



CREDIT RATING REPORT

DATE: 29.12.2023

LEAD ANALYST: CEM EK

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ISSUER: TRUST CAPITAL REINSURANCE LTD.

ISSUE: -

CORE BUSINESS

INSURANCE/REINSURANCE

NEW:

UPDATE:

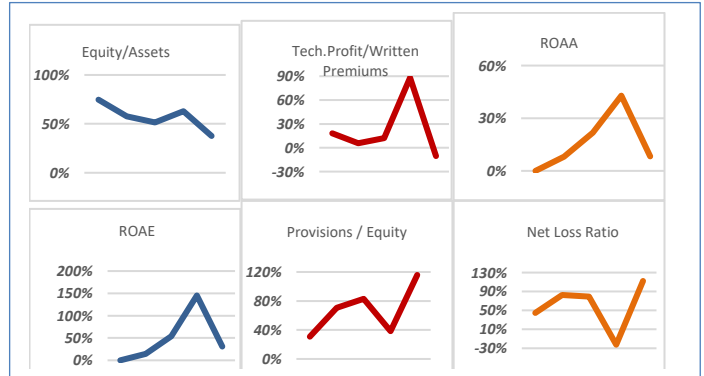
| | RATINGS* | | | | | |
|--|----------------|------------------|----------------------|--------------|------------|---------|
| | ISSUER RATING | | OUTLOOK | ISSUE RATING | | OUTLOOK |
| | LONG TERM | SHORT TERM | | LONG TERM | SHORT TERM | |
| Trust Capital Reinsurance Ltd Şehit Mustafa Ahmet Ruso Caddesi, Muhtar Yusuf Galeria Kat:2 No: 202, K. Kaymaklı / Lefkoşa / KKTC Tel: 0 (392) 227 49 31 www.trustcapitalreinsurance.com | | | | | | |
| INTERNATIONAL FOREIGN CURRENCY | - | - | - | - | | |
| INTERNATIONAL LOCAL CURRENCY | - | - | - | - | | |
| NATIONAL RATING | TR A- TR A- | TR A-2 TR A-2 | Positive Positive | | | |

*Previous ratings are at the bottom right of the cells. **Outlook:** Positive, Negative, Stable, Developing.

SUMMARY: Trust Capital Reinsurance Ltd. (hereafter TCR or the Company) has been affirmed a **long-term national credit rating of "TR A-"** a **short-term national credit rating of "TR A-2"** and **outlook "Positive"**. Credit ratings reflects our opinion on; continued growth of the Company, which started operating in 2018, and that the partners' financial strength and desire to support the Company; strong equity, high liquidity ratios, positive relations with ceding companies, retrocession agreements, the existence of knowledgeable and experienced management staff, the improvement of risk management policies and practices, the narrowness of the insurance market in Turkish Republic of Northern Cyprus (TRNC), the fact that non-local ceding companies and due to competition between banks, local ceding companies with banks in their group continue to work with foreign reinsurance companies.

Key Financial Data (€ Million)

| | 2019 | 2020 | 2021 | 2022 | 2023/9 |
|--------------------------|------|------|------|------|--------|
| Total Assets | 18.8 | 27.6 | 46.5 | 65.1 | 56.3 |
| Reinsurance Receivables | 0.4 | 4.6 | 4.5 | 6.7 | 23.2 |
| Technical Profit/Loss(-) | 1.6 | 0.8 | 1.9 | 23.6 | -2.6 |
| Provisions | 4.3 | 11.2 | 19.9 | 15.8 | 24.6 |
| Equity | 14.1 | 15.9 | 24.0 | 40.9 | 21.2 |
| Net Profit | 1.8 | 1.9 | 8.0 | 23.9 | 5.1 |





Istanbul, December 29th, 2023

Financial Data

September 30th, 2023

(₺ Million)

| | |
|--------------------------|------|
| Total Assets | 56.3 |
| Reinsurance Receivables | 23.2 |
| Provisions | 24.6 |
| Written Premiums (Gross) | 24.7 |
| Technical Revenues | 43.3 |
| Technical Expenses | 45.9 |
| Equity | 21.2 |
| Net Profit/Loss | 5.1 |

Financial Ratios

| | |
|------------------------------|-------|
| ROAA (%) | 8.4 |
| ROAE (%) | 30.7 |
| Tech. Prof./Writ. Premi. (%) | -10.5 |
| Writ. Premi. /Equity (%) | 116.4 |
| Net Profit/ Writ. Premi. (%) | 20.6 |

Ratings Rationale, Outlook and Important Factors for the Future:

The credit ratings reflects our opinion on; continued growth of the Company which started operating in 2018, the shareholders' financial strength and desire to support the Company, strong equity structure, high liquidity ratios, positive relations developed with ceding companies, the existence of knowledgeable and experienced management staff, the improvement of risk management policies and practices, the narrowness of the insurance market in TRNC, the fact that non-local ceding companies and due to competition between banks, local ceding companies with banks in their group continue to work with foreign reinsurance companies and retrocession agreements made with three companies rated A, A- by the international insurance companies rating agency AM Best.

While providing reinsurance support to ceding companies in life and non-life insurance classes, TCR has produced all its reinsurance premiums from non-life group branches so far. Insurance and Reinsurance sector in TRNC is regulated by the Money and Exchange and Development Fund Affairs Department of the Country, and the independently audited financial statements is prepared in accordance with the Uniform Chart of Accounts. Our report is based on the independently audited financial statements of the Company dated 31.12.2022 and 30.09.2023. As of the 9th month of 2023, compared to the end of 2022, the Company's shareholders' equity decreased by 48.2% to ₺21.2 million and similarly, cash assets decreased by 48.5% to ₺26.9 million. The reason for this is that a dividend was paid to the Company's shareholders from the previous year's profits in 2023. The Company's cash assets are higher than its shareholders' equity as of the third quarter of 2023

like previous periods. As a result of the increase in the provision for outstanding claims in technical expenses from ₺17.5 million to ₺23.4 million and the payment of a total of ₺8.3 million damage compensation due to fires, the technical profit of ₺15.7 million in 2022/9 turned into a technical loss of ₺2.6 million as of 2023/9. With the contribution of financial income from foreign exchange gains, net profit for the 9-month period of 2023 was ₺5.1 million, down by 70.5% compared to the same period of the previous year. TCR's return on average assets (ROAA) and return on average equity (ROAE) ratios, which were 8.4% and 30.7% respectively, as of 30 September 2023, are still at high levels despite the decline, and the decision to increase the paid-in capital from ₺12.2 million to ₺30 million by making a cash capital increase of ₺17.8 million, all of which will be paid within the first week of January 2024 without waiting for a 3-year period(*) is evaluated positively in terms of credit ratings.

DRC RATING has confirmed the outlook of TCR's National Long-Term Credit Rating as “**Positive**”. The shareholding structure consisting of leading businesspeople in TRNC, operational support received from group companies, existence of foreign currency deposits held in banks against high exchange rate risk, the fact that the ceding companies working with TCR have the right to withdraw from the agreements they have signed as per the legislation have been taken into consideration and positive / negative factors have been evaluated in determining the outlook.

Factors to consider for the future change in rating and outlook are:

Positive:

- Increase in the number of ceding companies,
- Developing risk management policies and practices,
- Improvement of corporate governance principles.

Negative:

- The Company's profitability may be affected by unfavorable macroeconomic indicators,
- Unexpected increase in the amount of damage and compensation paid.

(*): The Decree of the Council of Ministers of TRNC dated 20 September 2023, has set the minimum paid-in capital amount for reinsurance companies as ₺30 million and it is obligatory to pay the missing part in cash within 3 years, provided that it is not less than 1/3 by the end of January of each year.



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