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Quarterly results Q1 2020

Translation of Investors‘ Presentation

14 May 2020

Q1 2020

Reasonable results in light of challenging circumstances

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Results

ISK -465m

after tax loss

–

Technical results of

ISK 185m

–

Pre-tax profit from investment operations

ISK -552m

Combined ratio

98,5%

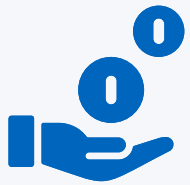
combined ratio copared to 92,4% in Q1 2019*

–

A large fire loss adversely affected underwriting results in the quarter

–

The combined ratio now published in accordance with the new FME CBI Guidelines No. 1/2020



Investments

Investment income

ISK 43m

–

-0,2%

return on investment portfolio

–

Large fluctuations in investment results during the quarter

COVID-19

Successful efforts to adjust the operations to the new circumstances and ensure business continuity

–

Focus on supporting customers and continuing to provide good service

–

Decision made not to collect premiums on personal auto insurance policies for the month of May in view of the trend in traffic and claims

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

The FME CBI Guidelines No. 1/2020

The purpose is to clarify the terminology and presentation of key metrics while promoting increased transparency and consistency

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Main changes

- Changes in technical provisions are to be broken down into items related to underwriting risk, on the one hand, and items that result from other changes, returns on the loss reserve i.e. due to unwinding, impact of interest and exchange rate changes.
  - Therefore, prior year claims development attributable to exchange rate changes, return on the loss reserve and changes in interest rates are not recorded under the claims incurred for the year, but under technical interest rate and exchange rate changes for technical provisions.
- Technical interest rate and exchange rate changes for technical provisions are calculated on the basis of economic factors, i.e. the discounting assumptions for the discounted portion, while investment income from underwriting operations is calculated on the portion of the technical provisions that are not discounted.
  - Investment income from underwriting operations is now only calculated on the non-discounted portion of technical provisions.
- The notes shall include a summary of the main figures and financial metrics from the income statement and balance sheet along with a 5-year summary of these figures.
  - The quarterly summary has been changed
- The Guidelines do not affect comparative figures in the balance sheet, the statement of changes in own funds or the cash flow statement.

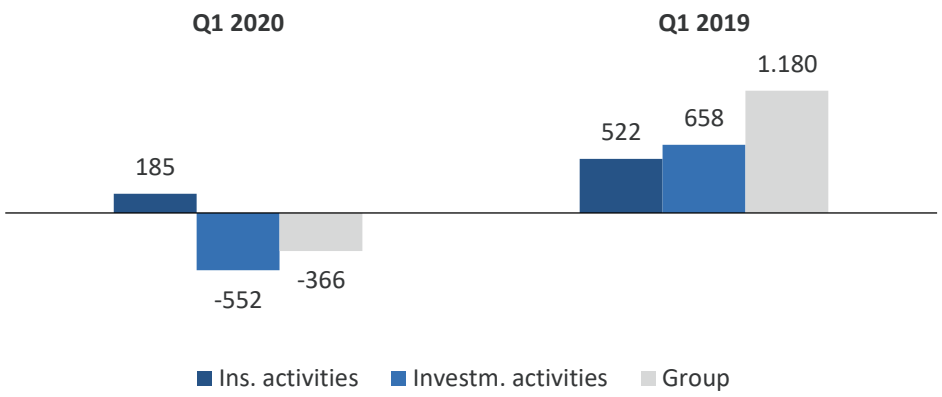
Highlights from Q1 2020

Year-to-year fluctuations in investment income

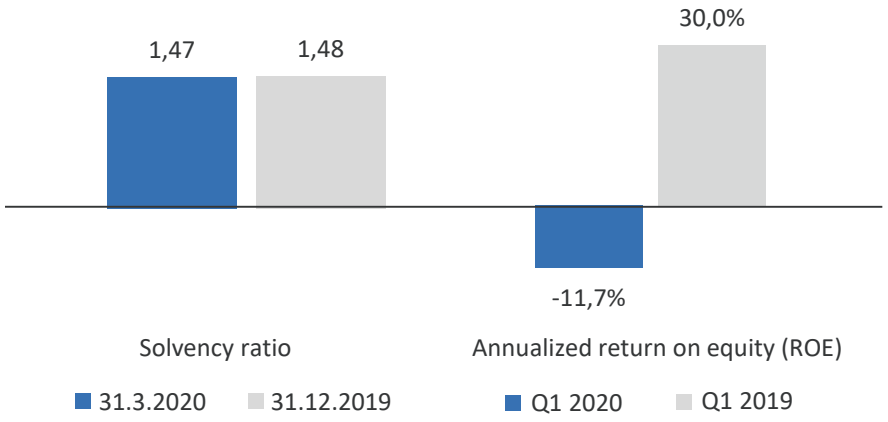
	Q1 2020	Q1 2019
Loss/profit for the period	-465	1.053
Earnings per share	-0,35	0,76
Pre-tax loss/profit	-366	1.180
Technical results*	185	522
Profit on investment operations*	-552	658
Annualized return on equity (ROE)	-11,7%	30,0%
Group combined ratio	98,5%	92,4%

	31.3.2020	31.12.2019
Group equity ratio	28,5%	32,0%
Solvency ratio	1,68	1,67
Profit for the period	1,47	1,48

Segment performance before tax



Solvency ratio and return on equity



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

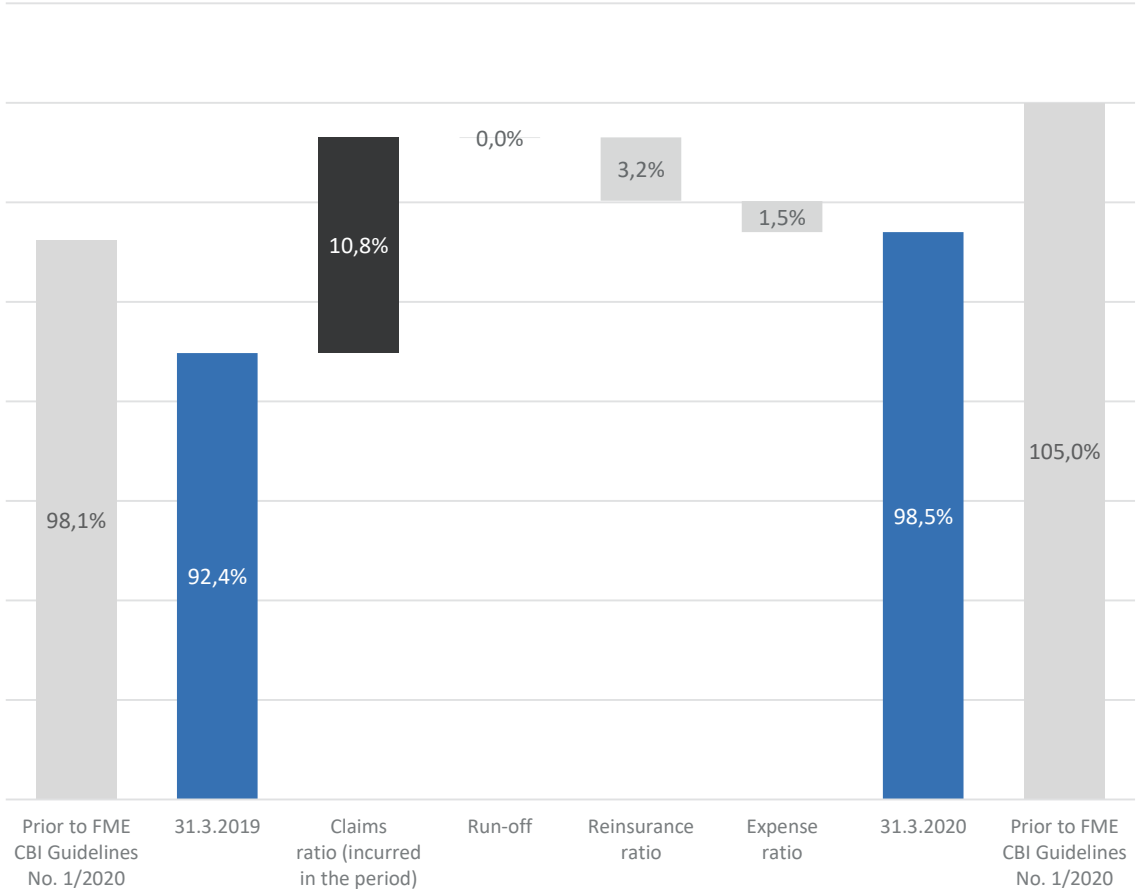
Amounts are in ISK million

Income statement

Continued premium growth but a large loss in the quarter negatively impacted underwriting performance

	Q1 2020	Q1 2019	%
Premiums earned	5.284	4.798	10,1%
Earned premiums, net of reinsurance	4.963	4.563	8,8%
Investment income	43	1.158	-96,3%
Claims incurred	-4.185	-3.282	27,5%
Claims incurred, net of reinsurance	-3.873	-3.201	21,0%
Technical interest rate and exchange rate changes for technical provisions*	-346	-273	26,7%
Operating expenses	-1.203	-1.105	8,9%
Pre-tax loss/profit	-366	1.180	-
After-tax loss/profit	-465	1.053	-
Claims ratio (incurred in this period)	81,4%	70,5%	
Run-off	-2,2%	-2,1%	
Claims ratio*	**79,2%**	**68,4%**	
Reinsurance ratio	-0,1%	3,0%	
Claims and reinsurance ratio	**79,1%**	**71,4%**	
Expense ratio	19,4%	21,0%	
Combined ratio*	**98,5%**	**92,4%**	

Change in combined ratio 3M 2019 to 3M 2020



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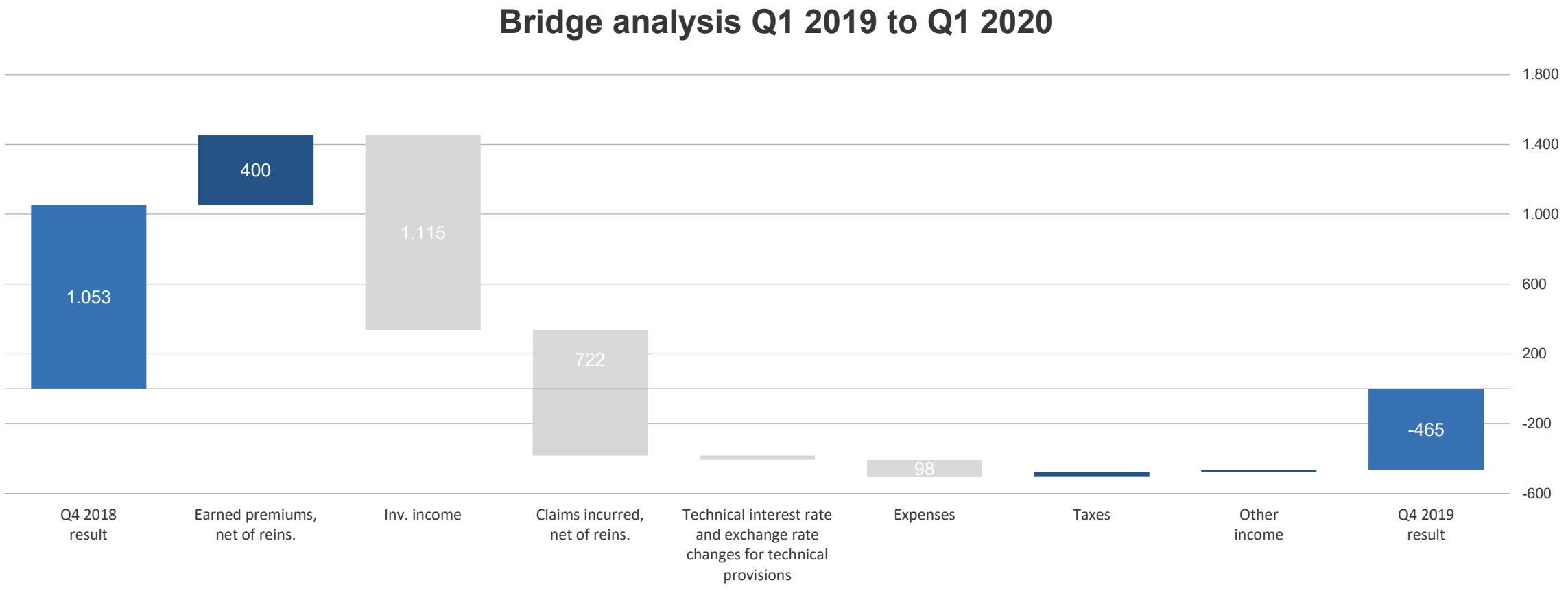
Amounts are in ISK million

Bridge analysis

Robust premium growth but a major loss and subpar investment results adversely affected the bottom line

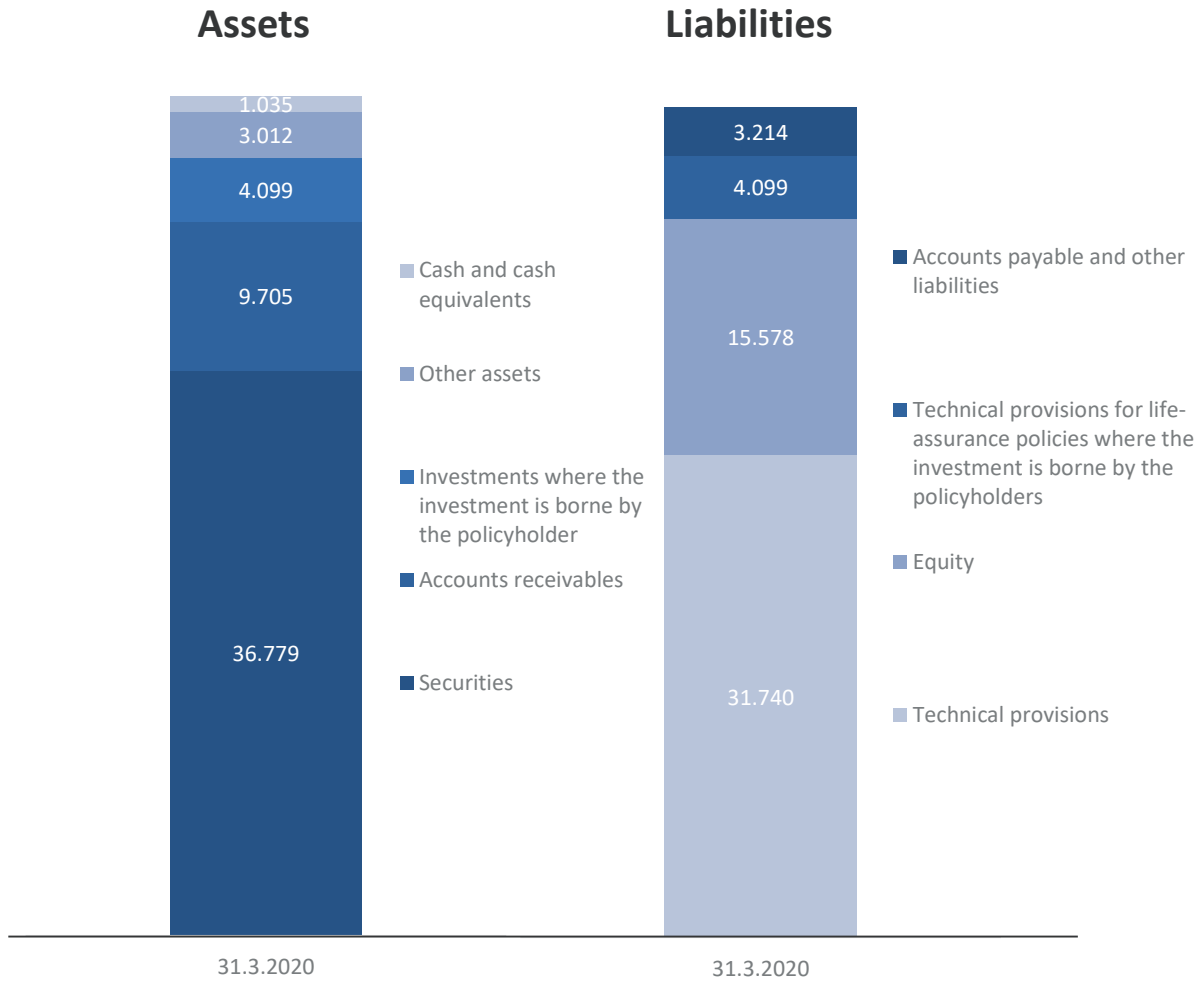


Amounts are in ISK million

Balance sheet

Financially strong with a robust balance sheet

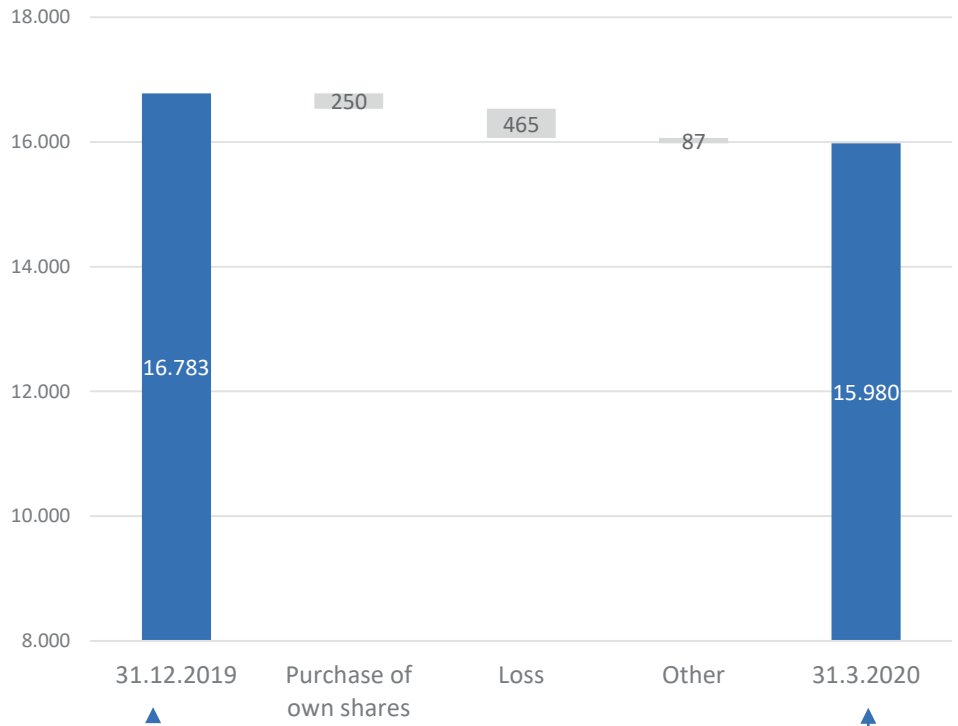
	31.3.2020	31.12.2019
Eignir		
Securities	36.779	36.549
Accounts receivables	9.705	6.463
Investments where the investment is borne by the policyholder	4.099	4.539
Cash and cash equivalents	1.035	969
Other assets	3.012	2.464
Total assets	**54.631**	**50.984**
Equity		
Share capital	1.334	1.347
Other equity	14.244	14.947
Total equity	**15.578**	**16.294**
Liabilities		
Technical provisions	31.740	27.599
Technical provisions for life-assurance policies where the investment is borne by the policyholders	4.099	4.539
Lease liability	3.214	2.552
Accounts payable and other liabilities	**39.052**	**34.690**
Total liabilities	**54.631**	**50.984**



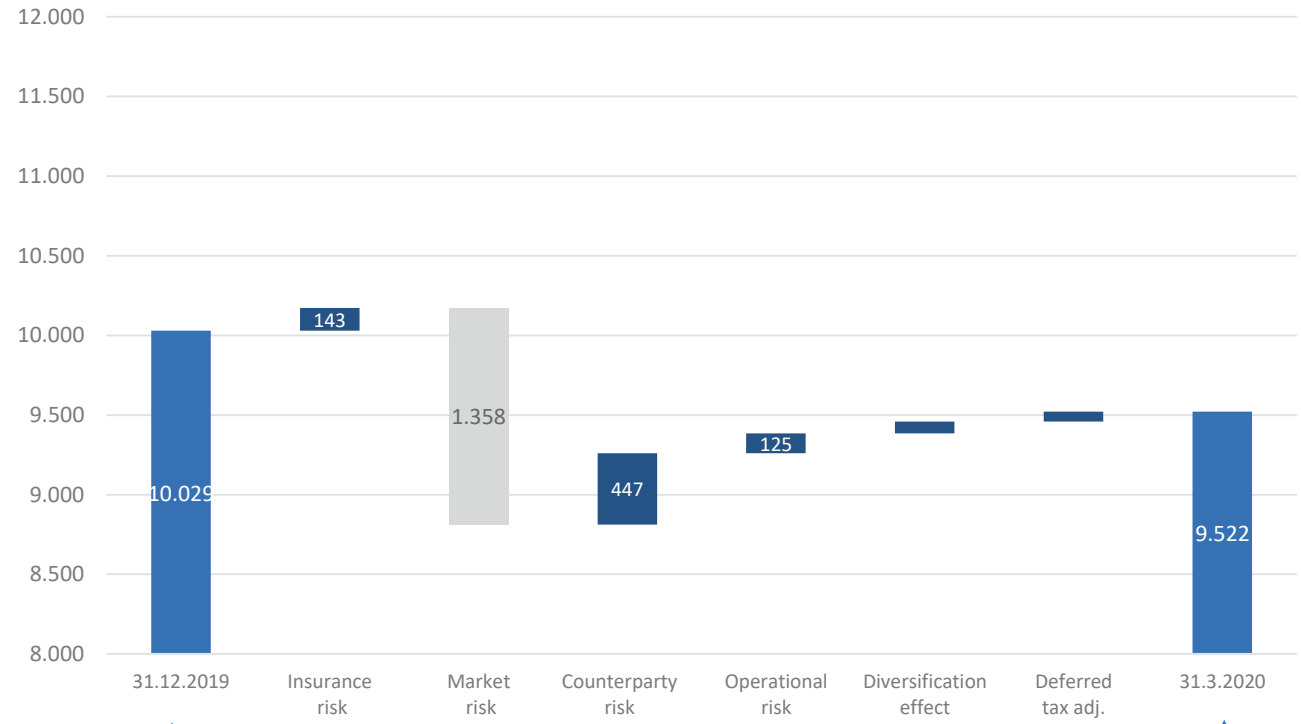
Changes in basic own funds and solvency capital requirments

Q1 2020

Basic own funds



Solvency capital requirements



Solvency ratio before dividend 1,67

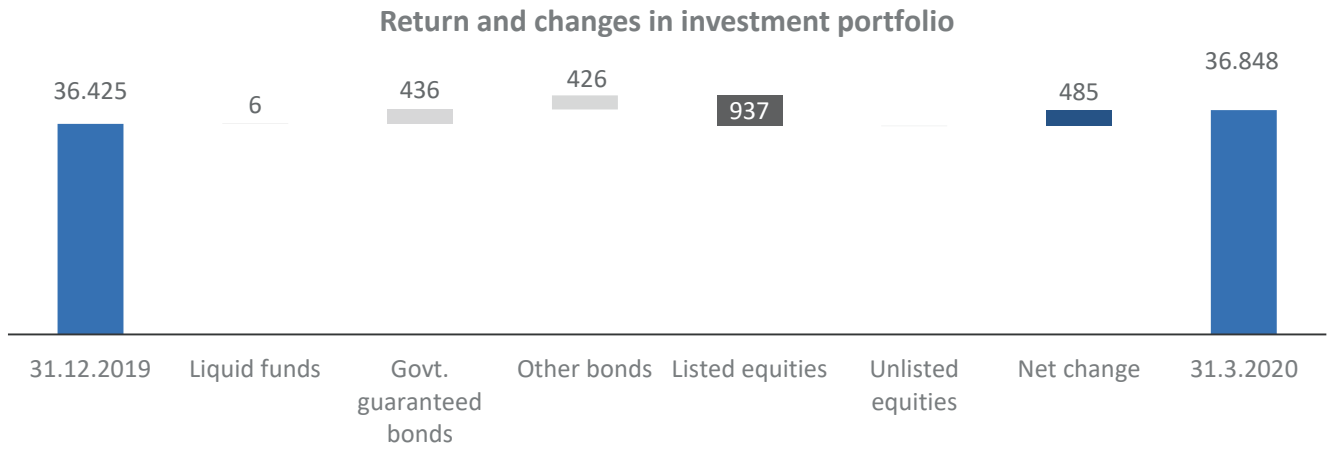
Solvency ratio before dividend 1,68

Amounts are in ISK million

Investment performance in Q1 2020

Return on the investment portfolio was 0,2% in the quarter

Asset class*	31.12.2019	Net change	Income	31.3.2020	Return
Liquid funds	449	5	6	459	1,0%
Govt. guaranteed bonds	11.750	-975	436	11.211	4,0%
Other bonds	12.698	1.975	426	15.099	3,1%
Listed equities	9.255	-506	-937	7.812	-10,1%
Unlisted equities	2.274	-14	8	2.268	0,3%
	36.425	**485**	**-62**	**36.848**	**-0,2%**
Interest income from receivables			101		
Other investment income			5		
Total investment income			**43**		



- The average duration of the Group's bond portfolio was 4,4 years at the end of the quarte (3,9 years at the end of Q4 19) and the indexation rate was 39% (41% at the end of Q4 19)
- No changes made to the value of unlisted assets during the quarter

Gamma index return	Q1 2020
Market index	-1,3%
Equities	-11,7%
Government bonds	5,4%
Inflation-indexed bonds	4,2%
Non-indexed bonds	6,0%
Covered bonds	3,9%
Corporate bonds	4,4%

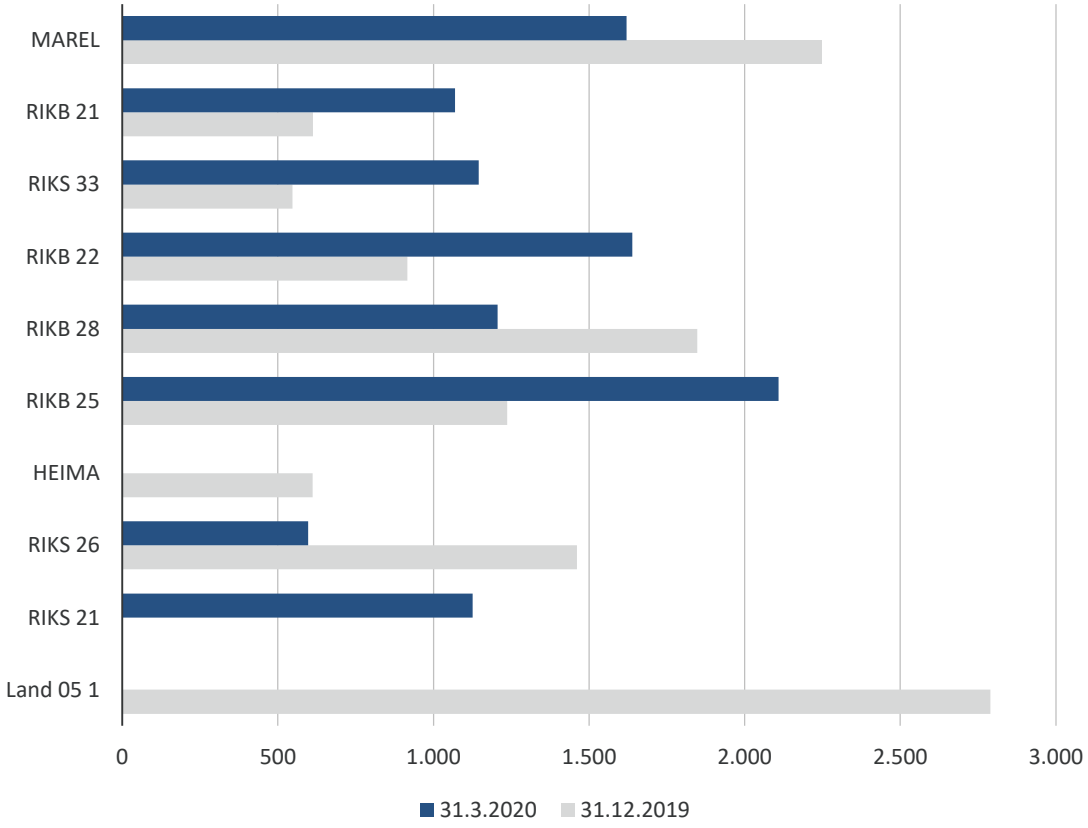
** Assets in this statement are not classified in accordance with IFRS, as in the financial statements. Not included in the statement is Sjóvá líf's share of assets with life insurance policyholders' own risk, receivables and bank accounts used in daily operations.*

Amounts are in ISK million

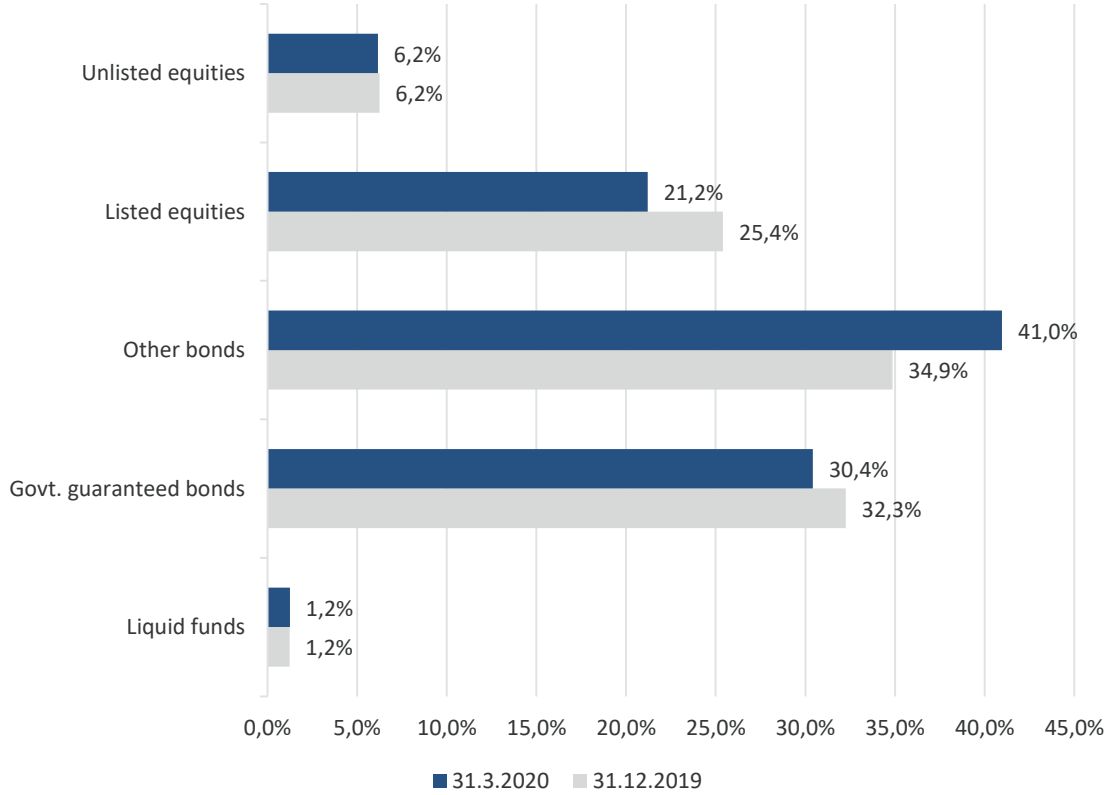
Changes to asset portfolio in Q1 2020

Repayment of LAND 05 1 and significant market volatility affected the composition of the portfolio during the quarter

Largest portfolio changes in Q1 2020



Investment breakdown*



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Unlisted equities

March 31 2020

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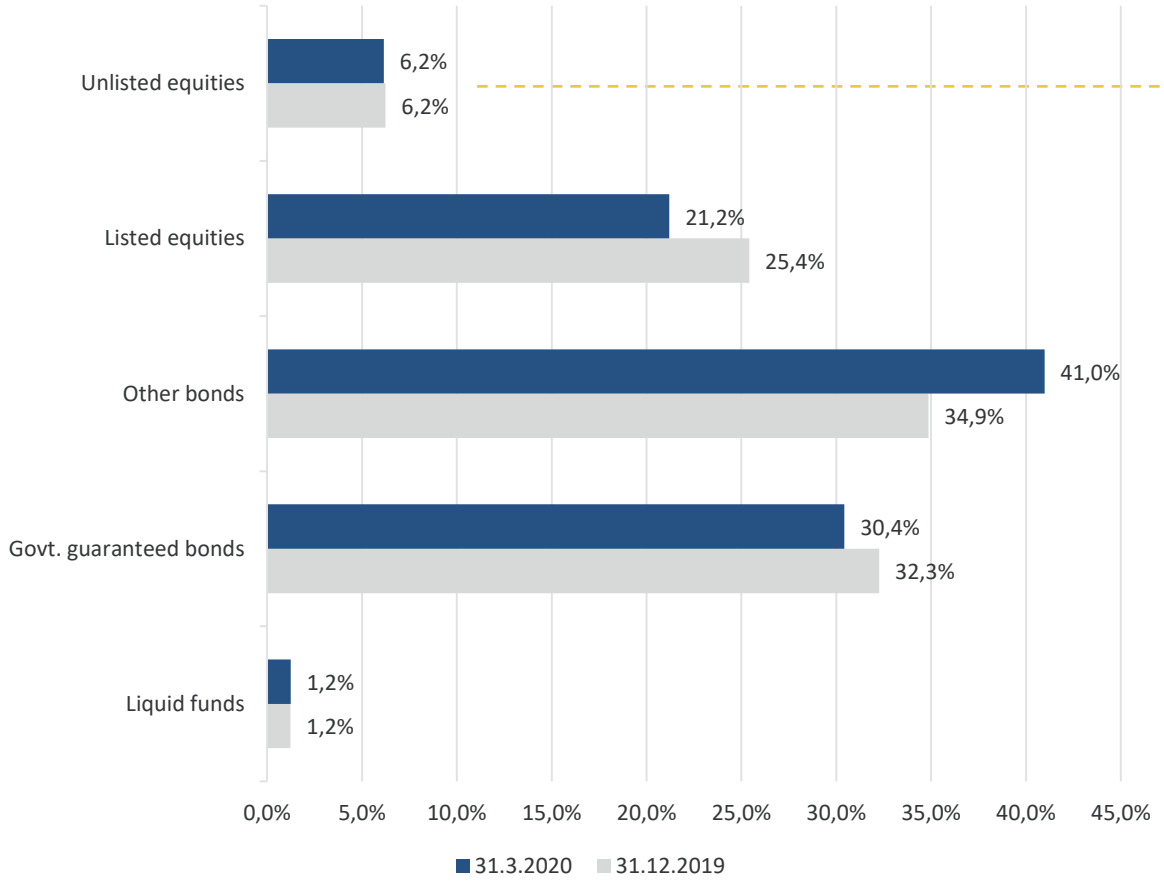
Investment breakdown*



Unlisted equities	31.3.2020
Ölgerðin Egill Skallagrímsson	384
105 Miðborg (Kirkjusandsreitur)	352
Loðnuvinnslan	306
Hvatning (Blue Lagoon)	246
Kerecis	203
Gamma Centrum & Eclipse	276
Other assets (9)	502
Total unlisted equities	**2.268**

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Amounts are in ISK million

Group investment assets exceeding ISK 500 million

Assets	31.3.2020	31.12.2019	Return	Net change	% of portfolio
RIKB25	2.109	1.237	101	771	5,7%
Arion CB 24	1.817	1.788	73	-44	4,9%
RIKB 31	1.757	1.563	112	81	4,8%
RIKB 22	1.638	916	42	681	4,4%
MAREL	1.620	2.249	-190	-439	4,4%
LBANK CB 23	1.582	1.619	71	-108	4,3%
ISLA CB 23	1.231	768	37	425	3,3%
RIKB 28	1.206	1.848	75	-718	3,3%
FESTI	1.147	1.209	-93	32	3,1%
RIKS 33	1.146	547	38	561	3,1%
RIKS 21	1.126	0	3	1.123	3,1%
RIKB 21	1.069	612	11	446	2,9%
ISLA 24	908	984	-17	-60	2,5%
RIKS 30	801	671	39	91	2,2%
SIMINN	778	554	-28	252	2,1%
REGINN	765	827	-194	132	2,1%
EIK	741	775	-201	167	2,0%
Reykjavíkurborg RVK 35 1	707	529	31	146	1,9%
Júpíter veðskuldabréf	656	647	9	0	1,8%
Reitir fasteignafélag 15.11.2022	654	658	9	-12	1,8%
RIKS 26	597	1.461	41	-905	1,6%
Stefnir ríkisverðbréfasjóður	563	541	23	0	1,5%
Iceland Seafood International	549	670	-149	28	1,5%
Arion CBI 26	526	189	18	319	1,4%
Other assets	11.156	13.564	76	-2.483	30,3%
Total assets	**36.848**	**36.425**	**-62**	**485**	**100,0%**

Amounts are in ISK million

Sjóva customers will not pay motor premiums for May

We will not collect motor premiums for May from individuals

Supporting our customers during difficult times

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The decision to lower personal auto premiums was made in light of reduced traffic and fewer claims

This measure extends to around

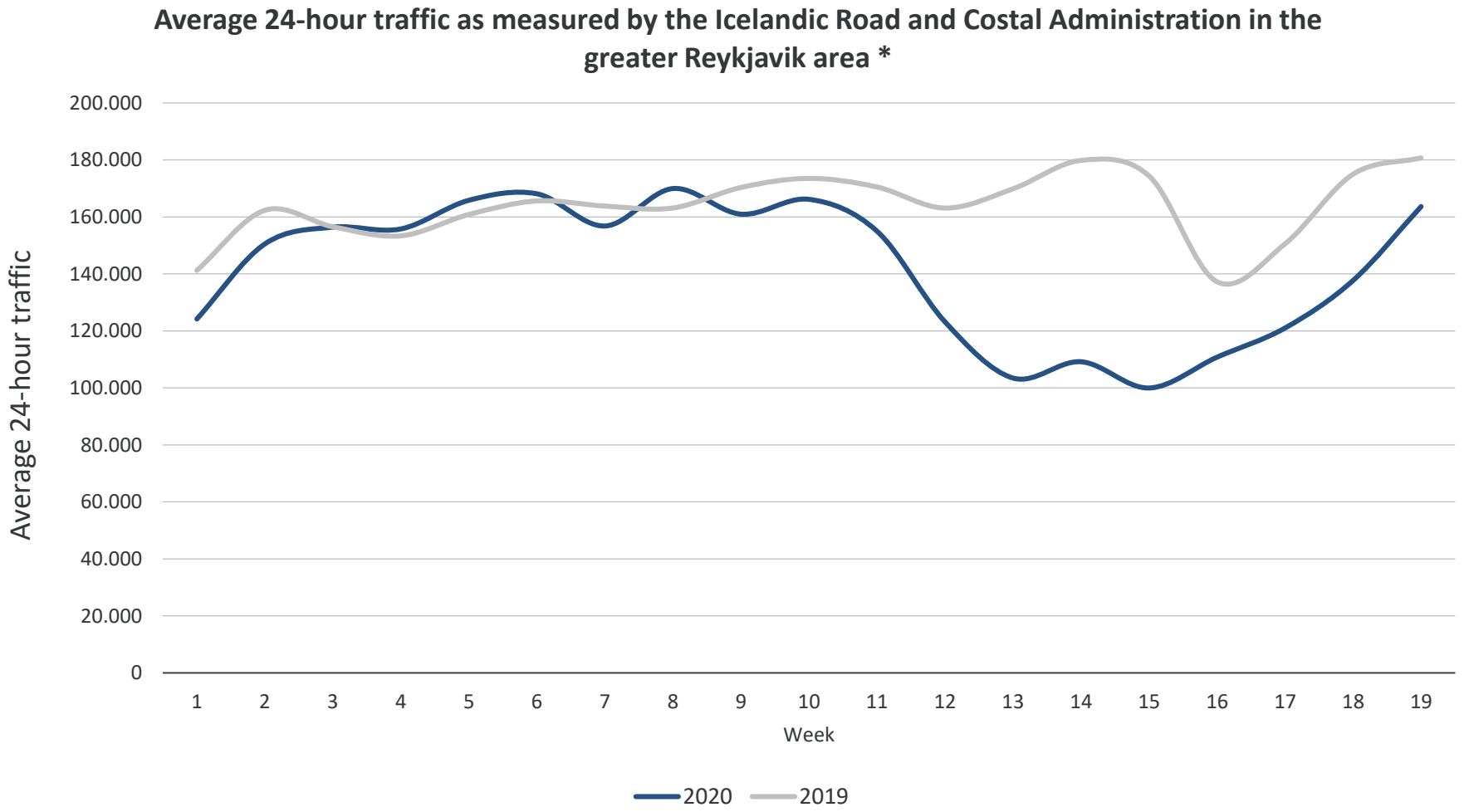
43 thousand

individuals

This has attracted attention and been extremely well received by customers

Traffic trends in the greater Reykjavik area

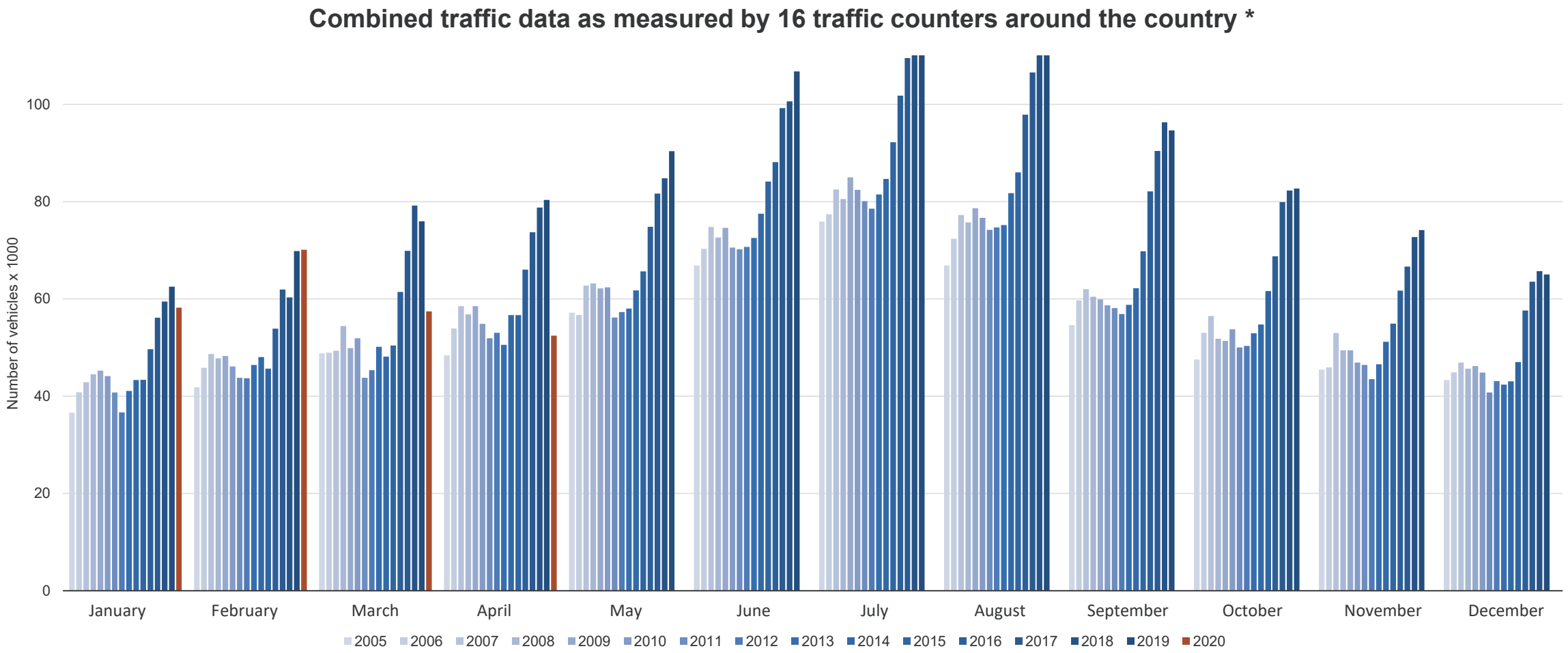
The cumulative average daily traffic in greater Reykjavik has declined by **27%** since the restriction on public gatherings and by **13%** since the start of the year when compared to the prior year



* heimild: Vegagerðin (www.vegagerdin.is)

Large decline in traffic in the wake of travel restrictions

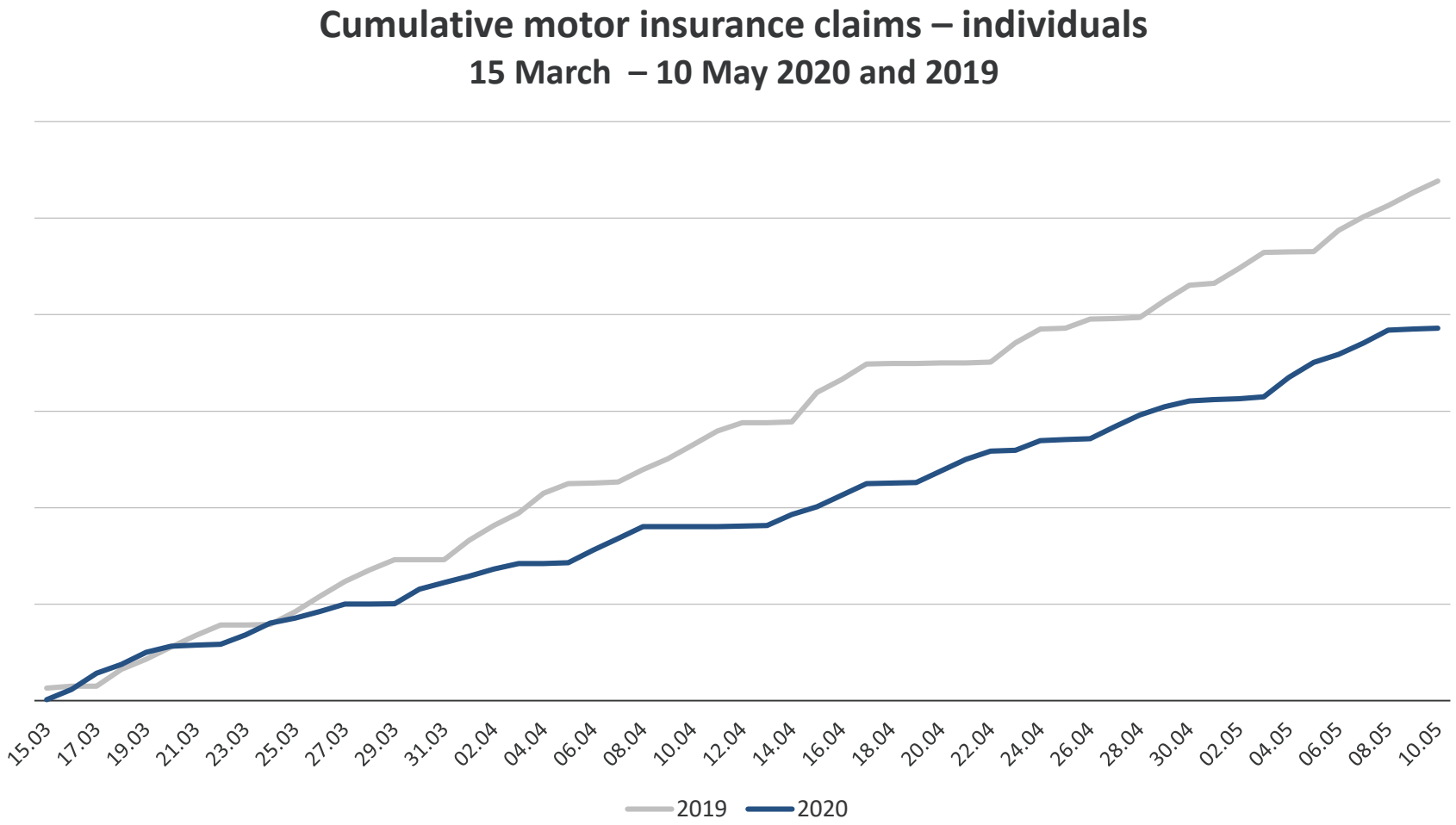
Traffic on the Ring Road fell by 35% in the month of April



* source: www.vegagerdin.is

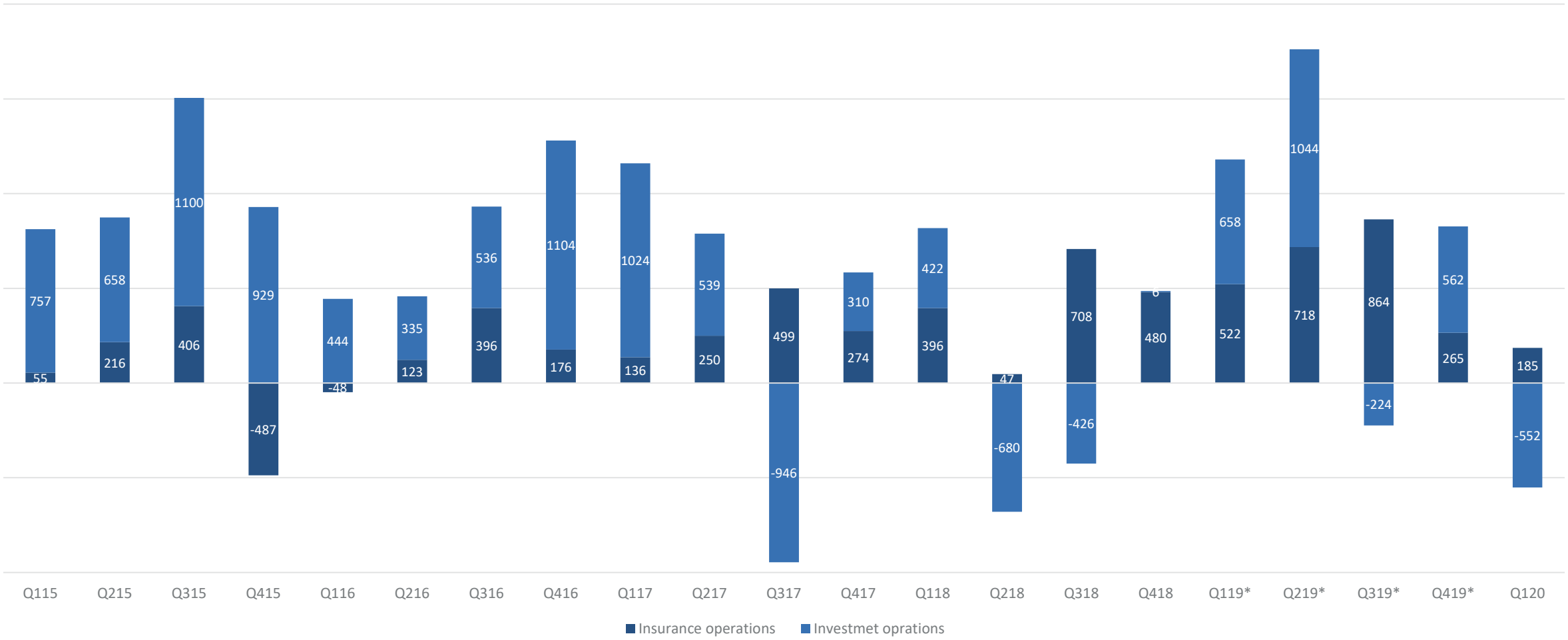
Claims trend since restrictions on public gatherings were imposed

28% fewer claims in the period 15 March – 10 May versus the same period in 2019



Combination of profit/loss before tax

2015 - 2020



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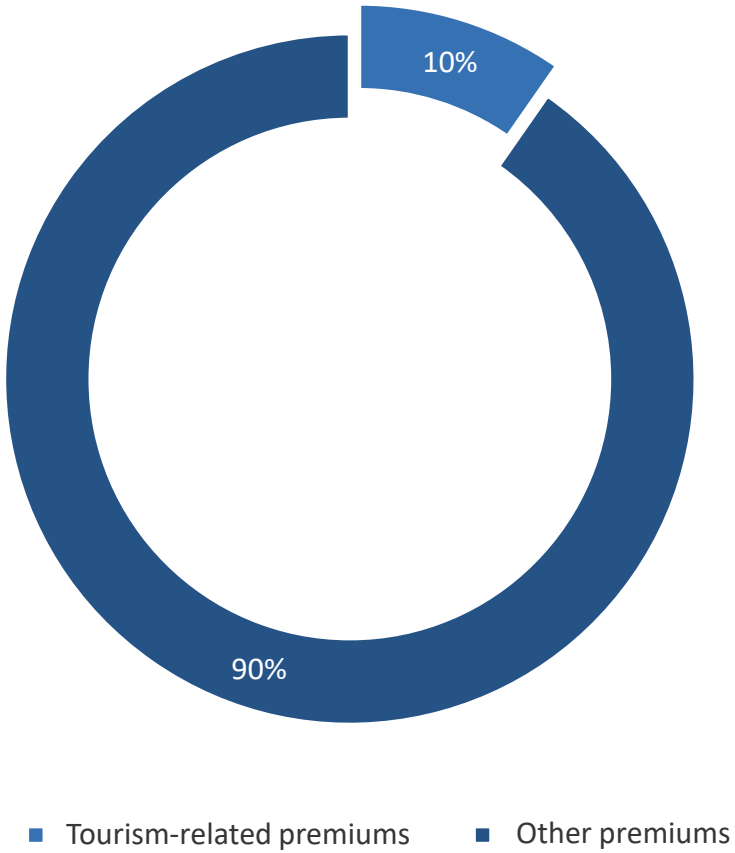
Amounts are in ISK million

Underwriting exposure to the tourism industry

Around 10% of premiums earned in 2019 related to the tourism industry

Percentage of tourism-related premiums in 2019



- The 10% figure comprises companies that operate directly in the travel industry, such as car rentals, bus operators, hotels and airlines
  - As revenue from these customers decreases, so does the Company's exposure to them in form of a reduced likelihood of claims
- This group of companies is the one hardest hit by the economic impact of the COVID-19 pandemic.
- We are working closely with these companies to support them, as we do with all our customers, through these difficult times

Financially strong company with robust operations

Q1 2020

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Q1 2020

ISK -465m

after tax loss

–

98,5%

combined ratio

–

Investment income

ISK 43m

Earnings guidance

Guidance withdrawn on 12 March given the uncertainty associated with COVID-19

–

Still considerable uncertainty about the impact on the Icelandic economy; currently not enough known to issue new guidance

–

The aim is to issue new guidance when the Company's 6 month results are presented in August

Subordinated bond

It was announced in the latter part of 2018 that the Company aimed to issue subordinated debt

–

The opinion of the State Internal Revenue Board was requested on the tax treatment of the interest expenses

–

A ruling has now been issued where the Company's position is accepted that interest on subordinated bonds could be recorded as an expense

2020

Financially strong company with strong underwriting operations and a well-diversified asset portfolio

–

The Company is well positioned to meet the challenging times ahead

–

The Company will work closely with its customers over the next several months

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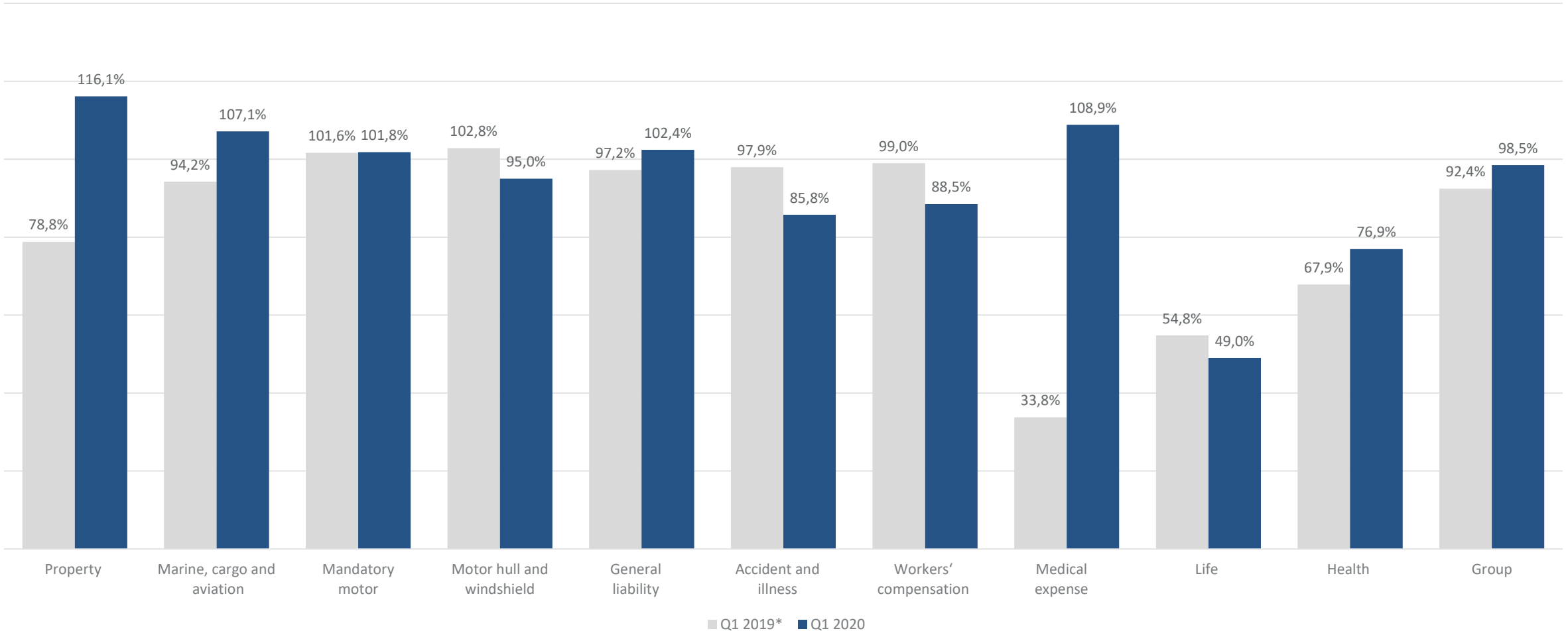
Appendices and Disclaimer

Combined ratio

Q1 2020 and Q1 2019 by insurance segment



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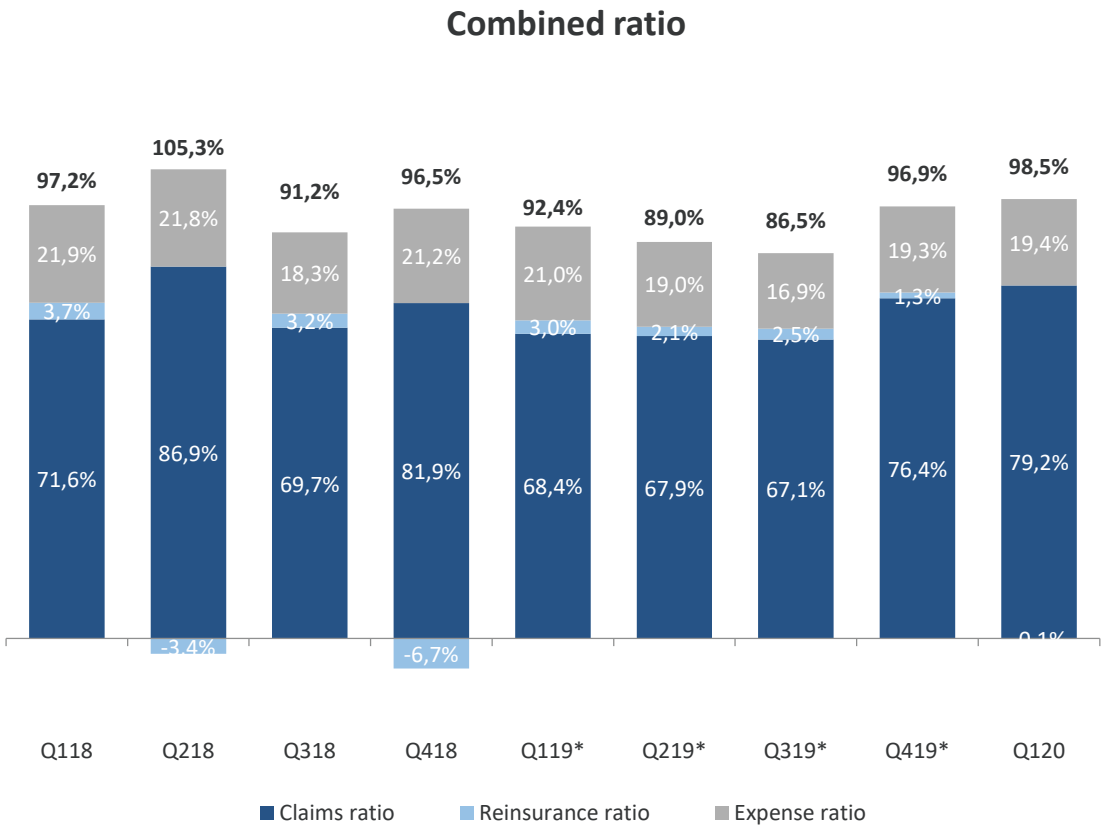
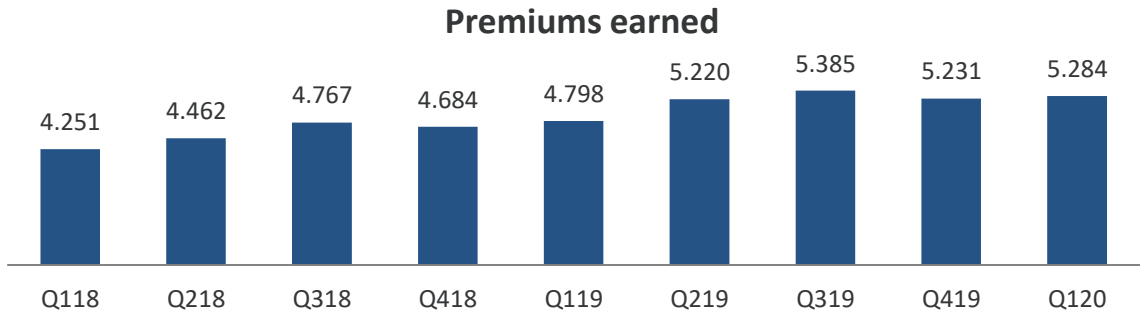
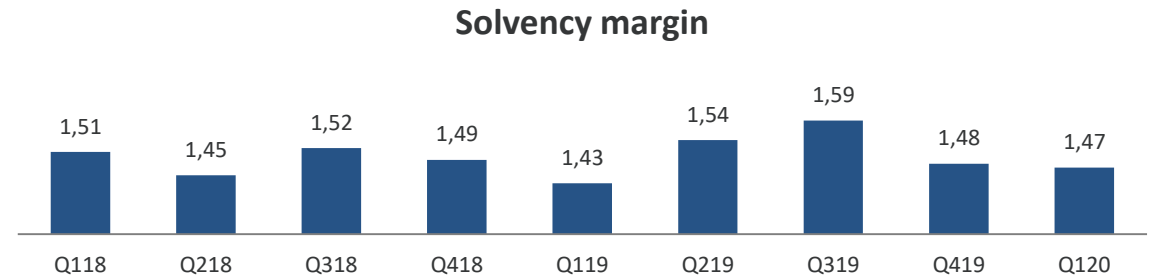
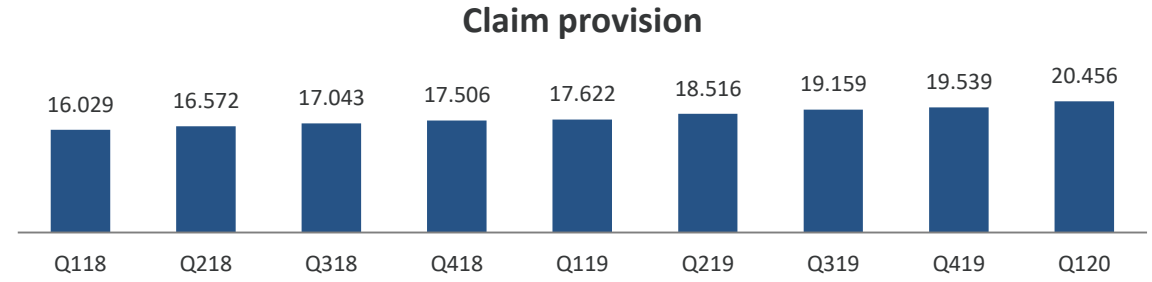
Development of key indicators over preceding quarters









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Amounts are in ISK million

Development of key indicators

Q1 2018 - Q1 2020

	Q1 2020	Q4 2019*	Q3 2019*	Q2 2019*	Q1 2019*	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Insurance operations									
Premiums earned	5.284	5.231	5.385	5.220	4.798	4.684	4.767	4.462	4.251
Outward reinsurance premiums	4.963	5.005	5.163	4.970	4.563	4.431	4.535	4.213	4.039
Investment income from insurance operations*	73	76	111	124	129	314	294	278	278
Claims incurred*	-4.185	-3.994	-3.614	-3.543	-3.282	-3.839	-3.324	-3.879	-3.044
Claims incurred, net of reinsurance*	-3.873	-3.863	-3.582	-3.463	-3.201	-3.357	-3.248	-3.484	-2.998
Operating expenses of insurance operations	-1.027	-1.008	-911	-993	-1.007	-993	-879	-968	-931
Profit from insurance operations	**185**	**265**	**864**	**718**	**522**	**480**	**708**	**47**	**396**
Investment operations									
Investment income from investm. operations*	-30	761	-6	1.416	1.029	71	-349	-583	515
Insurance technical interest*	-346	-110	-135	-287	-273				
Operating expenses of investment operations	-176	-88	-83	-86	-98	-65	-78	-97	-93
Loss/profit from investment operations	**-552**	**562**	**-224**	**1.044**	**658**	**6**	**-426**	**-680**	**422**
							0		
Loss/profit before income tax	-366	827	640	1.762	1.180	486	281	-633	818
Income tax	-99	-19	-197	-214	-127	-94	-141	3	-69
Comprehensive loss/income for the year	**-465**	**808**	**443**	**1.548**	**1.053**	**392**	**140**	**-630**	**749**

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

Amounts are in ISK million

Development of key indicators

Q1 2018 - Q1 2020

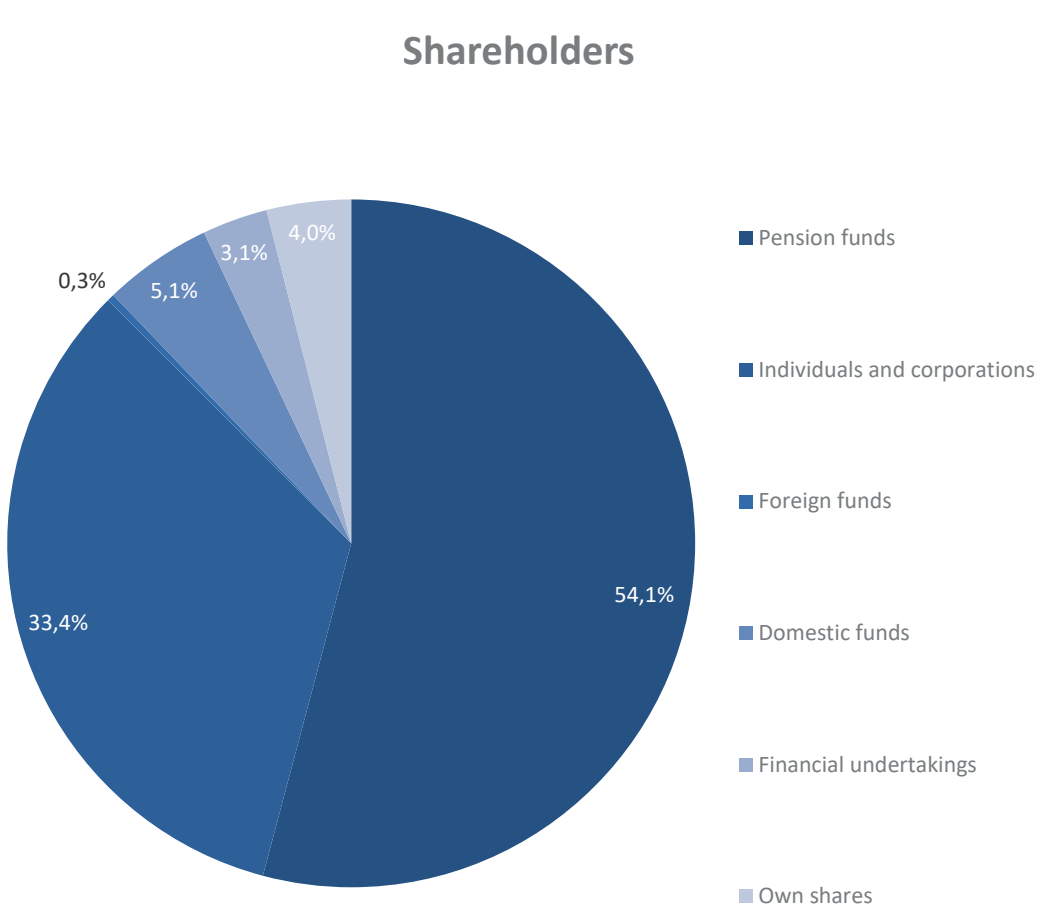
	Q1 2020	Q4 2019*	Q3 2019*	Q2 2019*	Q1 2019*	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Claims ratio*	79,2%	76,4%	67,1%	67,9%	68,4%	81,9%	69,7%	86,9%	71,6%
Reinsurance ratio	-0,1%	1,3%	2,5%	2,1%	3,0%	-6,7%	3,2%	-3,4%	3,7%
Cost ratio	19,4%	19,3%	16,9%	19,0%	21,0%	21,2%	18,4%	21,7%	21,9%
Combined ratio*	**98,5%**	**96,9%**	**86,5%**	**89,0%**	**92,4%**	96,5%	91,3%	105,2%	97,2%
Operating ratio	96,6%	95,5%	84,3%	86,6%	89,5%				
Return on equity on an annual basis	-11,7%	21,5%	11,9%	42,0%	30,0%	10,8%	3,9%	-17,4%	20,2%
Earnings per share	-0,35	0,62	0,32	1,12	0,76	0,27	0,10	-0,44	0,53
Result of reinsurance	7	-67	-133	-110	-146				
Technical provision	31.740	27.599	28.572	28.812	28.190	24.738	25.311	25.509	25.255
Total assets	54.631	50.984	51.516	51.831	49.807	50.984	45.182	54.631	45.937
Equity	15.578	16.294	15.869	15.666	14.228	13.827	13.534	13.695	14.459
Solvency ratio SII after dividend payment	1,47	1,48	1,59	1,54	1,43	1,49	1,52	1,45	1,51
Minimum capital ratio	3,65	4,08	4,06	4,01	3,70				

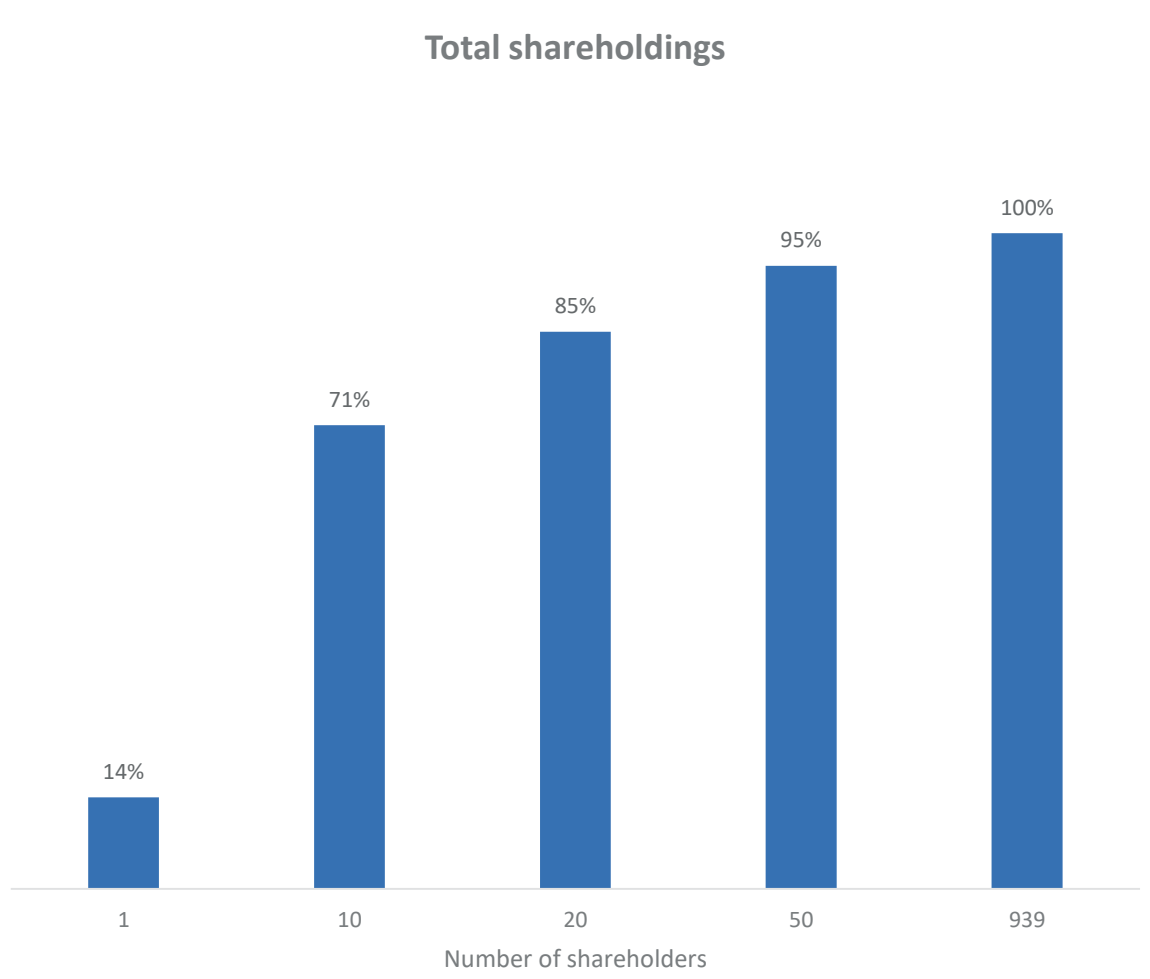
* the comparative figures for 2019 have been adjusted in accordance with FME CBI Guidelines No. 1/2020

Amounts are in ISK million

Distribution of shareholders

939 shareholders as of May 11 2020





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