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## FOR IMMEDIATE RELEASE

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### **AM Best Removes From Under Review With Negative Implications and Downgrades Credit Ratings of Milli Reasurans Turk Anonim Sirketi**

**LONDON, 9 June 2022**—AM Best has removed from under review with negative implications and downgraded the Financial Strength Rating to B- (Fair) from B (Fair) and the Long-Term Issuer Credit Rating to “bb-” (Fair) from “bb” (Fair) of Milli Reasurans Turk Anonim Sirketi (Milli Re) (Turkey). The outlook assigned to these Credit Ratings (ratings) is negative.

The ratings reflect Milli Re’s balance sheet strength, which AM Best assesses as adequate, as well as its adequate operating performance, neutral business profile and appropriate enterprise risk management (ERM).

The rating downgrades reflect the significant deterioration in the company’s consolidated risk-adjusted capitalisation to the very weak level at year-end 2021, as measured by Best’s Capital Adequacy Ratio (BCAR). The worsening of economic conditions in Milli Re's country of domicile, Turkey, has resulted in a material devaluation of the Turkish lira and high levels of inflation, and has increased Milli Re’s asset, reserving and underwriting risks significantly. Consolidated capital requirements relate largely to underwriting risk, which is driven by the very high premium leverage arising from Milli Re's subsidiary, Anadolu Anonim Turk Sigorta Sirketi (Anadolu). The balance sheet strength assessment also considers Milli Re’s robust standalone solvency metrics, and the expectation that any capital support that Anadolu could require would be financed by its ultimate parent Türkiye Is Bankasi A.S.

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The negative outlooks reflect ongoing and deteriorating macroeconomic pressures in Turkey, which could lead to further weakening in the company's balance sheet strength. The negative outlooks also reflect pressures on Milli Re's ERM assessment, due to the impact that operating conditions in Turkey are having on the company's risk profile and the rising difficulties that it faces navigating an increasingly challenging operating environment.

Milli Re has a track record of generating robust investment earnings and foreign currency gains, which have supported positive consolidated and standalone inflation adjusted return on equity over the past five years (2017-2021). Underwriting results have been unprofitable over the same period, demonstrated by a consolidated and standalone five-year weighted average combined ratio of 117% and 130%, respectively, adversely impacted by the depreciation of the Turkish lira. AM Best expects Milli Re's prospective operating performance to remain at the adequate level, although subject to potential volatility from the local economy and changes in insurance regulation, which have been frequent in recent years.

Milli Re has a strong market position in Turkey as the only locally domiciled, privately owned reinsurer. In addition, the company's profile benefits from its ownership of Anadolu, which is a market leader in the country's direct insurance market.

**This press release relates to Credit Ratings that have been published on AM Best's website. For all rating information relating to the release and pertinent disclosures, including details of the office responsible for issuing each of the individual ratings referenced in this release, please see AM Best's [Recent Rating Activity](#) web page. For additional information regarding the use and limitations of Credit Rating opinions, please view [Guide to Best's Credit Ratings](#). For information on the proper use of Best's Credit Ratings, Best's Performance Assessments, Best's Preliminary Credit Assessments and AM Best press releases, please view [Guide to Proper Use of Best's Ratings & Assessments](#).**

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