



Reykjavík, February 13<sup>th</sup> 2020

### TM's profit in 2019 amounted to ISK 1,866m

During the meeting of the Board of Directors on February 13<sup>th</sup> 2020, the Board and the CEO approved the company's annual financial statements for 2019. The annual financial statements have been audited by the auditors of the company.

Sigurður Viðarsson, CEO of TM:

*“Overall the results of 2019 were quite good and improve considerably from the previous year, although a sufficient balance between insurance activities and investment activities is lacking. Return on investments was 10.1% while the combined ratio was 101.9%. Expectations of a combined ratio below 100% evaporated during the fourth quarter due to big losses and stormy weather.*

*During the fourth quarter TM concluded its negotiations with Klakki ehf. to acquire a 100% stake in Lykill fjármögnun hf. (Lykill) and the purchase was completed on January 7<sup>th</sup> 2020. Henceforth Lykill has become a part of the TM group, which is divided into three pillars; insurance operations, lending activities and investment activities. Uniting these two companies provides us with exciting opportunities and a platform to offer a wider range of products and services to our customers.”*

### The main results of the fourth quarter and 2019 were as follows:

	Q4 2019	Q4 2018	Δ	Δ%	2019	2018	Δ	Δ%
Premiums f.o.a.	4,180	3,915	265	6.8%	16,208	15,648	559	3.6%
Investment income	847	507	340	67.0%	2,945	1,817	1,128	62.1%
Other income	7	6	1	10.5%	29	51	(22)	(43.0%)
<b>Total income</b>	<b>5,034</b>	<b>4,429</b>	<b>606</b>	<b>13.7%</b>	<b>19,182</b>	<b>17,516</b>	<b>1,666</b>	<b>9.5%</b>
Claims f.o.a.	(3,765)	(3,146)	(619)	19.7%	(13,543)	(13,136)	(407)	3.1%
Operating expenses	(942)	(887)	(56)	6.3%	(3,441)	(3,541)	100	(2.8%)
Interest expenses	(49)	(42)	(6)	14.9%	(229)	(184)	(45)	24.7%
Impairments	(16)	38	(54)	(142.9%)	(96)	45	(141)	-
<b>Total expenses</b>	<b>(4,772)</b>	<b>(4,037)</b>	<b>(734)</b>	<b>18.2%</b>	<b>(17,309)</b>	<b>(16,816)</b>	<b>(493)</b>	<b>2.9%</b>
Profit before income tax	262	391	(129)	(33.0%)	1,873	700	1,172	167.4%
Income tax	85	(47)	132	-	(7)	0	(7)	-
<b>Profit (loss)</b>	<b>347</b>	<b>344</b>	<b>3</b>	<b>0.9%</b>	<b>1,866</b>	<b>701</b>	<b>1,165</b>	<b>166.2%</b>

All amounts are in ISKm

### ***Combined ratio for the year was 101.9%***

TM's results from insurance operations during the fourth quarter of 2019 were considerably worse than during the same period in the previous year and the combined ratio was 108.7% compared to 100.3%. The company's operating forecast assumed a 97% combined ratio. Poorer results during the quarter are for the most part attributable to worse technical results in property insurance, marine insurance and motor insurance.

Combined ratio in 2019 was 101.9% and improves from 103.9% in 2018. Premiums for own account grew by 3.6% year on year while claims for own account grew by 3.1%. Technical results in property insurance improve substantially from the previous year, despite a difficult fourth quarter, as well as results in liability insurance. Technical results in other lines of business deteriorate from the previous year.

TM's profit in 2019 amounted to ISK 1,866m after tax, compared to a profit of ISK 701m in 2018 and technical results on insurance operations were negative by ISK 308m. The cost ratio of the company during 2019 was 18.3%, improving from 19.9% in the previous year.

### ***Strong quarter in investment operations***

Investment income totalled ISK 847m in the fourth quarter of 2019 which equals 2.6% return on investments. In comparison the domestic Gamma Multi Asset Index increased by 2.2% during the quarter. Unlisted equities and listed equities and equity funds delivered very strong returns. Government bonds however performed poorly. Investment income in the fourth quarter was considerably higher than the forecasted ISK 396m mainly due to good return on both listed and unlisted equities.

The investment portfolio changed substantially during the quarter given the payment of Lykill purchase price in the beginning of 2020. TM sold assets in most asset categories but listed equities decreased most. As a result TM's cash position was unusually high at year-end.

Investment income in 2019 totalled ISK 2,945m which equals 10.1% return on investments. Unlisted equities delivered very good return and increased by 23%, mostly due to stakes in Eyfir, S121 and HSV holding company. Listed equities and equity funds also delivered good returns of 13.5%. Government bonds and asset-backed bonds also performed well during the year. The poor performance of other securities is mainly due to the write-off of the real estate fund Gamma Novus in the third quarter.

Return on investments has been very good in recent years. In the last five years TM's return on investments has been in the range of 6.6%-16.5% with an average return of 12.2%.

**Key figures for the fourth quarter and 2019 were as follows:**

	<b>Q4 2019</b>	<b>Q4 2018</b>	<b>2019</b>	<b>2018</b>
Earnings per share	0.51	0.50	2.74	1.03
Return on equity	9.1%	10.8%	13.0%	5.3%
Equity ratio	42.0%	38.4%	42.0%	38.4%
Cash from operations	572	58	3,050	1,348
<b>Insurance operations</b>				
Net claims ratio	90.1%	80.4%	83.6%	83.9%
Net cost ratio	18.7%	20.0%	18.3%	19.9%
Net combined ratio	108.7%	100.3%	101.9%	103.9%
Operating profit	(208)	307	333	289
Technical results	(365)	(13)	(308)	(609)
<b>Investments</b>				
Return on investments	2.6%	1.8%	10.1%	6.6%

All amounts are in ISKm

**2020 Operating forecast**

The operating forecast for 2020, after the acquisition of Lykill, projects a profit before income tax of ISK 2,387m. One-time cost due to streamlining of operations is expected to be ISK 93m and will be expensed in the first quarter of 2020. The operating forecast will be revised in the first quarter of 2020 since potential cost synergies with regards to housing and vendors have not been fully examined.

	<b>Q1 2020</b>	<b>Q2 2020</b>	<b>Q3 2020</b>	<b>Q4 2020</b>	<b>E 2020</b>
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
<b>Total income</b>	<b>4,844</b>	<b>5,222</b>	<b>5,278</b>	<b>5,530</b>	<b>20,874</b>
Claims f.o.a.	(3,451)	(3,260)	(3,327)	(3,430)	(13,467)
Operating and other expenses	(1,331)	(1,247)	(1,183)	(1,260)	(5,020)
<b>Total expenses</b>	<b>(4,781)</b>	<b>(4,506)</b>	<b>(4,509)</b>	<b>(4,690)</b>	<b>(18,487)</b>
<b>Profit before income tax</b>	<b>62</b>	<b>716</b>	<b>768</b>	<b>840</b>	<b>2,387</b>

	<b>Q1 2020</b>	<b>Q2 2020</b>	<b>Q3 2020</b>	<b>Q4 2020</b>	<b>E 2020</b>
Net claims ratio	86%	78%	76%	79%	80%
Net cost ratio	20%	19%	17%	18%	19%
Net 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

All amounts are in ISKm

### ***Investor meeting***

TM holds a meeting for its stakeholders on the company's fourth quarter and 2019 results on February 13<sup>th</sup> at 16:00. The meeting will be held at the TM head office at Síðumúli 24, fourth floor, where the company's CEO, Sigurður Viðarsson, will present the results and answer questions.

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

[TM.is/fjarfestar](http://TM.is/fjarfestar)

### ***Annual general meeting***

TM's 2020 annual general meeting will be held at Grand Hótel Reykjavík on March 12<sup>th</sup> at 16:00.

### ***2020 Financial calendar***

First quarter: May 28<sup>th</sup> 2020.

Second quarter: August 27<sup>th</sup> 2020.

Third quarter: October 29<sup>th</sup> 2020.

Fourth quarter: February 25<sup>th</sup> 2021.

Annual General Meeting: March 18<sup>th</sup> 2021.

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

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