

A man and a woman are standing together in a modern, dimly lit interior, looking at a smartphone. The woman is on the left, wearing a green sweater, and the man is on the right, wearing a blue button-down shirt. They are both smiling and appear to be engaged in a conversation. The background features a textured wall, a potted plant, and a warm, glowing lamp. The overall atmosphere is cozy and contemporary.

**FINANCIAL
RESULTS
Q4 2019**

TM

DIFFICULT QUARTER IN INSURANCE OPERATIONS

Q4 2019 HEADLINE FIGURES

Post-tax profit
ISK 347m

Q4 2018: ISK 344m

EPS
ISK 0.51

Q4 2018: ISK 0.50

Combined ratio
108.7%

Q4 2018: 100.3%

Technical results
ISK -365m

Q4 2018: ISK -13m

ROE (Annualized)
9.1%

Q4 2018: 10.8%

ROI
2.6%

Q4 2018: 1.8%

Cost ratio
18.7%

Q4 2018: 20.0%

Solvency ratio
2.18x

Q4 2018: 1.74x

ROE 13% DESPITE CHALLENGING YEAR IN INSURANCE

FY 2019 HEADLINE FIGURES

Post-tax profit
ISK 1,866m

FY 2018: ISK 701m

EPS
ISK 2.74

FY 2018: ISK 1.03

Combined ratio
101.9%

FY 2018: 103.9%

Technical results
ISK -308m

FY 2018: ISK -609m

ROE
13.0%

FY 2018: 5.3%

ROI
10.1%

FY 2018: 6.6%

Cost ratio
18.3%

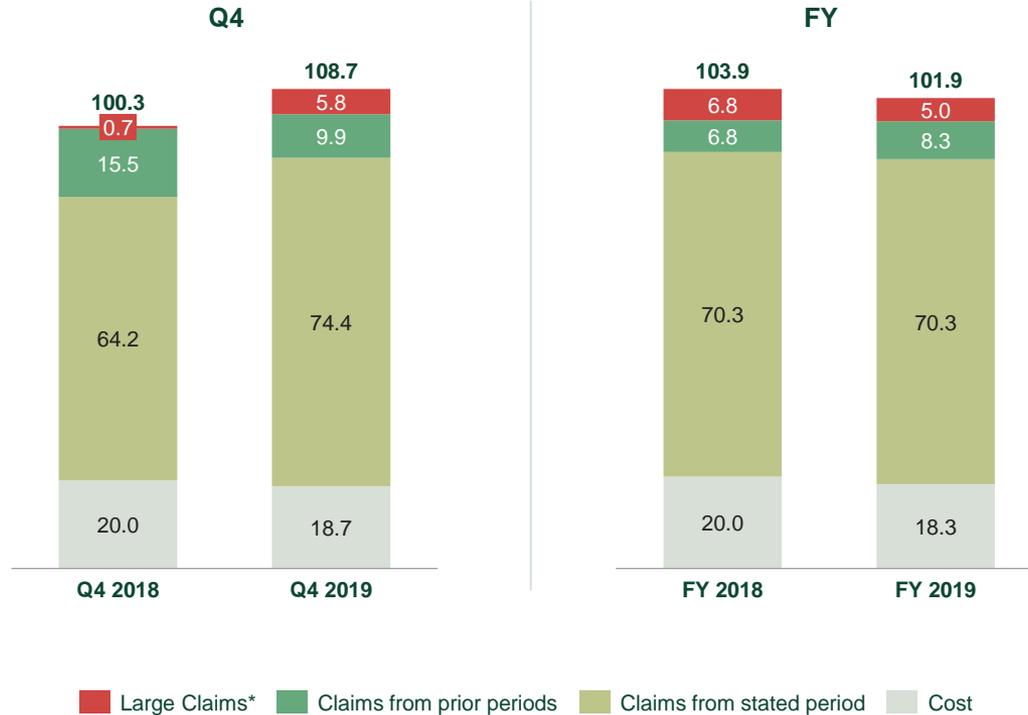
FY 2018: 19.9%

Solvency ratio
2.18x

FY 2018: 1.74x

UNACCEPTABLE COMBINED RATIO IN Q4

SPLIT OF COMBINED RATIO (%)

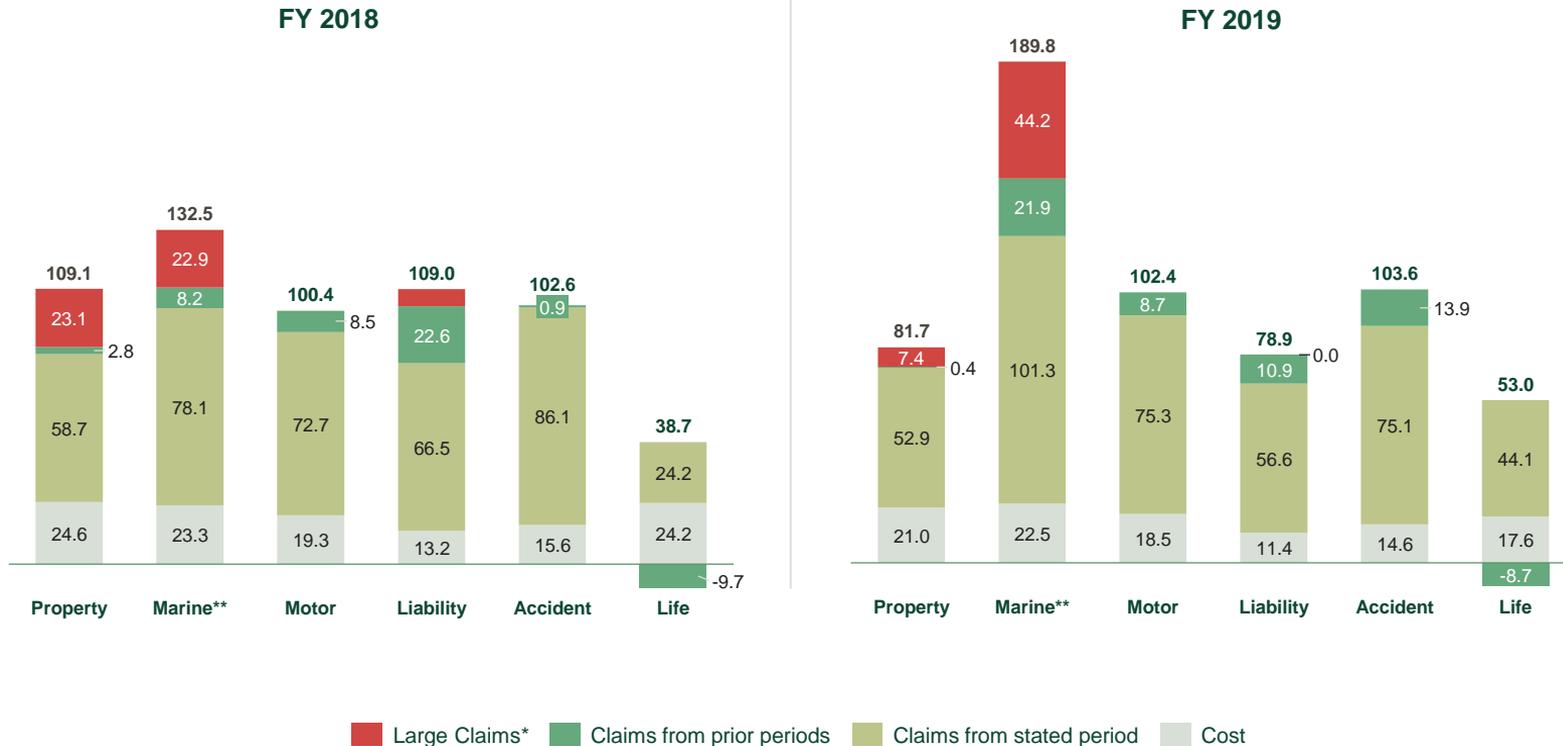


- Fewer large claims incidents year over year despite high number of large claims this quarter
- High negative development of claims in Marine in the quarter
- Combined ratio in FY 19 excluding Marine was 94.5%
- Bad weather in December had a negative effect on the claims ratio
- Operational expenses decrease year over year

* Large claims are claims over ISK 50m

HIGH NUMBER OF LARGE CLAIMS IN MARINE

SPLIT OF COMBINED RATIO (%)

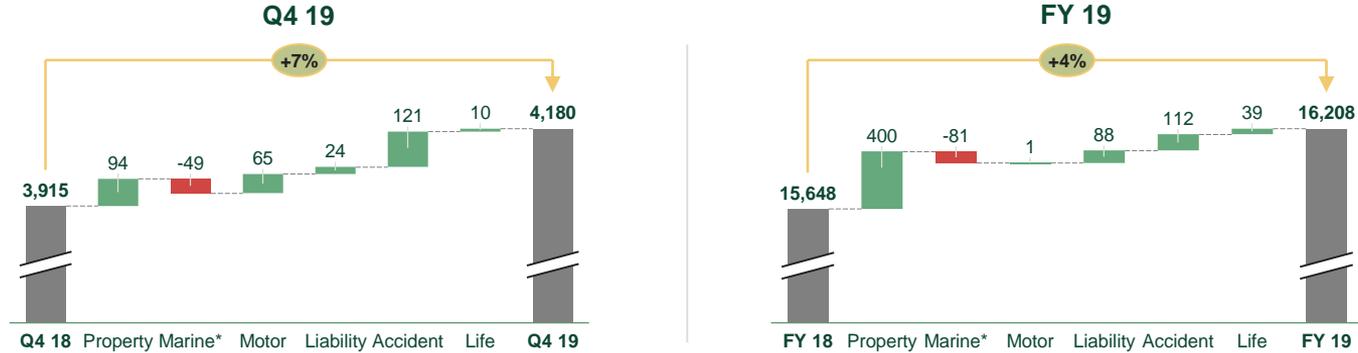


* Large claims are claims over ISK 50m

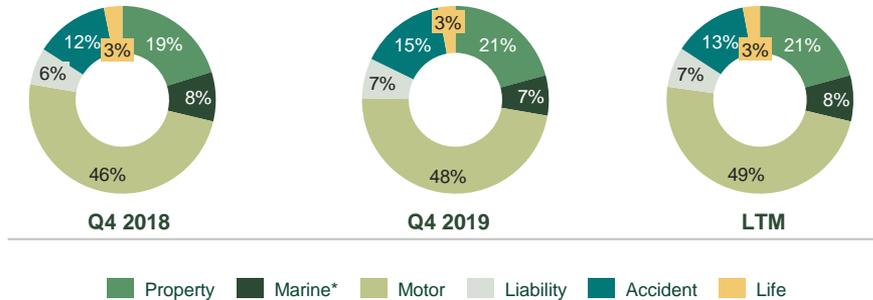
** Marine = Marine Hull & Cargo

NET PREMIUMS INCREASE BY 7% IN Q4

Development of Net premiums (ISKm)



Split of Net premiums (%)

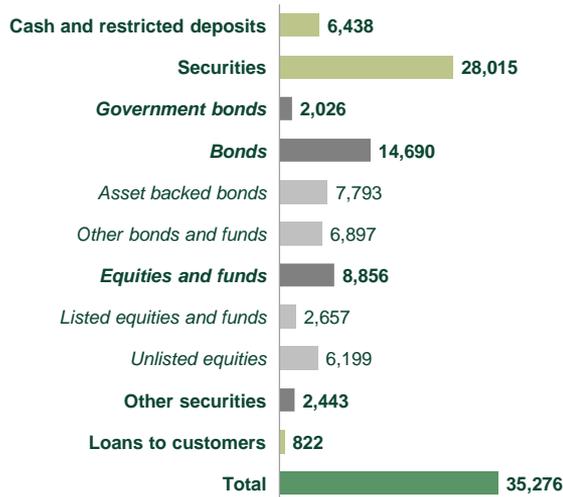


*Marine = Marine Hull & Cargo

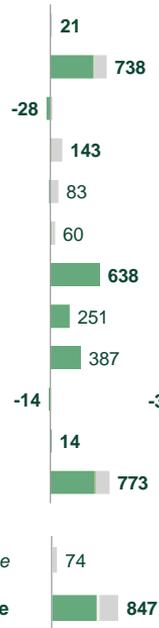
ROI 2.6% IN Q4 19

INVESTMENT INCOME

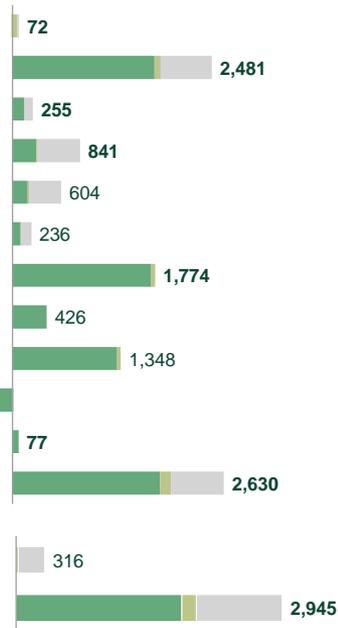
Asset class 31.12.2019 (ISKm)



Income Q4 19



Income FY 19



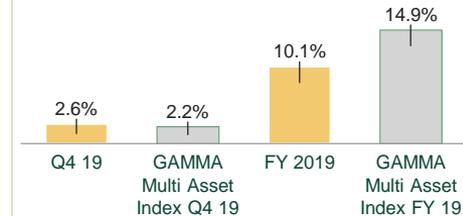
Other investment income

Total investment income

■ Capital gains/losses ■ FX ■ Interests, Indexation

- Unlisted equities delivered 23.4% return in FY 19, mostly due to stakes in Eyrir, S121 and HSV (which has now been sold)
- Listed equities delivered 13.5% return in FY 19. Marel largely explains the outperformance of Gamma Equity Index (+26.7%) but TM's exposure to Marel is mostly through Eyrir (Unlisted equities).
- Other securities delivered -12.2% return during the year, mostly due to the write-off of Gamma Novus real estate fund

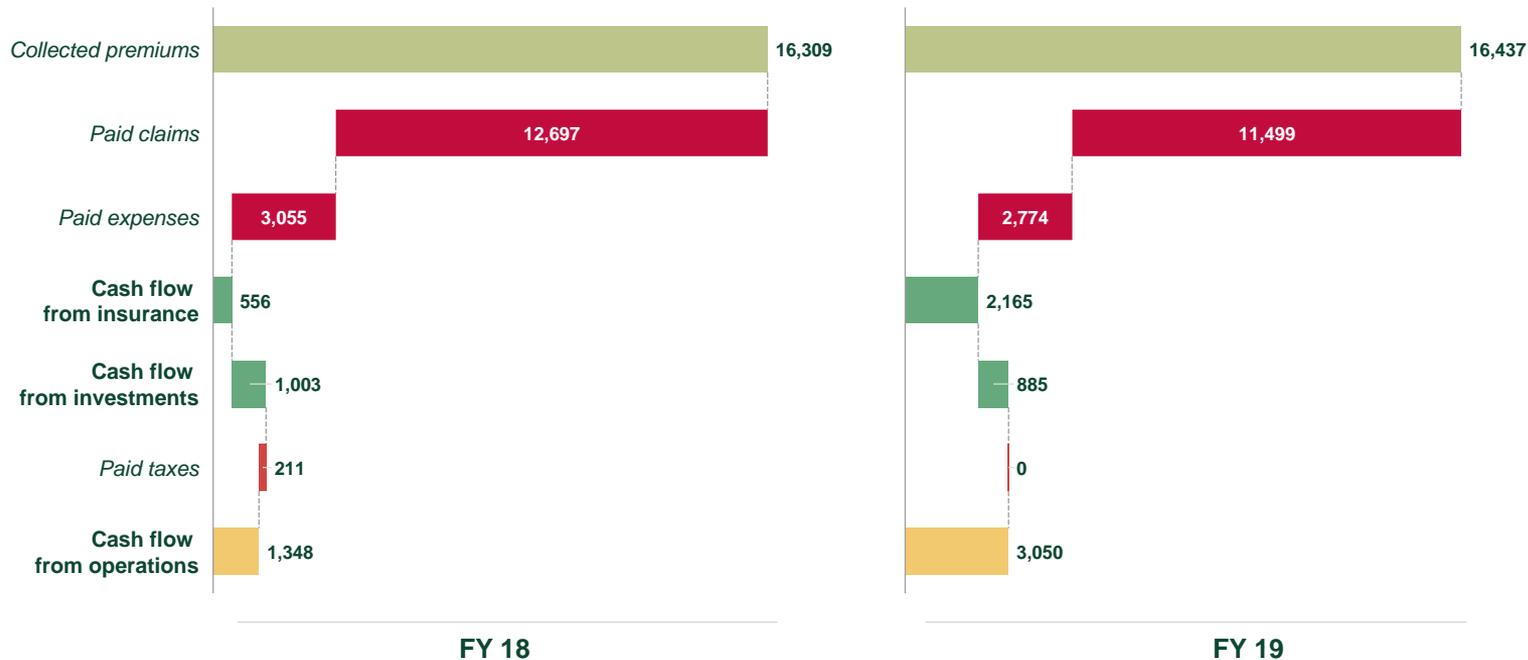
Return on Investments (RoI)



STRONG CASH FLOW FROM INSURANCE OPERATIONS

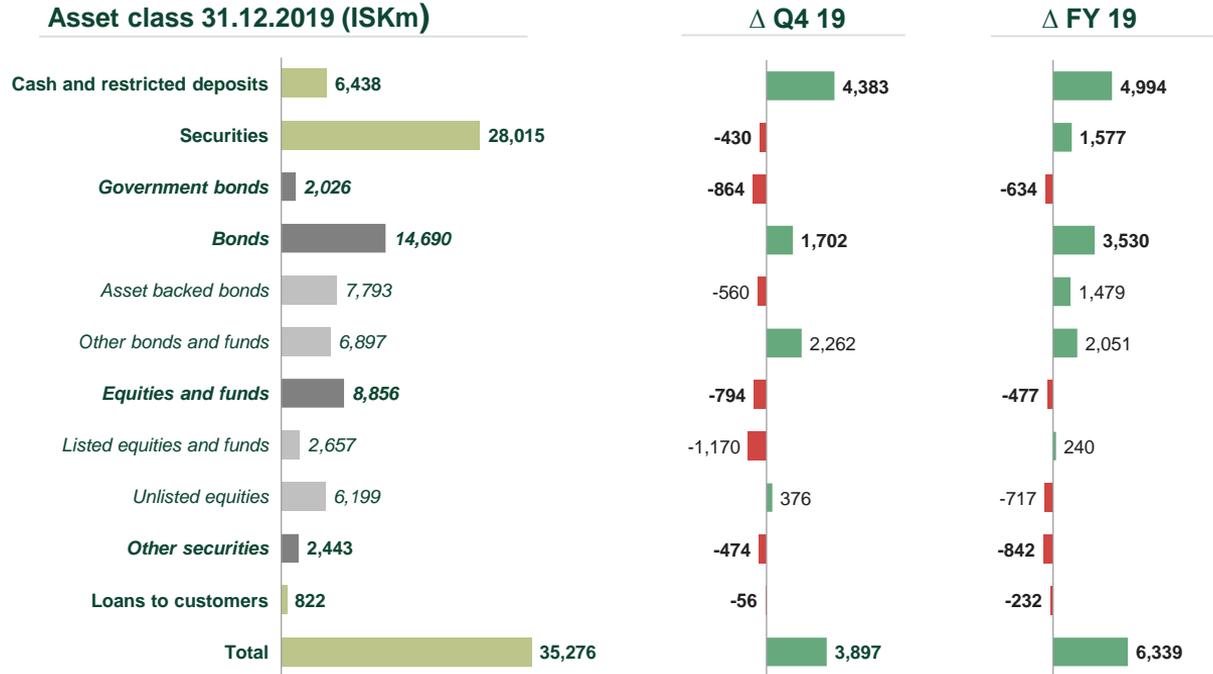


CASH FLOW FROM OPERATIONS (ISKm)



INCREASE IN LIQUID ASSETS TO FUND PURCHASE OF LYKILL

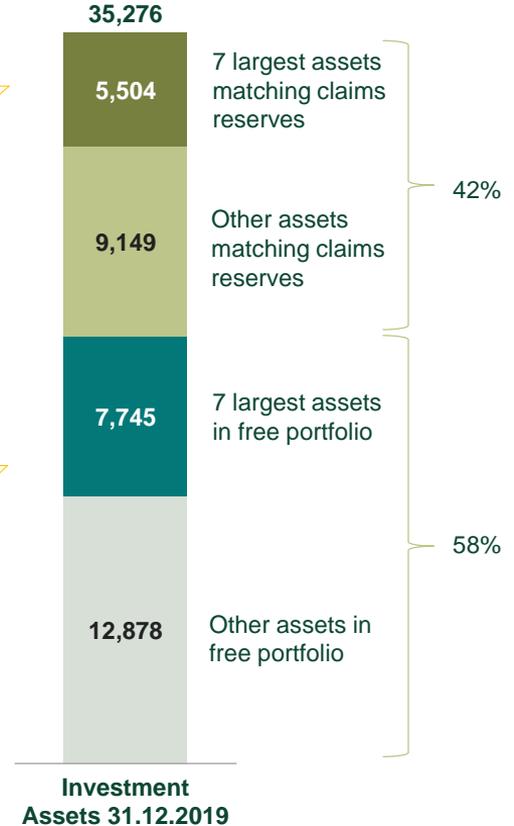
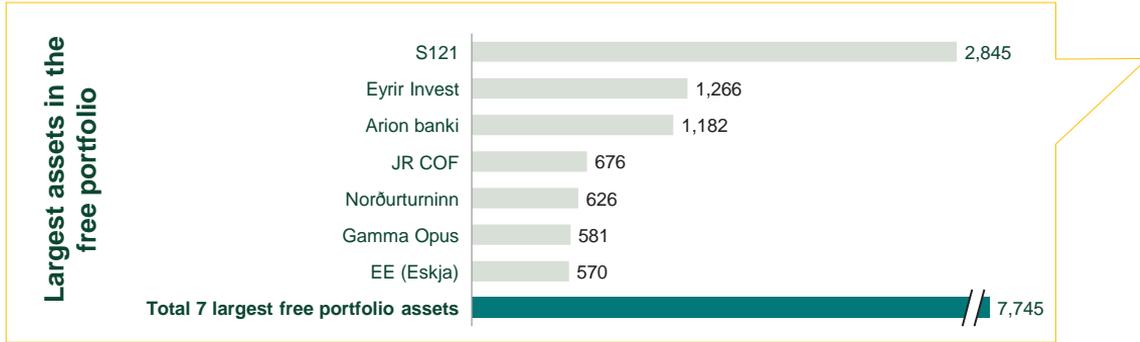
BREAKDOWN OF INVESTMENT ASSETS



- Cash and Other bonds and funds (mainly liquidity funds) increased during the quarter as assets were sold to fund the purchase of Lykill
- Cash and liquidity funds total ISK 10.6bn at 31.12.2019
- 68% of fixed income portfolio is indexed at 31.12.2019. Duration of the portfolio is 6.1 years
- Indexation is mainly through Asset backed bonds. The Government bonds portfolio is mainly non-indexed
- Exposure on listed equities is also through Unlisted equities and Other securities with a total exposure of ISK 5.8bn

TM'S LARGEST INVESTMENTS

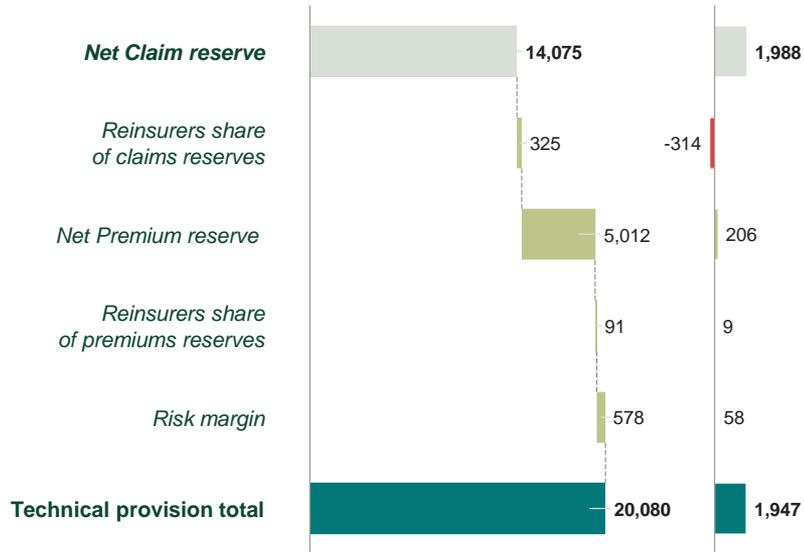
31.12.2019 (ISKm)



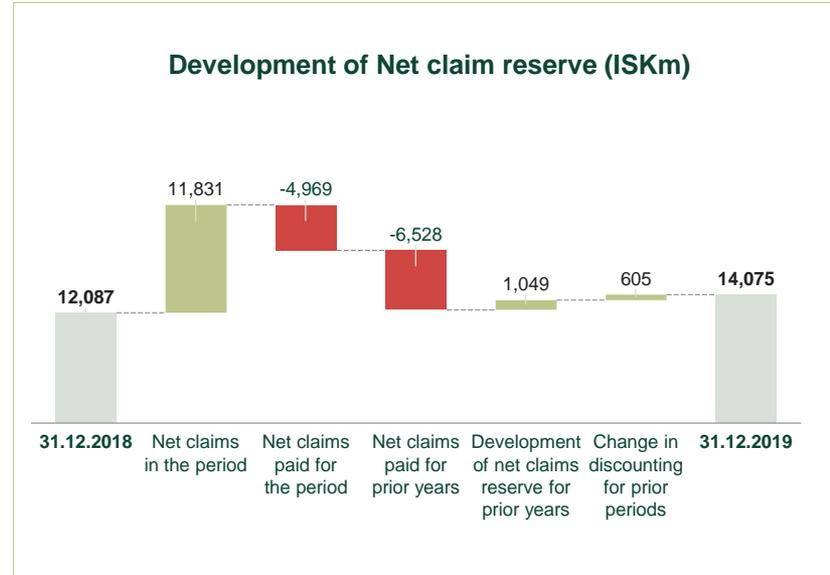
NET CLAIM RESERVE INCREASES FY 19

TECHNICAL PROVISION 31.12.2019 (ISKm)

ΔFY 19



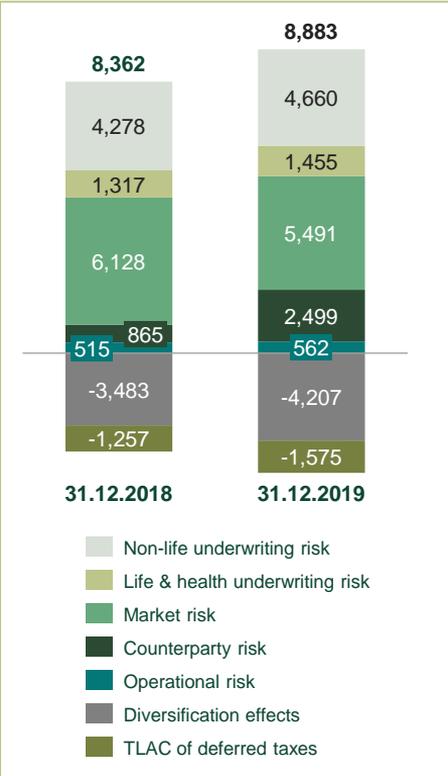
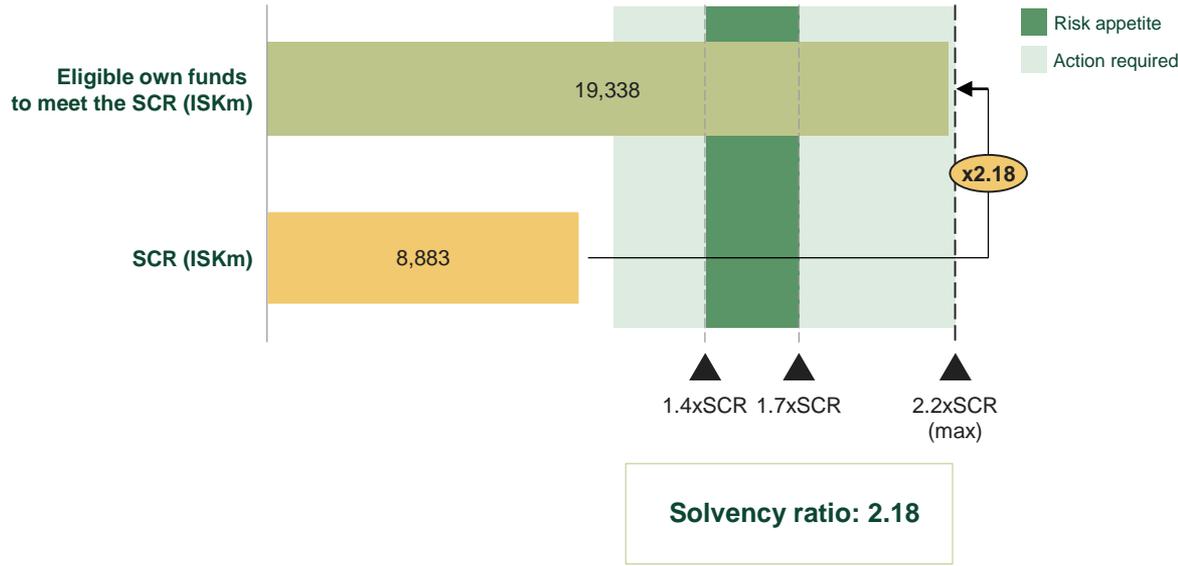
Development of Net claim reserve (ISKm)



LYKILL TAKEOVER EXPLAINS HIGH SOLVENCY RATIO

SOLVENCY CAPITAL REQUIREMENTS

- 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



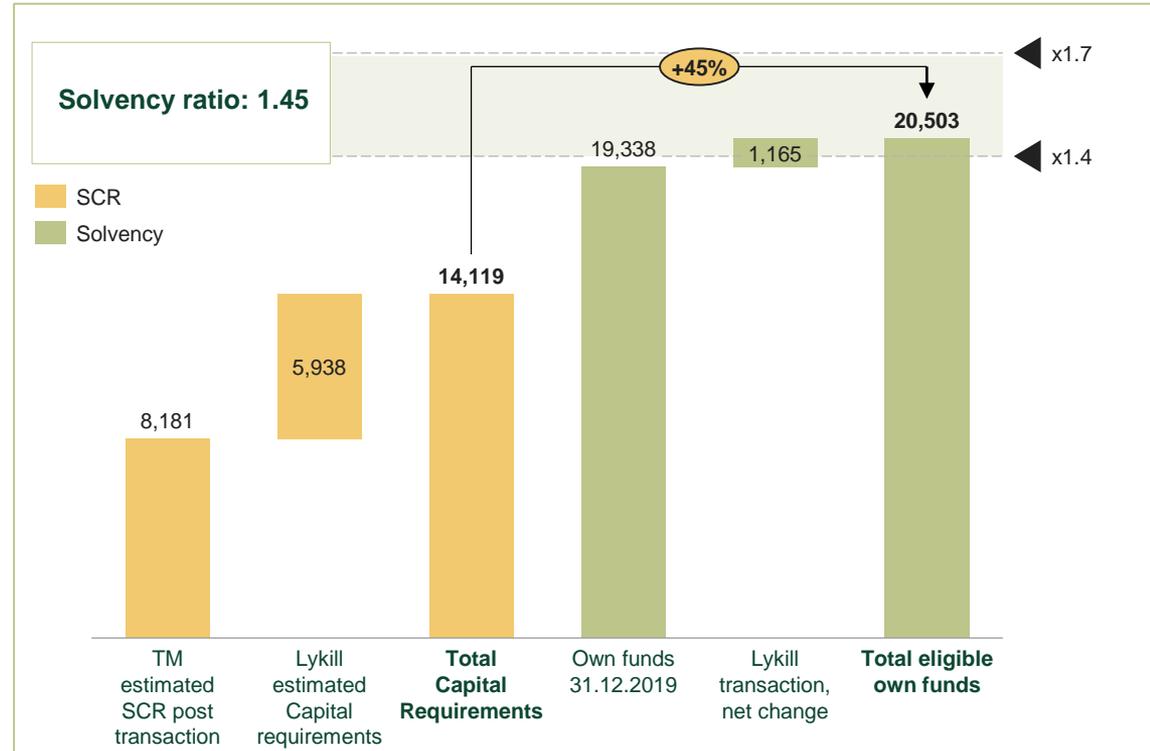
* SCR: Solvency Capital Requirement

SOLVENCY RATIO ESTIMATED AROUND 1.45x WITH LYKILL



BEST ESTIMATE BASED ON 31.12.2019

- Temporary calculations of the consolidated group SCR and Eligible own funds with Lykill in the group
- The resulting SCR well in line with the groups current target solvency ratio
- The new group intends to set a new risk appetite statement based on the current one but more suitable to the structure of the new group



PBT FORECASTED ISK 2,387m in 2020

OUTLOOK



* Lykill included in 2020 numbers

** Estimated tax rate 8%

OPERATING FORECAST FOR 2020

Forecast * (ISKm)	Q1 20	Q2 20	Q3 20	Q4 20	2020e
Premiums f.o.a.	4,004	4,176	4,384	4,365	16,930
Investment income	426	589	423	577	2,015
Net interest income and other income	413	458	471	587	1,929
Total income	4,844	5,222	5,278	5,530	20,874
Claims f.o.a.	(3,451)	(3,260)	(3,327)	(3,430)	(13,467)
Other expenses	(1,331)	(1,247)	(1,183)	(1,260)	(5,020)
Total expenses	(4,781)	(4,506)	(4,509)	(4,690)	(18,487)
Profit before income tax	62	716	768	840	2,387
Cost ratio	20%	19%	17%	18%	19%
Claims ratio	86%	78%	76%	79%	80%
Combined ratio	106%	97%	93%	97%	98%
Technical results	(249)	120	310	143	324
Return on Investments	1.6%	2.2%	1.6%	2.1%	7.7%
Profit from financing operations b.t.	60	171	207	280	718

*Operating forecast is subject to final group cost analysis. Not including intercompany transactions

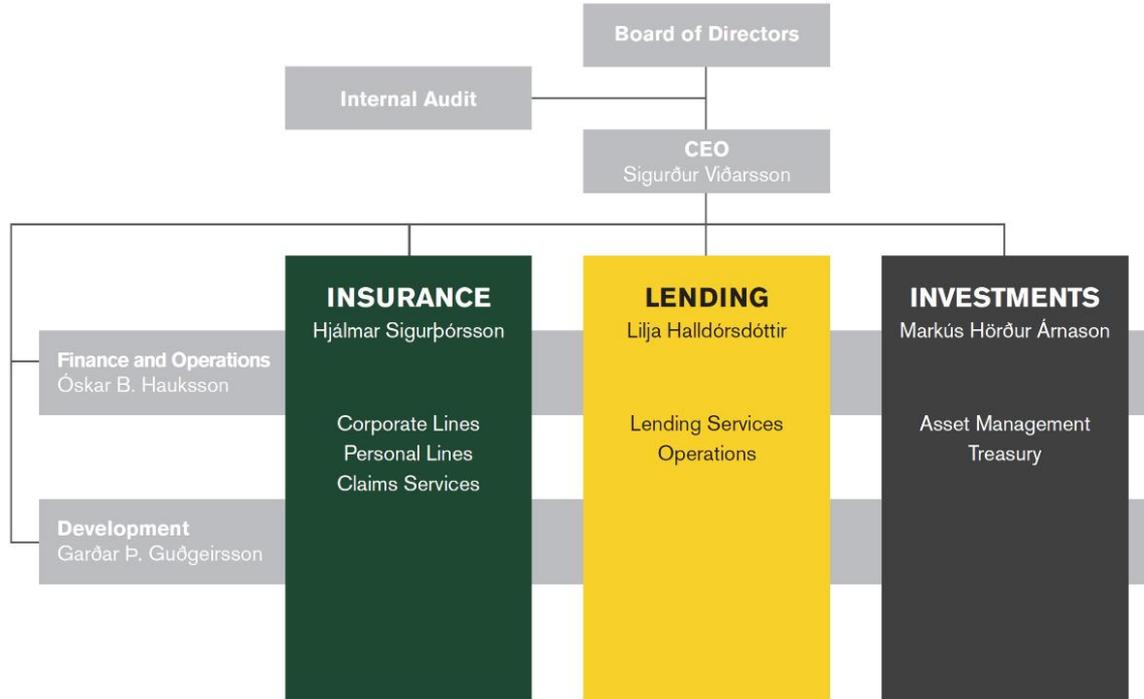
ACQUISITION OF LYKILL

HIGHLIGHTS

- TM concluded the purchase of **Lykill fjármögnun hf.** from Klakki ehf. on January 7th 2020 with a payment of ISK 9,250m
- The **Purchase price** also includes distributable after-tax profit of Lykill for full year 2019 of ISK 344m. The total purchase price thus equals ISK 9,594m
- On December 12th 2019, TM concluded a share capital offering to partly finance the purchase of Lykill. The proceeds of the offering amounted to ISK 3bn
 - 93.75m of new shares in TM were sold to investors at ISK 32.0 per share
- Lykill had **equity** of ISK 11,847m at end of FY 2019
- Purchase price equals **P/B 0.81x**
- **Solvency capital** ratio is estimated around 1.45x with Lykill
- TM's operations will from now on be divided into three equally important pillars; **insurance** operations, **lending** activities and **investment** activities



NEW ORGANIZATIONAL CHART



COST SYNERGIES

TM

HEADQUARTERS OFFICE

- Lykill's operations will in the coming weeks be moved to TM's headquarters at Síðumúli 24 with the aim to finalize the relocation by the end of February 2020

EMPLOYEES

- Layoffs have already taken place
- Currently no further job cuts anticipated in relation to the acquisition
- Support functions will be outsourced to TM as per new corporate structure

OTHER COST SYNERGIES

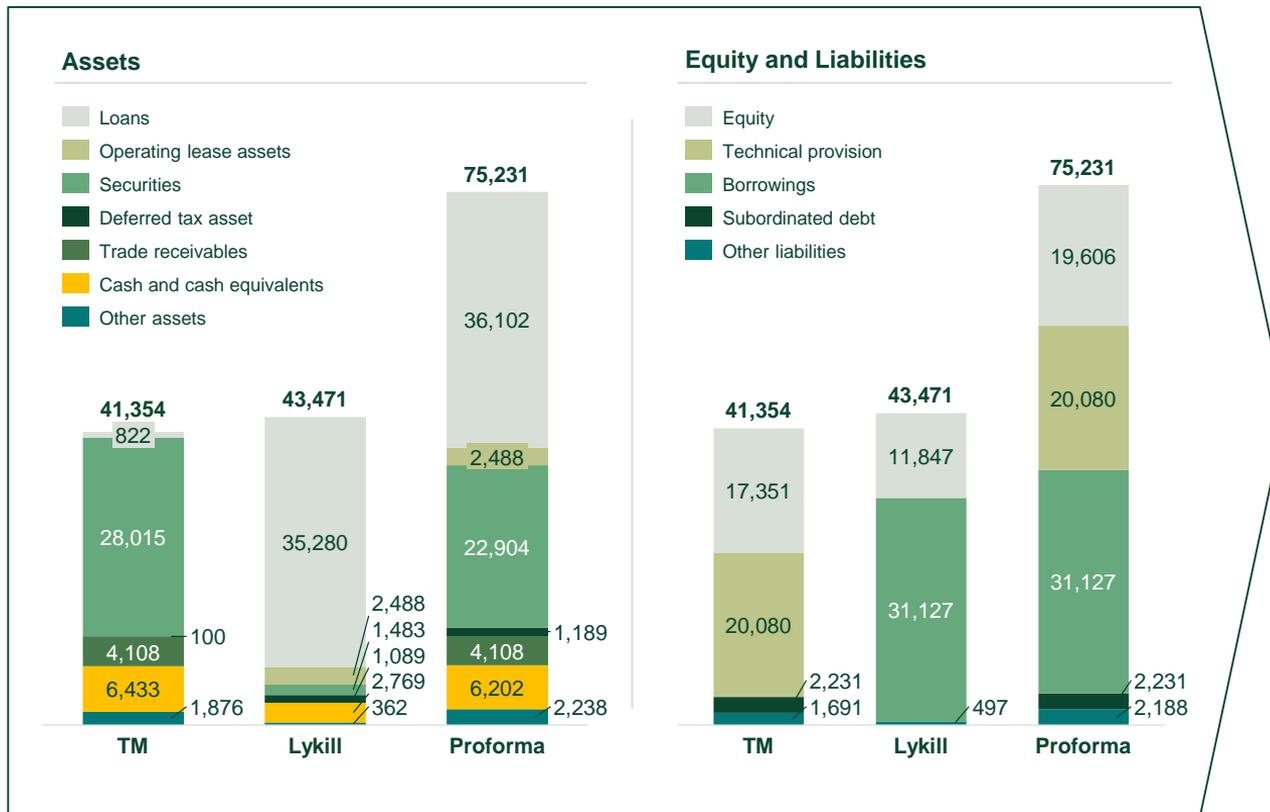
- Professional services
- Facility costs
- Utilities
- ...



Total cost synergies
estimated
ISK 200-300m p.a.

TM PROFORMA BALANCE SHEET*

31.12.2019 (ISKm)



- Total assets almost double which is mostly explained by increase in Loans and Operating lease assets
- Total liabilities more than double which is mostly due to borrowings
- Total equity close to ISK 20bn post acquisition

* Not including intercompany transactions

TM STARTS COOPERATION WITH TOYOTA

TM

- Toyota Insurance Management, in cooperation with Toyota Iceland, has chosen TM as its Icelandic partner for Toyota and Lexus Insurance
- Toyota and Lexus salespeople can now sell motor insurance with cars under the new Insurance Distribution Directive
- TM provides Toyota and Lexus with a state-of-the-art automatic solution for salespeople and will soon launch an online self-service solution for all current Toyota and Lexus owners
- Toyota and Lexus Insurance offers premium coverage over regular motor insurance
- TM is very proud to work closely with Toyota and Lexus on this disruptive project



TOYOTA TRYGGINGAR
VÁTRYGGT AF TM

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 road. The word 'QUESTIONS' is written in white capital letters across the road in the foreground.

TM

QUESTIONS



APPENDICES

TM INCOME STATEMENT

(ISKm)	Q1 18	Q2 18	Q3 18	Q4 18	FY 18	Q1 19	Q2 19	Q3 19	Q4 19	FY 19
Premiums f.o.a.	3,787	3,851	4,095	3,915	15,648	3,814	3,992	4,222	4,180	16,208
Investment income and other income	746	365	244	513	1,868	960	1,491	(331)	854	2,975
Total income	4,532	4,216	4,340	4,429	17,516	4,774	5,483	3,891	5,034	19,182
Claims f.o.a.	(3,294)	(3,442)	(3,255)	(3,146)	(13,136)	(3,317)	(3,093)	(3,369)	(3,765)	(13,543)
Other expenses	(977)	(971)	(840)	(891)	(3,680)	(1,003)	(949)	(808)	(1,009)	(3,766)
Total expenses	(4,271)	(4,413)	(4,095)	(4,037)	(16,816)	(4,320)	(4,041)	(4,177)	(4,772)	(17,309)
Profit before income tax	261	(197)	245	391	700	454	1,442	(286)	262	1,873
Income tax	28	57	(38)	(47)	0	(21)	(106)	34	85	(7)
Profit after tax	289	(140)	208	344	701	433	1,337	(251)	347	1,866

TM BALANCE SHEET

(ISKm)	31.12.2018	31.12.2019
Assets		
Operating assets	325	279
Right-of-use assets	0	427
Goodwill and other intangible assets	489	666
Restricted cash	5	5
Loans	1,054	822
Securities	26,438	28,015
Investment where investment risk is borne by life-insurance policyholders	37	59
Deferred tax asset	88	100
Assets classified as held for sale	3	25
Reinsurance assets	720	415
Trade receivables	4,052	4,108
Cash and cash equivalents	1,439	6,433
Assets total	34,651	41,354

	31.12.2018	31.12.2019
Equity		
Share capital	678	772
Share premium	426	3,288
Reserves	271	193
Restricted earnings	4,363	5,213
Retained earnings	7,566	7,886
Equity total	13,303	17,351
Liabilities		
Technical provision	18,133	20,080
Technical provision for life-insurance policies where investment risk is borne by the policyholders	37	59
Lease liabilities	0	515
Derivatives	0	35
Trade and other payables	1,005	1,082
Subordinated debt	2,173	2,231
Liabilities total	21,347	24,003
Equity and liabilities total	34,651	41,354

TM 20 LARGEST SHAREHOLDERS*

	%
1 Stoðir hf.	9.97
2 Gildi – lífeyrissjóður	9.25
3 Lífeyrissjóður verslunarmanna	8.29
4 Íslandsbanki hf.	7.32
5 Lífeyrissj. starfsm. ríkisins A-deild	7.09
6 Birta lífeyrissjóður	6.61
7 LF Miton UK Multi Cap Income	4.50
8 Stapi lífeyrissjóður	3.88
9 Stefnir – ÍS 15	3.49
10 Brú Lífeyrissjóður starfsm. sveitarfélaga	2.78
11 Lífeyrissj. starfsm. ríkisins B-deild	2.23
12 Lansdowne Icaf Lansdowne Euro	2.07
13 Arion banki hf.	2.05
14 Landsbréf Úrvalsbréf	1.83
15 Stefnir – ÍS 5	1.79
16 Fagfjárfestastjóðurinn TRF	1.76
17 Júpíter – Innland hlutabréf	1.53
18 Fjórir GAP ehf	1.50
19 Almenni lífeyrissjóðurinn	1.47
20 ÍV fjárfestingafélag ehf	1.33
	80.76%

* As per end of day 12.02.2020

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