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## FOR IMMEDIATE RELEASE

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### **AM Best Revises Outlooks to Stable for Milli Reasurans Turk Anonim Sirketi**

**LONDON, 18 October 2023**—AM Best has revised the outlooks to stable from negative and affirmed the Financial Strength Rating of C (Weak) and the Long-Term Issuer Credit Rating of “ccc” (Weak) of Milli Reasurans Turk Anonim Sirketi (Milli Re) (Türkiye).

The Credit Ratings (ratings) reflect Milli Re’s balance sheet strength, which AM Best assesses as very weak, as well as the company’s adequate operating performance, neutral business profile and marginal enterprise risk management.

Milli Re has substantial exposure to Türkiye, where it is headquartered and where the majority of its business and assets are located. In AM Best’s view, economic, political and financial system risks in Türkiye are elevated. Political uncertainty has reduced since the May 2023 elections and despite actions taken by the central bank, economic conditions continue to be challenging. The country is contending with high levels of inflation, rapidly changing interest rates and a significantly de-valued currency. The revised outlooks reflect AM Best’s expectation that Milli Re’s rating fundamentals will remain resilient against the backdrop of the challenging economic and political conditions that persist in Türkiye.

Milli Re’s balance sheet strength is underpinned by its consolidated risk-adjusted capitalisation, as measured by Best’s Capital Adequacy Ratio (BCAR), which remained at the very weak level at year-end 2022. The balance sheet strength assessment also considers Milli Re’s unconsolidated BCAR scores, which deteriorated in 2021 and 2022. Milli Re’s solvency—both consolidated and unconsolidated—is substantially impacted by its

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shareholding in a much larger insurance subsidiary, Anadolu Anonim Turk Sigorta Sirketi (Anadolu). Milli Re's unconsolidated liquidity is considered to be thin, evidenced by the ratio of liquid assets to net technical provisions of 87% at year-end 2022, down 22 percentage-points from year-end 2021.

Milli Re has a track record of adequate earnings generation, evidenced by consolidated and unconsolidated return on equity (ROE) which exceeded 20% over the last five years (2018-2022). ROE should be viewed in the context of the company's main operating environment of Türkiye, which since 2021, has been characterised by extremely high levels inflation. Overall returns are driven by solid investment earnings, supported by the high interest rate environment in Türkiye and substantial foreign exchange gains. Underwriting performance continues to be a drag on earnings, demonstrated by a consolidated and unconsolidated five-year weighted average combined ratio of 125% and 145%, respectively, adversely impacted by the depreciation of the Turkish lira and inflation. The depreciation of the lira has had a particularly significant impact on unconsolidated underwriting results given that more than three quarters of Milli Re's business is underwritten in foreign currency.

Milli Re has a strong market position in Türkiye as the only locally domiciled, privately owned reinsurer. In addition, the company's profile benefits from its ownership of Anadolu, which is among the top three largest players 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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