

## Sjóvá – Quarterly Results

### Profit of ISK 119 million in the first six months of the year

#### Loss of ISK 630 million in the second quarter

- Technical results of ISK 47 million
- Pre-tax loss on investment activities ISK 680 million
- Return on investment portfolio -1.3%
- Combined ratio of 105.2% as compared to 100.3% in Q2 2017
- The combined ratio for the full year 2018 projected at 98% (Q3: 94%, Q4: 95%) and pre-tax earnings estimated at around ISK 1,000 million
  - Deviations of more than 5 percentage points from the combined ratio for each quarter will be notified.

#### Hermann Björnsson, CEO:

"Our 2nd quarter performance was impacted by two major fires, inevitably affecting our results for the first six months of 2018. The two fires negatively affected our combined ratio for the quarter by about 10% after accounting for the share of reinsurers. Fire losses of this magnitude usually occur every few years, and it is exceedingly rare for two such events to occur in the same quarter. In the last few quarters we have seen a positive trend in our underwriting performance, characterised by robust premium growth and premiums earned net of reinsurance outpacing claims, with the exception of the second quarter. Thanks to this trend the operational impact from these fires will not be as significant as it otherwise could have been.

We expect continued premium growth in the second half of the year, and project that the combined ratio for the full year will come in at 98%, rather than 96% as we expected at the beginning of the year.

The company's loss in the quarter is the result of a lacklustre investment performance, primarily owing to losses on our shareholding portfolio. Negative developments on the securities markets so far this year have led us to revise our pre-tax earnings estimate downward, from ISK 2,800 million to ISK 1,000 million.

As noted in our announcement of our 1st quarter results, earlier in the year we hired foreign consultants to assist us in formulating a digital service strategy. Their work is now completed and the implementation of the strategy is already underway. The first results of their efforts will be seen in the coming weeks. The needs of our customers were foremost in the work to devise the new strategy."

#### Presentation for investors on 23 August at 4:15 pm

Sjóvá will hold an open presentation of the company's results for the second quarter of 2018 on Thursday, 23 August, at 4:15 pm in the company's meeting room at Kringlan 5, 6th floor. CEO Hermann Björnsson will present the results and answer questions. A live webcast of the meeting may be viewed at [www.sjova.is/afkomukynningar](http://www.sjova.is/afkomukynningar)

#### Financial calendar

3rd quarter: 1 November 2018

Annual results 2018: 14 February 2019

#### Further information

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

## Financial highlights and key ratios



	Q2	Q2		6M	6M	
	2018	2017	%	2018	2017	%
<b>Insurance activities</b>						
Premiums earned	4,462	4,029	10.7%	8,714	7,879	10.6%
Reinsurers' share of premiums	(249)	(214)	16.4%	-462	-394	17.2%
<b>Earned premiums, net of reinsurance</b>	<b>4,213</b>	<b>3,815</b>	<b>10.4%</b>	<b>8,252</b>	<b>7,484</b>	<b>10.3%</b>
Investment income from insurance operations	278	262	6.4%	556	537	3.6%
Other revenues	8	4	122.7%	16	20	-19.6%
Total income on insurance operations	4,499	4,080	10.3%	8,824	8,041	9.7%
Claims incurred	(3,879)	(3,004)	29.1%	-6,923	-5,956	16.2%
Reinsurers' share of claims incurred	395	114	245.9%	441	164	168.9%
<b>Claims incurred, net of reinsurance</b>	<b>(3,484)</b>	<b>(2,890)</b>	<b>20.6%</b>	<b>-6,482</b>	<b>-5,792</b>	<b>11.9%</b>
Operating expenses on insurance operations	(968)	(941)	2.9%	-1,899	-1,864	1.9%
<b>Net expenses on insurance operations</b>	<b>(4,452)</b>	<b>(3,831)</b>	<b>16.2%</b>	<b>-8,381</b>	<b>-7,656</b>	<b>9.5%</b>
<b>Profit/loss on insurance operations</b>	<b>47</b>	<b>250</b>	<b>-81.2%</b>	<b>443</b>	<b>385</b>	<b>15.1%</b>
<b>Investment activities</b>						
Income from investment operations	(583)	609	-%	-68	1,697	-%
Operating expenses on investment operations	(97)	(69)	39.8%	-190	-134	42.0%
<b>Profit on investment operations</b>	<b>(680)</b>	<b>539</b>	<b>-%</b>	<b>-259</b>	<b>1,563</b>	<b>-%</b>
<b>Profit/loss before income tax</b>	<b>(633)</b>	<b>789</b>	<b>-%</b>	<b>185</b>	<b>1,949</b>	<b>-90.5%</b>
Income tax	3	(87)	-%	-66	-146	-55.0%
<b>Total profit for the period</b>	<b>(630)</b>	<b>702</b>	<b>-%</b>	<b>119</b>	<b>1,803</b>	<b>-93.4%</b>
	<b>Q2</b>	<b>Q2</b>		<b>6M</b>	<b>6M</b>	
	<b>2018</b>	<b>2017</b>		<b>2018</b>	<b>2017</b>	
Claims ratio	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%	
Combined ratio	105.2%	100.3%		101.3%	101.9%	
Return on equity (ROE)	-17.4%	16.9%		1.6%	21.7%	
Earnings per share	-0.44	0.49		0,08	1.26	
Equity	13,695	15,832		13,695	15,832	
Solvency ratio	1.45	1.58		1.45	1.58	

The consolidated financial statements of Sjóvá for the second quarter of 2018 were approved at a meeting of the Board of Directors and CEO on 23 August 2018. The interim financial statements have neither been reviewed nor audited by the Company's auditors.

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