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## **SOVEREIGN RISK ANNOUNCES COMPLETION OF A \$200 MILLION CAPITAL MARKETS TRANSACTION IN TURKEY**

### ***Political Risk Insurance Assists Finans Bank A. \_ Bond Issue in Achieving Ba1 Rating (Moody's)***

HAMILTON, Bermuda, October 18, 2004 - Sovereign Risk Insurance Ltd. ("Sovereign") announced the issuance of an innovative political risk insurance policy assisting Finans Bank A. \_, Turkey's fifth-largest privately owned bank, to raise tier-two capital in the international capital markets. The policy supports a landmark transaction involving the issuance of US\$200 million of 10-year subordinated callable notes, by Finans Capital Finance Limited ("FCFL"), pursuant to Rule 144A/Regulation S. The proceeds of the notes will be used by FCFL to make a loan to Finans Bank, which, in turn will use the funds for general corporate purposes.

The 10-year political risk insurance policy covers up to 18 months of interest payments on the notes against the risks of currency inconvertibility and non-transfer. Merrill Lynch & Co. acted as sole placement agent for the notes.

The transaction is noteworthy for its several "firsts" for Turkey: It is the first subordinated capital markets debt deal for a Turkish issuer; it is the first debt issue with a 10-year maturity for any corporate or financial borrower; it is the first financial institution subordinated deal; and it is the first political risk-supported bank deal.

Moody's assigned a "Ba1" rating to the subordinated notes based on the ability and willingness of Finans Bank to make payments to subordinated creditors, the existence of Sovereign's currency

inconvertibility and non-transfer policy and the structural and legal features of the transaction. This rating is several notches above the long-term foreign currency debt rating of the Republic of Turkey (rated “B1” by Moody’s).

Christina Westholm-Schröder, Sovereign's Chief Underwriter commented, "We are very pleased to have been able to assist Finans Bank in a successful bond issue that has received a great deal of attention from global investors. Finans Bank’s successful issue testifies to the growing interest among investors in Turkish paper, as well as to the value attributed to the inconvertibility and non-transfer coverage in structuring rated cross-border transactions."

Özlem Cinemre, Finans Bank’s Head of International Division, noted that, “The issue was very well received, and the insurance coverage provided by Sovereign helped Moody’s to rate the notes Ba1, considerably higher than the rating for Turkish government debt. We are very pleased with the outcome. Finans Bank is proud to be the first Turkish issuer of 10-year obligations, and the first bank to issue subordinated debt in the international capital markets

Alex von Sponeck, Head of EEMEA Securitisation & Structured Finance at Merrill Lynch International in London, added, “This is a landmark issue for banks in Turkey, and the Finans Bank deal was timed strategically around the EU accession discussion for the Republic of Turkey. We are very happy to have put in place this innovative structure that has helped Finans Bank achieve its capital raising objectives at a very competitive pricing level.”

Bermuda-based Sovereign is one of the world's leading providers of political risk insurance and reinsurance to financial institutions, national export credit agencies, multilateral developmental agencies, and global equity investors. Sovereign has the ability to issue political risk insurance policies for amounts up to \$125 million and for periods up to 15 years. Sovereign is a 50-50 joint venture between ACE Bermuda Insurance Ltd., a wholly-owned subsidiary of ACE Limited (NYSE: ACE) and XL Insurance (Bermuda) Ltd, a wholly-owned subsidiary of XL Capital Ltd (NYSE: XL). More information can be found on Sovereign's website: [www.sovereignbermuda.com](http://www.sovereignbermuda.com).

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