



Tryggingamiðstöðin hf.

**Condensed Consolidated Interim
Financial Statements
for the period 1 January to 30 June 2019**

Tryggingamiðstöðin hf.
Síðumúla 24
108 Reykjavík
Iceland

Reg no. 660269-2079

Please note.

These Condensed Consolidated Interim Financial Statements are translated from the original which is in Icelandic. If there are discrepancies between the two versions, the Icelandic version will take priority over the translated version.

Index	page
Report and Statement of the Board of Directors and the CEO	3
Report on review of Condensed Consolidated Interim Financial Statements	4
Condensed Consolidated Income Statement and Condensed Consolidated Statement of Comprehensive Income	5
Condensed Consolidated Balance Sheet	6
Condensed Consolidated Statement of Changes in Equity	7
Condensed Consolidated Statement of Cash Flow	8
Notes to the Condensed Consolidated Interim Financial Statements	9

Report and Statement of the Board of Directors and the CEO

The Condensed Consolidated Interim Financial Statements of Tryggingamiðstöðin hf. for the period 1 January to 30 June have been prepared in accordance with International Financial Reporting Standard (IFRS) for Interim Financial Statements (IAS 34). The Condensed Consolidated Interim Financial Statements comprise of the Consolidated Interim Financial Statements of Tryggingamiðstöðin hf., Trygging hf., TM fé ehf., Líftryggingamiðstöðin hf. and Íslensk Endurtrygging hf.

The Condensed Consolidated Interim Financial Statements for the six month period ended 30 June 2019 have been reviewed by our external auditor.

According to the Condensed Consolidated Interim Income Statement, profit after tax for the period amounted to ISK 1,770 million. The Group's equity at 30 June amounted to ISK 14,299 million according to the Condensed Consolidated Balance sheet.

The Company's share capital is at 30 June divided between 775 shareholders, compared to 921 at the beginning of the year.

Statement by the Board of Directors and the CEO

According to the best of our knowledge, the Condensed Consolidated Interim Financial Statements of Tryggingamiðstöðin hf. give a true and fair view of the consolidated financial performance of the Group for the six month period ended 30 June 2019, its assets, liabilities and consolidated financial position at 30 June 2019 and its consolidated cash flow for the six month period ended 30 June 2019.

Further, in our opinion the Condensed Consolidated Interim Financial Statements and the statement of the Board of Directors and the Chief Executive Officer give a fair view of the development and performance of the Company's operations and its position and describes the principal risks and uncertainties faced by the Group.

The Board of Directors and the CEO have today discussed the Condensed Consolidated Interim Financial Statement of Tryggingamiðstöðin hf. for the six month period ended 30 June 2019 and confirm them by means of their signatures.

Reykjavík, 22 August 2019

Board of Directors:

Örvar Kærnested
Andri Þór Guðmundsson
Einar Örn Ólafsson
Kristín Friðgeirsdóttir
Ragnheiður Elfa Þorsteinsdóttir

CEO:

Sigurður Viðarsson

Report on Review of Condensed Consolidated Interim Financial Statements

To the Board of Directors and Shareholders of Tryggingamiðstöðvarinnar hf.

Introduction

We have reviewed the accompanying condensed consolidated balance sheet of Tryggingamiðstöðin hf. as of 30 June 2019 and the related condensed consolidated statements of income and condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, report and statement of the board of directors and the CEO, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standards on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Reykjavík, 22 August 2019

PricewaterhouseCoopers ehf

Arna G. Tryggvadóttir
Bryndís B. Guðjónsdóttir

Condensed Consolidated Income Statement and Condensed Consolidated Statement of Comprehensive Income

	Notes	2019 1.1.-30.6	2018 1.1.-30.6
Premiums earned		8,142,480	7,985,473
Outward reinsurance premiums		(336,498)	(347,788)
Earned premiums, net of reinsurance	7	<u>7,805,982</u>	<u>7,637,685</u>
Finance income	8	2,435,030	1,062,401
Finance income from investment properties		0	8,994
Other income		15,829	38,752
Total income.....		<u>10,256,841</u>	<u>8,747,832</u>
Claims incurred		(6,529,015)	(7,604,664)
Claims incurred, reinsurers' share		119,524	869,354
Claims incurred, net of reinsurance	9	<u>(6,409,491)</u>	<u>(6,735,310)</u>
Operating expenses		(1,769,985)	(1,877,133)
Interest expenses		(115,739)	(91,059)
Impairment		(65,539)	19,491
Total expenses		<u>(8,360,753)</u>	<u>(8,684,010)</u>
Profit before income tax		1,896,088	63,822
Income tax	10	(126,321)	85,345
Profit and Comprehensive Income for the period		1,769,767	149,167
Attributable to			
Equity holders of the parent		1,769,767	149,168
Minority interest		0	(1)
		<u>1,769,767</u>	<u>149,167</u>
Earnings per share			
Basic and diluted earnings per share		2.61	0.22

The notes on pages 9 to 16 are an integral part of these Condensed Consolidated Interim Financial Statements.

Condensed Consolidated Balance Sheet

	Notes	30.6.2019	31.12.2018
Assets			
Operating assets		300,742	325,187
Right-of-use assets	19	479,359	0
Goodwill and other intangible assets		572,710	489,277
Restricted cash		4,700	4,637
Loans		924,164	1,053,650
Securities	11	28,997,136	26,438,425
Investment where investment risk is borne by life-insurance policyholders ..		46,441	36,721
Deferred tax asset	12	88,510	88,311
Assets classified as held for sale		30,295	3,111
Reinsurance assets	13	777,222	720,176
Trade receivables		6,917,755	4,051,892
Cash and cash equivalents		1,740,617	1,439,187
Total assets		40,879,651	34,650,574
Equity			
Share capital	14	678,143	678,143
Share premium		425,516	425,516
Reserves		270,710	270,710
Restricted earnings		5,752,387	4,362,638
Retained earnings		7,172,196	7,566,140
Total equity		14,298,952	13,303,147
Liabilities			
Technical provision	15	22,159,774	18,132,744
Technical provision for life-insurance policies where investment risk is borne by the policyholders		46,441	36,721
Lease liabilities	19	563,451	0
Trade and other payables		1,602,956	1,004,956
Subordinated debt	16	2,208,077	2,173,006
Total liabilities		26,580,699	21,347,427
Total equity and liabilities		40,879,651	34,650,574

The notes on pages 9 to 16 are an integral part of these Condensed Consolidated Interim Financial Statements.

Condensed Consolidated Statement of Changes in Equity

	Equity holders of the Parent Company							Minority interest	Total equity
	Share Capital	Share premium	Reserves	Restricted reserves	Retained earnings	Total			
Equity 1.1.2018	678,143	425,516	270,710	4,640,460	8,087,546	14,102,375	26	14,102,401	
Comprehensive income					149,168	149,168	(1)	149,167	
Restricted reserves				(154,175)	154,175				
Shareholders									
Paid out dividends					(1,500,000)	(1,500,000)		(1,500,000)	
	0	0	0	0	(1,500,000)	(1,500,000)	0	(1,500,000)	
Equity 30.6.2018	678,143	425,516	270,710	4,486,285	6,890,890	12,751,544	25	12,751,569	
Equity 31.12.2018	678,143	425,516	270,710	4,362,638	7,566,140	13,303,147	0	13,303,147	
Change in accounting policy					(73,962)	(73,962)		(73,962)	
Restated total equity at 1.1. 2019	678,143	425,516	270,710	4,362,638	7,492,178	13,229,185	0	13,229,185	
Comprehensive income					1,769,767	1,769,767	0	1,769,767	
Restricted reserves				1,389,749	(1,389,749)				
Shareholders									
Paid out dividends					(700,000)	(700,000)		(700,000)	
	0	0	0	0	(700,000)	(700,000)	0	(700,000)	
Equity 30.6.2019	678,143	425,516	270,710	5,752,387	7,172,196	14,298,952	0	14,298,952	

The notes on pages 8 to 16 are an integral part of these Condensed Consolidated Interim Financial Statements.

Condensed Consolidated Statement of Cash Flows

	2019 1.1.-30.6	2018 1.1.-30.6
Net cash from operating activities		
Premiums, received	8,381,164	8,482,113
Claims, paid	(5,649,399)	(6,586,393)
Operating cost, paid	(1,399,692)	(1,546,571)
Net cash from insurance activities	<u>1,332,073</u>	<u>349,149</u>
Finance income, received	282,334	211,413
Finance expense, paid	(80,668)	(59,501)
Investment income, received	609,507	537,000
Finance income from investment properties, received	0	310
Operating cost, paid	(190,867)	(210,896)
Net cash from investments activities	<u>620,306</u>	<u>478,326</u>
Income tax paid	(107,708)	(182,337)
Net cash from operating activities	<u>1,844,671</u>	<u>645,138</u>
Investing activities		
Securities, change	(771,828)	504,487
Restricted cash, change	(63)	(79)
Loans, change	99,821	142,883
Investment properties, change	0	50,324
Operating assets, additions	(308)	(39,544)
Operating assets, sales	0	26,000
Intangible assets, additions	(108,669)	(113,615)
Net cash flow used in investing activities	<u>(781,047)</u>	<u>570,456</u>
Financing activities		
Dividend paid to shareholders	(700,707)	(1,499,595)
Borrowing, change	0	(28,201)
Lease liabilities, change	(61,487)	0
Net cash flow used in financing activities	<u>(762,194)</u>	<u>(1,527,796)</u>
Increase (decrease) in cash and cash equivalents.....	301,430	(312,202)
Cash and cash equivalents at the beginning of the period	<u>1,439,187</u>	<u>1,129,841</u>
Cash and cash equivalents at the end of period.....	<u><u>1,740,617</u></u>	<u><u>817,639</u></u>

The notes on pages 8 to 16 are an integral part of these Condensed Consolidated Interim Financial Statements.

Notes

1. General information

Tryggingamiðstöðin hf.'s ("The Company") registered office is at Síðumúli 24 in Reykjavík, Iceland. The Condensed Consolidated Interim Financial Statements of Tryggingamiðstöðin hf. as at and for the six month period ended 30 June 2019 comprise of the company and its subsidiaries, together referred to as the "Group". List of the subsidiaries is included in note 6. Tryggingamiðstöðin's main operation is non-life insurance, life insurance and financial operation.

These Condensed Consolidated Interim Financial statements were approved by the Board of Directors of Tryggingamiðstöðin hf. on 22 August 2019.

2. Basis of preparation

These Condensed Consolidated Interim Financial Statements of the Company and its subsidiaries are for the six month period ended 30 June 2019 and have been prepared in accordance with IAS 34 as adopted by the European Union. The Condensed Consolidated Interim Financial Statements should be read in conjunction with the Group's Annual Consolidated Financial Statements for the year ended 31 December 2018.

3. Accounting policies

The accounting policies adopted are consistent with those of the Annual Consolidated Financial Statements, as described in the Annual Consolidated Financial Statements for the year ended 31 December 2018, except for lease contracts see note 19. The Consolidated Financial Statements for the Group for the period ended 31 December 2018 are available upon request from the Company's registered office at Síðumúla 24, Reykjavík, Iceland or at www.tm.is.

The Condensed Consolidated Interim Financial Statements are prepared in Icelandic Krona (ISK), which is the Company's functional currency. All financial information has been rounded to the nearest thousand unless otherwise noted. The Condensed Consolidated Interim Financial Statements are prepared on the historical cost basis except for securities, which are measured at fair value.

4. Use of estimates and judgements

The preparation of the Condensed Consolidated Interim Financial Statements in accordance with IFRS requires management to make judgements, estimates and assumptions that can affect the reported amounts of assets and liabilities, as well as income and expenses. Actual outcome can later, to some extent, differ from the estimates and assumptions made.

Notes, contd.:

5. Segment reporting

Operating segment 1.1. - 30.6. 2019

	Non-Life insurance	Life insurance	Financial operation	Group
Premiums	7,797,572	344,909		8,142,480
Outward reinsurance premiums	(234,896)	(101,601)		(336,498)
Investment income	350,380	4,188	2,080,461	2,435,030
Other income			15,829	15,829
Total income	<u>7,913,056</u>	<u>247,495</u>	<u>2,096,291</u>	<u>10,256,841</u>
Claims incurred	(6,388,214)	(140,801)		(6,529,015)
Claims incurred, reinsurers' share	56,449	63,076		119,524
Operating expenses	(1,517,882)	(39,246)	(212,857)	(1,769,985)
Interest expenses			(115,739)	(115,739)
Impairment			(65,539)	(65,539)
Total expenses	<u>(7,849,647)</u>	<u>(116,972)</u>	<u>(394,135)</u>	<u>(8,360,753)</u>
Operating profit of segment	63,409	130,524	1,702,156	1,896,088
Income tax				(126,321)
Profit for the period				<u>1,769,767</u>

Operating segment 1.1. - 30.6. 2018

	Non-Life insurance	Life insurance	Financial operation	Group
Premiums	7,667,714	317,759		7,985,473
Outward reinsurance premiums	(255,963)	(91,825)		(347,788)
Investment income	418,665	8,082	635,654	1,062,401
Finance income from investment properties			8,994	8,994
Other income			38,752	38,752
Total income	<u>7,830,416</u>	<u>234,015</u>	<u>683,401</u>	<u>8,747,832</u>
Claims incurred	(7,512,337)	(92,328)		(7,604,664)
Claims incurred, reinsurers' share	823,172	46,182		869,354
Operating expenses	(1,615,352)	(40,504)	(221,276)	(1,877,133)
Interest expenses			(91,059)	(91,059)
Impairment			19,491	19,491
Total expenses	<u>(8,304,516)</u>	<u>(86,650)</u>	<u>(292,844)</u>	<u>(8,684,010)</u>
Operating profit of segment	(474,100)	147,366	390,557	63,822
Income tax				85,345
Profit for the period				<u>149,167</u>

Notes, contd.:

6. Group entities

Group's subsidiaries at 30 June 2019 are following:

	Eignarhluti
Íslensk endurtrygging hf., Iceland	100%
Liftryggingamiðstöðin hf., Iceland	100%
TM fé ehf., Iceland	100%
Trygging hf., Iceland	100%

	2019 1.1.-30.6.	2018 1.1.-30.6.
7. Earned premiums, net of reinsurance		
Premiums written.....	11,591,768	11,598,202
Reinsurer's share.....	(534,050)	(574,443)
Change in the gross provision for unearned premiums.....	(3,449,288)	(3,612,728)
Change in the provision for unearned premiums, reinsurer's share.....	197,553	226,656
Earned premiums, net of reinsurance.....	<u>7,805,982</u>	<u>7,637,685</u>

	2019 1.1.-30.6.	2018 1.1.-30.6.
8. Finance income		
Interest income from deposits.....	13,285	21,184
Interest income from bonds.....	44,456	51,806
Other interest income.....	150,900	147,315
Effects from associates.....	0	17,818
Net income from investments.....	2,139,457	829,747
Exchange rate difference.....	86,933	(5,469)
Finance income, total.....	<u>2,435,030</u>	<u>1,062,401</u>

	2019 1.1.-30.6.	2018 1.1.-30.6.
9. Claims incurred, net of reinsurance		
Claims paid.....	(5,951,274)	(6,738,073)
Claims paid, reinsurer's share.....	260,031	85,323
Change in the provision for claims.....	(522,627)	(816,370)
Change in risk margin.....	(55,114)	(50,221)
Change in the provision for claims, reinsurer's share.....	(140,507)	784,031
Claims incurred, net of reinsurance, total.....	<u>(6,409,491)</u>	<u>(6,735,310)</u>

	2019 1.1.-30.6.	2018 1.1.-30.6.
10. Income tax		
Income tax recognised in the income statement is specified as follows:		
Current tax payable.....	108,030	0
Deferred tax.....	18,291	(85,345)
	<u>126,321</u>	<u>(85,345)</u>

	2019 1.1.-30.6.	2018 1.1.-30.6.
Effective tax rate:		
Profit before income tax	1,896,088	63,822
Income tax using Icelandic corporation tax ratio	20.0% 379,218	20.0% 12,764
Tax exempt revenue	(13.3%) (252,896)	(153.7%) (98,109)
Effective tax rate	6.7% <u>126,321</u>	(133.7%) <u>(85,345)</u>

Notes, contd.:

11. Securities

Securities on the balance sheet consist of investments in equity and debt securities. The fair value of listed securities is based on their quoted market prices at the reporting date without any deduction for estimated future selling costs.

If a quoted market price is not available on a stock exchange or from a broker/dealer for non-exchange-traded financial instruments, the fair value of the investment is estimated using valuation techniques, including use of recent arm's length market transactions, reference to the current fair value of another instrument that is substantially identical, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the reporting date applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on market data at the reporting date. Fair values for unquoted equity investments are estimated, if possible, using applicable price to earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

Level of fair value

The following table shows financial assets at fair value according to valuation techniques. The techniques are defined in the following manner:

Level 1: Quoted price in an active market for an identical asset.

Level 2: Valuation techniques based on observable inputs (level 1), either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: The valuation techniques for assets and liabilities are not based on market information. Information as earnings for the relevant company, investments and sale of securities etc.

Fair value as at 30 June 2019	Level 1	Level 2	Level 3	Total
State guaranteed securities				
State guaranteed securities	2,285,383	2,188		2,287,571
State guaranteed securities funds	408,835			408,835
Bonds				
Asset guaranteed bonds	7,104,878	585,704		7,690,583
Other bonds	788,292	1,140,770		1,929,062
Shares				
Listed shares	4,244,294			4,244,294
Unlisted shares		3,870,026	3,171,141	7,041,167
Share certificates				
Debt securities funds	740,347	1,312,069		2,052,416
Other securities				
Other securities	1,239,445	1,845,606	258,158	3,343,209
Total securities	16,811,474	8,756,364	3,429,299	28,997,136

Notes, contd.:

11. Securities, contd.

Fair value as at 31 Desember 2018	Level 1	Level 2	Level 3	Total
State guaranteed securities				
State guaranteed securities	2,277,816	2,180		2,279,997
State guaranteed securities funds	379,356			379,356
Bonds				
Asset guaranteed bonds	5,634,862	679,566		6,314,428
Other bonds	410,228	864,612		1,274,840
Shares				
Listed shares	2,416,969			2,416,969
Unlisted shares		3,273,532	3,642,052	6,915,584
Share certificates				
Equity funds				
Debt securities funds	2,253,134	1,318,595		3,571,729
Other securities				
Other securities	1,065,469	1,940,403	279,650	3,285,522
Total securities	14,437,834	8,078,888	3,921,702	26,438,425

The group does not present the fair value of other financial instruments since their book value is considered to reflect the fair value.

Change in assets classified as level 3:

Balance 1.1	3,921,702
Purchased	145,951
Sales/repayments	(843,570)
Transferred between levels	0
Interest and changes in valuation*	205,216
Balance 30.6.....	<u>3,429,299</u>

*ISK 205 million unrealized.

The following table shows the assumptions used in the valuation of assets in level 3, including sensitivity to changes in them.

Financial asset	Fair value 30.6.2019	Assumption	Value	Impact on fair value, sensitivity analysis
Unlisted shares	3,171,141	EBITDA growth	1.3%	Unlisted shares in level 3 are either assessed at the purchase price, based on equity, based on ratio comparison (properties 1) or based on cash flow assessments (properties 2). 5% decrease in value of properties 1 and 2.5% decrease in EBITDA growth and 2.5% increase in required return on equity in properties 2 decreases the value of the assets by ISK 238 million. 5% increase in value of properties 1 and 2.5% increase in EBITDA growth and 2.5% decrease in required return on equity in properties 2 increases the value of the assets by ISK 271 million.
		Return on equity	16.4%	

Notes, contd.:

	30.6.2019	31.12.2018
12. Deferred tax asset		
Deferred income tax asset 1.1.	88,311	81,046
Income tax for the period	(126,321)	351
Difference between estimated and actual taxes last year	0	6,914
Deferred tax asset regarding adoption of IFRS 16	18,490	0
Income tax payable	108,030	0
Deferred income tax asset 30.6.	<u>88,510</u>	<u>88,311</u>

	30.6.2019	31.12.2018
13. Reinsurance assets		
Premium reserve, reinsurer's share	279,365	81,812
Claims outstanding, reinsurer's share	497,856	638,363
Total reinsurance assets	<u>777,222</u>	<u>720,176</u>

14. Share Capital

Total share capital, approved and issued by the Company at 30 June 2019, amounted to 678.1 million shares; with a par value of 1 ISK per share.

	30.6.2019	31.12.2018
15. Technical provisions		
Technical provisions (total):		
Claims outstanding	13,247,682	12,725,055
Provisions for unearned premiums	8,336,764	4,887,476
Risk margin	575,328	520,214
Technical provision, total	<u>22,159,774</u>	<u>18,132,744</u>
Reinsurance assets:		
Claims outstanding	497,856	638,363
Provisions for unearned premiums	279,365	81,812
Reinsurer's share, total	<u>777,222</u>	<u>720,176</u>
Own technical provision:		
Claims outstanding	12,749,826	12,086,692
Provisions for unearned premiums	8,057,399	4,805,664
Risk margin	575,328	520,214
Own technical provision (net), total	<u>21,382,552</u>	<u>17,412,569</u>

16. Subordinated debt

In the year 2015 TM issued subordinated bond for amount ISK 2,000 million. The subordinated debt is indexed and part of TM's solvency. The subordinated debt is for 30 years, indexed linked with fixed 5.25% interest, with permission to pay earlier and step increase for interest to 6.25% after 10 years.

17. Related parties

Transactions with related parties and year end balances are as follows:

	1.1. - 30.6. 2019		30.6.2019	
	Income	Expenses	Assets	Liabilities
Board, key personnel and related companies	4,026	2,377	1,562	83
	1.1. - 30.6. 2018		31.12.2018	
	Income	Expenses	Assets	Liabilities
Board, key personnel and related companies	4,271	4,060	2,380,048	26

Notes, contd.:

18. Financial Ratios	2019	2018
The Group's principal financial ratios:	1.1.-30.6.	1.1.-30.6.
Net claims ratio	82.1%	88.2%
Net cost ratio	19.9%	21.7%
Net combined ratio (claims + cost)	102.1%	109.9%
Return on equity (annualized)	28.2%	2.3%
	30.6.2019	31.12.2018
Equity ratio	35.0%	38.4%

19. Adjustments recognised on adoption of IFRS 16

In the beginning of the year a new international financial reporting standard became effective, IFRS 16 Leases. The group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 6.5%.

The recognised right-of-use assets relate to the following types of assets and the change in accounting policy affected the following items in the balance sheet on 1 January 2019:

	30.6.2019	1.1.2019
Right-of-use asset		
Properties	460,594	507,919
Motor vehicles	18,765	24,567
Total right-of-use assets	<u>479,359</u>	<u>532,486</u>
Deferred tax asset		18,490
Lease liabilities		
Lease liabilities	563,451	624,938
Current portion	130,412	
Retained earnings		
The net impact on retained earnings, decrease		73,962

During the period there are immaterial effect on group's income statement and its segment regarding IFRS 16 adoption. Before IFRS 16 adoption the Group recognized their operating leases in operating expenses but now all long term operating leases are recognized on the balance sheet as right-of-use asset and lease liability. Depreciation of right-of-use asset is recognized in operating expenses but interest regarding the lease liability is recognized in interest expenses.

20. Other information

Exclusive negotiations with Klakki hf. on the acquisition of Lykill fjármögnun hf.

Klakki ehf., which is the owner of Lykill fjármögnun hf. decided on July 21, 2019 to enter into exclusive negotiations with Tryggingamiðstöðin hf. (TM) on TM's acquisition of all shares in Lykill. If contract is reached on the basis of the exclusive negotiations, TM will pay ISK 9,250 million in cash to Klakki as well as a payment equal to the company's profits after tax in the current operating year 2019. The proposed transaction is subject to various conditions, such as due diligence and its outcome, the approval of TM's shareholders' meeting, as well as the FME's approval that TM may hold an active stake in Lykill fjármögnun and that the Icelandic Competition Authority approves the new ownership. The parties intend to conclude the exclusive negotiations in 8 weeks.

Notes, contd.:

21. Quarterly results (not Reviewed)

	Q 2 2019	Q 1 2019	Q 4 2018	Q 3 2018	Q 2 2018
Premiums earned	4,153,196	3,989,284	4,103,914	4,283,175	4,039,586
Outward reinsurance premiums	(161,036)	(175,462)	(188,876)	(187,753)	(188,512)
Earned premiums, net of reinsurance	3,992,160	3,813,822	3,915,038	4,095,422	3,851,074
Finance income	1,483,345	951,685	507,945	234,685	324,793
Finance income from investment properties	0	0	(519)	3,535	8,994
Other income	7,573	8,256	6,040	6,242	30,957
Total income	5,483,079	4,773,763	4,428,504	4,339,884	4,215,818
Claims incurred	(3,177,708)	(3,351,307)	(3,126,350)	(3,192,463)	(4,116,292)
Claims incurred, reinsurers' share	85,137	34,387	(19,458)	(62,503)	674,621
Claims incurred, net of reinsurance	(3,092,571)	(3,316,920)	(3,145,808)	(3,254,966)	(3,441,671)
Operating expenses	(876,943)	(893,042)	(886,599)	(777,413)	(901,225)
Interest expenses	(64,542)	(51,197)	(42,310)	(50,163)	(40,938)
Impairment	(6,543)	(58,996)	37,526	(12,057)	(29,358)
Total expenses	(4,040,599)	(4,320,155)	(4,037,191)	(4,094,599)	(4,413,192)
Profit before income tax	1,442,480	453,608	391,313	245,284	(197,373)
Income tax	(105,562)	(20,759)	(47,281)	(37,713)	57,389
Profit and Comprehensive Income for the period	1,336,918	432,849	344,032	207,571	(139,985)
Attributable to:					
Equity holders of the parent	1,336,918	432,849	344,031	207,571	(139,985)
Minority interest	0	0	1	0	0
Profit and Comprehensive income for the period	1,336,918	432,849	344,032	207,571	(139,985)