

Sjóvá – Quarterly results

Loss of ISK 465 million in the first three months of the year

Q1 highlights and outlook

- Technical results of ISK 185 million (Q1 2019*: ISK 522 million)
- Pre-tax loss on investment activities ISK 552 million (Q1 2019*: 658 million profit)
- Loss of ISK 465 million (Q1 2019: 1.053 million profit)
- Return on investment portfolio -0,2% (Q1 2019: 3,5%)
- Combined ratio of 98,5% in accordance with FME CBI Guidelines (Q1 2019*: 92,4%)
- On 12 March 2020, the Company withdrew its guidance on earnings and the combined ratio in view of the uncertainty created by the COVID-19 pandemic.
- There remains considerable uncertainty about the impact on the Icelandic economy and so a new forecast is premature at this time, but the Company aims to issue an updated guidance in connection with the publication of its 6 month results next August.

Hermann Björnsson, CEO:

"One might describe the results for Q1 2020 as reasonably good in light of the challenging circumstances. While the overall net loss was ISK 465 million, our underwriting operations were profitable to the tune of ISK 185 million in the face of challenging circumstances, including one major fire that occurred in the quarter. The combined ratio for the quarter came in at 98.5%. Our investment performance was subject to a high degree of fluctuation over the 3 month-period. Stock market prices suffered a drop after a good start to the year, whereas our bond investments performed quite well, partly offsetting the loss on listed equities.

At the beginning of April, the decision was made not to collect premiums on personal auto insurance policies for the month of May. This decision was prompted by the large reduction in automobile traffic seen since the ban on public gatherings was imposed, which in turn has resulted in a significant drop in auto claims as of the same time. Hence, we decided to lower auto premiums by not collecting the premium portion due for the month of May. I am pleased to report that this measure has been extremely well received, both by our customers and many others.

More than 2 months ago, it was decided that all of our employees would work remotely from home to counter the spread of COVID-19. The transition was smooth and did not in any way compromise our level of service or customer interaction. I am extremely grateful to our employees for their hard work and adaptability during these circumstances. It is also pleasing to note that customers have increasingly taken advantage of our offered digital solutions and communication options and we will continue our focus on serving our customers in the manner they prefer.

Around 10% of Sjóvá's total premiums in 2019 were directly related to companies in the travel industry, including car rentals, bus operators, hotels and airlines. This group of companies is the one hardest hit by the economic impact of the COVID-19 pandemic. A great deal of effort has gone into supporting these companies, like all our customers, through these difficult times. It is worth keeping in mind that as our revenue from this group of companies decreases, so does our exposure to them in the form of a reduced likelihood of claims.

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As announced in the latter part of 2018, the Board of Directors decided that the Company should aim to issue subordinated bonds if acceptable terms could be obtained. The Company has been awaiting the opinion of the tax authorities as to the tax treatment of the interest expenses incurred by such bonds. The State Internal Revenue Board has now issued a ruling in which it agreed with the Company's position that interest on subordinated bonds could be recorded as an expense. The Board of Directors' decision that the Company should aim to issue subordinated bonds remains in effect, but the timing of such issuance has not been decided."

Virtual only presentation for investors on 14 May at 16:15 local time (Note: the presentation can only be viewed via a stream)

Market participants and investors are invited to watch a live stream of the meeting where CEO Hermann Björnsson will present the Company's results for the first quarter. In light of the circumstances, investors and market participants will not be able to attend the meeting in person, but if they wish they can submit questions regarding the results to fjarfestar@sjova.is during the stream which will then be answered at the end of the presentation.

The meeting will be streamed live at <https://youtu.be/4yxPPhk9V98>

The presentation of the results will be available in PDF format on the Sjóvá website at www.sjova.is/fjarfestar as of the beginning of the meeting and a recording of the meeting will be available at the same location after the meeting concludes.

Financial calendar

Q2 2020 – 20 August 2020

Q3 2020 – 29 October 2020

Q4 2020 – 11 February 2021

The News Announcement and Investors' Presentation in English will be available on the website www.sjova.is

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

Financial highlights and key ratios



	Q1 2020	Q1 2019*	%
Insurance operations			
Premiums earned	5.284	4.798	10%
Outward reinsurance premiums	-321	-235	37%
Earned premiums, net of reinsurance	4.963	4.563	9%
Invest. income from insurance operations	73	129	-43%
Reinsurance commission and other income	49	37	32%
Total income from insurance operations	5.085	4.730	8%
Claims incurred*	-4.185	-3.282	28%
Claims incurred, reinsurers' share	312	81	286%
Claims incurred, net of reinsurance*	-3.873	-3.201	21%
Operating expenses of insurance operations	-1.027	-1.007	2%
Total cost from insurance operations	-4.900	-4.208	16%
Profit from insurance operations	185	522	-65%
Investment operations			
Investment income from investm. operations*	-30	1.029	
Insurance technical interest*	-346	-273	27%
Operating expenses of investment operations	-176	-98	80%
Loss/profit from investment operations	-552	658	
Loss/profit before income tax	-366	1.180	
Income tax	-99	-127	-22%
Comprehensive loss/income for the year	-465	1.053	
Claims ratio*	79,2%	68,4%	
Reinsurance ratio	-0,1%	3,0%	
Cost ratio	19,4%	21,0%	
Combined ratio*	98,5%	92,4%	
Operating ratio	96,6%	89,5%	
Return on equity on an annual basis	-11,7%	30,0%	
Return on equity bef. tax on an annual basis	-9,2%	33,7%	
Earnings per share	-0,35	0,76	
Result of reinsurance	7.488	-146	
Technical provision	31.740	28.190	
Total assets	54.631	49.807	
Equity	15.578	14.228	
Solvency ratio SII after dividend payment	1,47	1,43	
Minimum capital ratio	3,65	3,70	

*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 first quarter of 2020 were approved at a meeting of the Board of Directors and CEO on 14 May 2020. The interim financial statements have neither been reviewed nor audited by the Company's auditors.