

**SJÓVÁ**

## Quarterly results Q3 2019

Translation of Investors'  
Presentation  
31 October 2019



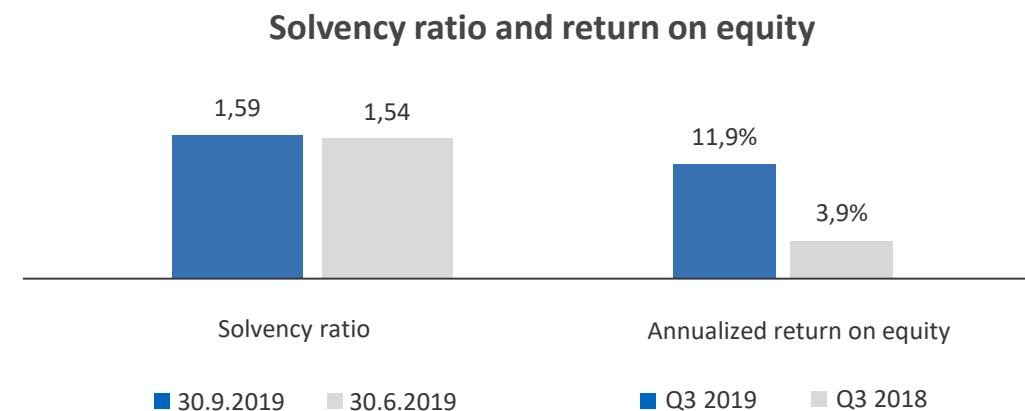
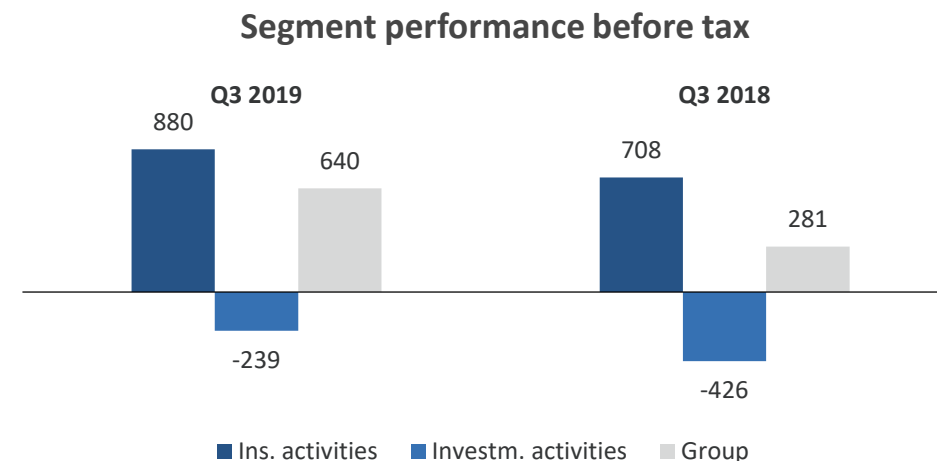
# Q3 2019

<b>Results</b> 	Profit of <b>ISK 443 million</b>	Technical results of <b>ISK 880 million</b>	Pre-tax loss from investment operations of <b>ISK 239 million</b>
<b>Combined ratio</b> 	Combined ratio of <b>89,0%</b> compared to 91,3% in Q3 2018	Historically good underwriting performance in the third quarter	Positive trend in largest insurance lines
<b>Investments</b> 	Negative income of <b>ISK 5 million</b> from the investment portfolio	<b>0%</b> return on investment portfolio	Earnings negatively affected by write-down of Gamma Novus and challenging equity market
<b>Premium growth</b> 	<b>13%</b> year-on-year growth in premium earned	The result of a clearly defined service policy in the personal and commercial lines	Contributes to ever improving underwriting performance

# Highlights from Q3 2019

Investment results subject to fluctuations, while underwriting performance continues to improve

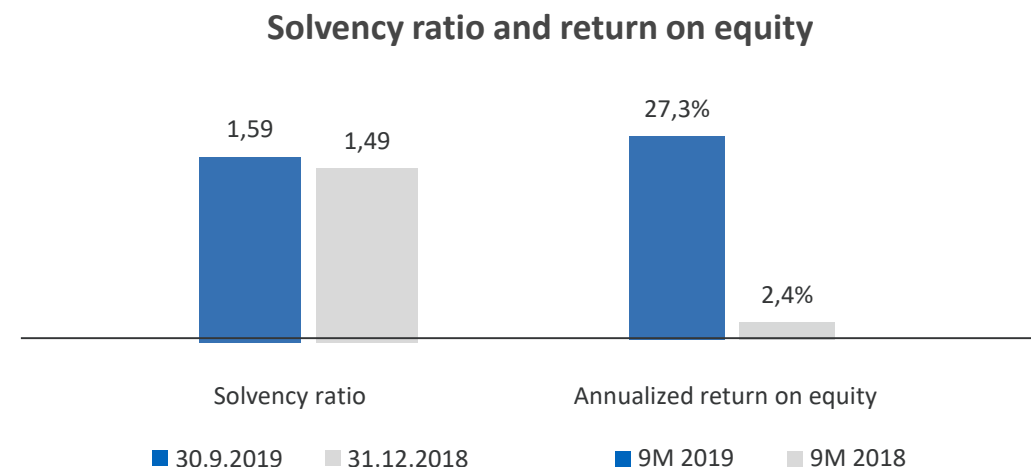
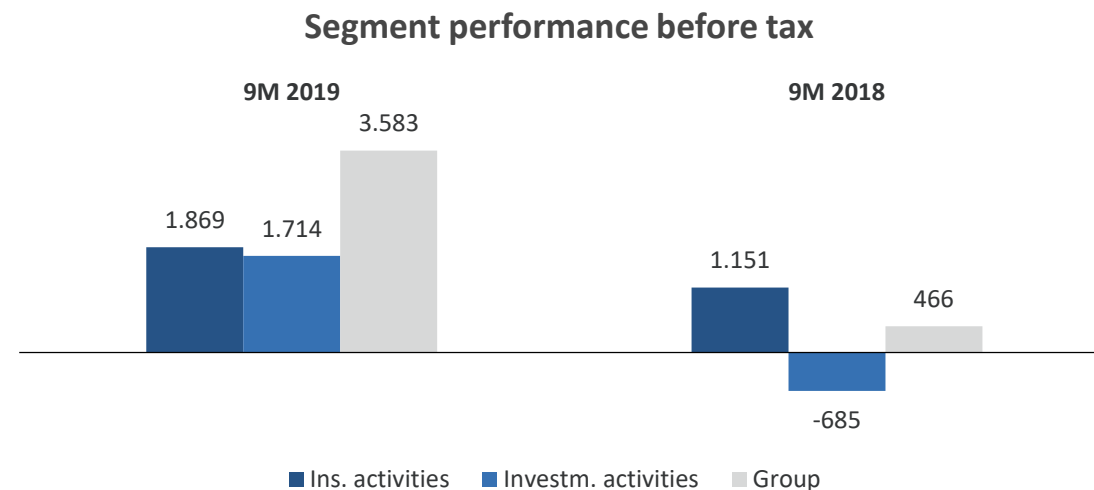
	Q3 2019	Q3 2018
Profit for the period	443	140
Earnings per share	0,32	0,10
Pre-tax profit	640	281
Technical results	880	708
Loss on investment operations	-239	-426
Annualized return on equity (ROE)	11,9%	3,9%
Group combined ratio	89,0%	91,3%
	<b>30.9.2019</b>	<b>30.6.2019</b>
Group equity ratio	30,8%	30,2%
Solvency ratio	1,59	1,54



# Highlights from 9M 2019

Pre-tax income split almost evenly between underwriting and investment operations

	9M 2019	9M 2018
Profit for the period	3.044	259
Earnings per share	2,22	0,19
Pre-tax profit	3.583	466
Technical results	1.869	1.151
Profit/loss on investment operations	1.714	-685
Annualized return on equity (ROE)	27,3%	2,4%
Group combined ratio	93,7%	97,8%
	<b>30.9.2019</b>	<b>31.12.2018</b>
Group equity ratio	30,8%	31,3%
Solvency ratio	1,59	1,49



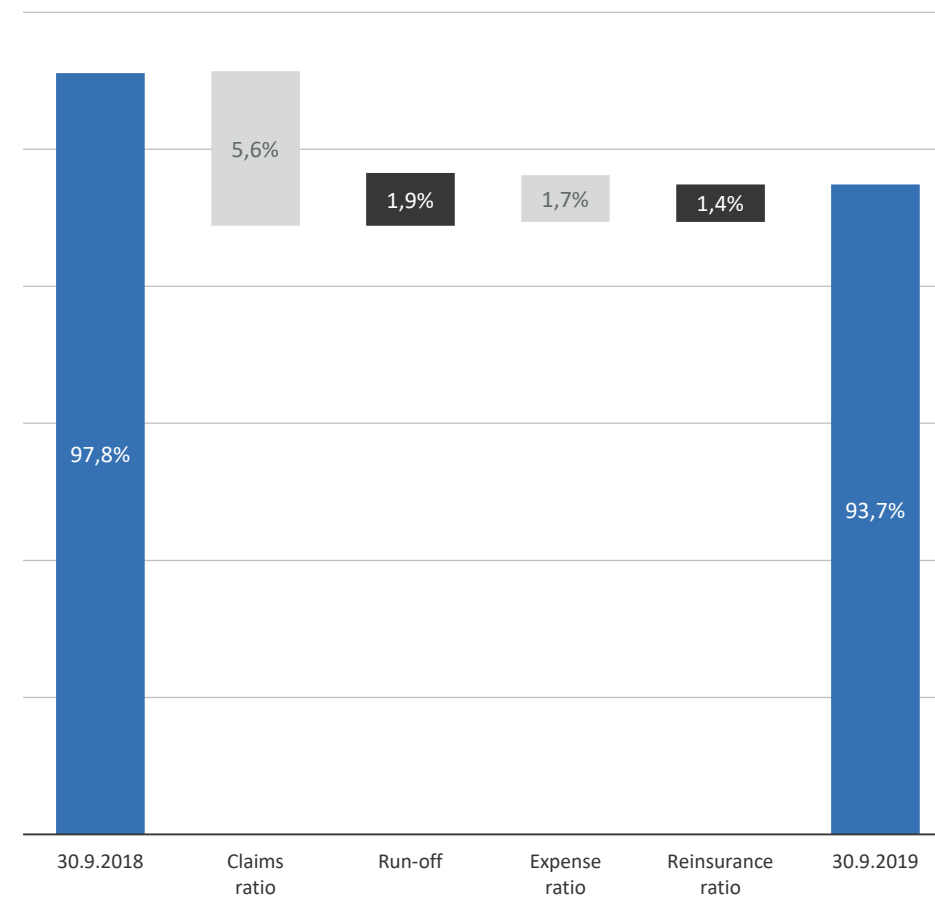
# Income statement

The combined ratio continues to improve

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	Q3 2019	Q3 2018	%	9M 2019	9M 2018	%
Premiums earned	5.385	4.767	13,0%	15.402	13.481	14,3%
<b>Earned premiums, net of reinsurance</b>	<b>5.163</b>	<b>4.535</b>	<b>13,8%</b>	<b>14.695</b>	<b>12.787</b>	<b>14,9%</b>
Investment income	105	-54	-	2.804	434	-
Claims incurred	-3.749	-3.324	12,8%	-11.134	-10.247	8,7%
<b>Claims incurred, net of reinsurance</b>	<b>-3.663</b>	<b>-3.248</b>	<b>12,8%</b>	<b>-10.888</b>	<b>-9.730</b>	<b>11,9%</b>
Operating expenses	-994	-956	3,9%	-3.178	-3.045	4,3%
Pre-tax profit	640	281	-	3.583	466	-
<b>After-tax profit</b>	<b>443</b>	<b>140</b>	<b>-</b>	<b>3.044</b>	<b>259</b>	<b>-</b>
Claims ratio	67,6%	66,9%		69,0%	74,6%	
Run-off	2,1%	2,9%		3,3%	1,4%	
Claims ratio	69,6%	69,7%		72,3%	76,0%	
Reinsurance ratio	2,5%	3,2%		2,5%	1,2%	
<b>Claims and reinsurance ratio</b>	<b>72,1%</b>	<b>72,9%</b>		<b>74,8%</b>	<b>77,2%</b>	
Expense ratio	16,9%	18,4%		18,9%	20,6%	
<b>Combined ratio</b>	<b>89,0%</b>	<b>91,3%</b>		<b>93,7%</b>	<b>97,8%</b>	

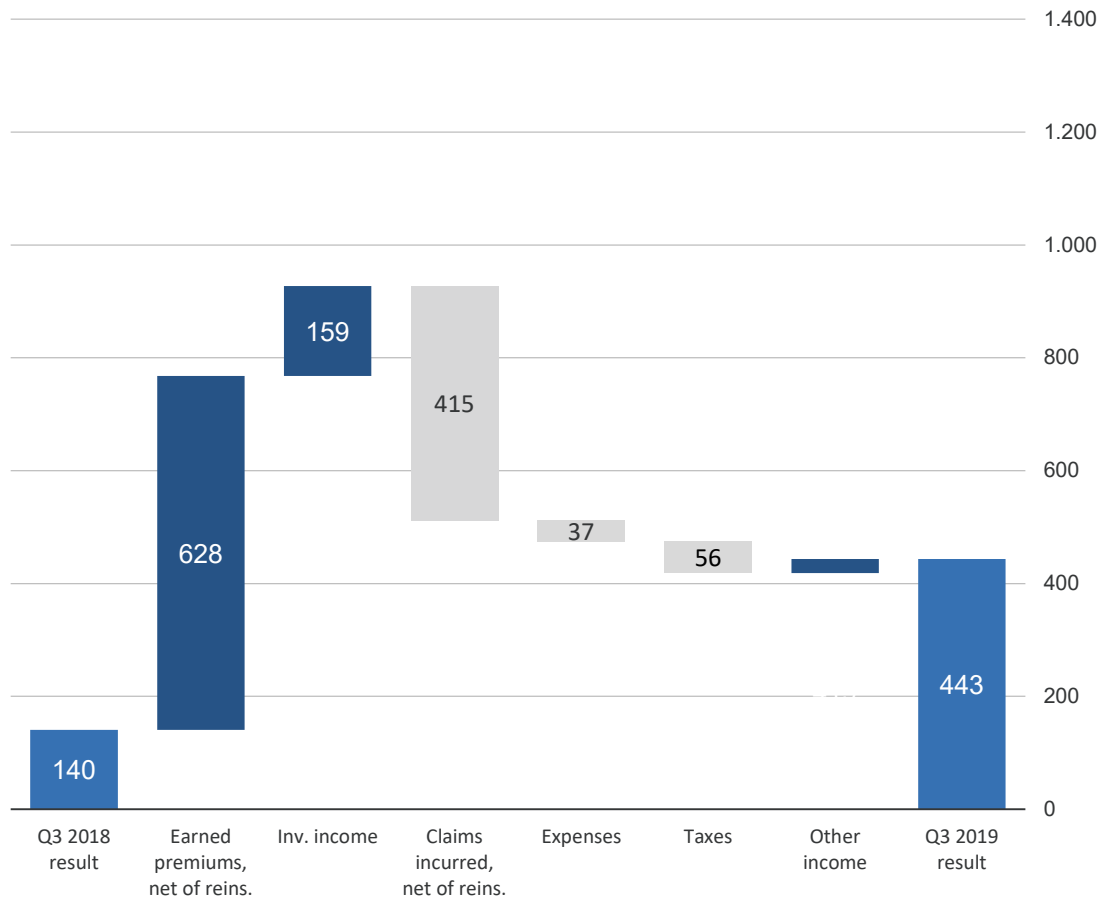
Change in combined ratio 9M 2018 to 9M 2019



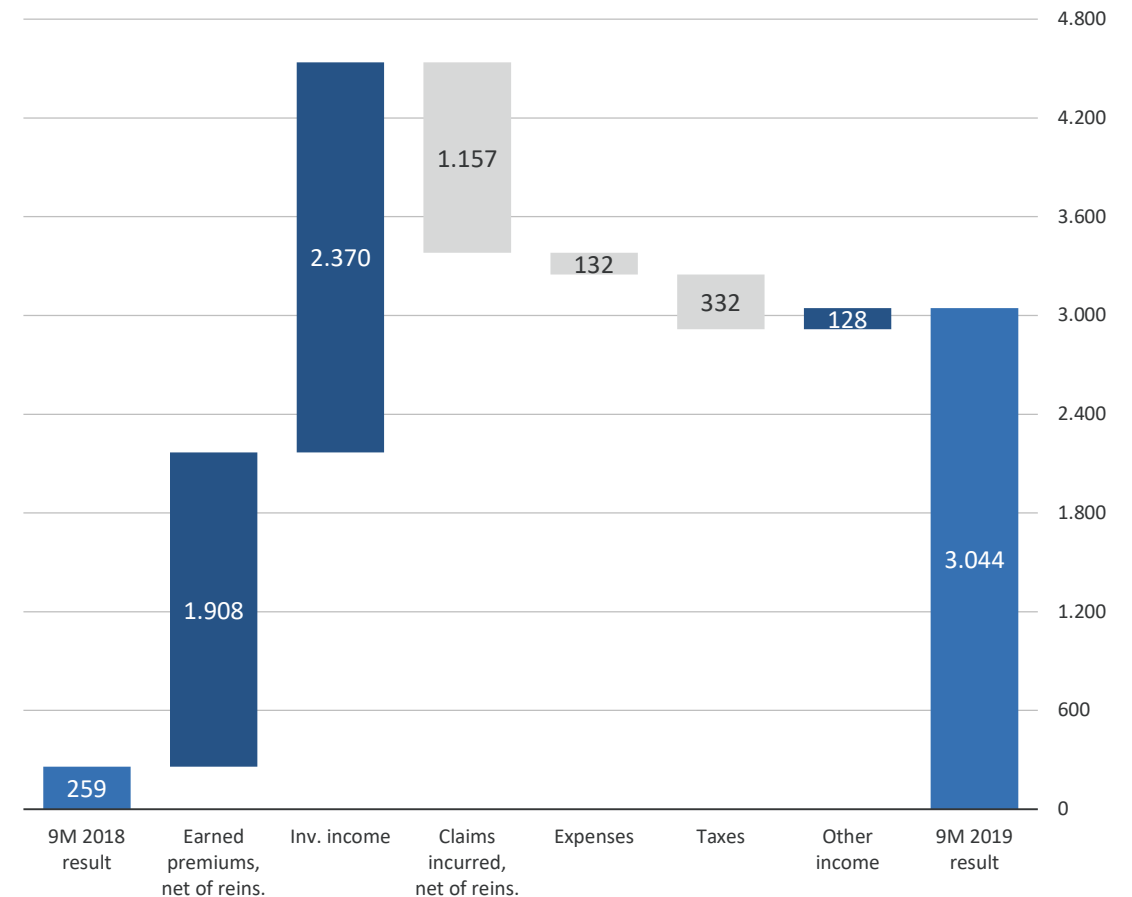
# Bridge analysis

Healthy premium growth and better than expected investment results in the first nine months of 2019

### Bridge analysis Q3 2018 to Q3 2019



### Bridge analysis 9M 2018 to 9M 2019

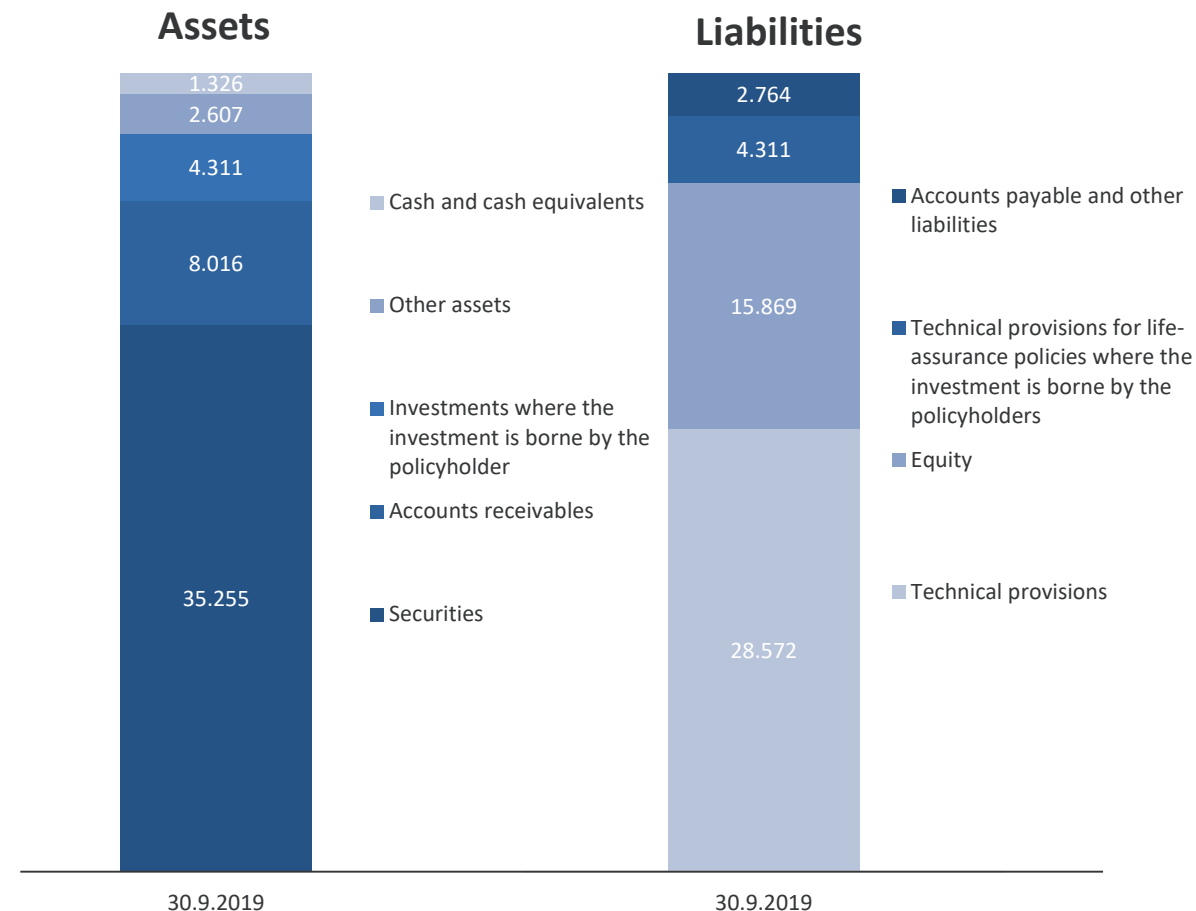


# Balance sheet

Growing balance sheet in line with increased revenue and earnings

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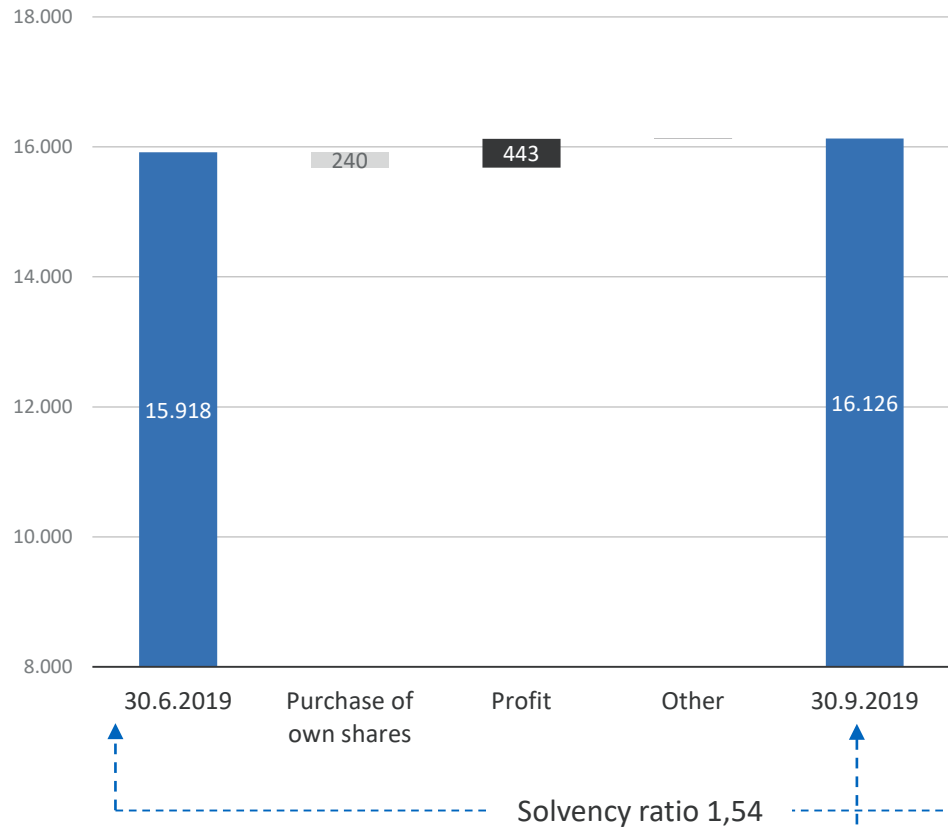
	30.9.2019	31.12.2018
<b>Assets</b>		
Securities	35.255	31.349
Accounts receivables	8.016	5.416
Investments where the investment is borne by the policyholder	4.311	3.891
Cash and cash equivalents	1.326	1.313
Other assets	2.607	2.227
<b>Total assets</b>	<b>51.516</b>	<b>44.195</b>
<b>Equity</b>		
Share capital	1.370	1.389
Other equity	14.500	12.438
<b>Total equity</b>	<b>15.869</b>	<b>13.827</b>
<b>Liabilities</b>		
Technical provisions	28.572	24.738
Technical provisions for life-assurance policies where the investment is borne by the policyholders	4.311	3.891
Accounts payable and other liabilities	2.764	1.739
<b>Total liabilities</b>	<b>35.646</b>	<b>30.368</b>
<b>Total liabilities and equity</b>	<b>51.516</b>	<b>44.195</b>



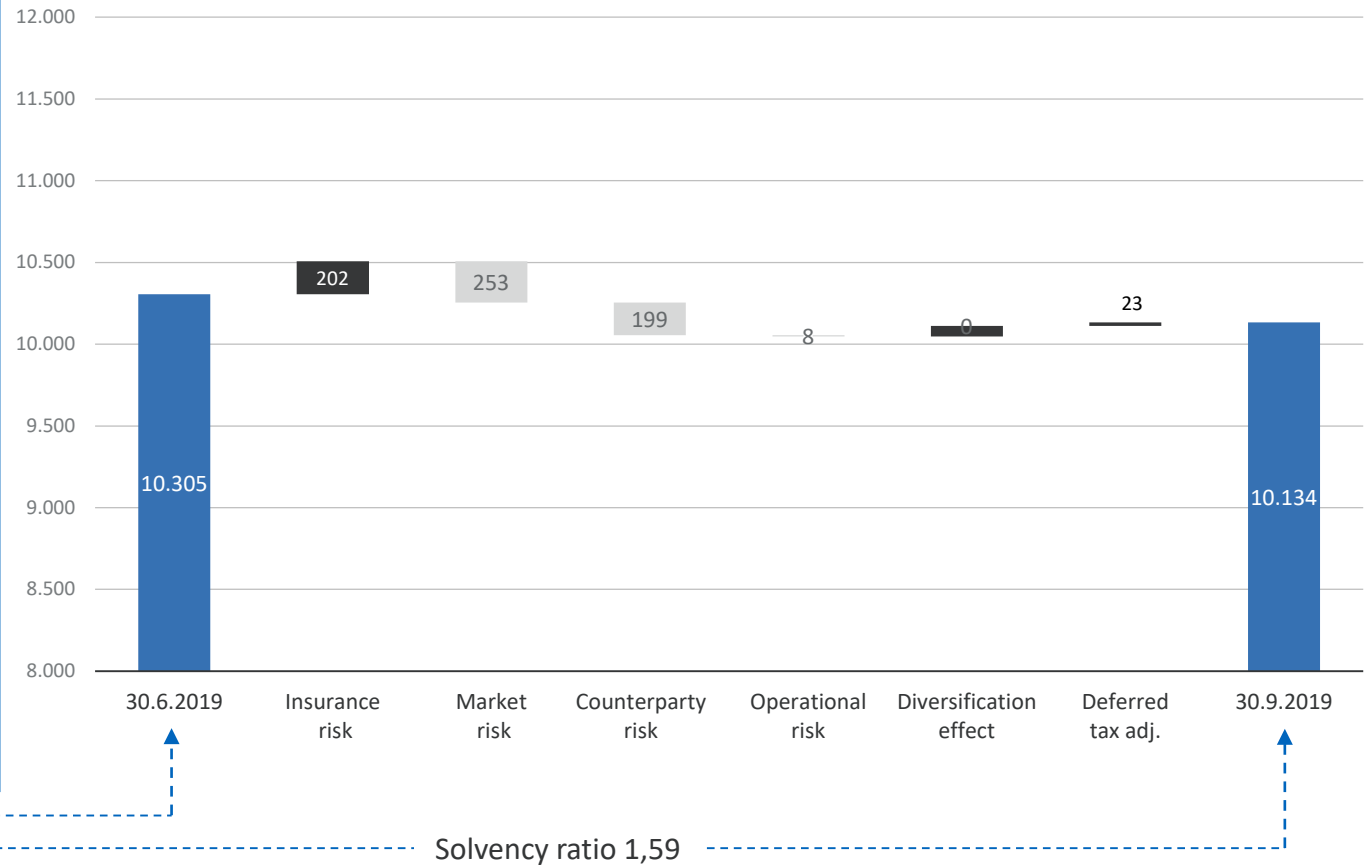
# Changes in basic own funds and solvency capital requirements

Q3 2019

### Basic own funds



### Solvency capital requirements





# Investment performance in Q3 2019

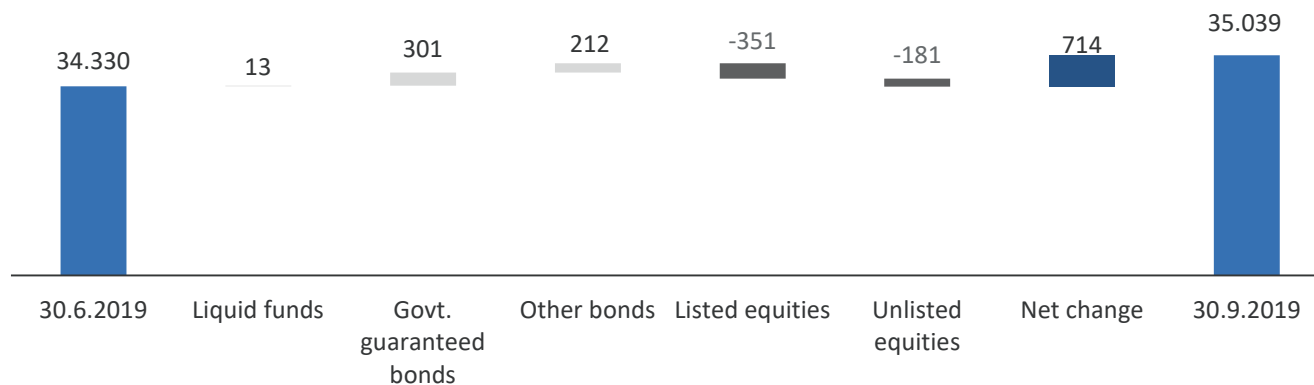
Return on the investment portfolio was 0%

Asset class*	30.6.2019	Net change	Income	30.9.2019	Return
Liquid funds	1.074	242	13	1.329	1,4%
Govt. guaranteed bonds	12.291	-249	301	12.344	2,6%
Other bonds	9.063	314	212	9.590	2,2%
Listed equities	9.667	249	-351	9.565	-3,6%
Unlisted equities	2.234	157	-181	2.211	-7,8%
<b>Total</b>	<b>34.330</b>	<b>714</b>	<b>-5</b>	<b>35.039</b>	<b>0,0%</b>
Interest income from receivables			104		
Other investment income			6		
<b>Total investment income</b>			<b>105</b>		

- › The average duration of the Group's bond portfolio was 4,0 years at the end of the quarter (4,1 years at the end of Q2 19) and the indexation rate was 42% (42% at the end of Q2 19)

Gamma index return	Q3 2019
Market index	0,3%
Equities	-5,7%
Government bonds	2,2%
Inflation-indexed bonds	1,6%
Non-indexed bonds	3,7%
Covered bonds	1,2%
Corporate bonds	1,5%

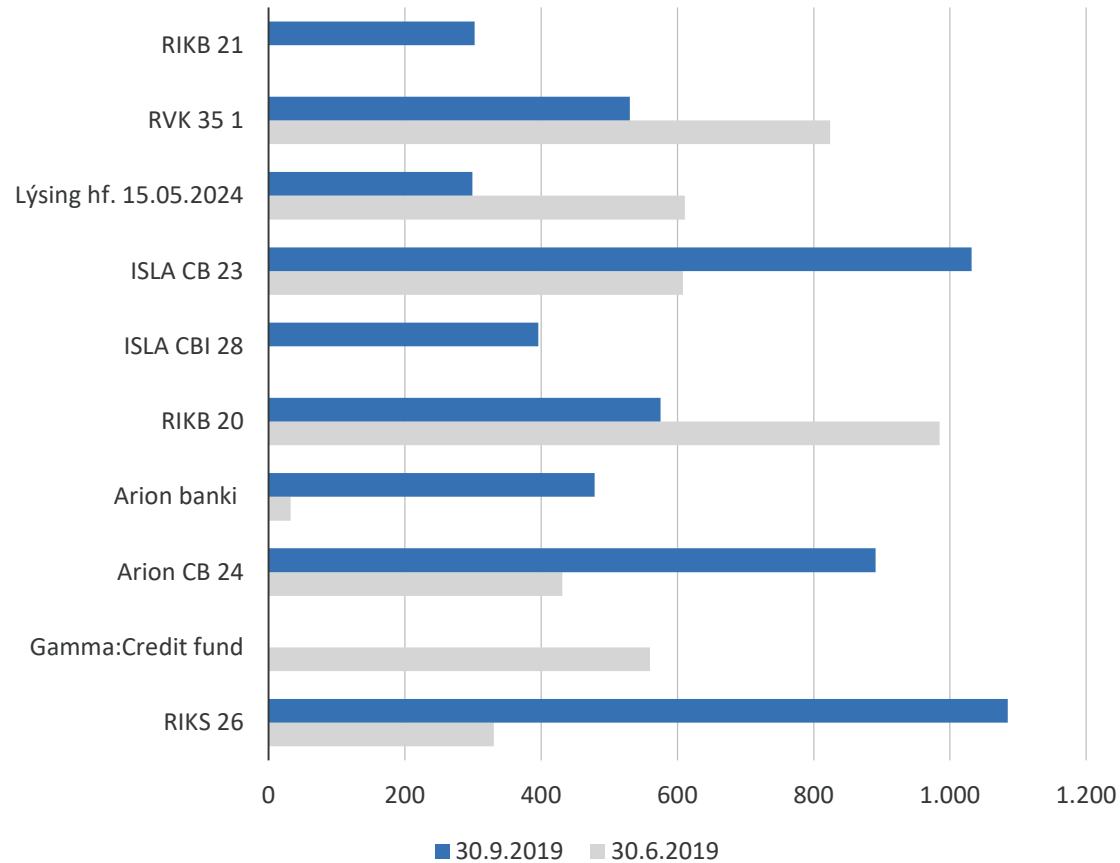
Return and changes in investment portfolio



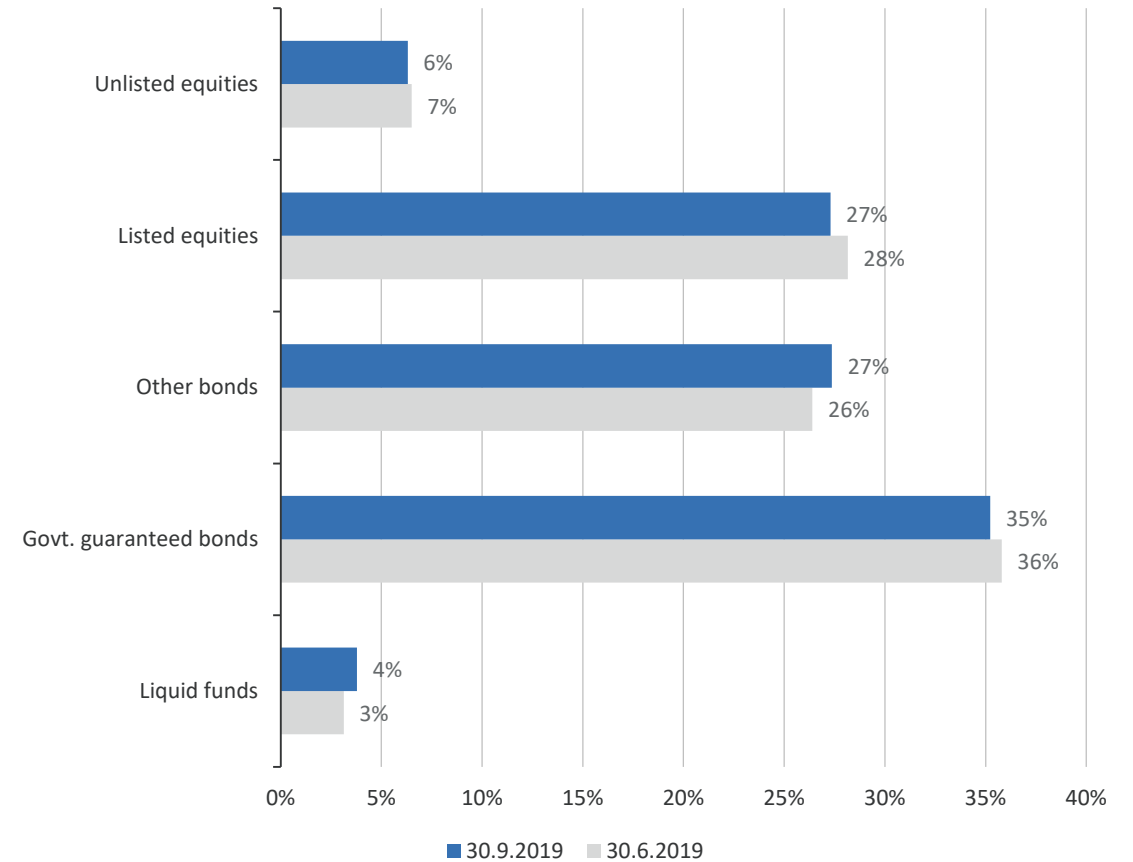
# Changes to asset portfolio in Q3 2019

Little change in the portfolio composition in Q3

Largest portfolio changes in Q3 2019



Investment breakdown\*



# Group investment assets exceeding ISK 500 million

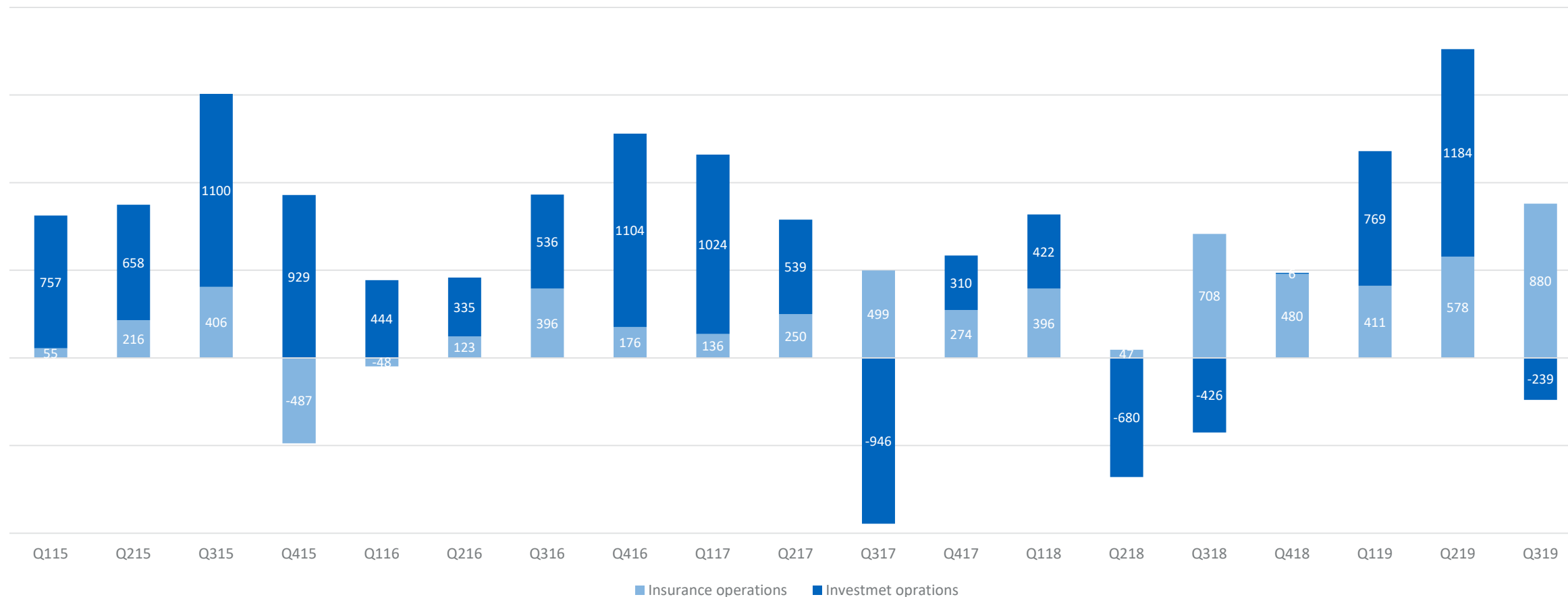
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Asset	30.9.2019	30.6.2019	Net change	Return	% of portfolio
Land 05 1	3.957	3.927	0	30	11,3%
RIKB 31	2.492	2.182	204	106	7,1%
Marel	2.292	2.234	-9	67	6,5%
RIKB 28	1.867	2.024	-249	92	5,3%
LBANK CB 23	1.298	987	274	37	3,7%
RIKS 26	1.085	330	744	11	3,1%
ISLA CB 23	1.032	608	393	30	2,9%
FESTI	964	1.045	-15	-66	2,8%
Arion CB 24	891	431	433	26	2,5%
SÍMINN	852	884	-60	28	2,4%
EIK	709	806	25	-122	2,0%
Reginn	700	786	3	-89	2,0%
RIKB 25	658	637	-3	24	1,9%
Reitir fastignafélag 15.11.2022	655	658	-12	9	1,9%
Júpíter veðskuldabréf	637	628	0	9	1,8%
Iceland Seafood International	630	552	31	47	1,8%
Heimavellir	628	649	0	-22	1,8%
RIKB 20	575	985	-419	9	1,6%
Stefnir ríkisverðbréfasjóður	545	836	-300	8	1,6%
RVK 35 1	530	824	-312	18	1,5%
RIKS 33	523	667	-153	9	1,5%
OR 2024	502	498	0	4	1,4%
Other assets	11.018	11.149	140	-271	31,4%
<b>Total assets</b>	<b>35.039</b>	<b>34.330</b>	<b>714</b>	<b>-5</b>	

# Combination of profit/loss before tax

Q1 2015 - Q3 2019

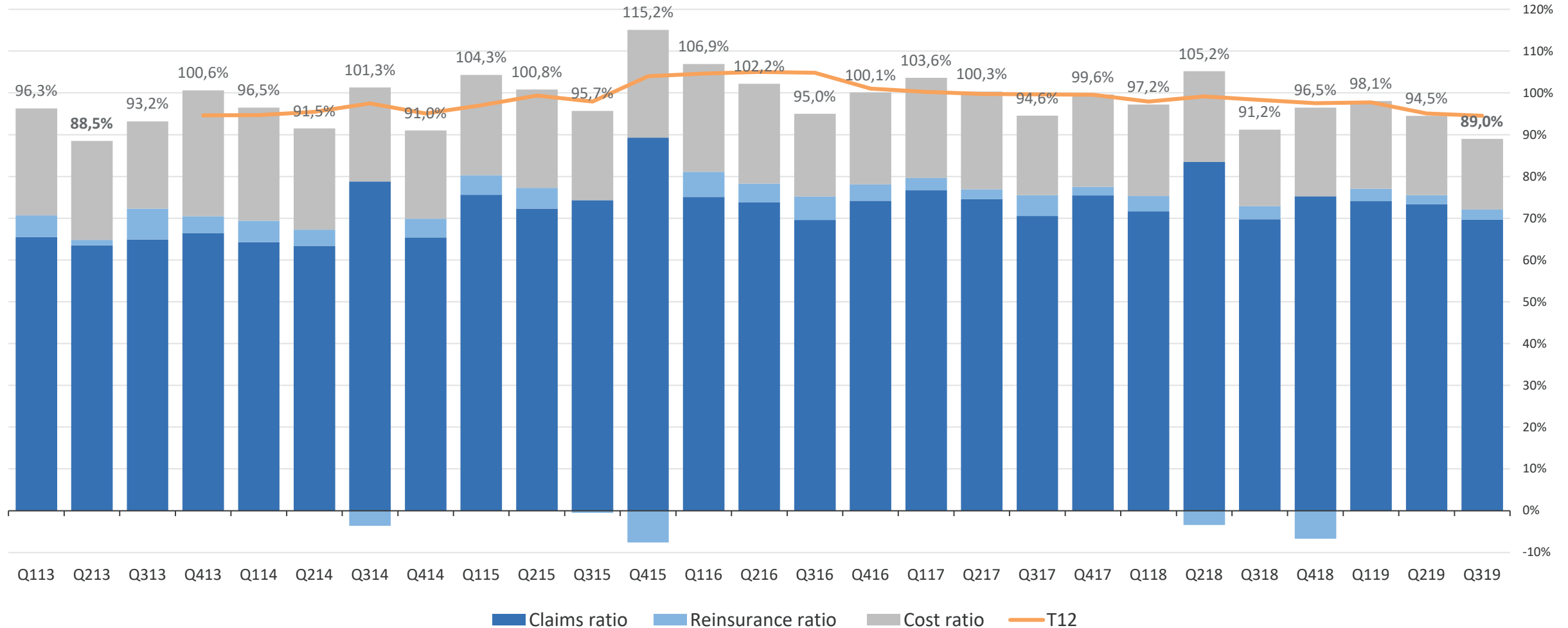
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# Development of the combined ratio since 2013



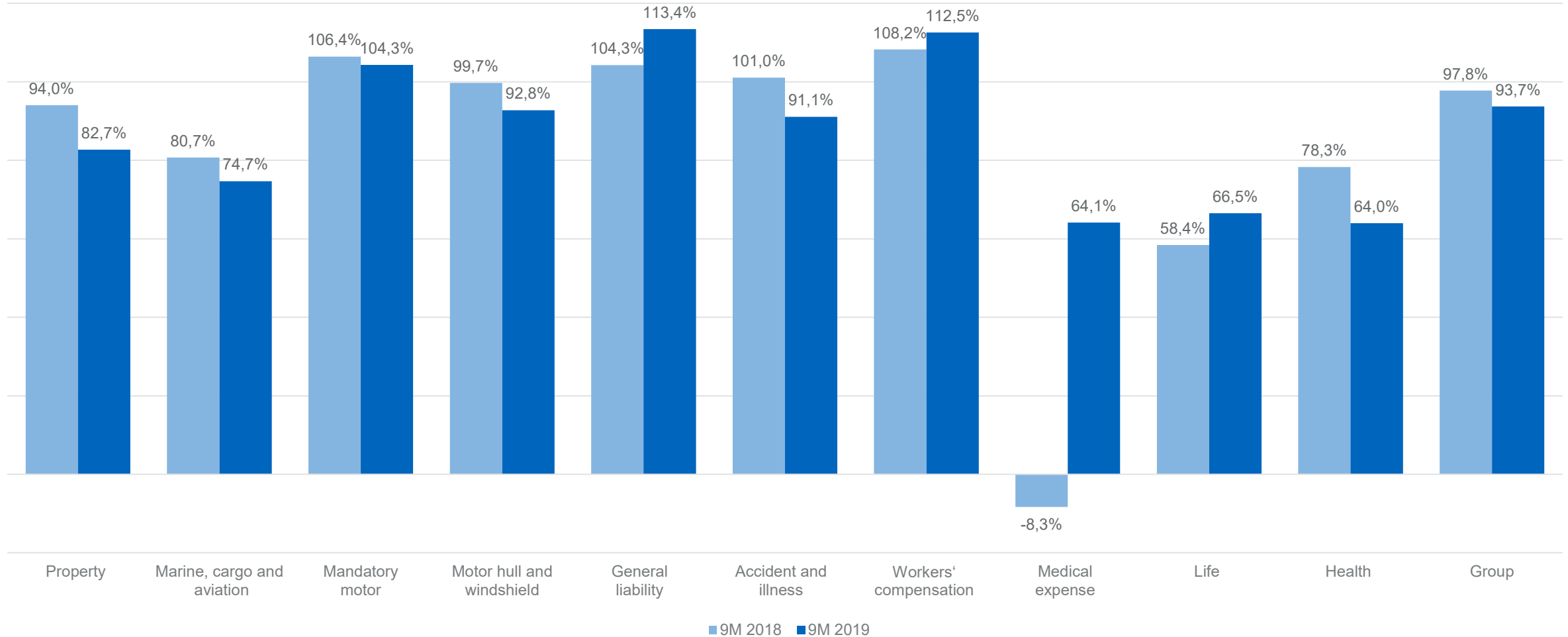
Average of 98.1%



# Combined ratio

9M 2019 and 9M 2018 by insurance segment

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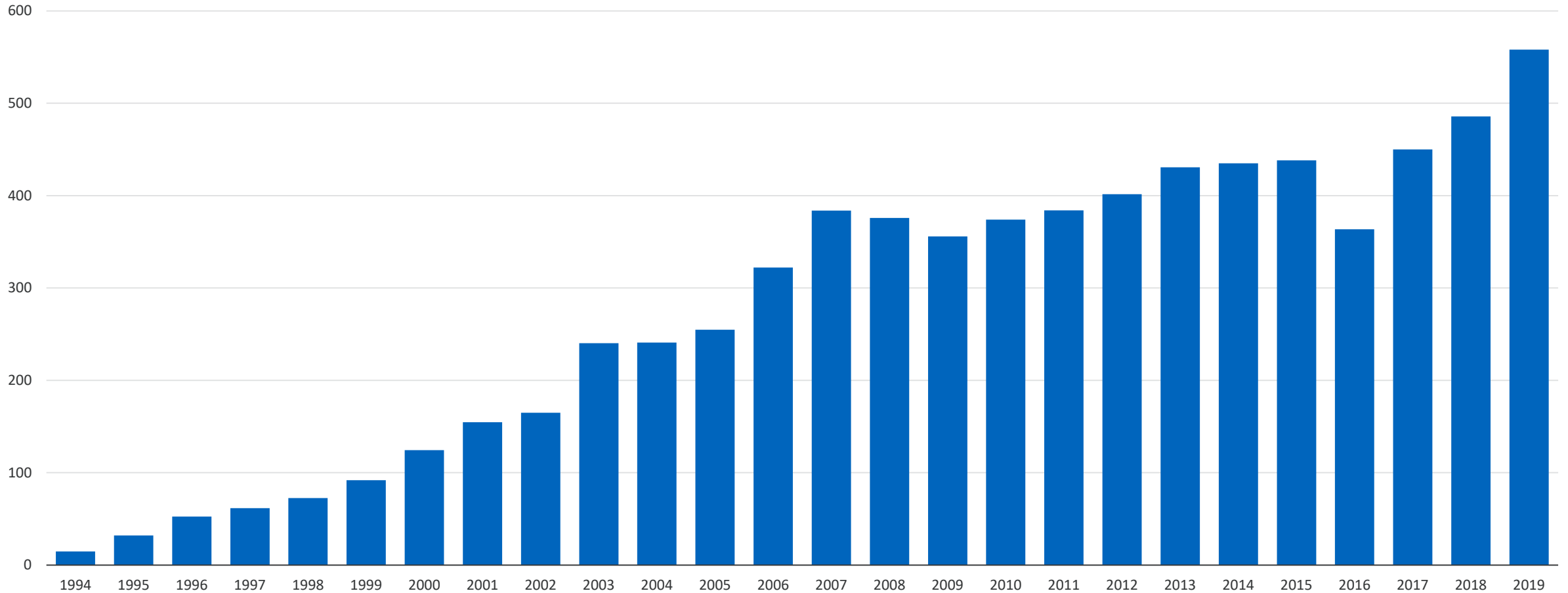


# Stofn loyalty program refunds for 25 years

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Allows us to contact 80% of our most loyal customers each year in a positive way





Total refunds 1994-2019 (ISK million)



Amounts are in ISK million

*\* Following the changes of laws that authorize the customers of insurance companies in Iceland to move their business between companies with one-month notice, instead of up to twelve months, the arrangement of Stofn loyalty program refunds has been changed. Therefore, now after each customer's main date of payment the refund takes place, instead of paying all customers, free of damage, on the first of February regardless of their date of payment like it was done before.*

# 9M 2019 and updated guidance

<b>Results</b> 	Profit of <b>ISK 3.044 million</b>	Technical results of <b>ISK 1.869 million</b>	Pre-tax profit from investment operations of <b>ISK 1.714 million</b>
<b>Combined ratio</b> 	<b>93,7%</b> combined ratio compared to 97,8% in 9M 2018	<b>94,4%</b> trailing 12 month combined ratio	Emphasis on healthy premium growth
<b>Loyalty &amp; service</b> 	25 years ago, Sjóvá began rewarding customers who are members of our <b>STOFN</b> loyalty program with a refund for each claims free year	<b>On-line sales of life insurance</b> began one year ago	Big steps on our digital journey taken during the quarter
<b>Updated guidance</b> 	Combined ratio <b>95%</b> (unchanged) and pre-tax earnings of <b>ISK 4.200 million</b> (from ISK 4.300 million) for full year 2019	Combined ratio <b>95%</b> (unchanged) and pre-tax earnings of <b>ISK 3.000 million</b> (unchanged) over the next 12 months (Q419-Q320)	The board of directors has decided to continue buying own shares according to the repurchase plan

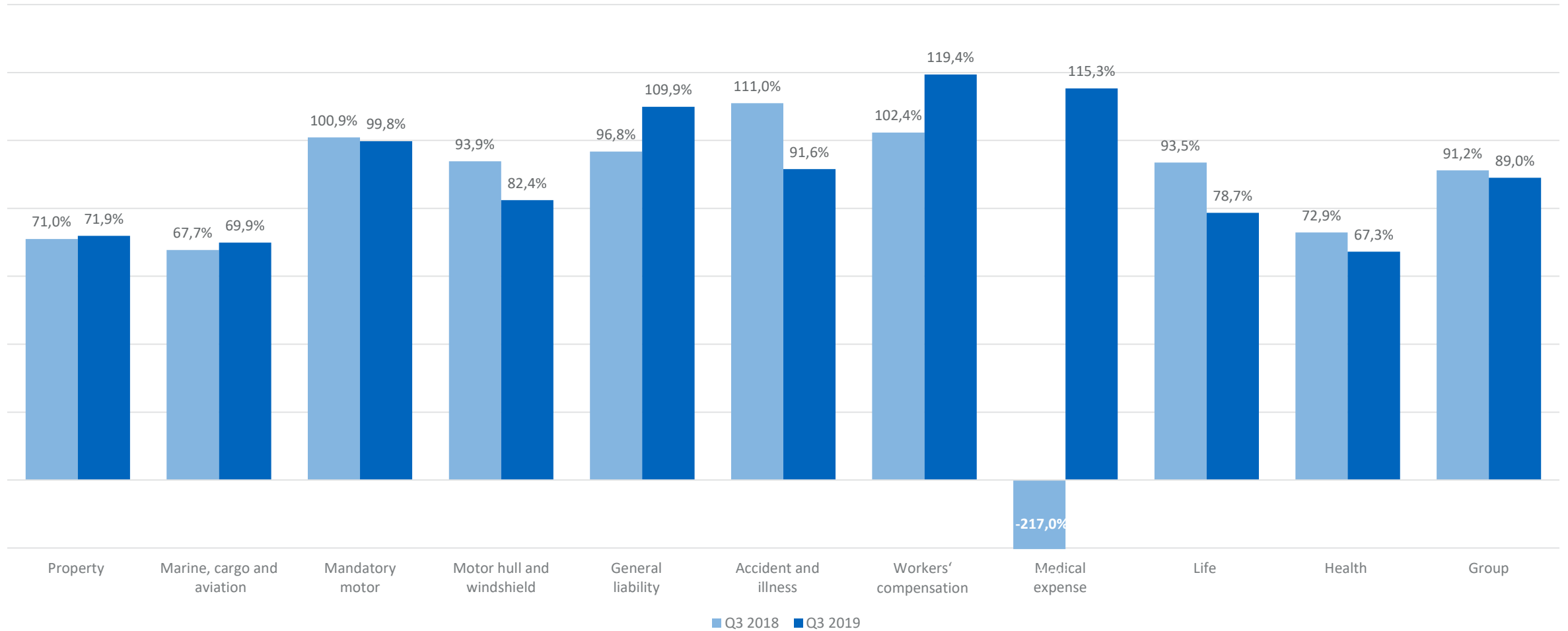


# Appendices and Disclaimer

# Combined ratio

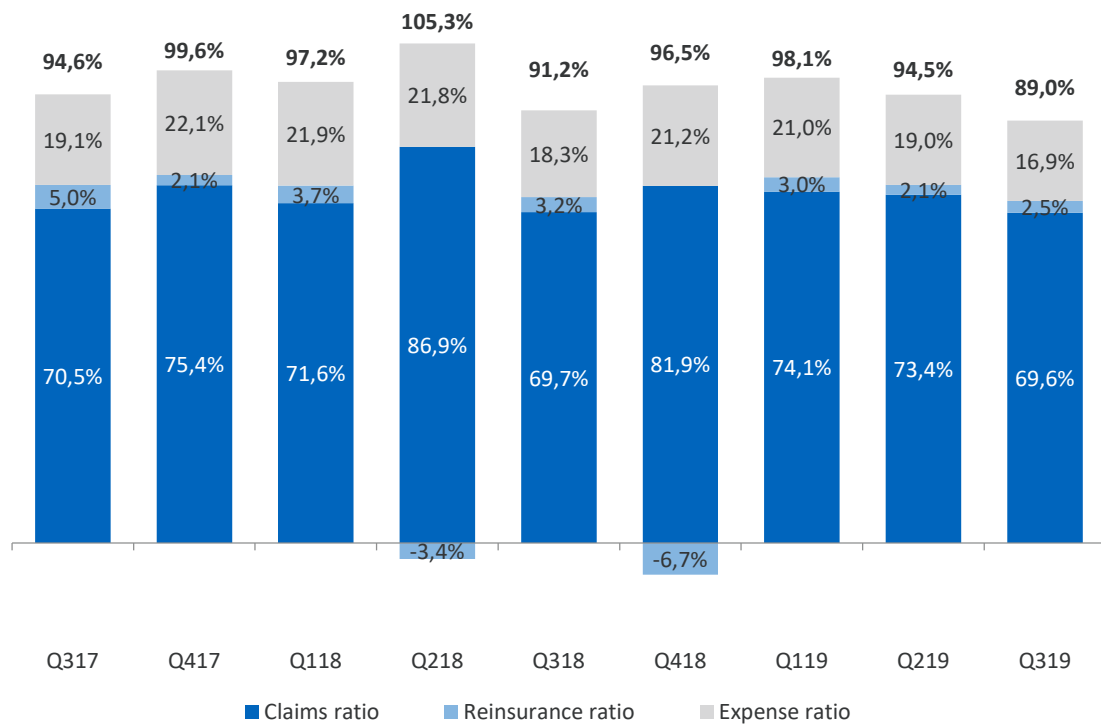
Q3 2019 and Q3 2018 by insurance segment

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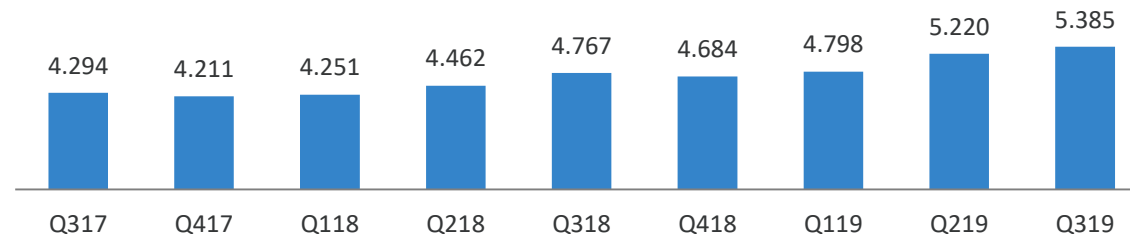


# Development of key indicators

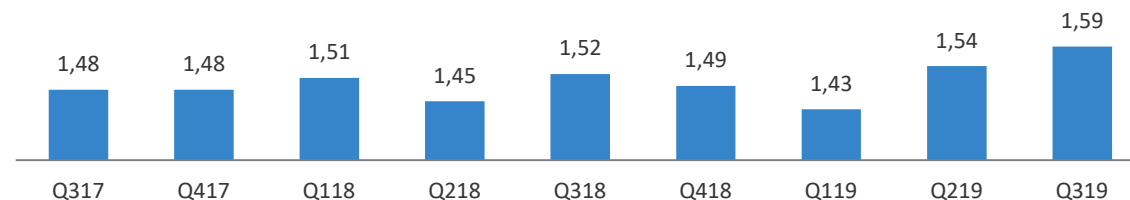
### Combined ratio



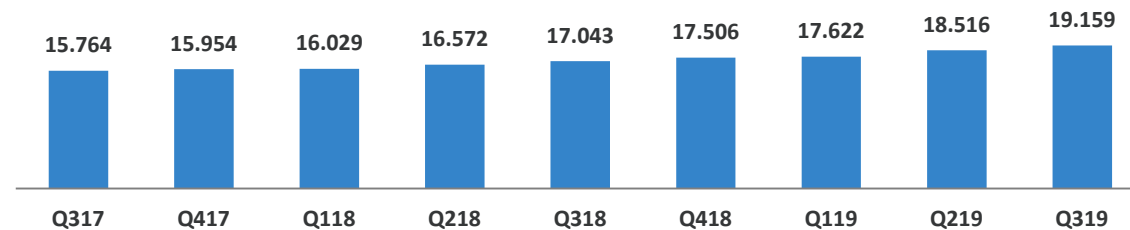
### Premiums earned



### Solvency margin



### Claim provision



# Development of key indicators

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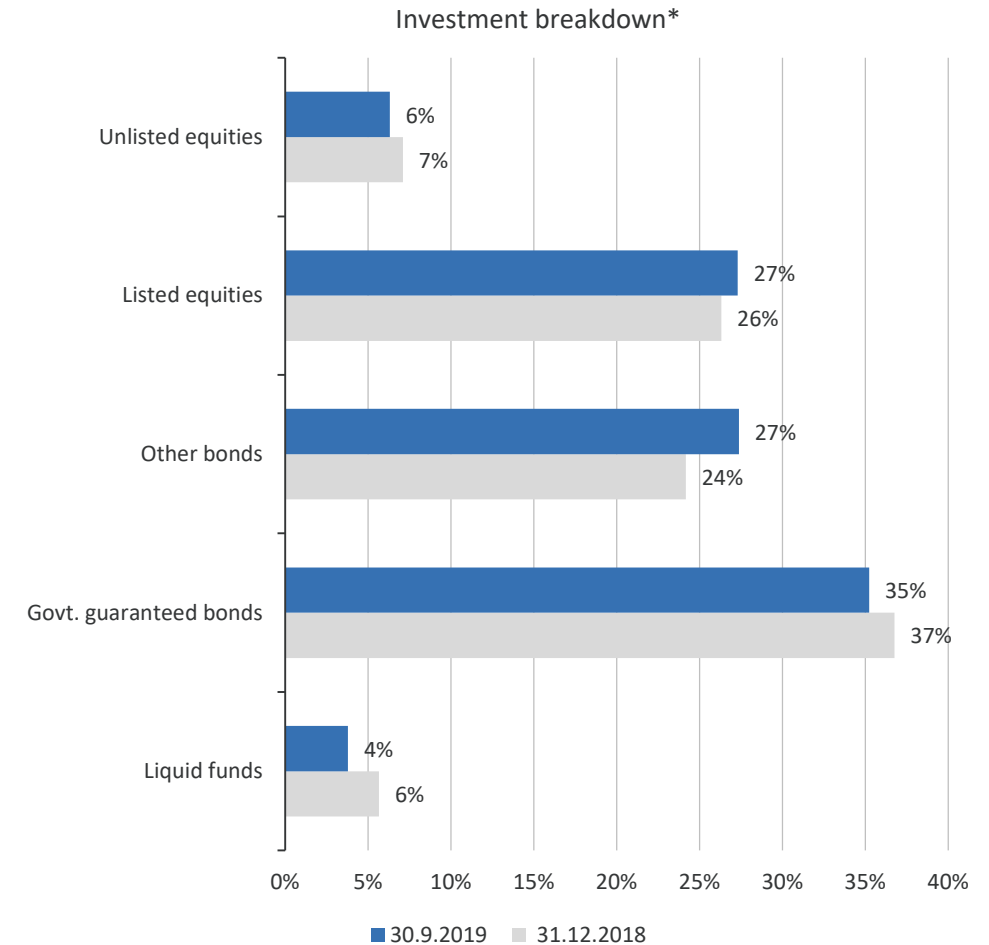
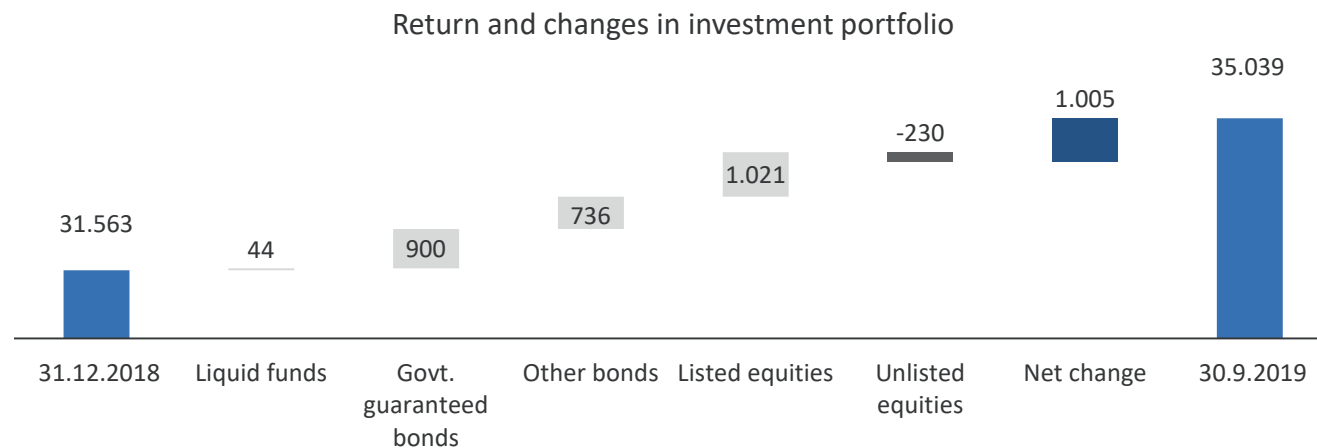
	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Premiums earned	5.385	5.220	4.798	4.684	4.767	4.462	4.251	4.211	4.294
Premiums earned, net of reinsurance	5.163	4.970	4.563	4.431	4.535	4.213	4.039	3.997	4.058
Investment income	105	1.540	1.158	385	-54	-305	793	649	-619
<b>Total income</b>	<b>5.297</b>	<b>6.592</b>	<b>5.759</b>	<b>4.902</b>	<b>4.486</b>	<b>3.916</b>	<b>4.840</b>	<b>4.691</b>	<b>3.447</b>
Claims incurred	-3.749	-3.830	-3.554	-3.839	-3.324	-3.879	-3.044	-3.177	-3.028
Claims incurred, net of reinsurance	-3.663	-3.751	-3.474	-3.357	-3.248	-3.484	-2.998	-3.096	-3.013
Operating expenses on insurance operations	-911	-993	-1.007	-993	-872	-968	-950	-931	-819
<b>Total expenses</b>	<b>-4.657</b>	<b>-4.830</b>	<b>-4.578</b>	<b>-4.415</b>	<b>-4.197</b>	<b>-4.549</b>	<b>-4.022</b>	<b>-4.107</b>	<b>-3.894</b>
<b>After-tax profit</b>	<b>443</b>	<b>1.548</b>	<b>1.053</b>	<b>392</b>	<b>249</b>	<b>-630</b>	<b>749</b>	<b>416</b>	<b>-472</b>
Total assets	51.516	51.831	49.807	44.195	45.182	45.242	45.937	43.365	43.609
Securities	39.565	39.468	37.189	35.240	30.560	35.171	34.978	36.036	35.187
Cash and cash equivalents	1.326	907	788	1.313	1.492	861	1.574	951	930
Equity	15.869	15.666	14.228	13.827	13.534	13.695	14.459	15.206	14.899
Technical provisions	28.572	28.812	28.190	24.738	25.311	25.509	25.255	22.469	23.254
Claims ratio	69,6%	73,4%	74,1%	81,9%	69,7%	86,9%	71,6%	75,4%	70,5%
Reinsurance ratio	2,5%	2,1%	3,0%	-6,7%	3,2%	-3,4%	3,7%	2,1%	5,0%
Expense ratio	16,9%	19,0%	21,0%	21,2%	18,3%	21,7%	21,9%	22,1%	19,1%
<b>Combined ratio</b>	<b>89,0%</b>	<b>94,5%</b>	<b>98,1%</b>	<b>96,5%</b>	<b>91,2%</b>	<b>105,2%</b>	<b>97,2%</b>	<b>99,6%</b>	<b>94,6%</b>
Return on equity (ROE)	11,9%	42,0%	30,0%	10,8%	3,9%	-17,4%	20,2%	10,2%	-12,7%
Solvency ratio	1,58	1,54	1,43	1,49	1,52	1,45	1,51	1,48	1,48

Amounts are in ISK million

# Investment performance in 9M 2019

Return on the investment portfolio was 7,8%

Asset class*	30.9.2019	Net change	Income	31.12.2018	Return
Liquid funds	1.329	-503	44	1.788	3,9%
Govt. guaranteed bonds	12.344	-159	900	11.603	8,4%
Other bonds	9.590	1.226	736	7.627	8,0%
Listed equities	9.565	242	1.021	8.302	12,2%
Unlisted equities	2.211	199	-230	2.242	-10,0%
	<b>35.039</b>	<b>1.005</b>	<b>2.472</b>	<b>31.563</b>	<b>7,8%</b>
Interest income from receivables			308		
Other investment income			24		
<b>Total investment income</b>			<b>2.804</b>		

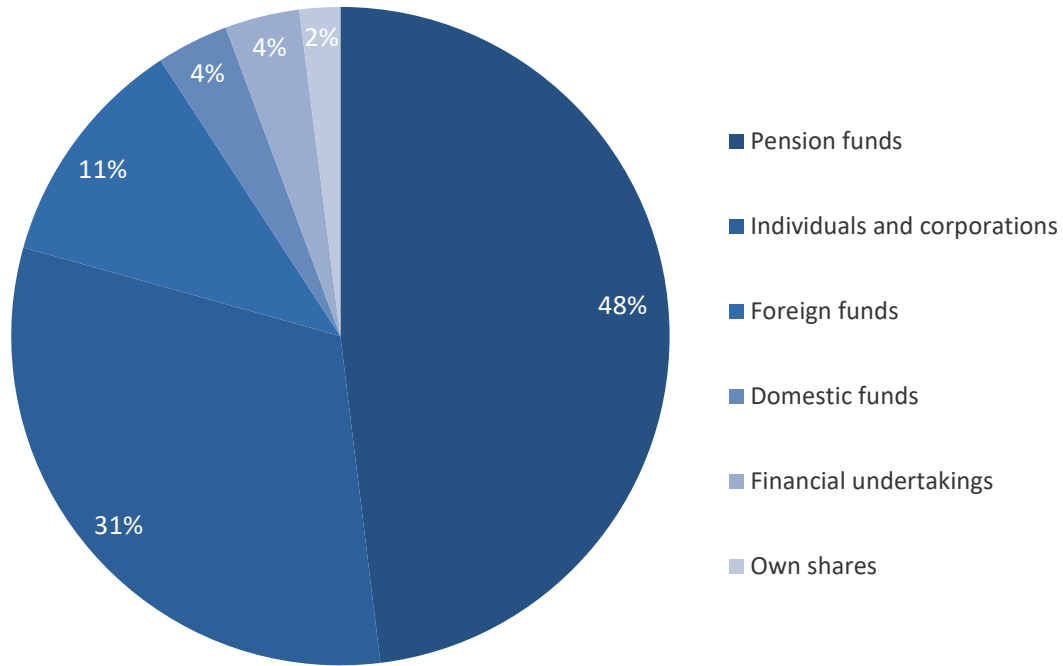


# Distribution of shareholders

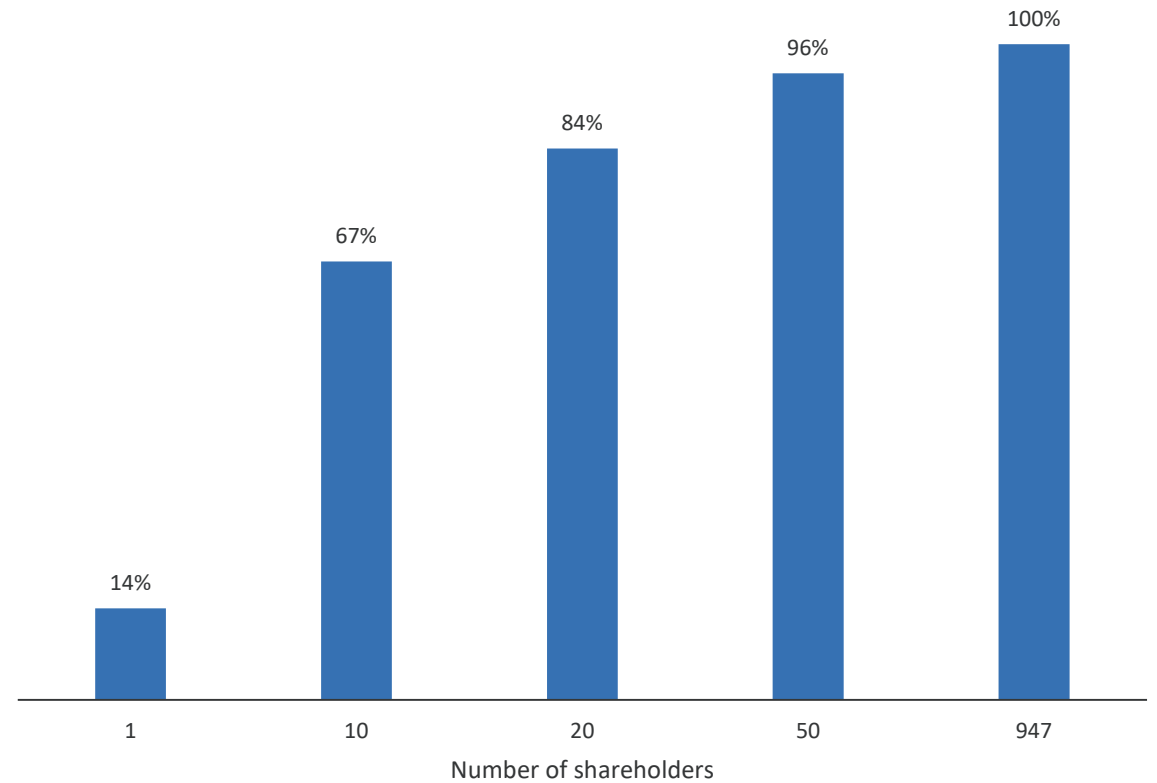
947 shareholders as of 28 October 2019

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### Shareholders



### Total shareholdings



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