



Reykjavík, February 15th 2019

TM profit in 2018 amounted to ISK 701m

During the meeting of the Board of Directors on February 15th 2019, the Board and the CEO approved the company's annual financial statements for 2018. The annual financial statements have been audited by the auditors of the company.

Sigurður Viðarsson, CEO of TM:

“TM’s results during the fourth quarter of 2018 were in line with our expectations for insurance activities but investment operations were somewhat below benchmark, mainly due to poor performance by listed equities. 2018 was a very challenging year as we experienced an unusual high frequency of large claims while conditions in domestic securities markets were unfavourable at the same time. TM’s operating forecast for 2019 projects a significant improvement for insurance activities and a combined ratio of 97% while we assume 8.5% return on investments.

During 2018 TM introduced several new digital services and solutions to the market. The TM mobile app was launched in January, making insurance overview, policy terms, cover and premium more accessible to our customers, as well as enabling them to report certain types of home insurance claims. Towards the end of the year TM began selling insurance through a new online platform called “Vádís”, where prospective and current customers can purchase insurance and complete the whole process online at their convenience. It will be exciting to observe how these solutions will be received in 2019.”

The main results of the fourth quarter and 2018 were as follows:

	Q4 2018	Q4 2017	Δ	Δ%	2018	2017	Δ	Δ%
Premiums f.o.a.	3,915	3,707	208	5.6%	15,648	14,985	663	4.4%
Investment income	507	1,115	(608)	(54.5%)	1,817	3,750	(1,933)	(51.5%)
Other income	6	5	1	13.7%	51	37	14	38.4%
Total income	4,429	4,827	(399)	(8.3%)	17,516	18,771	(1,255)	(6.7%)
Claims f.o.a.	(3,146)	(2,757)	(389)	14.1%	(13,136)	(11,873)	(1,264)	10.6%
Operating expenses	(887)	(836)	(51)	6.1%	(3,541)	(3,405)	(137)	4.0%
Interest expenses	(42)	(44)	2	(4.3%)	(184)	(162)	(22)	13.6%
Impairments	38	(121)	159	(130.9%)	45	(126)	171	(135.7%)
Total expenses	(4,037)	(3,758)	(279)	7.4%	(16,816)	(15,565)	(1,251)	8.0%
Profit before income tax	391	1,070	(678)	(63.4%)	700	3,207	(2,507)	(78.2%)
Income tax	(47)	(39)	(8)	21.5%	0	(84)	84	(100.4%)
Profit (loss)	344	1,031	(687)	(66.6%)	701	3,123	(2,422)	(77.6%)

All amounts are in ISKm

Combined ratio for the year was 103.9%

TM's results during the fourth quarter of 2018 were somewhat worse than during the same period in the previous year. The combined ratio was 100.3% compared to 94.4% in 2017 and profit in the quarter decreased from ISK 1,031m to ISK 344m.

Combined ratio in 2018 was 103.9%, which is an increase from 99.4% in 2017. Premiums for own account grew by 4.4% while the increase in claims for own account was 10.6%. The poorer results of insurance activities for the year are for the most part attributable to worse technical results in property insurance and marine insurance, including an unusual high frequency of large claims, but results in all lines of business deteriorate except accident insurance and life insurance. TM's profits in 2018 amounted to ISK 701m after taxes, and technical results on insurance operations were negative by ISK 609m.

The cost ratio of the company during 2018 was 19.9% and it is projected that the cost ratio in 2019 will be around 19% in accordance with TM's long-term goal of a cost ratio below 20%.

Return on investments 1.8% during the fourth quarter

Investment income totalled ISK 507m in the fourth quarter which equals 1.8% return on investments. The domestic Gamma Multi Asset Index increased by 2.3% during the period. Unlisted equities delivered good returns as well as bonds, apart from government bonds. Listed equities and equity funds performed very poorly which is mostly attributable to the stake in Sýn.

Investment income in 2018 totalled ISK 1,817m which equals 6.6% return on investments. Unlisted equities delivered very good returns and increased by 16%, mostly due to stakes in HSV holding company, S121 and Arnarlax. Asset-backed bonds and other bonds and bond funds also delivered good returns. Listed equities and equity funds performed very poorly as the asset class delivered negative return of 16.3%, which is mostly attributable to a stake in Sýn, a large part of the listed equities portfolio, which decreased by 38%. Furthermore did TM not have a meaningful direct stake in Marel, which increased by 16% and was one of the very few listed companies which price increased during the year. TM does however have shares in Eyfir which is classified as unlisted equity and does therefore have an indirect stake in Marel.

A 6.6% return on investments is well below the performance of the last few years, as TM's return on investments has been 12.7% on average. Return on investments in 2018 is however considered acceptable given the challenging domestic securities market conditions during the year, which are reflected in the domestic Gamma Multi Asset Index, which increased by 3.7%.

Key figures for the fourth quarter and 2018 were as follows:

	Q4 2018	Q4 2017	2018	2017
Earnings per share	0.50	1.52	1.03	4.61
Return on equity	10.8%	33.7%	5.3%	24.2%
Equity ratio	38.4%	40.7%	38.4%	40.7%
Cash from operations	57	348	1,348	1,413
Insurance operations				
Net claims ratio	80.4%	74.4%	83.9%	79.2%
Net cost ratio	20.0%	20.0%	19.9%	20.1%
Net combined ratio	100.3%	94.4%	103.9%	99.4%
Operating profit	307	277	289	710
Technical results	(13)	208	(609)	97
Investments				
Return on investments	1.8%	4.0%	6.6%	14.9%

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ISK 700 million dividend payment proposed

TM's Board of Directors proposes a dividend payment of ISK 700m, equivalent to TM's profits in 2018. Furthermore, the Board proposes to get an authorisation to purchase own shares to obtain the most optimal capital structure according to the risk appetite statement.

2019 operating forecast

The operating forecast for 2019 projects a profit before income tax of ISK 2,442m and a combined ratio of 97%. Return on investments is projected to be 8.5%.

	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Total	2018	Δ	Δ%
Premiums f.o.a.	3,911	3,998	4,164	4,055	16,129	15,648	481	3%
Investments and other income	525	754	523	736	2,538	1,868	670	36%
Total income	4,436	4,753	4,687	4,792	18,668	17,516	1,152	7%
Claims f.o.a.	(3,285)	(3,038)	(3,084)	(3,087)	(12,494)	(13,136)	642	(5%)
Operating and other expenses	(974)	(931)	(874)	(953)	(3,732)	(3,680)	(52)	1%
Total expenses	(4,259)	(3,969)	(3,958)	(4,040)	(16,226)	(16,816)	590	(4%)
Profit before income tax	177	784	729	752	2,442	700	1,741	249%
Insurance operations								
Claims ratio	84%	76%	74%	76%	77%	84%		
Cost ratio	21%	19%	17%	19%	19%	20%		
Combined ratio	105%	95%	92%	95%	97%	104%		
Technical results	(186)	184	352	187	537	(609)		
Investments								
Return on investments	1.8%	2.5%	1.7%	2.4%	8.5%	6.6%		

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Investor meeting February 15th at 16:15

TM holds a meeting for its stakeholders on the company's fourth quarter and 2018 results on February 15th at 16:15. 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. 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:

<https://global.gotomeeting.com/join/405683493>

Annual general meeting

TM's 2019 annual general meeting will be held at Grand Hótel Reykjavík on March 14th at 16:00.

2019 Financial calendar

First quarter: May 15th 2018.

Second quarter: August 23rd 2018.

Third quarter: October 24th 2018.

Fourth quarter: February 14th 2020.

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

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