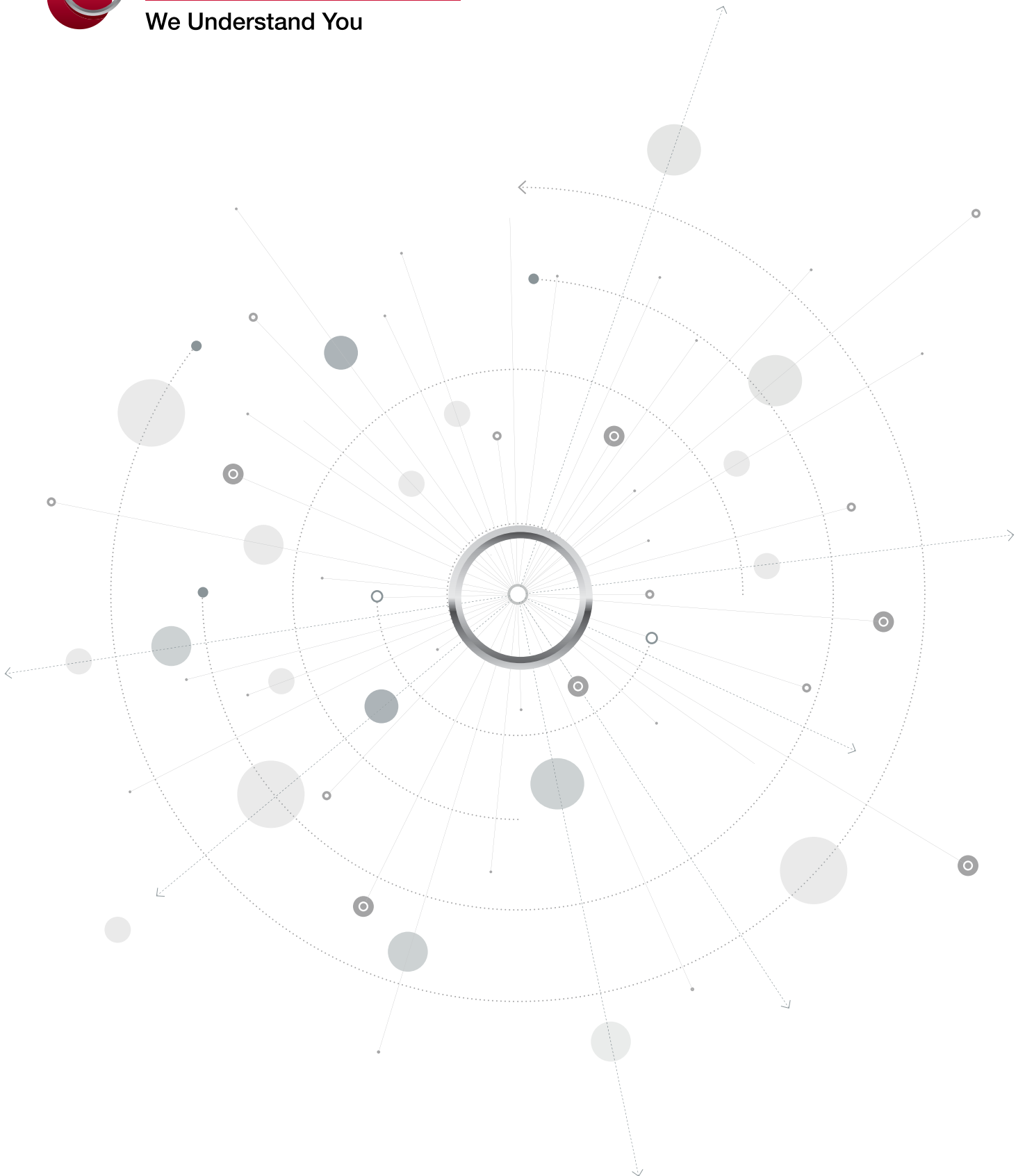




SOMPO SIGORTA

We Understand You



AT SOMPO SİGORTA, WE HAVE INTERNALIZED OUR SUSTAINABILITY APPROACH, WHICH IS SHAPED BY OUR GLOBAL CORPORATE IDENTITY ON THE BASIS OF OUR DEEPLY ROOTED CORPORATE VALUES, BY PLACING IT AT THE HEART OF OUR ACTIVITIES. WE HAVE INTEGRATED OUR ECONOMIC AND SOCIAL CONTRIBUTION CYCLE, WHICH EXTENDS FROM THE CUSTOMER TO SOCIETY, WITH OUR ENVIRONMENTAL RESPONSIBILITY. WE ARE FOCUSED ON TAKING EVERY INITIATIVE TO PLAY OUR PART IN PREPARING A BETTER FUTURE FOR ALL OF US. TO THIS END, WE ARE WORKING WITH DETERMINATION TO ENSURE THAT THE CONCEPT OF SUSTAINABILITY IS AN INTEGRAL PART OF OUR ACTIVITIES AND DAILY LIVES WITH A BROAD PERSPECTIVE BY INCREASING INDIVIDUAL AND SOCIAL AWARENESS.

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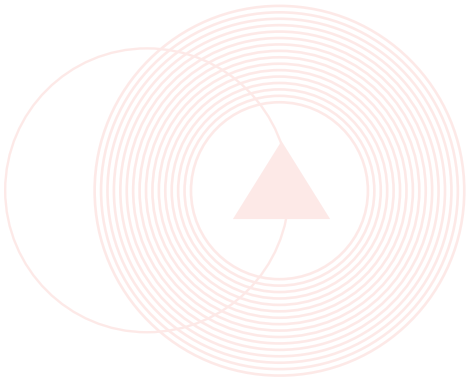
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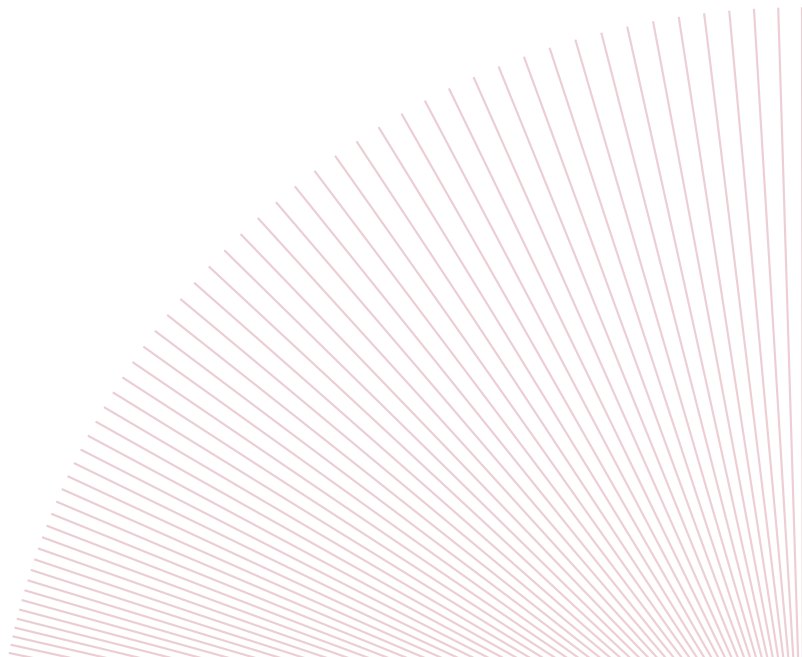
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*You Are
The Insurance
of World*

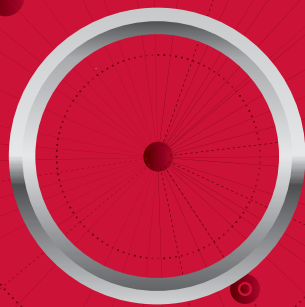


SOMPO SIGORTA



WE SET OURSELVES APART WITH OUR CUSTOMER PROMISE

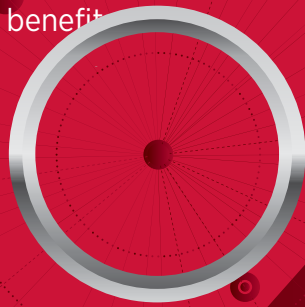
With the progress made in digital transformation and technology, we are repositioning ourselves as a brand that meets changing customer expectations. We make a difference to the lives of our customers with our work to reinforce our reliability, which is backed by our strong corporate and ethical values which support sustainable economic, social and environmental benefit.





WE SET OURSELVES APART WITH OUR APPROACH OF SOCIAL BENEFIT

We always strive to carry forward our sensitive, fair stance which is based on humanity with our deeply-rooted corporate culture. As a corporation which aims to raise social and individual awareness, we set ourselves apart with our initiative to lead society, and to transform individual benefit to collective benefit.





SAVE
THE
EARTH



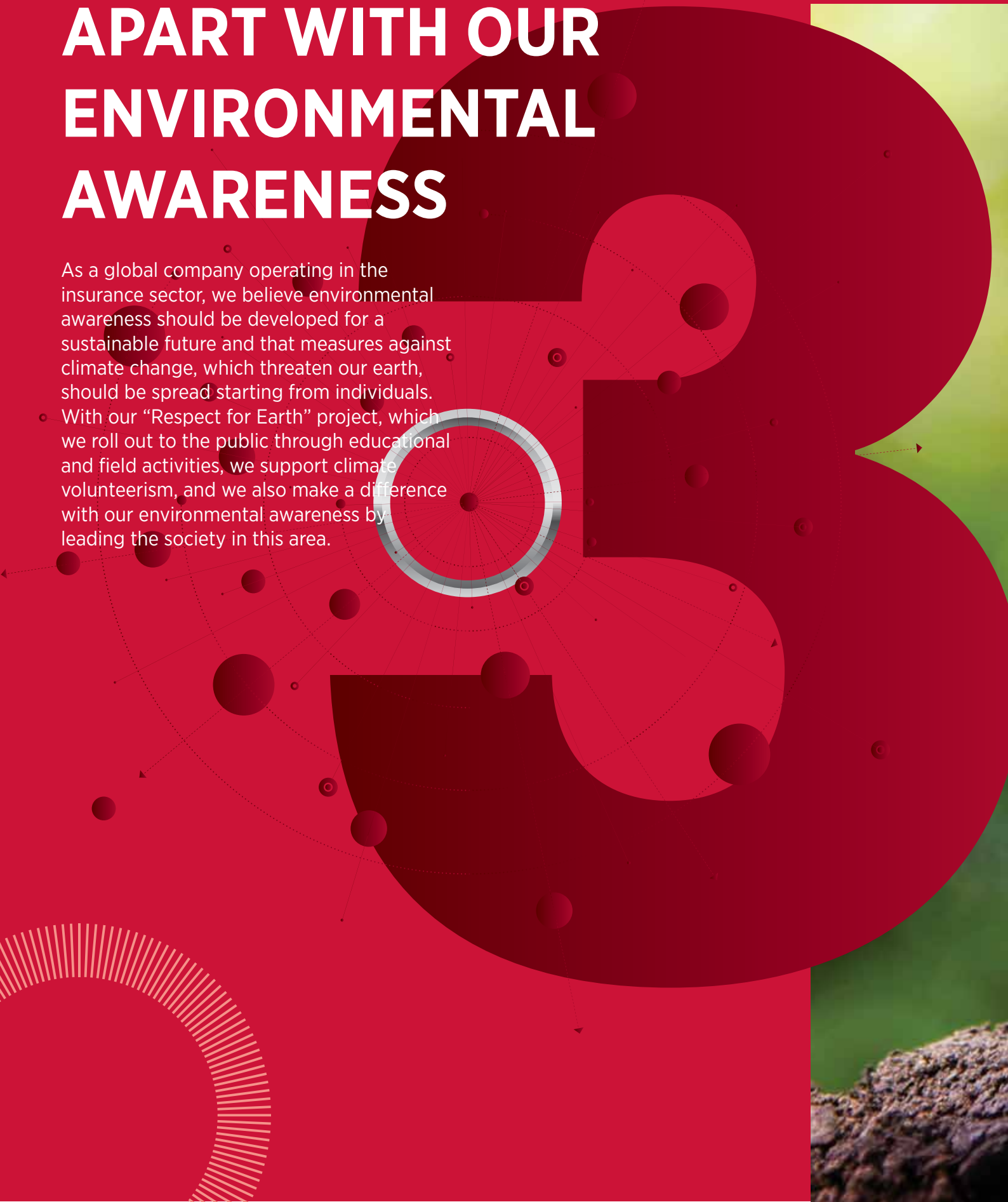
CLEAN
THE OCEAN



WE SET OURSELVES APART WITH OUR ENVIRONMENTAL AWARENESS

As a global company operating in the insurance sector, we believe environmental awareness should be developed for a sustainable future and that measures against climate change, which threaten our earth, should be spread starting from individuals.

With our “Respect for Earth” project, which we roll out to the public through educational and field activities, we support climate volunteerism, and we also make a difference with our environmental awareness by leading the society in this area.





SOMPO SIGORTA IN BRIEF

Sompo Sigorta offers strong competitive advantages thanks to workforce of experienced professionals, an innovative vision and its customer focus.

Sompo Sigorta was established in 2001

The company was established in 2001 under the name of Fiba Sigorta A.Ş. The company started its operations in 2002 and changed its title to Finans Sigorta. The company's title was changed to Fiba Sigorta A.Ş. again in 2006 after the Fiba Group sold its shares in QNB Finansbank to the NBG Group.

In 2010, a contract was signed between Fiba Holding and Sompo Japan Insurance Inc., which is one of the most long-standing and prominent companies in Japan, one of the largest insurance markets in the world. Following the completion of legal transactions, the shares in Fiba Sigorta were transferred to Sompo Japan Insurance Inc. on 2 November 2010.

On 28 February 2011, the title of Fiba Sigorta was changed to Sompo Japan Sigorta A.Ş. On 31 October 2016, Sompo Japan Nipponkoa Insurance Inc. became the sole shareholder. All of the shares in the company, whose title was changed to Sompo Sigorta Anonim Şirketi on 15 May 2019, were handed over to Sompo International Holdings Ltd. on 7 November 2019.

International knowledge - local experience

Sompo Sigorta serves in all non-life insurance branches with its knowledge in international insurance and local market experience. By providing the highest quality insurance products and services, it carries out its work with a philosophy of contributing to the safety, health and happiness of its customers and society as a whole.

Sompo Sigorta offers strong competitive advantages thanks to workforce of experienced professionals, an innovative vision, its customer focus, its stable pricing policy, the effectiveness of its damage processes and its competence in the digital transformation.

Sompo Sigorta, which ranked 5th in the non-life insurance sector in terms of premium generation at the end of 2019, has a market share of 6.1% and has attained an important position among the group companies in terms of contributing to profitability.

Sompo Sigorta moves forward confidently by drawing on the strength and support of its main shareholder, and continues its activities in order to provide the best experience to its customers.

Our Vision

The Best Service

To provide the best service to our customers anytime, anywhere

Our Mission

To Raise Standards

To Be a Pioneer

To raise standards in the insurance sector in Turkey and to be the pioneer of innovation in the sector



Our Management Philosophy

We always pay close attention to the interests of our customers, while making decisions that will guide our business.

We strive to contribute to the health, safety and happiness of our customers and the society as a whole by providing the highest quality insurance products and services.

Brand Purpose

To provide the best services to our customers and business partners anytime, anywhere

Our Principles

In order to provide the highest quality service to our customers:

- We treat our customers with sincerity. As an individual, we know that every move of ours shapes our company's reputation.
- We take initiative, set high goals for ourselves, and learn lessons from our actions.
- We always act openly and rapidly.
- We act in accordance with high moral values.

Our Brand Promise

We understand you.

SOMPO INTERNATIONAL IN BRIEF

The mission of Sompo International is to create exceptional value for our customers and stakeholders by applying a disciplined and technical approach to the transfer of insurable risk and management of capital.

Sompo Holdings offers services globally with its 80,000 employees in 228 cities in 30 countries.

Sompo International Holdings Ltd. (Sompo International) was incorporated in March 2017, by the acquisition of Sompo International Holdings Ltd, a global insurance and reinsurance provider, by Sompo Holdings Inc. (Sompo).

Sompo has a broad global footprint with about 80,000 employees in 228 cities in 30 countries, and its main area of activity includes one of the largest real estate and casualty insurance groups in the Japanese domestic market.

With its financial strength, wide licensing capabilities, product diversity, an expansive distribution channel and market-leading technological solutions, Sompo is a preferred partner for customers around the world.

Commercial insurance and reinsurance operations outside Japan are combined under Sompo International's Commercial P&C (goods and accident) platform. The remaining Sompo Holdings subsidiaries are planned to be taken out of Japan at the end of 2020 under the newly established Retail Insurance platform, which focuses primarily on individual insurance, to be supervised and inspected by Sompo International.



Sompo International Holdings Ltd. was incorporated in March 2017, by the acquisition of Sompo International Holdings Ltd, a global insurance and reinsurance provider, by Sompo Holdings Inc. (Sompo).

STRENGTHS

- Sompo International's subsidiaries offer balance sheets with high quality assets and strong liquidity.
- The group retains excellent financial strength, holding an A+ (superior) rating by A.M. Best. It also commands an A+ (Strong) and best (XV financial size category) rating from Standard & Poor's.
- The group operates with a strong presence and expert teams in private markets. The group, which effectively directs actuarial and damage specialists with its insurers with in-depth knowledge and experience in the category and business line they specialize in, provides management services to its customers with special solutions for risk management.
- As an accessible and reliable partner, the group operates within a culture based on ethics and honesty, focusing on accountability, cooperation and agility, which are its core values.


Highlights from the ratings of Sompo International subsidiaries

A.M. Best	A+ (SUPERIOR)
Standard & Poor's	A+ (STRONG)
Moody's	A1

HISTORICAL DEVELOPMENT OF SOMPO SIGORTA


2001

30 March 2001: Fiba Sigorta A.Ş. established.



2002

1 May 2002: Operating license obtained.
6 May 2002: First policy issued.
3 June 2002: First agency established.
5 June 2002: Title changed to Finans Sigorta A.Ş.
11 June 2002: First damage payment made.




2007

31 October 2007: Title changed to Fiba Sigorta A.Ş.



2010

2 November 2010: Majority of shares transferred to SJNK Insurance Inc.*
15 December 2010: SJNK Insurance Inc.* transferred 9.99% of its shares to the EBRD**.



2011

28 February 2011: Title changed to Sompo Japan Sigorta A.Ş.



2013

30 January 2013: Each of the following companies transferred 0.02% of their shares to SJNK Insurance Inc.*

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

In the Annual General Meeting dated 28 March 2013, the company's articles of association were amended in order to comply with the Turkish Commercial Code no. 6102. The company's amended articles of association were published in the trade registry gazette dated 7 June 2013.



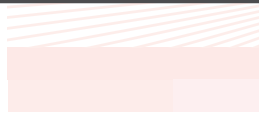
2015

Sompo Holdings received the center of excellence award in the automobile branch.

It ranked 8th among 38 companies in terms of non-life insurance premium generation.

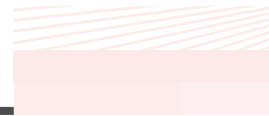
**2017**

Ranked 6th among 39 companies in terms of non-life insurance premium generation.

**2016**

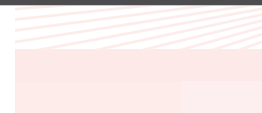
31 October 2016: Shares held by the EBRD** transferred to SJNK Insurance Inc.

SJNK Insurance Inc. became the sole shareholder.

**2018**

Ranked 6th among 38 companies in terms of non-life insurance premium generation.

Taking into consideration the sustainable growth and profitability performance of Sompo Japan Sigorta, the Sompo Group decided to connect its retail operations worldwide to Mr. Recai Dalaş, the founding CEO of Sompo Japan Sigorta.

**2019**

All of the shares in the company, whose title was changed to Sompo Sigorta Anonim Şirketi on 15 May 2019, were handed over to Sompo International Holdings Ltd. on 7 November 2019.

It ranked 5th among insurance providers with a market share of 6.1% in non-life insurance premium production.

With the Respect for Earth social responsibility project, an important step was taken in the field of sustainability, and thus, the Company made a difference in the sector.

* Sompo Japan Nipponkoa Insurance Incorporated Sompo Japan Insurance Inc. merged with Nipponkoa Insurance Co. Ltd. and its title was changed to Sompo Japan Nipponkoa Insurance Inc. in September 2014. On 1 October 2016, it was known as Sompo Holdings.
 ** European Bank for Reconstruction and Development

FOCAL POINTS OF SOMPO SIGORTA'S STRENGTH

INTERNATIONAL EXPERIENCE AND FINANCIAL STRENGTH

Representing a deeply rooted service culture and a wealth of experience with its subsidiaries in 30 countries on 5 continents around the world, Sompo Holdings' long-term international insurance know-how, strong financial structure and reinsurance support offer Sompo Sigorta a significant competitive advantage.

AN INNOVATIVE COMPANY VISION

With its innovative vision, Sompo Sigorta aims to be a company which brings about change rather than merely keeping pace with change. The company, which has achieved many firsts in the sector, aims to be an insurance company which directs the sector in the long term by maintaining its pioneering practices.

STABILITY OF MANAGEMENT AND TRUST

Sompo Sigorta stands out as one of the sector's leading companies with its rising performance. Since the day it was founded, Sompo Sigorta has been growing successfully with its stable management team and superior service approach, and has reinforced customer confidence.

STABLE PRICE POLICY

Sompo Sigorta has a way of thinking that goes beyond usual approaches in the insurance sector, by protecting both its agents and customers in the long term with its stable and competitive pricing policy.

EXPERIENCE AND EXPERTISE

Sompo Sigorta aims to continuously improve its customer experience with its experienced and specialized staff, professional service approach and solution-oriented systematic service model.



EFFECTIVE DAMAGE MANAGEMENT PROCESSES

Sompo Sigorta rapidly provides solutions by managing the damage files of its customers in the most effective way with its specialized damages desks in both the auto and non-auto branches.



FAST AND EFFECTIVE COMMUNICATION

Sompo Sigorta is focused on providing the right solutions with its ability to communicate quickly and effectively with its customers, business partners and employees.



AGENCY AND CUSTOMER ORIENTED SALES MANAGEMENT

Sompo Sigorta accurately identifies the needs of its agents and customers. Thanks to effective sales management, it ensures that its agents are able to develop alternative solutions appropriate to their customer portfolio.



PRODUCT DIVERSITY AND CAMPAIGN MANAGEMENT

Sompo Sigorta is able to transform its wide range of products shaped by its experience and expertise into more added value and benefits for its customers through cross-selling and top-selling opportunities and campaigns offered to the agencies.



A PIONEER OF DIGITAL CHANGE

While Sompo Sigorta is rapidly adapting to the digital transformation taking place around the world, it reflects its superior technological capabilities to agency screens, online platforms and system infrastructure on the basis of simplicity and rapid solution creation, which come to the forefront through digitalization.

SUMMARY FINANCIAL INFORMATION OF THE OPERATIONAL RESULTS FOR THE ACCOUNTING PERIOD

Sompo Sigorta's 2019 pre-tax profit was recorded as TL 597 million.

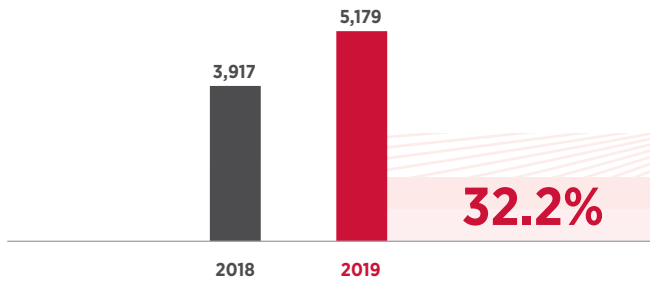
SUMMARY FINANCIAL INFORMATION ON THE 2019 OPERATION RESULTS (TL Million)

(TL million)	2019	2018	Δ (%)
Total Premium Generation	3,363	2,509	34.0
Technical Balance	410	188	118.1
Profit Before Tax	597	382	56.4
Net Profit	471	288	63.5
Shareholders' Equity	1,617	1,136	42.4
Total Assets	5,179	3,917	32.2

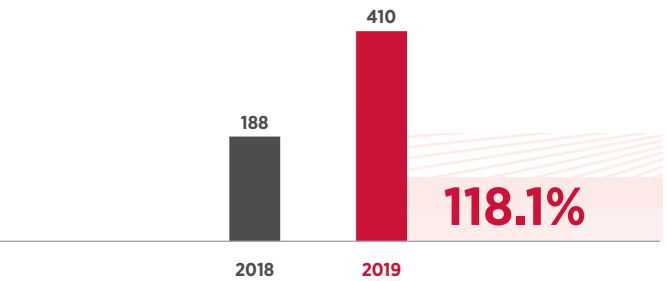
PREMIUM GENERATION BY BRANCH (TL thousand)

(TL thousand)	2019	2018	Δ (%)
Turkish Catastrophe Insurance Pool (TCIP)	38,542	37,813	1.9
Direct Surety	8,611	9,069	-5.0
Financial Losses	13,881	10,521	31.9
General Liability	40,995	38,684	6.0
General Losses	197,945	208,331	-5.0
Health	114,625	95,117	20.5
Aircraft	1,080	1,008	7.1
Legal Protection	5,594	5,980	-6.4
Motor Vehicles	858,267	561,904	52.7
Motor Vehicles Liability	1,716,811	1,250,121	37.8
Accident	13,999	11,056	26.6
Marine	36,171	31,699	14.1
Watercraft	6,175	3,208	92.5
Watercraft Liability	3,599	2,969	21.2
Fire and Natural Disasters	306,793	241,691	26.9
Total	3,363,088	2,509,171	34.0

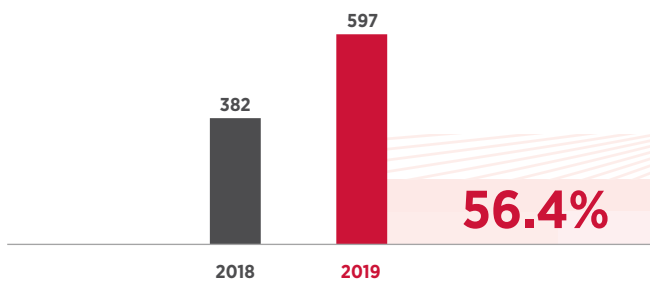
TOTAL ASSETS (TL million)



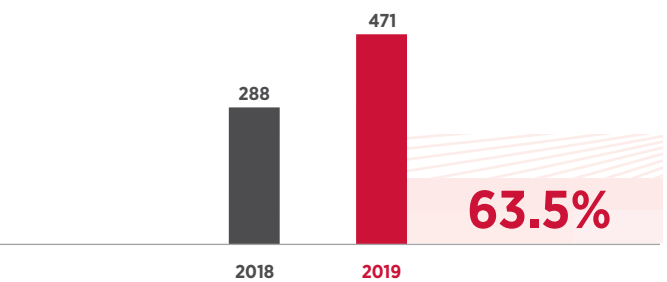
TECHNICAL BALANCE (TL million)



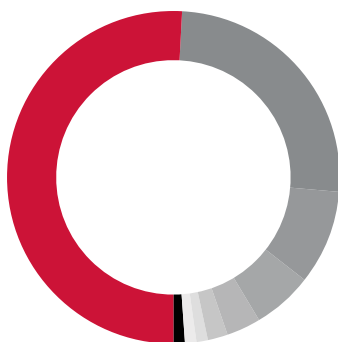
PROFIT BEFORE TAX (TL million)



NET PROFIT (TL million)



PREMIUM GENERATION BREAKDOWN BY BRANCHES (%)



- Motor Vehicles Liability 51%
- Motor Vehicles 25.5%
- Fire and Natural Disasters 9.1%
- General Losses 5.9%
- Health 3.4%
- Other 1.8%
- General Liability 1.2%
- Turkish Catastrophe Insurance Pool (TCIP) 1.1%
- Marine 1.0%

Sompo Sigorta ranked 2nd and 4th, respectively in Motor Vehicles Liability branch and Motor Vehicles branch in which it produces the most premium.



MESSAGE FROM THE CHAIRMAN



While we registered our title as Sompo Sigorta in 2019, **Sompo International Holdings became our main shareholder.**

A year of weak performance in global growth and trade. The year 2019 was a difficult period which witnessed a rapid decline in global trading volumes, accompanied by a weakening in global growth with what is thought to have been the smallest growth rates in the last 10 years in both indicators.

While one of the leading actors of the demand contraction in the world has been cited as the ongoing trade wars between the US and China, which escalated further in 2019; concerns about global growth have increased, especially with the presence of geopolitical risks from the Middle East and the uncertainty created by Brexit.

While the USA was experiencing one of the longest growing periods, a weaker growth was observed in the Eurozone compared to last year. The political uncertainties in Italy, Spain and the UK during the year and the Brexit process also negatively affected the growth trend in the region. In Asian economies, which have continued to suffer a loss of economic momentum, Japan posted lower than expected growth, while the growth performance of the Chinese economy slipped to its lowest level in the last 30 years.

Nearly all central banks, especially the US Central Bank (FED), which is expected to implement a tight monetary policy throughout the year, have turned to expansionary monetary policies with the weight of global risks increasing in 2019. The US Central Bank (FED) cut interest rates three times during the year, while the European Central Bank (ECB) implemented interest rate cuts with a new support package. These moves are aimed at limiting the negative impact and expectations generated by the increased liquidity and mounting downside risks.

The IMF's January 2020 World Economic Outlook report revised its forecast for global economic growth down from 3% to 2.9% for 2019 and from 3.4% to 3.3% for 2020, reflecting downsides in several emerging markets, principally in India.

At the beginning of 2020, two significant developments occurred to reduce global uncertainties:

- A consensus was reached in the trade dispute between China and the USA, on the first phase trade agreement.
- After nearly half a century of EU membership, the UK left the European Union on 1 February 2020, following the approval of the Brexit bill. This now ushers in the EU's difficult transition period, which will take about a year, which will bring a full end to the UK's EU membership and overcome technical issues.

The year 2020 started with an unpredictable development for the whole world, with the coronavirus (Covid-19) pandemic, which posed a great threat to humanity and the global economy.

In the interim Economic Outlook report entitled "Coronavirus: The World Economy at Risk" prepared by The Organization for Economic Cooperation and Development (OECD), published in March, it was noted that Covid-19 had already caused intensive economic disruption, with the decline in Chinese production making itself felt on the global economy, with considerable uncertainty hanging over the global economic outlook.

Under the optimistic scenario, which assumes the outbreak is brought under control, the global economic growth forecast was lowered to 2.4%, with a warning that if the Coronavirus outbreak continued in regions such as Asia Pacific, Europe, and North America for a long time and intensively, it could cause a serious deterioration in the global economic outlook. It cautioned that under this scenario, global economic growth could decline to 1.5%.

The report also noted a downward revision to the growth forecast of G-20 countries due to the negative impacts and disruptions caused by the Coronavirus outbreak in the areas of trust, the financial markets, the tourism sector and the manufacturing supply chain.

The Turkish economy beat the odds

The contraction in the Turkish economy, which started in the last quarter of 2018, continued in the first half of 2019; all the while, significant progress was achieved in the balancing process carried out with the stable stance of the authorities, the rapid measures taken and the concerted cooperation of the private sector. The Turkish economy defied expectations to post growth of 1% in the third quarter, and increased its momentum in the fourth quarter to record growth of 6%. Thus, the Turkish economy grew by 0.9% in 2019, surpassing the growth target of 0.5% set out in the New Economy Program (NEP).

Declining cumulative exchange rate effects and the moderate course of domestic demand supported the overall recovery in inflation dynamics in 2019. The rate of CPI inflation, which had stood at 20.4% in January 2019, ended the year at 11.8%.

Encouraged by the progress in the decline in inflation and the interest rate decisions from the central banks of developing countries, the Central Bank of Turkey lowered its policy rate from 24% at the beginning of the year to 12%, with a total of 1,200 basis points in rate cuts after four meetings.

While exports reached record highs in 2019, the current account deficit, having dipped to its lowest level in the past 9 years, recovered further and posted a surplus.

Achieving results in accordance with the targets set out in the “NEP Structural Transformation Steps 2019” program in economic indicators, which signals that the Turkish economy will focus on reforms, will be the main determinant of the progress on the path to growth in the coming period.

Despite current global uncertainties, the world insurance market continues to generate premiums in excess of historic averages.

According to forecasts set out at the end of 2018, it was foreseen that the insurance market across the world would be able to generate premiums of over USD 5 trillion for the first time in its history, with 44% of this volume to come from non-life branches. However, the signs of a slowdown in global growth stand out as the most important factor which will limit the growth of the market. In particular, the signs of a slowdown in China, which ranks second in the world in terms of premium production, the pressure created by trade disputes and the Covid-19 effect could cast a cloud over the positive development.

In the medium term, the gradually increasing share of developing countries will be the factor to carry the sector forward. It is predicted that the share of developing countries in global premium production will double in the next 10 years and exceed 40%. The main assumption behind this projection is the expectation that China will enter a rapid growth trend again.

The insurance market is going through an exciting transformation process. Insurance companies worldwide are investing more than ever in transforming business models to take advantage of the different growth opportunities which arise with digitalization. The digital transformation is also expected to facilitate the more result-orientated and efficient use of technology, strengthen the market's ability to promote financial well-being and change the working culture.

While the domestic insurance market, which accounts for more than 4% of the Turkish financial sector, offers significant potential due to the population and growth dynamics. Its performance has fallen short of its potential due to the low level of awareness of the insurance market in the eyes of consumers and the overall structure of consumer perception.

According to figures published by the Insurance Association of Turkey (TSB), premiums generated by non-life insurance companies reached TL 55.4 billion at the end of 2019, an increase of 20.6% compared to the previous period.

The most important steps for the Turkish insurance market were taken by the parliament as structural arrangements in 2019. The Turkish Reinsurance Company (Turk Re), established by the Ministry of Treasury and Finance, is expected to increase domestic reinsurance capacity.

The establishment of the administrative authority, the Insurance and Private Pension Regulation and Supervision Board (SEDDK), which is seen as an important structural reform move in the sector, will also accelerate development in the sector.

Our business model and management competence paves the way for success.

Our position as one of the top five companies in the non-life insurance market in the difficult conditions of 2019 is a source of great pride for the Sompo Sigorta family, while confirming the effectiveness and managerial competencies of our business model that has ensured our stable performance is sustainable.

As a profitable and growth-oriented company that successfully reads change, supports human resources with technological capabilities and enhances the customer experience to the highest level with digital transformation, we continue to strengthen our position in the market.

While we registered our title as Sompo Sigorta in 2019, Sompo International Holdings became our main shareholder. This year, the Sompo International Retail Platform, on which the group-wide retail operations are connected, successfully completed its first period of operation under the new structure. With its leading position both as a profit center and in terms of innovation, Sompo Sigorta getting support of the Group and always reinforces the confidence which it will utilize the potential and dynamics of the market in which it operates.

The year 2020 harbors great uncertainties and fragility due to the pandemic we are experiencing and its economic impact. In all circumstances, we will continue to work selflessly to further our position as a leading and preferred service provider and open new horizons in customer experience.

I would like to extend my heartfelt thanks to all of our stakeholders who have been with us and trusted us.

Respectfully,

Katsuyuki Tajiri
Chairman of the Board of Directors

ASSESSMENT OF THE CHIEF EXECUTIVE OFFICER



Sompo Sigorta rose to 5th place in the insurance market with a market share of 6.1% in 2019, generating TL 3,363 million in premiums, a 34.0% increase when compared to the previous year.

Consistent growth with a high performance culture

In 2019, a year in which we felt the negative impact of weak economic growth and shrinking demand on economic activity inherited from 2018, Sompo Sigorta reiterated its success on the profitability and production axes with the right strategies and a high performance culture.

Sompo Sigorta rose to 5th place in the insurance market with a market share of 6.1% in 2019, generating TL 3,363 million in premiums, a 34.0% increase when compared to the previous year. As a young company, I think it is of considerable importance in terms of scale to be included in the top five brands in the insurance market. From this point of view, we have achieved our position in the premium production ranking, registering a weighted average rate of growth of 37% in the last 5 years.

Sompo Sigorta, has achieved remarkable results in the motor vehicle liability and motor vehicle businesses, which are among the key segments in premium production, thus has reached an impressive 52.7% rate of growth in motor vehicle business - far ahead of the market growth rate. Thanks to its data-driven approach and pricing policy, Sompo Sigorta ranked 4th in the motor vehicle business with a 9.1% market share, and 2nd in the motor vehicle liability business with a 9.2% market share, while remaining first in the agency channel in this business.

Reaching an asset size of TL 5.2 billion with an increase of 32.2% as of the end of 2019, Sompo Sigorta maintains its leading position among the insurance market's fastest growing companies. Sompo Sigorta's shareholders' equity increased by 42.4% to reach TL 1.6 billion. As one of the market's three most profitable companies, earning a pre-tax profit of TL 597 million in 2019, Sompo Sigorta recorded a net profit of TL 471 million, marking an increase of 63.5%. Return on Equity increased to 34.2% during 2019, while Return on Assets reached 10.3%.

Backed by its shareholder, Sompo Holding, as one of Japan's largest insurance groups and with its global reach, and as one of the rare companies in the Turkish insurance market to have achieved growth and a high profitability performance in recent years, Sompo Sigorta stands out among other group companies in terms of its technical profitability and sustainable growth performance, with an exemplary position in the group with its compound ratio and operational efficiency.

Digitalization and innovation determine customer promises

Thanks to digital transformation, the insurance market has been able to access previously inaccessible segments, anytime and anywhere, with a seamless multichannel experience and more efficient operations.

Large scale data analysis, sensor technology and communications networks have combined to allow insurers to predict risks and customer demands with greater certainty than ever before. This raises the issue of improved business models that are constantly fueled by new technologies.

On the other hand, the rise in cyber risks in parallel with the development of technology, increasing risks from natural disasters such as hail, storms, floods and tornadoes caused by climate change and the increasing frequency of such incidents means it is necessary to design innovative products offering different protections.

Against this backdrop, we are also constantly trying to implement digital and technological developments in our business processes to ensure the continuity of our successes. Mobile platforms such as Ejento for the sales channel and Sampo Mobilo for customers are examples of applications in the market. Artificial intelligence, robotic technologies and data-driven algorithms are increasingly involved in our production and decision-making processes.

Sampo Sigorta is constantly developing new products based on changing needs, dynamics and expectations, and updates its product and service mix. Following the example of Digital Security Insurance, which provides comprehensive protection against cyber risks, we also launched Turkey's first Climate Insurance, which protects against damages caused by global climate change.

It is crucial that insurance companies reposition themselves as technology companies, proactively communicate the importance and purpose of the sector, the value it adds to society and the appeal of pursuing a career in the insurance market.

In this context, we perceive the repositioning of our brand as one of our priorities. We have taken important steps by gradually implementing our versatile and long-term communication plan. We are aware that our brand commands a very strong place in the insurance market, but one of our key goals is to position the brand where deserves in front of the end customers. I believe we will achieve this on the back of our intensive efforts and the initiatives we have undertaken in this regard.

As a company, we deem sustainability as our priority in every field we operate in. We address it in every aspect; environmentally, socially and economically.

We must make good use of the present for our future

As a company, we view sustainability as our priority in every field we operate in; we deal with it in all of its environmental, social and economic aspects. The most concrete example of this approach is the "Respect for Earth" project, which we launched last year to raise awareness and consciousness both socially and individually, in which we fully embrace the issue of the climate crisis.

With this project, which has so far reached approximately 32 million people with the field activities and online activities it has performed, and In addition to the "Protect the Climate" training programs, which were launched in cooperation with the TEMA Foundation and the Ministry of National Education, we are launching a broad volunteer movement entitled "Respect for Earth Volunteers". We believe that when it comes to climate action, there are still important tasks which can be taken by individuals, apart from those taken by governments, corporations and NGOs, and that the solutions cannot be evaluated independently of individual actions. By expanding the scope of our project with the "Respect for Earth Volunteers" movement, we aim to put forward actions on climate issues together with volunteers and to lead the society.

We believe that long-term economic success for Sampo Sigorta will gain meaning through our corporate and Social Responsibility initiatives. In this way, we want to stop being a company that works only for profitability and add value to the lives of our employees and all our social stakeholders.

In the name of adding sustainable economic value to our stakeholders, Sampo Sigorta acts on the principles of giving the right price to the right risk; with its quality in sales and after-sales service processes, it's pioneering in digitalization, it will continue to be one of the companies to determine the direction of competition and its strong leaps towards leadership.

I would like to extend my sincere thanks to our team, business partners, agents, policyholders who have chosen us and all our stakeholders, with whom I believe we will achieve new successes together.

Respectfully,

Recai Dalaş
Chief Executive Officer

INFORMATION ON CHANGES IN THE SHAREHOLDING STRUCTURE, CAPITAL AND PARTNERSHIP STRUCTURE OF THE COMPANY DURING THE FISCAL PERIOD, INFORMATION ON THE TITLES AND SHARES OF REAL OR LEGAL PERSONS WITH PRIVILEGED SHARES

The company's paid-in capital is TL 190 million.

Shareholder's Name	Share amount (TL)	Number of Shares	Share ratio (%)
Sompo International Holdings Ltd.	190,000,000	19,000,000,000	100.00
Paid-in Capital	190,000,000	19,000,000,000	100.00

Shareholders do not hold any privileged shares.

No shares are held by the chairman or members of the board of directors, the CEO and deputy general managers.

Our company does not hold any repurchased own shares.

CHANGES TO THE ARTICLES OF ASSOCIATION AND REASONS THEREOF DURING THE ACCOUNTING PERIOD, IF ANY

There have been no changes to the Articles of Association.

NUMBER OF PERSONNEL, NUMBER OF REGIONAL OFFICES, LIAISON OFFICES AND BRANCHES, THE TYPE OF SERVICE AND FIELDS OF ACTIVITY OF THE COMPANY, AND THE ASSESSMENT OF THE COMPANY'S POSITION IN THE SECTOR ON THEIR BASIS

NUMBER OF PERSONNEL

At the end of 2019, the company had 647 employees, of which 83% were working at the Head Office, 16% in the regional directorates and 1% at the branches.

NUMBER OF REGIONAL OFFICES, LIAISON OFFICES AND BRANCHES

The company's Trade Registry Number is 455439.

The company's headquarters and General Directorate are located in Istanbul and operate in the Beykoz Kavacık Rüzgarlıbahçe district, Cumhuriyet Street, No: 10 Acarlar Business Centre, C Blok 34805 Istanbul.

The sales organization of our company is made up of branches and regional offices throughout the country and the number of these organizations has increased in line with the growth needs of our company. We have 10 regional offices: the Istanbul European Side Region, the Istanbul Asian Side Region, the Istanbul Anatolia- East Side Region, the Western Istanbul and Thrace Region, the Mediterranean Region, the Bursa Region, the Black Sea Region, the Aegean Region, the Southeast Anatolia Region, and the Central Anatolia Region.

TYPE OF SERVICE AND FIELDS OF ACTIVITY OF THE COMPANY

Our company operates in all non-life branches (Fire and Natural Disasters, Financial Losses, Marine, Watercraft, Watercraft Liability, Motor Vehicles, Motor Liability, Accident, Rail Vehicles, Aircraft, Aircraft Liability, General Losses, General Liability, Surety, Legal Protection, Credit, Health, Support).

OVERVIEW OF THE INSURANCE SECTOR IN TURKEY

According to figures pertaining to the end of 2019 released by the Insurance Association of Turkey, the Turkish insurance sector generated TL 69.2 billion of premiums in 2019, marking an increase of 26.7% compared to the previous year. Premium generation in the non-life branches, which account for 80% of total premium generation, stood at TL 55.4 billion with a nominal growth rate of 20.6%. The premium production of life companies reached TL 13.8 billion with a growth of 59.2%.

Motor Liability accounted for the biggest share in non-life premium generation, with a 32.3% share, followed by the Motor Vehicles (16.3%). These are followed by Fire and Natural Disasters (14.6%), Health (14.4%) and General Losses (10.1%).

In 2019, two new institutions were established which are anticipated to contribute positively to the development of the insurance sector. The Insurance and Private Pension Regulation and Supervision Authority (SEDDK) was established as a new regulatory authority in the insurance sector. The establishment of the SEDDK has been welcomed in the sector as an important step towards the expansion of the non-banking financial system and as a long-awaited positive development.

The other development was the establishment of Turkish Re in the capital of the Treasury as one of the measures to support the growth of financial markets. Turkish Re is expected to contribute to economic growth by increasing the domestic reinsurance capacity and also undertaking the management of pool structures such as DASK (Natural Disaster Insurance Institution) and TARSİM (Agricultural Insurance Pool).

26.7%

According to figures pertaining to the end of 2019 released by the Insurance Association of Turkey, the Turkish insurance sector generated TL 69.2 billion of premiums in 2019, marking an increase of 26.7% compared to the previous year.

NON-LIFE PREMIUM GENERATION BREAKDOWN BY BRANCHES (2019)



■ Motor Vehicles Liability 32.3%	■ Health 14.4%
■ Motor Vehicles 16.3%	■ Other 12.3%
■ Fire and Natural Disasters 14.6%	■ General Losses 10.1%

ASSESSMENT OF THE 2019 OPERATIONS

Sompo Sigorta performed strongly in an operating environment beset by a low growth rate and shrinking domestic demand in the first six months of 2019, and succeeded in ranking as one the top five companies in the sector.

As of the year-end of 2019, Sompo Sigorta increased its assets by 32.2% and achieved TL 5.2 billion in asset size, **taking place at first ranks among the fastest growing companies in the sector.**



A strong performance in the challenging conditions of 2019...

Sompo Sigorta performed strongly in an operating environment beset by a low growth rate and shrinking domestic demand in the first six months of 2019, and succeeded in ranking as one the top five companies in the sector.

In 2019, the company generated TL 3,363 million of premiums, an increase of 34% compared to the previous year, and it rose to 5th rank in the market with a share of 6.1%. Sompo Sigorta ranked 2nd in the Motor Vehicles Liability branch, the driving force of the sector, and in 4th position in the Motor Vehicles branch, increasing its rank one place compared to last year. The company maintained its 5th rank in the agency channel on the distribution channel rankings.

As of the year-end of 2019, Sompo Sigorta increased its assets by 32.2% and achieved TL 5.2 billion in asset size, taking

place at first ranks among the fastest growing companies in the sector. The company's shareholders' equity amounted to TL 1.6 billion with an increase of 42.4%. Sompo Sigorta, one of the most profitable companies in the sector, recorded a profit before tax of TL 597 million and a net profit of TL 471 million in 2019.

High premium production thanks to effective channel management

Sompo Sigorta continues its sales activities through its Agency, Bank and Direct Sales channels and in-house sales structuring in accordance with these channels.

At the end of 2019, Sompo Sigorta was in active cooperation with 2,305 agencies. Under the Agency Sales Management and Marketing Deputy General Directorate, 10 regional offices and 51 sales representatives are responsible for the performance of the agency channel, which accounts for approximately 80.6% of our premium production.

The bank channel, which has a 3.4% share in total premium production, has agreements with four banks: Finansbank, Fibabank, ICBC Bank and Anadolubank. The most intensive premium production among these comes from the Finansbank channel.

CHANNEL BREAKDOWN (END 2019)

AGENCY	2,305 Agencies
FINANSBANK	539 Branches
ANADOLUBANK	112 Branches
FIBABANK	64 Branches
ICBC BANK	42 Branches
BROKER	74 Brokers
CAPTIVE	13 Captive Agencies
DIRECT	N/A
FİBA HOLDING	N/A
FINANS LEASING	N/A

PRODUCTION BREAKDOWN BY BRANCHES

TL thousand	2019
SALES CHANNEL	PREMIUM GENERATION
AGENCY	2,710,272
ANADOLUBANK	196
BROKER	157,810
CAPTIVE	90,988
DIRECT	264,172
FİBA HOLDING	8
FİBABANK	8,164
FINANS LEASING	25,478
FINANSBANK	104,617
FORTIS BANK	-
ICBC BANK	1,383
ING BANK	-

With our innovative products and services and our expanding digital ecosystem, we are raising the bar of competition.

Sompo Japan Sigorta has adopted innovation as part of its corporate culture, and demonstrates its identity of being a leading company, whose innovative product range and technology are closely followed by the sector.

In a conjuncture of constantly changing customer needs, the company continues to work to provide the assurances that will be needed in different areas of life with the aim of being a top ranking company in terms of the diversity of its products and guarantees, and to make a difference for the customer.

Aiming to increase customer loyalty by providing a quick, easy and high quality experience in the damage and assistance services processes, in addition to the guarantees that it provides to its customers with its customer-focused vision, Sompo Sigorta also provides direction to the sector with its applications, which it has implemented in the field of digitalization, and It takes action to expand the digital ecosystem that can raise the customer experience to the next level. Therefore, we are constantly striving to implement digital and technological developments in our business processes to ensure the continuity of our achievements. The Sompo Mobilo app for customers is an example of applications in the sector with its user-friendly interface, policy purchase and renewal, assistant services and guard

Climate Insurance

Sompo Japan Sigorta has succeeded in making a name for itself with the Climate Insurance launched in 2019.



For each climate insurance policy, we donate a sapling to TEMA foundation.

pharmacy service. In addition, thanks to the Sompo Mobilo app, users can do the damage application procedures very simply and then, they can follow up. Artificial intelligence, robotic technologies and data-based algorithms are increasing their presence in our production and decision making processes.

Sompo Sigorta has implemented pioneering and innovative applications such as the first agency portal application in the sector, being the first insurance company to have centralized damage policies, the first virtual POS application and the first fast sales screen. Sompo Sigorta's product range includes products that stand out in terms of their content, price and operational convenience, such as motor vehicles liability, car insurance, housing, plus personal accident, workplace package, complementary health and hazardous illness. In addition, the individual accident product was launched as a first in the sector in terms of content.

Sompo Japan Sigorta has also succeeded in making a name for itself with its Digital Security and Mini Car Insurance products launched in 2018, and following these with the Climate Insurance launched in 2019.

Sompo Climate Insurance - the first and only of its kind in Turkey

In addition to fire cover, the main guaranteed item, Climate Insurance guarantees against disasters such as hail, storms, floods-inundation, tornadoes and snow weight, landslides and fallen trees, which are the indirect effects of these disasters, and all assets (housing, workplace, motorized land vehicles and boats) including buildings and belongings, against the risks that are under the coverage of the Personal Accident on the basis of first-loss insurance.

ASSESSMENT OF THE 2019 OPERATIONS

Processes and infrastructures which could be operated more rapidly, accurately and to a standard where UW (UnderWriting) processes could be measured were implemented with effect from the first quarter of 2019.

Important projects on the way to becoming a “Technology Company”

Sompo Sigorta’s goal is to be the best insurance company in Turkey.

In line with this corporate goal, the company is achieving significant breakthroughs to turn Sompo Sigorta into a technology company. Sompo Sigorta has determined its primary focus areas in this field as strong processes and strong technological infrastructure.

The company unwaveringly pressed ahead with its projects which will support this strategic approach in 2019.

The Redesign of Collection Processes and Collection Module Change project is one of the major projects completed in 2019.

With this project, the collection functions and processes of the collection department were redesigned from end-to-end and a structure in the collection department, which serves to measure process performances, reducing risks by establishing decision mechanisms, increasing operational efficiency, providing ease in usage as a single platform and ensuring that transactions related to collections on the agency and customer side are straightforward, executable and measurable, has been developed.

Within the scope of the Enterprise Products’ Offer/Policy Processes project, the flow of the entire process starting from the receipt of the offer from the agency/broker/bank up until its completion was reviewed and work methods and rules were redesigned.

Processes and infrastructures which could be operated more rapidly, accurately and to a standard where UW (UnderWriting) processes could be measured were implemented with effect from the first quarter of 2019. The commissioning of this project allowed the provision of a faster and better quality service to agencies and customers, thus increasing operational efficiency, automating processes and reducing risk.

Within the scope of the Individual Products’ Offer/Policy Processes project, the flow of the entire process starting from

the receipt of the offer from the agency/bank up until its completion was reviewed and work methods and rules were redesigned.

The design of the improvements to be carried out so agents/banks were able to receive online offers quickly and easily in the individual products, and to ensure rapid response on issues which require company assessment, was completed and is planned to be completed in the first quarter of 2020.

Activities carried out as part of Damage Transformation

The Legal Module, which was designed in accordance with the new ways of working with the Legal Litigation and Operational Processes project covered within the scope of the Damage Transformation Program initiated in 2018, was brought online in the last quarter of 2019. With the new way of working, all legal documents are now processed digitally, ending the circulation of physical documents. The new structure has set the stage for a major transformation, in which all legal litigation processes are recorded and procedures and legal periods are followed up.

With the Notice and Auto Damage Processes project, which is one of the key projects continuing under the Damage Transformation Program, processes for obtaining notification from the call center, contracted and non- contracted services, enterprise website and customer channels will become much more straightforward, faster and offer better quality, while the quality and speed of the damage processes will also be positively affected.

With the process changes made within the scope of the Auto Damage Processes, it will be possible to monitor the whole process, while the speed and quality of damage file evaluation will be improved. Early warning mechanisms will allow advance notification of risks and action will be taken. Infrastructure development work on these projects is underway and the Notice Module is planned to be completed in the first quarter of 2020 with Auto Damage Processes planned to be completed on a phase by phase basis by mid-2020.

Within the scope of the Damage Transformation Program, process development work on the Body Damage Processes and Non-Auto Damage Processes got underway in 2019. The development of the system is planned to be completed in 2020.

In 2019, with Fibabank and QNB Finansbank, two of the Company's business partners, improvement efforts got underway in systems and processes, where insurance sales are made through the bank channel.

In 2019, with Fibabank and QNB Finansbank, two of the Company's business partners, improvement efforts got underway in systems and processes, where insurance sales are made through the bank channel. Improvements for some products were completed in 2019, and work on the 2nd phase products is continuing. With this project, both the partners and the Company will be able to achieve easier, more automated and risk-free work methods.

With the Document Management System / Correspondence Processes project, it is aimed to archive the documents with meaningful data on them electronically, which come to Sompo Sigorta from all channels, and to direct the relevant process owner to the business pool, to register all important content, to ensure traceability of incoming-outgoing document process, to reduce the durations of work completion.

Damage and legal documents are given priority within the scope of the project. In 2019, legal documents were digitalized and in the first quarter of 2020, it is planned to complete the digitalization of damage documents.

The Request/Complaint Management Processes Improvement project aims to address the process on an end-to-end basis, starting with any request or complaint from the customer or agency, and to design it in such a way that the customer and the agency receive a response with a solution in the shortest possible time.

In this context, the final stage has been reached for standardization of the process, the recording of it, ensuring the traceability of the entire flow, automating the process as much as possible by embedding the defined rules/decision-making mechanisms on the system, and to implement it with a new design, where employees are able to focus on more value-added work, by eliminating the process from unnecessary operations. The process is planned to come online in the first quarter of 2020.

In 2020, Sompo Sigorta also plans to implement the process and infrastructure Improvement projects, the projects related to the UW processes and the projects related to risk processes, which it has determined within the framework of the Damage Transformation Program.

The insurance brand which best uses Social Media in Turkey

Sompo Sigorta was chosen as "the insurance brand which best uses Social Media in Turkey" in 2019, based on boom social data.

Within the scope of digital communication activities, all social media channels and the Google search network are actively used in order to strengthen the company's image and brand awareness.

A unique and proactive approach

Instructional, entertaining and rewarding concept content plans are created according to the dynamics of each social media channel in line with world trends. While preparing attention grabbing content that provides information about the products, sales are supported by designing targeted content that will lead to a sales channel specific for the products sold online.

The content is published in the concepts of technology (#sompoloji), eating and drinking (#sompogurme), travel (#sompoylagez), educational information (#sompoylabil), which will attract the interest of the target audience. These activities are also aimed at contributing to brand awareness by targeting specific advertising to the target audience.



ASSESSMENT OF THE 2019 OPERATIONS

In order to raise Sompso Sigorta's brand awareness and to better explain the services offered to the customers, active and successful communication campaigns were implemented in 2019.



identity, media communication, event and organization, sponsorship and social responsibility.

Corporate identity

In 2019, important steps were taken in relation to corporate identity.

In the 2nd quarter of 2019, the company's name was changed to Sompso Sigorta A.Ş. In this context, all corporate identity documents and signboards were changed. In the 3rd quarter of 2019, the Sompso Sigorta agencies which had signboards using the old logo in regions were identified, and the process of revising the signboards for all of them started in the 4th quarter. In order to contribute to the recognition of the Express Damage Repair Center (EDRC) services, signboards started to be installed in the service providers during the period following the revision of the logo. At the end of 2019, the process of installing signboards in all the EDRC services had been completed.

In addition, the agencies opening box sent to the agencies was designed for EDRC services and all materials needed by service providers were placed in the box and shipped.

The corporate website was revamped.

In 2019, Sompso Sigorta's website was revamped in order to provide a better user experience. The revamped website received three separate awards; the best website design award, given by Muse Creative Awards, the best website design award by Wenaward 2019, which we received in the insurance category and the Gold Award given, by the Dotcomm Awards in the financial category.

Sompso Sigorta manages its website with a dynamic approach and updates it regularly. Visuals prepared on the subjects that will attract the attention of customers and agencies are shared on the corporate website. All content in visual or print media is also published simultaneously on the website in order to reach a wider audience and increase brand awareness.

Increased Brand Value with Corporate Communication

Sompso Sigorta carries out active work on corporate communication under different headings such as corporate

Brand and Media Communication

In order to raise Sompso Sigorta's brand awareness and to better explain the services offered to the customers, active and successful communication campaigns were implemented in 2019.

In order to promote the Sompso Mobilo, a mobile app, which is prepared for the customers and which sets itself apart in the sector, a work on a jingle was carried out in May. With the jingle, communication of the mobile application was actively carried out through digital media.

In the last quarter of the year, the corporate commercial film, which was prepared in accordance with the concepts of sincerity, sensitivity, fairness, speed, agility and strength which were determined as brand features, was broadcast, with 360° communication work carried out. Together with the commercial film, the launch of the brand promise - 'We Understand You' - was also realized.



Event and Organization Activities

In 2019, Sompo Sigorta won the best event award, including all sectors, which were recognized as the Oscar of the M.I.C.E. (Meetings, Incentives, Conferences and Exhibitions) sector, in recognition of its agencies' meeting held in 2018.

With the move of the Marmara and South Anatolia Regional organizations to their new offices, the opening of the regional organizations took place with the participation of more than 200 agencies in these regions.

In 2019, the Company established the Samurai Club – a first of its kind in Turkey. This is a prestigious club which the company established by taking inspiration from the philosophy born on Japanese soil with the virtues of respect, honesty, loyalty, honor, courage, fairness and philanthropy, overlapping with the values of our country's at many points.

In June 2019, the Samurai Club traveled to San Sebastian and Bilbao. The Samurai Club agencies returned from the trip with great satisfaction, which was designed as an event based on experience.

Social Responsibility

Sompo Sigorta undertook the "Respect for Earth" project in 2019 in order to create both social and individual awareness and a consciousness of the climate crisis.

Sponsorship Activities

The company has been the main sponsor of the Beşiktaş Men's Basketball A-team since 2015. The sponsorship is announced in all forms of media through press conferences, press releases and in advertising with the theme of Beşiktaş Sompo Sigorta.

The Eagle Girls, consisting of the Sompo Sigorta Dance Team, was founded based on the ever-evolving concepts in the field. The support for the Black Eagle Band was aimed at adding some variety to the on-field activities, and the Black Claw (Karapence) mascot was launched.

In addition, the communication activities of the policy, where were contracted to Vodafone Arena in a TL 140 million agreement, are actively carried out with logo, advertising video and social media posts prepared for the LED screens in the field.



The "Respect for Earth" Project

The purpose of the project

Global warming and the resultant climate change threatens daily life at a much higher level. Unexpected climatic events have begun to severely affect our country as in the world. Tornadoes, hailstorms and floods have been experienced with greater frequency in the last 3 years, and people have started to realize the effects of climate change.

The insurance sector is one of the priority sectors which must play its part in raising awareness about climate change and taking measures to tackle climate change. With extreme weather events such as flooding, drought, storms and heatwaves becoming more frequent and severe, insurance companies are forced to pay more to policy holders. Insurance companies' financial reserves and commercial activities are affected by the adverse effects of weather-related financial losses, technological changes, risk liability and health problems.

With this in mind, Sompo Sigorta implemented the "Respect for Earth", a 360-degree corporate social responsibility project on the basis of raising awareness of climate change at a social and individual level, as a global company operating in the insurance sector.

New Initiations in the Project

The project, which has reached approximately 32 million people so far through field activities and online

activities, is expanding with new steps. Within the scope of the project, the TEMA Foundation, with which Sompo Sigorta signed a 3-year agreement of cooperation, started 'Protect Climate' training programs in collaboration with the Ministry of National Education to reach 12,500 children in 30 provinces in 2020. In addition, Sompo Sigorta, which aims to lead the society on climate volunteerism, launched a wide volunteer movement entitled "Volunteers of Respect for Earth". With the Volunteers of Respect for Earth, many different field activities will be carried out in the areas of need on climate, training will be given for to the volunteers and special opportunities and rewards will be offered to active volunteers. The entire Sompo Sigorta ecosystem, especially its employees and agencies, will also take part in this voluntary movement.

In this new step of the project was a video series, explaining how to save money through small behavioral changes in individual life and how to reduce the effects of global climate change, which was posted on the project's website and social media accounts. A wide young audience was reached with a rap song called 'You, Me, Us are the World's Insurance', which was especially prepared for the project and came to the fore with its video talking about the harms to the world caused by climate change.

In the project, the year 2019 was determined as a year of awareness, while 2020 was determined as a year of action. To this end, Earth Volunteer project will be implemented in 2020.

ASSESSMENT OF THE 2019 OPERATIONS



Information on Human Resources Practices

A team focused on success, adopting innovative and visionary corporate culture

As of the end of 2019, our company employed a total of 647 staff, including 129 managers.

Employee loyalty is continuously measured and measures are taken to increase employee loyalty. Our company ranks first in terms of employee loyalty among Sompo Sigorta companies around the world. Many Human Resources and Academy activities are carried out and actions are taken in order to increase employee loyalty.

We believe that the impact of manager development on increasing employee loyalty in our company is significant and we care about the development of our managers. Accordingly, the performance system, in which managers evaluate employees on the basis of their targets, competencies and development, and the 360-degree manager evaluation system, in which employees evaluate their managers, have been implemented since the establishment year. The evaluation results play an active role in determining the training needs and career planning.

In order to recruit creative, innovative, open and productive, high-potential young employees in accordance with the corporate culture, to increase the recognition of Sompo Sigorta among university students and new graduates, to attract young talent to the insurance sector and to guide young people at the beginning of their career path as the school of the sector, to create social benefits and enable the creation of more innovative solutions with their participation in our company, the Sompo Samurai Future and Sompo Samurai Experience recruitment programs are available for new graduates and undergraduate / graduate students.

As of the end of 2019, our company employed a total of 647 staff, including 129 managers.

Through the policy of recruiting high-potential candidates who are compatible with the Sompo Sigorta culture, and who possess the competencies required by the job, a Competency Based Interview, Personality Inventory, General Aptitude Test and English Placement Test are applied depending on the requirements of the position.

In order to monitor the adaptation of our employees after their recruitment and to discuss areas where they are satisfied or where change is required, we hold a face-to-face “First Impression Interview” in their 5th month of employment. Face-to-face “We Listen to You” interviews are also conducted with employees who have worked in our company for more than a year, where we listen to their views and feedback and take action.

At our company, talent management practices focusing on strengths and aiming to unearth these talents and increase success are carried out. Career paths in our company are clear and transparent. Horizontal transfers between departments are permitted according to the qualifications of the individuals. In addition to a managerial career, employees may also develop their technical careers by developing themselves as specialists in their subject matter.

For promotion and recruitment to positions with responsibility for team management, we use an “Assessment Center” application. In order to use an objective tool when assessing candidates, to assess all candidates fairly, to offer feedback based on concrete data and observations, and to invest in employee development based on the correct data.

Our internal communication meetings, which all Sompo employees attend, have become a regular event. In September 2019, the Internal Communication meeting, in which 650 Sompo employees attended, was held in Sapanca under the motto of “We Are The Insurance of the World!”.

In accordance with the value our Company places on transparency, all our employees are given training where up-to-date information about the Human Resources & Academy strategies and processes are shared.

Our employees are remunerated within a systematic framework which takes account of the market and respects internal balances. Within the framework of performance-target systematic based on the logic of creating a target harmonized among the departments, the performances of the individuals are reflected to their wages.

The company introduced the Spot Reward application to encourage and appreciate employees who make a difference and to promote their success.

Employee development is one of the company’s top priorities. Individual boutique training sessions are organized based on the company’s strategy and targets. Training programs are organized by using internal and external resources. An average of 40 hours of training per person was carried out in 2019.

Function specific, phased, mixed academic programs are designed, especially for the main business units. In 2019, 4,238 employee hours of training were provided in the “Sales Culture Development Program”, which was designed for sales teams. In 2019, 4,238 employee hours of training were provided in the “Damage Development Workshop” program, which was prepared for all damage teams, started in 2018 and is continuing. In addition to classroom training, academic programs also use technological training solutions such as distance learning, a digital library and online competitions.

Taking advantage of its position as a global company, Sompo Sigorta offers global development opportunities that set it apart professionally and in terms of management with the



“Global MBA Program” in Singapore, Exchange Programs between Sompo Holding companies in different countries and the Head Office and Global Leadership and Global Executive Programs in Japan. In addition, continuous programs such as “Multidimensional Leadership” and “In-House Mentoring” are implemented in order to improve the managerial competencies of our managers.

In addition to the development of our employees, we do not rest on our laurels when it comes to internal communication activities and social responsibility.

Our internal communication meetings, which all Sompo employees attend, have become a regular event. In September 2019, the Internal Communication meeting, in which 650 Sompo employees attended, was held in Sapanca under the motto of “We Are The Insurance of the World!”.

A number of trees equal to the years of experience of our employees is donated to the commemorative forest which we created in Karaağaç, Kırklareli to mark the anniversary of their recruitment. In addition, we supported the TEMA-Tree brotherhood project in the Istanbul marathon organized in 2019 with our 115 volunteer runners, in order to draw attention to climate change within the scope of our “Respect for Earth” project.

INFORMATION ON RESEARCH AND DEVELOPMENT PRACTICES RELATED TO NEW SERVICES AND ACTIVITIES

In 2019, the company focused on visibility activities and ecosystem interaction to build stronger ties with the start-up ecosystem in the field of insurance technologies.

Innovation activities continue unwaveringly at Sampo Sigorta.

Sampo Sigorta continues to work with an innovative approach that befits the title of the insurance company which best uses technology. In 2019, the company focused on visibility activities and ecosystem interaction to build stronger ties with the start-up ecosystem in the field of insurance technologies.

Open Innovation and Entrepreneurship Ecosystem strategy

The Open Innovation and Entrepreneurship Ecosystem strategy has started to be implemented in accordance with Sampo Sigorta's vision for the future. The initial step in this strategy was the implementation of the start-up platform, which aims to initiate interaction with entrepreneurs and create an environment of venture discovery and collaboration with ventures.

In addition to open innovation activities, in-house innovation efforts continued in 2019. In this context, the work, which was planned last year, was converted into projects and implemented by in-house innovation groups.

In addition to the application for the managers of damage files, the project to create a culture of appreciation and recognition and change behavior within the company was commissioned. With the Chatbot project, the Chatbot service was implemented, answering frequently asked questions from agencies concerning the Motor Vehicle insurance product.

Increased activity in innovation groups

The projects also offered the employees taking part in the innovation group the opportunity to be part of the applications which will improve the company's current processes, while raising awareness regarding the project and product development processes in the implementation processes.



The Design Thinking method

Training and mentoring support was provided to enable Sampo Sigorta employees to learn the Design Thinking method, which is applied as an effective method for employees who are proactively developing customer-oriented products and services.

Applications with increased added value

Sampo Sigorta also continued to carry out work on improving the user experience of internal user applications in accordance with today's needs.

Interviews with more than 40 start-up and technology providers and "Proof of Concept" studies with 9 ventures

Sampo Sigorta held Interviews with more than 40 start-up and technology providers in 2019. The "Proof of Concept" studies on the topics of AI, Chatbot, and Video Assistant were completed with 9 initiatives. Integration into the company's internal processes was achieved by reaching an agreement with two ventures. In addition, negotiations were held in order to carry out joint projects with various ventures.

%70

In order to improve the agency and customer experience, improvements of up to 70% were achieved in the offer obtaining transaction times in 95% of the products, thus, allowing users to spend less time at their screens.

A large number of projects boost added value

Sompo Sigorta continued to develop new business models and update the innovation database in 2019 by closely monitoring the technological developments in the world.

Artificial intelligence started to be applied in the Document Management System in order to trace all paperwork-based activities at Sompo Sigorta as a process, to separate documents by intelligent recognition and through classification methods starting from their first entry into the company, and to automatically read and process the information contained within the documents. Instead of re-generating information on the documents with employees entering it into other systems, this work was carried out by machines, both minimizing operational errors and allowing employees to be deployed to more value-added decision making and support. In order to provide a paperless office environment, the projects aimed at the transfer of incoming physical documents to related business systems by scanning them during the correspondence acceptance phase and storing the needed data contained in the documents through the document management system were implemented.

The Insurance Information Center aims to enable companies to use data in a common language and supports it with the Common Data Model (CDM) project. In this context, Sompo Sigorta completed the transition of products in the fire branch to the new structure.

The Bid Monitoring System was organized into a structure that allows the approval processes and authorization limits of underwriters to be monitored and measured by the system from the New Generation Enterprise Underwriting perspective. In this method, all data is collected on a single screen during the bidding phase at Sompo Sigorta, enabling a more effective and faster service for the agencies. Similarly, fast supplementation screens were developed and launched on the Fast Sales Platform so that agents could quickly meet customers' supplementation (additional policy) demands by using easy, efficient and minimal information.



The game module, which creates a competitive environment between agencies through target products with a gaming configuration, and which creates an incentivized environment with awards, is implemented on the Ejento Mobile application, which allows agencies to monitor the process by creating portfolio tracking, policy production, renewal and a damage register on behalf of its customers.

In order to also provide services to customers through digital platforms as well as the agency and bank channels, the Digital Customer Platforms Application Development department was established, thus increasing the focus on this area and promoting investments. In addition, the opportunity to sell to customers who are no longer purchasing but who remain in the offer phase, was created by directing those with the suitable criteria to the relevant agencies. In order to inform customers of all of the Company's processes, information mailing, instant messages and automated sending of SMS messages was put in place.

In order to improve the agency and customer experience by reviewing all systems with the principle of continuous improvement, improvements of up to 70% were achieved in the offer obtaining transaction times in 95% of the products, thus, allowing users to spend less time at their screens.

Alternative products, which will offer a competitive advantage in health products, were prepared in integration with the tariff, printing and provision modules and implemented on the agency and end-user sales platforms.

Customer feedback is valued, customer comments and reviews are examined, and the company acts with the objective of continuous improvement. Within this framework, the Call Center and Customer Demand and Complaint systems were renewed. The applications and work processes, which systematically monitor the customer demands and problems until solutions are found with internal and external resources by combining all customers' contact information and the traces they leave at the company as centrally integrated with the IVR system, were implemented.

Sompo Sigorta continues to work with the goal of maximizing and developing the customer experience by creating a fluid and holistic (omnichannel) digital ecosystem by adapting to current work applications and services of new technologies through the digital transformation.

BOARD OF DIRECTORS



KATSUYUKI TAJİRİ
CHAIRMAN OF THE BOARD



RECAI DALAŞ
VICE-CHAIRMAN OF THE BOARD / CEO



BESİM ERGÜN
BOARD MEMBER



SENOL ORTAÇ
BOARD MEMBER



KEMAL BECEREN
BOARD MEMBER

Katsuyuki TAJİRİ
Chairman of the Board

Born in 1967, Mr. Katsuyuki Tajiri graduated from the Department of English Language and Studies at Sophia University. Joined Sompo Nipponkoa Insurance, Inc. (former Yasuda FireMarine Insurance Co. Ltd.) in 1990, Mr. Tajiri worked as a Director at the Marketing Department, at Corporate Planning Department and Global Business Planning Department between 2006 and 2013. In 2013, Katsuyuki Tajiri was appointed as the Executive Manager to Sompo Holdings (Asia) Pte. Ltd, and as the General Manager of South Asia & Pacific Regional Directorate of Sompo Holdings, Inc. and General Manager of Sompo Nipponkoa Insurance Inc. He has been working as the Executive Director at Sompo International Retail, Sompo Holdings, Inc. and Sompo Nipponkoa Insurance Inc. since 2018. Mr. Katsuyuki Tajiri was elected as the Chairman of the Board of Directors of Sompo Sigorta AŞ in March 2019.

Recai DALAŞ
Vice-Chairman of the Board / CEO

Born in 1956, Mr. Recai Dalaş graduated from Istanbul University, Faculty of Business Administration and completed his master's degree in Accounting Auditing at the same faculty. Mr. Dalaş joined Oyak Sigorta in 1985 and was appointed as the General Manager in 1999. Since 2001, he has been working as the CEO of Sompo Sigorta AŞ (formerly Fiba Sigorta AŞ). Mr. Recai Dalaş was elected as the Vice-Chairman of the Board of Directors of Sompo Sigorta AŞ in March 2019.

Besim ERGÜN
Board Member

Born in 1965, Mr. Besim Ergün graduated from Boğaziçi University, Department of Civil Engineering. He worked as the Deputy General Manager at Axa Oyak Sigorta between 1991 and 2001 and Deputy General Manager at Meteksan Sistem ve Bilgisayar Teknolojileri between 2001 and 2004. Mr. Ergün joined Sompo Sigorta AŞ in 2004 and served as the Deputy General Manager between 2004 and 2013 and Board Member between 2010 and 2013. Working as the Business Development Consultant since 2013, Mr. Besim Ergün was appointed as a Board Member of Sompo Sigorta AŞ in March 2019.

Şenol ORTAÇ
Board Member

Born in 1970, Şenol Ortaç graduated from Marmara University, Department of Business Administration. Mr. Ortaç worked as the Marketing Manager at Axa Oyak Sigorta between 1995 and 2002, joined Sompo Sigorta AŞ family in 2002. He served as the Head of the Department between 2002 and 2004, and has been working as the Deputy General Manager since 2004. Mr. Ortaç was appointed as a Board Member of Sompo Sigorta AŞ in March 2019.

Kemal BECEREN
Board Member

Born in 1967, Mr. Kemal Beceren graduated from Boğaziçi University, Department of Computer Engineering and completed his MBA at the same university. He worked as the IT Group Manager at QNB Finansbank between 1991 and 2000 and as IT Group Manager at Carrefour SA between 2001 and 2007. Kemal Beceren joined Sompo Sigorta AS family as a Coordinator in 2007 and has been working as the Deputy General Manager since 2010. Mr. Beceren was appointed as a Board Member of Sompo Sigorta AŞ in March 2019.

SENIOR MANAGEMENT



Arka Sıra

Kemal BECEREN
Deputy General
Manager

Şenol ORTAÇ
Deputy General
Manager

Uğur ÖZER
Deputy General
Manager

Ataman KALKAN
Deputy General
Manager

Özer ŞİMŞEK
Deputy General
Manager

Ön Sıra

Fahri UĞUR
Deputy General
Manager

Recai DALAŞ
Board Member /CEO

Işın MENGENLİ
Deputy General
Manager

Recai DALAŞ
Board Member /CEO

Education

Istanbul University / Business Administration
Istanbul University / Accountancy Audit - Post Graduate

Work Experience

1985-2001 Axa Oyak Sigorta
2001- Ongoing Sompo Sigorta - CEO

Date of Appointment: 11 December 2001

Uğur ÖZER
Deputy General Manager

Education

Marmara University /Economics
Istanbul University / Accounting and Financial Control - Post Graduate
University of East Anglia/ Economics - Post Graduate and Doctorate

Work Experience

1991-2010 Undersecretariat of Treasury - Insurance Supervisor
2010-2013 Generali Insurance -Deputy General Manager
2013- Ongoing Sompo Sigorta - Deputy General Manager (Claims and Law)

Date of Appointment: 1 August 2013

Şenol ORTAÇ
Deputy General Manager

Education

Marmara University / Business Administration

Work Experience

1995-2002 Axa Oyak Sigorta - Marketing Manager
2002-2004 Sompo Sigorta - Head of Department
2004- Ongoing Sompo Sigorta - Deputy General Manager (Individual Technical and Health)

Date of appointment: 5 May 2004

Kemal BECEREN
Deputy General Manager

Education

Boğaziçi University / Computer Engineering
Boğaziçi University / Business Administration - Post Graduate

Work Experience

1991-2000 QNB Finansbank - IT Group Manager
2001-2007 CarrefourSA - IT Group Manager
2007-2010 Sompo Sigorta - Coordinator
2010- Ongoing Sompo Sigorta - Deputy General Manager (Information Technologies)

Date of Appointment: 2 April 2010

Fahri UĞUR
Deputy General Manager

Education

Hacettepe University / Finance
New York University / Master of Business Administration

Work Experience

2002-2013 Undersecretariat of Treasury - Insurance Supervisor
2013-2014 Turkish P&I Insurance - Member of the Board
2013-2015 Halk Sigorta - Deputy General Manager (Technical)
2015- Ongoing Sompo Sigorta - Deputy General Manager (Financial Affairs)

Date of Appointment: 1 July 2015

Işın MENGENLİ
Deputy General Manager

Education

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

Work Experience

1995-1998 Yapı Kredi Bank- Human Resources Specialist
1998-2000 Dışbank- Human Resources Manager
2000-2005 Deloitte- Human Resources and Management Consultancy Manager
2005-2007 Deloitte- Human Resources Director
2008-2010 Hay Group- Human Resources Consultancy Director
2011-2014 Mercer- Human Resources Consultancy Director
2015- Ongoing Sompo Sigorta - Deputy General Manager (Human Resources and Academy)

Date of Appointment: 16 February 2015

Ataman KALKAN
Deputy General Manager

Education

Boğaziçi University / Computer Engineering

Work Experience

1997-1998 Escort Yazılım - Project Manager
1999-2000 SFS Danışmanlık - Information Technologies Deputy Manager
2000-2007 Gima/CarrefourSA - Information Technologies Director
2007-2010 Sompo Sigorta - Technology Solutions Director
2011-2015 Sompo Sigorta -Individual Technical Group Director
2016-2017 Sompo Sigorta - Individual Technical Director
2017- Ongoing Sompo Sigorta - Deputy General Manager (Corporate Technical and Corporate Sales)

Date of Appointment: 1 June 2017

Özer ŞİMŞEK
Deputy General Manager

Education

Middle East Technical University / Food Engineering

Work Experience

1993-1996 Karun Tempo Sigorta- - Sales Manager
1996-1997 IBS Sigorta ve Reasürans - Member of the Board
1997-2001 TEB Sigorta - Regional Manager, Central Anatolia region
2001-2005 Risknet Sigorta ve Danışmanlık - Managing Partner
2005-2008 Koç-Allianz Sigorta - Group Manager for Regions
2008-2018 AXA Sigorta -Sales & Marketing Deputy General Manager and Member of the Executive Board
2018- Ongoing Sompo Sigorta - Deputy General Manager (Sales & Marketing)

Date of Appointment: 16 April 2018

NAMES AND SURNAMES, TERMS OF DUTY, AREAS OF RESPONSIBILITY, EDUCATIONAL STATUS, PROFESSIONAL EXPERIENCE OF THE CHAIRMAN AND MEMBERS OF THE BOARD, GENERAL MANAGER AND DEPUTIES, MANAGERS OF THE DEPARTMENTS WITHIN THE SCOPE OF INTERNAL AUDIT SYSTEMS

Katsuyuki TAJIRI

Chairman of the Board (Date of appointment: 27 March 2019)

Education	Sophia University / English Language and Studies	
Work Experience	1990-2006	Yasuda Fire & Marine Insurance Co
	2006-2013	Sompo Japan Nipponkoa Insurance Inc. - Executive Director
	2013-2018	Sompo Holdings - Executive Director
	2019- ongoing	Sompo International Retail- Executive Director

Recai DALAŞ

Vice Chairman of the Board/CEO (Dates of appointment: 11 December 2001 - 27 March 2019)

Education	İstanbul University/ Business Administration	
	İstanbul University/ Accountancy Audit - Post Graduate	
Work Experience	1985-2001	Axa Oyak Sigorta
	2001-ongoing	Sompo Sigorta - CEO

Besim ERGÜN

Member of Board (Date of appointment: 26 March 2019)

Education	Boğaziçi University /Civil Engineering	
Work Experience	1991-2001	Axa Oyak Sigorta- Deputy General Manager
	2001-2004	Meteksan Sistem ve Bilgisayar Teknolojileri- Deputy General Manager
	2004-2013	Sompo Sigorta- Deputy General Manager
	2013- ongoing	Sompo Sigorta- Business Development Advisor

Şenol ORTAÇ

Deputy General Manager / Member of Board (Dates of appointment: 5 May 2004 - 26 March 2019)

Education	Marmara University/Business Administration	
Work Experience	1995-2002	Axa Oyak Sigorta- Marketing Manager
	2002-2004	Sompo Sigorta - Head of Department
	2004-ongoing	Sompo Sigorta - Deputy General Manager (Individual Technical and Health)

Kemal BECEREN

Deputy General Manager / Member of Board (Dates of appointment: 2 April 2010 - 26 March 2019)

Education	Boğaziçi University / Computer Engineering	
	Boğaziçi University / Business Administration - Post Graduate	
Work Experience	1991-2000	QNB Finansbank - IT Group Manager
	2001-2007	CarrefourSA - IT Group Manager
	2007-2010	Sompo Sigorta - Coordinator
	2010-ongoing	Sompo Sigorta - Deputy General Manager (Information Technologies)

Uğur ÖZER

Deputy General Manager (Date of appointment: 1 August 2013)

Education	Marmara University /Economics	
	Istanbul University / Accounting and Financial Control - Post Graduate	
	University of East Anglia/ Economics - Post Graduate and Doctorate	
Work Experience	1991-2010	Undersecretariat of the Treasury - Insurance Supervisor
	2010-2013	Generali Insurance - Deputy General Manager
	2013-ongoing	Sompo Sigorta - Deputy General Manager (Claims and Law)

Fahri UĞUR**Deputy General Manager** (Date of appointment: 1 July 2015)

Education	Hacettepe University / Finance New York University / Master of Business Administration
Work Experience	2002-2013 Undersecretariat of Treasury - Insurance Supervisor
	2013-2014 Türk P&I Insurance - Member of Board
	2013-2015 Halk Insurance - Deputy General Manager (Technical)
	2015-ongoing Sompo Sigorta - Deputy General Manager (Financial Affairs)

Işın MENGENLİ**Deputy General Manager** (Date of appointment: 16 February 2015)

Education	Boğaziçi University / Department of English Teaching New York University / Management and Organization
Work Experience	1995-1998 Yapı Kredi Bank - Human Resources Specialist
	1998-2000 Dışbank - Human Resources Manager
	2000-2005 Deloitte- Human Resources and Management Consultancy Manager
	2005-2007 Deloitte - Human Resources Director
	2008-2010 Hay Group - Human Resources Consultancy Director
	2011-2014 Mercer- Human Resources Consultancy Director
	2015-ongoing Sompo Sigorta - Deputy General Manager (Human Resources and Academy)

Ataman KALKAN**Deputy General Manager** (Date of appointment: 01 June 2017)

Education	Boğaziçi University/ Computer Engineering
Work Experience	1997-1998 Escort Yazılım- Project Manager
	1999-2000 SFS Danışmanlık - Information Technologies Deputy Manager
	2000-2007 Gima/CarrefourSA - Information Technologies Director
	2007-2010 Sompo Sigorta - Technology Solutions Director
	2011-2015 Sompo Sigorta - Individual Technical Group Director
	2016-2017 Sompo Sigorta - Individual Technical Director
	2017-ongoing Sompo Sigorta - Deputy General Manager (Corporate and Technical Sales)

Ali TOPRAKTEPE**Internal Audit Manager**

Education	İstanbul University/Business Administration
Work Experience	1983-1991 Nordstern Sigorta - Accounting Manager
	1991-1996 Rumeli Hayat Sigorta - Financial Affairs Manager
	1996-1999 Nordstern İmtaş Sigorta - Financial Affairs Group Manager
	1999-2004 Axa Oyak Sigorta - Budget Planning Manager
	2005-ongoing Sompo Sigorta - Internal Audit Manager

Deniz ÇELİK**MASAK (Financial Crimes Investigation Board) Compliance Officer**

Education	Doğuş University/ International Relations Marmara University/ International Relations and the European Union
Work Experience	2007-2008 Accounting and Finance Academics Association - Congress Secretary
	2008-2012 Dubai Group Sigorta - Compliance, Internal Control & Risk Management Specialist
	2013-2018 Sompo Sigorta - Management Assistant
	2018-ongoing Sompo Sigorta - Senior Legislation & Compliance Manager

INFORMATION ON MEMBERS OF THE BOARD OF DIRECTORS

At the Ordinary General Assembly Meeting held on 26 March 2019, Katsuyuki Tajiri, Recai, Besim Ergün, Şenol Ortaç and Kemal Beceren were elected as members of the Board of Directors for 3 (three) years due to the expiration of their current term of the memberships.

At the Board Meeting held on 27 March 2019, it was decided to elect Katsuyuki Tajiri as the Chairman of the Board and Recai Dalas as the Vice Chairman of the Board.

INFORMATION CONCERNING TRANSACTIONS CARRIED OUT BY MEMBERS OF THE BOARD OF DIRECTORS WITH THE COMPANY OR ON BEHALF OF OTHERS, AND THEIR OPERATIONS UNDER THE BAN ON COMPETITION WITHIN THE FRAMEWORK OF THE PERMISSION GIVEN BY THE GENERAL ASSEMBLY OF THE COMPANY

None.

EXPLANATIONS OF ADMINISTRATIVE AND JUDICIAL SANCTIONS IMPOSED AGAINST THE COMPANY AND MEMBERS OF THE BOARD DUE TO ANY ACTIONS WHICH CONTRAVENE THE LEGISLATIVE PROVISIONS

None.

FINANCIAL RIGHTS PROVIDED TO MEMBERS OF THE BOARD AND THE SENIOR EXECUTIVES

The financial rights provided to the members of the board and senior executives are set out in footnote 1.6 of the remuneration and similar benefits provided to the senior management in the audit report are included in the 2019 annual report.

INFORMATION ON THE PARTICIPATION OF THE MEMBERS OF THE BOARD IN THE RELEVANT MEETINGS HELD DURING THE ACCOUNTING PERIOD

During the accounting period, 22 meetings of the Board of Directors were held with the participation of the Chairman and members of the Board of Directors.

INFORMATION ON THE GENERAL ASSEMBLY

IF AN EXTRAORDINARY GENERAL MEETING WAS HELD DURING THE YEAR, INFORMATION ON THE EXTRAORDINARY GENERAL MEETING, INCLUDING THE DATE OF THE MEETING, THE DECISIONS TAKEN AT THE MEETING, AND THE TRANSACTIONS MADE REGARDING THE DECISIONS

At the Extraordinary General Assembly Meeting held on 15 May 2019, it was decided to change the title of the Company from "Sompo Japan Sigorta Anonim Şirketi" to "Sompo Sigorta Anonim Şirketi". This decision was registered in the Trade Registry Gazette no: 9838 dated 28 May 2019.

FULFILLMENT OF DECISIONS OF THE GENERAL ASSEMBLY

All decisions taken at the Annual General Meeting were fulfilled.

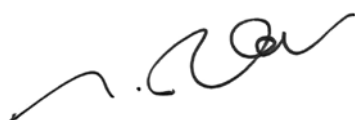
SUMMARY REPORT OF THE BOARD OF DIRECTORS SUBMITTED TO THE GENERAL ASSEMBLY

In 2019, our company recorded premium generation of TL 3,363 million, marking growth of 34%.

As a result of this year's activities, our company wrote a profit before tax of TL 597 million.

Shareholders' equity amounted to TL 1,617 million with paid-in capital amounting to TL 190 million, while our cash and cash equivalents amounted to TL 3,544 million and our asset volume reached TL 5,179 million.

With these results, our company posted a return on equity ratio of 34% in 2019.



Recai Dalas
Vice Chairman of the Board and CEO

INFORMATION ON TRANSACTIONS CARRIED OUT BY THE COMPANY WITH THE COMPANY'S RISK GROUP

The company's reinsurance transactions are carried out on an in-house basis under the terms and application principles applicable to third parties independent of Sompö International Holdings Ltd.

Cooperation is carried out with reinsurance companies which have been serving in the Turkish insurance market for many years, and which have been accepted and have been rated as acceptable by the various rating agencies.

Information regarding the transactions that the company carried out with the risk group, which the company is included, is provided in footnote 45 on transactions with related parties in the audit report included in the 2019 annual report.

INFORMATION ON INTERNAL AUDIT ACTIVITIES

The internal audit activities of our company are conducted by the Internal Audit Department and under the Board of Directors taking into consideration the international auditing standards and within the relevant legal framework specified by the regulation.

An annual audit plan and program are prepared and submitted to the Board of Directors for approval and audits are conducted in line with this program.

In 2019, the risk assessment of the department processes was conducted, and the audit of the departments and processes with high risk was intensified. In this context, risk-based audit activities were carried out in 17 units, consisting of the headquarters and regional directorates, and additionally in 5 processes. The findings in the reports issued after each audit were continuously monitored with the system established.

Suggestions related to the findings identified during the audit activities were formed and requests were submitted from the related unit for the action is to be taken for this purpose. Our reports are updated in 3-monthly periods following the improvements on this subject. Consultancy services are provided to the senior management and company units upon request.

The Internal Audit Department conducts internal audit activities to achieve the following objectives. It employs compliance audit, operation audit, system evaluation methods and related control techniques while carrying out internal audit activities.

- Protection of company assets,
- Ensuring that the activities of the company are carried out in accordance with the laws, insurance legislation, the company policies, procedures and instructions,
- Accurate and reliable financial statements in accordance with the generally accepted accounting principles of the accounting system,
- Effective and efficient use of company resources

The Internal Audit Department works to provide maximum benefit from the current information technologies system. Audit activities are supported by various controls, including restriction and authorization controls, which are designed to ensure that operations such as job acceptance, pricing and payments are carried out within the framework of the authorizations and rules contained in the procedures of the company and in accordance with the company policies, and which are installed in the automation systems.

During the audit activities carried out in 2019, no significant issues were identified which could have a negative impact on the financial structure of the company.

EXPLANATIONS ON PRIVATE AND PUBLIC AUDITS CARRIED OUT DURING THE ACCOUNTING PERIOD

In our company, KPMG Yeminli Mali Müşavirlik A.Ş. (certified public accountant) (KPMG) performed quarterly tax audits. KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Independent Audit and Independent Accountant and Financial Advisory) (KPMG) conducted independent audits at the end of June and at the end of the year.

INFORMATION ON FINANCIAL STATEMENTS AND FINANCIAL STRUCTURE, AND ASSESSMENTS ON FINANCIAL STATUS, PROFITABILITY AND INDEMNITY SOLVENCY

CAPITAL ADEQUACY RATIOS

	2019	2018
Premium Generation / Shareholders' Equity	2.08	2.21
Shareholders' Equity / Total Assets (%)	31	29
Shareholders' Equity / Technical Reserves (%)	53.8	49.2

ASSET QUALITY AND LIQUIDITY RATIOS

	2019	2018
Liquid Assets / Total Assets (%)	68.4	78.0
Liquidity Ratio	1.4	1.3
Current Ratio	1.4	1.4
Premium and Reinsurance Receivables / Total Assets	8.9	10.4
Agency Receivables / Shareholders' Equity (%)	9.8	13.3

OPERATING RATIOS (%)

	2019	2018
Conservation Ratio	65.5	60.7
Claims Payment Ratio (net)	77.2	77.2

PROFITABILITY RATIOS (%)

	2019	2018
Loss Ratio (net)	72.4	77
Expense Ratio	25.9	23.4
Compound Ratio	98.3	100.5
Profit Before Tax / Premium Generation	17.7	15.2
Net Financial Profit / Premium Generation	6.7	7.7
Net Technical Income / Premium Generation	12.2	7.5
Return on Equity	34.2	29

*In calculating financial profit, investment revenues transferred from non-technical department to technical department are excluded.

DETERMINATION OF WHETHER THE COMPANY'S CAPITAL IS UNREQUITED OR NOT, OR INDEBTED OR NOT, AND THE ASSESSMENTS OF THE MANAGING BODY

CAPITAL ADEQUACY TABLE (TL thousand)

	2019	2018
Required Equity Amount for the Company	703,171	533,394
Company Equity Amount	1,655,023	1,167,698
Capital Adequacy Result	951,852	634,304

The capital adequacy ratio of our company stood at 2.36 as of the end of 2019.

ACHIEVEMENT OF TARGETS SET IN PREVIOUS PERIODS

	Realization	Budget
(TL million)	2019	2019
Premium Generation	3,363	2,678
Net Technical Income	410	152
Profit Before Tax	597	462
Net Profit	471	360

INFORMATION ON REASONS IF TARGETS HAVE NOT BEEN MET, OR IF DECISIONS HAVE NOT BEEN FULFILLED, AND ASSESSMENTS THEREOF

In premium generation, both the profit before tax and the net profit exceeded the budget.

INFORMATION ON RISK MANAGEMENT POLICIES APPLIED BY RISK TYPE

In accordance with the Regulation on the Internal Systems of Insurance and Reinsurance and Pension Companies ("Internal Systems Regulation") published in issue 26913 of the Official Gazette dated 21 June 2008 by the Undersecretariat of the Treasury, the company's internal systems activities are carried out by internal audit, internal control and risk management functions. Within this context, internal audit functions are carried out by the Internal Audit Department, internal control functions are carried out by the Legal Department, and risk management functions are carried out by the Corporate Governance Department.

In order to be able to identify and control risks in our company in a healthy manner and to establish controls in a timely manner to cope adequately with the effects of the risks when they actually occur, to properly assess the risks the company is exposed to and in order to ensure the soundness of the financial position of the company, and to avoid unforeseen damages and losses, risk management policies and standards were established. The following points were taken into consideration during their establishment.

- Strategies, policies and implementation procedures related to the company's activities
- Compliance with the volume, nature and complexity of the company's activities
- Level of risk that the company may assume
- The company's monitoring and managing capacity
- The company's past experience and performance
- The level of expertise of the departmental managers in carrying out activities
- The policies and practices of the company's subsidiaries
- Obligations stipulated in law and other relevant legislation

All responsibility for the establishment and supervision of the risk management organizations lies with the Board of Directors. Important issues regarding risk management are handled by the Corporate Governance Committee on a quarterly basis. The Corporate Governance Committee supports the Board of Directors in decisions regarding the company's risk strategy and risk appetite as well as emergency measures to be taken in case of capital shortage.

Risks in operational activities are determined by department managers and Deputy General Managers in order to identify existing risks at our company and to identify possible risks that may occur. The operational process related to the risk management system is carried out by the Corporate Risk Management Department. The risks identified in the Operational Risk Assessment study prepared within this scope include system risks, asset risks, work force risks and reputation risks.

In this assessment conducted separately for each unit, the probability of occurrence of risks and impact of risks in terms of their content is given a score from a financial and operational point of view. If these risks occur in our company, the impacts that these risks will have on the company and possible losses will be determined. This risk management activity includes determining the controllability of the risks. The study assesses the establishment of controls to prevent and / or mitigate risks and the extent to which such risks can be mitigated. Risks are regularly reviewed to reflect changes in processes, market conditions and the products and services offered, and the effectiveness and adequacy of the controls are monitored.

INFORMATION ON RISK MANAGEMENT POLICIES APPLIED BY RISK TYPE

The company's critical risks are reviewed in terms of existing / potential risks in quarterly periods, and each risk is examined in detail and the relevant analysis documents are revised. Changes to the company's critical risks document are decided on during Corporate Governance Committee meetings.

In order to ensure that each department, or the affiliates of our company, carries out risk assessments, and thus, the risks which they are exposed to and which may have a significant impact on the management can be accurately assessed, our company manages the risks in accordance with their characteristics and conditions under the following main categories.

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

By avoiding excessive exposure to these risks, our company acts in order to maintain an appropriate balance between risks and assets.

Our company calculates the cumulative risk level by measuring the extent to which it is exposed to insurance risk acceptance / commitment risks, asset risks and operational risks and by establishing correlation between these in order to ensure that its financial position is sound. It manages the economic risk capital in an integrated manner by performing a comparison with its own equity and ensures that the capital allocation is not exceeded.

For the product areas in which our company operates, our company determines risk acceptance policies annually and undertakes revisions within the year if deemed necessary. With these risk acceptance policies, the minimum and maximum limits for risk analysis are determined on a product basis in the process from the tender process to the issuing of the policy, and the risks which will not be covered are determined. The company's business acceptance principles and similar procedures also support this policy. Our company protects itself through reinsurance agreements by taking into account its financial structure for high risks and catastrophic events.

In addition, various committees have been established in our company in order to carry out a detailed follow up of any elements which may pose risks to the company. The main committees include the Distribution Channels Risk Monitoring Committee, the Tariff Monitoring Committee and the Damage Committee.

Within our company, communication channels have been established enabling our personnel to report any problems they face or actions they deem suspicious in view of the usual practices to the relevant management levels and the Internal Audit department. An appropriate environment has been prepared for the identification of risks that may arise within the company. The internal control mechanisms established to prevent internal risks include established administrative policies, a functional separation of duties, defined distribution of duties and authorization limits and systematically defined restrictions and authorizations, and additionally our personnel are required to make an annual declaration that the company's policies and procedures are read, understood and will be implemented.

SUMMARY FINANCIAL INFORMATION PERTAINING TO THE 5-YEAR PERIOD, INCLUDING THE REPORTING PERIOD

KEY INDICATORS PERTAINING TO THE 5-YEAR PERIOD

(TL thousand)	2015	2016	2017	2018	2019
Premium Generation	1,063,474	2,236,156	2,264,027	2,509,171	3,363,088
Net Technical Income	33,280	153,909	302,412	187,564	410,277
Net Financial Result	2,176	23,436	48,177	194,075	186,478
Profit Before Tax	35,456	177,345	350,588	381,639	596,755
Tax	8,264	35,323	72,259	93,862	126,212
Net Profit	27,192	142,022	278,330	287,778	470,543
Paid-in Capital	40,000	40,000	190,000	190,000	190,000
Shareholders' Equity	278,221	419,859	848,229	1,135,823	1,617,305
Total Assets	1,224,957	2,423,305	3,259,004	3,917,046	5,178,935

INFORMATION ON THE DIVIDEND DISTRIBUTION POLICY AND RECOMMENDATION ON USE OF THE UNDISTRIBUTED PROFIT, IF THE PROFIT IS NOT DISTRIBUTED, WITH REASONS THEREOF

In line with the company objectives and the Group strategy, Sompo Sigorta distributes profit in accordance with the Turkish Commercial Code, Tax Laws and Insurance Legislation.

During the profit distribution stage, the balance between the interests of the shareholders and the interests of the company is maintained and the adequacy of the resources, which are in the legal records, subject to distribution, profitability, cash status, capital requirement and financing policies are taken into consideration in reaching the profit distribution decision.

Dividend distribution is decided upon the proposal of the Board of Directors at the discretion of the General Assembly. The General Assembly is authorized to decide on the transfer of some or all of the net profit to the following year or to extraordinary reserves, as well on the decision on whether the dividend will be distributed in cash or be added to the capital and distributed within the legal periods stipulated in the legislation

After the General Assembly have put forward necessary reservations in accordance with the provisions of the law and the contract, it reserves the right to save the remaining company earnings and is independent of the proposal put forward by the Board of Directors.

Dividend distribution is carried out on the basis of the net profit and distributable profit recorded in the financial statements prepared in accordance with the current legislation, and is subjected to independent audit. The amount is determined after the legal and optional reserves are separated from the net profit as well as any other funds required by the provisions of the law and articles of association.

The profit accrued during the profit distribution process may be paid at once or in several installments.

Dividend distribution issues are presented to shareholders in the Annual General Meeting for Informative purposes and disclosed to the public within the framework of the information disclosure policy as stated in the annual report.

The profit distribution information of our company for 2019 is presented in the footnote of Profit distribution table numbered 47.6, which is given in the audit report included in the annual report.

OTHER MATTERS

Disclosure of events of particular importance, which occur within the company after the end of the operating year, and which may affect the rights of shareholders, creditors and other interested persons and entities.

Information regarding the events of particular importance, which occur in the company after the end of the operating year, is presented in the footnote of Events occurring after the reporting period numbered 46, which is given in the audit report included in the 2019 annual report.

INFORMATION REGARDING THE INVESTMENTS MADE BY THE COMPANY IN THE RELEVANT ACCOUNTING PERIOD

Information regarding our company's Investment expenditures is presented in the footnote 6 on Tangible fixed assets, and in the footnote 8 on Intangible fixed assets, which are provided in the audit report included in the 2019 annual report.

INFORMATION REGARDING THE COMPANY'S DIRECT OR INDIRECT SUBSIDIARIES AND SHARE RATIOS

Information regarding our company's subsidiaries is presented in footnote 9 on Investments in the subsidiaries, which is given in the audit report included in the 2019 annual report.

OTHER MATTERS

INFORMATION REGARDING DONATIONS AND GRANTS MADE BY THE COMPANY DURING THE YEAR AND THE ACTIVITIES CARRIED OUT WITHIN THE FRAMEWORK OF SOCIAL RESPONSIBILITY PROJECTS

Respect for Earth, which is the corporate social responsibility project of the company and which is focused on climate change, was launched in 2019. Today, Sompö Sigorta aims to raise awareness on the social and individual level beyond the commercial and pragmatic point of view on climate change, which is considered to one of the most grievous risks to the continuity of life. Starting with its employees, the Sompö Group aims to raise awareness among the agencies, insurance customers, children, young people and the general public.

At Sompö Sigorta, we take the view that "We are all responsible for the world being in this state. Again, we have to deal with the problem of climate change with a collective mind as humanity. First of all, we should raise social awareness and then move to the common struggle phase at the level of consciousness, because climate change affects not only our daily lives as natural disasters, but also investments in agriculture, food, the economy, energy and industry. In addition, as disasters become inevitable in the current age as a result of climate change, we must face this reality first, raise awareness of disasters at a social level, and learn and apply methods of protection to combat disasters. Moreover, we must do this starting from childhood and in education."

The main purpose of insurance companies is not only to provide assurance to customers and to pay for damage, but also to undertake sustainable initiatives that contribute to the development of society and to prevent risks in a manner free from commercial concerns. With this in mind, Sompö Sigorta initiated the Respect for Earth project. Mr. Mikdat Kadiođlu, Professor of Turkish Meteorology and Disaster Management, has offered his support for the project in order to provide consultancy and to ensure the project is sustainable. In the first year of the project, awareness seminars are planned to be held with Mr. Mikdat Kadiođlu for Sompö Japan agencies throughout Turkey. This is aimed at bringing agencies to the position of being ambassadors in this subject in their respective regions. Events have also started to be held to organize a photography exhibition on the Respect for Earth consisting of photographs taken by the company's CEO, Mr. Recai Dalaş. Again with the participation of Prof. Dr. Mikdat Kadiođlu, the aim of the exhibition is aimed at reaching society in general with radio spots with a topic of better future. It will be possible to monitor of more than one project with the Climate Volunteers group, which will also include employees and agencies. One of the most important projects in this year's planning was to introduce a new product which will guarantee damages caused by natural disasters such as floods, hail and storms caused by climate change. Every event and project to be implemented will be included both in social media and print media, thus contributing to brand awareness.

INFORMATION REGARDING LAWSUITS FILED AGAINST THE COMPANY THAT MAY AFFECT THE FINANCIAL STATUS AND ACTIVITIES OF THE COMPANY, AND THEIR POSSIBLE CONSEQUENCES

Information regarding the Lawsuits that may affect our company's financial status and activities is presented in the footnote 42 Risks, which is given in the audit report included in the 2019 annual report.

AFFILIATION REPORT

In all transactions carried out with the controlling partner of the company and the subsidiaries of the controlling partner in 2019, in accordance with the circumstances and conditions that are known to us at the time when the transaction is carried out or the measure is taken or avoided to be taken, it was concluded that appropriate countermeasures were provided in each transaction and no actions which may cause harm to the company were taken (or required actions not taken), and within this framework, there are no transactions or actions that would require equalization.

Sompö Sigorta Shareholders

Sompö International Holdings Ltd.

Share Ratios of the Shareholders

Sompö International Holdings Ltd. 100%

SOMPO SİGORTA ANONİM ŞİRKETİ (FORMERLY KNOWN AS SOMPO JAPAN SIGORTA A.Ş.)
31 December 2019 Financial Statements Together with Independent Auditors' Report Thereon

Independent auditor's report

To the Shareholders of Director of Sompo Sigorta Anonim Şirketi

A) Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

Estimations and assumptions used in calculation of insurance technical reserves

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

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

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

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

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

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

Independent auditor's report

Auditor's Responsibilities for the Audit of the Financial Statements

Responsibilities of auditors in an audit are as follows:

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

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

- Identify and assess the risks of "material misstatement" of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

B) Other Legal and Regulatory Requirements

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

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of KPMG International Cooperative



Ali Tuğral Aközün
Sorumlu Denetçi

13 Mart 2020
İstanbul, Türkiye

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SOMPO SİGORTA ANONİM ŞİRKETİ

Balance sheet as at 31 December 2019

(Currency: Turkish Lira (TL))

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

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

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

SOMPO SİGORTA ANONİM ŞİRKETİ**Balance sheet as at 31 December 2019**

(Currency: Turkish Lira (TL))

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

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

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

SOMPO SİGORTA ANONİM ŞİRKETİ

Balance sheet as at 31 December 2019

(Currency: Turkish Lira (TL))

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

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

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

SOMPO SİGORTA ANONİM ŞİRKETİ**Balance sheet as at 31 December 2019**

(Currency: Turkish Lira (TL))

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

LIABILITIES			
IV- Long-Term Liabilities	Note	Audited Current Period December 31, 2019	Audited Prior Period December 31, 2018
A- Financial Liabilities	20	2.102.608	-
1- Borrowings from Financial Institutions		-	-
2- Finance Lease Payables	20	2.155.502	-
3- Deferred Leasing Costs	20	(52.894)	-
4- Bonds Issued		-	-
5- Other Financial Assets Issued		-	-
6- Valuation Differences of Other Financial Assets Issued		-	-
7- Other Financial Liabilities		-	-
B- Payables Arising from Operating Activities		-	-
1- Payables Arising from Insurance Operations		-	-
2- Payables Arising from Reinsurance Operations		-	-
3- Cash Deposited by Insurance and Reinsurance Companies		-	-
4- Payables Arising from Pension Operations		-	-
5- Payables Arising from Other Operations		-	-
6- Discount on Payables from Other Operations		-	-
C- Due to Related Parties		-	-
1- Due to Shareholders		-	-
2- Due to Associates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		-	-
6- Due to Other Related Parties		-	-
D- Other Payables	19	10.872.421	9.512.973
1- Deposits and Guarantees Received	19	10.872.421	9.512.973
2- Other Miscellaneous Payables		-	-
3- Discount on Other Miscellaneous Payables		-	-
4- Payables to Social Security Institution		-	-
E- Insurance Technical Provisions	17	38.901.466	31.847.382
1- Reserve for Unearned Premiums - Net		-	-
2- Reserve for Unexpired Risks - Net		-	-
3- Life Mathematical Provisions - Net		-	-
4- Provision for Outstanding Claims - Net		-	-
5- Provision for Bonus and Discounts - Net		-	-
6- Provision for Policies Relating to Life Insurance Policyholders		-	-
7- Other Technical Provisions - Net	2.26,17	38.901.466	31.847.382
F- Other Liabilities and Relevant Accruals		-	-
1- Other Liabilities		-	-
2- Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
3- Other Liabilities and Expense Accruals		-	-
G- Provisions for Other Risks	23	3.113.245	2.016.034
1- Provisions for Employment Termination Benefits	23	3.113.245	2.016.034
2- Provisions for Pension Fund Deficits		-	-
H- Deferred Income and Expense Accruals	47	285.714	285.714
1- Deferred Commission Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income	47	285.714	285.714
I- Other Long Term Liabilities	23	4.107.388	3.064.669
1- Deferred Tax Liabilities		-	-
2- Other Long Term Liabilities	23	4.107.388	3.064.669
IV - Total Long Term Liabilities		59.382.842	46.726.772

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

SOMPO SİGORTA ANONİM ŞİRKETİ**Balance sheet as at 31 December 2019**

(Currency: Turkish Lira (TL))

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

EQUITY			
V- Equity	Note	Audited Current Period December 31, 2019	Audited Prior Period December 31, 2018
A- Paid in Capital		190.000.000	190.000.000
1- (Nominal) Capital	2,13,15	190.000.000	190.000.000
2- Unpaid Capital (-)		-	-
3- Positive Capital Restatement Differences		-	-
4- Negative Capital Restatement Differences (-)		-	-
5- Unregistered Capital		-	-
B- Capital Reserves		36.097	36.097
1- Share Premiums		-	-
2- Cancellation Profits of Equity Shares		-	-
3- Profit on Sale Assets That Will Be Transferred to Capital		-	-
4- Currency Translation Adjustments		-	-
5- Other Capital Reserves		36.097	36.097
C- Profit Reserves	15	956.725.709	658.009.583
1- Legal Reserves	15	54.315.038	39.926.152
2- Statutory Reserves		-	-
3- Extraordinary Reserves	15	883.399.137	610.010.333
4- Special Funds	15	(1.183.354)	(734.959)
5- Revaluation of Financial Assets	15	11.386.831	-
6- Other Profit Reserves	15	8.808.057	8.808.057
D- Retained Earnings		-	-
1- Retained Earnings		-	-
E- Accumulated Losses		-	-
1- Accumulated Losses		-	-
F- Net Profit/(Loss) for the Year		470.543.039	287.777.690
1- Net Profit for the Year		470.543.039	287.777.690
2- Net Loss for the Year		-	-
3- Net Profit for the Period not Subject to Distribution		-	-
V- Total Equity		1.617.304.845	1.135.823.370
Total Equity And Liabilities		5.178.935.044	3.917.045.594

SOMPO SİGORTA ANONİM ŞİRKETİ**Statement of income for the year ended 31 December 2019**

(Currency: Turkish Lira (TL))

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

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

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

SOMPO SİGORTA ANONİM ŞİRKETİ**Statement of income for the year ended 31 December 2019**

(Currency: Turkish Lira (TL))

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

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

SOMPO SİGORTA ANONİM ŞİRKETİ**Statement of income for the year ended 31 December 2019**

(Currency: Turkish Lira (TL))

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

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

SOMPO SİGORTA ANONİM ŞİRKETİ

Statement of changes in equity for the year ended 31 December 2019

(Currency: Turkish Lira (TL))

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

Audited Changes in Equity - December 31, 2019					
	Note	Paid-in capital	Own shares of the company	Revaluation of financial assets	Inflation adjustment
I - Balance at the end of the previous year - 31 December 2018		190.000.000	-	-	-
II- Changes in Accounting Policy		-	-	-	-
III- New Balances 1 January 2019		190.000.000	-	-	-
A- Capital increase		-	-	-	-
1- In cash		-	-	-	-
2- From reserves		-	-	-	-
B- Purchase of own shares		-	-	-	-
C- Gains or losses that are not included in the statement of income		-	-	-	-
D- Change in the value of financial assets		-	-	11.386.831	-
E- Currency translation adjustments		-	-	-	-
F- Other gains or losses		-	-	-	-
G- Inflation adjustment differences		-	-	-	-
H- Net profit for the year		-	-	-	-
I - Other reserves and transfers from retained earnings		-	-	-	-
J- Dividends paid		-	-	-	-
II - Balance at the end of the year - 31 December 2019		190.000.000	-	11.386.831	-

Audited Changes in Equity - December 31, 2018					
	Note	Paid-in capital	Own shares of the company	Revaluation of financial assets	Inflation adjustment
I - Balance at the end of the previous year - 31 December 2017		190.000.000	-	-	-
II- Changes in Accounting Policy		-	-	-	-
III- New Balances 1 January 2018		190.000.000	-	-	-
A- Capital increase		-	-	-	-
1- In cash		-	-	-	-
2- From reserves		-	-	-	-
B- Purchase of own shares		-	-	-	-
C- Gains or losses that are not included in the statement of income		-	-	-	-
D- Change in the value of financial assets		-	-	-	-
E- Currency translation adjustments		-	-	-	-
F- Other gains or losses		-	-	-	-
G- Inflation adjustment differences		-	-	-	-
H- Net profit for the year		-	-	-	-
I - Other reserves and transfers from retained earnings		-	-	-	-
J- Dividends paid		-	-	-	-
II - Balance at the end of the year - 31 December 2018		190.000.000	-	-	-

Audited Changes in Equity - December 31, 2019

Currency translation adjustment	Legal reserves	Statutory reserves	Other reserves and retained earnings	Net profit for the year	Retained earnings	Total
-	39.926.152	-	618.119.528	287.777.690	-	1.135.823.370
-	-	-	-	-	-	-
-	39.926.152	-	618.119.528	287.777.690	-	1.135.823.370
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	(448.395)	-	-	(448.395)
-	-	-	-	-	-	11.386.831
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	470.543.039	-	470.543.039
-	14.388.886	-	273.388.804	(287.777.690)	-	-
-	-	-	-	-	-	-
-	54.315.038	-	891.059.937	470.543.039	-	1.617.304.845

Audited Changes in Equity - December 31, 2018

Currency translation adjustment	Legal reserves	Statutory reserves	Other reserves and retained earnings	Net profit for the year	Retained earnings	Total
-	26.009.663	-	353.889.398	278.329.766	-	848.228.827
-	-	-	-	-	-	-
-	26.009.663	-	353.889.398	278.329.766	-	848.228.827
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	(183.147)	-	-	(183.147)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	287.777.690	-	287.777.690
-	13.916.489	-	264.413.277	(278.329.766)	-	-
-	-	-	-	-	-	-
-	39.926.152	-	618.119.528	287.777.690	-	1.135.823.370

SOMPO SIGORTA ANONİM ŞİRKETİ**Statement of cash flows for the year ended 31 December 2019**

(Currency: Turkish Lira (TL))

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

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

SOMPO SİGORTA ANONİM ŞİRKETİ

Notes to the Financial Statements as at 31 December 2019

(Currency: Turkish Lira (TL))

1. General Information

1.1. Name and Structure of the Parent Company

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

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

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

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

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

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

1.2. 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-Kavacak, Rüzgarlıbahçe Mahallesi Cumhuriyet Caddesi No:10 Acarlar İş Merkezi C-Blok in İstanbul, Turkey.

1.3. Main Operations of the Company

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

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

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

1.5. Average number of employees during the period by category

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

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

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

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

SOMPO SİGORTA ANONİM ŞİRKETİ

Notes to the Financial Statements as at 31 December 2019

(Currency: Turkish Lira (TL))

1. General Information (continued)

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

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

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

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

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

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

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

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

1.10 Events Occurred after the Balance Sheet Date

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

2. Summary of Significant Accounting Policies

2.1. Principles of Preparation

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

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

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

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

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

SOMPO SİGORTA ANONİM ŞİRKETİ

Notes to the Financial Statements as at 31 December 2019

(Currency: Turkish Lira (TL))

2. Summary of Significant Accounting Policies (continued)

2.1. Basis of Preparation (continued)

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

Adjustment of Financial Statements in High Inflation Periods

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

2.1.3. Functional Currency

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

2.1.4. Rounding grade of amounts presented in financial statements

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

2.1.5. Measurement basis used to prepare financial statements

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

2.1.6. Changes and errors in accounting policies

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

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

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

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

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

a-) Definition of a lease

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

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

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

SOMPO SİGORTA ANONİM ŞİRKETİ

Notes to the Financial Statements as at 31 December 2019

(Currency: Turkish Lira (TL))

2. Summary of Significant Accounting Policies (continued)

2.1. Basis of Preparation (continued)

2.1.6. Changes and errors in accounting policies (continued)

b-) As a lessee

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

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

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

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

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

i. Significant accounting policies

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

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

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

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

SOMPO SİGORTA ANONİM ŞİRKETİ

Notes to the Financial Statements as at 31 December 2019

(Currency: Turkish Lira (TL))

2. Summary of Significant Accounting Policies (continued)

2.1. Basis of Preparation (continued)

2.1.6. Changes and errors in accounting policies (continued)

b-) As a lessee (continued)

ii. Transition

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

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

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

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

c-) Impact on financial statements

i. Impacts on transition

The impact on transition through TFRS 16 is summarised below.

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

ii. Impacts for the period

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

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

SOMPO SİGORTA ANONİM ŞİRKETİ

Notes to the Financial Statements as at 31 December 2019

(Currency: Turkish Lira (TL))

2. Summary of Significant Accounting Policies (continued)

2.1. Basis of Preparation (continued)

2.1.7. New Standards and Comments which are not yet adopted

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

Standards issued but not yet effective and not early adopted

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

The revised Conceptual Framework (updated)

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

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

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

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

TFRS 17 -Insurance Contracts

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

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

SOMPO SİGORTA ANONİM ŞİRKETİ

Notes to the Financial Statements as at 31 December 2019

(Currency: Turkish Lira (TL))

2. Summary of Significant Accounting Policies (continued)

2.1. Basis of Preparation (continued)

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

TFRS 9 Financial Instruments (2017 Version)

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

Amendments to TAS 1 and TAS 8 - Definition of Material

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

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

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

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

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

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

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

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

2.2. Consolidation

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

SOMPO SİGORTA ANONİM ŞİRKETİ

Notes to the Financial Statements as at 31 December 2019

(Currency: Turkish Lira (TL))

2. Summary of the Accounting Policies (Continued)

2.3. Segment Reporting

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

2.4. Provision for Foreign Currencies

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

2.5. Tangible Fixed Asset

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

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

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

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

Depreciation rates and estimated useful lives are as follows:

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

2.6. Investment Properties

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

2.7. 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.

SOMPO SİGORTA ANONİM ŞİRKETİ

Notes to the Financial Statements as at 31 December 2019

(Currency: Turkish Lira (TL))

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 .

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

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

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

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

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

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

Derecognition of financial assets

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

2.9 Impairment on assets

Impairment of financial assets

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

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

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

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

SOMPO SİGORTA ANONİM ŞİRKETİ

Notes to the Financial Statements as at 31 December 2019

(Currency: Turkish Lira (TL))

2. Summary of Significant Accounting Policies (continued)

2.9 Impairment on assets (continued)

Impairment of fixed assets

The Company assesses at each reporting date whether there is any indication that its assets may have been impaired. If such an indication exists, it estimates the recoverable amount of the related asset within the scope of TAS 36 - "Accounting Estimates of Impairment of Assets" and allocates provision for impairment if the recoverable amount is less than the carrying amount of the related asset. The rediscount and provision expenses for the period have been disclosed in detail in Note 47.

2.10. Derivative financial instruments

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

2.11. Offsetting Financial Instruments

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

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

2.12. Cash and Cash Equivalents

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

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

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

SOMPO SİGORTA ANONİM ŞİRKETİ

Notes to the Financial Statements as at 31 December 2019

(Currency: Turkish Lira (TL))

2. Summary of Significant Accounting Policies (continued)

2.13. Capital

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

As of December 31, 2019;

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

As of December 31, 2018;

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

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

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

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

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

SOMPO SIGORTA ANONİM ŞİRKETİ

Notes to the Financial Statements as at 31 December 2019

(Currency: Turkish Lira (TL))

2. Summary of Significant Accounting Policies(continued)

2.13 Capital (continued)

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

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

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

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

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

The privileges granted to shares representing the capital : None.

Registered capital system in the Company : None.

The Company's own shares bought back : None.

2.14. Insurance and Investment Contracts - Taxonomy

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

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

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

2.15. Discretionary Participation Features in Insurance and Investment Contracts

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

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

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

SOMPO SİGORTA ANONİM ŞİRKETİ

Notes to the Financial Statements as at 31 December 2019

(Currency: Turkish Lira (TL))

2. Summary of Significant Accounting Policies (continued)

2.16. Investment Contracts Without Discretionary Participation Features

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

2.17. Payables

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

2.18. Taxes

Corporate tax

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

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

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

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

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

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

Deferred tax

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

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

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

SOMPO SİGORTA ANONİM ŞİRKETİ

Notes to the Financial Statements as at 31 December 2019

(Currency: Turkish Lira (TL))

2. Summary of Significant Accounting Policies (continued)

2.18. Taxes (continued)

Transfer pricing

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

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

2.19. Benefits Provided to Employees

Provision for employee termination benefits

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

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

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

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

Other benefits

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

2.20. Provisions

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

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

SOMPO SİGORTA ANONİM ŞİRKETİ

Notes to the Financial Statements as at 31 December 2019

(Currency: Turkish Lira (TL))

2. Summary of Significant Accounting Policies (continued)

2.21. Revenue Recognition

Written Premiums

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

Subrogation and salvage income and other similar income

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

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

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

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

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

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

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

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

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

SOMPO SİGORTA ANONİM ŞİRKETİ

Notes to the Financial Statements as at 31 December 2019

(Currency: Turkish Lira (TL))

2. Summary of Significant Accounting Policies (continued)

2.21. Revenue Recognition (continued)

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

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

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

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

Commission income and expense

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

Interest income and expense

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

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

Trading income/expense

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

SOMPO SİGORTA ANONİM ŞİRKETİ

Notes to the Financial Statements as at 31 December 2019

(Currency: Turkish Lira (TL))

2. Summary of Significant Accounting Policies (continued)

2.22. Leasing Transactions

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

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

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

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

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

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

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

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

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

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

2.23. Profit Share Distribution

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

2.24. Unearned Premium Reserve

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

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

SOMPO SİGORTA ANONİM ŞİRKETİ

Notes to the Financial Statements as at 31 December 2019

(Currency: Turkish Lira (TL))

2. Summary of Significant Accounting Policies (continued)

2.24. Unearned Premium Reserve (continued)

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

2.25. Outstanding Claims Reserve

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

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

SOMPO SİGORTA ANONİM ŞİRKETİ**Notes to the Financial Statements as at 31 December 2019**

(Currency: Turkish Lira (TL))

2. Summary of Significant Accounting Policies (continued)**2.25. Outstanding Claims Reserve (continued)**

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

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

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

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

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

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2. Summary of Significant Accounting Policies (continued)

2.25. Outstanding Claims Reserve (continued)

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

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

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

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

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

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

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

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

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

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

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

2.26. Equalization provision

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

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Notes to the Financial Statements as at 31 December 2019

(Currency: Turkish Lira (TL))

2. Summary of Significant Accounting Policies (continued)

2.26. Equalization provision (continued)

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

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

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

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

2.27. Unexpired Risk Reserves

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

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

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

2.28. Related Parties

Parties are considered related to the Company if;

(a) A person or a close member of that person's family is related to a reporting entity if that person:

- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

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

SOMPO SIGORTA ANONİM ŞİRKETİ

Notes to the Financial Statements as at 31 December 2019

(Currency: Turkish Lira (TL))

2. Summary of Significant Accounting Policies (continued)

2.28. Related Parties (continued)

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

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

2.29. Earnings per Share

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

2.30. Events After Reporting Date

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

3. Significant Accounting Estimates and Requirements

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

Benefits Provided to Employees

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

Doubtful Receivables from Main Operations

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

Subrogation Receivables

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

SOMPO SİGORTA ANONİM ŞİRKETİ

Notes to the Financial Statements as at 31 December 2019

(Currency: Turkish Lira (TL))

3. Significant Accounting Estimates and Requirements (continued)

Outstanding Claim Reserve

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

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

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

Deferred Tax

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

4. Insurance and Financial Risk Management

4.1. Insurance Risk Management

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

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

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

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

SOMPO SİGORTA ANONİM ŞİRKETİ

Notes to the Financial Statements as at 31 December 2019

(Currency: Turkish Lira (TL))

4. Insurance and Financial Risk Management (continued)

4.1. Insurance Risk Management (continued)

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

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

Insurable Assests

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

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

Pricing Models, Tariff Structure

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

Reinsurance

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

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

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

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Notes to the Financial Statements as at 31 December 2019

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4. Insurance and Financial Risk Management (continued)

4.1 Insurance Risk Management (continued)

Reinsurance (continued)

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

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

Optimum Conversation

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

Claim Costs

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

Intermediaries

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

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

Insurance Contract Provisions

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

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

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Notes to the Financial Statements as at 31 December 2019

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4. Insurance and Financial Risk Management(continued)

4.2. Financial Risk Management

Introduction and Overview

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

- credit risk
- liquidity risk
- market risk

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

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

Credit Risk

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

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

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

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

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4. Insurance and Financial Risk Management (continued)

4.2. Financial Risk Management (continued)

Credit Risk (continued)

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

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

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

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

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

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

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

Liquidity Risk

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

Management of liquidity risk

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

SOMPO SİGORTA ANONİM ŞİRKETİ

Notes to the Financial Statements as at 31 December 2019

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4. Insurance and Financial Risk Management (continued)

4.2. Financial Risk Management (continued)

Liquidity Risk (continued)

Management of the liquidity risk (continued)

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

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

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

SOMPO SİGORTA ANONİM ŞİRKETİ**Notes to the Financial Statements as at 31 December 2019**

(Currency: Turkish Lira (TL))

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, 2019	USD	Euro	Other Currencies	Total
Cash and cash equivalents	3.605.732	5.824.520	-	9.430.252
Receivables from main operations	75.587.523	102.642.489	242.684	178.472.696
Total foreign currency assets	79.193.255	108.467.009	242.684	187.902.948
Payables from main operations	43.512.295	36.925.416	419.395	80.857.106
Insurance technical provisions	15.006.174	8.627.586	27.403	23.661.163
Other payables	4.736.746	1.637.970	-	6.374.716
Total foreign currency liabilities	63.255.215	47.190.972	446.798	110.892.985
Balance sheet position	15.938.040	61.276.037	(204.114)	77.009.963
December 31, 2018	USD	Euro	Other Currencies	Total
Cash and cash equivalents	12.701.055	9.053.380	-	21.754.435
Receivables from main operations	54.395.986	84.773.291	112.551	139.281.828
Total foreign currency assets	67.097.041	93.826.671	112.551	161.036.263
Payables from main operations	31.982.185	52.695.544	324.817	85.002.546
Insurance technical provisions	650.724	1.841	-	652.565
Other payables	4.677.166	1.548.405	-	6.225.571
Total foreign currency liabilities	37.310.075	54.245.790	324.817	91.880.682
Balance sheet position	29.786.966	39.580.881	(212.266)	69.155.581

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

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

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

SOMPO SİGORTA ANONİM ŞİRKETİ

Notes to the Financial Statements as at 31 December 2019

(Currency: Turkish Lira (TL))

4. Insurance and Financial Risk Management (continued)

4.2. Financial Risk Management (continued)

Market Risk (continued)

Exposure Rate Risk

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

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

Exposure Interest Rate Risk

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

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

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

Interest rate sensitivity of the financial instruments

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

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

December 31, 2018 : None.

SOMPO SİGORTA ANONİM ŞİRKETİ**Notes to the Financial Statements as at 31 December 2019**

(Currency: Turkish Lira (TL))

4. Insurance and Financial Risk Management (continued)**4.2. Financial Risk Management (continued)****Market Risk (continued)***Classification of fair value measurements*

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

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

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

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

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

December 31,2018 : None.

Capital Management

Company's major capital management policies are stated below:

- To adapt the capital adequacy conditions determined by Republic of Turkey Ministry of Treasury and Finance
- By ensuring the Company's sustainability providing permanent returns to shareholders and partners
- By determining the price of insurance policies in proportion with received insurance risk level, providing sufficient return to shareholders .

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

Gains and losses arised from financial assets

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

5. Segment Information

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

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

SOMPO SİGORTA ANONİM ŞİRKETİ

Notes to the Financial Statements as at 31 December 2019

(Currency: Turkish Lira (TL))

6. Tangible Fixed Assets

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

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

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

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

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

Revaluation is not applied over tangible fixed assets.

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

SOMPO SİGORTA ANONİM ŞİRKETİ**Notes to the Financial Statements as at 31 December 2019**

(Currency: Turkish Lira (TL))

7. Investment Properties

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

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

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

8. Intangible Fixed Assets

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

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

SOMPO SİGORTA ANONİM ŞİRKETİ

Notes to the Financial Statements as at 31 December 2019

(Currency: Turkish Lira (TL))

9. Investments in Associates

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

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

There is not recognized impairment related with reinsurance assets.

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

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

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

SOMPO SİGORTA ANONİM ŞİRKETİ**Notes to the Financial Statements as at 31 December 2019**

(Currency: Turkish Lira (TL))

11. Financial Assets

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

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

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

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

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

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

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

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

December 31, 2019	Available for sales	Held to maturities	Total
Balance at the beginning of the period	-	178.332.763	178.332.763
Additions	501.545.336	236.718.162	738.263.498
Disposals (either sold or settled)	-	(265.221.692)	(265.221.692)
Change in the fair value of financial assets	22.974.628	8.041.711	31.016.339
Balance at the end of the period	524.519.964	157.870.944	682.390.908
December 31, 2018	Available for sales	Held to maturities	Total
Balance at the beginning of the period	-	5.068.638	5.068.638
Additions	-	167.837.069	167.837.069
Disposals (either sold or settled)	-	(5.000.000)	(5.000.000)
Change in the fair value of financial assets	-	10.427.056	10.427.056
Balance at the end of the period	-	178.332.763	178.332.763

SOMPO SİGORTA ANONİM ŞİRKETİ

Notes to the Financial Statements as at 31 December 2019

(Currency: Turkish Lira (TL))

12. Credits and Receivables

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

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

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

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

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

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

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

SOMPO SİGORTA ANONİM ŞİRKETİ**Notes to the Financial Statements as at 31 December 2019**

(Currency: Turkish Lira (TL))

12. Receivables (continued)**Provisions for doubtful receivables for overdue receivables and receivables not due yet:****a)** Movement of allowance for doubtful receivables (due) in legal and execution follow-up in the period as follows:

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

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

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

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

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

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

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

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

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

13. Derivative Financial Instruments

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

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Notes to the Financial Statements as at 31 December 2019

(Currency: Turkish Lira (TL))

14. Cash and Cash Equivalents

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

	December 31, 2019	December 31, 2018
Bank Deposits	2.836.077.582	2.599.101.461
Bank Guaranteed Credit Card Receivables With Maturity Less Than Three Months	707.166.208	458.776.402
Other Cash and Cash Equivalents	360.371	378.209
Total	3.543.604.161	3.058.256.072

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

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

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

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

	December 31, 2019			
	Nominal Value	Acquisition Value	Fair Value	Book Value
Blocked Amounts	330.482.980	334.653.296	313.787.389	337.215.540
Total	330.482.980	334.653.296	313.787.389	337.215.540
	December 31, 2018			
	Nominal Value	Acquisition Value	Fair Value	Book Value
Blocked Amounts	190.000.000	190.000.000	197.860.479	197.860.479
Total	190.000.000	190.000.000	197.860.479	197.860.479

15. Equity

Paid Capital

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

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

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

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

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

SOMPO SİGORTA ANONİM ŞİRKETİ**Notes to the Financial Statements as at 31 December 2019**

(Currency: Turkish Lira (TL))

15. Equity**Paid Capital (continued)****Legal reserves**

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

The movement table for legal reserves is as follows:

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

Extraordinary reserves

The movement table for extraordinary reserves is as follows:

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

Revaluation of Financial Assets

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

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

Other reserves

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

Special Funds

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

SOMPO SİGORTA ANONİM ŞİRKETİ

Notes to the Financial Statements as at 31 December 2019

(Currency: Turkish Lira (TL))

16. Other Provisions and Capital Component of Discretionary Participation

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

17. Insurance Liabilities and Reinsurance Assets

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

	December 31, 2019	December 31, 2018
Gross unearned premiums reserve	1.867.908.982	1.392.891.032
Reinsurer's share of unearned premiums reserve (Note 10)	(579.909.842)	(507.537.011)
SSI's share of unearned premiums reserve	(85.649.623)	(57.567.709)
Unearned premiums reserve, net	1.202.349.517	827.786.312
Gross outstanding claim reserve	2.366.223.586	1.922.704.499
Reinsurer's share of gross outstanding claim reserve (Note 4.2) (Note 10)	(607.950.909)	(474.613.046)
Outstanding claim reserve, net	1.758.272.677	1.448.091.453
Equalization reserve	155.878.552	124.726.204
Reinsurer's share of equalization reserve (Note 10)	(116.977.086)	(92.878.822)
Equilization reserve, net	38.901.466	31.847.382
Unexpired risks reserve	3.662.201	1.088.787
Reinsurer's share of unexpired risks reserve (Note 10)	(2.968.981)	(1.029.627)
Unexpired risks reserve, net	693.220	59.160
Other technical reserve ^(*)	5.477.147	-
Reinsurer's share of other technical reserve	-	-
Other technical reserve, net	5.477.147	-
Total technical provisions, net	3.005.694.027	2.307.784.307
Short term	2.966.792.561	2.275.936.925
Medium and long term	38.901.466	31.847.382
Total technical provisions, net	3.005.694.027	2.307.784.307

^(*) The Company makes provision for amounts that can be returned to fleet customers as of 2019. It is stated in the protocols made with these customers that if the loss/premium ratio which is previously determined is below, a refund will be made.

Unearned premiums reserve:

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

SOMPO SİGORTA ANONİM ŞİRKETİ**Notes to the Financial Statements as at 31 December 2019**

(Currency: Turkish Lira (TL))

17. Insurance Liabilities and Reinsurance Assets (continued)**Provision for outstanding claims**

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

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

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

Equilization Reserve

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

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

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Notes to the Financial Statements as at 31 December 2019

(Currency: Turkish Lira (TL))

17. Insurance Liabilities and Reinsurance Assets (continued)

Provision for unexpired risks

	December 31, 2019		
	Gross	Reinsurer Share	Net
Provision for unexpired risks at the beginning of the period	1.088.787	(1.029.627)	59.160
Net change	2.573.414	(1.939.354)	634.060
Provision for unexpired risks at the end of the period	3.662.201	(2.968.981)	693.220
	December 31, 2018		
	Gross	Reinsurer Share	Net
Provision for unexpired risks at the beginning of the period	1.358.945	(1.167.125)	191.820
Net change	(270.158)	137.498	44.629
Provision for unexpired risks at the end of the period	1.088.787	(1.029.627)	59.160

Claim Development Table

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

SOMPO SİGORTA ANONİM ŞİRKETİ**Notes to the Financial Statements as at 31 December 2019**

(Currency: Turkish Lira (TL))

17. Insurance Liabilities and Reinsurance Assets (continued)

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

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17. Insurance Liabilities and Reinsurance Assets (continued)

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

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(Currency: Turkish Lira (TL))

17. Insurance Liabilities and Reinsurance Assets (continued)

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

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

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

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

Insurance guarantee amounts given by branches

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

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

None.

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

None.

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

None.

Accrued subrogation and salvage income

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

SOMPO SİGORTA ANONİM ŞİRKETİ

Notes to the Financial Statements as at 31 December 2019

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17. Insurance Liabilities and Reinsurance Assets (continued)

Deferred commission expenses

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

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

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

Individual pension

None.

18. Investment contract liabilities

None.

19. Trade and other payables and deferred income

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

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

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

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

SOMPO SİGORTA ANONİM ŞİRKETİ**Notes to the Financial Statements as at 31 December 2019**

(Currency: Turkish Lira (TL))

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

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

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

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

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

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

20. Financial Liabilities

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

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

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

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

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Notes to the Financial Statements as at 31 December 2019

(Currency: Turkish Lira (TL))

21. Deferred Tax

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

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

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

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

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

22. Retirement social aid liabilities

None.

SOMPO SİGORTA ANONİM ŞİRKETİ**Notes to the Financial Statements as at 31 December 2019**

(Currency: Turkish Lira (TL))

23. Provision for Other Liabilities and Expense

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

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

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

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

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

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

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

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

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

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

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Notes to the Financial Statements as at 31 December 2019

(Currency: Turkish Lira (TL))

24. Net Insurance Premium

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

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

25. Fee Income

None.

26. Investment Income/(Expense)

Investment income is presented in "Note 4.2 - Financial Risk Management" above

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

27. Net income accrual on financial assets

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

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

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

29. Insurance rights and demands

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

SOMPO SİGORTA ANONİM ŞİRKETİ**Notes to the Financial Statements as at 31 December 2019**

(Currency: Turkish Lira (TL))

30. Investment agreement rights

None.

31. Mandatory other expenses

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

32. Expense by nature

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

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

33. Employee benefit expenses

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

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

34. Financial costs

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

SOMPO SİGORTA ANONİM ŞİRKETİ

Notes to the Financial Statements as at 31 December 2019

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35. Income taxes

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

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

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

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

36. Net foreign exchange gains

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

37. Earnings per share

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

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

38. Dividends per share

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

39. Cash generated from operations

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

40. Equity share convertible bonds

None.

41. Cash convertible privileged equity shares:

None.

SOMPO SİGORTA ANONİM ŞİRKETİ

Notes to the Financial Statements as at 31 December 2019

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42. Risks

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

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

43. Commitments

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

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

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

44. Business merges

None.

45. Related party transactions

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

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

	December 31, 2019	December 31, 2018
Sompo Japan Nipponkoa Insurance Inc.	647.159	43.577
Receivables from related parties	647.159	43.577

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

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Notes to the Financial Statements as at 31 December 2019

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45. Related party transactions (continued)

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

	December 31, 2019	December 31, 2018
Sompo Japan Nipponkoa Insurance Company of Europe	169.066	(183.983)
Sompo Japan Nipponkoa Insurance Company of Europe Germany Branch	92.079	68.693
Sompo Japan Nipponkoa Insurance Inc.	17.842.156	14.713.238
Canopus Managing Limited	11.530	1.974
Commissions taken	18.114.831	14.599.922

	December 31, 2019	December 31, 2018
Sompo Japan Nipponkoa Insurance Company of Europe	828.901	922.733
Sompo Japan Nipponkoa Insurance Company of Europe Germany Branch	365.570	298.039
Sompo Japan Nipponkoa Insurance	44.082.181	36.260.242
Canopus Managing Limited	39.680	7.904
Ceded premium	45.316.332	37.488.918

	December 31, 2019	December 31, 2018
Sompo Japan Nipponkoa Insurance Company of Europe	1.155.142	436.118
Sompo Japan Nipponkoa Insurance Company of Europe Germany Branch	286.826	143.897
Sompo Japan Nipponkoa Insurance Inc.	34.879.632	17.577.457
Claims paid	36.321.600	18.157.472

	December 31, 2019	December 31, 2018
Sompo Japan Nipponkoa Insurance Inc.	208.255	21.836
Non-operating income	208.255	21.836

No guarantees have been taken against receivables from related parties.

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

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

46. Events occurred after reporting date

None.

SOMPO SİGORTA ANONİM ŞİRKETİ**Notes to the Financial Statements as at 31 December 2019**

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

None.

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

None.

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

None.

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

None.

Possessed real rights on properties and their values

None.

47.5. Other information that has been obliged to present by Republic of Turkey Ministry of Treasury and Finance *Provision and rediscount income/expenses of the period***a) Provision Expenses**

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

	December 31, 2019	December 31, 2018
Impairment provision expenses booked for receivables from main operations, net	(35.128.987)	(31.407.721)
Unused vacation provision expenses	(1.042.719)	(865.312)
Retirement pay provision expenses	(522.345)	(853.220)
Business cases provision (expense)/cancellation	294.175	(200.847)
Provisions account	(36.399.876)	(33.327.100)
	December 31, 2019	December 31, 2018
Rediscounts interests income/(expenses)	6.914.322	(10.175.218)
Rediscount account	6.914.322	(10.175.218)
	December 31, 2019	December 31, 2018
Unearned premium provisions	374.563.205	27.699.437
Outstanding claim reserve	(310.181.224)	(273.794.073)
Unexpired risk reserve	(634.060)	132.660
Equalization reserve	(7.054.084)	(5.262.170)
Other reserves	(5.477.147)	-
Technical Provisions	51.216.690	(251.224.144)

SOMPO SİGORTA ANONİM ŞİRKETİ**Notes to the Financial Statements as at 31 December 2019**

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47. Other (continued)**47.5. Other information that has been obliged to present by Republic of Turkey Ministry of Treasury and Finance *Provision and rediscount income/expenses of the period* (continued)****b) Other Expenses and Losses**

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

c) Other Income and Profits

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

d) Other Long-term deferred incomeer prepaid Income

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

e) Other technical expenses

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

SOMPO SİGORTA ANONİM ŞİRKETİ**Notes to the Financial Statements as at 31 December 2019**

(Currency: Turkish Lira (TL))

47. Other (continued)**47.6. Statement of profit distribution**

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

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

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