

Sjóvá – Quarterly results

Profit of ISK 1.072 million in the first six months of the year

Q2 highlights

- Technical results of ISK 213 million (Q2 2019*: ISK 718 million)
- Pre-tax profit on investment activities ISK 1.466 million (Q2 2019*: 1.043 million)
- Profit of ISK 1.538 million (Q2 2019: 1.548 million)
- Return on investment portfolio 4,8% (Q2 2019: 4,2%)
- Combined ratio of 96,8% (Q2 2019*: 89,0%)

6M 2020 and updated guidance

- Technical results of ISK 398 million (6M 2019: ISK 1.241 million)
- Pre-tax profit on investment activities ISK 914 million (6M 2019: ISK 1.702 million)
- Profit for the period ISK 1.072 million (6M 2019: ISK 2.601 million)
- Return on investment portfolio 4,6% (6M 2019: 7,9%)
- Combined ratio of 97,7% (6M 2019*: 90.7%)
- The guidance for the full year 2020 is that the combined ratio will be around 95% and pre-tax earnings at around ISK 2.600 million. The guidance on pre-tax earnings for the next 12 months (Q3 2020 – Q2 2021) is at around ISK 2.400 million and the combined ratio at around 94%.
 - The updated guidance is based on actual results on investment activities thus far into the third quarter.

Hermann Björnsson, CEO:

"Our core business is strong, with the Company now posting its eighteenth profitable quarter in a row and delivering a combined ratio of 96.8%. The long-term strength of our core business enabled us to respond to the sharp decline in traffic seen in the wake of the restrictions on public gatherings introduced in Iceland last March by cancelling auto premiums for our personal customers for the month of May. The reduction in premiums resulting from this measure amounts to approx. ISK 650 million and was fully realized in the second quarter. The measure was welcomed by our customers and the general feedback has been overwhelmingly positive. Over the past 12 months, Sjóvá customers have received a total of approx. ISK 1,300 million in the form of premium relief for the month of May and/or claims-free rewards

Premiums in the quarter are down around 13% from the same quarter last year, due almost entirely to the decision not to collect auto premiums for May. Otherwise, premium growth in personal lines during the quarter helped to offset a decline in premiums from commercial customers, mainly companies in the travel industry. We have worked closely with these businesses to support them through the current challenges, as we do with all our customers in their time of need, with good results.

Our investment operations delivered very strong results in the second quarter after being in the red in the first quarter. We have pointed out before that the performance of this aspect of our business is subject to large fluctuations, but rarely have we experienced a turnaround of the magnitude seen between the first and second quarter of this year. It was pleasing to see the portfolio recover in the second quarter and withstand the high volatility seen in the securities markets in recent months.

The Board of Directors' proposal to postpone a decision on the payment of dividends for the 2019 operating year was approved at the Company's Annual General Meeting on 12 March 2020. The Company's financial strength is not in question, as indicated by the second quarter figures. However, we feel that there is still too much uncertainty to be able to decide whether and, if so, in what manner to pay a dividend to shareholders as planned at the beginning of the year. Such a decision is subject to the approval of the Financial Supervision division of the Central Bank of Iceland.

Our guidance for the full year 2020 is that the combined ratio will be around 95% and that pre-tax earnings will come in at around ISK 2,600 million. Our guidance for the next 12 months (Q3 2020 – Q2 2021) is that pre-tax earnings will be around ISK 2,400 million and the combined ratio will be around 94%."

Presentation for investors on 19 August at 4:15 pm and live stream of the meeting

Sjóvá will hold an open presentation of the company's results for the second quarter and the first six months of 2020 on Wednesday, 19 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 <https://www.sjova.is/um-okkur/fjarfestar/afkomukynning-f2-2020/>.

Financial calendar

Q3 2020 – 29 October 2020

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.

For further information, contact Sigríður Vala Halldórsdóttir, tel. +354 844 2136 or fjarfestar@sjova.is.

Financial highlights and key ratios



	Q2 2020	Q2 2019*	%	6M 2020	6M 2019*	%
Insurance operations						
Premiums earned	4.539	5.220	-13,0%	9.823	10.017	-1,9%
Outward reinsurance premiums	-251	-250	0,2%	-571	-485	17,9%
Earned premiums, net of reinsurance	4.288	4.970	-13,7%	9.251	9.532	-2,9%
Invest. income from insurance operations	42	124	-66,2%	115	253	-54,6%
Reinsurance commission and other income	48	82	-41,2%	97	119	-18,3%
Total income from insurance operations	4.379	5.176	-15,4%	9.464	9.905	-4,5%
Claims incurred*	-3.242	-3.543	-8,5%	-7.427	-6.825	8,8%
Claims incurred, reinsurers' share	84	79	5,5%	396	160	147,1%
Claims incurred, net of reinsurance*	-3.158	-3.464	-8,8%	-7.032	-6.665	5,5%
Operating expenses of insurance operations	-1.007	-993	1,4%	-2.034	-2.000	1,7%
Total cost from insurance operations	-4.165	-4.457	-6,5%	-9.065	-8.665	4,6%
Profit from insurance operations	213	718	-70,3%	398	1.241	-67,9%
Investment operations						
Investment income from investm. operations*	1.812	1.416	28,0%	1.782	2.445	-27,1%
Insurance technical interest*	-228	-287	-20,4%	-574	-560	2,6%
Operating expenses of investment operations	-118	-86	37,1%	-294	-184	59,9%
Profit from investment operations	1.466	1.044	40,5%	914	1.702	-46,3%
Profit before income tax	1.679	1.762	-4,7%	1.313	2.942	-55,4%
Income tax	-142	-214	-33,9%	-240	-341	-29,6%
Comprehensive income for the year	1.538	1.548	-0,6%	1.072	2.601	-58,8%
Claims ratio*	71,4%	67,9%		75,6%	68,1%	
Reinsurance ratio	3,2%	2,0%		1,4%	2,5%	
Cost ratio	22,2%	19,0%		20,7%	20,0%	
Combined ratio*	96,8%	89,0%		97,7%	90,7%	
Operating ratio	95,4%	86,6%		96,0%	88,0%	
Return on equity on an annual basis	36,8%	42,0%		12,8%	35,3%	
Return on equity bef. tax on an annual basis	40,2%	47,8%		15,7%	39,9%	
Earnings per share	1,15	1,12		0,80	1,88	
Result of reinsurance	-146	-110		-139	-255	
Technical provision	31.494	28.812		31.494	28.812	
Total assets	56.658	51.831		56.658	51.831	
Equity	17.116	15.666		17.116	15.666	
Solvency ratio SII after dividend payment	1,56	1,54		1,56	1,54	
Minimum capital ratio	3,93	4,01		3,93	4,01	

*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 second quarter of 2020 were approved at a meeting of the Board of Directors and CEO on 19 August 2020. The interim financial statements have neither been reviewed nor audited by the Company's auditors.