





SJÓVÁ

Quarterly results Q2 2019

Translation of Investors'
Presentation
22 August 2019



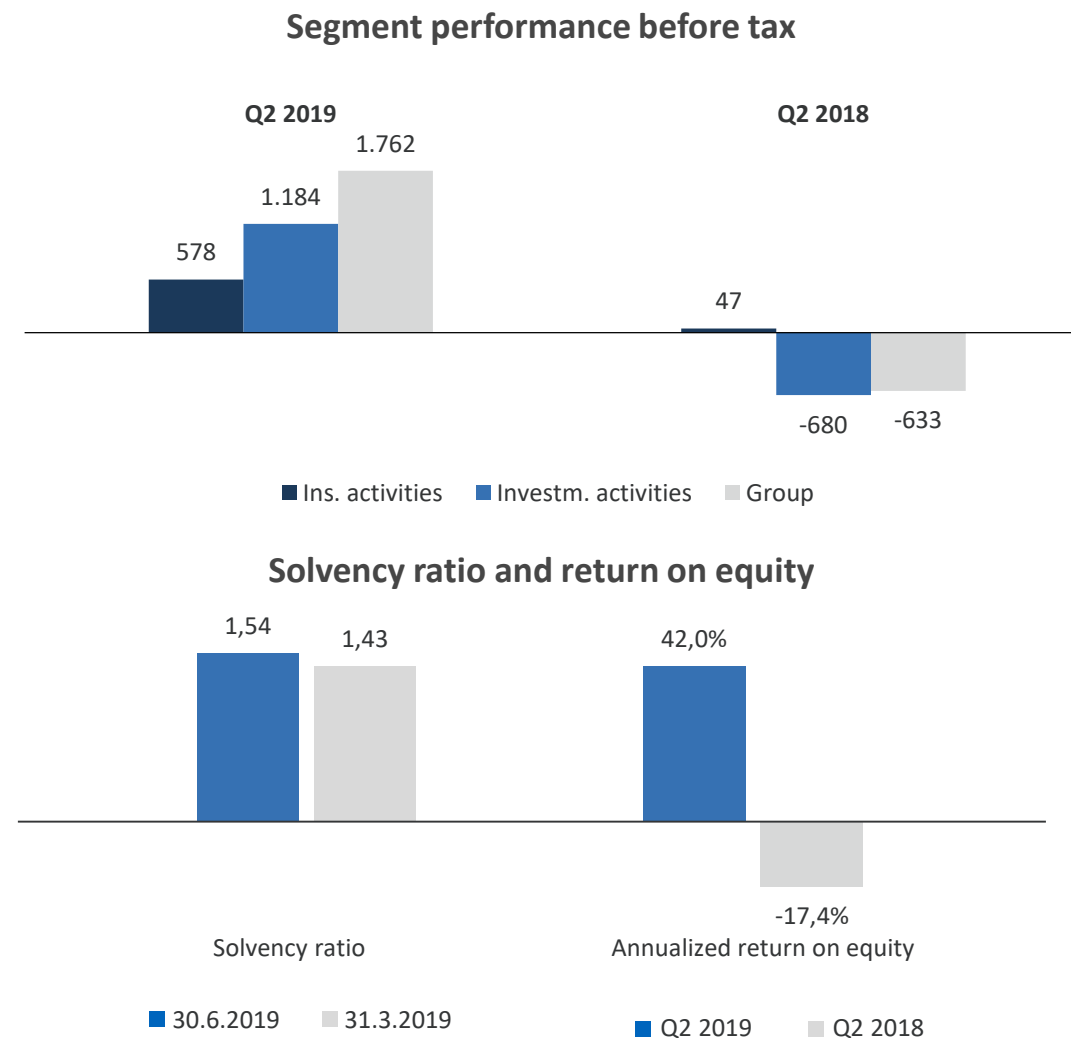
Q2 2019

| | | | |
|--|---|---|--|
| Results  | Profit of ISK 1.548 million | Technical results of ISK 578 million | Pre-tax profit from investment operations of ISK 1.184 million |
| Combined ratio  | Combined ratio of 94,5% compared to 105,2% in Q2 2018 | Q2 2018 results were impacted by two fire losses | Positive trend in largest insurance lines |
| Investments  | Income from investment portfolio ISK 1.386 million | Return on investment portfolio 4,2% | Good returns on listed equities and listed bonds |
| Premium growth  | 17% year-on-year growth in premium earned | Robust premium growth in both personal and commercial lines | Contributes to ever improving underwriting performance |

Highlights from Q2 2019

Turnaround in investment performance

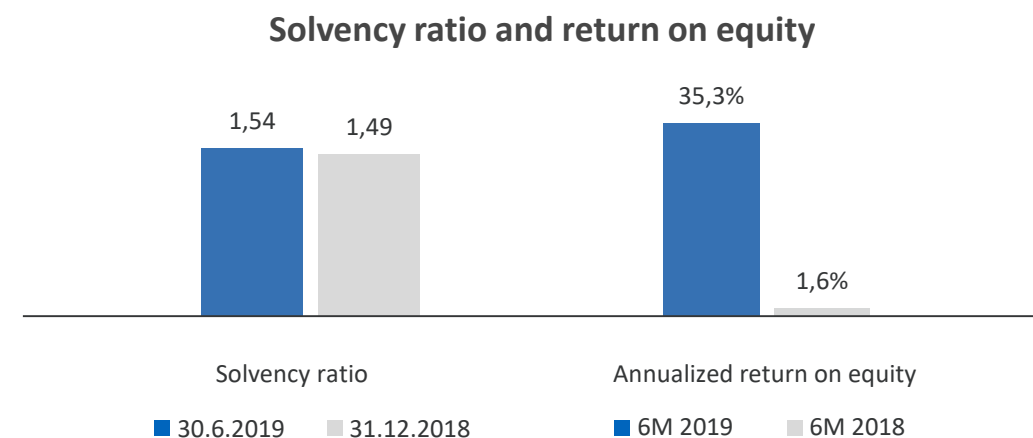
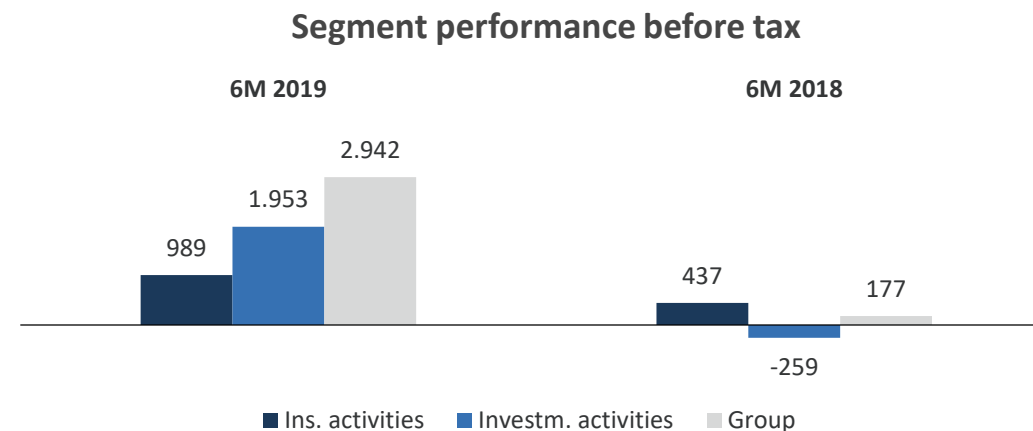
| | Q2 2019 | Q2 2018 |
|--------------------------------------|------------------|------------------|
| Profit/loss for the period | 1.548 | -630 |
| Earnings per share | 1,12 | -0,44 |
| Pre-tax profit | 1.762 | -633 |
| Technical results | 578 | 47 |
| Profit/loss on investment operations | 1.184 | -680 |
| Annualized return on equity (ROE) | 42,0% | -17,4% |
| Group combined ratio | 94,5% | 105,2% |
| | 30.6.2019 | 31.3.2019 |
| Group equity ratio | 30,2% | 28,6% |
| Solvency ratio | 1,54 | 1,43 |



Highlights from 6M 2019

Technical results on the rise, investment returns exceeded expectations

| | 6M 2019 | 6M 2018 |
|--------------------------------------|------------------|-------------------|
| Profit for the period | 2.601 | 119 |
| Earnings per share | 1,88 | 0,08 |
| Pre-tax profit | 2.942 | 185 |
| Technical results | 989 | 443 |
| Profit/loss on investment operations | 1.953 | -259 |
| Annualized return on equity (ROE) | 35,3% | 1,6% |
| Group combined ratio | 96,2% | 101,3% |
| | 30.6.2019 | 31.12.2018 |
| Group equity ratio | 30,2% | 31,3% |
| Solvency ratio | 1,54 | 1,49 |



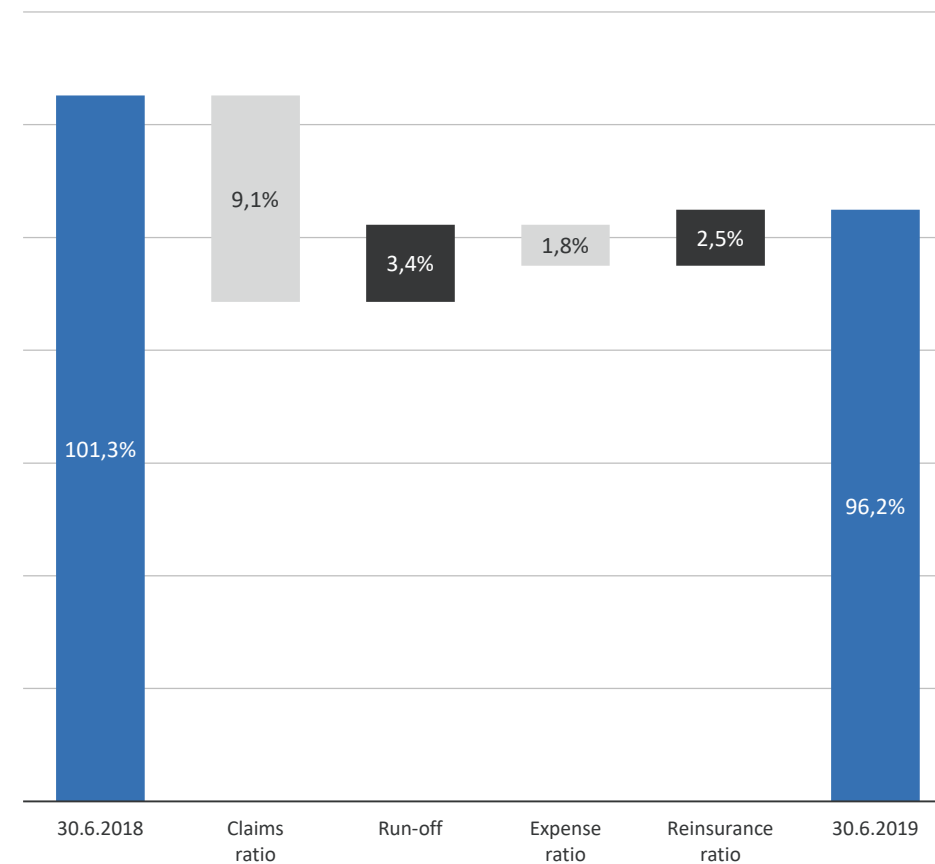
Income statement

Robust premium growth and improved earnings

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| | Q2 2019 | Q2 2018 | % | 6M 2019 | 6M 2018 | % |
|--|---------------|---------------|-------|--------------|---------------|--------|
| Premiums earned | 5.220 | 4.462 | 17,0% | 10.017 | 8.714 | 15,0% |
| Earned premiums, net of reinsurance | 4.970 | 4.213 | 18,0% | 9.532 | 8.252 | 15,5% |
| Investment income | 1.540 | -305 | - | 2.699 | 488 | 453% |
| Claims incurred | -3.830 | -3.879 | -1,3% | -7.385 | -6.923 | 6,7% |
| Claims incurred, net of reinsurance | -3.751 | -3.484 | 7,7% | -7.224 | -6.482 | 11,5% |
| Operating expenses | -1.079 | -1.064 | 0,6% | -2.184 | -2.089 | 4,5% |
| Pre-tax profit | 1.762 | -633 | - | 2.942 | 185 | 1.493% |
| After-tax profit | 1.548 | -630 | - | 2.601 | 119 | 2.086% |
| Claims ratio | 68,8% | 86,5% | | 69,7% | 78,8% | |
| Run-off | 4,6% | 0,4% | | 4,0% | 0,6% | |
| Claims ratio | 73,4% | 86,9% | | 73,7% | 79,5% | |
| Reinsurance ratio | 2,1% | -3,4% | | 2,5% | 0,1% | |
| Claims and reinsurance ratio | 75,5% | 83,5% | | 76,3% | 79,5% | |
| Expense ratio | 19,0% | 21,7% | | 20,0% | 21,9% | |
| Combined ratio | 94,5% | 105,2% | | 96,2% | 101,3% | |

Change in combined ratio 6M 2018 to 6M 2019

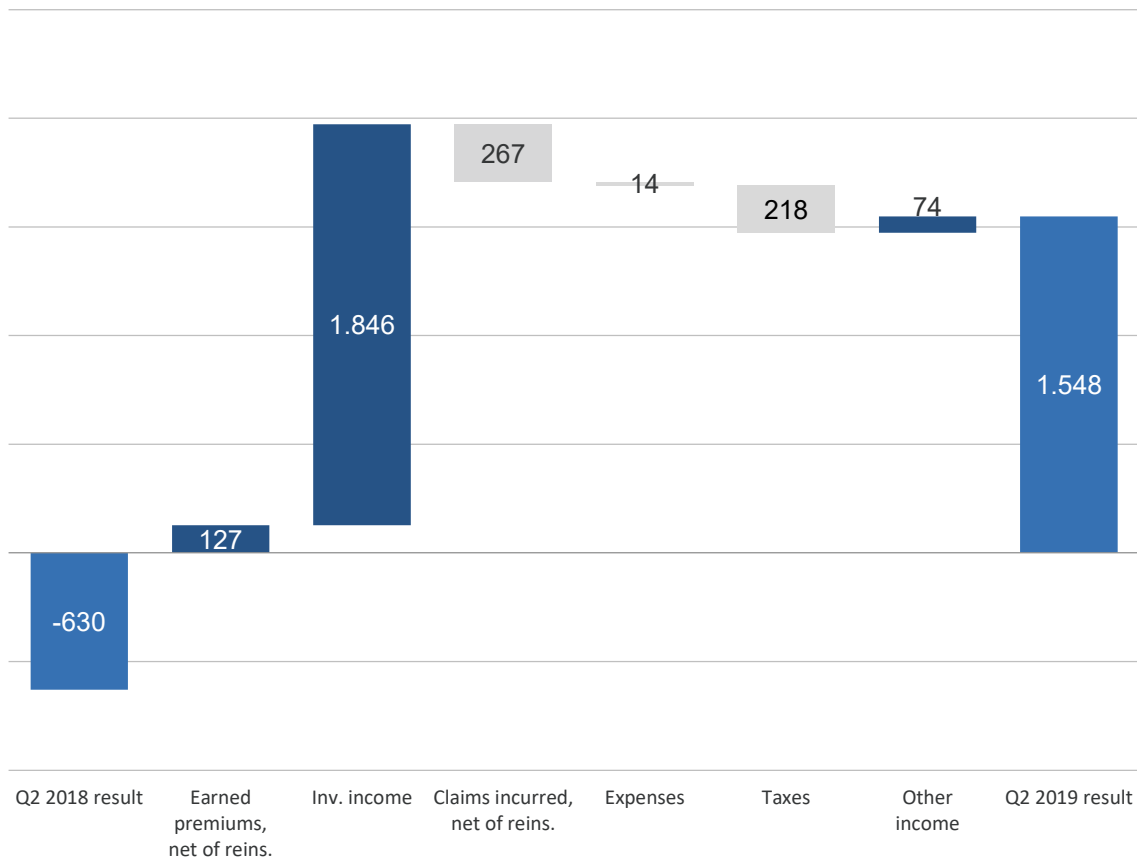


Bridge analysis

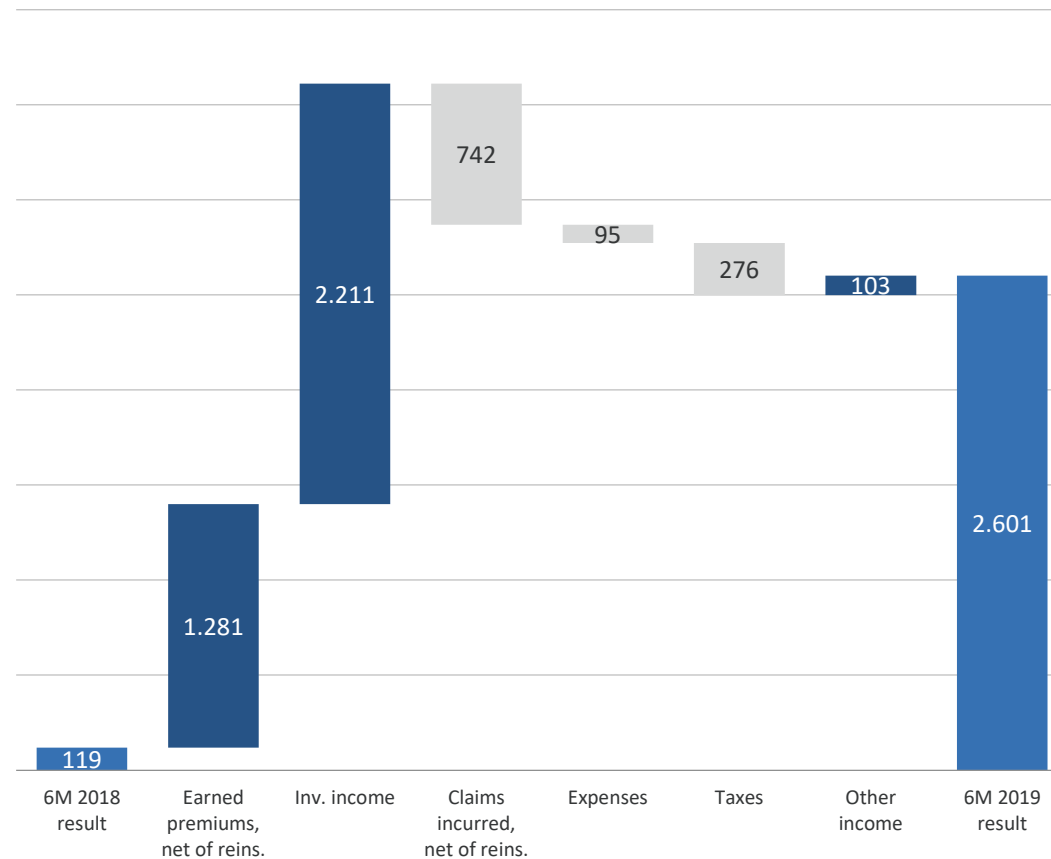
Healthy premium growth and turnaround in investment operations



Bridge analysis Q2 2018 to Q2 2019



Bridge analysis 6M 2018 to 6M 2019

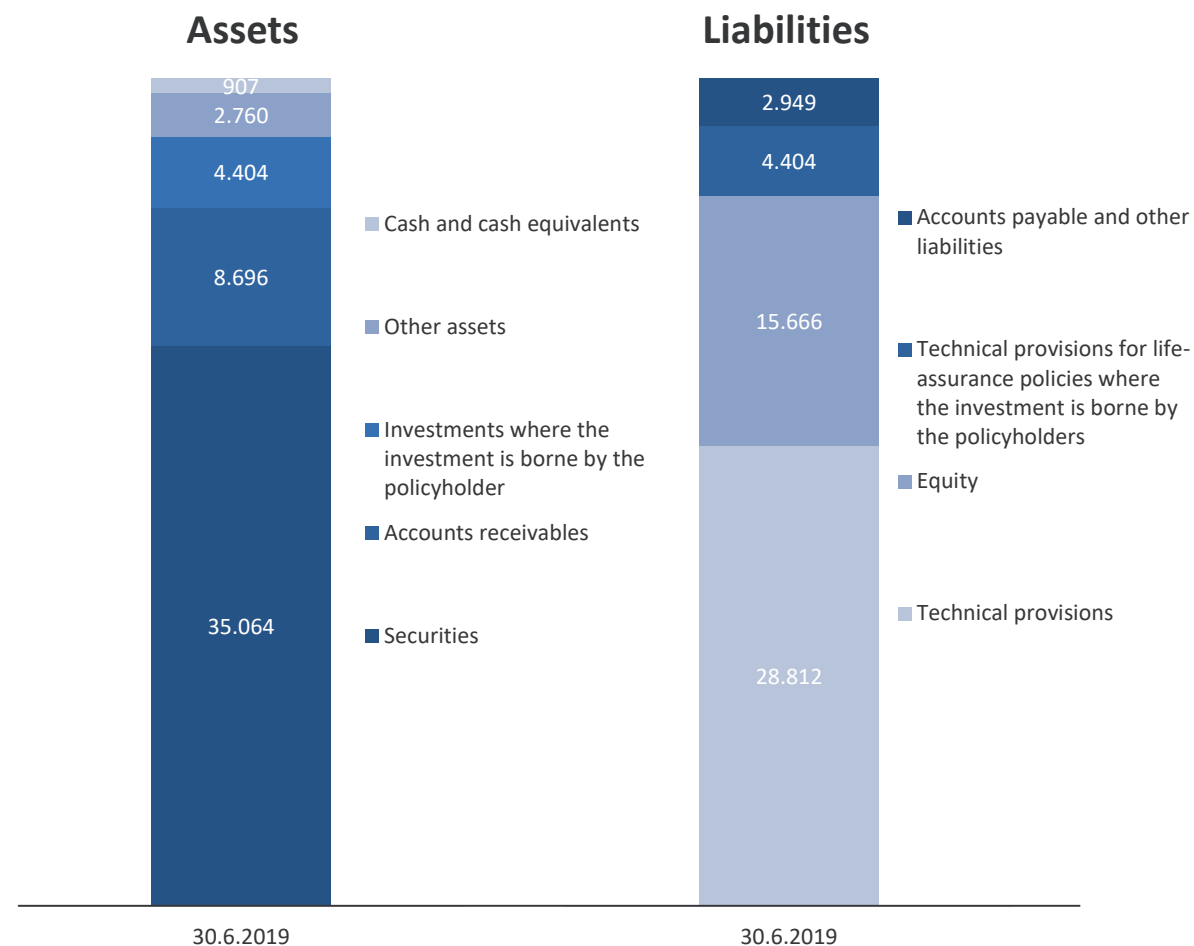


Balance sheet

Growing balance sheet in line with increase in premiums

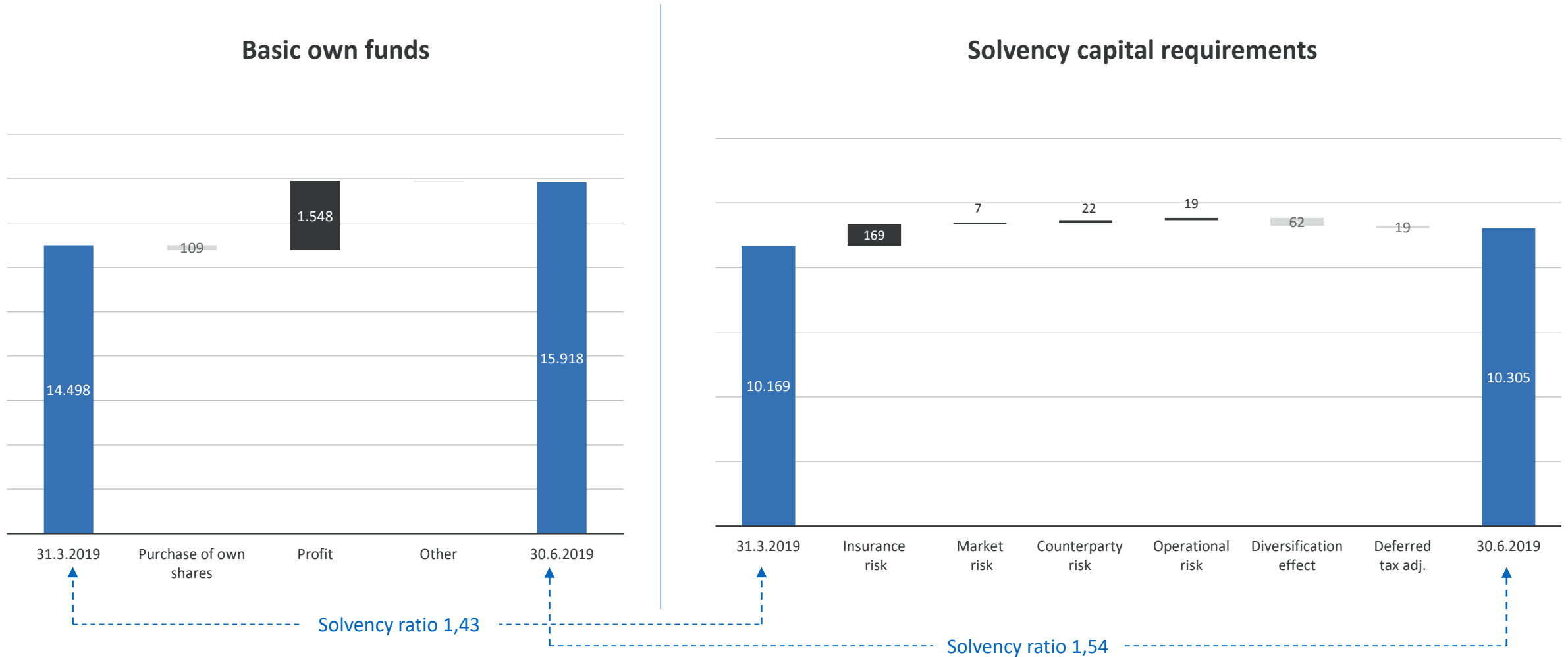
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| | 30.6.2019 | 31.12.2018 |
|---|---------------|---------------|
| Eignir | | |
| Securities | 35.064 | 31.349 |
| Accounts receivables | 8.696 | 5.416 |
| Investments where the investment is borne by the policyholder | 4.404 | 3.891 |
| Cash and cash equivalents | 907 | 1.313 |
| Other assets | 2.760 | 2.227 |
| Total assets | 51.831 | 44.195 |
| Equity | | |
| Share capital | 1.383 | 1.389 |
| Other equity | 14.282 | 12.438 |
| Total equity | 15.666 | 13.827 |
| Liabilities | | |
| Technical provisions | 28.812 | 24.738 |
| Technical provisions for life-assurance policies where the investment is borne by the policyholders | 4.404 | 3.891 |
| Accounts payable and other liabilities | 2.949 | 1.739 |
| Total liabilities | 36.165 | 30.368 |
| Total liabilities and equity | 51.831 | 44.195 |



Changes in basic own funds and solvency capital requirements

Q2 2019



Investment performance in Q2 2019

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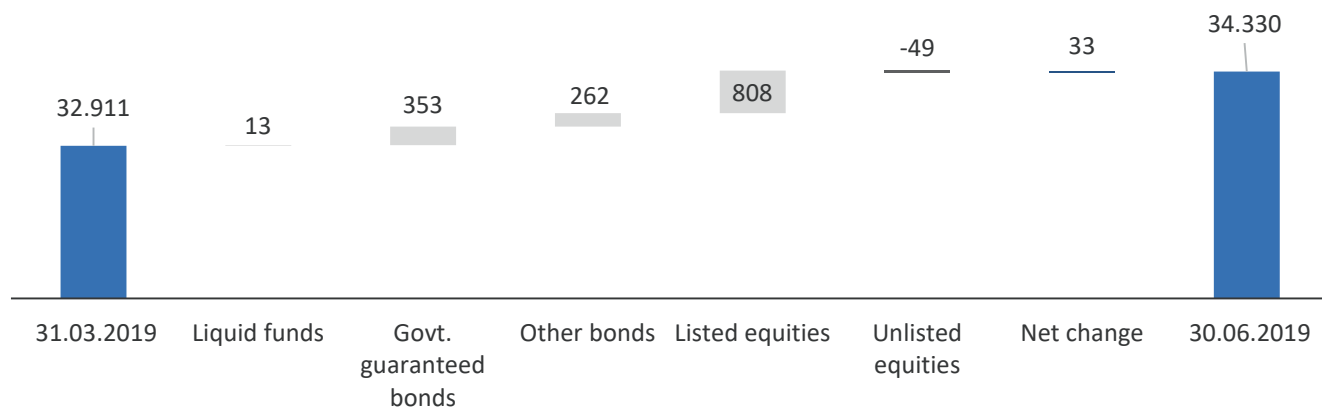
Return on the investment portfolio was 4,2%

| Asset class* | 31.12.2018 | Net change | Income | 31.03.2019 | Return |
|----------------------------------|---------------|------------|--------------|---------------|-------------|
| Liquid funds | 923 | 139 | 13 | 1.074 | 1,4% |
| Govt. guaranteed bonds | 10.369 | 1.569 | 353 | 12.291 | 3,2% |
| Other bonds | 10.319 | -1.517 | 262 | 9.063 | 2,7% |
| Listed equities | 9.021 | -163 | 808 | 9.667 | 9,2% |
| Unlisted equities | 2.279 | 5 | -49 | 2.234 | -2,2% |
| | 32.911 | 33 | 1.386 | 34.330 | 4,2% |
| Interest income from receivables | | | 104 | | |
| Other investment income | | | 50 | | |
| Total investment income | | | 1.540 | | |

- › The average duration of the Group's bond portfolio was 4,1 years at the end of the quarter (4,3 years at the end of Q1 19) and the indexation rate was 42% (64% at the end of Q1 19)

| Gamma index return | Q2 2019 |
|-------------------------|---------|
| Market index | 4,9% |
| Equities | 7,2% |
| Government bonds | 3,9% |
| Inflation-indexed bonds | 3,7% |
| Non-indexed bonds | 4,4% |
| Covered bonds | 2,4% |
| Corporate bonds | 3,0% |

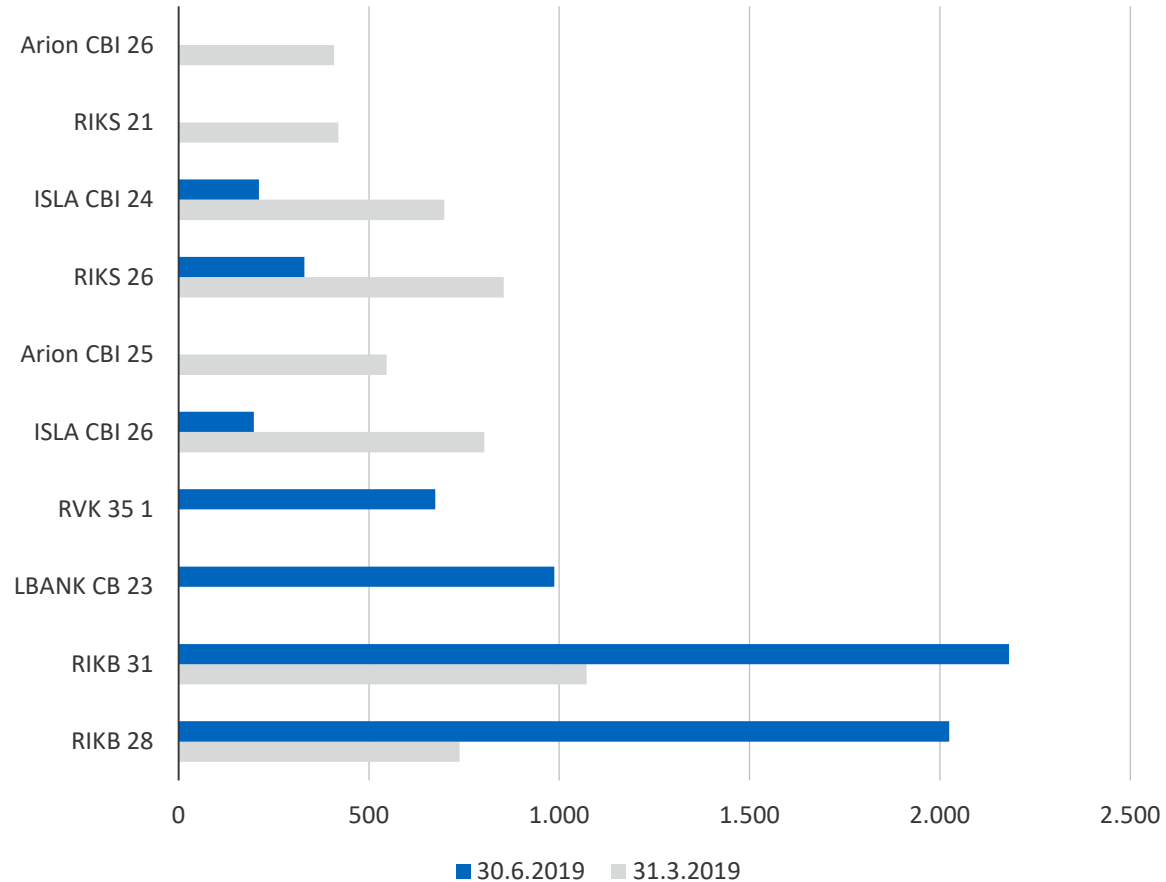
Return and changes in investment portfolio



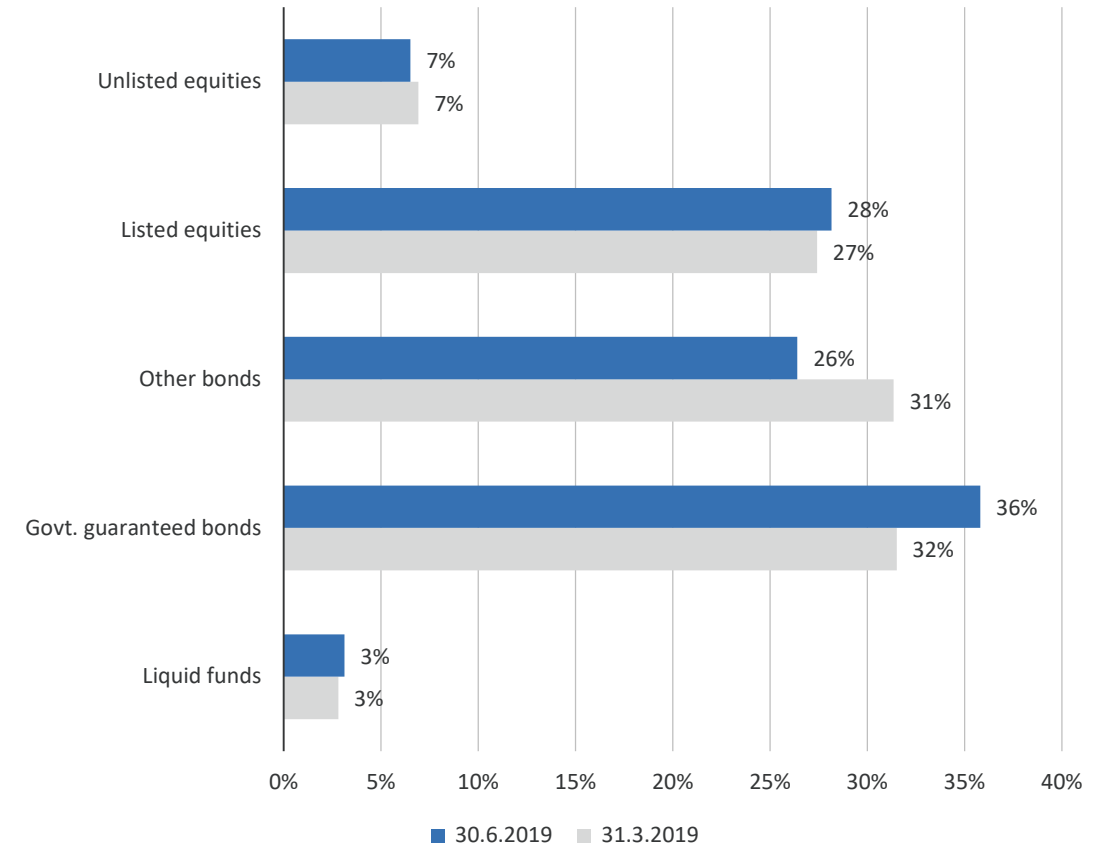
Changes to asset portfolio in Q2 2019

Portfolio share of government bonds increased and share of covered bonds decreased

Largest portfolio changes in Q2 2019



Investment breakdown*



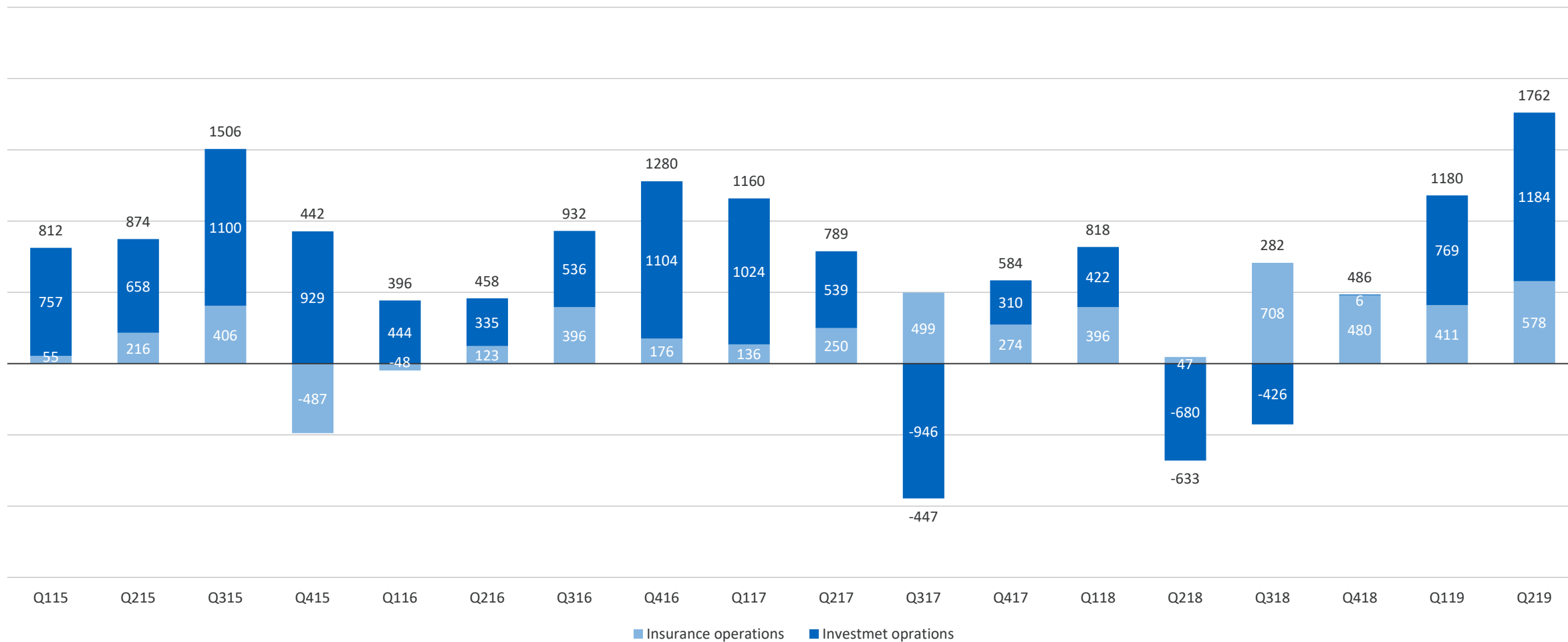
Group investment assets exceeding ISK 500 million

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| Asset | 30.6.2019 | 31.3.2019 | Net change | Return | % of portfolio |
|-------------------------------|---------------|---------------|------------|--------------|----------------|
| Land 05 1 | 3.927 | 3.869 | 0 | 59 | 11,4% |
| Marel | 2.234 | 2.347 | -179 | 66 | 6,5% |
| RIKB31 | 2.182 | 1.072 | 1.022 | 88 | 6,4% |
| RIKB28 | 2.024 | 738 | 1.190 | 96 | 5,9% |
| Festi | 1.045 | 727 | 226 | 92 | 3,0% |
| LBANK CB 23 | 987 | 0 | 971 | 16 | 2,9% |
| Síminn | 884 | 796 | -51 | 139 | 2,6% |
| Stefnir ríkisverðbréfasjóður | 836 | 815 | 0 | 21 | 2,4% |
| Reitir | 818 | 551 | 164 | 103 | 2,4% |
| EIK | 806 | 810 | -109 | 105 | 2,3% |
| Reginn | 786 | 692 | 6 | 89 | 2,3% |
| RVK 35 1 | 674 | 0 | 650 | 24 | 2,0% |
| RIKB 20 | 667 | 440 | 218 | 9 | 1,9% |
| RIKS 33 | 667 | 429 | 203 | 35 | 1,9% |
| HEIMA | 649 | 682 | 0 | -32 | 1,9% |
| RIKB 25 | 637 | 275 | 342 | 21 | 1,9% |
| Júpíter Veðskuldabréf | 628 | 617 | 0 | 12 | 1,8% |
| ISLA CB 23 | 608 | 389 | 198 | 21 | 1,8% |
| Reitir fasteignaf. 15.11.2022 | 607 | 451 | 148 | 8 | 1,8% |
| RIKB 22 | 565 | 524 | 31 | 10 | 1,6% |
| Gamma:Credit Fund | 560 | 551 | 0 | 9 | 1,6% |
| Iceland Seafood International | 552 | 546 | 0 | 5 | 1,6% |
| Lýsing hf. 15.05.2024 | 531 | 637 | -118 | 12 | 1,5% |
| Arion CB 22 | 519 | 189 | 316 | 14 | 1,5% |
| Origo | 503 | 442 | -28 | 89 | 1,5% |
| Other assets | 9.431 | 14.323 | -5.169 | 277 | 27,5% |
| Total assets | 34.330 | 32.911 | 33 | 1.386 | |

Combination of profit/loss before tax

Q1 2015 – Q2 2019



6M 2019 and guidance

| | | | |
|--|--|---|---|
| Results  | Profit of 2.601 m.kr. | Technical results of ISK 989 million | Pre-tax profit from investment operations of ISK 1.953 million |
| Combined ratio  | 96,2% Combined ratio compared to 101,3% in 6M 2018 | Strategic efforts to improve underwriting performance are bearing fruit | Emphasis on healthy premium growth |
| Focus on service  | Primary focus placed on being a leading service company | For the second year running, Sjóvá was the top-ranked insurance company in the Icelandic Customer Satisfaction Index | Our Digital Strategy is integral to our goal of maintaining and improving customer satisfaction |
| Updated guidance  | Combined ratio 95% (unchanged) and pre-tax earnings of ISK 4.300 million (from ISK 4.200 million) for full year 2019 | Combined ratio 95% (unchanged) and pre-tax earnings of ISK 3.000 million (from ISK 3.800 million for Q219-Q120) over the next 12 months (Q319-Q220) | Guidance for the next 12 months is lowered, as previous guidance was based on actual results in part of Q2 2019, which started exceptionally strong |

Q&A



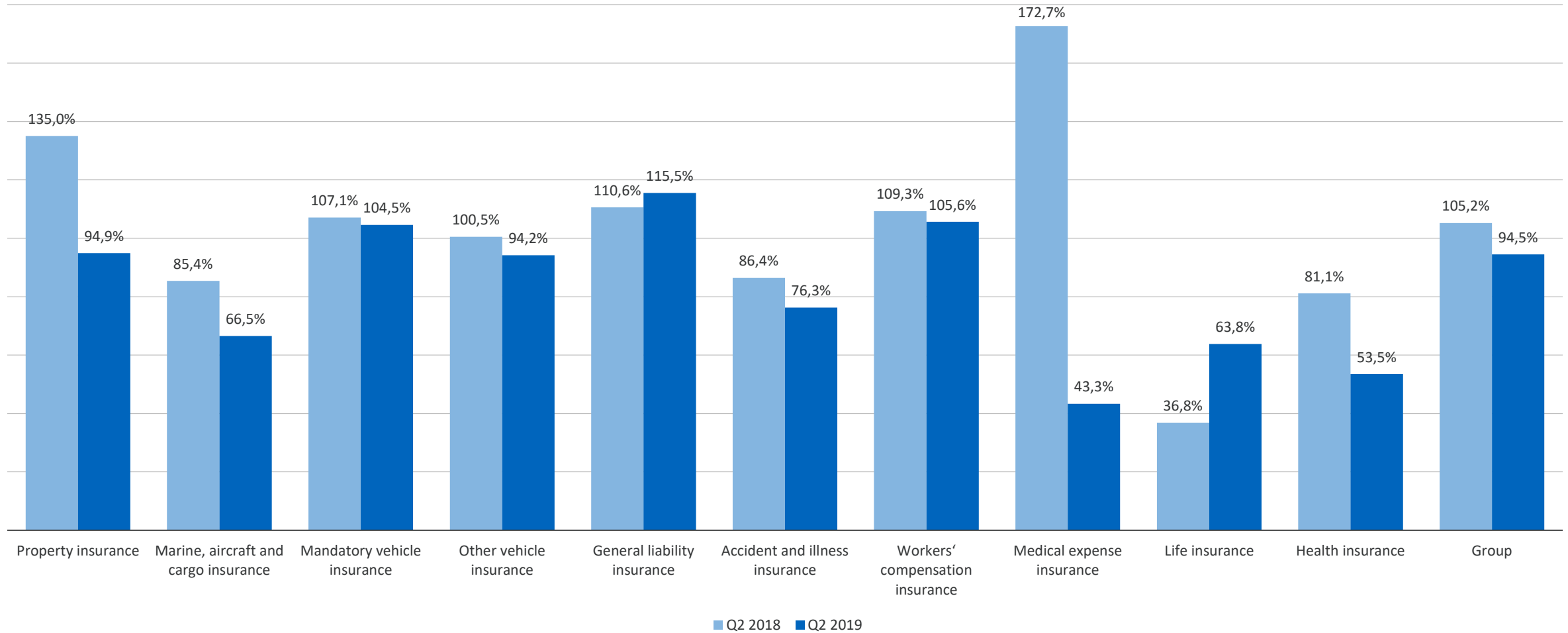
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Appendices and Disclaimer

Combined ratio

Q2 2019 and Q2 2018 by insurance segment

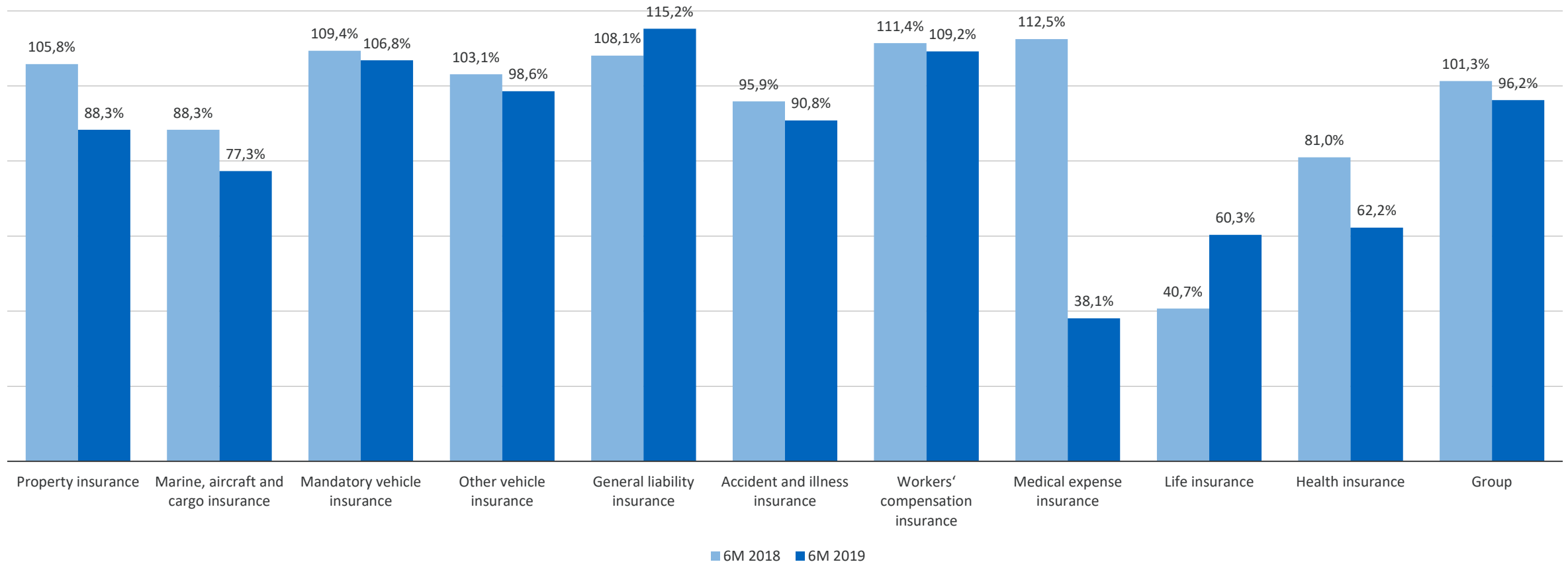
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Combined ratio

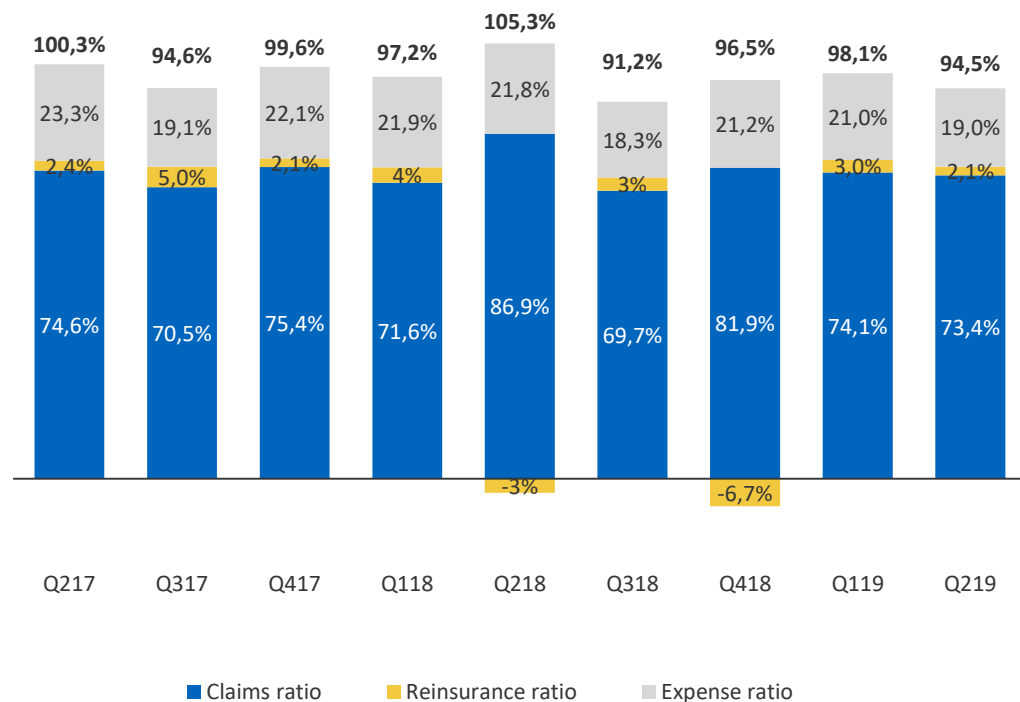
6M 2019 and 6M 2018 by insurance segment

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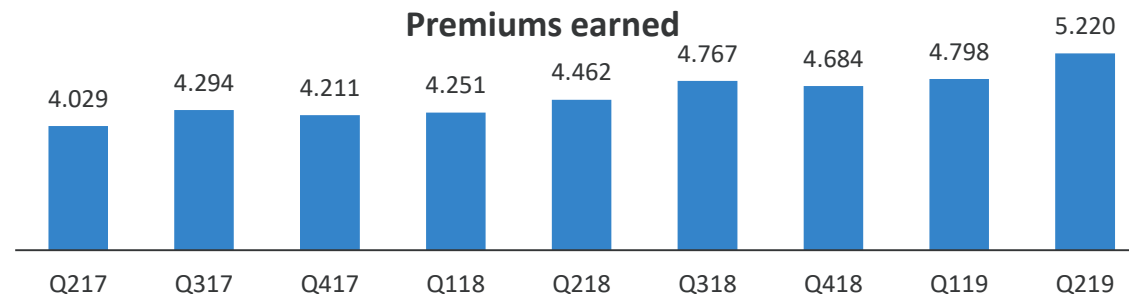


Development of key indicators over preceding quarters

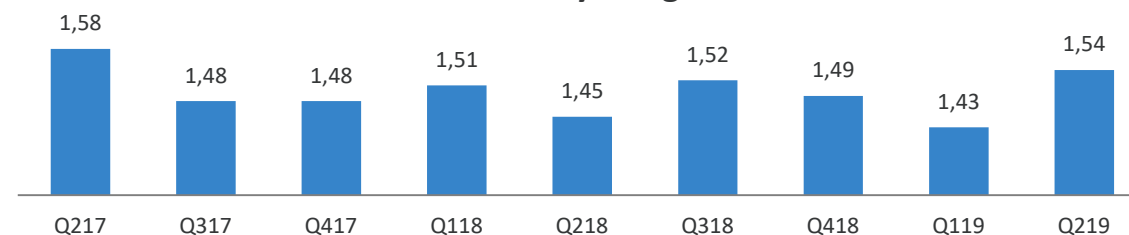
Combined ratio



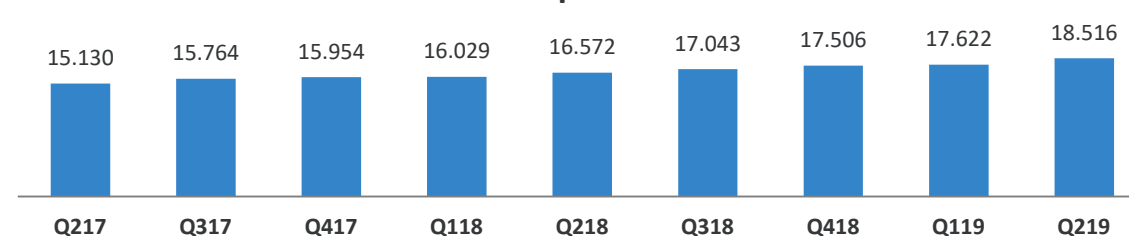
Premiums earned



Solvency margin



Claim provision



Development of key indicators

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| | Q2 2019 | Q1 2019 | Q4 2018 | Q3 2018 | Q2 2018 | Q1 2018 | Q4 2017 | Q3 2017 | Q2 2017 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Premiums earned | 5.220 | 4.798 | 4.684 | 4.767 | 4.462 | 4.251 | 4.211 | 4.294 | 4.029 |
| Premiums earned, net of reinsurance | 4.970 | 4.563 | 4.431 | 4.535 | 4.213 | 4.039 | 3.997 | 4.058 | 3.815 |
| Investment income | 1.540 | 1.158 | 385 | -54 | -305 | 793 | 649 | -619 | 870 |
| Total income | 6.592 | 5.759 | 4.902 | 4.486 | 3.916 | 4.840 | 4.691 | 3.447 | 4.689 |
| Claims incurred | -3.830 | -3.554 | -3.839 | -3.324 | -3.879 | -3.044 | -3.177 | -3.028 | -3.004 |
| Claims incurred, net of reinsurance | -3.751 | -3.474 | -3.357 | -3.248 | -3.484 | -2.998 | -3.096 | -3.013 | -2.890 |
| Operating expenses on insurance operations | -993 | -1.007 | -993 | -872 | -968 | -950 | -931 | -819 | -941 |
| Total expenses | -4.830 | -4.578 | -4.415 | -4.197 | -4.549 | -4.022 | -4.107 | -3.894 | -3.900 |
| After-tax profit | 1.548 | 1.053 | 392 | 249 | -630 | 749 | 416 | -472 | 702 |
| Total assets | 51.831 | 49.807 | 44.195 | 45.182 | 45.242 | 45.937 | 43.365 | 43.609 | 44.466 |
| Securities | 39.468 | 37.189 | 35.240 | 30.560 | 35.171 | 34.978 | 36.036 | 35.187 | 35.540 |
| Cash and cash equivalents | 907 | 788 | 1.313 | 1.492 | 861 | 1.574 | 951 | 930 | 797 |
| Equity | 15.666 | 14.228 | 13.827 | 13.534 | 13.695 | 14.459 | 15.206 | 14.899 | 15.832 |
| Technical provisions | 28.812 | 28.190 | 24.738 | 25.311 | 25.509 | 25.255 | 22.469 | 23.254 | 23.306 |
| Claims ratio | 73,4% | 74,1% | 81,9% | 69,7% | 86,9% | 71,6% | 75,4% | 70,5% | 74,6% |
| Reinsurance ratio | 2,1% | 3,0% | -6,7% | 3,2% | -3,4% | 3,7% | 2,1% | 5,0% | 2,4% |
| Expense ratio | 19,0% | 21,0% | 21,2% | 18,3% | 21,7% | 21,9% | 22,1% | 19,1% | 23,3% |
| Combined ratio | 94,5% | 98,1% | 96,5% | 91,2% | 105,2% | 97,2% | 99,6% | 94,6% | 100,3% |
| Return on equity (ROE) | 42,0% | 30,0% | 10,8% | 3,9% | -17,4% | 20,2% | 10,2% | -12,7% | 16,9% |
| Solvency ratio | 1,54 | 1,43 | 1,49 | 1,52 | 1,45 | 1,51 | 1,48 | 1,48 | 1,58 |

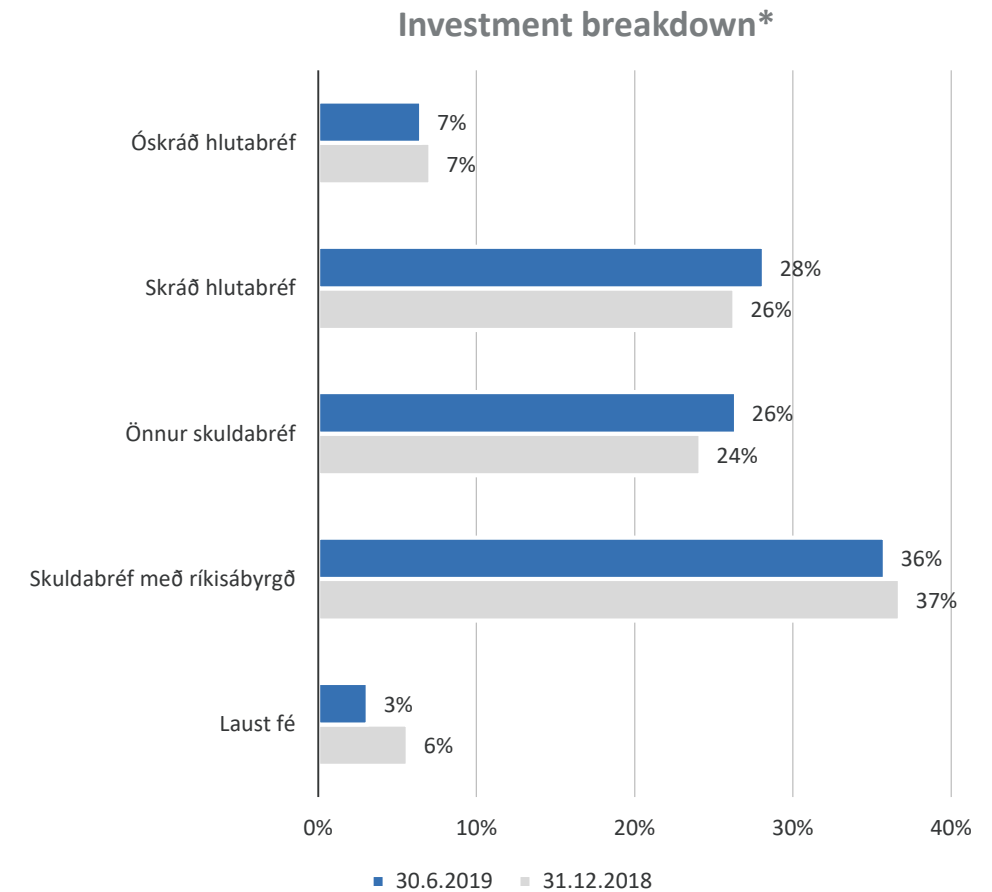
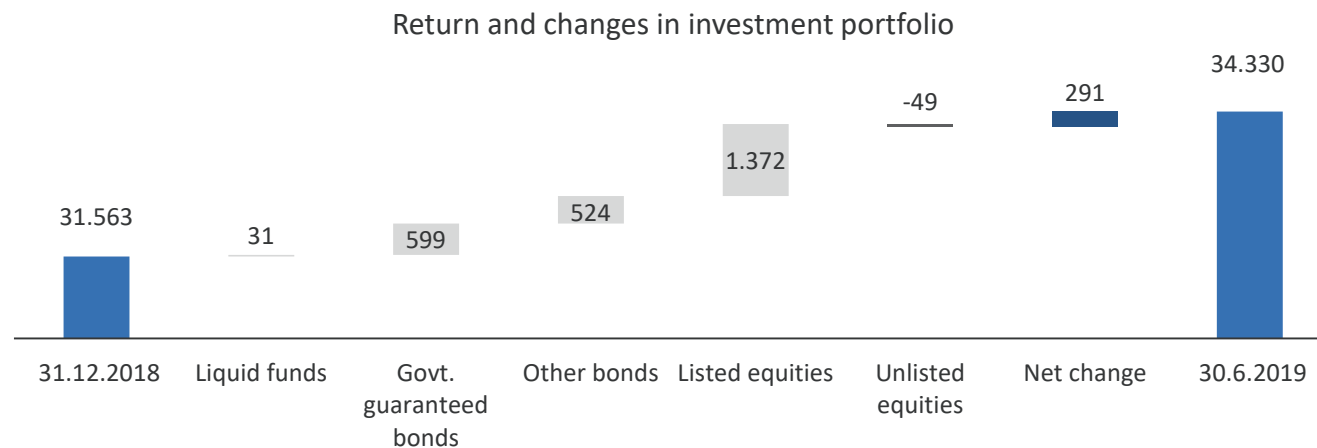
Amounts are in ISK million

Investment performance in 6M 2019

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Return on the investment portfolio was 7,9%

| Asset class* | 30.6.2019 | Net change | Income | 31.12.2018 | Return |
|----------------------------------|---------------|------------|--------------|---------------|-------------|
| Liquid funds | 1.788 | -745 | 31 | 1.074 | 2,6% |
| Govt. guaranteed bonds | 11.603 | 89 | 599 | 12.291 | 5,6% |
| Other bonds | 7.627 | 912 | 524 | 9.063 | 5,7% |
| Listed equities | 8.302 | -8 | 1.372 | 9.667 | 16,3% |
| Unlisted equities | 2.242 | 42 | -49 | 2.234 | -2,2% |
| | 31.563 | 291 | 2.477 | 34.330 | 7,9% |
| Interest income from receivables | | | 204 | | |
| Other investment income | | | 18 | | |
| Total investment income | | | 2.699 | | |

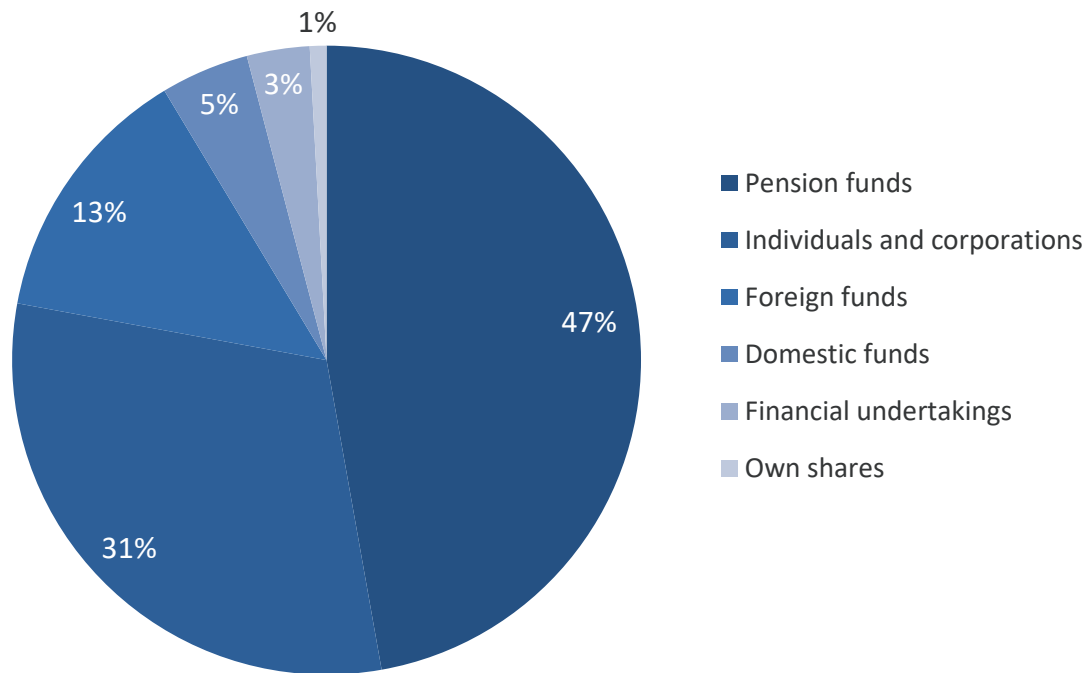


Distribution of shareholders

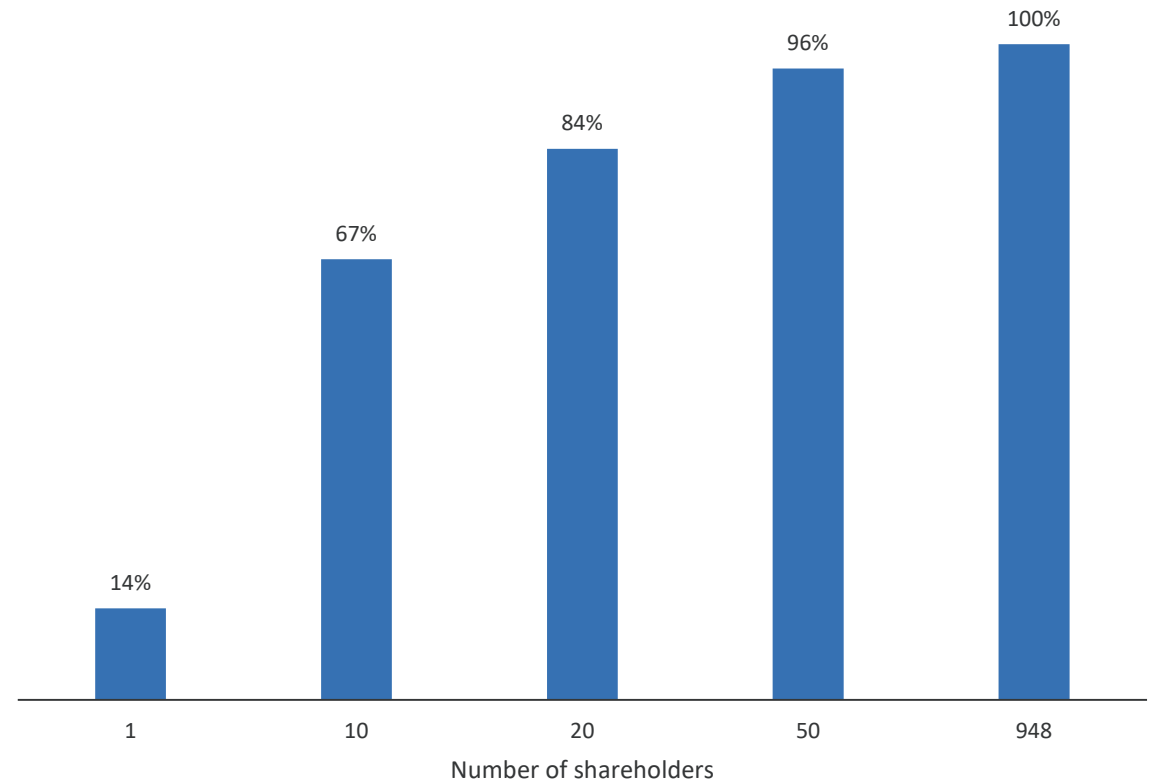
948 shareholders as of 18 August 2019

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Shareholders



Total shareholdings



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