

## Sjóvá – Quarterly results

### Profit of ISK 2.338 million in the first nine months of the year

#### Q3 highlights

- Technical results of ISK 988 million (Q3 2019\*: ISK 865 million)
- Pre-tax profit on investment activities ISK 572 million (Q3 2019\*: ISK 224 million loss)
- Profit of ISK 1.266 million (Q3 2019: 443 million)
- Return on investment portfolio 1,7% (Q3 2019: 0%)
- Combined ratio of 83,2% (Q3 2019\*: 86,5%)

#### 9M 2020 and updated guidance

- Technical results of ISK 1.387 million (9M 2019\*: ISK 2.105 million)
- Pre-tax profit on investment activities ISK 1.486 million (9M 2019\*: ISK 1.478 million)
- Profit for the period ISK 2.338 million (9M 2019: ISK 3.044 million)
- Return on investment portfolio 6,4% (9M 2019: 7,8%)
- Combined ratio of 92,5% (9M 2019\*: 89,2%)
- The updated guidance for the full year 2020 is that the combined ratio will be around 93% (from 95%) and pre-tax earnings at around ISK 3.600 million (from ISK 2.600 million). Return on the investment portfolio is estimated at 7,2% in the year 2020. The updated guidance on pre-tax earnings for the next 12 months (Q4 2020 – Q3 2021) is at around ISK 3.400 million (from ISK 2.400 million) and the combined ratio at around 92% (from 94%). Return on the investment portfolio is estimated at 4,3% in the next 12 months.
  - The updated guidance is based on actual results on investment activities thus far into the third quarter.
  - When calculating the return on investment assets, interest income on receivables is not taken into account.

#### Hermann Björnsson, CEO:

"A very satisfactory result in the third quarter reflects the strength of Sjóvá's operations. Performance was robust in both underwriting and investments, with underwriting profits accounting for two-thirds of the total third quarter earnings and about half of the earnings in the first nine months of the year. This must be considered a particularly strong result when one considers that Sjóvá was the only Icelandic insurance company to fully cancel private auto premiums for the month of May this year. This cancellation amounted to ISK 650 million.

It is gratifying to see that earned premiums, net of reinsurance in Q3 are up more than 3% from the prior year period, and overall, premiums remain virtually unchanged in the first nine months of the year during challenging conditions. Premium growth in private lines, despite the aforementioned cancellation, helped to offset a decline in premiums from commercial customers, which is attributable mainly to the declining activity of Icelandic tourism in the wake of Covid-19.

Strategic efforts undertaken in recent years have delivered improved underwriting results and strong overall performance. This is reflected in premium growth outpacing increases in claims, in line with our stated policy of achieving satisfactory profits from underwriting activities.

Investment performance exceeded our expectations in the quarter; the return on the portfolio was 1.7% and the result was positive in all asset classes, with equities up 3.3%. Due to the strong results and the fact that we have not paid a dividend this year, assets under management have grown to be ISK 40.2 billion at the end of the quarter.

In light of the 9M results and the development in securities markets up to 28 October, our guidance has been revised in that we now expect a combined ratio of around 93% for the full year 2020 and pre-tax earnings of around ISK 3,600 million. Our guidance for the next 12 months is for a combined ratio of around 92% and pre-tax earnings of around ISK 3,400 million. Our guidance takes into account the economic forecasts of the major Icelandic banks and the economic growth forecast of the Central Bank of Iceland, which were released this autumn and predict that the Icelandic economy will begin to rebound from around the middle of next year.

With changing circumstances, the use of our digital service solutions has increased day by day. Work on the development of further solutions is progressing well, and the results of this work will further support our commitment to be a leading service company.

It has been a pleasure to observe our dedicated employees perform their jobs from home for weeks at a time this year. There has been no disruption in our service to customers, as reflected in the pleasing growth in premiums along with the fact that recent surveys of customer satisfaction in the insurance market show that our customer loyalty is increasing and our image is strong."

### **Convening of a shareholders' meeting**

At its meeting today, the Board of Directors decided to convene a shareholders' meeting for 25 November 2020 where a proposal will be made that a dividend should not be paid in 2020 for the 2019 operating year.

### **Virtual only presentation for investors on 29 October at 16:15 local time**

Market participants and investors are invited to watch a live stream of the meeting where the results for the third quarter and the first nine months of the year 2020 will be presented. A live webcast of the meeting may be viewed at <https://www.sjova.is/um-okkur/fjarfestar/afkomukynning-f2-2020/>.

A recording of the meeting will be available at [www.sjova.is/fjarfestar](http://www.sjova.is/fjarfestar) after the meeting concludes.

### **Financial calendar**

Q4 2020 – 11 February 2021

Annual General Meeting – 12 March 2021

The News Announcement and Investors' Presentation in English will be available on the website [www.sjova.is/fjarfestar](http://www.sjova.is/fjarfestar).

**For further information**, contact Sigríður Vala Halldórsdóttir, tel. +354 844 2136 or [fjarfestar@sjova.is](mailto:fjarfestar@sjova.is).

## Financial highlights and key ratios



	Q3 2020	Q3 2019*	%	9M 2020	9M 2019*	%
<b>Insurance operations</b>						
Premiums earned	5.553	5.385	3,1%	15.376	15.402	-0,2%
Outward reinsurance premiums	-221	-222	-0,2%	-793	-706	12,2%
Earned premiums, net of reinsurance	5.332	5.163	3,3%	14.583	14.695	-0,8%
Invest. income from insurance operations	30	111	-73,2%	145	364	-60,3%
Reinsurance commission and other income	31	29	6,4%	128	149	-13,5%
Total income from insurance operations	5.393	5.304	1,7%	14.856	15.208	-2,3%
Claims incurred*	-3.659	-3.614	1,2%	-11.086	-10.439	6,2%
Claims incurred, reinsurers' share	151	86	74,9%	547	247	
Claims incurred, net of reinsurance*	-3.508	-3.528	-0,6%	-10.539	-10.193	3,4%
Operating expenses of insurance operations	-897	-911	-1,6%	-2.930	-2.911	0,7%
Total cost from insurance operations	-4.404	-4.439	-0,8%	-13.470	-13.104	2,8%
<b>Profit from insurance operations</b>	<b>988</b>	<b>864</b>	<b>14,3%</b>	<b>1.387</b>	<b>2.105</b>	<b>-34,1%</b>
<b>Investment operations</b>						
Investment income from investm. operations*	717	-6		2.500	2.439	2,5%
Insurance technical interest*	-36	-135	-73,5%	-610	-695	-12,2%
Operating expenses of investment operations	-110	-83	32,7%	-404	-267	51,4%
<b>Profit from investment operations</b>	<b>572</b>	<b>-224</b>		<b>1.486</b>	<b>1.478</b>	<b>0,5%</b>
Profit before income tax	1.560	640		2.873	3.583	-19,8%
Income tax	-294	-197	49,2%	-534	-538	-0,7%
<b>Comprehensive income for the year</b>	<b>1.266</b>	<b>443</b>		<b>2.338</b>	<b>3.044</b>	<b>-23,2%</b>
Claims ratio*	65,9%	67,1%		72,1%	67,8%	
Reinsurance ratio	1,2%	2,5%		1,3%	2,5%	
Cost ratio	16,1%	16,9%		19,1%	18,9%	
<b>Combined ratio*</b>	<b>83,2%</b>	<b>86,5%</b>		<b>92,5%</b>	<b>89,2%</b>	
Operating ratio	82,4%	84,3%		91,1%	86,7%	
Return on equity on an annual basis	29,2%	11,9%		18,0%	27,3%	
Return on equity bef. tax on an annual basis	36,0%	17,3%		22,1%	32,2%	
Earnings per share	0,95	0,32		1,75	2,22	
Result of reinsurance	-67	-133		-206	-388	
Technical provision	31.086	28.572		31.086	28.572	
Total assets	57.519	51.516		57.519	51.516	
Equity	18.382	15.869		18.382	15.869	
Solvency ratio SII after dividend payment	1,83	1,59		1,83	1,59	
Minimum capital ratio	4,24	4,06		4,24	4,06	

\*the comparative figures for 2019 have been adjusted in accordance with FME CBI Guidelines No. 1/2020

The consolidated financial statements of Sjóvá for the third quarter of 2020 were approved at a meeting of the Board of Directors and CEO on 29 October 2020. The interim financial statements have neither been reviewed nor audited by the Company's auditors.