

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

**INTERIM CONDENSED FINANCIAL INFORMATION  
FOR THE THREE-MONTH PERIOD ENDED  
MARCH 31, 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 PERIOD ENDED MARCH 31, 2018**

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International Accountants  
المحاسبون الدوليون

An Independent Member of ITOB International

## 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 March 31, 2018 and the related interim condensed statements of income, comprehensive income, changes in equity and cash flows for the period then ended 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.

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10 May 2018



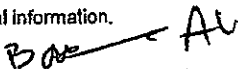
**AXA COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (continued)**  
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

	Note	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
<b>ASSETS</b>			
Cash and cash equivalents	4	195,596	117,776
Short-term deposits		741,681	576,973
Premiums and reinsurers' receivable - net	5	288,075	153,398
Reinsurers' share of unearned premiums	7	66,609	22,059
Reinsurers' share of outstanding claims	7	131,958	120,206
Reinsurers' share of claims incurred but not reported	7	36,820	34,548
Deferred policy acquisition costs		44,881	28,158
Investments	6	599,049	534,625
Prepaid expenses and other assets		22,222	17,525
Long-term deposits		195,000	208,380
Property and equipment		6,407	7,016
Intangible assets		9,520	9,983
Due from shareholders'/insurance operations		76,071	78,456
Goodwill	18	50,000	50,000
Statutory deposit	13	45,000	45,000
Accrued income on statutory deposit		2,892	2,693
<b>TOTAL ASSETS</b>		<b>2,511,781</b>	<b>2,006,796</b>
<b>LIABILITIES</b>			
Accrued and other liabilities		142,856	131,562
Reinsurers' balances payable		103,751	59,093
Advance premiums		25,625	17,842
Unearned premiums	7	671,860	345,030
Unearned reinsurance commission		7,879	4,284
Outstanding claims	7	288,270	264,286
Claims incurred but not reported and other reserves	7	569,982	498,716
Due to related parties		4,521	4,335
Employee benefit obligations		26,980	24,744
Surplus distribution payable		9,180	7,422
Fair value loss reserve on investments		(4,685)	(488)
Zakat and income tax		31,049	27,076
Due to shareholders'/insurance operations		76,071	78,456
Accrued commission income payable to SAMA		2,892	2,693
<b>TOTAL LIABILITIES</b>		<b>1,956,031</b>	<b>1,463,051</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	16	450,000	450,000
Statutory reserve	14	23,015	20,162
Performance share reserve	15	909	982
Retained earnings		84,276	72,865
Fair value reserve on investments		(2,450)	(264)
<b>TOTAL EQUITY</b>		<b>555,750</b>	<b>543,745</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>2,511,781</b>	<b>2,006,796</b>

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 March 31, 2018 (Unaudited)	Three-month period ended March 31, 2017 (Unaudited)
<b>REVENUES</b>		
Gross premiums written		
- Direct	672,420	717,943
- Reinsurance	2,518	3,299
	674,938	721,242
Reinsurance premiums ceded:		
- Foreign	(51,091)	(69,900)
- Local	(35,122)	(54,156)
Net premiums written	588,725	597,186
Changes in unearned premiums, net	(282,080)	(288,687)
Net premiums earned	306,645	308,499
Reinsurance commissions	4,985	5,961
<b>TOTAL REVENUES</b>	<b>311,630</b>	<b>314,460</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>		
Gross claims paid	174,933	226,712
Reinsurers' share of claims paid	(20,772)	(14,677)
Net claims and other benefits paid	154,161	212,035
Changes in outstanding claims, net	12,232	4,041
Changes in claims incurred but not reported and other reserves, net	70,994	36,619
Net claims and other benefits incurred	237,387	252,695
Policy acquisition costs	27,872	22,875
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>265,259</b>	<b>275,570</b>
<b>NET UNDERWRITING INCOME</b>	<b>46,371</b>	<b>38,890</b>
<b>OTHER OPERATING (EXPENSES) INCOME</b>		
General and administrative expenses	(35,731)	(30,084)
Commission income on deposits	9,355	8,930
<b>TOTAL OTHER OPERATING EXPENSES, NET</b>	<b>(26,376)</b>	<b>(21,154)</b>
Total income for the period	19,995	17,736
Total income attributed to the insurance operations	(1,758)	(1,463)
Total income for the period attributable to the shareholders	<b>18,237</b>	<b>16,273</b>
<b>Earnings per share (expressed in SAR per share)</b>		
Basic earnings per share	0.41	0.36
Diluted earnings per share	0.41	0.36

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

  
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Managing Director


  
Gary Lewin  
Chief Executive Officer


  
Babar Ali Khan  
Chief Financial Officer

**AXA COOPERATIVE INSURANCE COMPANY**  
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**INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME**  
 (All amounts expressed in Saudi Riyals thousands unless otherwise stated)

		Three-month period ended March 31, 2018 (Unaudited)	Three-month period ended March 31, 2017 (Unaudited)
	Note		
Total income for the period		19,995	17,736
<b>Other comprehensive (loss) income:</b>			
<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	6	(6,383)	521
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>19</b>	<b>13,612</b>	<b>18,257</b>

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

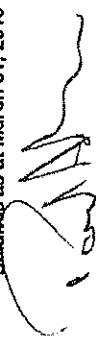
  
 Paul Adamson  
 Managing Director


  
 Gary Lewin  
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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 EQUITY**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 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		-	-	-	18,237	-	18,237
Total income for the period attributable to shareholders		-	-	-	-	-	-
Changes in fair values of available-for-sale investments	6	-	-	-	-	(2,186)	(2,186)
Total comprehensive income for the period attributable to shareholders		-	-	-	18,237	(2,186)	16,051
Transfer to statutory reserve		-	2,853	-	(2,853)	-	-
Performance share reserve		-	-	(73)	-	-	(73)
Provision for zakat		-	-	-	(2,536)	-	(2,536)
Provision for income tax		-	-	-	(1,437)	-	(1,437)
<b>Balance as at March 31, 2018</b>		<b>450,000</b>	<b>23,015</b>	<b>909</b>	<b>84,276</b>	<b>(2,450)</b>	<b>555,750</b>

  
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**AXA COOPERATIVE INSURANCE COMPANY**  
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**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (continued)**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2017**  
 (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, 2017		450,000	11,150	640	36,929	830	499,549
Total comprehensive income for the period		-	-	-	16,273	-	16,273
Total income for the period attributable to shareholders		-	-	-	16,273	-	16,273
Changes in fair values of available-for-sale investments	6	-	-	-	-	(152)	(152)
Total comprehensive income for the period attributable to shareholders		-	-	-	16,273	(152)	16,121
Transfer to statutory reserve		-	2,505	-	(2,505)	-	-
Performance share reserve		-	-	101	-	-	101
Provision for zakat		-	-	-	(2,337)	-	(2,337)
Provision for income tax		-	-	-	(1,411)	-	(1,411)
Balance as at March 31, 2017		450,000	13,655	741	46,949	678	512,023

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

  
 Paul Adamson  
 Managing Director

  
 Babar Ali Khan  
 Chief Financial Officer



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

		Three-month period ended March 31, 2018 (Unaudited)	Three-month period ended March 31, 2017 (Unaudited)
	Note		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Total income for the period		19,995	17,736
<u>Adjustments for non-cash items:</u>			
Depreciation of property and equipment		680	613
Amortization of intangible assets		893	449
Amortization of discount on available-for-sales investments		(94)	(40)
Accretion of premium on available-for-sale investments		31	64
Accretion of premium on held-to-maturity investments		4	-
Performance share reserve		(73)	100
<u>Changes in operating assets and liabilities:</u>			
Premiums and reinsurers' receivable - net	5	(134,677)	(201,480)
Reinsurers' share of unearned premiums	7	(44,550)	(71,822)
Reinsurers' share of outstanding claims	7	(11,752)	(1,044)
Reinsurers' share of claims incurred but not reported	7	(2,272)	(14,339)
Deferred policy acquisition costs		(16,723)	(23,848)
Prepaid expenses and other assets		(4,697)	(1,778)
Accrued and other liabilities		11,294	30,765
Accrued commission on statutory deposits		(199)	131
Commission on statutory deposits payable		199	228
Advance premiums		7,793	(4,035)
Reinsurers' balances payable		44,658	88,788
Unearned premiums	7	326,630	360,509
Unearned reinsurance commission		3,595	6,094
Outstanding claims	7	23,984	(44,740)
Claims incurred but not reported and other reserves	7	73,266	100,783
Due to related parties		186	(2,298)
Employee benefit obligations		2,236	676
<b>Net cash generated from operating activities</b>		<b>300,397</b>	<b>241,512</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions in short-term deposits		(164,708)	(57,651)
Purchase of investments		(75,950)	(41,710)
Proceeds from disposal of investments		5,202	10,554
Additions in long-term deposits		-	(103,380)
Proceeds from disposal of long-term deposits		13,380	-
Additions in property and equipment		(71)	(881)
Additions in intangible assets		(430)	(55)
<b>Net cash used in investing activities</b>		<b>(222,577)</b>	<b>(193,123)</b>


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**AXA COOPERATIVE INSURANCE COMPANY**  
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**INTERIM CONDENSED STATEMENT CASH FLOWS (continued)**  
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

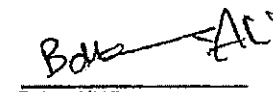
	Three-month period ended March 31, 2018 (Unaudited)	Three-month period ended March 31, 2017 (Unaudited)
Net increase in cash and cash equivalents	77,820	48,389
Cash and cash equivalents, beginning of the period	117,776	132,682
Cash and cash equivalents, end of the period	<u>195,596</u>	<u>181,051</u>

**Supplemental non-cash information:**

Change in fair value of available-for sale-Investments	6,383	(521)
Zakat and income tax provisions charged to shareholders' equity	3,973	3,748

  
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**AXA COOPERATIVE INSURANCE COMPANY**  
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**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 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 IFRSs as issued by the International Accounting Standards Board ("IASB") except for the application of International Accounting Standard ("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' receivable - net, prepaid expenses and other assets and accrued income on statutory deposit, accrued and other liabilities, advance premiums, reinsurers' balances payable and zakat and income tax. 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, end-of-service indemnities, outstanding claims and claims incurred but not reported and other reserves, net.

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 statement of financial position, statements of income, statement of comprehensive income and cash flows of the insurance operations and shareholders operations which are presented on pages 28 to 35 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, statements of 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 MARCH 31, 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 unrealised 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 statement of financial position, the statements of 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 do not include all of the information required for full annual financial information and should be read in conjunction with the annual financial information 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 these 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 information as at and for the year ended December 31, 2017.

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

**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.

The Company is exposed to disputes with, and possibility of defaults by, its reinsurers. The Company monitors on a quarterly basis the evolution of disputes with and the strength of its reinsurers.

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**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2018**  
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**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. 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 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.

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**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 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 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 both the income statement and the balance sheet. 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:

	<b>Insurance operations</b>	
	<b>March 31, 2018</b>	<b>December 31,</b>
	<b>(Unaudited)</b>	<b>2017</b>
		<b>(Audited)</b>
Bank balances and cash	165,350	100,400
Deposits maturing within 3 month from the placement date	30,246	17,376
	<b>195,596</b>	<b>117,776</b>

Cash at banks are placed with counterparties that have investment grade credit ratings. As of March 31, 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 1.0% to 2.2% (December 31, 2017: 1.5% to 1.7%) per annum.

**5. Premiums and reinsurers' receivable - net**

	<b>March 31, 2018</b>	<b>December 31,</b>
	<b>(Unaudited)</b>	<b>2017</b>
		<b>(Audited)</b>
Policyholders	93,212	37,723
Brokers and agents	182,717	110,853
Related parties (note 11)	21,807	15,943
Reinsurers	16,275	14,815
	<b>314,011</b>	<b>179,334</b>
Less: provision for doubtful debts	<b>(25,936)</b>	<b>(25,936)</b>
	<b>288,075</b>	<b>153,398</b>

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**6. Investments**

Investments are classified as follows:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
<b>Insurance operations</b>		
- Available-for-sale	287,485	239,927
- Held-to-maturity	78,832	78,836
	<u>366,317</u>	<u>318,763</u>
<b>Shareholders' operations</b>		
- Available-for-sale	172,732	155,862
- Held-to-maturity	60,000	60,000
	<u>232,732</u>	<u>215,862</u>
<b>Total investments</b>	<u>599,049</u>	<u>534,625</u>

Available-for-sale investments at March 31, 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		Shareholders' operations	
	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Opening balance	239,927	134,810	155,862	160,466
Purchases	51,743	127,602	24,207	43,806
Disposals	(32)	(22,943)	(5,170)	(45,414)
Accretion of premium	(15)	(79)	(16)	(149)
Amortization of discount	59	142	35	69
Impairment of investments	-	-	-	(1,822)
Changes in fair value of investments	(4,197)	395	(2,186)	(1,094)
<b>Closing balance</b>	<u>287,485</u>	<u>239,927</u>	<u>172,732</u>	<u>155,862</u>

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

	Insurance operations		Shareholders' operations	
	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Opening balance	78,836	75,000	60,000	60,000
Purchases	-	3,844	-	-
Accretion of premium	(4)	(8)	-	-
<b>Closing balance</b>	<u>78,832</u>	<u>78,836</u>	<u>60,000</u>	<u>60,000</u>

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**7. Technical reserves**

**7.1 Net outstanding claims and reserves**

Net outstanding claims and reserves comprise of the following:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Outstanding claims	311,966	284,542
Less: realizable value of salvage and subrogation	(23,696)	(20,256)
	<u>288,270</u>	<u>264,286</u>
Claims incurred but not reported and other reserves	569,982	496,716
	<u>858,252</u>	<u>761,002</u>
Less:		
- Reinsurers' share of outstanding claims	(131,958)	(120,206)
- Reinsurers' share of claims incurred but not reported and other reserves	(36,820)	(34,548)
	<u>(168,778)</u>	<u>(154,754)</u>
<b>Net outstanding claims and reserves</b>	<b><u>689,474</u></b>	<b><u>606,248</u></b>

**7.2 Movement in unearned premiums**

Movement in unearned premiums comprise of the following:

	March 31, 2018 (Unaudited)		
	Gross	Reinsurance	Net
Balance as at the beginning of period	345,030	(22,059)	322,971
Premium written during the period	674,938	(86,213)	588,725
Premium earned during the period	(348,308)	41,663	(306,645)
Balance as at the end of period	<u>671,660</u>	<u>(66,609)</u>	<u>605,051</u>

	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	<u>345,030</u>	<u>(22,059)</u>	<u>322,971</u>



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**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 1.9 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 period ended March 31, 2018 amounted to Saudi Riyals 1.4 million (March 31, 2017: Saudi Riyals 1.3 million). There were no significant committed lease rentals outstanding at March 31, 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.

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**9. Determination of fair value and fair value hierarchy**

	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
<b>March 31, 2018 (Unaudited)</b>					
<b>Financial assets measured at fair value</b>					
<b>(Insurance operations)</b>					
Available-for-sale investments					
- Government bonds	266,889	266,889	-	-	266,889
- Other bonds	20,596	20,596	-	-	20,596
Held-to-maturity investments	78,832	78,832	-	-	78,832
	<b>366,317</b>	<b>366,317</b>	-	-	<b>366,317</b>

	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets measured at fair value</b>					
<b>(Shareholders' operations)</b>					
Available-for-sale investments					
- Government bonds	138,331	138,331	-	-	138,331
- Other bonds	7,500	7,500	-	-	7,500
- Equities	26,901	26,901	-	-	26,901
Held-to-maturity investments	60,000	60,000	-	-	60,000
	<b>232,732</b>	<b>232,732</b>	-	-	<b>232,732</b>

	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
<b>December 31, 2017 (Audited)</b>					
<b>Financial assets measured at fair value</b>					
<b>(Insurance operations)</b>					
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
	<b>318,763</b>	<b>318,763</b>	-	-	<b>318,763</b>

	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets measured at fair value</b>					
<b>(Shareholders' operations)</b>					
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
	<b>215,862</b>	<b>215,862</b>	-	-	<b>215,862</b>

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**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, long-term deposits, investments, receivable from related parties, premiums and reinsurance balances receivable, prepaid expenses and other assets, due from shareholders' / insurance operations, property and equipment, intangible assets, goodwill, statutory deposits and accrued income on statutory deposits. Accordingly, they are included in unallocated assets. Segment liabilities do not include advance premiums, accrued and other liabilities, due to related parties, end-of-service indemnities, surplus distribution payable, zakat and income tax, due to shareholders' / insurance operations and accrued commission income payable to SAMA. 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
- 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.

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

**10. Segmental information (continued)**

March 31, 2018 (Unaudited)	Insurance operations							Shareholders' operations	Total	
	Accident and liability	Motor	Property	Marine	Engineering	Other general accident	Health			Protection
<b>Assets</b>										
Reinsurers' share of unearned premiums	538	52,762	7,593	658	3,966	-	13	1,079	66,609	66,609
Reinsurers' share of outstanding claims	300	2,595	28,573	91,233	7,818	-	228	1,211	131,958	131,958
Reinsurers' share of claims incurred but not reported	-	30,340	1,556	4,116	808	-	-	-	36,820	36,820
Deferred policy acquisition costs	1,312	32,690	2,275	293	1,036	58	6,305	912	44,881	44,881
Segment assets	2,150	118,387	39,997	96,300	13,628	58	6,546	3,202	280,268	280,268
Unallocated assets									1,640,547	1,640,547
<b>Total assets</b>									<b>1,920,815</b>	<b>2,511,781</b>
<b>Liabilities</b>										
Unearned premiums	15,713	453,930	20,573	4,213	15,327	988	154,170	6,746	671,660	671,660
Unearned reinsurance commission	129	5,144	1,610	236	615	-	-	145	7,879	7,879
Outstanding claims	5,754	32,654	56,177	117,780	33,072	294	39,247	3,292	288,270	288,270
Claims incurred but not reported and other reserves	24,411	388,443	26,650	28,609	27,166	-	59,528	15,175	569,982	569,982
Segment liabilities	46,007	880,171	105,010	150,838	76,180	1,282	252,945	25,358	1,537,791	1,537,791
Unallocated liabilities and equity									383,024	590,966
<b>Total liabilities and equity</b>									<b>1,920,815</b>	<b>2,511,781</b>

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**10. Segmental information (continued)**

	Accident and liability	Insurance operations							Shareholders' operations	Grand Total	
		Motor	Property	Marine	Engineering	Other general accident	Health	Protection			Total
<b>Assets</b>											
Reinsurers' share of unearned premiums	217	2	13,300	2,332	4,339	-	196	1,673	22,059	-	22,059
Reinsurers' share of outstanding claims	274	2,520	31,670	75,948	8,372	-	289	1,133	120,206	-	120,206
Reinsurers' share of claims incurred but not reported	-	30,056	1,303	2,481	708	-	-	-	34,548	-	34,548
Deferred policy acquisition costs	1,184	17,890	3,213	322	1,199	14	3,236	1,100	28,158	-	28,158
Segment assets	1,675	50,468	49,486	81,083	14,618	14	3,721	3,906	204,971	-	204,971
Unallocated assets									1,227,291	574,534	1,801,825
<b>Total assets</b>									<b>1,432,262</b>	<b>574,534</b>	<b>2,006,796</b>
<b>Liabilities</b>											
Unearned premiums	13,759	178,371	24,612	4,899	16,408	599	99,594	6,788	345,030	-	345,030
Unearned reinsurance commission	32	-	2,870	573	675	-	-	134	4,284	-	4,284
Outstanding claims	5,455	24,679	58,848	100,409	34,733	607	36,903	2,652	264,286	-	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	-	496,716
Segment liabilities	40,892	524,021	111,403	133,327	76,120	1,206	198,933	24,414	1,110,316	-	1,110,316
Unallocated liabilities and equity									321,946	574,534	896,480
<b>Total liabilities and equity</b>									<b>1,432,262</b>	<b>574,534</b>	<b>2,006,796</b>

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**10. Segmental information (continued)**

For the three-month ended March 31, 2018 (Unaudited)	Insurance operations							Share- holders' Total operations	Grand Total	
	Accident and Liability	Motor	Property	Marine	Engineering	Other general insurance	Health			Protection
<b>REVENUES</b>										
Gross premiums written	8,227	502,872	9,594	11,845	6,574	1,440	126,793	5,075	672,420	672,420
- Direct	-	-	1,778	-	740	-	-	-	2,518	2,518
- Reinsurance	8,227	502,872	11,372	11,845	7,314	1,440	126,793	5,075	674,938	674,938
Reinsurance premiums ceded										
- Foreign	(593)	(37,975)	(5,068)	(3,317)	(3,403)	(144)	6	(597)	(51,091)	(51,091)
- Local	-	(35,109)	4	-	(17)	-	-	-	(35,122)	(35,122)
<b>Net premiums written</b>	<b>7,634</b>	<b>429,788</b>	<b>6,308</b>	<b>8,528</b>	<b>3,894</b>	<b>1,296</b>	<b>126,799</b>	<b>4,478</b>	<b>588,725</b>	<b>588,725</b>
Changes in unearned premiums, net	(1,632)	(222,801)	(1,668)	(989)	709	(390)	(54,758)	(551)	(282,080)	(282,080)
<b>Net premiums earned</b>	<b>6,002</b>	<b>206,987</b>	<b>4,640</b>	<b>7,539</b>	<b>4,603</b>	<b>906</b>	<b>72,041</b>	<b>3,927</b>	<b>306,645</b>	<b>306,645</b>
Reinsurance commissions	44	1,702	1,639	1,184	358	-	-	58	4,985	4,985
<b>TOTAL REVENUES</b>	<b>6,046</b>	<b>208,689</b>	<b>6,279</b>	<b>8,723</b>	<b>4,961</b>	<b>906</b>	<b>72,041</b>	<b>3,985</b>	<b>311,630</b>	<b>311,630</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>										
Gross claims paid	322	105,056	4,948	2,410	1,455	85	57,276	3,381	174,933	174,933
Reinsurers' share of claims paid	(152)	(14,406)	(3,302)	(1,336)	(459)	-	(221)	(896)	(20,772)	(20,772)
<b>Net claims paid</b>	<b>170</b>	<b>90,650</b>	<b>1,646</b>	<b>1,074</b>	<b>996</b>	<b>85</b>	<b>57,055</b>	<b>2,485</b>	<b>154,161</b>	<b>154,161</b>
Changes in outstanding claims, net	273	7,900	427	2,085	(1,108)	(315)	2,407	563	12,232	12,232
Changes in claims incurred but not reported and other reserves, net	2,766	67,188	1,322	(471)	2,762	-	(2,909)	336	70,994	70,994
<b>Net claims incurred</b>	<b>3,209</b>	<b>165,738</b>	<b>3,395</b>	<b>2,688</b>	<b>2,650</b>	<b>(230)</b>	<b>56,553</b>	<b>3,384</b>	<b>237,387</b>	<b>237,387</b>
Policy acquisition costs	729	15,565	2,069	968	893	32	6,760	856	27,872	27,872
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>3,938</b>	<b>181,303</b>	<b>5,464</b>	<b>3,656</b>	<b>3,543</b>	<b>(198)</b>	<b>63,313</b>	<b>4,240</b>	<b>265,259</b>	<b>265,259</b>
<b>NET UNDERWRITING INCOME / (LOSS)</b>	<b>2,108</b>	<b>27,386</b>	<b>815</b>	<b>5,067</b>	<b>1,418</b>	<b>1,104</b>	<b>8,728</b>	<b>(255)</b>	<b>46,371</b>	<b>46,371</b>

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**10. Segmental information (continued)**

For the three-month ended March 31, 2018 (Unaudited)	Insurance operations							Share- holders' operations	Grand Total		
	Accident and Liability	Motor	Property	Marine	Engineering	Other general insurance	Health			Protection	Total
<b>OTHER OPERATING EXPENSES</b>											
General and administrative expenses	(687)	(23,766)	(533)	(866)	(529)	(102)	(8,272)	(449)	(35,204)	(527)	(35,731)
<b>TOTAL OTHER OPERATING EXPENSES</b>	<b>(687)</b>	<b>(23,766)</b>	<b>(533)</b>	<b>(866)</b>	<b>(529)</b>	<b>(102)</b>	<b>(8,272)</b>	<b>(449)</b>	<b>(35,204)</b>	<b>(527)</b>	<b>(35,731)</b>
Commission income on deposits									6,409	2,946	9,355
<b>Total income for the period</b>											<b>19,995</b>
<b>Total income attributed to the insurance operations</b>											<b>(1,758)</b>
<b>Total income for the period attributable to the shareholders</b>											<b>18,237</b>

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**10. Segmental information (continued)**

For the three-month ended March 31, 2017 (Unaudited)	Insurance operations										Share- holders' operations	Grand Total	
	Accident and Liability	Motor	Property	Marine	Engineering	Other general insurance	Health	Protection	Total	Share- holders' operations			
<b>REVENUES</b>													
Gross premiums written													
- Direct	9,617	583,672	18,463	10,080	7,639	1,531	80,970	5,971	717,943	-	-	-	717,943
- Reinsurance	-	5	1,043	-	2,251	-	-	-	3,299	-	-	-	3,299
Reinsurance premiums ceded	9,617	583,677	19,506	10,080	9,890	1,531	80,970	5,971	721,242	-	-	-	721,242
- Foreign	(721)	(55,953)	(9,126)	(2,801)	(3,244)	(126)	1,755	316	(69,900)	-	-	-	(69,900)
- Local	-	(54,152)	(2)	-	(2)	-	-	-	(54,156)	-	-	-	(54,156)
Net premiums written	8,896	473,572	10,378	7,279	6,644	1,405	82,725	6,287	597,186	-	-	-	597,186
Changes in unearned premiums, net	(2,735)	(265,767)	(7,816)	(886)	(1,174)	(481)	(7,048)	(2,780)	(288,687)	-	-	-	(288,687)
Net premiums earned	6,161	207,805	2,562	6,393	5,470	924	75,677	3,507	308,499	-	-	-	308,499
Reinsurance commissions	45	2,640	1,692	1,220	325	-	24	15	5,961	-	-	-	5,961
<b>TOTAL REVENUES</b>	<b>6,206</b>	<b>210,445</b>	<b>4,254</b>	<b>7,613</b>	<b>5,795</b>	<b>924</b>	<b>75,701</b>	<b>3,522</b>	<b>314,460</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>314,460</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>													
Gross claims paid	91	144,834	3,371	4,370	91	36	71,286	2,633	226,712	-	-	-	226,712
Reinsurers' share of claims paid	-	(9,178)	(1,590)	(3,243)	-	-	(466)	(200)	(14,677)	-	-	-	(14,677)
Net claims paid	91	135,656	1,781	1,127	91	36	70,820	2,433	212,035	-	-	-	212,035
Changes in outstanding claims, net	546	2,858	5,222	611	1,096	(9)	(5,631)	(652)	4,041	-	-	-	4,041
Changes in claims incurred but not reported and other reserves, net	1,995	32,163	(15)	1,906	1,828	-	(1,973)	715	36,619	-	-	-	36,619
Net claims incurred	2,632	170,677	6,988	3,644	3,015	27	63,216	2,496	252,695	-	-	-	252,695
Policy acquisition costs	755	13,928	2,032	709	994	33	3,993	431	22,875	-	-	-	22,875
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>3,387</b>	<b>184,605</b>	<b>9,020</b>	<b>4,353</b>	<b>4,009</b>	<b>60</b>	<b>67,209</b>	<b>2,927</b>	<b>275,570</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>275,570</b>
<b>NET UNDERWRITING INCOME / (LOSS)</b>	<b>2,819</b>	<b>25,840</b>	<b>(4,766)</b>	<b>3,260</b>	<b>1,786</b>	<b>864</b>	<b>8,492</b>	<b>595</b>	<b>38,890</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>38,890</b>



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**10. Segmental information (continued)**

	Insurance operations							Shareholders' operations	Grand Total		
	Accident and Liability	Motor	Property	Marine	Engineering	Other general insurance	Health			Protection	Total
For the three-month ended March 31, 2017 (Unaudited)	(595)	(20,037)	(247)	(616)	(527)	(89)	(7,297)	(338)	(29,746)	(338)	(30,084)
<b>OTHER OPERATING EXPENSES</b>											
General and administrative expenses											
<b>TOTAL OTHER OPERATING EXPENSES</b>	(595)	(20,037)	(247)	(616)	(527)	(89)	(7,297)	(338)	(29,746)	(338)	(30,084)
Commission income on deposits and investment									5,489	3,441	8,930
<b>Total income for the period</b>											17,736
<b>Total income attributed to the insurance operations</b>											(1,463)
<b>Total income for the period attributable to the shareholders</b>											<u>16,273</u>

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**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 and the related balances:

	Transactions for the period ended		Balance receivable (payable) as at	
	March 31, 2018 (Unaudited)	March 31, 2017 (Unaudited)	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
<b><u>Major shareholders</u></b>				
Gross premium written	7,868	8,393	6,844	2,027
Reinsurance premiums ceded	10,267	11,143	11,615	11,948
Reinsurance commissions	363	401	-	-
Gross claims paid	3,319	1,797	-	-
Reinsurer's share of claims paid	4,953	3,311	-	-
Expenses charged	178	212	-	-
<b><u>Entities controlled, jointly controlled or significantly influenced by related parties</u></b>				
Gross premiums written	4,672	3,148	3,348	1,968
Gross claims paid	7,190	7,391	-	-
			<b>21,807</b>	<b>15,943</b>

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

	March 31, 2018 (Unaudited)	March 31, 2017 (Unaudited)
Salaries and benefits	1,833	1,924
Employee benefit obligations	92	96
	<b>1,925</b>	<b>2,020</b>

Board of director's fee for the period ended March 31, 2018 was Saudi Riyals 0.4 million (March 31, 2017: Saudi Riyals 0.4 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.

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**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 amount 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.

**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 balance sheet date, the Company recognised changes in the performance share reserve of Saudi Riyals .07 million (December 31, 2017: Saudi Riyals 0.34 million). During the period, the Company has not recognised any expense related to performance share reserve (December 31, 2017: Saudi Riyals 0.6 million) in the interim condensed statement of income in respect of performance shares.

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**16. Share capital**

The authorized, issued and paid up capital of the Company was Saudi Riyals 450 million at March 31, 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.

	March 31, 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
	<b>45,000</b>	<b>450,000</b>

	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
	<b>45,000</b>	<b>450,000</b>

**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 March 31, 2018 is 172% (December 31, 2017: 161%) of the required margin of solvency.

**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.

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19. **Supplementary information**

**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION**

	March 31, 2018 (Unaudited)			December 31, 2017 (Audited)		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
<b>ASSETS</b>						
Cash and cash equivalents	195,596	-	195,596	117,776	-	117,776
Short-term deposits	665,570	76,111	741,681	500,862	76,111	576,973
Premiums and reinsurers' receivable - net	288,075	-	288,075	153,398	-	153,398
Reinsurers' share of unearned premiums	66,609	-	66,609	22,059	-	22,059
Reinsurers' share of outstanding claims	131,958	-	131,958	120,206	-	120,206
Reinsurers' share of claims incurred but not reported	36,820	-	36,820	34,548	-	34,548
Deferred policy acquisition costs	44,881	-	44,881	28,158	-	28,158
Investments	366,317	232,732	599,049	318,763	215,862	534,625
Prepaid expenses and other assets	19,062	3,160	22,222	16,113	1,412	17,525
Long-term deposits	90,000	105,000	195,000	103,380	105,000	208,380
Property and equipment	6,407	-	6,407	7,016	-	7,016
Intangible assets	9,520	-	9,520	9,983	-	9,983
Due from shareholders/ insurance operations	-	76,071	76,071	-	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	-	2,892	2,892	-	2,693	2,693
<b>TOTAL ASSETS</b>	<b>1,920,815</b>	<b>590,966</b>	<b>2,511,781</b>	<b>1,432,262</b>	<b>574,534</b>	<b>2,006,796</b>

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19. **Supplementary information (continued)**

**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (continued)**

	March 31, 2018 (Unaudited)			December 31, 2017 (Audited)		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
<b>LIABILITIES</b>						
Accrued and other liabilities	141,581	1,275	142,856	130,542	1,020	131,562
Reinsurers' balances payable	103,751	-	103,751	59,093	-	59,093
Advance premiums	25,625	-	25,625	17,842	-	17,842
Unearned premiums	671,660	-	671,660	345,030	-	345,030
Unearned reinsurance commission	7,879	-	7,879	4,284	-	4,284
Outstanding claims	288,270	-	288,270	264,286	-	264,286
Claims incurred but not reported and other reserves, net	569,982	-	569,982	496,716	-	496,716
Due to related parties	4,521	-	4,521	4,335	-	4,335
Employee benefit obligations	26,980	-	26,980	24,744	-	24,744
Surplus distribution payable	9,180	-	9,180	7,422	-	7,422
Fair value loss reserve on investments	(4,685)	-	(4,685)	(488)	-	(488)
Zakat and income tax	-	31,049	31,049	-	27,076	27,076
Due to shareholders'/ insurance operations	76,071	-	76,071	78,456	-	78,456
Accrued commission income payable to SAMA	-	2,892	2,892	-	2,693	2,693
<b>TOTAL LIABILITIES</b>	<b>1,920,815</b>	<b>35,216</b>	<b>1,956,031</b>	<b>1,432,262</b>	<b>30,789</b>	<b>1,463,051</b>
<b>SHAREHOLDERS' EQUITY</b>						
Share capital	-	450,000	450,000	-	450,000	450,000
Statutory reserve	-	23,015	23,015	-	20,162	20,162
Performance share reserve	-	909	909	-	982	982
Retained earnings	-	84,276	84,276	-	72,865	72,865
Fair value loss reserve on investments	-	(2,450)	(2,450)	-	(264)	(264)
<b>TOTAL EQUITY</b>	<b>-</b>	<b>555,750</b>	<b>555,750</b>	<b>-</b>	<b>543,745</b>	<b>543,745</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>1,920,815</b>	<b>590,966</b>	<b>2,511,781</b>	<b>1,432,262</b>	<b>574,534</b>	<b>2,006,796</b>

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19. Supplementary information (continued)

**INTERIM CONDENSED STATEMENT OF INCOME**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31,**

	2018			2017		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
<b>REVENUES</b>						
Gross premiums written						
- Direct	672,420	-	672,420	717,943	-	717,943
- Reinsurance	2,518	-	2,518	3,299	-	3,299
	674,938	-	674,938	721,242	-	721,242
Reinsurance premiums ceded						
- Foreign	(51,091)	-	(51,091)	(69,900)	-	(69,900)
- Local	(35,122)	-	(35,122)	(54,156)	-	(54,156)
<b>Net premiums written</b>	<b>588,725</b>	<b>-</b>	<b>588,725</b>	<b>597,186</b>	<b>-</b>	<b>597,186</b>
Changes in unearned premiums, net	(282,080)	-	(282,080)	(288,687)	-	(288,687)
<b>Net premiums earned</b>	<b>306,645</b>	<b>-</b>	<b>306,645</b>	<b>308,499</b>	<b>-</b>	<b>308,499</b>
Reinsurance commissions	4,985	-	4,985	5,961	-	5,961
<b>TOTAL REVENUES</b>	<b>311,630</b>	<b>-</b>	<b>311,630</b>	<b>314,460</b>	<b>-</b>	<b>314,460</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>						
Gross claims paid	174,933	-	174,933	226,712	-	226,712
Reinsurers' share of claims paid	(20,772)	-	(20,772)	(14,677)	-	(14,677)
<b>Net claims and other benefits paid</b>	<b>154,161</b>	<b>-</b>	<b>154,161</b>	<b>212,035</b>	<b>-</b>	<b>212,035</b>
Changes in outstanding claims, net	12,232	-	12,232	4,041	-	4,041
Changes in claims incurred but not reported and other reserves, net	70,994	-	70,994	36,619	-	36,619
<b>Net claims and other benefits incurred</b>	<b>237,387</b>	<b>-</b>	<b>237,387</b>	<b>252,695</b>	<b>-</b>	<b>252,695</b>
Policy acquisition costs	27,872	-	27,872	22,875	-	22,875
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>265,259</b>	<b>-</b>	<b>265,259</b>	<b>275,570</b>	<b>-</b>	<b>275,570</b>
<b>NET UNDERWRITING INCOME</b>	<b>46,371</b>	<b>-</b>	<b>46,371</b>	<b>38,890</b>	<b>-</b>	<b>38,890</b>

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19. Supplementary information (continued)

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

	2018			2017		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
<b>OTHER OPERATING (EXPENSES) INCOME</b>						
General and administrative expenses	(35,204)	(527)	(35,731)	(29,746)	(338)	(30,084)
Commission income on deposits	6,409	2,946	9,355	5,489	3,441	8,930
<b>TOTAL OTHER OPERATING EXPENSES, NET</b>	<b>(28,795)</b>	<b>2,419</b>	<b>(26,376)</b>	<b>(24,257)</b>	<b>3,103</b>	<b>(21,154)</b>
<b>Total income for the period</b>	<b>17,576</b>	<b>2,419</b>	<b>19,995</b>	<b>14,633</b>	<b>3,103</b>	<b>17,736</b>
<b>Total income for the period attributable to the shareholders</b>	<b>(15,818)</b>	<b>15,818</b>	<b>-</b>	<b>(13,170)</b>	<b>13,170</b>	<b>-</b>
<b>Total income attributed to the insurance operations</b>	<b>1,758</b>	<b>18,237</b>	<b>19,995</b>	<b>1,463</b>	<b>16,273</b>	<b>17,736</b>
<b>Earnings per share (expressed in SAR per share)</b>						
Basic earnings per share	-	-	0.41	-	-	0.36
Diluted earnings per share	-	-	0.41	-	-	0.36



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19. **Supplementary information (continued)**

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

	2018			2017		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
Total income	1,758	18,237	19,995	1,463	16,273	17,736
Other comprehensive (loss) income						
<i>Items that are or may be reclassified to the interim condensed statement of income in subsequent periods</i>						
Net change in fair value of available-for-sale investments	(4,197)	(2,186)	(6,383)	1,615	(1,094)	521
<b>TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD</b>	<b>(2,439)</b>	<b>16,051</b>	<b>13,612</b>	<b>3,078</b>	<b>15,179</b>	<b>18,257</b>

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19. Supplementary information (continued)

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

	Note	2018			2017		
		Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Total income for the period		1,758	18,237	19,995	1,463	16,273	17,736
<b><u>Adjustments for non-cash items:</u></b>							
Depreciation of property and equipment		680	-	680	613	-	613
Amortization of intangible assets		893	-	893	449	-	449
Amortization of discount on available-for-sales investments		(59)	(35)	(94)	(24)	(16)	(40)
Accretion of premium on available-for-sale investments		15	16	31	23	41	64
Accretion of premium on held-to-maturity investments		4	-	4	-	-	-
Performance share reserve		-	(73)	(73)	-	100	100
Shareholders' appropriation of surplus from insurance operations		15,818	(15,818)	-	13,170	(13,170)	-
<b><u>Changes in operating assets and liabilities:</u></b>							
Premiums and reinsurers' receivable		(134,677)	-	(134,677)	(201,480)	-	(201,480)
Reinsurers' share of unearned premiums		(44,550)	-	(44,550)	(71,822)	-	(71,822)
Reinsurers' share of outstanding claims		(11,752)	-	(11,752)	(1,044)	-	(1,044)
Reinsurers' share of claims incurred but not reported		(2,272)	-	(2,272)	(14,339)	-	(14,339)
Deferred policy acquisition costs		(16,723)	-	(16,723)	(23,848)	-	(23,848)

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19. Supplementary information (continued)

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

	2018			2017		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
Prepaid expenses and other assets	(2,949)	(1,748)	(4,697)	(7)	(1,771)	(1,778)
Accrued and other liabilities	11,039	255	11,294	30,510	255	30,765
Accrued commission on statutory deposits	-	(199)	(199)	-	131	131
Commission on statutory deposits payable	-	199	199	-	228	228
Advance premiums	7,783	-	7,783	(4,035)	-	(4,035)
Reinsurers' balances payable	44,658	-	44,658	88,788	-	88,788
Unearned premiums	326,630	-	326,630	360,509	-	360,509
Unearned reinsurance commission	3,595	-	3,595	6,094	-	6,094
Outstanding claims	23,984	-	23,984	(44,740)	-	(44,740)
Claims incurred but not reported and other reserves	73,266	-	73,266	100,783	-	100,783
Due to related parties	186	-	186	(2,298)	-	(2,298)
Employee benefit obligations	2,236	-	2,236	676	-	676
	299,563	834	300,397	239,441	2,071	241,512
Due from shareholders' operations	(18,203)	18,203	-	565	(565)	-
<b>Net cash generated from operating activities</b>	<b>281,360</b>	<b>19,037</b>	<b>300,397</b>	<b>240,006</b>	<b>1,506</b>	<b>241,512</b>

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**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2018**  
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

19. **Supplementary information (continued)**

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

	2018			2017		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Additions in short-term deposit	(164,708)	-	(164,708)	(57,651)	-	(57,651)
Purchase of available-for-sale investments	(51,743)	(24,207)	(75,950)	(31,833)	(9,877)	(41,710)
Proceed of available-for-sale investments	32	5,170	5,202	2,183	8,371	10,554
Additions/disposals in long term deposits	13,380	-	13,380	(103,380)	-	(103,380)
Additions in property and equipment	(71)	-	(71)	(881)	-	(881)
Additions in intangible assets	(430)	-	(430)	(55)	-	(55)
<b>Net cash used in investing activities</b>	<b>(203,540)</b>	<b>(19,037)</b>	<b>(222,577)</b>	<b>(191,617)</b>	<b>(1,506)</b>	<b>(193,123)</b>
Net change in cash and cash equivalents	77,820	-	77,820	48,389	-	48,389
Cash and cash equivalents, beginning of the period	117,776	-	117,776	132,662	-	132,662
<b>Cash and cash equivalents, end of the period</b>	<b>195,596</b>	<b>-</b>	<b>195,596</b>	<b>181,051</b>	<b>-</b>	<b>181,051</b>
<b>Supplemental cash flow information:</b>						
<b>Zakat and income tax provisions charged to shareholders' equity</b>	-	<b>3,973</b>	<b>3,973</b>	-	<b>3,748</b>	<b>3,748</b>
<b>Unrealised fair value changes on available-for-sale Investments</b>	<b>4,197</b>	<b>2,186</b>	<b>6,383</b>	<b>(673)</b>	<b>152</b>	<b>(521)</b>

**AXA COOPERATIVE INSURANCE COMPANY**  
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(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

**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 three-month period ended March 31, 2018.

**21. Approval of the interim condensed financial information**

The interim condensed financial information has been approved by the Board of Directors on May 10, 2018.