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Quarterly results Q4 2018

Translation of
Investors' Presentation
15 February 2018



2018 Financial Year

Improved underwriting results in challenging environment, offsetting investment losses

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Results

- Profit of **ISK 652 million**
- Technical results of **ISK 1.631 million**
- Pre-tax loss from investment operations of **ISK 679 million**



Combined ratio

- Combined ratio of **97,4%** compared with **99,4%** in 2017
- Robust, disciplined premium growth results in lower combined ratio
- Particularly pleasing considering the unusual number of major losses that occurred in 2018



Investments

- Investment income **ISK 299 million**
- Return on investment portfolio **0,9%**
 - Poor returns caused by stock portfolio losses



Dividend

- The Board of Directors proposes a dividend of **ISK 0,47** per share or about **ISK 650 million**

Q4 in brief

Better than expected vehicle and property insurance results

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Results

- Profit of **ISK 392 million**
- Technical results of **ISK 480 million**
- Pre-tax profit from investment operations of **ISK 6 million**



Combined ratio

- Combined ratio of **96,5%** compared with **99,6%** in Q4 2017
- Vehicle and property insurance results better than projected
 - Offsets the impact of major losses



Investments

- Investment income **ISK 314 million**
- Return on investment portfolio **1,0%** in the quarter



Claims and reinsurance cost

- Claims and reinsurance ratio **75,3%** compared with **77,5%** in Q4 2017

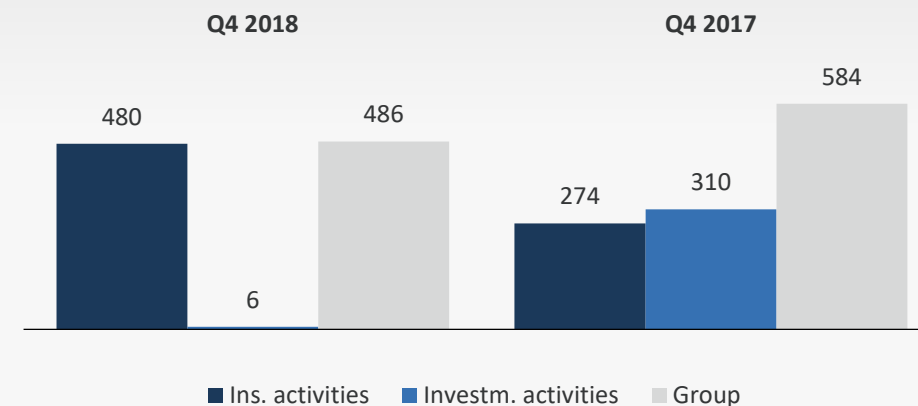
Highlights from Q4 2018

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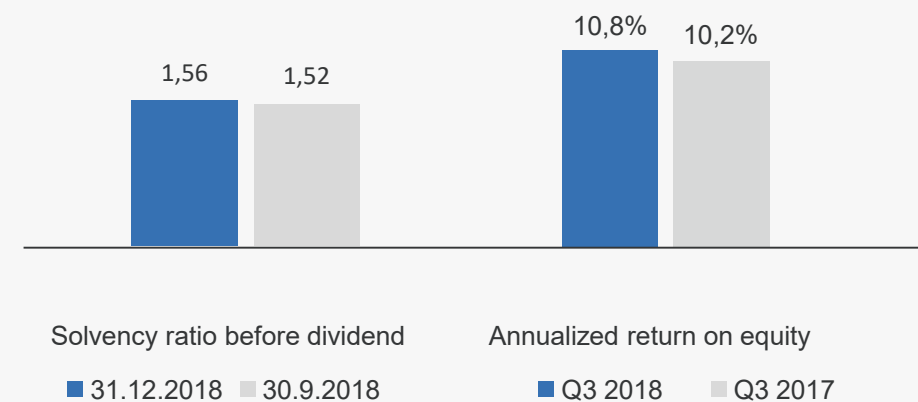
	Q4 2018	Q4 2017
Profit/loss for the period	392	416
Earnings per share	0,27	0,29
Pre-tax profit/loss	486	584
Technical results	480	274
Profit/loss on investment operations	6	310
Annualized return on equity (ROE)	10,8%	10,2%
Group combined ratio	96,5%	99,6%

	31.12.2018	30.09.2018
Group equity ratio	31,3%	30,0%
Solvency ratio before dividend	1,56	1,52

Segment performance before tax



Solvency ratio and return on equity



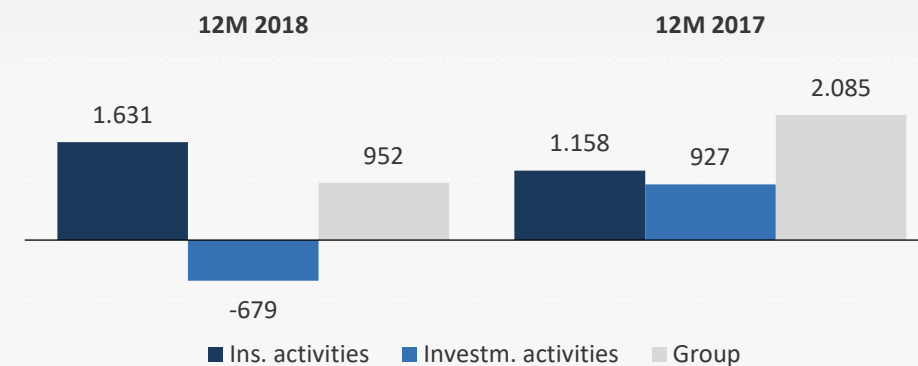
Highlights from 2018

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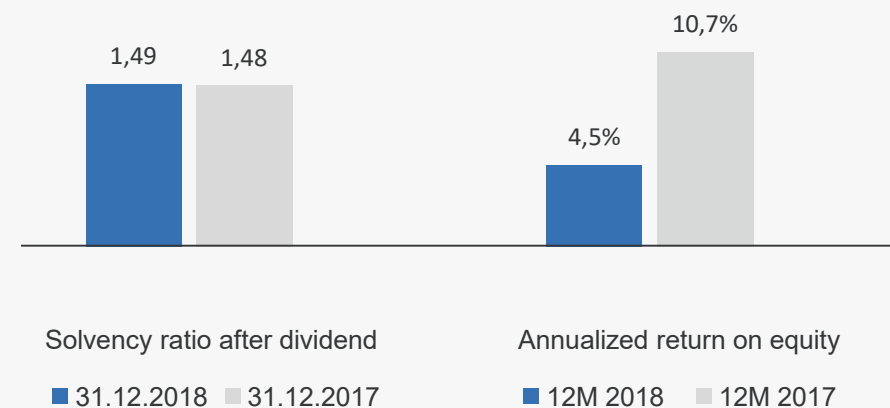
	12M 2018	12M 2017
Profit for the period	652	1.746
Earnings per share	0,46	1,19
Pre-tax profit/loss	952	2.085
Technical results	1.631	1.158
Profit/loss on investment operations	-679	927
Annualized return on equity (ROE)	4,5%	10,7%
Group combined ratio	97,4%	99,4%

	30.9.2018	31.12.2017
Group equity ratio	31,3%	35,1%
Solvency ratio before dividend	1,56	1,64
Solvency ratio after dividend	1,49	1,48

Segment performance before tax



Solvency ratio and return on equity

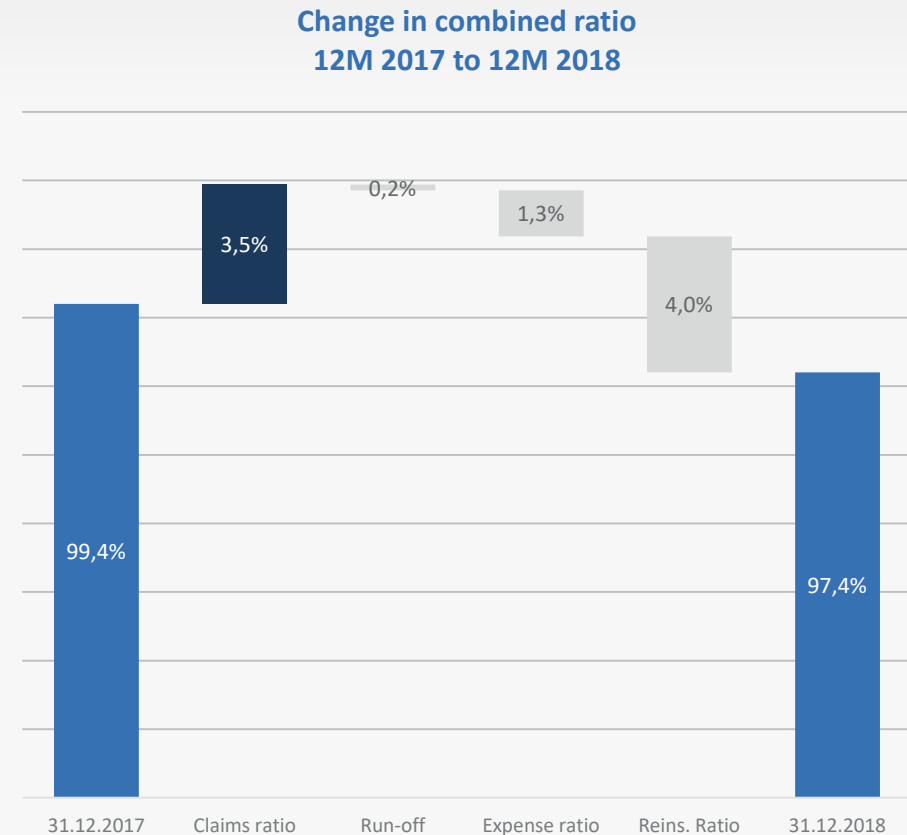


Income statement

Improved underwriting performance, unsatisfactory investment results

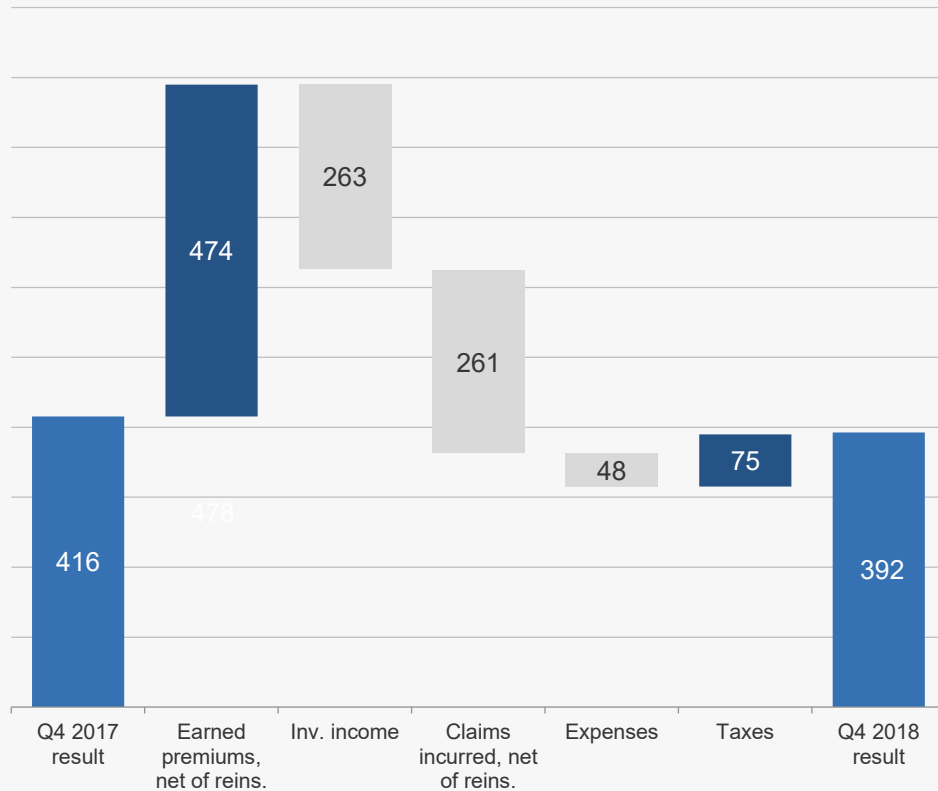
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	Q4 2018	Q4 2017	%	12M 2018	12M 2017	%
Premiums earned	4.684	4.211	11,2%	18.165	16.383	10,9%
Earned premiums, net of reinsurance	4.431	3.997	10,9%	17.218	15.539	10,8%
Investment income	385	649	-40,6%	819	2.264	-63,8%
Claims incurred	-3.839	-3.177	20,8%	-14.085	-12.160	15,8%
Claims incurred, net of reinsurance	-3.357	-3.096	8,4%	-13.087	-11.901	10,0%
Operating expenses	-1.058	-1.010	4,8%	-4.103	-3.889	5,5%
Pre-tax profit	486	584	-16,7%	952	2.085	-54,3%
After-tax profit	392	416	-5,6%	652	1.746	-62,7%
Claims ratio	82,8%	74,0%		76,7%	73,2%	
Run-off	-0,9%	1,5%		0,8%	1,0%	
Claims ratio	81,9%	75,4%		77,5%	74,2%	
Reinsurance ratio	-6,7%	2,1%		-0,9%	3,1%	
Claims and reinsurance ratio	75,3%	77,5%		76,7%	77,4%	
Expense ratio	21,2%	22,1%		20,8%	22,1%	
Combined ratio	96,5%	99,6%		97,4%	99,4%	

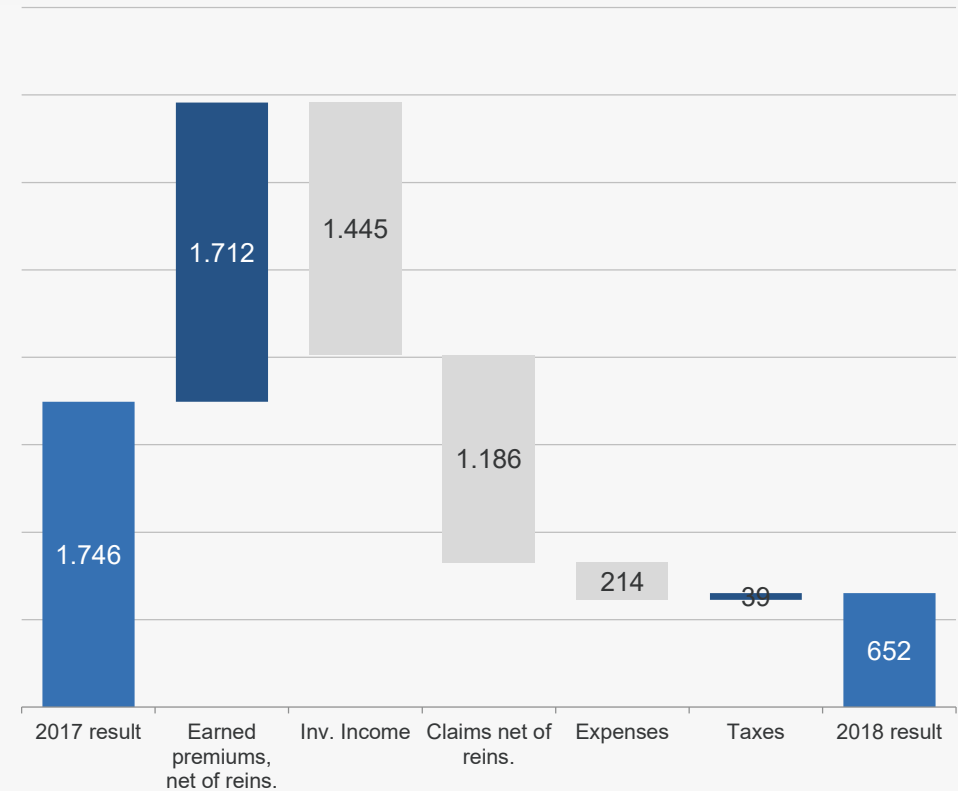


Healthy premium growth

Bridge analysis Q4 2017 to Q4 2018



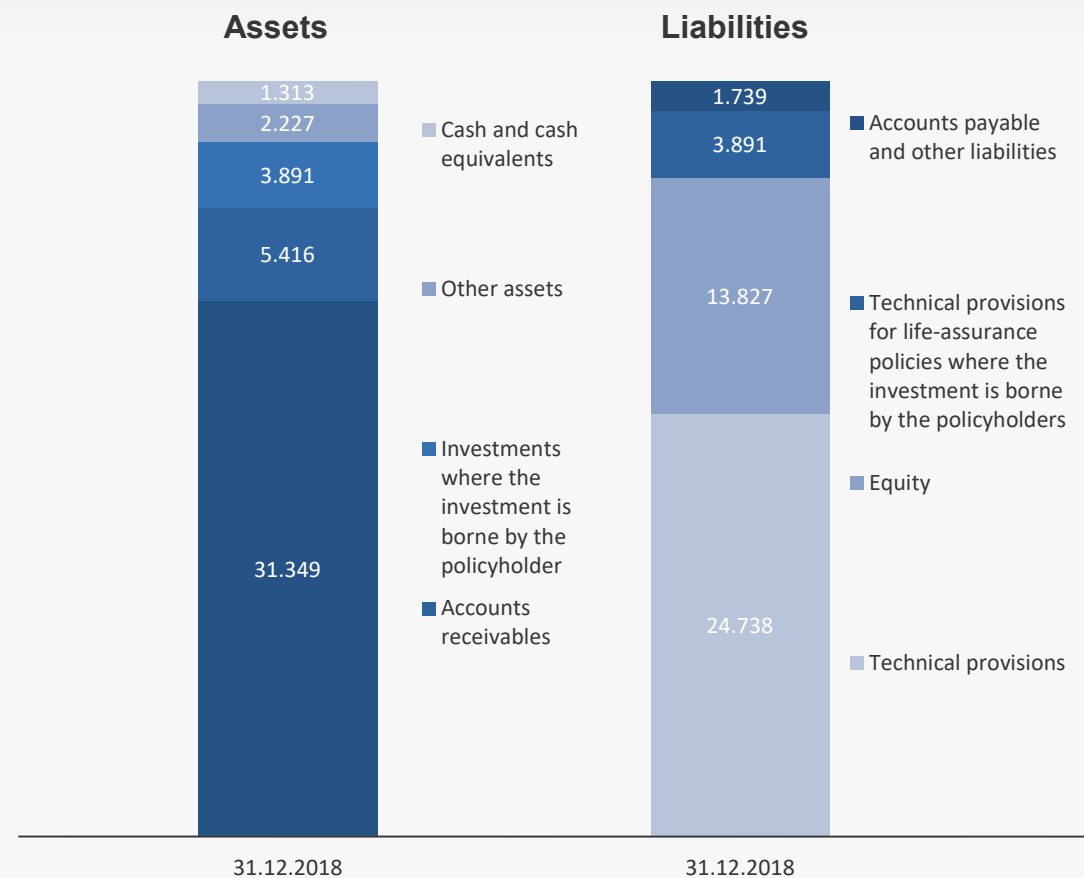
Bridge analysis 2017 to 2018



Balance sheet

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	31.12.2018	31.12.2017
Assets		
Securities	31.349	32.006
Accounts receivables	5.416	4.784
Investments where the investment is borne by the policyholder	3.891	4.030
Cash and cash equivalents	1.313	951
Other assets	2.227	1.594
Total assets	44.195	43.365
Equity		
Share capital	1.389	1.425
Other equity	12.438	13.782
Total equity	13.827	15.206
Liabilities		
Technical provisions	24.738	22.469
Technical provisions for life-assurance policies where the investment is borne by the policyholders	3.891	4.030
Accounts payable and other liabilities	1.739	1.659
Total liabilities	30.368	28.159
Total liabilities and equity	44.195	43.365

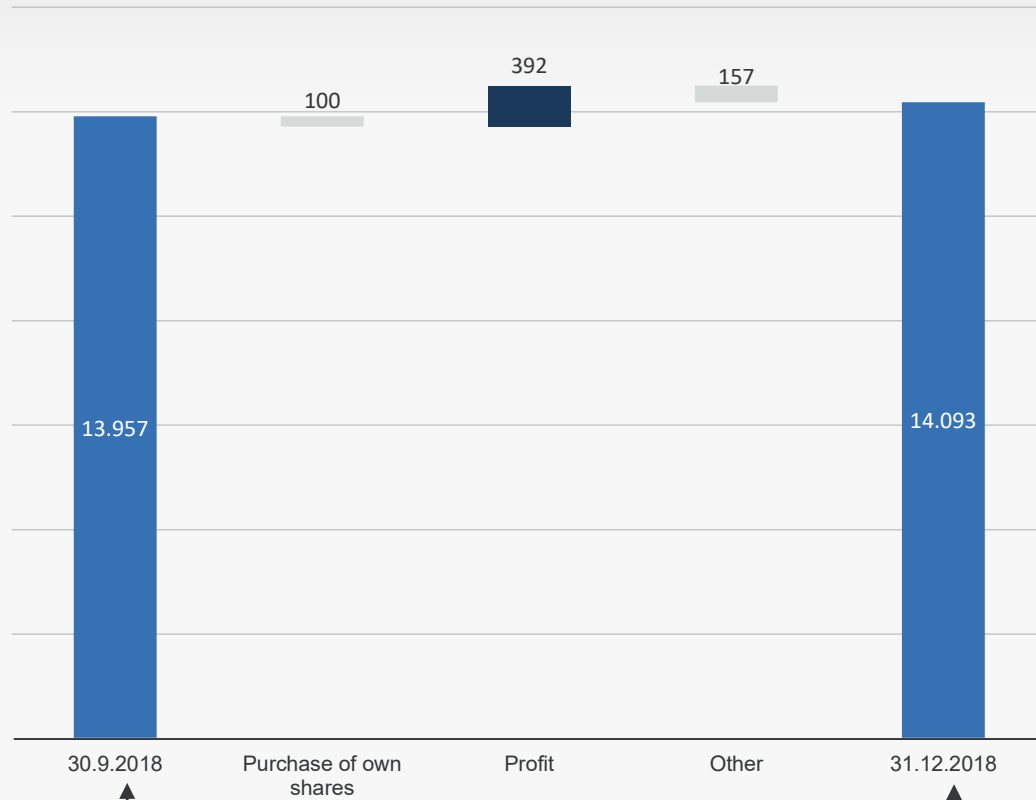


Changes in basic own funds and solvency capital requirements

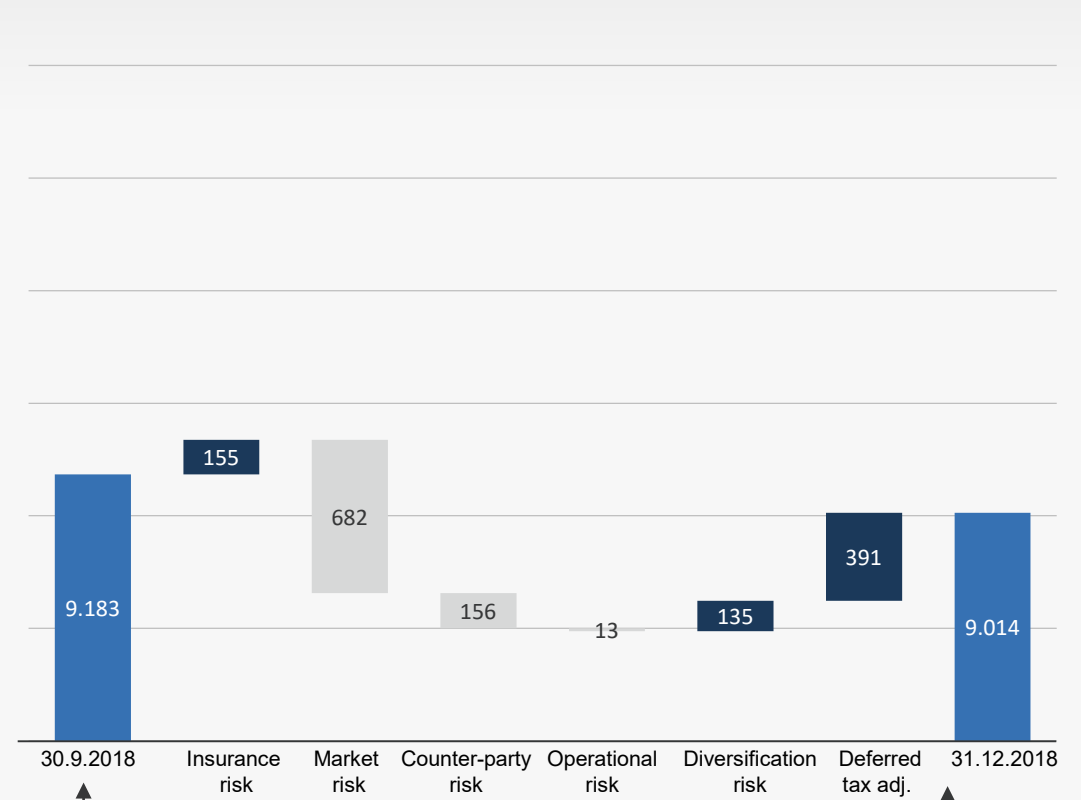
Q4 2018

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Basic own funds



Solvency capital requirements



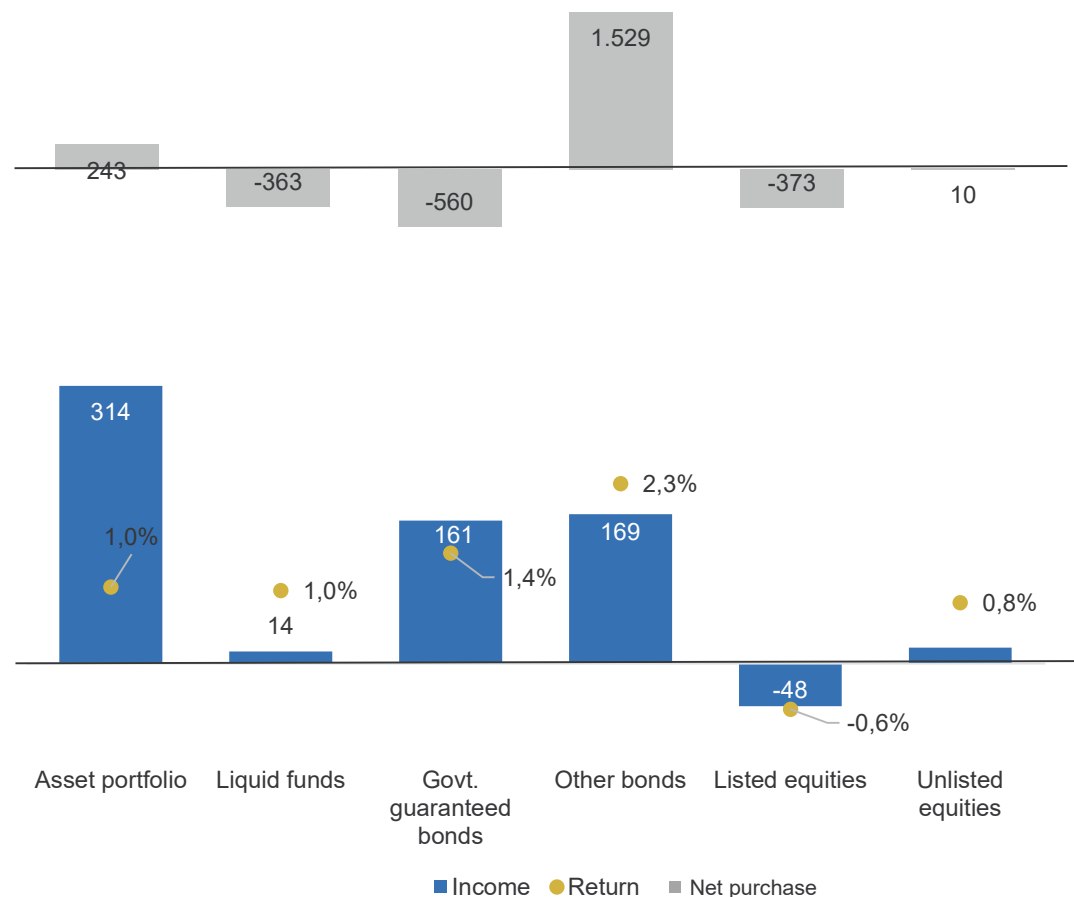
Solvency ratio 1,52

Solvency ratio 1,56

Investment performance in Q4 2018

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Return on and changes in investment portfolio



- › Return on the portfolio was 1,0% in Q4
- › The average duration of the Group's bond portfolio was 2,8 years at the end of the quarter and the indexation rate was 66%

Gamma index return

Q4 2018

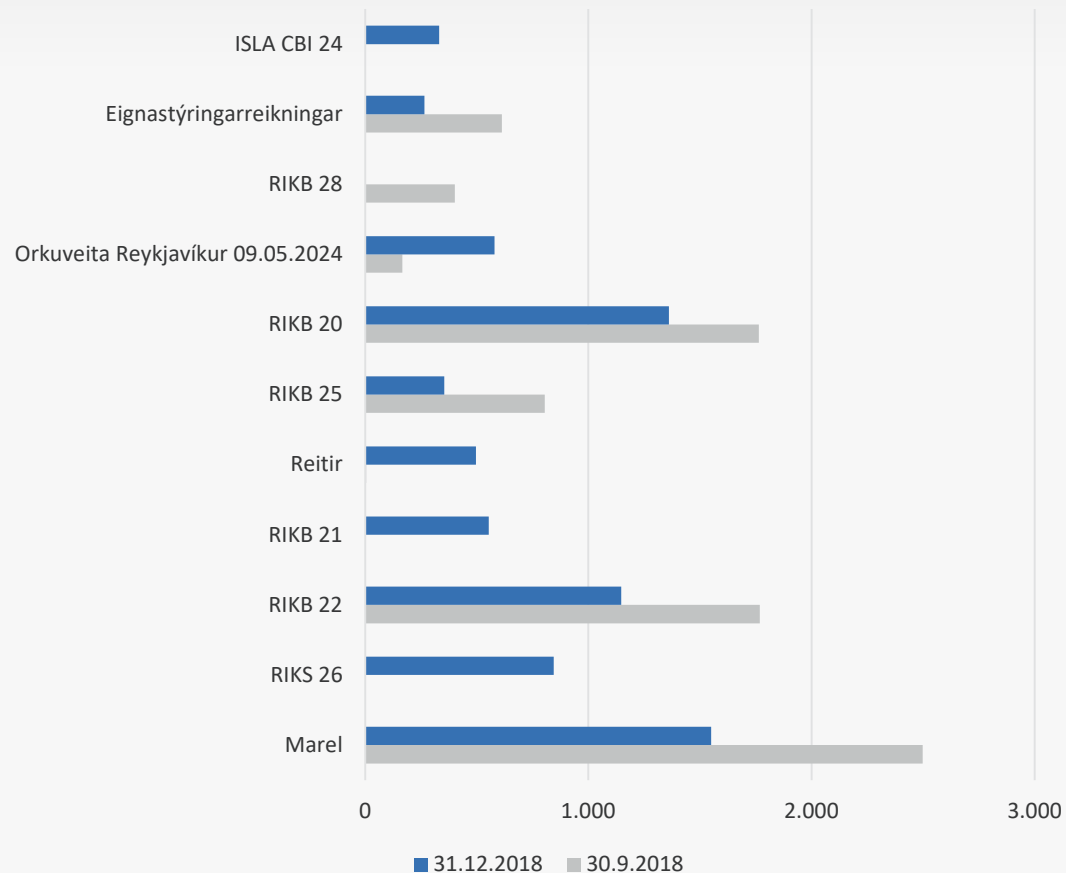
Market index	2,3%
Equities	-0,5%
Government bonds	3,3%
Inflation-indexed bonds	3,4%
Non-indexed bonds	3,0%
Covered bonds	4,0%
Corporate bonds	3,6%

Changes to asset portfolio in Q4 2018

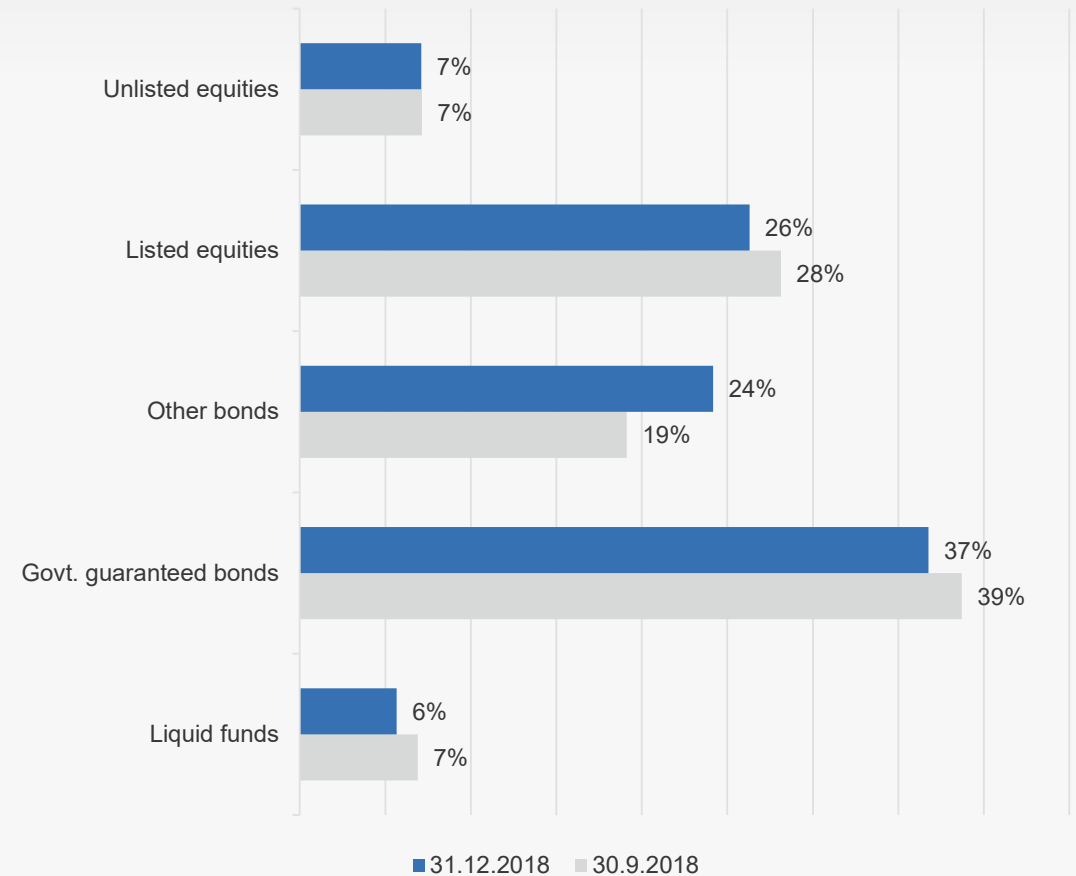
Decreased share of listed equities, increased share of other bonds

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Largest portfolio changes Q4 2018



Investment breakdown



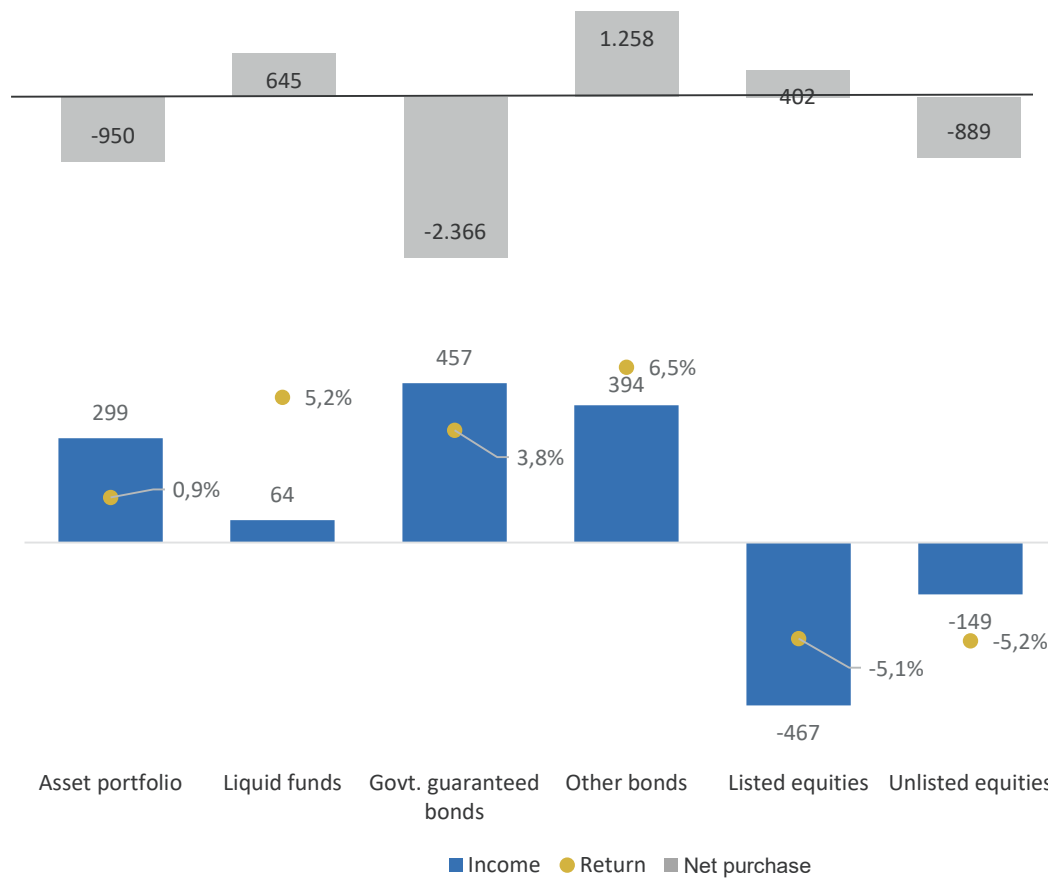
Group investment assets exceeding ISK 500 million

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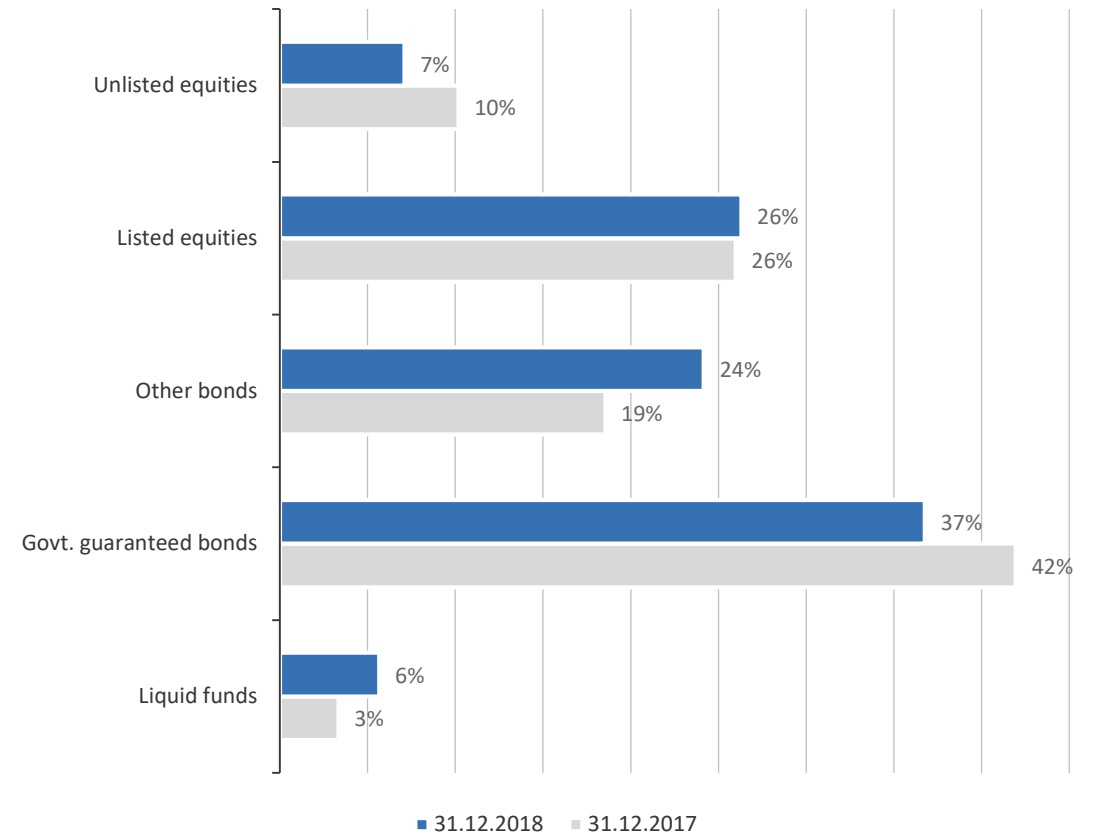
Assets	31.12.2018	30.9.2018	Net purchase	Return	% of portfolio
Land 05 1	5.970	5.880	0	90	19%
Marel	1.550	2.497	-890	-57	5%
RIKB 20	1.361	1.764	-422	20	4%
RIKB 22	1.147	1.768	-637	17	4%
Síminn	858	837	61	-40	3%
RIKS 26	844	0	831	13	3%
Stefnir ríkisverðbréfasjóður	795	775	0	21	3%
Eik	792	738	3	51	3%
Festi	727	714	26	-13	2%
Lýsing hf. 15.05.2024	722	615	93	14	2%
Reginn	706	622	0	84	2%
Arion CBI 25	664	368	279	16	2%
Heimavellir	611	611	0	0	2%
Júpíter Veðskuldabréf 1	607	596	0	11	2%
Landsbréf Veltubréf	591	555	30	7	2%
ISLA CBI 26	590	459	108	24	2%
Orkuveita Reykjavíkur 09.05.2024	580	166	398	15	2%
RIKB 21	554	0	549	5	2%
Gamma: Credit Fund	548	544	0	4	2%
Origo	528	425	3	101	2%
Reitir fasteignaf. hf. 15.11.2022	504	501	-5	7	2%
Aðrar eignir	10.312	10.570	-183	-75	33%
Samtals	31.563	31.006	243	314	100%

Investment performance in 12M 2018

Return on and changes in investment portfolio



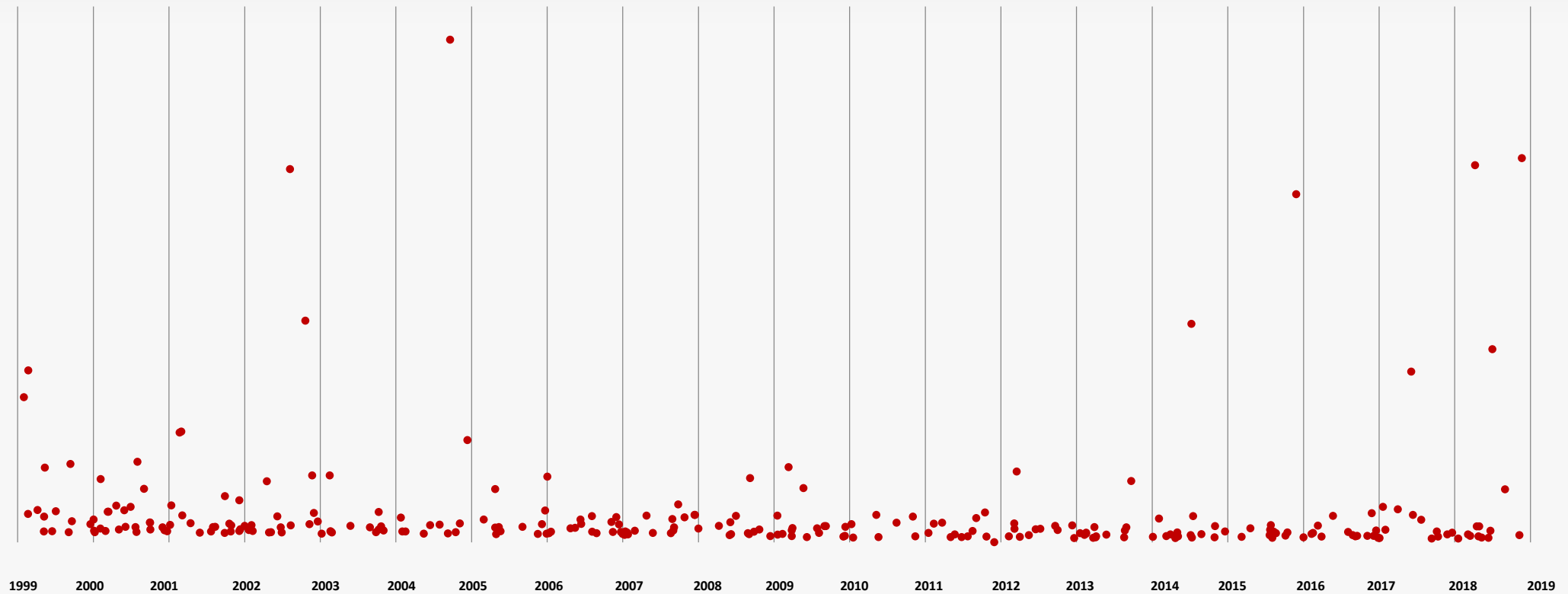
Investment breakdown



Sjóvá Iceland Fire Losses 1999-2018

Total losses

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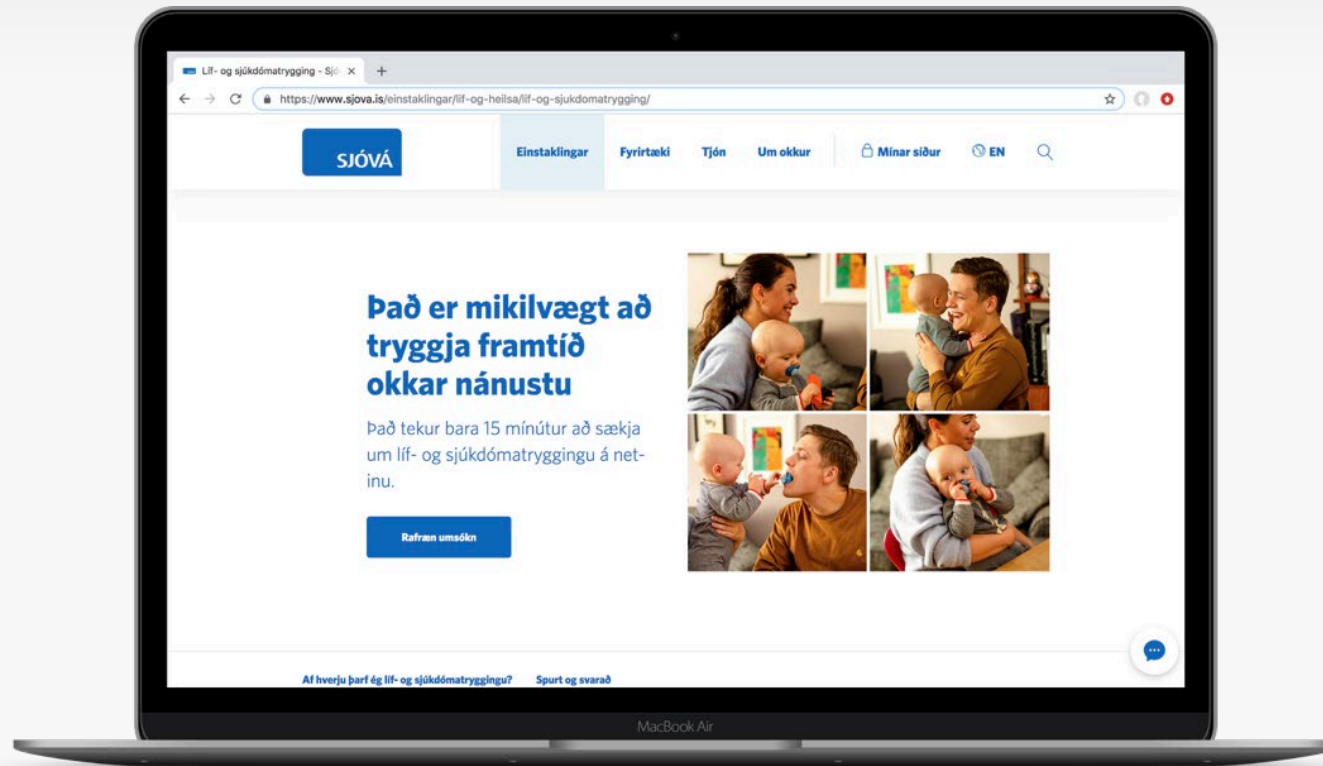
1918-2018



Leading seller of online personal insurance

Important steps towards digital development taken during the year

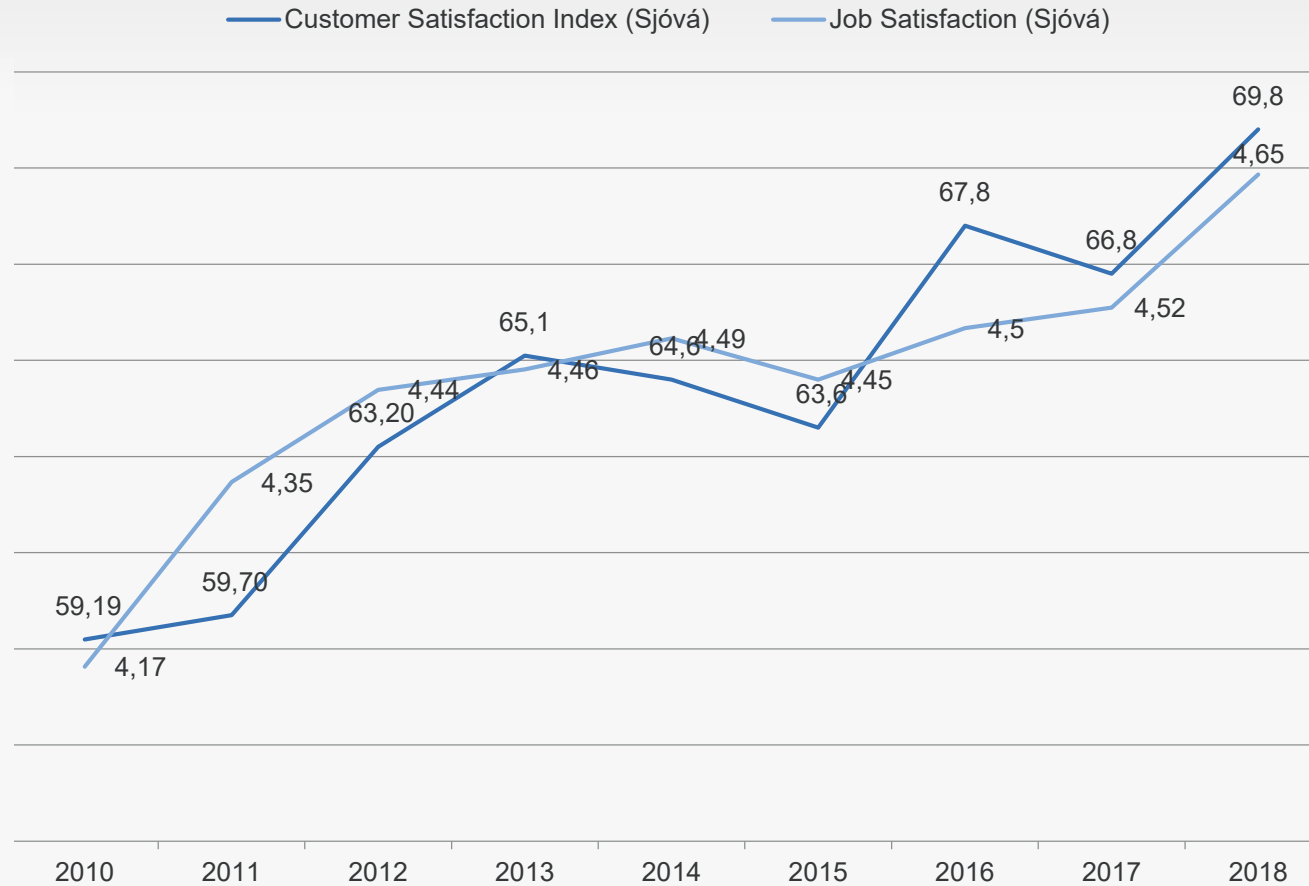
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We made a decision

And the results speak for themselves

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**ÍSLENSKA
ÁNÆGJUVOGIN**

Full year 2018 and outlook

We expect continued robust premium growth and to achieve the long-term objective of a 95% combined ratio

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Results

- Profit of ISK **652 million**
- Technical results of ISK **1.631 million**
- Pre-tax loss from investment operations of ISK **679 million**
 - Return on investment portfolio **0,9%**

Combined ratio

- Combined ratio of **97,8%** compared with **99,3%** in the first nine months of 2017
- Robust, disciplined premium growth results in lower combined ratio
- Particularly pleasing considering the unusual number of major losses that occurred in 2018

Subordinated bond

- Pending opinion on the tax treatment of interest expenses

Outlook for financial year 2019

- Combined ratio of **95%**; pre-tax earnings around **3.300 m.kr.**
- Continued robust premium growth expected in 2019
- The Board of Directors proposes a repurchase plan

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Questions

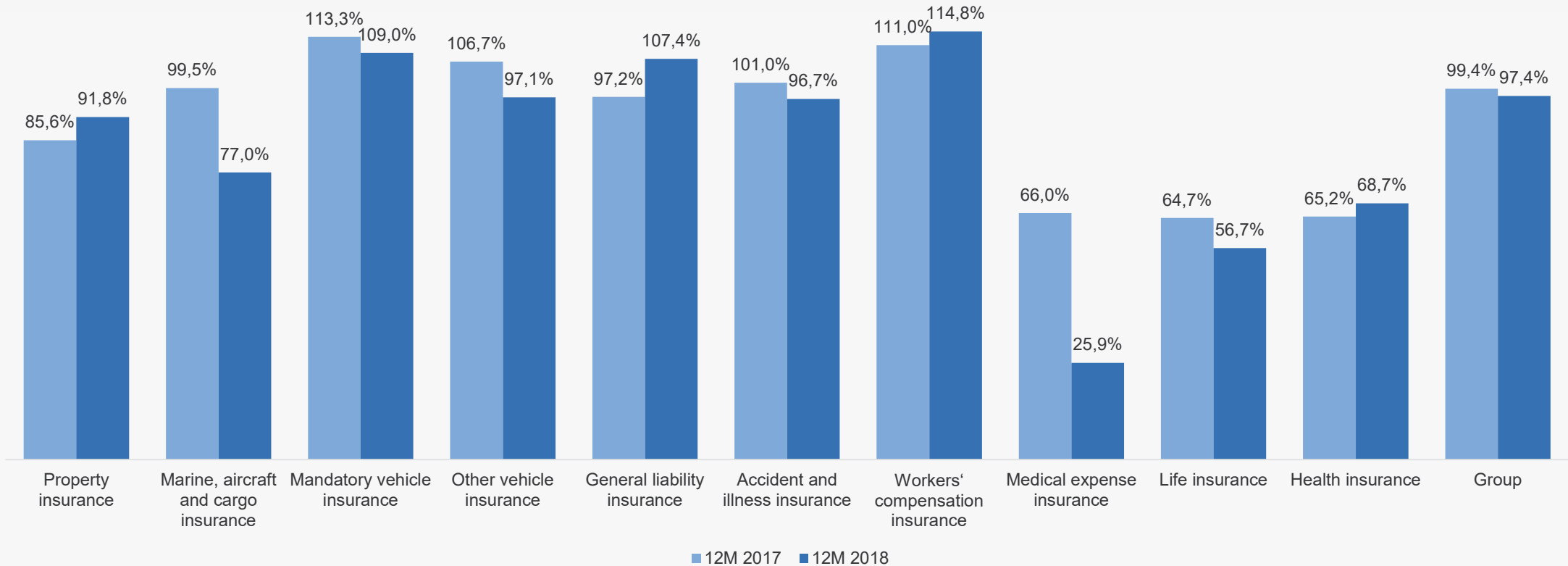


Appendices and Disclaimer

Combined ratio

12M 2018 and 12M 2017 by insurance segment

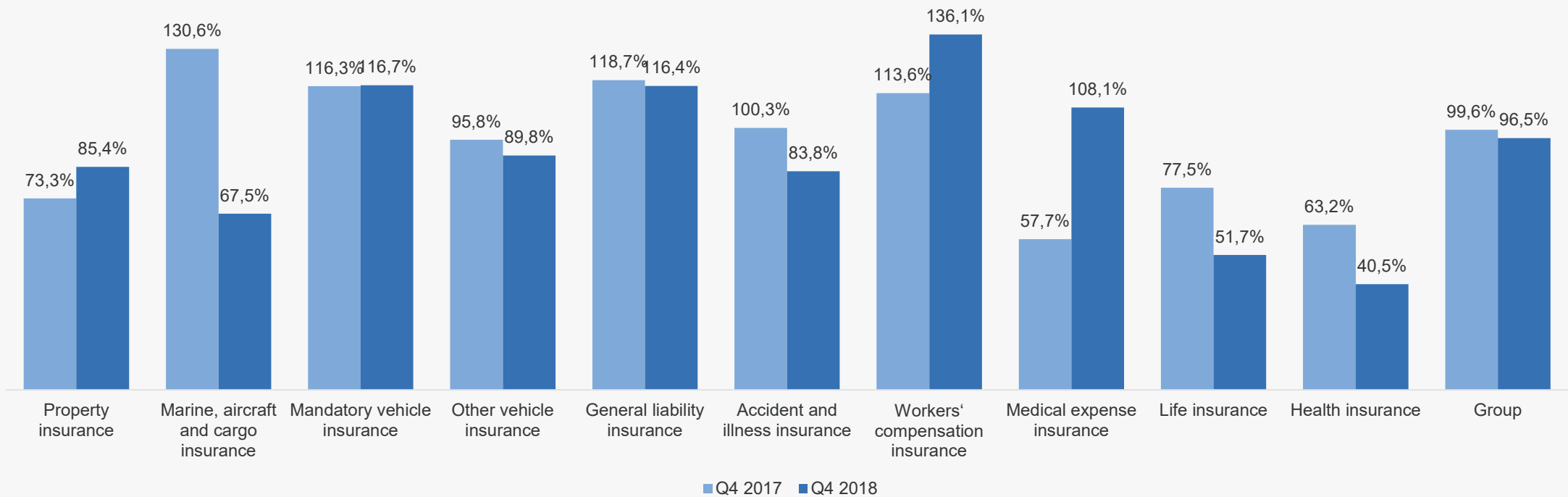
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Combined ratio

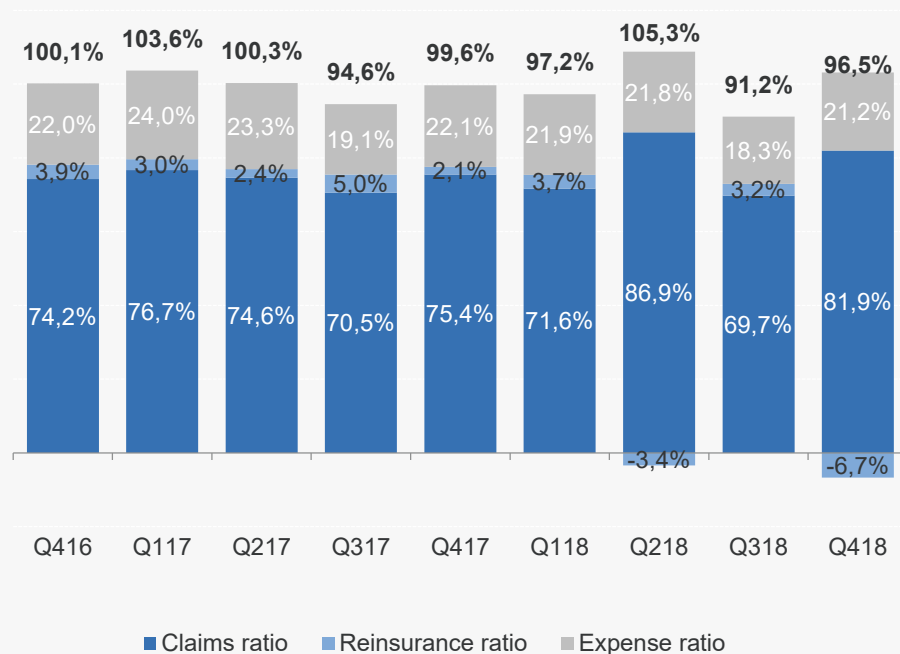
Q4 2018 and Q4 2017 by insurance segment

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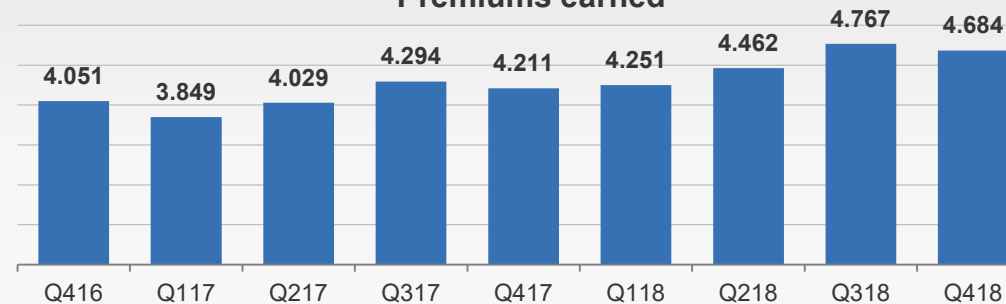


Development of key indicators over preceding quarters

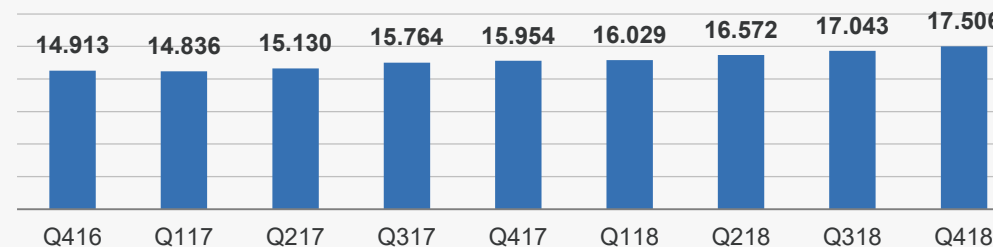
Combined ratio



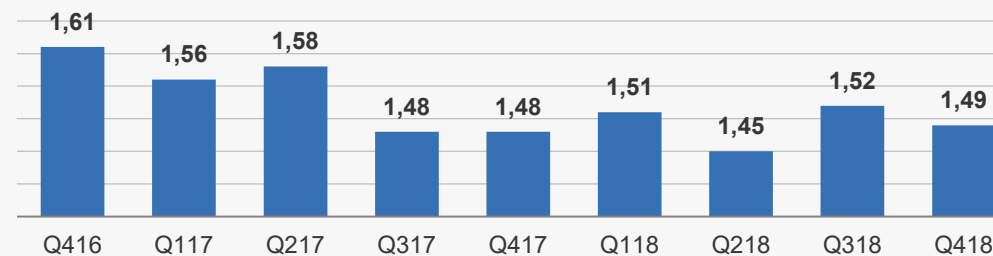
Premiums earned



Claim provision



Solvency ratio



Development of key indicators

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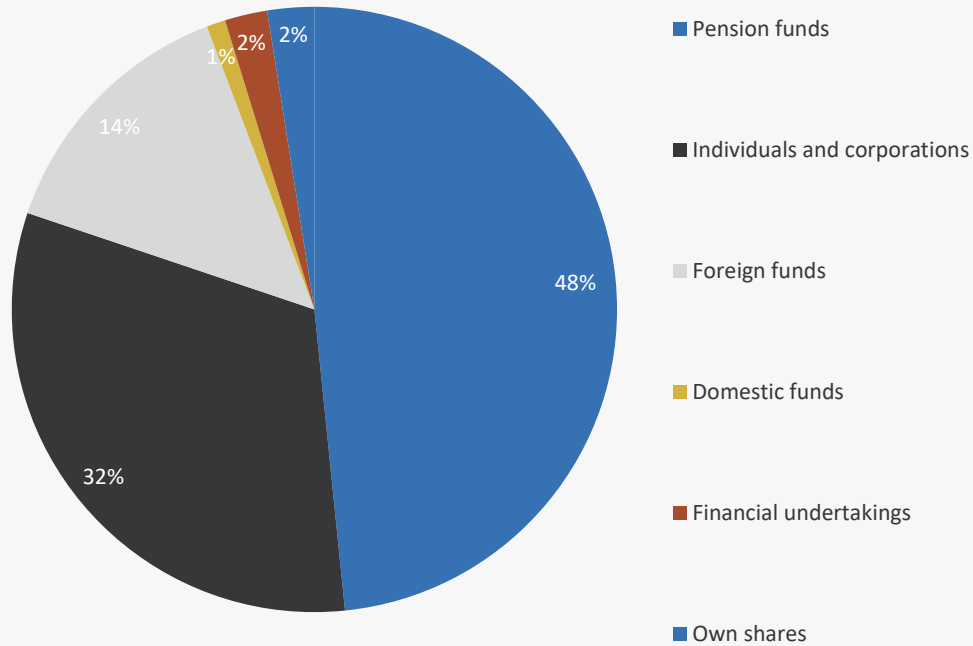
	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Premiums earned	4.684	4.767	4.462	4.251	4.211	4.294	4.029	3.849	4.051
Premiums earned, net of reinsurance	4.431	4.535	4.213	4.039	3.997	4.058	3.815	3.669	3.841
Investment income	385	-54	-305	793	649	-619	870	1.364	1.359
Total income	4.902	4.486	3.916	4.840	4.691	3.447	4.689	5.050	5.243
Claims incurred	-3.839	-3.324	-3.879	-3.044	-3.177	-3.028	-3.004	-2.951	-3.008
Claims incurred, net of reinsurance	-3.357	-3.248	-3.484	-2.998	-3.096	-3.013	-2.890	-2.902	-2.999
Operating expenses on insurance operations	-993	-872	-968	-950	-931	-819	-941	-924	-892
Total expenses	-4.415	-4.197	-4.549	-4.022	-4.107	-3.894	-3.900	-3.890	-3.964
After-tax profit	392	249	-630	749	416	-472	702	1.100	1.124
Total assets	44.195	45.182	45.242	45.937	43.365	43.609	44.466	44.314	43.303
Securities	35.240	30.560	35.171	34.978	36.036	35.187	35.540	34.465	36.204
Cash and cash equivalents	1.313	1.492	861	1.574	951	930	797	1.300	1.063
Equity	13.827	13.534	13.695	14.459	15.206	14.899	15.832	15.472	17.454
Technical provisions	24.738	25.311	25.509	25.255	22.469	23.254	23.306	23.335	20.888
Claims ratio	81,9%	69,7%	86,9%	71,6%	75,4%	70,5%	74,6%	76,7%	74,2%
Reinsurance ratio	-6,7%	3,2%	-3,4%	3,7%	2,1%	5,0%	2,4%	3,0%	3,9%
Expense ratio	21,2%	18,3%	21,7%	21,9%	22,1%	19,1%	23,3%	24,0%	22,0%
Combined ratio	96,5%	91,2%	105,2%	97,2%	99,6%	94,6%	100,3%	103,6%	100,1%
Return on equity (ROE)	10,8%	3,9%	-17,4%	20,2%	10,2%	-12,7%	16,9%	26,7%	26,6%
Solvency ratio	1,49	1,52	1,45	1,51	1,48	1,48	1,58	1,56	1,61

Distribution of shareholders

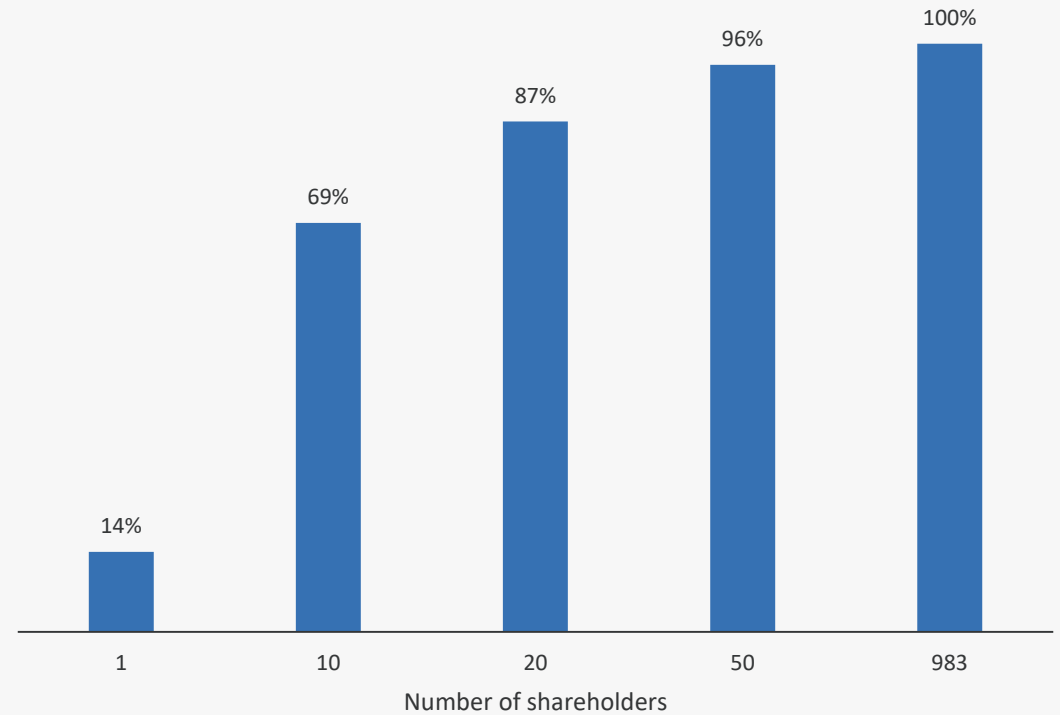
983 shareholders as of 10 February 2019



Shareholders



Total shareholdings



*The published number of shareholders has previously been overestimated; on 29 October 2018, the number of shareholders was 1,080 and not 1,265 as stated in the Q3 Investors' Presentation

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