

FINANCIAL RESULTS Q2 2019



STRONG QUARTER – HIGHEST EPS SINCE LISTING IN 2013



Q2 2019 HEADLINE FIGURES

Post-tax profit
ISK 1,337m

Q2 2018: ISK -140m

EPS
ISK 1.97

Q2 2018: ISK -0.21

Combined ratio
96.8%

Q2 2018: 109.9%

Technical results
ISK 126m

Q2 2018: ISK -383m

ROE (Annualized)
45.7%

Q2 2018: -4.3%

ROI
4.9%

Q2 2018: 1.2%

Cost ratio
19.4%

Q2 2018: 20.6%

Solvency ratio
1.74x

Q2 2018: 1.45x

STRONG OPERATIONAL RESULTS

H1 2019 HEADLINE FIGURES

Post-tax profit
ISK 1,770m

H1 2018: ISK 149m

EPS
ISK 2.61

H1 2018: ISK 0.22

Combined ratio
102.1%

H1 2018: 109.9%

Technical results
ISK -161m

H1 2018: ISK -753m

ROE (Annualized)
28.2%

H1 2018: 2.3%

ROI
8.4%

H1 2018: 3.9%

Cost ratio
20.0%

H1 2018: 21.7%

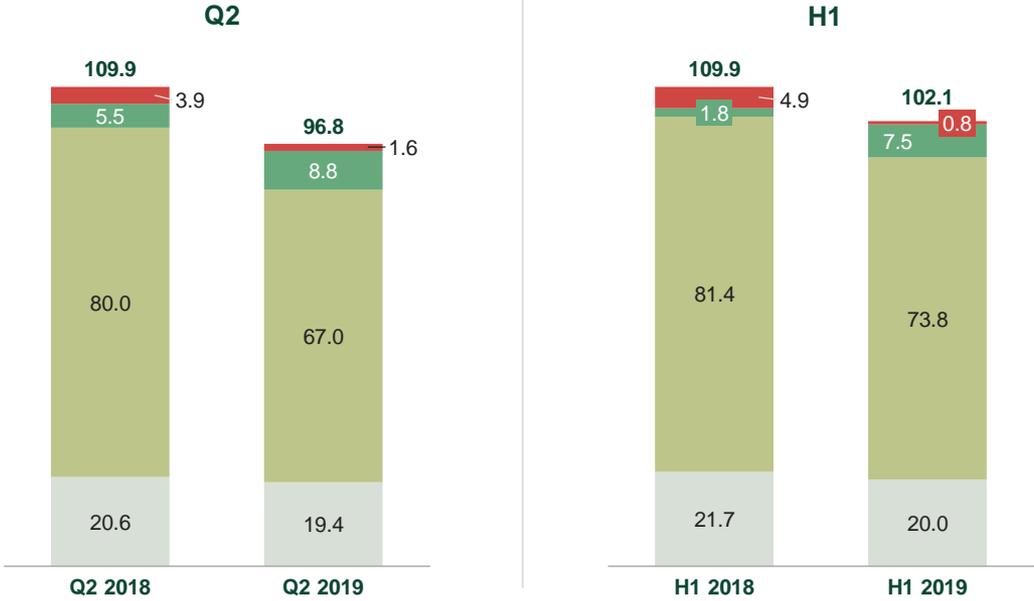
Solvency ratio
1.74x

H1 2018: 1.45x

COMBINED RATIO SIGNIFICANTLY LOWER

SPLIT OF COMBINED RATIO (%)

- Large claims and incurred claims significantly lower than in Q2 18
- Cost ratio is lower compared to the same period last year
- Higher negative development of claims reserves from prior years



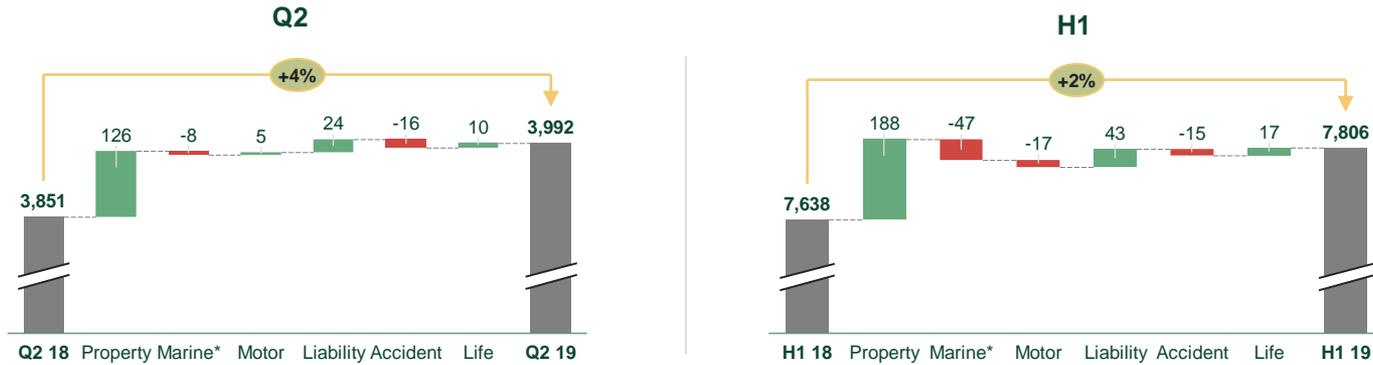
- The effect of large claims is substantially lower in H1 19 than in H1 18
- Negative development of claims is higher than same period last year
- Incurred claims are significantly lower between periods
- Cost ratio is decreasing despite cost pressure

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

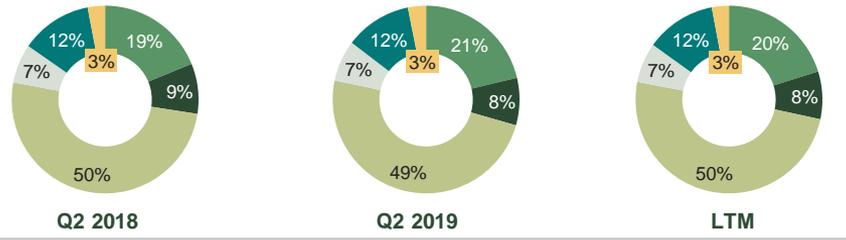
* Large claims are claims over ISK 50m

SLOW GROWTH OF NET PREMIUMS

Development of Net premiums (ISKm)



Split of Net premiums (%)



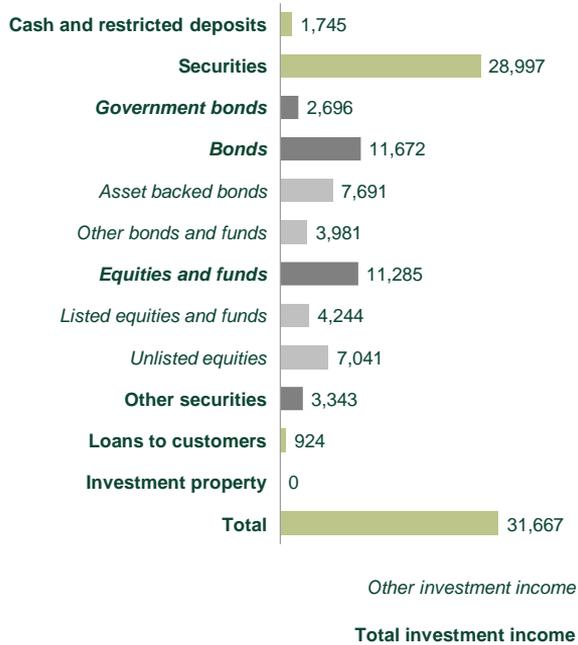
Property Marine* Motor Liability Accident Life

*Marine = Marine, Hull & Cargo

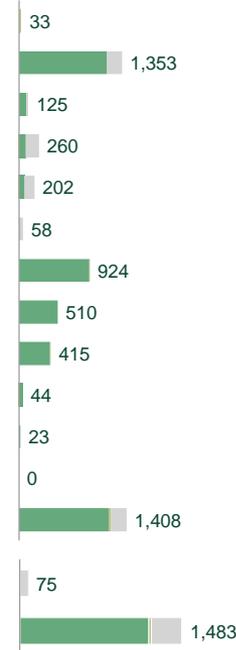
ROI WAS 4.9% IN Q2 19

INVESTMENT INCOME

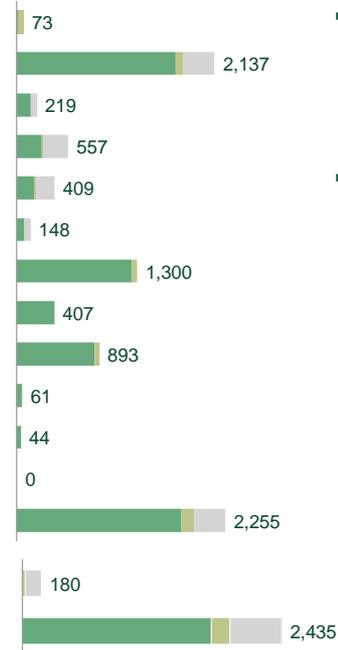
Asset class 30.06.2019 (ISKm)



Income Q2 19

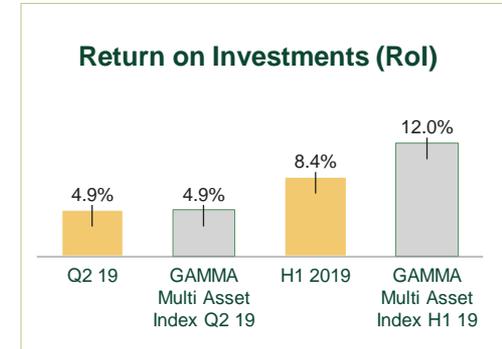


Income H1 19



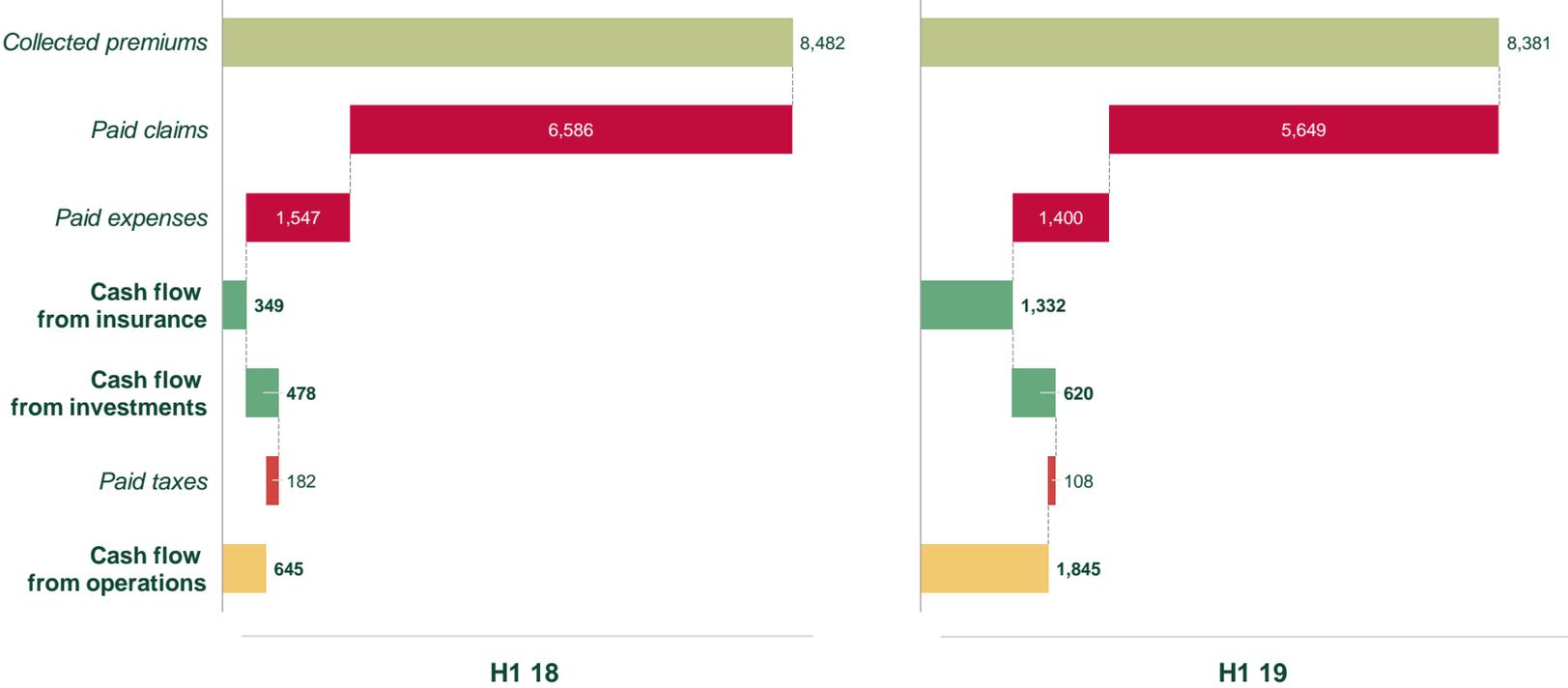
■ Capital gains/losses
 ■ FX
 ■ Interests, Indexation

- Government bonds delivered 4.9% return in Q2 19 and 8.7% in H1 19
- Unlisted equities delivered good return in Q2 19, roughly half coming from a stake in HSV which has been sold. Unlisted equities have delivered 14.0% return in H1 19
- Listed equities delivered 14.0% return in Q2 19, mostly due to stakes in Reitir, Arion and Siminn. Listed equities have delivered 12.3% return in H1 19



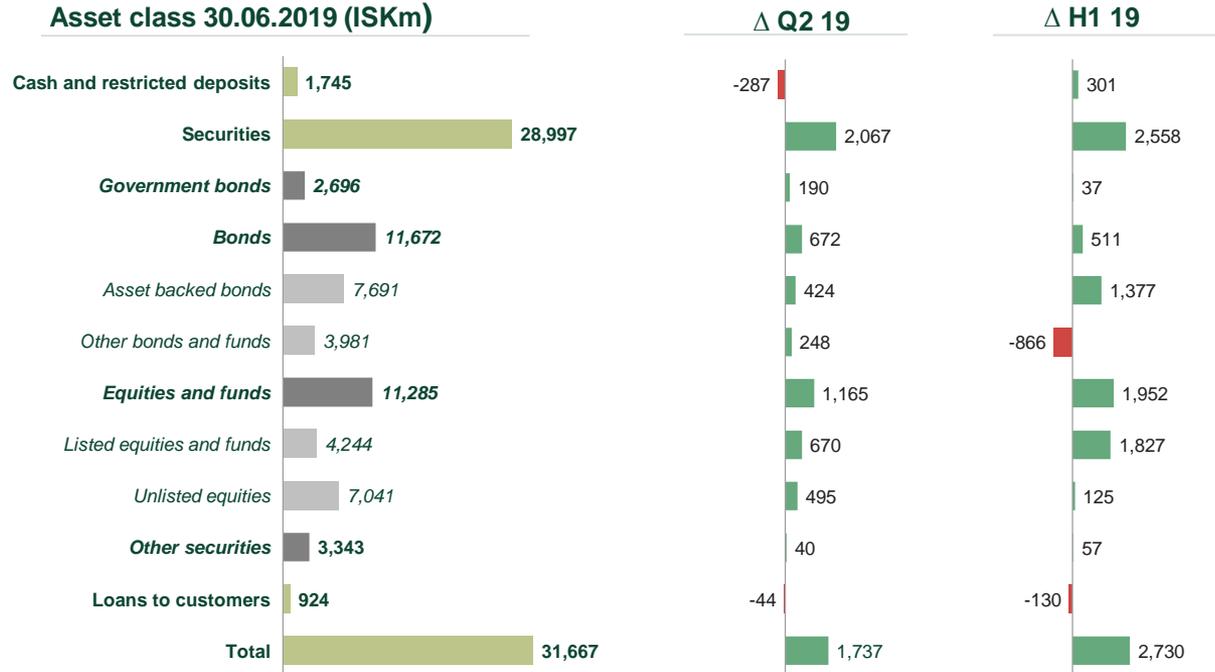
STRONG CASH FLOW FROM INSURANCE OPERATIONS

CASH FLOW FROM OPERATIONS (ISKm)



INVESTMENT PORTFOLIO GROWS

BREAKDOWN OF INVESTMENT ASSETS



- All asset classes apart from Cash and Loans to customers increased during the quarter which is largely due to good return during the period
- 55% of fixed income portfolio is indexed at 30.06.2019. Duration of the portfolio is 6.5 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 7.7bn

SUCCESSFUL INVESTMENTS IN UNLISTED EQUITIES

LARGE EXITS IN THE LAST TWELVE MONTHS



HS VEITUR

- Date of investment: 2014 April
- Investment: ISK 500m
- Initial stake: 5.4%

- Exit date: 2019 August*
- Investment period: 5.2 years
- Annual return: 28%



FESTI

- Date of investment: 2014 February

- Exit date: 2018 September
- Investment period: 4.5 years
- Annual return: 26%



ARNARLAX

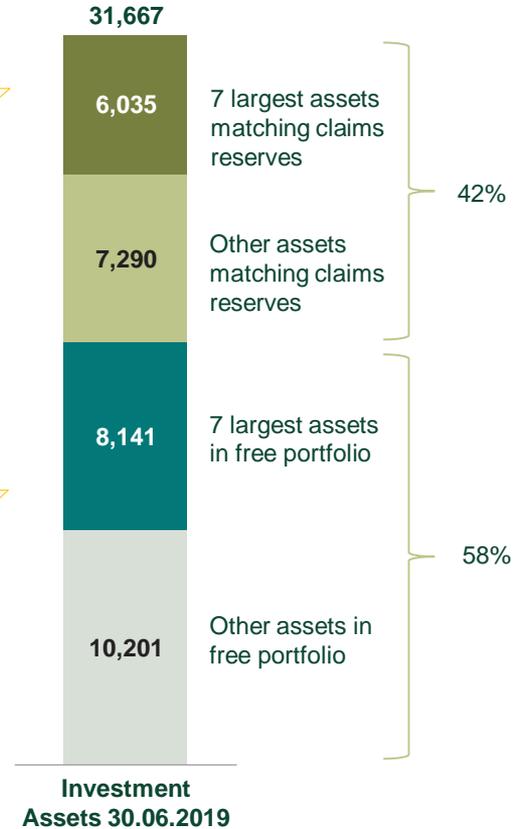
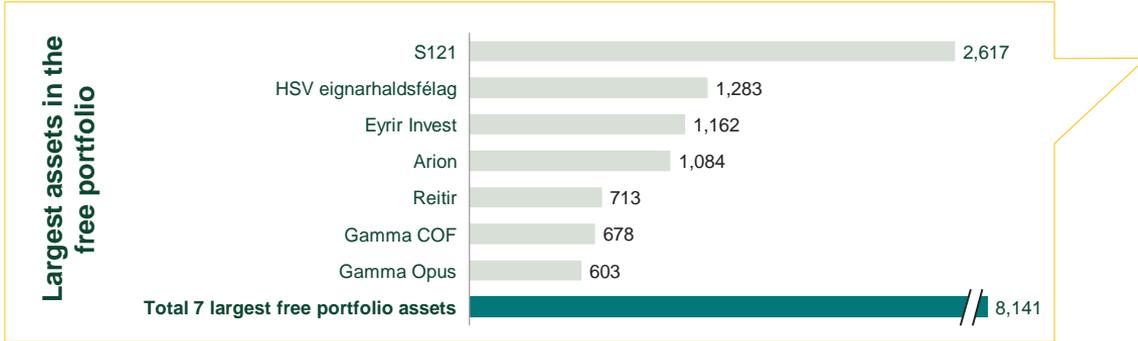
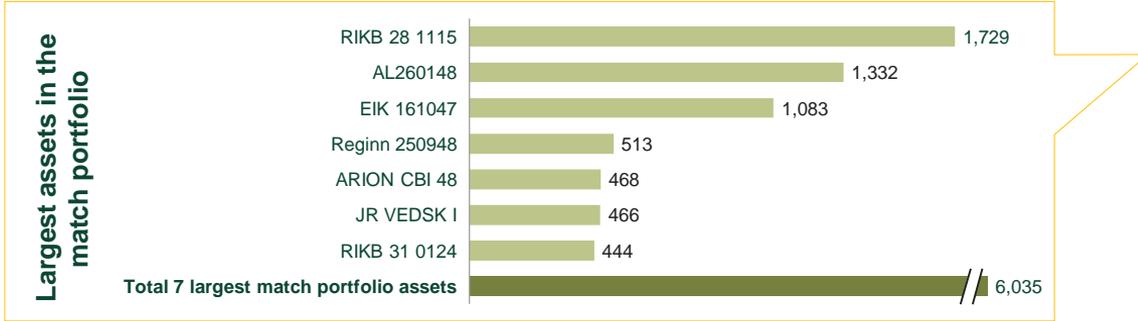
- Date of investment: 2014 December

- Exit date: 2019 February
- Investment period: 4.2 years
- Annual return: 51%

* Book value end of June 2019 based on purchase agreement.

TM'S LARGEST INVESTMENTS

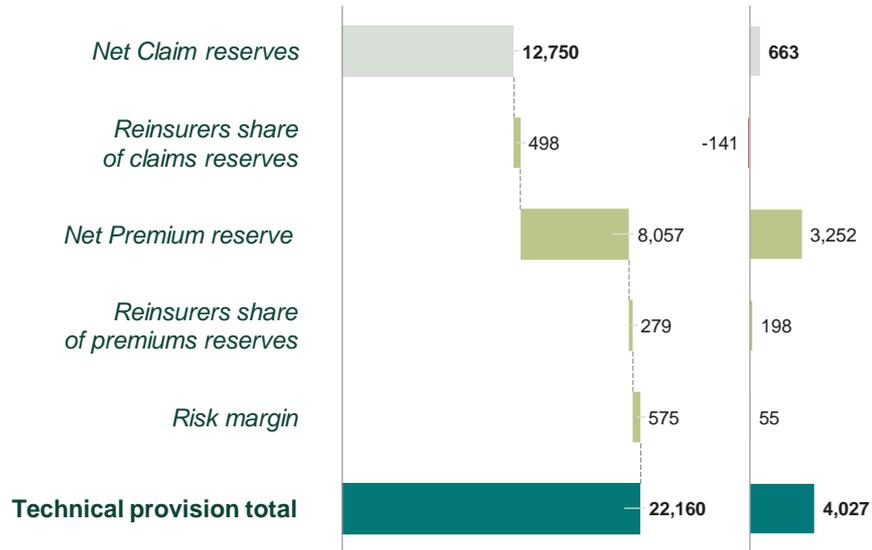
30.06.2019 (ISKm)



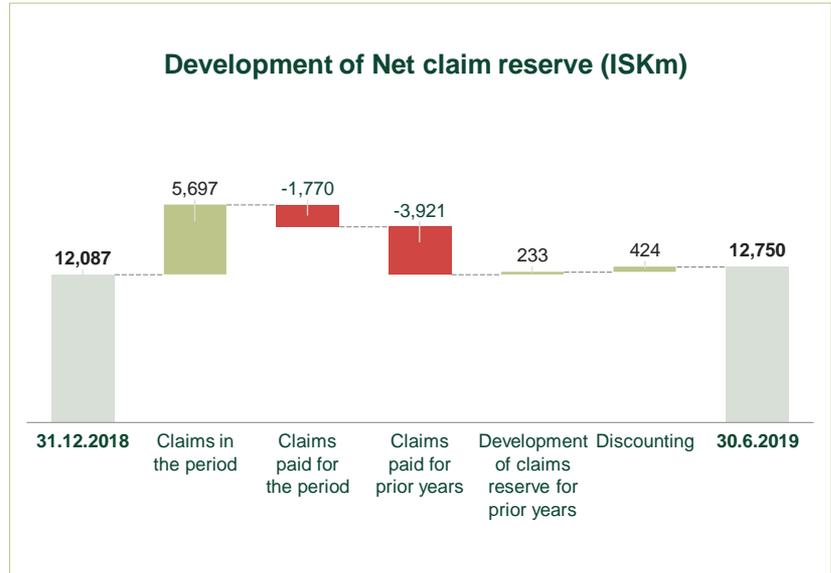
NET CLAIM RESERVE INCREASES IN H1 19

TECHNICAL PROVISION 30.06.2019 (ISKm)

ΔH1 19



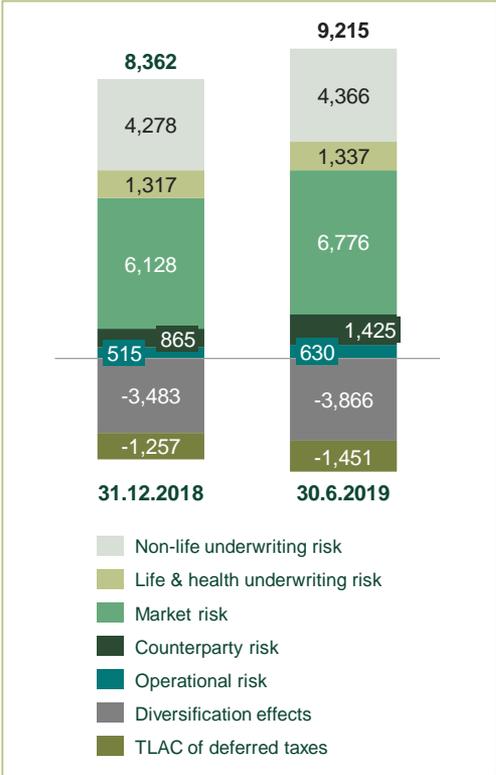
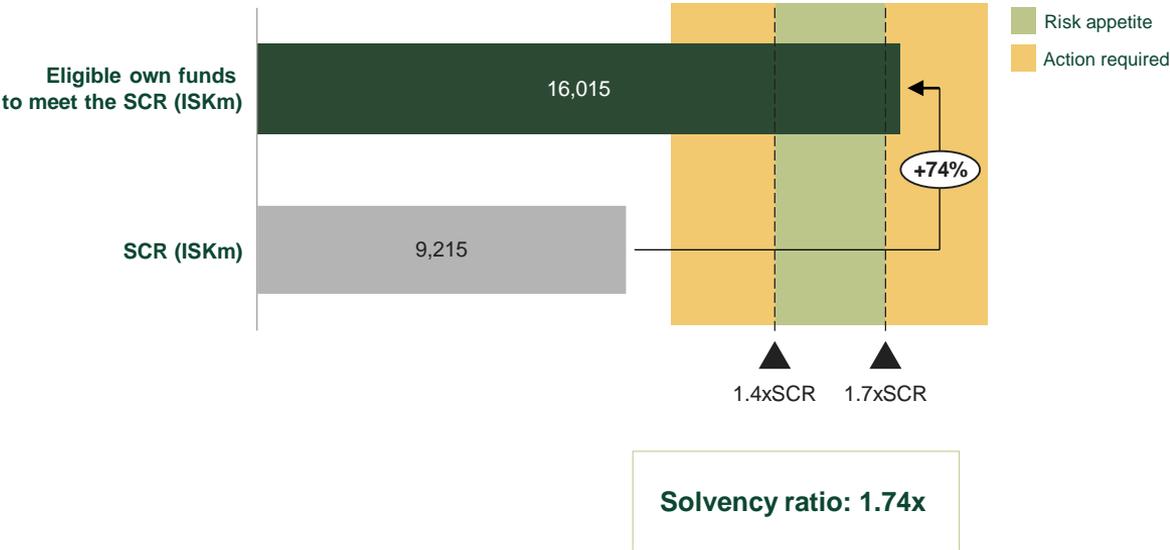
Development of Net claim reserve (ISKm)



SOLVENCY RATIO HIGHER THAN RISK 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



* SCR: Solvency Capital Requirement

PBT FORECASTED ISK 2,716m in 2019

OUTLOOK

Profit before tax
ISK 2,716m
(ISK 2,803m)*

2018: ISK 700m

ROE
17.7%**
(17.9%)

2018: 5.3%

Combined ratio
99.5%
(97.2%)

2018: 104%

ROI
11.5%
(10.6%)

2018: 6.6%

* Previous forecast in brackets

**Income tax rate estimated 9%

OPERATING FORECAST FOR NEXT 4 QUARTERS

Forecast (ISKm)	Q3 19	Q4 19	Q1 20	Q2 20	Next 12M	2019e
Premiums f.o.a.	4,097	4,023	4,074	4,202	16,395	15,926
Investment income and other income	215	701	572	703	2,192	3,367
Total income	4,312	4,724	4,646	4,905	18,587	19,293
Claims f.o.a.	(3,294)	(3,100)	(3,425)	(3,216)	(13,035)	(12,804)
Other expenses	(871)	(951)	(951)	(942)	(3,715)	(3,773)
Total expenses	(4,165)	(4,052)	(4,376)	(4,159)	(16,751)	(16,577)
Profit before income tax	147	673	270	746	1,836	2,716
Cost ratio	17.5%	19.2%	19.3%	18.6%	18.6%	19.1%
Claims ratio	80.4%	77.1%	84.0%	76.6%	79.5%	80.4%
Combined ratio	97.9%	96.3%	103.3%	95.1%	98.1%	99.5%
Return on Investments	0.7%	2.2%	1.7%	2.1%	6.9%	11.5%

TM LEADS THE WAY IN MAKING HOMES SMARTER

- TM's customers with home insurance can order a smart smoke sensor and a smart water/freeze detector in the TM app for free
- The sensors are provided in cooperation with Roost, a US based insurtech company
- TM hopes to increase customers' peace of mind while away from their homes by being able to receive real-time alerts for smoke or water leaks
- www.tm.is/roost



Fáðu boð í símann ef reykskynjarinn fer af stað



Engin pirrandi pip um miðjar nætur



Virkar með Wi-Fi netinu þínu



Fáðu boð í símann þinn ef það byrjar að leka



Skynjar hita- og rakastig



Virkar með Wi-Fi netinu þínu

SNJÖLL RAFHLAÐA
FYLGSTU MED REYKSKYNJARANUM



Model TOSV2

SNJALL VATNSSKYNJARI
FYLGSTU MED VATNI, FROSTI OG RAKA



SKYNIAR VATN, HITA- OG RAKASTIG

Model RSW-200B

LYKILL

EXCLUSIVE NEGOTIATIONS

- On July 21st 2019 TM announced that it had **re-entered into exclusive negotiations** with Klakki in order to acquire Lykill. Negotiations expected to conclude in mid-September
- If the exclusive negotiations leads to an agreement **TM will pay ISK 9.25bn in cash plus a payment equal to the amount of distributable after-tax-profit of Lykill** for the operating year 2019
- Total equity of Lykill amounted to ISK 11,434m at year-end 2018 adjusted for the 2019 dividend payment which equals **P/B multiple of 0.81x**
- TM envisions great opportunities in buying Lykill and the potential it creates for **expanding the current operations** of the company
- The **proposed transaction is subject to various conditions** such as due diligence outcome and approvals of TM shareholders meeting, the Financial Supervisory Authority and the Competition Authority

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.

TM

QUESTIONS



TM

APPENDICES

INCOME STATEMENT

(ISKm)	Q1 18	Q2 18	H1 18	Q1 19	Q2 19	H1 19
Premiums f.o.a.	3,787	3,851	7,638	3,814	3,992	7,806
Investment income and other income	746	365	1,110	960	1,491	2,451
Total income	4,532	4,216	8,748	4,774	5,483	10,257
Claims f.o.a.	(3,294)	(3,442)	(6,735)	(3,317)	(3,093)	(6,409)
Other expenses	(977)	(971)	(1,949)	(1,003)	(949)	(1,952)
Total expenses	(4,271)	(4,413)	(8,684)	(4,320)	(4,041)	(8,361)
Profit before income tax	261	(197)	64	454	1,442	1,896
Income tax	28	57	85	(21)	(106)	(126)
Profit after tax	289	(140)	149	433	1,337	1,770

BALANCE SHEET

(ISKm)	31.12.2018	30.06.2019
Assets		
Operating assets	325	301
Right-of-use assets	0	479
Goodwill and other intangible assets	489	573
Restricted cash	5	5
Loans	1,054	924
Securities	26,438	28,997
Investment where investment risk is borne by life-insurance policyholders	37	46
Deferred tax asset	88	89
Assets classified as held for sale	3	30
Reinsurance assets	720	777
Trade receivables	4,052	6,918
Cash and cash equivalents	1,439	1,741
Assets total	34,651	40,880

	31.12.2018	30.06.2019
Equity		
Share capital	678	678
Share premium	426	426
Reserves	271	271
Restricted earnings	4,363	5,752
Retained earnings	7,566	7,172
Equity total	13,303	14,299
Liabilities		
Technical provision	18,133	22,160
Technical provision for life-insurance policies where investment risk is borne by the policyholders	37	46
Lease liabilities	0	563
Trade and other payables	1,005	1,603
Subordinated debt	2,173	2,208
Liabilities total	21,347	26,581
Equity and liabilities total	34,651	40,880

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