

Your
companion
throughout the
whole life

TABLE OF CONTENTS

PART 1 **INTRODUCTION**

- 6 An Overview of Sompo Japan Sigorta
- 8 Sompo Japan Group at a Glance
- 10 Historical Development of Sompo Japan Sigorta
- 12 Sompo Japan Sigorta's Powerhouses
- 14 Summary Financial Information in Relation to the Annual Results for the Fiscal Period
- 18 Chairman's Message
- 20 Assessment of CEO
- 22 Information Related to the Company's Partnership Structure, Changes Made to the Partnership Structure during the Fiscal Period and the Titles and Shares of Real or Legal Entities with Qualified Shares
- 22 Amendments to the Articles of Association During The Accounting Period (If Any)&Rationale
- 22 Headcount, Regional Offices, Liaison Offices and Subsidiaries, Service Type, Core Business Activities&Assessment of Company's Standing in the Market
- 23 Overview of the Turkish Insurance Market
- 25 Assessment of Company's Operations during 2017
- 33 Information Related to Research and Development Practices with Regard to New Services and Activities

PART 2 **INFORMATION RELATED TO MANAGEMENT AND CORPORATE GOVERNANCE PRACTICES**

- 36 Board of Directors
- 38 Senior Management
- 40 Company's Organizational Structure
- 42 Names and Surnames, Term of Office, Responsibility Areas, Educational Backgrounds and Professional Experience of the Chairman and Members of the Board of Directors, General Manager and Deputy General Managers and the Administrators of the Units within the Scope of Internal Inspection Systems
- 44 Information About the Members of the Initial Board of Directors
- 44 Information About the General Assembly
- 44 Summary Board of Directors Report Submitted to the General Assembly
- 45 Information Related to Human Resources Practices
- 45 Information Related to the Company's Risk Group and the Procedures Performed

PART 3 **FINANCIAL INFORMATION AND ASSESSMENTS RELATED TO RISK MANAGEMENT**

- 46 Information Related to Internal Audit Activities
- 46 Explanations Related to Private and Public Audits Carried Out During the Fiscal Period
- 47 Information Related to Financial Tables and Fiscal Budget and Evaluations Related to Financial Status, Profitability and Compensation Solvency
- 47 Reports on Whether the Company's Capital is Unreciprocated or Whether the Company is in Debt and Assessments of the Executive Organ
- 48 Information on Whether the Specified Targets Have Been Reached in Previous Periods
- 48 Information Related to the Risk Management Policies Applied as per Risk Types
- 50 Summary Financial Information Related to the 5-Year Period Including the Reporting Period
- 50 Information Related to Profit Share Distribution Policy and if Profit Distribution is not Going to be Carried out, Justification and Recommendations on How to Use the Undistributed Profit
- 51 Other Issues
- 51 Loyalty Report
- 52 Conformity Assessment of the Audit Company
- 54 Independent Audit Report

Contact

STRONG AND GLOBAL

Your companion throughout the whole life...

Driven by its know-how in international insurance business and local market dominance, Sompo Japan Sigorta offers full bundle of non-life insurances; provides superlative insurance products and services, and pursues the philosophy of making a holistic contribution to customer and social security, health and welfare.

Equipped with a workforce composed of experienced professionals and thanks to its innovative vision, customer orientation, consistent price policy, efficient claim processes and competence in digital transformation, the company will be your companion all the time, guaranteeing the best experience.





Your companion
throughout the
whole life

Thanks to our motor and traffic insurance products, we offer high value-added solutions to millions of vehicle owners.

Sompo Japan Sigorta offers non-life insurance products.

The company was founded in 2001 under the trade name “Fiba Sigorta”. Making its debut in 2002, the company changed its trade name to “Finans Sigorta”. However, the company adopted the trade name “Fiba Sigorta A.Ş.” back in 2006 after Fiba Group sold QNB Finansbank’s shares to the NGB Group.

A share transfer agreement was concluded between Fiba Holding and Sompo Japan Insurance Inc., a prominent and leading enterprise of Japan that is one of the biggest insurance markets of the world, and after the completion of other legal formalities, Fiba Sigorta’s shares were handed over to Sompo Japan Insurance on November 2, 2010.

On February 28, 2011, Fiba Sigorta’s trade name was changed to Sompo Japan Sigorta A.Ş. on October 31, 2016, Sompo Japan Nipponkoa Insurance Inc. became the sole shareholder.

Powered by its sole shareholder, Sompo Japan Sigorta has confidently been on its way, offering full range of non-life insurance products.

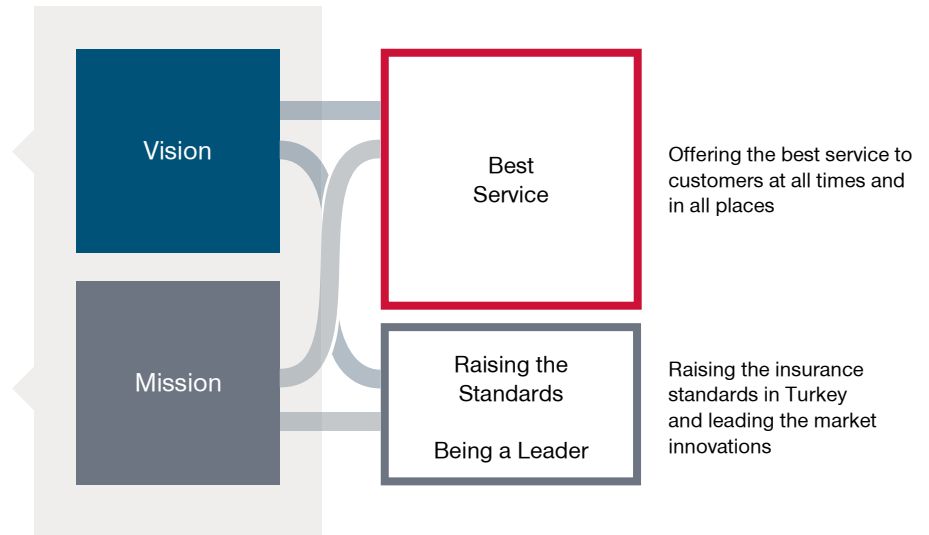
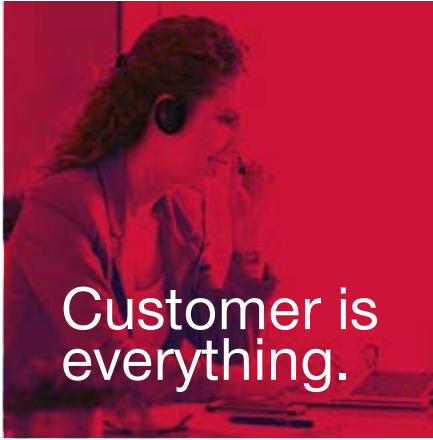
Along with its know-how in international insurance as well as its workforce composed of experienced professionals, innovative vision, customer orientation, consistent price policy, efficient claim processes and competence in digital transformation, Sompo Japan Sigorta has considerable competitive strengths.

Ranked 6th in the classification of non-life insurance premium generation as at the end of 2017, Sompo Japan Sigorta holds a market share of 5.9% and stands as a key contributor to the group’s overall profitability.

Ranked 6th in the classification of non-life insurance premium generation as at the end of 2017, Sompo Japan Sigorta holds a market share of 5.9% and stands as a key contributor to the group’s overall profitability.

Ranked 6th in the classification of non-life insurance premium generation as at the end of 2017, Sompo Japan Sigorta holds a market share of 5.9% and stands as a key contributor to the group’s overall profitability.





MANAGERIAL PHILOSOPHY

- While making the guiding decisions, we always look after our customers' benefits.
- We are committed to making a holistic contribution to the safety, health and welfare of customers and the society by providing superlative insurance products and services.

PRINCIPLES

- For the sake of offering the best service to customers;
- We treat honestly to our customers. We know that each individual act reshapes the overall corporate image.
 - We take initiatives, set ambitious targets and derive lessons from our actions.
 - We always act fast and transparently.
 - We behave in accordance with highest ethical values.

Sompo Holdings

The group is active in **5 continents,**
32 countries and 211 cities.

Dating back to late 1800s, Sompo Japan Insurance Inc. and Nipponkoa Insurance Company Limited merged on September 1, 2014 under the name "Sompo Japan Nipponkoa Insurance Inc." before the group adopted the name "Sompo Holdings" on October 1, 2016.

Setting its core business activities as

- Property and Liability Insurances
- Life Insurance
- Nursing Care&Healthcare Businesses
- International Insurance Operations
- Asset Management, House Repair, etc. Strategic Operations

Sompo Holdings, as a global and competitive group, targets sustainable and profitable growth. Our shareholder within the group, Sompo Japan Nipponkoa Insurance Inc., is the biggest insurance provider of Japan in the elementary insurance premiums segment.



Sompo Japan Nipponkoa Insurance Inc. is the biggest insurance provider of Japan in terms of premiums written in the elementary market.

One of the leading insurance groups of Japan, the second biggest insurance market around the globe, Sompo Holdings is active in 5 continents, 32 countries and 211 cities, and displays a consistent global growth via ambitious acquisitions driven by capital investments in myriad of countries besides Turkey. Most recently, Bermuda-based Endurance was acquired in 2016 (at a purchase cost of 6.5 billion dollars).

Recruiting more than 76,000 employees on global basis, Sompo Holdings consistently upgrades its service quality through its in-depth know-how in international insurance business, sound reinsurance support and sophisticated technological infrastructure.

SOMPO HOLDINGS'S CREDIT RATINGS AS AT April 2018

Standard&Poor's Sompo Japan Nipponkoa, Sompo Japan Nipponkoa Himawari Life **A+**

Moody's Sompo Japan Nipponkoa **A1**

Rating and Investment Information, Inc. (R&I)

Sompo Japan Nipponkoa, Sompo Japan Nipponkoa Himawari Life **AA**

Japan Credit Rating Agency, Ltd. (JCR) Sompo Japan Nipponkoa **AA+**

A.M. Best Sompo Japan Nipponkoa **A+**

SOMPO HOLDINGS

OPERATIONS IN JAPAN

Property and Liability Insurances

Sompo Japan Nipponkoa Insurance Inc.
Saison Automobile and Fire Insurance Company Limited
Sompo 24 Insurance Company Limited

Retirement Insurances

Sompo Japan Nipponkoa DC Securities Inc.

Risk Consultancy and Healthcare Services

Sompo Risk Management&Health Care Inc.

Life Insurance

Sompo Japan Nipponkoa Himawari Life Insurance, Inc.

Medical Treatment and Healthcare Services

Sompo Care Inc.
Sompo Care Next Inc.

INSURANCE OPERATIONS OUTSIDE JAPAN

Foreign Affiliates

STRATEGIC OPERATIONS

Sompo Japan Nipponkoa Asset Management Co., Ltd. (Investment consultancy and asset management), Prime Assistance Inc. (Assistance), Freshhouse Co., Ltd. (House repair), Sompo Warranty Inc. (Warranty extension)

Sompo Holdings runs a strong service network worldwide.



**NORTH AND
CENTRAL
AMERICA**



SOUTH AMERICA



**EUROPE,
AFRICA AND
MIDDLE
EAST**



EAST ASIA



**ASIA AND
AUSTRALIA**

STRONG AND GLOBAL

An insurance provider with a long-term market-leading character

2001

March 30,
2001: Fiba
Sigorta A.Ş. is
incorporated.

2002

May 1, 2002:
Operating
license is
obtained

May 6, 2002:
The first
insurance policy
is issued

June 3, 2002:
The first
insurance agent
is established

June 5, 2002:
Trade name
is changed to
Finans Sigorta
A.Ş.

June 11, 2002:
The first claim
payment is
effected

2007

October 31,
2007: Trade
name is
changed to
Fiba Sigorta
A.Ş.

2010

November 2,
2010: Majority
shares are
transferred to
SJNK Insurance
Inc.

December 15,
2010: SJNK
Insurance Inc.*
transfers 9.99%
of its shares to
EBRD**.

2017

The company is **ranked 6th** among 39 companies in non-life insurance premiums segment.

2011

February 28, 2011: Trade name is changed to Sompo Japan Sigorta A.Ş.

2013

On January 30, 2013; each of

- Sompo Japan Asia Holdings Pte. Ltd.
- Sompo Japan Insurance (Singapore) Pte. Ltd.
- Sompo Japan Insurance Company of America, and
- Sompo Japan Insurance Company of Europa

· transfer 0.02% of their shares to SJNK Insurance Inc.*

In the General Assembly meeting on March 28, 2013, the Company's articles of association was amended for harmonization with the Turkish Commercial Code no 6102, and then published in the Trade Registry Gazette on June 7, 2013.

2015

Sompo Japan Sigorta is honored with the auto excellence award by Sompo Holdings

The company is ranked 8th among 38 companies in non-life insurance premiums segment.

2016

October 31, 2016: EBRD** shares are transferred to SJNK Insurance Inc. SJNK Insurance Inc. is now the sole shareholder.

*Sompo Japan Nipponkoa Insurance Incorporated merged with Sompo Japan Insurance Inc. and Nipponkoa Insurance Co. Ltd. followed by the adoption of the post-merger trade name "Sompo Japan Nipponkoa Insurance Inc. in September 2014. October 1, 2016: trade name is changed to Sompo Holdings.

**European Bank for Reconstruction and Development

A well-established service culture and in-depth experience along with global presence in 5 continents and 32 countries

INTERNATIONAL EXPERIENCE AND FINANCIAL STRENGTH

Representing a well-established service culture and an in-depth experience along with a global presence in 5 continents and 32 countries, Sompo Holdings boasts an extensive know-how in international insurance business, strong financial structure and reinsurance support, imparting a notable competitive edge to the organization.

CONSISTENT PRICE POLICY

Pursuing a consistent and competitive price policy, Sompo Japan Sigorta is safeguarding both agents and customers in the long term and taking unconventional steps.

INNOVATIVE CORPORATE VISION

As a part of its innovative vision, Sompo Japan Sigorta is committed to driving the transformation rather than keeping up with it. Setting "precedents" in the market, the company is ambitious to maintain its leading operations and keep steering the market in the long term.

EXPERIENCE AND COMPETENCE

Sompo Japan Sigorta is committed to optimizing customer experience through a highly experienced qualified workforce, professional service and a decent solution-oriented approach.

MANAGERIAL CONSISTENCY&TRUST

Ranked among game-setting actors of the market, Sompo Japan Sigorta has been demonstrating a brilliant growth along a consistent management and superior service approach, and clinching customers' confidence since foundation.

EFFICIENT CLAIM MANAGEMENT PROCESS

Sompo Japan Sigorta provides solutions to its customers rapidly by managing claim files efficiently thanks to its specialized claim taskforces in both motor and non-motor insurance segments.

FAST AND EFFICIENT COMMUNICATION

Capable of communicating with customers, business partners and employees efficiently and fast, Sompo Japan Sigorta is committed to offering the right solution.

AGENT- AND CUSTOMER-ORIENTED SALES MANAGEMENT

Sompo Japan Sigorta pinpoints the demands of agents and customers, and helps agents to develop customized alternative solutions through an efficient sales management.

PRODUCT DIVERSITY AND OFFER MANAGEMENT

Sompo Japan Sigorta is capable of transforming its comprehensive product spectrum, constantly reformed through experience and expertise, into a higher added value and benefit for customers through cross-sale and up sale opportunities for agents as well as special offerings.

LEADING DIGITAL TRANSFORMATION

While dynamically coping with the global digital transformation, Sompo Japan Sigorta reflects its superior technological capabilities to agents, online platforms and system infrastructure based on lean and fast solutions highlighted by the emerging era of digitalization.

SOMPO JAPAN
SIGORTA

FINANCIAL HIGHLIGHTS FOR THE ACCOUNTING PERIOD

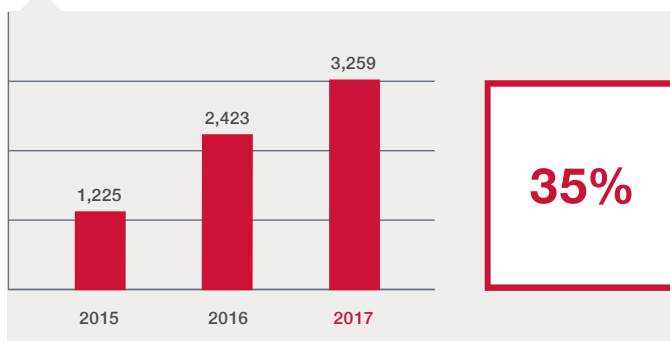
Sompo Japan Sigorta's profit before tax for 2017 is TL 351 million.

BRIEF FINANCIALS FOR 2017

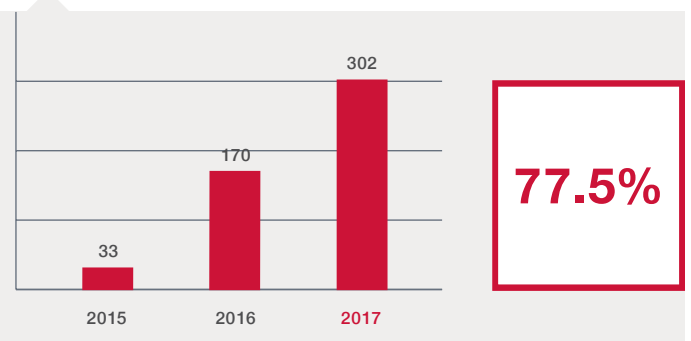
(million TL)	2017	2016	Δ (%)
Premiums	2,264	2,236	1.2
Technical Balance	302	170	77.5
Profit Before Tax	351	177	97.7
Net Profit	278	142	96.0
Equity	848	420	102.0
Total Assets	3,259	2,423	34.5

Breakdown of Segments (thousand TL)	Premiums Written			Share in Total (%)	
	2017	2016	Δ (%)	2017	2016
Motor Vehicles Liability	1,230,130	1,403,116	-12.3	54.3	62.7
Motor Vehicles	466,083	376,883	23.7	20.6	16.9
Fire and Natural Disasters	214,084	163,840	30.7	9.5	7.3
General Losses	197,207	165,626	19.1	8.7	7.4
Health	62,767	43,581	44.0	2.8	1.9
General Liability	31,065	22,799	36.3	1.4	1.0
Marine	25,562	26,517	-3.6	1.1	1.2
Accident	11,570	13,404	-13.7	0.5	0.6
Financial Losses	8,156	5,088	60.3	0.4	0.2
Legal Protection	6,895	5,427	27.0	0.3	0.2
Surety	4,913	5,113	-3.9	0.2	0.2
Watercraft Liability	2,470	2,436	1.4	0.1	0.1
Watercraft	2,294	1,858	23.5	0.1	0.1
Aircraft	832	467	78.1	0.0	0.0
Total	2,264,027	2,236,155	1.2	100.0	100.0

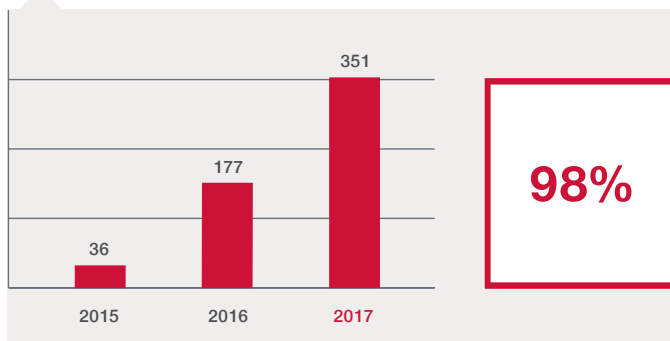
TOTAL ASSETS
(million TL)



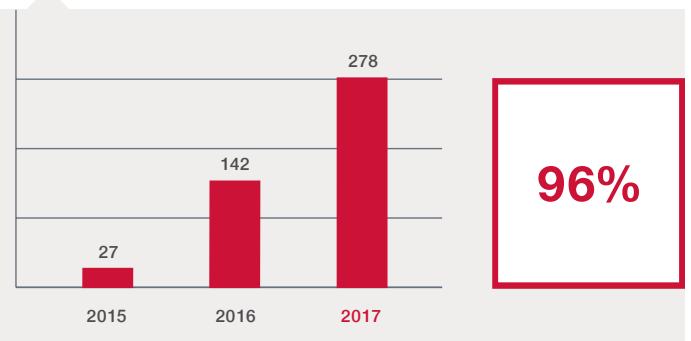
TECHNICAL BALANCE
(million TL)



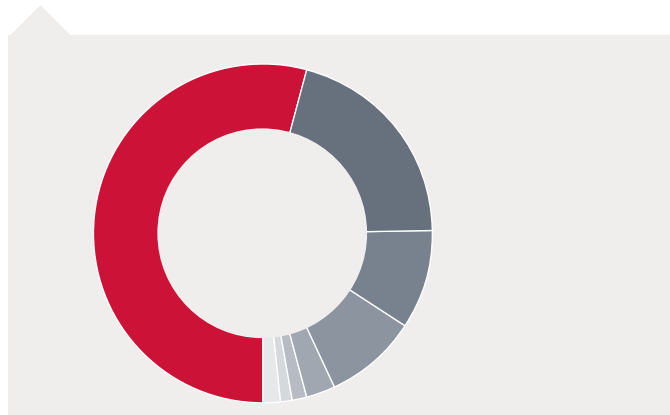
PROFIT BEFORE TAX
(million TL)



NET PROFIT
(million TL)



BREAKDOWN OF PREMIUM PRODUCTION BY SEGMENT



Sompo Japan Sigorta is ranked 3rd and 5th in its leading segments of motor vehicles liability insurance and motor vehicles insurance segments respectively.

- Motor Vehicles Liability 54.3%
- Motor Vehicles 20.6%
- Fire and Natural Disasters 9.5%
- General Losses 8.7%
- Health 2.8%
- General Liability 1.4%
- Marine 1.1%
- Other 1.6%





Your companion
throughout the
whole life

Our travel insurance products
offer high added-value solutions to
travelers.

Global economy hit a growth well beyond the expectations in 2017.

ECONOMICAL GROWTH ACCELERATED IN 2017.

In 2017 when global economy scored an unexpectedly high growth, it is notable that economic growth in developed countries accelerated and growth performance of developing countries improved as well.

Following the first quarter of 2017, global risk appetite augmented, affecting positively the capital inflows for developing countries.

The monetary policies designed to stimulate economic vitality of major central banks of the world, particularly FED, the European Central Bank (ECB) and BoJ, have yielded positive results.

Despite the limited increase in base inflation rate in US economy, contrary to the expectation of most of the economists, growth and employment data continued to increase steadily. In parallel to these trends, FED raised interest rates three times and elevated the policy interest rate to the 1.25-1.50 range by the end of the year. Moreover, FED initiated the balance sheet shrinkage process in October.

Euro demonstrated the strongest growth performance since the global crisis in 2008 despite the Brexit process in UK and the intense election schedule. In parallel to these trends, ECB decided to downsize the asset purchase program and took the first steps towards normalization in the monetary policy as at 2017.

TURKISH ECONOMY MARKED A STRONG PERFORMANCE AS WELL

Thanks to the incentives aimed at encouraging the economic vitality and to the base effect, Turkish economy marked a strong performance in 2017, and scored a growth of 7.4% during the first nine months driven by the record-breaking growth of 11.1% during the third quarter of the year.

While the budget deficit widened in parallel to the growing public support for the economy, budget deficit to national income ratio remained low thanks to the contribution of the strong economic growth. The double-digit trend in inflation, increase in foreign trade deficit and current accounts deficit remain to be the prevailing troubles of economy.

It is anticipated that the positive trend in exports and tourism income would have implications in current accounts deficit, and further that inflation would be limited and stabilized driven by increase in exchange and interest rates. Continued positive trend in private sector investments showing an uptrend in the third quarter of the year and improvements in the labor market are also critical for a stable growth performance.

INCREASE IN INSURANCE PREMIUMS IS POSITIVE DESPITE THE TOUGHENING GLOBAL AND LOCAL COMPETITION.

In parallel to the rising global economic growth, global non-life insurance premiums grew by 3% in 2017. The progressive price-based global competition has led to a decline in the profits of competing insurance companies. Furthermore, three devastating strongest hurricanes ever recorded in USA followed by the Mexican earthquake and the California fire caused high insured losses, triggering an upward trend in prices across the reinsurance market.

In the Turkish insurance market, total premium production in non-life segments hit a nominal increase of 12% compared to the preceding year to climb to 39.7 billion TL in 2017, the price ceiling introduced in motor vehicles liability insurances led to a decline trend in prices.

In the Turkish insurance market, total premium production in non-life segments hit a nominal increase of 12% compared to the preceding year to climb to 39.7 billion TL. In 2017, the price ceiling introduced in motor vehicles liability insurances led to a decline trend in prices.

SOMPO JAPAN SIGORTA KEEPS UPGRADING ITS MARKET POSITION IN THE NON-LIFE SEGMENT

In 2017, a year seeing a market standstill, Sompo Japan Sigorta managed to get a 5.9% market share in the non-life segment, placing the company in the 6th rank.

The company's profit after tax for 2017 is 278 million TL.

THE PRINCIPAL SHAREHOLDER'S SUPPORT IS ONE OF OUR BIGGEST SOURCES OF MOTIVATION.

We will keep demonstrating our ambition of "insurance provider of the best customer service" through our approach of offering exemplary products and services among market players, and maintain this position through stronger results.

As usual, our consistent management, competent team of professionals, strong know-how driven by international experience and the innovative vision played a major role in marking the 2017 results. I would also like to mention the dedication of our agents and other business partners that account for almost 85% of our production, and our valuable insurers who rely on our Company.

Driven by the trust in the future of Turkey's economy that proved its commitment to progress stably towards sustainable growth, we believe we will grow synergistically with the market and mark many more achievements.

I would like to extend my cordial thanks to all stakeholders contributing to our achievements.

We will keep demonstrating our ambition of "insurance provider of the best customer service" through our approach of offering exemplary products and services among market players, and maintain this position through stronger results.



SHIGERU EHARA
CHAIRMAN

A handwritten signature in black ink, appearing to be 'SEHARA', written in a cursive style.

Our core objective is to sustain our **strong performance** and grow steadily.

WE ACCELERATED OUR ACHIEVEMENTS IN 2017.

Ranked 6th in the market with a premium production capacity of 2,264 million TL in 2017, Sompo Japan Sigorta further clinched its position with a market share of 5.9%. Ranked 3rd and 5th in the most productive segments of motor vehicles liability insurance and motor vehicles insurance segments respectively, the company maintained its consistent growth.

Reflecting its growth performance to its assets, the company scored a growth of 35% as at the end of 2017 to hit 3.3 billion TL, getting a rank among major companies of the market in terms of asset size.

Uninterrupted financial support by our principal shareholder has consolidated our equities and financial strength, boosting our equity size up to 848.2 million TL after a sharp increase of 102% driven by a paid-in capital roaring to 190 million TL.

Always ranked high as one of the most profitable players of the market, Sompo Japan Sigorta almost doubled its pre-tax profit for 2017, hitting 351 million TL. Reflecting the company's operational profitability and representing a key indicator of achievement, our combined ratio is 92%.

WE ARE BRINGING A NEW DIMENSION TO OUR SERVICE COMMITMENT THROUGH DIGITAL TRANSFORMATION.

Besides the brilliant operational and financial indicators, the company revved up its technologic moves and launched digital transformation projects in 2017.

The company is ambitious to keep on digital transformation to forge its customer satisfaction and sales-oriented approach.

In order to achieve the pace and mobility demanded by the changing customer profile, digitalization is the starring of our innovation plot. Thanks to the mobile "EJENTO" app launched in 2017, Sompo Japan Sigorta agents are now capable of handling transactions flexibly in temporal and spatial terms. On the other hand, the DAA (Digital Age with Agents) project to be launched in

2018 as the first step of the direct client digitalization process will serve as a self-service insurance platform for policy holders.

Our company closely monitors the technological trends and targets to sustain its brilliant growth progress while getting its distribution channels dynamically adapted to change through innovation and helping them to leverage any change in the market.

AGENT AND BANCASSURANCE RELATIONS CULTIVATED THROUGH THE WIN-WIN APPROACH

Sompo Japan Sigorta is cultivating its agent and bancassurance relations through a trust-based win-win approach. In 2017, the synergy developed across a comprehensive service platform, composed of 810 branches of 4 contracted banks, 2,069 agents, 39 brokers and 8 captive agents in addition to our direct sales channel, is one of the vital leverages of our market position.

Besides the brilliant operational and financial indicators, the company revved up its technologic moves and launched digital transformation projects in 2017.

**THE STRONG TEAM SPIRIT OF OUR HUMAN RESOURCE
PLAYS A CRITICAL ROLE IN BUILDING THE FUTURE.**

Combining its international know-how and local market experience with an innovative vision, our professional management and qualified workforce are our precious assets for permanent achievements.

In the upcoming period, we will preserve our retained values and launch various projects and innovations that would further our Company throughout the ever-changing world of insurance. In particular, our focus will be to employ new technologies for the sake of higher customer satisfaction. Our commitment is having Sompo Japan Sigorta, already a leading muscle of the market, to ascent to the title.

In this regard, I cordially extend my thanks to the dedicated and strong Sompo Japan Sigorta team for their alliance, our business partners and agents for their support, and our policyholders and stakeholders for their trust in us.

In the upcoming period, we will preserve our retained values and launch various projects and innovations that would further our Company throughout the ever-changing world of insurance.

In 2017, a year seeing a market standstill, Sompo Japan Sigorta managed to get a 5.9% market share in the non-life segment, placing the company in the 6th rank.



RECAİ DALAŞ
CEO

INFORMATION RELATED TO THE COMPANY'S PARTNERSHIP STRUCTURE, CHANGES MADE TO THE PARTNERSHIP STRUCTURE DURING THE FISCAL PERIOD AND THE TITLES AND SHARES OF REAL OR LEGAL ENTITIES WITH QUALIFIED SHARES

Company's paid-in capital is 190 million TL.

Shareholder	Shareholding Value (TL)	Number of Shares	Shareholding Ratio (%)
Sompo Japan Nipponkoa Insurance Inc.	190,000,000	19,000,000,000	100.00
Paid-in Capital	190,000,000	19,000,000,000	100.00

There are no privileged shareholders.

The chairman, board members, general manager and deputies hold no shares.
The company has no acquired shares.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION DURING THE ACCOUNTING PERIOD (IF ANY)&RATIONALE

The Articles of Association has not been amended.

HEADCOUNT, REGIONAL OFFICES, LIAISON OFFICES AND SUBSIDIARIES, SERVICE TYPE, CORE BUSINESS ACTIVITIES&ASSESSMENT OF COMPANY'S STANDING IN THE MARKET

HEADCOUNT

As at 2017, the Company has 511 employees. 80% of these employees serve at the General Directorate while 19% in regions and 1% at branch offices.

REGIONAL DIRECTORATE, LIAISON OFFICE, NUMBER OF BRANCH OFFICES

Company's Trade Registry ID is 455439.

The Company's head office and General Directorate are located in Istanbul at Beykoz Kavacak Rüzgarlıbahçe Mahallesi, Cumhuriyet Caddesi, No: 10 Acarlar İş Merkezi, C Blok 34805.

The Company's sales organization is basically made up of country-wide branch offices and regional directorates scaled up according to the Company's growth needs. The Company has 10 Regional Directorates located in Istanbul Anatolian Side, Istanbul European Side, East Istanbul and Thracian, East Area of Istanbul Anatolian Side, Central Anatolia, Aegean, South Anatolia, Bursa, Black Sea and Mediterranean. This is complemented by a total of 4 branch offices located in Kayseri, Denizli, Eskişehir and Konya.

CORE BUSINESS ACTIVITIES AND SERVICES

The Company is active in all non-life insurance segments, namely Fire and Natural Disasters, Financial Losses, Marine, Watercraft, Watercraft Liability, Motor Vehicles, Motor Vehicles Liability, Accident, Rail Vehicles, Aircraft, Aircraft Liability, General Losses, General Liability, Surety, Legal Protection, Credit, Illness/Health, Support.

12%

In 2017, total insurance revenue across non-life segments is 39.7 billion TL, scoring a nominal growth of 12%.

In 2017, total insurance revenue across non-life segments is 39.7 billion TL, scoring a nominal growth of 12%.

The negative outlook in the motor vehicles liability insurances segment is the root cause of the decline in premium production during 2017. Prices, already in a downtrend, further declined after the introduction of the ceiling price policy in the motor vehicles liability insurances market. With this policy, premium production and profitability performance in the motor vehicles liability insurance market exhibited a downtrend in 2017.

Furthermore, a "Pool of Policyholders at Risk" was set up to divide premiums and claims among insurance providers for vehicles at high damage risk and other vehicle groups including taxis, minibuses and buses. As per this method, 50% will be divided equally between insurance companies, and the remaining 50% will be calculated based on the insurance provider's share in the motor vehicles liability insurance premiums occurring over the last 3 years.

In parallel to the development in Turkish economy,
The initiatives of market participants and
legal regulations of the authority are vital in
further leveraging the

MARKET

POTENTIAL

and keeping the growth of the
policyholder portfolio.

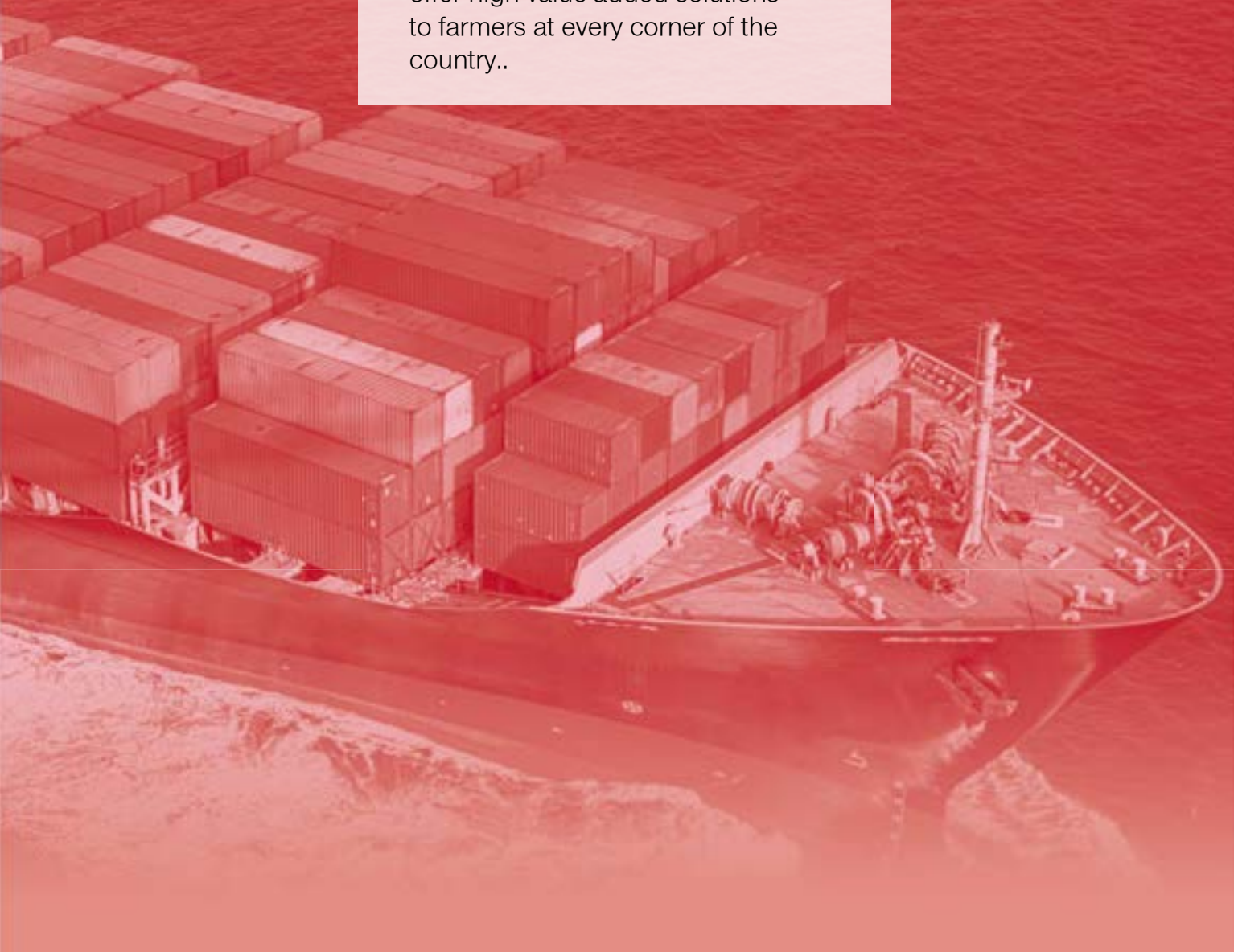






Your companion
throughout the
whole life

Our agricultural insurance products offer high value-added solutions to farmers at every corner of the country..



MARKED AND PROFITABLE GROWTH

A sales organization structured to streamline the distribution channels.

A BETTER PERFORMANCE IN 2017 THROUGH NEW ACHIEVEMENTS.

As one of the market leading actors, Sompo Japan Sigorta upgraded its position one step further thanks to a brilliant performance in 2017.

Producing premiums in a total value of 2,264 million TL in 2017, the company was ranked 6th in the market with a market share of 5.9%. In the motor vehicles liability and motor vehicles insurance segments, the driving forces of the market, Sompo Japan Sigorta got a rank of 3rd and 5th respectively before its year-end 4th rank in the classification of agency channels.

Reaching an asset size of 3.3 billion TL as at the end of 2017, the company is ranked high among the giants with booming assets and equities. Powered by the gigantic support of its principal shareholder during the year, the company boosted its equity size up to 848 million TL after a sharp increase of 102% driven by a paid-in capital roaring to 190 million TL after an increase of 150 million TL. One of the most profitable market players, Sompo Japan Sigorta hit a profit of 278 million TL after a record-breaking increase of 96% in 2017. Last but not the least, company's equity profitability jumped to 43.9%.

SALES-MARKETING ORGANIZATION & EFFICIENT PROCESS MANAGEMENT

Sompo Japan Sigorta has set up a sales organization designed to ensure that distribution channels function efficiently.

As at the end of 2017, Sompo Japan Sigorta has 2,069 active agents. 10 Regional Directorates reporting to General Directorate for Agent Sales Management and Marketing Operations is responsible for the performance of the agent channel, which accounts for almost 85% of the production.

In the bank channel with a share of 7% in overall production, the Company has contracts with a total of 4 banks, namely Finansbank, Fibabanka, ICBC Turkey and Anadolubank. Among them, Finansbank yields the highest production.



102%

Sompo Japan Sigorta's equities climbed to 848 million TL after a remarkable increase of 102%.

BREAKDOWN OF CHANNELS AS AT THE END OF 2017

Agents	2,069 units
QNB Finansbank	574 branch offices
Anadolubank	113 branch offices
Fibabanka	80 branch offices
ICBC Turkey	43 branch offices
Brokers	39 brokers
Captive	8 Captive Agents

PRODUCTION

Sales Channel	Premiums Produced	Policy Turnover
Agents	1,931,688,672	3,371,362
Brokers	112,902,334	42,827
QNB Finansbank	93,708,621	277,738
QNB Finans	50,302,754	4,176

Leasing		
Captive	34,173,116	140,615
Direct	28,775,117	1,726
Fiba Banka	10,722,224	23,864
ICBC Turkey	1,735,258	8,141
Anadolubank	12,845	30
Fiba Holding	6,431	1
Total	2,264,027,372	3,870,480

Key Segments	Premiums Produced	Policy Turnover
Motor vehicles liability	1,222,678,577	1,544,827
Casco	475,666,142	413,112
Non-auto	565,682,653	1,912,541
Total	2,264,027,372	3,870,480

COMPETITIVE APPROACH TO PRODUCT MANAGEMENT

This approach is aimed at monitoring production performances by distribution channel, implementing campaigns and product development efforts to be driving the Company forward, and supporting new product initiatives with trainings.

In 2017, essentially the projects designed to ensure product compliance with digital transformation have been launched. Some of the functionalities covered by these projects are attaching digital signature and QR code to policies, adding early alarm mechanisms to production reports monitored by the marketing department, and screen refinements for product sales.

During 2017, more than 15 campaigns were run and myriad of product development efforts for expanding the market share were launched. In all product segments, analyses were carried out to offer competitive prices without compromising profitability. To upgrade the technical skills of field forces, comparisons were made across all products and trainings were held for sales teams.

AMBITIOUS PROJECTS IN DIGITAL TRANSFORMATION

In the digital marketing field where the B2B and B2C digital products were running, the "Ejento" project launched for agents in 2017 became the first mobile app of the year.

Ejento aims to facilitate agents by offering a database of all essential data relating to the agent's performance, customers and Company. As a distinguished feature, the app allows agents to sell motor vehicles, motor vehicles liability insurance premiums through the mobile platform.

There is a high portfolio of projects handled by the digital marketing force during 2017. Of them, one prominent project is "Digital Age with Agents" (DAA). This is just as significant as Ejento and is bound to contribute gigantically to the company in B2C communication. DAA is proposed to be put into service during the first quarter of 2018.

DISTINCTIVE INNOVATIVE PRODUCTS.

Sompo Japan Sigorta is committed to raising the bar consistently. To this end, the company seeks a high rank in product and coverage diversity. Particularly in a trade cycle seeing ever changing customer demands, it is inevitable to develop innovative products to gain a distinction.

STRONG AND PROFITABLE GROWTH

The digital ecosystem aimed at maximizing the customer experience

As the originator of leading and innovative projects such as the agency portal, central processing of claims, POS application, fast sales interface, etc., Sompo Japan Sigorta boasts a wide range of products with distinguished content, price and operational simplicity, such as land vehicles liability, motor, property, extended personal injury, business package and supplementary health insurances. Extended personal injury insurance is a precedent in the market in terms of content. Also the combi boiler&A/C maintenance services and carpet washing services in the property insurance segment are distinguished offerings. Additional extended coverage is offered to policyholders in motor vehicles liability insurances segment.

Standing out as a role-model in the market clinches Sompo Japan Sigorta's leading and innovative identity.

Innovation-based initiatives bound to bring the market competition in non-auto products diversity to new dimensions would contribute to the distinguished name of the Company via exemplary practices in the upcoming period as well.

THE TARGET IS CUSTOMER LOYALTY THROUGH GOOD CUSTOMER EXPERIENCE.

In parallel to the prevailing technological trends today, customer expectations in both the purchasing and the after-sales process are growing exponentially. One of the key means of expanding profitability and turnover in a highly competitive cycle and gaining distinction is to offer a high-quality customer experience that would then translate into high customer loyalty. Service quality is a key factor progressively growing in importance for gaining new customers, customer repurchases and loyalty.

Adopting a customer-oriented vision, Sompo Japan Sigorta aims to gain customer loyalty by offering high-quality experiences during the handling of claims providing assistance services besides regular assurances.

With its PratiKonut service, for its property insurance holders, Sompo Japan Sigorta processes and pays the claim for plumbing losses up to TL 5,000 within 48 hours following the expert's report without requesting for any supporting document (title deed, etc.). Thanks to PratiKonut, individual policyholders facing the loss for the first time are offered with a practical and fast experience without the burden of any complicated procedure. In the upcoming period, the Company is ambitious to further reinforce its customer-

Standing out as a role-model in the market clinches Sompo Japan Sigorta's leading and innovative identity.

oriented vision by introducing new products for new customer groups after segmentation and through a set of innovations primarily including customized services and development of an app where customers can centrally view their policy data and purchase new policies on a single platform.

THE TARGET IS AN OMNI CHANNEL DIGITAL ECO SYSTEM.

In parallel to the recent digitalization trends in the insurance market, Sompo Japan Sigorta started its studies in early 2016 to design and develop leading initiatives and build a digital ecosystem that would directly touch the end user (customers) and maximize the customer experience.

Believing that digitalization and digital marketing efforts could act as a leverage in enhancing the Company's brand awareness and position in the consumer's eye via maximizing customer experience, Sompo Japan Sigorta pursues, to this end, the main philosophy of building an Omni channel digital ecosystem capable of offering the best experience to customers both directly and via agents.

In the light of this approach, the Company is developing distinct projects for agents and customers along a phased flow for all short, medium and long terms. The first of the projects developed and completed for agents is "Ejento Web" that is capable of handling key insurance transactions (offer, sales, claims, etc.) online. Thanks to this platform, agents can offer the right coverage to the customer in a fast and seamless way. Ejento Web is being actively utilized by all agents actively. Moreover, Sompo Japan Sigorta managed to trigger a vital transformation in the market with its "Ejento" mobile app. Thanks to this app, agents can provide offers to customers anytime and anywhere and can instantly handle the claims.



In the selection and management of the projects for process improvement, the Lean and 6 Sigma approaches are taken as reference to design methodologies that suit the Sampo Japan Sigorta culture.



IMPROVEMENTS IN WORK PROCESSES ARE CONSISTENTLY ON THE WAY.

The Process and Project Management Department steers the processes of designing, prioritizing, planning and coordinating the areas of improvement identified in line with Sampo Japan Sigorta's strategic business targets, and running the projects to this end.

In the selection and management of the projects for process improvement, the Lean and 6 Sigma approaches are taken as reference to design methodologies that suit the organizational culture. The key objective with all projects steered in line with the methodology designed is to carry out an end-to-end analysis of all processes, identify areas of improvement, and then build up new highly-efficient platforms for handling the work flows on the system, automating and minimizing manual procedures based on predefined rules, substantially reducing or preventing the risk, setting up alarm mechanisms, monitoring the process performance and ultimately gaining a high level of workforce and customer satisfaction.

For the sake of improving the work processes, employees selected from among work units are trained on project and project management and undertake efforts for improving their own work processes. With this approach, process improvement and project management are spread throughout the organization and become an integral part of the organizational culture.

Key process improvements in 2017:

- The whole process starting with the initiation of the insurance offer by the agent, broker and bank followed by application of internal decision-making mechanisms and finally the issuance of the policy was redesigned and systematized. With this step, both the mechanisms to monitor transactions between business partners and the Company could be optimized, and internal processes could be powered by fast and efficient decision mechanisms for a traceable performance.



- A dynamic, user-friendly and smooth mobile app was launched, allowing the agents to provide offers, issue policies, handle customer claims and meet all demands of customers during 24 hours of the day from anywhere.
- Efforts have been launched to improve, on step by step basis, the systems accommodating the key processes of the insurance business and associated processes, and refine their infrastructures. These efforts will be on the way in 2018 too.

HIGH BRAND VALUE

Sompo Japan Sigorta is active on all social platforms.

STRONG CONTRIBUTION TO BRAND VALUE THROUGH CORPORATE COMMUNICATION

Sompo Japan Sigorta conducts effective initiatives in 5 segments of corporate communication, namely corporate identity, media communication, digital communication, sponsorships and social responsibility.

Corporate Identity

- Comprehensive product leaflets and posters are designed to inform customers and create brand awareness.
- Initiatives are carried out to gauge brand awareness and analyse competitors.
- A corporate presentation and video was produced in both Turkish and English to better demonstrate the Company, its operations and achievements, and will be revised and updated in line with the prevailing trends.
- With these efforts, the use of Company's name, logo and visuals in all platforms is standardized in line with corporate identity.

Media Communication

- Advertising campaigns are launched to enhance market awareness and better demonstrate the services to customers.
- In an aim to publicize and reinforce our sponsorship of the Beşiktaş Men's Basketball Team since the 2015-2016 season, various advertising campaigns were launched on different platforms, including the social media and TV.
- Press bulletins on various activities are being developed. Senior executives provide thematic content on monthly basis and such content is then fed to market publications. All communication efforts for the Company are structured and feedbacks on these efforts are made available to employees.

Digital Communication

- In order to reinforce the Company image and enhance brand awareness, content is posted actively in all social media platforms including Facebook, Twitter, LinkedIn, Instagram and Youtube.
- Illustrative and interesting product content is developed and contents highlighting measures against risks in daily life are published on social media.
- Content is developed in line with the gamification trend and contests are organized. Followers are recognized after these contests.





Sompo Japan Sigorta,
has been the main sponsor of the
**Beşiktaş Men's
Basketball Team**
for 3 seasons.

- Announcements about sponsorship are made, social media contests are held, winners are rewarded with tickets and player-signed jerseys.
- All positive and negative inquiries of customers are responded for utmost customer satisfaction.
- Complaints via Google are also handled and fast actions are taken against any crisis that might jeopardize the Company's prestige.
- The corporate web site is regularly updated in line with the latest changes. Any effort covered by visual or printed media is also simultaneously posted on the corporate web site for recognition by a wider audience and enhancing market awareness.

Sponsorships

Sompo Japan Sigorta has been the main sponsor of the Beşiktaş Men's Basketball Team for 3 seasons.

This sponsorship is publicized on all platforms through press conferences, press releases and thematic advertising campaigns. The Eagle Girls by Sompo Japan Team of Dancers was created to cheer the court as accompanied by the Black Eagle Band. To enhance brand awareness, t-shirts printed with the text "Sompo Japan Sigorta" were delivered to all band members and the Black Claw mascot was launched.

Contests are organized in the court based on concepts regularly worked up. Winners of these contests are rewarded with various prizes including tickets, player-signed jerseys and personal injury insurances. Contests are announced with Beşiktaş on all social platforms beforehand. Hence, participation and awareness is enhanced.

The insurance policy in value of 140 million TL granted to Vodafone Arena is visualized on digital billboards in the stadium. Additionally, logo and commercial trailer is actively covered on the social media.

Sompo Japan Sigorta also sponsored the Japan Cultural Festival held in Istanbul, 2017.

Social Responsibility

The 4th edition of the Var Mısın Akıllım project, a traditional social responsibility event, was held in May 2017. Every year, approximately 450 students from 3rd and 4th grades participate in this contest. In the contest based on intelligent games, many prizes were rewarded to participants and winners.

Certificates of participation were issued to students and those ranking high in the contest were rewarded with various prizes and gifts. This highly appreciated event with its blissful participants is a key factor in the Company's overall communication efforts.

All PR campaigns for the event are actively communicated on social media, via press releases and on the Var Mısın Akıllım web site.

Moreover, the Company donated computers and stationery to schools in need to amplify the range of its social responsibility efforts.

Individual development of employees is one of **Sompo Japan Sigorta's** key priorities.

AMBITIOUS HUMAN RESOURCES FILLED WITH CORPORATE CULTURE

With the involvement of 120 newcomers in 2017, Sompo Japan Sigorta expanded its workforce to 511 employees with a notable increase of 10% compared to the preceding year. 45% of the employees are female while 55% are male. 71% of the employees are university graduates.

Individual development of employees is a key concern for the Company. Based on individual needs, tailor-made trainings are organized by means of internal resources.

Sompo Japan Sigorta sets up various technical academies and delivers specialized trainings. With its training capacity over 10,000 men/hour delivered continuously for 1.5 years, the Sales Academy is characterized as a comprehensive school. Moreover, the Company further provides executive competence-building courses on mentoring and coaching, and reach all employees thorough distance learning and professional adaptation programs. Leveraging the advantages of being an international affiliate, Sompo Japan Sigorta forwards its workforce to the exchange program in Japan for mutual know-how exchange.

Company's HR strategy is to place the right person in the right position for consistent loyalty of employees. The key objective of our HR management is to provide the employees with a platform where they can constantly utilize their intellectual power, know-how and capacity, contribute to the Company's success and suggest opinions and ideas.

The core mission in this field is to ensure that newcomers get adapted to the Company's result and success oriented innovative and visionary culture in parallel to growth, and to finalize cultural integration.

Welcoming 120 newcomers in 2017, Sompo Japan Sigorta expanded its workforce to **511 employees with a notable increase of 10% compared to the preceding year.**



R&D INITIATIVES FOR NEW SERVICES AND OPERATIONS



The high-momentum life style in the insurance industry, products and services devoted to the sharing economy and tailor made offers and solutions spearhead novel working and thinking patterns.

To this end, the Company pursues an approach of providing operational system support to employees as much as possible and encouraging them to produce added value in their fields of expertise, hence yielding positive outcomes in terms of efficiency and employee loyalty.

Accelerating digital transformation starting with 2017, Sompo Japan Sigorta has set up internal innovation groups as a part of its commitment to leveraging the technology most effectively, structured a startup ecosystem and revised its digitalization strategy in line with the future visions of its units.

Thanks to the voluntary involvement in innovation groups (distinct from other similar internal startup efforts), innovation could be furthered beyond the units. Believing that employees could employ teamwork and technological solution areas most effectively, Sompo Japan Sigorta reiterates its distinguished profile in this area as well. Thanks to dedicated efforts of the innovation groups besides their own business models, many of the units could get familiar with new technologies and ideas. Hence, initiation of new projects by the units could be triggered, and means of developing skills and attending trainings in new fields could be expanded for employees. Contributing to the Company's culture indirectly besides its direct benefits, this initiative has been designed, distinct from its market peers, not as a finite project but a permanent program.

Today, the capability of the companies to provide the best service to stakeholders through superior user experience relies upon business alliances. Across this vision, Sompo Japan Sigorta is committed to diversifying its solutions powered by services from successful startups and hence contributing to the national and sectoral innovation climate.

The Company held meetings with more than 50 startups in 2017, and completed "proof of concept" projects with 3 of them. Even going beyond the typical technological fields and rewinding up its preparations for the market's future, Sompo Japan Sigorta collaborates with startups from distinct fields to both consolidate its measures against service disruptions and reclaim its innovative service infrastructure.

This win-win model is anticipated to be adopted as a common structure by IT companies and departments in the medium- and long-term.

Building global partnerships besides local alliances and leveraging Sompo Holding's global competence is one of the key routes for a sustainable achievement. The set of alliances starting with the Holding's Digital Laboratory in Tokyo has made it possible to operate the artificially-intelligent bots, which have proven themselves earlier in chats, vocally as in Google Home. This sprouting alliance is aimed at devising high-scale projects and innovating the market. Necessary contacts have been established to ensure the inflow of the inventions of Sompo Digital Force, collaborating with most innovative startups in the Silicon Valley, in a structured way into Turkey.

The high-momentum life style in the insurance industry, products and services devoted to the sharing economy and tailor made offers and solutions spearhead novel working and thinking patterns. Monitoring these methods and crafting solutions in these fields is a key part of the Company's digital vision.

Projects such as customer segmentation and CRM initiatives that analyse and recognize customer demands and make it possible to offer customized services, and apps allowing rapid service to policyholders via mobile phones drive Sompo Japan Sigorta towards the insurance business of the future.

With the completion of the "Digital Age With Agents" project providing self-service capabilities to policyholders, individual customers will be able to get offers at any time, convert these offers into a policy, digitally communicate with the agents and follow up the claim handling process.



A large, stylized red quotation mark graphic consisting of two thick, curved lines forming the opening of a quote.

Your companion
throughout the
whole life

Our agricultural insurance products offer high value-added solutions to farmers at every corner of the country.

BOARD OF DIRECTORS



SHIGERU EHARA
CHAIRMAN



CHIKAYOSHI
KONO
VICE CHAIRMAN



RECAI DALAŞ
GENERAL
MANAGER/
BOARD MEMBER



GEN IWAO
DEPUTY
GENERAL
MANAGER FOR
CORPORATE
GOVERNANCE/
BOARD MEMBER



HIROYUKI
HAYASHI
BOARD MEMBER

SHIGERU EHARA**CHAIRMAN**

Shigeru Ehara graduated from the Waseda University's Department of Economics. Joining the Yasuda Fire&Marine Insurance Co. Ltd. in 1981, Shigeru Ehara served as an executive at various departments of Sompo Japan Insurance Inc between 2002 and 2014, and then assigned as a senior manager for Sompo Japan Nipponkoa Insurance for the 2014-2017 period. Still serving as a director for Sompo Japan Nipponkoa Insurance, Mr. Ehara took various executive positions for Sompo Japan Nipponkoa Holdings during the 2013-2016 period, and then for Sompo Holdings, Inc. starting with 2016. In August 2017, Shigeru Ehara was appointed as the Chairman of Sompo Japan Sigorta A.Ş.

CHIKAYOSHI KONO**VICE CHAIRMAN**

Born in 1971, Chikayoshi Kono graduated from the Waseda University's Department of Economics. Mr. Kono made its career debut with Sompo Japan Nipponkoa Insurance Inc. (formerly known as Yasuda Fire&Marine Insurance Co. Ltd). Mr. Kono served as a deputy manager in Japan province of Mie during the 2005-2009 period before he was assigned as the Head of International Business Planning Department at Sompo Japan Mumbai Liaison Office for the 2009-2013 period. Mr. Kono switched to Sompo Japan Insurance's Head Office in April 2013, and then was assigned as a Vice Chairman for Sompo Japan Sigorta in August 2013.

RECAİ DALAŞ**GENERAL MANAGER/BOARD MEMBER**

Born in 1956, Recai Dalaş graduated from the Istanbul University's Department of Business Administration, followed by a postgraduate degree in Accounting Auditing department of the same faculty. Joining Oyak Insurance in 1985, Mr. Dalaş was assigned as General Manager in 1999. Mr. Dalaş has been serving as General Manager at Sompo Japan Sigorta (formerly known as Fiba Sigorta A.Ş.) since 2001, and is also a Board Member.

GEN IWAO**DEPUTY GENERAL MANAGER FOR CORPORATE GOVERNANCE/BOARD MEMBER**

Gen Iwao graduated from the Waseda University's Department of Law. Joining Japan Insurance Inc. (formerly known as Yasuda Fire&Marine Insurance Co. Ltd) in 1992, Mr. Iwao was assigned to public service by Sompo Japan in 1996 and served at the Civil Aviation Office of the Ministry of Land, Infrastructure, Transport and Tourism (formerly known as Ministry of Transport) until 1998. Returning to the Sompo Japan family in 1998, Mr. Iwao served as a Deputy Manager at different departments between 1998 and 2001, and then took the Deputy Manager position followed by General Manager and Director Positions at Ysuda Seguros S.A., Sompo Japan's Brazilian affiliate, between 2001 and 2008. Serving as a Manager for the Global Business Planning Department at Japan Head Office of the organization between 2008 and 2013, Mr. Iwao was assigned as Sompo Japan Sigorta A.Ş.'s Board Member in April 2013.

HIROYUKI HAYASHI**BOARD MEMBER**

Mr. Hayashi graduated from the Waseda University's Department of Science and Technology before he made his career debut with Sompo Japan Nipponkoa Insurance Inc. (formerly known as Yasuda Fire&Marine Insurance Co. Ltd.) in 1995. After taking positions at various departments, Mr. Hayashi was assigned as the Line Manager at Osaka Corporate Department in 2009 and then as a Manager at Medical&Welfare Market Department in 2013. Serving as a Manager at Human Capital Department since 2014, Mr. Hayashi was assigned as a Board Member at Sompo Japan Sigorta A.Ş. in May 2016.

SENIOR MANAGEMENT



FRONT ROW

FAHRİ UĞUR
DEPUTY
GENERAL
MANAGER

RECAİ DALAŞ
BOARD
MEMBER/CHIEF
EXECUTIVE
OFFICER

IŞIN MENGENLİ
DEPUTY GENERAL
MANAGER

BACK ROW

KEMAL BECEREN
DEPUTY GENERAL
MANAGER

ŞENOL ORTAÇ
DEPUTY GENERAL
MANAGER

UĞUR ÖZER
DEPUTY GENERAL
MANAGER

ATAMAN KALKAN
DEPUTY GENERAL
MANAGER

RECAİ DALAŞ
BOARD MEMBER/CHIEF EXECUTIVE OFFICER

EDUCATIONAL BACKGROUND
Istanbul University/Business Administration
Istanbul University/Accounting Auditing-Postgraduate Degree

PROFESSIONAL EXPRIENCE
1985-2001 Axa Oyak Insurance
2001-to date Sompo Japan Sigorta-Chief Executive Officer

Date of Appointment: December 11, 2001

UĞUR ÖZER
DEPUTY GENERAL MANAGER

EDUCATIONAL BACKGROUND
Marmara University/Economics
Istanbul University/Accounting and Financial Control-Postgraduate Degree
University of East Anglia/Economics-Postgraduate Degree and PhD

PROFESSIONAL EXPRIENCE
1991-2010 Treasury Undersecretariat-Insurance Supervisor
2010-2013 Generali Insurance-Deputy General Manager
2013-to date Sompo Japan Sigorta-Deputy General Manager (Claims and Law)

Date of Appointment: August 1, 2013

ŞENOL ORTAÇ
DEPUTY GENERAL MANAGER

EDUCATIONAL BACKGROUND
Marmara University/Business Administration

PROFESSIONAL EXPRIENCE
1995-2002 Axa Oyak Insurance-Marketing Manager
2002-2004 Sompo Japan Sigorta-Line Manager
2004-to date Sompo Japan Sigorta-Deputy General Manager
Sales Management for Consumer, Technical and Financial Organizations

Date of Appointment: May 5, 2004

KEMAL BECEREN
DEPUTY GENERAL MANAGER

EDUCATIONAL BACKGROUND
Boğaziçi University/Department of Computer Engineering

PROFESSIONAL EXPRIENCE
1991-2000 QNB Finansbank-IT Group Manager
2001-2007 Carrefoursa-IT Group Manager
2007-2010 Sompo Japan Sigorta-Coordinator
2010-to date Sompo Japan Sigorta-Deputy General Manager (IT)

Date of Appointment: April 2, 2010

FAHİR UĞUR
DEPUTY GENERAL MANAGER

EDUCATIONAL BACKGROUND
Hacettepe University/Accounting
New York University/MBA

PROFESSIONAL EXPRIENCE
2002-2013 Treasury Undersecretariat-Insurance Supervisor
2013-2014 Turkey P&I Insurance-Board Member
2013-2015 Halk Insurance-Deputy General Manager (Technical)
2015-to date Sompo Japan Sigorta-Deputy General Manager (Finance)

Date of Appointment: July 1, 2015

İŞİN MENGENLİ
DEPUTY GENERAL MANAGER

EDUCATIONAL BACKGROUND
Boğaziçi University/Department of English Teaching
New York University/Management and Organization

PROFESSIONAL EXPRIENCE
1995-1998 Yapı Kredi Bank-HR Specialist
1998-2000 Dışbank-HR Executive
2000-2005 Deloitte-HR and Management Consultancy Manager
2005-2007 Deloitte-HR Director
2008-2010 Hay Group-HR Consultancy Director
2011-2014 Mercer-HR Consultancy Director
2015-to date Sompo Japan Sigorta-Deputy General Manager (HR and Academy)

Date of Appointment: February 16, 2015

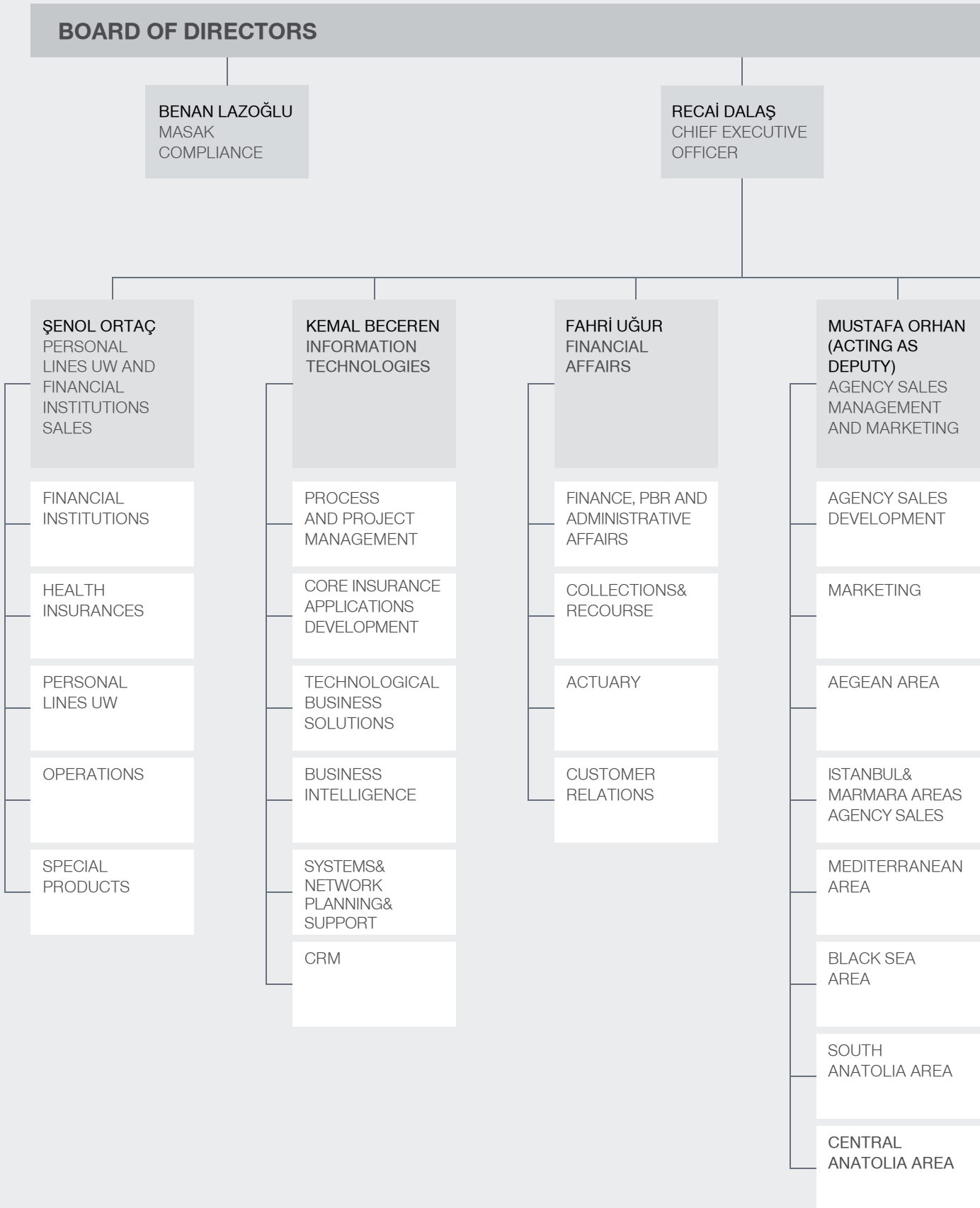
ATAMAN KALKAN
DEPUTY GENERAL MANAGER

EDUCATIONAL BACKGROUND
Boğaziçi University/Department of Computer Engineering

PROFESSIONAL EXPRIENCE
1997-1998 Escort Software-Project Manager
1999-2000 SFS Consultancy-Deputy IT Manager
2000-2007 Gima/CarrefourSA-IT Director
2007-2010 Sompo Japan Sigorta-Technological Solutions Director
2011-2015 Sompo Japan Sigorta-Consumer Technical Group Manager
2016-2017 Sompo Japan Sigorta-Consumer Technical Director
2017-to date Sompo Japan Sigorta-Deputy General Manager (Corporate Technical and Corporate Sales)

Date of Appointment: June 1, 2017

COMPANY'S ORGANIZATIONAL STRUCTURE



ALİ TOPRAKTEPE
INTERNAL AUDIT

UĞUR ÖZER
CLAIMS AND
LEGAL

CLAIMS
SUPPORT AND
FRAUD

AGENCY CLAIMS
COMMUNICATIONS

MOTOR&BODILY
INJURY CLAIMS

NON-MOTOR
CLAIMS

CLAIMS FUNCTION
DEVELOPMENT AND
QUALITY CONTROL

HEALTH CLAIMS,
RISK MANAGEMENT
AND AUDIT

LEGAL

ATAMAN KALKAN
CORPORATE
LINES UW AND
CORPORATE
SALES

CORPORATE
LINES UW AND
REINSURANCE

CORPORATE
UW RISK
MANAGEMENT &
AUDIT

MARINE
INSURANCE

CORPORATE
SALES AND
SPECIAL RISKS

CORPORATE
UW BUSINESS
ANALYSIS

İŞİN MENGENLİ
HUMAN
RESOURCES
AND ACADEMY

HUMAN
RESOURCES

ACADEMY &
INTERNAL
COMMUNICATIONS

GEN IWAO
CORPORATE
GOVERNANCE

CORPORATE
GOVERNANCE
AND REPORTING

NAMES AND SURNAMES, TERMS OF OFFICE, AREAS OF RESPONSIBILITY, EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE OF THE CHAIRMAN AND BOARD MEMBERS, GENERAL MANAGER AND DEPUTIES, AND SUPERVISORS OF INTERNAL AUDIT DEPARTMENTS

SHIGERU EHARA

CHAIRMAN (Date of Appointment: August 18, 2017)

Educational Background	Waseda University/Economics
Professional Experience	1981-2002 Yasuda Fire&Marine Insurance Co.-Director
	2002-to date Sompo Japan Nipponkoa Insurance Inc.-Director

CHIKAYOSHI KONO

VICE CHAIRMAN (Date of Appointment: August 2, 2013)

Educational Background	Waseda University/Economics
Professional Experience	1995-to date Sompo Japan Nipponkoa Insurance Inc.-Director

RECAİ DALAŞ

BOARD MEMBER/CHIEF EXECUTIVE OFFICER (Date of Appointment: December 11, 2001)

Educational Background	Istanbul University/Business Administration Istanbul University/Accounting Auditing-Postgraduate Degree
Professional Experience	1985-2001 Axa Oyak Insurance
	2001-to date Sompo Japan Sigorta-Chief Executive Officer

GEN IWAO

BOARD MEMBER/DEPUTY GENERAL MANAGER (Date of Appointment: March 28, 2013)

Educational Background	Waseda University/Law
Professional Experience	1992-2013 Sompo Japan Nipponkoa Insurance Inc.-Director
	2013-to date Sompo Japan Sigorta-Deputy General Manager (Corporate Governance)

HİROYUKI HAYASHI

BOARD MEMBER (Date of Appointment: May 13, 2016)

Educational Background	Waseda University/Science and Technology
Professional Experience	1995-2016 Sompo Japan Nipponkoa Insurance Inc.-Director
	2016-to date Sompo Japan Sigorta-Corporate Governance and Reporting Director

ŞENOL ORTAÇ

DEPUTY GENERAL MANAGER (Date of Appointment: May 5, 2004)

Educational Background	Marmara University/Business Administration
Professional Experience	1995-2002 Axa Oyak Insurance-Marketing Manager
	2002-2004 Sompo Japan Sigorta-Line Manager
	2004-to date Sompo Japan Sigorta-Deputy General Manager (Sales Management for Consumer, Technical and Financial Organizations)

UĞUR ÖZER

DEPUTY GENERAL MANAGER (Date of Appointment: August 1, 2013)

Educational Background	Marmara University/Economics Istanbul University/Accounting and Financial Control-Postgraduate Degree University of East Anglia/Economics-Postgraduate Degree and PhD
Professional Experience	1991-2010 Treasury Undersecretariat-Insurance Supervisor
	2010-2013 Generali Insurance-Deputy General Manager
	2013-to date Sompo Japan Sigorta-Deputy General Manager (Claims and Law)

KEMAL BECEREN

DEPUTY GENERAL MANAGER (Date of Appointment: April 2, 2010)

Educational Background	Boğaziçi University/Department of Computer Engineering
Professional Experience	1991-2000 QNB Finansbank-IT Group Manager
	2001-2007 CarrefourSA-IT Group Manager
	2007-2010 Sompo Japan Sigorta-Coordinator
	2010-to date Sompo Japan Sigorta-Deputy General Manager (IT)

FAHRİ UĞUR**DEPUTY GENERAL MANAGER** (Date of Appointment: July 1, 2015)

Educational Background	Hacettepe University/Accounting New York University/MBA
Professional Experience	2002-2013 Treasury Undersecretariat-Insurance Supervisor
	2013-2014 Turkey P&I Insurance-Board Member
	2013-2015 Halk Insurance-Deputy General Manager (Technical)
	2015-to date Sompo Japan Sigorta-Deputy General Manager (Finance)

İŞİN MENGENLİ**DEPUTY GENERAL MANAGER** (Date of Appointment: February 16, 2015)

Educational Background	Boğaziçi University/Department of English Teaching New York University/Management and Organization
Professional Experience	1995-1998 Yapı Kredi Bank-HR Specialist
	1998-2000 Dışbank-HR Executive
	2000-2005 Deloitte-HR and Management Consultancy Manager
	2005-2007 Deloitte-HR Director
	2008-2010 Hay Group-HR Consultancy Director
	2011-2014 Mercer-HR Consultancy Director
	2015-to date Sompo Japan Sigorta-Deputy General Manager (HR and Academy)

ATAMAN KALKAN**DEPUTY GENERAL MANAGER** (Date of Appointment: June 1, 2017)

Educational Background	Boğaziçi University/Department of Computer Engineering
Professional Experience	1997-1998 Escort Software-Project Manager
	1999-2000 SFS Consultancy-Deputy IT Manager
	2000-2007 Gima/CarrefourSA-IT Director
	2007-2010 Sompo Japan Sigorta-Technological Solutions Director
	2011-2015 Sompo Japan Sigorta-Consumer Technical Group Manager
	2016-2017 Sompo Japan Sigorta-Consumer Technical Director
	2017-to date Sompo Japan Sigorta-Deputy General Manager (Corporate Technical and Corporate Sales)

ALİ TOPRAKTEPE**INTERNAL AUDIT MANAGER**

Educational Background	Istanbul University/Business Administration
Professional Experience	1983-1991 Nordstern Insurance-Accounting Manager
	1991-1996 Rumeli Hayat Insurance-Finance Manager
	1996-1999 Nordstern İmtaş Insurance-Finance Group Manager
	1999-2004 Axa Oyak Insurance-Budget Planning Manager
	2005-to date Sompo Japan Sigorta-Internal Audit Manager

KAMİL BENAN YAVUZ LAZOĞLU**MASAK COMPLIANCE OFFICER**

Educational Background	Dokuz Eylül University/Finance
Professional Experience	1995-1997 Nordstern Insurance-Deputy Account Collections Officer
	1997-1998 Nordstern İmtaş Insurance-Account Collections Specialist
	1999-2002 Axa Oyak Insurance-Account Collections Specialist
	2002-2004 Sompo Japan Sigorta-Account Collections Specialist
	2004-2007 Sompo Japan Sigorta-Recourse Specialist
	2007-2010 Sompo Japan Sigorta-Deputy General Manager for Recourse
	2010-2013 Sompo Japan Sigorta-Deputy Manager for Account Collections and Recourse
	2013-to date Sompo Japan Sigorta-Manager for Account Collections and Recourse

INFORMATION ABOUT INITIAL BOARD MEMBERS

To fill the vacated seat of Junichi Tanaka after his resignation on 18.08.2017, Shigeru Ehara has been appointed as the Chairman and Board Member subject to approval in the upcoming Extraordinary General Assembly Meeting.

INFORMATION ON TRANSACTIONS BETWEEN THE COMPANY AND BOARD MEMBERS, ACTING ON THEIR OWN BEHALF OR FOR OTHERS, SUBJECT TO THE CONSENT OF THE GENERAL ASSEMBLY&OTHER TRANSACTIONS UNDER THE NONCOMPETITION RESTRICTION.

None.

ADMINISTRATIVE AND JUDICIAL SANCTIONS IMPOSED ON THE COMPANY AND BOARD MEMBERS DUE TO PRACTICES IN BREACH OF THE LEGISLATIVE PROVISIONS

None.

FINANCIAL BENEFITS GRANTED TO BOARD MEMBERS AND SENIOR EXECUTIVES

Financial benefits granted to board members and senior executives are included in the note "1.6 Remuneration and similar benefits provided to senior management" in the audit report contained by the 2017 annual report.

ATTENDANCE OF BOARD MEMBERS TO MEETINGS DURING THE ACCOUNTING PERIOD

A total of 11 Board meetings have been held with the attendance of the Chairman and Board members during the accounting period.

GENERAL ASSEMBLY

EXTRAORDINARY GENERAL ASSEMBLY MEETINGS DURING THE YEAR&RESOLUTIONS AND TRANSACTIONS

An Extraordinary General Assembly Meeting was held on May 24, 2017 to increase the Company's share capital from TL 40,000,000 to TL 190,000,000, and amend the 6th Article of the Company's Articles of Association entitled "Share Capital and Share Certificates".

PUTTING INTO EFFECT GENERAL ASSEMBLY RESOLUTIONS

All of the resolutions adopted by the Ordinary General Assembly have been put into effect.

BRIEF BOARD REPORT SUBMITTED TO THE GENERAL ASSEMBLY

The Company has grown by 1.2% in 2017 and generated premiums in the amount of 2.264 million TL.

As a result of the activities carried out during the year, the Company has yielded pretax profit of 350.6 million TL.

While our equities climbed to 848 million TL together with paid-in capital contribution of 190 million TL, our liquid assets reached 2.813 million TL and asset volume hit 3.259 million TL.

Based on these results, the Company's return on equity ratio for 2017 is 43.9%.



Recai Dalaş
Board Member and Chief Executive Officer

COMPANY'S HR PRACTICES

As of 2017, the Company employs a total of 511 personnel, 102 of which being at executive positions.

Since foundation, the Company has been implementing a performance system where the executives are able to evaluate the employees based on their targets, competences and development, and a 360-degree executive evaluation system where the employees evaluate the executives.

Evaluation results play a decisive role in career planning and identifying training requirements.

The Company has formulated career paths. Depending on their qualifications, employees can shift to other departments. Moreover, besides their career as a manager, employees can also develop their competence in a specific area and follow a technical career path.

The Company places emphasis on the technical and personal development of its employees. For this purpose, training requirement analyses are conducted on individual basis, and based on their results, training sessions are designed to support the development of technical and competence areas on an ongoing basis. Employees attend the exchange programs in Tokyo.

Employee remuneration is designed based on a system that is sensitive towards market facts and that observes internal balances. Performance levels of individuals are one of the input factors that shape their remuneration.

Target performance systematics is being implemented based on consistent objectives set up between the units in a cross-complementary top-down pattern.

The Company conducts a talent management. Employee loyalty is constantly gauged and actions are taken accordingly. Among all Sampo Japan companies around the globe, our Company is ranked 1st in terms of employee loyalty.

COMPANY'S RISK GROUP&TRANSACTIONS

Reassurance procedures at our Company are internally run independently from Sampo Japan Nipponkoa Insurance Inc. at conditions and implementing principles applicable to third parties

We collaborate with recognized reinsurance companies that have been active in the Turkish insurance market for long years and that hold acceptable ratings issued by various rating agencies.

The risk group in which the Company is involved and Company's transactions are further detailed in note 45 entitled "Transactions with related parties" of the audit report covered by the annual report for 2017.

INTERNAL AUDITING

Internal auditing procedures in the Company are performed by our Internal Auditing department under the Board's coordination according to the legal framework stipulated by the regulation issued on 21.06.2008.

The annual auditing plan and program is issued, submitted to Board's approval and then audits are carried out accordingly.

In 2017, a risk assessment was made on unit processes, and audits were intensified in high-risk areas. In this regard, risk-based audits were performed in a total of 18 units composed of general directorate and regional directorates, post-audit reports were monitored on 6-month basis, and then investigation reports were issued for various areas.

Proposals are put forth on facts identified during the audits and the unit concerned is instructed to take action for remedies accordingly. Then, trends in these areas are monitored on 6-month basis and reports are updated. Upon demand, consultancy service is provided to senior management and company departments.

In its internal auditing operations conducted with a view to ensuring that;

- Company's assets are safeguarded,
- Company's operations conform to laws, the insurance legislation, and company's policies, procedures and instructions,
- Accounting is in line with generally accepted accounting principles, financial statements are true and reliable,
- In its internal auditing operations conducted towards efficient and effective utilization of Company's resources, the department audits the compliance and operations, ascertains the system and employs associated control methods.

The Internal Auditing department's function is based on leveraging effectively the existing IT system. The auditing process is supported by a set of controls consisting of controlling, restricting and authorizing mechanisms built in automation systems designed to assure that order acceptance, pricing, payment and other transactions are in line with Company' policies and procedures.

Audits during 2017 have revealed no major finding that may have adverse consequences on the Company's financial structure.

PRIVATE AUDITS AND PUBLIC AUDITS DURING THE ACCOUNTING PERIOD

The Company underwent a tax audit by Yetkin Yeminli Mali Müşavirlik A.Ş. (KPMG) on quarterly basis, and an independent audit by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Ernst&Young) in late June and at the end of the year.

FINANCIALS AND FINANCIAL STRUCTURE & ASSESSMENT OF THE FINANCIAL CONDITION, PROFITABILITY AND SOLVENCY

CAPITAL SOLVENCY RATIOS

	2017	2016
Equity/Premiums Received	2.67	5.33
Equity/Total Assets (%)	26.0	17.3
Equity/Technical Reserves (%)	42.4	24.3

ASSET QUALITY AND LIQUIDITY RATIOS

	2017	2016
Liquid Assets/Total Assets (%)	84.0	80.5
Liquidity Ratio	1.15	0.99
Current Ratio	1.36	1.21
Premium and Reinsurance Receivables/Total Assets	9.3	11.3
Agency Receivables/Equity (%)	19.1	40.4

OPERATING RATIOS

	2017	2016
Conservation Ratio	67.2	79.3
Claims Payment Ratio (net)	33.7	39.4

PROFITABILITY RATIOS (%)

	2017	2016
Loss Ratio (net)	70.8	70.7
Expense Ratio	20.7	22.8
Equalization Reserve/Earned Premiums	0.3	0.3
Combined Ratio	91.8	93.8
Profit Before Tax/Premiums Written	15.5	7.9
Financial Profit*/Premiums Written	2.1	0.3
Net Technical Income/Premiums Written	13.4	7.6
Return on Equity	43.9	40.7

*When calculating the financial profit, investment income carried over to the technical part from the non-technical part was excluded.

FACTS AND MANAGEMENT'S ASSESSMENT FOR CAPITAL SUBSCRIPTION OR BANKRUPTCY

CAPITAL SOLVENCY TABLE (x thousand TL)

	2017	2016
Equity Required	452,751	545,535
Equity Capital	874,814	441,744
Capital Solvency Result	422,063	-103,791

As at the end of 2017, the Company has a capital solvency ratio of 1.93.

PRIOR TARGETS & REALIZATION

(million TL)	Actual	Budget
	2017	2016
Written Premium	2,264	2,030
Net Technical Income	302	188
Profit Before Tax	351	239
Net Profit	278	191

REASONS OF FAILED OBJECTIVES OR NON-ACTIONED DECISIONS & ASSESSMENT

Realization in premium production and technical part balance is beyond the budget.

RISK MANAGEMENT POLICIES BY RISK TYPE

Pursuant to the "Regulation on the Internal Systems of Insurance, Reassurance and Pension Companies" issued by the Treasury Undersecretariat in the Official Gazette no 26913 of 21 June 2008 ("Regulation on Internal Systems"), the Company's internal system procedures are undertaken by the internal audit, internal control and risk management functions. To this end, internal audit functions are undertaken by the Internal Audit Directorate while internal control and risk management functions are undertaken by the Corporate Governance Directorate.

A set of risk management policies and standards have been developed in the Company in order to identify and control the risks reliably, institute proactive controls to cope with risk consequences efficiently, assess the risks properly, safeguard Company's financial condition and avoid unforeseeable damages and losses. In this process, the following items are considered.

1. Strategies, policies and implementing procedures with regard to Company's activities
2. Compliance with the volume, nature and complexity of the Company's activities
3. Level of risk that may be assumed by the Company
4. Company's monitoring and management capacity
5. Company's previous experience and performance
6. Levels of expertise of department executives
7. Policies and practices of subsidiaries
8. Obligations set forth in the law and other appropriate legislation

Setting up and supervising a risk management system is fully the Board's responsibility. Major topics of risk management are addressed in the Corporate Governance Committee on quarterly basis. The Corporate Governance Committee assists the Board in decisions relating to the Company's risk strategy and risk appetite as well as emergency actions against capital insolvency. In order to identify existing and potential risks in our Company, operational risks are defined by line managers and Deputy General Managers, and the operational risk management system is conducted by the Corporate Governance Directorate. To this end, an Operational Risk Assessment is carried out to address system risks, asset risks, labor risks and prestige risks.

In this assessment separately carried out for each unit, likelihood and impact of the risk is operationally scored, and possible consequences and losses on the Company due to these risks are identified. Such risk management also incorporates the extent to which the risks are controllable. In this process, controls for preventing and/or mitigating the risks are built, risk mitigation potential is assessed, risks are regularly reviewed to reflect the changes in market conditions, products and services, and efficiency of these controls is monitored.

Existing and potential critical risks for the Company are reviewed again on quarterly basis, each risk is examined exhaustively, and analysis documents are revised. Revisions in Company's critical risks document are proposed in Corporate Governance Committee's meetings.

In order to ensure that each in-house department or affiliate, if need be, carry out risk assessments and hence properly assess the risks that could have material impact on the management, the Company manages the risks under the following structured categories, taking into account risk characteristics and circumstances.

- Risks on Asset Management
- Risk Acceptance/Underwriting Risk
- Operational Risks
- Liquidity Risk

Our Company takes measures for maintaining a proper balance between risks and assets by preventing substantial exposure to such risks.

In order to secure a sound financial position, the Company gauges the level of exposure to insurance risk acceptance/underwriting risks, asset risks and operational risks and then builds a correlation to calculate the cumulative risk level. Then, a comparison with equities is carried out in order to manage the economic risk capital integrally so that capital subscription is not exceeded. Our Company sets risk acceptance policies for its product range on annual basis and revises them during the year when deemed necessary. Thanks to such risk acceptance policies, minimum and maximum product limits are defined for risk analysis covering the period from offer to policy issuance, and non-covered risks are specified. Proprietary order acceptance principles and similar procedures also support this policy. As a hedging measure, the Company reviews its financial structure against high risks and catastrophic events and concludes reinsurance contracts.

Additionally, various committees were set up internally in an aim to monitor, down to the finest detail, potential risks on the Company. Committee for the Monitoring of Risks on Distribution Channels, Tariff Monitoring Committee and Claims Committee are the primary committees.

Moreover, internal communication channels allowing to report the problems faced by employees as well as unusual doubtful items to appropriate managerial bodies and to the Internal Audit department were built, laying a favourable background for identifying the internal risks. Managerial policies, functional allocation and division of tasks, authorization limits, systematic restrictions and authorities as well as the annual statement confirming that Company's policies and procedures have been read, understood and will be complied with by the employee represent one of the internal control mechanisms developed to prevent internal risks.

FINANCIAL HIGHLIGHTS FOR THE FIVE-YEAR PERIOD INCLUDING THE REPORTING PERIOD

KEY INDICATORS FOR THE 5-YEAR PERIOD

(thousand TL)	2013	2014	2015	2016	2017
Written Premium	555,811	686,789	1,063,474	2,236,156	2,264,027
Net Technical Income	39,104	35,530	33,280	153,909	302,412
Net Financial Result	6,440	15,392	2,176	23,436	48,177
Profit Before Tax	45,544	50,922	35,456	177,345	350,588
Tax	10,694	11,386	8,264	35,323	72,259
Net Profit	34,850	39,536	27,192	142,022	278,330
Paid-in Capital	40,000	40,000	40,000	40,000	190,000
Equity	211,628	251,136	278,221	419,859	848,229
Total Assets	681,772	848,126	1,224,957	2,423,305	3,259,004

DIVIDEND POLICY&PROPOSAL FOR UTILIZING RETAINED DIVIDENDS

In line with the company's objectives and the group strategy, Sompo Japan Sigorta distributes profits in accordance with the Turkish Commercial Code, Taxation Laws and the Insurance legislation.

When distributing profits, the balance between the benefits of shareholders and Company's benefits is preserved, and various parameters including the financial adequacy of registered resources, profitability, cash position, capital requirements and financial policies are considered when deciding to distribute dividends.

Dividend distribution is decided by the General Assembly after Board's proposal. General Assembly is authorized to decide to carry over entirely or partially the net profit to the next year or extraordinary contingency reserve, liquidate the dividend, add the dividend to the capital or distribute the dividend within the statutory legal period. After appropriating the essential amounts pursuant to the law and articles of association, General Assembly has the sole discretion over the balance regardless of the Board's proposal.

Profit distribution is based on the net profit for the period and the distributable profit recognized in previous independently audited statutory financial statements. The amount of dividend to be distributed is established after setting aside from the net profit the statutory and voluntary reserves, and other statutory funds as per the applicable law and articles of association.

In the distribution of profits, accrued dividend may be paid in one single payment or in several instalments.

Principles of dividend distribution are described to shareholders during General Assembly meetings, and stated in the annual report as a part of public disclosure.

Dividend distribution for 2017 is detailed in note 47.6 entitled "dividend distribution table" of the audit report covered by the annual report.

OTHER ISSUES

Disclosure of subsequent material events with potential consequences on the rights of shareholders, creditors and other related entities.

Material events that occur after the end of the accounting period are detailed in note 46 entitled “Subsequent events” of the audit report covered by the annual report for 2017.

INVESTMENTS DURING THE ACCOUNTING PERIOD

Company’s capital investments are detailed in note 6 entitled “Tangible fixed assets” and note 8 entitled “Intangible fixed assets” of the audit report covered by the annual report for 2017.

DIRECT AND INDIRECT AFFILIATES & SHAREHOLDING RATIOS

Company’s affiliates are detailed in note 9 entitled “Investments in affiliates” of the audit report covered by the annual report for 2017.

DONATIONS, GRANTS AND SOCIAL RESPONSIBILITY PROJECTS

In 2017, the Company has organized the fourth edition of its social responsibility project “Var Mısın Akıllım?” The project is implemented every year with the involvement of students from 3rd and 4th grades. The contest is designed to improve the know-how and skills of the participants. Furthermore, the organization aims to offer an entertaining time to students through joyful events during the day. Within the framework of the event, an efficient parenting seminar was organized for the parents of contestants.

The Company makes educational donations especially for contribution to students. To this end, the Company donated stationery to Niğde University in 2017.

LEGAL CLAIMS AGAINST THE COMPANY WITH POTENTIAL CONSEQUENCES ON THE COMPANY’S FINANCIAL CONDITION AND OPERATIONS

Legal claims with potential consequences on our Company’s financial condition and operations are further detailed in note 42 entitled “Risks” of the audit report covered by annual report for 2017.

LOYALTY REPORT

It was concluded that in all transactions with the Company’s controlling shareholder and the latter’s subsidiaries during 2017, a counteraction was provided at each instance, no measure that may damage the Company has been taken or avoided, and there is no transaction or measure that requires equalization in this regard, subject to the conditions and circumstances known to us at the time when the transaction was made or measure was taken or avoided.

Sompo Japan Sigorta Shareholders	Shareholding Interests
Sompo Japan Nipponkoa Insurance Inc.	Sompo Japan Nipponkoa Holdings Inc. 100%



Güney Bağımsız Denetim ve
SMMM A.Ş.
Maslak Mahallesi Eski Büyükdere
Cad. Orjin Maslak Plaza No: 27
Sarıyer 34485
İstanbul - Türkiye

Tel: +90 212 315 3000
Fax: +90 212 230 8291
ey.com
Ticaret Sicil No : 479920

(Convenience translation of a report originally issued in Turkish)

INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

To the General Assembly of Sompo Japan Sigorta A.Ş.

1) Opinion

We have audited the annual report of Sompo Japan Sigorta A.Ş. ("the Company") for the period of January 1 – December 31, 2017.

In our opinion, the financial information provided in the annual report of the Board of Directors and the discussions made by the Board of Directors on the situation of the Company are presented fairly and consistent, in all material respects, with the audited full set financial statements and the information we obtained during the audit.

2) Basis for Opinion

We conducted our audit in accordance with standards on auditing as issued by the Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Annual Report* section of our report. We are independent of the Company in accordance with the *Code of Ethics for Independent Auditors* (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Our Auditor's Opinion on the Full Set Financial Statements

We have expressed an unqualified opinion in our auditor's report dated March 12, 2018 on the full set financial statements of the Company for the period of January 1 – December 31, 2017.

4) The Responsibility of the Board of Directors on the Annual Report

In accordance with Articles 514 and 516 of the Turkish Commercial Code 6102 ("TCC"), and the preparation and fair presentation of these financial statements in accordance with the prevailing accounting principles and standards as per the insurance legislation and Turkish Accounting Standards decree for the matters not regulated by insurance legislation; "Insurance Accounting and Financial Reporting Legislation" and designing and the Communiqué on Individual Retirement Saving and Investment System" ("Communiqué") issued on 7 August 2007 dated and 26606 numbered, the management of the Group is responsible for the following items:

- a) Preparation of the annual report within the first three months following the balance sheet date and submission of the annual report to the general assembly.
- b) Preparation and fair presentation of the annual report; reflecting the operations of the Company for the year, along with its financial position in a correct, complete, straightforward, true and honest manner. In this report, the financial position is assessed according to the financial statements. The development of the Company and the potential risks to be encountered are also noted in the report. The evaluation of the board of directors is also included in this report.

- c) The annual report also includes the matters below:
- Subsequent events occurred after the end of the fiscal year which have significance,
 - The research and development activities of the Company,
 - Financial benefits such as salaries and bonuses paid to the board members and to those charged governance, allowances, travel, accommodation and representation expenses, financial aids and aids in kind, insurances and similar deposits.

When preparing the annual report, the board of directors takes into account the secondary legislative arrangements published by the Ministry of Customs and Trade and related institutions.

5) Auditor's Responsibilities for the Audit of the Annual Report

Our aim is to express an opinion, based on the independent audit we have performed on the annual report in accordance with provisions of the Turkish Commercial Code, on whether the financial information provided in this annual report and the discussions of the Board of Directors are presented fairly and consistent with the Company's audited financial statements and to prepare a report including our opinion.

The independent audit we have performed is conducted in accordance with InAS. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the financial information provided in the annual report and the discussions of the Board of Directors are free from material misstatement and consistent with the financial statements.

The name of the engagement partner who supervised and concluded this audit is Yaşar Bivas.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited



May 15, 2018
Istanbul, Turkey

SOMPO JAPAN SİGORTA ANONİM ŞİRKETİ

Financial Statements as of December 31, 2017 together with the Independent Auditor's Report

(Convenience Translation of independent auditors' report and financial statements originally issued in Turkish)

SOMPO JAPAN SİGORTA ANONİM ŞİRKETİ

Contents

	Page
Independent auditor's report	56
Balance sheet	58
Income statement	63
Statement of changes in equity	66
Cash flow statement	68
Notes to financial statements	69 - 130

Independent Auditor's Report



**Güney Bağımsız Denetim ve
SMMM A.Ş.**
Eski Büyükdere Cad. Orjin Maslak
No: 27 Maslak, Sarıyer 34398
İstanbul - Turkey

Tel: +90 212 315 3000
Fax: +90 212 230 8291
ey.com
Ticaret Sicil No: 479920
Mersis No: 0-4350-3032-6000017

To the Shareholders of Sompo Japan Sigorta Anonim Şirketi

A) Report on the Audit of the Financial Statements

1) Opinion

We have audited the financial statements of Sompo Japan Sigorta Anonim Şirketi (the Company), which comprise the statement of financial position as at December 31, 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with the prevailing accounting principles and standards as per the insurance legislation and Turkish Accounting Standards decree for the matters not regulated by insurance legislation; "Insurance Accounting and Financial Reporting Legislation".

2) Basis for Opinion

We conducted our audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (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 are independent of the Company in accordance with the Code of Ethics for Independent Auditors (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Insurance Accounting and Financial Reporting Legislation and designing, implementing and maintaining internal systems relevant to the preparation and fair presentation of the 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.

4) Auditor's Responsibilities for the Audit of the Financial Statements

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 InAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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 InAS, 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

B) Report on Other Legal and Regulatory Requirements

1) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January – 31 December 2017 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.

2) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The name of the engagement partner who supervised and concluded this audit is Yaşar Bivas.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Yaşar Bivas, SMMM
Engagement Partner

March 12, 2018
Istanbul, Turkey

SOMPO JAPAN SİGORTA ANONİM ŞİRKETİ

Convenience translation of the balance sheet As of December 31, 2017

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

Assets

I- Current Assets	Note	Audited December 31, 2017	Audited December 31, 2016
A- Cash and Cash Equivalents	2.12, 14	2.735.520.972	1.951.526.623
1- Cash		-	-
2- Cheques Received		-	-
3- Banks	2.12, 14	2.301.513.136	1.512.991.801
4- Cheques Given and Payment Orders (-)		-	-
5- Receivables From Credit Cards with Bank Guarantee Due Less Than Three Months	2.12, 14	433.051.210	437.818.457
6- Other Cash and Cash Equivalents	2.12, 14	956.626	716.365
B- Financial Assets and Investments with Risks on Policy Holders		5.068.638	-
1- Financial Assets Available for Sale		-	-
2- Financial Assets Held to Maturity	11	5.068.638	-
3- Financial Assets Held for Trading	11	-	-
4- Loans		-	-
5- Provision for Loans (-)		-	-
6- Investments with Risks on Policy Holders		-	-
7- Equity Shares		-	-
8- Impairment in Value of Financial Assets (-)		-	-
C- Receivables From Main Operations	12	294.896.282	270.125.580
1- Receivables From Insurance Operations	12	299.855.615	273.416.465
2- Provision for Receivables From Insurance Operations (-)	12	(6.205.840)	(4.548.197)
3- Receivables From Reinsurance Operations		-	-
4- Provision for Receivables From Reinsurance Operations (-)		-	-
5- Cash Deposited For Insurance & Reinsurance Companies		-	-
6- Loans to Policyholders		-	-
7- Provision for Loans to Policyholders (-)		-	-
8- Receivables from Pension Operation		-	-
9- Doubtful Receivables From Main Operations	12	70.575.810	49.897.585
10- Provisions for Doubtful Receivables From Main Operations (-)	4.2,12	(69.329.303)	(48.640.273)
D- Due from Related Parties		50.022	1.158
1- Due from Shareholders	12,45	50.022	1.158
2- Due from Affiliates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Rediscount on Receivables Due from Related Parties (-)		-	-
8- Doubtful Receivables Due from Related Parties		-	-
9- Provisions for Doubtful Receivables Due from Related Parties (-)		-	-
E- Other Receivables	4.2,12	679.316	1.064.537
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given		87.107	67.489
4- Other Receivables	47.1	592.209	997.048
5- Discount on Other Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Provisions for Other Doubtful Receivables (-)		-	-
F- Prepaid Expenses and Income Accruals		172.726.375	166.143.288
1- Deferred Commission Expenses	17	163.228.009	156.557.030
2- Accrued Interest and Rent Income		-	-
3- Income Accruals		-	-
4- Other Prepaid Expenses	17	9.498.366	9.586.258
G- Other Current Assets		7.212.374	4.512.835
1- Inventories		48.135	-
2- Prepaid Taxes and Funds	19	6.341.919	3.999.453
3- Deferred Tax Assets		-	-
4- Business Advances		660.312	344.082
5- Advances Given to Personnel		162.008	169.300
6- Stock Count Differences		-	-
7- Other Current Assets		-	-
8- Provision for Other Current Assets (-)		-	-
I- Total Current Assets		3.216.153.979	2.393.374.021

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

SOMPO JAPAN SİGORTA ANONİM ŞİRKETİ

Convenience translation of the balance sheet As of December 31, 2017

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

Assets

II- Non Current Assets	Note	Audited December 31, 2017	Audited December 31, 2016
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 & Reinsurance Companies		-	-
6- Loans to Policyholders		-	-
7- Provision for Loans to Policyholders (-)		-	-
8- Receivables From Pension Operations		-	-
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 Affiliates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Discount on Receivables Due from Related Parties (-)		-	-
8- Doubtful Receivables Due from Related Parties		-	-
9- Provisions for Doubtful Receivables Due from Related Parties (-)		-	-
C- Other Receivables		-	-
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given		-	-
4- Other Receivables		-	-
5- Discount on Other Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Provisions for Other Doubtful Receivables (-)		-	-
D- Financial Assets	9	346.211	220.125
1- Investments In Associates		-	-
2- Affiliates	9	346.211	220.125
3- Capital Commitments to Affiliates (-)		-	-
4- Subsidiaries		-	-
5- Capital Commitments to Subsidiaries (-)		-	-
6- Joint Ventures		-	-
7- Capital Commitments to Joint Ventures (-)		-	-
8- Financial Assets and Investments with Risks on Policy Holders		-	-
9- Other Financial Assets		-	-
10- Diminution in Value of Financial Assets (-)		-	-
E- Tangible Fixed Assets	6	22.183.979	14.305.334
1- Investment Properties	6,7	1.651.000	1.651.000
2- Diminution in Value for Investment Properties (-)		-	-
3- Owner Occupied Properties		6.407.519	-
4- Machinery and Equipments		-	-
5- Furnitures and Fixtures	6	17.374.521	13.901.329
6- Vehicles	6	93.626	322.587
7- Other Tangible Assets (Including Leasehold Improvements)	6	9.273.034	6.902.790
8- Leased Tangible Fixed Assets	6	72.809	72.809
9- Accumulated Depreciation (-)	6	(12.688.530)	(8.545.181)
10- Advances Paid for Tangible Fixed Assets (Including Construction In Progresses)	6	-	-
F- Intangible Fixed Assets	8	7.976.985	6.761.933
1- Rights		-	-
2- Goodwill		-	-
3- Establishment Costs		-	-
4- Research and Development Expenses		-	-
6- Other Intangible Assets	8	18.202.066	12.525.795
7- Accumulated Amortizations (-)	8	(10.225.081)	(7.258.691)
8- Advances Regarding Intangible Assets	8	-	1.494.829
G- Prepaid Expenses and Income Accruals		1.412.939	273.277
1- Deferred Commission Expenses		-	-
2- Accrued Interest and Rent Income		-	-
3- Other Prepaid Expenses		1.412.939	273.277
H- Other Non-current Assets		10.929.712	8.370.776
1- Effective Foreign Currency Accounts		-	-
2- Foreign Currency Accounts		-	-
3- Inventories		-	-
4- Prepaid Taxes and Funds		-	-
5- Deferred Tax Assets	21	10.929.712	8.370.776
6- Other Non-current Assets		-	-
7- Other Non-current Assets Amortization (-)		-	-
8- Provision for Other Non-current Assets (-)		-	-
II- Total Non-current Assets		42.849.826	29.931.445
Total Assets		3.259.003.805	2.423.305.466

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

SOMPO JAPAN SİGORTA ANONİM ŞİRKETİ

Convenience translation of the balance sheet As of December 31, 2017

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

Liabilities

III- Short Term Liabilities	Note	Audited December 31, 2017	Audited December 31, 2016
A- Borrowings	20	-	-
1- Loans to Financial Institutions		-	-
2- Finance Lease Payables		-	-
3- Deferred Finance Lease Borrowing Costs (-)		-	-
4- Current Portion of Long Term Borrowings		-	-
5- Principal, Installments and Interests on Issued Bills (Bonds)		-	-
6- Other Financial Assets Issued		-	-
7- Value Differences on Issued Financial Assets (-)		-	-
8- Other Financial Borrowings (Liabilities)	20	-	-
B- Payables From Main Operations	19	199.044.905	121.319.863
1- Payables Due to Insurance Operations	19	172.302.970	112.612.700
2- Payables Due to Reinsurance Operations		-	-
3- Cash Deposited by Insurance & Reinsurance Companies		-	-
4- Payables Due to Pension Operations		-	-
5- Payables from Other Operations	19	26.741.935	8.707.163
6- Rediscount on Other Payables From Main Operations (-)		-	-
C- Due to Related Parties		27.049	-
1- Due to Shareholders		-	-
2- Due to Affiliates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		27.049	-
6- Due to Other Related Parties		-	-
D- Other Payables	19	47.344.828	43.924.126
1- Deposits and Guarantees Received		-	-
2- Due to SSI regarding Treatment Expenses	2,25, 19	34.499.157	38.281.713
3- Other Payables	23	13.395.348	6.065.813
4- Discount on Other Payables (-)		(549.677)	(423.400)
E- Insurance Technical Reserves		1.974.576.075	1.705.633.099
1- Unearned Premiums Reserve - Net	2,24,17	800.086.875	966.644.394
2- Unexpired Risk Reserves - Net	2,27,17	191.820	147.191
3- Mathematical Reserves - Net		-	-
4- Outstanding Claims Reserve - Net	2,25,17	1.174.297.380	738.841.514
5- Provision for Bonus and Discounts - Net		-	-
6- Other Technical Reserves - Net		-	-
F- Taxes and Other Liabilities and Relevant Provisions	19	58.645.471	56.423.711
1- Taxes and Dues Payable		34.540.273	37.584.339
2- Social Security Premiums Payable		2.243.231	1.804.815
3- Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
4- Other Taxes and Liabilities		-	-
5- Corporate Tax Liability Provision on Period Profit	19, 35	72.258.569	35.322.692
6- Prepaid Taxes and Other Liabilities on Period Profit (-)	19	(50.396.602)	(18.288.135)
7- Provisions for Other Taxes and Liabilities		-	-
G- Provisions for Other Risks		5.761.617	4.511.821
1- Provision for Employment Termination Benefits		-	-
2- Pension Fund Deficit Provision		-	-
3- Provisions for Costs	23	5.761.617	4.511.821
H- Deferred Income and Expense Accruals	19	87.900.155	41.012.557
1- Deferred Commission Income	10,19	80.803.817	37.964.557
2- Expense Accruals		-	15.005
3- Other Deferred Income	19	7.096.338	3.032.995
I- Other Short Term Liabilities		-	-
1- Deferred Tax Liability		-	-
2- Inventory Count Differences		-	-
3- Other Short Term Liabilities		-	-
III - Total Short Term Liabilities		2.373.300.100	1.972.825.177

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

SOMPO JAPAN SİGORTA ANONİM ŞİRKETİ

Convenience translation of the balance sheet As of December 31, 2017

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

Liabilities

IV- Long Term Liabilities	Note	Audited December 31, 2017	Audited December 31, 2016
A- Borrowings		-	-
1- Loans to Financial Institutions		-	-
2- Finance Lease Payables		-	-
3- Deferred Finance Lease Borrowing Costs (-)		-	-
4- Bonds Issued		-	-
5- Other Issued Financial Assets		-	-
6- Value Differences on Issued Financial Assets (-)		-	-
7- Other Financial Borrowings (Liabilities)		-	-
B- Payables From Main Operations		-	-
1- Payables Due to Insurance Operations		-	-
2- Payables Due to Reinsurance Operations		-	-
3- Cash Deposited by Insurance & Reinsurance Companies		-	-
4- Payables Due to Pension Operations		-	-
5- Payables from Other Operations		-	-
6- Discount on Other Payables From Main Operations (-)		-	-
C- Due to Related Parties		-	-
1- Due to Shareholders		-	-
2- Due to Affiliates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		-	-
6- Due to Other Related Parties		-	-
D- Other Payables	19	6.800.612	5.286.639
1- Deposits and Guarantees Received		6.800.612	5.286.639
2- Due to SSI regarding Treatment Expenses		-	-
3- Other Payables		-	-
4- Discount on Other Payables (-)		-	-
E- Insurance Technical Reserves	17	26.585.212	21.884.710
1- Unearned Premiums Reserve - Net		-	-
2- Unexpired Risk Reserves - Net		-	-
3- Mathematical Reserves - Net		-	-
4- Outstanding Claims Reserve - Net		-	-
5- Provision for Bonus and Discounts - Net		-	-
6- Other Technical Reserves - Net	2,26,17	26.585.212	21.884.710
F- Other Liabilities and Provisions		-	-
1- Other Liabilities		-	-
2- Overdue, Deferred or By Installment Other Liabilities		-	-
3- Other Liabilities and Expense Accruals		-	-
G- Provisions for Other Risks		1.889.697	1.709.776
1- Provision for Employment Termination Benefits	23	1.889.697	1.709.776
2- Provisions for Employee Pension Fund Deficits		-	-
H- Deferred Income and Expense Accruals		-	31.905
1- Deferred Commission Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income	47	-	31.905
I- Other Long Term Liabilities	23	2.199.357	1.708.300
1- Deferred Tax Liability		-	-
2- Other Long Term Liabilities	23	2.199.357	1.708.300
IV- Total Long Term Liabilities		37.474.878	30.621.330

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

SOMPO JAPAN SİGORTA ANONİM ŞİRKETİ

Convenience translation of the balance sheet As of December 31, 2017

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

Shareholders' Equity

V- Shareholders' Equity	Note	Audited December 31, 2017	Audited December 31, 2016
A- Paid in Capital		190.000.000	40.000.000
1- (Nominal) Capital	2,13,15	190.000.000	40.000.000
2- Unpaid Capital (-)		-	-
3- Positive Inflation Adjustment on Capital		-	-
4- Negative Inflation Adjustment on Capital (-)		-	-
B- Capital Reserves		36.097	36.097
1- Equity Share Premiums		-	-
2- Cancellation Profits of Equity Shares		-	-
3- Profit on Sale to be Transferred to Capital		-	-
4- Translation Reserves		-	-
5- Other Capital Reserves		36.097	36.097
C- Profit Reserves	15	379.862.964	237.800.936
1- Legal Reserves		26.009.663	18.908.567
2- Statutory Reserves	15	-	-
3- Extraordinary Reserves	2,19,23	345.597.055	210.676.226
4- Special Funds (Reserves)		(551.812)	(591.914)
5- Revaluation of Financial Assets	15	-	-
6- Other Profit Reserves		8.808.056	8.808.057
D- Previous Years' Profits		-	-
1- Previous Years' Profits		-	-
E- Previous Years' Losses (-)		-	-
1- Previous Years' Losses		-	-
F- Net Profit of the Period		278.329.766	142.021.926
1- Net Profit of the Period		278.329.766	142.021.926
2- Net Loss of the Period (-)		-	-
Total Shareholders' Equity		848.228.827	419.858.959
Total Liabilities and Shareholders' Equity (III+IV+V)		3.259.003.805	2.423.305.466

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

SOMPO JAPAN SİGORTA ANONİM ŞİRKETİ

Convenience translation of the statement of income For the period January 1 – December 31, 2017

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

I-Technical Part	Note	Audited January 1 – December 31, 2017	Audited January 1 – December 31, 2016
A- Non-Life Technical Income		1.877.488.008	1.375.516.049
1- Earned Premiums (Net of Reinsurer Share)		1.688.618.686	1.267.570.883
1.1 - Written Premiums (Net of Reinsurer Share)	17	1.522.105.796	1.774.224.861
1.1.1 - Gross Written Premiums (+)	17,24	2.264.027.373	2.236.156.139
1.1.2 - Ceded Premiums to Reinsurers (-)	10,17,24	(627.549.761)	(322.192.156)
1.1.3 - Ceded Premiums to SSI (-)		(114.371.816)	(139.739.122)
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	17	166.557.519	(524.001.123)
1.2.1 - Unearned Premiums Reserve (-)		(52.374.565)	(595.057.129)
1.2.2 - Reinsurance Share of Unearned Premiums Reserve (+)		231.946.396	22.246.275
1.2.3 - SSI of Unearned Premiums Reserve (+)		(13.014.312)	48.809.731
1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward)(+/-)	17	(44.629)	17.347.146
1.3.1 - Unexpired Risks Reserve (-)		2.397.963	16.067.233
1.3.2 - Reinsurance Share of Unexpired Risks Reserve (+)		(2.442.592)	1.279.913
2- Investment Income Transferred from Non-Technical Part		161.340.041	92.054.663
3- Other Technical Income (Net of Reinsurer Share)		-	-
3.1 - Gross Other Technical Income (+)		-	-
3.2 - Reinsurance Share of Other Technical Income (-)		-	-
4- Accrued Subrogation and Salvage Income (+)		27.529.281	15.890.503
B- Non-Life Technical Expense (-)		(1.575.076.242)	(1.205.122.408)
1- Total Claims (Net of Reinsurer Share)	17	(1.222.534.926)	(912.089.068)
1.1- Claims Paid (Net of Reinsurer Share)	17	(787.079.060)	(459.901.725)
1.1.1 - Gross Claims Paid (-)	17	(950.474.8459)	(553.378.333)
1.1.2 - Reinsurance Share of Claims Paid (+)	10	163.395.785	93.476.608
1.2- Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	17	(435.455.866)	(452.187.343)
1.2.1 - Outstanding Claims Reserve (-)	17	(437.054.836)	(571.618.098)
1.2.2 - Reinsurance Share of Outstanding Claims Reserve (+)	17	1.598.970	119.430.755
2- Changes in Bonus and Discount Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
2.1 - Bonus and Discount Reserve (-)		-	-
2.2 - Reinsurance Share of Bonus and Discount Reserve (+)		-	-
3- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	17	(4.700.502)	(3.611.165)
4- Operating Expenses (-)	32	(304.641.722)	(255.820.896)
5- Changes in Mathematical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
5.1- Mathematical Reserves (-)		-	-
5.2- Reinsurance Share of Mathematical Reserves (+)		-	-
6.- Other Technical Expenses (-)		(43.199.092)	(33.601.279)
6.1.- Gross Other Technical Expenses (-)		(43.199.092)	(33.601.279)
6.2.- Reinsurance Share of Other Technical Expenses (+)		-	-
C- Non Life Technical Net Profit (A-B)		302.411.766	170.393.641
D- Life Technical Income		-	-
1- Earned Premiums (Net of Reinsurer Share)		-	-
1.1 - Written Premiums (Net of Reinsurer Share)		-	-
1.1.1 - Gross Written Premiums (+)		-	-
1.1.2 - Ceded Premiums to Reinsurers (-)		-	-
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)		-	-
1.2.1- Unearned Premium Reserves (-)		-	-
1.2.2- Unearned Premium Reserves Reinsurer Share (+)		-	-
1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward)(+/-)		-	-
1.3.1- Unexpired Risks Reserves (-)		-	-
1.3.2- Unexpired Risks Reserves Reinsurer Share (+)		-	-
2- Life Branch Investment Income		-	-
3- Unrealized Income from Investments		-	-
4-Other Technical Income (Net of Reinsurer Share) (+/-)		-	-
4.1- Gross Other Technical Income (+/-)		-	-

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

**Convenience translation of the statement of income
For the period January 1 – December 31, 2017**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

I-Technical Part	Note	Audited January 1 – December 31, 2017	Audited January 1 – December 31, 2016
E- Life Technical Expense		-	-
1- Total Claims (Net of Reinsurer Share)		-	-
1.1- Claims Paid (Net of Reinsurer Share)		-	-
1.1.1- Gross Claims Paid (-)		-	-
1.1.2- Claims Paid Reinsurer Share (+)		-	-
1.2- Changes in Outstanding Claims Provisions (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
1.2.1 - Outstanding Claims Reserve (-)		-	-
1.2.2 - Reinsurance Share of Outstanding Claims Reserve (+)		-	-
2- Changes in Bonus and Discount Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
2.1 - Bonus and Discount Reserve (-)		-	-
2.2 - Reinsurance Share of Bonus and Discount Reserve (+)		-	-
3- Changes in Mathematical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
3.1- Mathematical Reserves (-)		-	-
3.1.1- Actuarial Mathematical Reserve (-)		-	-
3.1.2- Profit Share Reserve (Reserves for Life Insurance Policies Including Investment Risk) (-)		-	-
3.2- Reinsurer Share of Mathematical Reserves (+)		-	-
3.2.1- Reinsurance Share of Actuarial Mathematical Reserve (+)		-	-
3.2.2- Reinsurance Share of Profit Share Reserve (Reserves for Life Insurance Policies Including Investment Risk) (-)		-	-
4- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
5- Changes in Other Technical Reserves (Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
6- Operating Expenses (-)		-	-
7- Investment Expenses (-)		-	-
8- Unrealized Losses from Investments (-)		-	-
9- Investment Income Transferred to Non- Technical Part (-)		-	-
F- Life Technical Profit (D-E)		-	-
G- Individual Retirement Technical Income		-	-
1- Fund Management Fee		-	-
2- Management Fee Deduction		-	-
3- Initial Contribution Fee		-	-
4- Management Fee In Case Of Temporary Suspension		-	-
5- Withholding tax		-	-
6- Increase in Market Value of Capital Commitment Advances		-	-
7-Other Technical Income		-	-
H- Individual Retirement Technical Expense		-	-
1- Fund Management Expenses (-)		-	-
2- Decrease in Market Value of Capital Commitment Advances (-)		-	-
3- Operating Expenses (-)		-	-
4- Other Technical Expense (-)		-	-
I- Individual Retirement Technical Profit (G-H)		-	-

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

SOMPO JAPAN SİGORTA ANONİM ŞİRKETİ

Convenience translation of the statement of income For the period January 1 – December 31, 2017

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

II-Non Technical Part	Note	Audited January 1 – December 31, 2017	Audited January 1 – December 31, 2016
C- Non Life Technical Profit (A-B)		302.411.766	170.393.641
F- Life Technical Profit (D-E)		-	-
I - Individual Retirement Technical Profit (G-H)		-	-
J- Total Technical Profit (C+F+I)		302.411.766	170.393.641
K- Investment Income		275.402.350	133.589.338
1- Income From Financial Investment	4	247.644.975	119.392.259
2- Income from Sales of Financial Investments		-	-
3- Revaluation of Financial Investments		68.638	-
4- Foreign Exchange Gains	4	27.248.665	14.264.807
5- Income from Affiliates		140.533	-
6- Income from Subsidiaries and Joint Ventures		-	-
7- Income Received from Land and Building	4	38.910	36.590
8- Income from Derivatives		-	-
9- Other Investments	4.2, 47.1	260.629	(104.318)
10- Investment Income transferred from Life Technical Part		-	-
L- Investment Expenses (-)		(206.303.730)	(115.959.133)
1- Investment Management Expenses (including interest) (-)		(14.430.850)	(7.729.558)
2- Valuation Allowance of Investments (-)		-	-
3- Losses On Sales of Investments (-)		-	-
4- Investment Income Transferred to Non-Life Technical Part (-)	1.7	(161.340.041)	(92.054.663)
5- Losses from Derivatives (-)		-	-
6- Foreign Exchange Losses (-)	4	(22.928.960)	(11.521.181)
7- Depreciation Expenses (-)	6,8	(7.603.879)	(4.653.731)
8- Other Investment Expenses (-)		-	-
M- Income and Expenses From Other and Extraordinary Operations (+/-)		(20.922.051)	(10.679.228)
1- Provisions Account (+/-)	47	(21.103.637)	(11.240.036)
2- Discount account (+/-)	47	(3.495.158)	(1.081.357)
3- Mandatory Earthquake Insurance Account (+/-)		-	-
4- Inflation Adjustment Account (+/-)		-	-
5- Deferred Tax Asset Accounts(+/-)	21	2.568.961	-
6- Deferred Tax Expense Accounts (-)	21	-	(179.667)
7- Other Income and Revenues	47	1.621.063	2.127.450
8- Other Expense and Losses (-)	47	(513.280)	(305.618)
9- Prior Period Income		-	-
10- Prior Period Losses (-)		-	-
N- Net Profit/(Loss)		278.329.766	142.021.926
1- Profit/(Loss) Before Tax		350.588.335	177.344.618
2- Corporate Tax Liability Provision (-)	35	(72.258.569)	(35.322.692)
3- Net Profit (Loss)		-	-
4- Inflation Adjustment Account		-	-

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

SOMPO JAPAN SİGORTA ANONİM ŞİRKETİ

Convenience translation of the statement of changes in shareholders' equity For the period January 1 –December 31, 2017

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

Audited the statement of changes in shareholders' equity–December 31, 2017

	Note	Capital	Equity Share Owned by Company (-)	Revaluation of Financial Assets	Inflation Adjustment on Capital
I - Closing Balance of Prior Period (31/12/2016)		40.000.000	-	-	-
II - Amendments in Accounting Policy		-	-	-	-
III - Current Balance (I + II) (01/01/2017)		40.000.000	-	-	-
A- Capital increase (A1 + A2)		-	-	-	-
1- Cash		150.000.000	-	-	-
2- Internal sources		-	-	-	-
B- Equity shares purchased by the Company		-	-	-	-
C- Income/(expense) recognized directly in the equity		-	-	-	-
D- Revaluation of financial assets (Note 16.1)		-	-	-	-
E- Translation reserves		-	-	-	-
F- Other income/(expenses)		-	-	-	-
G- Inflation adjustment differences		-	-	-	-
H- Period net profit (Note 37)		-	-	-	-
I- Dividend distributed		-	-	-	-
J- Transfer	15	-	-	-	-
IV- Closing Balance (31/12/2017) (I+ A+B+C+D+E+F+G+H+I+J)		190.000.000	-	-	-

Audited the statement of changes in shareholders' equity–December 31, 2016

	Note	Capital	Equity Share Owned by Company (-)	Revaluation of Financial Assets	Inflation Adjustment on Capital
I - Closing Balance of Prior Period (31/12/2015)		40.000.000	-	-	-
II - Amendments in Accounting Policy		-	-	-	-
III - Current Balance (I + II) (01/01/2016)		40.000.000	-	-	-
A- Capital increase (A1 + A2)		-	-	-	-
1- Cash		-	-	-	-
2- Internal sources		-	-	-	-
B- Equity shares purchased by the Company		-	-	-	-
C- Income/(expense) recognized directly in the equity		-	-	-	-
D- Revaluation of financial assets (Note 16.1)		-	-	-	-
E- Translation reserves		-	-	-	-
F- Other income/(expenses)		-	-	-	-
G- Inflation adjustment differences		-	-	-	-
H- Period net profit (Note 37)		-	-	-	-
I- Dividend distributed		-	-	-	-
J- Transfer	15	-	-	-	-
IV- Closing Balance (31/12/2016) (A+B+C+D+E+F+G+H+I+J)		40.000.000	-	-	-

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

Translation Reserves	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit/(Loss) for the Period	Previous Years' Profit/(Loss)	Total
-	18.908.567	-	218.928.466	142.021.926	-	419.858.959
-	-	-	-	-	-	-
-	18.908.567	-	218.928.466	142.021.926	-	419.858.959
-	-	-	-	-	-	-
-	-	-	-	-	-	150.000.000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	40.102	-	-	40.102
-	-	-	-	-	-	-
-	-	-	-	278.329.766	-	278.329.766
-	-	-	-	-	-	-
-	7.101.096	-	134.920.830	(142.021.926)	-	-
-	26.009.663	-	353.889.398	278.329.766	-	848.228.827

Translation Reserves	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit/(Loss) for the Period	Previous Years' Profit/(Loss)	Total
-	17.548.971	-	193.480.011	27.191.911	-	278.220.893
-	-	-	-	-	-	-
-	17.548.971	-	193.480.011	27.191.911	-	278.220.893
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-383.860	-	-	-383.860
-	-	-	-	142.021.926	-	142.021.926
-	-	-	-	-	-	-
-	1.359.596	-	25.832.315	(27.191.911)	-	-
-	18.908.567	-	218.928.466	142.021.926	-	419.858.959

SOMPO JAPAN SİGORTA ANONİM ŞİRKETİ

Convenience translation of the statements of cash flow For the period January 1 – December 31, 2017

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Note	Audited December 31, 2017	Audited December 31, 2016
A. CASH FLOWS FROM THE OPERATING ACTIVITIES			
1. Cash inflows from the insurance operations		2.586.032.159	2.416.784.989
2. Cash inflows from the reinsurance operations		-	-
3. Cash inflows from the pension operations		-	-
4. Cash outflows due to the insurance operations (-)		(2.143.718.935)	(2.160.459.437)
5. Cash outflows due to the reinsurance operations (-)		-	-
6. Cash outflows due to the pension operations (-)		-	-
7. Cash generated from the operating activities (A1+A2+A3-A4-A5-A6)		442.313.224	256.325.552
8. Interest payments (-)		-	-
9. Income tax payments (-)		(69.773.625)	(19.940.714)
10. Other cash inflows		68.533.519	42.843.133
11. Other cash outflows (-)		(336.777.664)	(277.661.784)
12. Net cash generated from the operating activities		104.295.454	1.566.187
B. CASH FLOWS FROM THE INVESTING ACTIVITIES			
1. Sale of tangible assets	6	344.105	387.205
2. Purchase of tangible assets (-)	6,8	(16.841.681)	(11.743.837)
3. Acquisition of financial assets (-)		(5.000.000)	(11.029.093)
4. Sale of financial assets	11	-	43.936.488
5. Interest received		249.450.402	118.484.483
6. Dividends received		-	-
7. Other cash inflows	7	480.174	36.590
8. Other cash outflows (-)		(38.854.640)	(19.738.917)
9. Net cash generated from the investing activities		189.578.360	120.332.921
C. CASH FLOWS FROM THE FINANCING ACTIVITIES			
1. Issue of equity shares		-	-
2. Cash inflows from the loans to policyholders		-	-
3. Payments of financial leases (-)		-	-
4. Dividend paid (-)		-	-
5. Other cash inflows		150.000.000	-
6. Other cash outflows (-)		-	-
7. Cash generated from the financing activities		150.000.000	-
D. EFFECTS OF EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS			
		-	-
E. Net increase/(decrease) in cash and cash equivalents (A12+B9+C7+D)		443.873.814	121.899.108
F. Cash and cash equivalents at the beginning of the period	2,12, 14	418.887.998	296.988.890
G. Cash and cash equivalents at the end of the period (E+F)	2,12, 14	862.761.812	418.887.998

İlişikteki dipnotlar, bu finansal tabloların tamamlayıcı parçalarıdır.

Convenience translation of notes to the Financial statements as of December 31, 2017

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

1 General Information

1.1 Name and Structure of the Parent Company

As of December 31, 2017 and December 31, 2016, capital group of Sompo Japan Sigorta Anonim Şirketi ("Company") whose capital is directly or indirectly controlled is Sompo Japan Nipponkoa Insurance Inc.

The Company was established in Turkey on March 30, 2001, pursuant to the license obtained from Republic of Turkey Prime Ministry Undersecretaries of Treasury (the "Turkish Treasury") 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.

As per the resolution of the Board of Directors dated November 3, 2010 and 2010/245 numbered the Company has decided to change the commercial title as "Sompo Japan Sigorta Anonim Şirketi". The commercial title change has been approved on the General Shareholders' Meeting dated February 21, 2011.

399.600.000 shares with nominal value of TL 3.996.000 owned by European Bank For Reconstruction have been transferred to Sompo Japan Nipponkoa Insurance Inc. with the decision of Board of Directors numbered 538 dated at October 31, 2016.

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, Rüzgarlıbağçe 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 health branch within the framework of operating licenses received from the Undersecretariat of Treasury.

1.4 Explanation of main fields and operations of the Company

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 Undersecretariat of Treasury. The Company operates in insurance branches stated in Note 1.3. As of December 31, 2017, the Company works with all authorized 2.069 agencies (December 31, 2016 – 1.836 agencies).

1.5 Average number of employees during the period by category

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

	December 31, 2017	December 31, 2016
Senior-level executives	9	8
Other personnel	495	424
Total	504	432

Convenience translation of notes to the Financial statements as of December 31, 2017 (Continued)

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

1 General Information (Continued)

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 in current period is TL 6.608.990 (December 31, 2016: TL 5.816.932).

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

Within the frame of circular letter of the Republic of Turkey Prime Ministry Undersecretariat of Treasury, 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. The income transferred from non-technical to technical section this way is TL 161.340.041 (December 31, 2016: TL 92.054.663).

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

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

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 Japan Sigorta Anonim Şirketi
Company Headquarter Address	: Kavacık Rüzgarlıbahçe Mahallesi Cumhuriyet Caddesi, No:10 Acarlar İş Merkezi, C Blok, Beykoz/İstanbul
Company's Web page Address	: www.sompojapan.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

The financial statements prepared as of December 31, 2017 were approved by the Board of Directors on March 12, 2018. 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 01, 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 01, 2008 and within the frame of the said regulation, Turkish Accounting Standards ("TMS") and Turkish Financial Reporting Standards ("TFRS") and other regulations, explanations and circulars published by the Undersecretariat of Treasury in relation to the accounting and financial reporting principles. Pursuant to the letter of Undersecretariat of Treasury 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.

Convenience translation of notes to the Financial statements as of December 31, 2017 (Continued)

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2. Summary of Significant Accounting Policies (Continued)

2.1 Principles of Preparation (Continued)

2.1.1 Basis of Preparation of Financial Statements and Specific Accounting Policies Used (Continued)

The Public Oversight Accounting and Auditing Standards Authority (POA) that was established in compliance with the Statutory Decree published on the Official Gazette dated November 2, 2011, besides its other duties and authorities, is authorized to establish and spread the TMSs (Turkish Accounting Standards) that comply with the international standards in order to ensure reliability, transparency, understandability, comparability, consistency and fit for need of the financial statements of the companies who are legally required to keep books, and to make secondary regulations for implementation of TMSs, and to approve the arrangements to be made in this matter by the organizations and institutions which are authorized in their fields.

Pursuant to the "Board Decision on Determination of the Implementation Scope of Turkish Accounting Standards" numbered 6102, dated January 13, 2011, the organizations that concern the public benefit defined in KHK numbered 660 will be subject to the independent audit upon decision of the Council of Ministers within the frame of the article 397 of the Law numbered 397, and the companies listed in paragraph two of the article 1534 of the same law apply Turkish Accounting Standard while preparing their separate and consolidated financial statements.

The organizations established to operate in at least one of the activities stipulated in the Banking Law dated October 19, 2005, numbered 5411 are an example to the financial statements to be prepared by the companies required to apply TAS, except for development and investment banks and financial holding companies, and the financial institutions established to operate in insurance, private pension or capital markets within the frame of the Capital Markets Law No. 6362 dated December 6, 2012, Insurance Law No. 5684 dated June 03, 2007 and Private Pension Saving and Investment System Law no. 4632 dated March 28, 2001 and their related legislations.

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

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 Undersecretariat of the Treasury'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 November 15, 2003. In addition, the preparation of financial statements in hyperinflationary periods has not been applied in accordance with the statement of the Undersecretariat of the Treasury. Therefore, as of December 31, 2015, 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 and presentation currency

Financial statements are presented in TL, which is the Company's functional currency. Except as otherwise indicated, financial information presented in TL, has been rounded to the nearest full TL values.

2.1.4 Rounding grade of amounts presented in financial statements

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

2.1.5 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.

Convenience translation of notes to the Financial statements as of December 31, 2017 (Continued)

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2. Summary of Significant Accounting Policies (Continued)

2.1 Principles of Preparation (Continued)

2.1.6 The new standards, amendments and interpretations

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the financial statements as at December 31, 2017 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2017. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at January 1, 2017 are as follows

TAS 7 Statement of Cash Flows (Amendments)

The IASB issued amendments to IAS 7 'Statement of Cash Flows'. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. The improvements to disclosures require companies to provide information about changes in their financing liabilities. When the Company first applies those amendments, it is not required to provide comparative information for preceding periods.

TAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (Amendments)

In December 2017, POA issued amendments to TAS 12 Income Taxes. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the requirements on recognition of deferred tax assets for unrealised losses, to address diversity in practice. These amendments are retrospectively applied for annual periods beginning on or after January 1, 2017. The amendments are not applicable for the Company and did not have an impact on the financial position or performance of the Company.

Annual Improvements to TFRSs - 2014-2016 Cycle

In December 2017, POA issued Annual Improvements to TFRS Standards 2014-2016 Cycle, amending the following standards:

TFRS 12 Disclosure of Interests in Other Entities: This amendment clarifies that an entity is not required to disclose summarised financial information for interests in subsidiaries, associates or joint ventures that is classified, or included in a disposal group that is classified, as held for sale in accordance with TFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The amendments did not have an impact on the financial position or performance of the Company.

ii) Standards issued but not yet effective and not early adopt

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the financial statements are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting the financial statements and disclosures, when the new standards and interpretations become effective.

TFRS 15 Revenue from Contracts with Customers

In September 2016, POA issued TFRS 15 Revenue from Contracts with Customers. The new standard issued includes the clarifying amendments to IFRS 15 made by IASB in April 2016. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). TFRS 15 effective date is January 1, 2018, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The amendments did not have an impact on the financial position or performance of the Company.

Convenience translation of notes to the Financial statements as of December 31, 2017 (Continued)

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2. Summary of Significant Accounting Policies (Continued)

2.1 Principles of Preparation (Continued)

2.1.6 The new standards, amendments and interpretations (Continued)

TFRS 9 Financial Instruments

TFRS 9 "Financial Instruments" standard (2017 version) has been published on Official Gazette dated January 19, 2017 and numbered 29953 in order to be implemented for accounting periods on and after January 1, 2018. The general purpose of the standard is to determine financial reporting principles related to financial assets and financial liabilities towards representing required appropriate and beneficial information of the company to financial statement readers for evaluating its future cash flow amounts, timing and uncertainty.

Classification and Measurement of Financial Assets:

Financial assets are classified through depending upon business model for managing financial assets and contractual cash flow characteristics over amortised cost in the recognition following being recorded and reflecting fair value to other comprehensive income or to profit or loss in scope of TFRS 9.

Impairment:

In scope of TFRS 9, provision for loss is made for financial assets, whose fair value is recognized based on amortised cost and expected credit loss with respect to credit commitment and financial collateral agreement. The Company evaluates whether there is a significant increase in credit risk of financial instrument or not on each financial reporting date since such financial instrument has initially included in financial statements. Provided that there exists a significant increase in credit risk of a financial instrument since its initial inclusion in financial statements the Company measures provision for loss related to aforementioned financial instrument based on an amount which is equal to lifetime expected credit loss. Provided that there exists no significant increase in credit risk of financial instrument since its inclusion in financial statement the company shall classify the aforementioned financial assets as first level and measures provision for loss related aforementioned financial instrument based on an amount which is equal to 12 months expected credit loss. The purpose of impairment is to include lifetime expected losses of all financial instruments, which have a significant increase in their credit risks since being initially included in financial statements, through considering all supportable information including those which are reasonable or prospective as separate or collective.

Hedge accounting:

The purpose of hedge accounting is representation of impact of risk management activities, which are carried out through utilizing appropriate financial instruments to manage certain risks which may affect profit or loss (or other comprehensive income when equity instrument investments, in which fair value changes are preferred to be presented under other comprehensive income), in financial statements. Such approach aims to transfer context of instruments, for which hedge accounting is applied, in order to provide understanding of purpose and impact of hedging instruments.

The Company shall continue to implement hedge accounting provisions of TAS 39 as accounting policy. Hedge accounting provisions shall be applied prospectively.

The Company does not anticipate a significant impact on its balance sheet and equities except for impairment calculations. A detailed review with respect to impacts of provision shall be performed in following periods. The Company shall continue to benefit from provisional exemption clauses for TFRS 9, included in TFRS 4, until the date, on which IFRS 17 shall be applicable.

TFRS 4 Insurance Contracts (Amendments)

In December 2017, POA issued amendments to TFRS 4 Insurance Contracts. The amendments introduce two approaches: an overlay approach and a deferral approach. The amended Standard will:

- a. give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when TFRS 9 Financial instruments is applied before the new insurance contracts Standard is issued; and
- b. give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying TFRS 9 Financial instruments until 2021. The entities that defer the application of TFRS 9 Financial instruments will continue to apply the existing financial instruments Standard TAS 39.

These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

Convenience translation of notes to the Financial statements as of December 31, 2017 (Continued)

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2. Summary of Significant Accounting Policies (Continued)

2.1 Principles of Preparation (Continued)

2.1.6 The new standards, amendments and interpretations (Continued)

TFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation issued by POA on December 2017 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

The Interpretation states that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. An entity is not required to apply this Interpretation to income taxes; or insurance contracts (including reinsurance contracts) it issues or reinsurance contracts that it holds.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted. The interpretation is not applicable for the Company and will not have an impact on the financial position or performance of the Company

TFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)

In December 2017, POA issued amendments to TFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for:

- a. the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- b. share-based payment transactions with a net settlement feature for withholding tax obligations; and
- c. a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The amendments are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

TAS 28 Investments in Associates and Joint Ventures (Amendments)

In December 2017, POA issued amendments to TAS 28 *Investments in Associates and Joint Ventures*. The amendments clarify that a company applies TFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.

TFRS 9 *Financial Instruments* excludes interests in associates and joint ventures accounted for in accordance with TAS 28 *Investments in Associates and Joint Ventures*. In this amendment, POA clarified that the exclusion in TFRS 9 applies only to interests a company accounts for using the equity method. A company applies TFRS 9 to other interests in associates and joint ventures, including long-term interests to which the equity method is not applied and that, in substance, form part of the net investment in those associates and joint ventures.

The amendments are effective for annual periods beginning on or after 1 January 2019, with early application permitted.

The Company has performed a high-level impact assessment of Amendments. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional supportable information being made available to the Company in the future. Overall, the Company expects no significant impact on its balance sheet and equity. The amendments are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

TAS 40 Investment Property: Transfers of Investment Property (Amendments)

In December 2017, POA issued amendments to TAS 40 'Investment Property'. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The amendments are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

Convenience translation of notes to the Financial statements as of December 31, 2017 (Continued)

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2. Summary of Significant Accounting Policies (Continued)

2.1 Principles of Preparation (Continued)

2.1.6 The new standards, amendments and interpretations (Continued)

TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted.

iii) The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Company will make the necessary changes to its financial statements after the new standards and interpretations are issued and become effective under TFRS

Annual Improvements – 2010–2012 Cycle

IFRS 13 Fair Value Measurement

As clarified in the Basis for Conclusions short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately.

Annual Improvements – 2011–2013 Cycle

IFRS 16 Leases

The IASB has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in "IAS 12 Income Taxes" when there is uncertainty over income tax treatments.

When there is uncertainty over income tax treatments, the interpretation addresses:

- (a) whether an entity considers uncertain tax treatments separately;
- (b) the assumptions an entity makes about the examination of tax treatments by taxation authorities;
- (c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- (d) how an entity considers changes in facts and circumstances.

An entity shall apply this Interpretation for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies this Interpretation for an earlier period, it shall disclose that fact. On initial application, an entity shall apply the interpretation either retrospectively applying IAS 8, or retrospectively with the cumulative effect of initially applying the Interpretation recognised at the date of initial application.

The Company is in the process of assessing the impact of the interpretation on financial position or performance of the Company.

Convenience translation of notes to the Financial statements as of December 31, 2017 (Continued)

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2. Summary of Significant Accounting Policies (Continued)

2.1 Principles of Preparation (Continued)

2.1.6 The new standards, amendments and interpretations (Continued)

IFRS 17 – The new Standard for insurance contracts

The IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. Certain changes in the estimates of future cash flows and the risk adjustment are also recognised over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

Prepayment Features with Negative Compensation (Amendments to IFRS 9)

In October 2017, the IASB issued minor amendments to IFRS 9 Financial Instruments to enable companies to measure some prepayable financial assets at amortised cost.

Applying IFRS 9, a company would measure a financial asset with so-called negative compensation at fair value through profit or loss. Applying the amendments, if a specific condition is met, entities will be able to measure at amortised cost some prepayable financial assets with so-called negative compensation.

The amendments are effective from annual periods beginning on or after 1 January 2019, with early application permitted. The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

Annual Improvements – 2015–2017 Cycle

In December 2017, the IASB announced *Annual Improvements to IFRS Standards 2015–2017 Cycle*, containing the following amendments to IFRSs:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements – The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- IAS 12 Income Taxes – The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.
- IAS 23 *Borrowing Costs* – The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

2.1 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 Undersecretariat of Treasury 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.

**Convenience translation of notes to the
Financial statements as of December 31, 2017 (Continued)**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2. Summary of Significant Accounting Policies (Continued)**2.2 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 Provisions for Foreign Currency

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 Assets

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.

The rates used for the depreciation of tangible fixed assets and the estimated useful life are as follows:

Tangible assets	Estimated useful life (year)	Depreciation rate (%)
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.

2.7 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.

Convenience translation of notes to the Financial statements as of December 31, 2017 (Continued)

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2. Summary of Significant Accounting Policies (Continued)

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".

Financial assets held for trading are measured at their fair value and the resulting gains or losses are reflected in profit or loss. The difference between the fair value of the financial assets and the acquisition costs of the interest income earned during the acquisition of the financial assets held for trading is stated as interest income in the income statement and the gain or loss arising from the exclusion of such financial assets before the due date of the financial assets is accounted as commercial income/expense.

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.

Investments other than held-to-maturity, held for trading, or loans and receivables are classified as available-for-sale financial assets.

Available-for-sale financial assets are measured at subsequent reporting dates at fair value except available-for-sale investments that do not have quoted prices in an active market and their fair values cannot be reliably measured are stated at cost and restated to the equivalent purchasing power. Gains and losses arising from available-for-sale financial assets are included in profit or loss for the period. Changes in the fair value of such these assets are recognized in the equity. When the related asset 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. Impairment losses recognized in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss.

Impairment losses recognized in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

"Unrealized profits and losses" arising from changes in the fair value of available-for-sale securities are not reflected in the income statement for the period until the realization of the asset corresponding to the financial asset, sale of the asset, elimination of the asset or impairment of the asset is realized and accounted under "Valuation of financial assets" in equity. Such financial assets are reflected to the income statement on the basis of accumulated fair value differences that are accounted for in equity when maturity or when they are derecognized.

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.

Convenience translation of notes to the Financial statements as of December 31, 2017 (Continued)

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2. Summary of Significant Accounting Policies (Continued)

2.9 Impairment of 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 the reporting date, the Company does not have derivative financial instruments.

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.

**Convenience translation of notes to the
Financial statements as of December 31, 2017 (Continued)**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

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, 2017 and 2016 breakdown of cash and cash equivalents are as follows:

	December 31, 2017	December 31, 2016
Banks	2.301.513.136	1.512.991.801
Receivables From Credit Cards with Bank Guarantee Due Less Than Three Months	433.051.210	437.818.457
Other Cash and Cash Equivalents	956.626	716.365
	2.735.520.972	1.951.526.623
Interest Income Accruals of Banks	(139.198.199)	(58.181.631)
Other Cash and Cash Equivalents Discount	6.016.179	4.094.691
Banks Deposits with Due More Than Three Months	(1.739.577.140)	(1.478.551.685)
Cash and cash equivalents in the cash flow statement	862.761.812	418.887.998

2.13 Capital

Capital group of the Company whose capital is directly or indirectly controlled is Sompo Japan Nipponkoa Insurance Inc.

As of December 31, 2017 and 2016, capital and shareholding structure of the Company is as follows:

As of December 31, 2017;

Title	Share amount (TL)	Share ratio (%)
Sompo Japan Nipponkoa Insurance Inc.	190.000.000	100,00
Paid-in capital	190.000.000	100,00

As of December 31, 2016

Title	Share amount (TL)	Share ratio (%)
Sompo Japan Nipponkoa Insurance Inc.	40.000.000	100,00
Paid-in capital	40.000.000	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 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.

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.

Convenience translation of notes to the Financial statements as of December 31, 2017 (Continued)

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2. Summary of Significant Accounting Policies (Continued)

2.13 Capital (Continued)

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.

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.

Capital increases and resources made during the period: Increased 15.000.000.000 shares for TL 150.000.000 Sompo Japan Nipponkoa Insurance Inc. in cash on June 2, 2017.

The privileges granted to the shares representing the capital: None

Registered capital system of 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 balance sheet date, the Company does not have any contracts that are classified as investment contracts.

2.15 Discretionary Participation Features in Insurance and Investment Contracts

The Company does not have any insurance and investment contracts that have the discretionary participation feature.

Convenience translation of notes to the Financial statements as of December 31, 2017 (Continued)

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2. Summary of Significant Accounting Policies (Continued)

2.16 Investment Contracts without the Discretionary Participation Feature

As of the balance sheet date, the Company does not have investment contracts.

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

Statutory income is subject to corporate tax at 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.

The 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 tax legislation, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods. The Company does not have deductible financial losses as of the balance sheet date.

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 the 25th day 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 Standard 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.

The 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 set off 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.

In case where gains/losses resulting from the subsequent measurement of assets and liabilities are recognized in profit or loss, then the related current and/or deferred tax effects are also recognized in profit or loss. 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.

**Convenience translation of notes to the
Financial statements as of December 31, 2017 (Continued)**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

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.

If a taxpayer enters into transactions regarding the sale or purchase of goods and services with related parties, where the prices are not set in accordance with the 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 Labor 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, 2017 is TL 4.732 (December 31, 2016-4.297 TL). The Company reserved for employee severance indemnities using actuarial method in compliance with the TAS 19-Employee Benefits. Therefore, as of December 31, 2017, actuarial calculations have been made for the related liabilities and recorded as TL 551.812 (deferred tax-free) actuarial loss in special funds under equity (December 31, 2016: TL 591.914)The major actuarial assumptions used in the calculation of the total liability as at December 31, 2017 and 2016 are as follows:

	December 31, 2017	December 31, 2016
	%	%
Discount Rate	4,67	1,18
Expected Rate of Salary/Limit Increase	10,00	12,00

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

In accordance with TAS 37, provision is made for an existing obligation resulted 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 balance sheet 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 footnotes to the financial statements.

In accordance with TAS 37, a contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or nonoccurrence 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.

Convenience translation of notes to the Financial statements as of December 31, 2017 (Continued)

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2. Summary of Significant Accounting Policies (Continued)

2.21 Recognition of Income

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, 2017, the Company has presented no proceedings in gross salvage and subrogation receivables amounting to TL 35.042.105 (December 31, 2016– TL 25.743.765) and reinsurer's share amounting to TL 1.424.658 (December 31, 2016 - TL 985.024) as subrogation and salvage receivables in receivables from main activities in technical income accounts. The receivable and salvage receivables amounting to gross TL 3.252.076 (December 31, 2016 – TL 976.918) and the reinsurer share of TL 100.394 (December 31, 2016 – TL 74.540), 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 64.424.791 (December 31, 2016 - TL 43.755.793) 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.

**Convenience translation of notes to the
Financial statements as of December 31, 2017 (Continued)**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2. Summary of Significant Accounting Policies (Continued)**2.21 Recognition of Income (Continued)**

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 3rd 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.

Details of the net salvage and salvage income collected for the years ended December 31, 2017 and 2016 are as follows:

	December 31, 2017	December 31, 2016
Motor vehicles	192.302.275	121.538.575
Third party liability for motor vehicles (MTPL)	8.199.601	3.697.162
Fire and natural disaster	800.608	918.878
Marine	773.562	372.179
General losses	32.340	15.078
Other	5.552	14.948
Total	202.113.938	126.556.820

As of December 31, 2017 and December 31, 2016, the details of net repayment and salvage income accrued on a branch basis are as follows:

	December 31, 2017	December 31, 2016
Motor vehicles	24.175.037	19.401.325
Third party liability for motor vehicles (MTPL)	8.949.191	4.753.132
Fire and natural disaster	262.324	403.200
Marine	93.783	154.037
General losses	17.496	25.302
Other	119.616	21.745
Total	33.617.447	24.758.741

Commission income and expense

As further disclosed in Note 2.24, 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 1 January 2008 and recognizing deferred commission income and deferred commission expense in the financial statements for the policies produced after 1 January 2008.

Convenience translation of notes to the Financial statements as of December 31, 2017 (Continued)

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2. Summary of Significant Accounting Policies (Continued)

2.21 Recognition of Income (Continued)

Interest income and expense

Interest income and expense are recognized in the statement of income using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments 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.

Dividends

Dividend income is recognized when the Company's right to receive payment is ascertained.

2.22 Leasing transactions

The maximum period of the lease contracts is 4 years. Tangible assets acquired by way of finance leasing are recognized 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 assets and liabilities, the lower of the fair value of the leased asset and the present value of leasing payments is considered. Financial costs of leasing agreements are expanded in lease periods at a fixed interest rate.

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

Payments made under operating leases are recognized in the statement of income on a straight-line basis over the term of the lease.

2.23 Dividend distribution

Transferring the net profit for the period resulting from the Company's activities to reserves was decided at the Ordinary General Meeting on March 29, 2017.

Convenience translation of notes to the Financial statements as of December 31, 2017 (Continued)

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2. Summary of Significant Accounting Policies (Continued)

2.24 Provisions for Unearned Premiums

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 7 August 2007 dated Official Gazette and put into effect starting from 1 January 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 balance sheet date for all short- term insurance policies. In commodity transport insurance contracts with no specific due date, 50% of the remaining amount 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 for 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.

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 reinsurer share in the financial statements for unearned premium reserves amounting to TL 1.280.902.481 (December 31, 2016 - TL 1.228.527.916) and unearned premiums amounting to TL 418.183.895 (December 31, 2016 - TL 186.237.499). In addition, the share transferred to Social Security Institution for unearned premiums have been TL 62.631.711. (December 31, 2016 - TL 75.646.023).

**Convenience translation of notes to the
Financial statements as of December 31, 2017 (Continued)**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2. Summary of Significant Accounting Policies (Continued)**2.25 Provision for outstanding claims**

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, 2017 and December 31, 2016, 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, 2017		December 31, 2016	
	File number eliminated	Large loss threshold amount	File number eliminated	Large loss threshold amount
Suretyship	7	6.500.000	7	6.500.000
General loss	9	4.038.958	8	3.902.568
Aircraft liability	1	1.000.000	-	-
Water crafts liability	2	1.500.000	-	-
Fire and natural disaster	17	2.000.000	87	358.427
Third party liability for motor vehicles (MTPL)	-	-	15	606.364
Total	36		117	

**Convenience translation of notes to the
Financial statements as of December 31, 2017 (Continued)**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2. Summary of Significant Accounting Policies (Continued)

2.25 Provision for outstanding claims (Continued)

The circular numbered 2016/11 published by the Undersecretariat of Treasury 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 methods and has been indicated full amount of emerged rise as regards IBNR calculation in the previous 3 months periods as of December 31, 2017 in the financial statements.

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.

		December 31, 2017		December 31, 2016	
	Used Method	IBNR to reserve (100% transaction level - Salvaged)	IBNR without accrued salvages (100% level - negative 100%)	IBNR to reserve (100% transaction level - Salvaged)	IBNR without accrued salvages (100% level - negative 100%)
Motor Vehicles	Standard	(21.268.127)	(42.855.161)	(16.232.208)	(34.641.213)
Water Crafts	Standard	283.062	283.062	181.391	147.423
Third party liability for motor vehicles (MTPL)	Standard	893.051.888	862.574.952	350.965.193	346.134.910
Facultative motor liability	Standard	16.880.766	16.800.179	10.624.329	10.841.661
Water crafts liability	Standard	(2.473.646)	(2.473.646)	(3.189.047)	(3.189.047)
Fire and natural disasters	Standard	1.932.452	963.029	894.700	(983.676)
Accident	Standard	1.395.927	1.027.727	1.284.054	1.278.136
General Losses	Standard	16.727.189	16.685.964	17.100.300	16.893.302
Financial Losses	Standard	35.111	35.111	19.571	17.354
Health	Standard	613.043	613.043	190.848	190.848
Marine	Standard	820.279	493.160	73.380	(196.795)
General Liability	Standard	51.328.429	51.328.429	43.738.115	43.738.113
Suretyship	Standard	852.729	799.406	11.485.483	11.368.752
Legal Protection	Standard	342.832	342.832	650.411	650.411
Total		960.521.934	906.618.087	417.786.520	392.250.179

Company, has considered the 100% result of IBNR calculation and has reflected TL 960.521.934 (December 31, 2016 – TL 417.786.520) gross and TL 60.341.328 (December 31, 2016 – TL 60.850.208) reinsurance share on financial statements.

Considering the Company actuary's opinion, the damage triangles on the basis of branches were analyzed and trend analysis was carried out, periodic based adjustments were made by determining the development coefficients that disturbed the trend. As of December 31, 2017 Company has reflected net amount of TL 1.174.297.380 (December 31, 2016 - TL 738.841.514) outstanding claims reserve on its financial statements.

Convenience translation of notes to the Financial statements as of December 31, 2017 (Continued)

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2. Summary of Significant Accounting Policies (Continued)

2.25 Provision for outstanding claims (Continued)

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.

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, 2017, Company has TL 34.499.157 (December 31, 2016 - TL 38.281.713) liability in short term liabilities due to SSI from treatment costs. As of December 31, 2017 the amount of premium transfer to SSI related with the period after the law is TL 114.371.815 (December 31, 2016 - 139.739.122).

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 Turkish Accounting Standards Corporation for the preparation and presentation of financial statements, except the notifications made by Undersecretariat of Treasury 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 "Decree on the Reduction of the Net Cash Flows from the Outstanding Claims" of the Undersecretariat of Treasury no 2016/22, the Company calculated gross outstanding claims reserve amounting to TL 254.936.663 and reinsurer share amounting to TL 16.752.396 as of December 31, 2017.

2.26 Equalization Reserve

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 26.585.212 (December 31, 2016 - TL 21.884.710) equalization reserve is booked.

Following the "Circular About Usage of Equalization Reserve and Additional Explanations for Some Circulars" published by Undersecretariat of Treasury 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.

Convenience translation of notes to the Financial statements as of December 31, 2017 (Continued)

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2. Summary of Significant Accounting Policies (Continued)

2.27 Unexpired Risks Reserve

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 1.358.945 (December 31, 2016 – TL 3.756.908) unexpired risk reserves and TL 1.167.125 (December 31, 2016- TL 3.609.717) reinsurance share of unexpired risk reserves.

With the numbered 2012/15 "Circular about the change made in the calculation of unexpired risk reserve" and within the framework of numbered 5684 Insurance Law, while calculating the unexpired risk reserve, it is approved to base on all main branches included in the Insurance Uniform Chart of Accounts as determined by Undersecretariat of Treasury.

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,
- (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).

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.

Convenience translation of notes to the Financial statements as of December 31, 2017 (Continued)

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2. Summary of Significant Accounting Policies (Continued)

2.29 Earning 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 period

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. Critical accounting estimates and judgments

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, 2017 Company's retirement pay liability is TL 1.889.697 (December 31, 2016 – TL 1.709.776)

Provision for Receivables from Insurance Operations:

Company has made allowance for doubtful receivable amounted TL 4.904.512 (December 31, 2016 – TL 4.884.480) on its financial statements ended as at December 31, 2017 for receivables under the executive and legal follow-up phase from insurance companies and intermediaries. Besides, Company has made provision amounted TL 3.054.158 (December 31, 2016 – TL 3.496.739) for receivables from insurance operations which are not under legal follow-up but Company believes that receivables are not collectible

Doubtful Receivables from Main Operations:

As of December 31, 2017 Company has booked net subrogation receivables amounted TL 64.424.791 (December 31, 2016 – TL 43.755.793) 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).

Outstanding Claims 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 the selected actuarial chain ladder method is realized but not reported.

(Test IBNR) made in accordance with the circulars of the Undersecretariat of Treasury in accordance with the circulars numbered 2012/316 concerning the "Regulation on the Technical Reserves of Insurance and Reinsurance and Pension Funds and the Amendments to the Regulation on the Assets to be Invested These Reserves" has been removed as of June 30, 2012.

Convenience translation of notes to the Financial statements as of December 31, 2017 (Continued)

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

3. Critical accounting estimates and judgments (Continued)

Outstanding Claims Reserve: (Continued)

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, 2017 Company's net outstanding claims reserve is TL 1.174.297.380 (December 31, 2016 – TL 738.841.514)

Deferred tax:

When determining the deferred tax assets, various estimations and evaluations are used. As of December 31, 2017 Company has calculated and booked deferred tax asset amounted TL 10.929.712 (December 31, 2016 – TL 8.370.776).

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 follow:

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

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 Assets

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.

**Convenience translation of notes to the
Financial statements as of December 31, 2017 (Continued)**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

4. Insurance and Financial Risk Management (continued)**4.1 Insurance Risk Management (continued)****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.

Reinsurance firms which is worked mostly and their latest credit rating grades as follows:

Reinsurer	Standard & Poor's			AM Best		
	Grading	Appearance	Date	Grading	Appearance	Date
Milli Re	trAA -	-	February 1, 2017	B+ (Good)	Negative	July 14, 2017
Sompo Japan Nipponkoa Insurance Inc.	A+	Stable	February 22, 2012	A+ (Superior)	Stable	July 14, 2017
Mapfre Re	A	Stable	May 30, 2014	A (Excellent)	Stable	September 08, 2017
Munich Re	AA-	Stable	December 22, 2006	A+ (Superior)	Stable	December 01, 2017
Everest Re	A+	Stable	March 13, 2009	A+ (Superior)	Stable	February 10, 2017
QBE	A+	Stable	November 01, 2001	A (Excellent)	Stable	July 13, 2017

Optimum conservation

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.

Convenience translation of notes to the Financial statements as of December 31, 2017 (Continued)

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

4. Insurance and Financial Risk Management (continued)

4.1. Insurance Risk Management (continued)

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.

4.2. 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.

**Convenience translation of notes to the
Financial statements as of December 31, 2017 (Continued)**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

4. Insurance and Financial Risk Management (continued)**4.2. Financial risk management (continued)****Credit risk**

Credit risk is simply defined as the possibility of other side is not able to fulfill its obligations convenient with the confirmed agreement conditions. The main areas that Company is exposed to the credit risk are as follows:

- banks
- cash and cash equivalents
- financial instruments available for sell
- held to maturity financial instruments
- premium receivables from insured
- receivables from agencies
- receivables from reinsurers related with commission and claims paid
- reinsurance shares arised from insurance liabilities
- dues from related parties
- other receivables

The Company's financial assets, except for loans and receivables, 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.

As of December 31, 2017 and 2016, book value of assets that exposed to the credit risks are shown in the table below.

	December 31, 2017	December 31, 2016
Cash and cash equivalents (Note 14)	2.735.520.972	1.951.526.623
Receivables from main operations (Note 12)	294.896.282	270.125.580
Reinsurer share in outstanding claims reserve (Note 10), (Note 17)	383.197.476	381.598.506
Financial instruments (Note 11)	5.068.638	-
Other receivables (Note 12)	679.316	1.064.537
Due from related parties (Note 12)	50.022	1.158
Total	3.419.412.706	2.604.316.404

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.

SOMPO JAPAN SİGORTA ANONİM ŞİRKETİ

Convenience translation of notes to the Financial statements as of December 31, 2017 (Continued)

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

4. Insurance and Financial Risk Management (continued)

4.2 Financial risk management (continued)

As of December 31, 2017 and 2016 remaining maturity distribution of monetary assets and liabilities are:

December 31, 2017	Book value	Up to 1 month	1 – 3 months	3 – 6 months	6 – 12 months	Over 1 year
Cash and cash equivalents	2.735.520.972	767.586.848	1.040.235.320	640.803.270	286.895.534	-
Financial instruments and financial investments that risk of them belongs to insured	5.068.638	-	-	-	5.068.638	-
Receivables from main operations	294.896.282	130.483.210	36.166.356	109.253.396	13.081.281	5.912.039
Due from shareholders	50.022	50.022	-	-	-	-
Other receivables	679.316	679.316	-	-	-	-
Total Monetary Assets	3.036.215.230	898.799.396	1.076.401.676	750.056.666	305.045.453	5.912.039
Payables from main operations	199.044.905	138.916.673	22.818.390	34.757.721	2.552.121	-
Due to related parties	27.049	27.049	-	-	-	-
Other payables	54.145.441	31.223.879	22.917.850	-	3.712	-
Insurance technical provisions (*)	1.174.297.380	-	-	-	1.174.297.380	-
Tax and other similar liabilities and provisions for them	58.645.471	36.783.504	21.861.967	-	-	-
Provisions related with other risks	9.850.671	9.850.671	-	-	-	-
Total Monetary Liabilities	1.496.010.917	216.801.776	67.598.207	34.757.721	1.176.853.213	-
Net Monetary Position	1.540.204.313	681.997.620	1.008.803.469	715.298.945	(871.807.760)	5.912.039
December 31, 2016	Book value	Up to 1 month	1 – 3 months	3 – 6 months	6 – 12 months	Over 1 year
Cash and cash equivalents	1.951.526.623	420.872.100	595.025.349	562.104.363	354.703.753	18.821.058
Receivables from main operations	270.125.580	117.581.837	41.794.497	87.442.073	18.332.657	4.974.516
Due from shareholders	1.158	1.158	-	-	-	-
Other receivables	1.064.537	1.064.537	-	-	-	-
Total Monetary Assets	2.222.717.898	539.519.632	636.819.846	649.546.436	373.036.410	23.795.574
Payables from main operations	121.319.863	48.102.610	18.054.761	45.140.921	10.021.571	-
Other payables	49.210.765	23.571.784	25.638.981	-	-	-
Insurance technical provisions (*)	738.841.514	-	-	-	738.841.514	-
Tax and other similar liabilities and provisions for them	56.423.711	39.389.154	17.034.557	-	-	-
Provisions related with other risks	7.929.897	-	-	-	4.511.821	3.418.076
Total Monetary Liabilities	973.725.750	111.063.548	60.728.299	45.140.921	753.374.906	3.418.076
Net Monetary Position	1.248.992.148	428.456.084	576.091.547	604.405.515	(380.338.496)	20.377.498

(*) Outstanding claims reserves are classified in the current liabilities in the related financial statements.

**Convenience translation of notes to the
Financial statements as of December 31, 2017 (Continued)**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

4. Insurance and Financial Risk Management (continued)

4.2 Financial risk management (continued)

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.

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

December 31, 2017	USD	EURO	Other currencies	Total
Cash and cash equivalents	16.269.671	11.286.627	-	27.556.298
Receivables from main operations	40.692.242	47.195.154	167.154	88.054.550
Total foreign exchange assets	56.961.913	58.481.781	167.154	115.610.848
Payables from main operations	34.703.468	26.736.986	169.626	61.610.080
Insurance technical provisions	1.420.948	1.699.016	33.881	3.153.845
Other payables	2.836.585	1.042.288	-	3.878.873
Total foreign exchange liabilities	38.961.001	29.478.290	203.507	68.642.798
Balance sheet position	18.000.912	29.003.491	(36.353)	46.968.050
December 31, 2016	USD	EURO	Other currencies	Total
Cash and cash equivalents	1.756.117	2.581.532	18.231	4.355.880
Receivables from main operations	31.473.006	48.442.048	54.372	79.969.426
Total foreign exchange assets	33.229.123	51.023.580	72.603	84.325.306
Payables from main operations	19.196.129	35.013.401	146.787	54.356.317
Insurance technical provisions	1.759.401	1.881.532	39.978	3.680.911
Other payables	1.962.085	728.614	-	2.690.699
Total foreign exchange liabilities	22.917.615	37.623.547	186.765	60.727.927
Balance sheet position	10.311.508	13.400.033	(114.162)	23.597.379

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

Convenience translation of notes to the Financial statements as of December 31, 2017 (Continued)

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

4. Insurance and Financial Risk Management (continued)

4.2 Financial risk management (continued)

Currency risk (continued)

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

	USD	EURO
December 31, 2017	3,7719	4,5155
December 31, 2016	3,5192	3,7099

Exposed currency risk

Due to the possibility of TL's 10% value decrease against currencies below, as of the period ended at December 31, 2017 and 2016 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, 2017 Income Statement	December 31, 2016 Income Statement
USD	(1.800.091)	(1.031.151)
Euro	(2.900.349)	(1.340.003)
Other	3.635	11.416
Total, net	(4.696.805)	(2.359.738)

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, 2017 and 2016, interest profile of Company's interest yield and not interest yield financial assets and liabilities are detailed in the table below:

	December 31, 2017	December 31, 2016
<i>Fixed interest financial assets:</i>		
Banks deposit (Note 14)	2.290.008.800	1.503.593.063
<i>Financial instruments held to maturity</i>		
<i>Variable interest financial assets:</i>		
Available for sale financial instruments – Government debt securities (Note 11)	5.068.638	-

**Convenience translation of notes to the
Financial statements as of December 31, 2017 (Continued)**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

4. Insurance and Financial Risk Management (continued)**4.2 Financial risk management (continued)***Interest sensitivity of financial instruments*

Interest sensitivity 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, 2017 and 2016, 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. In below stated items, the effect of percentaged change in interest rates to the income statement and equity is shown as ignoring the tax effect of related gain and losses.

December 31, 2017	Income Statement		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Financial assets held to maturity ⁽¹⁾	(37.727)	38.352	(37.727)	38.352
Total, net	(37.727)	38.352	(37.727)	38.352

⁽¹⁾ Equity effect also contains the effect of change in interest rate in items stated above to the income statement.

As of December 31, 2016: None.

Fair value demonstration

Estimated market value of financial instruments is determined by using the available market data and if it is possible by using the favorable valuation methods. Company has classified the financial assets it holds as held for trading and available for sale financial instruments. All financial assets have been measured by their fair value in accompanying financial statements.

Company management estimates that the fair value of other financial assets and liabilities are not significantly different than their registered value.

Classification related with fair value and measurement

"IFRS 7- Financial Instruments: Explanation" standard requires to state in a row by reflecting the significance of the data which used to identify the fair value of financial instruments which is stated in financial statements over their measured fair values. This classification essentially depends on the relevant data is whether observable or not. Observable data means the usage of market data gathered from independent resources and not observable data means the usage of Company's market estimation and assumptions. This kind of segregation generally reveals the below classifications.

- 1st Level: Registered (unadjusted) prices in the active market for identical assets and liabilities,
- 2nd Level: 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.
- 3rd Level: The data (not observable data) related to the assets and liabilities which does not depend on the observable market data.

Convenience translation of notes to the Financial statements as of December 31, 2017 (Continued)

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

4. Insurance and Financial Risk Management (continued)

4.2 Financial risk management (continued)

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

As of December 31, 2017: None.

As of December 31, 2016: None.

Capital management

Company's major capital management policies are stated below:

- To adapt the capital adequacy conditions determined by Undersecretariat of Treasury
- 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. The calculation for December 31, 2017 period is ongoing, as of June 30, 2017 Company's minimum required equity capital amount calculated is TL 479.332.753 (December 31, 2016 - TL 540.752.292). As of June 30, 2017 Company's equity capital is TL 250.292.012 (December 31, 2016 - TL 99.008.623 less) more than minimum required equity capital amount.

Gains and losses arised from financial assets

	December 31, 2017	December 31, 2016
Interest income gained from bank deposits	247.625.899	117.126.900
Interest income gained from debt securities which is classified as held for trading financial assets	-	1.668.827
Interest income gained from held to maturity bank bills	68.638	595.467
Foreign exchange gains	27.248.665	14.264.807
Maturity difference interest income	19.076	1.065
Income gained from Building, Land and Property incomes of subsidiaries	38.910	36.590
Other income/(expenses)	140.533	-
	260.629	(104.318)
Gains obtained from financial assets	275.402.350	133.589.338
Foreign exchange loss	(22.928.960)	(11.521.181)
Maturity difference expenses	-	-
Losses obtained from financial assets	(22.928.960)	(11.521.181)
Net financial gains and losses recognized in the income statement	252.473.390	122.068.157

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 sections: 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.

Reporting by geographical sections: Since the main geographical area in which Company operates is Turkey, reporting by geographical sections is not presented.

**Convenience translation of notes to the
Financial statements as of December 31, 2017 (Continued)**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

6. Tangible fixed assets

Movement of tangible fixed assets between the periods of January 1 - December 31, 2017 and January 1 - December 31, 2016 are as follows:

	January 1, 2017	Addition	Disposal	December 31, 2017
Cost:				
Investment properties (Note 7)	1.651.000	-	-	1.651.000
Furniture and fixtures	13.901.329	3.690.387	-217.195	17.374.521
Motor vehicles	322.587	19.900	-248.861	93.626
Other tangible assets (including leasehold improvements)	6.902.790	2.431.212	-60.968	9.273.034
Fixed assets obtained via leasing	72.809	-	-	72.809
Properties for use ^(*)	-	6.407.519	-	6.407.519
	22.850.515	12.549.018	-527.024	34.872.509
Accumulated depreciation:				
Investment properties (Note 7)	(85.063)	(32.882)	-	(117.945)
Properties for use ^(*)	-	(117.471)	-	(117.471)
Furniture and fixtures	(5.856.979)	(2.776.877)	150.922	(8.482.934)
Motor vehicles	(275.485)	(19.219)	220.571	(74.133)
Other tangible assets (including leasehold improvements)	(2.254.845)	(1.622.606)	54.213	(3.823.238)
Fixed assets obtained via leasing	(72.809)	-	-	(72.809)
	(8.545.181)	(4.569.055)	425.706	(12.688.530)
Net book value	14.305.334	7.979.963	(101.318)	22.183.979

^(*)The Company purchased fixed assets for the Regional Coordinator in Izmir on February 21, 2017

	January 1, 2016	Addition	Disposal	December 31, 2016
Cost:				
Investment properties (Note 7)	1.410.850	240.150	-	1.651.000
Furniture and fixtures	9.549.299	5.800.593	(1.448.563)	13.901.329
Motor vehicles	322.587	-	-	322.587
Other tangible assets (including leasehold improvements)	5.871.622	2.151.954	(1.120.786)	6.902.790
Fixed assets obtained via leasing	797.040	-	(724.231)	72.809
Advances given for tangible fixed assets	176.968	-	(176.968)	-
	18.128.366	8.192.697	(3.470.548)	22.850.515
Accumulated depreciation:				
Investment properties (Note 7)	(53.783)	(31.280)	-	(85.063)
Furniture and fixtures	(5.373.761)	(1.860.724)	1.377.506	(5.856.979)
Motor vehicles	(226.154)	(49.331)	-	(275.485)
Other tangible assets (including leasehold improvements)	(2.094.366)	(1.142.086)	981.607	(2.254.845)
Fixed assets obtained via leasing	(797.039)	-	724.230	(72.809)
	(8.545.103)	(3.083.421)	3.083.343	(8.545.181)
Net book value	9.583.263	5.109.276	(387.205)	14.305.334

Revaluation is not applied over tangible fixed assets.

There is no change in depreciation calculation methods in current year.

SOMPO JAPAN SİGORTA ANONİM ŞİRKETİ

Convenience translation of notes to the Financial statements as of December 31, 2017 (Continued)

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

7. Investment properties

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

	December 31, 2017	December 31, 2015
	Book value	Book value
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
Total	1.651.000	1.651.000
Accumulated depreciations	(117.945)	(85.063)
Net book value	1.533.055	1.565.937

Rent income gained from investment properties in current year is TL 38.910 (December 31, 2016: TL 36.590)

8. Intangible fixed assets

Movements of intangible fixed assets between the periods of January 1 - December 31, 2017 and January 1 - December 31, 2016 are as follows:

	January 1, 2017	Additions	Transfer	Disposals	December 31, 2017
Cost:					
Other intangible fixed assets	12.525.795	4.292.663	1.494.829	(111.221)	18.202.066
Advances given	1.494.829	-	(1.494.829)	-	-
	14.020.624	4.292.663	-	(111.221)	18.202.066
Accumulated amortization:					
Other intangible fixed assets	(7.258.691)	(3.034.824)	-	68.434	(10.225.081)
Net book value	6.761.933	1.257.839	-	(42.787)	7.976.985
	January 1, 2016	Additions		Disposals	December 31, 2016
Cost:					
Other intangible fixed assets	10.269.484	2.256.311	-	-	12.525.795
Advances given	200.000	1.294.829	-	-	1.494.829
	10.469.484	3.551.140	-	-	14.020.624
Accumulated amortization:					
Other intangible fixed assets	(5.688.381)	(1.570.310)	-	-	(7.258.691)
Net book value	4.781.103	1.980.830	-	-	6.761.933

SOMPO JAPAN SİGORTA ANONİM ŞİRKETİ

Convenience translation of notes to the Financial statements as of December 31, 2017 (Continued)

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

9. Investments in associates

	December 31, 2017		December 31, 2016	
	Registered value	Share rate%	Registered value	Share rate%
Tarım Sig. Havuz İştir. A.Ş.	346.211	4,00	220.125	4,17
Associates, net	346.211		220.125	

Name	Total Assets	Total Equity	Retained earnings/(losses)	Net profit/(loss) of the period	Audited	Period
Tarım Sig. Havuz İştir. AŞ	18.942.539	10.823.748		1.753.174	None	December 31, 2017
Tarım Sig. Havuz İştir. AŞ	15.153.713	9.070.575	-	1.121.565	None	December 31, 2016

10. Reinsurance assets 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 assets	December 31, 2017	December 31, 2016
Reinsurer's share of outstanding claim reserve (Note 17)	383.197.476	381.598.506
Reinsurer's share of unearned premiums reserve (Note 17)	418.183.895	186.237.499
Reinsurer's share of equalization reserve (Note 17)	70.514.757	52.284.152
Receivables from reinsurance firms (Note 12)	20.495.106	3.778.004
Reinsurer's share of unexpired risks reserve (Note 17)	1.167.125	3.609.717
Total	893.558.359	627.507.878

There is not recognized impairment related with reinsurance assets.

Reinsurance liabilities	December 31, 2017	December 31, 2016
Payables to reinsurance firms, net (Note 19)	40.460.007	97.941.255
Deferred commission income (Note 19)	80.803.817	37.964.557
Total	121.263.824	135.905.812

**Convenience translation of notes to the
Financial statements as of December 31, 2017 (Continued)**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

10. Reinsurance assets and liabilities (continued)

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

	December 31, 2017	December 31, 2016
Ceded premiums to reinsurer in the current period	(627.549.761)	(322.192.156)
Reinsurer's share of unearned premiums reserve at the beginning of the year	(186.237.499)	(163.991.224)
Reinsurer's share of unearned premiums reserve at the end of the year	418.183.895	186.237.499
Earned reinsurer premiums	(395.603.365)	(299.945.881)
Reinsurer share of claims paid in the current period (Note 17)	163.395.785	93.476.608
Reinsurer share of outstanding claims reserve at the beginning of the year (Note 17)	(381.598.506)	(262.167.751)
Reinsurer share of outstanding claims reserve at the end of the year (Note 17)	383.197.476	381.598.506
Reinsurer's share in claims (Note 17)	164.994.755	212.907.363
Accrued commission income in the period from reinsurers (Note 32)	130.999.769	58.935.615
Deferred commission income at the beginning of the year	37.964.557	33.446.835
Deferred commission income at the end of the year (Note 19), (Note 32)	(80.803.817)	(37.964.557)
Commission income earned from reinsurers (Note 32)	88.160.509	54.417.893
Change in unexpired risk reserves, reinsurer share (Note 17)	(2.442.592)	1.279.913
Change in equalization reserve, reinsurer share (Note 17)	18.230.605	12.432.936
Total, net	(126.660.088)	(18.907.776)

11. Financial assets

Details of Company's held for trading financial assets are as follows:

	December 31, 2017			
	Nominal value	Acquiring cost	Fair value	Book value
Debt securities:				
Bank bills – TL	5.000.000	5.000.000	5.068.638	5.068.638
Total financial assets held to maturity	5.000.000	5.000.000	5.068.638	5.068.638

As of December 31, 2016: None.

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.

**Convenience translation of notes to the
Financial statements as of December 31, 2017 (Continued)**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

11. Financial assets (continued)

Movement of financial assets in the period is as follows:

	December 31, 2017			
	Held for trading FV	Available for sale FV	Held to maturity	Total
Value at the beginning of the period	-	-	-	-
Acquisitions in the current period	-	-	5.000.000	5.000.000
Disposals (amortization and sales)	-	-	-	-
Change in fair value of financial assets (Note 16)	-	-	68.638	68.638
Value at the end of the year	-	-	5.068.638	5.068.638
	December 31, 2016			
	Held for trading FV	Available for sale FV	Held to maturity	Total
Value at the beginning of the period	20.707.516	-	10.425.440	31.132.956
Acquisitions in the current period	-	-	11.029.093	11.029.093
Disposals (amortization and sales)	(22.069.584)	-	(21.866.904)	(43.936.488)
Change in fair value of financial assets (Note 16)	1.362.068	-	412.371	1.774.440
Value at the end of the year	-	-	-	-

12. Loans and receivables

	December 31, 2017	December 31, 2016
Receivables from main operations (Note 4.2)	294.896.282	270.125.580
Other receivables (Note 4.2)	679.316	1.064.537
Due from related parties (Note 4.2), (Note 45)	50.022	1.158
Total	295.625.620	271.191.275
Short term receivables	289.713.581	266.216.759
Middle and long term receivables	5.912.039	4.974.516
Total	295.625.620	271.191.275

(¹) As of December 31, 2017 Company's other receivables amounted TL 679.319 (December 31, 2016 – TL 1.064.537) consists of receivables from TCIP, deposits and commitments given and other receivables.

**Convenience translation of notes to the
Financial statements as of December 31, 2017 (Continued)**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

12. Loans and receivables (continued)

As of December 31, 2017 and 2016 details of Company's receivable from main operations account is as follows:

	December 31, 2017	December 31, 2016
Receivables from agency, broker and intermediaries	239.803.845	238.175.928
Allowance for doubtful receivables from main operations- subrogation receivables	64.424.791	43.755.793
The amounts to be collected via subrogation and salvage	33.617.447	24.758.741
Receivables from main operations- Legal follow-up	5.732.008	6.141.792
Receivables from insured	5.949.941	3.939.383
Receivables from reinsurance firms (Note 10)	20.495.106	3.778.004
Receivables from insurance companies	2.086.462	4.108.934
Rediscount of receivables from insurance operations	(1.678.175)	(1.344.525)
Total receivable from insurance operations	370.431.425	323.314.050
Allowance for doubtful receivable from main operations – subrogation receivables (Note 4.2)	(64.424.791)	(43.755.793)
Allowance for doubtful receivable from main operations – legal and execution follow-up (Note 4.2)	(4.904.512)	(4.884.480)
Impairment provision of premium receivables from agency, broker and intermediaries	(3.054.158)	(3.496.739)
Provision of subrogation and salvage receivable	(3.151.6829)	(1.051.458)
Total provisions for receivables from insurance operations	294.896.282	270.125.580

Company makes provisions for receivables as following the dated September 20, 2010 published by Undersecretariat of Treasury "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, 2017 Company has made provisions for receivable amounted to TL 794.391 (December 31, 2016 – TL 391.040) for the subrogation receivables not collected in the periods stated in the circular above.

As of December 31, 2017 and 2016 aging of receivables from main operations is as follows:

	December 31, 2017		December 31, 2016	
	Gross Amount	Booked provision	Gross Amount	Booked provision
Not yet due receivables	434.032.687	-	268.868.268	-
0-30 days overdue receivables	7.150.721	-	-	-
31-60 days overdue receivables	2.339.070	-	-	-
61-180 days overdue receivables	3.271.586	-	-	-
181-365 days overdue receivables ⁽¹⁾	(6.205.840)	(6.205.840)	4.548.197	(4.548.197)
More than 1 year overdue receivables	(5.732.008)	(4.904.512)	6.141.792	(4.884.480)
Doubtful subrogation receivables from main operations	(64.424.791)	(64.424.791)	43.755.793	(43.755.793)
Total	370.431.425	(75.535.143)	323.314.050	(53.188.470)

⁽¹⁾ As following the article dated February 3, 2005 and numbered B.02.1.HM.O.SGM.0.3.1/01/05 which is published by Undersecretariat of Treasury, if subrogation transactions are made via case/execution way related amounts are followed in the financial statements under allowance for doubtful receivables from main operations and allowance for doubtful receivable with the same amount is booked. Additionally in the financial statements prepared as of December 31, 2017 and 2016, Company recognizes and make provisions according to the bases stated in the circular dated September 20, 2010 and numbered 2010/13 published by Undersecretariat of Treasury.

**Convenience translation of notes to the
Financial statements as of December 31, 2017 (Continued)**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

12. Loans and receivables (continued)

Movement of provision for receivables from insurance operations in the period as follows:

	December 31, 2017	December 31, 2016
Provision for receivables from insurance operations at the beginning of the period	53.188.470	41.498.530
Booked provisions in the period for agency receivables	(422.549)	1.227.938
Booked provisions in the period for subrogation and salvage receivables	22.769.222	10.462.002
Provision for receivables from insurance operation at the end of the year	75.535.143	53.188.470

As of December 31, 2017 and 2016, details of received mortgage and other commitments for receivables are as follows:

	December 31, 2017	December 31, 2016
Mortgage bonds	26.285.000	23.725.000
Guarantee letters	22.658.000	19.180.500
Other commitments received	5.392.264	4.723.324
Other guarantee and bails	3.071.839	5.733.902
Total	57.407.103	53.362.726

Doubtful receivable amounts booked for due and not yet due receivables

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

	December 31, 2017	December 31, 2016
Receivable provision in legal and execution follow-up at the beginning of the period	4.884.480	4.884.901
Cancellations in the period	(250)	(16.079)
Booked provision in current period	20.282	15.658
Receivable provision in legal and execution follow-up at the end of the year	4.904.512	4.884.480

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

	December 31, 2017	December 31, 2016
Premium receivable provision at the beginning of the period	3.496.739	2.268.379
Cancellations in the period	(596.108)	-
Booked provision in current period	153.527	1.228.360
Premium receivable provision at the end of the year	3.054.158	3.496.739

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

	December 31, 2017	December 31, 2016
Receivable provision which is subject to a suit at the beginning of the year	43.755.793	34.082.503
Net booked provision in current period	20.668.998	9.673.290
Receivable provision which is subject to a suit at the end of the year	64.424.791	43.755.793

SOMPO JAPAN SİGORTA ANONİM ŞİRKETİ

Convenience translation of notes to the Financial statements as of December 31, 2017 (Continued)

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

12. Loans and receivables (continued)

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

	December 31, 2017	December 31, 2016
Subrogation and salvage receivables provision at the beginning of the year	1.051.458	262.747
Booked/cancelled provisions in the current period	2.100.224	788.711
Subrogation and salvage receivables provision at the beginning of the year	3.151.682	1.051.458

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 December 31, 2017 and 2016 Company does not have any derivative financial instruments.

14. Cash and cash equivalents

As of December 31, 2017 and 2016 the details of cash and cash equivalents is as follows:

	December 31, 2017	December 31, 2016
Bank deposits	2.301.513.136	1.512.991.801
Bank guaranteed credit card receivables with a maturity of less than 3 months	433.051.210	437.818.457
Other Cash and Cash Equivalents	956.626	716.365
Total	2.735.520.972	1.951.526.623

As of December 31, 2017 and 2016 details of bank deposits account as follows:

	December 31, 2017		December 31, 2016	
	Original amount	TL amount	Original amount	TL amount
Demand:				
USD	203.389	767.162	145.061	510.499
EUR	219.530	991.238	602.164	2.233.969
GBP	-	-	3.644	15.739
JPY	-	-	83.000	2.492
TL	9.745.936	9.745.936	6.636.039	6.636.039
Time:				
USD	4.110.068	15.502.764	328.176	1.154.917
EUR	2.280.019	10.295.425	92.600	343.536
TL	2.264.210.611	2.264.210.611	1.502.094.610	1.502.094.610
Total		2.301.513.136		1.512.991.801

As of December 31, 2017 and 2016 other cash and cash equivalents consist of credit card receivables. Credit card receivables are hold for 26 and 90 days blockage in account.

As of December 31, 2017 maturity of amounted TL 2.290.008.800 (December 31, 2016 - TL 1.503.593.063) time deposits is between 3 to 633 days (December 31, 2016 - 3 to 749 days). As of December 31, 2017 time deposits TL interest rate is between 11,90% - 16,00% (December 31, 2016 - 10,85% - 13,70%) and foreign currency time deposits interest rate is between 0,10% - 0,20% (December 31, 2016 - 0,10% - 0,20%).

Convenience translation of notes to the Financial statements as of December 31, 2017 (Continued)

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

14. Cash and cash equivalents (continued)

Details of financial assets which Company gave as a commitment on behalf of Undersecretariat of Treasury as a need of insurance operations are as follows:

	December 31, 2017			
	Nominal value	Acquisition cost	Fair value	Book value
Time deposits (Note 17)	161.000.000	161.000.000	178.209.562	178.209.562
Total	161.000.000	161.000.000	178.209.562	178.209.562
	December 31, 2016			
	Nominal value	Acquisition cost	Fair value	Book value
Time deposits (Note 17)	159.700.000	159.700.000	172.150.564	172.150.564
Total	159.700.000	159.700.000	172.150.564	172.150.564

15. Capital

Paid Capital

As of December 31, 2017 and 2016 Company's registered capital's TL 190.000.000 and TL 40.000.000 and Company's capital is comprised of issued and worth of Kuruş 1 nominal value for each one of 190.000.000.000 numbers of shares. With the decision of the Board of Directors dated April 24, 2017 and numbered 563, the total capital of the company has increased by TL 150.000.000 in cash.

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

Sompo Japan Nipponkoa Insurance Inc. is the capital group whose direct or indirect control over the Company's capital as of 31 December 2017 and 2016 is concerned.

Sompo Japan Insurance Inc. has merged with Nipponkoa Insurance Co., Ltd. and Company's title has changed as Sompo Japan Nipponkoa Insurance Inc. as of September, 2014.

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.

Company's main shareholder in 2010, Fiba Holding A.Ş. has signed a contract on June 15, 2010 with Sompo Japan Nipponkoa Insurance Inc. to transfer the all the shares it holds to. Following the permission of Undersecretariat of Treasury dated on October 8, 2010 and numbered 47481, on November 2, 2010 Company has transferred its majority shares to Sompo Japan Nipponkoa Insurance Inc.

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.

Movement table of legal reserves is as follows:

	December 31, 2017	December 31, 2016
Legal reserves at the beginning of the year	18.908.567	17.548.971
Transfer from current year profit	7.101.096	1.359.596
Legal reserves at the end of the year	26.009.663	18.908.567

**Convenience translation of notes to the
Financial statements as of December 31, 2017 (Continued)**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

15. Capital (continued)**Extraordinary reserves**

Movement table of extraordinary reserves as follows:

	December 31, 2017	December 31, 2016
Extraordinary reserves at the beginning of the year	210.676.226	184.843.911
Transfer from current year profit	134.920.829	25.832.315
Extraordinary reserves at the end of the year	345.597.055	210.676.226

Other profit 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 8.808.507 (December 31, 2016 – 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.

16. Other Provisions and Capital Component of Discretionary Participation

As of December 31, 2017 and 2016 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, 2017 and 2016 Company does not have a contract with a future of capital component of discretionary participation.

**Convenience translation of notes to the
Financial statements as of December 31, 2017 (Continued)**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

17. Insurance liabilities and reinsurance assets

Details of Company's insurance technical provisions as of December 31, 2017 and 2016 are as follows:

	December 31, 2017	December 31, 2016
Gross unearned premiums reserve	1.280.902.481	1.228.527.916
Reinsurer's share of unearned premiums reserve (Note 10)	(418.183.895)	(186.237.499)
SSI's share of unearned premiums reserve	(62.631.711)	(75.646.023)
Unearned premiums reserve, net	800.086.875	966.644.394
Gross outstanding claim reserve	1.557.494.856	1.120.440.020
Reinsurer's share of gross outstanding claim reserve (Note 4.2) (Note 10)	(383.197.476)	(381.598.506)
Outstanding claim reserve, net	1.174.297.380	738.841.514
Equalization reserve	97.099.969	74.168.862
Reinsurer's share of equalization reserve (Note 10)	(70.514.757)	(52.284.152)
Equalization reserve, net	26.585.212	21.884.710
Unexpired risks reserve	1.358.945	3.756.908
Reinsurer's share of unexpired risks reserve (Note 10)	(1.167.125)	(3.609.717)
Unexpired risks reserve, net	191.820	147.191
Total technical provisions, net	2.001.161.287	1.727.517.809
Short term	1.974.576.075	1.705.633.099
Middle and long term	26.585.212	21.884.710
Total technical provisions, net	2.001.161.287	1.727.517.809

Unearned premiums reserve:

	December 31, 2017		
	Gross	Reinsurer and SSI share	Net
Unearned premiums reserve at the beginning of the year	1.228.527.916	(261.883.522)	966.644.394
Written premiums in the period	2.264.027.373	(741.921.577)	1.522.105.796
Earned premiums in the period	(2.211.652.808)	522.989.493	(1.688.663.315)
Unearned premiums reserve at the end of the year	1.280.902.481	(480.815.606)	800.086.875

	December 31, 2016		
	Gross	Reinsurer and SSI share	Net
Unearned premiums reserve at the beginning of the year	633.470.787	(190.827.516)	442.643.271
Written premiums in the period	2.236.156.139	(461.931.278)	1.774.224.861
Earned premiums in the period	(1.641.099.010)	390.875.272	(1.250.223.738)
Unearned premiums reserve at the end of the year	1.228.527.916	(261.883.522)	966.644.394

SOMPO JAPAN SİGORTA ANONİM ŞİRKETİ

Convenience translation of notes to the Financial statements as of December 31, 2017 (Continued)

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

17. Insurance liabilities and reinsurance assets (continued)

Outstanding claim reserve:

	December 31, 2017		
	Gross	Reinsurer and SSI share	Net
Outstanding claim reserve at the beginning of the year	1.120.440.020	(381.598.506)	738.841.514
Reported claims in the period and the changes in estimations of outstanding claim reserve at the beginning of the year	1.387.529.681	(164.994.755)	1.222.534.926
Claim payments during the period	(950.474.845)	163.395.785	(787.079.060)
Outstanding claim reserve at the end of the year	1.557.494.856	(383.197.476)	1.174.297.380

	December 31, 2016		
	Gross	Reinsurer and SSI share	Net
Outstanding claim reserve at the beginning of the year	548.821.922	(262.167.751)	286.654.171
Reported claims in the period and the changes in estimations of outstanding claim reserve at the beginning of the year	1.124.996.431	(212.907.363)	912.089.068
Claim payments during the period	(553.378.333)	93.476.608	(459.901.725)
Outstanding claim reserve at the end of the year	1.120.440.020	(381.598.506)	738.841.514

	December 31, 2017			December 31, 2016		
	Gross	Reinsurer share	Net	Gross	Reinsurer share	Net
Incurring and reported claims	851.909.585	(339.608.544)	512.301.041	702.653.500	(320.748.298)	381.905.202
Incurring but not reported claims	705.585.271	(43.588.932)	661.996.339	417.786.520	(60.850.208)	356.936.312
Total	1.557.494.856	(383.197.476)	1.174.297.380	1.120.440.020	(381.598.506)	738.841.514

**Convenience translation of notes to the
Financial statements as of December 31, 2017 (Continued)**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

17. Insurance liabilities and reinsurance assets (continued)

Equalization reserve:

	December 31, 2017		
	Gross	Reinsurer share	Net
Equalization reserve at the beginning of the year	74.168.862	(52.284.152)	21.884.710
Net change	22.931.107	(18.230.605)	4.700.502
Equalization reserve at the end of the year	97.099.969	(70.514.757)	26.585.212

	December 31, 2016		
	Gross	Reinsurer share	Net
Equalization reserve at the beginning of the year	58.124.761	(39.851.216)	18.273.545
Net change	16.044.101	(12.432.936)	3.611.165
Equalization reserve at the end of the year	74.168.862	(52.284.152)	21.884.710

Unexpired risk reserve:

	December 31, 2017		
	Gross	Reinsurer share	Net
Unexpired risk reserve at the beginning of the year	3.756.908	(3.609.717)	147.191
Net change	(2.397.963)	2.442.592	44.629
Unexpired risk reserve at the end of the year	1.358.945	(1.167.125)	191.820

	December 31, 2016		
	Gross	Reinsurer share	Net
Unexpired risk reserve at the beginning of the year	19.824.141	(2.329.804)	17.494.337
Net change	(16.067.233)	(1.279.913)	(17.347.146)
Unexpired risk reserve at the end of the year	3.756.908	(3.609.717)	147.191

Claims 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.

SOMPO JAPAN SİGORTA ANONİM ŞİRKETİ

Convenience translation of notes to the Financial statements as of December 31, 2017 (Continued)

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

17. Insurance liabilities and reinsurance assets (continued)

December 31, 2017								
Claim year	2011	2012	2013	2014	2015	2016	2017	Total
Claim year	158.811.121	188.752.805	214.667.782	269.378.483	496.318.042	690.717.354	928.845.197	2.947.490.784
1 year later	165.391.790	196.308.163	218.389.776	279.959.576	527.599.455	766.575.828		2.154.224.588
2 years later	176.936.871	206.288.797	227.602.688	300.128.180	556.441.207			1.467.397.743
3 years later	188.082.117	210.660.064	238.365.704	310.663.949				947.771.834
4 years later	197.261.782	219.829.476	248.266.046					665.357.304
5 years later	205.848.280	228.194.862						434.043.142
6 years later	210.295.697							210.295.697
Gross incurred claim	210.295.697	228.194.862	248.266.046	310.663.949	556.441.207	766.575.828	928.845.197	3.249.282.786
Total payments made up to today	176.782.117	192.852.531	213.014.105	266.250.519	417.327.393	598.133.681	665.538.444	2.529.898.790
Total provision in financial statements	33.513.580	35.342.331	35.251.941	44.413.430	139.113.814	168.442.147	263.306.753	719.383.996
Gross outstanding claims reserves, lawsuit discounts and exchange difference which is booked for prior of 2010								132.525.589
Gross IBNR amount booked as of December, 2017 period								705.585.271
Total gross outstanding claim reserve amount stated in financial statements at the end of the year								1.557.494.956

SOMPO JAPAN SİGORTA ANONİM ŞİRKETİ

Convenience translation of notes to the Financial statements as of December 31, 2017 (Continued)

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

17. Insurance liabilities and reinsurance assets (continued)

December 31, 2016								
Claim year	2010	2011	2012	2013	2014	2015	2016	Total
Claim year	165.691.286	158.811.121	188.752.805	214.667.782	269.378.483	496.318.042	690.717.354	2.184.336.873
1 year later	168.076.843	165.391.790	196.308.163	218.389.776	279.959.576	527.599.455		1.555.725.603
2 years later	178.418.131	176.936.871	206.288.797	227.602.688	300.128.180			1.089.374.667
3 years later	187.303.622	188.082.117	210.660.064	238.365.704				824.411.507
4 years later	196.522.363	197.261.782	219.829.476					613.613.621
5 years later	204.130.511	205.848.280						409.978.791
6 years later	212.298.171							212.298.171
Gross incurred claims	212.298.171	205.848.280	219.829.476	238.365.704	300.128.180	527.599.455	690.717.354	2.394.786.620
Total payments made up to today	188.838.148	171.069.326	186.700.512	204.625.095	255.255.664	391.890.098	411.765.443	1.810.144.286
Total provision in financial statements	23.460.023	34.778.954	33.128.964	33.740.609	44.872.516	135.709.357	278.951.911	584.642.334
Gross outstanding claims reserves, lawsuit discounts and exchange difference which is booked for prior of 2009								118.011.166
Gross IBNR amount booked as of December, 2016 period								417.786.520
Total gross outstanding claim reserve amount stated in financial statements at the end of the year								1.120.440.020
December 31, 2017								
Claim year	2011	2012	2013	2014	2015	2016	2017	Total
Claim year	129.523.914	141.169.567	168.827.560	220.020.264	308.382.993	532.214.006	780.952.935	2.281.091.239
1 year later	134.829.335	147.825.429	173.259.936	226.137.672	329.875.624	625.731.202		1.637.659.198
2 years later	146.017.994	156.084.279	180.311.176	245.494.893	355.044.564			1.082.952.906
3 years later	154.601.048	159.917.167	189.152.946	254.128.906				757.800.067
4 years later	159.136.713	168.097.784	197.428.136					524.662.633
5 years later	165.561.758	173.839.175						339.400.933
6 years later	169.662.722							169.662.722
Gross incurred claim	169.662.722	173.839.175	197.428.136	254.128.906	355.044.564	625.731.202	780.952.935	2.556.787.640
Total payments made up to today	152.195.199	153.858.506	174.987.061	221.199.058	305.445.885	510.557.806	595.355.615	2.113.599.130
Total provision in financial statements	17.467.523	19.980.670	22.441.075	32.929.849	49.598.679	115.173.396	185.597.317	443.188.509
Net outstanding claims reserves, lawsuit discounts and exchange difference which is booked for prior of 2010								69.112.532
Net IBNR amount booked as of December, 2017 period								661.996.339
Total net outstanding claim reserve amount stated in financial statements at the end of the year								1.174.297.380

SOMPO JAPAN SİGORTA ANONİM ŞİRKETİ

Convenience translation of notes to the Financial statements as of December 31, 2017 (Continued)

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

17. Insurance liabilities and reinsurance assets (continued)

December 31, 2016								
Claim year	2010	2011	2012	2013	2014	2015	2016	Total
Claim year	138.761.671	129.523.914	141.169.567	168.827.560	220.020.264	308.382.993	532.214.006	1.638.899.975
1 year later	140.824.456	134.829.335	147.825.429	173.259.936	226.137.672	329.875.624		1.152.752.452
2 years later	150.941.677	146.017.994	156.084.279	180.311.176	245.494.893			878.850.021
3 years later	159.389.561	154.601.048	159.917.167	189.152.946				663.060.721
4 years later	167.860.776	159.136.713	168.097.784					495.095.274
5 years later	174.207.837	165.561.758						339.769.595
6 years later	182.572.649							182.572.649
Gross incurred claim	182.572.649	165.561.758	168.097.784	189.152.946	245.494.893	329.875.624	532.214.006	1.812.969.660
Total payments made up to today	162.113.074	146.618.082	148.065.173	167.229.705	210.727.945	284.125.763	362.765.278	1.481.645.019
Total provision in financial statements	20.459.575	18.943.677	20.032.612	21.923.240	34.766.949	45.749.861	169.448.728	331.324.641
Net outstanding claims reserves, lawsuit discounts and exchange difference which is booked for prior of 2010								50.580.561
Net IBNR amount booked as of December, 2016 period								356.936.312
Total net outstanding claim reserve amount stated in financial statements at the end of the year								738.841.514

Convenience translation of notes to the Financial statements as of December 31, 2017 (Continued)

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

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, 2017			December 31, 2016		
	To be provided ^(**)	Provided ^(*)	Book value	To be provided ^(**)	Provided ^(*)	Book value
Non-life: Financial assets (Note 11) (*)	160.577.584	161.000.000	178.209.562	159.415.251	159.700.000	172.150.564
Total	160.577.584	161.000.000	178.209.562	159.415.251	159.700.000	172.150.564

(*) 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, 2017 and 2016.

(**) 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 Undersecretariat of Treasury for the June and December periods within the 2 months period.

Insurance guarantee amounts given by branches

	December 31, 2017	December 31, 2016
Third party liability for motor vehicles (MTPL)	7.611.492.350.404	6.992.291.487.653
Fire and natural disasters	1.108.046.329.789	435.183.684.347
General losses	312.890.471.447	102.729.329.532
Marine	152.664.627.754	66.061.072.164
Health	87.782.588.374	102.463.578.551
Accident	50.250.339.676	21.289.677.540
General liability	45.429.135.883	23.728.600.865
Motor Vehicles	31.116.781.054	13.841.274.345
Legal protection	28.019.727.223	18.841.852.458
Financial losses	21.223.113.451	11.108.127.986
Water Crafts	2.013.332.555	612.409.120
Aircraft	1.219.285.649	668.509.603
Water crafts liability	800.037.420	491.768.482
Total	9.452.948.120.679	7.789.311.372.646

Number of life policies, the number and mathematical reserve amount of the life policies that enter and exit during the year:

None.

Number and net premium amounts of life policies that ender during the year and their distribution by individual and group:

None.

Number and net premium amounts of life policies that exit during the year and their distribution by individual and group:

None.

Accrued subrogation and salvage income

As of December 31, 2017 Company has subrogation and salvage income amounted TL 27.529.281 (December 31, 2016 – TL 15.890.503).

**Convenience translation of notes to the
Financial statements as of December 31, 2017 (Continued)**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

17. Insurance liabilities and reinsurance assets (continued)**Deferred production 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 172.726.375 (December 31, 2016 – TL 166.143.288) consists of deferred production commissions amounted TL 163.228.009 (December 31, 2016 – TL 156.557.030) and other prepaid expenses amounted TL 9.498.366 (December 31, 2016 – TL 9.586.258).

Movement of deferred production commissions as of December 31, 2017 and 2016 is as follows:

	December 31, 2017	December 31, 2016
Deferred production commissions at the beginning of the year	156.557.030	94.793.346
Commissions to intermediaries accrued during the period (Note 32)	302.250.433	296.432.012
Commissions recognized as expense during the period (Note 32)	(295.579.454)	(234.668.328)
Deferred production commissions at the end of the year	163.228.009	156.557.030

Individual pension

None.

18. Investment contract liabilities

None.

19. Trade and other payables, deferred income

	December 31, 2017	December 31, 2016
Payables from main operations	199.044.905	121.319.863
Income related to future months/years and expense accruals	87.900.155	41.012.557
Taxes and other similar liabilities to be paid and their provisions	58.645.471	56.423.711
Other payables	54.145.441	49.210.765
Dues to related parties	27.049	-
Total	399.763.021	267.966.896
Short term payables	392.962.409	262.680.257
Middle and long term payables	6.800.612	5.286.639
Total	399.763.021	267.966.896

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 34.499.157 (December 31, 2016 – TL 38.281.713) to be ceded to SSI for those premiums, is classified under current liabilities as "Other Payables".

As of December 31, 2017 and 2016 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 amounted TL 80.803.817 (December 31, 2016 – TL 37.964.557) (Note 10) and other expense accruals amounted to TL 7.096.338 (December 31, 2016 – TL 3.032.995).

**Convenience translation of notes to the
Financial statements as of December 31, 2017 (Continued)**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

Details of Company's payables from main operations account as of December 31, 2017 and 2016 is as follows:

	December 31, 2017	December 31, 2016
Payables to reinsurance firms (Note 10)	42.720.509	100.195.091
Payables to agency and insurance companies	131.842.963	14.671.445
Rediscount on payables to reinsurance firms (Note 10)	(2.260.502)	(2.253.836)
Total payables from insurance operations	172.302.970	112.612.700
Other payables from main operations	26.741.935	8.707.163
Payables from main operations	199.044.905	121.319.863

As of December 31, 2017 and 2016 other payables from main operations consist of payables to suppliers and authorized services.

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

Calculated corporation tax and prepaid taxes are detailed in the table below.

	December 31, 2017	December 31, 2016
Provision of calculated corporate tax (Note 35)	(72.258.569)	(35.322.692)
Prepaid taxes and funds in current period	78.600.488	39.322.145
Prepaid taxes and funds	6.341.919	3.999.453

Calculated corporate tax and the taxes to be paid in the current period are detailed in the table below.

	December 31, 2017	December 31, 2016
Corporate tax liability provision on period profit	72.258.569	35.322.692
Prepaid taxes and other liabilities on period profit	(50.396.602)	(18.288.135)
Corporate tax to be paid	21.861.967	17.034.557

20. Financial payables

None.

**Convenience translation of notes to the
Financial statements as of December 31, 2017 (Continued)**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

21. Deferred taxes

Items that resulted in deferred tax assets and liabilities as of December 31, 2017 and December 31, 2016 are as follows:

	December 31, 2017	December 31, 2016
Impairment provision expense for receivables from main operations	1.381.063	1.051.603
Equalization reserve	4.752.601	3.964.864
Provision for retirement pay and unused vacation	817.811	683.615
Unexpired risk reserve	38.364	29.438
Provision for business cases	144.323	117.107
Provision for sales commission	24.902	11.487
Difference between local Tax Legislation and Reporting Standards for tangible and intangible fixed assets	(805.032)	(725.211)
Financial items valuation differences – rediscounts	54.507	(463.165)
Bonus provision	1.008.000	785.257
Sliding scale commission provision	1.954.254	2.071.975
Other	1.558.919	843.806
Deferred tax asset, net	10.929.712	8.370.776
	2017	2016
Beginning of period - 1 January	8.370.776	8.454.478
Deferred tax income, net (Note 35)	2.568.961	(179.667)
Deferred tax income/(loss) which is stated under equity	(10.025)	95.965
End of period	10.929.712	8.370.776

22. Retirement social aid liabilities

None.

23. Provision for other liabilities and expenses

Details of provision for other risks as of December 31, 2017 and 2016 are shown below:

	December 31, 2017	December 31, 2016
Short-term employee rights premium provisions	5.040.000	3.926.285
Business case provisions	721.617	585.536
Allowance for cost expenses	5.761.617	4.511.821
Provisions for employment termination benefit	1.889.697	1.709.776
Unused vacation provision	2.199.357	1.708.300
Total provisions for other risks	9.850.671	7.929.897

**Convenience translation of notes to the
Financial statements as of December 31, 2017 (Continued)**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

23. Provision for other liabilities and expenses (continued)

Movement of provision for employment termination benefit in the period is as follows:

	December 31, 2017	December 31, 2016
Provision for employment termination benefit at the beginning of the period	1.709.776	1.193.153
Payments during the period	(945.719)	(655.267)
Provision booked during the period	1.175.766	692.065
Actuarial loss	(50.126)	479.825
Provision for employment termination benefit at the end of the year	1.889.697	1.709.776

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

	December 31, 2017	December 31, 2016
Unused vacation provision at the beginning of the period	1.708.300	1.440.204
Payments during the period	(251.885)	(144.145)
Provision booked during the period	742.942	412.241
Unused vacation provision at the end of the year	2.199.357	1.708.300

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

	December 31, 2017	December 31, 2016
Business case provisions at the beginning of the year	585.536	551.623
Payments during the period	(79.503)	(154.366)
Provision amount booked/(cancelled) during the period	215.584	188.279
Business case provision at the end of the year	721.617	585.536

Details of other payables as of December 31, 2017 and 2016 are shown below.

	December 31, 2017	December 31, 2016
Payables to suppliers	7.082.084	2.479.556
Attorney's fee	-	4.230
Other payables	6.313.264	3.582.027
Other payables	13.395.348	6.065.813

SOMPO JAPAN SİGORTA ANONİM ŞİRKETİ

Convenience translation of notes to the Financial statements as of December 31, 2017 (Continued)

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

24. Net insurance premium income

January 1 - December 31, 2017	Motor Vehicles	Motor Vehicles Liability	Fire and natural disasters	General losses	Marine	Accident	Other	Total
Premiums received	466.082.804	1.230.130.376	214.084.378	197.207.135	25.561.581	11.569.950	119.391.149	2.264.027.373
Premiums transferred to the reinsurance	(1.913.582)	(225.259.103)	(178.140.829)	(162.419.952)	(15.844.776)	(1.989.136)	(41.982.383)	(627.549.761)
Premiums transferred to the SSI	-	(114.190.583)	-	-	-	(181.233)	-	(114.371.816)
Total	464.169.222	890.680.690	35.943.549	34.787.183	9.716.805	9.399.581	77.408.766	1.522.105.796

January 1 - December 31, 2016	Motor Vehicles	Motor Vehicles Liability	Fire and natural disasters	General losses	Marine	Accident	Other	Total
Premiums received	376.883.369	1.403.116.448	163.839.920	165.626.059	26.517.267	13.403.526	86.769.550	2.236.156.139
Premiums transferred to the reinsurance	(1.269.555)	(2.013.790)	(133.965.844)	(132.394.779)	(18.278.119)	(2.305.317)	(31.964.752)	(322.192.156)
Premiums transferred to the SSI	-	(139.539.347)	-	-	-	(199.775)	-	(139.739.122)
Total	375.613.814	1.261.563.311	29.874.076	33.231.280	8.239.148	10.898.434	54.804.798	1.774.224.861

25. Fee income

None.

26. Investment income/(expense)

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

As of December 31, 2017, the amount of Insurance Transaction Tax is TL 14.430.850 (December 31, 2016 – TL 7.729.558).

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, 2017	December 31, 2016
Claims paid as deducted reinsurer's share	(787.079.060)	(459.901.725)
Change in unearned premium reserve as deducted reinsurer's share and SSI	166.557.519	(524.001.123)
Change in outstanding claims reserve as deducted reinsurer's share	(435.455.866)	(452.187.343)
Change in equalization reserve as deducted reinsurer's share	(4.700.502)	(3.611.165)
Change in provision for unexpired risk reserve as deducted reinsurer's share	(44.629)	17.347.146
Total	(1.060.722.538)	(1.422.354.210)

30. Investment agreement rights

None.

Convenience translation of notes to the Financial statements as of December 31, 2017 (Continued)

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

31. Mandatory Other Expenses

Grouping of expenses based on the characteristics and functions of the company is given in the note 32.

32. Expense by nature

Details of operating expenses for the periods ended December 31, 2017 and 2016 are as follows:

	December 31, 2017	December 31, 2016
Commission expenses (Note 17)	(295.579.454)	(234.668.328)
<i>Intermediary commissions accrued during the period (Note 17)</i>	(302.250.433)	(296.432.012)
<i>Change in deferred production commissions (Note 17)</i>	6.670.979	61.763.684
Employee benefit expenses (Note 33)	(67.441.815)	(54.357.886)
Commission income earned from reinsurers (Note 10)	88.160.509	54.417.893
<i>Accrued commission income from reinsurers during the period (Note 10)</i>	130.999.769	58.935.615
<i>Change in deferred commission income (Note 10)</i>	(42.839.260)	(4.517.722)
Rent expenses	(5.007.905)	(3.928.671)
Management and service expenses	(2.725.683)	(2.197.096)
IT expenses	(5.580.545)	(3.422.485)
Vehicle expenses	(2.926.023)	(2.470.648)
Marketing and sales expenses	(8.602.449)	(6.033.165)
Communication expenses	(890.816)	(718.044)
Travel expenses	(936.025)	(520.181)
Taxes and funds	(430.652)	(276.091)
Printed matter and office supplies expenses	(956.236)	(683.680)
Mail and cargo expenses	(338.183)	(287.713)
Consulting expenses	(964.935)	(448.568)
Bank charges expenses	(421.510)	(226.233)
Total	(304.641.722)	(255.820.896)

33. Employee Benefit Expenses

Details of the employee benefit expenses for the periods ended December 31, 2017 and 2016 are as follows:

	December 31, 2017	December 31, 2016
Salary and wages	(43.889.184)	(36.314.248)
Other vested benefits	(9.669.333)	(7.234.370)
Bonus, premium and commissions	(6.993.611)	(5.300.894)
Employer's share of social security premium	(6.889.687)	(5.508.374)
Total	(67.441.815)	(54.357.886)

34. Financial Cost

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.

SOMPO JAPAN SİGORTA ANONİM ŞİRKETİ

Convenience translation of notes to the Financial statements as of December 31, 2017 (Continued)

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

35. Income Taxes

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

	December 31, 2017	December 31, 2016
Corporate tax liability:		
Calculated corporate tax provision (Note 19)	(72.258.569)	(35.322.692)
Deferred Tax:		
Deferred tax income/(loss) (Note 21)	2.568.961	(179.667)
Deferred tax income/(loss) which is stated under equity	(10.025)	95.965
Total	(69.699.633)	(35.406.394)

As of December 31, 2017 and 2016 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, 2017		December 31, 2016	
		Tax rate (%)		Tax rate (%)
Profit before tax	348.019.374		177.524.285	
Income tax provision by legal tax rate	(69.603.875)	20,00	(35.504.857)	20,00
Non-deductible expenses	(101.773)	(0,03)	(60.838)	(0,03)
Other	6.015	0,04	159.301	0,09
Total income tax loss/(income)	(69.699.633)	(19,98)	(35.306.394)	(19,94)

36. Net foreign exchange gains

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

37. Earnings per share

According to TAS 33 "Earnings per Share", equity shares are not obliged to disclose earnings per share for companies that are not traded in the stock market. Earnings/losses per share have not been calculated in the accompanying financial statements since the Company's shares are not traded in the stock exchange.

38. Dividends per share

General Assembly Meeting took place on March 29, 2017 Company's net profit for the period from the operations of financial year 2016 is transferred to the profit reserves.

39. Cash Generated from Operations

Cash flows from main operations are disclosed in the statement of cash flow.

40. Equity Share Convertible Bonds:

None.

41. Cash Convertible Privileged Equity Shares:

None.

**Convenience translation of notes to the
Financial statements as of December 31, 2017 (Continued)**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

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, 2017 total amount of all cases against the Company is TL 220.376.583 (December 31, 2016 – TL 195.236.722) 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 409.908.142. Company considered the related provision amount TL 409.908.142 (December 31, 2016 – TL 264.545.969) against the Company in the related provision accounts in accompanying financial statements.

As of December 31, 2017, if all the cases that Company sues concludes in favor of the Company, gross amount of TL 90.104.903 (December 31, 2016 - TL 64.955.170) subrogation collection is expected and considering the reinsurer shares by providing income accrual amounted TL 64.424.791 (December 31, 2016 – TL 43.755.793) (Note 12) with the same amount receivable provision is reflected to bookings. For the cases Company has opened for its doubtful receivables from agencies, total amount of TL 4.904.512 (December 31, 2016 – TL 4.884.480) (Note 12) provision is booked. At the same time for the business cases against the Company amounted TL 721.617 (December 31, 2016 – TL 585.536) (Note 23) provision is booked.

43. Commitments

Details of guarantees given by the Company in the non-life insurance branches in accordance with its activities are disclosed 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, 2017	December 31, 2016
Less than 1 year	300.500	227.143
More than a year, less than five years	180.600	219.050
Sum of minimum rent payments to be paid	481.100	446.193
USD Dollars commitments	December 31, 2017	December 31, 2016
Less than 1 year	964.620	964.620
More than a year, less than five years	556.500	1.510.500
Sum of minimum rent payments to be paid	1.521.120	2.475.120
Euro commitments	December 31, 2017	December 31, 2016
Less than 1 year	-	3.750
More than a year, less than five years	-	3.750
Sum of minimum rent payments to be paid	-	7.500

44. Business merges:

None.

SOMPO JAPAN SİGORTA ANONİM ŞİRKETİ

Convenience translation of notes to the Financial statements as of December 31, 2017 (Continued)

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

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.

	December 31, 2017	December 31, 2016
Sompo Japan Nipponkoa Insurance Inc.	50.022	1.158
Receivables from affiliates	50.022	1.158
	December 31, 2017	December 31, 2016
Sompo Japan Nipponkoa Insurance Company of Europe	455.833	380.207
Sompo Japan Nipponkoa Insurance Company of Europe Germany Branch	67.818	24.212
Sompo Japan Nipponkoa Insurance Inc.	5.789.764	4.531.129
Canopius Managing Limited	11.727	-
Payables from insurance operations	6.325.142	4.935.548
	December 31, 2017	December 31, 2016
Sompo Japan Nipponkoa Insurance Company of Europe	(126.471)	396.930
Sompo Japan Nipponkoa Insurance Company of Europe Germany Branch	52.744	32.734
Sompo Japan Nipponkoa Insurance Inc.	14.033.105	10.406.730
Canopius Managing Limited	-	-
Commission Taken	13.959.378	10.836.394
	December 31, 2017	December 31, 2016
Sompo Japan Nipponkoa Insurance Company of Europe	78.900	1.366.270
Sompo Japan Nipponkoa Insurance Company of Europe Germany Branch	215.550	126.919
Sompo Japan Nipponkoa Insurance	35.398.667	25.197.155
Canopius Managing Limited	-	-
Ceded Premium	35.693.117	26.690.344
	December 31, 2017	December 31, 2016
Sompo Japan Nipponkoa Insurance Company of Europe	410.157	208.981
Sompo Japan Nipponkoa Insurance Company of Europe Germany Branch	29.709	47.441
Sompo Japan Nipponkoa Insurance Inc.	15.801.254	9.445.035
Canopius Managing Limited	679.912	-
Claim	16.921.032	9.701.457
	December 31, 2017	December 31, 2016
Sompo Japan Nipponkoa Insurance Inc.	23.996	17.898
Non-operating income	23.996	17.898

No guarantees have been taken for receivables from related parties.

There is not any booked doubtful receivable provision and it's payables for receivables from shareholders, subsidiaries and associations.

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

**Convenience translation of notes to the
Financial statements as of December 31, 2017 (Continued)**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

46. Events occurred after reporting period

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:

Amount of "Other Miscellaneous Receivables" which is classified under "Other Receivables" is TL 592.209 (December 31, 2016 – TL 997.048), it consists of TCIP's (Turkish Catastrophe Insurance Pool) current balance and adjustment of reverse balances.

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 Undersecretariat of Treasury

Provision and rediscount income/(expense) for the period:

a) Provision expenses

Details of provision and rediscount expenses for the ended periods as at December 31, 2017 and 2016 is as follows:

	December 31, 2017	December 31, 2016
Impairment provision expenses booked for receivables from main operations, net	(20.246.452)	(10.901.229)
Unused vacation provision expenses	(491.057)	(268.096)
Retirement pay provision expenses	(230.047)	(36.798)
Business cases provision (expense)/cancellation	(136.081)	(33.913)
Provisions account	(21.103.637)	(11.240.036)
	December 31, 2017	December 31, 2016
Rediscounted interest income/(losses)	(3.495.158)	(1.081.357)
Rediscount account	(3.495.158)	(1.081.357)
	December 31, 2017	December 31, 2016
Unearned premium provisions	(166.557.519)	(524.001.123)
Outstanding claim reserve	(435.455.866)	(452.187.343)
Unexpired risk reserve	(44.629)	17.347.146)
Equalization reserve	(4.700.502)	(3.611.165)
Technical provisions	(606.758.516)	(962.452.485)

**Convenience translation of notes to the
Financial statements as of December 31, 2017 (Continued)**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

47. Other (continued)**b) Other expense and losses**

	December 31, 2017	December 31, 2016
Non-deductible expenses(-)	(508.865)	(304.190)
Other expense and losses(-)	(4.415)	(1.428)
Other expense and losses (-)	(513.280)	(305.618)

c) Other income and revenues

	December 31, 2017	December 31, 2016
Late charge income	1.621.063	2.127.450
Other income and revenues	1.621.063	2.127.450

d) Other Long-term deferred income

None.

e) Other technical expenses

	December 31, 2017	December 31, 2016
Assistance service expenses	(33.296.377)	(13.771.693)
Other technical expenses	(9.902.715)	(19.829.586)
Other technical expenses	(43.199.092)	(33.601.279)

Convenience translation of notes to the Financial statements as of December 31, 2017 (Continued)

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

47. Other (continued)

47.6 Convenience translation of the statements of profit distribution as of December 31, 2017

	Footnote	Current year December 31, 2017	Prior year December 31, 2016
I. DISTRIBUTION OF PROFIT FOR THE PERIOD			
1.1. PROFIT FOR THE PERIOD		348.019.374	177.524.285
1.2. TAXES PAYABLE AND LEGAL LIABILITIES		(69.689.608)	(35.502.359)
1.2.1. Corporate Tax (Income Tax)		(72.258.569)	(35.322.692)
1.2.2. Income Tax Deduction		-	-
1.2.3. Other Taxes and Liabilities		2.568.961	(179.667)
A NET PROFIT FOR THE PERIOD (1.1 – 1.2)		278.329.766	142.021.926
1.3. PREVIOUS YEARS' LOSSES (-)		-	-
1.4. FIRST LEGAL RESERVE		7.101.096	7.101.096
1.5. LEGAL RESERVES KEPT IN THE COMPANY (-)		-	-
B NET DISTRIBUTABLE PROFIT FOR THE PERIOD [(A - (1.3 + 1.4 + 1.5)]		271.228.670	134.920.829
1.6. FIRST DIVIDENDS 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. DIVIDENDS TO EMPLOYEES (-)		-	-
1.8. DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
1.9. SECOND DIVIDENDS 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 RESERVES (-)		-	-
1.12. EXTRAORDINARY RESERVES		-	-
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. DIVIDENDS 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 29, 2017 Company's net profit for the period from the operations of financial year 2016 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 2017 is not yet prepared by Board of Directors, in 2017 profit distribution table only distributable net income for the period is stated.

CONTACT

CONTACT

GENERAL DIRECTORATE

Rüzgarlıbahçe Mah. Cumhuriyet Cad. Acarlar İş Merkezi No: 10 C Blok
34803 Kavacık-Beykoz, İstanbul
Telephone: 0850 250 81 81
Fax: 0216 538 62 90

REGIONAL DIRECTORATES

İSTANBUL EUROPE REGIONAL DIRECTORATE

Rüzgarlıbahçe Mah. Cumhuriyet Cad. Acarlar İş Merkezi No: 10 C Blok
34803 Kavacık-Beykoz, İstanbul
Telephone: 0850 250 81 81
Fax: 0216 538 62 90

MEDITERRANEAN REGIONAL DIRECTORATE

Yeşilbahçe Mah. 1470 Sokak, No: 10/4 Antalya
Telefon: 0242 313 12 11
Faks: 0242 313 18 58

BURSA REGIONAL DIRECTORATE

Konak mah. Lefkoşe Cad. No:42 K:1 D: 22
Origami Flat Office Nilüfer, Bursa
Telephone: 0224 220 04 50
Fax: 0224 224 04 60

BLACK SEA REGIONAL DIRECTORATE

Sanayi Mah. Devlet Sahilyolu Cad. Dedehan İş Merkezi Kat:1 No:15
Ortahisar, Trabzon
Telephone: 0462 321 84 99
Fax: 0462 323 34 71

AEGEAN REGION COORDINATOR

Adalet Mahallesi Manas Bulvarı No: 47 Folkart Towers B/2901 Bayraklı, İzmir
Telephone: 0232 455 53 00
Fax: 0232 455 53 45

SOUTH ANATOLIA REGIONAL DIRECTORATE

Cemalpaşa Mah. Cevat Yurdakul Cad. No:28
Oğuz Ayhan Apt. Asma Kat No: 3 Seyhan, Adana
Telephone: 0322 459 09 86
Fax: 0322 459 82 08

MIDDLE ANATOLIA REGIONAL DIRECTORATE

Yaşam Cad. Söğütözü Mah. Ak Plaza No:7/20 Kat: 6 Söğütözü, Ankara
Telephone: 0312 292 54 00
Fax: 0312 292 54 45

İSTANBUL ANATOLIA REGIONAL DIRECTORATE

Rüzgarlıbahçe Mah. Cumhuriyet Cad. Acarlar İş Merkezi No: 10 C Blok
34803 Kavacık Beykoz, İstanbul
Telephone: 0216 538 60 00
Fax: 0216 538 62 96 - 97

İSTANBUL ANATOLIA EASTER REGIONAL DIRECTORATE

Lapis Han Plaza, Esentepe Mah. Cevizli D-100 Güney Yanyol Cad. No: 25
Kat: 4 Ofis No: 4110 Soğanlık
Kartal, İstanbul
Telephone: 0216 538 60 00
Fax: 0216 538 62 96 - 97

WEST İSTANBUL AND THRACIAN REGIONAL DIRECTORATE

Ataköy 7-8-9-10.Kısım Mahallesi Çobançeşme E5 Yanyol No: 20/2
Ataköy Towers B Blok D: 62-63
Bakırköy, İstanbul
Telephone: 0212 942 56 08
Fax: 0212 803 40 79

BRANCH

DENİZLİ BRANCH

Sırapapılar Mah. 1522 Sokak No: 5/1 D: 1 Merkezefendi, DENİZLİ
Telephone: 0258 265 64 54
Fax: 0258 265 64 55

ESKİŞEHİR BRANCH

Hoşnudiye Mah. 732. Sokak No: 14 Kat: 5 Daire: 68 Tepebaşı, Eskişehir
Telephone: 0222 335 70 77
Fax: 0222 335 70 76

KAYSERİ BRANCH

Gevher Nesibe Mah. Tekin Sokak Defterdarlık Yanı
Hukuk Plaza No: 6 Kat: 1 D: 1, 38009 Kocasinan, Kayseri
Telephone: 0352 221 47 00 - 04
Fax: 0352 221 47 05

KONYA BRANCH

Şeker Mah. Kerbela Sokak Avrukun Plaza No: 2/505 Selçuklu, Konya
Telephone: 0332 502 14 14
Fax: 0332 502 14 15

