

CREDIT RATING REPORT

DATE: 29.12.2022

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ISSUER: TRUST CAPITAL REINSURANCE LTD.

ISSUE: -

CORE BUSINESS

INSURANCE/REINSURANCE

NEW:

☐

UPDATE:

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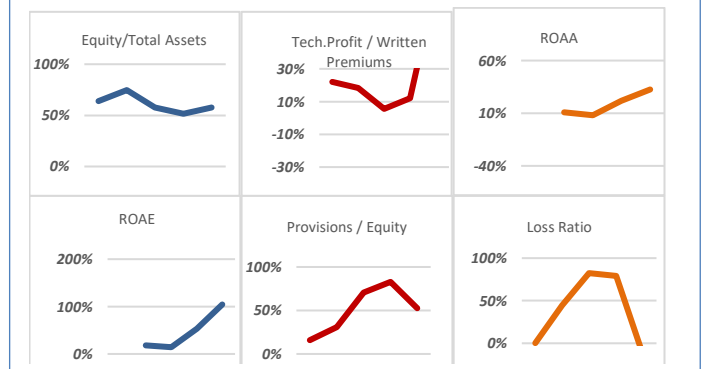
Trust Capital Reinsurance Ltd Şehit Mustafa Ahmet Ruso Caddesi, Muhtar Yusuf Galeria Kat:2 No: 202, K. Kaymaklı / Lefkoşa / KKTC Tel: (0392) 444 22 65 www.trustcapitalreinsurance.com	RATINGS*					
	ISSUER RATING		OUTLOOK	ISSUE RATING		OUTLOOK
	LONG TERM	SHORT TERM		LONG TERM	SHORT TERM	
INTERNATIONAL FOREIGN CURRENCY	-	-	-			
INTERNATIONAL LOCAL CURRENCY	-	-	-			
NATIONAL RATING	TR A- TR BBB+	TR A-2 TR A-2	Positive Stable			

*Previous ratings are at the bottom right of the cells. **NR:** Not rated by DRC RATING. **Outlook:** Positive, Negative, Stable, Developing.

SUMMARY: Trust Capital Reinsurance Ltd. (hereafter TCR or the Company) has been assigned 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; despite the devastation in the macroeconomic indicators of the Turkish Republic of Northern Cyprus (TRNC) caused by the ongoing Covid-19 Pandemic, and the slowdown in tourism activities, 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 the TRNC, the fact that non-local ceding companies continue to work with foreign reinsurance companies.

Key Financial Data (Million ₺)

	2018	2019	2020	2021	2022/9
Total Assets	15,3	18,8	27,6	46,5	59,2
Reinsurance Receivables	0,4	0,4	4,6	4,5	11,1
Technical Profit	1,5	1,6	0,8	1,9	15,7
Provisions	1,5	4,3	11,2	19,9	18,0
Equity	9,7	14,1	15,9	24,0	34,2
Net Profit	2,1	1,8	1,9	8,0	17,2





Istanbul, December 29th, 2022

Financial Data

September 30th, 2022

(Million ₺)

Total Assets	59,2
Reinsurance Receivables	11,1
Provisions	18,0
Written Premiums (Gross)	19,1
Technical Revenues	41,4
Technical Expenses	25,7
Equity	34,2
Net Profit/Loss	17,2

Financial Ratios

ROAA (%)	32,5
ROAE (%)	104,4
Tech. Prof./Writ. Premi. (%)	82,3
Writ. Premi./Equity (%)	56,0
Net Profit/ Writ. Premi. (%)	89,9

Ratings Rationale, Outlook and Important Factors for the Future:

The credit ratings reflects our opinion on; despite the devastation in the macroeconomic indicators of the Turkish Republic of Northern Cyprus (TRNC) caused by the ongoing Covid-19 Pandemic, and the slowdown in tourism activities, 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, the existence of knowledgeable and experienced management staff, the improvement of risk management policies and practices, the narrowness of the insurance market in the TRNC, the fact that non-local ceding companies continue to work with foreign reinsurance companies and entered into retrocession agreements with three companies rated BBB+, A, A- by the international insurance companies rating agency AM Best.

TCR was established on 18 August 2017 to provide all kinds of reinsurance services in all areas of life and non-life branches in the TRNC insurance sector. TCR, which made the necessary preparations until the end of 2017, started its operations as of January 1, 2018, by obtaining required licenses. 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. Taking advantage of being the only domestic reinsurance company that providing reinsurance services to ceding companies in the TRNC, TCR increased its assets from 15.3 million ₺ to 59,2 million ₺, a growth by an average of 41,4% on an annual basis in 4 years and 9 months. As of the third quarter of 2022, the Company's cash assets are at a higher level

than its equity. In the third quarter of 2022, TCR's net profit for the period increased by 744,5% on an annual basis and reached 17,2 million ₺. ROAE, which was 53,5 % at the end of 2021, increased to 104,4% as of September 30, 2022, as the rate of increase in net profit for the period was much higher than the rate of increase in equity. ROAA, which was 21,7% as of the end of 2021, increased to 32,5% as a result of the increase in cash values and insurance receivables, which was lower than the increase in net profit for the period. The ROAA and ROAE ratios, which are increasing gradually with the settlement of the structure in the company's activities and the increase in the business volume, were evaluated positively in terms of credit rating scores.

DRC RATING has determined the outlook of TCR's National Long-Term Credit Rating as **"Positive"**. Presence of shareholders consisting of members of the ARHUN family, one of the leading entrepreneurs of the TRNC, operational support from group companies, presence of foreign currency deposits held in banks against high exchange rate risk and ceding companies working with TCR have the right to withdraw from agreements they have signed as per the legislation were taken into account and positive/negative factors were evaluated in determining the outlook. The TRNC insurance and reinsurance sector is regulated by the Money and Exchange and Development Fund Affairs Department of the country, and the independently audited financial statement data is prepared in accordance with the Uniform Chart of Accounts.

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

Positive:

- Increase in the number of ceding companies with which agreements were made,
- Developing risk management policies and practices,
- New regulations to be made by the regulatory authority in the insurance sector,
- Development of corporate governance applications,

Negative:

- The company's profitability is affected by negative macroeconomic indicators,
- An increase in the amount of damage and compensation paid,
- Possibility of exposure to currency risk due to foreign currency assets&liabilities,
- Increasing floods in TRNC due to climate changes in the last period.



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