

*Convenience Translation of Financial Statements and Related Disclosures and Footnotes
Originally Issued in Turkish, See Note 2.1.1)*

Sompo Sigorta Anonim Şirketi
(Formerly known as Sompo Japan Sigorta A.Ş.)

31 December 2019
Financial Statements
Together With
Independent Auditors' Report Thereon
*(Convenience Translation of Financial Statements and
Related Disclosures and Footnotes Originally Issued in Turkish)*



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Director of Sompo Sigorta Anonim Şirketi

A) Audit of the Financial Statements

Opinion

We have audited the accompanying balance sheet of Sompo Sigorta Anonim Şirketi ("the Company") as at 31 December 2019 and the income statement, statements of changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year ended in accordance with prevailing accounting principles and standards as per the insurance legislation and Turkish Financial Reporting Standards decree for the matters not regulated by insurance legislation; "Insurance Accounting and Financial Reporting Legislation.

Basis for Opinion

We conducted our audit in accordance with the regulations on auditing principles in force as per the insurance legislation and Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We declare that we are independent of the Company in accordance with the Code of Ethics for Auditors issued by POA ("POA's Code of Ethics") and the ethical requirements that are relevant to our audit of the financial statements in Turkey and we have fulfilled our other ethical responsibilities in accordance with POA's Code of Ethics and regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Estimations and assumptions used in calculation of insurance technical reserves

Refer to Note 2.25 and 17 to the financial statements for details of accounting policies and significant accounting estimates and assumptions used in calculation of insurance technical reserve.

Key Audit Matter	How our audit addressed the key audit matter
<p>As at 31 December 2019, the Company's total technical reserves amounting to TL 3.005.694.027 and constitute 58 percent of total liabilities.</p> <p>The Company recognises provisions for outstanding claims amounting to TL 1.758.272.677 for the possible future claims related to insurance contracts.</p> <p>There are also incurred but not reported provisions ("IBNR") amounting to TL 1.302.834.535, net in the provision for outstanding claims for possible future claims. Company management used actuarial assumptions and estimations for calculating the outstanding claims reserve.</p> <p>Due to the nature of the technical reserves calculations which has uncertainty estimations and management judgments, this matter is determined to be a key audit matter.</p>	<p>Our audit procedures for the matter are included below:</p> <p>We evaluated the assumptions and estimations of the Company's outstanding claims provision calculations with the involvement of our actuarial specialists.</p> <p>In this context, we evaluated design, implementation and operating effectiveness of internal controls on recognition of the actual outstanding claims with the involvement of our IT specialists.</p> <p>We tested actual outstanding claims by comparing the transaction details with the supporting documents obtained on sample basis of from the files. We have obtained confirmation letter from Company's lawyer for the lawsuit files of the outstanding claims.</p> <p>We controlled the mathematical accuracy of the calculations and average file and opening amounts which are determined by company actuarial specialist. We evaluated the mathematical accuracy of technical reserves for each product.</p> <p>We recalculated the technical reserves and controlled the analyzes made by the Company's registered actuary for accuracy of the past experience and legislation.</p> <p>We evaluated the adequacy and appropriateness of financial statement disclosures, related to the technical reserves.</p>



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Insurance Accounting and Financial Reporting Legislation, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Responsibilities of auditors in an audit are as follows:

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the regulations on auditing principles in force as per the insurance legislation and Standards on Auditing issued by POA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with regulations on auditing principles in force as per the insurance legislation and Standards on Auditing issued by POA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of "material misstatement" of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B) Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 402 of the Turkish Commercial Code ("TCC"); no significant matter has come to our attention that causes us to believe that for the period 1 January - 31 December 2019, the Company's bookkeeping activities and financial statements are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.

2) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

A member firm of KPMG International Cooperative



Ali Tuğrul Uzun
Engagement Partner

30 April 2020
İstanbul, Turkey

**CONVENIENCE TRANSLATION OF THE COMPANY'S REPRESENTATION ON THE
FINANCIAL STATEMENT PREPARED AS AT 31 DECEMBER 2019**

We confirm that the financial statements and related disclosures and footnotes which were prepared as of 31 December 2019 in accordance with the accounting principles and standards in force as per the regulations of Prime Ministry Undersecretariat of Treasury are in compliance with the "Code Related to the Financial Reporting of Insurance, Reinsurance and Individual Pension Companies" and the financial records of our Company.

Istanbul, 13 March 2020



Recai Dalas
Member of Board of Directors',
Chief Executive Officer



Fahri Uğur
Chief Financial Officer



Günay Özkömrü
Finance and Administrative
Affairs Coordinator



Meltem Kara
Actuary
(Registry No. 140)

Sompo Sigorta Anonim Şirketi

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Sompo Sigorta Anonim Şirketi
Balance Sheet As At 31 December 2019

(Currency: Turkish Lira (TL))

*Convenience Translation of Financial Statements
and Related Disclosures and Footnotes
Originally Issued in Turkish, See Note 2.1.1*

ASSETS			
I- Current Assets	Note	Audited Current Period December 31, 2019	Audited Prior Period December 31, 2018
A- Cash and Cash Equivalents	2.12,14	3.543.604.161	3.058.256.072
1- Cash		-	-
2- Cheques Received		-	-
3- Banks	2.12,14	2.836.077.582	2.599.101.461
4- Cheques Given and Payment Orders		-	-
5- Bank Guaranteed Credit Card Receivables With Maturity Less Than Three Months	2.12,14	707.166.208	458.776.402
6- Other Cash and Cash Equivalents	2.12,14	360.371	378.209
B- Financial Assets and Financial Investments with Risks on Policyholders		682.390.908	178.332.763
1- Available-for-Sale Financial Assets	11	524.519.964	-
2- Held to Maturity Investments	11	157.870.944	178.332.763
3- Financial Assets Held for Trading		-	-
4- Loans and Receivables		-	-
5- Provision for Loans and Receivables		-	-
6- Financial Investments with Risks on Life Insurance Policyholders		-	-
7- Company's Own Equity Shares		-	-
8- Diminution in Value of Financial Investments		-	-
C- Receivables from Main Operations	12	463.409.689	403.601.904
1- Receivables from Insurance Operations	12	468.351.649	407.770.429
2- Provision for Receivables from Insurance Operations	4.2,12	(6.134.734)	(5.162.574)
3- Receivables from Reinsurance Operations		-	-
4- Provision for Receivables from Reinsurance Operations		-	-
5- Cash Deposited to Insurance & Reinsurance Companies		-	-
6- Loans to the Policyholders		-	-
7- Provision for Loans to the Policyholders		-	-
8- Receivables from Private Pension Operations		-	-
9- Doubtful Receivables from Main Operations	12	137.131.846	102.106.801
10- Provision for Doubtful Receivables from Main Operations	4.2,12	(135.939.072)	(101.112.752)
D- Due from Related Parties	12,45	647.159	43.577
1- Due from Shareholders	12,45	647.159	43.577
2- Due from Associates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Rediscount on Receivables from Related Parties		-	-
8- Doubtful Receivables from Related Parties		-	-
9- Provision for Doubtful Receivables from Related Parties		-	-
E- Other Receivables	4.2,12	3.903.494	113.812
1- Finance Lease Receivables		-	-
2- Unearned Finance Lease Interest Income		-	-
3- Deposits and Guarantees Given	4.2,12	105.509	111.538
4- Other Miscellaneous Receivables	4.2,12	3.797.985	2.274
5- Rediscount on Other Miscellaneous Receivables		-	-
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables		-	-
F- Prepaid Expenses and Income Accruals		297.522.906	210.698.497
1- Deferred Acquisition Costs	17	242.925.012	185.071.189
2- Accrued Interest and Rent Income		-	-
3- Income Accruals	2.10,13	41.144.918	16.410.850
4- Other Prepaid Expenses	17	13.452.976	9.216.458
G- Other Current Assets		6.586.317	2.543.184
1- Stocks to be Used in the Following Months		-	453.160
2- Prepaid Taxes and Funds	19	-	464.741
3- Deferred Tax Assets		-	-
4- Job Advances	12	505.872	569.694
5- Advances Given to Personnel	12	347.527	378.983
6- Inventory Count Differences		-	-
7- Other Miscellaneous Current Assets		5.732.918	676.606
8- Provision for Other Current Assets		-	-
I- Total Current Assets		4.998.064.634	3.853.589.809

The accompanying notes form an integral part of these financial statements.

Sompo Sigorta Anonim Şirketi
Balance Sheet As At 31 December 2019

(Currency: Turkish Lira (TL))

*Convenience Translation of Financial Statements
and Related Disclosures and Footnotes
Originally Issued in Turkish, See Note 2.1.1*

ASSETS			
II- Non-Current Assets	Note	Audited Current Period December 31, 2019	Audited Prior Period December 31, 2018
A- Receivables from Main Operations		-	-
1- Receivables from Insurance Operations		-	-
2- Provision for Receivables from Insurance Operations		-	-
3- Receivables from Reinsurance Operations		-	-
4- Provision for Receivables from Reinsurance Operations		-	-
5- Cash Deposited for Insurance and Reinsurance Companies		-	-
6- Loans to the Policyholders		-	-
7- Provision for Loans to the Policyholders		-	-
8- Receivables from Individual Pension Business		-	-
9- Doubtful Receivables from Main Operations		-	-
10- Provision for Doubtful Receivables from Main Operations		-	-
B- Due from Related Parties		-	-
1- Due from Shareholders		-	-
2- Due from Associates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Rediscount on Receivables from Related Parties		-	-
8- Doubtful Receivables from Related Parties		-	-
9- Provision for Doubtful Receivables from Related Parties		-	-
C- Other Receivables		-	-
1- Finance Lease Receivables		-	-
2- Unearned Finance Lease Interest Income		-	-
3- Deposits and Guarantees Given		-	-
4- Other Miscellaneous Receivables		-	-
5- Rediscount on Other Miscellaneous Receivables		-	-
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables		-	-
D- Financial Assets	9	569.340	430.032
1- Investments in Equity Shares		-	-
2- Investments in Associates	9	569.340	430.032
3- Capital Commitments to Associates		-	-
4- Investments in Subsidiaries		-	-
5- Capital Commitments to Subsidiaries		-	-
6- Investments in Joint Ventures		-	-
7- Capital Commitments to Joint Ventures		-	-
8- Financial Assets and Financial Investments with Risks on Policyholders		-	-
9- Other Financial Assets		-	-
10- Impairment in Value of Financial Assets		-	-
E- Tangible Assets		153.562.987	28.588.710
1- Investment Properties	6,7	3.097.818	1.991.878
2- Impairment for Investment Properties		-	-
3- Owner Occupied Property	6	128.759.019	8.542.769
4- Machinery and Equipments		-	-
5- Furniture and Fixtures	6	25.882.260	23.077.456
6- Motor Vehicles	6	2.542.612	1.946.281
7- Other Tangible Assets (Including Leasehold Improvements)	6	12.733.092	11.003.656
8- Tangible Assets Acquired Through Finance Leases	6	8.134.793	72.809
9- Accumulated Depreciation	6	(27.586.607)	(18.046.139)
10- Advances Paid for Tangible Assets (Including Construction in Progress)		-	-
F- Intangible Assets		11.998.229	10.086.302
1- Rights		-	-
2- Goodwill		-	-
3- Pre-operating Expenses		-	-
4- Research and Development Costs		-	-
5- Other Intangible Assets	8	31.637.689	24.093.519
6- Accumulated Amortization	8	(19.969.813)	(14.236.949)
7- Advances Paid for Intangible Assets	8	330.353	229.732
G- Prepaid Expenses and Income Accruals		-	-
1- Deferred Acquisition Costs		-	-
2- Income Accruals		-	-
3- Other Prepaid Expenses		-	-
H- Other Non-Current Assets		14.739.854	24.350.741
1- Effective Foreign Currency Accounts		-	-
2- Foreign Currency Accounts		-	-
3- Stocks to be Used in the Following Years		-	-
4- Prepaid Taxes and Funds		-	-
5- Deferred Tax Assets	21	14.739.854	24.350.741
6- Other Miscellaneous Non-Current Assets		-	-
7- Amortization on Other Non-Current Assets		-	-
8- Provision for Other Non-Current Assets		-	-
II- Total Non-Current Assets		180.870.410	63.455.785
Total Asset		5.178.935.044	3.917.045.594

The accompanying notes form an integral part of these financial statements.

Sompo Sigorta Anonim Şirketi
Balance Sheet As At 31 December 2019

(Currency: Turkish Lira (TL))

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LIABILITIES			
III- Short-Term Liabilities	Note	Audited Current Period December 31, 2019	Audited Prior Period December 31, 2018
A- Financial Liabilities	13,20	42.607.725	75.542.202
1- Borrowings from Financial Institutions		-	-
2- Finance Lease Payables	20	3.434.622	-
3- Deferred Leasing Costs	20	(383.867)	-
4- Current Portion of Long Term Debts		-	-
5- Principal Installments and Interests on Bonds Issued		-	-
6- Other Financial Assets Issued		-	-
7- Valuation Differences of Other Financial Assets Issued		-	-
8- Other Financial Liabilities	13,20	39.556.970	75.542.202
B- Payables Arising from Main Operations	19	207.343.952	212.385.075
1- Payables Arising from Insurance Operations	19	174.464.017	184.472.012
2- Payables Arising from Reinsurance Operations		-	-
3- Cash Deposited by Insurance and Reinsurance Companies		-	-
4- Payables Arising from Pension Operations		-	-
5- Payables Arising from Other Operations	19	32.879.935	27.913.063
6- Discount on Payables from Other Operations		-	-
C-Due to Related Parties	19	9.322.313	43.761
1- Due to Shareholders		-	-
2- Due to Associates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel	19	9.322.313	43.761
6- Due to Other Related Parties		-	-
D- Other Payables	19	61.162.789	38.175.513
1- Deposits and Guarantees Received		-	-
2- Payables to Social Security Institution Related to Treatment Expenses	19	49.324.814	30.070.844
3- Other Miscellaneous Payables	19,23	12.433.420	8.923.423
4- Discount on Other Miscellaneous Payables	19	(595.445)	(818.754)
E-Insurance Technical Provisions	17	2.966.792.561	2.275.936.925
1- Reserve for Unearned Premiums - Net	2,24,17	1.202.349.517	827.786.312
2- Reserve for Unexpired Risks- Net	2,27,17	693.220	59.160
3- Life Mathematical Provisions - Net		-	-
4- Provision for Outstanding Claims - Net	2,25,17	1.758.272.677	1.448.091.453
5- Provision for Bonus and Discounts - Net		-	-
6- Provision for Policies Relating to Life Insurance Policyholders		-	-
7- Other Technical Provisions - Net	17	5.477.147	-
F- Provisions for Taxes and Other Similar Obligations	19	95.349.464	30.558.290
1- Taxes and Funds Payable		41.144.457	29.145.768
2- Social Security Premiums Payable		1.865.505	1.412.522
3- Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
4- Other Taxes and Similar Payables		-	-
5- Provisions for Corporate Tax and Other Legal Liabilities Regarding Current Year Income	19,35	126.211.626	93.861.576
6- Prepaid Taxes and Other Liabilities Regarding Current Year Income	19	(73.872.124)	(93.861.576)
7- Provisions for Other Taxes and Similar Liabilities		-	-
G- Provisions for Other Risks	23	4.628.290	5.242.465
1- Provision for Employee Termination Benefits		-	-
2- Provision for Pension Fund Deficits		-	-
3- Provisions for Costs	23	4.628.290	5.242.465
H- Deferred Income and Expense Accruals	19	115.040.263	96.611.221
1- Deferred Commission Income	10	107.824.520	94.018.857
2- Expense Accruals		-	-
3- Other Deferred Income	19	7.215.743	2.592.364
I- Other Short Term Liabilities		-	-
1- Deferred Tax Liabilities		-	-
2- Inventory Count Differences		-	-
3- Other Various Short Term Liabilities		-	-
III – Total Short Term Liabilities		3.502.247.357	2.734.495.452

The accompanying notes form an integral part of these financial statements.

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Balance Sheet As At 31 December 2019

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LIABILITIES			
IV- Long-Term Liabilities	Note	Audited Current Period December 31, 2019	Audited Prior Period December 31, 2018
A- Financial Liabilities	20	2.102.608	-
1- Borrowings from Financial Institutions		-	-
2- Finance Lease Payables	20	2.155.502	-
3- Deferred Leasing Costs	20	(52.894)	-
4- Bonds Issued		-	-
5- Other Financial Assets Issued		-	-
6- Valuation Differences of Other Financial Assets Issued		-	-
7- Other Financial Liabilities		-	-
B- Payables Arising from Operating Activities		-	-
1- Payables Arising from Insurance Operations		-	-
2- Payables Arising from Reinsurance Operations		-	-
3- Cash Deposited by Insurance and Reinsurance Companies		-	-
4- Payables Arising from Pension Operations		-	-
5- Payables Arising from Other Operations		-	-
6- Discount on Payables from Other Operations		-	-
C- Due to Related Parties		-	-
1- Due to Shareholders		-	-
2- Due to Associates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		-	-
6- Due to Other Related Parties		-	-
D- Other Payables	19	10.872.421	9.512.973
1- Deposits and Guarantees Received	19	10.872.421	9.512.973
2- Other Miscellaneous Payables		-	-
3- Discount on Other Miscellaneous Payables		-	-
4- Payables to Social Security Institution		-	-
E-Insurance Technical Provisions	17	38.901.466	31.847.382
1- Reserve for Unearned Premiums - Net		-	-
2- Reserve for Unexpired Risks - Net		-	-
3- Life Mathematical Provisions - Net		-	-
4- Provision for Outstanding Claims - Net		-	-
5- Provision for Bonus and Discounts - Net		-	-
6- Provision for Policies Relating to Life Insurance Policyholders		-	-
7- Other Technical Provisions - Net	2,26,17	38.901.466	31.847.382
F-Other Liabilities and Relevant Accruals		-	-
1- Other Liabilities		-	-
2- Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
3- Other Liabilities and Expense Accruals		-	-
G- Provisions for Other Risks	23	3.113.245	2.016.034
1- Provisions for Employment Termination Benefits	23	3.113.245	2.016.034
2- Provisions for Pension Fund Deficits		-	-
H-Deferred Income and Expense Accruals	47	285.714	285.714
1- Deferred Commission Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income	47	285.714	285.714
I- Other Long Term Liabilities	23	4.107.388	3.064.669
1- Deferred Tax Liabilities		-	-
2- Other Long Term Liabilities	23	4.107.388	3.064.669
IV - Total Long Term Liabilities		59.382.842	46.726.772

The accompanying notes form an integral part of these financial statements.

Sompo Sigorta Anonim Şirketi
Balance Sheet As At 31 December 2019

(Currency: Turkish Lira (TL))

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EQUITY			
V- Equity	Note	Audited Current Period December 31, 2019	Audited Prior Period December 31, 2018
A- Paid in Capital		190.000.000	190.000.000
1- (Nominal) Capital	2.13,15	190.000.000	190.000.000
2- Unpaid Capital (-)		-	-
3- Positive Capital Restatement Differences		-	-
4- Negative Capital Restatement Differences (-)		-	-
5- Unregistered Capital		-	-
B- Capital Reserves		36.097	36.097
1- Share Premiums		-	-
2- Cancellation Profits of Equity Shares		-	-
3- Profit on Sale Assets That Will Be Transferred to Capital		-	-
4- Currency Translation Adjustments		-	-
5- Other Capital Reserves		36.097	36.097
C- Profit Reserves	15	956.725.709	658.009.583
1- Legal Reserves	15	54.315.038	39.926.152
2- Statutory Reserves		-	-
3- Extraordinary Reserves	15	883.399.137	610.010.333
4- Special Funds	15	(1.183.354)	(734.959)
5- Revaluation of Financial Assets	15	11.386.831	-
6- Other Profit Reserves	15	8.808.057	8.808.057
D- Retained Earnings		-	-
1- Retained Earnings		-	-
E- Accumulated Losses		-	-
1- Accumulated Losses		-	-
F-Net Profit/(Loss) for the Year		470.543.039	287.777.690
1- Net Profit for the Year		470.543.039	287.777.690
2- Net Loss for the Year		-	-
3- Net Profit for the Period not Subject to Distribution		-	-
V- Total Equity		1.617.304.845	1.135.823.370
Total Equity And Liabilities		5.178.935.044	3.917.045.594

The accompanying notes form an integral part of these financial statements.

Sompo Sigorta Anonim Şirketi
Statement of Income
For the Year Ended 31 December 2019
(Currency: Turkish Lira (TL))

*Convenience Translation of Financial Statements
and Related Disclosures and Footnotes
Originally Issued in Turkish, See Note 2.1.1*

	Note	Audited Current Period January 1- December 31, 2019	Audited Prior Period January 1- December 31, 2018
I-TECHNICAL SECTION			
A- Non-Life Technical Income		2.259.713.852	1.743.839.637
1- Earned Premiums (Net of Reinsurer Share)	17	1.828.207.603	1.495.354.946
1.1- Written Premiums (Net of Reinsurer Share)	17	2.203.404.868	1.522.921.723
1.1.1- Written Premiums, gross	17,24	3.363.087.938	2.509.170.943
1.1.2- Written Premiums, ceded	10,17,24	(1.007.488.165)	(877.146.895)
1.1.3- Written Premiums, SSI share	24	(152.194.905)	(109.102.325)
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)	17,29	(374.563.205)	(27.699.437)
1.2.1- Reserve for Unearned Premiums, gross	17	(475.017.950)	(111.988.551)
1.2.2- Reserve for Unearned Premiums, ceded	10,17	72.372.831	89.353.116
1.2.3- Reserve for Unearned Premiums, SSI share	17	28.081.914	(5.064.002)
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)	17,29	(634.060)	132.660
1.3.1- Reserve for Unexpired Risks, gross	17	(2.573.414)	270.158
1.3.2- Reserve for Unexpired Risks, ceded	17	1.939.354	(137.498)
2- Investment Income - Transferred from Non-Technical Section		392.586.448	199.858.120
3- Other Technical Income (Net of Reinsurer Share)		-	-
3.1- Other Technical Income, gross		-	-
3.2- Other Technical Income, ceded		-	-
4- Accrued Salvage and Subrogation Income	17	38.919.801	48.626.571
B- Non-Life Technical Expense		(1.849.436.505)	(1.556.275.957)
1- Incurred Losses (Net of Reinsurer Share)	17	(1.362.886.993)	(1.200.646.395)
1.1- Claims Paid (Net of Reinsurer Share)	17,29	(1.052.705.769)	(926.852.322)
1.1.1- Claims Paid, gross	17	(1.460.685.073)	(1.274.393.609)
1.1.2- Claims Paid, ceded	10	407.979.304	347.541.287
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	17,29	(310.181.224)	(273.794.073)
1.2.1- Change in Provisions for Outstanding Claims, gross	17	(443.519.087)	(365.209.643)
1.2.2- Change in Provisions for Outstanding Claims, ceded	17	133.337.863	91.415.570
2- Change in Provision for Bonus and Discounts (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
2.1- Provision for Bonus and Discounts, gross		-	-
2.2- Provision for Bonus and Discounts, ceded		-	-
3- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)	17	(12.531.231)	(5.262.170)
4- Operating Expenses	32	(417.916.946)	(307.869.110)
5- Change in Mathematical Provisions (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
6- Other Technical Expense	47	(56.101.335)	(42.498.282)
6.1- Other Technical Expense, gross	47	(56.101.335)	(42.498.282)
6.2- Other Technical Expense, ceded		-	-
C- Net Technical Income-Non-Life (A – B)		410.277.347	187.563.680
D- Life Technical Income		-	-
1- Earned Premiums (Net of Reinsurer Share)		-	-
1.1- Written Premiums (Net of Reinsurer Share)		-	-
1.1.1- Written Premiums, gross		-	-
1.1.2- Written Premiums, ceded		-	-
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)		-	-
1.2.1- Reserve for Unearned Premiums, gross		-	-
1.2.2- Reserve for Unearned Premiums, ceded		-	-
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
1.3.1- Reserve for Unexpired Risks, gross		-	-
1.3.2- Reserve for Unexpired Risks, ceded		-	-
2- Investment Income		-	-
3- Unrealized Gains on Investments		-	-
4- Other Technical Income (Net of Reinsurer Share)		-	-
4.1- Other Technical Income, gross		-	-
4.2- Other Technical Income, ceded		-	-

Sompo Sigorta Anonim Şirketi
Statement of Income
For the Year Ended 31 December 2019
(Currency: Turkish Lira (TL))

*Convenience Translation of Financial Statements
and Related Disclosures and Footnotes
Originally Issued in Turkish, See Note 2.1.1*

	Note	Audited Current Period January 1- December 31, 2019	Audited Prior Period January 1- December 31, 2018
I-TECHNICAL SECTION			
E- Life Technical Expense		-	-
1- Incurred Losses (Net of Reinsurer Share)		-	-
1.1- Claims Paid (Net of Reinsurer Share)		-	-
1.1.1- Claims Paid, gross		-	-
1.1.2- Claims Paid, ceded		-	-
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
1.2.1- Change in Provisions for Outstanding Claims, gross		-	-
1.2.2- Change in Provisions for Outstanding Claims, ceded		-	-
2- Change in Provision for Bonus and Discounts (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
2.1- Provision for Bonus and Discounts, gross		-	-
2.2- Provision for Bonus and Discounts, ceded		-	-
3- Change in Life Mathematical Provisions (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
3.1- Change in Mathematical Provisions, gross		-	-
3.1.1-Actuarial Mathematical Reserve			
3.1.2- Profit Share Reserve (Provision for Policies Relating to Life Insurance Policyholders)			
3.2- Change in Mathematical Provisions, ceded		-	-
3.2.1- Actuarial Mathematical Reserve, ceded			
3.2.2- Profit Share Reserve,ceded (Provision for Policies Relating to Life Insurance Policyholders)			
4- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
5- Operating Expenses		-	-
6- Investment Expenses		-	-
7- Unrealized Losses on Investments		-	-
8- Investment Income Transferred to the Non-Life Technical Section		-	-
F- Net Technical Income- Life (D – E)		-	-
G- Pension Business Technical Income		-	-
1- Fund Management Income		-	-
2- Management Fee		-	-
3- Entrance Fee Income		-	-
4- Management Expense Charge in case of Suspension		-	-
5- Income from Private Service Charges		-	-
6- Increase in Value of Capital Allowances Given as Advance		-	-
7- Other Technical Expense		-	-
H- Pension Business Technical Expense		-	-
1- Fund Management Expense		-	-
2- Decrease in Value of Capital Allowances Given as Advance		-	-
3- Operating Expenses		-	-
4- Other Technical Expenses		-	-
I- Net Technical Income - Pension Business (G – H)		-	-

The accompanying notes form an integral part of these financial statements.

Sompo Sigorta Anonim Şirketi
Statement of Income
For the Year Ended 31 December 2019
(Currency: Turkish Lira (TL))

*Convenience Translation of Financial Statements
and Related Disclosures and Footnotes
Originally Issued in Turkish, See Note 2.1.1*

	Note	Audited Current Period January 1- December 31, 2019	Audited Prior Period January 1- December 31, 2018
II-NON-TECHNICAL SECTION			
C- Net Technical Income – Non-Life (A-B)		410.277.347	187.563.680
F- Net Technical Income – Life (D-E)		-	-
I - Net Technical Income – Pension Business (G-H)		-	-
J- Total Net Technical Income (C+F+I)		410.277.347	187.563.680
K- Investment Income		994.898.447	1.046.814.846
1- Income from Financial Assets	4.2	193.391.520	221.578.203
2- Income from Disposal of Financial Assets		-	-
3- Valuation of Financial Assets	11	16.417.838	10.427.056
4- Foreign Exchange Gains	4.2	439.036.007	798.224.063
5- Income from Associates	4.2	139.308	63.044
6- Income from Subsidiaries and Joint Ventures		-	-
7- Income from Property, Plant and Equipment	4.2	68.980	44.790
8- Income from Derivative Transactions	4.2	345.769.699	16.410.850
9- Other Investments	4.2	75.095	66.840
10- Income Transferred from Life Section		-	-
L- Investment Expense		(769.314.757)	(822.927.962)
1- Investment Management Expenses (inc. interest)		(8.912.758)	(12.703.323)
2- Diminution in Value of Investments		-	-
3- Loss from Disposal of Financial Assets		-	-
4- Investment Income Transferred to Non-Life Technical Section		(392.586.448)	(199.858.120)
5- Loss from Derivative Transactions	4.2	(136.268.730)	(75.542.202)
6- Foreign Exchange Losses	4.2	(215.284.671)	(525.391.763)
7- Depreciation and Amortization Expenses	6.8	(16.262.150)	(9.432.554)
8- Other Investment Expenses		-	-
M- Income and Expenses From Other and Extraordinary Operations		(39.106.372)	(29.811.298)
1- Provisions	47	(36.399.876)	(33.327.100)
2- Rediscunts	47	6.914.322	(10.175.218)
3- Specified Insurance Accounts		-	-
4- Monetary Gains and Losses		-	-
5- Deferred Taxation (Deferred Tax Assets)	35	-	13.369.372
6- Deferred Taxation (Deferred Tax Liabilities)	35	(6.525.688)	-
7- Other Income	47	1.604.447	893.987
8- Other Expenses and Losses	47	(4.699.577)	(572.339)
9- Prior Year's Income		-	-
10- Prior Year's Expenses and Losses		-	-
N- Net Profit for the Year		470.543.039	287.777.690
1- Profit for the Year		596.754.665	381.639.266
2- Corporate Tax Provision and Other Fiscal Liabilities	35	(126.211.626)	(93.861.576)
3- Net Profit for the Year		-	-
4- Monetary Gains and Losses		-	-

The accompanying notes form an integral part of these financial statements.

Sompo Sigorta Anonim Şirketi
Statement of Cash Flows
For the Year Ended 31 December 2019
(Currency: Turkish Lira (TL))

*Convenience Translation of Financial Statements
and Related Disclosures and Footnotes
Originally Issued in Turkish, See Note 2.1.1*

	Note	Audited Current Period December 31, 2019	Audited Prior Period December 31, 2018
A. Cash flows from operating activities			
1. Cash provided from insurance activities		3.884.827.983	2.967.199.254
2. Cash provided from reinsurance activities		-	-
3. Cash provided from private pension business		-	-
4. Cash used in insurance activities		(3.590.090.296)	(1.068.332.330)
5. Cash used in reinsurance activities		-	-
6. Cash used in private pension business		-	-
7. Cash provided from operating activities		294.737.687	1.898.866.924
8. Interest paid		-	-
9. Income taxes paid	19	(73.872.124)	(94.326.317)
10. Other cash inflows		493.210.809	882.788.507
11. Other cash outflows		(515.679.793)	(385.533.988)
12. Net cash provided from operating activities		198.396.579	2.301.795.126
B. Cash flows from investing activities			
1. Proceeds from disposal of tangible assets	6,8	1.175.438	284.314
2. Acquisition of tangible assets	6,8	(135.272.990)	(18.167.839)
3. Acquisition of financial assets	11	(738.263.498)	(167.837.069)
4. Proceeds from disposal of financial assets	11	265.221.692	5.000.000
5. Interests received		195.344.009	227.526.394
6. Dividends received		139.308	63.044
7. Other cash inflows		345.913.774	16.522.479
8. Other cash outflows		(57.311.620)	(567.585.693)
9. Net cash provided by / (used in) investing activities		(123.053.887)	(504.194.370)
C. Cash flows from financing activities			
1. Equity shares issued		-	-
2. Cash provided from loans and borrowings		-	-
3. Finance lease payments		-	-
4. Dividends paid		-	-
5. Other cash inflows		-	-
6. Other cash outflows		-	-
7. Net cash provided by financing activities		-	-
D. Effect of exchange rate fluctuations on cash and cash equivalents		(173.568.705)	(46.297.816)
E. Net increase /(decrease) in cash and cash equivalents		(98.226.013)	1.751.302.940
F. Cash and cash equivalents at the beginning of the year	2.12, 14	2.614.064.752	862.761.812
G. Cash and cash equivalents at the end of the year	2.12, 14	2.515.838.739	2.614.064.752

The accompanying notes form an integral part of these financial statements

Sompo Sigorta Anonim Şirketi
Statement of Changes in Equity
For the Year Ended 31 December 2019

(Currency: Turkish Lira (TL))

*Convenience Translation of Financial Statements
and Related Disclosures and Footnotes
Originally Issued in Turkish, See Note 2.1.1*

Audited Changes in Equity – December 31, 2019												
	Note	Paid-in capital	Own shares of the company	Revaluation of financial assets	Inflation adjustment	Currency translation adjustment	Legal reserves	Statutory reserves	Other reserves and retained earnings	Net profit for the year	Retained earnings	Total
I - Balance at the end of the previous year – 31 December 2018		190.000.000	-	-	-	-	39.926.152	-	618.119.528	287.777.690	-	1.135.823.370
II- Changes in Accounting Policy		-	-	-	-	-	-	-	-	-	-	-
III- New Balances 1 January 2019		190.000.000	-	-	-	-	39.926.152	-	618.119.528	287.777.690	-	1.135.823.370
A- Capital increase		-	-	-	-	-	-	-	-	-	-	-
1- In cash		-	-	-	-	-	-	-	-	-	-	-
2- From reserves		-	-	-	-	-	-	-	-	-	-	-
B- Purchase of own shares		-	-	-	-	-	-	-	-	-	-	-
C- Gains or losses that are not included in the statement of income		-	-	-	-	-	-	-	(448.395)	-	-	(448.395)
D- Change in the value of financial assets		-	-	11.386.831	-	-	-	-	-	-	-	11.386.831
E- Currency translation adjustments		-	-	-	-	-	-	-	-	-	-	-
F- Other gains or losses		-	-	-	-	-	-	-	-	-	-	-
G- Inflation adjustment differences		-	-	-	-	-	-	-	-	-	-	-
H- Net profit for the year		-	-	-	-	-	-	-	-	470.543.039	-	470.543.039
I – Other reserves and transfers from retained earnings		-	-	-	-	-	14.388.886	-	273.388.804	(287.777.690)	-	-
J- Dividends paid		-	-	-	-	-	-	-	-	-	-	-
II - Balance at the end of the year – 31 December 2019		190.000.000	-	11.386.831	-	-	54.315.038	-	891.059.937	470.543.039	-	1.617.304.845
Audited Changes in Equity – December 31, 2018												
	Note	Paid-in capital	Own shares of the company	Revaluation of financial assets	Inflation adjustment	Currency translation adjustment	Legal reserves	Statutory reserves	Other reserves and retained earnings	Net profit for the year	Retained earnings	Total
I - Balance at the end of the previous year – 31 December 2017		190.000.000	-	-	-	-	26.009.663	-	353.889.398	278.329.766	-	848.228.827
II- Changes in Accounting Policy		-	-	-	-	-	-	-	-	-	-	-
III- New Balances 1 January 2018		190.000.000	-	-	-	-	26.009.663	-	353.889.398	278.329.766	-	848.228.827
A- Capital increase		-	-	-	-	-	-	-	-	-	-	-
1- In cash		-	-	-	-	-	-	-	-	-	-	-
2- From reserves		-	-	-	-	-	-	-	-	-	-	-
B- Purchase of own shares		-	-	-	-	-	-	-	-	-	-	-
C- Gains or losses that are not included in the statement of income		-	-	-	-	-	-	-	(183.147)	-	-	(183.147)
D- Change in the value of financial assets		-	-	-	-	-	-	-	-	-	-	-
E- Currency translation adjustments		-	-	-	-	-	-	-	-	-	-	-
F- Other gains or losses		-	-	-	-	-	-	-	-	-	-	-
G- Inflation adjustment differences		-	-	-	-	-	-	-	-	-	-	-
H- Net profit for the year		-	-	-	-	-	-	-	-	287.777.690	-	287.777.690
I – Other reserves and transfers from retained earnings		-	-	-	-	-	13.916.489	-	264.413.277	(278.329.766)	-	-
J- Dividends paid		-	-	-	-	-	-	-	-	-	-	-
II - Balance at the end of the year – 31 December 2018		190.000.000	-	-	-	-	39.926.152	-	618.119.528	287.777.690	-	1.135.823.370

The accompanying notes form an integral part of these financial statements.

1. General Information

1.1. Name and Structure of the Parent Company

As of December 31, 2019 and December 31, 2018, capital group of Sompo Sigorta Anonim Şirketi (Formerly known as Sompo Japan Sigorta Anonim Şirketi) ("Company") whose capital is directly or indirectly controlled is Sompo International Holdings Inc..

The Company was established in Turkey on March 30, 2001, pursuant to the license obtained from Republic of Turkey Ministry of Treasury and Finance to engage in all types of property and casualty insurance and reinsurance business under the name of Fiba Sigorta Anonim Şirketi. The Company's legal title was changed to Finans Sigorta Anonim Şirketi from Fiba Sigorta Anonim Şirketi on June 5, 2002 and changed back to Fiba Sigorta Anonim Şirketi from Finans Sigorta Anonim Şirketi through Board of Directors' Resolution numbered 2007/150 and dated August 13, 2007.

As at June 15, 2010, Fiba Holding AŞ, the Company's main shareholder, has signed Share Purchase Agreement with Sompo Japan Insurance Inc. in order to transfer all shares. Following the approval of Turkish Treasury dated October 8, 2010 numbered 47481, the Company's majority portion of shares are transferred to Sompo Japan Insurance Inc. on November 2, 2010. European Bank For Reconstruction and Development has been taken over 399.600.000 shares with nominal value of TL 3.996.000 owned by Sompo Japan Insurance Inc on December 15, 2010. It was decided to change the title of the Company to "Sompo Japan Sigorta Anonim Şirketi" at the Ordinary General Assembly Meeting held on February 21, 2011.

Sompo Japan Insurance Inc. and Nipponka Insurance Co. merged under Sompo Japan Nipponka Insurance Inc. in 2014. The Company continued its activities under joint stock company after transferring 399.600.000 shares with nominal value of TL 3.996.000 owned by European Bank For Reconstruction to Sompo Japan Nipponkoa Insurance Inc. with the decision of Board of Directors numbered 538 dated at October 31, 2016.

According to Extraordinary General Meeting on May 15, 2019, the title of the Company has been decided to change as "Sompo Sigorta A.Ş." which was "Sompo Japan Sigorta A.Ş.", and the decision has been registered in official gazette with 9838 No on May 28, 2019.

On November 7, 2019, the sole shareholder of the Company has changed as "Sompo International Holdings Ltd." and it has published in official gazette with 9956 No on November 21, 2019.

1. General Information

1.2. Residency and legal nature of the organization, its country of incorporation and registered address (or if different than the place of the registered office, the main place of the operation)

The Company is registered at Turkey in 2001 and has the nature of a Joint Stock Company established and organized under the provisions of the Turkish Commercial Code. The Company operates in address of Beykoz-Kavacık, Rüzgarlıbahçe Mahallesi Cumhuriyet Caddesi No:10 Acarlar İş Merkezi C-Blok in İstanbul, Turkey.

1.3. Main Operations of the Company

The Company, operates all branches including fire and natural disasters, marine, water crafts, water crafts liability, motor vehicle, third party liability for motor vehicles (MTPL), accident, rail vehicles, air crafts, air crafts liability, general losses, general liability, suretyship, legal protection, credit, illness/health, support and financial losses branches except life branch within the framework of operating licenses received from the Republic of Turkey Ministry of Finance and Treasury.

1.4. Details of the Company's operations and nature of activities

The Company operates in compliance with the Insurance Law No.5684 (the "Insurance Law") issued on June 14, 2007 in Official Gazette No.26552 and the other regulations and regulations issued by the Republic of Turkey Ministry of Finance and Treasury. The Company operates in insurance branches stated in Note 1.3. As of December 31, 2019, the Company works with all authorized 2.305 agencies (December 31, 2018: 2.178 agencies).

1.5. Average number of employees during the period by category

The average number of the employees in the period in by categories is as follows:

	December 31, 2019	December 31, 2018
Senior level executives	8	9
Other personnel	624	558
Total	632	567

1.6. Salaries and similar benefits provided to senior-level executives

Total amount of salaries and similar benefits provided to senior-level executives such as chairman and members of Board of Directors and general manager, assistant general managers as of 1 January – 31 December 2019 period is TL 26.108.987 (December 31, 2018: TL 8.495.988).

1. General Information (continued)

1.7. Keys used in distribution of investment income and operating expenses (personnel, management, research & development, marketing and sales, outsourced utilities and services and other operating expenses) in the financial statements

In accordance with the January 4, 2008 dated and 2008/1 numbered "Communiqué Related to the Procedures and Principles for the Keys Used in the Financial Statements Being Prepared In Accordance With Insurance Accounting Plan" issued by the Republic of Turkey Ministry of Treasury and Finance, the number of policies generated for each sub-branch in the last 3 years is distributed according to average of 3 ratios that are proportion of gross written premium number and claim notification number to total issued policy number, proportion of gross written premium number and claim notification number to gross written premium number and proportion of gross written premium number and claim notification number to claim notification number.

The Company transferred the entire income it obtained from investment of financial assets from non-technical section to technical section and left the other investment income in the non-technical section. As of December 31, 2019 the income transferred from non-technical to technical section this way is TL 392.586.448 (December 31, 2018: TL 199.858.120).

1.8. Whether the financial statements contain a single company or a group of companies

The accompanying financial statements only contain the financial information of Sompo Sigorta Anonim Şirketi.

1.9. Name and other identification of the reporting entity and any changes occurred in this information since the previous balance sheet date

Company Legal Title: Sompo Sigorta Anonim Şirketi (Formerly known as Sompo Japan Sigorta A.Ş.)
Company Headquarter Address: Kavacık Rüzgarlıbahçe Mahallesi Cumhuriyet Caddesi, No:10 Acarlar İş Merkezi, C Blok, Beykoz / İstanbul
Company's Web page Address: www.somposigorta.com.tr

The information presented above has not changed since the end of the previous balance sheet period.

1.10 Events Occurred after the Balance Sheet Date

Events occurred after the balance sheet date have been disclosed in Note 46.

2. Summary of Significant Accounting Policies

2.1. Principles of Preparation

2.1.1. Basis of Preparation of Financial Statements and Specific Accounting Policies Used

Insurance and Reinsurance and Pension Companies prepares financial statements according to Communiqué on Presentation of Financial Statements of the Undersecretariat of Treasury that entered into force and published on the Official Gazette dated April 18, 2008 and numbered 26851.

Since January 1, 2008, the Company recognizes its operations in compliance with the "Regulation on Financial Reporting of Insurance and Reinsurance and Pension Companies" that was published on July 14, 2007 and entered into force on January 1, 2008 and within the frame of the said regulation, Turkish Financial Reporting Standards ("TFRS") and other regulations, explanations and circulars published by the Republic of Turkey Ministry of Treasury and Finance in relation to the accounting and financial reporting principles. Pursuant to the letter of Republic of Turkey Ministry of Treasury and Finance dated February 18, 2008, numbered 9, "TMS 1-Financial Statements and Presentation", "TMS 27-Consolidated and Non-consolidated Financial Statements", "TFRS 1-Transmission to TFRS" and "TFRS 4-Insurance Contracts" were excluded from the scope of this practice in 2008. In addition, the insurance companies are required to apply the Communiqué on Preparation of Consolidated Financial Statements of Insurance and Reinsurance and Pension Companies that was published on the Official Gazette dated December 31, 2009, numbered 27097 ("Consolidation Communiqué") starting from March 31, 2009. Partnerships other than insurance and reinsurance and pension companies have been excluded from the scope till March 31, 2010 under the provisional article 2 of the said Communiqué.

Financial Statements are prepared accordance with the prevailing accounting principles and standards as per the insurance legislation and Turkish Financial Reporting Standards decree for the matters not regulated by insurance legislation

The balance sheet and the statement of income for the period ended December 31, 2019 is approved by the Company. The Company's General Assembly and/or legal authorities has the right to change the accompanying financial statements.

2.1.2. Other accounting policies as applicable for better understanding of financial statements

Adjustment of Financial Statements in High Inflation Periods

In accordance with the Republic of Turkey Ministry of Treasury and Finance's statement no: 19387 issued on April 4, 2005, the Company's financial statements as of December 31, 2004 are adjusted and its 2005 openings are prepared based on the requirements set out in "the preparation of financial statements in hyperinflationary periods" specified in the Capital Market Board's (CMB) Decree Volume: XI, No: 25 "Accounting Standards in Capital Markets" which was published in the Official Gazette No: 25290 on January 15, 2003. In addition, the preparation of financial statements in hyperinflationary periods has not been applied in accordance with the statement of the Republic of Turkey Ministry of Treasury and Finance. Therefore, as of March 31, 2014 and December 31, 2012, non-monetary balance sheet assets and liabilities and equity items, including capital share, are calculated by indexing of inputs as of December 31, 2004 (for inputs prior to December 31, 2004) and carrying inputs subsequent to December 31, 2004 at nominal value.

2.1.3. Functional Currency

The accompanying financial statements are presented in TL, which is the Company's functional currency.

2.1.4 Rounding grade of amounts presented in financial statements

Financial information given in TL is rounded to the nearest full TL value .

2. Summary of Significant Accounting Policies (continued)

2.1. Basis of Preparation (continued)

2.1.5 Measurement basis used to prepare financial statements

The financial statements have been prepared on the historical cost basis, adjusted for the effects of inflation accounting until December 31, 2004, which is the end of the hyperinflationary period, except for those financial assets held for trading that are measured at fair value where reliable measurement is possible.

2.1.6. Changes and errors in accounting policies

Except as described below, the accounting policies applied in these financial statements are the same as those applied in the last annual financial statements.

The Company has initially adopted TFRS 16 Leases from 1 January 2019. A number of other new standards are effective from 1 January 2019. The effects of these changes on the Company's financial statements are described below;

TFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Company, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Company has applied TFRS 16 using the modified retrospective approach which means initial right of use equals to initial financial lease liability. The details of the changes in accounting policies are disclosed below;

The Company has chosen to exclude its buildings still in operation from the scope of TFRS 16 due the Company has the right to withdraw before 6 months on lease contracts.

a-) Definition of a lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under TFRS Comment 4 Determining Whether an Arrangement contains a Lease. The Company now assesses whether a contract is or contains a lease based on the new definition of a lease. Under TFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to TFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied TFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under TAS 17 and TFRS Comment 4 were not reassessed. Therefore, the definition of a lease under TFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Company has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

2. Summary of Significant Accounting Policies (continued)

2.1. Basis of Preparation (continued)

2.1.6. Changes and errors in accounting policies (continued)

b-) As a lessee

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under TFRS 16, the Company recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

However, the Company has elected not to recognise right-of-use assets and lease liabilities for some leases of assets which are equipment leasings, IT equipment and other leasings due amount of these leases is lower than materiality under TFRS 16. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The carrying amounts of right-of-use assets are as below;

TL	Tangible assets
	Vehicles
Balance at 1 January 2019	7.703.992
Balance at 31 December 2019	4.990.769

The Company has presented lease liabilities in “Financial Liabilities (Note 20)” recognized under the financial statement.

i. Significant accounting policies

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. When a right-of-use asset meets the definition of investment property, it is presented in investment property. The right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Company’s accounting policies.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. As of January 1, 2019, weighted average of incremental borrowing rate used by the Company for TL and EUR lease liabilities reflected through statement of financial position is 23,1% and 4,3%.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company has applied judgment to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

2. Summary of Significant Accounting Policies (continued)

2.1. Basis of Preparation (continued)

2.1.6. Changes and errors in accounting policies (continued)

ii. Transition

At transition, for leases classified as operating leases under TAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted using the alternative borrowing interest rate on the first application date. Right-of-use assets are measured at either:

- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Company used the following practical expedients when applying TFRS 16 to leases previously classified as operating leases under TAS 17.

- As of 1 January 2019, applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Within the scope of the definition of non-cancellable rental period within TFRS 16, there is no reasonable certainty as to whether the option of terminating the lease of any building rented by the Company will be used. For this reason, considering the non-cancellation periods rather than the contract periods, all building contracts become less than 1 year and are excluded from the scope of the standard.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

c-) Impact on financial statements

i. Impacts on transition

The impact on transition through TFRS 16 is summarised below.

TL	1 January 2019
Right-of-use assets presented in tangible assets	7.703.992
Lease liabilities	7.703.992

TL	1 January 2019
Operating lease commitment at 31 December 2018 as disclosed in the Company's financial statements	21.549.651
Lease liabilities discounted using the incremental borrowing rate at 1 January 2019	7.703.992
Lease liabilities recognised at 1 January 2019	7.703.992

ii. Impacts for the period

As a result of initial measurement of TFRS 16, in relation to the leases that were previously classified as operating leases, the Company recognized 4.990.769 TL of right-of-use assets and 5.153.363 TL lease liabilities as at 31 December 2019.

Also in relation to those leases under TFRS 16, the Company has recognised depreciation and interest costs, instead of operating lease expense. As at 31 December 2019, the Company recognised 3.230.447 TL depreciation charges and 436.761 TL interest costs from these leases.

2. Summary of Significant Accounting Policies (continued)

2.1. Basis of Preparation (continued)

2.1.7. New Standards and Comments which are not yet adopted

Standards published as of December 31, 2019 but not yet in force and not implemented early

Standards issued but not yet effective and not early adopted

A number of new standards, interpretations of and amendments to existing standards are not effective at reporting date and earlier application is permitted; however the Company has not early adopted are as follows.

The revised Conceptual Framework (updated)

The revised Conceptual Framework issued on 28 March 2018 by the POA. The Conceptual Framework sets out the fundamental concepts for financial reporting that guide the Board in developing TFRS Standards. It helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information for investors, lenders and other creditors. The Conceptual Framework also assists companies in developing accounting policies when no TFRS Standard applies to a particular transaction, and more broadly, helps stakeholders to understand and interpret the Standards. The revised Framework is more comprehensive than the old one – its aim is to provide the Board with the full set of tools for standard setting. It covers all aspects of standard setting from the objective of financial reporting, to presentation and disclosures. For companies that use the Conceptual Framework to develop accounting policies when no TFRS Standard applies to a particular transaction, the revised Conceptual Framework is effective for annual reporting periods beginning on or after 1 January 2020, with earlier application permitted.

Amendments to TFRS 4: Applying TFRS 9 Financial Instruments with TFRS 4 Insurance Contracts

TFRS 4 has been amended by POA to reduce the impact of the differing effective dates of the new insurance contracts standard and TFRS 9. These amendments to TFRS 4 provide two optional solutions for insurers to reduce concerns about implementations: i) when applying TFRS 9 by insurers to its financial assets, an insurer will be permitted to reclassify the difference between profit or loss and other comprehensive income and the amounts recognized in profit or loss under TFRS 9 and those that would have been reported under TAS 39; or ii) an optional temporary exemption from applying TFRS 9 for companies whose activities are predominantly connected with insurance before January 1, 2022. These companies will be permitted to continue to apply existing requirements for financial instruments in TAS 39.

The Company is assessing the potential impact on its financial statements resulting from the application of the amendments to TFRS 4.

2. Summary of Significant Accounting Policies (continued)

2.1. Basis of Preparation (continued)

2.1.7. New Standards and Comments which are not yet adopted (continued)

IFRS 17 –Insurance Contracts

On 16 February 2019, POA issued IFRS 17 Insurance Contracts. This first truly international standard for insurance contracts will help investors and others better understand insurers' risk exposure, profitability and financial position. IFRS 17 replaces IFRS 4, which was brought in as an interim Standard in 2004. IFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches. As a consequence, it is difficult for investors to compare and contrast the financial performance of otherwise similar companies. IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values – instead of historical cost. The information will be updated regularly, providing more useful information to users of financial statements. IFRS 17 has an effective date of January 1, 2022 but companies can apply it earlier.

The Company is assessing the potential impact on its financial statements resulting from the application of the amendments to IFRS 17.

IFRS 9 Financial Instruments (2017 Version)

IFRS 9, the latest version has been published in January 2017 by POA, replaces the existing guidance in TAS 39 Financial Instruments Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from TAS 39. The company has made preliminary evaluations regarding the financial assets and liabilities mentioned above in case of applying IFRS 9 and does not expect to have a significant impact on its financial statements. The International Accounting Standards Board has decided to apply IFRS 9 together with IFRS 17 on January 1, 2022. The Company is assessing the potential impact on its financial statements resulting from the application of the amendments to IFRS 9.

2. Summary of Significant Accounting Policies (continued)

2.1. Basis of Preparation (continued)

2.1.7. New Standards and Comments which are not yet adopted (continued)

Amendments to TAS 1 and TAS 8 - Definition of Material

In June 7, 2019, POA issued Definition of Material (Amendments to TAS 1 and TAS 8). The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in TFRS Standards. The amended "definition of material" was added to the important definition and it was stated that this expression could lead to similar results by not giving and giving misstating information. In addition, with this amendment, the terminology used in its definition of material has been aligned with the terminology used in the Conceptual Framework for Financial Reporting (Version 2018). Those amendments are prospectively effective for annual periods beginning on or after January 1, 2020 with earlier application permitted.

The Company does not expect that application of these amendments to TAS 1 and TAS 8 will have significant impact on its financial statements.

Interest Rate Benchmark Reform (Amendments to TFRS 9, TAS 39 and TFRS 7)

Interest Rate Benchmark Reform, which amended TFRS 9, TAS 39 and TFRS 7 issued in December 14, 2019 by POA. In 2018, International Accounting Standards Committee has determined issues about international incremental borrowing rate which will be deal after the change and before the change and classified these issues as before and after the change issues.

IASB considered the pre-replacement issues to be more urgent and decided to address the following hedge accounting requirements as a priority in the first phase of the project:

- (a) The highly probable requirement;
- (b) Prospective assessments;
- (c) Retrospective assessment; and
- (d) Separately identifiable risk components.

All other hedge accounting requirements remain unchanged. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform.

Those amendments are prospectively effective for annual periods beginning on or after January 1, 2020 with earlier application permitted.

2.2. Consolidation

It is requested to publish consolidated financial statements according to "Communiqué on the Preparation of Consolidated Financial Statements of Insurance and Reinsurance Companies and Pension Companies" ("Consolidation Communiqué") published by the Republic of Turkey Ministry of Treasury and Finance in the Official Gazette No: 21097 dated December 31, 2008 and insurance, reinsurance and pension companies; In accordance with the Consolidation Communiqué, consolidated financial statements have not been prepared due to the Company has no subsidiaries. .

2. Summary of the Accounting Policies (Continued)

2.3. Segment Reporting

An operating segment includes the performance of the Company's business activities, including revenues and expenses incurred from transactions with other segments of operations, generating revenue and expenses, and ensuring that the results of operations are regularly audited and measured by the Board of Directors (as the competent authority to make decisions) and it is a part of financial information noticed. Due to the fact that the main geographical area in which the Company is operating is Turkey, no geographical segment reporting has been presented. Moreover, since the Company continues its activities in the field of non-life insurance, no reports have been presented according to segment.

2.4. Provision for Foreign Currencies

Transactions have been booked in TL, which is the functional currency of the Company. The transactions realized in foreign currency during preparation of the financial statements are converted into the functional currency over the rates effective on the transaction date. Assets and liabilities in foreign currency in the balance sheet are converted into Turkish Lira over the foreign exchange purchase rate of Turkish Central Bank. The exchange rate difference arising from these transactions is included in the income statement. .

2.5. Tangible Fixed Asset

Tangible assets have been booked adjusted costs in accordance with inflation for the period until December 31, 2004. Any inflation adjustment is made for tangible assets in after period, the amount has been adopted as the cost amount indexed for inflation as of December 31, 2004. Since January 1, 2005 if the cost of the tangible assets purchased after financial expenses and foreign exchange differences are recognized as amounts deducted from their remaining value .

Gains and losses arising on the disposal of tangible assets are calculated as the difference between net proceeds and net book value of the related tangible asset and reflected in the income statement of the related period .

Normal maintenance and repair costs incurred for tangible assets booked as expense.

There are no changes in accounting estimates that have significant effect on the current period or that are expected to have significant effect on the following periods.

Depreciation rates and estimated useful lives are as follows:

Tangible Assets	Estimated Useful Lives (years)	Depreciation Rates (%)
Buildings	50	2
Fixtures and installations	2-15	6.7-50
Motor vehicles	2-5	20-50
Other tangible assets (including leasehold improvements)	2-5	20-50
Tangible assets acquired through lease	5	20

2.6. Investment Properties

Investment property is held to obtain rental income or capital gains or both. Investment properties are measured at acquisition costs to include transaction costs in initial recognition. The Company measures investment property on a cost basis for property, plant and equipment (cost minus accumulated depreciation, minus impairment loss if any) after initial recognition).

2. Summary of Significant Accounting Policies (continued)

2.7. Intangible Fixed Assets

The Company's intangible assets consist of software programs. Intangible assets are carried at cost in accordance with TAS 38 – Intangible Assets Accounting Standard. The costs of intangible assets are subject to inflation adjustment considering the period until the end of the high inflation period, which is the date of the entry into force of the law, for the assets entered into the currencies before December 31, 2004 and entries after December 31, 2004 have been reflected to financial statements considering purchase price.

The Company deducts the amortization expense for intangible assets over their useful lives using the straight-line method over their cost value.

2.8. Financial Assets

A financial asset is any asset that is cash, an equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the entity .

Financial assets are classified into the following specified categories: financial assets as “financial assets held for trading”, available-for-sale’ (AFS) financial assets, “financial assets at fair value through profit and loss” and “loans and receivables .

Loans and receivables are non-derivative financial assets that have fixed or determinable payments, are not traded on an active market, and are created by providing money, goods and services to the debtor. Loans and receivables in the financial statements of the Company and provision for impairment are deducted and if there is interest receivable there is discounted value; if it is an interest rate receivable, it is accounted with the amortized cost calculated by the effective interest method .

Financial assets held to maturity are financial assets acquired with the intention to hold to maturity, other than fixed and determinable payments with fixed maturity and loans and receivables, including funding capability, conditions necessary to be held until maturity. Financial assets held to maturity are initially recognized at amortized cost using the effective interest method, less impairment losses, if any.

Available-for-sale financial assets are the financial assets other than loans and receivables, investments held to maturity and financial assets held for trading.

Some equity instruments quoted in active markets and some debt instruments held by the Company are classified as available-for-sale, and are measured at fair value. The Company has some available-for-sale investments that do not have quoted prices in active markets and whose fair values cannot be reliably measured are stated at cost. Gains and losses arising from changes in fair value are recognized directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the profit or loss for the period. In case of sale or impairment of the investment, the cumulative gain or loss accumulated in the valuation fund of financial assets is classified in the income statement.

Purchase and sale transactions of securities are accounted at the date of delivery.

Subsidiaries are classified as financial assets available-for-sale in the Company's financial statements. Subsidiaries that are not traded in organized markets and whose fair value can not be reliably measured are recognized in the financial statements at cost after impairment losses are recognized.

Derecognition of financial assets

Financial assets are derecognized when the Company loses control of the contractual rights on those assets. In this case, the realization of these rights, and the maturity occurs when the expiration or delivery.

2. Summary of Significant Accounting Policies (continued)

2.9 Impairment on assets

Impairment of financial assets

For each reporting period, the Company assesses whether there is objective evidence that a financial asset or group of financial assets has suffered an impairment. A financial asset or group of financial assets, and only about being the first to recognize that after one or more loss/ damage event that occurred, and such loss event of the related financial asset or group of assets that can be estimated reliably as a result of the impact on the estimated future cash flows when there is objective evidence that an impairment is assumed to be impaired and an impairment loss occurs. .

Receivables are measured at the lower of the net amounts at the end of the period. In the event of a situation that shows that the amounts of the loans and receivables will not be collected on a regular basis, a provision is made up to the amount that can be collected for receivables .

The recoverable amount of equity instruments is the fair value of the instrument. The estimated recoverable amount of debt instruments that are measured at fair value is the present value of future cash flows discounted at the current rate of interest on the market .

An event that occurs after impairment records is reversed if the objective is objectively reversing the impairment. The reversal of the impairment in the financial assets measured at amortized cost and debt securities classified as available-for-sale is based on the income statement. Reversal of impairment on financial assets, which are classified as equity securities classified as available-for-sale financial assets, is directly attributable to equity.

Impairment of fixed assets

The Company assesses at each reporting date whether there is any indication that its assets may have been impaired. If such an indication exists, it estimates the recoverable amount of the related asset within the scope of TAS 36 - "Accounting Estimates of Impairment of Assets" and allocates provision for impairment if the recoverable amount is less than the carrying amount of the related asset

The rediscount and provision expenses for the period have been disclosed in detail in Note 47.

2.10. Derivative financial instruments

As of reporting date, due to forward foreign currency contracts the Company has appreciation balance under their income accruals amounting to TL 41.144.918 (December 31, 2018: 16.410.850) and deprecation value under their other financial liabilities amounting to TL (39.556.970) (December, 31 2018: (75.542.202)). The Company recognizes derivative transactions in accordance with TAS 39 - Financial Instruments: Accounting and Measurement. Derivative transactions are measured at their fair values in the periods following their recognition. Derivative transactions are presented at "Revenue Accruals" or "Other financial liabilities" whether the fair value is positive or negative. Changes in the fair value of the related derivative financial instruments are recognized in the income statement.

2.11. Offsetting Financial Instruments

Financial assets and liabilities are offset only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or when the acquisition of the asset and the settlement the liability take place simultaneously .

Revenue and expenses has been stated net as to the profit or loss that arise only as long as the reporting standards permit, or for similar transactions such as the trading of the Company

2. Summary of Significant Accounting Policies (continued)

2.12. Cash and Cash Equivalents

“Cash and cash equivalents” that are essential for the preparation of cash flow statements can be expressed as cash on hand, cheques received, other cash and cash equivalents and demand deposits, time deposits in banks with original maturity of three months or less and securities which are not blocked for use .

As of December 31, 2019 and 2018, the details of cash and cash equivalents are as follows:

	December 31, 2019	December 31, 2018
Banks	2.836.077.582	2.599.101.461
Receivables From Credit Cards with Bank Guarantee Due Less Than Three Months	707.166.208	458.776.402
Other Cash and Cash Equivalents	360.371	378.209
	3.543.604.161	3.058.256.072
Interest Income Accruals of Banks	(39.512.253)	(48.671.372)
Other Cash and Cash Equivalents Discount	7.792.531	12.099.951
Bank deposits with due longer than three months	(996.045.700)	(407.619.899)
Cash and cash equivalents in the cash flows statement	2.515.838.739	2.614.064.752

2.13. Capital

As of December 31, 2019 capital group of the Company whose capital is directly or indirectly controlled is Sompo International Holding Inc. As of December 31, 2019 and December 31, 2018, the Company's capital and shareholder structure is as follows:

As of December 31, 2019;

Title	Share Amount (TL)	Share Rate (%)
Sompo International Holding Inc.	190.000.000	100,00
Paid in Capital	190.000.000	100,00

As of December 31, 2018;

Title	Share Amount (TL)	Share Rate (%)
Sompo Japan Nipponkoa Insurance Inc.	190.000.000	100,00
Paid in Capital	190.000.000	100,00

As at June 15, 2010, Fiba Holding A.Ş., the Company's previous main shareholder, has signed Share Purchase Agreement with Sompo Japan Insurance Inc. in order to transfer all shares. Following the approval of Republic of Turkey Ministry of Treasury and Finance dated October 8, 2010 numbered 47481, the Company's majority portion of shares are transferred to Sompo Japan Insurance Inc on November 2, 2010

As per the resolution of the Board of Directors dated November 1, 2010 numbered 2010/235, total 228.379.200 shares with nominal value of TL 2.283.792 owned by the real person-shareholders before the share transfer to Sompo Japan Insurance Inc., is transferred to Fiba Holding A.Ş.

As per the resolution of the Board of Directors dated November 2, 2010 numbered 2010/237, 2.807.876.700 shares owned by Fiba Holding A.Ş. with nominal value of TL 28.078.767 is transferred to Sompo Japan Asia Holdings Pte, 10.000 shares owned by Fiba Holding A.Ş, with nominal value of TL 100 is transferred to Sompo Japan Insurance (Singapore) Pte. Ltd, 10.000 shares owned by Fiba Holding with nominal value of TL 100 is transferred to Sompo Japan Insurance Company of America, 10.000 shares owned by Fiba Holding A.Ş, with nominal value of TL 100 is transferred to Japan Insurance Company of Europe Limited. 385.000.000 shares owned by Fiba Holding AŞ with nominal value of TL 3.850.000 are transferred to Sompo Japan Insurance Inc. 385.000.000 shares owned by Fiba Holding AŞ with nominal value of TL 3.850.000 are transferred to Sompo Japan Insurance Inc. 385.000.000 shares owned by Girişim Faktoring AŞ with nominal value of TL 3.850.000 are transferred to Sompo Japan Nipponkoa Insurance Inc.

399.600.000 shares owned by Sompo Japan Insurance Inc. with nominal value of TL 3.996.000 is transferred to European Bank for Reconstruction and Development on December 15, 2010. As per the resolution of the Board of Directors dated December 29, 2010 numbered 2010/268, total 370.833.000 shares with nominal value of TL 370.833 owned by the real person-shareholders is transferred to Sompo Japan Insurance Inc.

2. Summary of Significant Accounting Policies(continued)

2.13 Capital(continued)

According to the resolution of Board of Directors No. 354 dated January 30, 2013, Sompo Japan Nipponko Asia Holdings Pte. Ltd. Owns 10.000 shares with a nominal value of TL 100, which is owned by Sompo Japan Nipponko Insurance (Singapore) Pte. 10.000 shares with a nominal value of TL 100 which the Company owns in the company, 10.000 shares with a nominal value of TL 100 with the shares of Sompo Japan Nipponko Insurance Company of America, 10,000 shares with a nominal value of TL 100 have been transferred to Sompo Japan Nipponkoa Insurance Inc.

According to the resolution of Board of Directors numbered 538 dated October 31, 2016, 399.600.000 shares with nominal value of TL 3.996.000 owned by European Bank For Reconstruction and Development were transferred to Sompo Japan Nipponkoa Insurance Inc.

It has been unanimously resolved to increase the total capital of the Company by cash amounting to TL 190,000,000 with the decision of the Board of Directors dated April 24, 2017 and numbered 563 and to amend Article 6 of the Articles of Association of the Company in the framework of the attached amendment text.

According to Extraordinary General Meeting on May 15, 2019, the title of the Company has been decided to change as "Sompo Sigorta A.Ş." which was "Sompo Japan Sigorta A.Ş.", and the decision has been registered in official gazette with 9838 No on May 28, 2019.

On November 7, 2019, the sole shareholder of the Company has changed as "Sompo International Holdings Ltd." and it has published in official gazette with 9956 No on November 21, 2019.

The privileges granted to shares representing the capital : None.

Registered capital system in the Company : None.

The Company's own shares bought back : None.

2.14. Insurance and Investment Contracts – Taxonomy

An insurance contract is a contract under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Insurance risk covers all risks except for financial risks. All premiums received within the scope of insurance contracts are recognized as income under the written premiums account.

Investment contracts are those contracts which transfer financial risk without significant insurance risk. Financial risk is the risk of a possible future change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided, that it is not specific to a party to the contract, in the case of a non-financial variable

As of the reporting date, the Company does not have a contract which is classified as an investment contract.

2.15. Discretionary Participation Features in Insurance and Investment Contracts

Discretionary participation feature ("DPF") within insurance contracts and investment contracts is the right to have following benefits in addition to the guaranteed benefits.

- (i) That are likely to comprise a significant portion of the total contractual benefits;
- (ii) Whose amount or timing is contractually at the discretion of the Issuer; and
- (iii) That are contractually based on:
 - (1) The performance of a specified pool of contracts or a specified type of contract;
 - (2) Realized and/or unrealized investments returns on a specified pool of assets held by the Issuer; or
 - (3) The profit or loss of the Company, Fund or other entity that issues the contract..

As at the reporting date, the Company does not have any insurance or investment contracts that contain a DPF.

2. Summary of Significant Accounting Policies (continued)

2.16. Investment Contracts Without Discretionary Participation Features

As of the reporting date, the Company does not have any investment contracts without Discretionary Participation Features .

2.17. Payables

Financial liabilities represent liabilities resulting from transactions that require the transfer of cash or another financial asset to another entity. Financial liabilities in the Company's financial statements are stated at discounted value. When a financial liability is paid, it is deducted from the records.

2.18. Taxes

Corporate tax

Corporate income is subject to corporate tax at 20% in Turkey to be effective from January 1, 2006. However, according to the Law numbered 7061 "Legislation on Amendment of Certain Tax Legislation and Other Certain Legislation"; corporate tax rate for the taxation periods of 2019 and 2020 is amended to 22%, which would later be applied as 20% at the end of these periods. During these periods, Council of Ministers is entitled to decrease the corporate tax rate of 22% to 20%.

This rate is applied to accounting income modified for certain exemptions (like dividend income) and deductions (like investment incentives), and additions for certain non-tax deductible expenses and allowances for tax purposes. If there is no dividend distribution planned, no further tax charges are made.

Dividends paid to the resident institutions and the institutions working through local offices or representatives are not subject to withholding tax. Withholding tax rate on the dividend payments other than the ones paid to the non-resident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions is 15%. In applying the withholding tax rates on dividend payments to the non-resident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. Appropriation of the retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

Prepaid taxes are calculated and paid at the rates valid for the earnings of the related years. The payments can be deducted from the annual corporate tax calculated for the whole year earnings.

In accordance with the Turkish Tax Legislation, tax losses can be carried forward to offset against future taxable income for up to five years. The Company has no deductible financial losses as of the balance sheet dates.

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns with their tax offices by the end of 25th of the fourth month following the close of the accounting period to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Deferred tax

In accordance with TAS 12 – *Turkish Accounting Standart for Income taxes*, deferred tax assets and liabilities are recognized on all taxable temporary differences arising between the carrying values of assets and liabilities in the financial statements and their corresponding balances considered in the calculation of the tax base, except for the differences not deductible for tax purposes and initial recognition of assets and liabilities which affect neither accounting nor taxable profit.

Deferred tax assets and liabilities are reported as net in the financial statements if, and only if, the Company has a legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity.

In case where gains/losses resulting from the subsequent measurement of the assets are recognized in the statement of income, then the related current and/or deferred tax effects are also recognized in the statement of income. On the other hand, if such gains/losses are recognized as an item under equity, then the related current and/or deferred tax effects are also recognized directly in the equity.

2. Summary of Significant Accounting Policies (continued)

2.18. Taxes (continued)

Transfer pricing

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of “disguised profit distribution via transfer pricing”. The General Communiqué on disguised profit distribution via Transfer Pricing, dated November 18, 2007 sets details about implementation.

According to relevant communiqué, if a taxpayer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes.

2.19. Benefits Provided to Employees

Provision for employee termination benefits

In accordance with existing Turkish Labour Law, the Company is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as at December 31, 2019 is TL 6.380 (December 31, 2018: TL 5.434).

The Company reserved for employee severance indemnities using actuarial method in compliance with the TAS 19-Employee Benefits. Therefore, as of December 31, 2019, actuarial calculations have been made for the related liabilities and recorded as TL 1.183.354 (deferred tax-free) actuarial loss in special funds under equity. (December 31, 2018: TL 734.959) The major actuarial assumptions used in the calculation of the total liability as at December 31, 2019 and 2018 are as follows:

	December 31, 2019	December 31, 2018
Discount rate	3,10	4,67
Expected rate of salary/limit increase	15,00	20,00

The expected salary/limit increase ratio above is determined according to the government's annual inflation forecasts.

Other benefits

The Company has provided for undiscounted short-term employee benefits earned during the period as per services rendered in compliance with TAS 19 in the accompanying financial statements.

2.20. Provisions

A provision is made for an existing obligation resulting from past events if it is probable that the commitment will be settled and a reliable estimate can be made of the amount of the obligation. Provisions are calculated based on the best estimates of management on the expenses to incur as of the reporting date and, if material, such expenses are discounted to their present values. If the amount is not reliably estimated and there is no probability of cash outflow from the Company to settle the liability, the related liability is considered as “contingent” and disclosed in the notes to the financial statements.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realized. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements of the period in which the change occurs. If an inflow of economic benefits has become probable, the Company discloses the contingent asset.

2. Summary of Significant Accounting Policies (continued)

2.21. Revenue Recognition

Written Premiums

Written premiums represent the remaining amount after cancellations and tax deductions of policy premiums issued in previous years as well as policies issued during the period.

Subrogation and salvage income and other similar income

The accrued or collected subrogation, salvage and similar income items cannot be discounted in calculations related to the provision for outstanding claims that are accrued and determined on account (file outstanding), but are recognized in the income statement and under the relevant receivables account on the active side of the balance sheet.

To accomplish the assessment of salvage and subrogation receivables or income, the acquisition of the right of subrogation, to determine the exact amount and the term should not have been charged by the end of. According to the Turkish Commercial Code, in order to acquire the right of subrogation, compensation must be paid.

According to the Circular No. 2010/13 of the Undersecretariat of Treasury dated September 20, 2010, the insurance companies must pay compensation to the insurers without having to obtain repayment from the insurance companies and must have received the insurance from the insurers and notify the insurance company or third parties. It is accrued to the extent that the indebtedness of the insurance company to the collateral limit. However, this amount is reserved against the counter insurance company within six months following the payment of the indemnity payment, or against the third party within four months.

On the other hand, if a protocol is signed between the debtor insurance company or the third parties and the repayment receivable together with the payment plan not exceeding twelve months in total within the six and four month periods described above, or if a document such as check or promissory note is taken for payment, Six months for the third person, and four months for the third person, and for the installments that are in the process of acceptance and collection.

As of December 31, 2019, the Company has presented no proceedings in gross salvage and subrogation receivables amounting to TL 61.082.552 (December 31, 2018: TL 56.521.209) and reinsurer's share amounting to TL 2.857.414 (December 31, 2018: TL 3.182.022) as subrogation and salvage receivables in receivables from main activities in technical income accounts. The receivable and salvage receivables amounting to gross TL 3.485.425 (December 31, 2018: TL 3.029.909) and the reinsurer share of TL 331.788 (December 31, 2018: TL 545.765), which are not collected in the above periods, have been provision in this receivable amount.

However, if a protocol that includes a payment plan exceeding 12 months in total is made or a document is received, a protocol must be signed for the receivable amount exceeding 12 months or maturity, or provision must be made on the date of receipt of the document. In addition, regardless of the payment dates specified in the protocol or received document, all of the installments received or outstanding in the event of any payment made in the twelve month period from the date of payment of the indemnity to the payment plan or in the event of a single maturity, it is necessary for the provision.

If the claim is made through litigation/execution the accrual will be made as of the date of commencement of these transactions and the provision for doubtful receivables is set as of the same date.

The Company has classified the net subrogation amounting to TL 127.365.228 (December 31, 2018: TL 92.661.886) in the doubtful receivables arising from the main activity by allocating the doubtful receivables provision for the remaining portion in the retirement of the proceeds from the litigation conducted through litigation and execution.

In order to accrue salvage income, all insurance costs of damaged goods should be compensated and those goods should be owned by insurance company or under the condition of secondarily ownership (salvage) by insurance company, the income generated from the sale of those goods has to be accrued on the related periods like salvage receivables. In that case, if goods which are under secondary ownership by insurance company are sold via third party (real/corporate) or given over to insurer or directly sold by Company, salvage income should be accrued and should not be deducted from paid claims or outstanding claims.

2. Summary of Significant Accounting Policies (continued)

2.21. Revenue Recognition (continued)

As at December 31, 2019 and December 31, 2018, collected subrogation and salvage income per branches is as follows:

	December 31, 2019	December 31, 2018
Motor vehicles	368.580.628	282.111.706
Third part liability for motor vehicles	18.990.196	14.757.202
Fire and Natural Disaster	1.851.865	1.291.046
Marine	1.166.657	1.493.717
General Losses	172.413	42.771
Accident	2.482	627
Other	36.379	32.401
Total	390.800.620	299.729.470

As at December 31, 2019 and December 31, 2018, accrued subrogation and salvage income per branches is as follows:

	December 31, 2019	December 31, 2018
Motor vehicles	41.761.521	36.007.575
Third part liability for motor vehicles	15.400.768	16.061.136
Fire and Natural Disaster	550.254	662.496
Marine	430.221	507.498
General Losses	42.129	80.872
Accident	-	1.428
Other	40.245	18.182
Total	58.225.138	53.339.187

Commission income and expense

As further disclosed in Note 2.24 - Reserve for unearned premiums, commissions paid to the agencies related to the production of the insurance policies and the commissions received from the reinsurance firms related to the premiums ceded are recognized over the life of the contract by deferring commission income and expenses within the calculation of reserve for unearned premiums for the policies produced before January 1, 2008 and recognizing deferred commission income and deferred commission expense in the financial statements for the policies produced after January 1, 2008.

Interest income and expense

Interest income and expense are recognized using the effective interest method by basis of accrual. The effective interest rate is the rate that exactly discounts the estimated future cash payments of financial assets or liability and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees and points paid or received transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Trading income/expense

Trading income/expense includes gains and losses arising from disposals of financial assets held for trading purpose and available-for-sale financial assets. Trading income and trading expenses are recognized as "Income from disposal of financial assets" and "Loss from disposal of financial assets" in the accompanying financial statements

2. Summary of Significant Accounting Policies (continued)

2.22. Leasing Transactions

The Company has applied TFRS 16 for leases with more than 12 months of lease term.

The Company recognises the lease payments as an expense on a straight-line basis lower than 12 months of lease term.

The maximum period of the lease contracts is 3 years. Tangible assets acquired by way of finance leases are recorded in tangible assets and the obligations under finance leases arising from the lease contracts are presented under "Finance Lease Payables" account in the financial statements. In the determination of the related asset and liability amounts, the lower of the fair value of the leased asset and the present value of leasing payments is considered. Financial costs on leasing agreements are expanded in lease periods at a fixed interest rate.

If there is impairment in the value of the assets obtained through finance lease and in the expected future benefits, the leased assets are measured at net realizable value. Depreciation for assets obtained through financial lease is calculated in the same manner as tangible assets.

Lease liability is measured at fair value of rent payments that have not been paid on the date rent is actually begin in accordance TFRS 16. Rent payments are discounted as using incremental borrowing rate.

Book value of the lease liability after the lease actually started; remeasured as reflectable to increase the interest in the lease liability, decreased as reflectable the lease payments made, to reflect all reassessments and changes made in the lease, or to reflect fixed lease payments of its revised core.

The interest on the lease liability for each period in the lease term is the amount found as calculated by fixed periodic interest rate to the remaining balance of the lease liability.

After the lease actually starts, the lease liability is remeasured to reflect changes in lease payments. The remeasured amount of the lease liability is reflected in the financial statements as a correction in the right of use.

In case of a change in the duration of the first lease or use of the purchase option, a revised discount rate is used to reflect the changes in the interest rate. However, if there is a change in the lease liabilities arising from a change in an index used in determining the future lease payments or the amounts expected to be paid within the context of the residual value commitment, the unmodified discount rate is used.

Regarding a change that is not recognized as a separate lease, the lease liability is remeasured by reducing the revised lease payments at a revised discount rate at the date of implementation of the change. The revised discount rate is determined as the incremental borrowing rate at the date of application of the change. For changes that narrow the scope of the lease, the carrying amount of the right of use is reduced to reflect the partial or complete termination of the lease. Gains or losses related to the partial or complete termination of the lease are recognized in profit or loss. Corrections are made on the right of use for all other changes.

2.23. Profit Share Distribution

Transferring the net profit for the period resulting from the Company's 2018 activities to reserves was decided at the Ordinary General Meeting on March 26, 2019.

2.24. Unearned Premium Reserve

In accordance with the “Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves” (“Communiqué on Technical Reserves”) which was issued in 26606 numbered and August 7 2007 dated Official Gazette and put into effect starting from January 1, 2008, the reserve for unearned premiums represents the proportions of the gross premiums written without deductions of commission or any other allowance, in a period that relate to the period of risk subsequent to the reporting date for all short-term insurance policies. In commodity transport insurance contracts with nospecific due date, 50% of the remaining amount which is accrued in the last three months is reserved as unearned premiums reserve.

Reserve for unearned premiums is calculated for all insurance contracts except for the contracts which the company provides mathematical reserve. Reserve for unearned premiums is also calculated for the annual premiums of the annually renewed long term insurance contracts.

Since the Technical Reserves Regulation published on August 7, 2007 entered into force on January 1, 2008, The Undersecretariat of the Treasury has issued the “Circular on the Provision of Insurance and Reassurance and Pension Companies’ Provisions for Compliance with the Provisions of the Insurance Law No. 5684” dated July 4, 2007 and numbered 2007/3 within the period between the publication date of the Technical Reserves Regulation and the date of entry into force (“ Compliance Circle “). In previous calculations, earthquake premiums were deducted during the calculation of unearned premiums; After June 14, 2007 and the Circular for compliance of policies issued, net of unearned premiums should not be stated that during the earthquake premium provisions. Accordingly, the Company began to calculate the unearned premium reserves for the earthquake premiums written after this date, when the Company did not calculate the unearned premium reserves for the earthquake premiums written before June 14, 2007 .

According to the Regulation on the Amendment of the Technical Reserves of Insurance and Reinsurance Companies and Pension Funds and the Amendment of the Regulation on the Assets to be Invested in These Reserves, published in the Official Gazette dated July 28, 2010 and numbered 27655, all the policies are started at 12:00 pm and finished at 12:00 pm so provisions for unearned premiums have been calculated as half day for the starting day and end day for all the policies.

In previous years, the reserve for unearned premiums had been calculated after deducting commissions given and commissions received. In order to prevent possible problems during the transfer of the reserves calculated before January 1, 2008, on December 28, 2007 the Turkish Treasury issued “2007/25 Numbered Circular Related to the Calculation of the Reserve for Unearned Premiums and Accounts That Should Be Used for Deferred Commission Income and Expenses”. In accordance with the related circular, the reserve for unearned premiums should be calculated by deducting commissions for the policies produced before January 1, 2008, but it should be calculated on gross basis for the policies produced after January 1, 2008.

2. Summary of Significant Accounting Policies (continued)

2.24. Unearned Premium Reserve (continued)

According to the Regulation Regarding the Technical Provisions of Insurance and Reinsurance Companies and Pension Funds and the Amendment of the Regulation on the Assets That This Provisions are Invested, published in the Official Gazette dated July 28, 2010, numbered 27655, during the calculation of the unearned premiums liabilities related to insurance contracts that is indexed to currency, if not determined any currency on the insurance contracts, the selling currency rate announced by the Central Bank of the Republic of Turkey on the Official Gazette is taken into consideration .

As of the balance sheet date, the Company has allocated unearned premium reserves in the financial statements amounting to TL 1.867.908.982 (December 31, 2018: TL 1.392.891.032) and reinsurer share for unearned premiums amounting to TL 579.909.842 (December 31, 2018: TL 507.537.011). In addition, the share transferred to Social Security Institution for unearned premiums have been TL 85.649.623 (December 31, 2018: TL 57.567.709).

2.25. Outstanding Claims Reserve

Claims are recorded in the year in which they occur, based on reported claims or on the basis of estimates when not reported. Provision for outstanding claims represents the estimate of the total reported costs of notified claims on an individual case basis at the balance sheet date as well as the corresponding handling costs. Incurred but not reported claims ("IBNR") are also provided.

Claims incurred before the accounting periods but reported subsequent to those dates are accepted as incurred but not reported ("IBNR") claims. In accordance with the circular issued by Turkish Treasury dated December 5,2014 and numbered 2014/16, as of January 1, 2015 selection of data to be used in the calculation of branch-basis, adjusting prices, selection of most appropriate method to be interfere with the development factors are performed by the Company's actuary. Incurred but not reported ("IBNR") calculation methods are Standard Chain, Claim/Premium, Cape Cod, Frequency/Severity, Munich Chain or Bornhuetter Ferguson. The selection of the data to be used on a branch basis will be made by the company actuary by using the actuarial methods to intervene in the development factors and the selection of the most appropriate method and development factors and the adjustment factors and these issues will be detailed in the actuarial report to be submitted to the Undersecretariat of Treasury in accordance with Article 11 of the Actuarial Regulation.

IBNR is used to estimate the amount of provision that should be set aside in the current period based on the historical loss incurred. As of December 31, 2019 and December 31, 2018, the Company has preferred the Standard Chain Method in all branches. In the ACLM table the large loss elimination was made as outlined on September, 20 2010 (Box Plot method). Logarithmic loss distribution in suretyship and third party liability for motor vehicles branch was examined and large loss elimination was done according to percentile method and for other branches according to Box Plot method.

	December 31, 2019		December 31, 2018	
	Number of Eliminated Files	Big Claims Treshold	Number of Eliminated Files	Big Claims Treshold
Direct Indemnification	8	6.500.000	8	6.500.000
General Losses	15	4.169.964	9	4.207.615
Aircraft	1	1.000.000	1	1.000.000
Transportation	1	15.000.000	1	15.000.000
Watercraft Liability	4	1.500.000	2	1.500.000
Fire and Natural Disasters	26	2.000.000	24	2.000.000
Total	55		45	

2. Summary of Significant Accounting Policies (continued)

2.25. Outstanding Claims Reserve (continued)

The circular numbered 2016/11 published by the Republic of Turkey Ministry of Treasury and Finance has made it possible for companies to gradually increase, between the financial years 2016, 2017, 2018 and 2019, their IBNR levels to the levels of IBNR calculations that have been done according to circular number 2014/16 (per actuarial basis) quarterly from IBNR amount that has been determined performing the previous methods that had been outlined by the Undersecretariat of Treasury. Applicable quarterly incremental increases have been stated by Undersecretariat of Treasury, are as follows: 7,5%, 10%, 12,5%, 15%, 20%, 25%, 40%, 60%, 80%, and 100%. The Company has not preferred gradually increase as of December 31,2019.

Following the related circular, IBNR has been calculated gross by Company's actuary using the methods listed below by considering claim periods. For related gross IBNR amounts among the related claim periods net IBNR has been calculated by considering reinsurance rates to register the effect of current reinsurance agreements.

	Using Method	December 31, 2019		December 31, 2018	
		IBNR to Reserve (100% transaction level –Salvaged)	IBNR without accrued salvage (%100 level – negative %100)	IBNR to Reserve (100% transaction level –Salvaged)	IBNR without accrued salvage (%100 level – negative %100)
Motor Vehicles	Standard	(3.598.592)	(42.916.367)	(13.024.491)	(47.235.613)
Water Crafts	Standard	585.688	585.688	232.482	232.482
Third Party Liability for Motor Vehicles (MTPL)	Standard	1.248.686.867	1.235.277.981	1.066.209.461	1.050.986.639
Facultative Motor Liability	Standard	37.594.403	37.332.710	32.885.539	32.795.682
Water Crafts Liability	Standard	1.233.600	1.233.600	703.669	703.669
Fire and Natural Disasters	Standard	6.336.344	4.284.223	4.186.543	2.419.195
Accident	Standard	1.728.289	1.728.289	1.597.474	1.586.734
General Losses	Standard	8.567.685	8.122.922	18.052.050	16.741.987
Financial Losses	Standard	1.206.493	1.206.493	4.852.851	4.852.851
Health	Standard	905.534	905.534	695.884	695.884
Transportation	Standard	2.463.109	1.533.957	2.207.958	1.459.565
General Liability	Standard	78.653.733	78.589.470	71.095.105	71.091.358
Suretyship	Standard	2.115.592	2.113.285	3.706.215	3.700.614
Legal Protection	Standard	412.239	412.239	254.587	254.564
Toplam		1.386.890.984	1.330.410.024	1.193.655.327	1.140.285.611

Company, has considered the 100% result of IBNR calculation and has reflected TL 1.386.890.984 (December 31, 2018: TL 1.193.655.327) gross and TL 84.056.449 (December 31, 2018: TL 91.425.864) reinsurance share on financial statements. The amounts transferred to the Traffic and General Liability pool for IBNR account are not shown above. As of December 31, 2019 Company has reflected net amount of TL 1.758.272.677 (December 31, 2018: TL 1.448.091.453) outstanding claims reserve on its financial statements.

In accordance with the Provisional Article 12 of the Regulation Amending the Regulation on Tariff Application Principles in Motor Vehicles Compulsory Financial Liability Insurance published in the Official Gazette dated July 11, 2017 and numbered 30121, it has been announced that the Pool of Risky Insurers was established as of April 12, 2017. Accordingly, the amounts calculated for damages received from the pool are included in the IBNR calculation.

Company has separated death and disability compensation with treatment costs according to circular numbered 2011/18, and only treatment costs are included in the calculations made for preparing the financial statements.

Within the scope of third party liability for motor vehicles (MTPL) Insurance, for the financial year 2011, for the amount transfer to Social Security Institution for incurred accidents which happened before publishing the law numbered 6111 and within the scope of Compulsory Third Party Liability Insurance for Road Passenger Transportation and Compulsory Road Passenger Transportation Personal Accident Insurance, for the financial year 2011, for the amount transfer to Social Security Institution for incurred accidents which happened before publishing the law numbered 6111, the factors to use are notified by Undersecretariat of Treasury.

Additional reserve for claims from the pool has been calculated using %122 final loss/premium ratio - over 89 base premium- according to Risky Insureds Pool Actuarial Valuation Report on Estimate of Final Loss/Premium Ratio Range which is sended by Turkish Motor Insurers Bureau at December 24,2019.

2. Summary of Significant Accounting Policies (continued)

2.25. Outstanding Claims Reserve (continued)

Within this scope, Company has reflected the notified and calculated amounts to its financial statements which are calculated according to the explanations made in circular numbered 2011/18 before and after the publishing date of the law.

Regarding the law and legislations mentioned above, due to the transfer to SSI, as of December 31, 2019, Company has TL 49.324.814 (December 31, 2018: TL 30.070.844) liability in short term liabilities due to SSI from treatment costs. As of December 31, 2019 the amount of premium transfer to SSI related with the period after the law is TL 152.194.905 (December 31, 2018: TL 109.102.325).

Regulation related with “Litigious Outstanding Claims” in the scope of “Circular related with the explanations about the calculation of Incurred but Not Reported (IBNR) indemnity provision” numbered 2011/23:

According to the 1st paragraph of 4th item of the Regulation for Reporting of Insurance, Pension and Reinsurance Firms “with this regulation, Company’s activities are accounted in the frame of legislation provisions of Public Oversight Accounting and Auditing Standards Authority for the preparation and presentation of financial statements, except the notifications made by Republic of Turkey Ministry of Treasury and Finance for the topics stated in the second paragraph”. In the 1st paragraph of 6th item of the same regulation balance sheet is defined as “a table which reflects the fiscal and financial position of the Companies at a given period, which shows assets, liabilities and equities of the Company truly and fairly dividing them into active and passive accounts”.

In this framework, for a true presentation of financial statements with the circular numbered 2011/23, for the files in the lawsuit process, provisions should be made evaluating the winning and losing possibilities and for the files in the lawsuit process, deductions to make for which principles are identified.

In accordance with the Circular No 2016/22, which regulates the procedures and principles regarding the discounting of net cash flows arising from outstanding claims reserve, the Company is using the last legal interest rate (%9) which is in Official Gazette. As of December 31, 2019, the Company has made net discount amounting to TL 317.551.643 in the outstanding claims calculation. (December 31, 2018: TL 280.488.654).

2.26. Equalization provision

In accordance with the Regulation on Technical Reserves, insurance companies are required to record an equalization reserve for the insurance contracts including earthquake and credit coverage, in order to cover the catastrophic risks and in order to equalize the fluctuations within the claim ratios that may occur during the following accounting periods. Such reserve is calculated over 12% of net earthquake and credit premiums corresponding to each year. In the calculation of the net premium, the amounts paid for the non-proportional reinsurance agreements are regarded as ceded premiums. Provisions are made until it meets the 150% of the highest amount of net premium written in the last 5 years.

Following the end of the 5th year, depending the premium production amount under the condition of provision amount is lower than the previous year balance sheet amount, the difference is classified in the other profit reserves under the owner’s equity. Related amount which is transferred to equity could be kept as a reserve or may be subject to a capital increase or may be used in the compensation payments.

If the damage occurs, amounts hit the reinsurer and amounts which are under exemption limit can not be deducted from equalization reserve. If there are claims paid due to the commitments given, starting with the provision made 1st year, it is deducted from the provision by using the FIFO method.

Equalization reserves are stated in the accompanying financial statements under the non-current liabilities in the “Other Technical Reserves” account. As of balance sheet date, net TL 38.901.466 (December 31, 2018: TL 31.847.382) equalization reserve is booked.

Following the “Circular About Usage of Equalization Reserve and Additional Explanations for Some Circulars” published by Republic of Turkey Ministry of Finance numbered 2012/1, equalization reserve booked for the related branches for the beginning years, is booked as debit in balance sheet and is booked as credit in Change in Other Technical Provisions account.

2. Summary of Significant Accounting Policies (continued)

2.27. Unexpired Risk Reserves

Within the framework of Regulation on Technical Reserves, as of each balance sheet date, Companies has to make liability adequacy test for the last 12 months, while booking the unexpired risk reserves, due to the possibility of claims and compensations to occur according to the current insurance contracts are higher than the unexpired risks reserves booked for those insurance contracts. While making related test, net unexpired risks reserves amount should be multiplied with the expected net claim premium ratio. Expected net claim premium ratio is calculated by dividing incurred claims (outstanding claims (net) + paid claims (net) – ceded outstanding claims (net)) into earned premium (written premiums (net) + ceded unexpired risks reserve (net) – unexpired risk reserve (net)). While calculating the earned premiums, ceded unexpired risk reserves and commissions paid to intermediaries and deferred portion of commissions received from reinsurer which are stated as net in the unexpired risk reserve of the period are ignored.

If the loss ratio for a branch is higher than 95%, net unexpired risk reserve for that branch is calculated by multiplying the ratio in excess of 95% with net unearned premium reserve for the related branch; and gross unexpired risk reserve for that branch is calculated by multiplying the ratio in excess of 95% with gross unearned premium reserve for the related branch. The difference between gross and net amounts is considered as the reinsurance share. As a result of the related test, as at the end of the reporting period Company has booked TL 3.662.201 (December 31, 2018: TL 1.088.787) unexpired risk reserves and TL 2.968.981 (December 31, 2018: TL 1.029.627) reinsurance share of unexpired risk reserves.

The Company has calculated the provision for continuing risks under the Circular on Amendments to the calculation of provisions for ongoing risks with the number 2012/15; Under the Insurance Law no. 5684, calculation made in accordance with all main branches in the Insurance Uniform Chart of Accounts determined by the Ministry of Treasury and Finance.

2.28. Related Parties

Parties are considered related to the Company if;

- (a) A person or a close member of that person's family is related to a reporting entity if that person:
 - (i) has control or joint control over the reporting entity;
 - (ii) has significant influence over the reporting entity; or
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- (b) An entity is related to a reporting entity if any of the following conditions applies:
 - (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2. Summary of Significant Accounting Policies (continued)

2.28. Related Parties (continued)

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

As an aim of the financial statements partners, upper level managers and board of directors, affiliates controlled by themselves and their family or affiliated companies to themselves, participations and jointly controlled entities are accepted as related parties.

2.29. Earnings per Share

Earnings per share is calculated by dividing net profit for the period into weighted average unit share of the Company. Firms in Turkey, by distributing at the share rate of actual shareholders may increase share capital ("No-par shares") from retained earnings. In the calculation of earnings per share, no-par shares are determined as issued shares.

2.30. Events After Reporting Date

As at the end of the Company's reporting period, events after reporting period which gives additional information of Company's financial position (events occurred after reporting period and which need to be adjusted) are reflected to financial statements. Significant events occurred after reporting period and not needed to be adjusted are explained in the disclosures.

3. Significant Accounting Estimates and Requirements

The preparation of financial statements requires the use of estimates and assumptions which define possible liability and commitments as of balance sheet date and income and expenses for the period ended. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates. Estimates are reviewed regularly and changes are made in the profit and loss accordingly. Major accounting estimates made by the Company are related with outstanding claim reserves and other technical reserves and impairment of assets, and these estimates and assumptions are disclosed in the notes. Further, significant estimates used in preparation of financial statements as follows.

Benefits Provided to Employees

The Company has calculated and accounted retirement pay liability in the accompanying financial statements using actuarial estimations. As of December 31, 2019 Company's retirement pay liability is TL 3.113.245 (December 31, 2018: TL 2.016.034).

Doubtful Receivables from Main Operations

Company has made allowance for doubtful receivable amounted TL 8.573.844 (December 31, 2018: TL 8.450.867) on its financial statements ended as at December 31, 2019 for receivables under the executive and legal follow-up phase from insurance companies and intermediaries. Besides, Company has made provision amounted TL 2.981.097 (December 31, 2018: TL 2.678.430) for receivables from insurance operations which are not under legal follow-up but Company believes that receivables are not collectible.

Subrogation Receivables

As of December 31, 2019 Company has booked net subrogation receivables amounted TL 127.365.228 (December 31, 2018: TL 92.661.885) according to the accrual basis for the subrogation receivables under legal and execution phase and for the not confirmed personal subrogation receivables before allowance for doubtful receivable (after deducting the reinsurance share). The Company has booked subrogation receivables which are not in the legal proceedings but which company thinks it cannot be collected amounting to TL 3.153.637 (December 31, 2018: TL 2.484.144).

3. Significant Accounting Estimates and Requirements(continued)

Outstanding Claim Reserve

When calculating the outstanding claims reserve, many estimates and provisions, as well as definitive evidence such as experts, expert opinions, consultant views are applied. It may take a long time for the amount of outstanding claims to reach the definitive end. For this reason, actuarial chain ladder method is used to calculate the outstanding claim reserve based on the experience of the Company in previous years. In the past years, the development of the damage has been used in the calculation of future damage amounts. This calculation is based on the development of the claims paid, the average amount of compensation per claim in the past, the number of past claims and the expected loss/premium ratio. In accordance with the Technical Reserves Regulation, as of September 30, 2010, the basis of the application of actuarial chain ladder methods determined by the Undersecretariat of the Undersecretariat for the fiscal period is calculated but the unreported compensation amount is calculated. The difference between the accrued and provisioned outstanding claims provision and theselected actuarial chain ladder method is realized but not reported.

In addition, in the branches where the actuary has performed major damage dismantling, the next year qualification difference calculation is performed for the big damages that are extracted. Major damage elimination is calculated in accordance with the "F-Major Damage Article" of the General Assembly dated 5 December 2014 and numbered 2014/16 issued by the Undersecretariat of Treasury. Major Damage Elimination Branches are Land Vehicles, Traffic, Fire and Natural Disasters, Water Vehicles Liability, General Losses, Financial Losses, General Liability, Direct Surety and Optional Financial Liability.

As of December 31, 2019 Company's net outstanding claims reserve is TL 1.758.272.677 (December 31, 2018: TL 1.448.091.453).

Deferred Tax

When determining the deferred tax assets, various estimations and evaluations are used. As of December 31, 2019 Company has calculated and booked deferred tax asset amounted TL 14.739.854 (December 31, 2018: TL 24.350.741).

4. Insurance and Financial Risk Management

4.1. Insurance Risk Management

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. Risk is incidental due to the nature of the insurance process. The most basic risk in insurance contracts is the possibility of realized claims and rights and benefits provided to policyholders are realized above the technical provisions in the financial statements made for insurance contracts.

In the every field and stage of insurance operations the definition of risk is made clearly and risk is abolished, possibilities of risks under control or to be insurable should be examined comprehensively.

First condition to manage risk is being able to define the risk. Basic risk fields to manage in Insurance Operations by Company are identified as follows:

- Insurable assets
- Pricing models, tariff structure
- Reinsurance
- Optimum conservation
- Claim costs
- Intermediaries
- Insurance contract provisions

4. Insurance and Financial Risk Management(continued)

4.1. Insurance Risk Management(continued)

The most significant resource to manage the risk is the convenience of the data for analyzing which is produced by Company's operations (premium production resources, client, policy, product, branch, commitment, claim file, numbers, premiums etc.).

Risk, in essence is a variable factor, therefore it is vital for Companies to follow the development of risk down to the last detail and form and/or direct strategies according to risk. To manage risk, essential point is to set up and activate internal control mechanisms for the identification of risk areas and points. For this purpose, Company primarily has formed committees for risks for which they regard as significant. Agency Risk Tracing Committee, Pricing and Watching Tariffs Committee, Claim and Risk Acceptance Basics Committee are the main committees formed for risk management..

Insurable Assests

In insurance, segmentation is crucial for the identification of insurable assets. As it is prescribed by the law, segmentation by branches, is not enough for the definition of risk. Defining various factors separately by Company via the systems maintain meaningful connections like client, client's insurance demands, operation type, locality, external factor, past statistics, possible damage volume and frequency, insurable securities and assets become convenient for pricing. In this stage today's communication platforms and technological advances enable to make faster and more accurate definitions.

In addition to these, during insurance of Small and Middle Sized Enterprises ("SME") and industrial risks, risk acceptance and expertise evaluation criterias should be identified clearly and should put down in black and white. Criterias for the acceptance of this kind of significant risks must be convenient with the scope of reinsurance contracts made.

Pricing Models, Tariff Structure

Most important resource for to create the price of an insurance product is the past statistics. By using the advanced technology, the accuracy of statistical data, security, entrance to the system convenient for creating price and tariff and becoming meaningful information in the data set become possible. For this purpose Company has made software investment in 2008. By this investment detailed analysis can be made on the basis of distribution channel, risk location, style of use, client and policy. By this analysis damage frequency and violence modeling systems and tariff and pricing process are implemented much more sensitively. With the developments in planning and reporting fields, the effect of analysis of Company's premium production for current and previous year to period end and future periods can be made via using current data and projected assumptions.

Reinsurance

Company is under risk due to assets taken under insurance commitment. By considering the qualification (risk size, risk possibility) of insurance assets and Company's equity power, Company transfers some part of risks taken on to reinsurers via made agreements. After this transfer, while Company is sharing the obtained premiums with transfer rate to reinsurer, Company takes commission over it and shares the claim liability that it has to endure with same transfer rate to reinsurer too.

The power of the reinsurer that Company has made agreement for risk sharing, dependency of the matters that put sides under obligation, criterias to transfer reinsurer (which kind of risks, commission to receive, payment dates etc.) are determined as the significant risk areas in this matter..

Company transfer the risks as part of the proportional reinsurance agreements with surplus and quota-share treaties by branches. For the business which exceeds treaty capacities varies for different branches, facultative reinsurance is practiced by technical units.

4. Insurance and Financial Risk Management(continued)

4.1 Insurance Risk Management(continued)

The reinsurers who worked mostly and their last credit ratings are as follows:

Reassurer	Grading	Standard & Poors		AM Best		
		Appearance	Date	Grading	Appearance	Date
Milli Re	trA+	-	August 17, 2019	B+	Negative	July 16, 2019
Sompo Japan Nipponkoa Insurance Inc.	A+	Stationary	July 16, 2019	A+	Stationary	August 16, 2019
Mapfre Re	A	Stationary	November 18, 2019	A	Stationary	October 4, 2019
Munich Re	AA-	Stationary	July 26, 2019	A+	Stationary	July 11, 2019
Everest Re	A+	Stationary	July 25,2019	A+	Stationary	May 2, 2019
QBE	A+	Stationary	July 31,2019	A	Stationary	July 5, 2019

Optimum Conversation

Some of the risks that Company decided to adopt are valid which is similar to the risk emerged during the reinsurance plan matter. For the risks which is under its conservation, Company purchases protection in definite criterias ("XL") too. Company management believes that, Company's data set's (statistics) quality helps the right evaluation of these data and the determination of optimum conservation level.

Claim Costs

Claim costs is the Company's main expense factor. From the risk standpoint, alongside it's a direct cash outflow factor, due to the obligation of compensating the victimization of insured, every process from the notification of claim to the payment of claim should be divided into risk areas and should be followed. Claim handling costs are settled down to every claim has reached to its real compensation amount and to provide that every claim has been paid to right person or institution. During this process, arrangement of insurance policy, client, insured assets, quality of claim, expertise, elimination of claim, spare parts and labor etc. and other expense items are the risk and cost factors and they directly affect the technical results of the Company. Company follows the relevant risk related with claim costs via Claim and Risk Acceptance Basics Appraisal Committee.

Intermediaries

Company realizes significant part of premium production from insurance intermediaries (agency, broker, banks etc.). Authorities of policy issuance and premium collections of intermediaries are transferred authorities from insurance companies. From the selection of risk and client to offer right price, on the other hand from incurred claims to collection of premium on time the senility that Companies are responsible to show is to be expected from agencies too. However, Company makes the controls whether authorized agencies rule their operations or not convenient with Company's policy, via analyzing the collected data by agency..

At the same time, in order to manage receivable transfer risk accurately, proper commitments are taken by agency and it is practiced to increase the application of direct collection systems.

Insurance Contract Provisions

Company makes provisions for not yet due, not certain debts and liabilities and even if it has not occurred per statistics income and expense factors that may bring right and/or liability. The primary objective here is, Company's responsibilities to government, clients, partners and shareholders are convenient with laws and they are accurately stated in financial statements and Company's books.

It is a significant risk that the technical provisions booked are not entirely enough to meet Company's liabilities. In this context, with the regulations it made legal authority has clearly stated that insurance companies has to book the reserves that they need to make provisions are calculated standard and accurately. In order to eliminate those risks, Company make practices for management of all risk areas oriented to provide the security and accuracy of the data used and decent and fast practice of management reporting system.

4. Insurance and Financial Risk Management(continued)

4.2. Financial Risk Management

Introduction and Overview

This note shows the risks that Company is exposed to each one of stated below, accordingly Company's policy, procedures and aims in order to manage and measure it's risks and information about capital management. Company is exposed to the below risks emerged due to the usage of financial instruments.

- credit risk
- liquidity risk
- market risk

Whole responsibility belongs to the Board of Directors during the establishment and supervision of structure of risk management. Board of Directors manages the effectiveness of risk management system via Company's internal audit department.

Company's risk management policy are established in order to, identify and analyze the risks that Company faces, determine the risk limits and controls, follow the risks and convenience of them to the defined limits. Risk management policy and systems are reviewed regularly the way that they reflect the changes in products and services presented and market conditions. Company aims to develop a disciplined and constructive control environment that every employee understands their duty and responsibilities via education and management standards.

Credit Risk

Credit risk is most simply defined as the potential that a bank borrower or counterparty will fail to meet its obligations in accordance with agreed terms. The balance sheet items that the Company is exposed to credit risks are as follows:

- cash and cash equivalents
- held-to-maturity financial assets
- premium receivables from policyholders
- receivables from intermediaries
- receivables from reinsurance companies related to commissions and claims paid
- reinsurance shares of insurance liability
- receivables from related parties
- other receivables

The Company's financial assets, which are subject to credit risk are generally composed of domestic government bonds and time and demand deposits kept in banks and other financial institutions in Turkey and such receivables are not deemed to have high credit risk.

Most common method to manage insurance risk is to make reinsurance contract. However, the transfer of insurance risk via insurance contract does not remove the liability of first insurer Company. If reinsurance firm does not pay the claim, Company's responsibility against policyholder continues. Company evaluates the reliability of reinsurance firm by investigating the financial position of the related firm before the yearly contract made and by regarding the compensation payment performance of the firm.

4. Insurance and Financial Risk Management (continued)

4.2. Financial Risk Management (continued)

Credit Risk (continued)

On December 31, 2019 and December 31, 2018, net book value of the assets that is exposed to credit risk are shown in the table below:

	December 31, 2019	December 31, 2018
Cash and cash equivalents (Note 14)	3.543.604.161	3.058.256.072
Financial Assets (Note 11)	682.390.908	178.332.763
Receivables from main operations (Note 12)	463.409.689	403.601.904
Due from related parties (Note 12)	647.159	43.577
Other receivables (Note 12)	3.903.494	113.812
Reinsurer share in outstanding claims reserve (Note 10), (Note 17)	607.950.909	474.613.046
Total	5.301.906.320	4.114.961.174

As at December 31, 2019 and December 31, 2018, the aging of the receivables from main operations and reserved provisions are as follows:

	December 31, 2019		December 31, 2018	
	Gross Amount	Provision	Gross Amount	Provision
Not past due	405.808.016	-	367.862.045	-
Past due 0-30 days	24.410.267	-	9.060.270	-
Past due 31-60 days	11.056.529	-	7.638.564	-
Past due 61-180 days	21.258.062	-	12.269.644	-
Past due 181-365 days(*)	6.556.266	(6.134.734)	9.821.413	(5.162.574)
Past due over 1 year	9.029.127	(8.573.844)	10.563.409	(8.450.866)
Provision for Doubtful Subrogation				
Receivables from Main Operations	127.365.228	(127.365.228)	92.661.885	(92.661.886)
Toplam	605.483.495	(142.073.806)	509.877.230	(106.275.326)

(*) In accordance with the Republic of Turkey Ministry of Treasury and Finance's letter numbered B.02.1.HM.O.SGM.0.3.1/01/05 and dated February 3, 2005, If subrogation transactions are carried out through lawsuit/enforcement, the related amounts are followed in the doubtful receivables from main operations account in the financial statements. And also the same amount of doubtful receivables are set aside. As of December 31, 2019 and December 31, 2018, the Company also recognizes and makes provisions for its subrogation and salvage income in accordance with the principles set out in the circular dated September 20, 2010 and numbered 2010/13 of the Ministry of Treasury and Finance.

The movements of provision for receivables from insurance operations are as follows:

	December 31, 2019	December 31, 2018
Provision for receivables from insurance operations at the beginning of the period	106.275.326	75.535.143
Provisions for agency receivables during the period	425.645	3.170.627
Provisions for subrogation and salvage receivables during the period	35.372.835	27.569.556
Provision for receivables from insurance operations at the end of the period	142.073.806	106.275.326

Liquidity Risk

Liquidity is the risk that the Company's struggle to perform its obligations which is arised from financial liabilities.

Management of liquidity risk

To avoid liquidity risk, maturity match between the assets and liabilities are considered, liquid assets are conserved in order to meet liquidity need completely.

4. Insurance and Financial Risk Management(continued)

4.2. Financial Risk Management(continued)

Liquidity Risk(continued)

Management of the liquidity risk (continued)

As of December 31, 2019 and 2018 remaining maturity distribution of monetary assets and liabilities are;

December 31, 2019	Book value	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year
Cash and cash equivalents	3.543.604.161	1.688.912.568	834.948.484	722.038.246	297.704.863	-
Financial instruments and financial investments that risk of them belongs to insured	682.390.908	23.468.388	51.747.803	120.844.753	279.565.460	206.764.504
Receivables from main operations	463.409.689	195.501.780	72.917.074	161.518.885	24.911.779	8.560.171
Receivables from related parties	647.159	647.159	-	-	-	-
Other receivables	3.903.494	3.903.494	-	-	-	-
Total monetary assests	4.693.955.411	1.912.433.389	959.613.361	1.004.401.884	602.182.102	215.324.675
Financial liabilities	44.710.333	44.710.333	-	-	-	-
Payables from main operations	207.343.952	148.103.768	23.146.663	35.543.743	549.778	-
Due to related parties	9.322.313	9.322.313	-	-	-	-
Other liabilities	72.035.210	39.504.533	32.530.677	-	-	-
Insurance technical provisions (*)	1.758.272.677	-	-	-	1.758.272.677	-
Tax and other similar liabilities and provisions for them	95.349.464	40.096.542	55.252.922	-	-	-
Provisions related with other risks	11.848.923	11.848.923	-	-	-	-
Total monetary liabilities	2.198.882.872	293.586.412	110.930.262	35.543.743	1.758.822.455	-
Net monetary position	2.495.072.539	1.618.846.977	848.683.099	968.858.141	(1.156.640.353)	215.324.675
December 31, 2018	Carrying amount	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year
Cash and cash equivalents	3.058.256.072	986.055.080	1.607.233.769	464.967.223	-	-
Financial instruments and financial investments that risk of them belongs to insured	178.332.763	-	29.227.591	83.057.982	66.047.190	-
Receivables from main operations	403.601.904	151.865.918	73.938.193	146.449.299	19.939.519	11.408.975
Receivables from related parties	43.577	43.577	-	-	-	-
Other receivables	113.812	113.812	-	-	-	-
Total monetary assests	3.640.348.128	1.138.078.387	1.710.399.553	694.474.504	85.986.709	11.408.975
Financial liabilities	75.542.202	75.542.202	-	-	-	-
Payables from main operations	212.385.075	144.356.187	32.316.453	35.702.863	9.572	-
Due to related parties	43.761	43.761	-	-	-	-
Other liabilities	47.688.486	25.674.586	22.013.900	-	-	-
Insurance technical provisions (*)	1.448.091.453	-	-	-	1.448.091.453	-
Tax and other similar liabilities and provisions for them	30.558.290	30.558.290	-	-	-	-
Provisions related with other risks	10.323.168	10.323.168	-	-	-	-
Total monetary liabilities	1.824.632.435	286.498.194	54.330.353	35.702.863	1.448.101.025	-
Net monetary position	1.815.715.693	851.580.193	1.656.069.200	658.771.641	(1.362.114.316)	11.408.975

(*) Outstanding claims provisions are presented under short term liabilities in the accompanying financial statements.

Market Risk

Market risk is the risk that changes might happen in interest rate and currency rates may affect the Company's income or the value of financial assets that Company holds. The purpose of managing the market risk is to control of market risk amount is at acceptable parameters by optimizing the risk profitability.

Currency Risk

Company is exposed to the currency risk due to insurance and reinsurance operations made indexed to foreign exchange.

Foreign exchange gains and losses arised from foreign currency transactions are booked in records in the period which process is taken place. At the end of the period, amount of foreign currency active and passive accounts are valued using the T.C. Central Bank's buying rate of exchange and converted to TL and exchange differences occurred are reflected to books as a foreign exchange gain or loss.

4. Insurance and Financial Risk Management (continued)

4.2. Financial Risk Management (continued)

Market Risk (continued)

The details of currency risk that Company is exposed to be is listed in the table below:

December 31, 2019	USD	Euro	Other Currencies	Total
Cash and cash equivalents	3.605.732	5.824.520	-	9.430.252
Receivables from main operations	75.587.523	102.642.489	242.684	178.472.696
Total foreign currency assets	79.193.255	108.467.009	242.684	187.902.948
Payables from main operations	43.512.295	36.925.416	419.395	80.857.106
Insurance technical provisions	15.006.174	8.627.586	27.403	23.661.163
Other payables	4.736.746	1.637.970	-	6.374.716
Total foreign currency liabilities	63.255.215	47.190.972	446.798	110.892.985
Balance sheet position	15.938.040	61.276.037	(204.114)	77.009.963

December 31, 2018	USD	Euro	Other Currencies	Total
Cash and cash equivalents	12.701.055	9.053.380	-	21.754.435
Receivables from main operations	54.395.986	84.773.291	112.551	139.281.828
Total foreign currency assets	67.097.041	93.826.671	112.551	161.036.263
Payables from main operations	31.982.185	52.695.544	324.817	85.002.546
Insurance technical provisions	650.724	1.841	-	652.565
Other payables	4.677.166	1.548.405	-	6.225.571
Total foreign currency liabilities	37.310.075	54.245.790	324.817	91.880.682
Balance sheet position	29.786.966	39.580.881	(212.266)	69.155.581

In order to evaluate the table above related foreign currency amounts are converted to TL.

As at the end the of reporting period currency rates used to convert to foreign currencies are listed below:

	USD	Euro
December 31, 2019	5,9402	6,6506
December 31, 2018	5,2609	6,0280

Exposure Rate Risk

Due to the possibility of TL's 10% value decrease against currencies below, as of the period ended at December 31, 2019 and 2018 increase/(decrease) to be stated in equity and income statement (net of deferred tax) is shown in the table below. This analysis is prepared assuming that all other variables, especially interest rates remained stable. If TL's value increases 10% against related currencies the effect will be at the same amount but with reverse direction.

	December 31,2019 Income Statement	December 31, 2018 Income Statement
USD	1.593.804	2.978.697
Euro	6.127.604	3.958.088
Other	(20.411)	(21.227)
Total, net	7.700.997	6.915.558

4. Insurance and Financial Risk Management(continued)

4.2. Financial Risk Management(continued)

Exposure Interest Rate Risk

The risk that available for sale financial instrument portfolios face is the fluctuation in the market value of financial instruments as a result of the changes in interest rates. The basic risk that not available for sale financial instrument portfolios experience is the loss which will emerge due to the fluctuation that will occur in the upcoming cash flows and the decrease in fair value of financial instruments, as a result of the changes in interest rates in the market. Management of interest rate risk is made by following the interest rate margin and determining the previously approved limits for repricing bands.

As of December 31, 2019 and 2018, interest profile of Company's interest yield and not interest yield financial assets and liabilities are detailed in the table below:

	December 31, 2019	December 31, 2018
<i>Financial assests with fixed interest rates:</i>		
Bank deposit (Note 14)	2.825.249.042	2.586.568.277
Financial assets held-to maturity	157.870.944	178.332.763
Available for sale financial assests	474.268.610	-
<i>Variable interest financial assets</i>		
Available for sale financial assests	50.251.354	-

Interest rate sensitivity of the financial instruments

Interest senility of income statement is the effect of net interest income to the change of interest rate in assumed defiance's below, as of at the end of the years of December 31, 2019 and 2018, fair value of financial assets that their fair value differences are reflected to profit or loss, variable interest not available for sale financial assets and liabilities. During this analysis, other variables, especially the currency rates are assumed as stable.

December 31, 2019	Income Statement		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Availabile for sale financial assests	-	-	(7.514.075)	7.858.631
Available for sale financial assests	-	-	(7.514.075)	7.858.631

December 31, 2018 : None.

4. Insurance and Financial Risk Management(continued)

4.2. Financial Risk Management(continued)

Classification of fair value measurements(continued)

Level 1: Registered (unadjusted) prices in the active market for identical assets and liabilities ,

Level 2: Directly (via prices) or by implication (by deriving from prices) observable data except the registered prices for assets and liabilities which taken part in the 1st level

Level 3: The data (not observable data) related to the assets and liabilities which does not depend on the observable market data

Classification requires that the usage of observable market data if it is applicable.

December 31,2019	Level 1	Level 2	Level 3	Total
Financial Assests:				
Available for sale financial assests (Note 11)	524.519.964	-	-	524.519.964
Total Financial Assests	524.519.964	-	-	524.519.964

December 31,2018 : None.

Capital Management

Company's major capital management policies are stated below:

- To adapt the capital adequacy conditions determined by Republic of Turkey Ministry of Treasury and Finance

- By ensuring the Company's sustainability providing permanent returns to shareholders and partners

- By determining the price of insurance policies in proportion with received insurance risk level, providing sufficient return to shareholders .

The Capital Adequacy of the Company is calculated within the framework of the Regulation on the Measurement and Assessment of the Capital Adequacy of Insurance and Reinsurance Companies and Pension Companies, which is published and published in the Official Gazette dated August 23, 2015 and numbered 29454. As of December 31, 2019, Company's minimum required equity capital amount calculated is TL 703.171.116 (December 31, 2018: TL 533.394.062). As of December 31, 2019, Company's equity capital is TL 953.035.195 (December 31, 2018: TL 634.303.678) more than minimum required equity capital amount.

Gains and losses arised from financial assets

	December 31, 2019	December 31, 2018
Foreign exchange gains	439.036.007	798.224.063
Income gained from financial investments	193.391.520	221.578.203
Income gained from derivative transactions	345.769.699	16.410.850
Valuation of financial assets	16.417.838	10.427.056
Income gained from building, land and property	68.980	44.790
Incomes of subsidiaries	139.308	63.044
Other income	75.095	66.840
Gains obtained from financial assests	994.898.447	1.046.814.846
Loss from disposal of financial assets	(136.268.730)	(75.542.202)
Foreign exchange losses	(215.284.671)	(525.391.763)
Losses obtained from financial assests	(351.553.401)	(600.933.965)
Financial gains and losses recognized in income statement, net	643.345.046	445.880.881

5. Segment Information

A segment is a severable part of Company's product or service production (operating segments) or economic environment (geographical section) in which risk and benefits of products and services produced may be distinguished from other segments .

Scope segments: As of the end of the reporting period, since the Company carries operations in the non-life insurance field which is followed as a sole reporting section, segment reporting is not presented .

6. Tangible Fixed Assets

Movement of tangible fixed assets between the periods of January 1 - December 31, 2019 and January 1 - December 31, 2018 are as follows:

	January 1, 2019	Additions	Disposals	December 31, 2019
Cost:				
Investment Properties (Note 7)	1.991.878	1.105.940	-	3.097.818
Owner Occupied Property (*)	8.542.769	120.216.250	-	128.759.019
Furniture and Fixtures	23.077.456	3.679.813	(875.009)	25.882.260
Motor Vehicles	1.946.281	695.265	(98.934)	2.542.612
Other Tangible Assests (including leasehold improvements)	11.003.656	1.930.931	(201.495)	12.733.092
Fixed assets obtained via leasing	72.809	-	-	72.809
Right-of-use assets (**)	-	8.221.216	(159.232)	8.061.984
	46.634.849	135.849.415	(1.334.670)	181.149.594
Accumulated depreciation:				
Investment Properties (Note 7)	(150.826)	(46.519)	-	(197.345)
Owner Occupied Property (*)	(249.180)	(337.170)	-	(586.350)
Furniture and Fixtures	(11.662.398)	(4.187.511)	639.814	(15.210.095)
Motor Vehicles	(114.326)	(467.967)	23.085	(559.208)
Other Tangible Assests (including leasehold improvements)	(5.796.600)	(2.259.672)	166.687	(7.889.585)
Fixed assets obtained via leasing	(72.809)	-	-	(72.809)
Right-of-use assets (**)	-	(3.230.447)	159.232	(3.071.215)
	(18.046.139)	(10.529.286)	988.818	(27.586.607)
Net book value	28.588.710			153.562.987

	January 1, 2018	Additions	Disposals	December 31, 2018
Investment Properties (Note 7)	1.651.000	340.878	-	1.991.878
Properties for use	6.407.519	2.135.250	-	8.542.769
Furniture and Fixtures	17.374.521	5.707.754	(4.819)	23.077.456
Motor Vehicles	93.626	2.132.150	(279.495)	1.946.281
Other Tangible Assests (including leasehold improvements)	9.273.034	1.730.622	-	11.003.656
Fixed assets obtained via leasing	72.809	-	-	72.809
	34.872.509	12.046.654	(284.314)	46.634.849
Accumulated depreciation:				
Investment Properties (Note 7)	(117.945)	(32.881)	-	(150.826)
Properties for use	(117.471)	(131.709)	-	(249.180)
Furniture and Fixtures	(8.482.934)	(3.183.041)	3.577	(11.662.298)
Motor Vehicles	(74.133)	(99.693)	59.500	(114.326)
Other Tangible Assests (including leasehold improvements)	(3.823.238)	(1.973.362)	-	(5.796.600)
Fixed assets obtained via leasing	(72.809)	-	-	(72.809)
	(12.688.530)	(5.420.686)	63.077	(18.046.139)
Net book value	22.183.979			28.588.710

(*) The Company purchased building amounting to TL 62.120.000 TL and land amounting to TL 52.280.000 on December 1, 2019. Related properties have been purchased for moving and their locations are located in Anadolu Hisari, Beykoz, İstanbul.

(**) All of right-of-use assests consists vehicles as of December 31, 2019.

Revaluation is not applied over tangible fixed assets.

There is not any change in depreciation calculation method in the current period.

7. Investment Properties

As of balance sheet date, details of investment properties as follows:

	December 31, 2019	December 31, 2018
	Book value	Book value
İzmir Konak –Building	556.520	-
İzmir Karşıyaka- Building	416.320	-
Malatya – Office	46.294	46.294
Konya – Karatay, Land	6.931	6.931
İstanbul Esenyurt Flat	85.000	85.000
Heybeli Ada-House	749.022	749.022
İzmir Bornova- Building	523.603	523.603
Sapanca	240.150	240.150
Bilecik Land	23.400	23.400
Fon Sg Land	317.478	317.478
Kartal Building	133.100	-
Total	3.097.818	1.991.878
Accumulated depreciation	(197.345)	(150.826)
Net book value	2.900.473	1.841.052

Rent income gained from investment properties is TL 68.980 during the period (31 December 2018: TL 44.790).

8. Intangible Fixed Assets

Movements of intangible fixed assets between the periods of January 1 - December 31, 2019 and January 1 - December 31, 2018 are as follows:

	January 1, 2019	Additions	Transfer	Disposals	December 31, 2019
Cost:					
Other intangible fixed assets	24.093.519	7.314.438	229.732	-	31.637.689
Advances given	229.732	330.353	(229.732)	-	330.353
	24.323.251	7.644.791	-	-	31.968.042
Accumulated depreciation:					
Other intangible fixed assets	(14.236.949)	(5.732.864)	-	-	(19.969.813)
	(14.236.949)	(5.732.864)	-	-	(19.969.813)
Carrying Amount	10.086.302				11.998.229
	January 1, 2018	Additions	Transfer	Disposals	December 31, 2018
Cost:					
Other intangible fixed assets	18.202.066	5.891.453	-	-	24.093.519
Advances given	-	229.732	-	-	229.732
	18.202.066	6.121.185	-	-	24.323.251
Accumulated depreciation:					
Other intangible fixed assets	(10.225.081)	(4.011.868)	-	-	(14.236.949)
	(10.225.081)	(4.011.868)	-	-	(14.236.949)
Carrying Amount	7.976.985				10.086.302

9. Investments in Associates

	December 31, 2019		December 31, 2018	
	Registered Value	Share rate %	Registered Value	Share rate %
Tarım Sig. Havuz İřlt. A.Ş.	569.340	4,17	430.032	4,00
Associates, net	569.340		430.032	

10. Reinsurance Assests and Liabilities

Reinsurance assets and liabilities of Company's cedent business title as a result of the current reinsurance agreements are showed detailed in the table below:

Reinsurance assests	December 31, 2019	December 31, 2018
Reinsurer's share of outstanding claim reserve (Note 17)	607.950.909	474.613.046
Reinsurer's share of unearned premiums reserve (Note 17)	665.559.465	565.104.720
Reinsurer's share of equalization reserve (Note 17)	116.977.086	92.878.822
Receivables from reinsurance firms (Note 12)	34.056.353	18.128.728
Reinsurer's share of unexpired risks reserve (Note 17)	2.968.981	1.029.627
Total	1.427.512.794	1.151.754.943

There is not recognized impairment related with reinsurance assets.

Reassurance Liabilites	December 31, 2019	December 31, 2018
Payables to reinsurance firms, net (Note 19)	145.964.085	153.208.180
Deferred commission income (Note 19)	107.824.520	94.018.857
Toplam	253.788.605	247.227.037

Gains and losses which recognized in the income statement according to the Company's reinsurance agreements are shown in the table below:

	December 31, 2019	December 31, 2018
Ceded premiums to reinsurer in the current period	(1.007.488.165)	(877.146.895)
Reinsurer's share of unearned premiums reserve at the beginning of the year	(565.104.720)	(480.815.606)
Reinsurer's share of unearned premiums reserve at the end of the year	665.559.465	565.104.720
Earned reinsurer premiums	(907.033.420)	(792.857.781)
Reinsurer share of claims paid in the current period (Note 17))	407.979.304	347.541.287
Reinsurer share of outstanding claims reserve at the beginning of the year (Note 17)	(474.613.046)	(383.197.476)
Reinsurer share of outstanding claims reserve at the end of the year (Note 17)	607.950.909	474.613.046
Reinsurer's share in claims (Note 17)	541.317.167	438.956.857
Accrued commission income in the period from reinsurers (Note 32)	184.457.831	155.589.837
Deferred commission income at the beginning of the year	94.018.857	80.803.817
Deferred commission income at the end of the year (Note 19), (Note 32)	(107.824.520)	(94.018.857)
Commission income earned from reinsurers (Note 32)	170.652.168	142.374.797
Change in unexpired risk reserves, reinsurer share (Note 17)	1.939.354	(137.498)
Change in equalization reserve, reinsurer share (Note 17)	24.098.264	22.364.065
Total, net	(169.026.467)	(189.299.560)

11. Financial Assets

As at 31 December 2019 and 2018, the details of the Company's financial assets are as follows:

	December 31, 2019			
	Nominal Value	Acquiring Cost	Fair Value	Book Value
Debt Instruments:				
Government Bond – TL	487.000.000	451.545.335	474.268.610	474.268.610
Private sector bond - TL	50.000.000	50.000.000	50.251.354	50.251.354
Available for sale financial assets	537.000.000	501.545.335	524.519.964	524.519.964

	December 31, 2019			
	Nominal Value	Acquiring Cost	Fair Value	Carrying Amount
Debt Instruments:				
Bank Bills – TL	164.000.000	139.333.540	162.796.140	157.870.944
Financial Assests Held-to Maturity	164.000.000	139.333.540	162.796.140	157.870.944

	December 31, 2018			
	Nominal Value	Acquiring Cost	Fair Value	Carrying Amount
Debt Instruments:				
Bank Bills – TL	193.120.000	167.837.069	180.885.994	178.332.763
Financial Assests Held-to Maturity	193.120.000	167.837.069	180.885.994	178.332.763

As of December 31,2018 the Company does not have any financial assests as classified available for sale financial assets.

There is not overdue but not impaired yet financial assets in Company's financial asset portfolio.

There is not security that represents borrowing which is issued in the current period or amortized in the current period of previously issued.

Movement of financial assets in the current period is presented below:

December 31, 2019	Available for sales	Held to maturities	Total
Balance at the beginning of the period	-	178.332.763	178.332.763
Additions	501.545.336	236.718.162	738.263.498
Disposals (either sold or settled)	-	(265.221.692)	(265.221.692)
Change in the fair value of financial assets	22.974.628	8.041.711	31.016.339
Balance at the end of the period	524.519.964	157.870.944	682.390.908

December 31, 2018	Available for sales	Held to maturities	Total
Balance at the beginning of the period	-	5.068.638	5.068.638
Additions	-	167.837.069	167.837.069
Disposals (either sold or settled)	-	(5.000.000)	(5.000.000)
Change in the fair value of financial assets	-	10.427.056	10.427.056
Balance at the end of the period	-	178.332.763	178.332.763

12. Credits and Receivables

	December 31, 2019	December 31, 2018
Receivables from main operations (Note 4.2)	463.409.689	403.601.904
Other Receivables ^(*) (Note 4.2)	3.903.494	113.812
Receivables from Related Parties (Note 4.2), (Note 45)	647.159	43.577
Toplam	467.960.342	403.759.293
Short-term Receivables	467.960.342	403.759.293
Total	467.960.342	403.759.293

^(*) As of December 31, 2019, the Company's other receivables amounted TL 3.903.494 (31 December 2018: TL 113.812) consist of receivables from TARSIM (Agricultural Insurance Pool) Natural Disaster Insurance Institution (TCIP) and other receivables.

As at 31 December 2019 and 31 December 2018, the details of the receivables from main operations are as follows:

	December 31, 2019	December 31, 2018
Receivables from agencies, brokers and intermediaries	354.473.880	316.682.108
Allowance for doubtful receivables from main operations- subrogation receivables	127.365.228	92.661.886
The amounts to be collected via subrogation and salvage	58.225.138	53.339.187
Receivables from main operations- Legal follow-up	9.766.618	9.444.915
Receivables from insured	12.486.715	13.196.333
Receivables from reinsurance firms (Note 10)	34.056.353	18.128.728
Receivables from insurance companies	10.621.131	9.429.226
Rediscount of receivables from insurance operations	(1.511.568)	(3.005.153)
Total receivable from insurance operations	605.483.495	509.877.230
Allowance for doubtful receivable from main operations – subrogation receivables (Note 4.2)	(127.365.228)	(92.661.886)
Allowance for doubtful receivable from main operations – legal and execution follow-up (Note 4.2)	(8.573.844)	(8.450.867)
Impairment provision of premium receivables from agency, broker and intermediaries	(2.981.097)	(2.678.429)
Provision of subrogation and salvage receivable	(3.153.637)	(2.484.144)
Total provisions for receivables from insurance operations	463.409.689	403.601.904

Company makes provisions for receivables as following the dated September 20, 2010 published by Ministry of Treasury and Finance “Circular numbered 2010/13 Related with Subrogation and Salvage Income” which states following the 6 months of claim payment of accrued subrogation receivables for in debt insurance firm or following the 4 months for 3rd parties. As of December 31, 2019 Company has made provisions for receivable amounted to TL 820.608 (December 31, 2018: TL 815.737) for the subrogation receivables not collected in the periods stated in the circular above

As at 31 December 2019 and 31 December 2018, the details of mortgages and other commitments for the Company's receivables are presented below:

	December 31, 2019	December 31, 2018
Mortgage bond	25.067.000	25.722.000
Guarantee letter	27.879.585	24.028.145
Other commitments received	7.162.054	6.482.035
Other guarantee and bails	4.194.094	3.740.194
Total	64.302.733	59.972.374

12. Receivables (continued)

Provisions for doubtful receivables for overdue receivables and receivables not due yet:

a) Movement of allowance for doubtful receivables (due) in legal and execution follow-up in the period as follows:

	December 31, 2019	December 31, 2018
Receivable provision in legal and execution follow-up at the beginning of the period	8.450.867	4.904.512
Canceled in the period	(8.107)	(349.142)
Booked provision in current period	131.084	3.895.497
Receivable provision in legal and execution follow-up at the end of the year	8.573.844	8.450.867

b) Movement of premium receivable provisions in the period as follows:

	December 31, 2019	December 31, 2018
Premium receivable provision at the beginning of the period	2.678.429	3.054.158
Canceled in the period	-	(534.529)
Booked provision in current period	302.668	158.800
Premium receivable provision at the end of the year	2.981.097	2.678.429

c) Movement of subrogation receivable provision which is subject to a suit in the period as follows:

	December 31, 2019	December 31, 2018
Receivable provision which is subject to a suit at the beginning of the year	92.661.886	64.424.791
Net booked provision in current period	34.703.342	28.237.095
Receivable provision which is subject to a suit at the end of the year	127.365.228	92.661.886

d) Movement of subrogation and salvage receivables provisions in the period as follows:

	December 31, 2019	December 31, 2018
Subrogation and salvage receivables provision at the beginning of the year	2.484.144	3.151.682
Booked/cancelled provisions in the current period	669.493	(667.538)
Subrogation and salvage receivables provision at the end of the year	3.153.637	2.484.144

Company's receivable and payable relationship with shareholders, subsidiaries and associates are stated detailed in Note 45.

Receivables and payables which does not have an exchange rate guarantee and represented via foreign currencies and the separate amounts of current foreign exchange moneys and their conversion rate to TL is stated in Note 4.2.

13. Derivative Financial Instruments

As of reporting date, due to forward foreign currency contracts the Company has appreciation balance under their income accruals amounting to TL 41.144.918 (December 31, 2018: 16.410.850) and deprecation value under their other financial liabilities amounting to TL (39.556.970) (December, 31 2018: (75.542.202)). The Company recognizes derivative transactions in accordance with TAS 39 - Financial Instruments: Accounting and Measurement. Derivative transactions are measured at their fair values in the periods following their recognition. Derivative transactions are presented at "Income Accruals" or "Other financial liabilities" whether the fair value is positive or negative. Changes in the fair value of the related derivative financial instruments are recognized in the income statement.

14. Cash and Cash Equivalents

As at December 31, 2019 and December 31, 2018, details of cash and cash equivalents are as follows:

	December 31, 2019	December 31, 2019
Bank Deposits	2.836.077.582	2.599.101.461
Bank Guaranteed Credit Card Receivables With Maturity Less Than Three Months	707.166.208	458.776.402
Other Cash and Cash Equivalents	360.371	378.209
Total	3.543.604.161	3.058.256.072

As at December 31, 2019 and December 31, 2018, detail of bank deposits account as follows:

	December 31, 2019		December 31, 2018	
	Original Amount	TL Amount	Original Amount	TL Amount
Demand:				
USD	607.005	3.605.732	231.189	1.216.264
EUR	876.083	5.824.520	1.468.194	8.850.273
TL	1.398.288	1.398.288	2.466.752	2.466.647
Time:				
USD	-	-	2.183.047	11.484.791
EUR	362.079.788	2.408.047.835	202.876.737	1.222.940.970
TL	417.201.207	417.201.207	1.352.142.516	1.352.142.516
Total		2.836.077.582		2.599.101.461

As of December 31, 2019 and December 31, 2018, other cash and cash equivalents consist of credit card receivables. Credit card receivables are hold for 26 and 90 days blockage in account.

Details of financial assets which Company gave as a commitment on behalf of Republic of Turkey Ministry of Treasury and Finance as a need of insurance operations are as follows :

	December 31, 2019			
	Nominal Value	Acquisition Value	Fair Value	Book Value
Blocked Amounts	330.482.980	334.653.296	313.787.389	337.215.540
Total	330.482.980	334.653.296	313.787.389	337.215.540

	December 31, 2018			
	Nominal Value	Acquisition Value	Fair Value	Book Value
Blocked Amounts	190.000.000	190.000.000	197.860.479	197.860.479
Total	190.000.000	190.000.000	197.860.479	197.860.479

15. Equity

Paid Capital

As of December 31, 2019, the Company's nominal capital is TL 190.000.000 (31 December 2018: TL 190.000.000) Company's capital is comprised of issued and worth of Kuruş 1 nominal value for each one of 19.000.000.000 numbers of shares.

There is no privilege recognized to equity shares which represents the capital.

Sompo International Holding Inc. is the capital group whose direct or indirect control over the Company's capital as of December 31, 2019.

Sompo Japan Nipponkoa Insurance Inc. is the capital group whose direct or indirect control over the Company's capital as of December 31, 2018.

There are not Company's own equity shares which is kept by Company or Company's associate or Company's subsidiaries. There are not equity shares in Company to issue for float shares by force of futures and contracts.

15. Equity

Legal reserves

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"), The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% p.a., until the total reserve reaches 20% of the Company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% p.a. of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital.

The movement table for legal reserves is as follows:

	December 31, 2019	December 31, 2018
Legal reserves at the beginning of the year	39.926.152	26.009.663
Transfer from current year profit	14.388.886	13.916.489
Legal reserves at the end of the period	54.315.038	39.926.152

Extraordinary reserves

The movement table for extraordinary reserves is as follows:

	December 31, 2019	December 31, 2018
Extraordinary reserves at the beginning of the year	610.010.333	345.597.056
Transfer from current year profit	273.388.804	264.413.277
Extraordinary reserves at the end of the period	883.399.137	610.010.333

Revaluation of Financial Assets

The movement table for revaluation of financial assets is as follows:

	December 31, 2019	December 31, 2018
Revaluation differences as the beginning of the period	-	-
Change in the fair value of financial assets	11.386.831	-
Revaluation differences as the end of the period	11.386.831	-

Other reserves

At dated July 4, 2007 and numbered 2007/3 published by Undersecretariat of Treasury "Circular of Orientation of Provisions of Insurance, Reinsurance and Pension Firms to the numbered 5684 Provisions of Insurance Laws" for the year 2007 it is sentenced not to book earthquake damage provision. However, previously booked earthquake damage provisions (earthquake damage provision amount which is stated in balance sheet as of December 31, 2006) are required to transfer to voluntary reserves according to the temporary 5th item of mentioned law, for this purpose it is stated that the current earthquake damage provision amount as of December 31, 2006 and including the gains obtained via directing related amount to investment, related provisions are going to be transferred to 549.01 account "transferred earthquake damage provisions" which will be identified as of September 1, 2007 and it will not be a subject to dividend payment and will not be transferred to another account under no circumstances. Following related circular Company has stated TL 8.808.057 (December 31, 2018 – TL 8.808.057) earthquake damage provision under other profit reserves which Company has booked in its December 31, 2006 financials due to the earthquake damage provision Company has booked and including the gains obtained via directing related amount to investment.

Special Funds

TAS 19 - Employee Benefits Related to Turkey Accounting Standard requires the use of actuarial method in calculating the provision for employee termination benefits. As of 31 December 2019, actuarial calculation has been made for related liabilities and actuarial loss (deferred tax free) has been recorded amounting to TL 1.183.354 in special funds under equity. (31 December 2018: TL 734.959)

16. Other Provisions and Capital Component of Discretionary Participation

As of December 31, 2019 and 2018 there is not any other reserves which is stated under equity except the previously booked earthquake damage provision which is recognized under "other profit reserves". As of December 31, 2019 and 2018 Company does not have a contract with a future of capital component of discretionary participation.

17. Insurance Liabilities and Reinsurance Assets

As of December 31, 2019 and December 31, 2018, the details of insurance technical reserves of the Company are as follows:

	December 31, 2019	December 31, 2018
Gross unearned premiums reserve	1.867.908.982	1.392.891.032
Reinsurer's share of unearned premiums reserve (Note 10)	(579.909.842)	(507.537.011)
SSI's share of unearned premiums reserve	(85.649.623)	(57.567.709)
Unearned premiums reserve, net	1.202.349.517	827.786.312
Gross outstanding claim reserve	2.366.223.586	1.922.704.499
Reinsurer's share of gross outstanding claim reserve (Note 4.2) (Note 10)	(607.950.909)	(474.613.046)
Outstanding claim reserve, net	1.758.272.677	1.448.091.453
Equalization reserve	155.878.552	124.726.204
Reinsurer's share of equalization reserve (Note 10)	(116.977.086)	(92.878.822)
Equilization reserve, net	38.901.466	31.847.382
Unexpired risks reserve	3.662.201	1.088.787
Reinsurer's share of unexpired risks reserve (Note 10)	(2.968.981)	(1.029.627)
Unexpired risks reserve, net	693.220	59.160
Other technical reserve (*)	5.477.147	-
Reinsurer's share of other technical reserve	-	-
Other technical reserve, net	5.477.147	-
(*) The Company makes provision for amounts that can be returned to fleet customers as of 2019. It is stated in the protocols made with these customers that if the loss/premium ratio which is previously determined is below, a refund will be made.		
Total technical provisions, net	3.005.694.027	2.307.784.307
Short term	2.966.792.561	2.275.936.925
Medium and long term	38.901.466	31.847.382
Total technical provisions, net	3.005.694.027	2.307.784.307

Unearned premiums reserve:

	December 31, 2019		
	Gross	Reinsurer and SSI share	Net
Unearned premiums reserve at the beginning of the year	1.392.891.032	(565.104.720)	827.786.312
Written premiums in the period	3.363.087.938	(1.159.683.070)	2.203.404.868
Earned premiums in the period	(2.888.069.988)	1.059.228.325	(1.828.841.663)
Unearned premiums reserve at the end of the year	1.867.908.982	(665.559.465)	1.202.349.517
	December 31, 2018		
	Gross	Reinsurer and SSI share	Net
Unearned premiums reserve at the beginning of the year	1.280.902.481	(480.815.606)	800.086.875
Written premiums in the period	2.509.170.943	(986.249.220)	1.522.921.723
Earned premiums in the period	(2.397.182.392)	901.960.106	(1.495.222.286)
Unearned premiums reserve at the end of the year	1.392.891.032	(565.104.720)	827.786.312

17. Insurance Liabilities and Reinsurance Assets (continued)

Provision for outstanding claims

	December 31, 2019		
	Gross	Reinsurer Share	Net
Outstanding claim reserve at the beginning of the year	1.922.704.499	(474.613.046)	1.448.091.453
Reported claims in the period and the changes in estimations of outstanding claim reserve at the beginning of the year	1.904.204.160	(541.317.167)	1.362.886.993
Claim payments during the period	(1.460.685.073)	407.979.304	(1.052.705.769)
Outstanding claim reserve at the end of the year	2.366.223.586	(607.950.909)	1.758.272.677

	December 31, 2018		
	Gross	Reinsurer Share	Net
Outstanding claim reserve at the beginning of the year	1.557.494.856	(383.197.476)	1.174.297.380
Reported claims in the period and the changes in estimations of outstanding claim reserve at the beginning of the year	1.639.603.252	(438.956.857)	1.200.646.395
Claim payments during the period	(1.274.393.609)	347.541.287	(926.852.322)
Outstanding claim reserve at the end of the year	1.922.704.499	(474.613.046)	1.448.091.453

	December 31, 2019			December 31, 2018		
	Gross	Reinsurer Share	Net	Gross	Reinsurer Share	Net
Incurred and reported claims	1.336.468.177	(563.478.392)	772.989.785	1.041.933.070	(415.582.426)	626.350.644
Incurred but not reported claims	1.386.890.984	(84.056.449)	1.302.834.535	1.193.655.327	(91.425.864)	1.102.229.463
Net Cash Flow Discount	(357.135.575)	39.583.932	(317.551.643)	(312.883.898)	32.395.244	(280.488.654)
Total	2.366.223.586	(607.950.909)	1.758.272.677	1.922.704.499	(474.613.046)	1.448.091.453

Equilization Reserve

	December 31, 2019		
	Gross	Reinsurer Share	Net
Equilization reserve at the beginning of the year	124.726.204	(92.878.822)	31.847.382
Net change	31.152.348	(24.098.264)	7.054.084
Equilization reserve at the end of the year	155.878.552	(116.977.086)	38.901.466

	December 31, 2018		
	Gross	Reinsurer Share	Net
Equilization reserve at the beginning of the year	97.099.969	(70.514.757)	26.585.212
Net change	27.626.235	(22.364.065)	5.262.170
Equilization reserve at the end of the year	124.726.204	(92.878.822)	31.847.382

17. Insurance Liabilities and Reinsurance Assets (continued)

Provision for unexpired risks

	December 31, 2019		
	Gross	Reinsurer Share	Net
Provision for unexpired risks at the beginning of the period	1.088.787	(1.029.627)	59.160
Net change	2.573.414	(1.939.354)	634.060
Provision for unexpired risks at the end of the period	3.662.201	(2.968.981)	693.220

	December 31, 2018		
	Gross	Reinsurer Share	Net
Provision for unexpired risks at the beginning of the period	1.358.945	(1.167.125)	191.820
Net change	(270.158)	137.498	44.629
Provision for unexpired risks at the end of the period	1.088.787	(1.029.627)	59.160

Claim Development Table

The main assumption used to predict the outstanding claim reserve is Company's claim development experience from the past periods. Company management uses its own judgments while determining how external factors like legal decisions and changes in regulations will affect the outstanding claim reserve. Sensitivity of some estimations like legal changes and uncertainties during the prediction process is not measurable. Besides, long delays between the time of claim incurred and the time payment is made inhibits the determination of outstanding claim reserve definitely as of balance sheet date. Therefore, total liabilities may differ depending on the subsequent events and the differences occurred due to the re-estimation of liabilities are reflected to financial statement in upcoming periods. The development of insurance liabilities enables to measure the Company's performance of estimation of total claim liabilities. The numbers that is shown in the upside of below tables, from the years claims has incurred in, show the change of Company's total estimations for claims in the subsequent years. The numbers that are shown in the underside of the tables, give the outstanding claim reserves stated in financial statements and their confirmation.

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17. Insurance Liabilities and Reinsurance Assets(continued)

December 31, 2019								
Claim Year	2013	2014	2015	2016	2017	2018	2019	Total
Claim year	214.667.782	269.378.483	496.318.042	690.717.354	928.845.197	1.143.651.876	1.334.796.903	5.078.375.637
1 year later	218.389.776	279.959.576	527.599.455	766.575.828	1.059.249.292	1.272.263.113	-	4.124.037.040
2 year later	227.602.688	300.128.180	556.441.207	827.317.075	1.141.914.178	-	-	3.053.403.328
3 year later	238.365.704	310.663.949	585.670.824	864.475.964	-	-	-	1.999.176.441
4 year later	248.266.046	324.072.668	609.129.010	-	-	-	-	1.181.467.724
5 year later	251.691.580	333.471.557	-	-	-	-	-	585.163.137
6 year later	256.588.691	-	-	-	-	-	-	256.588.691
Gross incurred claims	256.588.691	333.471.557	609.129.010	864.475.964	1.141.914.178	1.272.263.113	1.334.796.903	5.812.639.416
Total payments made up to today	225.804.120	286.759.377	451.073.961	676.991.806	963.983.526	1.111.981.965	913.926.045	4.630.520.800
Total provision in financial statements	30.784.571	46.712.180	158.055.049	187.484.158	177.930.652	160.281.148	420.870.858	1.182.118.616
Gross outstanding claims reserves, lawsuit discounts and Exchange difference which is booked for prior of 2012	-	-	-	-	-	-	-	154.349.561
Gross IBNR amount booked as of December 2019	-	-	-	-	-	-	-	1.386.890.984
Outstanding claim provisions discount adjustment	-	-	-	-	-	-	-	(357.135.575)
Total gross outstanding claim reserve amount stated in financial statements at the end of the year	-	-	-	-	-	-	-	2.366.223.586
December 31, 2018								
Claim Year	2012	2013	2014	2015	2016	2017	2018	Total
Claim year	188.752.805	214.667.782	269.378.483	496.318.042	690.717.354	928.845.197	1.143.651.876	3.932.331.539
1 year later	196.308.163	218.389.776	279.959.576	527.599.455	766.575.828	1.059.249.292	-	3.048.082.090
2 year later	206.288.797	227.602.688	300.128.180	556.441.207	827.317.075	-	-	2.117.777.947
3 year later	210.660.064	238.365.704	310.663.949	585.670.823	-	-	-	1.345.360.540
4 year later	219.829.476	248.266.046	324.072.668	-	-	-	-	792.168.190
5 year later	228.194.862	251.691.580	-	-	-	-	-	479.886.442
6 year later	235.837.329	-	-	-	-	-	-	235.837.329
Total gross incurred claims	235.837.329	251.691.580	324.072.668	585.670.823	827.317.075	1.059.249.292	1.143.651.876	4.427.490.643
Total payments made up to today	197.830.276	219.716.168	277.121.332	434.879.466	644.216.251	894.673.982	838.263.553	3.506.701.028
Total provision in financial statements	38.007.053	31.975.412	46.951.336	150.791.357	183.100.824	164.575.310	305.388.323	920.789.615
Gross outstanding claims reserves, lawsuit discounts and Exchange difference which is booked for prior of 2012	-	-	-	-	-	-	-	121.143.455
Gross IBNR amount booked as of December 2018	-	-	-	-	-	-	-	1.193.655.327
Outstanding claim provisions discount adjustment	-	-	-	-	-	-	-	(312.883.898)
Total gross outstanding claim reserve amount stated in financial statements at the end of the year	-	-	-	-	-	-	-	1.922.704.499

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17. Insurance Liabilities and Reinsurance Assets (continued)

December 31, 2019								
Claim Year	2013	2014	2015	2016	2017	2018	2019	Total
Claim year	168.827.560	220.020.264	308.382.993	532.214.006	780.952.935	939.208.379	1.045.819.636	3.995.425.773
1 year later	173.259.936	226.137.672	329.875.624	625.731.202	906.891.308	1.072.662.779	-	3.334.558.521
2 year later	180.311.176	245.494.893	355.044.564	681.353.361	983.768.552	-	-	2.445.972.546
3 year later	189.152.946	254.128.906	367.279.167	711.993.893	-	-	-	1.522.554.912
4 year later	197.428.136	265.318.527	377.463.530	-	-	-	-	840.210.193
5 year later	200.946.786	272.546.084	-	-	-	-	-	473.492.870
6 year later	204.287.125	-	-	-	-	-	-	204.287.125
Total gross incurred claims	204.287.125	272.546.084	377.463.530	711.993.893	983.768.552	1.072.662.779	1.045.819.636	4.668.541.599
Total payments made up to today	186.619.306	240.721.294	334.813.222	583.617.985	830.333.345	937.280.339	872.848.599	3.986.234.090
Total provision in financial statements	17.667.819	31.824.790	42.650.308	128.375.908	153.435.207	135.382.440	172.971.037	682.307.509
Net outstanding claims reserves, lawsuit discounts and Exchange difference which is booked for prior of 2012	-	-	-	-	-	-	-	90.682.276
Net IBNR amount booked as of December 2019	-	-	-	-	-	-	-	1.302.834.535
Outstanding claim provisions discount adjustment	-	-	-	-	-	-	-	(317.551.643)
Total net outstanding claim reserve amount stated in financial statements at the end of the year	-	-	-	-	-	-	-	1.758.272.677
December 31, 2018								
Claim Year	2012	2013	2014	2015	2016	2017	2018	Total
Claim year	141.169.567	168.827.560	220.020.264	308.382.993	532.214.006	780.952.935	939.208.379	3.090.775.704
1 year later	147.825.429	173.259.936	226.137.672	329.875.624	625.731.202	906.891.308	-	2.409.721.171
2 year later	156.084.279	180.311.176	245.494.893	355.044.564	681.353.362	-	-	1.618.288.274
3 year later	159.917.167	189.152.946	254.128.906	367.279.167	-	-	-	970.478.186
4 year later	168.097.784	197.428.135	265.318.528	-	-	-	-	630.844.447
5 year later	173.839.175	200.946.786	-	-	-	-	-	374.785.961
6 year later	178.827.529	-	-	-	-	-	-	178.827.529
Total gross incurred claims	178.827.529	200.946.786	265.318.528	367.279.167	681.353.362	906.891.308	939.208.379	3.539.825.059
Total payments made up to today	158.130.620	180.952.433	231.447.410	321.633.495	553.680.297	770.516.303	771.598.000	2.987.958.558
Total provision in financial statements	20.696.909	19.994.353	33.871.118	45.645.672	127.673.065	136.375.005	167.610.379	551.866.501
Net outstanding claims reserves, lawsuit discounts and Exchange difference which is booked for prior of 2012	-	-	-	-	-	-	-	74.484.143
Net IBNR amount booked as of December 2018	-	-	-	-	-	-	-	1.102.229.463
Outstanding claim provisions discount adjustment	-	-	-	-	-	-	-	(280.488.654)
Total net outstanding claim reserve amount stated in financial statements at the end of the year	-	-	-	-	-	-	-	1.448.091.453

17. Insurance Liabilities and Reinsurance Assets(continued)

Guarantees to be provided for life and non-life insurance branches and guarantees provided for life and non-life insurances based on assets:

	December 31, 2019			December 31 2018		
	To be provided (**)	Provided (*)	Book value	To be provided (**)	Provided (*)	Book value
Non-life:						
Financial assets (*)	271.580.976	313.787.389	330.482.980	177.702.783	190.000.000	197.860.479
Total	271.580.976	313.787.389	330.482.980	177.702.783	190.000.000	197.860.479

(*) In accordance with the article 6 of Communiqué regarding "The Financial Structure of Insurance, Reinsurance and Pension Companies", government bonds classified under financial assets are shown by using the daily prices published by CBRT as of December 31, 2019 and 2018.

(**) In accordance with the article 7 of Communiqué regarding "The Financial Structure of Insurance, Reinsurance and Pension Companies", insurance companies and pension companies operating in the life and personal accident branches have to provide their guarantees following the 2 months of capital adequacy calculation periods. In accordance with Communiqué regarding "The Financial Structure of Insurance, Reinsurance and Pension Companies" Companies send their capital adequacy table to T.C. Ministry of Treasury and Finance for the June and December periods within the 2 months period. .

Insurance guarantee amounts given by branches

	December 31, 2019	December 31, 2018
Third party liability for motor vehicles (MTPL)	14.656.141.821.128	6.448.916.992.943
Fire and Natural Disasters	2.333.073.736.913	1.380.955.285.902
Accident	77.718.429.383	47.672.322.194
General Losses	611.846.739.925	368.674.211.847
Transportation	258.508.134.608	120.043.928.114
General Liability	79.303.558.556	51.455.910.649
Motor Vehicles	92.372.570.482	37.166.061.622
Health	533.878.319.023	257.346.380.535
Legal Protection	48.225.347.137	31.220.998.407
Aircraft	4.690.956.393	2.379.436.393
Financial Losses	39.209.902.131	22.703.102.888
Water Craft	5.092.099.494	1.668.353.777
Water Craft Liability	1.457.665.371	930.890.589
Total	18.741.519.280.544	8.771.133.875.860

Company's number of life insurance policies, additions, disposals during the period and the related mathematical reserves

None.

Distribution of new life insurance policyholders in terms of numbers and gross and net premiums as individual or group during the period

None.

Distribution of mathematical reserves for life insurance policyholders who left the company's portfolio as individual or group during the period

None.

Accrued subrogation and salvage income

As of December 31, 2019, the Company has subrogation and salvage income amounting to TL 38.919.801 (December 31, 2018: TL 48.626.571).

17. Insurance Liabilities and Reinsurance Assets(continued)

Deferred commission expenses

Hanging in the following periods of paid commissions to related intermediaries for premium production is capitalized under the “prepaid expenses” account. Prepaid expenses amounted TL 297.522.906 (December 31, 2018: TL 210.698.497) consist of deferred production commission amounted TL 242.925.012 (31 December 2018: TL 185.071.189), income accruals amounted TL 41.144.918 (December 31, 2018: 16.410.850) and other prepaid expenses amounted TL 13.452.976 (31 December 2018: TL 9.216.458)

Movement of deferred production commissions as of December 31, 2019 and 2018 is as follows:

	December 31,2019	December 31,2018
Deferred production commissions at the beginning of the year	185.071.189	163.228.009
Commissions to intermediaries accrued during the period (Note 32)	462.295.367	344.703.580
Commissions recognized as expense during the period (Note 32)	(404.441.544)	(322.860.400)
Deferred production commissions at the end of the year	242.925.012	185.071.189

Individual pension

None.

18. Investment contract liabilities

None.

19. Trade and other payables and deferred income

	December 31,2019	December 31,2018
Financial liabilities	44.710.333	75.542.202
Payables from main operations	207.343.952	212.385.075
Income related to future months/years and expense accruals	115.040.263	96.611.221
Taxes and other similar liabilities to be paid and their provisions	95.349.464	30.558.290
Other payables	72.035.210	47.688.486
Dues to related parties	9.322.313	43.761
Total	543.801.535	462.829.035
Short-term liabilities	532.929.114	453.316.063
Medium and long-term liabilities	10.872.421	9.512.972
Total	543.801.535	462.829.035

With “Numbered 6111 Law to make change in Restructuring of Some Receivables and Social Insurance and General Health Insurance Law and Some Other Law and Delegated Legislations” dated February 25, 2011 and numbered 27857 came into force by issued in Official Gazette and dated August 27, 2012 and numbered 28038 issued in the Official Gazette “Regulation of Rules and Procedures Related with the Collection of Service Fees which is presented to Whom it may Concern due to the Traffic Accidents” and written premiums between the time period of Regulation numbered 2012/17 and all of the payable amount TL 49.324.814 (December 31, 2018: TL 30.070.844) to be ceded to SSI for those premiums, is classified under short term liabilities as “Payables to Social Security Institution Related to Treatment Expenses”.

As of December 31, 2019 and 2018 other payables consist of premiums to be ceded to SSI related with treatment costs and payments to make for external benefit and services..

Income related to future months and expense accruals consist of deferred commission income (Note 10) amounting to TL 107.824.520 (31 December 2018: TL 94.018.857) and other expense accruals amounted to TL 7.215.743 (31 December 2018: TL 2.592.364).

19. Trade and other payables and deferred income(continued)

Details of Company's payables from main operations account as of December 31, 2019 and 2018 is as follows:

	December 31, 2019	December 31, 2018
Payables to reinsurance firms (Note 10)	147.577.436	156.761.578
Payables to agency and insurance companies	28.499.932	31.263.832
Rediscount on payables to reinsurance firms (Note 10)	(1.613.351)	(3.553.398)
Total payables from insurance operations	174.464.017	184.472.012
Other payables from main operations	32.879.935	27.913.063
Payables from main operations	207.343.952	212.385.075

As of December 31, 2019 and December 31, 2018, receivables from other main operations consist of receivables to authorized services and suppliers.

Corporate tax provision and taxes to be paid are detailed below:

	December 31, 2019	December 31, 2018
Prepaid taxes	(73.872.124)	(94.326.317)
Provision of calculated corporate tax	126.211.626	93.861.576
Current period tax asset / (liability), net	52.339.502	(464.741)

20. Financial Liabilities

As of 31 December 2019 and 31 December 2018 financial liabilities are as follows:

	31 December 2019	31 December 2018
Expense accruals from derivatives	39.556.970	75.542.202
TFRS 16 lease liabilities	5.153.363	-
	44.710.333	75.542.202

As of December 31, 2019, due to forward foreign currency contracts the Company has deprecation balance under their other financial liabilities account. The Company recognizes derivative transactions in accordance with TAS 39 - Financial Instruments: Accounting and Measurement. Derivative transactions are measured at their fair values in the periods following their recognition. Derivative transactions are presented at "Revenue Accruals" or "Other financial liabilities" whether the fair value is positive or negative. Changes in the fair value of the related derivative financial instruments are recognized in the income statement.

As of December 31, 2019, the Company has recognized lease liability amounting to TL 5.153.363 within the scope of TFRS 16 and it's part of TL 436.761 is reflected in the financial statements as deferred lease liability.

21. Deferred Tax

Items that resulted in deferred tax assets and liabilities as of December 31, 2019 and December 31, 2018 are as follows:

	December 31, 2019	December 31, 2018
Equilization reserve	7.800.159	6.354.136
Unexpired risk reserve	152.508	13.015
Sliding scale commission provision	2.905.436	2.719.743
Provision for retirement pay and unused vacation	1.588.539	1.117.755
Impairment provision expenses for receivables from main operations	1.448.918	1.246.034
Bonus provision	880.000	950.400
Stop loss provision	1.204.972	-
Provision for business cases	138.224	202.942
Provision for sales commission	-	39.653
Difference between local Tax Legislation and Reporting Standards for tangible and intangible fixed assets	(1.152.590)	(1.032.704)
Financial items valuation differences - rediscounts	(1.846.855)	12.039.130
Financial instruments IRR tax base differences	1.083.543	-
Other	537.000	700.637
Deferred tax asset, net	14.739.854	24.350.741

As of December 31, 2019 and December 31, 2018, the Company has no unused financial losses.

The movement of deferred tax assets during the period is as follows:

	December 31, 2019	December 31, 2018
Beginning of the period - 1 January	24.350.741	10.929.712
Deferred tax income, net (Note 35)	(6.525.688)	13.369.372
Deferred tax income / (loss) shown under equity	(3.085.199)	51.657
End of the period	14.739.854	24.350.741

22. Retirement social aid liabilities

None.

23. Provision for Other Liabilities and Expense

As at December 31, 2019 and December 31, 2018; the details of the provisions for other risks are as follows:

	December 31, 2019	December 31, 2018
Short-term employee rights premium provisions	4.000.000	4.320.000
Business case provisions	628.290	922.465
Allowance for cost expenses	4.628.290	5.242.465
Provisions for employee termination benefits	3.113.245	2.016.034
Unused vacation provision	4.107.388	3.064.669
Total provisions for other risks	11.848.923	10.323.168

The movement of provision for employment termination benefits during the period is as follows:

	December 31, 2019	December 31, 2018
Provision for employment termination benefit at the beginning of the period	2.016.034	1.889.697
Payments during the period	(1.370.906)	(961.687)
Provision booked during the period	1.893.251	853.220
Actuarial loss	574.866	234.804
Provision for employment termination benefit at the end of the year	3.113.245	2.016.034

Movement of unused vacation provision in the period is as follows:

	December 31, 2019	December 31, 2018
Unused vacation provision at the beginning of the period	3.064.669	2.199.357
Payments during the period	(416.353)	(237.749)
Provision booked during the period	1.459.072	1.103.061
Unused vacation provision at the end of the year	4.107.388	3.064.669

Movement of business cases provision in the period is as follows:

	December 31, 2019	December 31, 2018
Business case provisions at the beginning of the year	922.464	721.617
Payments during the period	(586.271)	(199.887)
Provision amount booked/(cancelled) during the period	292.097	400.735
Business case provision at the end of the year	628.290	922.465

As of December 31, 2019 and December 31, 2018, the details of other payables are as follows:

	31 December 2019	31 December 2018
Payables to suppliers	10.084.088	8.879.642
Other payables	2.349.332	43.781
	12.433.420	8.923.423

24. Net Insurance Premium

January 1 – December 31, 2019	Motor vehicles	Motor vehicles liability	Fire and natural disasters	General losses	Transportation	Accident	Other	Total
Premiums received	858.267.447	1.716.811.187	345.331.452	197.945.786	36.170.605	13.998.584	194.562.877	3.363.087.938
Premiums transferred to the reinsurance	(2.662.756)	(504.092.843)	(297.702.413)	(117.940.541)	(21.805.441)	(2.317.954)	(60.966.217)	(1.007.488.165)
Premiums transferred to the SSI	-	(152.027.634)	-	-	-	(167.271)	-	(152.194.905)
Total	855.604.691	1.060.690.710	47.629.039	80.005.245	14.365.164	11.513.359	133.596.660	2.203.404.868

1 January – December 31, 2018	Motor vehicles	Motor vehicles liability	Fire and natural disasters	General losses	Transportation	Accident	Other	Total
Premiums received	561.904.008	1.250.121.082	279.504.210	208.330.917	31.699.149	11.055.766	166.555.811	2.509.170.943
Premiums transferred to the reinsurance	(2.553.636)	(379.715.136)	(240.552.990)	(176.280.101)	(19.035.282)	(2.324.550)	(56.685.200)	(877.146.895)
Premiums transferred to the SSI	-	(108.893.493)	-	-	-	(208.832)	-	(109.102.325)
Total	559.350.372	761.512.453	38.951.220	32.050.816	12.663.867	8.522.384	109.870.611	1.522.921.723

25. Fee Income

None.

26. Investment Income/(Expense)

Investment income is presented in “Note 4.2 – Financial Risk Management” above

As of December 31, 2019, the Company's insurance transaction tax is TL 8.912.758 (December 31,2018: TL 12.703.322).

27. Net income accrual on financial assets

Shown in the “Financial risk management” note (Note 4.2) above.

28. Assets that their fair value differences reflected to the profit or loss

Shown in the “Financial risk management” note (Note 4.2) above.

29. Insurance rights and demands

	December 31, 2019	December 31, 2018
Claims paid as deducted reinsurers' share	(1.052.705.769)	(926.852.322)
Change in unearned premium reserve, as deducted reinsurers' and SSI share	(374.563.205)	(27.699.437)
Change in outstanding claims reserve,as deducted reinsurers' share	(310.181.224)	(273.794.073)
Change in equalization reserve as deducted reinsureres' share	(7.054.084)	(5.262.170)
Change in other reserves as deducted reinsurers' share	(5.477.147)	-
Change in unexpired risks reserve as deducted reinsurers' share	(634.060)	132.660
Total	(1.750.615.489)	(1.233.475.342)

30. Investment agreement rights

None.

31. Mandatory other expenses

Grouping of expenses based on the characteristics and functions in the Company is presented in Note 32 below.

32. Expense by nature

As at December 31, 2019 and December 31, 2018; the details of the operating expenses are disclosed as follows:

	December 31, 2019	December 31, 2018
Commission expenses (Note 17)	(404.441.544)	(322.860.400)
Intermediary commissions accrued during the period (Note 17)	(462.295.367)	(344.703.580)
Change in deferred production commissions (Note 17)	57.853.823	21.843.180
Employee benefits expenses (Note 33)	(122.764.077)	(81.480.232)
Commission income earned from reinsurers (Note 10)	170.652.168	142.374.797
Accrued commission income from reinsurers during the period (Note 10)	184.457.831	155.589.837
Change in deferred commission income (Note 10)	(13.805.663)	(13.215.040)
Rent expenses	(7.004.517)	(6.854.112)
Management and service expenses	(4.919.665)	(3.320.403)
IT expenses	(9.968.719)	(7.158.646)
Vehicle expenses	(1.806.674)	(4.213.367)
Marketing and sales expenses	(25.645.304)	(16.796.095)
Communication expenses	(1.494.015)	(1.111.162)
Travel expenses	(883.190)	(769.960)
Taxes, duties and fees	(3.750.387)	(377.193)
Printed matters and office supplies expenses	(2.636.821)	(1.356.669)
Mail and cargo expenses	(513.718)	(378.982)
Consulting expenses	(1.917.744)	(3.136.740)
Bank charges expense	(822.739)	(429.946)
Total	(417.916.946)	(307.869.110)

33. Employee benefit expenses

The details of employee benefits expenses for the period ended December 31, 2019 and 2018 are as follows:

	December 31, 2019	December 31, 2018
Salary and wages	(72.727.425)	(54.662.372)
Other vested benefits	(17.914.086)	(12.197.999)
Bonus, premium and commission	(22.009.743)	(6.253.352)
Employer's share of social security premium	(10.112.823)	(8.366.509)
Total	(122.764.077)	(81.480.232)

34. Financial costs

All financial costs for the period are shown in the note "Financial risk management" above (Note 4.2). There is no financial allowance for the cost of production or the cost of fixed assets.

35. Income taxes

Items composing the income tax expenses stated in the financial statements are as follows:

	December 31, 2019	December 31, 2018
Corporate tax liability:		
Calculated corporate tax provision	(126.211.626)	(93.861.576)
Deferred tax:		
Deferred tax income/(loss) (Note 21)	(6.525.688)	13.369.372
Total	(132.737.314)	(80.492.204)

As of December 31, 2019 and 2018 confirmation of Company's operational profit before taxes arised in Company's financial statements and Company's actual income tax provision calculated via active tax rate are detailed in the table below :

	December 31, 2019		December 31, 2018	
		Tax Rate (%)		Tax Rate (%)
Profit before tax	603.280.283		368.269.894	
Income tax provision by legal tax rate	(132.721.663)	(22,00)	(81.019.377)	(22,00)
Non-deductible expenses	(982.136)	(0,16)	(119.997)	(0,03)
Other	966.485	0,16	647.170	0,18
Total income tax income/(expense)	(132.737.314)	(22,00)	(80.492.204)	(21,85)

36. Net foreign exchange gains

Shown in the "Financial risk management" note (Note 4.2) above.

37. Earnings per share

Earnings per share is calculated by dividing net profit of the Company by the weighted average number of shares.

	December 31, 2019	December 31, 2018
Profit as of accounting period	470.543.039	287.777.690
Weighted average number of stocks	19.000.000.000	19.000.000.000
Earnings per share (TL)	0,025	0,015

38. Dividends per share

General Assembly Meeting took place on March 26, 2020 ,it was decided to transfer the net profit of the Company from the operations of financial year 2019 operations to the profit reserves.

39. Cash generated from operations

Cash flows from operating activities are disclosed in the statement of cash flows.

40. Equity share convertible bonds

None.

41. Cash convertible privileged equity shares:

None.

42. Risks

During the ordinary operations Company faces many legal conflicts, cases and claims for damages mainly from insurance operations. These cases are reflected to financial statements by providing necessary provisions in allowance for cost expenses and outstanding claims reserve.

As of December 31, 2019 total amount of all cases against the Company is TL 258.725.671 (December 31, 2018: TL 232.895.677) on the other hand possible responsibility amount that Company is obliged to pay if the case concludes against the Company including the opened cases and execution proceedings made is TL 685.708.291.

43. Commitments

The details of the guarantees given in the non-life insurance branches in accordance with the Company's activities are given in Note 17.

As part of operational lease total minimum rent payment amounts to be paid for the real estates which is rented for the usage of head office and region offices and rent vehicles assigned to sales team is as follows:

TL commitments	December 31, 2019	December 31, 2018
Less than 1 year	5.109.356	5.396.050
More than a year, less than five years	11.006.239	16.153.601
Sum of minimum rent payments to be paid	16.115.595	21.549.651

44. Business merges

None.

45. Related party transactions

Sompo Japan Nipponkoa Insurance Inc. And the groups to which they are affiliated and the associates and subsidiaries of these groups are defined as related parties for these financial statements.

As of December 31, 2019 and December 31, 2018, the related party balances are as follows:

	December 31, 2019	December 31, 2018
Sompo Japan Nipponkoa Insurance Inc.	647.159	43.577
Receivables from related parties	647.159	43.577
	December 31, 2019	December 31, 2018
Sompo Japan Nipponkoa Insurance Company of Europe	(239.609)	(67.869)
Sompo Japan Nipponkoa Insurance Company of Europe Germany Branch	67.608	47.555
Sompo Japan Nipponkoa Insurance Inc.	(2.076.867)	(5.707.198)
Canopius Managing Limited	(11.727)	(13.996)
Payables from insurance operations	(2.260.595)	(5.741.608)

45. Related party transactions (continued)

Transactions with related parties for the periods ended at December 31, 2019 and December 31, 2018 are as follows:

	December 31, 2019	December 31, 2018
Sompo Japan Nipponkoa Insurance Company of Europe	169.066	(183.983)
Sompo Japan Nipponkoa Insurance Company of Europe Germany Branch	92.079	68.693
Sompo Japan Nipponkoa Insurance Inc.	17.842.156	14.713.238
Canopius Managing Limited	11.530	1.974
Commissions taken	18.114.831	14.599.922
	December 31, 2019	December 31, 2018
Sompo Japan Nipponkoa Insurance Company of Europe	828.901	922.733
Sompo Japan Nipponkoa Insurance Company of Europe Germany Branch	365.570	298.039
Sompo Japan Nipponkoa Insurance	44.082.181	36.260.242
Canopius Managing Limited	39.680	7.904
Ceded premium	45.316.332	37.488.918
	December 31, 2019	December 31, 2018
Sompo Japan Nipponkoa Insurance Company of Europe	1.155.142	436.118
Sompo Japan Nipponkoa Insurance Company of Europe Germany Branch	286.826	143.897
Sompo Japan Nipponkoa Insurance Inc.	34.879.632	17.577.457
Claims paid	36.321.600	18.157.472
	December 31, 2019	December 31, 2018
Sompo Japan Nipponkoa Insurance Inc.	208.255	21.836
Non-operating income	208.255	21.836

No guarantees have been taken against receivables from related parties.

There are no doubtful receivables from shareholders, subsidiaries and joint ventures.

There are not any liabilities like warranty, commitment, bail, advance and endorsement on behalf of shareholders, subsidiaries and associations..

46. Events occurred after reporting date

None.

47. Other

47.1 Details of “Other” items in the balance sheet which exceed 20% of its respective account group of 5% of total assets:

None.

47.2 Due from and due to personnel classified in “Other receivables” and “Other short-term or long-term payables” that exceed 1% of total assets:

None.

47.3 Receivables from salvage and subrogation followed under off-balance sheet items:

None.

47.4 Income and expenses related to prior periods and the amounts and sources of expenses and losses”

None.

Possessed real rights on properties and their values

None.

47.5 Other information that has been obliged to present by Republic of Turkey Ministry of Treasury and Finance

Provision and rediscount income/expenses of the period

a) Provision Expenses

The details of rediscount and provision expenses for the periods ended December 31, 2019 and 2018 are as follows:

	December 31, 2019	December 31, 2018
Impairment provision expenses booked for receivables from main operations, net	(35.128.987)	(31.407.721)
Unused vacation provision expenses	(1.042.719)	(865.312)
Retirement pay provision expenses	(522.345)	(853.220)
Business cases provision (expense)/cancellation	294.175	(200.847)
Provisions account	(36.399.876)	(33.327.100)

	December 31, 2019	December 31, 2018
Rediscounts interests income / (expenses)	6.914.322	(10.175.218)
Rediscount account	6.914.322	(10.175.218)

	December 31, 2019	December 31, 2018
Unearned premium provisions	374.563.205	27.699.437
Outstanding claim reserve	(310.181.224)	(273.794.073)
Unexpired risk reserve	(634.060)	132.660
Equalization reserve	(7.054.084)	(5.262.170)
Other reserves	(5.477.147)	-
Technical Provisions	51.216.690	(251.224.144)

47. Other (continued)

b) Other Expenses and Losses

	December 31, 2019	December 31, 2018
Non-deductible expenses (-)	(4.464.256)	(545.439)
Other expenses and losses (-)	(235.321)	(26.900)
Other expenses and losses (-)	(4.699.577)	(572.339)

c) Other Income and Profits

	December 31, 2019	December 31, 2018
Late charge income	1.604.447	893.987
Other income and profits	1.604.447	893.987

d) Other Long-term deferred incomeeer prepaid Income

	December 31, 2019	December 31, 2018
Commission income	285.714	285.714
Prepaid income	285.714	285.714

e) Other technical expenses

	December 31, 2019	December 31, 2018
Assistance service expenses	(47.843.805)	(34.668.572)
Other technical expenses	(8.257.530)	(7.829.710)
Other technical expenses	(56.101.335)	(42.498.282)

47. Other (continued)

47.6. Statement of profit distribution

	Note	Current Period December 31, 2019	Prior Period December 31, 2018
1. DISTRIBUTION OF PROFIT FOR THE PERIOD			
1.1. PROFIT FOR THE PERIOD		603.280.353	368.269.894
1.2. TAXES PAYABLE AND LEGAL LIABILITIES		(132.737.314)	(80.492.204)
1.2.1. Corporate tax (Income Tax)		(126.211.626)	(93.861.576)
1.2.2. Income Tax Deduction		-	-
1.2.3. Other Tax and Legal Liabilities		(6.525.688)	13.369.372
A NET PROFIT FOR THE PERIOD (1.1 – 1.2)		470.543.039	287.777.690
1.3. PREVIOUS YEARS' LOSSES (-)			
1.4. FIRST LEGAL RESERVE		23.527.152	14.388.886
1.5. LEGAL RESERVES KEPT IN THE COMPANY (-)		-	-
B NET DISTRIBUTABLE PROFIT FOR THE PERIOD [(A - (1.3 + 1.4 + 1.5)]		447.015.887	273.388.804
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)		-	-
1.6.1. To Common Shareholders		-	-
1.6.2. To Preferred Shareholders		-	-
1.6.3. To Owners of Participating Redeemed Shares		-	-
1.6.4. To Owners Of Profit-sharing Securities		-	-
1.6.5. To Owners Of Profit And Loss Sharing Securities		-	-
1.7. DIVIDEND TO EMPLOYEES (-)		-	-
1.8. DIVIDEND TO BOARD OF DIRECTORS (-)		-	-
1.9. SECOND DIVIDEND TO SHAREHOLDERS (-)		-	-
1.9.1. To Common Shareholders		-	-
1.9.2. To Preferred Shareholders		-	-
1.9.3. To Owners of Participating Redeemed Shares		-	-
1.9.4. To Owners Of Profit-sharing Securities		-	-
1.9.5. To Owners Of Profit And Loss Sharing Securities		-	-
1.10. SECOND LEGAL RESERVE (-)		-	-
1.11. STATUTORY RESERVE (-)		-	-
1.12. EXTRAORDINARY RESERVES		-	(273.388.804)
1.13. OTHER RESERVES		-	-
1.14. SPECIAL FUNDS		-	-
II. DISTRIBUTION FROM RESERVES			
2.1. DISTRIBUTED RESERVES		-	-
2.2. SECOND LEGAL RESERVE (-)		-	-
2.3. DIVIDENDS TO SHAREHOLDERS (-)		-	-
2.3.1. To Common Shareholders		-	-
2.3.2. To Preferred Shareholders		-	-
2.3.3. To Owners of Participating Redeemed Shares		-	-
2.3.4. To Owners Of Profit-sharing Securities		-	-
2.3.5. To Owners Of Profit And Loss Sharing Securities		-	-
2.4. DIVIDENDS TO EMPLOYEES (-)		-	-
2.5. DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
III. PROFIT PER SHARE			
3.1. TO COMMON SHAREHOLDERS		-	-
3.2. TO COMMON SHAREHOLDERS (%)		-	-
3.3. TO PREFERRED SHAREHOLDERS		-	-
3.4. TO PREFERRED SHAREHOLDERS (%)		-	-
IV. DIVIDEND PER SHARE			
4.1. TO COMMON SHAREHOLDERS		-	-
4.2. TO COMMON SHAREHOLDERS (%)		-	-
4.3. TO PREFERRED SHAREHOLDERS		-	-
4.4. TO PREFERRED SHAREHOLDERS (%)		-	-

General Assembly Meeting took place on March 26, 2019 Company's net profit for the period from the operations of financial year 2018 is decided to transfer to the profit reserves. Authorized member for profit distribution is General Assembly and as of financial statements date General Assembly meeting did not take place yet. Since profit distribution proposal for financial year 2019 is not yet prepared by Board of Directors, in 2019 profit distribution table only distributable net income for the period is stated.