

# FINANCIAL RESULTS Q4 2018





# QUARTER IN LINE WITH EXPECTATIONS

## Q4 2018 HEADLINE FIGURES

**Post-tax profit**  
**ISK 344m**

Q4 2017: ISK 1,031m

**EPS**  
**ISK 0.50**

Q4 2017: ISK 1.52

**Combined ratio**  
**100.3%**

Q4 2017: 94.4%

**ROI**  
**1.8%**

Q4 2017: 4.0%

**Technical results**  
**ISK -13m**

Q4 2017: ISK 208m

**ROE (Annualized)**  
**10.8%**

Q4 2017: 33.7%

**Cost ratio**  
**20.0%**

Q4 2017: 20.0%

**Solvency ratio**  
**1.74x**

Q4 2017: 1.51x

# CHALLENGING YEAR IN BOTH INSURANCE AND INVESTMENT ACTIVITIES

## 2018 HEADLINE FIGURES

**Post-tax profit**  
**ISK 701m**

2017: ISK 3,123m

**EPS**  
**ISK 1.03**

2017: ISK 4.61

**Combined ratio**  
**103.9%**

2017: 99.4%

**ROI**  
**6.6%**

2017: 14.9%

**Technical results**  
**ISK -609m**

2017: ISK 97m

**ROE**  
**5.3%**

2017: 24.2%

**Cost ratio**  
**19.9%**

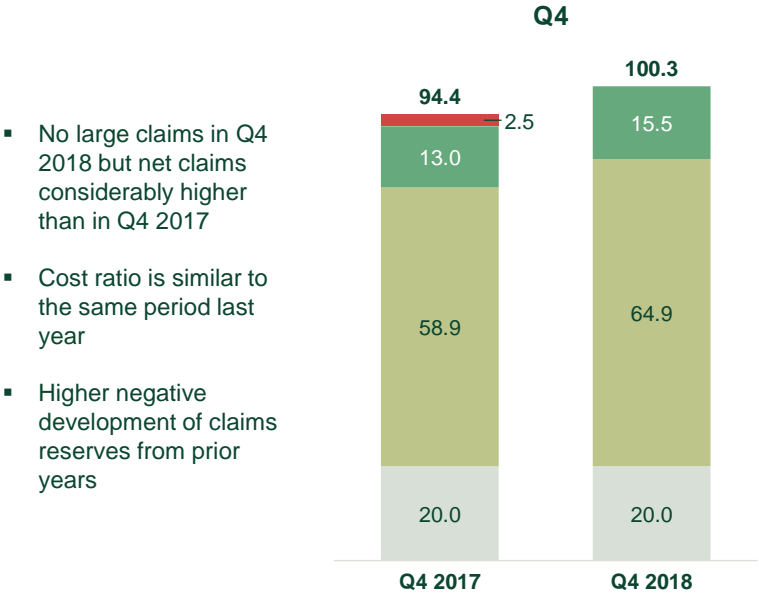
2017: 20.1%

**Solvency ratio**  
**1.74x**

2017: 1.51x

# LARGE CLAIMS EFFECTING 2018 COMBINED RATIO

## SPLIT OF COMBINED RATIO (%)



- No large claims in Q4 2018 but net claims considerably higher than in Q4 2017
- Cost ratio is similar to the same period last year
- Higher negative development of claims reserves from prior years



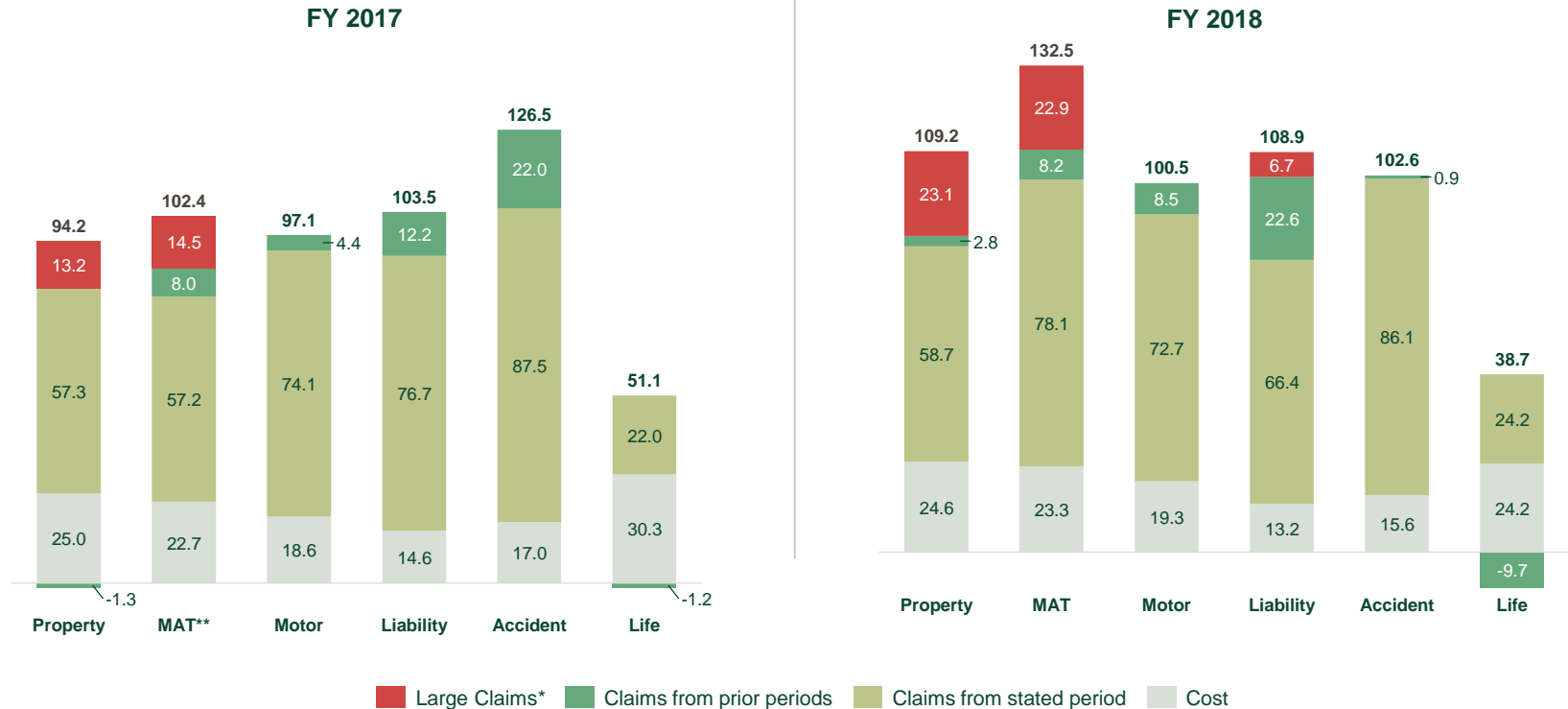
- The effect of large claims is substantially higher this year than in 2017 or 7% of the combined ratio
- Negative development of claims is higher than last year
- This years incurred claims are similar YoY
- Cost ratio is decreasing despite cost pressure

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

\* Large claims are claims over ISK 50m

# HIGH NUMBER OF LARGE CLAIMS IN PROPERTY AND MARINE

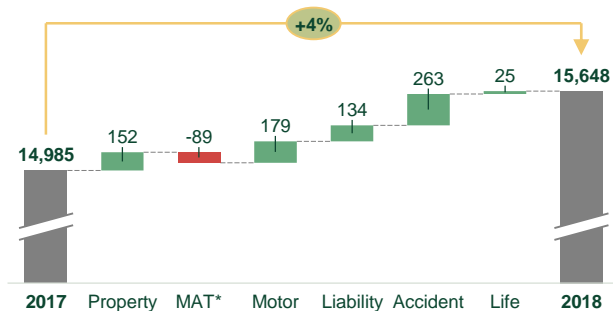
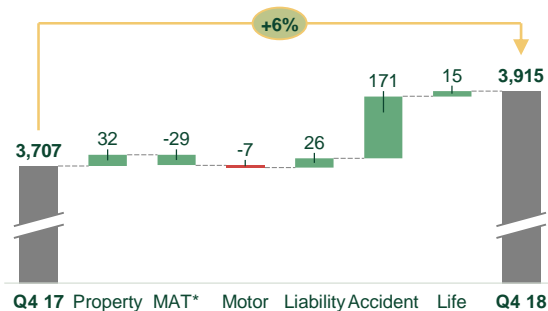
## SPLIT OF COMBINED RATIO (%)



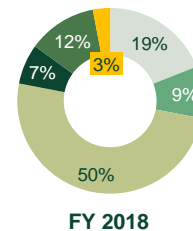
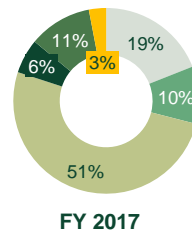
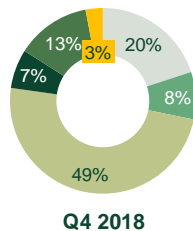
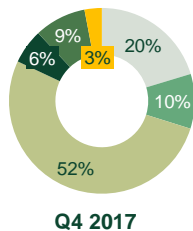
\* Large claims are claims over ISK 50m  
 \*\* MAT = Marine, Aviation and Transport insurance

# POSITIVE DEVELOPMENT OF NET PREMIUMS

### Development of Net premiums (ISKm)



### Split of Net premiums (%)

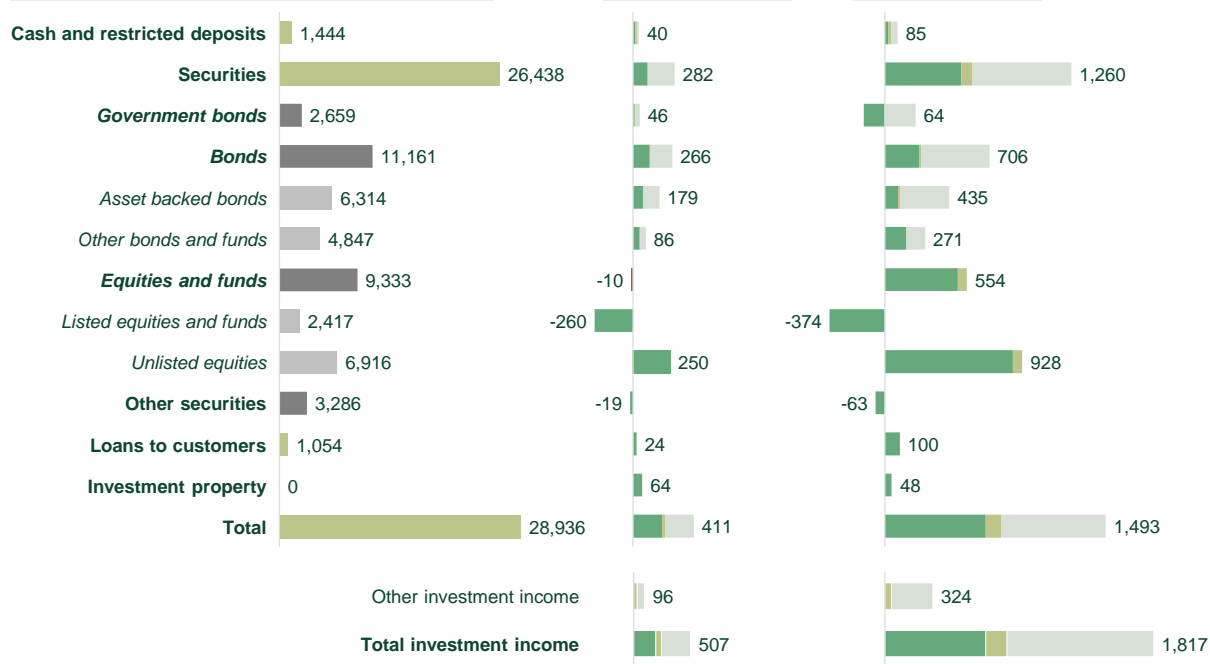


Property MAT Motor Liability Accident Life

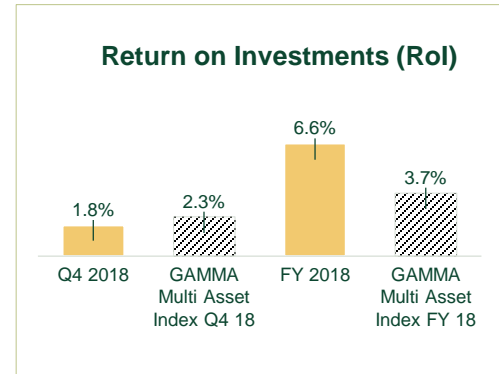
# ROI WAS 1.8% IN Q4 18

## INVESTMENT INCOME

### Asset class 31.12.2018 (ISKm)

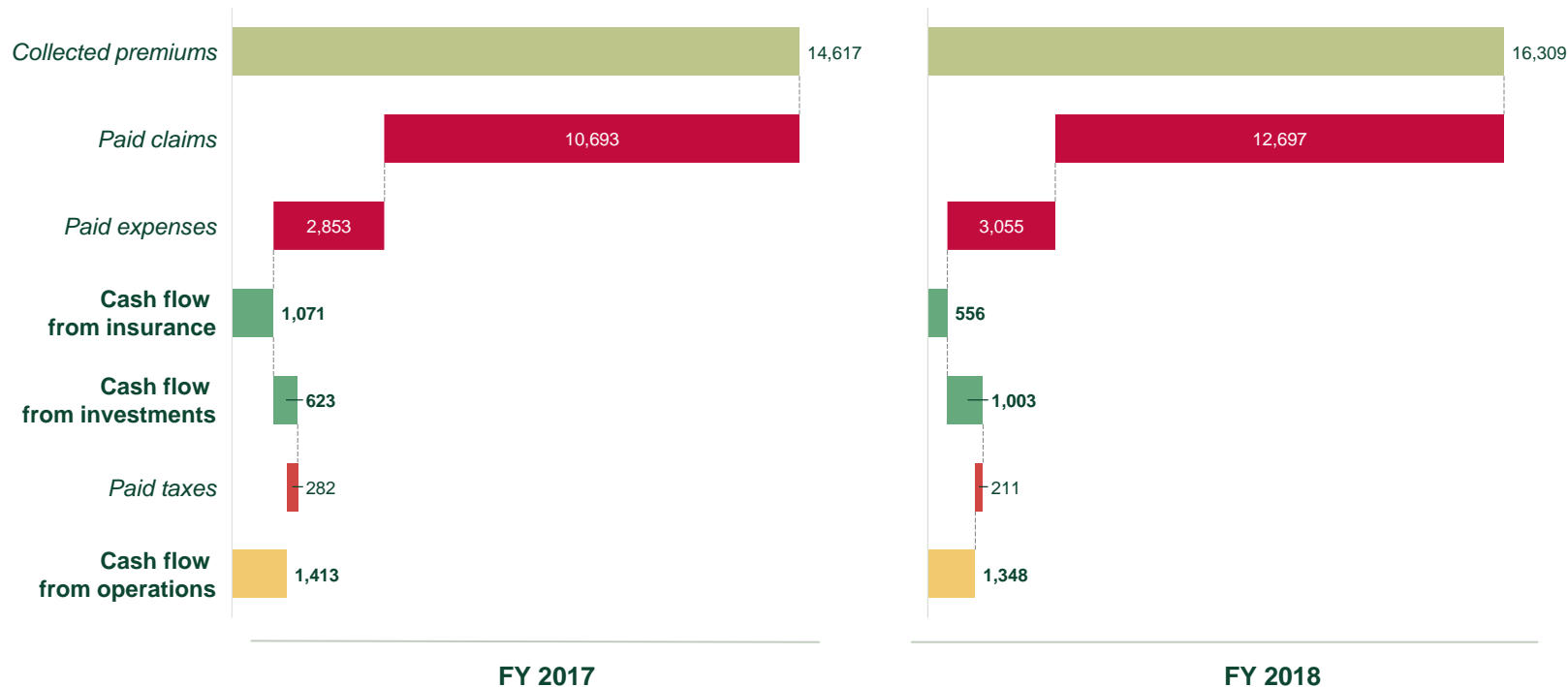


- Unlisted equities delivered very good return in FY18, mostly due to stakes in HSV holding company, S121 and Arnarlax
- Listed equities performed very poorly in FY18 which is mostly attributable to a stake in Sýn as well as investments in real estate companies



# STRONG CASH FLOW FROM OPERATIONS

CASH FLOW FROM OPERATIONS (ISKm)

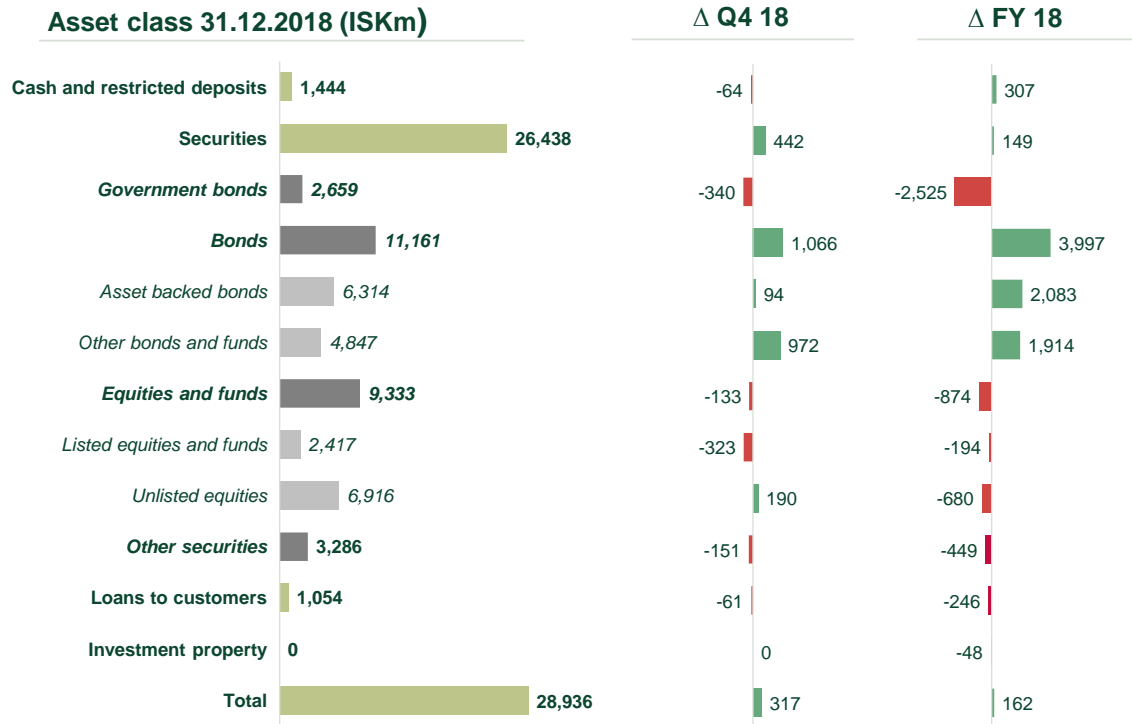




# GOVERNMENT BONDS DECREASING BUT OTHER BONDS INCREASING



## BREAKDOWN OF SECURITIES AND LOANS



- TM decreased its holding in non-indexed Government bonds during the year and increased indexation through Asset backed bonds
- 55% of fixed income portfolio is indexed at YE18. Duration of the portfolio is 5.4 years
- Exposure on listed equities is also through Unlisted equities and Other securities with total exposure of ISK 3.8bn.

# SUCCESSFUL INVESTMENTS IN UNLISTED EQUITIES



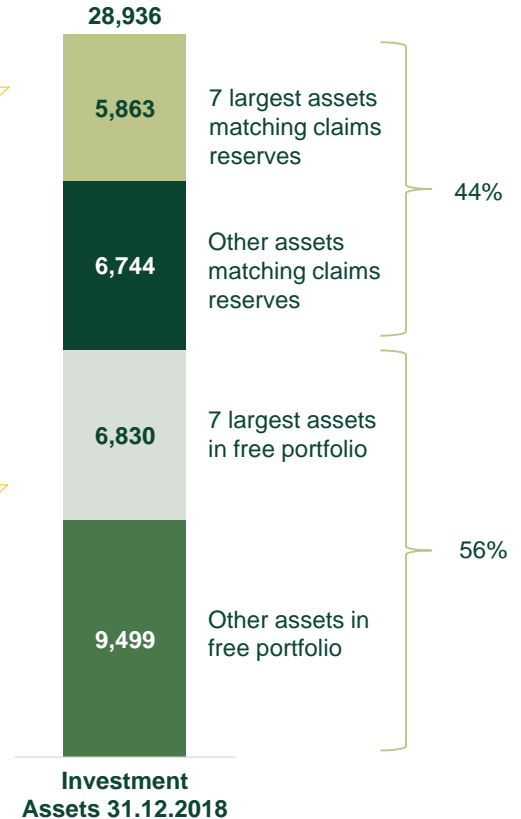
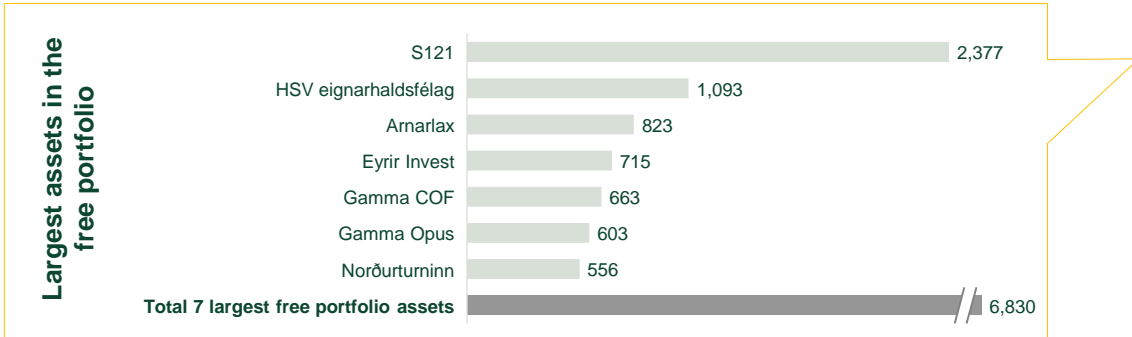
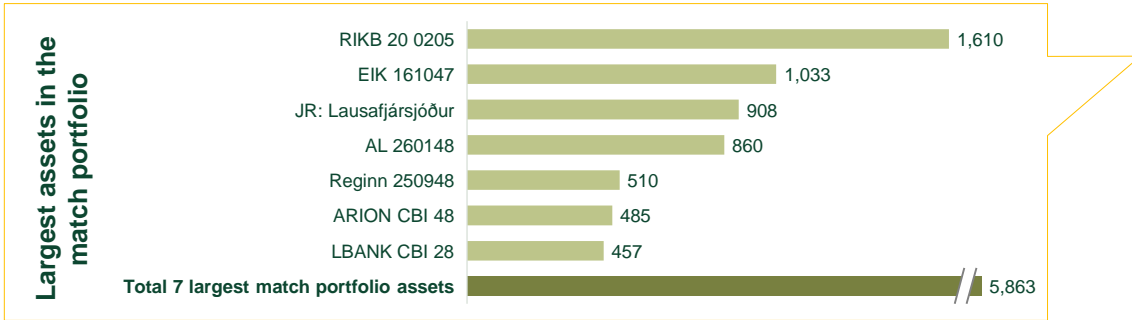
- Date of investment: 2014 February
- Initial investment: ISK 450m
- Initial stake: 4.9%
- Total investment: ISK 450m
  
- Exit date: 2018 September
- Investment period: 4.5 years
- Annual return: 26%



- Date of investment: 2014 December
- Initial investment: ISK 201m
- Initial stake: 11.6%
- Total investment: ISK 540m
  
- Exit date: 2019 February
- Investment period: 4.2 years
- Annual return: 51%

# TM'S LARGEST INVESTMENTS

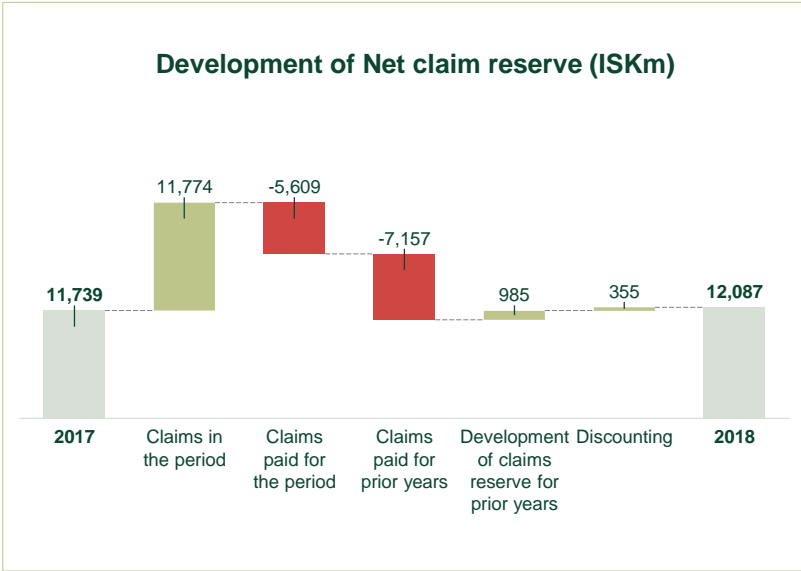
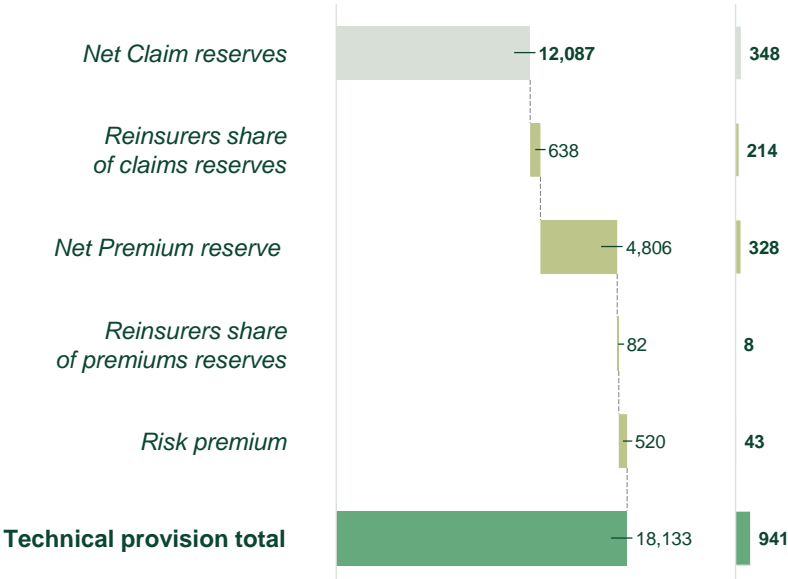
31.12.2018 (ISKm)



# TECHNICAL PROVISION INCREASES IN FY18

## TECHNICAL PROVISION 31.12.2018 (ISKm)

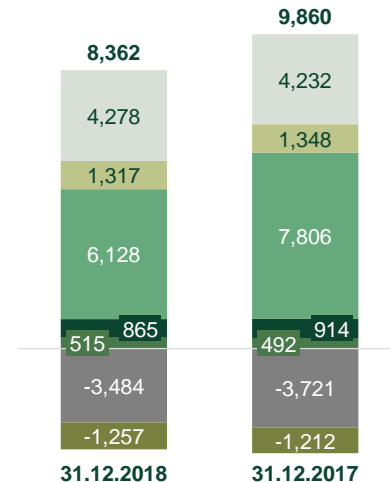
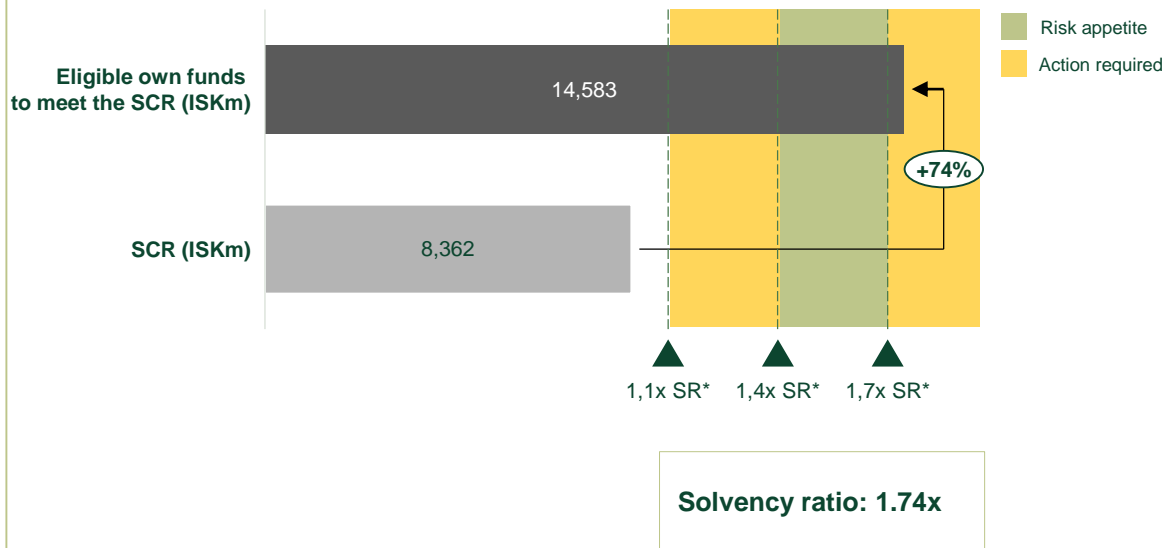
Δ2018



# SOLVENCY RATIO CONSIDERABLY HIGHER THAN TARGET

## 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

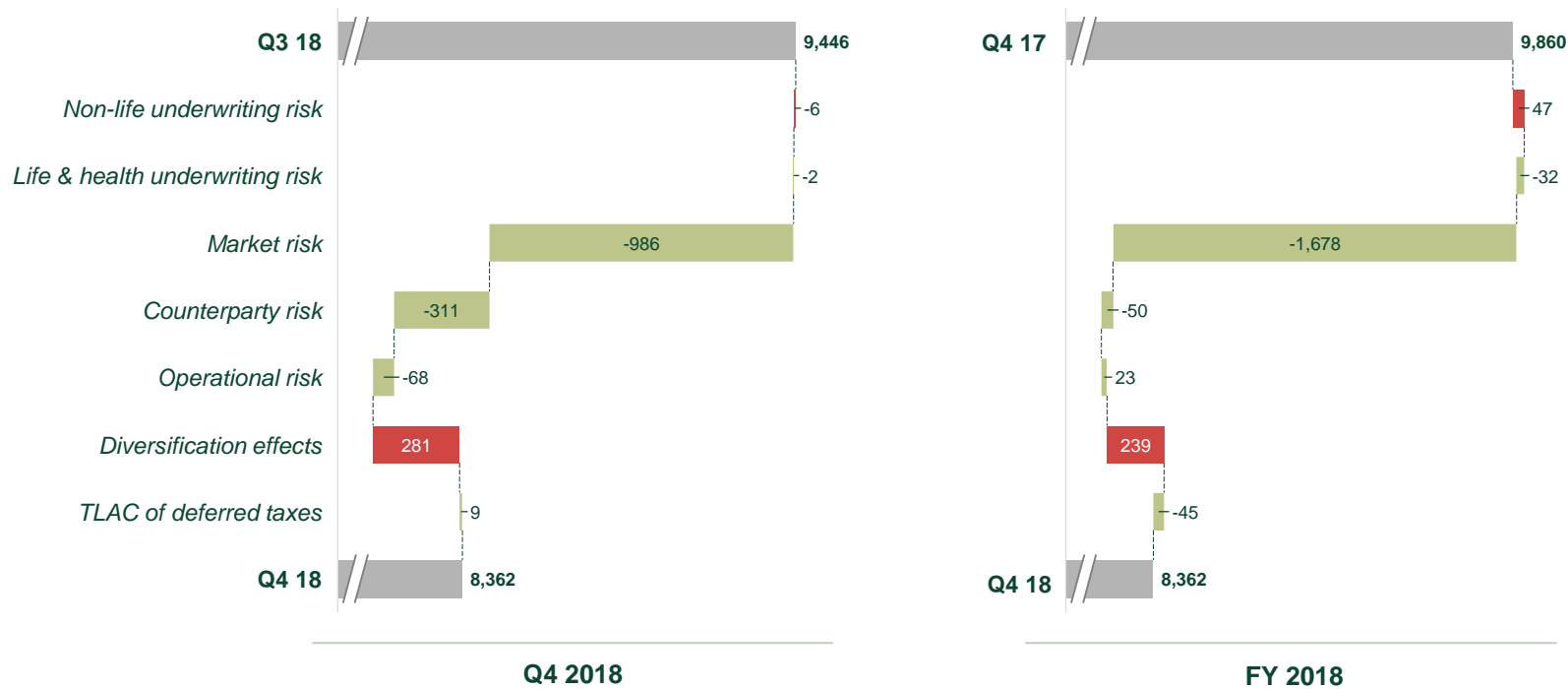


- Non-life underwriting risk
- Life & health underwriting risk
- Market risk
- Counterparty risk
- Operational risk
- Diversification effects
- TLAC of deferred taxes

\* SR: Solvency ratio

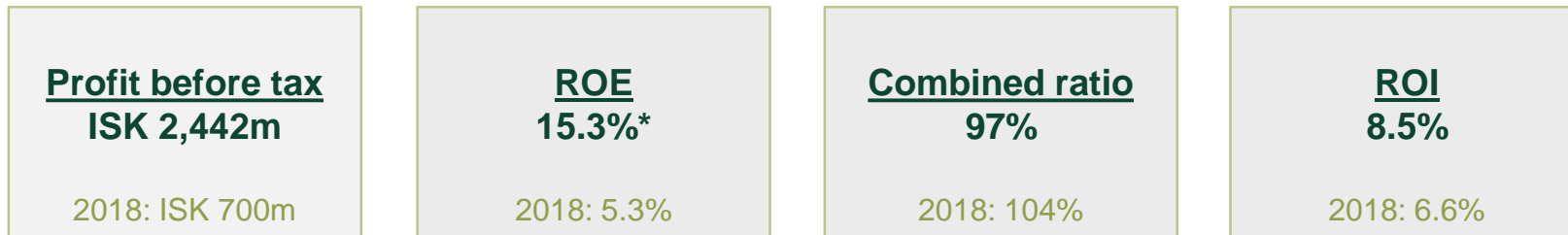
# SCR HAS DECLINED, MAINLY DUE TO LOWER MARKET RISK

DEVELOPMENT OF SCR (ISKm)



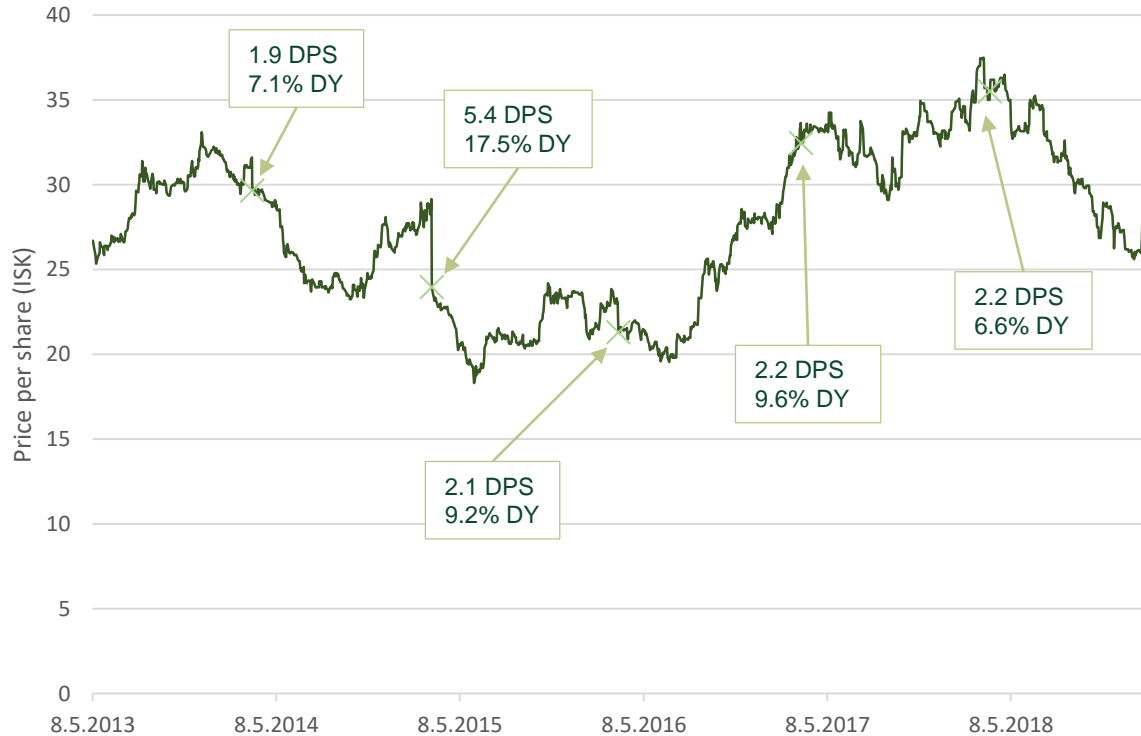
# PBT FORECASTED ISK 2,442m NEXT 12 MONTHS

## OUTLOOK



\* Income tax ratio estimated 12%

# TM PAYS SUBSTANTIAL ANNUAL DIVIDENDS TO ITS SHAREHOLDERS



Dividend proposal of ISK 700m.  
Room for considerable share buy-back

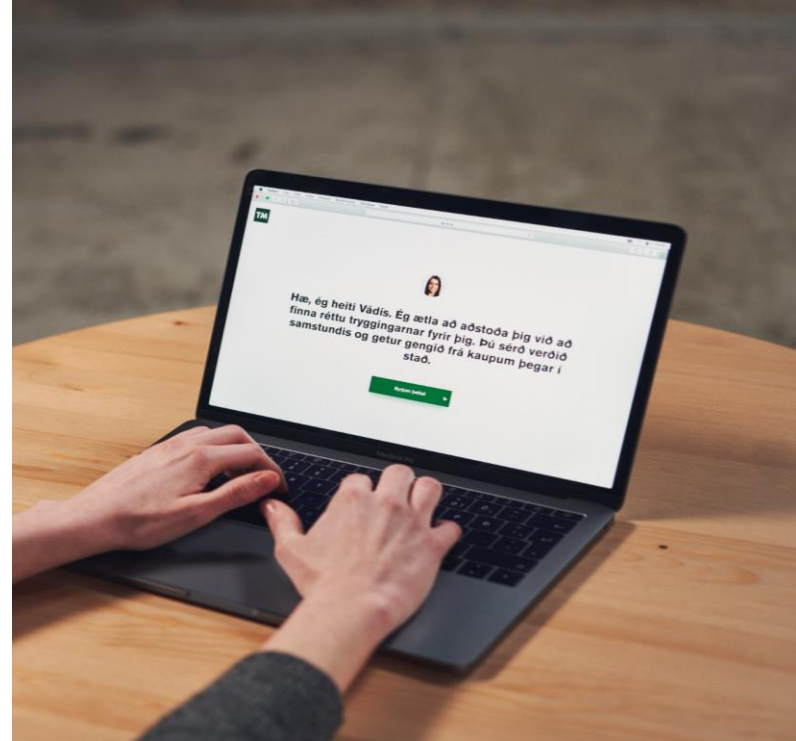
Average dividend + share buy back yield of 12% over the last five years

82% of IPO value paid out to shareholders since listing



# TM LAUNCHES A NEW ONLINE SALES SOLUTION

- TM launched a new online sales solution in February 2019 using a friendly chatbot called Vádís.
- The process is entirely automatic and customers can complete their purchase in a matter of minutes.
- Customers will always get TM's best price online.
- Using the TM app, customers can self-inspect their cars to complete the online purchase of comprehensive car insurance (“kaskó”).
- We believe our digital insurance solutions to be among the most sophisticated in the world.
- [www.tm.is/kaupa](http://www.tm.is/kaupa)





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**APPENDICES**

# INCOME STATEMENT

ISK m	Q1	Q2	Q3	Q4	2018FY
Premiums earned	3,946	4,040	4,283	4,104	16,373
Outward reinsurance premiums	-159	-189	-188	-189	-724
<b>Net premiums earned</b>	<b>3,787</b>	<b>3,851</b>	<b>4,095</b>	<b>3,915</b>	<b>15,648</b>
Finance income	738	325	235	508	1,805
Income from investment properties	0	9	4	-1	12
Other income	8	31	6	6	51
<b>Total income</b>	<b>4,532</b>	<b>4,216</b>	<b>4,340</b>	<b>4,429</b>	<b>17,516</b>
Claims incurred	-3,488	-4,116	-3,192	-3,126	-13,923
Claims incurred, reinsurers share	195	675	-63	-19	787
<b>Net claims incurred</b>	<b>-3,294</b>	<b>-3,442</b>	<b>-3,255</b>	<b>-3,146</b>	<b>-13,136</b>
Operating expenses	-976	-901	-777	-887	-3,541
Interest expenses	-50	-41	-50	-42	-184
Impairment	49	-29	-12	38	45
<b>Total expenses</b>	<b>-4,271</b>	<b>-4,413</b>	<b>-4,095</b>	<b>-4,037</b>	<b>-16,816</b>
<b>Profit before income tax</b>	<b>261</b>	<b>-197</b>	<b>245</b>	<b>391</b>	<b>700</b>
Income tax	28	57	-38	-47	0
<b>Profit after tax</b>	<b>289</b>	<b>-140</b>	<b>208</b>	<b>344</b>	<b>701</b>

# BALANCE SHEET

ISK m	31.12.2017	31.12.2018
<b>Assets</b>		
Operating assets	343	325
Investment properties	48	0
Goodwill and other intangible assets	313	489
Restricted cash	7	5
Loans	1,300	1,054
Securities	26,290	26,438
Investment where investment risk is borne by life-insurance policyholders	28	37
Deferred tax asset	81	88
Assets classified as held for sale	10	3
Reinsurance assets	498	720
Trade receivables	4,612	4,052
Cash and cash equivalents	1,130	1,439
<b>Assets total</b>	<b>34,659</b>	<b>34,651</b>
<b>Equity</b>		
Share capital	678	678
Share premium	426	426
Other shareholders equity	12,999	12,199
<b>Shareholders equity</b>	<b>14,102</b>	<b>13,303</b>
Minority interest	0	0
<b>Equity total</b>	<b>14,102</b>	<b>13,303</b>
<b>Liabilities</b>		
Technical provision	17,191	18,133
Technical provision for life-insurance policies where investment risk is borne by the policyholders	28	37
Liabilities in connection with investment properties	26	0
Trade and other payables	1,202	1,005
Subordinated debt	2,110	2,173
<b>Liabilities total</b>	<b>20,556</b>	<b>21,347</b>
<b>Equity and liabilities total</b>	<b>34,659</b>	<b>34,651</b>

# OPERATING FORECAST 2019

ISK m	Q1	Q2	Q3	Q4	2019
Premiums f.o.a.	3,911	3,998	4,164	4,055	16,129
Investments and other income	525	754	523	736	2,538
<b>Total income</b>	<b>4,436</b>	<b>4,753</b>	<b>4,687</b>	<b>4,792</b>	<b>18,668</b>
Claims f.o.a.	-3,285	-3,038	-3,084	-3,087	-12,494
Operating and other expenses	-974	-931	-874	-953	-3,732
<b>Total expenses</b>	<b>-4,259</b>	<b>-3,969</b>	<b>-3,958</b>	<b>-4,040</b>	<b>-16,226</b>
<b>Profit before income tax</b>	<b>177</b>	<b>784</b>	<b>729</b>	<b>752</b>	<b>2,442</b>
<b>Key ratios</b>					
Claims ratio	84%	76%	74%	76%	77%
Cost ratio	21%	19%	17%	19%	19%
Combined ratio	105%	95%	92%	95%	97%
Technical results	-186	184	352	187	537
Return on Investments	1.8%	2.5%	1.7%	2.4%	8.5%



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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