

Research Update:

# Milli Reasurans 'trA+' Turkey National Scale Ratings Affirmed

February 18, 2021

## Overview

- On Feb. 16, 2021, we affirmed our 'B+' issuer credit rating on Türkiye İş Bankası AS (İsbank) and revised our outlook to stable; we also affirmed our 'trA+' Turkey national scale rating on İsbank.
- We view Milli Reasurans T.A.S. (Milli Re) as a moderately strategically important subsidiary of İsbank and we limit our rating on Milli Re at that on the parent.
- We are therefore affirming our 'trA+' ratings on Milli Re. Our national scale ratings do not carry outlooks.

## Rating Action

On Feb. 18, 2021, S&P Global Ratings affirmed its 'trA+' Turkey national scale rating on Milli Reasurans T.A.S.

## Rationale

The rating action follows the affirmation of the long-term local and foreign currency ratings on İsbank, Milli Re's parent (see "Ratings Affirmed On Two Turkish Banks After BICRA Review," published Feb. 16, 2021, on RatingsDirect). We view Milli Re as a moderately strategically important subsidiary of İsbank, one of Turkey's leading banks and Milli Re's majority shareholder. As a result, we cap the rating on Milli Re at that on the parent, and expect the ratings to move in similar directions.

In the third quarter of 2020, Milli Re's gross premium written increased to Turkish lira (TRY) 1.4 billion (about \$200 million), about 6% higher than for the same period in 2019. The inflation rate in Turkey over that period was 11.8%. Therefore, real premium growth decreased by around 6.0% due to the economic slowdown brought about by the COVID-19 pandemic. Nonetheless, net profits as of third-quarter 2020 increased to TRY301 million from TRY240 million for the same period in 2019, notwithstanding currency volatility and the prevailing macroeconomic environment. We believe that this year Milli Re's profit will exceed that for 2019.

### PRIMARY CREDIT ANALYST

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We could lower or raise our national scale rating on Milli Re if we took a similar action on the parent.

### Related Criteria

- Criteria | Insurance | General: Insurers Rating Methodology, July 1, 2019
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Methodology For National And Regional Scale Credit Ratings, June 25, 2018
- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 20, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- Criteria | Insurance | General: Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010

### Related Research

- Ratings Affirmed On Two Turkish Banks After BICRA Review, Feb. 16, 2021

### Ratings List

#### Ratings Affirmed

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#### Milli Reasurans T.A.S.

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Issuer Credit Rating

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Turkey National Scale trA+/-/--

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### Regulatory Disclosures

Milli Reasurans T.A.S.

Primary Credit Analyst: Trevor Barsdorf, Associate Director

Rating Committee Chairperson: Johannes Bender

Date initial rating assigned: July 25, 2007

Date of previous review: Oct. 19, 2020

### Disclaimers

This rating has been determined by a rating committee based solely on the committee's independent evaluation of the credit risks and merits of the issuer or issue being rated in accordance with S&P Global Ratings published criteria and no part of this rating was influenced by any other business activities of S&P Global Ratings.

This credit rating is solicited. The rated entity did participate in the credit rating process. S&P

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Global Ratings did have access to the accounts, financial records and other relevant internal, non-public documents of the rated entity or a related third party. S&P Global Ratings has used information from sources believed to be reliable but does not guarantee the accuracy, adequacy, or completeness of any information used.

Materials Used In The Credit Rating Process: Sufficient information in general consists of both (i) financial statements that describe the Issuer's financial condition, results of operations and cash-flows, and (ii) a description of the activities and obligations of the entity including of its governance and legal structure.

This credit rating was disclosed to the rated entity or related third party before being issued.

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## Glossary

- Anchor: The starting point for rating an insurer, based on S&P Global Ratings' assessments of the business and financial risk profiles.
- Business risk profile (BRP): Assesses the risk inherent in the insurer's operations and therefore the potential sustainable return to be derived from those operations.
- Capital and earnings: Measure of an insurer's ability to absorb losses.
- Combined ratio: The ratio of the sum of loss expense, loss adjustment expense, and operating expenses divided by premiums earned.
- Competitive position: An assessment based on an insurer's operating performance, branding, market position, diversification and control over its distribution channels.
- Date initial rating assigned: The date S&P Global Ratings assigned the long-term foreign currency issuer credit rating on the entity.
- Date of previous review: The date S&P Global Ratings last reviewed the credit rating on the entity.
- Funding Structure: The balance between an insurer's sources and uses of external capital and liquidity over the current and next two years.
- Financial risk profile (FRP): The consequence of decisions that management makes in the context of its business risk profile and its risk tolerances.
- Financial strength rating (FSR): A forward-looking opinion about the financial security characteristics of an insurer with respect to its ability to pay under its insurance policies and contracts, in accordance with their terms.
- High-risk assets: Volatile or illiquid assets.
- Insurance Industry And Country Risk Assessment (IICRA): Addresses the risks typically faced by insurers operating in specific industries and countries, and is generally determined at a country or regional level.
- Issuer credit rating (ICR): A forward-looking opinion about an obligor's overall creditworthiness,

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focusing on its capacity and willingness to meet its financial obligations in full and as they come due.

- Risk exposure: Assesses material risks not incorporated in the capital and earnings analysis and specific risks that could affect the volatility of an insurer's TAC.
- Return on equity (ROE): Measures the return available to stockholders. Calculated as reported net income divided by the year-end average of reported stockholders' equity for the past two years.
- Stand-alone credit profile (SACP): S&P Global Ratings' opinion of an insurer's creditworthiness, in the absence of extraordinary intervention from its parent, affiliate, or related government.
- Total adjusted capital (TAC): S&P Global Ratings' measure of the capital an insurer has available to meet capital requirements

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