

**AXA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED FINANCIAL
INFORMATION
FOR THE THREE-MONTH PERIOD ENDED
31 MARCH 2022 (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 PERIOD ENDED 31 MARCH 2022**

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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 31 March 2022 and the related interim condensed statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended 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 endorsed in the Kingdom of Saudi Arabia. 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 endorsed in the Kingdom of Saudi Arabia.

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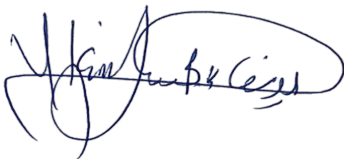


11 May 2022
10 Shawwal 1443

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)

	Note	31 March 2022	31 December 2021
Assets			
Cash and cash equivalents	4	191,282	89,521
Short-term deposits		603,523	644,821
Premiums and reinsurers' balances receivable - net	5	428,519	299,811
Reinsurers' share of unearned premiums	8	47,904	26,333
Reinsurers' share of outstanding claims	8	73,925	120,273
Reinsurers' share of claims incurred but not reported and other reserves	8	56,154	54,747
Deferred policy acquisition costs		63,554	49,307
Investments	6	1,271,466	1,302,155
Prepaid expenses and other assets	7	42,948	29,855
Deferred tax assets		4,006	-
Long-term deposits		145,721	215,721
Right-of-use asset	9	19,819	20,479
Property and equipment		18,170	19,518
Intangible assets		13,471	12,247
Goodwill	21	50,000	50,000
Statutory deposit	16	50,000	50,000
Accrued income on statutory deposit		6,419	6,281
Total assets		3,086,881	2,991,069
Liabilities and equity			
Liabilities			
Claims payable, accrued expenses and other liabilities		159,905	201,467
Surplus distribution payable		30,876	33,976
Reinsurers' balances payable		86,008	68,929
Advance premiums		23,395	30,055
Unearned premiums	8	706,836	517,829
Unearned reinsurance commission		8,710	3,458
Outstanding claims	8	319,082	366,614
Claims incurred but not reported and other reserves	8	634,314	654,242
Lease liability	9	19,591	19,407
Due to a related party	13	4,311	2,353
Employee benefit obligations		32,664	31,633
Zakat and income tax		63,519	58,806
Accrued income payable to SAMA		6,419	6,281
Total liabilities		2,095,630	1,995,050

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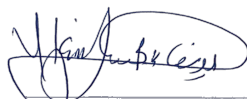




AXA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (continued)
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

	Note	31 March 2022	31 December 2021
Equity			
Share capital	19	500,000	500,000
Statutory reserve	17	108,760	104,702
Performance share reserve	18	-	2,514
Retained earnings		379,606	360,863
Fair value reserve on investments		2,885	27,940
Total equity		991,251	996,019
Total liabilities and equity		3,086,881	2,991,069

The accompanying notes are an integral part of this interim condensed financial information.



Yousef S Abalkhail
Chairman



Khalid Al Shuwaier
Chief Executive Officer

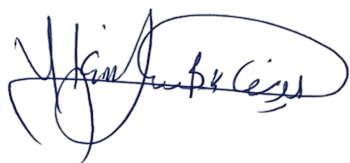


Babar Ali Khan
Chief Financial Officer

AXA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF INCOME
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

	Note	Three-month period ended 31 March 2022	Three-month period ended 31 March 2021
Revenues			
Gross premiums written			
- Direct		534,764	540,687
- Reinsurance		4,012	904
		<u>538,776</u>	<u>541,591</u>
Reinsurance premiums ceded:			
- Foreign		(55,011)	(49,372)
- Local		(5,352)	(3,605)
		<u>(60,363)</u>	<u>(52,977)</u>
Net premiums written	8	<u>478,413</u>	<u>488,614</u>
Changes in unearned premiums		(189,008)	(195,073)
Changes in reinsurers' share of unearned premiums		21,572	15,427
Net premiums earned	8	<u>310,977</u>	<u>308,968</u>
Reinsurance commissions		4,136	4,300
Total revenues		<u>315,113</u>	<u>313,268</u>
Underwriting costs and expenses			
Gross claims paid		276,631	255,107
Reinsurers' share of claims paid		(22,240)	(6,618)
Net claims and other benefits paid		<u>254,391</u>	<u>248,489</u>
Changes in outstanding claims		(47,531)	59,268
Changes in reinsurance share of outstanding claims		46,349	(44,374)
Changes in claims incurred but not reported and other reserves		(19,928)	(46,243)
Changes in reinsurance share of claims incurred but not reported and other reserves		(1,407)	(2,235)
Net claims and other benefits incurred		<u>231,874</u>	<u>214,905</u>
Policy acquisition costs		33,143	29,518
Total underwriting costs and expenses		<u>265,017</u>	<u>244,423</u>
Net underwriting income		<u>50,096</u>	<u>68,845</u>
Other operating expenses			
General and administrative expenses		(42,512)	(39,373)
Other income – net	15	19,516	18,735
Total other operating expenses, net		<u>(22,996)</u>	<u>(20,638)</u>
Total income for the period before surplus attribution, zakat and income tax		<u>27,100</u>	<u>48,207</u>
Surplus attributed to the insurance operations		(1,702)	(4,432)
Total income for the period before zakat and income tax		<u>25,398</u>	<u>43,775</u>

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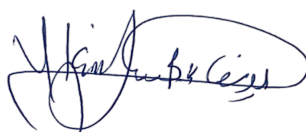
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AXA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF INCOME (continued)
 (All amounts expressed in Saudi Riyals thousands unless otherwise stated)

	Three-month period ended 31 March 2022	Three-month period ended 31 March 2021
Zakat expense	(7,857)	(3,926)
Income tax	<u>2,746</u>	<u>(3,290)</u>
Total income for the period attributable to the shareholders	<u>20,287</u>	<u>36,559</u>
Earnings per share (expressed in Saudi Riyals per share)		
Basic earnings per share	<u>0.41</u>	<u>0.73</u>
Diluted earnings per share	<u>0.41</u>	<u>0.73</u>

The accompanying notes are an integral part of this interim condensed financial information.


 Yousef S Abalkhail
 Chairman



 Khalid Al Shuwaier
 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)

		Three-month period ended	Three-month period ended
	Note	31 March 2022	31 March 2021
Total income for the period attributable to the shareholders		20,287	36,559
Other comprehensive loss:			
<i>Items that will be reclassified to the interim condensed statement of income in subsequent periods</i>			
Net change in the fair value of available-for-sale investments	6	(25,055)	(7,454)
Total comprehensive (loss) income for the period		(4,768)	29,105

The accompanying notes are an integral part of this interim condensed financial information.


Yousef S Abalkhail
Chairman


Khalid Al Shuwaier
Chief Executive Officer


Babar Ali Khan
Chief Financial Officer

AXA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

	Note	Share capital	Statutory reserve	Performance share reserve	Retained earnings	Fair value reserve on investments	Total
Balance as at 1 January 2022		500,000	104,702	2,514	360,863	27,940	996,019
Total comprehensive loss for the period							
Total income for the period attributable to the shareholders		-	-	-	20,287	-	20,287
Changes in fair values of available-for-sale investments	6	-	-	-	-	(25,055)	(25,055)
Total comprehensive loss for the period		-	-	-	20,287	(25,055)	(4,768)
Transfer to statutory reserve	17	-	4,058	-	(4,058)	-	-
Performance share reserve	18	-	-	(2,514)	2,514	-	-
Balance as at 31 March 2022		500,000	108,760	-	379,606	2,885	991,251

The accompanying notes are an integral part of this interim condensed financial information.

Yousef S Abalkhail
Chairman

Khalid Al Shuwaier
Chief Executive Officer

Babar Ali Khan
Chief Financial Officer

**AXA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (continued)

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

	Note	Share capital	Statutory reserve	Performance share reserve	Retained earnings	Fair value reserve on investments	Total
Balance as at 1 January 2021		500,000	76,998	2,266	249,718	41,920	870,902
Total comprehensive income for the period							
Total income for the period attributable to the shareholders		-	-	-	36,559	-	36,559
Changes in fair values of available-for-sale investments		-	-	-	-	(7,454)	(7,454)
Total comprehensive income for the period		-	-	-	36,559	(7,454)	29,105
Transfer to statutory reserve	17	-	7,312	-	(7,312)	-	-
Performance share reserve	18	-	-	420	-	-	420
Performance share reserve - settlement	18	-	-	(33)	-	-	(33)
Balance as at 31 March 2021		500,000	84,310	2,653	278,965	34,466	900,394

The accompanying notes are an integral part of this interim condensed financial information.

Yousef S Abalkhail
Chairman

Khalid Al Shuwaier
Chief Executive Officer

Babar Ali Khan
Chief Financial Officer

**AXA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF CASH FLOWS**
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

	Note	Three-month period ended 31 March 2022	Three-month period ended 31 March 2021
Cash flows from operating activities			
Total income before surplus attribution, zakat and income tax		27,100	48,207
Adjustments for non-cash items:			
Depreciation of property and equipment		1,625	1,717
Depreciation of right-of-use asset		660	659
Amortization of intangible assets		983	881
Interest on lease liability		184	207
Provision for doubtful debts	5	482	461
Accretion of discount on available-for-sale investments	6	(364)	(380)
Amortization of premium on available-for-sale investments	6	395	192
Amortization of premium on held-to-maturity investments	6	4	2
Performance share reserve		-	420
Provision for employee benefit obligations		1,031	1,197
Gain on sale of investments	6	4,252	-
Changes in operating assets and liabilities:			
Premiums and reinsurers' receivable - net		(129,190)	(148,805)
Reinsurers' share of unearned premiums		(21,571)	(15,427)
Reinsurers' share of outstanding claims		46,348	(44,374)
Reinsurers' share of claims incurred but not reported and other reserves		(1,407)	(2,235)
Deferred policy acquisition costs		(14,247)	(14,690)
Prepaid expenses and other assets		(13,093)	(15,710)
Accrued income on statutory deposit		(138)	(112)
Claims payable, accrued expenses and other liabilities		(41,565)	(44,411)
Reinsurers' balances payable		17,079	14,763
Advance premiums		(6,660)	3,120
Unearned premiums		189,010	195,073
Unearned reinsurance commission		5,252	3,501
Outstanding claims		(47,532)	59,268
Claims incurred but not reported and other reserves		(19,928)	(46,243)
Due to a related party		1,958	1,186
Accrued income payable to SAMA		138	112
		806	(1,421)
Employee benefit obligations paid		-	(137)
Surplus distribution paid		(4,802)	-
Zakat and income tax paid		(4,403)	-
Net cash used in operating activities		(8,399)	(1,558)

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AXA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF CASH FLOWS (continued)
 (All amounts expressed in Saudi Riyals thousands unless otherwise stated)

		Three-month period ended	Three-month period ended
	Note	31 March 2022	31 March 2021
Cash flows from investing activities			
Placements in short-term deposits		301,214	(52,177)
Proceeds from disposals of short-term deposits		(259,917)	83,860
Placements in long-term deposits		70,000	-
Purchases of investments	6	(51,950)	(135,885)
Proceeds from disposals of investments	6	53,297	6,344
Purchases of property and equipment		(277)	(1,183)
Purchases of intangible assets		(2,207)	(228)
Net cash generated from (used in) investing activities		110,160	(99,269)
Cash flows from financing activity			
Performance shares reserve - settlement		-	(33)
Net change in cash and cash equivalents		101,761	(100,860)
Cash and cash equivalents, beginning of the period		89,521	331,036
Cash and cash equivalents, end of the period	4	191,282	230,176
Supplemental non-cash information:			
Changes in fair value of available-for-sale investments	6	(25,055)	(7,454)

The accompanying notes are an integral part of this interim condensed financial information.



Yousef S Abalkhail
Chairman



Khalid Al Shuwaier
Chief Executive Officer



Babar 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 PERIOD ENDED 31 MARCH 2022**
(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. (1 July 2008) (Date of inception). The Company was incorporated vide Ministerial Order number Q/192, dated 10 Jumada II 1430H, (3 June 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 (13 July 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 Central Bank (“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 26 January 2010). The Company has commenced insurance operations on 4 Rabi’ I 1431H (corresponding to 18 February 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.

On 17 March 2022, the Board of Directors of the Company has recommended the distribution of cash dividends Saudi Riyals 50 million for the 2021 fiscal year. The dividend distribution is subject to the approval of the shareholders in the Annual General Assembly to be held on 15 May 2022.

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 endorsed in the Kingdom of Saudi Arabia.

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 non-current: long-term deposits, right-of-use asset, property and equipment, intangible assets, goodwill, statutory deposit, lease liability and employee benefit obligations. All other financial statements line items would generally be classified as current.

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 36 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 PERIOD ENDED 31 MARCH 2022
(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 IAS 34 as endorsed in the Kingdom of Saudi Arabia, 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.

(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 interim 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 statements as at and for the year ended 31 December 2021.

1) Impact of Covid-19

In response to the spread of the Covid-19 in the Kingdom of Saudi Arabia where the Company operates and its resulting disruptions to the social and economic activities in those markets over the last two years, management continues to proactively assess its impacts on its operations. In particular, the Company is closely monitoring the current surge in cases due to the outbreak of a new variant - Omicron. The preventive measures taken by the Company in April 2020 are still in effect including the creation of ongoing crisis management teams and processes, to ensure the health and safety of its employees, customers and the wider community as well as to ensure the continuity of its operations. Employee health continues to be a key area of focus with programs being implemented to assist with increasing awareness, identification, support and monitoring of employee health. A majority of the employees of the Company have been fully vaccinated for at least two doses of vaccine and the management is working on a plan to encourage booster shots in line with the government initiatives related to Covid-19.

The management of the Company believes that any potential lockdown measures being reintroduced will not materially affect the underlying demand for the Company's insurance products and forecast.

Based on these factors, management believes that the Covid-19 pandemic has had no material effect on the Company's reported financial results for the three-month period ended 31 March 2022 including the significant accounting judgements and estimates.

AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

2 Basis of preparation (continued)

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

(2) Liability arising from claims under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. Estimates are made at the end of the reporting period both for the expected ultimate cost of claim reported and for the expected ultimate costs of claims incurred but not reported ("IBNR"). Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Company. At the end of each reporting period, prior period claims estimates are reassessed for adequacy and changes are made to the provision.

The provision for claims incurred but not reported is an estimation of claims which are expected to be reported subsequent to the date of interim condensed statement of financial position, for which the insured event has occurred prior to the date of interim condensed statement of financial position. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends. A range of methods such as Chain Ladder Method, Bornhuetter-Ferguson Method and Expected Loss Ratio Method are used by the actuaries to determine these provisions. The actuary also uses a segmentation approach including analyzing cost per member per year for the medical line of business. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.

(3) Impairment of premiums and reinsurance 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 the, recoverable amount is less than carrying value, the difference is charged to interim condensed statement of income as impairment loss.

(4) 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.

**AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022**
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

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 statements for the year ended 31 December 2021 except as explained below:

3.1 New and amended standards adopted by the Company

Amendment to IFRS 16, 'Leases' - COVID-19 related rent concessions Extension of the practical expedient

As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can select to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. The Company did not identify a material impact as a result of this amendment.

3.2 New standards, amendments and interpretations not yet applied by the Company

IFRS 9, 'Financial Instruments'

In July 2014, the IASB published IFRS 9 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. 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 fair value through profit or loss whereby that part of the fair value changes attributable to own credit is to be recognised in the interim condensed statement of comprehensive income instead of the interim condensed 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 2022. 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.

For detailed impact assessment of IFRS 9 adoption, reference to the annual financial statements for the year ended 31 December 2021 should be made.

AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
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3 Significant accounting policies (continued)

3.2 New standards, amendments and interpretations not yet applied by the Company
(continued)

IFRS 17, 'Insurance Contracts'

Applicable for the period beginning on or after 1 January 2023, and will supersede IFRS 4. Earlier adoption is permitted if IFRS 9 has also been applied. The Company expects a material impact on measurement and disclosure of insurance and reinsurance that will affect the interim condensed statements of financial position, income and comprehensive income. The Company has decided not to early adopt this new standard.

For detailed impact assessment of IFRS 17 adoption, reference to the annual financial statements for the year ended 31 December 2021 should be made.

A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16

Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.

Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.

Effective date:

Annual periods beginning on or after 1 January 2022.

Impact assessment

The management is in the process of assessing the impact of the amendments on its financial statements.

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3 Significant accounting policies (continued)

3.2 New standards, amendments and interpretations not yet applied by the Company
(continued)

Amendments to IAS 1, Presentation of financial statements', on classification of liabilities

These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

Effective date:

Deferred until accounting periods starting not earlier than 1 January 2024.

Impact assessment

The management is in the process of assessing the impact of the amendments on its financial statements.

Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8

The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

Effective date:

Annual periods beginning on or after 1 January 2023.

Impact assessment

The management is in the process of assessing the impact of the amendments on its financial statements.

Amendment to IAS 12 - deferred tax related to assets and liabilities arising from a single transaction

These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

Effective date:

Annual periods beginning on or after 1 January 2023.

Impact assessment

The management is in the process of assessing the impact of the amendment on its financial statements.

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4 Cash and cash equivalents

Cash and cash equivalents included in the interim condensed statement of financial position comprise the following:

	31 March 2022	31 December 2021
Bank balances and cash	187,266	86,719
Deposits maturing within 3 months from the placement date	4,016	2,802
	191,282	89,521

As at 31 March 2022, deposits were placed with local banks with original maturities of less than three months from the date of placement and earned financial income at 0.50% to 1.00% (31 December 2021: 0.50% to 1.00%) per annum.

5 Premiums and reinsurers' balances receivable - net

	31 March 2022	31 December 2021
Policyholders	417,798	290,106
Brokers and agents	514	559
Related parties	1,870	9,038
Reinsurers and other insurers	52,071	43,360
	472,253	343,063
Less: provision for doubtful debts	(43,734)	(43,252)
	428,519	299,811

Movement in provision for doubtful debts is as follows:

	31 March 2022	31 December 2021
Balance at the beginning of the period / year	43,252	45,551
Provision for the period / year	482	3,941
Write off during the period/ year	-	(6,240)
Balance at the end of the period / year	43,734	43,252

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6 Investments

Investments are comprised of the following:

	31 March 2022	31 December 2021
Insurance operations		
Available-for-sale	674,736	689,076
Held-to-maturity	78,768	78,772
Total	753,504	767,848
Shareholders' operations		
Available-for-sale	457,962	474,307
Held-to-maturity	60,000	60,000
Total	517,962	534,307
Total investments	1,271,466	1,302,155

Available-for-sale investments at 31 March 2022 include 1,923,078 shares (31 December 2021: 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	Shareholders' operations	Total
As at 1 January 2022	689,076	474,307	1,163,383
Purchases	51,950	-	51,950
Disposals	(45,880)	(7,417)	(53,297)
Gain on sale of investments	210	(4,462)	(4,252)
Amortization of premium	(181)	(214)	(395)
Accretion of discount	269	95	364
Changes in fair value	(20,708)	(4,347)	(25,055)
As at 31 March 2022	674,736	457,962	1,132,698
	Insurance operations	Shareholders' operations	Total
As of 1 January 2021	689,178	236,618	925,796
Purchases	177,007	249,738	426,745
Disposals	(162,896)	(17,044)	(179,940)
Gain on sale of investments	866	3,439	4,305
Amortization of premium	(917)	(238)	(1,155)
Accretion for the discount	1,266	346	1,612
Changes in fair value	(15,428)	1,448	(13,980)
As at 31 December 2021	689,076	474,307	1,163,383

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6 Investments (continued)

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

	Insurance operations		Shareholders' operations	
	31 March	31 December	31 March	31 December
	2022	2021	2022	2021
Opening balance	78,772	78,786	60,000	60,000
Amortization of premium	(4)	(14)	-	-
Closing balance	78,768	78,772	60,000	60,000

7 Prepaid expenses and other assets

	31 March	31 December
	2022	2021
Accrued income	23,132	18,305
Prepaid expenses	12,456	5,016
Receivable from Manafeth	3,536	3,536
Employees' receivable	3,824	2,497
Other	-	501
	42,948	29,855

8 Technical reserves

8.1 Outstanding claims and reserves

Outstanding claims and reserves comprise of the following:

	31 March 2022		
	Gross	Reinsurance	Net
1 January	366,614	(120,273)	246,341
Claims paid	(276,631)	22,240	(254,391)
Claims incurred	326,526	(20,833)	305,693
31 March	416,509	(118,866)	297,643
Salvage and subrogation	(97,427)	-	(97,427)
Gross outstanding claims	319,082	(118,866)	200,216
Claims incurred but not reported	628,854	(56,154)	572,700
Unallocated loss adjustment expenses reserve	5,460	-	5,460
31 March	953,396	(175,020)	778,376

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8 Technical reserves (continued)

8.1 Outstanding claims and reserves (continued)

	31 December 2021		
	Gross	Reinsurance	Net
1 January	288,704	(74,988)	213,716
Claims paid	(994,592)	48,205	(946,387)
Claims incurred	1,162,272	(93,490)	1,068,782
31 December	456,384	(120,273)	336,111
Salvage and subrogation	(89,770)	-	(89,770)
Gross outstanding claims	366,614	(120,273)	246,341
Claims incurred but not reported	648,782	(54,747)	594,035
Unallocated loss adjustment expenses reserve	5,460	-	5,460
31 December	1,020,856	(175,020)	845,836

8.2 Movement in net unearned premiums

Movement in net unearned premiums comprise of the following:

	31 March 2022		
	Gross	Reinsurance	Net
Balance as at the beginning of the period	517,829	(26,333)	491,496
Premium written during the period	538,776	(60,363)	478,413
Premium earned during the period	(349,769)	38,792	(310,977)
Balance as at the end of the period	706,836	(47,904)	658,932

	31 December 2021		
	Gross	Reinsurance	Net
Balance as at the beginning of the year	486,709	(23,455)	463,254
Premium written during the year	1,454,470	(144,529)	1,309,941
Premium earned during the year	(1,423,350)	141,651	(1,281,699)
Balance as at the end of the year	517,829	(26,333)	491,496

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9 Right-of-use asset and lease liability

	31 March 2022	31 December 2021
Right-of-use asset - building		
Cost		
Balance as at the beginning of the period / year	27,086	27,086
Additions	-	-
Balance as at the end of the period / year	27,086	27,086
Accumulated depreciation		
Balance as at the beginning of the period / year	(6,607)	(3,964)
Charge for the period / year	(660)	(2,643)
Balance as at the end of the period / year	(7,267)	(6,607)
Net book value	19,819	20,479
Lease liability		
Within one year	3,183	3,183
Later than one year but not later than five years	12,732	12,732
Later than five years	6,366	6,366
	22,281	22,281
Future finance charges	(2,690)	(2,874)
Total lease liability	19,591	19,407

Interest expense on leases amounted to Saudi Riyals 0.2 million during the three-month period ended 31 March 2022 and are presented under "Other income - net" in the interim condensed statement of income (Three-months period ended 31 March 2021: Saudi Riyals 0.2 million).

Short-term leases that were expensed during the three-month period ended 31 March 2022 amounted to Saudi Riyals 0.9 million (Three-month period ended 31 March 2021: Saudi Riyals 0.80 million).

10 Commitments and contingencies

- (i) The Company has issued various bank guarantees amounting to Saudi Riyals 31.0 million (31 December 2021: Saudi Riyals 31.4 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.

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11 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 advantages 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.

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.

	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
31 March 2022					
Financial assets measured at fair value (Insurance operations)					
Available-for-sale investments					
- Government bonds	571,507	571,507	-	-	571,507
- Other bonds	87,221	87,221	-	-	87,221
- Mutual funds	16,008	16,008	-	-	16,008
	674,736	674,736	-	-	674,736
Financial assets measured at fair value (Shareholders' operations)					
Available-for-sale investments					
- Government bonds	352,485	352,485	-	-	352,485
- Other bonds	27,767	27,767	-	-	27,767
- Mutual funds	7,161	7,161	-	-	7,161
- Equities	70,549	70,549	-	-	70,549
	457,962	457,962	-	-	457,962

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11 Determination of fair value and fair value hierarchy (continued)

	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
31 December 2021					
Financial assets measured at fair value (Insurance operations)					
Available-for-sale investments					
- Government bonds	577,824	577,824	-	-	577,824
- Other bonds	91,774	91,774	-	-	91,774
- Mutual funds	19,478	19,478	-	-	19,478
	689,076	689,076	-	-	689,076
Financial assets measured at fair value (Shareholders' operations)					
Available-for-sale investments					
- Government bonds	371,235	371,235	-	-	371,235
- Other bonds	27,802	27,802	-	-	27,802
- Mutual funds	7,105	7,105	-	-	7,105
- Equities	68,165	68,165	-	-	68,165
	474,307	474,307	-	-	474,307

12 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.

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 claims payable, accrued expenses and other liabilities, surplus distribution payable, reinsurers' balances payable, advance premiums, due to related party, employee benefit obligations, zakat and income tax, due to shareholders' / insurance operations, and accrued income payable to SAMA. Accordingly, they are included in unallocated liabilities.

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12 Segmental information (continued)

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:

- Motor;
- Property and casualty;
- 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 interim condensed financial information.

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 interim condensed financial information of the Company.

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12 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 31 March 2022 and 31 December 2021, its total revenues, expenses, and net income for the three-month period then ended are as follows:

31 March 2022 (Unaudited)	Insurance operations					Shareholders' operations	Grand total
	Motor	Property and casualty	Health	Protection	Total		
Assets							
Reinsurers' share of unearned premiums	-	34,003	12,448	1,453	47,904	-	47,904
Reinsurers' share of outstanding claims	3,927	56,019	3,094	10,885	73,925	-	73,925
Reinsurers' share of claims incurred but not reported and other reserves	6,333	43,782	402	5,637	56,154	-	56,154
Deferred policy acquisition costs	39,715	8,865	13,388	1,586	63,554	-	63,554
Segment assets	49,975	142,669	29,332	19,561	241,537	-	241,537
Unallocated assets	-	-	-	-	1,772,992	1,072,352	2,845,344
Total assets					2,014,529	1,072,352	3,086,881
Liabilities and equity							
Unearned premiums	376,259	111,160	205,070	14,347	706,836	-	706,836
Unearned reinsurance commission	-	5,234	3,137	339	8,710	-	8,710
Outstanding claims	45,128	180,015	75,297	18,642	319,082	-	319,082
Claims incurred but not reported and other reserves	369,229	179,869	59,264	25,952	634,314	-	634,314
Segment liabilities	790,616	476,278	342,768	59,280	1,668,942	-	1,668,942
Unallocated liabilities and equity					345,587	1,072,352	1,417,939
Total liabilities and equity					2,014,529	1,072,352	3,086,881

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12 Segmental information (continued)

31 December 2021	Insurance operations					Shareholders' operations	Grand Total
	Motor	Property and casualty	Health	Protection	Total		
Assets							
Reinsurers' share of unearned premiums	712	25,384	143	94	26,333	-	26,333
Reinsurers' share of outstanding claims	4,125	105,631	1,351	9,166	120,273	-	120,273
Reinsurers' share of claims incurred but not reported and other reserves	13,793	35,475	-	5,479	54,747	-	54,747
Deferred policy acquisition costs	31,729	7,215	9,520	843	49,307	-	49,307
Segment assets	50,359	173,705	11,014	15,582	250,660	-	250,660
Unallocated assets					1,689,165	1,051,244	2,740,409
Total assets					1,939,825	1,051,244	2,991,069
Liabilities and equity							
Unearned premiums	274,935	81,259	153,821	7,814	517,829	-	517,829
Unearned reinsurance commission	143	3,304	10	1	3,458	-	3,458
Outstanding claims	39,176	252,927	58,613	15,898	366,614	-	366,614
Claims incurred but not reported and other reserves	413,616	157,154	61,456	22,016	654,242	-	654,242
Segment liabilities	727,870	494,644	273,900	45,729	1,542,143	-	1,542,143
Unallocated liabilities and equity					397,682	1,051,244	1,448,926
Total liabilities and equity					1,939,825	1,051,244	2,991,069

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12 Segmental information (continued)

For the three-month period ended 31 March 2022 (Unaudited)	Insurance operations					Shareholders' operations	Grand total
	Motor	Property and casualty	Health	Protection	Total		
Revenues							
Gross premiums written							
- Direct							
- Large corporates	75,437	40,054	131,433	-	246,924	-	246,924
- Medium corporates	80,857	24,638	6,346	20,894	132,735	-	132,735
- Small corporates	61,536	18,189	791	-	80,516	-	80,516
- Micro enterprises	2,783	629	18	-	3,430	-	3,430
- Retail	52,168	10,051	8,940	-	71,159	-	71,159
- Reinsurance	-	4,012	-	-	4,012	-	4,012
	272,781	97,573	147,528	20,894	538,776	-	538,776
Reinsurance premiums ceded							
- Foreign	324	(33,667)	(16,485)	(5,183)	(55,011)	-	(55,011)
- Local	-	(3,110)	-	(2,242)	(5,352)	-	(5,352)
	324	(36,777)	(16,485)	(7,425)	(60,363)	-	(60,363)
Net premiums written	273,105	60,796	131,043	13,469	478,413	-	478,413
Changes in unearned premiums	(101,324)	(29,901)	(51,249)	(6,534)	(189,008)	-	(189,008)
Changes in reinsurers' share of unearned premiums	(714)	8,621	12,306	1,359	21,572	-	21,572
Net premiums earned	171,067	39,516	92,100	8,294	310,977	-	310,977
Reinsurance commissions	(7)	2,711	1,043	389	4,136	-	4,136
Total revenues	171,060	42,227	93,143	8,683	315,113	-	315,113
Underwriting costs and expenses							
Gross claims paid	177,102	31,478	64,146	3,905	276,631	-	276,631
Reinsurers' share of claims paid	(606)	(17,576)	(1,974)	(2,084)	(22,240)	-	(22,240)
Net claims and other benefits paid	176,496	13,902	62,172	1,821	254,391	-	254,391

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12 Segmental information (continued)

For the three-month period ended 31 March 2022 (Unaudited)	Insurance operations					Shareholders' operations	Grand total
	Motor	Property and casualty	Health	Protection	Total		
Changes in outstanding claims	5,952	(72,911)	16,683	2,745	(47,531)	-	(47,531)
Changes in reinsurers' share of outstanding claims	198	49,613	(1,742)	(1,720)	46,349	-	46,349
Changes in claims incurred but not reported and other reserves	(44,387)	22,716	(2,192)	3,935	(19,928)	-	(19,928)
Changes in reinsurers' share of claims incurred but not reported and other reserves	7,460	(8,307)	(402)	(158)	(1,407)	-	(1,407)
Net claims and other benefits incurred	145,719	5,013	74,519	6,623	231,874	-	231,874
Policy acquisition costs	18,022	6,778	6,460	1,883	33,143	-	33,143
Total underwriting costs and expenses	163,741	11,791	80,979	8,506	265,017	-	265,017
Net underwriting income	7,319	30,436	12,164	177	50,096	-	50,096
Other operating expenses							
General and administrative expenses	(23,193)	(5,358)	(12,487)	(1,126)	(42,164)	(348)	(42,512)
Other income - net	-	-	-	-	9,085	10,431	19,516
Total other operating expenses, net	(23,193)	(5,358)	(12,487)	(1,126)	(33,079)	10,083	(22,996)
Total income before surplus attribution, zakat and income tax							27,100
Surplus attributed to the insurance operations							(1,702)
Total income for the period attributable to the shareholders							25,398
Zakat expense							(7,857)
Income tax							2,746
Total income for the period attributable to the shareholders							20,287

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12 Segmental information (continued)

For the three-month period ended 31 March 2021 (Unaudited)	Insurance operations					Shareholders' operations	Grand total
	Motor	Property and casualty	Health	Protection	Total		
Revenues							
Gross premiums written							
- Direct							
- Large corporates	182,040	33,852	113,193	-	329,085	-	329,085
- Medium corporates	75,982	17,847	14,805	20,874	129,508	-	129,508
- Small corporates	12,058	11,821	1,359	-	25,238	-	25,238
- Micro enterprises	2,261	715	-	-	2,976	-	2,976
- Retail	34,820	12,950	6,110	-	53,880	-	53,880
- Reinsurance	-	904	-	-	904	-	904
	307,161	78,089	135,467	20,874	541,591	-	541,591
Reinsurance premiums ceded							
- Foreign	(1,383)	(26,558)	(13,593)	(7,838)	(49,372)	-	(49,372)
- Local	-	(3,605)	-	-	(3,605)	-	(3,605)
	(1,383)	(30,163)	(13,593)	(7,838)	(52,977)	-	(52,977)
Net premiums written	305,778	47,926	121,874	13,036	488,614	-	488,614
Changes in unearned premiums	(137,251)	(18,895)	(34,522)	(4,405)	(195,073)	-	(195,073)
Changes in reinsurers' share of unearned premiums	-	5,575	9,533	319	15,427	-	15,427
Net premiums earned	168,527	34,606	96,885	8,950	308,968	-	308,968
Reinsurance commissions	1,162	2,153	857	128	4,300	-	4,300
Total revenues	169,689	36,759	97,742	9,078	313,268	-	313,268
Underwriting costs and expenses							
Gross claims paid	143,860	4,390	98,969	7,888	255,107	-	255,107
Reinsurers' share of claims paid	(153)	(379)	(2,366)	(3,720)	(6,618)	-	(6,618)
Net claims and other benefits paid	143,707	4,011	96,603	4,168	248,489	-	248,489

(Continued)

AXA COOPERATIVE INSURANCE COMPANY
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12 Segmental information (continued)

For the three-month period ended 31 March 2021 (Unaudited)	Insurance operations					Shareholders' operations	Grand total
	Motor	Property and casualty	Health	Protection	Total		
Changes in outstanding claims	1,167	52,334	1,826	3,941	59,268	-	59,268
Changes in reinsurers' share of outstanding claims	(429)	(39,453)	(1,020)	(3,472)	(44,374)	-	(44,374)
Changes in claims incurred but not reported and other reserves	(39,179)	3,349	(12,271)	1,858	(46,243)	-	(46,243)
Changes in reinsurers' share of claims incurred but not reported and other reserves	101	(774)	589	(2,151)	(2,235)	-	(2,235)
Net claims and other benefits incurred	105,367	19,467	85,727	4,344	214,905	-	214,905
Policy acquisition costs	14,954	6,102	6,311	2,151	29,518	-	29,518
Total underwriting costs and expenses	120,321	25,569	92,038	6,495	244,423	-	244,423
Net underwriting income	49,368	11,190	5,704	2,583	68,845	-	68,845
Other operating (expenses) income							
General and administrative expenses	(23,374)	(3,857)	(10,798)	(995)	(39,024)	(349)	(39,373)
Other income - net	-	-	-	-	14,505	4,230	18,735
Total other operating expenses, net	(23,374)	(3,857)	(10,798)	(995)	(24,519)	3,881	(20,638)
Total income before surplus attribution, zakat and income tax							48,207
Surplus attributed to the insurance operations							(4,432)
Total income for the period attributable to the shareholders							43,775
Zakat expense							(3,926)
Income tax expense							(3,290)
Total income for the period attributable to the shareholders							36,559

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13 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 three-month period ended 31 March 2022 and 2021, and the related balances:

	31 March 2022	31 March 2021
<u>Major shareholders</u>		
Gross premiums from major shareholders	-	251
Reinsurance premiums ceded to major shareholders	-	32,121
Reinsurance commissions from major shareholders	-	3,283
Net claims paid to major shareholders	-	3,630
Reinsurers 'share of gross claims paid to major shareholders	-	4,840
Expenses charged by major shareholders	1,958	387
<u>Entities controlled, jointly controlled or significantly influenced by related parties</u>		
Gross premiums from other related parties	2,228	2,438
Net claims paid to other related parties	2,874	8,629

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

	31 March 2022	31 March 2021
Salaries and benefits	2,409	2,560
Employee benefit obligations	122	137
	2,531	2,697

Board of Directors fees for the period ended 31 March 2022 was Saudi Riyals 0.3 million (31 March 2021: Saudi Riyals 0.3 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.

Due to a related party represents amounts payable to Gulf Insurance Group (Gulf) B.S.C

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14 Zakat and income tax

Status of assessments

The Company has filed its Zakat and Income Tax returns with the ZATCA up to 2021. The Company has finalised its zakat and tax status with the ZATCA for all years up to 31 December 2015.

During 2021, the ZATCA issued assessments of zakat and income tax for the years 2016 through 2018 with additional liability amounting to Saudi Riyals 21.7 million. The Company has filed an appeal with the General Secretariat of Tax Committees ("GSTC") against the ZATCA's assessments. The review and decision of the GSTC is awaited. Furthermore, the ZATCA has issued assessments for zakat and income tax for the years 2019 and 2020 with additional liability amounting to Saudi Riyals 5.6 million. The Company has filed an objection with the with the ZATCA in relation to these assessments. The review and decision of the ZATCA is awaited.

Management is of the view that the level of existing provisions for zakat and income tax is sufficient to account for any potential additional liabilities arising out of the final assessments, once issued.

15 Other income - net

	Three-month period ended 31 March 2022	Three-month period ended 31 March 2021
Insurance operations:		
Commission income on deposits	3,594	3,182
Commission income on investments	5,956	6,778
Realized gains on disposal of investments	(210)	-
Amortization and accretion on investments	83	160
Total deposits and investments income	9,423	10,120
Interest on leases	(184)	(207)
Hajj and Umrah income	(154)	4,592
Total	9,085	14,505
Shareholders' operations:		
Commission income on deposits	2,781	1,933
Commission income on investments	3,308	2,271
Realized gains on disposal of investments	4,461	-
Amortization and accretion on investments	(119)	26
Total deposits and investments income	10,431	4,230
Total other income - net	19,516	18,735

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16 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.

17 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.

18 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 S.A.

During 2022, AXA SA. has terminated all schema subsequent to the Company's acquisition by Gulf Insurance Group K.S.C.P. As a result, Saudi Riyals 2.5 million has been transferred to retained earnings.

19 Share capital

The authorized, issued and paid up capital of the Company is Saudi Riyals 500 million at 31 March 2022 (31 December 2021: Saudi Riyals 500 million) consisting of 50 million shares (31 December 2021: 50 million shares) of Saudi Riyals 10 each.

Shareholding structure of the Company as at 31 March 2022 and 31 December 2021 is as below. The shareholders of the Company are subject to zakat and income tax.

	No. of shares (thousands)	Saudi Riyals (thousands)
GIG Gulf	25,000	250,000
General public	25,000	250,000
	50,000	500,000

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20 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 300 million;
- Premium solvency margin; or
- Claims solvency margin.

The Company's management, through various scenario analyses as required by SAMA, has assessed the potential impact of Covid-19 on the Company's solvency margin by performing stress testing for various variables such as gross premium growth, increase in employee cost, year-to-date loss ratios, outstanding premium provisions etc. and the related impact on the revenue, profitability, loss ratios and solvency ratios. The Company's management has concluded that, based on the stress testing performed, the solvency margin of the Company is adequate at 31 March 2022. As the situation is fluid and rapidly evolving, the Company will continue to reassess its position and the related impact on a regular basis.

21 Goodwill on acquisition of insurance portfolio

This represents goodwill recognised on acquisition of insurance portfolio and net assets of AXA Saudi Arabia Holding W.L.L. (formerly: "AXA Insurance Saudi Arabia B.S.C (c)"). The Company received approval from SAMA on 15 Dhul-Qadah 1433H (corresponding to 1 October 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.

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22 Supplementary information

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

	31 March 2022 (Unaudited)			31 December 2021 (Audited)		
	Insurance operations	Share-holders' operations		Insurance operations	Share-holders' operation	Total
Assets						
Cash and cash equivalents	191,282	-	191,282	89,521	-	89,521
Short-term deposits	368,798	234,725	603,523	408,798	236,023	644,821
Premiums and reinsurers' balances receivable - net	428,519	-	428,519	299,811	-	299,811
Reinsurers' share of unearned premiums	47,904	-	47,904	26,333	-	26,333
Reinsurers' share of outstanding claims	73,925	-	73,925	120,273	-	120,273
Reinsurers' share of claims incurred but not reported and other reserves	56,154	-	56,154	54,747	-	54,747
Deferred policy acquisition costs	63,554	-	63,554	49,307	-	49,307
Investments	753,504	517,962	1,271,466	767,848	534,307	1,302,155
Prepaid expenses and other assets	34,869	8,079	42,948	23,577	6,278	29,855
Deferred Tax asset	-	4,006	4,006	-	-	-
Long-term deposits	120,721	25,000	145,721	145,721	70,000	215,721
Right-of-use assets	19,819	-	19,819	20,479	-	20,479
Property and equipment	18,170	-	18,170	19,518	-	19,518
Intangible assets	13,471	-	13,471	12,247	-	12,247
Due from shareholders'/ insurance operations	(176,161)	176,161	-	(98,355)	98,355	-
Goodwill	-	50,000	50,000	-	50,000	50,000
Statutory deposit	-	50,000	50,000	-	50,000	50,000
Accrued income on statutory deposit	-	6,419	6,419	-	6,281	6,281
Total assets	2,014,529	1,072,352	3,086,881	1,939,825	1,051,244	2,991,069

(Continued)

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22 Supplementary information (continued)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (continued)

	31 March 2022 (Unaudited)			31 December 2021 (Audited)		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
Liabilities and equity						
Claims payable, accrued expenses and other liabilities	158,339	1,566	159,905	200,218	1,249	201,467
Surplus distribution payable	30,876	-	30,876	33,976	-	33,976
Reinsurers' balances payable	86,008	-	86,008	68,929	-	68,929
Advance premiums	23,395	-	23,395	30,055	-	30,055
Unearned premiums	706,836	-	706,836	517,829	-	517,829
Unearned reinsurance commission	8,710	-	8,710	3,458	-	3,458
Outstanding claims	319,082	-	319,082	366,614	-	366,614
Claims incurred but not reported and other reserves	634,314	-	634,314	654,242	-	654,242
Lease liabilities	19,591	-	19,591	19,407	-	19,407
Due to a related party	4,311	-	4,311	2,353	-	2,353
Employee benefit obligations	32,664	-	32,664	31,633	-	31,633
Zakat and income tax	-	63,519	63,519	-	58,806	58,806
Accrued income payable to SAMA	-	6,419	6,419	-	6,281	6,281
Total liabilities	2,024,126	71,504	2,095,630	1,928,714	66,336	1,995,050
Equity						
Share capital	-	500,000	500,000	-	500,000	500,000
Statutory reserve	-	108,760	108,760	-	104,702	104,702
Performance share reserve	-	-	-	-	2,514	2,514
Retained earnings	-	379,606	379,606	-	360,863	360,863
Fair value reserve on investments	(9,597)	12,482	2,885	11,111	16,829	27,940
Total equity	(9,597)	1,000,848	991,251	11,111	984,908	996,019
Total liabilities and equity	2,014,529	1,072,352	3,086,881	1,939,825	1,051,244	2,991,069

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22 Supplementary information (continued)

INTERIM CONDENSED STATEMENT OF INCOME FOR THE THREE-MONTH PERIOD ENDED 31 MARCH (Unaudited)

	Three-month period ended 31 March 2022			Three-month period ended 31 March 2021		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
Revenues						
Gross premiums written						
- Direct	534,764	-	534,764	540,687	-	540,687
- Reinsurance	4,012	-	4,012	904	-	904
	<u>538,776</u>	-	<u>538,776</u>	<u>541,591</u>	-	<u>541,591</u>
Reinsurance premiums ceded:						
- Foreign	(55,011)	-	(55,011)	(49,372)	-	(49,372)
- Local	(5,352)	-	(5,352)	(3,605)	-	(3,605)
	<u>(60,363)</u>	-	<u>(60,363)</u>	<u>(52,977)</u>	-	<u>(52,977)</u>
Net premiums written	478,413	-	478,413	488,614	-	488,614
Changes in unearned premiums	(189,008)	-	(189,008)	(195,073)	-	(195,073)
Changes in reinsurers' share of unearned premiums	21,572	-	21,572	15,427	-	15,427
Net premiums earned	310,977	-	310,977	308,968	-	308,968
Reinsurance commissions	4,136	-	4,136	4,300	-	4,300
Total revenues	315,113	-	315,113	313,268	-	313,268
Underwriting costs and expenses						
Gross claims paid	276,631	-	276,631	255,107	-	255,107
Reinsurers' share of claims paid	(22,240)	-	(22,240)	(6,618)	-	(6,618)
Net claims and other benefits paid	254,391	-	254,391	248,489	-	248,489
Changes in outstanding claims	(47,531)	-	(47,531)	59,268	-	59,268
Changes in reinsurance share of outstanding claims	46,349	-	46,349	(44,374)	-	(44,374)
Changes in claims incurred but not reported and other reserves	(19,928)	-	(19,928)	(46,243)	-	(46,243)
Changes in reinsurance share of claims incurred but not reported and other reserves	(1,407)	-	(1,407)	(2,235)	-	(2,235)

(Continued)

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22 Supplementary information (continued)

INTERIM CONDENSED STATEMENT OF INCOME FOR THE THREE-MONTH PERIOD ENDED 31 MARCH (Unaudited) (continued)

	Three-month period ended 31 March 2022			Three-month period ended 31 March 2021		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
Net claims and other benefits incurred	231,874	-	231,874	214,905	-	214,905
Policy acquisition costs	33,143	-	33,143	29,518	-	29,518
Total underwriting costs and expenses	265,017	-	265,017	244,423	-	244,423
Net underwriting income	50,096	-	50,096	68,845	-	68,845
Other operating expenses						
General and administrative expenses	(42,164)	(348)	(42,512)	(39,024)	(349)	(39,373)
Other income - net	9,085	10,431	19,516	14,505	4,230	18,735
Total other operating expenses, net	(33,079)	10,083	(22,996)	(24,519)	3,881	(20,638)
Total income before surplus attribution, zakat and income tax	17,017	10,083	27,100	44,326	3,881	48,207
Zakat expense	-	(7,857)	(7,857)	-	(3,926)	(3,926)
Income tax	-	2,746	2,746	-	(3,290)	(3,290)
Total income for the period	17,017	4,972	21,989	44,326	(3,335)	40,991
Surplus transferred to shareholders' operations	(15,315)	15,315	-	(39,894)	39,894	-
Total income for the period after transfer of insurance operations surplus	1,702	20,287	21,989	4,432	36,559	40,991

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22 Supplementary information (continued)

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE-MONTH PERIOD ENDED 31 MARCH (Unaudited)

	Three-month period ended 31 March 2022			Three-month period ended 31 March 2021		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
Total income for the period after transfer of insurance operations surplus	1,702	20,287	21,989	4,432	36,559	40,991
Other comprehensive (loss)/income:						
<i>Items that will be reclassified to the interim condensed statement of income in subsequent period</i>						
Net change in fair value of available-for-sale investments	(20,708)	(4,347)	(25,055)	(10,722)	3,268	(7,454)
Total comprehensive (loss)/income for the period	(19,006)	15,940	(3,066)	(6,290)	39,827	33,537

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22 Supplementary information (continued)

INTERIM CONDENSED STATEMENT OF CASH FLOWS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH (Unaudited)

	Three-month period ended 31 March 2022			Three-month period ended 31 March 2021		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
Cash flows from operating activities						
Total income before surplus attribution, zakat and income tax	17,017	10,083	27,100	44,326	3,881	48,207
<u>Adjustments for non-cash items:</u>						
Depreciation of property and equipment	1,625	-	1,625	1,717	-	1,717
Depreciation of right-of-use assets	660	-	660	659	-	659
Amortization of intangible assets	983	-	983	881	-	881
Interest on lease liability	184	-	184	207	-	207
Provision for doubtful debts	482	-	482	461	-	461
Accretion of discount on available-for-sale investments	(269)	(95)	(364)	(309)	(71)	(380)
Amortization of premium on available-for-sale investments	181	214	395	147	45	192
Amortization of premium on held-to-maturity investments	4	-	4	2	-	2
Performance share reserve	-	-	-	-	420	420
Provision for employee benefit obligations	1,031	-	1,031	1,197	-	1,197
Gain on sale of investments	(210)	4,462	4,252	-	-	-
<u>Changes in operating assets and liabilities:</u>						
Premiums and reinsurers' balances receivable - net	(129,190)	-	(129,190)	(148,805)	-	(148,805)
Reinsurers' share of unearned premiums	(21,571)	-	(21,571)	(15,427)	-	(15,427)
Reinsurers' share of outstanding claims	46,348	-	46,348	(44,374)	-	(44,374)
Reinsurers' share of claims incurred but not reported	(1,407)	-	(1,407)	(2,235)	-	(2,235)
Deferred policy acquisition costs	(14,247)	-	(14,247)	(14,690)	-	(14,690)

(Continued)

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22 Supplementary information (continued)

INTERIM CONDENSED STATEMENT OF CASH FLOWS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH (Unaudited) (continued)

	Three-month period ended 31 March 2022			Three-month period ended 31 March 2021		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
Prepaid expenses and other assets	(11,292)	(1,801)	(13,093)	(9,166)	(6,544)	(15,710)
Accrued income on statutory deposit	-	(138)	(138)	-	(112)	(112)
Claims payable, accrued expenses and other liabilities	(41,879)	314	(41,565)	(42,845)	(1,566)	(44,411)
Reinsurers' balances payable	17,079	-	17,079	14,763	-	14,763
Advance premiums	(6,660)	-	(6,660)	3,120	-	3,120
Unearned premiums	189,010	-	189,010	195,073	-	195,073
Unearned reinsurance commission	5,252	-	5,252	3,501	-	3,501
Outstanding claims	(47,532)	-	(47,532)	59,268	-	59,268
Claims incurred but not reported and other reserves	(19,928)	-	(19,928)	(46,243)	-	(46,243)
Due to a related party	1,958	-	1,958	1,186	-	1,186
Accrued income payable to SAMA	-	138	138	-	112	112
Due from shareholders' operations	62,489	(62,489)	-	5,354	(5,354)	-
	50,118	(49,312)	806	7,768	(9,189)	(1,421)
Employee benefit obligations paid	-	-	-	(137)	-	(137)
Surplus distribution paid	(4,802)	-	(4,802)	-	-	-
Zakat and income tax paid	-	(4,403)	(4,403)	-	-	-
Net cash used in operating activities	45,316	(53,715)	(8,399)	7,631	(9,189)	(1,558)

(Continued)

**AXA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022**
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

22 Supplementary information (continued)

INTERIM CONDENSED STATEMENT OF CASH FLOWS FOR THE THREE-MONTH PERIOD ENDED MARCH 31 (Unaudited) (continued)

	Three-month period ended 31 March 2022			Three-month period ended 31 March 2021		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
Cash flows from investing activities						
Placements in short-term deposits	101,214	200,000	301,214	-	(52,177)	(52,177)
Proceeds from disposals of short-term deposit	(61,215)	(198,702)	(259,917)	30,163	53,697	83,860
Placements in long-term deposits	25,000	45,000	70,000	-	-	-
Purchases of investments	(51,950)	-	(51,950)	(135,885)	-	(135,885)
Proceeds from disposal of investments	45,880	7,417	53,297	2,177	4,167	6,344
Purchases of property and equipment	(277)	-	(277)	(1,183)	-	(1,183)
Purchases of intangible assets	(2,207)	-	(2,207)	(228)	-	(228)
Net cash generated from/(used in) investing activities	56,445	53,715	110,160	(104,956)	5,687	(99,269)
Cash flows from financing activity						
Performance shares reserve - settlement	-	-	-	-	(33)	(33)
Net change in cash and cash equivalents	101,761	-	101,761	(97,325)	(3,535)	(100,860)
Cash and cash equivalents, beginning of the period	89,521	-	89,521	278,949	52,087	331,036
Cash and cash equivalents, end of the period	191,282	-	191,282	181,624	48,552	230,176
Supplemental cash flow information:						
Changes in fair value of available-for sale-investments	(20,708)	(4,347)	(25,055)	(10,722)	3,268	(7,454)

23 Approval of the interim condensed financial information

The interim condensed financial information has been approved by the Board of Directors on 9 May 2022.