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Quarterly results 9M 2018

Translation of
Investors' Presentation
1 November 2018



Q3 in brief

Investment losses more than offset by robust underwriting performance

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Results

- Profit of **ISK 140 million**
- Technical results of **ISK 708 million**
- Pre-tax loss from investment operations of **ISK 426 million**



Combined ratio

- Combined ratio of **91,2%** compared with **94,6%** in Q3 2017.
 - **98,3%** over the last 12 months
- Robust premium growth together with positive trend in motor insurance leads to lower combined ratio



Investments

- Investment income negative by **ISK 232 million**
- Return on investment portfolio negative by **0,8%** in the quarter
 - Negative returns caused by stock portfolio losses



Claims and reinsurance cost

- Claims and reinsurance ratio 72,9% compared with 75,5 % in Q3 2017
- Positive trend in the major segments, property and motor insurance

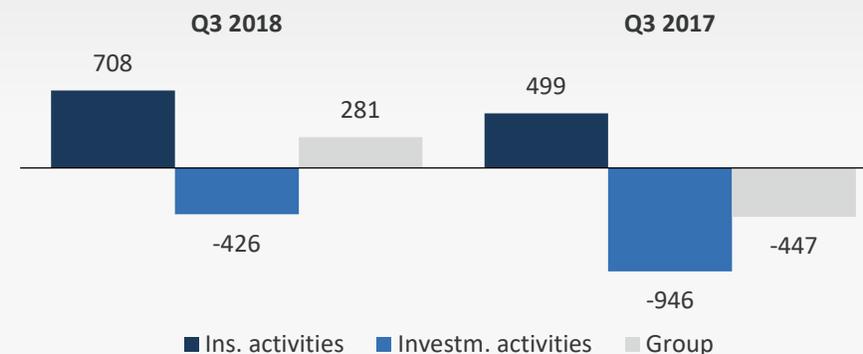
Highlights from Q3 2018

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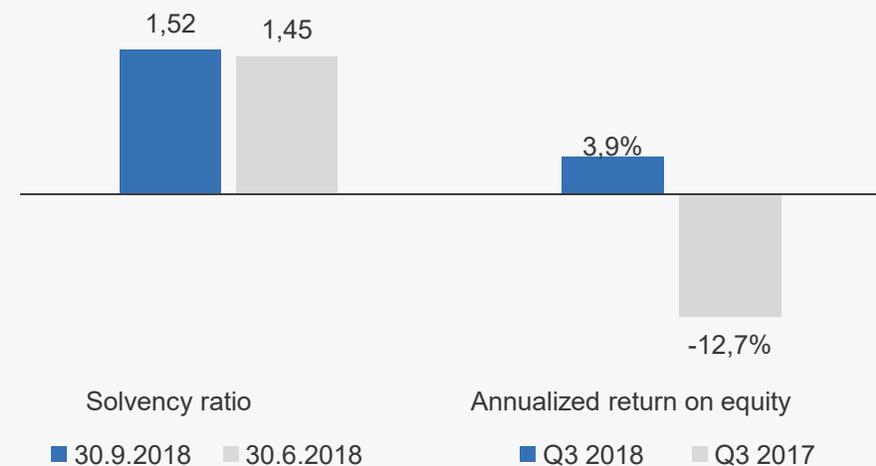
	Q3 2018	Q3 2017
Profit/loss for the period	140	-472
Earnings per share	0,10	-0,34
Pre-tax profit/loss	281	-447
Technical results	708	499
Profit/loss on investment operations	-426	-946
Annualized return on equity (ROE)	3,9%	-12,7%
Group combined ratio	91,3%	94,6%

	30.9.2018	30.06.2018
Group equity ratio	30,0%	30,3%
Solvency ratio	1,52	1,45

Segment performance before tax



Solvency ratio and return on equity



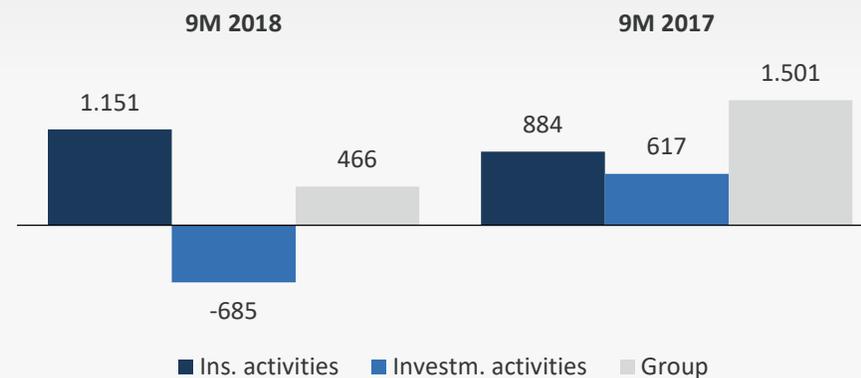
Highlights from 9M 2018

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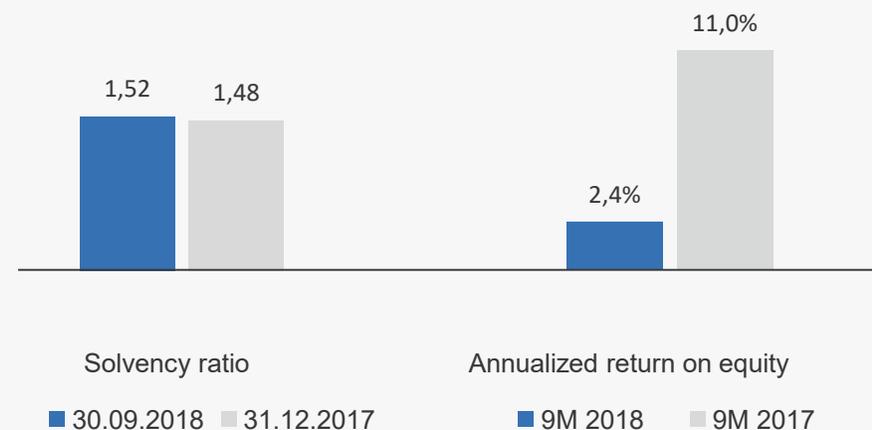
	9M 2018	9M 2017
Profit for the period	259	1.330
Earnings per share	0,19	0,95
Pre-tax profit/loss	466	1.501
Technical results	1.151	884
Profit/loss on investment operations	-685	617
Annualized return on equity (ROE)	2,4%	11,0%
Group combined ratio	97,8%	99,3%

	30.9.2018	31.12.2017
Group equity ratio	30,0%	35,1%
Solvency ratio	1,52	1,48

Segment performance before tax



Solvency ratio and return on equity



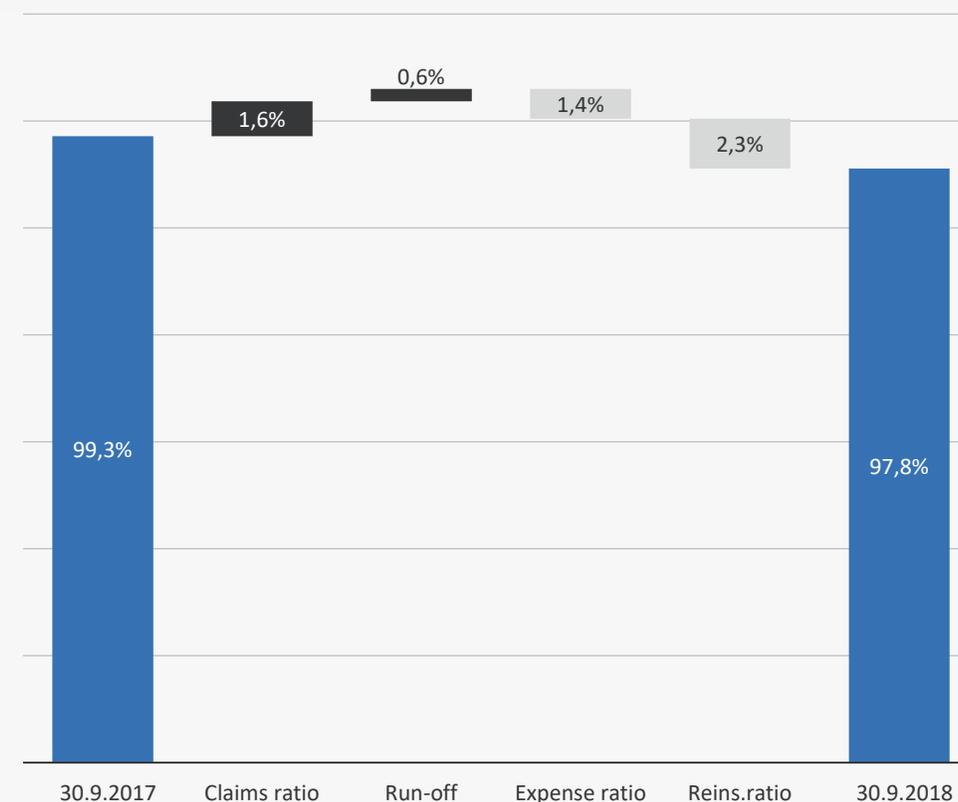
Income statement Q3 2018

Premium growth leads to lower combined ratio

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	Q3 2018	Q3 2017	%	9M 2018	9M 2017	%
Premiums earned	4.767	4.294	11,0	13.481	12.173	10,7
Earned premiums, net of reinsurance	4.535	4.058	11,8	12.787	11.542	10,8
Investment income	-54	-619	-	434	1.615	-73,1
Claims incurred	-3.324	-3.028	9,8	-10.247	-8.984	14,1
Claims incurred, net of reinsurance	-3.248	-3.013	7,8	-9.730	-8.805	10,5
Operating expenses	-956	-881	7,8	-3.045	-2.879	5,8
Pre-tax profit	281	-447	-	466	1.501	-69,0
After-tax profit	140	-472	-	259	1.330	-80,5
Claims ratio	66,9%	68,8%		74,6%	73,0%	
Run-off	2,8%	1,7%		1,4%	0,8%	
Claims ratio	69,7%	70,5%		76,0%	73,8%	
Reinsurance ratio	3,2%	5,0%		1,2%	3,5%	
Claims and reinsurance ratio	72,9%	75,5%		77,2%	77,3%	
Expense ratio	18,4%	19,1%		20,6%	22,0%	
Combined ratio	91,3%	94,6%		97,8%	99,3%	

Change in combined ratio
9M 2017 to 9M 2018

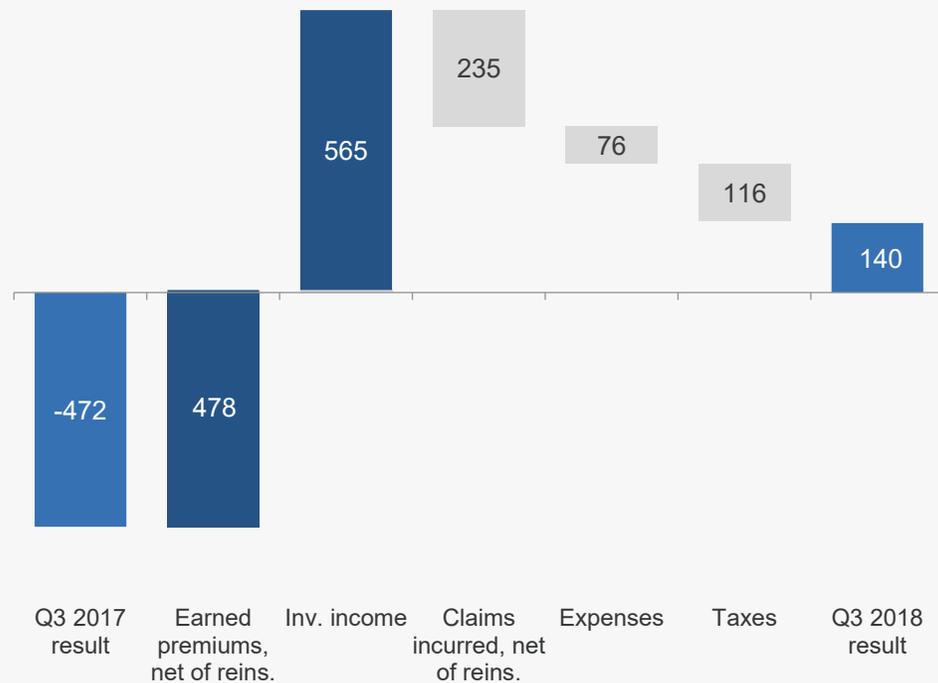


Earnings driven by strong underwriting performance

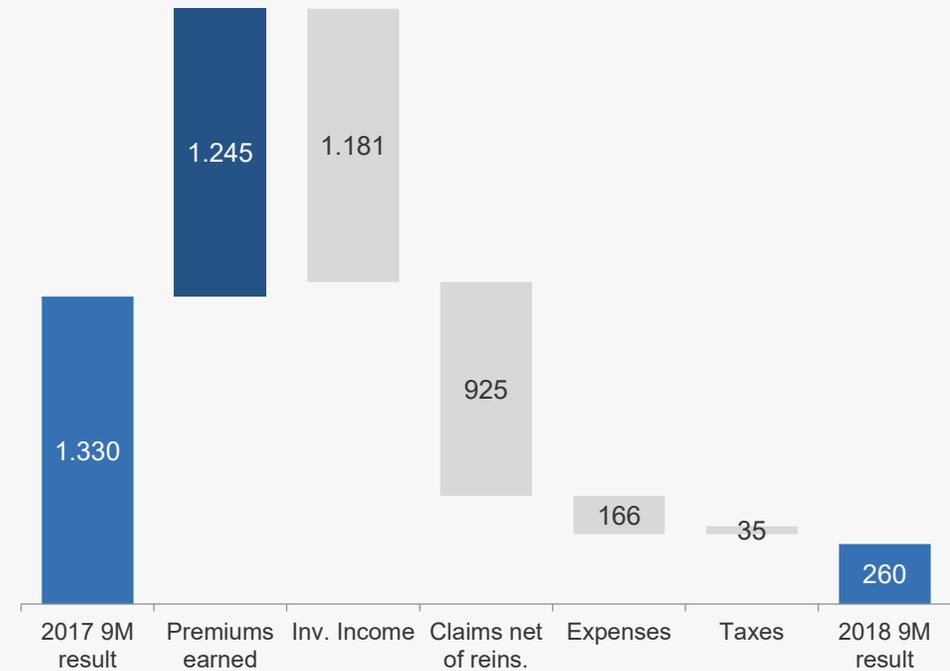
Investment performance unsatisfactory

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Bridge analysis Q3 2017 to Q3 2018



Bridge analysis 6M 2017 to 6M 2018

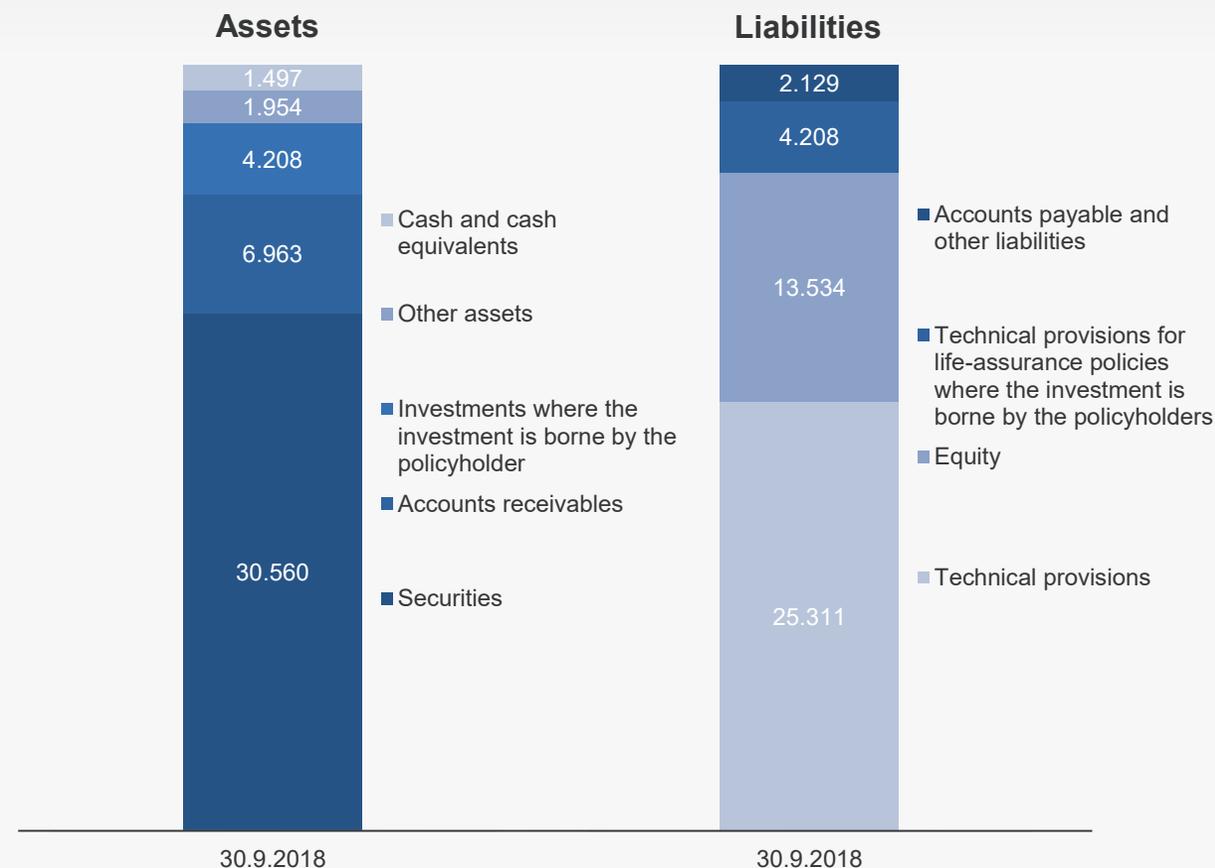


Balance sheet

Company aims to issue a subordinated bond

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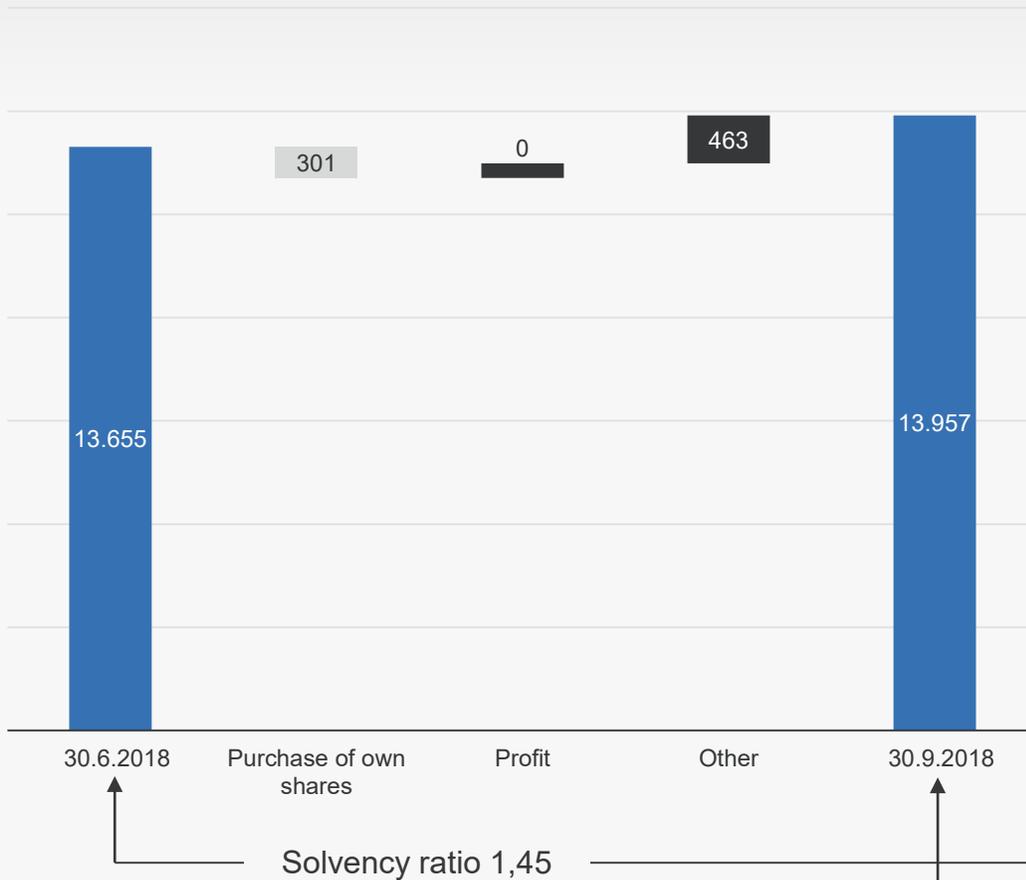
	30.9.2018	31.12.2017
Assets		
Securities	30.560	32.006
Accounts receivables	6.962	4.784
Investments where the investment is borne by the policyholder	4.208	4.030
Cash and cash equivalents	1.497	951
Other assets	1.954	1.594
Total assets	45.182	43.365
Equity		
Share capital	1.396	1.425
Other equity	12.138	13.782
Total equity	13.534	15.206
Liabilities		
Technical provisions	25.311	22.469
Technical provisions for life-assurance policies where the investment is borne by the policyholders	4.208	4.030
Accounts payable and other liabilities	2.129	1.659
Total liabilities	31.647	28.159
Total liabilities and equity	45.182	43.365



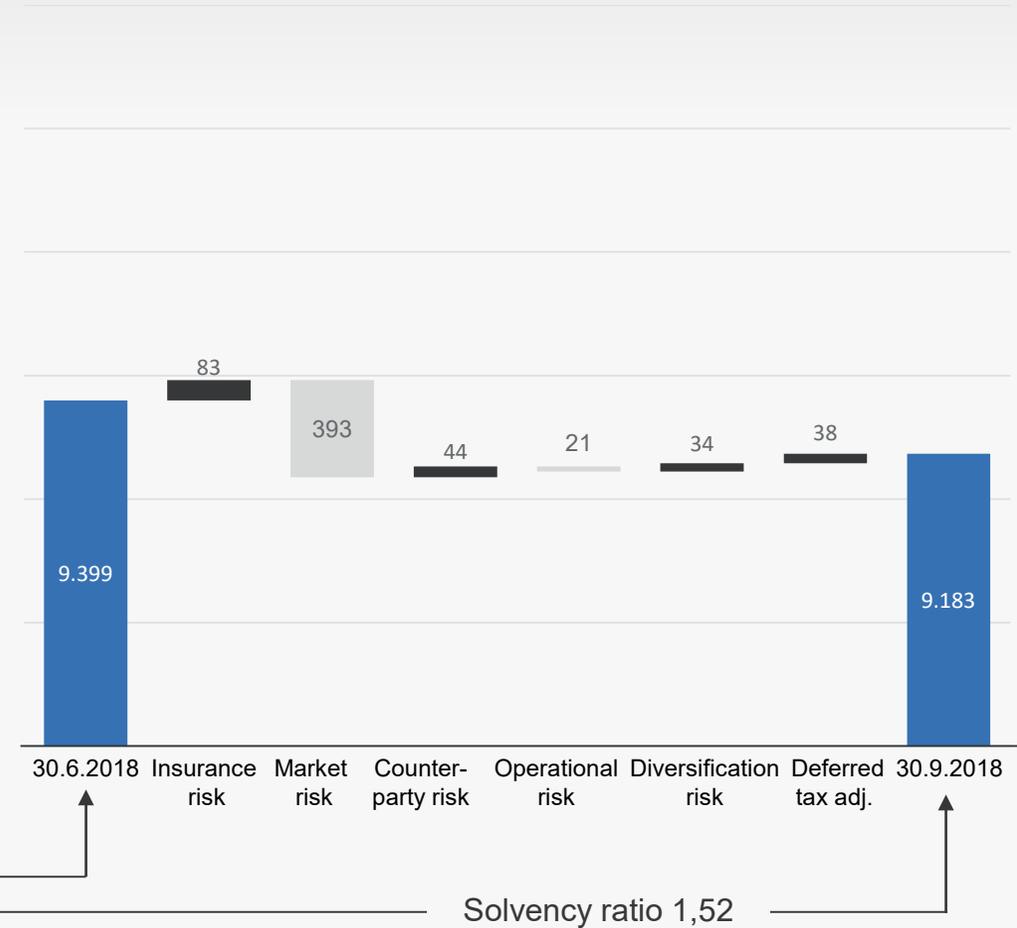
Changes basic own funds and solvency capital requirements Q3 2018

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Basic own funds



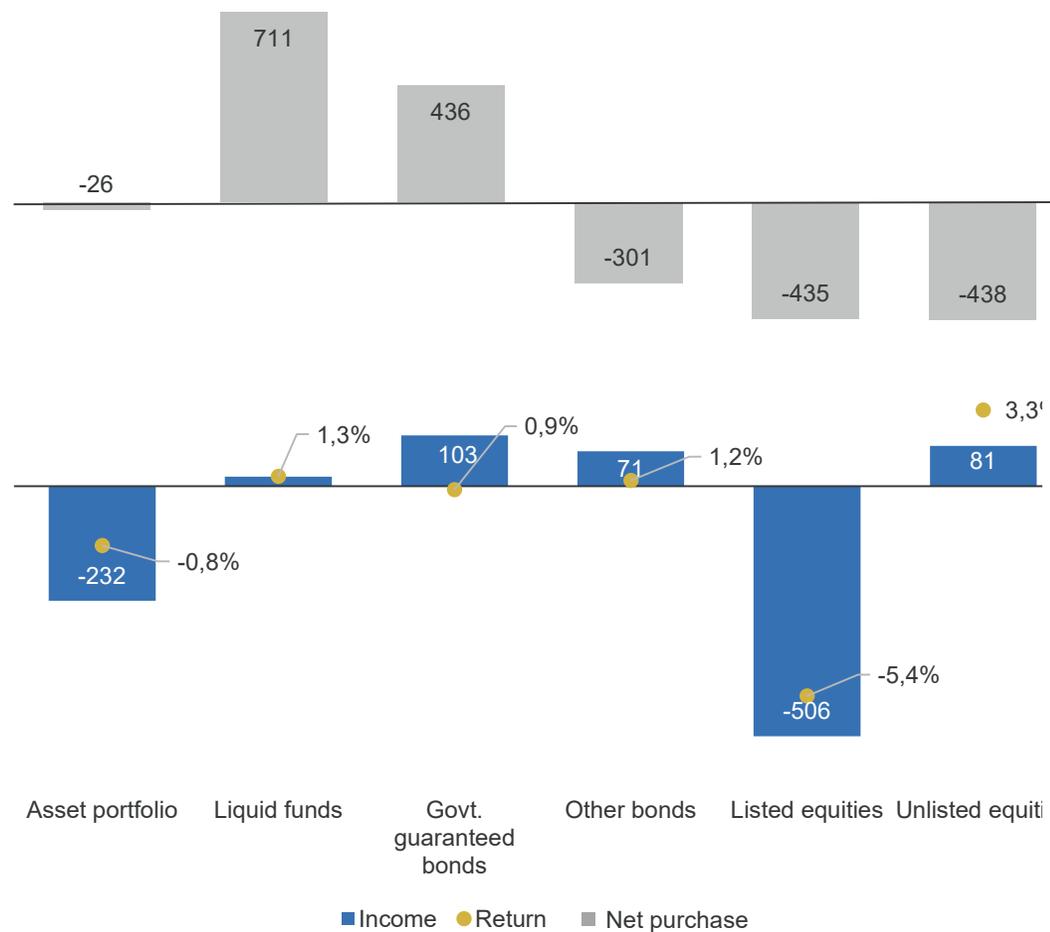
Solvency capital requirements



Investment performance in Q3 2018

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Return on and changes in investment portfolio



- › Return on the portfolio was negative by 0,8% in Q3
- › The average duration of the Group's bond portfolio was 2,7 years at the end of the quarter and the indexation rate was 50%

Gamma index return

Q3 2018

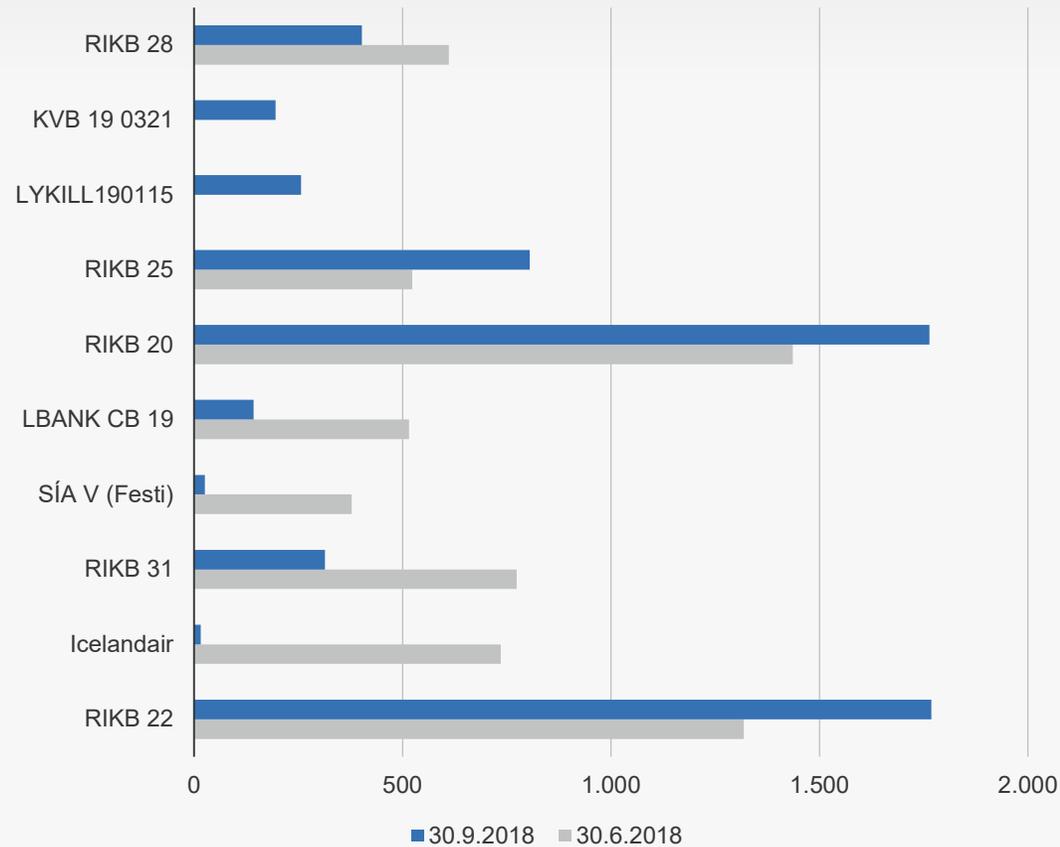
Market index	-0,95%
Equities	-7,35%
Government bonds	1,72%
Inflation-indexed bonds	2,9%
Non-indexed bonds	-0,88%
Covered bonds	1,32%
Corporate bonds	1,47%

Changes to asset portfolio in Q3 2018

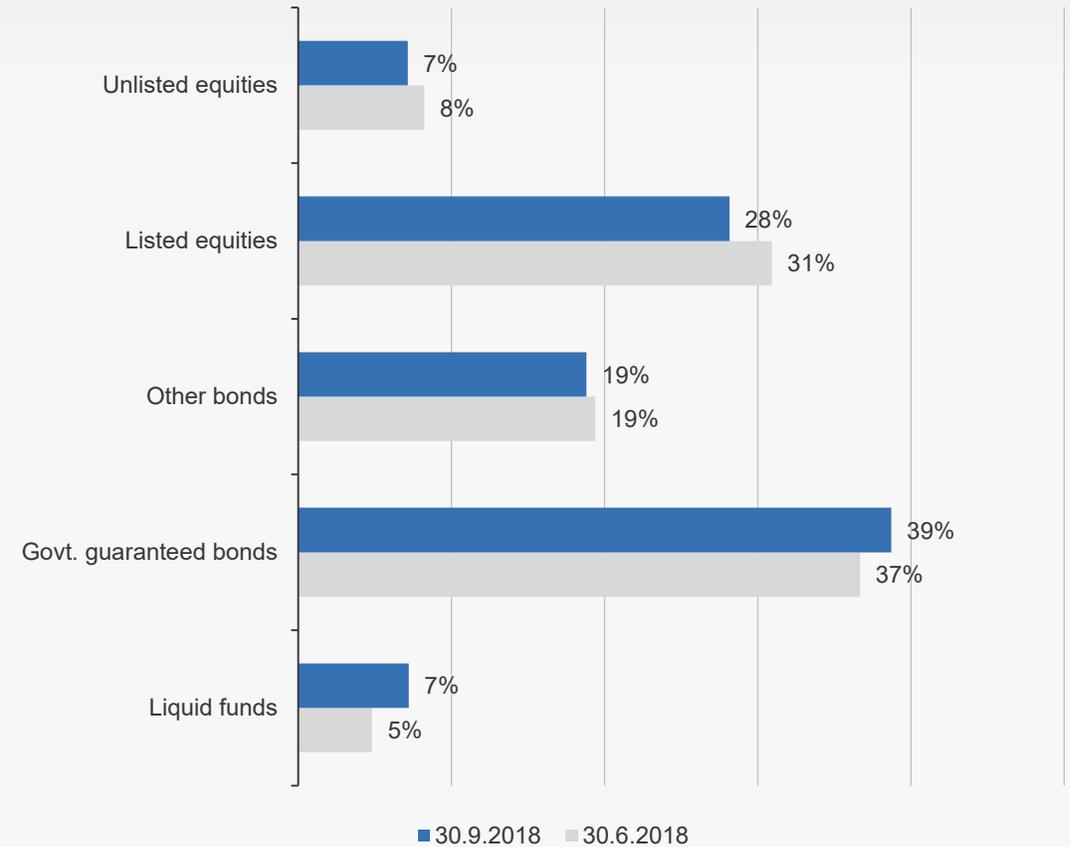
Higher proportion of government bonds, smaller proportion of listed shares

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Largest portfolio changes Q3 2018



Investment breakdown



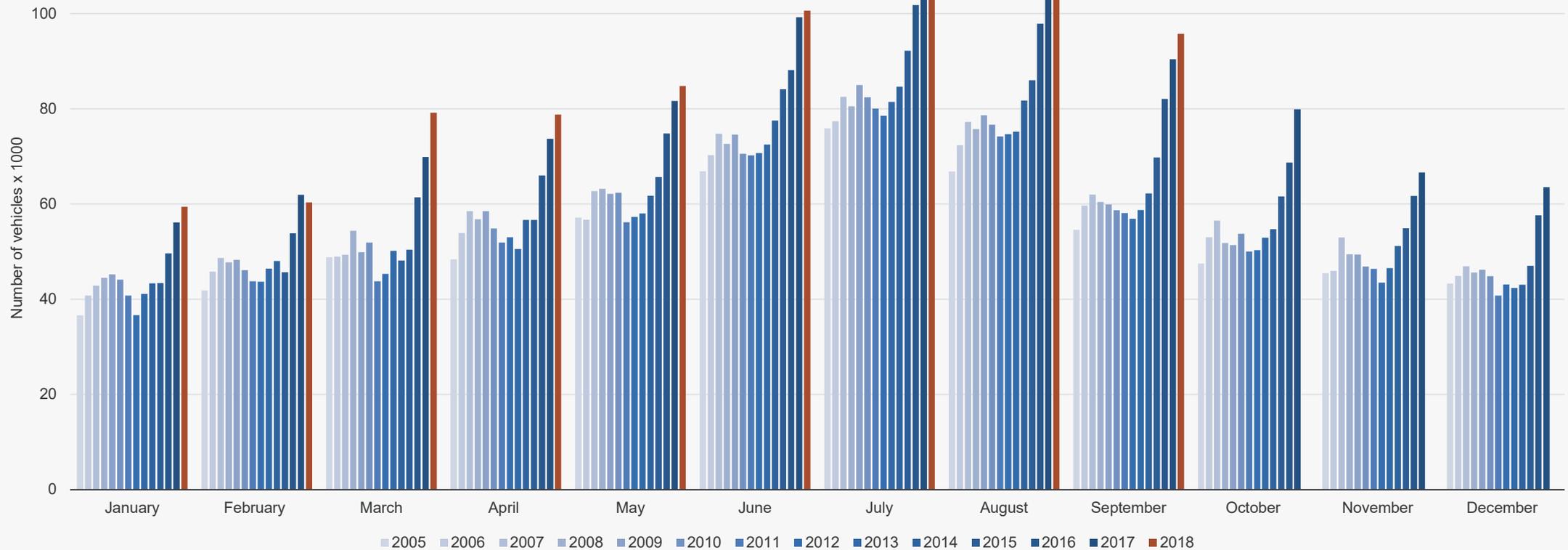
Group investment assets exceeding ISK 500 million

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Assets	30.9.2018	30.6.2018	Net purchase	Return	% of portfolio
LAND 05 1	5.880	5.747	0	134	19,0%
Marel	2.497	2.667	-153	-16	8,1%
RIKB 22	1.768	1.319	452	-2	5,7%
RIKB 20	1.764	1.436	316	12	5,7%
Síminn	837	918	14	-95	2,7%
RIKB 25	805	523	289	-7	2,6%
Stefnir ríkisverðbréfasjóður	775	763	0	12	2,5%
Eik	738	786	57	-104	2,4%
N1	714	681	-7	39	2,3%
Reginn	622	699	0	-77	2,0%
LYSING 17 1	615	423	183	8	2,0%
Eignastýringarreikningur	613	156	456	2	2,0%
Heimavellir	611	649	0	-38	2,0%
Júpíter Veðskuldabréf 1	596	587	0	9	1,9%
Landsbréf Veltubréf	555	550	-0	5	1,8%
Gamma: Credit Fund	544	535	0	9	1,8%
REITIR 22	501	504	-10	7	1,6%
Aðrar eignir	10.570	12.321	-1.623	-128	34,1%
Total assets	31.006	31.265	-26	-232	100%

Increase in traffic during summer not as pronounced

Aggregate traffic from 16 traffic counters around Iceland



First 9 months of the year

Strategic premium growth

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Results

- Profit of ISK **259 million**
- Technical results of ISK **1.151 million**
- Pre-tax loss from investment operations of ISK **685 million**
 - Return on investment portfolio **-0,1%** in the period

Combined ratio

- Combined ratio of **97,8%** compared with **99,3%** in the first nine months of 2017
- Improved combined ratio despite two major losses during the year
 - Strong fundamentals

Subordinated bond

- Decision made that the company should aim to issue a subordinated bond

Updated outlook

- Combined ratio of **97%**; pre-tax earnings around **900 m.kr.**
- Combined ratio Q4 95%

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Questions

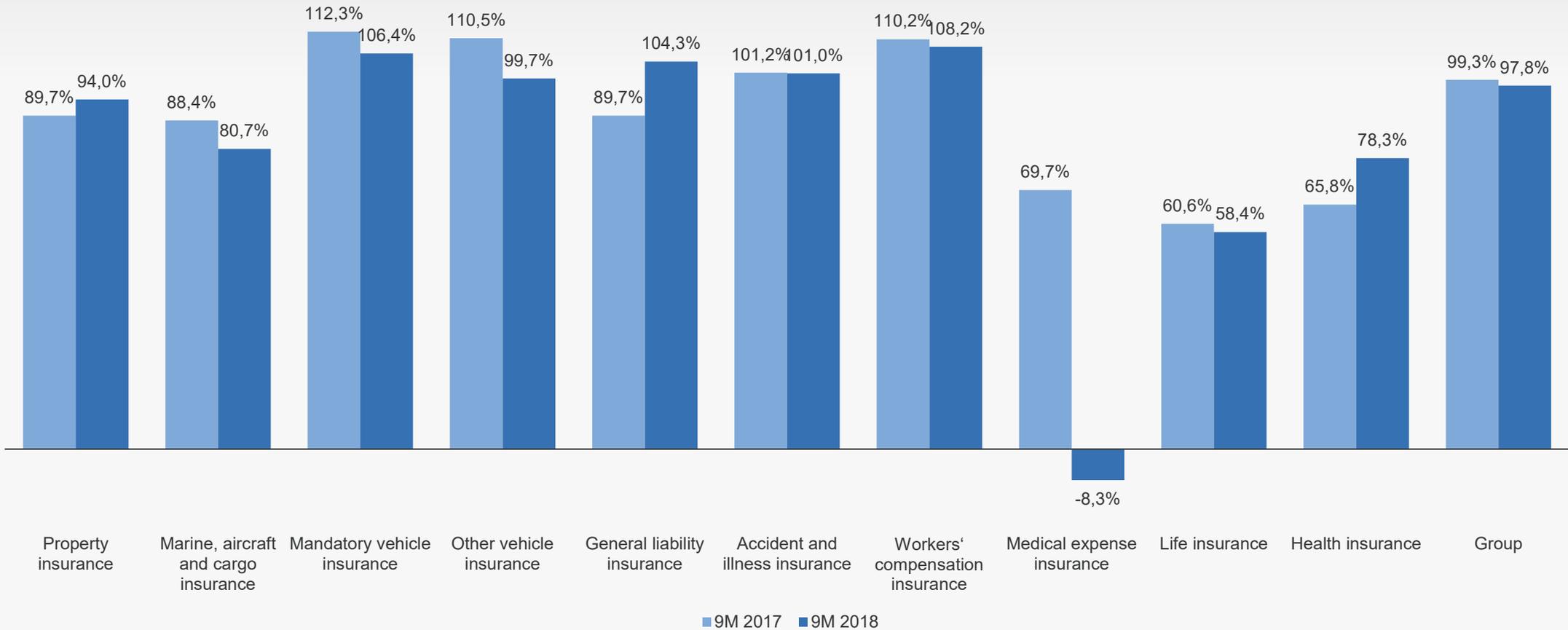


Appendices and Disclaimer

Combined ratio

9M 2018 and 9M 2017 by insurance segment

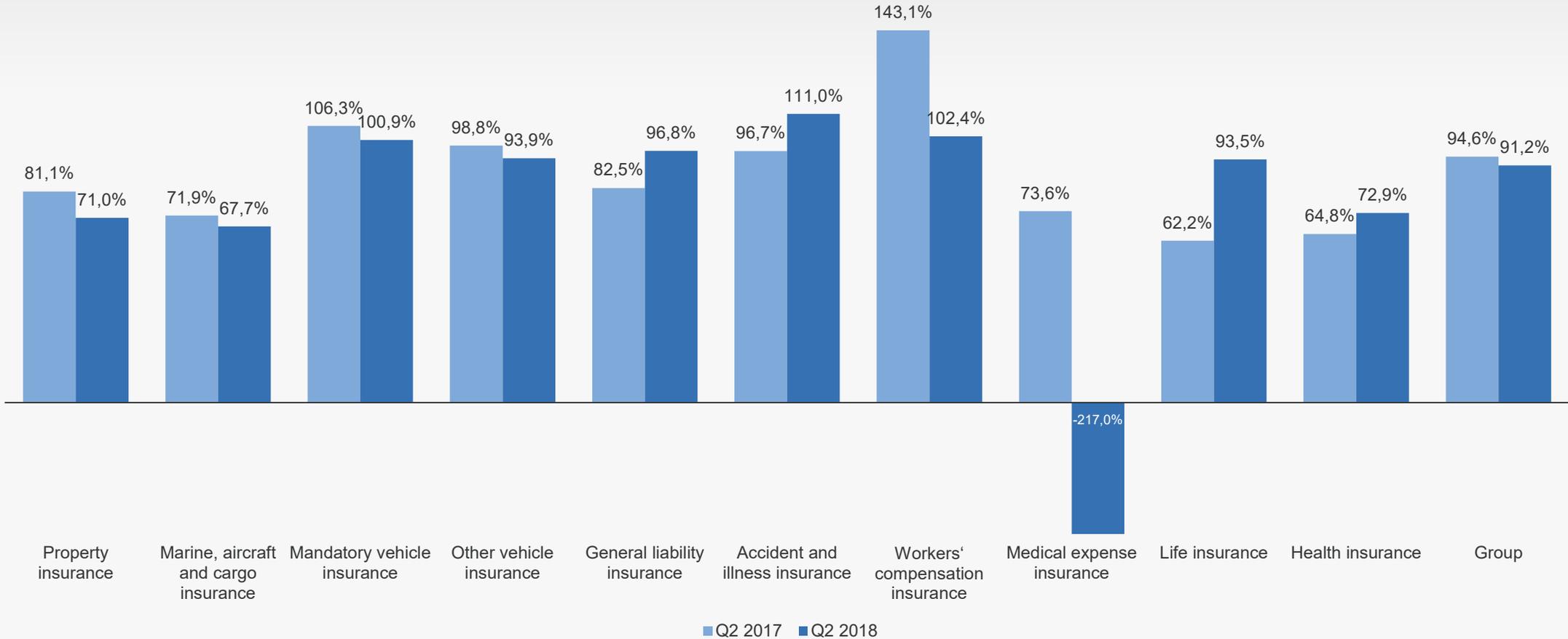
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Combined ratio

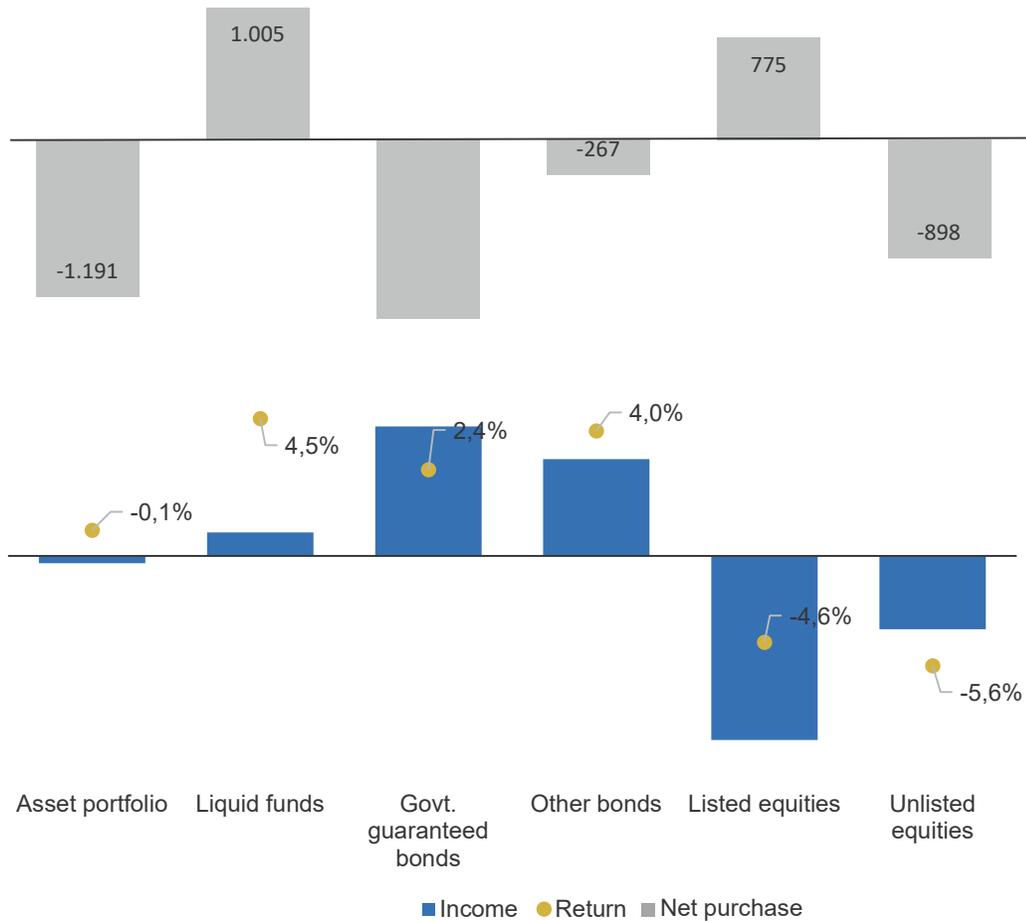
Q3 2018 and Q3 2017 by insurance segment

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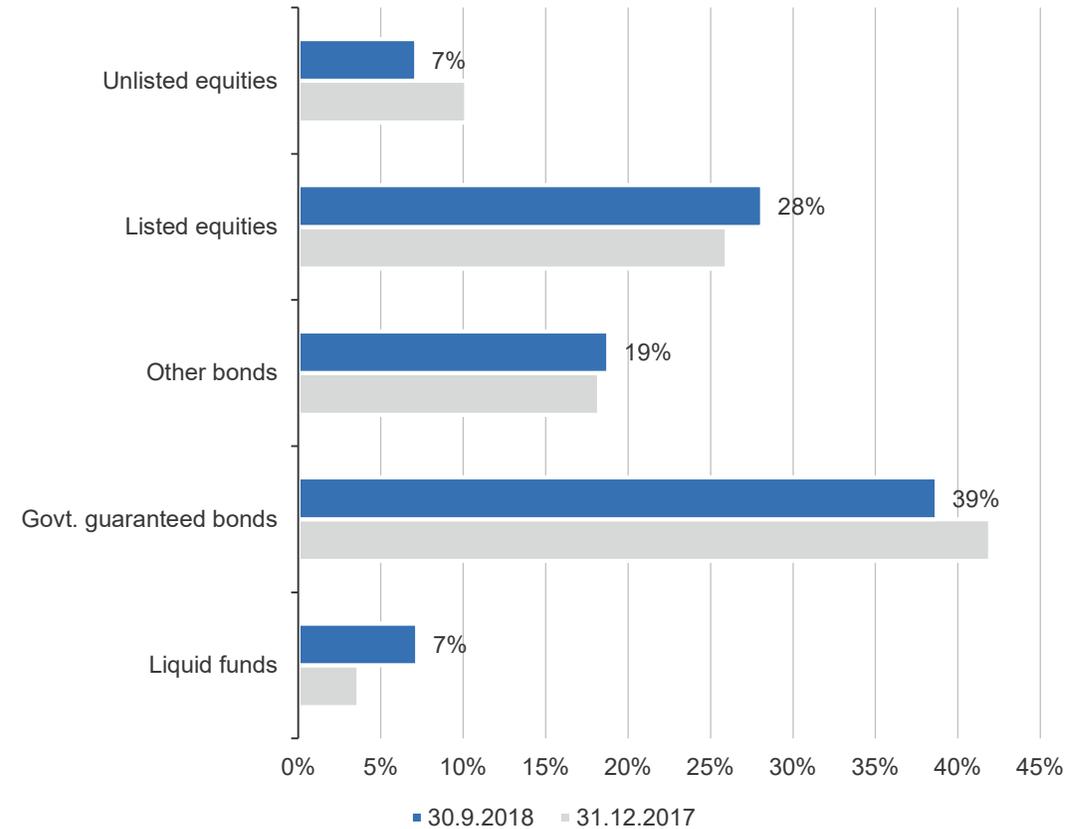


Investment performance in 9M 2018

Return on and changes in investment portfolio

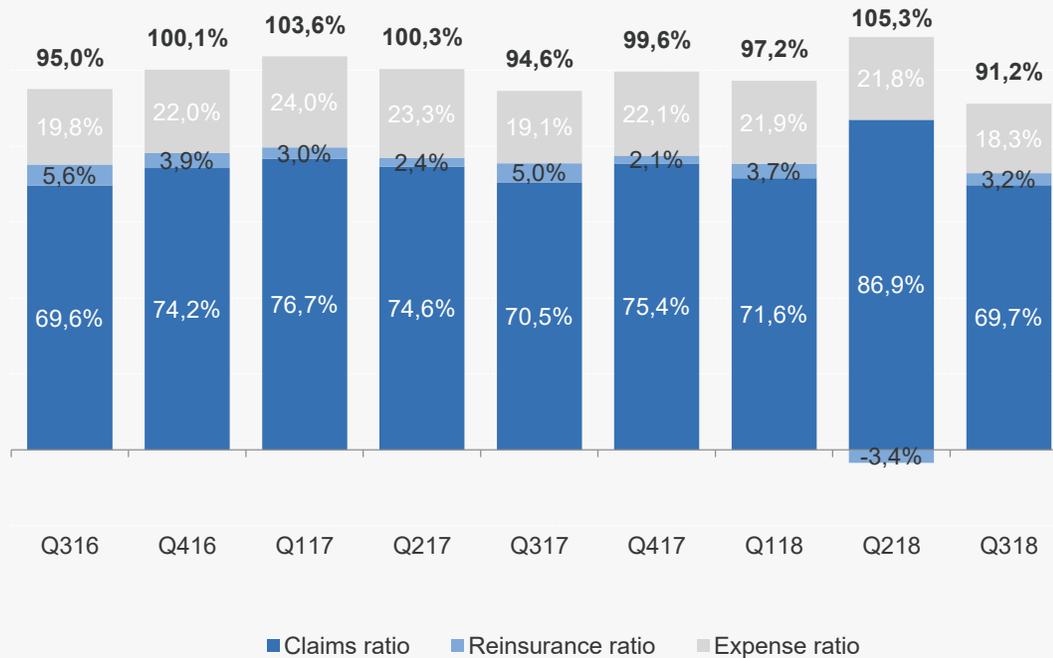


Investment breakdown

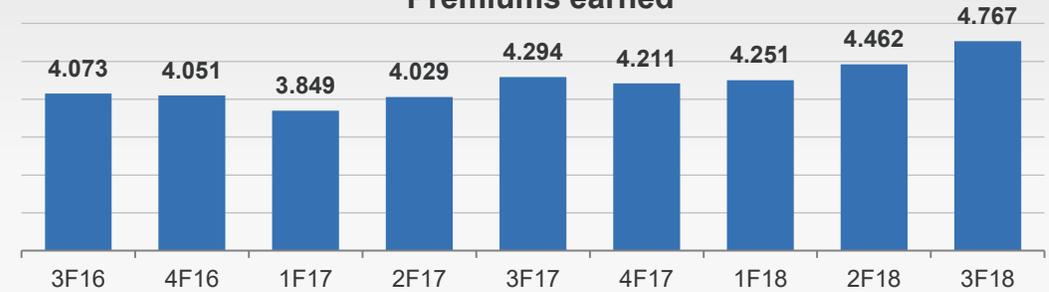


Development of key indicators over preceding quarters

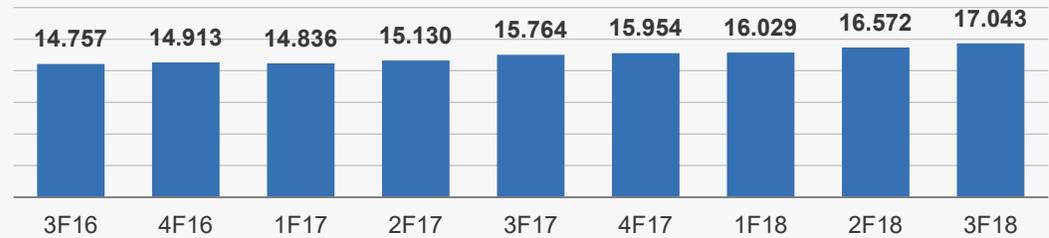
Combined ratio



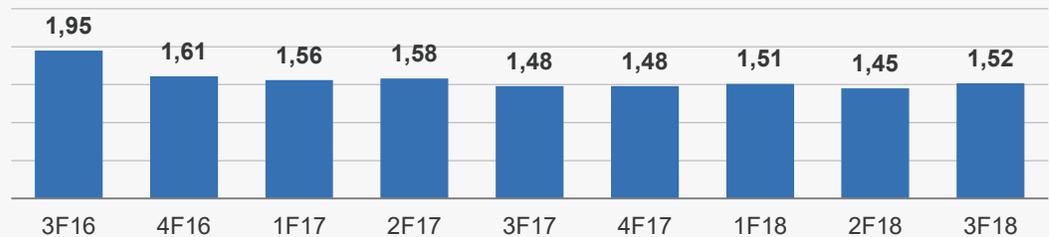
Premiums earned



Claims provision



Solvency ratio



Development of key indicators

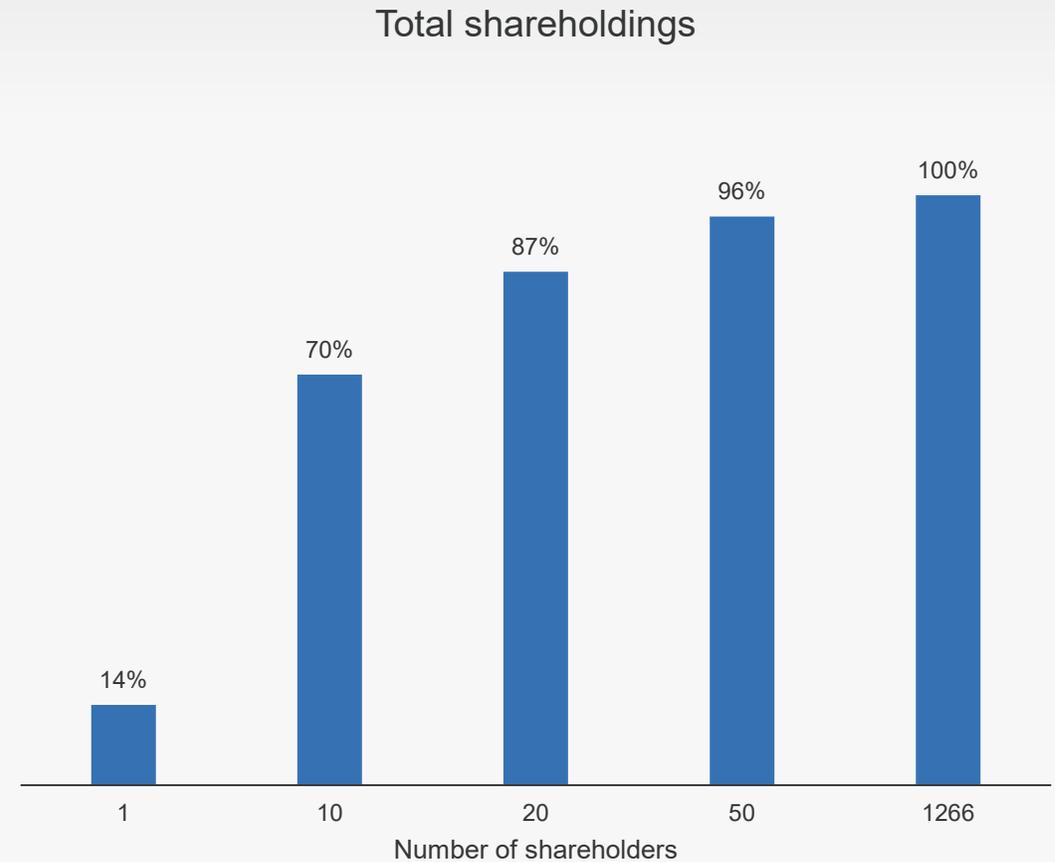
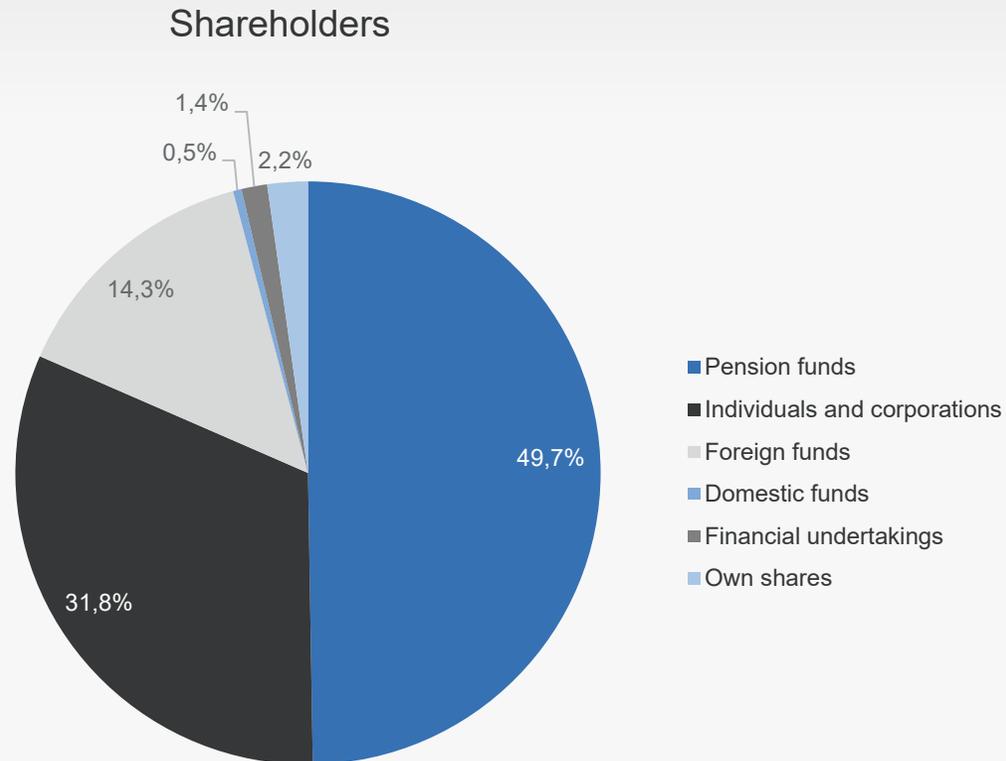
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	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Premiums earned	4.767	4.462	4.251	4.211	4.294	4.029	3.849	4.051	4.073
Premiums earned, net of reinsurance	4.535	4.213	4.039	3.997	4.058	3.815	3.669	3.841	3.761
Investment income	-54	-305	793	649	-619	870	1.364	1.359	789
Total income	4.486	3.916	4.840	4.691	3.447	4.689	5.050	5.243	4.642
Claims incurred	-3.324	-3.879	-3.044	-3.177	-3.028	-3.004	-2.951	-3.008	-2.836
Claims incurred, net of reinsurance	-3.248	-3.484	-2.998	-3.096	-3.013	-2.890	-2.902	-2.999	-2.843
Operating expenses on insurance operations	-872	-968	-950	-931	-819	-941	-924	-892	-808
Total expenses	-4.197	-4.549	-4.022	-4.107	-3.894	-3.900	-3.890	-3.964	-3.710
After-tax profit	249	-630	749	416	-472	702	1.100	1.124	858
Total assets	45.182	45.242	45.937	43.365	43.609	44.466	44.314	43.303	43.956
Securities	30.560	35.171	34.978	36.036	35.187	35.540	34.465	36.204	34.649
Cash and cash equivalents	1.492	861	1.574	951	930	797	1.300	1.063	1.882
Equity	13.534	13.695	14.459	15.206	14.899	15.832	15.472	17.454	16.900
Technical provisions	25.311	25.509	25.255	22.469	23.254	23.306	23.335	20.888	21.828
Claims ratio	69,7%	86,9%	71,6%	75,4%	70,5%	74,6%	76,7%	74,2%	69,6%
Reinsurance ratio	3,2%	-3,4%	3,7%	2,1%	5,0%	2,4%	3,0%	3,9%	5,6%
Expense ratio	18,3%	21,7%	21,9%	22,1%	19,1%	23,3%	24,0%	22,0%	19,8%
Combined ratio	91,2%	105,2%	97,2%	99,6%	94,6%	100,3%	103,6%	100,1%	95,0%
Return on equity (ROE)	3,9%	-17,4%	20,2%	10,2%	-12,7%	16,9%	26,7%	26,6%	20,7%
Solvency ratio	1,52	1,45	1,51	1,48	1,48	1,58	1,56	1,61	1,95

Distribution of shareholders

1265 shareholders as of 29 October 2018

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