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FOR IMMEDIATE RELEASE

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AM Best Downgrades Credit Ratings of Milli Reasurans Turk Anonim Sirketi

LONDON, 22 September 2022—AM Best has downgraded the Financial Strength Rating to C (Weak) from B- (Fair) and the Long-Term Issuer Credit Rating to “ccc” (Weak) from “bb-” (Fair) of Milli Reasurans Turk Anonim Sirketi (Milli Re) (Turkey). The outlook of these Credit Ratings (ratings) is negative.

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

The rating downgrades follow the publication of Milli Re’s financial statements for half-year 2022, and factor a significant deterioration of the company’s consolidated risk-adjusted capitalisation, as measured by Best’s Capital Adequacy Ratio (BCAR), which fell further into the very weak category. The balance sheet strength assessment also considers Milli Re’s standalone BCAR scores, which have deteriorated to the very weak level at half-year 2022. A weakening of economic conditions in Turkey has resulted in a material devaluation of the Turkish lira and extremely high levels of inflation, which have increased Milli Re’s asset and underwriting risk significantly, whilst impacting negatively its shareholders’ equity position with the company reporting a loss at half-year 2022 on a consolidated and standalone basis. Milli Re’s liquidity position on a standalone basis has been constrained by the material erosion of its capital and surplus, evidenced by a ratio of liquid assets to net technical provisions of 71% at half-year 2022, down 33 percentage-points from year-end 2021.

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The rating actions also reflect a revision in Milli Re's ERM assessment to marginal from appropriate, due to the impact of operating conditions in Turkey on the company's risk profile and the rising difficulties that it faces in navigating an increasingly challenging environment.

The negative outlooks reflect pressures on the company's rating fundamentals stemming from its exposure to the deteriorating macroeconomic conditions in Turkey.

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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