

A photograph of a man with a beard and long hair, wearing a green button-down shirt, sitting on a grey couch. He is looking down at two children. A young boy in a dark blue sweater is lying back on the couch, smiling. A young girl in a green sweater is sitting next to him, laughing and holding a large stuffed monkey. The scene is lit with soft, natural light from the left. In the top left corner, there is a dark green square with the white letters 'TM'.

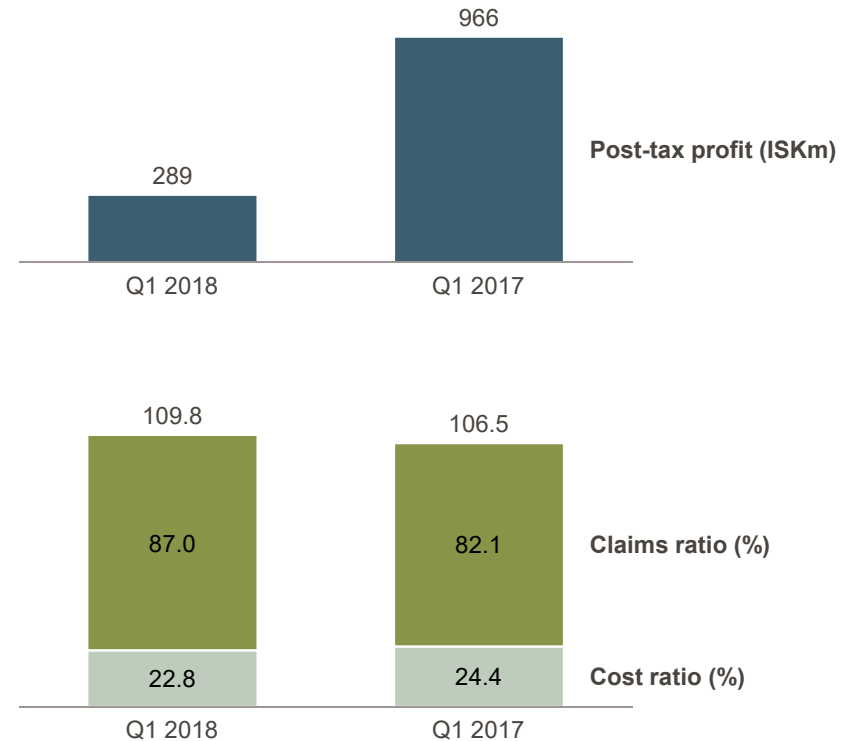
TM

Financial results Q1 2018

Highlights Q1 2018



- Q1 post-tax profit totalled **ISK 289m** and earnings per share **ISK 0.43** (Q1 2017: ISK 966m and ISK 1.42)
- Pre-tax profit totalled ISK **261m** (Q1 2017: ISK 982m)
- Technical results were negative by ISK **371m** (Q1 2017: negative by ISK 225m)
- Investment income totalled ISK **738m** (Q1 2017: ISK 1,326m) and return on investments was **2.6%** (Q1 2017: 5.2%)
- Combined ratio was **109.8%** (Q1 2017: 106.5%)
- Gross written premiums increased **6.1%** YoY
- Premiums for own account increased **9.0%** YoY
- Claims for own account increased **15.5%** YoY
- Operating expenses increased **1.1%** YoY
- Annualized return on equity was **9%** (Q1 2017: 36%)





Consolidated Income Statement

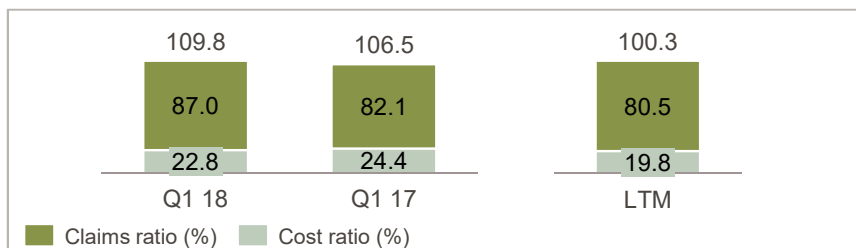
Income (ISKm)

	Q1 2018	Q1 2017	Δ%
Premiums for own account	3,787	3,474	9%
Investment income	738	1,326	-44%
Other income	8	12	-36%
Total income	4,532	4,813	-6%

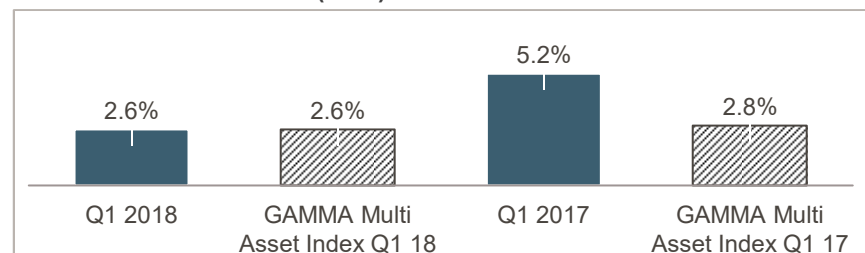
Expenses (ISKm)

	Q1 2018	Q1 2017	Δ%
Claims for own account	(3,294)	(2,852)	15%
Other expenses	(977)	(978)	0%
Total expenses	(4,271)	(3,830)	12%
Profit before income tax	261	982	-73%
Income tax	28	(16)	
Profit after tax	289	966	-70%

Combined ratio

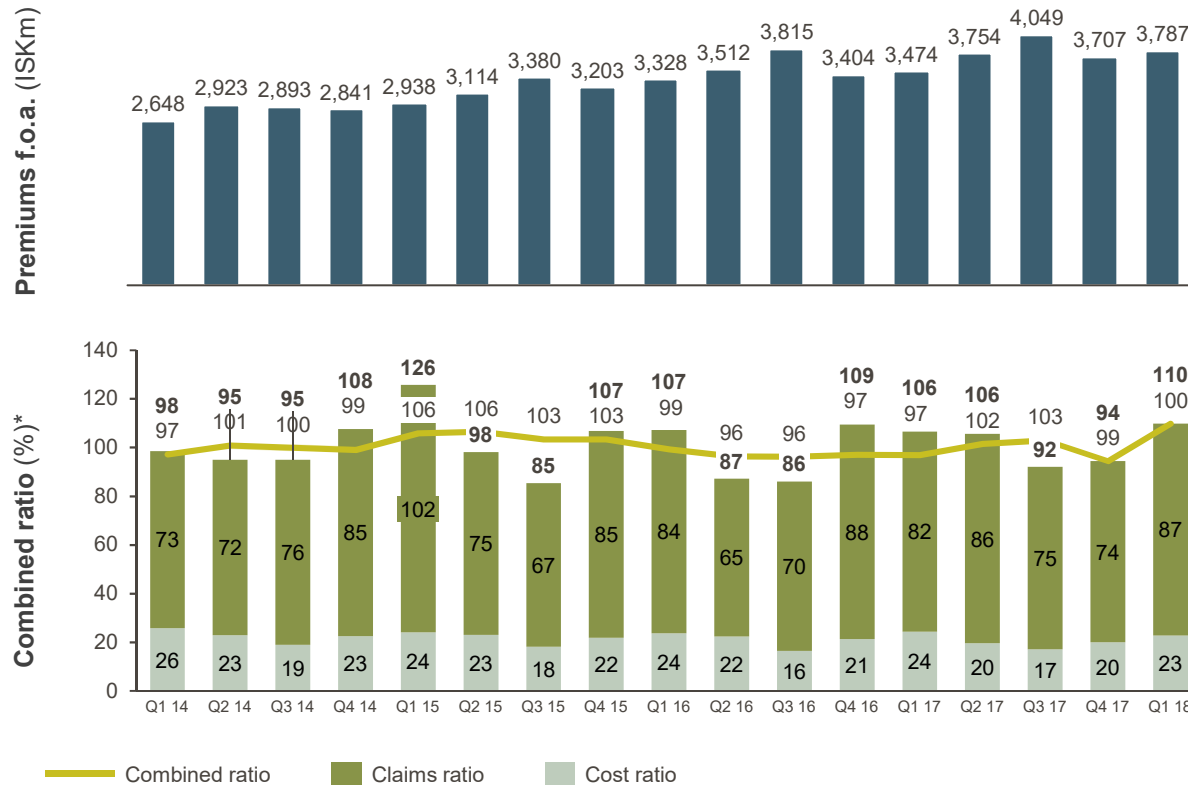


Return on Investments (RoI*)



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

Combined ratio 100.3% LTM

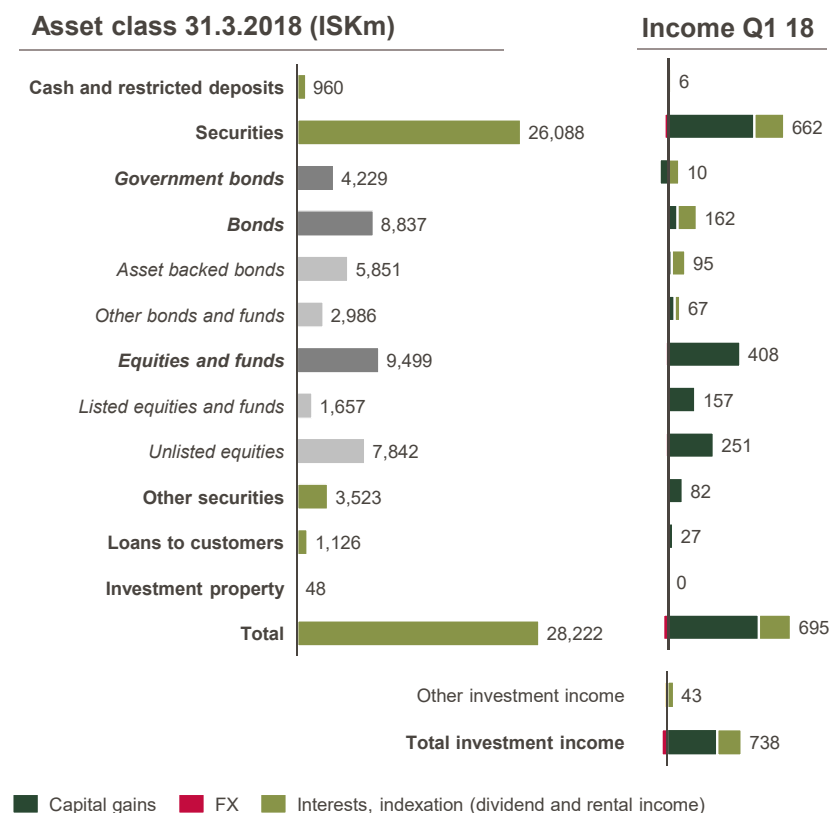


- Premiums f.o.a. increased by 9.0% compared to Q1 17.
- Claims ratio was 87.0%. Five claims in Q1 larger than ISK 50m.
- Combined ratio 109.8% in Q1 but 100.3% LTM.

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



Rol was 2.6% in Q1 18



- Return on Investment (Rol) was 2.6% in Q1 18.
- Investment income from government bonds amounted to ISK 10m in Q1 (0.2% return). The government bond portfolio is over weighted by non-indexed bonds and therefore underperformed GAMMA Government Bond Index which increased by 0.8% in the quarter.
- Investment income from non-government bonds was ISK 162m (2.0% return). Asset backed bonds return was 1.9% and return from Other bonds and funds 2.2%. TM outperformed GAMMA Corporate Bond Index which increased by 1.3% in the same period as TM is over weighted by indexed bonds in this asset class.
- Investment income from listed equities amounted to ISK 157m in Q1 (7.6% return). The income mostly derives from Marel and Syn as the share price was up 18.3% and 4.3% respectively.
- Investment income from unlisted equities amounted to ISK 251m in Q1 (3.3% return). This is almost entirely due to return from HSV and Eyrir.

Cash Flow – Net cash from operating activities ISK 761m



(ISKm)	Q1 18	Q1 17	Δ	Δ%
Premiums, received	4,455	3,826	629	16%
Claims, paid	(3,151)	(2,994)	(156)	5%
Operating cost, paid	(796)	(750)	(47)	6%
Net cash from insurance activities	508	82	426	521%
Finance income, received	82	89	(7)	(7%)
Finance expense, paid	(3)	(2)	(1)	68%
Investment income, received	374	164	210	129%
Finance income from investment properties, received	0	1	(1)	(72%)
Operating cost, paid	(109)	(106)	(3)	3%
Net cash from investments activities	345	146	199	136%
Income tax paid	(91)	(82)	(9)	12%
Net cash from operating activities	761	146	615	422%

- Premiums received increased 16% YoY.
- Paid claims increased only 5% YoY partly due to a large claim paid in Q1 17.
- Net cash from insurance activities totalled ISK 508m, an increase of ISK 426m YoY.
- Net cash from operating activities totalled ISK 761m an increase of ISK 615m YoY.

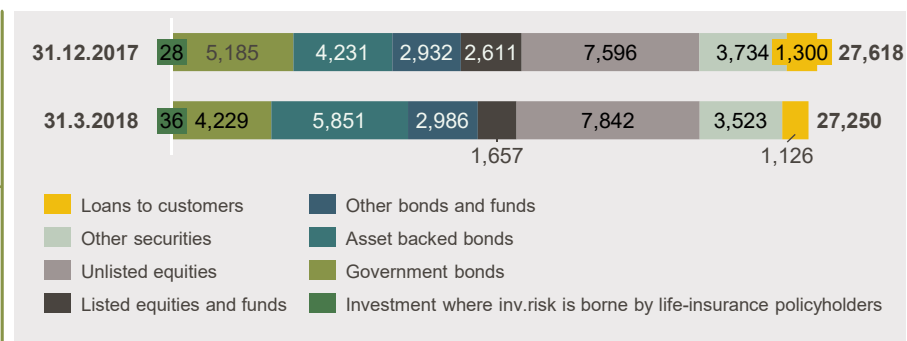
Consolidated Balance Sheet



Assets (ISKm)

	31.3.2018	31.12.2017
Operating Assets	332	343
Investment properties	48	48
Goodwill and other intangibles	367	313
Cash and cash equivalents (incl. restricted cash)	960	1,137
Securities and loans	27,250	27,618
Deferred tax asset	109	81
Assets held for sale	16	10
Reinsurance assets	946	498
Trade receivables	8,645	4,612
Total Assets	38,673	34,659

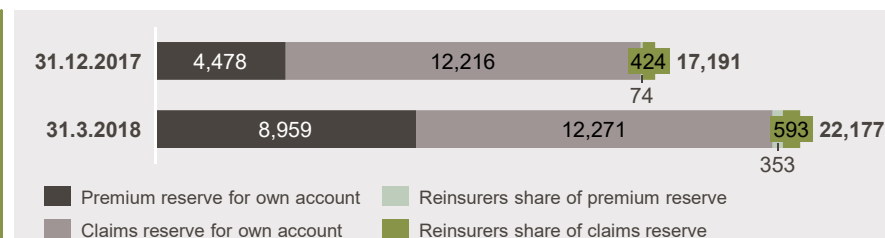
Breakdown of securities and loans (ISKm)



Equity and liabilities (ISKm)

	31.3.2018	31.12.2017
Equity	12,892	14,102
Technical provision	22,177	17,191
Subordinated debt	2,156	2,110
Trade and other liabilities	1,448	1,255
Total Equity and liabilities	38,673	34,659

Breakdown of technical provision (ISKm)

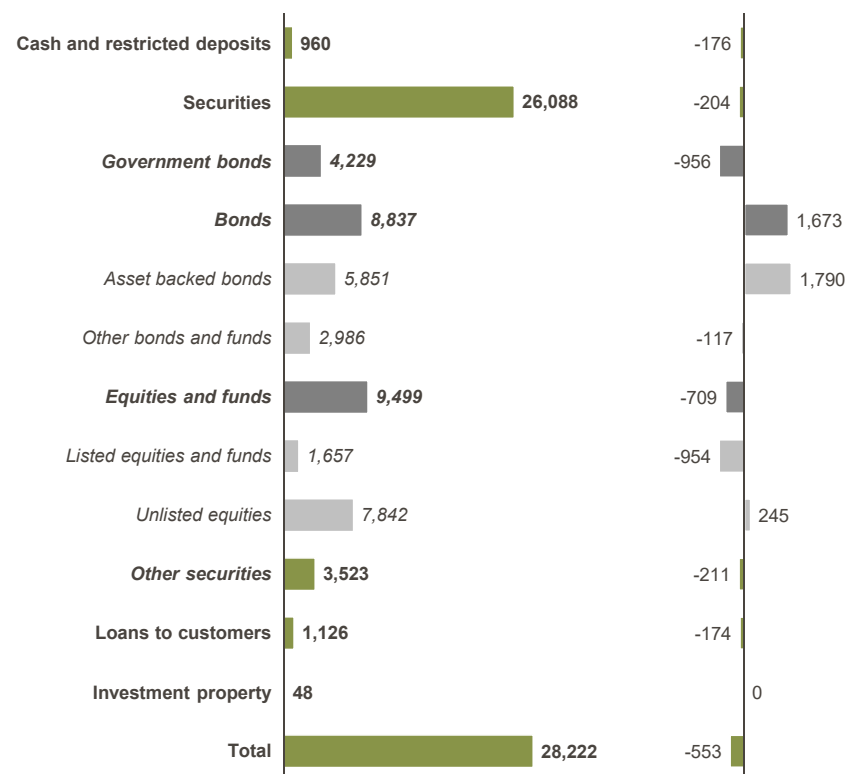


Government bonds and Listed equities decrease but Asset backed bonds increase



Asset class 31.3.2018 (ISKm)

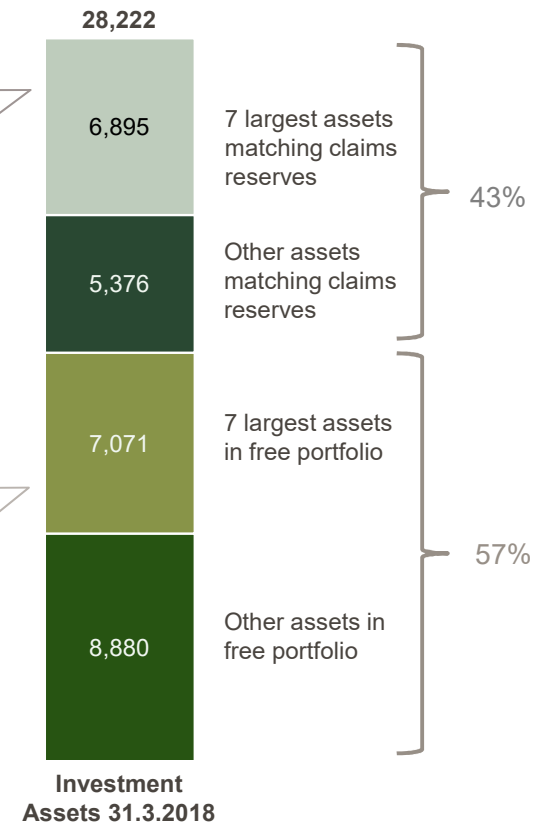
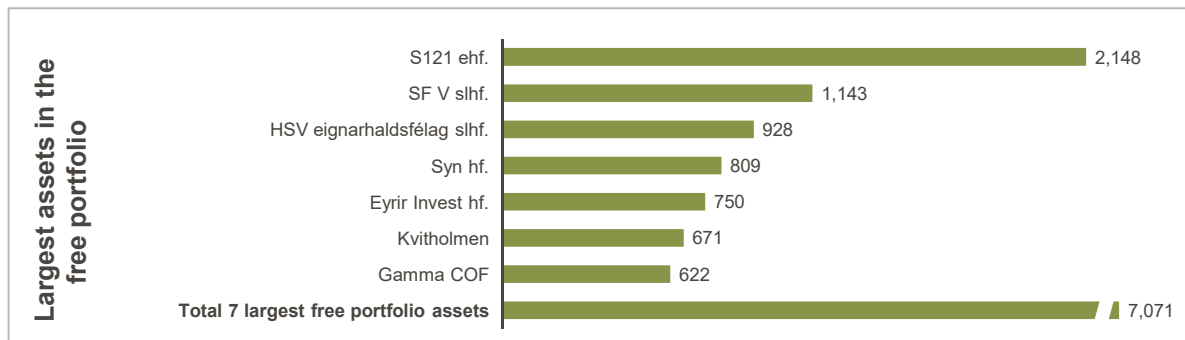
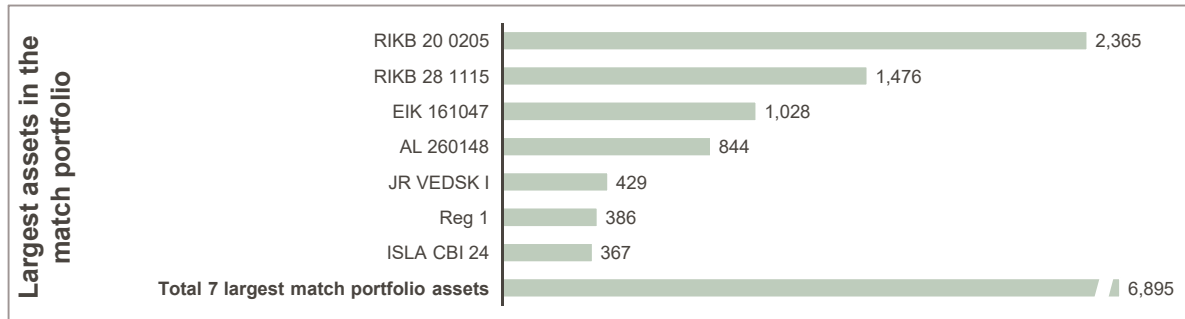
Δ Q1 18



- TM increased its position in Asset backed bonds by ISK 1,790m in Q1 but decreased its holding in Government bonds by ISK 956m.
- TM's holding in Listed equities decreased by ISK 954m during the quarter.
- TM's holding in Unlisted equities increased by ISK 245m in Q1 which is solely due to investment return as TM made no new investment in this asset class during the quarter.

TM's largest investments

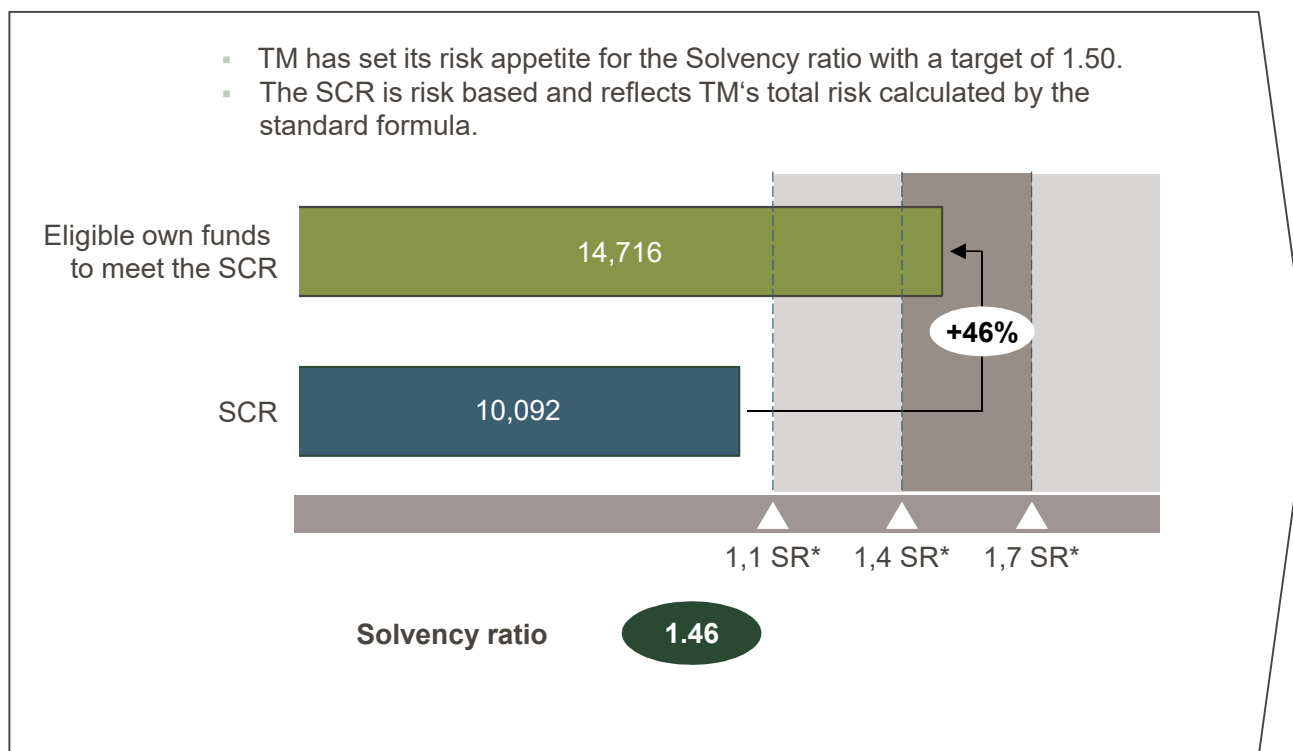
31.3.2018, (ISKm)



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



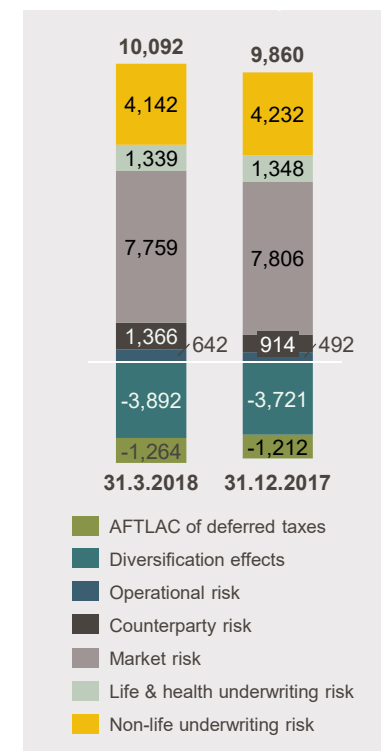
31.03.2018, (ISKm)



* SR: Solvency ratio

■ Risk appetite ■ Action required

SCR (ISKm)



PBT forecasted ISK 2,653m FY 18



Forecast (ISKm)	Q2 18	Q3 18	Q4 18	Q1 19	Next 12M	2018e
Premiums f.o.a.	3,939	4,124	3,920	4,012	15,995	15,770
Investment income	620	454	833	384	2,291	2,645
Other income	32	8	8	8	55	55
Total income	4,591	4,585	4,761	4,404	18,341	18,470
Claims f.o.a.	(3,156)	(2,799)	(2,785)	(3,145)	(11,886)	(12,034)
Other expenses	(935)	(890)	(981)	(1,009)	(3,815)	(3,782)
Total expenses	(4,091)	(3,689)	(3,766)	(4,154)	(15,700)	(15,817)
Profit before income tax	500	896	995	250	2,642	2,653
Cost ratio	20%	18%	20%	21%	20%	20%
Combined ratio	100%	86%	91%	99%	94%	96%
Return on Investments	2.2%	1.5%	2.7%	1.3%	8.1%	9.6%

- The updated forecast for 2018 is now ISK 2,653m profit before income tax (previous forecast ISK 3,010m):
 - TM lost one of its major clients recently.
 - Claims are forecasted to increase in Q2 18 due to a large fire claim in April.
 - Cost ratio increases due to decreased premiums.
 - Forecasted investment income increases by approximately ISK 100m 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



HUGSUM Í FRAMTÍÐ

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