



TM's Investor Presentation

Rights offering and public offering of TM shares

December 2019



TM

Summary

Acquisition of Lykill

- TM is to acquire 100% stake in Lykill fjármögnun hf. from Klakki ehf.
- Purchase price is ISK 9,250 million plus distributable after-tax profit of Lykill for full year 2019
- Lykill had equity of ISK 11,799 million at end of Q3 2019
- Purchase price equals P/B 0.81x*
- TM sees significant potential to increase the profitability of Lykill
- Transaction to increase shareholder value as EPS expected to increase by 20-30% in the coming years
- New equity of up to ISK 3,000 million will be raised where shareholders have pre-emptive rights
- Solvency capital ratio above 1.5x post transaction
- The completion of the transaction is subject to the approval of Fjármálaeftirlitið (e. Financial Supervisory Authority) for TM to be a qualified owner of Lykill

Offering of new shares

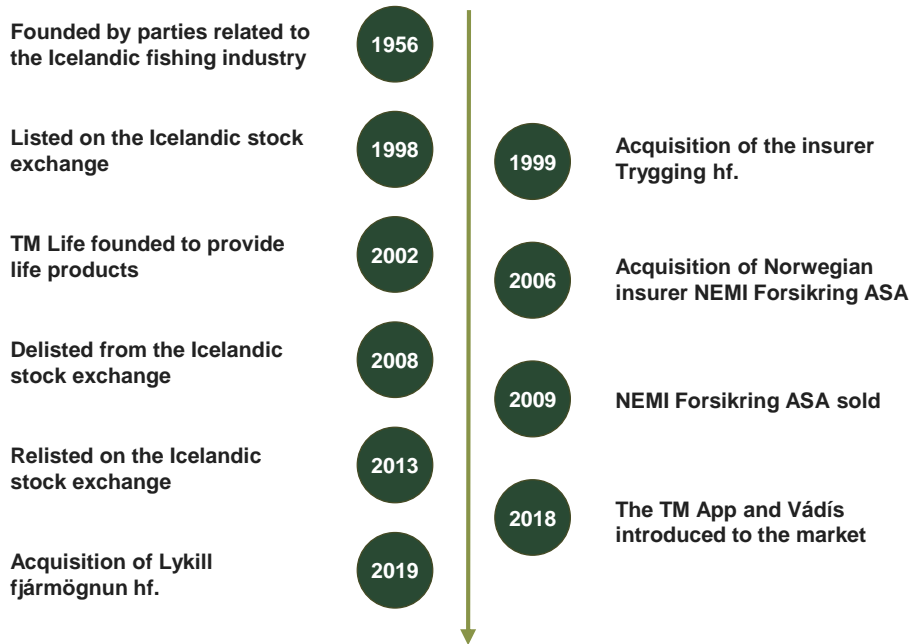
- 93,750,000 shares are offered, or 13.8% of all outstanding shares in TM hf.
- The share price in the offering will be 32.0 ISK for all offered shares, a 9.1% discount on closing price on 3 December 2019
- The offering of new shares in the company is divided in two:
 - Pre-emptive rights issue for TM shareholders
 - Public offering marketed in Iceland

* Based on Lykill's after-tax profits of Lykill for the first nine months of 2019

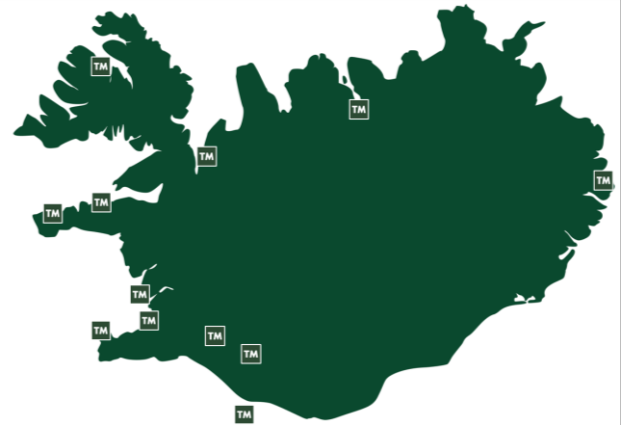
TM IS AN ICELANDIC INSURANCE COMPANY WITH ROOTS IN THE FISHING INDUSTRY



A brief history of TM



Extensive service network



- HQ in Reykjavik
- 3 Branches in major towns
- 8 local representatives in smaller towns
- 130 employees
- Over 50,000 customers (>6,000 corporate)

TM as an investment option

Well financed with a robust balance sheet

- Pro forma balance sheet size of TM and Lykill: 74bn ISK
- Pro forma equity ratio post-acquisition: 26%
- Solvency ratio post-acquisition: 1.56x
- B++ Financial Strength Rating (FSR) from AM Best

Strong market share

- 24% market share of the Icelandic insurance market
- Over 50% market share in marine, hull and cargo
- Market leading digital solutions

Growth potential with acquisition of Lykill

- Significant potential to increase the profitability of Lykill
- Total assets almost double
- Various synergies opportunities to increase profitability of the consolidated entity



Sustainable profitability from current operations

- 9m 2019 Profit post-tax: 1,518m
- Last 6 year average Profit post-tax: 1,745m
- 9m 2019 Combined ratio : 99.5%
- Last 6 year average Combined ratio: 99.6%
- 9m 2019 ROE: 15.1%
- Last 6 year average ROE : 18.3%

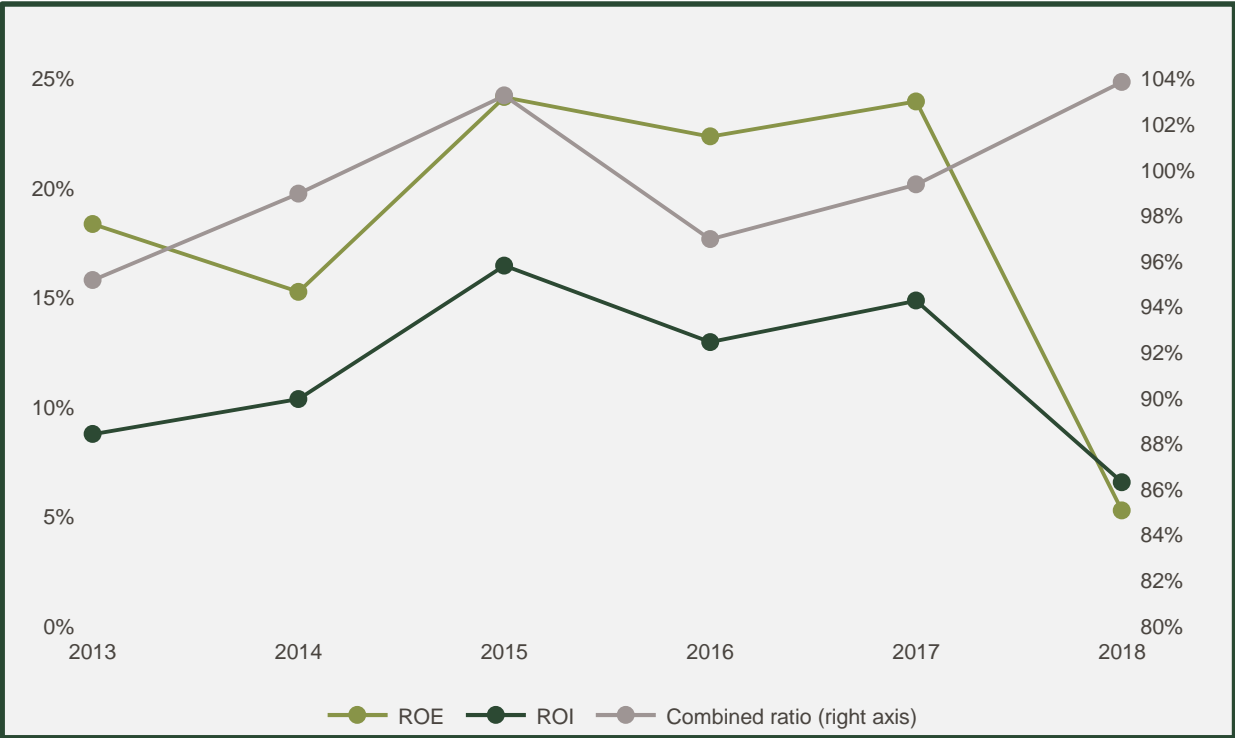
Diverse and profitable investment portfolio

- 9m 2019 ROI: 7.2%*
- Last 6 year average ROI: 11.7%
- No single investment accounts for over 9% of total investment portfolio

Responsible governance

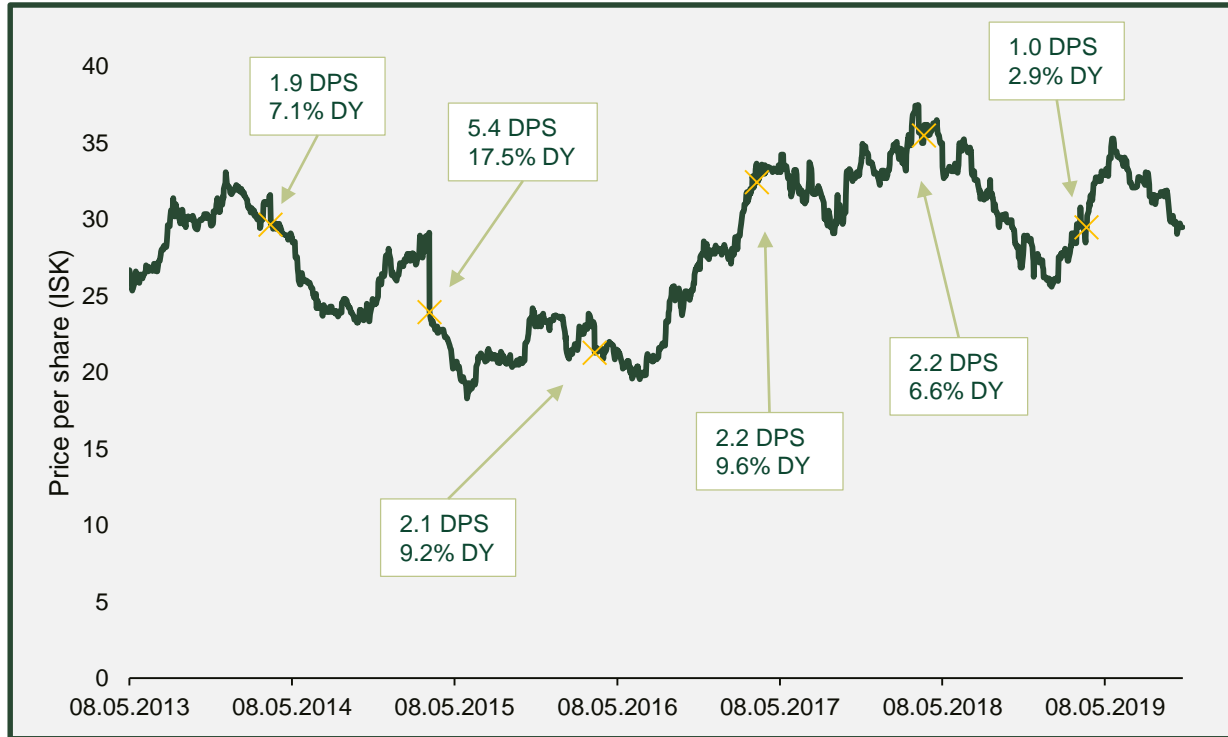


ROE 18.3% on average in 2013-2018



- **Return on equity, average 2013-2018: 18.3%**
- **Return on investments, average 2013-2018: 11.7%**
- **Combined ratio, average 2013-2018: 99.6%**

TM pays substantial dividend to its shareholders



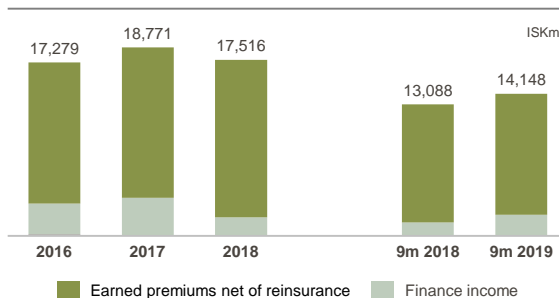
- TM's market cap is 24.2bn ISK as at 6 December 2019
- TM paid a 700m ISK dividend in 2019
- 82% of IPO value paid out to shareholders since listing in 2013

DY: dividend yield, calculated as dividend at pay date divided by price of stock 1 year earlier

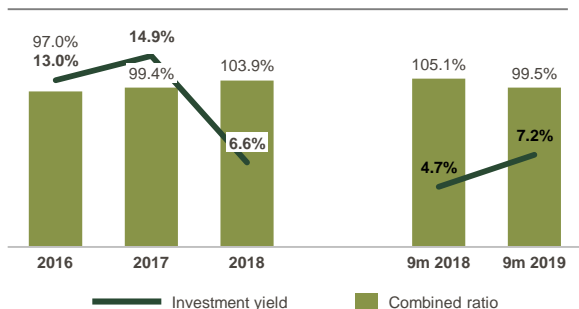
TM key financials

Income statement 2016 - 9m 2019

Total income rising in 2019



Positive development of both combined ratio and investment yield in 2019

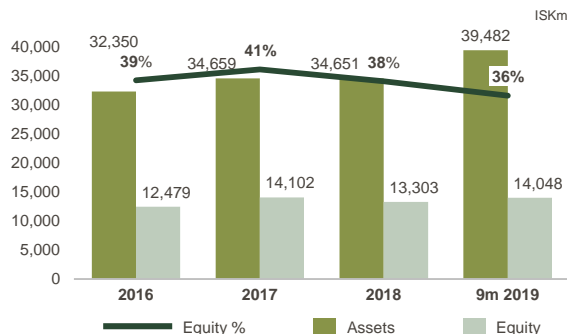


ISKm	2016 1.1.-31.12.	2017 1.1.-31.12.	2018 1.1.-31.12.	2018 1.1.-30.09.	2019 1.1.-30.09.
Earned premiums, net of reinsurance	14,060	14,985	15,648	11,733	12,028
Finance income	3,038	3,718	1,805	1,297	2,098
Finance income from investment properties	140	32	12	13	0
Other income	41	37	51	45	22
Total income	17,279	18,771	17,516	13,088	14,148
Claims incurred, net of reinsurance	(10,719)	(11,873)	(13,136)	(9,990)	(9,779)
Operating expenses	(3,303)	(3,405)	(3,541)	(2,655)	(2,499)
Interest expenses	(247)	(162)	(184)	(141)	(180)
Impairment	(57)	(126)	45	7	(80)
Total expenses	(14,326)	(15,565)	(16,818)	(12,779)	(12,537)
Profit before income tax	2,953	3,207	700	309	1,610
Income tax	(356)	(84)	0,4	48	(92)
Profit and Comprehensive Income for the year	2,597	3,123	701	357	1,518

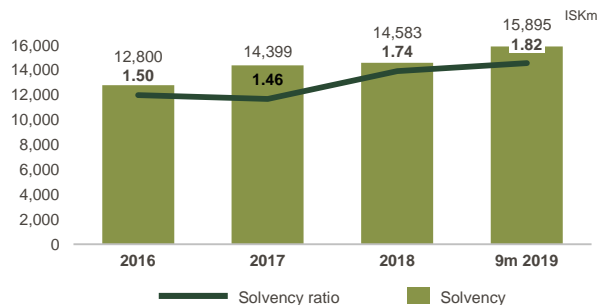
TM key financials

Balance sheet 2016 - 9m 2019

Well diversified asset portfolio and robust equity ratio



TM's solvency ratio above target



ISKm	2016 31.12.	2017 31.12.	2018 31.12.	2019 30.09.
Assets				
Operating assets	386	343	325	289
Right-of-use assets	0	0	0	465
Investment properties	120	48	0	0
Goodwill and other intangible assets	250	313	489	610
Restricted cash	190	7	5	5
Loans	1,561	1,300	1,054	878
Securities	23,949	26,290	26,438	28,445
Investment where investment risk is borne by life-insurance policyholders	0	28	37	51
Deferred tax asset	94	81	88	95
Assets classified as held for sale	0	10	3	29
Reinsurance assets	1,050	498	720	654
Trade receivables	4,037	4,612	4,052	5,909
Cash and cash equivalents	713	1,130	1,439	2,051
Total assets	32,350	34,659	34,651	39,482
Total equity	12,479	14,102	13,303	14,048
Liabilities				
Technical provision	16,197	17,191	18,133	21,402
Technical provision for life-insurance policies where investment risk is borne by the policyholders	0	28	37	51
Lease liabilities	0	0	0	547
Liabilities in connection with investment properties	77	26	0	0
Trade and other payables	1,527	1,202	1,005	1,187
Subordinated debt	2,070	2,110	2,173	2,247
Total liabilities	19,871	20,556	21,347	25,434
Total liabilities and equity	32,350	34,659	34,651	39,482

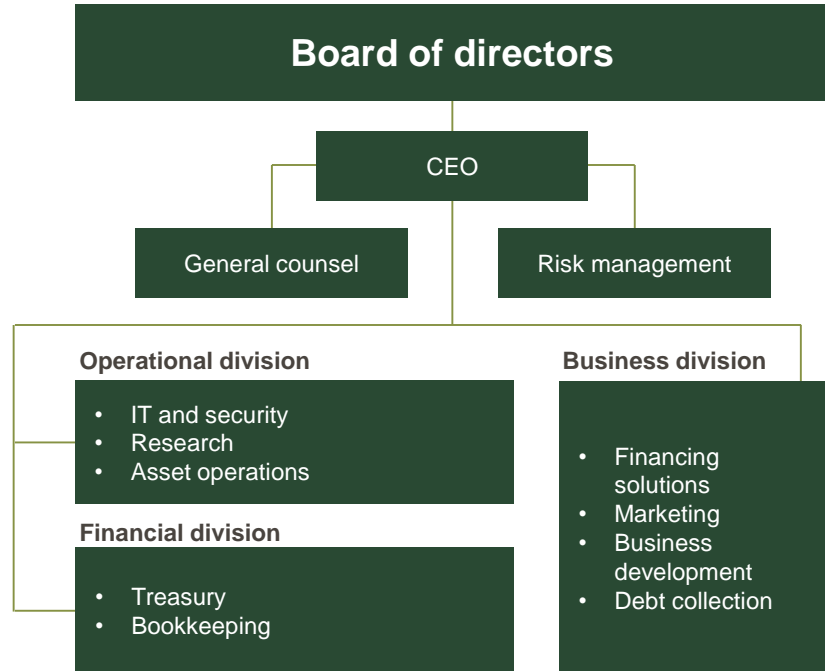
TM's rationale for Lykill acquisition

- Strategic acquisition that strengthens and diversifies TM's business, which will now rest on three pillars:
 1. Insurance operations
 2. Lending activities
 3. Investment activities
- Considerable synergy opportunities, both on the revenue side and on the cost side
- Increasing shareholder value => EPS will increase by 20-30% in the coming years*
- Expansion into lending activities means more income streams and therefore more risk diversification

About Lykill

- Lykill has an operating license as a credit institution and has applied for a commercial banking license.
- Lykill mainly operates in the field of asset based financing where it finances vehicles, equipment and real estate
- Individuals accounted for approximately 50% of the loan book at end of H1 2019
- Lykill's balance sheet has grown significantly over the last years, as leases & loans have grown roughly 90% since year end 2016
- FTE's in year end 2018 were 34

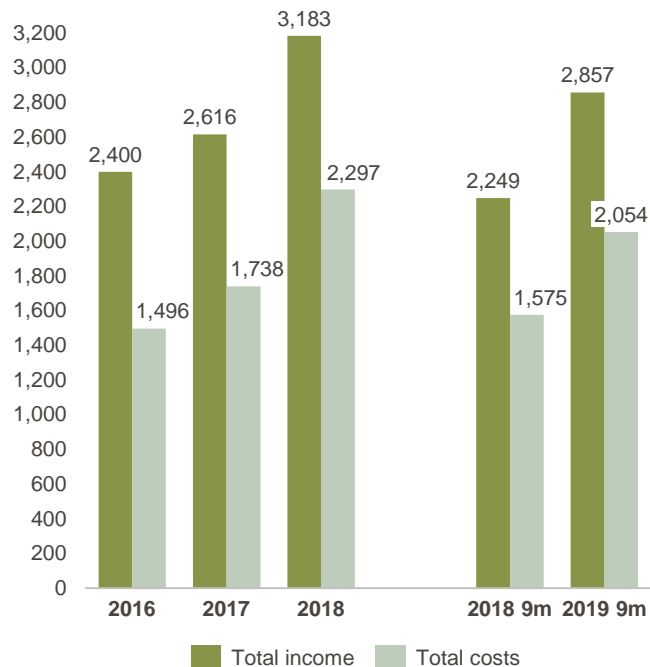
Lykill's organizational chart



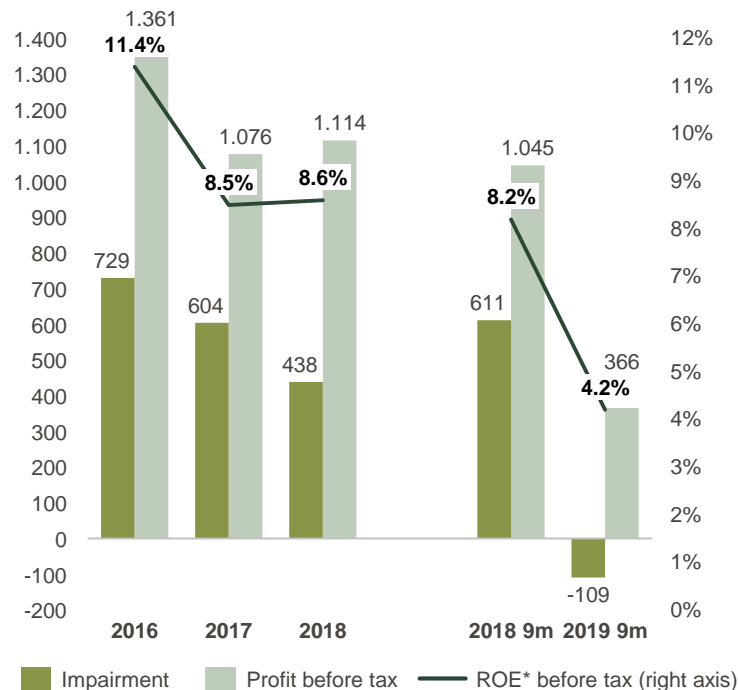
Lykill – Income statement

ISK million

Finance income and finance costs



Impairment and profits

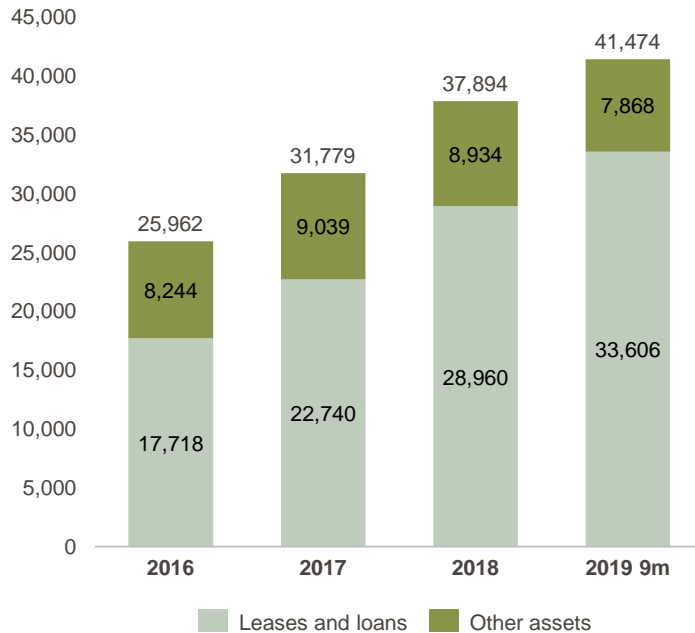


* Annualised ROE based on TM calculations

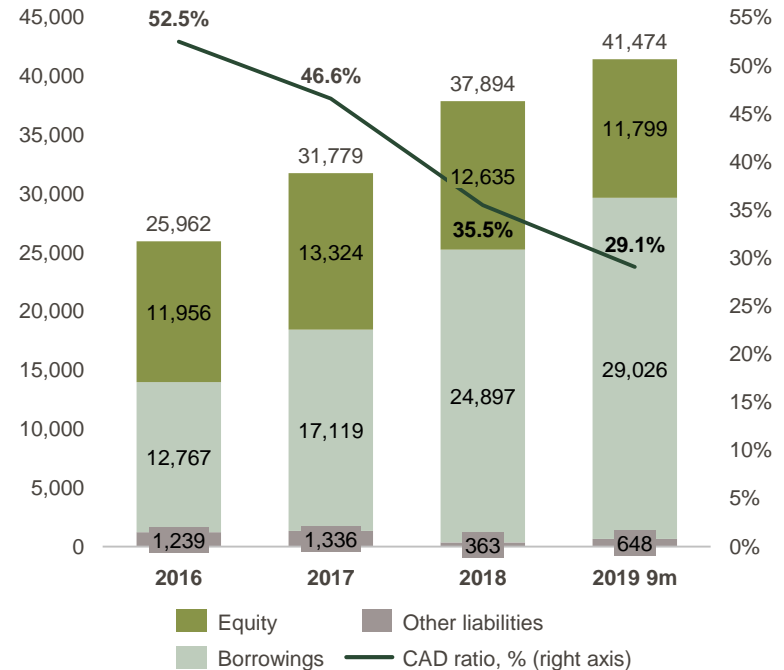
Lykill – Balance sheet

ISK million

Development of assets



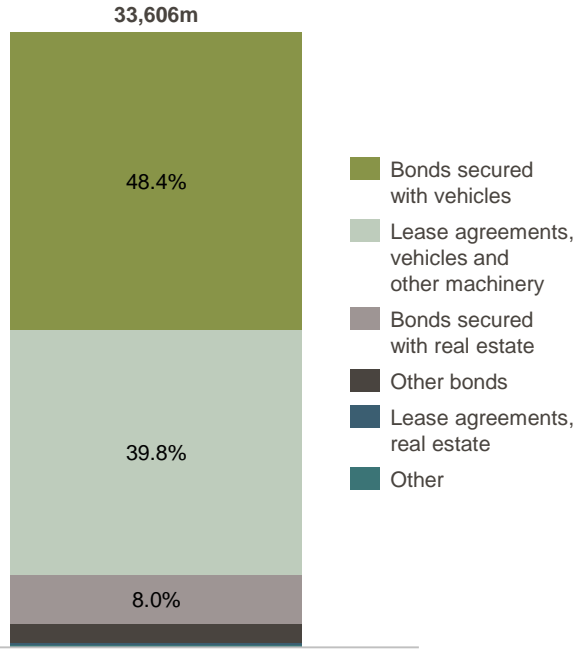
Development of liabilities and equity



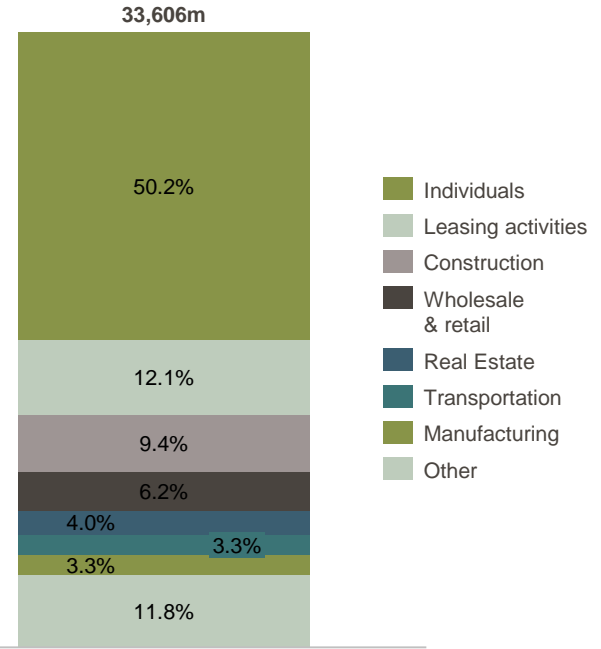
Breakdown of Lykill's leases and loans

9m 2019

Breakdown based on type of lease or loan



Customer breakdown



Significant opportunities to increase ROE of Lykill

- 1 Platform to grow business
- 2 Expand funding sources to lower funding cost
- 3 Optimized use of equity
- 4 Synergies

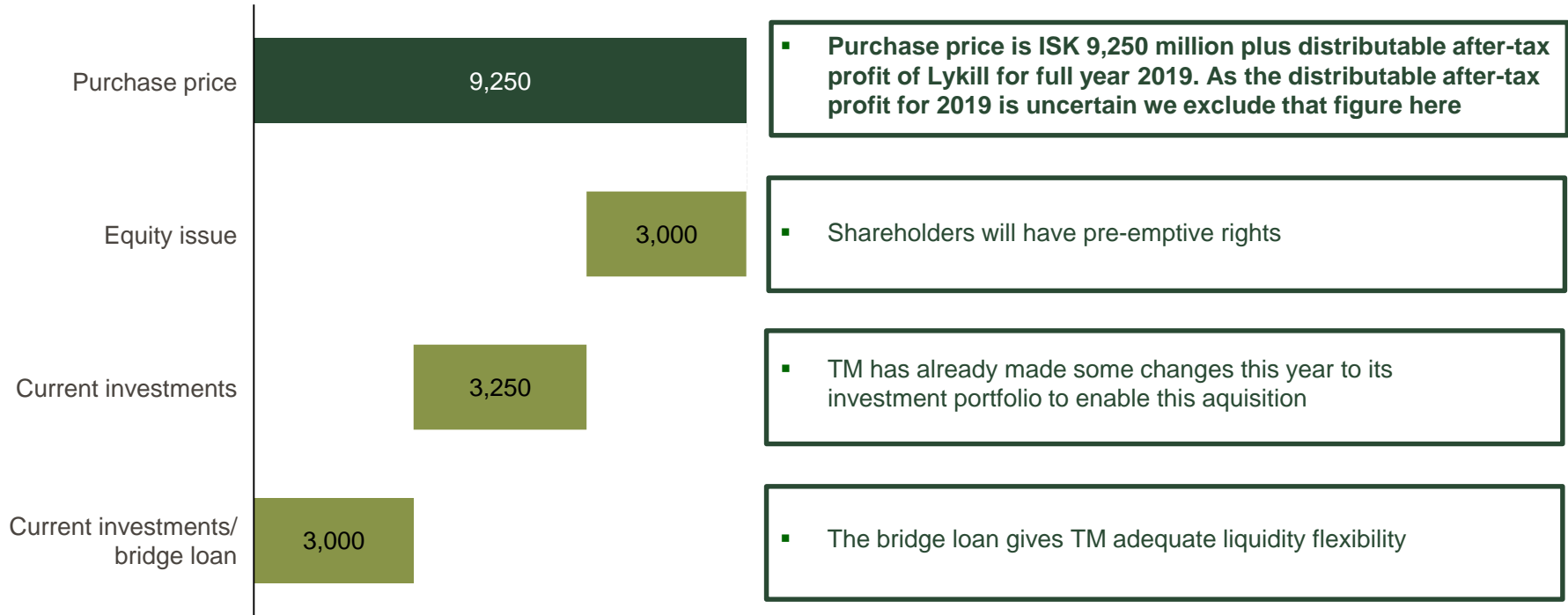


ROE of Lykill in coming years **> 10%***

* Based on TM projections

Funding of purchase price

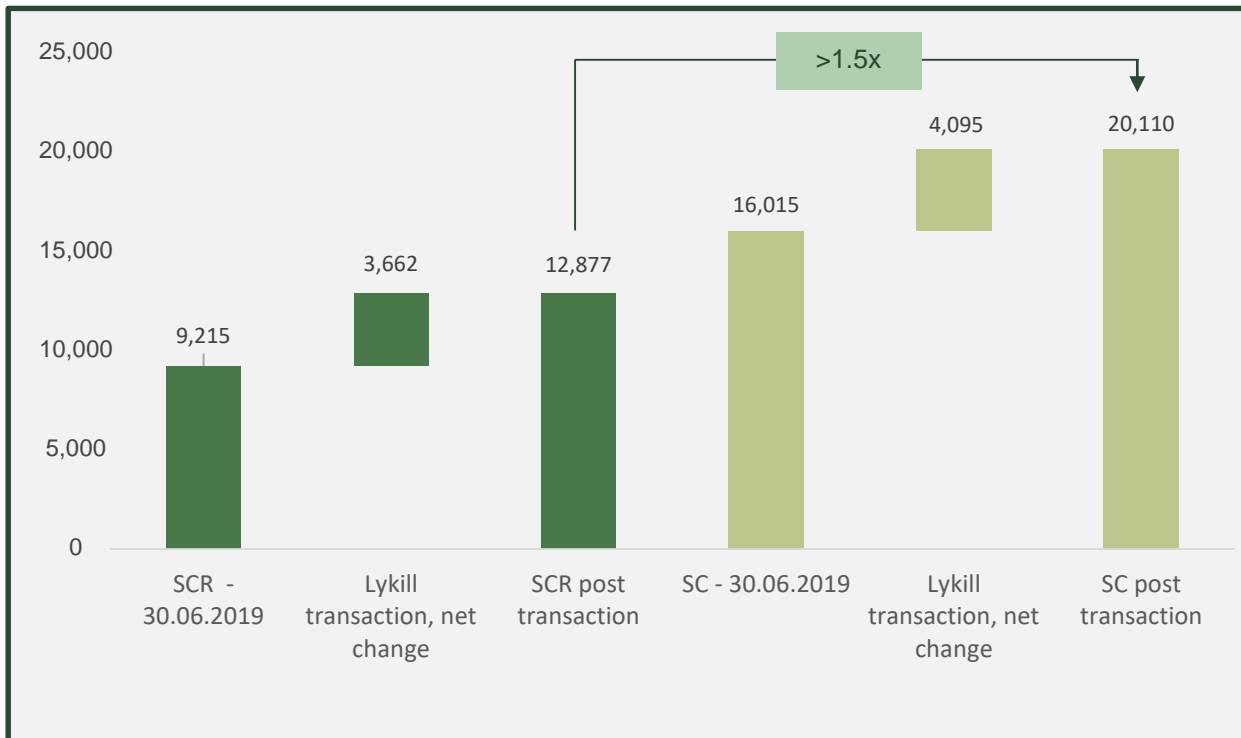
ISK million



SCR ratio > 1.50x post transaction

ISK million

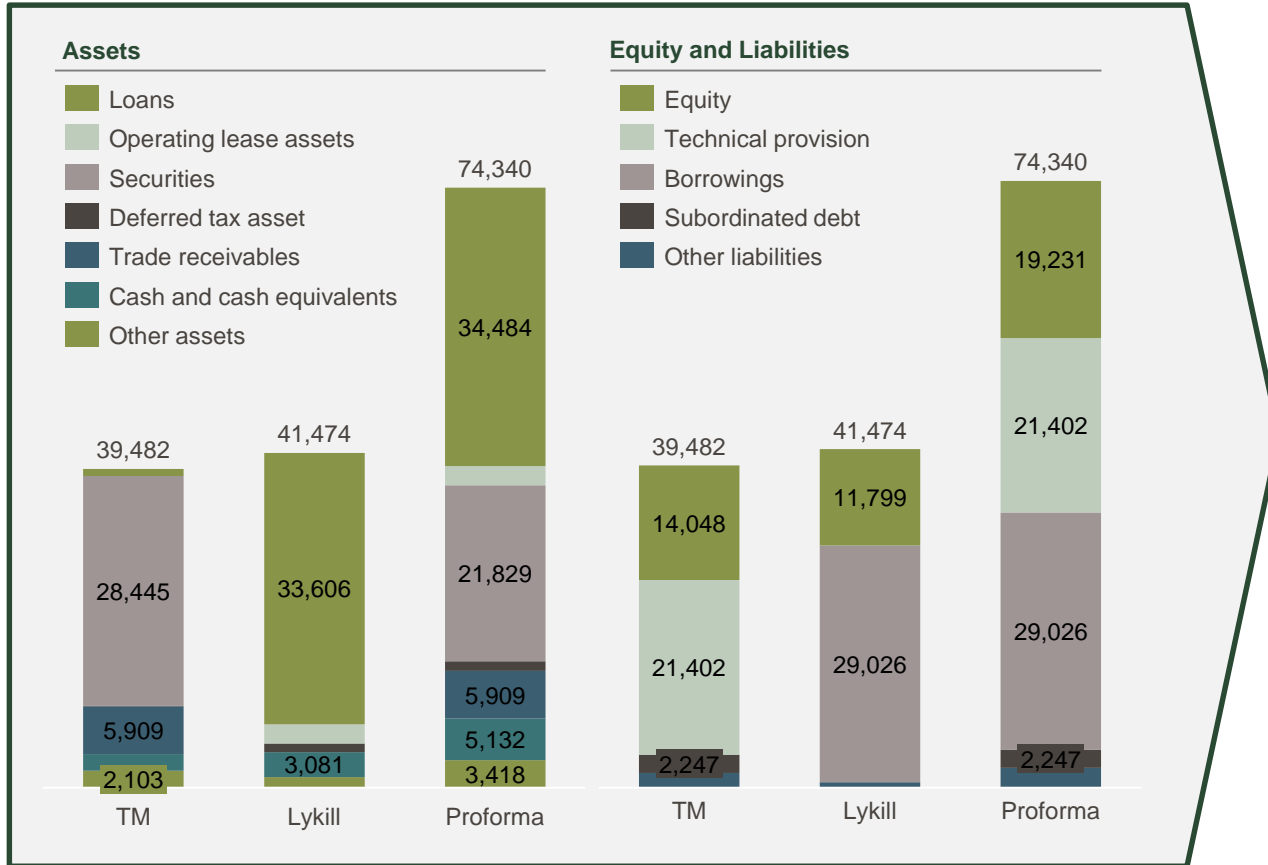
Solvency capital vs. Solvency capital requirement



Solvency capital ratio above 1.50x post transaction based on preliminary findings

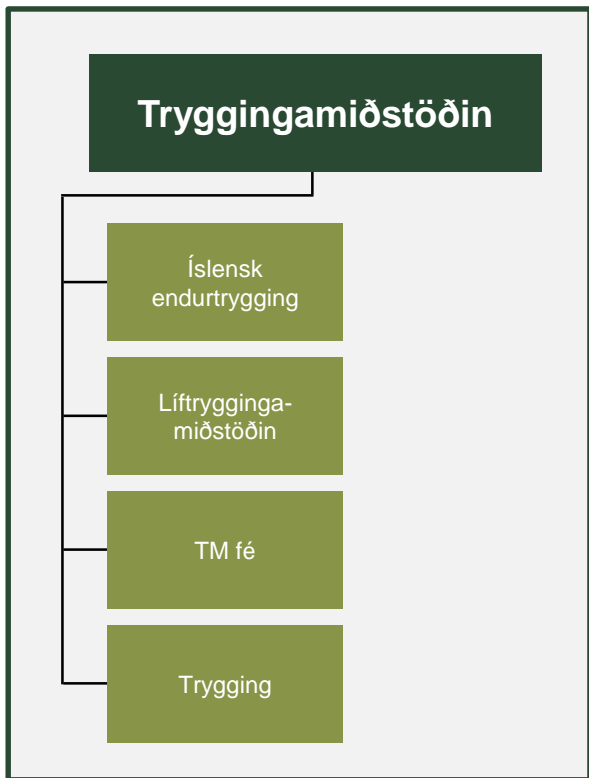
TM pro forma balance sheet

As of 30.09.2019 - ISK million

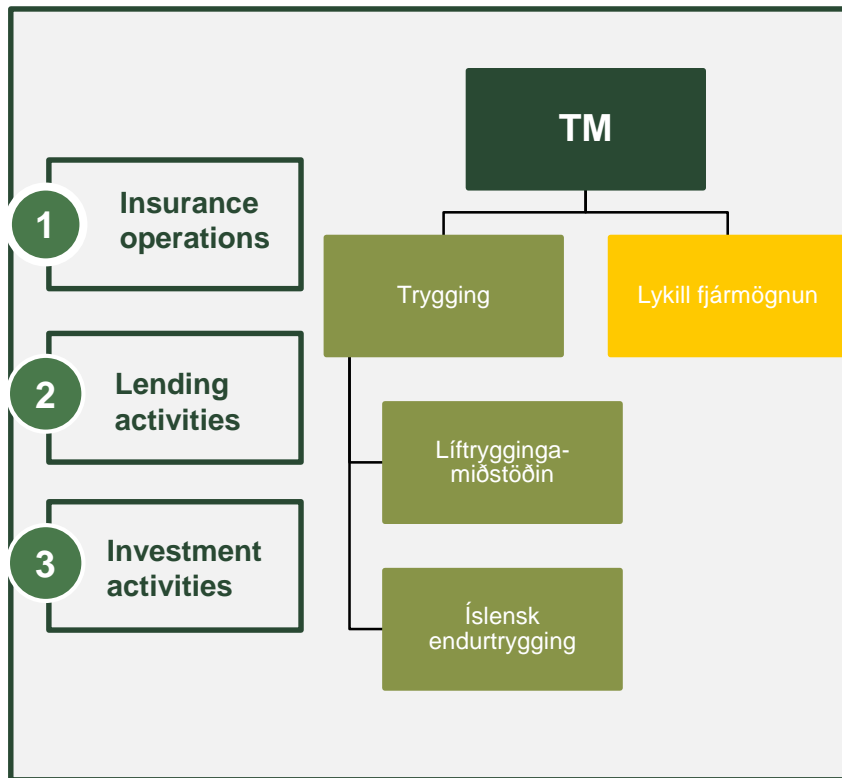


- **Total assets almost double** which is mostly explained by **increase in Loans, Cash and cash equivalents and Operating lease assets**
- **Equity increases by ISK 5.2 billion** due to expected equity raise and recognition of purchase price being below book value of equity
- **Total liabilities more than double** which is mostly due to borrowings

TM's operations to rest on three pillars



Pre-acquisition of Lykill

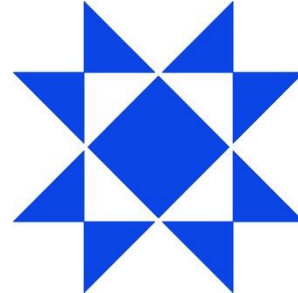


Post-acquisition of Lykill

Risk factors

- Investors are encouraged to seek further information in TM's prospectus
- Investors are reminded that investments in shares involve risk
- Some of these risks may include:

Insurance risk	<i>Insurance risk is specific to insurance operations and arises because premiums are determined in advance and the service is provided later</i>
Market risk	<i>Market risk is the risk that changes to the market price of the financial instruments will have an impact on the value of the company's investments</i>
Liquidity risk	<i>Liquidity risk is the risk that the company cannot meet its obligations when they become due</i>
Counterparty risk	<i>Counterparty risk is the risk of financial loss if a customer or counterparty in a financial instrument cannot meet the agreed obligations</i>
Legal risk	<i>The company operates in accordance with numerous laws, regulations and rules and is subject the supervision of numerous authorities</i>
General equity risk	<i>Investing in shares generally carries a higher level of risk than investing in bonds</i>



The offering

Key terms

	Rights issue	Public offering
Offering size	3,000,000,000 ISK // 13.8% of TM's outstanding shares	
Subscription size	% of offering in relation to ownership	Min. 100,000 ISK
Price	32.0 ISK p. share	
Allocation	Pre-emptive rights	After pre-emptive rights issue allocation

Pricing

TM share price developments - last 18 months



- The price of all new shares in the offering will be **32.0 ISK** per share
- The price equals a discount of 9.1% from the closing price of shares on 3 December 2019
- Furthermore, the price equals a discount of 4.4% from a 30 day weighted average price

TM Price: 32.0	P/E '19 est. ²	P/B ³
TM	12.0x	1.54x
TM + Lykill¹	10.3x	1.28x

¹ Based on 2019 Pro forma balance sheet and estimated profit for Lykill for FY2019

² P/E multiples are based on estimated PBT and an effective tax ratio of 9.3%

³ P/B multiples are based on book value of equity as of 30.09.2019

Key dates of the offering

First day of the offering is Monday 9 December 2019

- 4 December – Prospectus
- 9–12 December – Offering period
- 13 December – Results of the offering
- 17 December – Final due date
- 18 December – First day of trading

December 2019						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31	1	2	3	4

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