



TM

# Financial results Q4 2017

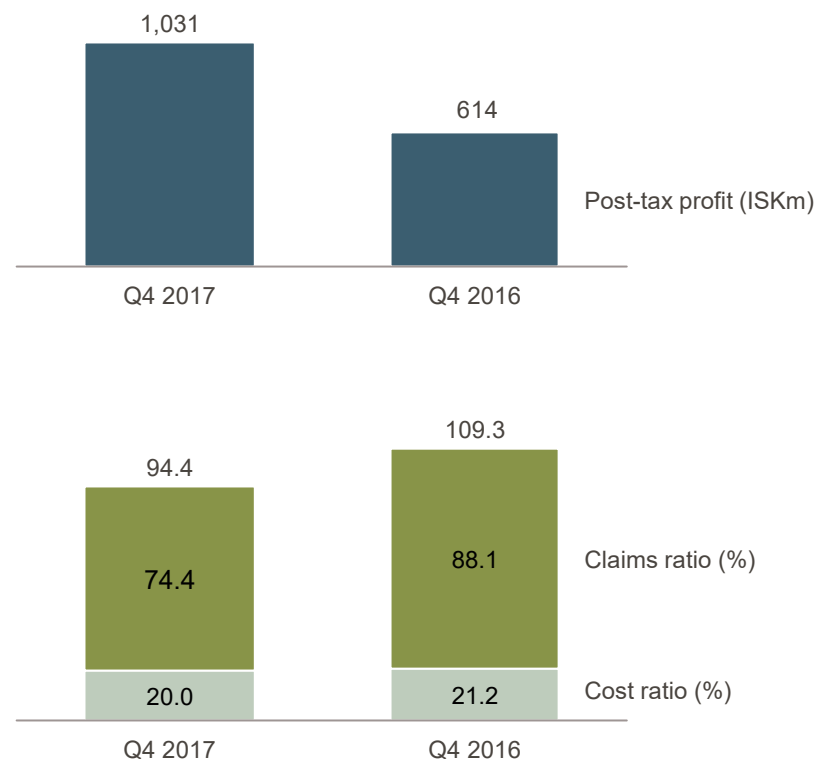
# First among Icelandic insurers, TM launches an App





## Highlights Q4 2017

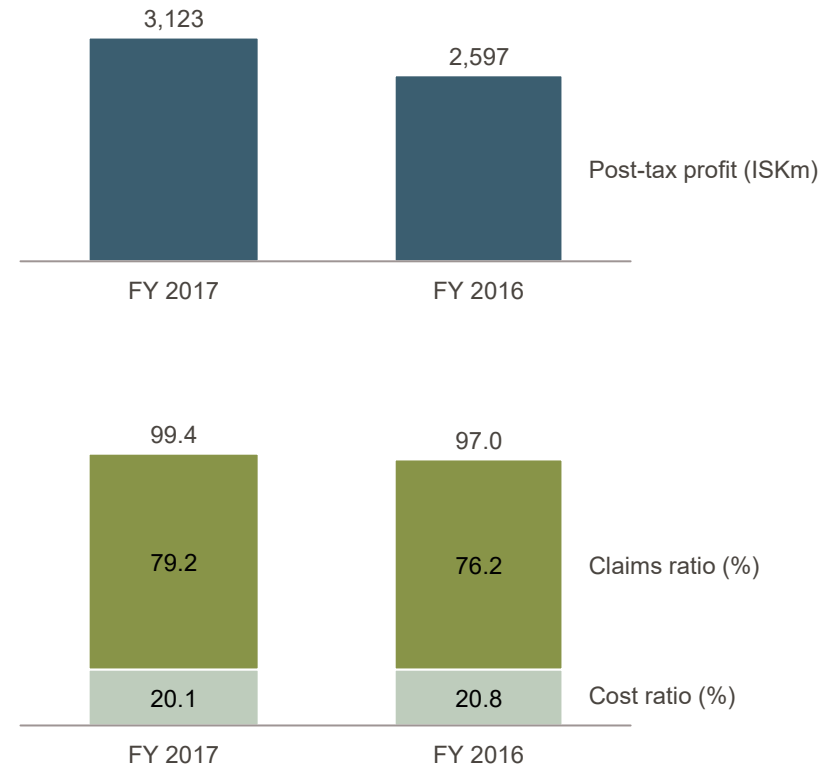
- Q4 post-tax profit totalled **ISK 1,031m** and earnings per share **ISK 1.52** (Q4 2016: ISK 614m and ISK 0.91)
- Pre-tax profit totalled ISK **1,070m** (Q4 2016: ISK 706m)
- Technical results were positive by ISK **209m** (Q4 2016: negative by ISK 318m)
- Investment income totalled ISK **1,115m** (Q4 2016: ISK 1,168m) and return on investments was **4.0%** (Q4 2016: 4.6%)
- Combined ratio was **94.4%** (Q4 2016: 109.3%)
- Gross written premiums increased **12.5%** YoY
- Premiums for own account increased **8.9%** YoY
- Claims for own account decreased **8.1%** YoY
- Operating expenses increased **1.5%** YoY
- Annualized return on equity was **34%** (Q4 2016: 22%)



## Highlights FY 2017



- FY 2017 post-tax profit totalled **ISK 3,123 m** and earnings per share **ISK 4.61** (FY 2016: ISK 2,597m and 3.80)
- Pre-tax profit totalled ISK **3,207m** (FY 2016: ISK 2,953m)
- Technical results were positive by ISK **97m** (FY 2016: positive by ISK 420m)
- Investment income totalled ISK **3,750 m** (FY 2016: ISK 3,178m) and return on investments was **14.9%** (FY 2016: 13.0%)
- Combined ratio was **99.4%** (FY 2016: 97.0%)
- Gross written premiums increased **7.8%** YoY
- Premiums for own account increased **6.6%** YoY
- Claims for own account increased **10.8%** YoY
- Operating expenses increased **3.1%** YoY
- Return on equity was **24%** (FY 2016: 22%)



# Consolidated Income Statement



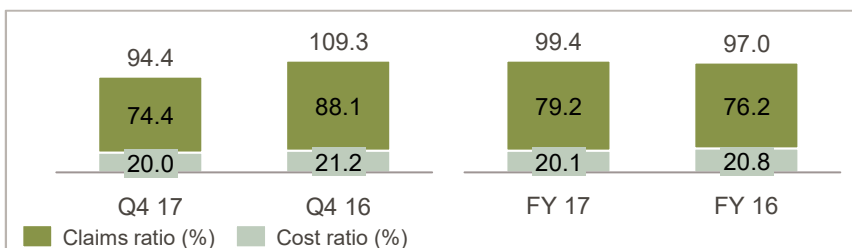
## Income (ISKm)

	Q4 2017	Q4 2016	FY 2017	FY 2016
<b>Premiums for own account</b>	3,707	3,404	14,985	14,060
<b>Investment income</b>	1,115	1,168	3,750	3,178
<b>Other income</b>	5	9	37	41
<b>Total income</b>	<b>4,827</b>	<b>4,581</b>	<b>18,771</b>	<b>17,279</b>

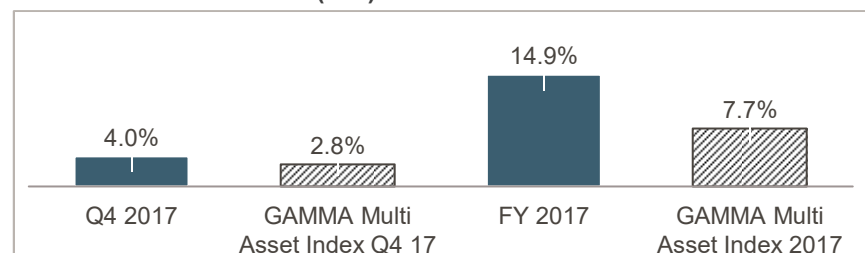
## Expenses (ISKm)

	Q4 2017	Q4 2016	FY 2017	FY 2016
<b>Claims for own account</b>	(2,757)	(2,999)	(11,873)	(10,719)
<b>Other expenses</b>	(1,001)	(876)	(3,692)	(3,607)
<b>Total expenses</b>	<b>(3,758)</b>	<b>(3,875)</b>	<b>(15,565)</b>	<b>(14,326)</b>
<b>Profit before income tax</b>	1,070	706	3,207	2,953
<b>Income tax</b>	(39)	(93)	(84)	(356)
<b>Profit after tax</b>	<b>1,031</b>	<b>614</b>	<b>3,123</b>	<b>2,597</b>

## Combined ratio

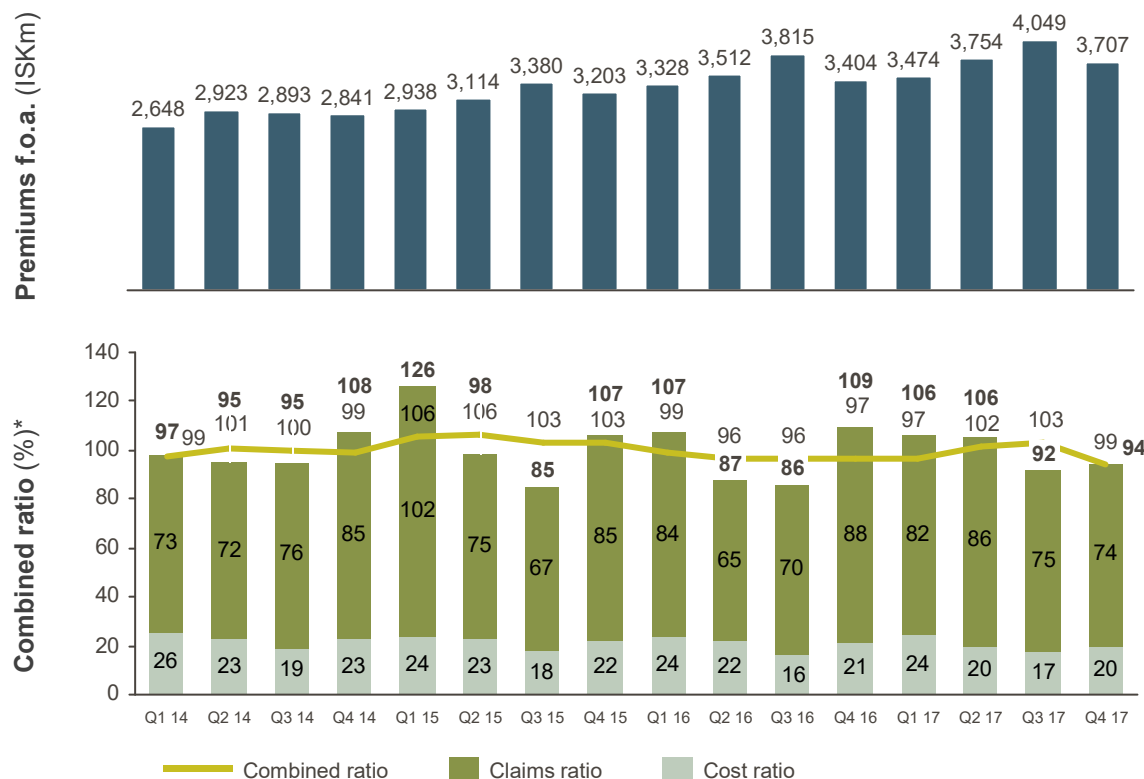


## Return on Investments (RoI)





## Combined ratio 94.4% in Q4



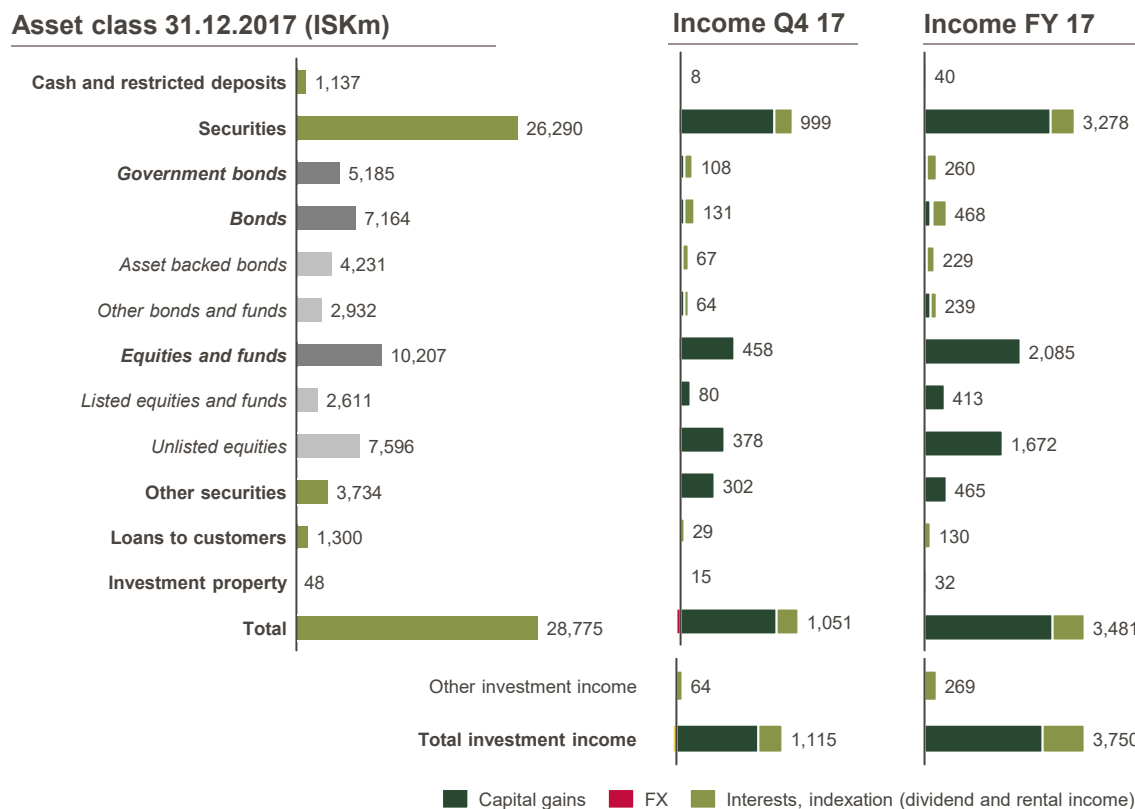
- Premiums f.o.a. increased by 8.9% compared to Q4 16. Strong growth despite declining premiums in Marine.
- Claims ratio 74.4% which is low and especially since there were two large claims in Q4.
- Combined ratio 94.4%. Best Q4 for the last four years.

\* The combined ratio for each quarter is marked in bold. The combined ratio LTM is not marked in bold.

# Business Lines Results



## Rol was 4.0% in Q4 17 and 14.9% in FY 17



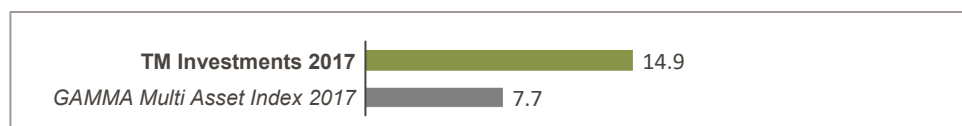
- Return on Investment (Rol) was 4.0% in Q4 and 14.9% in FY 17.
- Investment income from government bonds amounted to ISK 108m in Q4 (2.3% return). The government bond portfolio is over weighted by non-indexed bonds and therefore underperformed GAMMA Government Bond Index which increased by 3.4% in the same period.
- Investment income from listed equities amounted to ISK 80m in Q4 (3.1% return). The income mostly derives from Fjarskipti as its price was up 10.6% in Q4.
- Investment income from unlisted equities amounted to ISK 378m in Q4 (5.2% return). This is almost entirely due to the return from S122.



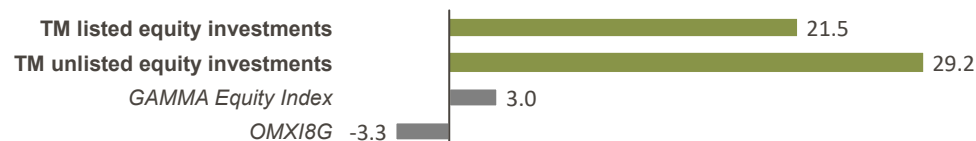


## Excellent returns on investment portfolio

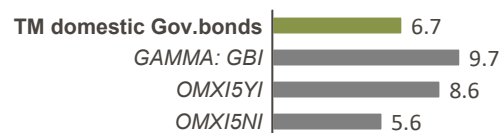
% FY 17 Return



### TM Equity investments vs. Indices



### TM domestic Gov.bonds vs. Indices



### TM bonds (excl. Gov.bonds) vs. Indices



- TM's Return on Investment (RoI) for FY 17 was excellent, surpassing the Gamma Multi Asset Index by far.
- TM's equity investments performed very well in 2017. The listed and unlisted equity investments delivered 22% and 29% returns respectively whereas GAMMA Equity Index only increased by 3%.
- The difference is mainly due to asset picking/timing as there was a large difference in the performance of the listed companies in the Icelandic Stock Exchange during the year.
- TM's FY 17 return from domestic government bonds is acceptable. TM's portfolio is more non-indexed weighted than the GAMMA GBI index and has a considerable shorter duration.
- TM's return of Other bonds is acceptable overall even though asset backed bonds delivered unacceptable returns.

\* Including asset backed bonds, municipality bonds, corporate bonds and loans to customers.

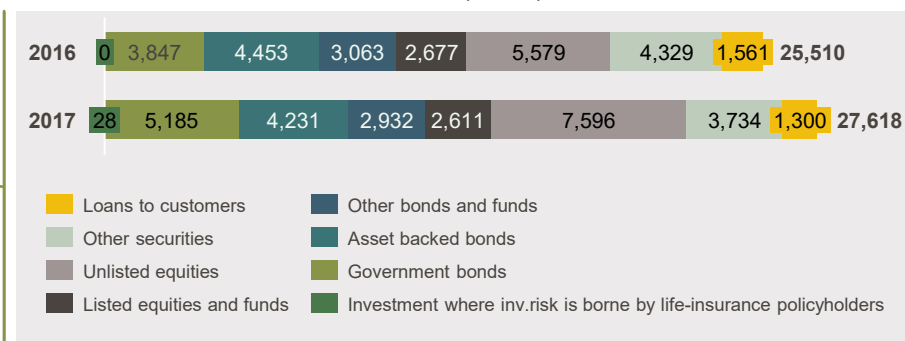


# Consolidated Balance Sheet

## Assets (ISKm)

	31.12.2017	31.12.2016
Operating Assets	343	386
Investment properties	48	120
Goodwill and other intangibles	313	250
Cash and cash equivalents (incl. restricted cash)	1,137	903
Securities and loans	27,618	25,510
Deferred tax asset	81	94
Assets held for sale	10	0
Reinsurance assets	498	1,050
Trade receivables	4,612	4,037
<b>Total Assets</b>	<b>34,659</b>	<b>32,350</b>

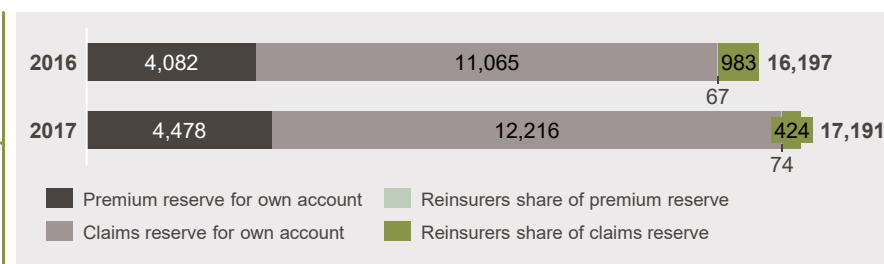
## Breakdown of securities and loans (ISKm)



## Equity and liabilities (ISKm)

	31.12.2017	31.12.2016
<b>Equity</b>	<b>14,102</b>	<b>12,479</b>
Technical provision	17,191	16,197
Subordinated debt	2,110	2,070
Trade and other liabilities	1,255	1,604
<b>Total Equity and liabilities</b>	<b>34,659</b>	<b>32,350</b>

## Breakdown of technical provision (ISKm)



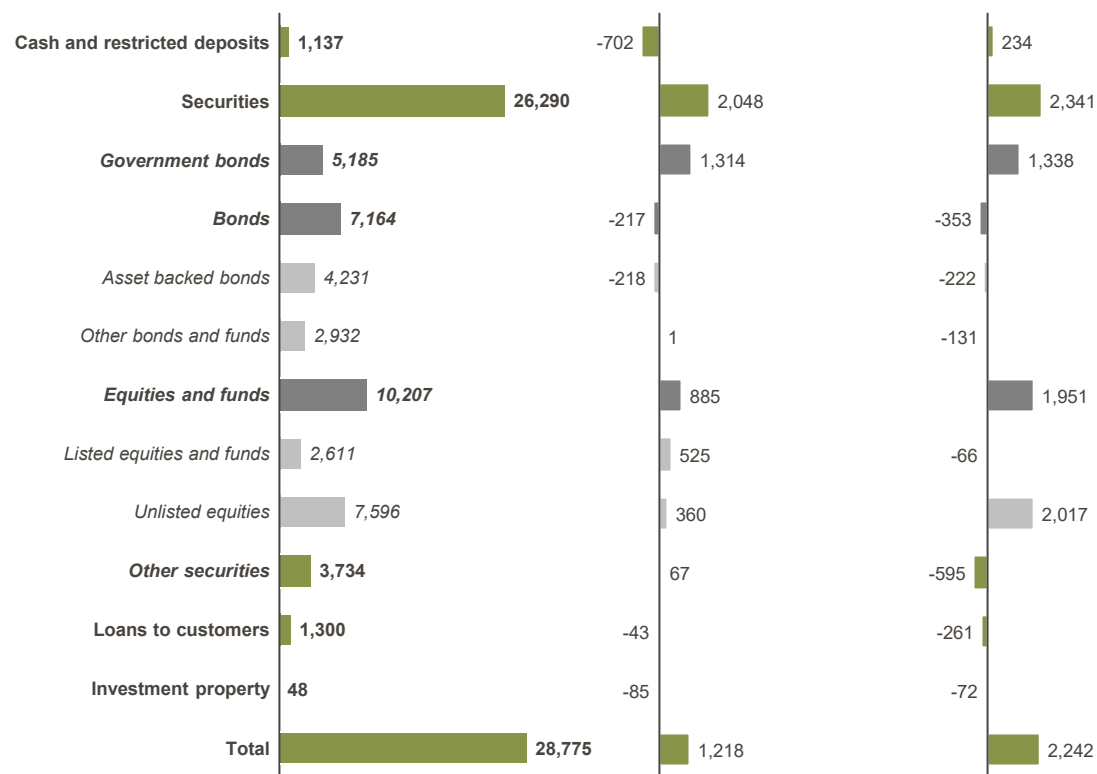
# Cash decreases but position in Government bonds and Equities increases



Asset class 31.12.2017 (ISKm)

Δ Q4 17

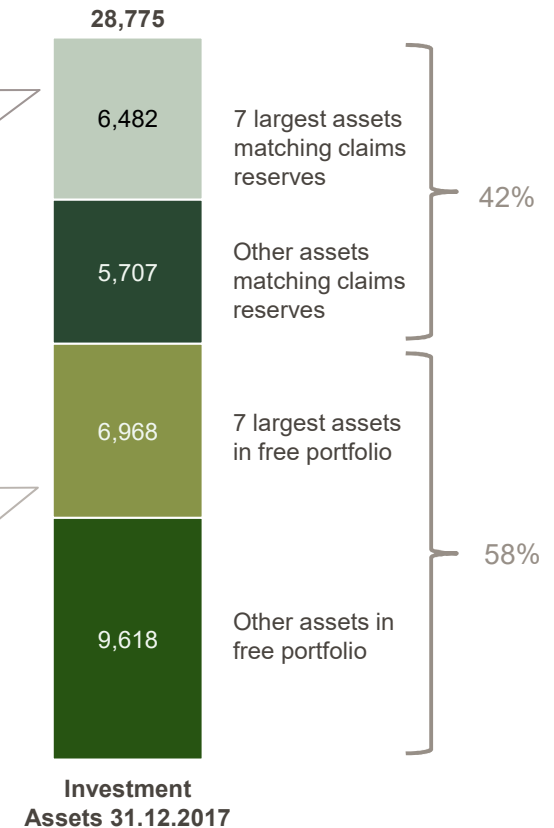
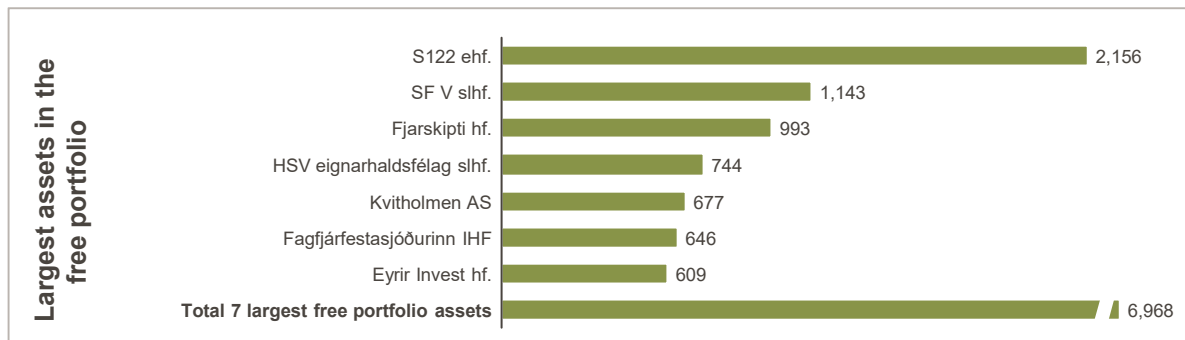
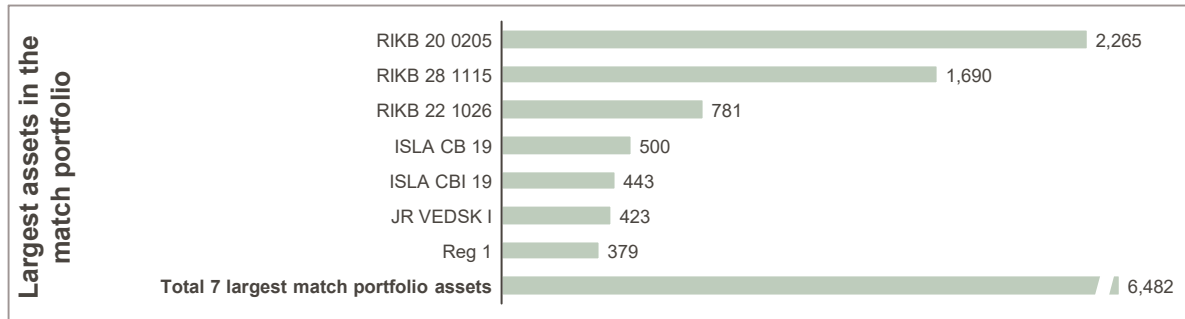
Δ FY 17



- Cash decreased by ISK 702m during Q4.
- TM increased its position in Government bonds by ISK 1,314m in Q4 but decreased its holding in non-government bonds by ISK 217m in the quarter.
- TM's holding in Equities and funds increased by ISK 885m in the quarter but half of that increase is due to investment income.

# TM's largest investments

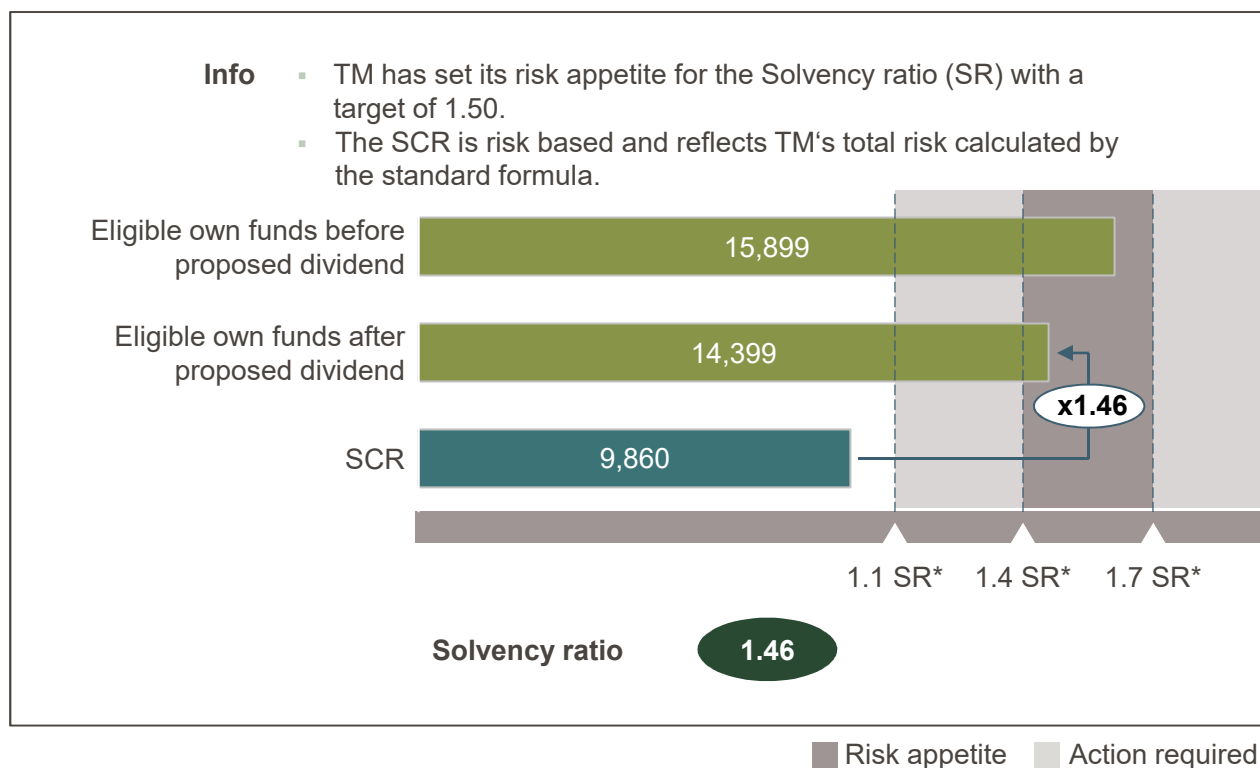
31.12.2017, (ISKm)



# The Solvency Ratio is within the range specified in TM's risk appetite



31.12.2017 (ISKm)



- Solvency ratio is inside TM's risk appetite.
- Insurance- and market risks are material building blocks of the SCR.
- Proposed dividend payment is ISK 1,500m.

\* SR: Solvency ratio

## PBT forecasted ISK 3,010m FY 18



Forecast (ISKm)	Q1 18	Q2 18	Q3 18	Q4 18	2018e	2017	Δ	Δ%
Premiums f.o.a.	3,781	4,124	4,284	4,048	16,238	14,985	1,253	8%
Investment income	419	833	456	835	2,543	3,750	(1,207)	-32%
Other income	5	5	5	5	20	37	(17)	-45%
<b>Total income</b>	<b>4,206</b>	<b>4,962</b>	<b>4,745</b>	<b>4,888</b>	<b>18,801</b>	<b>18,771</b>	<b>29</b>	<b>0%</b>
Claims f.o.a.	(3,121)	(3,064)	(2,932)	(2,891)	(12,008)	(11,873)	(135)	1%
Other expenses	(999)	(911)	(923)	(950)	(3,784)	(3,693)	(92)	2%
<b>Total expenses</b>	<b>(4,120)</b>	<b>(3,976)</b>	<b>(3,855)</b>	<b>(3,841)</b>	<b>(15,791)</b>	<b>(15,565)</b>	<b>(227)</b>	<b>1%</b>
<b>Profit before income tax</b>	<b>86</b>	<b>986</b>	<b>891</b>	<b>1,047</b>	<b>3,010</b>	<b>3,207</b>	<b>(197)</b>	<b>-6%</b>
<b>Cost ratio</b>	<b>23%</b>	<b>18%</b>	<b>16%</b>	<b>18%</b>	<b>19%</b>	<b>20%</b>		
<b>Combined ratio</b>	<b>106%</b>	<b>92%</b>	<b>85%</b>	<b>89%</b>	<b>93%</b>	<b>99%</b>		
<b>Return on Investments</b>	<b>1.5%</b>	<b>2.9%</b>	<b>1.5%</b>	<b>2.7%</b>	<b>8.8%</b>	<b>14.9%</b>		

- The forecast for 2018 is ISK 3,010m profit before income tax.
- Technical result is expected to increase from ISK 97m FY 17 to ISK 1,200m next year.
- The combined ratio is expected to come down from 99% to 93%.
- Investment income is forecasted to decline 32% YoY. The forecast assumes 8.8% RoI for FY 18.

A 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, conical volcano rises under a cloudy sky. A green square with the white letters 'TM' is overlaid on the center of the image.

**TM**

**QUESTIONS**



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