

FINANCIAL RESULTS Q1 2019



STRONG QUARTER FOR INVESTMENT OPERATIONS



Q1 2019 HEADLINE FIGURES

Post-tax profit
ISK 433m

Q1 2018: ISK 289m

EPS
ISK 0.64

Q1 2018: ISK 0.43

Combined ratio
107.5%

Q1 2018: 109.8%

ROI
3.3%

Q1 2018: 2.6%

Technical results
ISK -287m

Q1 2018: ISK -371m

ROE (Annualized)
14.1%

Q1 2018: 9.0%

Cost ratio
20.5%

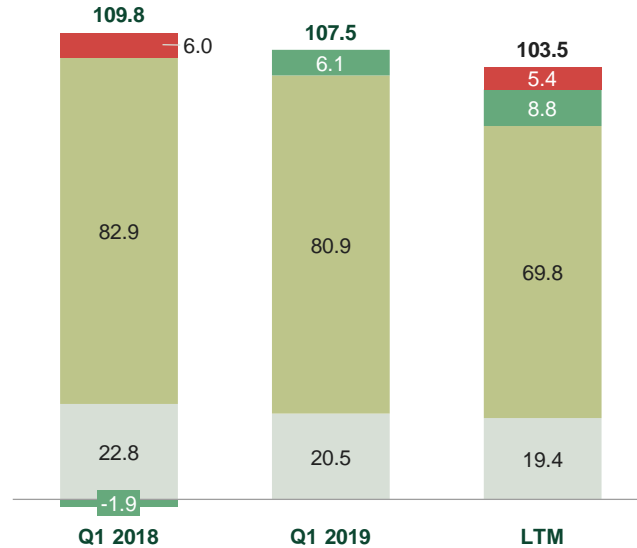
Q1 2018: 22.8%

Solvency ratio
1.59x

Q1 2018: 1.46x

COST RATIO SIGNIFICANTLY LOWER

SPLIT OF COMBINED RATIO (%)



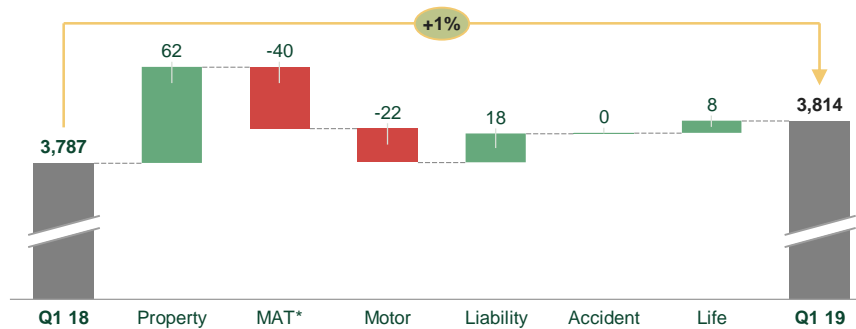
- No large claims in Q1 2019 but were 6% in Q1 18
- Cost ratio is decreasing despite cost pressure
- Higher negative development of claims reserves from prior years
- Overall, claims ratio is similar as last year

■ Large Claims*
 ■ Claims from prior periods
 ■ Claims from stated period
 ■ Cost

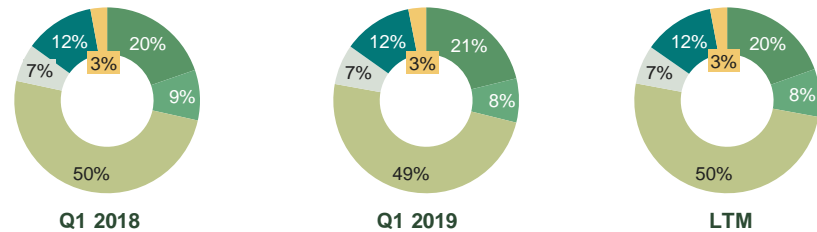
* Large claims are claims over ISK 50m

SLOW GROWTH OF NET PREMIUMS

Development of Net premiums (ISKm)



Split of Net premiums (%)

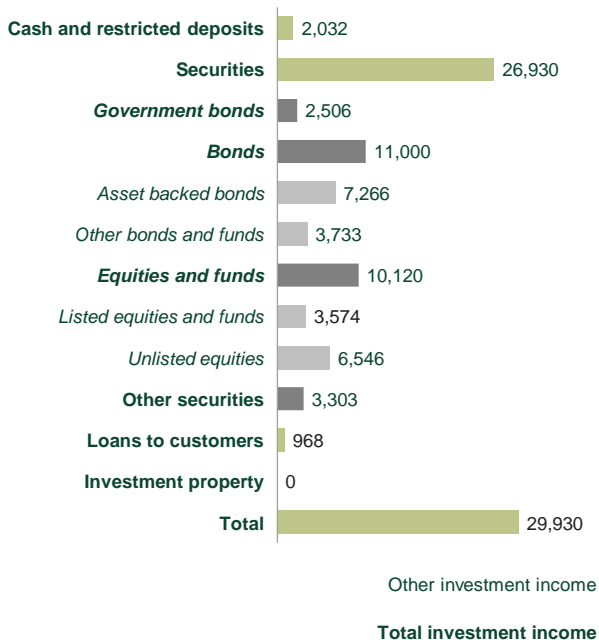


■ Property
 ■ MAT
 ■ Motor
 ■ Liability
 ■ Accident
 ■ Life

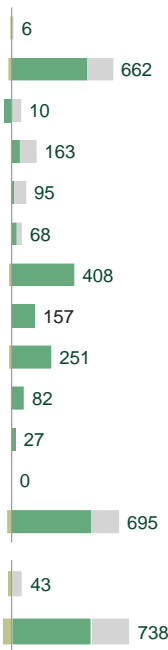
ROI WAS 3.3% IN Q1 19

INVESTMENT INCOME

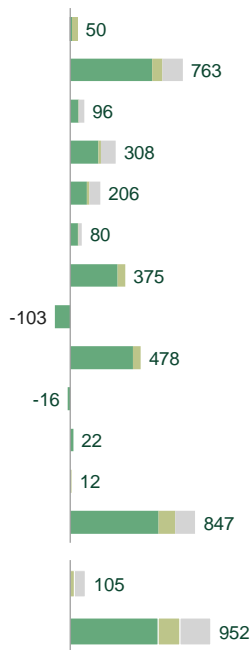
Asset class 31.03.2019 (ISKm)



Income Q1 18

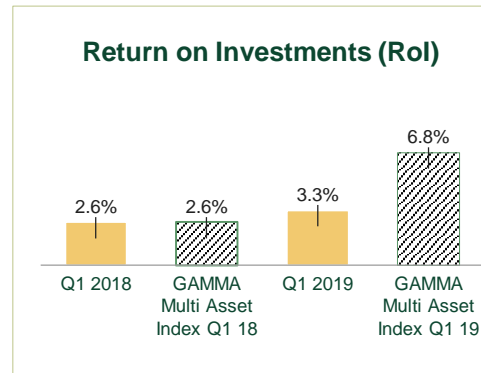


Income Q1 19



■ Capital gains/losses
 ■ FX
 ■ Interests, Indexation

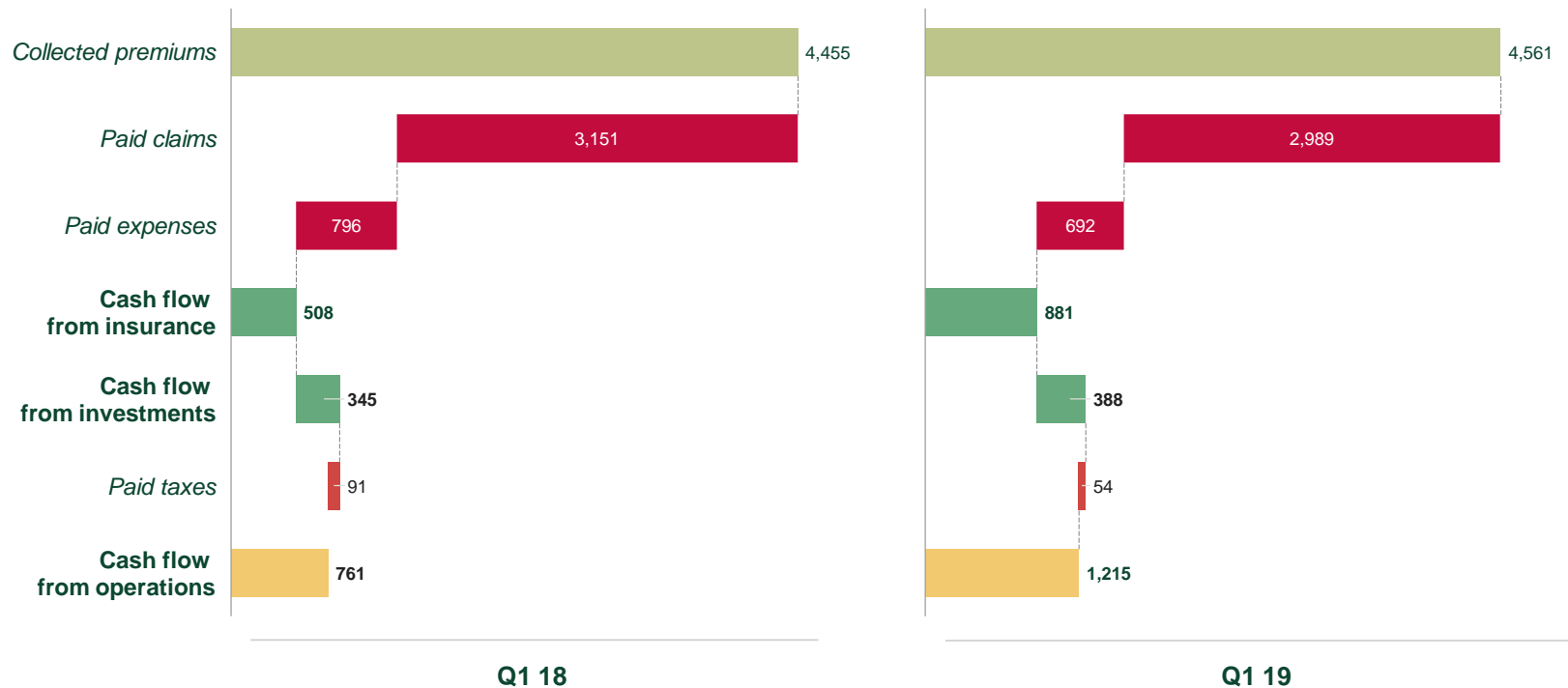
- Unlisted equities delivered very good return in Q1 19, mostly due to stakes in Eyrir Invest and S121
- Listed equities performed very poorly in Q1 19 which is largely attributable to a stake in Sýn. If Eyrir Invest would be categorized as a listed equity then Listed equities would have delivered 10.4% return in the period





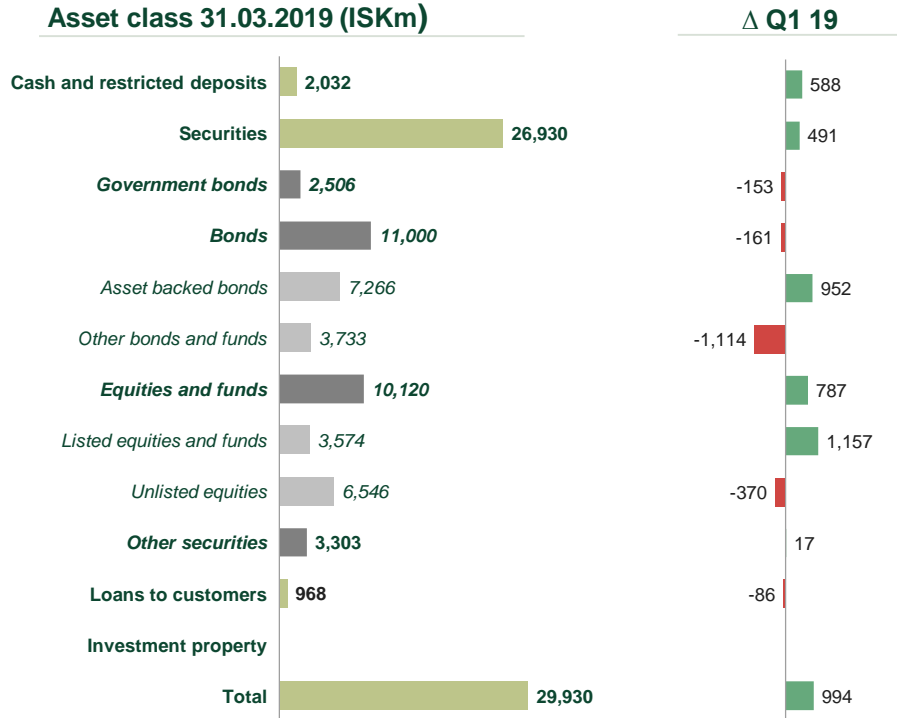
STRONG CASH FLOW FROM INSURANCE OPERATIONS

CASH FLOW FROM OPERATIONS (ISKm)



EQUITIES INCREASING DESPITE ARNARLAX DISPOSAL

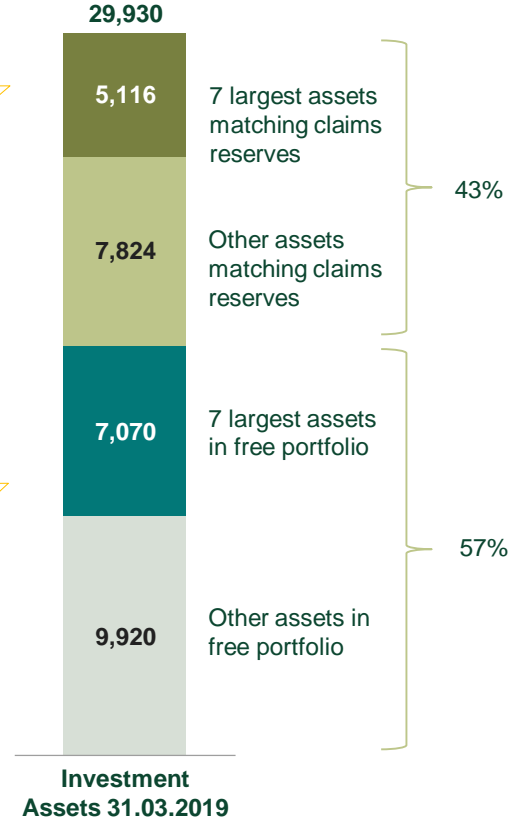
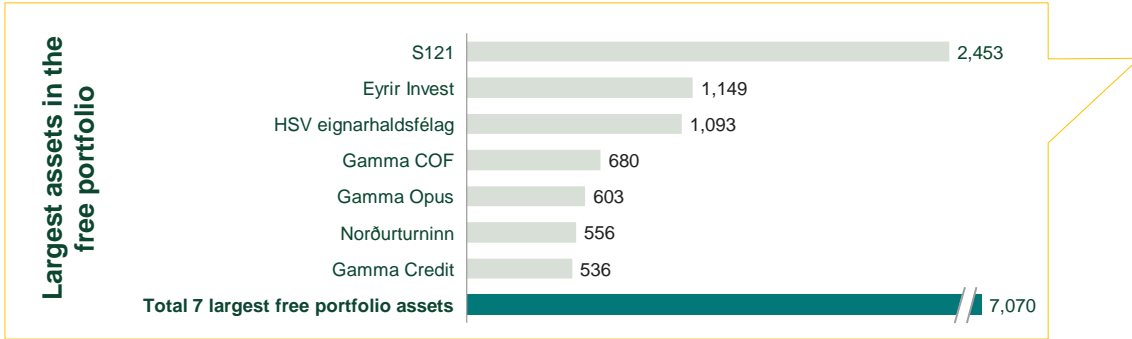
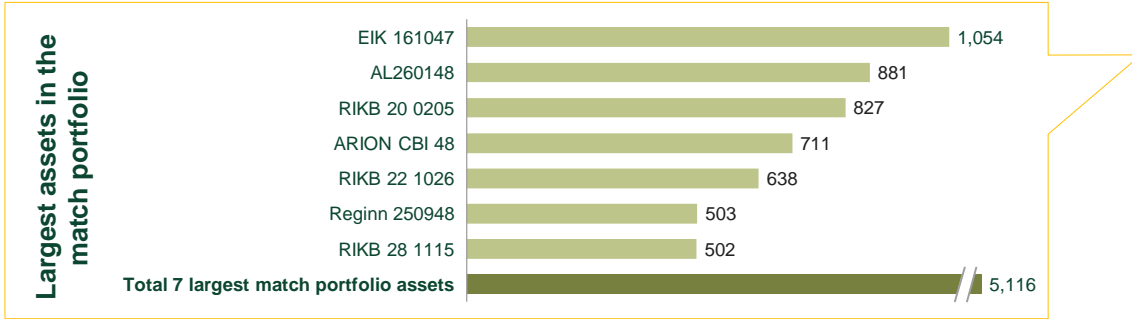
BREAKDOWN OF INVESTMENT ASSETS



- Despite good return during the quarter, Unlisted equities decreased due to TM's sale of its stake in Arnarlax (ISK 780m)
- 60% of fixed income portfolio is indexed at 31.03.2019. Duration of the portfolio is 5.7 years
- Indexation is mainly through Asset backed bonds. The Government bonds portfolio is mainly non-indexed
- Exposure on listed equities is also through Unlisted equities and Other securities with a total exposure of ISK 5.5bn.

TM'S LARGEST INVESTMENTS

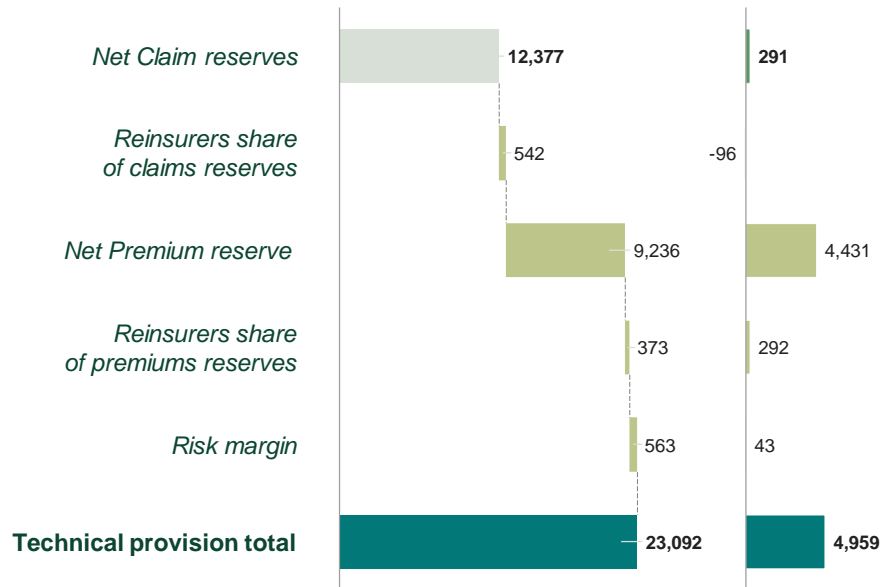
31.03.2019 (ISKm)



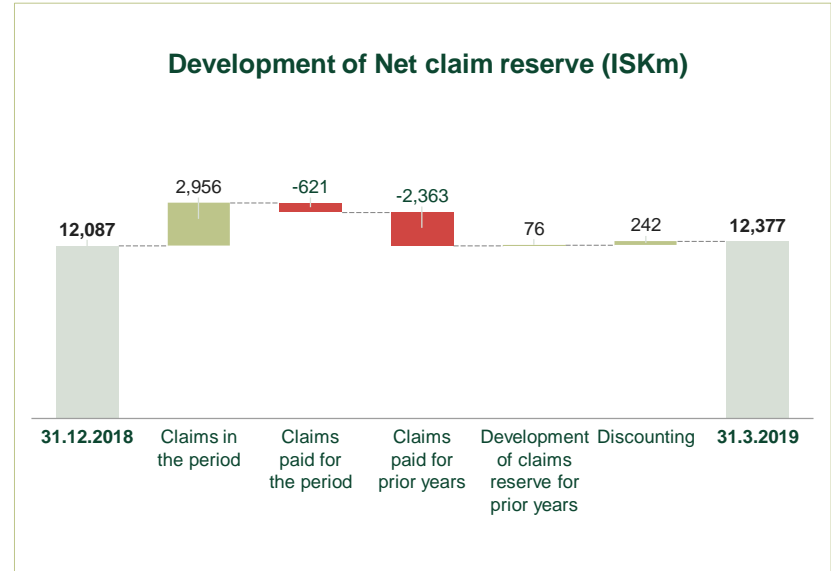
NET PREMIUM RESERVE INCREASES IN Q1 19

TECHNICAL PROVISION 31.03.2019 (ISKm)

ΔQ1 19



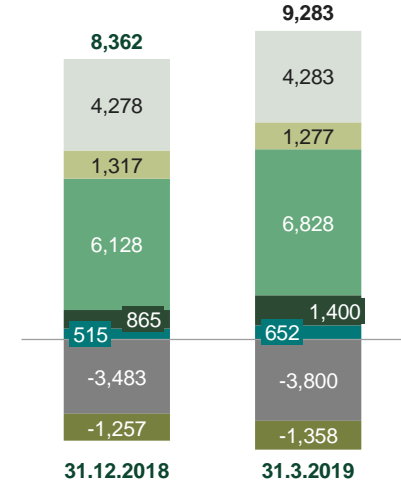
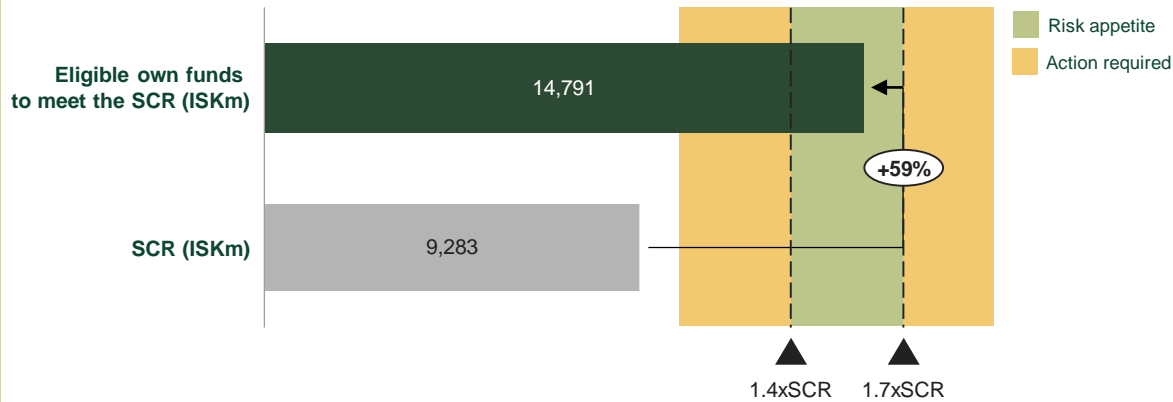
Development of Net claim reserve (ISKm)



SOLVENCY RATIO COMFORTABLY INSIDE APPETITE

SOLVENCY CAPITAL RATIO

- TM has set its risk appetite for the Solvency ratio with a target of 1.50x
- The SCR is risk based and reflects TM's total risk calculated by the standard formula



- Non-life underwriting risk
- Life & health underwriting risk
- Market risk
- Counterparty risk
- Operational risk
- Diversification effects
- TLAC of deferred taxes

* SCR: Solvency Capital Requirement

PBT FORECASTED ISK 2,803m in 2019

OUTLOOK

Profit before tax
ISK 2,803m
(ISK 2,442m)*

2018: ISK 700m

ROE
17.9%**
(15.3%)

2018: 5.3%

Combined ratio
97%
(97%)

2018: 104%

ROI
10.6%
(8.5%)

2018: 6.6%

* Previous forecast

**Income tax rate estimated 11%

OPERATING FORECAST FOR NEXT 4 QUARTERS



Forecast (ISKm)	Q2 19	Q3 19	Q4 19	Q1 20	Next 12M	2019e
Premiums f.o.a.	3,914	4,107	4,016	4,007	16,044	15,851
Investment income and other income	853	523	736	564	2,676	3,073
Total income	4,768	4,630	4,752	4,571	18,721	18,924
Claims f.o.a.	(2,984)	(3,039)	(3,055)	(3,405)	(12,484)	(12,395)
Other expenses	(941)	(866)	(915)	(911)	(3,633)	(3,726)
Total expenses	(3,925)	(3,905)	(3,971)	(4,316)	(16,117)	(16,121)
Profit before income tax	842	725	781	255	2,604	2,803
Cost ratio	20%	17%	18%	19%	19%	19%
Claims ratio	76%	74%	76%	85%	78%	78%
Combined ratio	96%	91%	95%	104%	96%	97%
Return on Investments	2.8%	1.7%	2.4%	1.7%	8.9%	10.6%

TM LAUNCHES CYCLING INSURANCE

- To meet high demand from cyclists, TM has launched a comprehensive cycling insurance
- The insurance has four optional coverages; liability, accident, hull and medical cost abroad
- Customers can buy the cycling insurance online in Vádís entirely automatically and self-inspect their bikes in the TM app to activate the insurance
- The insurance is stand-alone and can be bought by TM's customers and those who do not have other business with us
- TM's cycling insurance is a great product for cyclists that own expensive equipment and/or participate in the many competitions held each year in Iceland or abroad

HJÓLREIÐA- TRYGGING TM

Tryggðu þig og hjólið þitt betur á tm.is

Hjólreiðatrygging TM tryggir hjólið þitt fyrir skemmdum og þjófnaði og þig fyrir slysum og sjúkrakostnaði. Tryggingin gildir í æfingum og keppni, á Íslandi og erlendis. Vertu viss um að þínar tryggingar séu í takt við þínar þarfir og kláraðu málið á nokkrum mínútum á tm.is.



TM IS #1 IN INSURANCE DIGITAL INNOVATION IN ICELAND



Vádís is insurance automation at its best

- 1 Log in with your electronic authentication to minimize need for questions and formalities
- 2 Create a basket of insurances you want, see your price immediately and customize your coverage
- 3 Sign a cancellation form electronically that is sent automatically to your current insurance company (if any)
- 4 Select your desired means of payment
- 5 Complete self-inspection of your car or bike with the TM app



The TM app is peace of mind in your pocket

- 1 See an overview of all your insurances, what they cover, their premium and limits
- 2 File claims for common household items and, in many cases, get reimbursed instantly
- 3 Self-inspect your car or your bike to activate new insurance
- 4 Travel with peace of mind with your travel insurance confirmation at your fingertips
- 5 Opt in or out of paperless communication and select whether to allow us to be in touch regarding your coverage

TM'S DIGITAL SOLUTIONS HAVE IN A SHORT TIME HAD A GREAT POSITIVE IMPACT ON OUR CORE BUSINESS



7%

of TM's current personal lines customers have downloaded the app

26%

of eligible claims have been filed through the app since launch

32%

of eligible claims have been filed through the app in the last four weeks

43%

of claims in the app are filed outside TM's business hours

9%

of all new personal lines sales have been sold through Vadis since launch



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APPENDICES

INCOME STATEMENT

(ISKm)	Q1 18	Q1 19	Δ	Δ%
Premiums f.o.a.	3,787	3,814	27	0.7%
Investment income and other income	745	960	215	28.8%
Total income	4,532	4,774	242	5.3%
Claims f.o.a.	(3,294)	(3,317)	(23)	0.7%
Other expenses	(977)	(1,003)	(26)	2.7%
Total expenses	(4,271)	(4,320)	(49)	1.2%
Profit before income tax	261	454	192	73.7%
Income tax	28	(21)	(49)	(174,3%)
Profit after tax	289	433	144	49.7%

BALANCE SHEET

(ISKm)	31.12.2018	31.03.2019
Assets		
Operating assets	325	313
Right-of-use assets	0	506
Goodwill and other intangible assets	489	532
Restricted cash	5	5
Loans	1,054	968
Securities	26,438	26,930
Investment where investment risk is borne by life-insurance policyholders	37	39
Deferred tax asset	88	93
Assets classified as held for sale	3	3
Reinsurance assets	720	916
Trade receivables	4,052	8,026
Cash and cash equivalents	1,439	2,028
Assets total	34,651	40,359

	31.12.2018	31.03.2019
Equity		
Share capital	678	678
Share premium	426	426
Reserves	271	271
Restricted earnings	4,363	4,314
Retained earnings	7,566	7,274
Equity total	13,303	12,962
Liabilities		
Technical provision	18,133	23,092
Technical provision for life-insurance policies where investment risk is borne by the policyholders	37	39
Lease liabilities	0	594
Trade and other payables	1,005	1,458
Subordinated debt	2,173	2,213
Liabilities total	21,347	27,397
Equity and liabilities total	34,651	40,359

A wide-angle photograph of a winding asphalt road in a volcanic landscape. The road curves through a valley with dark, rocky hillsides and patches of green vegetation. In the background, a large, dark mountain rises under a cloudy sky. A dark green square with the white letters 'TM' is overlaid on the center of the image.

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QUESTIONS

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