allows an entity to remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contracts standard is applied.

The Company is eligible and have chosen to apply the deferral approach under the amendments to IFRS 4. The impact of the adoption of IFRS 9 on the Company's financial information will, to a large extent, have to take into account the interaction with the forthcoming insurance contracts standard. As such, it is not possible to fully assess the effect of the adoption of IFRS 9.

AXA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION**FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2018**

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

3. Significant accounting policies (continued)**- IFRS 17, 'Insurance Contracts'**

Applicable for the period beginning on or after January 1, 2021, and will supersede IFRS 4 "Insurance Contracts". Earlier adoption is permitted if IFRS 9 'Financial Instruments' have also been applied. The Company expects a material impact on measurement and disclosure of insurance and reinsurance that will affect the statements of financial position, income and comprehensive income. The Company has decided not to early adopt this new standard.

4. Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following:

	Insurance operations	
	June 30, 2018	December 31, 2017
	(Unaudited)	(Audited)
Bank balances and cash	42,006	100,400
Deposits maturing within 3 month from the placement date	7,210	17,376
	49,216	117,776

Cash at banks are placed with counterparties that have investment grade credit ratings. As at June 30, 2018, deposits were placed with local banks with original maturities of less than three months from the date of placement and earned financial income at 1.5% to 1.7% (December 31, 2017: 1.5% to 1.7%) per annum.

5. Premiums and reinsurers' balances receivable - net

	June 30, 2018	December 31, 2017
	(Unaudited)	(Audited)
Policyholders	86,564	37,723
Brokers and agents	207,586	110,853
Related parties (note 11)	17,611	15,943
Reinsurers	17,520	14,815
	329,281	179,334
Less: provision for doubtful debts	(27,586)	(25,936)
	301,695	153,398

AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2018
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

6. Investments

Investments are classified as follows:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Insurance operations		
- Available-for-sale	333,811	239,927
- Held-to-maturity	78,828	78,836
	<u>412,639</u>	<u>318,763</u>
Shareholders' operations		
- Available-for-sale	168,174	155,862
- Held-to-maturity	60,000	60,000
	<u>228,174</u>	<u>215,862</u>
Total investments	<u>640,813</u>	<u>534,625</u>

Available-for-sale investments at June 30, 2018 include 1,923,078 shares (December 31, 2017: 1,923,078 shares) in Najm for Insurance Services ("Najm"), and are held by the Company at Nil value.

Movement in available-for-sale investments is as follows:

	Insurance operations June 30, 2018 (Unaudited)	December 31, 2017 (Audited)	Shareholders' operations June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Opening balance	239,927	134,810	155,862	160,466
Purchases	102,776	127,602	24,920	43,806
Disposals	(4,917)	(22,943)	(9,045)	(45,414)
Amortization of premium	(30)	(79)	(31)	(149)
Accretion of discount	202	142	77	69
Impairment of investments	-	-	(806)	(1,822)
Changes in fair value of investments	(4,147)	395	(2,803)	(1,094)
Closing balance	<u>333,811</u>	<u>239,927</u>	<u>168,174</u>	<u>155,862</u>

Movement in held-to-maturity investments is as follows:

	Insurance operations June 30, 2018 (Unaudited)	December 31, 2017 (Audited)	Shareholders' operations June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Opening balance	78,836	75,000	60,000	60,000
Purchases	-	3,844	-	-
Amortization of premium	(8)	(8)	-	-
Closing balance	<u>78,828</u>	<u>78,836</u>	<u>60,000</u>	<u>60,000</u>

AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2018
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

7. Technical reserves

7.1 Net outstanding claims and reserves

Net outstanding claims and reserves comprise of the following:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Outstanding claims	317,730	284,542
Less: realizable value of salvage and subrogation	(26,185)	(20,256)
	291,545	264,286
Claims incurred but not reported and other reserves	573,020	496,716
	864,565	761,002
Less:		
- Reinsurers' share of outstanding claims	(132,178)	(120,206)
- Reinsurers' share of claims incurred but not reported and other reserves	(38,255)	(34,548)
	(170,433)	(154,754)
Net outstanding claims and reserves	694,132	606,248

7.2 Movement in net unearned premiums

Movement in net unearned premiums comprise of the following:

	June 30, 2018 (Unaudited)		
	Gross	Reinsurance	Net
Balance as at the beginning of period	345,030	(22,059)	322,971
Premium written during the period	858,927	(102,526)	756,401
Premium earned during the period	(695,403)	79,286	(616,117)
Balance as at the end of period	508,554	(45,299)	463,255

	December 31, 2017 (Audited)		
	Gross	Reinsurance	Net
Balance as at the beginning of year	290,295	(29,078)	261,217
Premium written during the year	1,499,477	(199,603)	1,299,874
Premium earned during the year	(1,444,742)	206,622	(1,238,120)
Balance as at the end of year	345,030	(22,059)	322,971

AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2018
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

8. Commitments and contingencies

(a) Contingencies

- i) The Company has provided bank guarantee in favour of the General Authority of Zakat and Tax ("GAZT") of Saudi Riyals 4.9 million against the settlement of zakat and income tax from 2009 till 2012. The Company has issued various other bank guarantees for an amount of Saudi Riyals 4.5 million in the ordinary course of business.
- ii) The Company operates in the insurance industry and is subject to legal proceedings in the ordinary course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigations) will have a material effect on its results and financial position.

(b) Operating lease commitments

The Company has operating leases for its offices which generally have a term of one year. Rental expenses for the six-month period ended June 30, 2018 amounted to Saudi Riyals 1.7 million (June 30, 2017: Saudi Riyals 1.5 million). There were no significant committed lease rentals outstanding at June 30, 2018.

9. Determination of fair value and fair value hierarchy

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. The fair value measurement is based on the presumption that the transaction takes place either:

- in the accessible principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous accessible market for the asset or liability

The fair values of on-balance sheet financial instruments are not significantly different from their carrying amounts included in the interim condensed financial information.

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 same or identical instrument that an entity can access at the measurement date;

Level 2: quoted prices in active markets for similar 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.

(a) Carrying amounts and fair value

The following table shows the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation to fair value.

AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2018
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

9. **Determination of fair value and fair value hierarchy (continued)**

(a) **Carrying amounts and fair value (continued)**

	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
June 30, 2018 (Unaudited)					
Financial assets measured at fair value (Insurance operations)					
Available-for-sale investments					
- Government bonds	263,082	263,082	-	-	263,082
- Other bonds	50,281	50,281	-	-	50,281
- Mutual funds	20,448	20,448	-	-	20,448
Held-to-maturity investments	78,828	78,828	-	-	78,828
	412,639	412,639	-	-	412,639

Financial assets measured at fair value (Shareholders' operations)

Available-for-sale investments					
- Government bonds	105,480	105,480	-	-	105,480
- Other bonds	29,108	29,108	-	-	29,108
- Mutual funds	6,279	6,279	-	-	6,279
- Equities	27,307	27,307	-	-	27,307
Held-to-maturity investments	60,000	60,000	-	-	60,000
	228,174	228,174	-	-	228,174

	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	

December 31, 2017 (Audited)

Financial assets measured at fair value (Insurance operations)

Available-for-sale investments					
- Government bonds	78,835	78,835	-	-	78,835
- Other bonds	142,993	142,993	-	-	142,993
- Mutual funds	18,099	18,099	-	-	18,099
Held-to-maturity investments	78,836	78,836	-	-	78,836
	318,763	318,763	-	-	318,763

Financial assets measured at fair value (Shareholders' operations)

Available-for-sale investments					
- Government bonds	60,000	60,000	-	-	60,000
- Other bonds	78,898	78,898	-	-	78,898
- Equities	16,964	16,964	-	-	16,964
Held-to-maturity investments	60,000	60,000	-	-	60,000
	215,862	215,862	-	-	215,862

AXA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2018

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

10. Segmental information

Operating segments for the purpose of segmental information are identified on the basis of internal reports about components of the Company that are regularly reviewed by the Company's Board of Directors in their function as chief operating decision maker in order to allocate resources to the segments and to assess its performance.

Transactions between the operating segments are on normal commercial terms and conditions. The revenue from external parties reported to the Board of Directors is measured in a manner consistent with that in the interim condensed statement of income. Segment assets and liabilities comprise operating assets and liabilities.

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since December 31, 2017.

Segment assets do not include cash and cash equivalents, short-term deposits, premiums and reinsurers' balances receivable - net, investments, prepaid expenses and other assets, long-term deposits, property and equipment, intangible assets, due from shareholders' / insurance operations, goodwill, statutory deposit and accrued income on statutory deposit. Accordingly, they are included in unallocated assets. Segment liabilities do not include accrued and other liabilities, reinsurers' balances payable, advance premiums, due to related parties, employee benefit obligations, zakat and income tax, due to shareholders' / insurance operations, accrued income payable to SAMA and surplus distribution payable. Accordingly, they are included in unallocated liabilities.

These unallocated assets and liabilities are not reported to chief operating decision maker under related segments and are monitored on a centralized basis.

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
- Other general accident;
- Health; and
- Protection

Segment performance is evaluated based on profit or loss which, in certain respects, is measured differently from profit or loss in the financial statements.

Where intersegment transaction were to occur, transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results will then include those transfers between operating segments which will then be eliminated at the level of financial statements of the Company.

AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2018
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

10. Segmental information (continued)

The segment information provided to the Company's Board of Directors for the reportable segments for the Company's total assets and liabilities at June 30, 2018 and December 31, 2017, its total revenues, expenses, and net income for the three-month and six-month periods then ended, are as follows:

June 30, 2018 (Unaudited)	Accident and liability	Insurance operations					Shareholders' operations	Total
		Motor	Property	Marine	Engineering	Other general accident		
Assets								
Reinsurers' share of unearned premiums	417	34,399	4,122	2,331	2,191	-	1,839	45,299
Reinsurers' share of outstanding claims	300	2,712	22,521	94,692	10,687	-	1,086	132,178
Reinsurers' share of claims incurred but not reported and other reserves	-	31,907	1,452	4,117	779	-	-	38,255
Deferred policy acquisition costs	1,100	23,756	2,400	281	963	63	6,993	35,556
Segment assets	1,817	92,774	30,495	101,421	14,620	63	7,173	251,288
Unallocated assets								1,557,375
Total assets							610,374	2,167,749
							610,374	2,419,037
Total liabilities and accumulated surplus								
Unearned premiums	15,436	299,826	20,824	5,026	13,559	1,790	145,693	508,554
Unearned reinsurance commission	99	5,590	894	754	307	-	109	7,753
Outstanding claims	5,208	30,021	49,800	122,075	37,559	196	44,582	291,545
Claims incurred but not reported and other reserves	28,103	390,326	26,036	28,611	25,643	-	56,853	573,020
Segment liabilities	48,846	725,763	97,554	156,466	77,068	1,986	247,128	1,380,872
Unallocated liabilities and equity								427,791
Total liabilities and accumulated surplus							610,374	1,038,165
							610,374	2,419,037

AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2018
 (All amounts expressed in Saudi Riyals thousands unless otherwise stated)

10. Segmental information (continued)

December 31, 2017 (Audited)	Accident and liability	Insurance operations						Shareholders' operations	Grand Total
		Motor	Property	Marine	Engineering	Other general accident	Health	Protection	
Assets									
Reinsurers' share of unearned premiums	217	2	13,300	2,332	4,339	-	196	1,673	22,059
Reinsurers' share of outstanding claims	274	2,520	31,670	75,948	8,372	-	289	1,133	120,206
Reinsurers' share of claims incurred but not reported	-	30,056	1,303	2,481	708	-	-	-	34,548
Deferred policy acquisition costs	1,184	17,890	3,213	322	1,199	14	3,236	1,100	28,158
Segment assets	1,675	50,468	49,486	81,083	14,618	14	3,721	3,906	204,971
Unallocated assets									1,227,291
Total assets									1,432,262
Total liabilities and accumulated surplus									
Unearned premiums	13,759	178,371	24,612	4,899	16,408	599	99,594	6,788	345,030
Unearned reinsurance commission	32	-	2,870	573	675	-	-	134	4,284
Outstanding claims	5,455	24,679	58,848	100,409	34,733	607	36,903	2,652	264,286
Claims incurred but not reported and other reserves	21,646	320,971	25,073	27,446	24,304	-	62,436	14,840	496,716
Segment liabilities	40,892	524,021	111,403	133,327	76,120	1,206	198,933	24,414	1,110,316
Unallocated liabilities and equity									321,946
Total liabilities and accumulated surplus									1,432,262

AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2018**
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

10. Segmental information (continued)

For the three-month period ended June 30, 2018 (Unaudited)	Accident and Liability	Insurance operations							Share- holders' operations	Grand Total
		Motor	Property	Marine	Engineering	Other general accident	Health	Protection		
REVENUES										
Gross premiums written										
- Direct	6,148	69,261	15,634	14,489	6,224	2,399	66,365	3,008	183,528	183,528
- Reinsurance	-	-	211	-	250	-	-	-	461	461
	6,148	69,261	15,845	14,489	6,474	2,399	66,365	3,008	183,989	183,989
Reinsurance premiums ceded										
- Foreign	(166)	2,569	(6,673)	(8,001)	(2,035)	(75)	2	(1,447)	(15,826)	(15,826)
- Local	-	-	(487)	-	-	-	-	-	(487)	(487)
	(166)	2,569	(7,160)	(8,001)	(2,035)	(75)	2	(1,447)	(16,313)	(16,313)
Net premiums written	5,982	71,830	8,685	6,488	4,439	2,324	66,367	1,561	167,676	167,676
Changes in unearned premiums, net	155	135,741	(3,722)	860	(6)	(801)	8,463	1,106	141,796	141,796
Net premiums earned	6,137	207,571	4,963	7,348	4,433	1,523	74,830	2,667	309,472	309,472
Reinsurance commissions	55	3,689	1,526	2,034	314	-	-	563	8,181	8,181
TOTAL REVENUES	6,192	211,260	6,489	9,382	4,747	1,523	74,830	3,230	317,653	317,653
UNDERWRITING COSTS AND EXPENSES										
Gross claims paid	340	177,824	9,475	14,851	5,822	13	55,757	1,622	265,704	265,704
Reinsurers' share of claims paid	-	(11,156)	(6,319)	(12,358)	(984)	-	(111)	(251)	(31,179)	(31,179)
Net claims paid	340	166,668	3,156	2,493	4,838	13	55,646	1,371	234,525	234,525
Changes in outstanding claims, net	(546)	(2,750)	(325)	836	1,620	(97)	5,380	(1,063)	3,055	3,055
Changes in claims incurred but not reported and other reserves, net	3,691	315	(510)	-	(1,493)	-	(2,674)	2,275	1,604	1,604
Net claims incurred	3,485	164,233	2,321	3,329	4,965	(84)	58,352	2,583	239,184	239,184
Policy acquisition costs	707	15,341	2,058	865	910	31	3,453	1,033	24,398	24,398
TOTAL UNDERWRITING COSTS AND EXPENSES	4,192	179,574	4,379	4,194	5,875	(53)	61,805	3,616	263,582	263,582
NET UNDERWRITING RESULT	2,000	31,686	2,110	5,188	(1,128)	1,576	13,025	(386)	54,071	54,071

AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2018
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

10. Segmental information (continued)

For the three-month period ended June 30, 2018 (Unaudited)	Insurance operations							Share- holders' operations	Grand Total
	Accident and Liability	Motor	Property	Marine	Engineering	Other general accident	Health Protection		
OTHER OPERATING EXPENSES									
General and administrative expenses	(747)	(25,259)	(604)	(894)	(539)	(185)	(9,106)	(321)	(37,655)
								(342)	(37,997)
TOTAL OTHER OPERATING EXPENSES	(747)	(25,259)	(604)	(894)	(539)	(185)	(9,106)	(321)	(37,655)
								(342)	(37,997)
Commission income on deposits and investments								8,614	10,541
								1,927	26,615
Total income for the period									(2,503)
Total income attributed to the insurance operations									
Total income for the period attributable to the shareholders									24,112

AXA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2018**
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

10. Segmental information (continued)

For the three-month period ended June 30, 2017 (Unaudited)	Insurance operations							Share- holders' operations	Grand Total
	Accident and Liability	Motor	Property	Marine	Engineering	Other general accident	Health	Protection	Total
REVENUES									
Gross premiums written									
- Direct	6,872	83,786	13,705	20,640	7,547	1,585	72,917	10,613	217,665
- Reinsurance	-	5	832	-	1,431	-	-	-	2,268
	6,872	83,791	14,537	20,640	8,978	1,585	72,917	10,613	219,933
Reinsurance premiums ceded									
- Foreign	(456)	674	(6,545)	(15,959)	(1,378)	(21)	(154)	(115)	(23,954)
- Local	-	1,359	(1)	-	(19)	-	-	(2,443)	(1,104)
	(456)	2,033	(6,546)	(15,959)	(1,397)	(21)	(154)	(2,558)	(25,058)
Net premiums written	6,416	85,824	7,991	4,681	7,581	1,564	72,763	8,055	194,875
Changes in unearned premiums, net	(25)	131,008	(3,021)	(2,735)	(986)	(390)	7,366	(3,521)	127,696
Net premiums earned	6,391	216,832	4,970	1,946	6,595	1,174	80,129	4,534	322,571
Reinsurance commissions	75	2,420	1,664	3,624	365	-	1	58	8,207
TOTAL REVENUES	6,466	219,252	6,634	5,570	6,960	1,174	80,130	4,592	330,778
UNDERWRITING COSTS AND EXPENSES									
Gross claims paid	255	144,789	4,775	2,924	1,079	(1)	54,299	3,150	211,270
Reinsurers' share of claims paid	-	(15,404)	141	(1,693)	(308)	-	(303)	(1,022)	(18,589)
Net claims paid	255	129,385	4,916	1,231	771	(1)	53,996	2,128	192,681
Changes in outstanding claims, net	471	455	3,440	(308)	719	13	(373)	(936)	3,481
Changes in claims incurred but not reported and other reserves, net	758	49,920	115	3,265	1,833	-	12,616	2,767	71,274
Net claims incurred	1,484	179,760	8,471	4,188	3,323	12	66,239	3,959	267,436
Policy acquisition costs	838	15,967	2,155	1,331	913	31	5,050	761	27,046
TOTAL UNDERWRITING COSTS AND EXPENSES	2,322	195,727	10,626	5,519	4,236	43	71,289	4,720	294,482
NET UNDERWRITING RESULT	4,144	23,525	(3,992)	51	2,724	1,131	8,841	(128)	36,296

AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2018
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

10. Segmental information (continued)

For the three-month period ended June 30, 2017 (Unaudited)	Insurance operations							Share- holders' operations	Grand Total	
	Accident and Liability	Motor	Property	Marine	Engineering	Other general accident	Health			Protection
OTHER OPERATING EXPENSES										
General and administrative expenses	(554)	(18,923)	(444)	(149)	(580)	(102)	(6,998)	(401)	(28,151)	(355)
										(28,506)
TOTAL OTHER OPERATING EXPENSES	(554)	(18,923)	(444)	(149)	(580)	(102)	(6,998)	(401)	(28,151)	(355)
Commission income on deposits and investments									5,823	2,612
										8,435
Total income for the period										16,225
Total income attributed to the insurance operations										(1,397)
Total income for the period attributable to the shareholders										14,828

AXA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2018**
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

10. Segmental information (continued)

For the six-month period ended June 30, 2018 (Unaudited)	Insurance operations							Share- holders' operations	Grand Total
	Accident and Liability	Motor	Property	Marine	Engineering	Other general accident	Health	Protection	Total
REVENUES									
Gross premiums written									
- Direct	14,375	572,133	25,228	26,334	12,798	3,839	193,158	8,083	855,948
- Reinsurance	-	-	1,989	-	990	-	-	-	2,979
	14,375	572,133	27,217	26,334	13,788	3,839	193,158	8,083	858,927
Reinsurance premiums ceded									
- Foreign	(759)	(35,406)	(11,741)	(11,318)	(5,438)	(219)	8	(2,044)	(66,917)
- Local	-	(35,109)	(483)	-	(17)	-	-	-	(35,609)
	(759)	(70,515)	(12,224)	(11,318)	(5,455)	(219)	8	(2,044)	(102,526)
Net premiums written	13,616	501,618	14,993	15,016	8,333	3,620	193,166	6,039	756,401
Changes in unearned premiums, net	(1,477)	(87,060)	(5,390)	(129)	703	(1,191)	(46,295)	555	(140,284)
Net premiums earned	12,139	414,558	9,603	14,887	9,036	2,429	146,871	6,594	616,117
Reinsurance commissions	99	5,391	3,165	3,218	672	-	-	621	13,166
TOTAL REVENUES	12,238	419,949	12,768	18,105	9,708	2,429	146,871	7,215	629,283
UNDERWRITING COSTS AND EXPENSES									
Gross claims paid	662	282,880	14,423	17,261	7,277	98	113,033	5,003	440,637
Reinsurers' share of claims paid	(152)	(25,562)	(9,621)	(13,694)	(1,443)	-	(332)	(1,147)	(51,951)
Net claims paid	510	257,318	4,802	3,567	5,834	98	112,701	3,856	388,686
Changes in outstanding claims, net	(273)	5,150	102	2,921	512	(412)	7,787	(500)	15,287
Changes in claims incurred but not reported and other reserves, net	6,457	67,503	812	(471)	1,269	-	(5,583)	2,610	72,597
Net claims incurred	6,694	328,971	5,716	6,017	7,615	(314)	114,905	5,966	476,570
Policy acquisition costs	1,436	30,906	4,127	1,833	1,803	63	10,213	1,889	52,270
TOTAL UNDERWRITING COSTS AND EXPENSES	8,130	360,877	9,843	7,850	9,418	(251)	125,118	7,855	528,840
NET UNDERWRITING RESULT	4,108	59,072	2,925	10,255	290	2,680	21,753	(640)	100,443

AXA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2018

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

10. Segmental information (continued)

For the six-month period ended June 30, 2018 (Unaudited)	Insurance operations							Share-holders' operations	Grand Total		
	Accident and Liability	Motor	Property	Marine	Engineering	Other general accident	Health Protection				
OTHER OPERATING EXPENSES											
General and administrative expenses	(1,436)	(49,026)	(1,136)	(1,761)	(1,069)	(287)	(17,369)	(776)	(72,860)	(869)	(73,729)
TOTAL OTHER OPERATING EXPENSES	(1,436)	(49,026)	(1,136)	(1,761)	(1,069)	(287)	(17,369)	(776)	(72,860)	(869)	(73,729)
Commission income on deposits and investments									15,023	4,873	19,896
Total income for the period											46,610
Total income attributed to the insurance operations											(4,261)
Total income for the period attributable to the shareholders											42,349

AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2018**
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

10. Segmental information (continued)

	Accident and Liability	Insurance operations						Share- holders' operations	Grand Total
		Motor	Property	Marine	Engineering	Other general accident	Health	Protection	
For the six-month period ended June 30, 2017 (Unaudited)									
REVENUES									
Gross premiums written									
- Direct	16,489	667,458	32,168	30,720	15,186	3,116	153,887	16,584	935,608
- Reinsurance	-	10	1,875	-	3,682	-	-	-	5,567
	16,489	667,468	34,043	30,720	18,868	3,116	153,887	16,584	941,175
Reinsurance premiums ceded									
- Foreign	(1,177)	(55,279)	(15,671)	(18,760)	(4,622)	(147)	1,601	201	(93,854)
- Local	-	(52,793)	(3)	-	(21)	-	-	(2,443)	(55,260)
	(1,177)	(108,072)	(15,674)	(18,760)	(4,643)	(147)	1,601	(2,242)	(149,114)
Net premiums written	15,312	559,396	18,369	11,960	14,225	2,969	155,488	14,342	792,061
Changes in unearned premiums, net	(2,760)	(134,759)	(10,837)	(3,621)	(2,160)	(871)	318	(6,301)	(160,991)
Net premiums earned	12,552	424,637	7,532	8,339	12,065	2,098	155,806	8,041	631,070
Reinsurance commissions	120	5,060	3,356	4,844	690	-	25	73	14,168
TOTAL REVENUES	12,672	429,697	10,888	13,183	12,755	2,098	155,831	8,114	645,238
UNDERWRITING COSTS AND EXPENSES									
Gross claims paid	346	289,623	8,146	7,294	1,170	35	125,585	5,783	437,982
Reinsurers' share of claims paid	-	(24,582)	(1,449)	(4,936)	(308)	-	(769)	(1,222)	(33,266)
Net claims paid	346	265,041	6,697	2,358	862	35	124,816	4,561	404,716
Changes in outstanding claims, net	1,015	3,312	8,662	303	1,815	4	(6,004)	(1,585)	7,522
Changes in claims incurred but not reported and other reserves, net	2,755	82,084	100	5,171	3,661	-	10,643	3,479	107,893
Net claims incurred	4,116	350,437	15,459	7,832	6,338	39	129,455	6,455	520,131
Policy acquisition costs	1,593	29,895	4,187	2,040	1,907	64	9,043	1,192	49,921
TOTAL UNDERWRITING COSTS AND EXPENSES	5,709	380,332	19,646	9,872	8,245	103	138,498	7,647	570,052
NET UNDERWRITING RESULT	6,963	49,365	(8,758)	3,311	4,510	1,995	17,333	467	75,186

AXA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2018

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

10. Segmental information (continued)

	Accident and Liability	Insurance operations					Share- holders' operations	Grand Total
		Motor	Property	Marine	Engineering	Other general accident	Health	Protection
For the six-month period ended June 30, 2017 (Unaudited)								
OTHER OPERATING EXPENSES								
General and administrative expenses	(1,148)	(38,960)	(691)	(765)	(1,107)	(192)	(14,295)	(739)
							(693)	(58,590)
TOTAL OTHER OPERATING EXPENSES	(1,148)	(38,960)	(691)	(765)	(1,107)	(192)	(14,295)	(739)
							(693)	(58,590)
Commission income on deposits and investment							11,312	6,053
								17,365
Total income for the period								33,961
Total income attributed to the insurance operations								(2,860)
Total income for the period attributable to the shareholders								31,101

AXA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION**FOR THE THREE-MONTH AND THE SIX-MONTH PERIODS ENDED JUNE 30, 2018**

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

11. Related party transactions and balances

Related parties represent major shareholders, directors and key management personnel of the Company, and companies of which they are principal owners and any other entities controlled, jointly controlled or significantly influenced by them. Pricing policies and terms of these transactions are approved by the Company's management and Board of Directors. The following are the details of the major related party transactions during the period/year and the related balances:

	Transactions for the period ended		Balance receivable (payable) as at	
	June 30, 2018	June 30, 2017	June 30, 2018	December 31, 2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
<u>Major shareholders</u>				
Gross premium written	13,173	15,600	6,555	2,027
Reinsurance premiums ceded	19,064	24,367	9,287	11,948
Reinsurance commissions	995	1,881	-	-
Gross claims paid	6,174	1,970	-	-
Reinsurer's share of claims paid	7,212	5,633	-	-
Expenses charged	1,300	1,024	-	-
<u>Entities controlled, jointly controlled or significantly influenced by related parties</u>				
Gross premiums written	4,815	3,530	1,769	1,968
Gross claims paid	12,580	13,260	-	-
	65,313	67,265	17,611	15,943

The compensation of key management personnel during the period is as follows:

	June 30, 2018 (Unaudited)	June 30, 2017 (Unaudited)
Salaries and benefits	3,717	3,790
Employee benefit obligations	283	207
	4,000	3,997

Board of Directors fees for the period ended June 30, 2018 was Saudi Riyals 0.7 million (June 30, 2017: Saudi Riyals 0.7 million).

The transactions with related parties are carried out at commercial terms and conditions. Compensation to key management personnel is on employment terms and as per the by-laws of the Company.

12. Zakat and income tax - status of assessments

During 2014, the GAZT 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 filed an appeal against the assessment of GAZT for the additional demand arising out of various disallowances from years 2009 to 2012 with the Preliminary Appeal Committee ("PAC"). As per the decision of the PAC, the liability was reduced to Saudi Riyals 4.9 million. The appeal against the PAC's decision is currently pending for hearing with Higher Appeal Committee.

The GAZT has issued assessments for the years 2013 and 2014 with additional liability amounted of Saudi Riyals 5.3 million and Saudi Riyals 6.3 million, respectively. The Company filed appeal against GAZT's initial assessment and has obtained limited certificates for these years. Zakat and income tax assessments for 2015 and 2016 are currently under review by the GAZT.

AXA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION**FOR THE THREE-MONTH AND THE SIX-MONTH PERIODS ENDED JUNE 30, 2018**

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

13. Statutory deposit

In accordance with Article 58 of the Insurance Implementing Regulations of SAMA, the Company is required to maintain a statutory deposit of not less than 10% of its paid-up capital. The statutory deposit is maintained with a Saudi Arabian bank and can be withdrawn only with the consent of SAMA.

14. Statutory reserve

In accordance with By-laws of the Company and Article 70(2)(g) of the Insurance Implementing Regulations issued by SAMA, the Company is required to transfer not less than 20% of its annual profits, after adjusting 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.

15. Performance share reserve

AXA Group (the "Group") has introduced a performance share based plan for employees of AXA entities world-wide which is designed to reward them for their role in achievement of the Group's long-term objectives. This scheme incentivizes employees after completion of certain number of years with the Company, with shares of AXA Societe Anonyme ("AXA SA") without any cost to employees. These shares are issued outside the Kingdom of Saudi Arabia and employees have the right to receive at the settlement date, a certain number of AXA SA shares based on the achievement of performance criteria defined by AXA SA and vesting period. The Company absorbs the cost of these shares under a group recharge arrangement, paid directly to AXA SA.

At the reporting date, the Company recognised changes in the performance share reserve of Saudi Riyals 0.027 million (December 31, 2017: Saudi Riyals 0.34 million). During the period, the Company has recognised expense amounting to Saudi Riyals 0.3 million (December 31, 2017: Saudi Riyals 0.6 million) in the interim condensed statement of income in respect of performance shares.

16. Share capital

The authorized, issued and paid up capital of the Company was Saudi Riyals 450 million at June 30, 2018 (December 31, 2017: Saudi Riyals 450 million) consisting of 45 million shares (December 31, 2017: 45 million shares) of SAR 10 each.

Shareholding structure of the Company is as below. The shareholders of the Company are subject to zakat and income tax.

	June 30, 2018	
	Authorized and issued	Paid up
	No. of Shares (thousands)	Saudi Riyals (thousands)
AXA Insurance Gulf B.S.C (c.)	14,400	144,000
AXA Mediterranean Holding SA	8,100	81,000
General public	22,500	225,000
	45,000	450,000
	December 31, 2017	
	Authorized and issued	Paid up
	No. of Shares (thousands)	Saudi Riyals (thousands)
AXA Insurance Gulf B.S.C (c.)	14,400	144,000
AXA Mediterranean Holding SA	8,100	81,000
General public	22,500	225,000
	45,000	450,000

AXA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

FOR THE THREE-MONTH AND THE SIX-MONTH PERIODS ENDED JUNE 30, 2018

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

17. Capital management

The Company's objectives when managing capital are:

- To comply with the insurance capital requirements as set out in the Law. The Company's current paid-up share capital is in accordance with Article 3 of the Law;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

As per Article 66 of the Regulations, the Company shall maintain a solvency margin equivalent to the highest of the following three methods:

- Minimum capital requirement of Saudi Riyals 200 million;
- Premium solvency margin; or
- Claims solvency margin.

The Company's solvency margin at June 30, 2018 is 173% (December 31, 2017: 161%) of the Premium solvency margin.

18. Goodwill on acquisition of insurance portfolio

This represents goodwill recognized on acquisition of insurance portfolio and net assets of AXA Insurance Saudi Arabia B.S.C (c). The Company received approval from SAMA on 15 Dhul-Qadah 1433H (corresponding to October 1, 2012) to transfer the insurance portfolio from AXA Saudi Arabia Holding W.L.L. (formerly AXA Insurance Saudi Arabia B.S.C.c) at a total consideration of Saudi Riyals 106.6 million. During 2015, the Company met payment conditions imposed by SAMA and received approval for payment of Saudi Riyals 50.0 million in respect of initial consideration to AXA Saudi Arabia Holding W.L.L. which was recognized as goodwill being the excess of consideration paid and the net assets acquired. The remaining amount of Saudi Riyals 56.6 million which was recorded as contingent liability was accordingly relinquished.

AXA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION**FOR THE THREE-MONTH AND THE SIX-MONTH PERIODS ENDED JUNE 30, 2018**

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

19. Supplementary information**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION**

	June 30, 2018 (Unaudited)			December 31, 2017 (Audited)		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
ASSETS						
Cash and cash equivalents	49,216	-	49,216	117,776	-	117,776
Short-term deposits	650,996	50,000	700,996	500,862	76,111	576,973
Premiums and reinsurers' balances receivable - net	301,695	-	301,695	153,398	-	153,398
Reinsurers' share of unearned premiums	45,299	-	45,299	22,059	-	22,059
Reinsurers' share of outstanding claims	132,178	-	132,178	120,206	-	120,206
Reinsurers' share of claims incurred but not reported and other reserves	38,255	-	38,255	34,548	-	34,548
Deferred policy acquisition costs	35,556	-	35,556	28,158	-	28,158
Investments	412,639	228,174	640,813	318,763	215,862	534,625
Prepaid expenses and other assets	18,239	130	18,369	16,113	1,412	17,525
Long-term deposits	110,000	45,000	155,000	103,380	105,000	208,380
Property and equipment	5,119	-	5,119	7,016	-	7,016
Intangible assets	9,471	-	9,471	9,983	-	9,983
Due from shareholders'/ insurance operations	-	188,953	188,953	-	78,456	78,456
Goodwill	-	50,000	50,000	-	50,000	50,000
Statutory deposit	-	45,000	45,000	-	45,000	45,000
Accrued income on statutory deposit	-	3117	3,117	-	2,693	2,693
TOTAL ASSETS	1,808,663	610,374	2,419,037	1,432,262	574,534	2,006,796

AXA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE THREE-MONTH AND THE SIX-MONTH PERIODS ENDED JUNE 30, 2018

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

19. Supplementary information (continued)
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (continued)

	June 30, 2018 (Unaudited)			December 31, 2017 (Audited)		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
LIABILITIES						
Accrued and other liabilities	104,172	510	104,682	130,542	1,020	131,562
Reinsurers' balances payable	80,388	-	80,388	59,093	-	59,093
Advance premiums	13,660	-	13,660	17,842	-	17,842
Unearned premiums	508,554	-	508,554	345,030	-	345,030
Unearned reinsurance commission	7,753	-	7,753	4,284	-	4,284
Outstanding claims	291,545	-	291,545	264,286	-	264,286
Claims incurred but not reported and other reserves	573,020	-	573,020	496,716	-	496,716
Due to related parties	3,790	-	3,790	4,335	-	4,335
Employee benefit obligations	29,780	-	29,780	24,744	-	24,744
Zakat and income tax	-	34,614	34,614	-	27,076	27,076
Due to shareholders'/ insurance operations	188,953	-	188,953	78,456	-	78,456
Accrued income payable to SAMA	-	3,117	3,117	-	2,693	2,693
TOTAL LIABILITIES	1,801,615	38,241	1,839,856	1,425,328	30,789	1,456,117
ACCUMULATED SURPLUS						
Surplus distribution payable	11,683	-	11,683	7,422	-	7,422
Fair value reserve on investments	(4,635)	-	(4,635)	(488)	-	(488)
TOTAL LIABILITIES AND ACCUMULATED SURPLUS	1,808,663	38,241	1,846,904	1,432,262	30,789	1,463,051
SHAREHOLDERS' EQUITY						
Share capital	-	450,000	450,000	-	450,000	450,000
Statutory reserve	-	26,426	26,426	-	20,162	20,162
Performance share reserve	-	1,009	1,009	-	982	982
Retained earnings	-	97,765	97,765	-	72,865	72,865
Fair value reserve on investments	-	(3,067)	(3,067)	-	(264)	(264)
TOTAL SHAREHOLDERS' EQUITY	-	572,133	572,133	-	543,745	543,745
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,808,663	610,374	2,419,037	1,432,262	574,534	2,006,796

AXA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE THREE-MONTH AND THE SIX-MONTH PERIODS ENDED JUNE 30, 2018

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

19. Supplementary information (continued)
**INTERIM CONDENSED STATEMENT OF INCOME
FOR THE THREE MONTH PERIOD ENDED JUNE 30,**

	2018			2017		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
REVENUES						
Gross premiums written						
- Direct	183,528	-	183,528	217,665	-	217,665
- Reinsurance	461	-	461	2,268	-	2,268
	183,989	-	183,989	219,933	-	219,933
Reinsurance premiums ceded						
- Foreign	(15,826)	-	(15,826)	(23,954)	-	(23,954)
- Local	(487)	-	(487)	(1,104)	-	(1,104)
	(16,313)	-	(16,313)	(25,058)	-	(25,058)
Net premiums written	167,676	-	167,676	194,875	-	194,875
Changes in unearned premiums, net	141,796	-	141,796	127,696	-	127,696
Net premiums earned	309,472	-	309,472	322,571	-	322,571
Reinsurance commissions	8,181	-	8,181	8,207	-	8,207
TOTAL REVENUES	317,653	-	317,653	330,778	-	330,778
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	265,704	-	265,704	211,270	-	211,270
Reinsurers' share of claims paid	(31,179)	-	(31,179)	(18,589)	-	(18,589)
Net claims and other benefits paid	234,525	-	234,525	192,681	-	192,681
Changes in outstanding claims, net	3,055	-	3,055	3,481	-	3,481
Changes in claims incurred but not reported and other reserves, net	1,604	-	1,604	71,274	-	71,274
Net claims and other benefits incurred	239,184	-	239,184	267,436	-	267,436
Policy acquisition costs	24,398	-	24,398	27,046	-	27,046
TOTAL UNDERWRITING COSTS AND EXPENSES	263,582	-	263,582	294,482	-	294,482
NET UNDERWRITING INCOME	54,071	-	54,071	36,296	-	36,296

AXA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

FOR THE THREE-MONTH AND THE SIX-MONTH PERIODS ENDED JUNE 30, 2018

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

19. Supplementary information (continued)

**INTERIM CONDENSED STATEMENT OF INCOME (Unaudited)
FOR THE THREE MONTH PERIOD ENDED JUNE 30, (continued)**

	2018			2017		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
OTHER OPERATING (EXPENSES) INCOME						
General and administrative expenses	(37,655)	(342)	(37,997)	(28,151)	(355)	(28,506)
Commission income on deposits	8,614	1,927	10,541	5,823	2,612	8,435
TOTAL OTHER OPERATING EXPENSES, NET	(29,041)	1,585	(27,456)	(22,328)	2,257	(20,071)
Total income for the period	25,030	1,585	26,615	13,968	2,257	16,225
Total income for the period attributable to the shareholders	(22,527)	22,527	-	(12,571)	12,571	-
Total income attributed to the insurance operations	2,503	24,112	26,615	1,397	14,828	16,225
Earnings per share (expressed in SAR per share)						
Basic earnings per share	-	-	0.54	-	-	0.33
Diluted earnings per share	-	-	0.54	-	-	0.33

AXA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

FOR THE THREE-MONTH AND THE SIX-MONTH PERIODS ENDED JUNE 30, 2018

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

19. Supplementary information (continued)

**INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)
FOR THE THREE MONTH PERIOD ENDED JUNE 30,**

	2018			2017		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
Total income for the period	2,503	24,112	26,615	1,397	14,828	16,225
Other comprehensive (loss) income:						
<i>Items that will be reclassified to the interim condensed statement of income in subsequent periods</i>						
Performance shares re-measurement	-	-	-	-	(101)	(101)
Net change in fair value of available-for-sale investments	50	(617)	(567)	106	566	672
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2,553	23,495	26,048	1,503	15,293	16,796

AXA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE THREE-MONTH AND THE SIX-MONTH PERIODS ENDED JUNE 30, 2018

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

19. Supplementary information (continued)
**INTERIM CONDENSED STATEMENT OF INCOME
FOR THE SIX MONTH PERIOD ENDED JUNE 30,**

	2018			2017		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
REVENUES						
Gross premiums written						
- Direct	855,948	-	855,948	935,608	-	935,608
- Reinsurance	2,979	-	2,979	5,567	-	5,567
	858,927	-	858,927	941,175	-	941,175
Reinsurance premiums ceded						
- Foreign	(66,917)	-	(66,917)	(93,854)	-	(93,854)
- Local	(35,609)	-	(35,609)	(55,260)	-	(55,260)
	(102,526)	-	(102,526)	(149,114)	-	(149,114)
Net premiums written	756,401	-	756,401	792,061	-	792,061
Changes in unearned premiums, net	(140,284)	-	(140,284)	(160,991)	-	(160,991)
Net premiums earned	616,117	-	616,117	631,070	-	631,070
Reinsurance commissions	13,166	-	13,166	14,168	-	14,168
TOTAL REVENUES	629,283	-	629,283	645,238	-	645,238
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	440,637	-	440,637	437,982	-	437,982
Reinsurers' share of claims paid	(51,951)	-	(51,951)	(33,266)	-	(33,266)
Net claims and other benefits paid	388,686	-	388,686	404,716	-	404,716
Changes in outstanding claims, net	15,287	-	15,287	7,522	-	7,522
Changes in claims incurred but not reported and other reserves, net	72,597	-	72,597	107,893	-	107,893
Net claims and other benefits incurred	476,570	-	476,570	520,131	-	520,131
Policy acquisition costs	52,270	-	52,270	49,921	-	49,921
TOTAL UNDERWRITING COSTS AND EXPENSES	528,840	-	528,840	570,052	-	570,052
NET UNDERWRITING INCOME	100,443	-	100,443	75,186	-	75,186

AXA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION**FOR THE THREE-MONTH AND THE SIX-MONTH PERIODS ENDED JUNE 30, 2018**

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

19. Supplementary information (continued)**INTERIM CONDENSED STATEMENT OF INCOME (Unaudited)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, (continued)**

	2018			2017		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
OTHER OPERATING (EXPENSES) INCOME						
General and administrative expenses	(72,860)	(869)	(73,729)	(57,897)	(693)	(58,590)
Commission income on deposits	15,023	4,873	19,896	11,312	6,053	17,365
TOTAL OTHER OPERATING EXPENSES, NET	(57,837)	4,004	(53,833)	(46,585)	5,360	(41,225)
Total income for the period	42,606	4,004	46,610	28,601	5,360	33,961
Total income for the period attributable to the shareholders	(38,345)	38,345	-	(25,741)	25,741	-
Total income attributed to the insurance operations	4,261	42,349	46,610	2,860	31,101	33,961
Earnings per share (expressed in SAR per share)						
Basic earnings per share	-	-	0.94	-	-	0.69
Diluted earnings per share	-	-	0.94	-	-	0.69

AXA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION**FOR THE THREE-MONTH AND THE SIX-MONTH PERIODS ENDED JUNE 30, 2018**

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

19. Supplementary information (continued)**INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)
FOR THE SIX MONTH PERIOD ENDED JUNE 30,**

	2018			2017		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
Total income for the period	4,261	42,349	46,610	2,860	31,101	33,961
Other comprehensive (loss) income:						
<i>Items that will be reclassified to the interim condensed statement of income in subsequent periods</i>						
Net change in fair value of available-for-sale investments	(4,147)	(2,803)	(6,950)	1,721	414	2,135
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	114	39,546	39,660	4,581	31,515	36,096

AXA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

FOR THE THREE-MONTH AND THE SIX-MONTH PERIODS ENDED JUNE 30, 2018

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

19. Supplementary information (continued)

**INTERIM CONDENSED STATEMENT OF CASH FLOWS (Unaudited)
FOR THE SIX MONTH PERIOD ENDED JUNE 30,**

	2018			2017		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Total income for the period	4,261	42,349	46,610	3,396	30,565	33,961
<u>Adjustments for non- cash items:</u>						
Depreciation of property and equipment	2,070	-	2,070	1,245	-	1,245
Amortization of intangible assets	1,865	-	1,865	952	-	952
Accretion of discount on available-for-sales investments	(202)	(77)	(279)	42	83	125
Amortization of premium on available-for-sale investments	30	31	61	(60)	(32)	(92)
Amortization of premium on held-to- maturity investments	8	-	8	-	-	-
Impairment loss on available-for-sale investments	-	806	806	-	827	827
Performance share reserve	-	256	256	-	273	273
Shareholders' appropriation of surplus from insurance operations	38,345	(38,345)	-	25,741	(25,741)	-
<u>Changes in operating assets and liabilities:</u>						
Premiums and reinsurers' balances receivable - net	(148,297)	-	(148,297)	(86,014)	-	(86,014)
Reinsurers' share of unearned premiums	(23,240)	-	(23,240)	(40,195)	-	(40,195)
Reinsurers' share of outstanding claims	(11,972)	-	(11,972)	(7,409)	-	(7,409)
Reinsurers' share of claims incurred but not reported and other reserves	(3,707)	-	(3,707)	(22,005)	-	(22,005)
Deferred policy acquisition costs	(7,398)	-	(7,398)	(18,740)	-	(18,740)

AXA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

FOR THE THREE-MONTH AND THE SIX-MONTH PERIODS ENDED JUNE 30, 2018

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

19. Supplementary information (continued)

**INTERIM CONDENSED STATEMENT OF CASH FLOWS (Unaudited)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, (continued)**

	2018			2017		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
Prepaid expenses and other assets	(2,126)	1,282	(844)	1,957	1,026	2,983
Accrued income on statutory deposit	-	(424)	(424)	-	(430)	(430)
Accrued and other liabilities	(26,370)	(510)	(26,880)	15,972	(466)	15,506
Reinsurers' balances payable	21,295	-	21,295	65,481	-	65,481
Advance premiums	(4,182)	-	(4,182)	-	-	-
Unearned premiums	163,524	-	163,524	201,186	-	201,186
Unearned reinsurance commission	3,469	-	3,469	2,524	-	2,524
Outstanding claims	27,259	-	27,259	14,930	-	14,930
Claims incurred but not reported and other reserves	76,304	-	76,304	129,899	-	129,899
Due to related parties	(545)	-	(545)	(277)	-	(277)
Employee benefit obligations	5,036	-	5,036	1,572	-	1,572
Zakat and income tax paid	-	(3,491)	(3,491)	-	(5,252)	(5,252)
Accrued income payable to SAMA	-	424	424	-	430	430
Surplus contribution paid	-	-	-	(2,430)	-	(2,430)
Due from shareholders' operations	72,152	(72,152)	-	11,261	(11,261)	-
Net cash generated from (used in) operating activities	187,579	(69,851)	117,728	299,028	(9,978)	289,050

AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE THREE-MONTH AND THE SIX-MONTH PERIODS ENDED JUNE 30, 2018
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

19. Supplementary information (continued)

INTERIM CONDENSED STATEMENT OF CASH FLOWS (Unaudited)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, (continued)

	2018			2017		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
CASH FLOWS FROM INVESTING ACTIVITIES						
Placements in short-term deposit	(150,134)	-	(150,134)	(26,509)	-	(26,509)
Proceeds from disposals of short-term deposits	-	26,111	26,111	-	50,000	50,000
Purchase of available-for-sale investments	(102,776)	(24,920)	(127,696)	(94,218)	(26,817)	(121,035)
Proceeds of available- for-sale investments	4,917	9,045	13,962	15,245	25,310	40,555
Purchase of Held-to-maturity investments	-	-	-	(3,844)	-	(3,844)
Placements in long-term deposits	(6,620)	-	(6,620)	(95,880)	(38,750)	(134,630)
Proceeds from disposal of long-term deposits	-	60,000	60,000	-	-	-
Additions in property and equipment	(173)	-	(173)	(1,737)	-	(1,737)
Additions to intangible assets	(1,353)	-	(1,353)	(712)	-	(712)
Net cash (used in) generated from investing activities	(256,139)	70,236	(185,903)	(207,655)	9,743	(197,912)
Cash flows from financing activities						
Performance share reserve - settlement	-	(385)	(385)	-	(295)	(295)
Net change in cash and cash equivalents	(68,560)	-	(68,560)	91,373	(530)	90,843
Cash and cash equivalents, beginning of the period	117,776	-	117,776	132,662	-	132,662
Cash and cash equivalents, end of the period	49,216	-	49,216	224,035	(530)	223,505
Supplemental cash flow information:						
Changes in fair value of available-for sale-investments	(4,147)	(2,803)	(6,950)	1,721	414	2,135
Zakat and income tax provisions charged to shareholders' equity	-	(11,029)	(11,029)	-	(7,775)	(7,775)

20. Comparative figures

Certain amounts in the comparative interim condensed financial information have been reclassified to conform to the presentation of the interim condensed financial information for the three-month and six-month periods ended June 30, 2018.

21. Approval of the interim condensed financial information

The interim condensed financial information has been approved by the Board of Directors August 6, 2018.