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# Quarterly Results Q2 2018

Translation of  
Investors' Presentation  
23 August 2018



# Q2 in brief

## Results impacted by investment losses

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### Results

- Loss of ISK **ISK 630 million**
- Technical results of **ISK 47 million**



### Combined ratio

- Combined ratio of **105.2%** compared with **100.3%** in Q2 2017.
  - **99.3%** over the last 12 months
- Two major fires result in 10% increase of combined ratio



### Investments

- Investment income negative by **ISK 305 million**
- Return on investment portfolio negative by **1.3%** in the quarter



### Claims

- Claims ratio of **86.9%** compared with **74.6%** in Q2 2017
- Performance in line with expectations if major losses are excluded

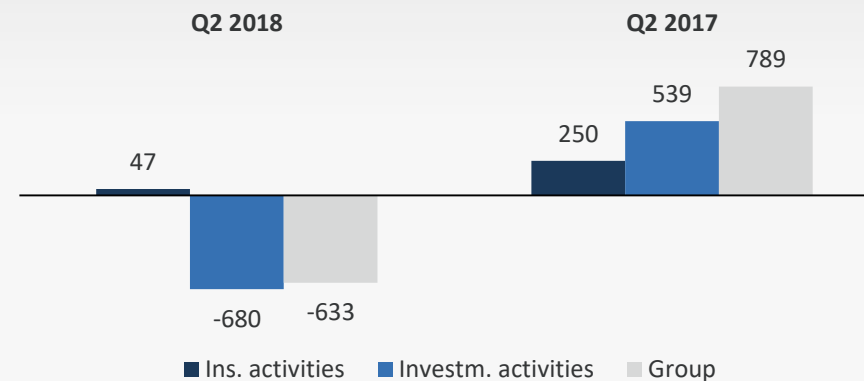
# Highlights from Q2 2018

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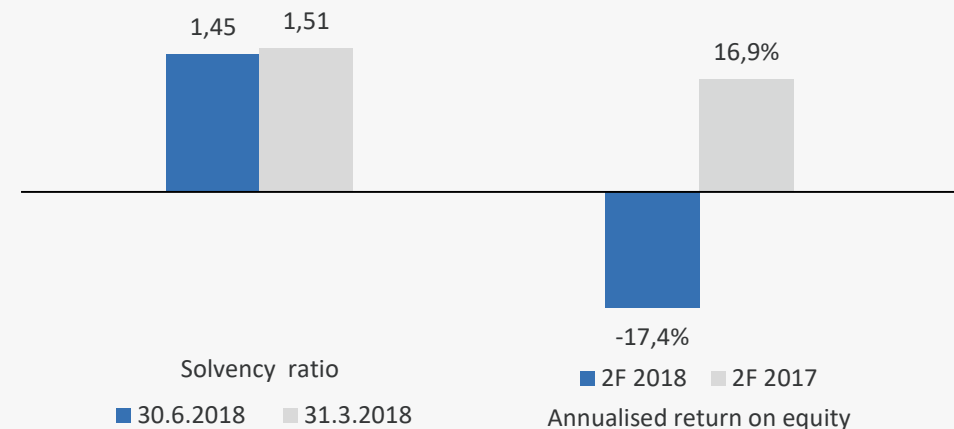
	Q2 2018	Q2 2017
Profit/loss for the period	-630	702
Earnings per share	-0,44	0,49
Pre-tax profit/loss	-633	789
Technical results	47	250
Profit/loss on investment operations	-680	539
Annualized return on equity (ROE)	-17,4%	16,9%
Group combined ratio	105,2%	100,3%

	30.6.2018	31.03.2018
Group equity ratio	30,3%	31,5%
Solvency ratio	1,45	1,51

## Segment performance before tax



## Solvency ratio and return on equity

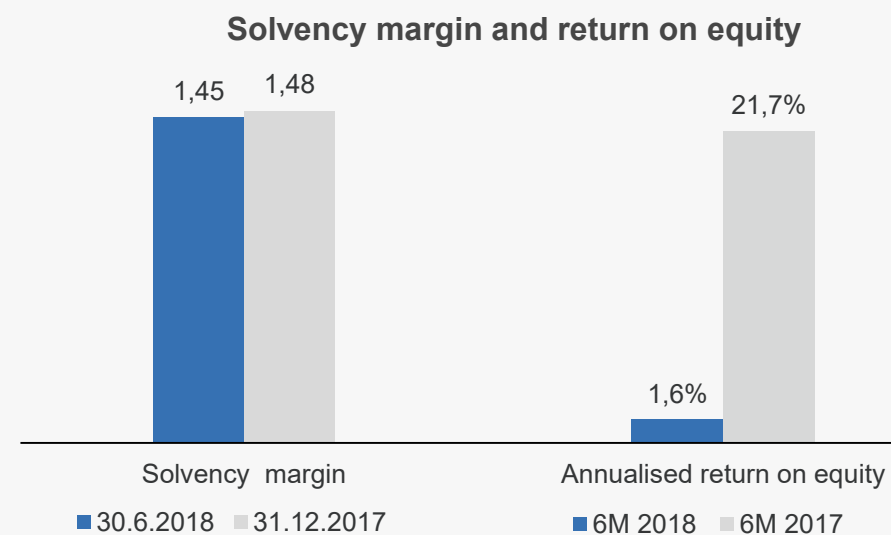
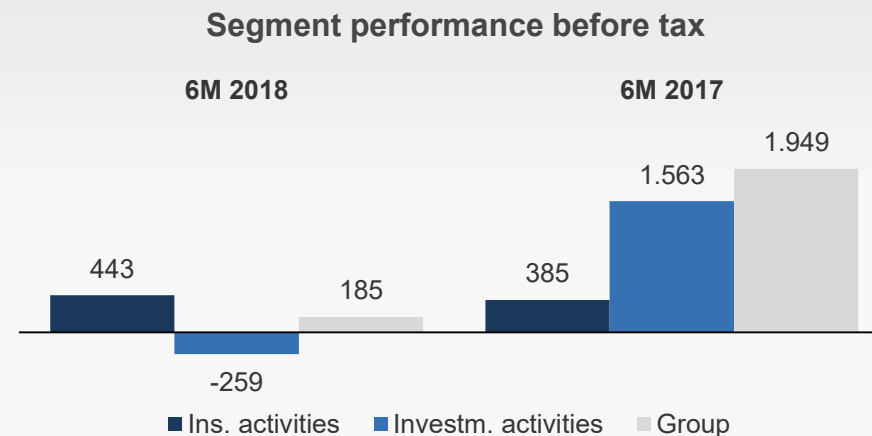


# Highlights from 6M 2018

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	6M 2018	6M 2017
Profit for the period	119	1.803
Earnings per share	0,08	1,26
Pre-tax profit	185	1.949
Technical results	443	385
Profit/loss on investment operations	-259	1.563
Annualized return on equity (ROE)	1,6%	21,7%
Group combined ratio	101,3%	101,9%

	30.6.2018	31.12.2017
Group equity ratio	30,3%	35,1%
Solvency ratio	1,45	1,48



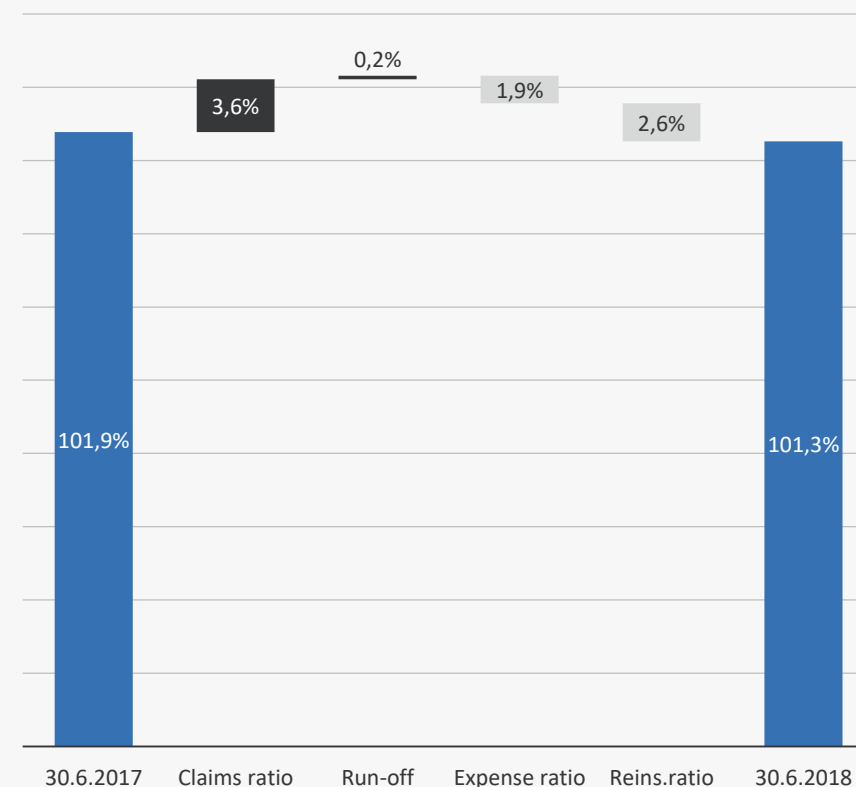
# Income statement Q2 2018

## Good premium growth but unsatisfactory performance

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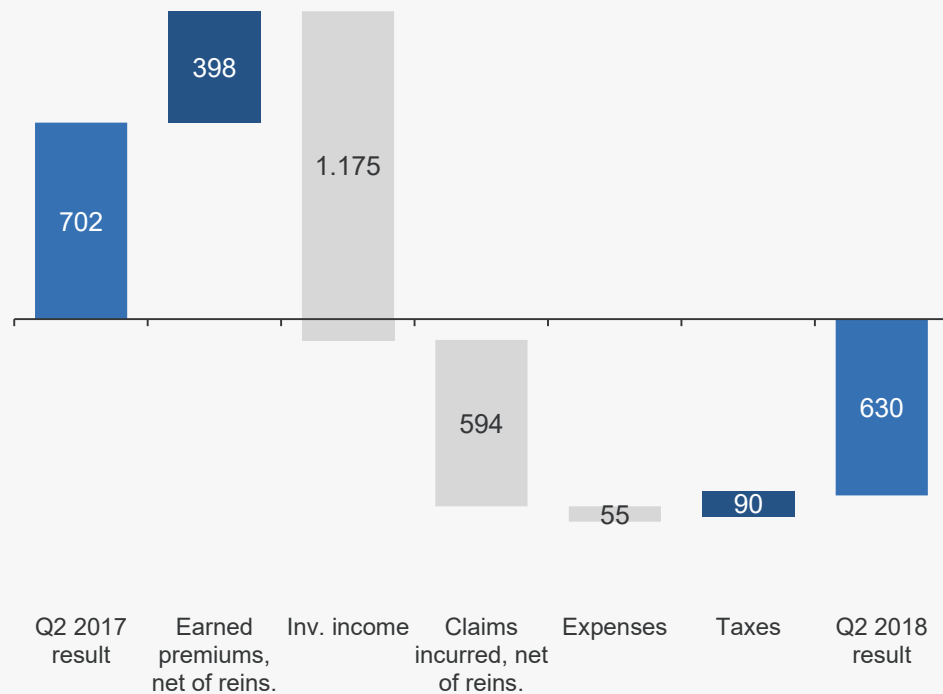
	Q2 2018	Q2 2017	%	6M 2018	6M 2017	%
Premiums earned	4.462	4.029	10,7%	8.714	7.879	10,6%
<b>Earned premiums, net of reinsurance</b>	4.213	3.815	10,4%	8.252	7.484	10,2%
Investment income	-305	870	-	488	2.234	-78,2%
<b>Total income</b>	3.916	4.689	-16,5%	8.756	9.738	-10,1%
Claims incurred	-3.879	-3.004	29,1%	-6.923	-5.956	16,2%
<b>Claims incurred, net of reinsurance</b>	-3.484	-2.890	20,6%	-6.482	-5.792	11,9%
Operating expenses	-1.065	-1.010	5,4%	-2.089	-1.998	4,5%
<b>Total expenses</b>	-4.549	-3.900	16,6%	-8.571	-7.790	10,0%
Pre-tax profit	-633	789	-%	185	1.949	-90,5%
After-tax profit	-630	702	-%	119	1.803	-93,4%
Claims ratio	86,5%	74,7%		78,9%	75,2%	
Run-off	0,4%	-0,1%		0,6%	0,4%	
<b>Claims ratio</b>	86,9%	74,6%		79,5%	75,6%	
Reinsurance ratio	-3,4%	2,4%		0,1%	2,7%	
<b>Claims and reinsurance ratio</b>	<b>83,5%</b>	<b>77,0%</b>		<b>79,5%</b>	<b>78,3%</b>	
Expense ratio	21,7%	23,3%		21,8%	23,7%	
<b>Combined ratio</b>	<b>105,2%</b>	<b>100,3%</b>		<b>101,3%</b>	<b>101,9%</b>	

Change in combined ratio 6M 2017 to 6M 2018

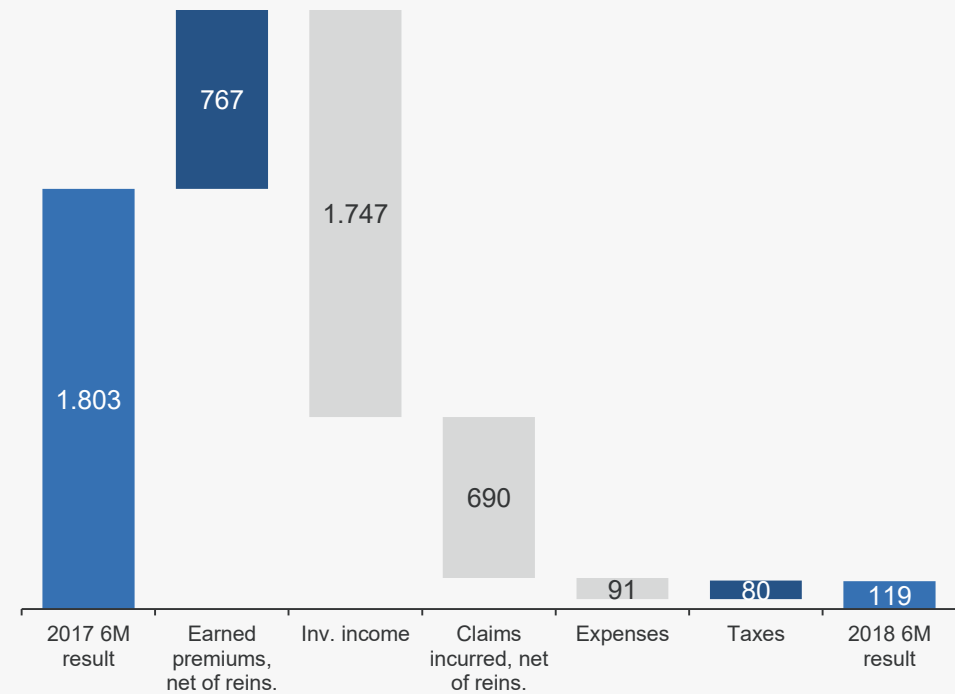


# Fluctuations in income from investment activities

## Bridge analysis Q2 2017 til Q2 2018



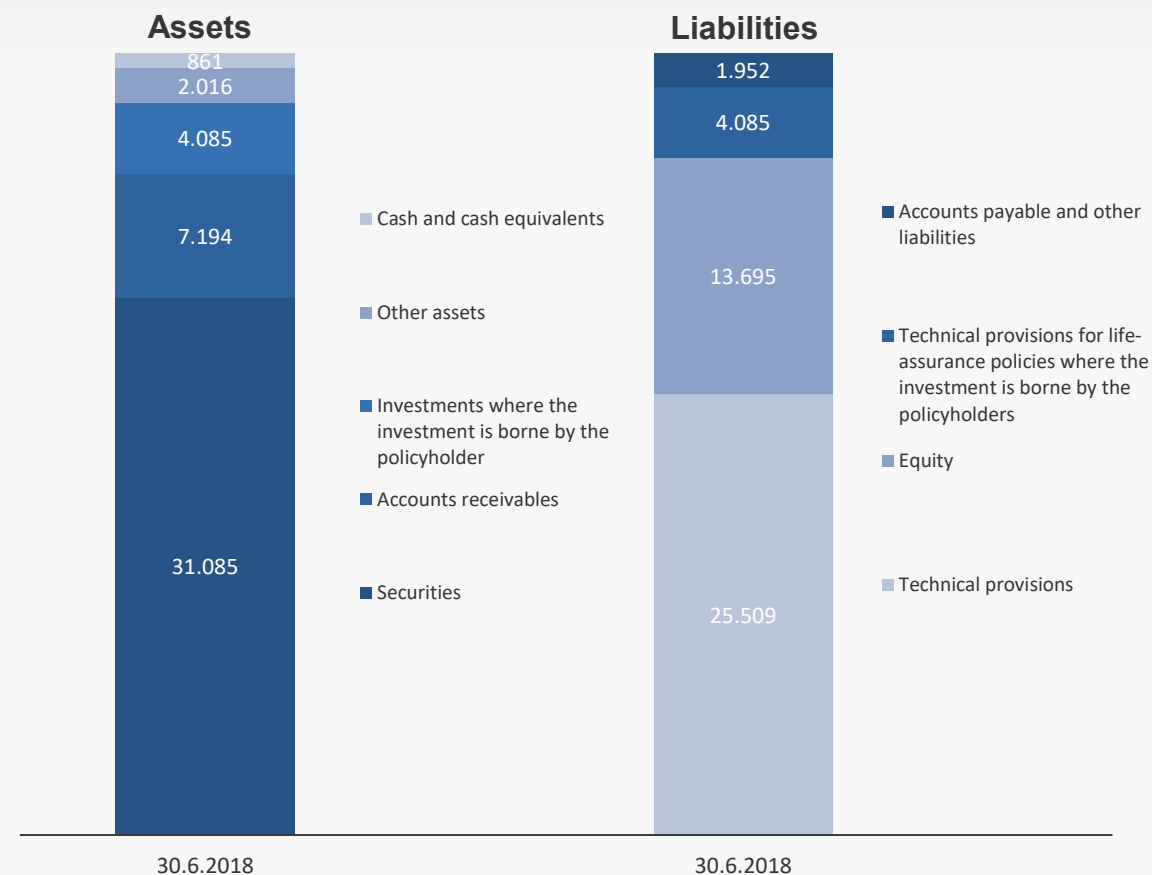
## Bridge analysis 6M 2017 til 6M 2018



# Balance sheet

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	30.6.2018	31.12.2017
<b>Assets</b>		
Securities	31.085	32.006
Accounts receivables	7.194	4.784
Investments where the investment is borne by the policyholder	4.085	4.030
Cash and cash equivalents	861	951
Other assets	2.016	1.594
<b>Total assets</b>	<b>45.242</b>	<b>43.365</b>
<b>Equity</b>		
Share capital	1.417	1.425
Other equity	12.279	13.782
<b>Total equity</b>	<b>13.695</b>	<b>15.206</b>
<b>Liabilities</b>		
Technical provisions	25.509	22.469
Technical provisions for life-assurance policies where the investment is borne by the policyholders	4.085	4.030
Accounts payable and other liabilities	1.952	1.659
<b>Total liabilities</b>	<b>31.547</b>	<b>28.159</b>
<b>Total liabilities and equity</b>	<b>45.242</b>	<b>43.365</b>

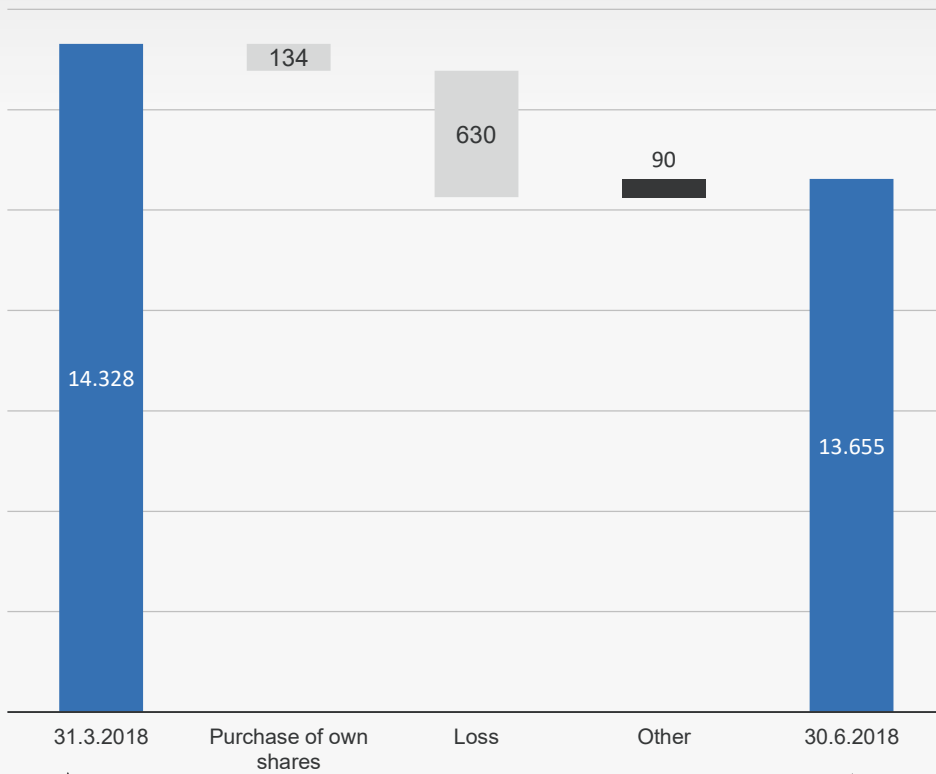




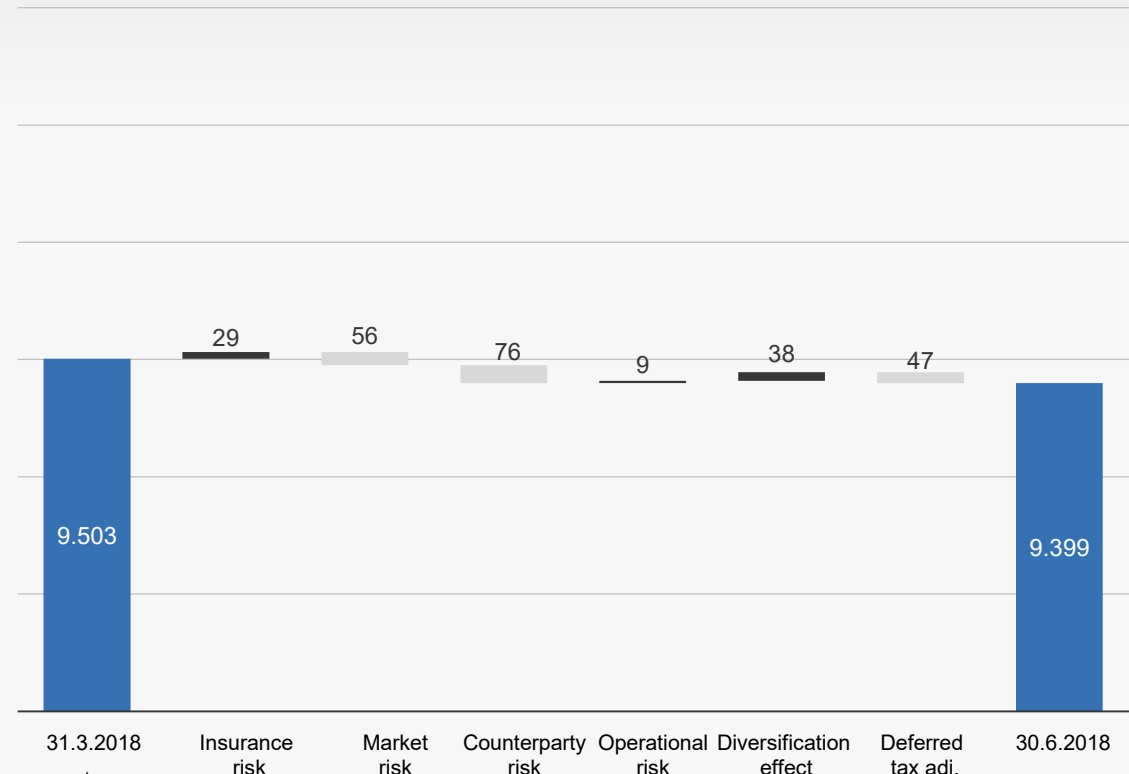
# Changes Basic own funds and Solvency Capital Requirements Q2 2018

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**Basic own funds**



**Solvency capital requirements**



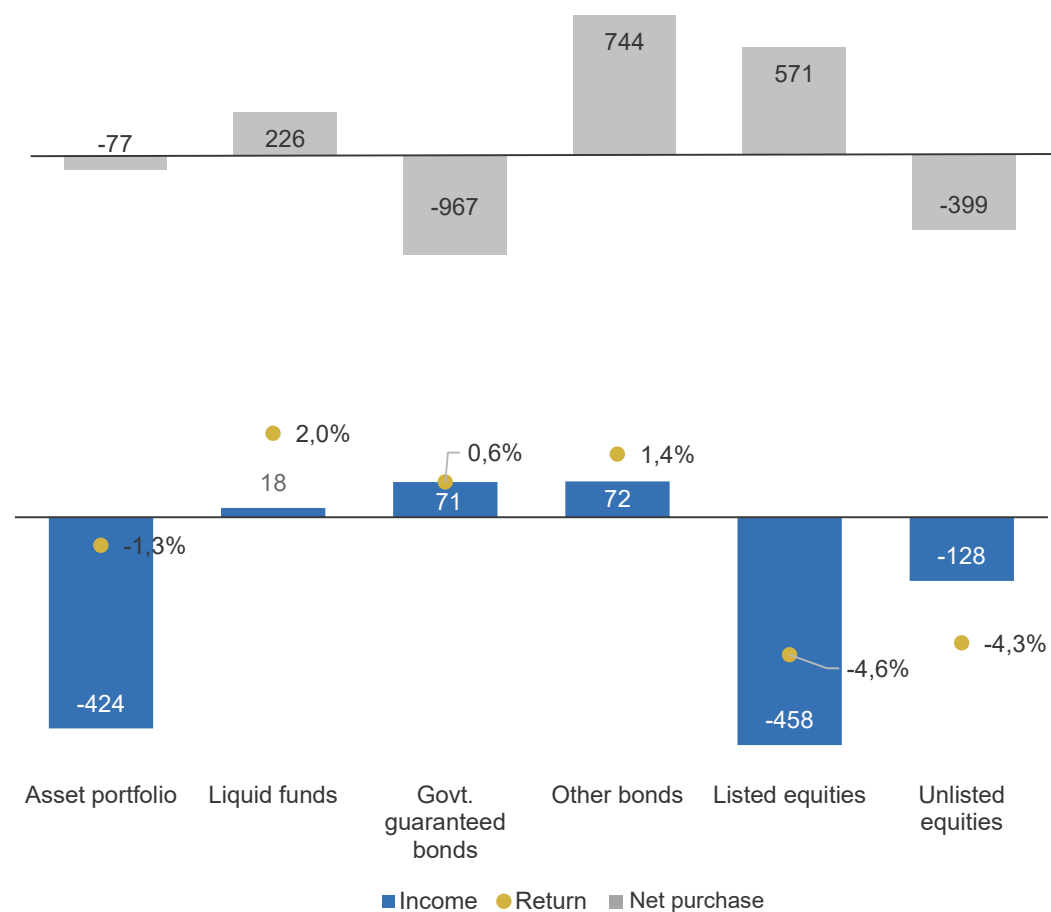
Solvency ratio 1,51

Solvency ratio 1,45



# Investment performance in Q2 2018

## Return on and changes in investment portfolio



- › Return on the portfolio was negative by 1.3% in Q2
- › The average duration of the Group's bond portfolio was 3.0 years at the end of the quarter and the indexation rate was 49%

### Gamma index return

Q2 2018

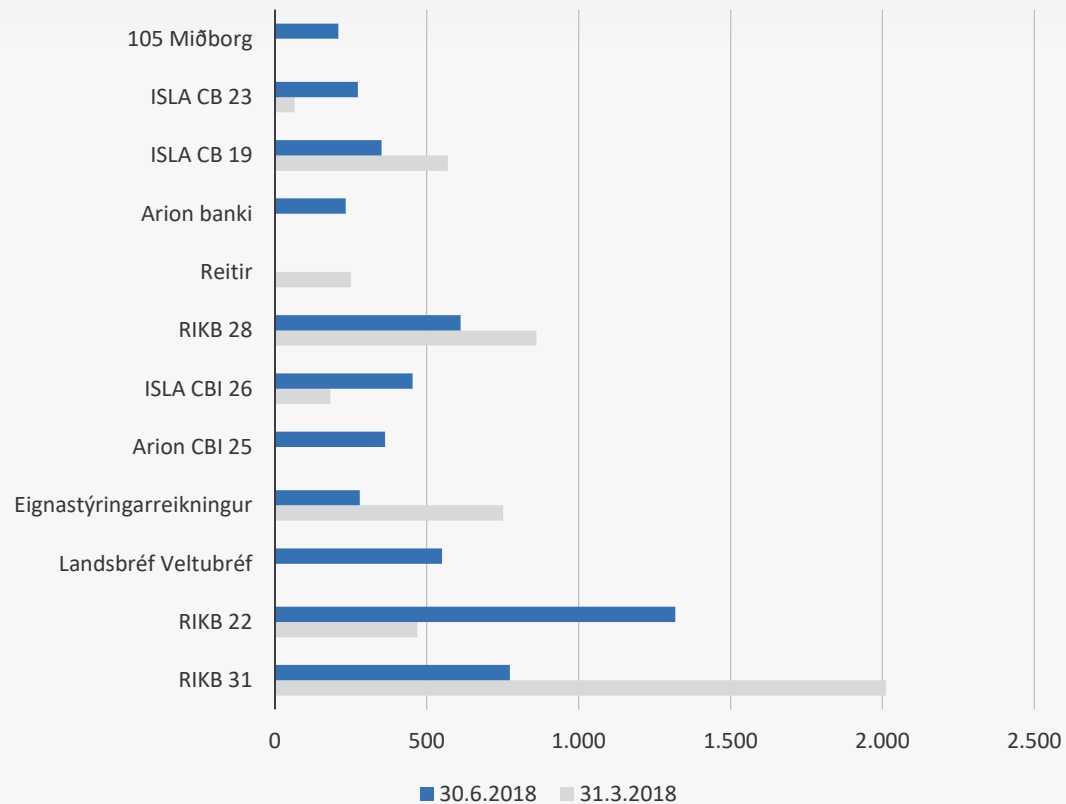
Market index	-0.3%
Equities	-2.3%
Government bonds	0.4%
Inflation-indexed bonds	0.4%
Non-indexed bonds	0.5%
Covered bonds	0.7%
Corporate bonds	0.7%

# Changes to asset portfolio in Q2 2018

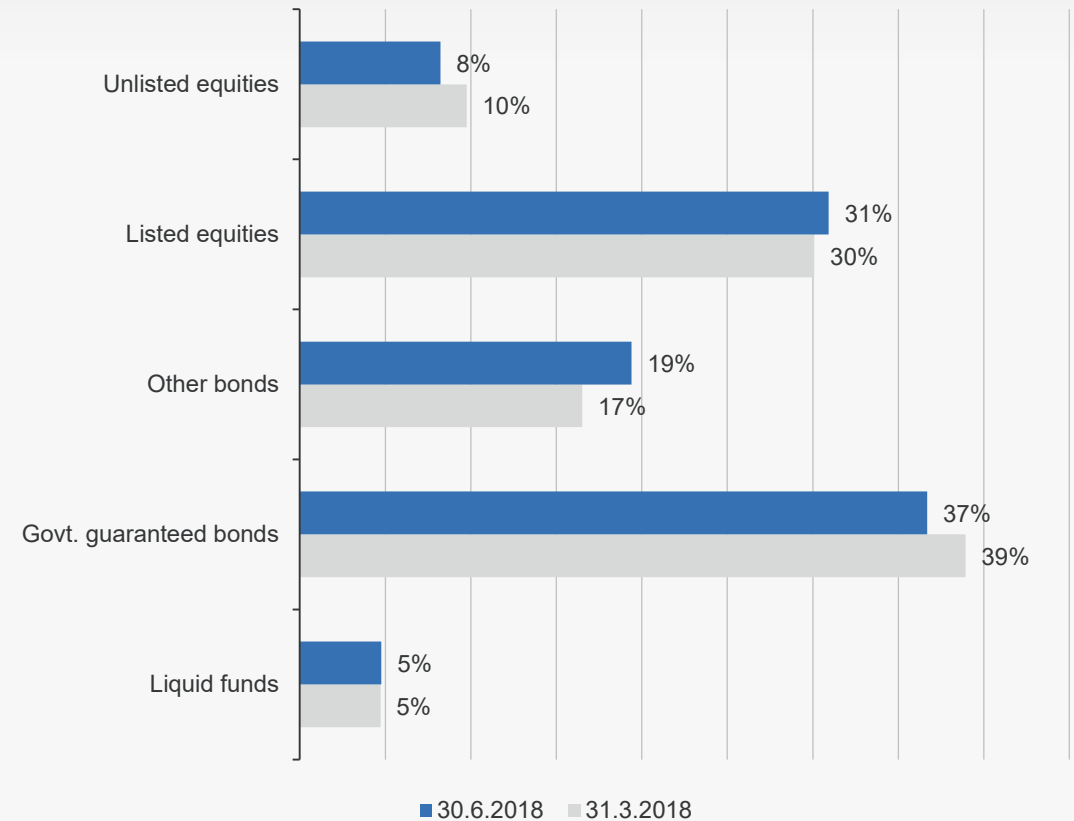
Lower proportion of government bonds – higher proportion of covered bonds

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### Largest portfolio changes Q2 2018



### Investment breakdown



# Group investment assets exceeding ISK 500 million

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Assets	30.6.2018	31.3.2018	Net purchase	Return	% of portfolio
LAND 05	5.747	5.724	0	22	18,4%
Marel	2.667	2.691	-65	42	8,5%
RIKB 20	1.436	1.628	-208	17	4,6%
RIKB 22	1.319	469	844	6	4,2%
Síminn	918	1.035	-98	-19	2,9%
Eik	786	778	98	-90	2,5%
RIKB 31	773	2.011	-1.249	11	2,5%
Stefnir ríkisverðbréfasjóður	763	783	-23	2	2,4%
Icelandair	735	841	-15	-91	2,4%
Reginn	699	824	0	-125	2,2%
N1	681	710	19	-48	2,2%
Heimavellir	649	788	21	-159	2,1%
RIKB 28	611	861	-257	7	2,0%
Júpíter Veðskuldabréf 1	587	579	0	8	1,9%
Landsbréf Veltubréf	550	0	550	0	1,8%
Gamma: Credit Fund	535	529	0	6	1,7%
RIKB 25	523	433	87	3	1,7%
LBANK CB 19	516	510	0	6	1,7%
Reitir fasteignaf. hf. 15.11.2022	504	350	148	6	1,6%
Other assets	10.247	10.203	73	-28	32,8%
<b>Total</b>	<b>31.248</b>	<b>31.749</b>	<b>-77</b>	<b>-424</b>	<b>100,0%</b>



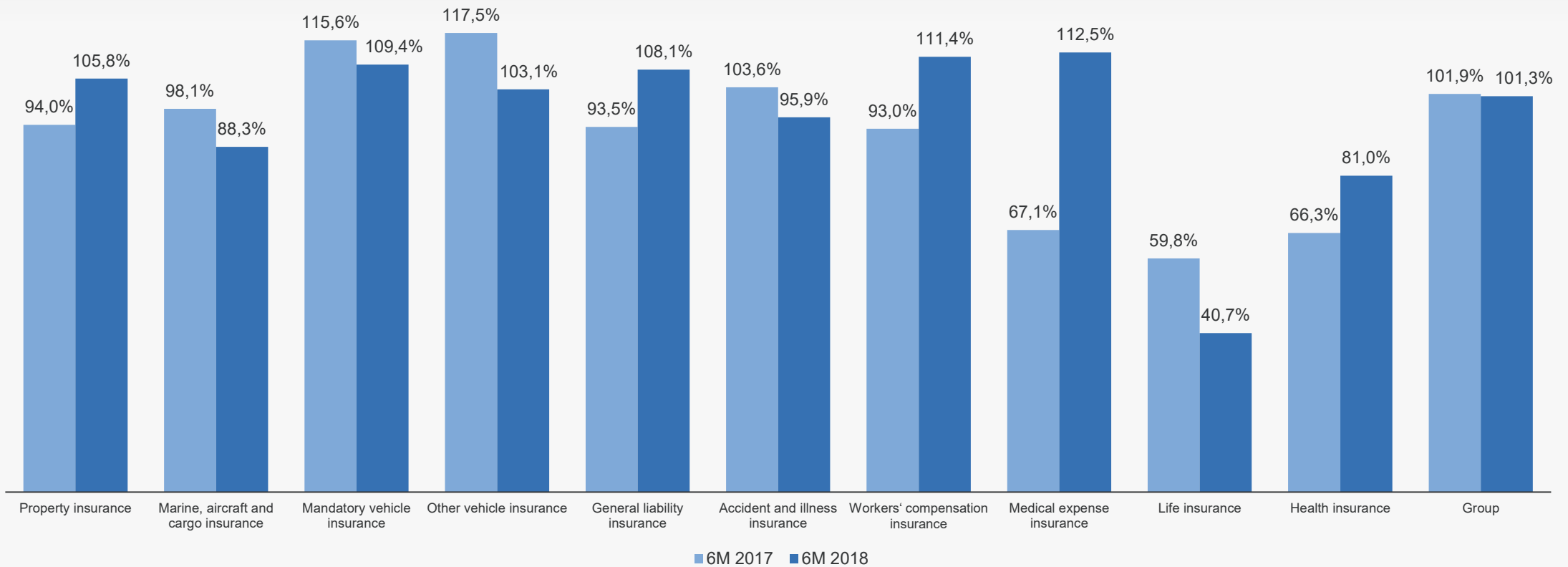




# Combined ratio

## 6M 2018 and 6M 2017 by insurance segment

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# First 6 months of the year

## Continued focus on improving underwriting performance

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### Results

- Loss of ISK **ISK 119 million**
- Technical results of **ISK 443 million**
- Pre-tax loss from investment operations of **ISK 259 million**
  - Return on investment portfolio **0.7%** in the quarter

### Combined ratio

- Combined ratio of **101.3%** compared with **101.9%** in the first 6 months of 2017.
- Robust premium growth for the year so far
  - Both internal and external growth
- Emphasis on healthy premium growth

### Digital strategy

- Foreign consultants have completed their work and implementation of the new strategy has begun.
- The first phases of the implementation will be completed in the coming weeks.
- Customer needs are foremost.

### Updated outlook

- Combined ratio of **98%**; pre-tax earnings around **ISK 1,000 million**.
- Combined ratio by quarter:
  - Q3: 94%, Q4: 95%

## Appendices and Disclaimer

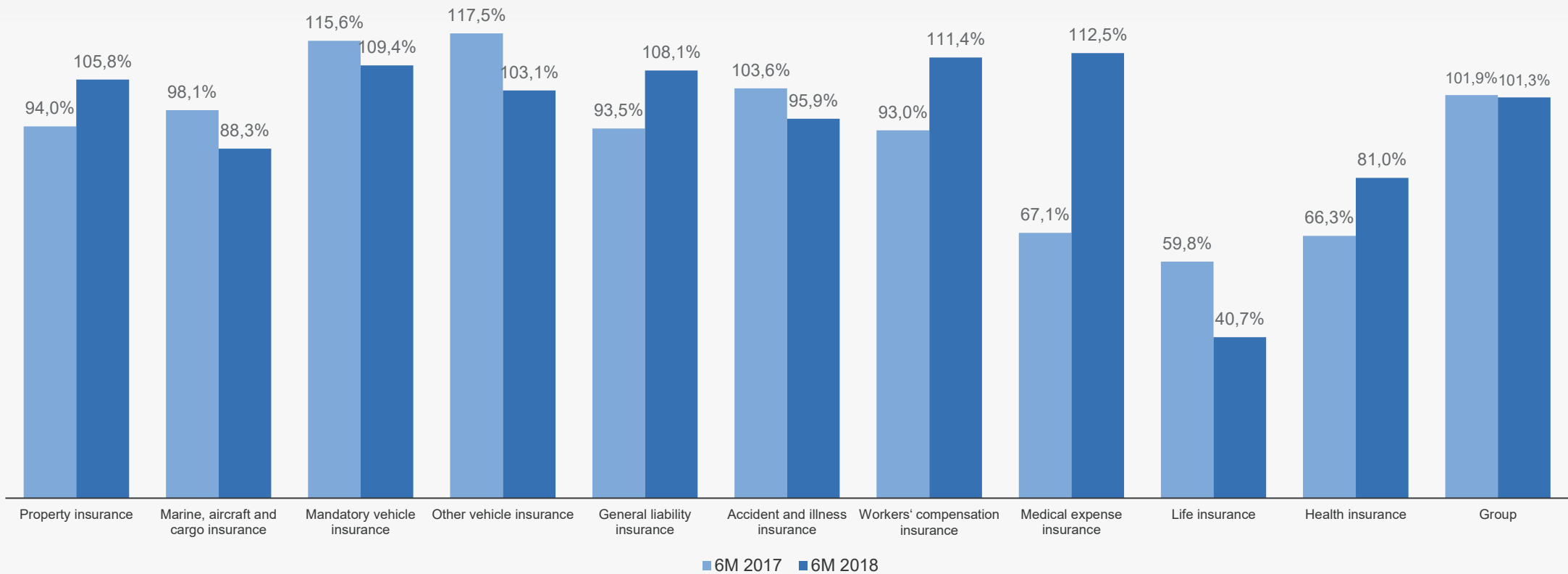
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# Combined ratio

## 6M 2018 and 6M 2017 by insurance segment

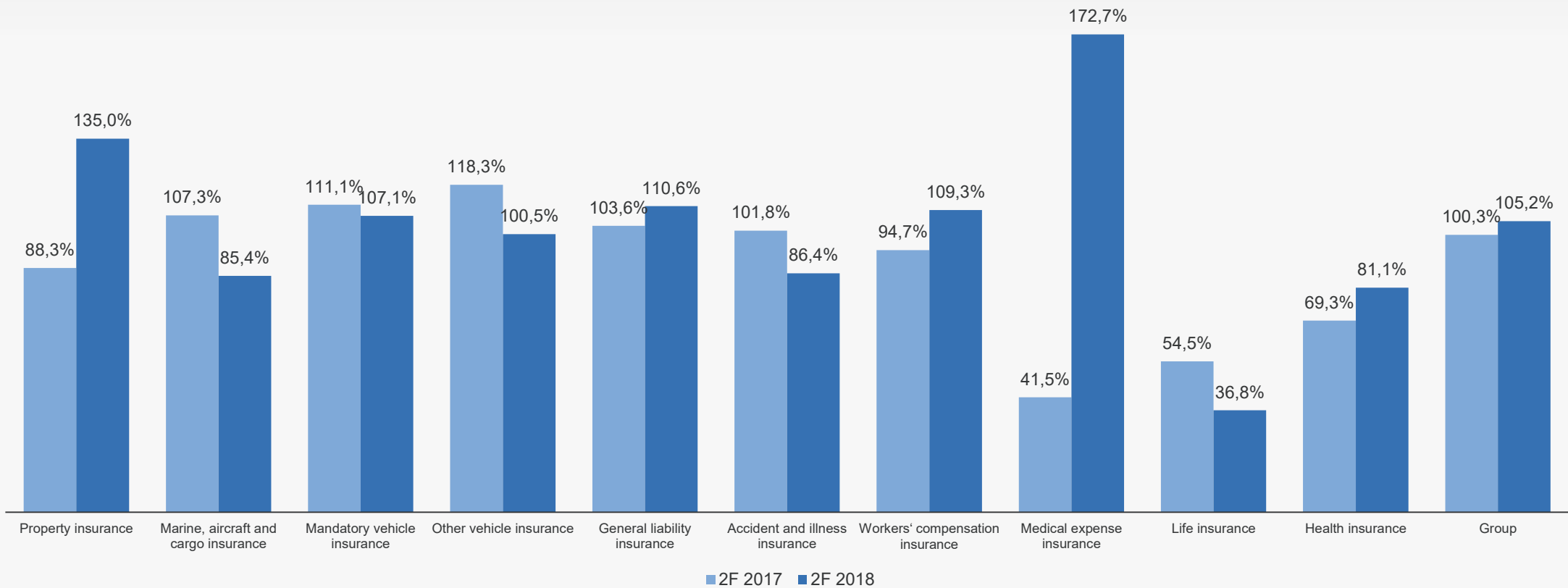
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# Combined ratio

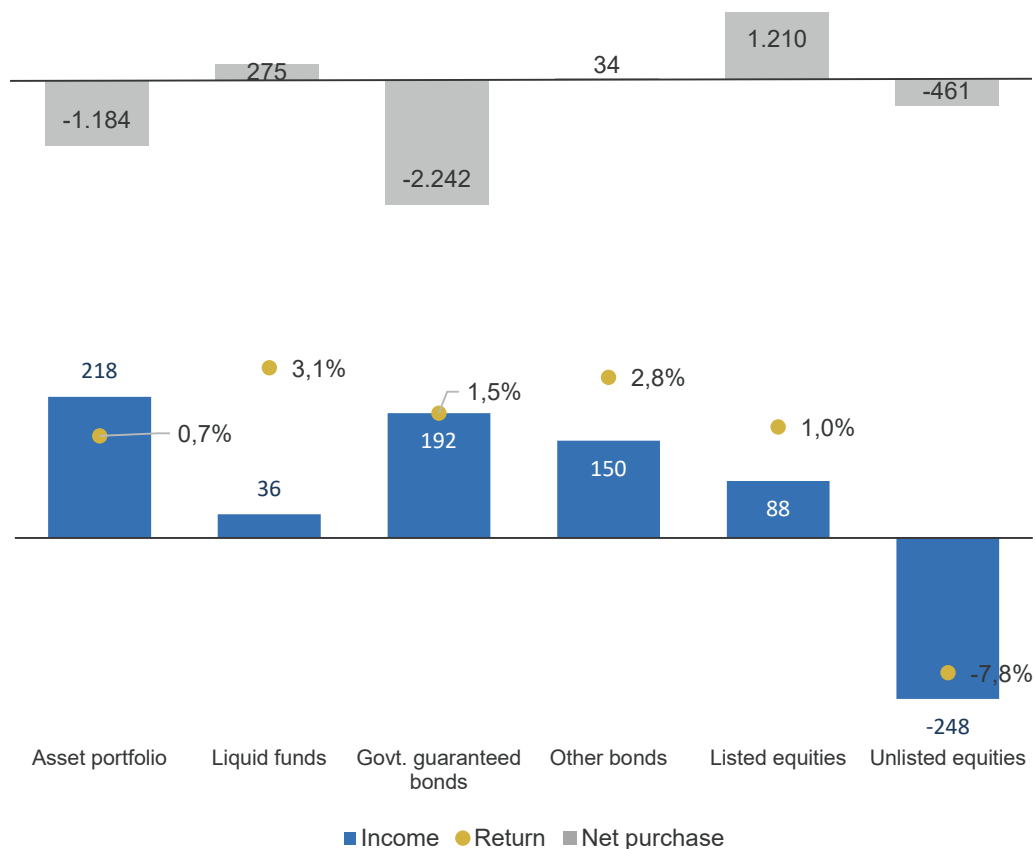
## Q2 2018 and Q2 2017 by insurance segment

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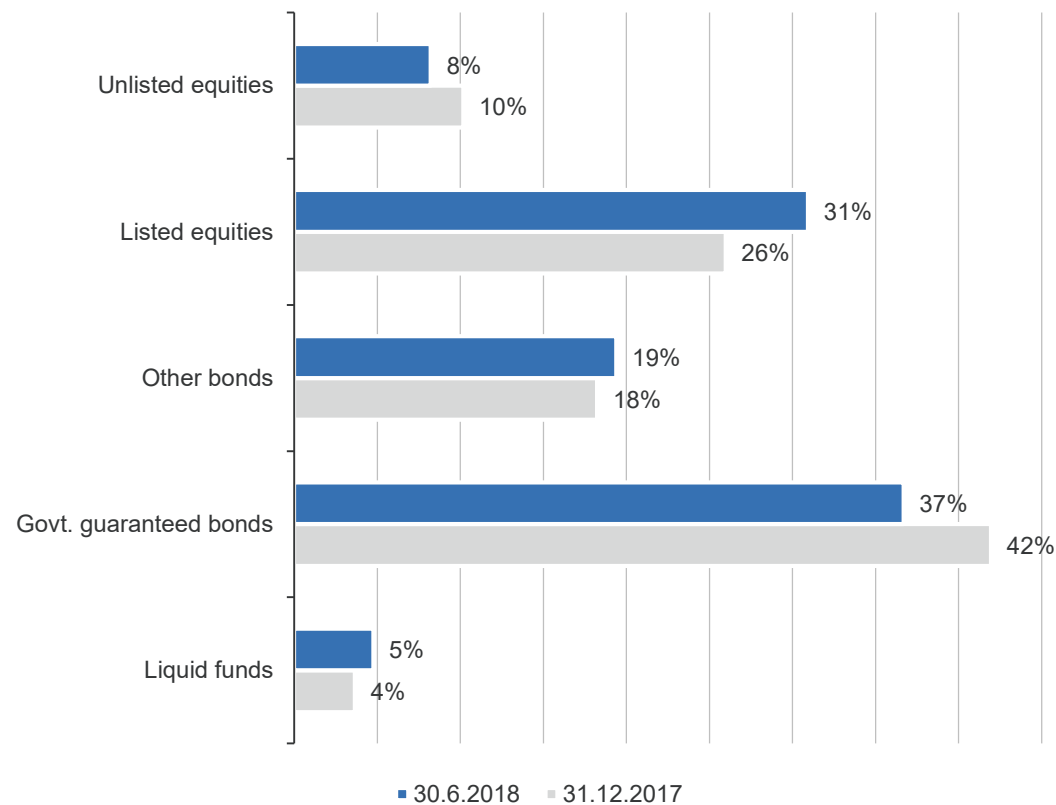


# Investment performance in 6M 2018

Return on and changes in investment portfolio

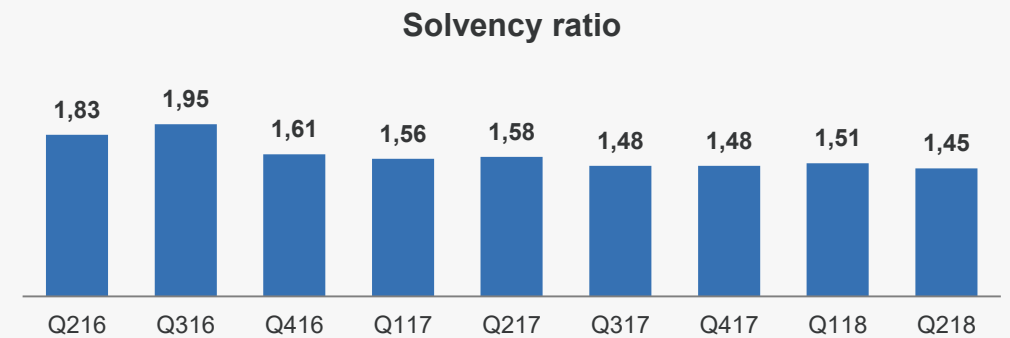
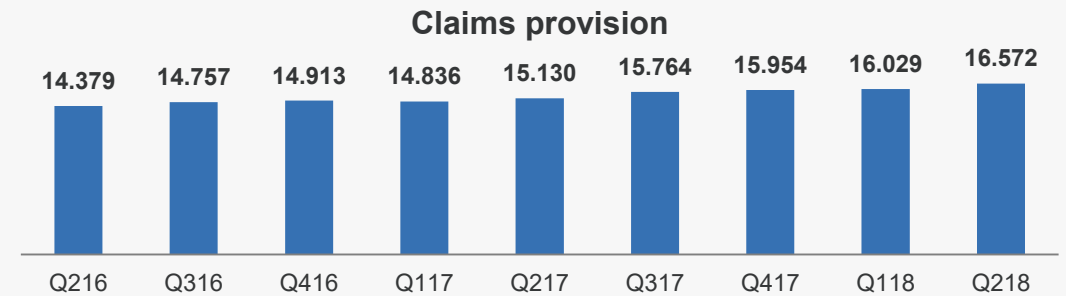
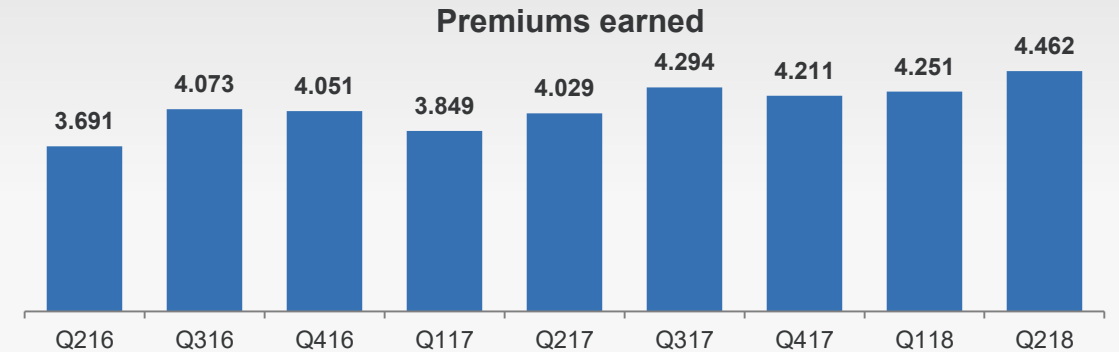
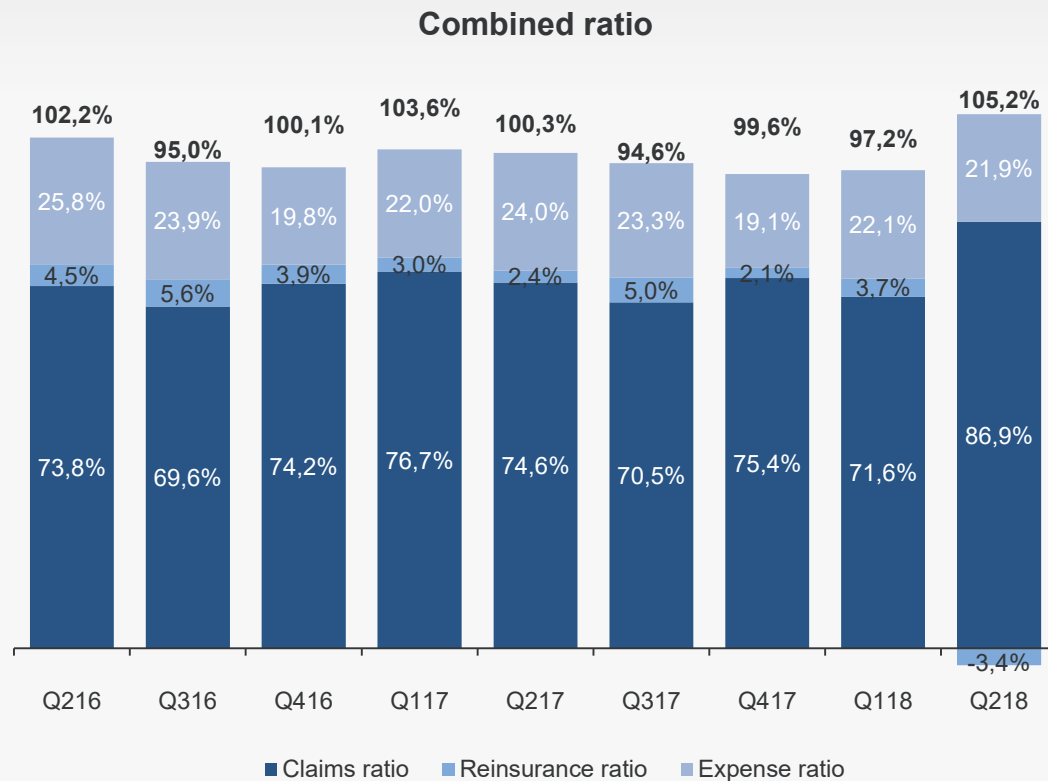


Investment breakdown



# Development of key indicators over preceding quarters

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# Development of key indicators

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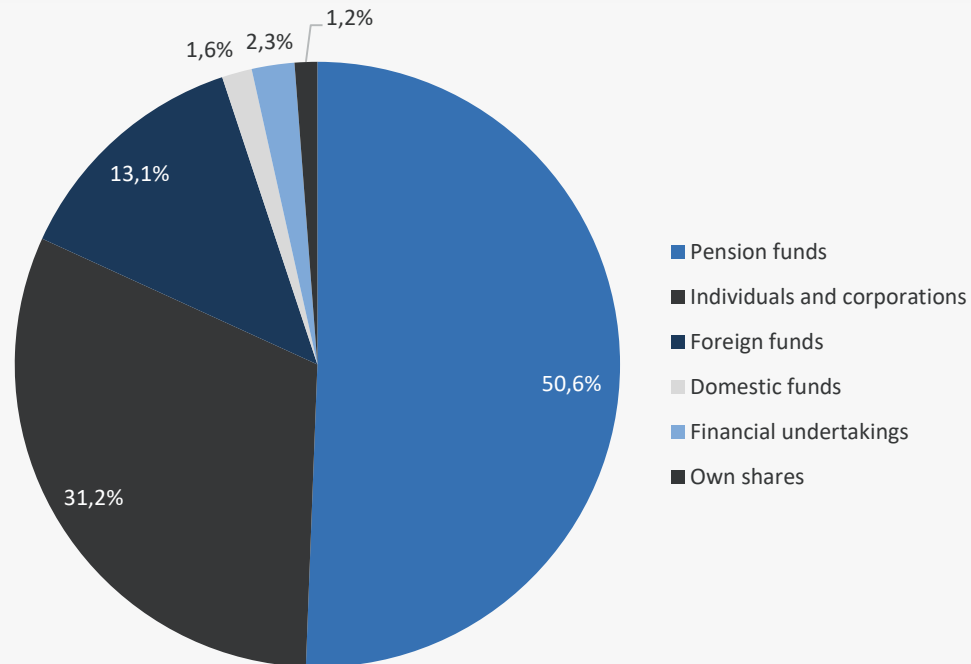
	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Premiums earned	4.462	4.251	4.211	4.294	4.029	3.849	4.051	4.073	3.691
Premiums earned, net of reinsurance	4.213	4.039	3.997	4.058	3.815	3.669	3.841	3.761	3.482
Investment income	-305	793	649	-619	870	1.364	1.359	789	578
<b>Total income</b>	<b>3.916</b>	<b>4.840</b>	<b>4.691</b>	<b>3.447</b>	<b>4.689</b>	<b>5.050</b>	<b>5.243</b>	<b>4.642</b>	<b>4.064</b>
Claims incurred	-3.879	-3.044	-3.177	-3.028	-3.004	-2.951	-3.008	-2.836	-2.723
Claims incurred, net of reinsurance	-3.484	-2.998	-3.096	-3.013	-2.890	-2.902	-2.999	-2.843	-2.684
Operating expenses on insurance operations	-968	-950	-931	-819	-941	-924	-892	-808	-882
<b>Total expenses</b>	<b>-4.549</b>	<b>-4.022</b>	<b>-4.107</b>	<b>-3.894</b>	<b>-3.900</b>	<b>-3.890</b>	<b>-3.964</b>	<b>-3.710</b>	<b>-3.606</b>
<b>After-tax profit</b>	<b>-630</b>	<b>749</b>	<b>416</b>	<b>-472</b>	<b>702</b>	<b>1.100</b>	<b>1.124</b>	<b>858</b>	<b>286</b>
Total assets	45.242	45.937	43.365	43.609	44.466	44.314	43.303	43.956	43.413
Securities	35.171	34.978	36.036	35.187	35.540	34.465	36.204	34.649	34.403
Cash and cash equivalents	861	1.574	951	930	797	1.300	1.063	1.882	1.211
Equity	13.695	14.459	15.206	14.899	15.832	15.472	17.454	16.900	16.197
Technical provisions	25.509	25.255	22.469	23.254	23.306	23.335	20.888	21.828	21.992
Claims ratio	86,9%	71,6%	75,4%	70,5%	74,6%	76,7%	74,2%	69,6%	73,8%
Reinsurance ratio	-3,4%	3,7%	2,1%	5,0%	2,4%	3,0%	3,9%	5,6%	4,5%
Expense ratio	21,7%	21,9%	22,1%	19,1%	23,3%	24,0%	22,0%	19,8%	23,9%
<b>Combined ratio</b>	<b>105,2%</b>	<b>97,2%</b>	<b>99,6%</b>	<b>94,6%</b>	<b>100,3%</b>	<b>103,6%</b>	<b>100,1%</b>	<b>95,0%</b>	<b>102,1%</b>
Return on equity (ROE)	-17,4%	20,2%	10,2%	-12,7%	16,9%	26,7%	26,6%	20,7%	7,0%
Solvency ratio	1,45	1,51	1,48	1,48	1,58	1,56	1,61	1,95	1,93

# Distribution of shareholders

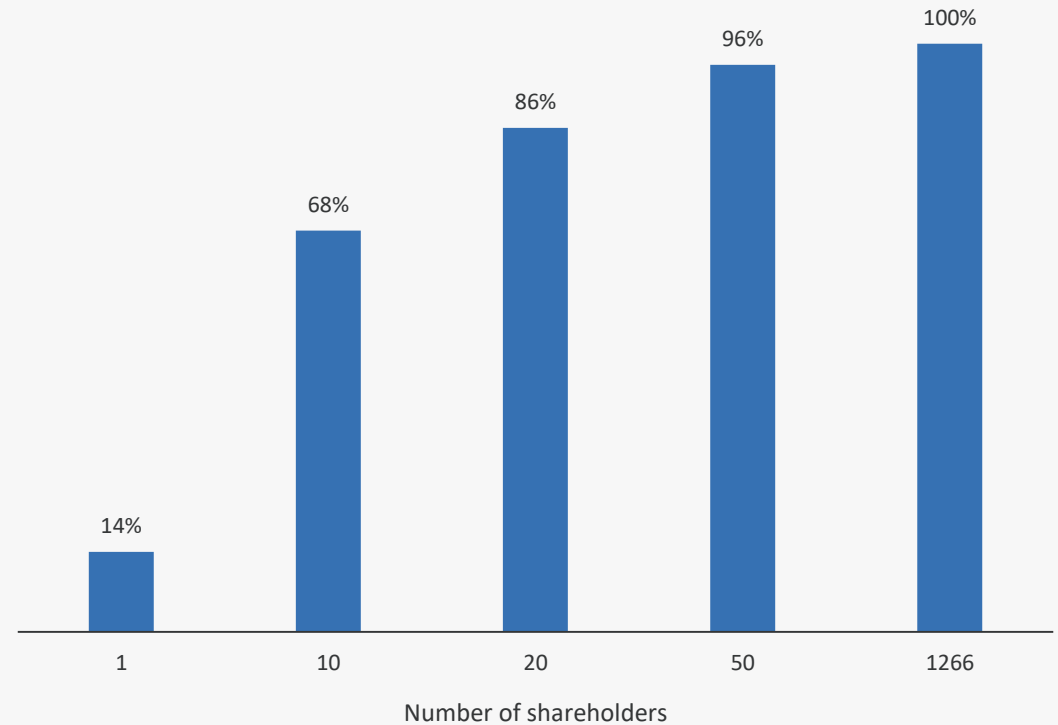
1,266 shareholders as of 19 August 2018

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Shareholders



Total shareholdings



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