

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 dark 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
Q3 2019**

TM

DIFFICULT QUARTER IN INVESTMENT OPERATIONS

Q3 2019 HEADLINE FIGURES

Post-tax profit
ISK -251m

Q3 2018: ISK 208m

EPS
ISK -0.37

Q3 2018: ISK 0.31

Combined ratio
94.9%

Q3 2018: 96.2%

Technical results
ISK 217m

Q3 2018: ISK 157m

ROE (Annualized)
-6.9%

Q3 2018: 6.6%

ROI
-1.1%

Q3 2018: 0.8%

Cost ratio
15.1%

Q3 2018: 16.7%

Solvency ratio
1.82x

Q3 2018: 1.56x

ROE ON TARGET

9M 2019 HEADLINE FIGURES

Post-tax profit
ISK 1,518m

9M 2018: ISK 357m

EPS
ISK 2.24

9M 2018: ISK 0.53

Combined ratio
99.5%

9M 2018: 105.1%

Technical results
ISK 57m

9M 2018: ISK -596m

ROE (Annualized)
15.1%

9M 2018: 3.6%

ROI
7.2%

9M 2018: 4.7%

Cost ratio
18.2%

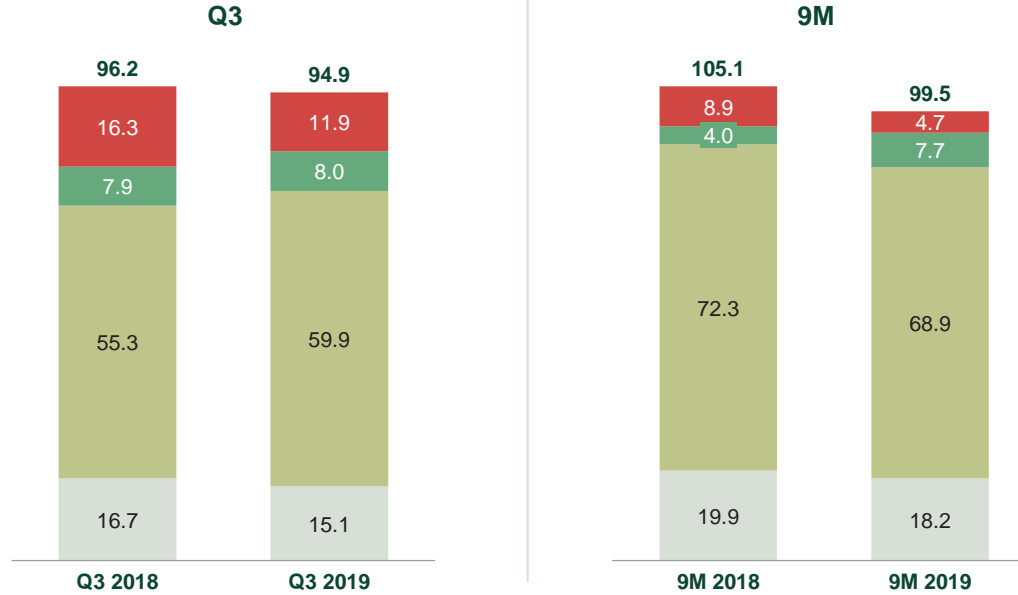
9M 2018: 19.9%

Solvency ratio
1.82x

9M 2018: 1.56x

TECHNICAL RESULTS IMPROVE YoY

SPLIT OF COMBINED RATIO (%)



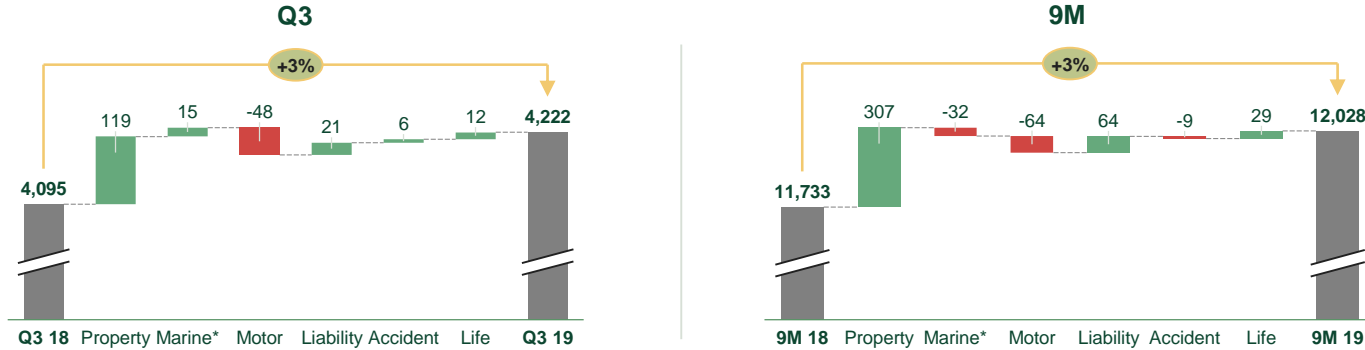
■ Large Claims*
 ■ Claims from prior periods
 ■ Claims from stated period
 ■ Cost

- Large claims incidents considerably fewer this year compared to last year
- Negative development of claims mainly due to higher average claims in bodily injury claims as a result of increasing average salaries over the last years
- Claims frequency is generally lower than last year
- Operational expenses decrease year on year

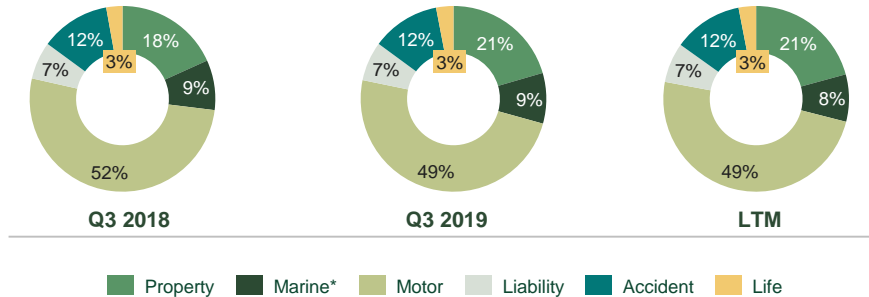
* Large claims are claims over ISK 50m

SLOW GROWTH OF NET PREMIUMS

Development of Net premiums (ISKm)



Split of Net premiums (%)

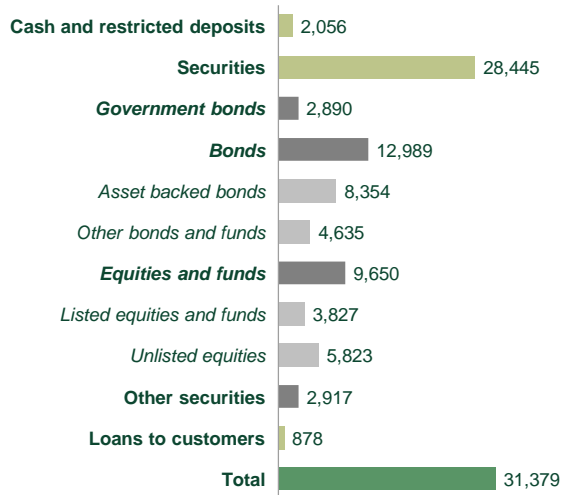


*Marine = Marine, Hull & Cargo

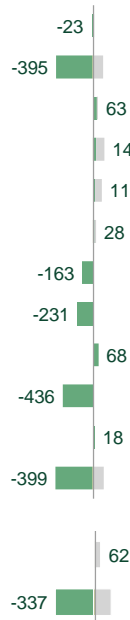
ROI -1.1% IN Q3 19

INVESTMENT INCOME

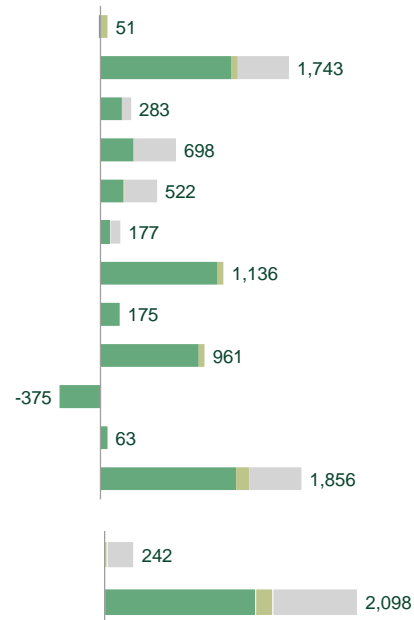
Asset class 30.09.2019 (ISKm)



Income Q3 19

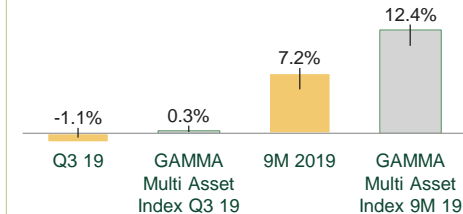


Income 9M 19



- Other securities delivered -13.0% return in the quarter, mostly due to the write-off of Gamma Novus real estate fund.
- Unlisted equities have delivered 16.3% return in 9M 19, mostly due to stakes in Eyrir, S121 and HSV (which has now been sold)
- Listed equities delivered -5.6% return in Q3 19, which is in line with the Gamma Equity index. Listed equities have delivered 7.0% return in 9M 19

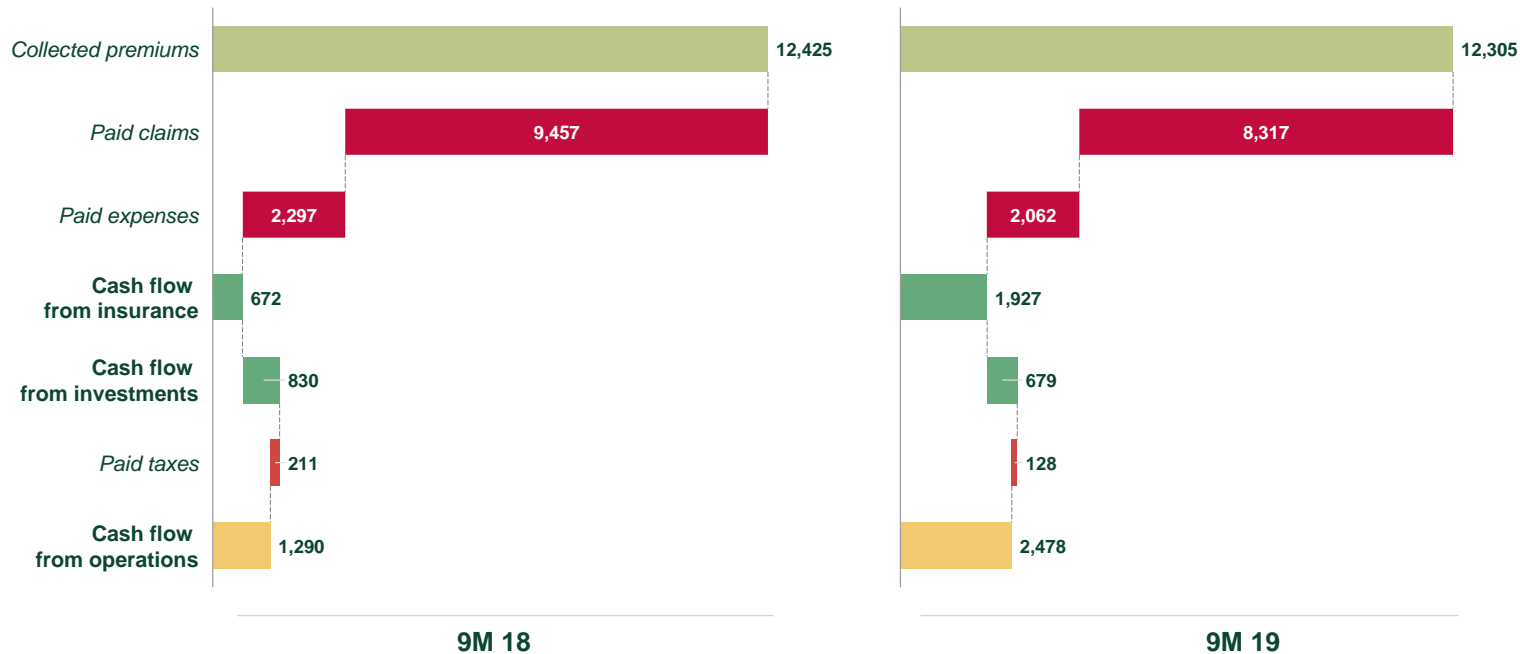
Return on Investments (RoI)



STRONG CASH FLOW FROM INSURANCE OPERATIONS

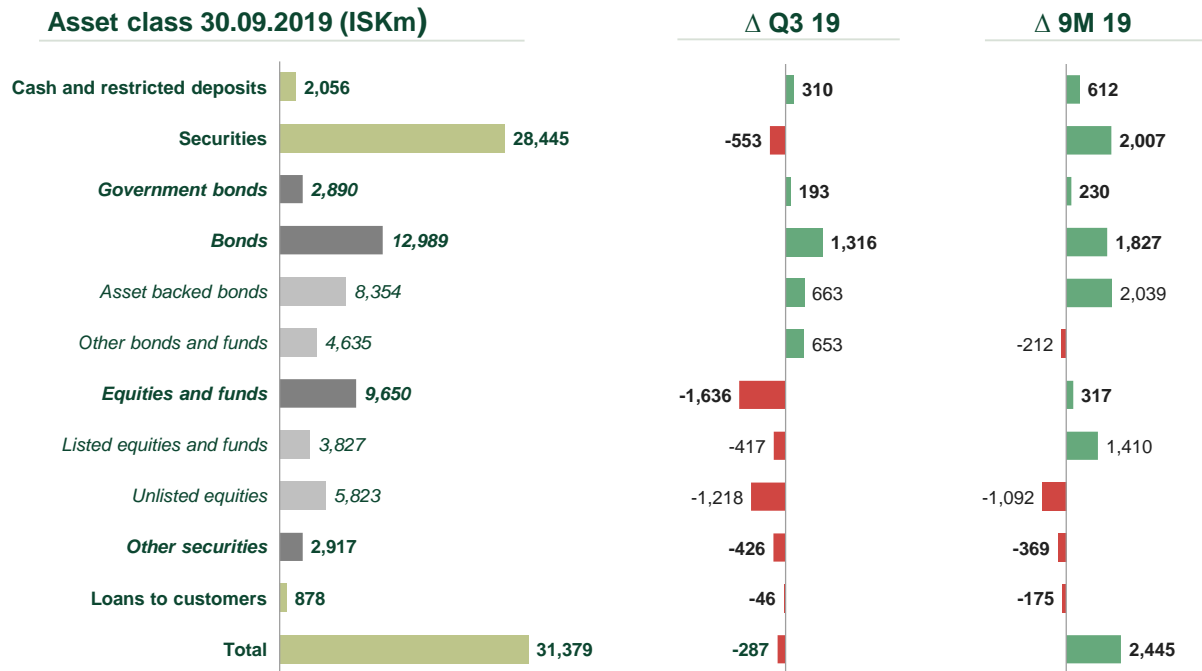


CASH FLOW FROM OPERATIONS (ISKm)



DECREASING EXPOSURE ON EQUITIES AND OTHER SECURITIES

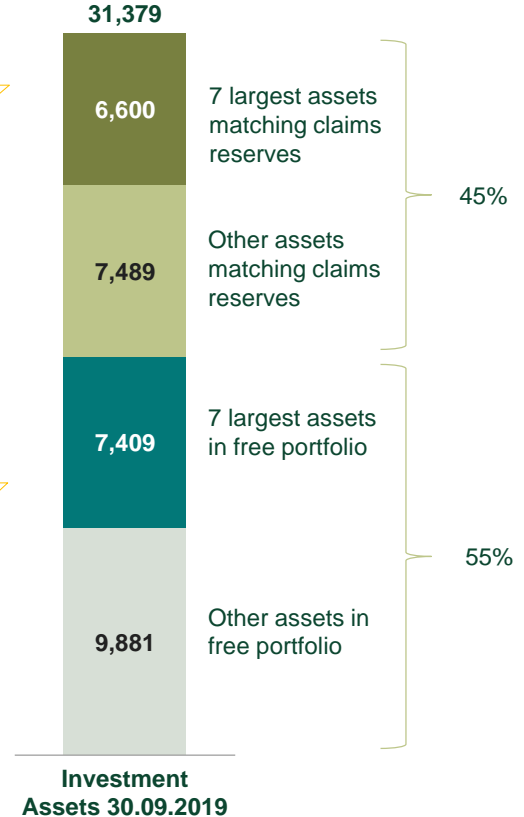
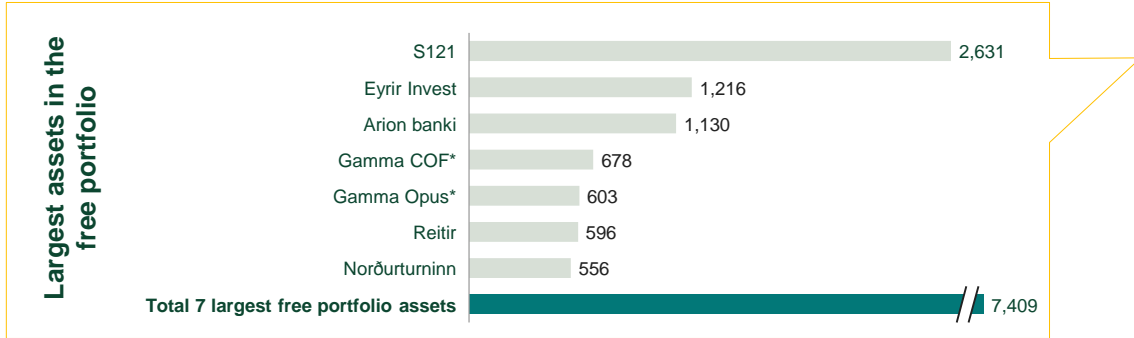
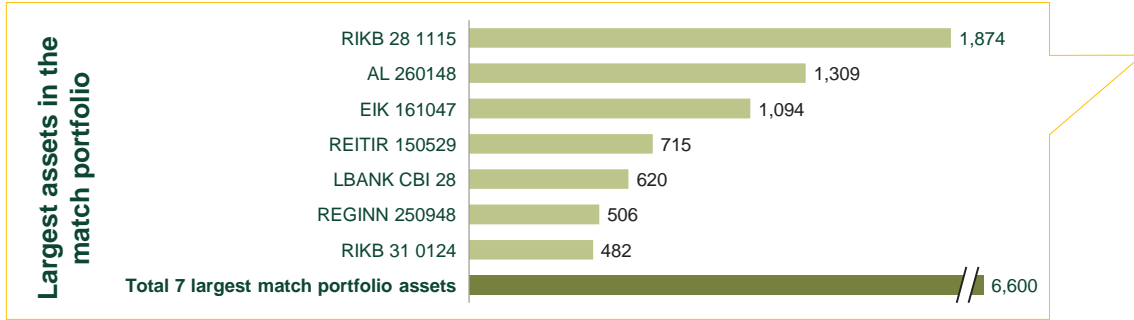
BREAKDOWN OF INVESTMENT ASSETS



- All asset classes apart from bonds decreased during the quarter which is both due to poor return as well as of sale of assets
- 55% of fixed income portfolio is indexed at 30.09.2019. Duration of the portfolio is 6.2 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 7.5bn
- Cash and liquidity funds total ISK 2.9bn at 30.09.2019

TM'S LARGEST INVESTMENTS

30.09.2019 (ISKm)

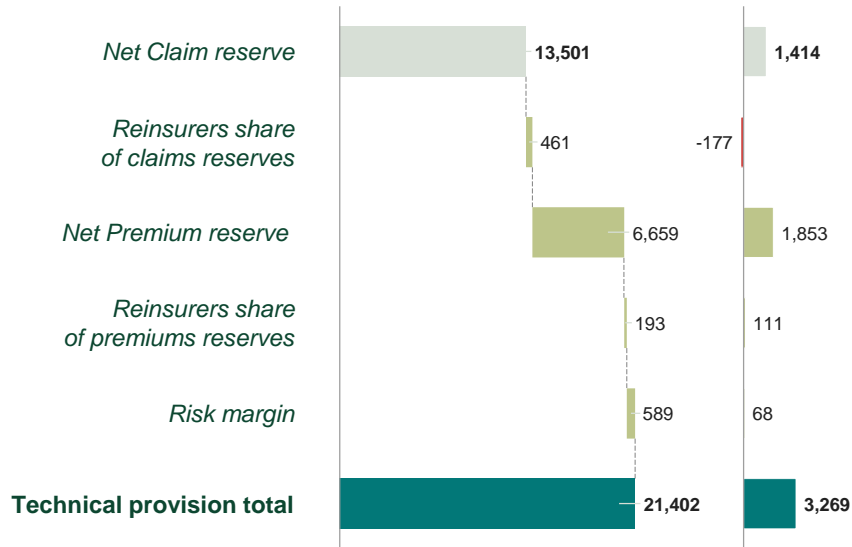


* Gamma COF is a credit fund that invests in higher yielding fixed income assets. Gamma Opus is a real estate fund that owns a portfolio of commercial properties with a high leasing ratio.

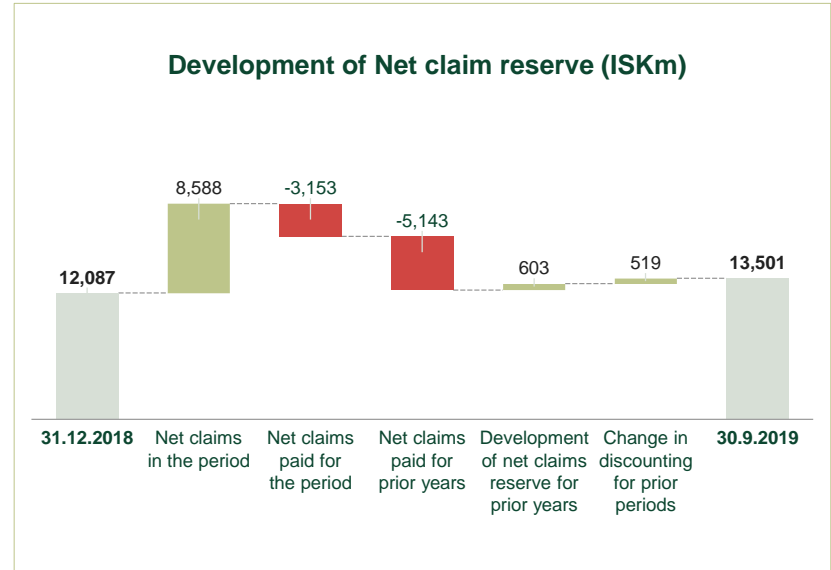
NET CLAIM RESERVE INCREASES 9M 19

TECHNICAL PROVISION 30.09.2019 (ISKm)

Δ9M 19



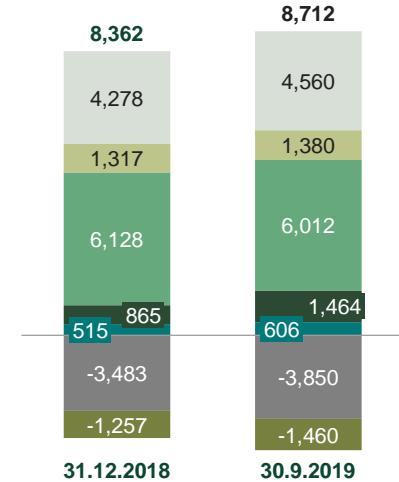
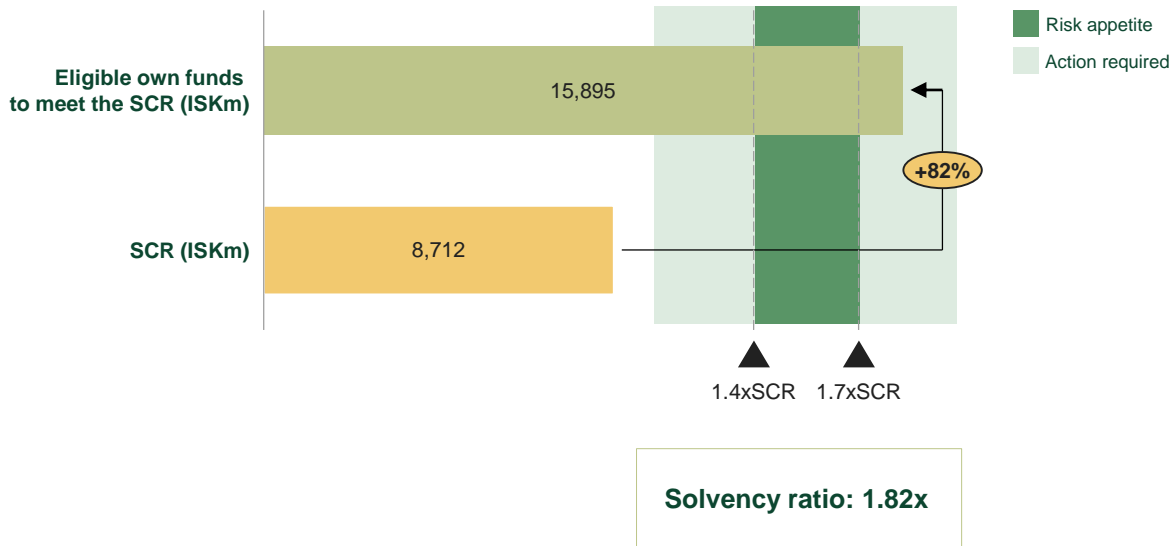
Development of Net claim reserve (ISKm)



SOLVENCY RATIO HIGHER THAN RISK APPETITE

SOLVENCY CAPITAL RATIO

- 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



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

* SCR: Solvency Capital Requirement

PBT FORECASTED ISK 1,948m in 2019

OUTLOOK

Profit before tax

ISK 1,948m
(ISK 2,716m)*

2018: ISK 700m

ROE

13.2%**
(17.7%)

2018: 5.3%

Combined ratio

99%
(100%)

2018: 104%

ROI

8.5%
(11.5%)

2018: 6.6%

* Previous forecast in brackets
**Income tax rate estimated 6%

OPERATING FORECAST FOR NEXT 4 QUARTERS



Forecast (ISKm)	Q4 19	Q1 20	Q2 20	Q3 20	Next 12M	2019e
Premiums f.o.a.	4,034	4,076	4,242	4,458	16,811	16,062
Investment income and other income	396	519	669	515	2,100	2,517
Total income	4,431	4,595	4,912	4,974	18,911	18,578
Claims f.o.a.	(3,135)	(3,455)	(3,219)	(3,297)	(13,106)	(12,914)
Other expenses	(966)	(936)	(953)	(897)	(3,751)	(3,716)
Total expenses	(4,101)	(4,391)	(4,171)	(4,194)	(16,857)	(16,630)
Profit before income tax	329	204	740	780	2,054	1,948
Cost ratio	19%	16%	19%	16%	18%	18%
Claims ratio	78%	85%	76%	74%	78%	80%
Combined ratio	97%	104%	94%	90%	96%	99%
Return on Investments	1.2%	1.6%	2.1%	1.5%	6.6%	8.5%

ACQUISITION OF LYKILL

HIGHLIGHTS

- TM has acquired 100% stake in **Lykill fjármögnun hf.** from Klakki ehf.
- **Purchase price** is ISK 9,250m plus distributable after-tax profit of Lykill for full year 2019
- Lykill had **equity** of ISK 11,688m at end of 2019 H1
- Purchase price equals **P/B 0.82x***
- TM sees significant potential to **increase the profitability** of Lykill
- Transaction **increasing shareholder value** as EPS expected to increase by 20-30% in the coming years
- **New equity** of up to ISK 3,000m going to be raised where shareholders have pre-emptive rights
- **Solvency capital** ratio above 1.5x post transaction
- TM has called for a **shareholder meeting on November 13th** to approve the following:
 1. The acquisition of Lykill
 2. To increase the equity of TM worth up to ISK 3,000m
 3. Changes to articles of association
- The completion of the transaction is **subject to**:
 1. Shareholder meeting approval
 2. Approval of Fjármálaeftirlitið (e. Financial Supervisory Authority)
 3. Approval of Samkeppniseftirlitið (e. Competition Authority)



* Based on estimated profit of Lykill for FY2019

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%*

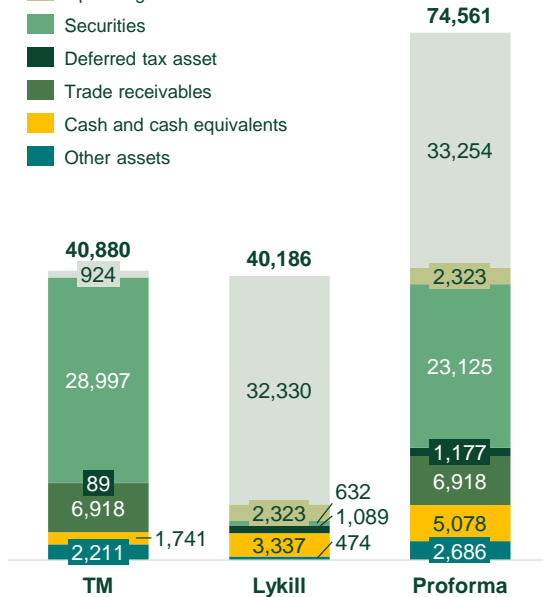
* Based on TM projections

TM PROFORMA BALANCE SHEET

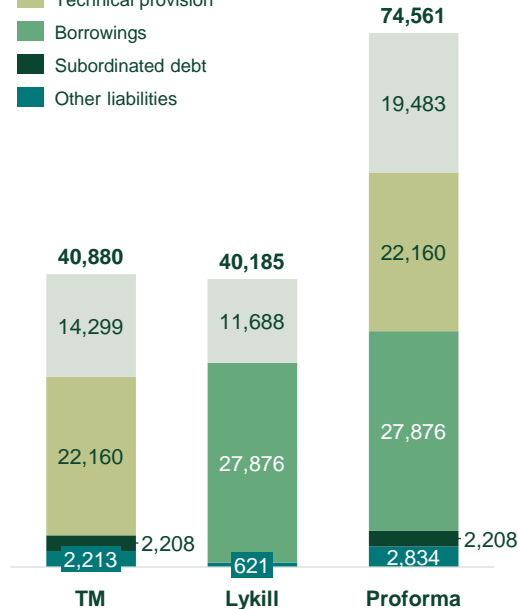
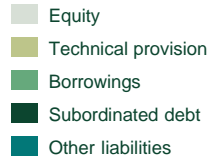
30.06.2019 (ISKm)



Assets

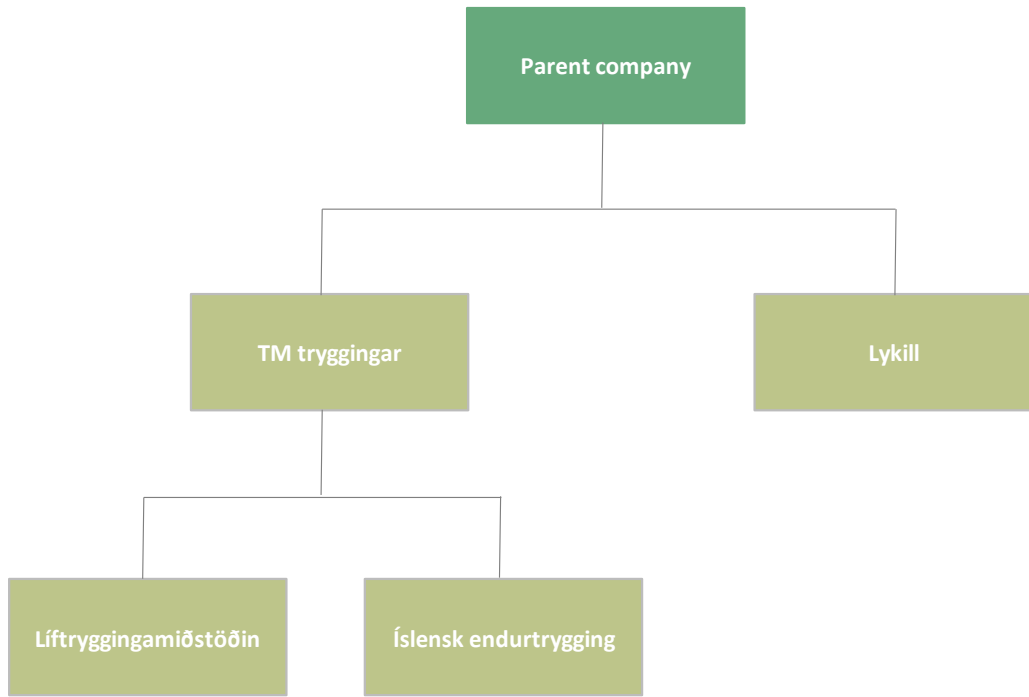


Equity and Liabilities



- 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

NEW CORPORATE STRUCTURE



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 green square with the white text 'TM' is overlaid on the road. The word 'QUESTIONS' is written in white capital letters across the middle of the road.

TM

QUESTIONS



APPENDICES

INCOME STATEMENT

(ISKm)	Q1 18	Q2 18	Q3 18	9M 18	Q1 19	Q2 19	Q3 19	9M 19
Premiums f.o.a.	3,787	3,851	4,095	11,733	3,814	3,992	4,222	12,028
Investment income and other income	746	365	244	1,355	960	1,491	(331)	2,120
Total income	4,532	4,216	4,340	13,088	4,774	5,483	3,891	14,148
Claims f.o.a.	(3,294)	(3,442)	(3,255)	(9,990)	(3,317)	(3,093)	(3,369)	(9,779)
Other expenses	(977)	(971)	(840)	(2,788)	(1,003)	(949)	(808)	(2,759)
Total expenses	(4,271)	(4,413)	(4,095)	(12,779)	(4,320)	(4,041)	(4,177)	(12,537)
Profit before income tax	261	(197)	245	309	454	1,442	(286)	1,610
Income tax	28	57	(38)	48	(21)	(106)	34	(92)
Profit after tax	289	(140)	208	357	433	1,337	(251)	1,518

BALANCE SHEET

(ISKm)	31.12.2018	30.09.2019
Assets		
Operating assets	325	289
Right-of-use assets	0	465
Goodwill and other intangible assets	489	610
Restricted cash	5	5
Loans	1,054	878
Securities	26,438	28,445
Investment where investment risk is borne by life-insurance policyholders	37	51
Deferred tax asset	88	95
Assets classified as held for sale	3	29
Reinsurance assets	720	654
Trade receivables	4,052	5,909
Cash and cash equivalents	1,439	2,051
Assets total	34,651	39,482

	31.12.2018	30.09.2019
Equity		
Share capital	678	678
Share premium	426	426
Reserves	271	271
Restricted earnings	4,363	4,709
Retained earnings	7,566	7,964
Equity total	13,303	14,048
Liabilities		
Technical provision	18,133	21,402
Technical provision for life-insurance policies where investment risk is borne by the policyholders	37	51
Lease liabilities	0	547
Trade and other payables	1,005	1,187
Subordinated debt	2,173	2,247
Liabilities total	21,347	26,434
Equity and liabilities total	34,651	39,482

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