



Reykjavík, February 16th 2018

TM's profit in 2017 totalled ISK 3.1 billion.

The Board of directors and the CEO of TM approved the company's annual financial statements for 2017 at a board meeting on February 16th 2018. The annual financial statements have been audited by the company's auditors.

Sigurður Viðarsson, CEO of TM:

"TM's results in 2017 were strong, and for yet another year, the company's return on equity was outstanding, or over 24%. Return from investment operations is the main factor in the year's results, but it was also pleasing to see the development of insurance activities in the fourth quarter, which resulted in a positive technical result for the quarter and the year as a whole. Disregarding the negative development of older claims in the first half of 2017, the results from insurance operations in 2017 were very positive. The company's forecast for the current year assumes a better balance between insurance and investment operations."

The main results of the fourth quarter and 2017:

	Q4 2017	Q4 2016	Δ	Δ%	2017	2016	Δ	Δ%
Premiums f.o.a.	3,707	3,404	303	9%	14,985	14,060	925	7%
Investment income	1,115	1,168	(53)	(5%)	3,750	3,178	572	18%
Other income	5	9	(4)	(40%)	37	41	(4)	(10%)
Total income	4,827	4,581	246	5%	18,771	17,279	1,493	9%
Claims f.o.a.	(2,757)	(2,999)	243	(8%)	(11,873)	(10,719)	(1,154)	11%
Operating expenses	(836)	(823)	(12)	1%	(3,405)	(3,303)	(102)	3%
Interest expenses	(44)	(44)	(0)	1%	(162)	(247)	86	(35%)
Impairment of financial assets	(121)	(8)	(113)	1,329%	(126)	(57)	(69)	120%
Total expenses	(3,758)	(3,875)	117	(3%)	(15,565)	(14,326)	(1,239)	9%
Profit before income tax	1,070	706	363	51%	3,207	2,953	254	9%
Income tax	(39)	(93)	54	(58%)	(84)	(356)	272	(76%)
Profit after tax	1,031	614	417	68%	3,123	2,597	526	20%

Amounts are in ISK millions.

Combined ratio for the year was 99.4%.

TM's results in the fourth quarter of 2017 improved considerably compared to the same period in the previous year. The combined ratio was 94.4%, as compared to 109.3% in Q4 2016, and profit in the quarter increased from ISK 614m to ISK 1,031m.

In 2017 combined ratio was 99.4%, which is an increase from 97.0% in 2016. Premiums for own account increased by 6.6% but did not keep up with the cost of claims for own account, which increased by 10.8% between the years. Poorer results from insurance operations are mainly due to a higher claims ratio in property insurance, marine insurance and liability insurance. Results from accident insurance improved somewhat between years but are still unsatisfactory. TM's profit in 2017 were ISK 3,123m after taxes, and the technical results on insurance operations was ISK 97m.

The cost ratio in 2017 was 20.1%. TM's long-term goal is a cost ratio below 20%, and forecasts indicate that this goal will be reached in 2018.

Strong results from investments in the fourth quarter and 14.9% return over the year.

Investment income totalled ISK 1,115m in the fourth quarter, which is equivalent to a 4.0% return. Good return from Unlisted shares, Real estate funds and Government bonds explains the great results of the quarter. The return from these asset classes account for approximately two-thirds of the quarter's investment income. Domestic securities markets were advantageous in the fourth quarter but the domestic Gamma market index rose by 2.8% during the period.

Investment income totalled ISK 3,750m in 2017. This is equivalent to a 14.9% return on the investment portfolio which compares favorably with the 7.7% increase of Gamma's market index during the year. The return on TM's investment assets was therefore excellent in 2017, well over the average return of 12.7% in the last five years. The strong results in 2017 are mainly due to the asset classes Unlisted shares, Listed shares and funds and Other securities, which account for approximately 68% of the year's investment income.

Key figures of the fourth quarter and 2017:

	Q4 2017	Q4 2016	2017	2016
Earnings per share (ISK)	1.52	0.91	4.61	3.8
Return on equity (over 12m)	34%	22%	24%	22%
Equity ratio	41%	39%	41%	39%
Net cash from operating activities	348	(353)	1,413	1,821
Insurance operations				
Claims ratio	74.4%	88.1%	79.2%	76.2%
Cost ratio	20.0%	21.2%	20.1%	20.8%
Combined ratio	94.4%	109.3%	99.4%	97.0%
Operating results	277	(292)	710	903
Technical results	209	(318)	97	420
Investments				
Return on investments	4.0%	4.6%	14.9%	13.0%

Amounts are in ISK millions.

ISK 1,500 million dividend payment proposed.

TM's Board of Directors has presented clear targets for risk appetite with tolerance limits, which facilitates overall risk management for the company. The target solvency ratio, according to the risk appetite statement, is 150%, and the tolerance limits are 140% to 170%.

The proposed dividend payment is based on these targets but the Board of TM proposes a dividend payment of ISK 1,500 million in 2018. In addition, the Board proposes to get an authorisation to purchase own shares for up to ISK 1,000 million. The final repurchase amount will be determined by the company's possibilities to obtain the most optimal capital structure. A detailed repurchase scheme will be presented at the company's annual general meeting on March 15th this year.

Operating forecast

TM's operating forecast for 2018 assumes a combined ratio of 93%, 8.8% return on investments and an annual profit of ISK 3,010m before taxes.

	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Total	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%)
Total income	4,206	4,962	4,745	4,888	18,801	18,771	29	0%
Claims f.o.a.	(3,121)	(3,064)	(2,932)	(2,891)	(12,008)	(11,873)	(135)	1%
Operating expenses	(955)	(866)	(877)	(863)	(3,561)	(3,405)	(156)	5%
Interest expenses	(41)	(42)	(43)	(44)	(170)	(162)	(9)	5%
Impairments	(3)	(3)	(3)	(43)	(53)	(126)	73	(58%)
Total expenses	(4,120)	(3,976)	(3,855)	(3,841)	(15,791)	(15,565)	(227)	1%
Profit before income tax	86	986	891	1,047	3,010	3,207	(197)	(6%)

Amounts are in ISK millions.

Key figures in forecast

	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Total	2017
Insurance operations						
Claims ratio	83%	74%	68%	71%	74%	79%
Cost ratio	23%	18%	16%	18%	19%	20%
Combined ratio	106%	92%	85%	89%	93%	99%
Technical result	(224)	326	660	439	1,200	97
Investments						
Return on investments	1.5%	2.9%	1.5%	2.7%	8.8%	14.9%

Amounts are in ISK millions.

Investor meeting February 16th at 4 pm.

TM holds a meeting for its stakeholders on the company's fourth quarter and 2017 results on February 16th at 4 pm. The meeting will be held at TM head office at Síðumúli 24, fourth floor, where the company's CEO, Sigurður Viðarsson, will present the results and answer questions. Light refreshments will be served.

The annual financial statements and the announcement of results will be made available on the company's website, www.tm.is. A presentation of the results will also be made available at the website when the investor meeting commences. The meeting can be viewed online at:

<https://global.gotomeeting.com/join/235778077>

Annual general meeting, March 15th 2018

TM's 2018 annual general meeting will be held at Grand Hótel Reykjavík on March 15th at 4 pm.

2018 Financial calendar

First quarter: May 8th 2018.

Second quarter: August 23th 2018.

Third quarter: October 25th 2018.

Fourth quarter: February 15th 2019.

Further information can be provided by Sigurður Viðarsson, CEO of TM.

tel.: 515-2609

sigurdur@tm.is.