



Tryggingamiðstöðin hf.

**Condensed Consolidated Interim
Financial Statements
for the period 1 January to 30 September 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 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 September have been prepared in accordance with International Financial Reporting Standard (IFRS) for Interim Financial Statements (IAS 34). The 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 nine month period ended 30 September 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 1,518 million. The Group's equity at 30 September amounted to ISK 14,048 million according to the Condensed Consolidated Balance sheet.

The Company's share capital is at 30 September divided between 776 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 nine month period ended 30 September 2019, its assets, liabilities and consolidated financial position at 30 September 2019 and its consolidated cash flow for the nine month period ended 30 September 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 nine month period ended 30 September 2019 and confirm them by means of their signatures.

Reykjavík, 23 October 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 interim financial statements which comprise of report and statement of the board of directors and CEO, condensed consolidated balance sheet of Tryggingamiðstöðin hf. as of 30 September 2019 and the related condensed consolidated statements of income and condensed consolidated statements of comprehensive income, changes in equity and cash flows for the nine-month period then ended 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, 23 October 2019

PricewaterhouseCoopers ehf

Arna G. Tryggvadóttir
Bryndís B. Guðjónsdóttir

Condensed Consolidated Income Statement and Condensed Consolidated Statement of Comprehensive Income

	Notes	2019 1.1.-30.9	2018 1.1.-30.9
Premiums earned		12,525,433	12,268,648
Outward reinsurance premiums		(497,883)	(535,541)
Earned premiums, net of reinsurance	7	<u>12,027,550</u>	<u>11,733,107</u>
Finance income	8	2,097,876	1,297,086
Finance income from investment properties		0	12,529
Other income		22,425	44,994
Total income.....		<u>14,147,851</u>	<u>13,087,716</u>
Claims incurred		(9,933,369)	(10,797,127)
Claims incurred, reinsurers' share		154,835	806,851
Claims incurred, net of reinsurance	9	<u>(9,778,534)</u>	<u>(9,990,276)</u>
Operating expenses		(2,498,840)	(2,654,546)
Interest expenses		(180,344)	(141,222)
Impairment		(79,763)	7,434
Total expenses		<u>(12,537,480)</u>	<u>(12,778,610)</u>
Profit before income tax		1,610,371	309,106
Income tax	10	(91,964)	47,632
Profit and Comprehensive Income for the period		1,518,407	356,738
Attributable to			
Equity holders of the parent		1,518,407	356,739
Minority interest		0	(1)
		<u>1,518,407</u>	<u>356,738</u>
Earnings per share			
Basic and diluted earnings per share		2.24	0.53

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

Condensed Consolidated Balance Sheet

	Notes	30.9.2019	31.12.2018
Assets			
Operating assets		289,331	325,187
Right-of-use assets	19	465,073	0
Goodwill and other intangible assets		609,756	489,277
Restricted cash		4,735	4,637
Loans		878,360	1,053,650
Securities	11	28,445,331	26,438,425
Investment where investment risk is borne by life-insurance policyholders ..		50,940	36,721
Deferred tax asset	12	95,060	88,311
Assets classified as held for sale		29,003	3,111
Reinsurance assets	13	654,010	720,176
Trade receivables		5,909,256	4,051,892
Cash and cash equivalents		2,050,928	1,439,187
Total assets		39,481,783	34,650,574
Equity			
Share capital	14	678,143	678,143
Share premium		425,516	425,516
Reserves		270,710	270,710
Restricted earnings		4,709,288	4,362,638
Retained earnings		7,963,936	7,566,140
Total equity		14,047,593	13,303,147
Liabilities			
Technical provision	15	21,401,844	18,132,744
Technical provision for life-insurance policies where investment risk is borne by the policyholders		50,940	36,721
Lease liabilities	19	547,166	0
Trade and other payables		1,187,333	1,004,956
Subordinated debt	16	2,246,907	2,173,006
Total liabilities		25,434,190	21,347,427
Total equity and liabilities		39,481,783	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					356,739	356,739	(1)	356,738	
Restricted reserves				(568,197)	568,197				
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 30.9.2018	678,143	425,516	270,710	4,072,263	7,512,483	12,959,115	25	12,959,140	
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					1,518,407	1,518,407	0	1,518,407	
Restricted reserves				346,650	(346,650)				
Shareholders									
Paid out dividends					(700,000)	(700,000)		(700,000)	
	0	0	0	0	(700,000)	(700,000)	0	(700,000)	
Equity 30.9.2019	678,143	425,516	270,710	4,709,288	7,963,936	14,047,593	0	14,047,593	

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

Condensed Consolidated Statement of Cash Flows

	2019 1.1.-30.9	2018 1.1.-30.9
Net cash from operating activities		
Premiums, received	12,305,328	12,425,070
Claims, paid	(8,316,822)	(9,456,630)
Operating cost, paid	(2,061,532)	(2,296,762)
Net cash from insurance activities	<u>1,926,974</u>	<u>671,678</u>
Finance income, received	326,245	328,112
Finance expense, paid	(106,444)	(59,810)
Investment income, received	739,880	873,615
Finance income from investment properties, received	0	895
Operating cost, paid	(281,118)	(313,195)
Net cash from investments activities	<u>678,563</u>	<u>829,617</u>
Income tax paid	(127,919)	(211,194)
Net cash from operating activities	<u>2,477,618</u>	<u>1,290,101</u>
Investing activities		
Securities, change	(1,069,279)	497,240
Restricted cash, change	(98)	2,130
Loans, change	141,510	224,081
Investment properties, change	0	58,072
Operating assets, additions	(4,370)	(43,050)
Operating assets, sales	5,200	32,500
Intangible assets, additions	(160,129)	(160,719)
Net cash flow used in investing activities	<u>(1,087,166)</u>	<u>610,254</u>
Financing activities		
Dividend paid to shareholders	(700,939)	(1,499,848)
Borrowing, change	0	(27,307)
Lease liabilities, change	(77,772)	0
Net cash flow used in financing activities	<u>(778,711)</u>	<u>(1,527,155)</u>
Increase (decrease) in cash and cash equivalents.....	611,741	373,200
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>2,050,928</u></u>	<u><u>1,503,041</u></u>

The notes on pages 9 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 nine month period ended 30 September 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 23 October 2019.

2. Basis of preparation

These Condensed Consolidated Interim Financial Statements of the Company and its subsidiaries are for the nine month period ended 30 September 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. - 30.9. 2019

	Non-Life insurance	Life insurance	Financial operation	Group
Premiums	12,000,852	524,582		12,525,433
Outward reinsurance premiums	(344,035)	(153,848)		(497,883)
Investment income	478,414	5,035	1,614,427	2,097,876
Other income			22,425	22,425
Total income	<u>12,135,231</u>	<u>375,769</u>	<u>1,636,852</u>	<u>14,147,851</u>
Claims incurred	(9,706,128)	(227,241)		(9,933,369)
Claims incurred, reinsurers' share	52,970	101,865		154,835
Operating expenses	(2,131,190)	(61,086)	(306,564)	(2,498,840)
Interest expenses			(180,344)	(180,344)
Impairment			(79,763)	(79,763)
Total expenses	<u>(11,784,348)</u>	<u>(186,462)</u>	<u>(566,671)</u>	<u>(12,537,480)</u>
Operating profit of segment	350,883	189,307	1,070,181	1,610,371
Income tax				(91,964)
Profit for the period				<u>1,518,407</u>

Operating segment 1.1. - 30.9. 2018

	Non-Life insurance	Life insurance	Financial operation	Group
Premiums	11,789,544	479,103		12,268,648
Outward reinsurance premiums	(397,919)	(137,622)		(535,541)
Investment income	568,786	9,798	718,502	1,297,086
Finance income from investment properties			12,529	12,529
Other income			44,994	44,994
Total income	<u>11,960,411</u>	<u>351,279</u>	<u>776,025</u>	<u>13,087,716</u>
Claims incurred	(10,672,555)	(124,572)		(10,797,127)
Claims incurred, reinsurers' share	746,335	60,516		806,851
Operating expenses	(2,270,931)	(68,181)	(315,433)	(2,654,546)
Interest expenses			(141,222)	(141,222)
Impairment			7,434	7,434
Total expenses	<u>(12,197,152)</u>	<u>(132,237)</u>	<u>(449,221)</u>	<u>(12,778,610)</u>
Operating profit of segment	(236,741)	219,043	326,804	309,106
Income tax				47,632
Profit for the period				<u>356,738</u>

Notes, contd.:

6. Group entities

Group's subsidiaries at 30 September 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.-30.9.	2018 1.1.-30.9.
7. Earned premiums, net of reinsurance		
Premiums written.....	14,489,531	14,290,198
Reinsurer's share.....	(609,114)	(664,441)
Change in the gross provision for unearned premiums.....	(1,964,098)	(2,021,550)
Change in the provision for unearned premiums, reinsurer's share.....	111,232	128,901
Earned premiums, net of reinsurance.....	<u>12,027,550</u>	<u>11,733,107</u>

	2019 1.1.-30.9.	2018 1.1.-30.9.
8. Finance income		
Interest income from deposits.....	21,064	29,132
Interest income from bonds.....	62,773	75,298
Other interest income.....	221,475	214,242
Effects from associates.....	0	102,925
Net income from investments.....	1,754,650	854,733
Exchange rate difference.....	37,915	20,756
Finance income, total.....	<u>2,097,876</u>	<u>1,297,086</u>

	2019 1.1.-30.9.	2018 1.1.-30.9.
9. Claims incurred, net of reinsurance		
Claims paid.....	(8,628,367)	(9,754,589)
Claims paid, reinsurer's share.....	332,233	194,728
Change in the provision for claims.....	(1,236,628)	(985,246)
Change in risk margin.....	(68,374)	(57,292)
Change in the provision for claims, reinsurer's share.....	(177,397)	612,123
Claims incurred, net of reinsurance, total.....	<u>(9,778,534)</u>	<u>(9,990,276)</u>

	2019 1.1.-30.9.	2018 1.1.-30.9.
10. Income tax		
Income tax recognised in the income statement is specified as follows:		
Current tax payable.....	80,222	0
Difference between estimated and actual taxes.....	0	6,914
Deferred tax.....	11,741	(54,546)
	<u>91,964</u>	<u>(47,632)</u>

		2019 1.1.-30.9.		2018 1.1.-30.9.
Effective tax rate:				
Profit before income tax		1,610,371		309,106
Income tax using Icelandic corporation tax ratio	20.0%	322,074	20.0%	61,821
Difference between estimated and actual taxes	0.0%	0	2.2%	6,914
Tax exempt revenue	(14.5%)	(232,796)	(37.6%)	(116,367)
Other items	0.2%	2,685	0.0%	0
Effective tax rate	5.5%	<u>91,964</u>	(15.4%)	<u>(47,632)</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 September 2019	Level 1	Level 2	Level 3	Total
State guaranteed securities				
State guaranteed securities	2,470,006	1,837		2,471,843
State guaranteed securities funds	417,782			417,782
Bonds				
Asset guaranteed bonds	7,763,806	590,039		8,353,845
Other bonds	782,886	1,371,246		2,154,132
Shares				
Listed shares	3,826,903			3,826,903
Unlisted shares		3,937,249	1,885,854	5,823,103
Share certificates				
Debt securities funds	1,171,964	1,308,809		2,480,773
Other securities				
Other securities	1,124,782	1,534,997	257,171	2,916,950
Total securities	17,558,129	8,744,177	2,143,025	28,445,331

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	<u>14,437,834</u>	<u>8,078,888</u>	<u>3,921,702</u>	<u>26,438,425</u>

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	161,211
Sales/repayments	(2,129,227)
Transferred between levels	0
Interest and changes in valuation*	189,340
Balance 30.9.....	<u>2,143,025</u>

*ISK -24 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 30.9.2019	Assumption	Value	Impact on fair value, sensitivity analysis
Unlisted shares	1,885,854	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 174 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 207 million.
		Return on equity	16.4%	

Notes, contd.:

	30.9.2019	31.12.2018
12. Deferred tax asset		
Deferred income tax asset 1.1.	88,311	81,046
Income tax for the period	(91,964)	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	80,222	0
Deferred income tax asset 30.9.	<u>95,060</u>	<u>88,311</u>

	30.9.2019	31.12.2018
13. Reinsurance assets		
Premium reserve, reinsurer's share	193,044	81,812
Claims outstanding, reinsurer's share	460,966	638,363
Total reinsurance assets	<u>654,010</u>	<u>720,176</u>

14. Share Capital

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

	30.9.2019	31.12.2018
15. Technical provisions		
Technical provisions (total):		
Claims outstanding	13,961,682	12,725,055
Provisions for unearned premiums	6,851,574	4,887,476
Risk margin	588,588	520,214
Technical provision, total	<u>21,401,844</u>	<u>18,132,744</u>
Reinsurance assets:		
Claims outstanding	460,966	638,363
Provisions for unearned premiums	193,044	81,812
Reinsurer's share, total	<u>654,010</u>	<u>720,176</u>
Own technical provision:		
Claims outstanding	13,500,716	12,086,692
Provisions for unearned premiums	6,658,530	4,805,664
Risk margin	588,588	520,214
Own technical provision (net), total	<u>20,747,834</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. - 30.9. 2019		30.9.2019	
	Income	Expenses	Assets	Liabilities
Board, key personnel and related companies	<u>6,144</u>	<u>2,538</u>	<u>3,223</u>	<u>53</u>
	1.1. - 30.9. 2018		31.12.2018	
	Income	Expenses	Assets	Liabilities
Board, key personnel and related companies	<u>6,436</u>	<u>3,548</u>	<u>2,380,048</u>	<u>26</u>

Notes, contd.:

18. Financial Ratios	2019	2018
The Group's principal financial ratios:	1.1.-30.9.	1.1.-30.9.
Net claims ratio	81.3%	85.1%
Net cost ratio	18.2%	19.9%
Net combined ratio (claims + cost)	99.5%	105.1%
Return on equity (annualized)	15.1%	3.6%
	30.9.2019	31.12.2018
Equity ratio	35.6%	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:

	30.9.2019	1.1.2019
Right-of-use asset		
Properties	449,336	507,919
Motor vehicles	15,737	24,567
Total right-of-use assets	<u>465,073</u>	<u>532,486</u>
Deferred tax asset		18,490
Lease liabilities		
Lease liabilities	547,166	624,938
Current portion	134,940	
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

TM signs a purchase agreement to acquire Lykill fjármögnun hf.

As announced on 21 July 2019, Tryggingamiðstöðin hf. (TM) has been in exclusive negotiations with Klakki ehf. in order to acquire Lykill fjármögnun hf. (Lykill). These negotiations concluded on 10 October 2019 with the signing of a share purchase agreement to acquire 100% stake in Lykill. The purchase price is ISK 9,250 million plus a payment equal to the amount of distributable after-tax-profit of Lykill for the operating year of 2019. Total equity of Lykill amounted to ISK 11,688 million at the end of June 2019. The purchase price equals P/B of 0.82 based on estimated total equity at year end 2019. The purchase price will be paid with cash and will be funded with new equity issue of up to ISK 3,000 million as well as with sale of assets. In connection with the acquisition, TM has secured bridge funding of up to ISK 3,000 million to ensure flexibility in its investment portfolio management.

The transaction is subject to the approvals of TM's shareholders meeting, the Financial Supervisory Authority and the Competition Authority. If the transaction goes through, Lykill is estimated to become a part of the consolidated entity at the end of year 2019.

Notes, contd.:

21. Quarterly results (not Reviewed)

	Q 3 2019	Q 2 2019	Q 1 2019	Q 4 2018	Q 3 2018
Premiums earned	4,382,953	4,153,196	3,989,284	4,103,914	4,283,175
Outward reinsurance premiums	(161,385)	(161,036)	(175,462)	(188,876)	(187,753)
Earned premiums, net of reinsurance	4,221,568	3,992,160	3,813,822	3,915,038	4,095,422
Finance income	(337,154)	1,483,345	951,685	507,945	234,685
Finance income from investment properties	0	0	0	(519)	3,535
Other income	6,596	7,573	8,256	6,040	6,242
Total income	3,891,010	5,483,078	4,773,763	4,428,504	4,339,884
Claims incurred	(3,404,354)	(3,177,708)	(3,351,307)	(3,126,350)	(3,192,463)
Claims incurred, reinsurers' share	35,311	85,137	34,387	(19,458)	(62,503)
Claims incurred, net of reinsurance	(3,369,043)	(3,092,571)	(3,316,920)	(3,145,808)	(3,254,966)
Operating expenses	(728,855)	(876,943)	(893,042)	(886,599)	(777,413)
Interest expenses	(64,605)	(64,542)	(51,197)	(42,310)	(50,163)
Impairment	(14,224)	(6,543)	(58,996)	37,526	(12,057)
Total expenses	(4,176,727)	(4,040,598)	(4,320,155)	(4,037,191)	(4,094,599)
Profit before income tax	(285,717)	1,442,480	453,608	391,313	245,284
Income tax	34,357	(105,562)	(20,759)	(47,281)	(37,713)
Profit and Comprehensive Income for the period	(251,360)	1,336,918	432,849	344,032	207,571
Attributable to:					
Equity holders of the parent	(251,360)	1,336,918	432,849	344,031	207,571
Minority interest	0	0	0	1	0
Profit and Comprehensive income for the period	(251,360)	1,336,918	432,849	344,032	207,571