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FOR IMMEDIATE RELEASE

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AM Best Upgrades Credit Ratings of Millî Reasürans Türk Anonim Şirketi

LONDON, 6 November 2024—AM Best has upgraded the Financial Strength Rating to C+ (Marginal) from C (Weak) and the Long-Term Issuer Credit Rating to “b-” (Marginal) from “ccc” (Weak) of Millî Reasürans Türk Anonim Şirketi (Milli Re) (Türkiye). The outlook of these Credit Ratings (ratings) is stable.

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

The rating upgrades reflect an improvement in Milli Re’s consolidated balance sheet strength fundamentals, notably through increased risk-adjusted capitalisation, as measured by Best’s Capital Adequacy Ratio (BCAR). The improvement in Milli Re’s BCAR was underpinned by good earnings retention, as well as a robust retrocession programme, which protected the company’s balance sheet following the February 2023 Kahramanmaraş earthquakes. The balance sheet strength assessment also considers Milli Re’s unconsolidated solvency metrics, which are impacted by the company’s shareholding in a larger subsidiary, Anadolu Anonim Türk Sigorta Şirketi (Anadolu).

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 high. Although the economic conditions continue to be challenging, volatility has reduced since the May 2023 elections, and the central bank has taken robust actions to control the very high inflation and de-valuation of the

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currency.

Milli Re has a track record of adequate earnings generation, evidenced by consolidated and unconsolidated return on equity (ROE) that exceeded 20% over the past five years (2019-2023). 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 inflation. Overall returns are driven by solid investment income, 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 127% and 158%, 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 capitalised, privately owned reinsurer. In addition, the company's profile benefits from its ownership of Anadolu, which is among the top three largest companies 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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