

## Sjóvá – Annual results

### Profit of ISK 5.320 million in 2020

#### Q4 highlights

- Technical results of ISK 581 million (Q4 2019\*: ISK 265 million)
- Pre-tax profit on investment activities ISK 2.475 million (Q4 2019\*: ISK 562 million)
- Profit of ISK 2.982 million (Q4 2019: 808 million)
- Return on investment portfolio 6,3% (Q4 2019: 2,1%)
- Combined ratio of 90,4% (Q4 2019\*: 96,9%)

#### 2020 operating year and updated guidance

- Technical results of ISK 1.968 million (12M 2019\*: ISK 2.370 million)
- Pre-tax profit on investment activities ISK 3.960 million (12M 2019\*: ISK 2.040 million)
- Profit for the period ISK 5.320 million (12M 2019: ISK 3.853 million)
- Return on investment portfolio 13,2% (12M 2019: 10,0%)
- Combined ratio of 92,0% (12M 2019\*: 91,2%)
- The updated guidance for the full year 2020 is that the combined ratio will be around 92% and technical results at around ISK 2.100 million.
  - We have decided not to issue guidance for our investment operations, but the Company's plans assume that return on the investment portfolio will generally amount to approximately 4% on an annual basis over the long term excluding interest income from receivables based on current interest rate levels and the Company's investment policy.
  - Deviations from expected investment performance will not be disclosed unless they can be attributed to changes in unlisted assets or a significant change in the investment policy.

#### Hermann Björnsson, CEO:

##### Good results in challenging circumstances

The Company's strengths became apparent in the challenging circumstances that prevailed during the year. The strategic measures taken in recent years to improve underwriting results continue to yield results, and our investment policy has proved successful in volatile securities markets. Our staff has shown great resilience and adapted quickly to the new work environment without compromising the service experience. We can thank our excellent staff for the increased satisfaction of our customers, which according to recent measurements has never been higher. The Company's operations were very successful in the fourth quarter as well as for the year as a whole, both in terms of underwriting and investment activities, and return on equity amounted to 28.3% for the year.

##### Steady underwriting operations and ISK 1300 million in special refunds and paybacks to customers in 2020

Pre-tax profit from underwriting operations amounted to ISK 1,968 million in 2020, down slightly year-over-year, and the combined ratio was 92% during the year. Premium growth was 4.3% in the fourth quarter and 1.0% for the full year. This was mainly driven by good growth in personal lines, which has offset the decline in business from companies in the tourism industry. This result must be considered very strong in light of the upheavals in the economy last year and since Sjóvá cancelled all personal auto premiums for the month of May following a contraction in traffic and a reduction in claims due to extraordinary circumstances in Covid-19. This cancellation amounted to ISK 650 million and is in addition to the ISK 640 million that we paid to our claims-free loyalty members in the form of a Stofn reimbursement during the year, for the 26th year running.

### **Investment income exceeds expectations**

Pre-tax investment income amounted to ISK 3,960 million in 2020. The return on the investment portfolio was 13.2% during the year, mainly driven by listed equities, which developed very positively in the second half of the year after a sharp decline due to uncertainty following the spread of COVID-19 last spring. Assets under management amounted to ISK 43.8 billion at the end of the year and have grown in line with good operating results, and also because of the decision to cancel the planned dividend for the 2019 financial year.

### **The most satisfied customers of any Icelandic insurer for the fourth year running**

The Company's strong image and position in the market were confirmed in January when the results of the Icelandic Customer Satisfaction Index were announced, revealing that Sjóvá had the most satisfied customers in the Icelandic insurance market in 2020, for the fourth year in a row. The Company also received the highest customer satisfaction score ever achieved by an Icelandic insurer, thus setting new standards in customer service in the Icelandic insurance market. We are very grateful for the recognition of the Company's service policy that these results represent.

### **Socially responsible operations – at the forefront of gender equality**

It is the Company's stated policy to operate in harmony with society and the environment, and we believe that socially responsible operations will result in increased profitability in the future. Our ambition is to do well in this area, and we were recognised for one of our priorities last year when we received the Gender Equality Incentive Award, which is given annually to companies that have promoted equality in a purposeful way in their operations.

Sjóvá has for many years been the main sponsor of ICE-SAR, the Icelandic Association for Search and Rescue, and we have supported the National Olympic and Sports Association of Iceland from the beginning. We try to ensure that our charitable donations are consistent with the role and policy of Sjóvá. In light of strong operating results, we increased our support for social causes in 2020; for instance, at the end of last year, we made a donation to the Icelandic Red Cross that will go towards training crisis response units and purchasing emergency equipment.

### **The Board of Directors' proposal for a dividend and continued repurchase of shares**

The Company's aim under its dividend policy is to pay a minimum of 50% of each year's profits to shareholders in the form of dividends, provided that the Company remains financially strong. At a shareholders' meeting on 25 November 2020, it was agreed to cancel the planned dividend for the year 2019 in light of the circumstances that prevailed in society due to COVID-19. The recommendations of regulators regarding deferral of dividends and/or repurchases of own shares from April 2020 were still in effect at that time. On 13 January 2021, the recommendations were revised, with insurance companies now being urged to exercise extreme caution in managing capital in view of the economic uncertainty that exists due to the pandemic. In light of this, the Board of Directors has decided to propose the payment of a dividend amounting to 50% of the profit for the year, or approximately ISK 2,650 million (ISK 1.99 per share).

The Company's financial position is strong, as indicated by its annual financial statements, and it will have a solvency ratio of 1.67 after the planned dividend, well above the legally required minimum of 1.00. The solvency ratio is near the upper limit of the Board of Directors' risk appetite and will be moved back to its prior level when uncertainty decreases; the Board of Directors may convene a shareholders' meeting for this purpose. The equity ratio after the planned dividend is 33.1%, the Company's financial position is sound and the Company retains its ability to stand firmly behind its customers and meet any unforeseen shocks in the operations. The Board of Directors' decision on the payment of dividends is made in full consultation with regulatory authorities. At the AGM, the Board of Directors will ask for a renewal of its authorisation to repurchase shares.

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**Virtual only presentation for investors on 11 February at 16:15 local time**

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

**Financial calendar**

Annual General Meeting – 12 March 2021

Q1 2021 – 12 May 2021

Q2 2021 – 19 August 2021

Q3 2021 – 28 October 2021

Q4 2021 – 10 February 2022

Annual General Meeting – 11 March 2022

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

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	Q4 2020	Q4 2019*	%	12M 2020	12M 2019*	%
<b>Insurance operations</b>						
Premiums earned	5.455	5.231	4,3%	20.831	20.633	1,0%
Outward reinsurance premiums	-222	-225	-1,7%	-1.015	-932	8,9%
Earned premiums, net of reinsurance	5.234	5.005	4,6%	19.817	19.701	0,6%
Invest. income from insurance operations	30	76	-60,2%	175	441	-60,3%
Reinsurance commisson and other income	89	55	61,4%	218	204	6,8%
Total income from insurance operations	5.353	5.136	4,2%	20.209	20.345	-0,7%
Claims incurred*	-3.633	-3.994	-9,0%	-14.720	-14.433	2,0%
Claims incurred, reinsurers' share	-51	131		496	377	31,6%
Claims incurred, net of reinsurance*	-3.684	-3.863	-4,6%	-14.223	-14.056	1,2%
Operating expenses of insurance operations	-1.088	-1.008	8,0%	-4.018	-3.918	2,5%
Total cost from insurance operations	-4.772	-4.871	-2,0%	-18.242	-17.975	1,5%
<b>Profit from insurance operations</b>	<b>581</b>	<b>265</b>		<b>1.968</b>	<b>2.370</b>	<b>-17,0%</b>
<b>Investment operations</b>						
Investment income from investm. operations*	2.600	761		5.099	3.200	59,4%
Insurance technical interest*	-68	-110	-38,3%	-678	-805	-15,8%
Operating expenses of investment operations	-57	-88	-35,4%	-461	-355	29,9%
<b>Profit from investment operations</b>	<b>2.475</b>	<b>562</b>		<b>3.960</b>	<b>2.040</b>	<b>94,1%</b>
Profit before income tax	3.056	827		5.928	4.410	34,4%
Income tax	-74	-19		-608	-557	9,2%
<b>Comprehensive income for the year</b>	<b>2.982</b>	<b>808</b>		<b>5.320</b>	<b>3.853</b>	<b>38,1%</b>
Claims ratio*	66,6%	76,4%		70,7%	70,0%	
Reinsurance ratio	3,9%	1,3%		2,0%	2,2%	
Cost ratio	19,9%	19,3%		19,3%	19,0%	
<b>Combined ratio*</b>	<b>90,4%</b>	<b>96,9%</b>		<b>92,0%</b>	<b>91,2%</b>	
Operating ratio	89,9%	95,5%		91,2%	89,2%	
Return on equity on an annual basis	63,3%	21,5%		28,3%	25,6%	
Return on equity bef. tax on an annual basis	64,9%	22,0%		31,5%	29,3%	
Earnings per share	2,22	0,62		3,98	2,82	
Result of reinsurance	-211	-67		-416	-455	
Technical provision	29.867	27.599		29.867	27.599	
Total assets	59.261	50.984		59.261	50.984	
Equity	21.364	16.294		21.364	16.294	
Solvency ratio SII after dividend payment	1,67	1,67		1,67	1,67	
Minimum capital ratio	4,40	4,08		4,40	4,08	

\*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 year 2020 were approved at a meeting of the Board of Directors and CEO on 11 February 2021