

TM

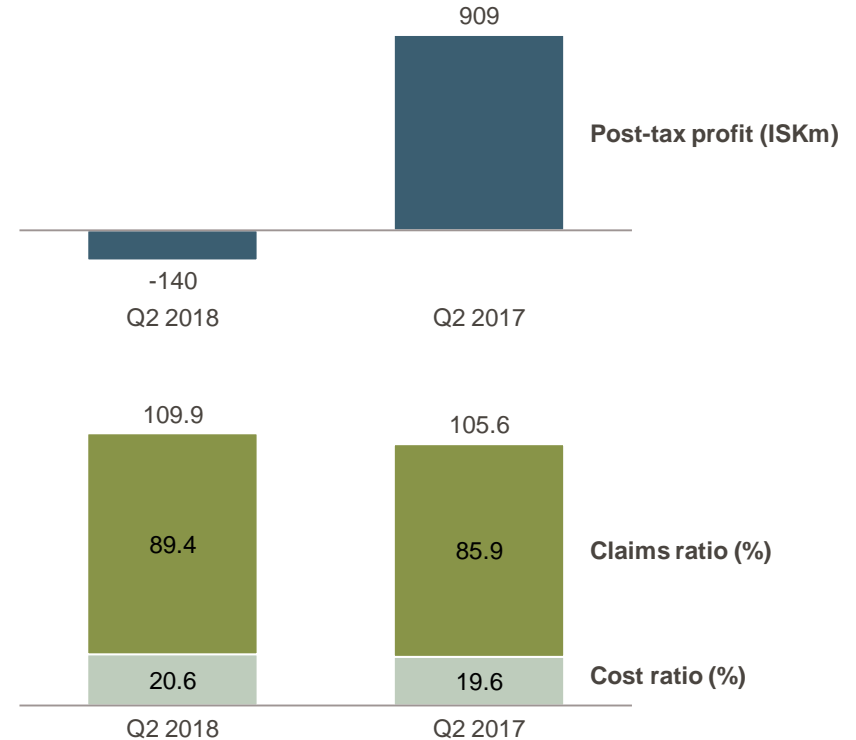
A photograph of a man with long hair and a beard, wearing a green button-down shirt, sitting on a couch. He is looking towards two children. The child on the left is wearing a dark blue sweater and red pants, looking up at the man. The child on the right is wearing a green sweater and is laughing while holding a white and brown stuffed animal. The scene is lit with soft, natural light from the left.

Financial results Q2 2018

Highlights Q2 2018

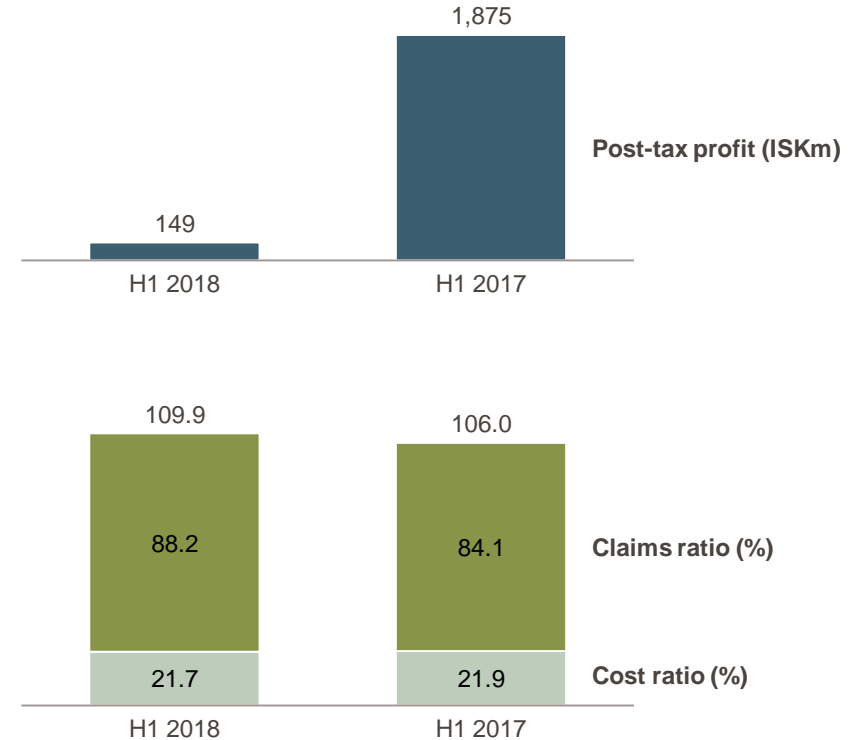


- Q2 post-tax loss totalled **ISK 140m** and earnings per share **ISK -0.21** (Q2 2017: ISK 909m profit and ISK 1.35)
- Pre-tax loss totalled **ISK 197m** (Q2 2017: ISK 901m profit)
- Technical results were negative by **ISK 383m** (Q2 2017: negative by ISK 210m)
- Investment income totalled **ISK 334m** (Q2 2017: ISK 1,268m) and return on investments was **1.2%** (Q2 2017: 4.9%)
- Combined ratio was **109.9%** (Q2 2017: 105.6%)
- Gross written premiums increased **0.4%** YoY
- Premiums for own account increased **2.6%** YoY
- Claims for own account increased **6.7%** YoY
- Operating expenses increased **8.3%** YoY
- Annualized return on equity was **-4%** (Q2 2017: 33%)



Highlights H1 2018

- H1 post-tax profit totalled **ISK 149m** and earnings per share **ISK 0.22** (*H1 2017: ISK 1,875m and ISK 2.77*)
- Pre-tax profit totalled **ISK 64m** (*H1 2017: ISK 1,883m*)
- Technical results were negative by **ISK 753m** (*H1 2017: negative by ISK 435m*)
- Investment income totalled **ISK 1,071m** (*H1 2017: ISK 2,594m*) and return on investments was **3.9%** (*H1 2017: 10.2%*)
- Combined ratio was **109.9%** (*H1 2017: 106.0%*)
- Gross written premiums increased **4.7%** YoY
- Premiums for own account increased **5.7%** YoY
- Claims for own account increased **10.8%** YoY
- Operating expenses increased **4.4%** YoY
- Annualized return on equity was **2%** (*H1 2017: 33%*)



Consolidated Income Statement

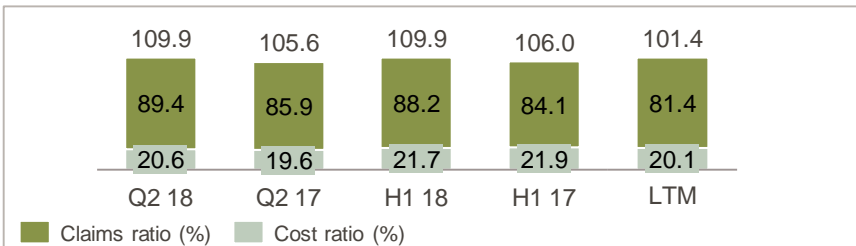
Income (ISKm)

	Q2 2018	Q2 2017	Δ%	H1 2018	H1 2017	Δ%
Premiums for own account	3,851	3,754	3%	7,638	7,228	6%
Investment income	334	1,268	-74%	1,071	2,594	-59%
Other income	31	11	173%	39	24	65%
Total income	4,216	5,033	-16%	8,748	9,846	-11%

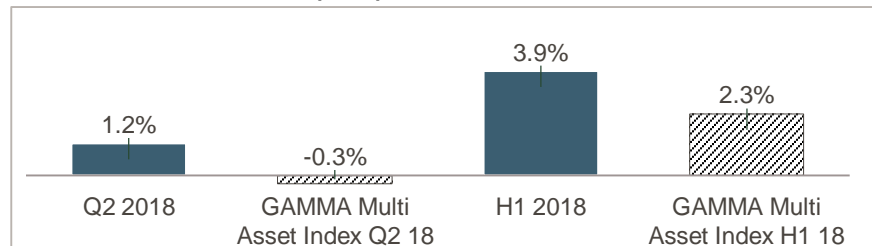
Expenses (ISKm)

	Q2 2018	Q2 2017	Δ%	H1 2018	H1 2017	Δ%
Claims for own account	(3,442)	(3,227)	7%	(6,735)	(6,079)	11%
Other expenses	(972)	(905)	7%	(1,949)	(1,883)	3%
Total expenses	(4,413)	(4,132)	7%	(8,684)	(7,962)	9%
Profit before income tax	-197	901	-	64	1,883	-97%
Income tax	57	8	-	85	(8)	-
Profit after tax	-140	909	-	149	1,875	-92%

Combined ratio



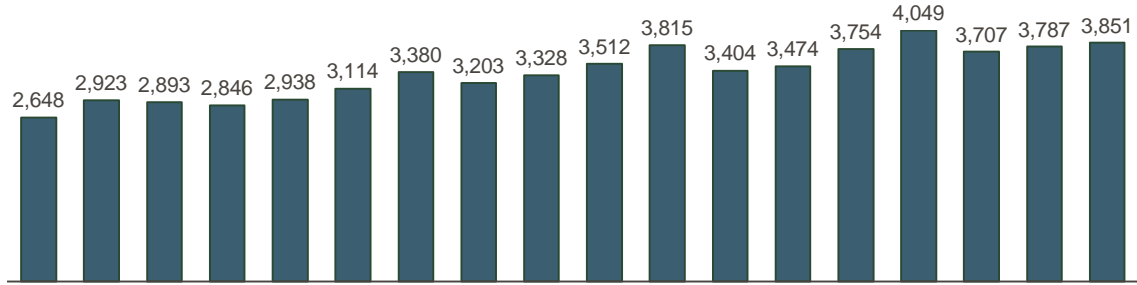
Return on Investments (RoI*)



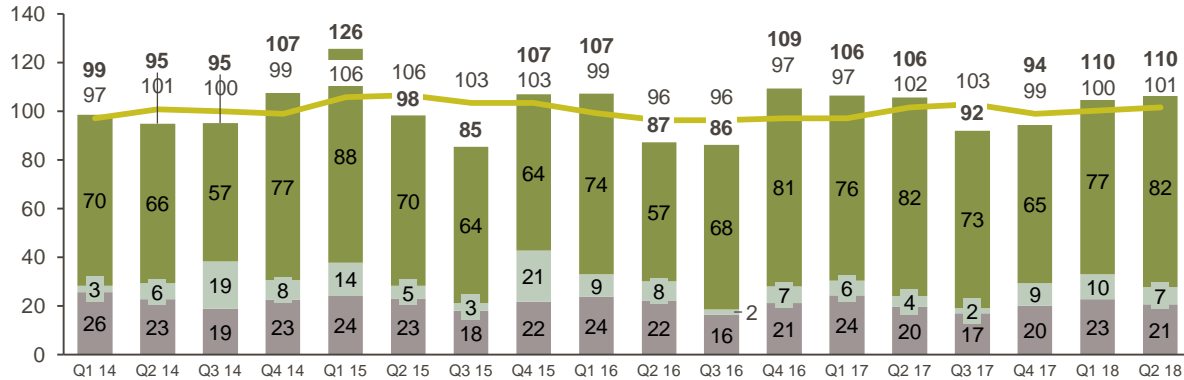
* RoI = Investment income / Average(Investment assets_{END OF PERIOD} - Investment income; Investment assets_{BEGINNING OF PERIOD})

Combined ratio 101.4% LTM

Premiums f.o.a. (ISKm)



Combined ratio (%)*



— Combined ratio LTM
 ■ Claims ratio
 ■ Claims ratio - big claims**
 ■ Cost ratio

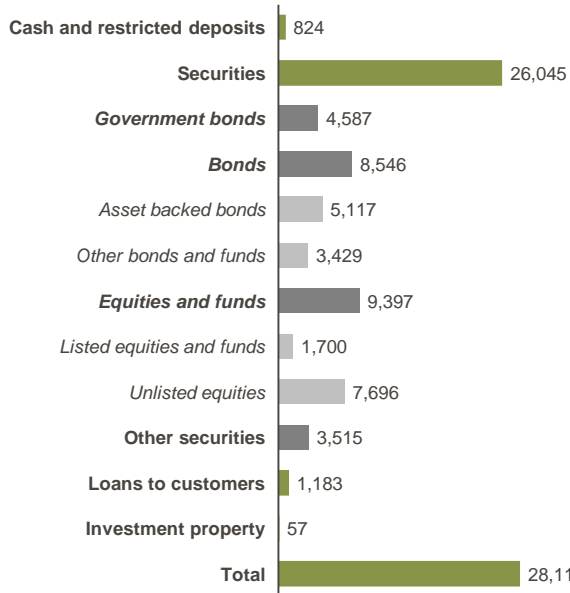
- Premiums f.o.a. increased by 2.6% compared to Q2 17.
- Claims ratio was 89.4%, whereas approx. 7% relates to big claims over ISK 50m.
- Big claims ratio has increased considerably this year compared to last year.
- Combined ratio was 109.9% in Q2 but 101.4% LTM.

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

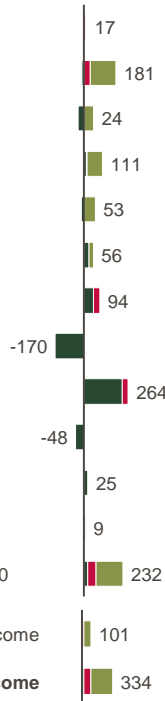
** Big claims are claims over ISK 50m.

Rol was 1.2% in Q2 18

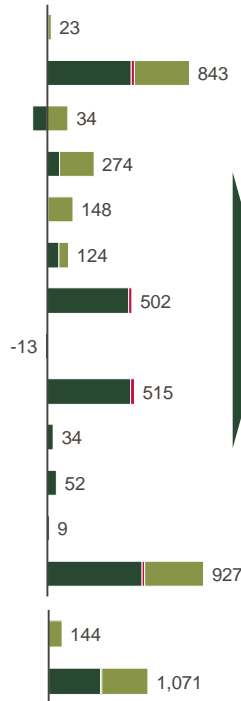
Asset class 30.6.2018 (ISKm)



Income Q2 18



Income H1 18



■ Capital gains
 ■ FX
 ■ Interests, indexation (dividend and rental income)

- Return on Investment (RoI) was 1.2% in Q2 18.
- Investment income from Government bonds amounted to ISK 24m in Q2 (0.6% return). TM outperformed GAMMA Government Bond Index which increased by 0.4% in the quarter.
- Investment income from Non-government bonds was ISK 111m (1.3% return). Asset backed bonds return was 1.0% and return from Other bonds and funds 1.8%. TM outperformed GAMMA Corporate Bond Index which increased by 0.7% in the same period.
- Investment income from Listed equities was negative by ISK 170m in Q2 (-9.6% return) in comparison with GAMMA Equity Index which declined by 2.3% in the period. These negative results mostly derives from our holdings in real estate companies as well as Sýn.
- Investment income from Unlisted equities amounted to ISK 264m in Q2 (4.0% return). This result is largely due to our holdings in S121 and Arnarlax.

ISK 645m in Net cash from operating activities

(ISKm)	H1 18	H1 17	Δ	Δ%
Premiums, received	8,482	7,119	1,363	19%
Claims, paid	(6,586)	(5,436)	(1,151)	21%
Operating cost, paid	(1,547)	(1,471)	(75)	5%
Net cash from insurance activities	349	212	137	65%
Finance income, received	211	169	43	25%
Finance expense, paid	(60)	(59)	(1)	1%
Investment income, received	537	432	105	24%
Finance income from investment properties, received	0	2	(2)	(84%)
Operating cost, paid	(211)	(201)	(10)	5%
Net cash from investments activities	478	343	136	40%
Income tax paid	(182)	(135)	(47)	35%
Net cash from operating activities	645	419	226	54%

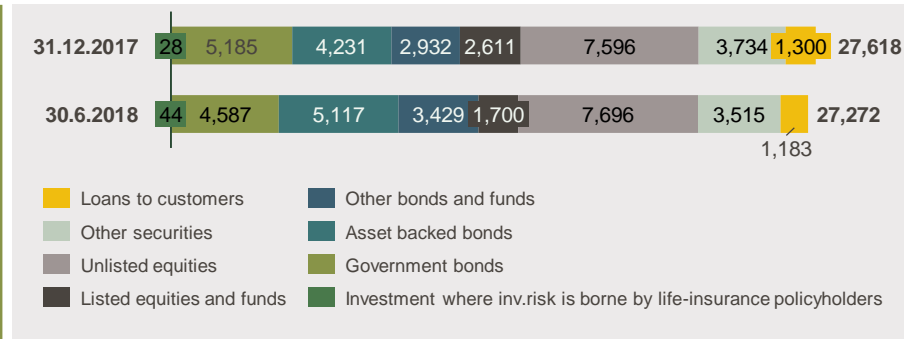
- Premiums received increased 19% YoY.
- Paid claims increased 21% YoY.
- Net cash from insurance activities totalled ISK 349m, an increase of 65% YoY.
- Net cash from operating activities totalled ISK 645m, an increase of 54% YoY.

Consolidated Balance Sheet

Assets (ISKm)

	30.6.2018	31.12.2017
Operating Assets	350	343
Investment properties	57	48
Goodwill and other intangibles	412	313
Cash and cash equivalents (incl. restricted cash)	824	1,137
Securities and loans	27,272	27,618
Deferred tax asset	166	81
Assets held for sale	10	10
Reinsurance assets	1,509	498
Trade receivables	7,215	4,612
Total Assets	37,815	34,659

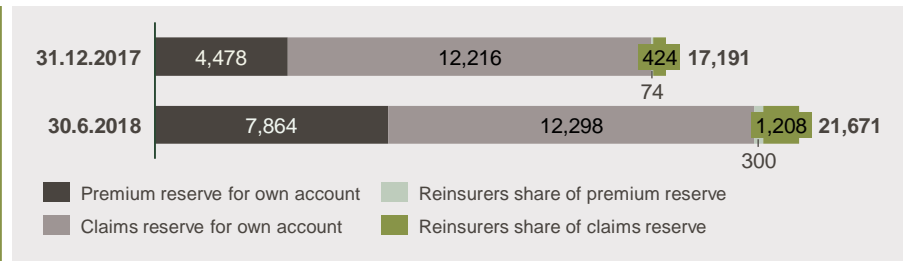
Breakdown of securities and loans (ISKm)



Equity and liabilities (ISKm)

	30.6.2018	31.12.2017
Equity	12,752	14,102
Technical provision	21,671	17,191
Subordinated debt	2,140	2,110
Trade and other liabilities	1,252	1,255
Total Equity and liabilities	37,815	34,659

Breakdown of technical provision (ISKm)



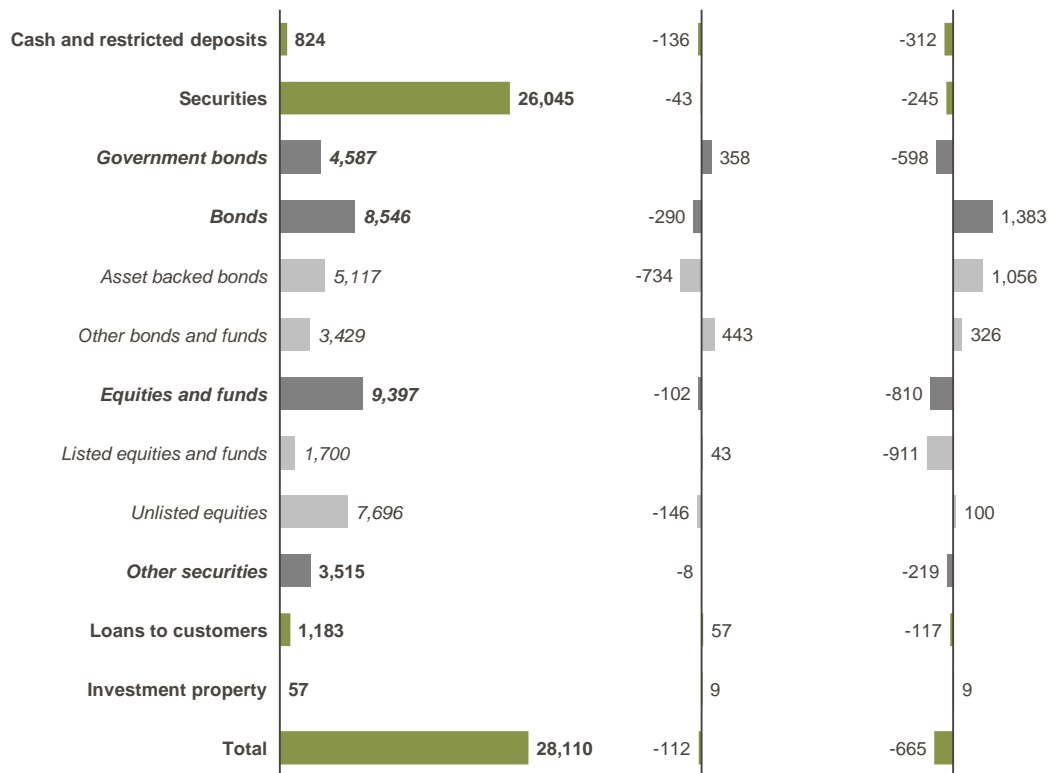
Government bonds and Other bonds increase but Asset backed bonds decrease



Asset class 30.6.2018 (ISKm)

Δ Q2 18

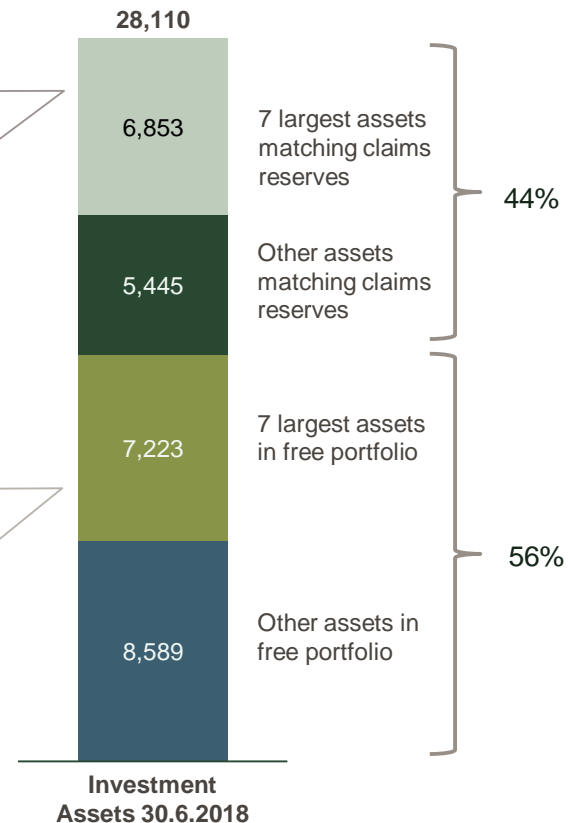
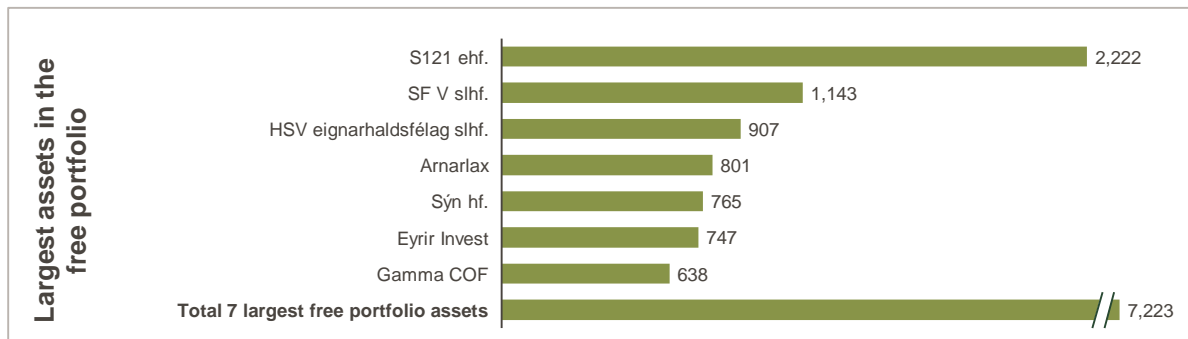
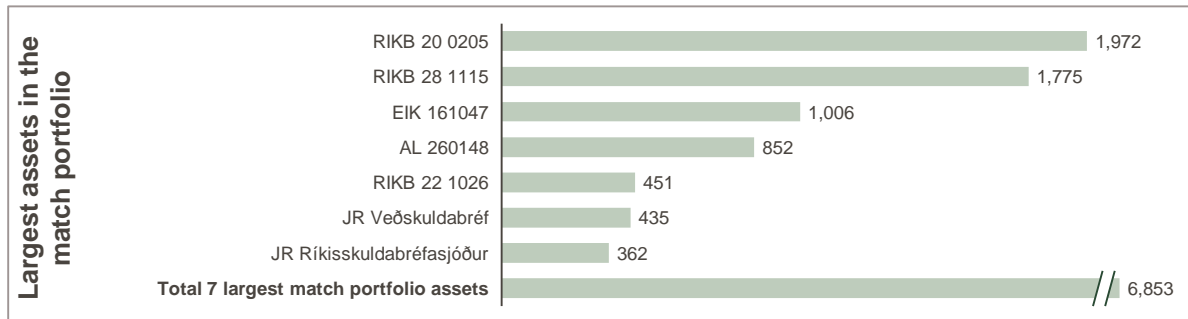
Δ H1 18



- TM increased its position in Government bonds and Other bonds and funds by total ISK 801m in Q2 but decreased its holding in Asset backed bonds by ISK 734m.
- TM's holding in Listed equities remained nearly unchanged despite net sales in the asset class which is partly due to a reclassification of Heimavellir from Unlisted to Listed equities.
- TM's holding in Unlisted equities decreased by ISK 146m in Q2 which is mainly due to Heimavellir reclassification as described above. TM made no new investment in this asset class during the quarter.

TM's largest investments

30.6.2018, (ISKm)

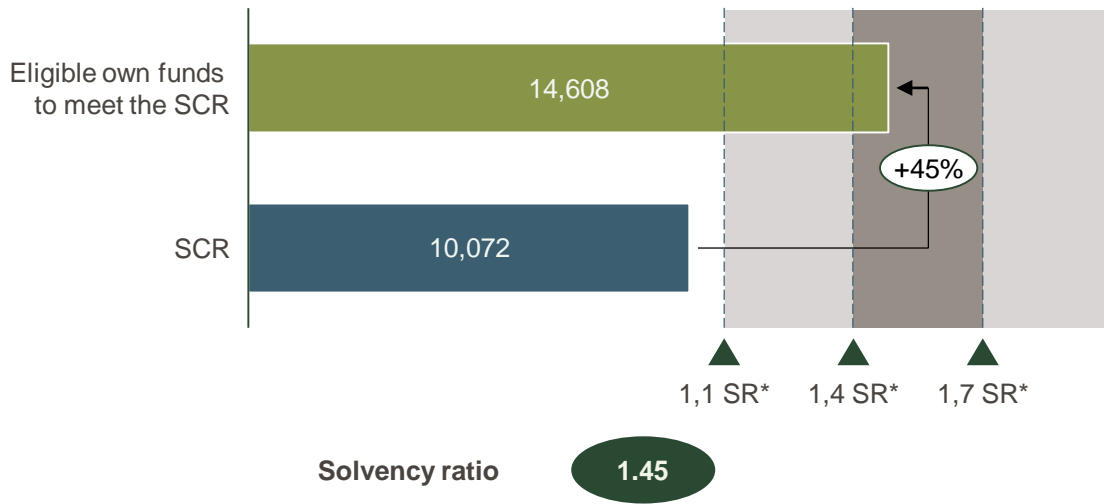


The Solvency Capital Ratio is within the range specified in TM's risk appetite

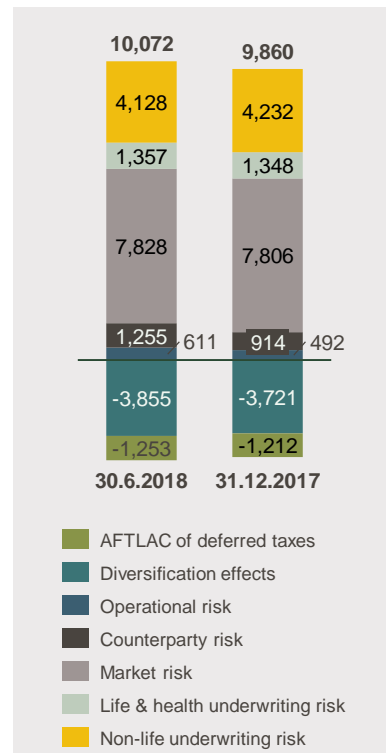


30.06.2018, (ISKm)

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



SCR (ISKm)



* SR: Solvency ratio

■ Risk appetite ■ Action required

PBT forecasted ISK 1,931m next 12 months

Forecast (ISKm)	Q3 18	Q4 18	Q1 19	Q2 19	Next 12M	2018e
Premiums f.o.a.	4,122	3,876	4,068	4,240	16,307	15,636
Investment income	324	745	388	872	2,330	2,141
Other income	8	8	8	7	31	54
Total income	4,455	4,629	4,464	5,119	18,667	17,832
Claims f.o.a.	(3,080)	(3,105)	(3,333)	(3,216)	(12,734)	(12,920)
Other expenses	(891)	(986)	(979)	(935)	(3,792)	(3,825)
Total expenses	(3,971)	(4,090)	(4,313)	(4,152)	(16,526)	(16,746)
Profit before income tax	483	539	152	968	2,142	1,086
Cost ratio	18%	20%	20%	18%	19%	20%
Combined ratio	93%	100%	102%	94%	97%	103%
Return on Investments	1.2%	2.6%	1.3%	3.0%	8.3%	7.8%

- Profit before income tax is forecasted to be 2,142m for the next 12 months. The combined ratio is expected to be 97% for the period and return on investments 8.3%.
- The updated forecast for 2018 is now ISK 1,086m profit before income tax.
- Forecasted claims f.o.a. increase by ISK 600m in total for Q3 and Q4 18. This is due to an increase in average claims.
- Forecasted investment income lowered by ISK 130m for Q3 18 given negative return in the domestic stock market QTD. The forecast for Q4 18 has been lowered due to changes in the Unlisted equities portfolio.

Lykill – Sales Process

- Lykill fjármögnun hf (Lykill) sales process started in the beginning of this year.
 - Lykill is a private company in Iceland primarily offering vehicle financing/leasing solutions to companies and individuals.
- On April 6th TM made a conditional offer to buy all shares of the company.
 - TM was consequently selected to enter into the second round of the sale process.
- On June 22nd TM announced that it had made an unconditional offer to buy Lykill.
- On July 6th TM announced that it had reached an exclusivity agreement with Klakki, owner of Lykill, in terms of acquiring the company.
 - TM made a purchase offer of ISK 10.6bn. The offer was subject to various conditions such as due diligence outcome and approvals of the Financial Supervisory Authority and the Competition Authority.
- On July 19th TM announced that it had ended its exclusive negotiations with Klakki.

A wide-angle photograph of a winding asphalt road in a volcanic landscape. The road curves through a valley with dark, rocky hills and patches of green vegetation. In the background, a large mountain range is visible under a cloudy sky. A small lake is partially visible on the right side. The road has white lane markings and several orange wooden posts along its edge.

TM

QUESTIONS



HUGSUM Í FRAMTÍÐ

Tryggingamiðstöðin
Síðumúla 24, 108 Reykjavík
tm@tm.is <https://www.tm.is>
+345 515 2000

Disclaimer

The logo consists of the letters 'TM' in a bold, white, sans-serif font, centered within a dark green square.

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