

Contents

Sjóvá-Almennar tryggingar hf.	4
Annual Financial Statement.	7
Report and Signatures of the Board of Directors and CEO	8
Auditors' attestation	9
Examiners' attestation	10
Profit and loss account for the year 2003	11
Balance Sheet December 31st 2003.....	12
Statement of cash flows 2003	14

Sjóvá-Almennar tryggingar hf.
Annual Report 2003

Sjóvá-Almennar tryggingar hf.

In October 2003 Íslandsbanki acquired the entire shares of Sjóvá-Almennar which became a daughter company of the bank. Following this acquisition Sjóvá-Almennar acquired the entire shares of the life company Samlíf. Subsequently Samlíf's name was changed to Sjóvá-Almennar liftryggingar hf. and its activities transferred to Sjóvá-Almennar's premises at Kringlan 5.

Sjóvá-Almennar, Group					
ISK m	2003	Q4	Q3	Q2	Q1
Net interest income	1,245	388	258	297	302
Other operating income	12,991	4,639	3,953	2,220	2,179
Net operating income	14,236	5,027	4,211	2,517	2,481
Other operating expenses	-2,834	-916	-628	-722	-568
Claims net of reinsurance	-6,201	-1,578	-1,471	-1,546	-1,606
Provision for losses	-443	-99	-215	-55	-74
Pre-tax profit	4,758	2,434	1,897	194	233

The Sjóvá-Almennar group's operating profit was ISK 3,930 million in 2003, which is a substantial increase over the previous year. The dominating factor here is profit from sale of investments and changes in appraisal value of the company's shareholdings.

Insurance operations continued to be in good balance and claims in compulsory motor insurance reduced by about 5% from the previous year. The group's

accounted premium income increased by 5% during the year and premiums net of reinsurance by 6%. Claims net of reinsurance increased by 16% from the previous year, with much of this increase attributable to changes in the company's reinsurance programmes, leading to a larger proportion of risks now being retained. In 2003, the equalisation provision was increased, according to the company's rules.

Net operating costs were 29% a slight increase over previous year.

Overall number of policies in force increased by 2% over the previous year. The greatest increase was in property.

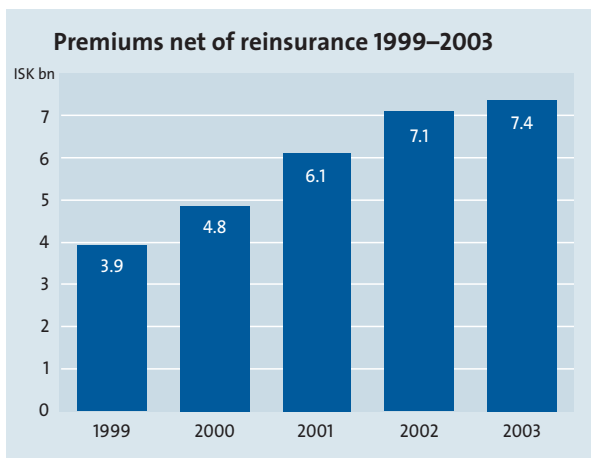
A total of 20,210 claims were reported in 2003, as compared to 20,853 in 2002, a decrease of 3%. At year-end 2003 just over 282,000 policies were in force.

Performance of insurance and investment operations

ISK m	2003	2002
Premiums, net of reinsurance.....	7,353	7,090
Allocated investment income.....	2,288	645
Unrealised income from life insurance.....	265	-195
Claims, net of reinsurance.....	-6,150	-5,299
Bonuses and premium rebates.....	-284	-172
Net operating expenses.....	-2,172	-1,752
Change in equalisation provision.....	-51	-23
Profit from insurance operations.....	1,249	294
Investment income.....	6,803	1,548
Investment expenses.....	-873	-653
Investment income transferred.....	-2,288	-645
Profit from investment operations.....	3,642	250
Other expenses and minority interest.....	-133	29
Taxes.....	-828	-72
Profit.....	3,930	501

Operations of individual portfolios

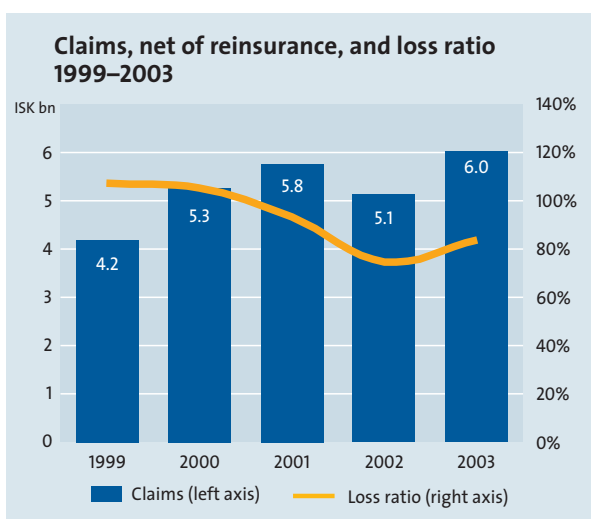
In property accounted premiums increased by 18%. As previously, this growth was mainly in home- and house-owners policies. Considerable increase was as well in compulsory fire insurance. The overall loss ratio was 54% as compared to 68% the previous year.



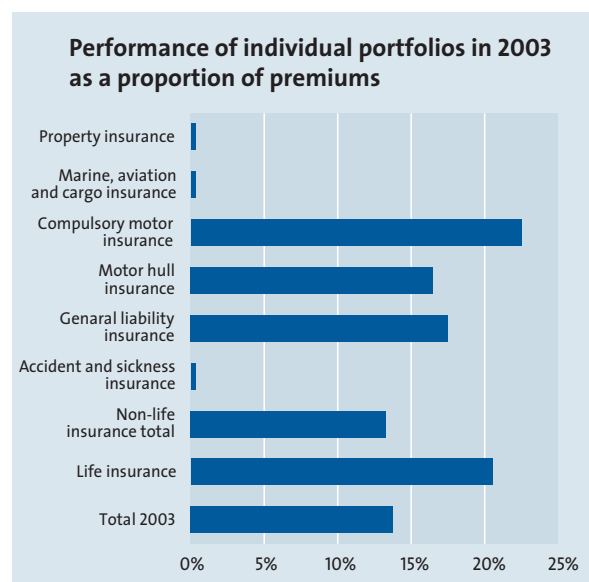
Premiums in property insurance comprised 25% of the company's premiums.

Premiums in marine, aviation and cargo increased by 1%. The loss ratio was 33% which is considerably lower than in 2002, when this ratio was 70%. Premiums in marine, aviation and cargo comprised 7% of the company's premium income.

In compulsory motor insurance total premiums dropped by 1% and the average premium also by 1%. At the same time, total premiums in motor hull increased by 4%, while the average premium increased by 3%. Claims incurred for the year 2003 decreased in number as compared to the previous



year. There was a slight increase in claims in motor hull insurance. Total premiums in motor insurance comprised 53% of the company's direct premiums, a drop of 2% from the previous year.



In general liability the loss ratio, was 51% as compared with 66% in 2002. Premiums increased by 3% while paid claims dropped by 21%. Premiums in general liability comprised 8% of the company's direct premiums.

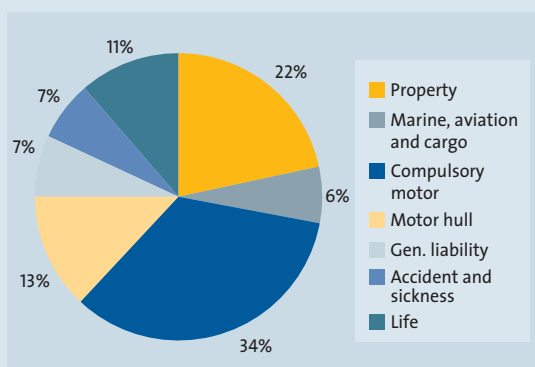
The loss ratio in accident and sickness was 66% as compared with 56% the previous year. Most of the difference here is a rise in claims in the seamen's accident portfolio. Premiums increased by 5% over the previous year, while paid claims rose by 25%. Premiums in accident and sickness comprised 7% of the company's direct premiums.

Premiums in inward reinsurance increased by 47% over last year. The loss ratio was 56% as compared to 58% the previous year. The major part of these premiums came from Sjóvá-Almennar líftryggingar.

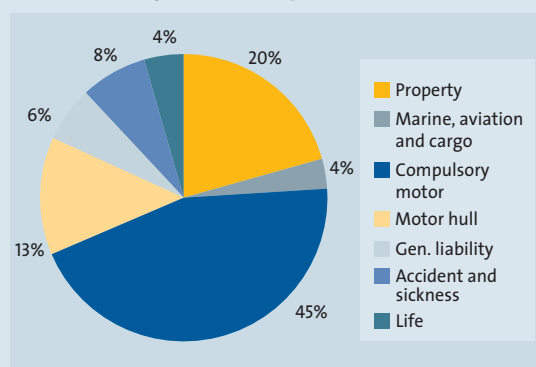
The profit on the operations of Sjóvá-Almennar líftryggingar amounted to ISK 101 million in 2003, as compared to a loss of ISK 120 million the previous year.

Accounted premium income in life insurance for the

Accounted premiums by individual portfolios



Paid claims by individual portfolios



year was ISK 1,102 million, an increase of 6% over the previous year. Paid claims increased by 3% over the previous year. Accounted premium in non-life insurance amounted to ISK 30 million, a decrease of 8% from 2002.

Sjóvá-Almennar's activities

At the end of the year, a decision was taken to lower premiums for compulsory motor liability insurance by as much as 10% as of 1st January 2004. By this action, Sjóvá-Almennar aims at passing on to its customers the improvement which has occurred in mandatory motor vehicle insurance recently. The reason for the improved situation in this class of insurance is, in particular, a drop in the number of claims, which can be attributed to better conditions, not least milder weather.

Over 20,000 of Sjóvá-Almennar customers registered in Stofn the loyalty scheme for preferred customer, who had made no claims, received a bonus check of up to 10% of their premium in February. Total rebates amounted to over ISK 260 million. Sjóvá-Almennar is the only insurance company which rewards good customers in this manner.

Sjóvá-Almennar received the Icelandic Quality Award for 2003, which is presented annually by the association Excellence Iceland. The objective of the Icelandic Quality Award is to recognise major administrative achievements by companies and institutions, while at the same time encouraging them to adopt clear objectives and assess their achievement regularly. The company also received the award Striking the Balance, made in recognition of efforts towards finding a work-life balance in word and in deed.

Annual Financial Statement 2003

Report and Signatures of the Board of Directors and CEO

The Annual Accounts for Sjóvá-Almennar tryggingar hf. for 2003 published here cover the company's fifteenth year of operation. The Annual Accounts include the accounts of the parent company and the consolidated accounts of Sjóvá-Almennar and its subsidiary Sjóvá-Almennar líftryggingar hf.

The company purchased 40% of the shares in Sameinaða líftryggingarfélagið hf. which, following the purchase, is 100% owned by Sjóvá-Almennar tryggingar hf. The name Sameinaða líftryggingarfélagið has been changed to Sjóvá-Almennar líftryggingar hf.

At a meeting of the company's shareholders held at the beginning of September it was decided to decrease the company's share capital by ISK 60 million, from ISK 585 million to ISK 525 million.

Íslandsbanki hf. has acquired all the share capital of Sjóvá-Almennar tryggingar hf. and this company is thus now a daughter company of Íslandsbanki. At the same time, Sjóvá-Almennar tryggingar has been delisted from ICEX, as the company no longer fulfils the listing requirements.

Following the purchase by Íslandsbanki of the company's entire share capital, the company management have decided to place equities owned by the company under

active asset management; they are thus not intended to be long-term assets. Listed equities have thus been marked to market on the company's balance sheet at year-end and the appraisal change entered as income on the profit and loss account.

The company's profit in 2003 amounted to ISK 3,930 million, as compared to ISK 501 million the previous year.

The profit for the year is primarily the result of gains on equities sold, as the company sold, for instance, its entire holdings in Hf. Eimskipafélag Íslands, Íslandsbanki and Skeljungur with the resulting total gain of around ISK 3,500 million.

Following the decrease during the year, share capital is currently ISK 525 million. The company's total equity at year-end was ISK 8,378 million, as compared to ISK 5,942 million at the end of the previous year.

The Board of Directors moves to pay the shareholder a dividend amounting to ISK 3,500 million, and refers to the Annual Accounts concerning disposal of profit and changes to the company's equity in other respects.

The Board of Directors of Sjóvá-Almennar and the CEO hereby confirm the company's Annual Accounts for 2003 by means of their signatures.

Reykjavík, January 26th 2004

Benedikt Sveinsson, Chairman of the Board

Hjalte Geir Kristjánsson	Guðrún Pétursdóttir
Kristinn Björnsson	Garðar Halldórsson
Ólafur B. Thors	Kristján Loftsson

Alternates:

Hallgrímur B. Geirsson	Valdimar Bergstað
------------------------	-------------------

CEO:

Einar Sveinsson

Auditors' attestation

To the Board of Directors and Shareholders of Sjóvá-Almennar tryggingar hf.

We have audited the Annual Accounts for Sjóvá-Almennar tryggingar hf. for 2003. The Annual Accounts include the Consolidated Annual Accounts and Annual Accounts of the parent company, consisting of the Report from the Board of Directors, Profit and Loss Account, Balance Sheet and Statement of Cash Flows, including Notes 1-28.

These Annual Accounts have been submitted by the company's management, who are responsible for them by law. Our responsibility is to express an opinion on these Annual Accounts based upon our audit.

We conducted our audit in accordance with generally accepted accounting practices. Accordingly, we are required to plan and perform our audit to obtain reasonable assurance as to whether the Annual Accounts are free of material flaws.

The audit, which is based upon our assessment of the importance of individual factors and risks, involves analysis methods, sampling and examinations of data to verify amounts and disclosures indicated in the Annual Accounts. Our audit also includes assessing the accounting principles and assessment guidelines used in compiling the Annual Accounts, as well as evaluating their overall presentation. We believe that our audit provides a reasonable basis for our opinion.

In our estimation, the Annual Accounts provide a true and fair view of the company's performance during 2003, its financial position as of December 31st 2003 and cash flows for the year 2003, in accordance with the law and generally accepted accounting principles in Iceland.

Reykjavík, January 26th 2004

PricewaterhouseCoopers hf.

Sigurður B. Arnþórsson
Certified Public Accountant

Reynir Vignir
Certified Public Accountant

Examiners' attestation

As the elected examiner for Sjóvá-Almennar tryggingar hf., I have gone over these Annual Accounts and move that they be approved.

Reykjavík, January 26th 2004

Kristinn Zimsen

Profit and Loss Account for the Year 2003

The amounts are in millions of Icelandic krónur (ISK)

	Group		Parent	
	2003	2002	2003	2002
Insurance revenue account, non-life and life operations				
Gross premiums	9,631	9,189	8,646	8,217
Reinsurance premiums ceded	(1,255)	(1,790)	(1,141)	(1,639)
Change in gross unearned premiums provisions	(137)	(160)	(139)	(100)
Change in other life-insurance premiums liability	(684)	(191)	0	0
Change in gross unearned premiums provisions, reinsurers' share	(202)	42	(164)	29
Premiums, net of reinsurance	7,353	7,090	7,202	6,507
Allocated investment income	2,288	645	2,208	640
Unrealised income from life insurance where the insured bears the investment risk	265	(195)	0	0
Gross claims paid	(5,573)	(5,605)	(5,365)	(5,391)
Reinsurers' share received	650	1,053	579	980
Change in gross provisions for outstanding claims	(964)	(1,050)	(937)	(1,026)
Change in gross provisions for outstanding claims, reinsurers' share	(263)	303	(285)	316
Claims, net of reinsurance	(6,150)	(5,299)	(6,008)	(5,121)
Bonuses and premium rebates	(284)	(172)	(270)	(172)
Aquisition costs	(1,441)	(1,315)	(1,254)	(1,082)
Administrative expenses	(906)	(793)	(818)	(677)
Reinsurance commissions and profit participation	175	356	148	331
Net operating expenses insurance operations	(2,172)	(1,752)	(1,924)	(1,428)
Change in equalisation provision	(51)	(23)	(51)	(23)
Profit from insurance operations	1,249	294	1,157	403
Investment operations				
Profit share from subsidiaries and affiliated companies	112	23	185	(36)
Income on other holdings	286	138	286	137
Expenses from real estate	(99)	(16)	(98)	(15)
Interests and trading rate gain	1,344	943	1,196	940
Profit on sale of assets	4,062	460	4,058	458
Appraisal change on investment securities	1,098	0	1,098	0
Investment income	6,803	1,548	6,725	1,484
Administrative expenses	(294)	(228)	(286)	(220)
Interest expenses	(148)	(206)	(118)	(181)
Provision for losses on investments	(431)	(219)	(432)	(212)
Investment expenses	(873)	(653)	(836)	(613)
Allocated investment income transferred to insurance operations	(2,288)	(645)	(2,208)	(640)
Result from investment operations	3,642	250	3,681	231
Other expenses	(105)	(32)	(105)	(32)
Income tax and tax on net worth	(828)	(72)	(803)	(101)
Minority interest	(28)	61	0	0
Profit for the year	3,930	501	3,930	501

Balance Sheet

The amounts are in millions of Icelandic krónur (ISK)

Assets	Group		Parent	
	2003	2002	2003	2002
Intangible assets				
Goodwill	980	637	980	637
Investments				
Land and buildings	1,424	1,506	1,218	1,293
Subsidiaries and affiliated companies				
Shares in subsidiaries	0	0	399	179
Shares in affiliated companies	4,521	1,399	4,521	1,399
	4,521	1,399	4,920	1,578
Other investments				
Variable-yield securities	7,397	8,779	6,619	8,147
Bonds and fixed-income securities	1,857	1,198	1,834	1,173
Loans guaranteed by mortgages	5,609	5,805	5,609	5,806
Other loans	3,532	780	3,532	780
	18,395	16,562	17,594	15,906
Investments due to life insurance where the insured bears the investment risk	1,523	839	0	0
Reinsurance deposits	23	25	23	25
	25,886	20,331	23,755	18,802
Technical provisions, reinsurers' share				
Premium provision	418	619	348	511
Claim provision for non-life insurance operations	1,174	1,343	1,044	1,329
Claim provision for life insurance operations	15	109	0	0
	1,607	2,071	1,392	1,840
Claims				
Amounts due from affiliated companies	6	0	42	27
Amounts due from policyholders	1,699	2,102	1,606	2,007
Other receivables arising out of direct insurance operations	135	24	131	17
Other receivables arising out of reinsurance operations	1	1	1	0
Other receivables	83	70	80	63
	1,924	2,197	1,860	2,114
Other assets				
Tangible assets	646	686	473	512
Cash and cash equivalents	714	1,399	671	1,360
Own shares	0	10	0	10
	1,360	2,095	1,144	1,882
Assets total	31,757	27,331	29,131	25,275

December 31st 2003

The amounts are in millions of Icelandic krónur (ISK)

Liabilities and Equity

	Group		Parent	
	2003	2002	2003	2002
Sharholders equity				
Share capital	525	585	525	585
Share premium	98	1,313	98	1,313
Statutory reserve	131	146	131	146
Retained earnings	7,624	3,898	7,624	3,898
	8,378	5,942	8,378	5,942
Minority interest	0	119	0	0
Technical provisions				
Gross unearned premiums	4,020	3,882	3,666	3,527
Gross outstanding claims in non-life insurance operations	14,014	13,080	14,003	13,066
Gross outstanding claims in life insurance operations	337	307	0	0
Equalisation provisions	615	564	606	555
Bonuses and premium provisions	427	345	260	164
	19,413	18,178	18,535	17,312
Life insurance claims where the insured bears the investment risk	1,523	839	0	0
General provisions				
Pension plan obligations	183	135	182	135
Deferred income tax liability	1,003	224	995	239
	1,186	359	1,177	374
Deposits received from reinsurers	0	89	0	89
Creditors				
Creditors arising out of direct insurance operations	25	475	4	440
Creditors arising out of reinsurance operations	76	80	76	79
Bonds	587	819	433	633
Other creditors	404	325	403	324
	1,092	1,699	916	1,476
Accrued expenses and deferred revenue	165	106	125	82
Total liabilities	31,757	27,331	29,131	25,275

Statements of cash flows 2003

The amounts are in millions of Icelandic krónur (ISK)

	Group		Parent	
	2003	2002	2003	2002
Cash flows from operating activities:				
Net earnings	3,930	501	3,930	501
Adjustments for cash flows from operating activities:				
Depreciation	273	216	230	171
Deferred income tax liability, (decrease) increase	779	53	756	82
Technical provisions, increase	1,699	872	1,672	816
Exchange rate difference	(19)	43	100	28
Changes in investment valuations	(1,098)	0	(1,098)	0
Pension obligation, increase	47	10	47	10
Change in write-down on investments and debtors	319	(179)	320	(186)
Depreciation of goodwill	93	52	93	52
Earnings from associated companies	(112)	(23)	(185)	36
Capital gain on sale of assets	(4,108)	(457)	(4,106)	(456)
Minority interest	28	(61)	0	0
Working capital provided by operating activities	1,831	1,027	1,759	1,054
Change in operational assets and liabilities:				
Owed from debtors, decrease, (increase)	191	801	182	768
Owed to creditors, increase	(394)	158	(407)	131
Cash provided by operating activities	1,628	1,986	1,534	1,953
Cash flows from investing activities:				
Real estate	(18)	(54)	(18)	(54)
Equipment and other tangible assets	(100)	(88)	(98)	(84)
Investment in associated companies	(4,059)	(1,983)	(4,059)	(1,983)
Investments in shares in other companies	(6,259)	(2,762)	(6,259)	(2,762)
Proceeds from sale of shares in associated companies	909	0	909	0
Proceeds from sale of shares in other companies	12,343	1,819	12,313	1,787
Dividends from associated companies	42	26	42	28
Securities repayments received	5,221	4,922	5,222	4,774
Purchase of securities	(8,644)	(4,198)	(8,591)	(4,022)
	(565)	(2,318)	(539)	(2,316)
Cash flows from financing activities:				
Decrease in share capital	(60)	0	(60)	0
Repayments of bonds payable	(1,374)	(663)	(1,310)	(631)
Proceeds from bonds payable	1,064	394	1,064	394
Trading with own shares	(1,205)	1,221	(1,205)	1,222
Dividend paid	(172)	(136)	(173)	(133)
	(1,747)	816	(1,684)	852
Increase in cash and cash equivalents	(684)	484	(689)	489
Cash and cash equivalents January 1st 2003	1,398	914	1,360	871
Cash and cash equivalents December 31st 2003	714	1,398	671	1,360

Sjóvá-Almennar tryggingar hf. – Annual meeting March 12th 2004

Editor: Ólafur Jón Ingólfsson

Photograph: Ragnar Th. Sigurðsson