

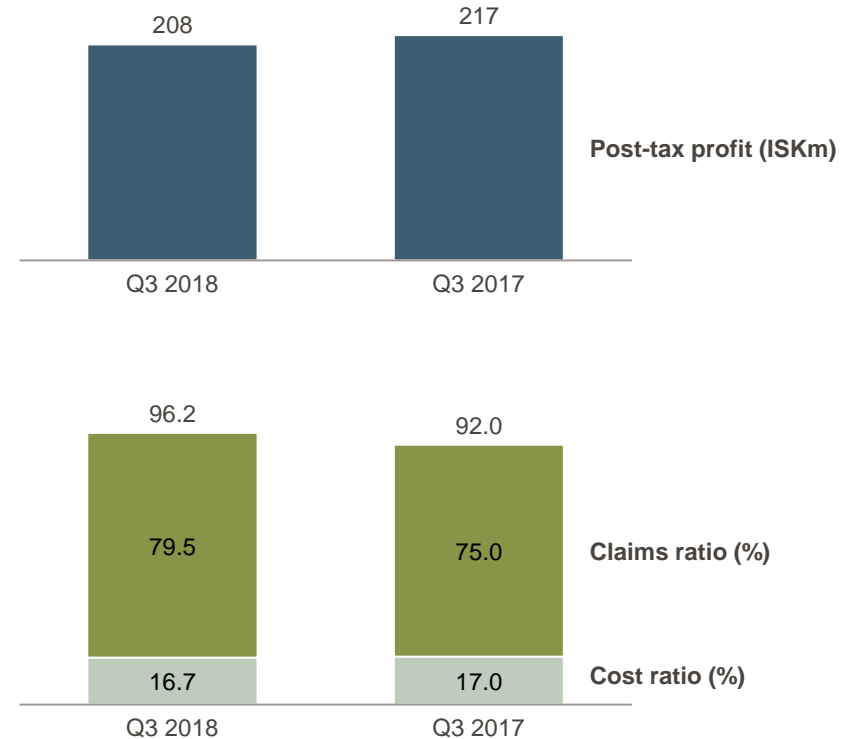


TM

Financial results Q3 2018

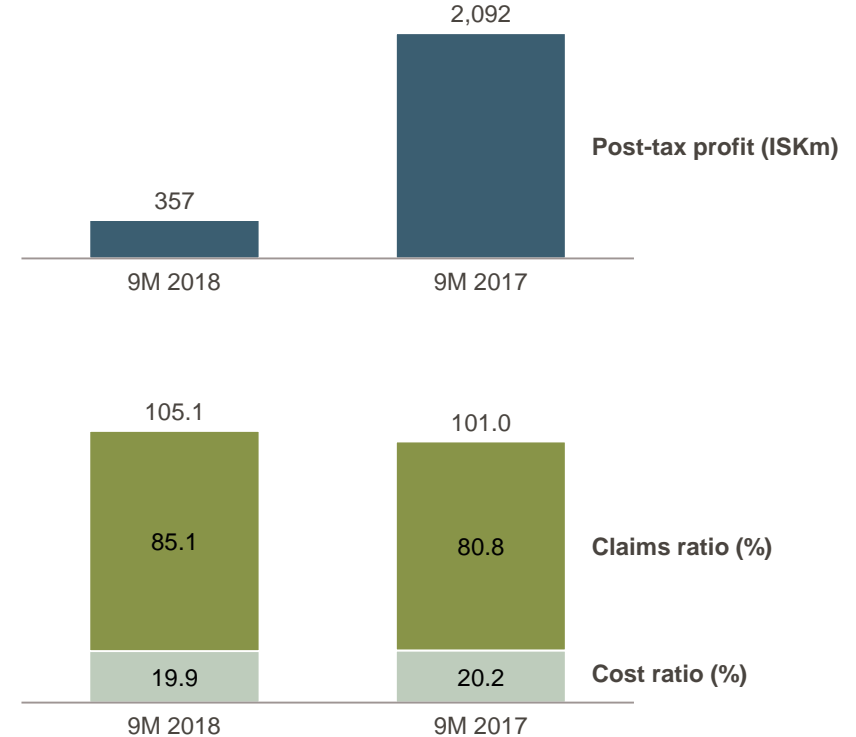
Highlights Q3 2018

- Q3 post-tax profit totalled **ISK 208m** and earnings per share **ISK 0.31** (Q3 2017: ISK 217m profit and ISK 0.32)
- Pre-tax profit totalled **ISK 245m** (Q3 2017: ISK 254m profit)
- Technical results were positive by **ISK 157m** (Q3 2017: positive by ISK 323m)
- Investment income totalled **ISK 238m** (Q3 2017: ISK 41m) and return on investments was **0.8%** (Q3 2017: 0.1%)
- Combined ratio was **96.2%** (Q3 2017: 92.0%)
- Gross written premiums increased **0.5% YoY**
- Premiums for own account increased **1.1% YoY**
- Claims for own account increased **7.2% YoY**
- Operating expenses increased **0.8% YoY**
- Annualized return on equity was **7%** (Q3 2017: 7%)



Highlights 9M 2018

- 9M post-tax profit totalled **ISK 357m** and earnings per share **ISK 0.53** (9M 2017: ISK 2,092m and ISK 3.09)
- Pre-tax profit totalled **ISK 309m** (9M 2017: ISK 2,137m)
- Technical results were negative by **ISK 596m** (9M 2017: negative by ISK 112m)
- Investment income totalled **ISK 1,310m** (9M 2017: ISK 2,635m) and return on investments was **4.7%** (9M 2017: 10.4%)
- Combined ratio was **105.1%** (9M 2017: 101.0%)
- Gross written premiums increased **3.9%** YoY
- Premiums for own account increased **4.0%** YoY
- Claims for own account increased **9.6%** YoY
- Operating expenses increased **3.3%** YoY
- Annualized return on equity was **4%** (9M 2017: 23%)



Consolidated Income Statement



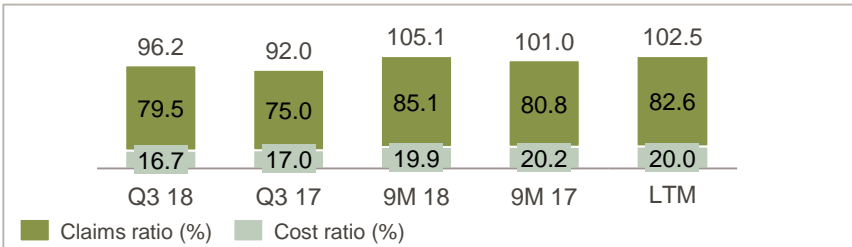
Income (ISKm)

	Q3 2018	Q3 2017	Δ%	9M 2018	9M 2017	Δ%
Premiums for own account	4,095	4,049	1%	11,733	11,278	4%
Investment income	238	41	483%	1,310	2,635	-50%
Other income	6	8	-22%	45	32	43%
Total income	4,340	4,098	6%	13,088	13,944	-6%

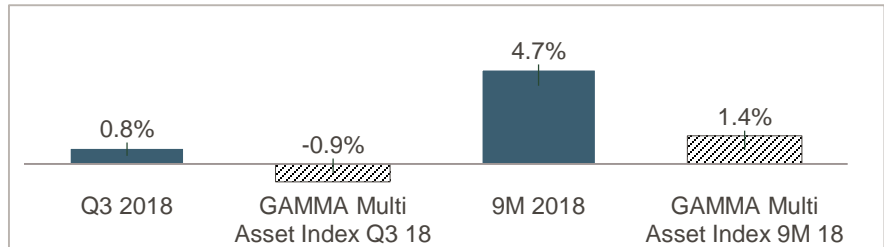
Expenses (ISKm)

	Q3 2018	Q3 2017	Δ%	9M 2018	9M 2017	Δ%
Claims for own account	(3,255)	(3,037)	7%	(9,990)	(9,116)	10%
Other expenses	(840)	(808)	4%	(2,788)	(2,691)	4%
Total expenses	(4,095)	(3,844)	7%	(12,779)	(11,807)	8%
Profit before income tax	245	254	-3%	309	2,137	-86%
Income tax	(38)	(37)	-	48	(45)	-
Profit after tax	208	217	-4%	357	2,092	-83%

Combined ratio



Return on Investments (RoI*)

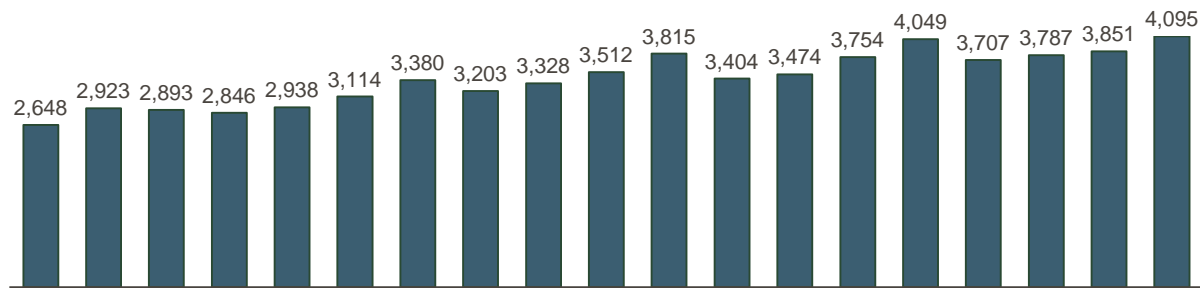


* RoI = Investment income / Average(Investment assets_{END OF PERIOD} - Investment income; Investment assets_{BEGINNING OF PERIOD})

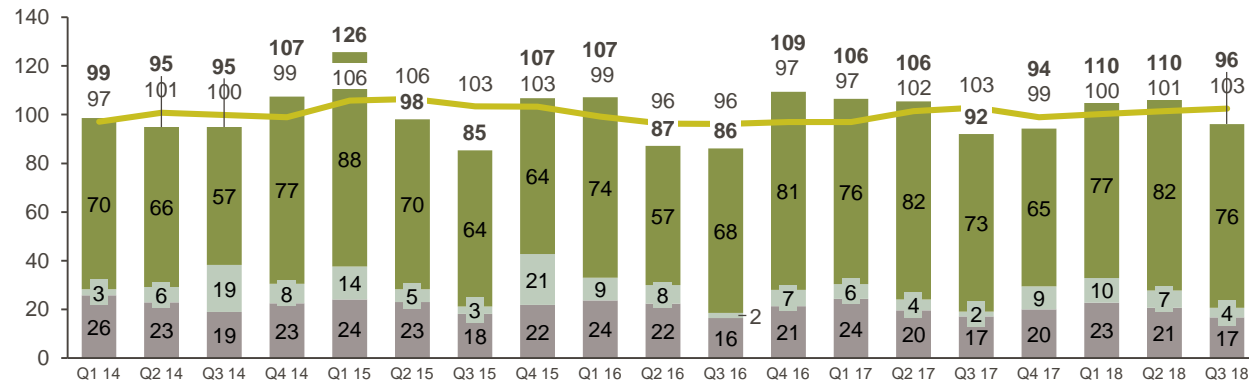
Combined ratio 96.2% in Q3 18



Premiums f.o.a. (ISKm)



Combined ratio (%)*



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

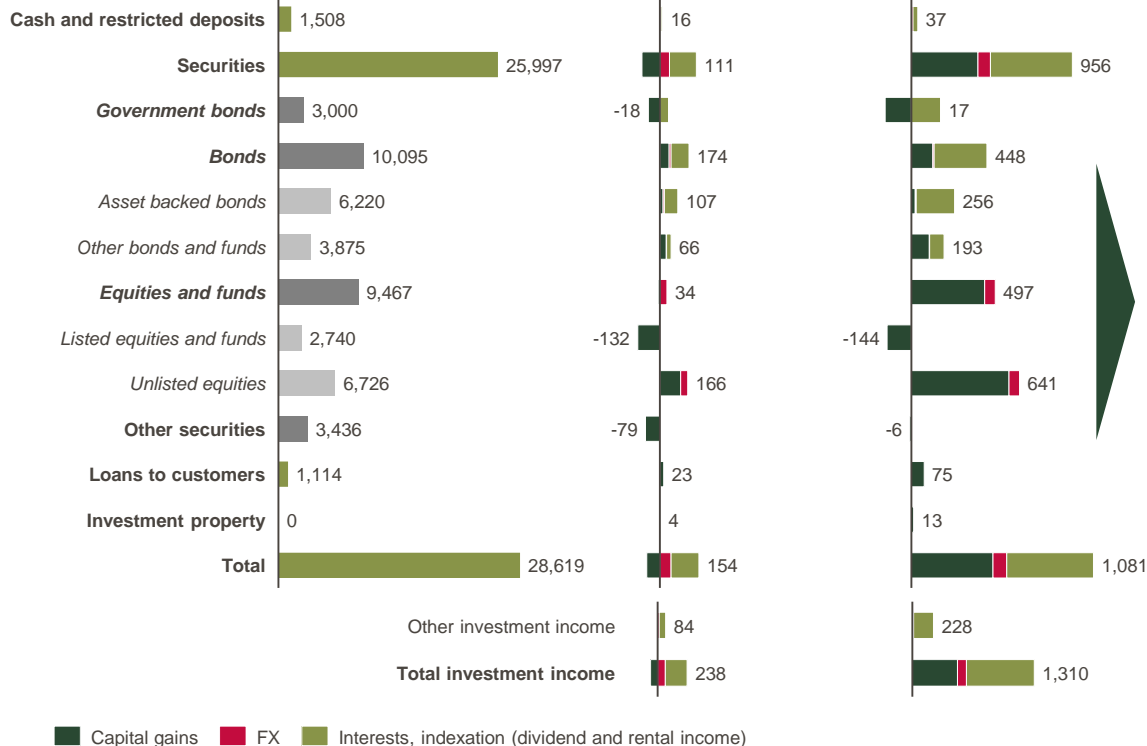
- Premiums f.o.a. increased by 1.1% compared to Q3 17.
- Claims ratio was 79.5%, whereas approx. 4% relates to big claims over ISK 50m (one big claim this quarter).
- Combined ratio was 96.2% in Q3 but 102.5% LTM.

* 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 0.8% in Q3 18

Asset class 30.9.2018 (ISKm)



- Return on Investment (RoI) was 0.8% in Q3 18.
- Investment income from Government bonds was negative by ISK 18m in Q3 (-0.5% return). GAMMA Government Bond Index increased by 1.7% in the quarter, the increase led by indexed bonds.
- Investment income from Non-government bonds was ISK 174m (1.9% return). Asset backed bonds return was 1.9% and return from Other bonds and funds 1.8%. TM outperformed GAMMA Corporate Bond Index which increased by 1.5% in the same period.
- Investment income from Listed equities was negative by ISK 132m in Q3 (-5.8% return) in comparison with GAMMA Equity Index which declined by 7.4% in the period. These negative results mostly derives from our holdings in real estate companies as well as S  n.
- Investment income from Unlisted equities amounted to ISK 166m in Q3 (2.3% return). This result is largely due to our holdings in S121 and SFV.

ISK 1,290m YTD in Net cash from operating activities

(ISKm)	9M 18	9M 17	Δ	Δ%
Premiums, received	12,425	11,021	1,404	13%
Claims, paid	(9,457)	(8,113)	(1,343)	17%
Operating cost, paid	(2,297)	(2,131)	(166)	8%
Net cash from insurance activities	672	776	(105)	(13%)
Finance income, received	328	318	10	3%
Finance expense, paid	(60)	(60)	1	(1%)
Investment income, received	874	537	337	63%
Finance income from investment properties, received	1	3	(2)	(66%)
Operating cost, paid	(313)	(291)	(23)	8%
Net cash from investments activities	830	506	323	64%
Income tax paid	(211)	(218)	7	(3%)
Net cash from operating activities	1,290	1,065	225	21%

- Premiums received increased 13% YoY.
- Paid claims increased 17% YoY.
- Net cash from insurance activities totalled ISK 672m, a decrease of 13% YoY.
- Net cash from operating activities totalled ISK 1,290m, an increase of 21% YoY.

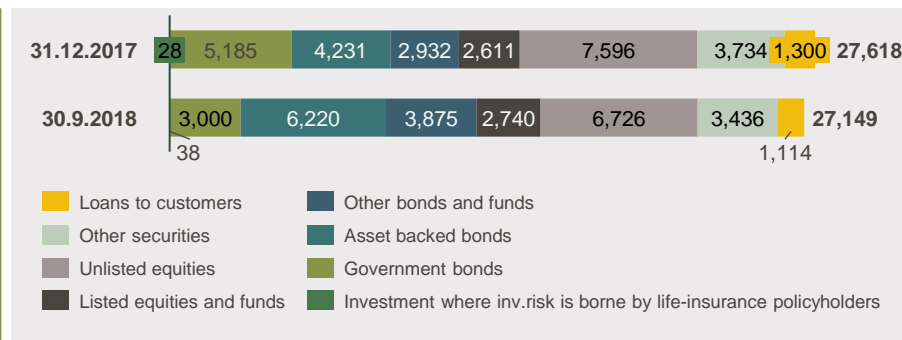
Consolidated Balance Sheet



Assets (ISKm)

	30.9.2018	31.12.2017
Operating Assets	335	343
Investment properties	0	48
Goodwill and other intangibles	450	313
Cash and cash equivalents (incl. restricted cash)	1,508	1,137
Securities and loans	27,149	27,618
Deferred tax asset	136	81
Assets held for sale	3	10
Reinsurance assets	1,218	498
Trade receivables	6,176	4,612
Total Assets	36,975	34,659

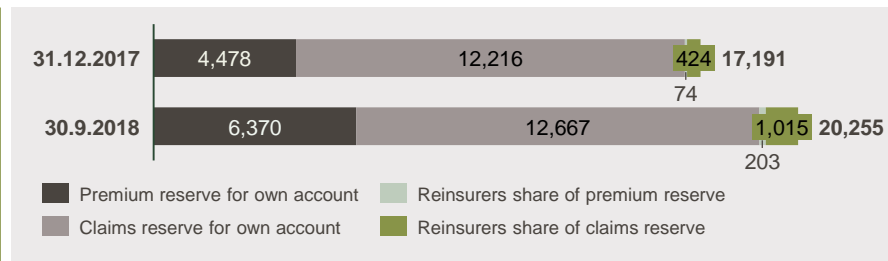
Breakdown of securities and loans (ISKm)



Equity and liabilities (ISKm)

	30.9.2018	31.12.2017
Equity	12,959	14,102
Technical provision	20,255	17,191
Subordinated debt	2,190	2,110
Trade and other liabilities	1,571	1,255
Total Equity and liabilities	36,975	34,659

Breakdown of technical provision (ISKm)

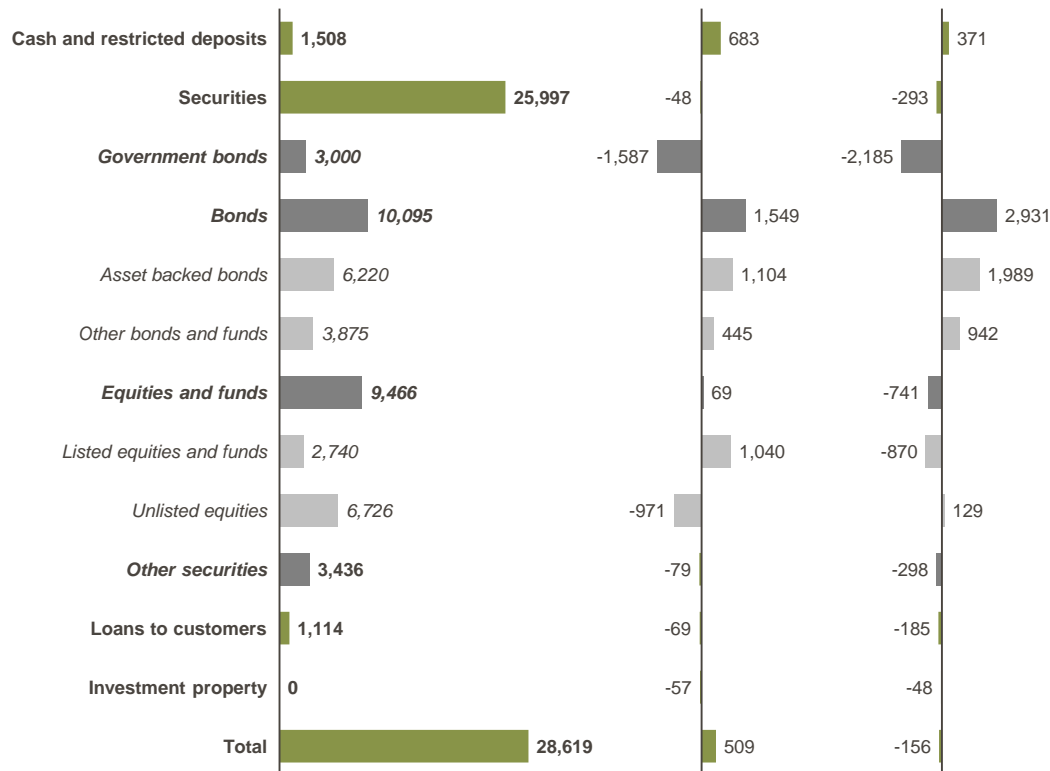


Government bonds and Unlisted equities decrease but Non-Government bonds and Listed equities increase

Asset class 30.9.2018 (ISKm)

Δ Q3 18

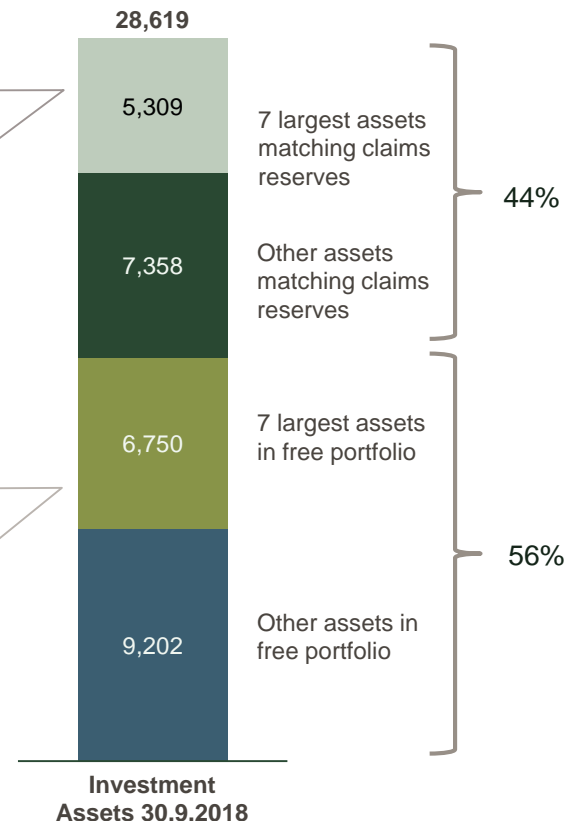
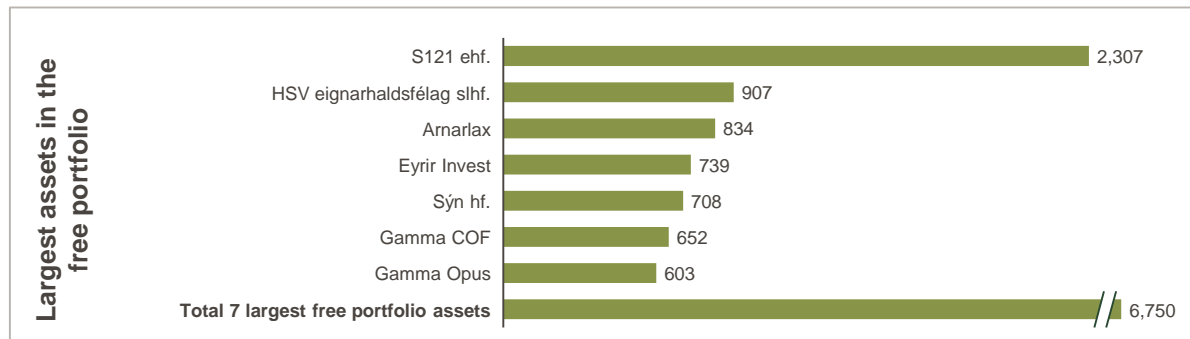
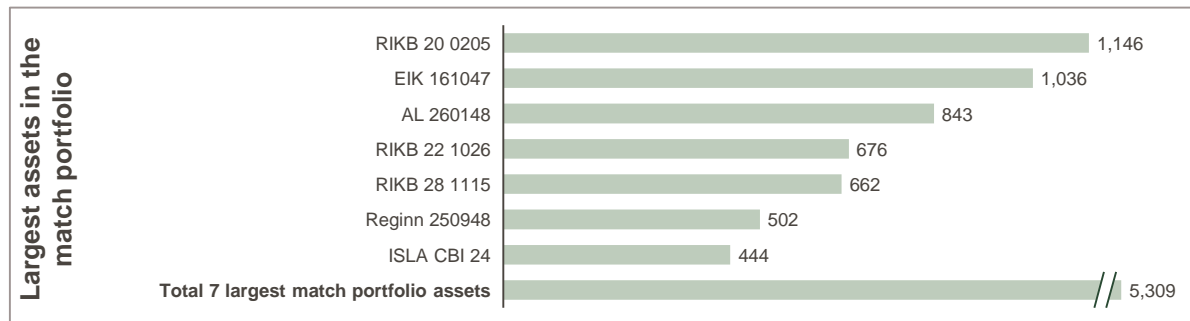
Δ 9M 18



- TM decreased its position in Government bonds by ISK 1,587m in Q3 but increased its holding in Asset backed bonds and Other bonds by ISK 1,549m.
- TM's holding in Unlisted equities decreased by ISK 971m in Q3 which is mainly due to SF V (Festi) being sold to N1.
- TM's holding in Listed equities increased by ISK 1,040m in the quarter. Almost half of the increase is due to the receipt of shares in N1 as a part of the SF V (Festi) deal.

TM's largest investments

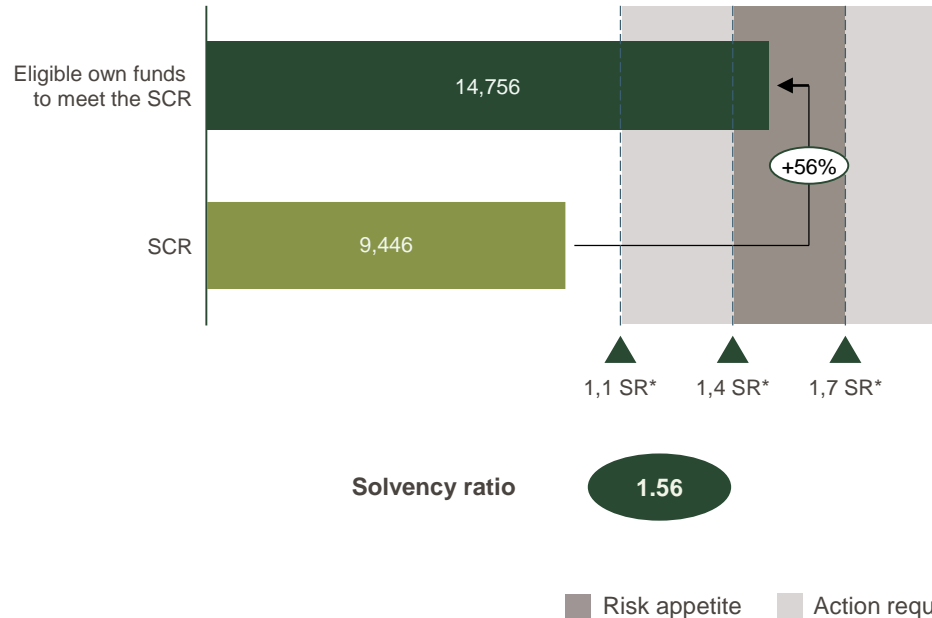
30.9.2018, (ISKm)



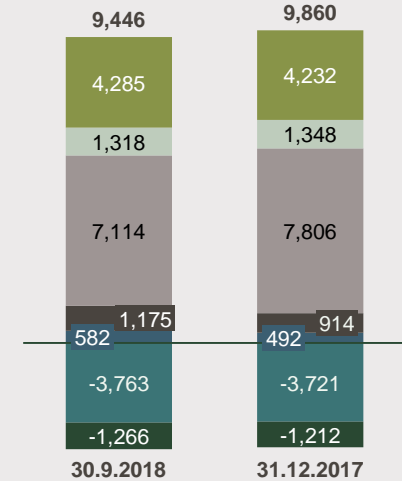
The Solvency Capital Ratio is within the range specified in TM's risk appetite

30.09.2018, (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)



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

PBT forecasted ISK 2,517m next 12 months



Forecast (ISKm)	Q4 18	Q1 19	Q2 19	Q3 19	Next 12M	2018e
Premiums f.o.a.	3,934	3,974	4,083	4,290	16,281	15,667
Investment income	662	523	815	517	2,517	1,972
Other income	8	8	7	7	30	53
Total income	4,604	4,506	4,905	4,814	18,829	17,692
Claims f.o.a.	(3,142)	(3,320)	(3,084)	(3,189)	(12,735)	(13,132)
Other expenses	(990)	(937)	(854)	(796)	(3,577)	(3,778)
Total expenses	(4,132)	(4,257)	(3,938)	(3,985)	(16,312)	(16,911)
Profit before income tax	472	249	967	829	2,517	781
Cost ratio	20%	20%	17%	15%	18%	20%
Combined ratio	100%	103%	93%	90%	96%	104%
Return on Investments	2.3%	1.8%	2.7%	1.7%	8.7%	7.1%

- Profit before income tax is forecasted to be ISK 2,517m for the next 12 months. The combined ratio is expected to be 96% for the period and return on investments 8.7%.
- The updated forecast for 2018 is now ISK 781m profit before income tax.

TM is a leader in digital insurance solutions



MITT ÖRYGGI
Yfirlit yfir þín viðskipti hjá TM

2004: Mitt Öryggi, online service portal

- TM's customers have been able to access all information regarding their policies, claims and accounts.



ELÍSABET
VILL BARA
ÁNÆGÐA
VIÐSKIPTAVINI
elísabet

2006: Elísabet, online-only insurer

- TM started a new brand entirely online, aimed at younger customers.
- The project was revolutionary at the time.
- Elísabet was discontinued in 2014 with the launch of TM's online sales web.



☑ Tjón á ökutæki
Á við um árekstur ökutækja eða tjón á eigin ökutæki.

2007: Online claims notifications

- TM customers have been able to file claims online through an interactive user interface for over a decade.



24/7
ALLTAF
ÖPIÐ

2014: Online sales v1.0

- TM was the first Icelandic insurer to allow new customers to buy car and home insurance online.
- This web solution was discontinued in 2017 and work began on a revamped version.

TM is a leader in digital insurance solutions



2018: TM app

- Customers can view their insurance policies in our app and see in a simplified manner what is and what is not covered.
- Customers can file certain home insurance claims and get paid within seconds.
- New features are constantly being developed - this summer customers could get confirmation of their travel insurance in the app.
- www.tm.is/app



2018: Online sales v2.0

- New customers can now purchase car insurance online. The process is entirely automatic, from quoting a premium to cancellation forms to other insurers.
- This fall we will add home and real estate insurance as well.
- Customers will always get TM's best offer online.
- The process takes only a few moments and has been specifically designed to be delightful and simple to use.
- www.tm.is/kaupa



TM

QUESTIONS



HUGSUM Í FRAMTÍÐ

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