



# **Tryggingamiðstöðin hf.**

**Condensed Consolidated Interim  
Financial Statements  
for the period 1 January to 31 March 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.

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## 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 31 March 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 three month period ended 31 March 2019 have neither been audited nor reviewed by our external auditor.

According to the Condensed Consolidated Interim Income Statement, profit after tax for the period amounted to ISK 433 million. The Group's equity at 31 March amounted to ISK 12,962 million according to the Condensed Consolidated Balance sheet.

The Company's share capital is at 31 March divided between 803 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 three month period ended 31 March 2019, its assets, liabilities and consolidated financial position at 31 March 2019 and its consolidated cash flow for the three month period ended 31 March 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 three month period ended 31 March 2019 and confirm them by means of their signatures.

Reykjavík, 14 May 2019

Board of Directors:

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

CEO:

Sigurður Viðarsson

## Condensed Consolidated Income Statement and Condensed Consolidated Statement of Comprehensive Income

	Notes	2019 1.1.-31.3	2018 1.1.-31.3
Premiums earned .....		3,989,284	3,945,887
Outward reinsurance premiums .....		( 175,462)	( 159,276)
<b>Earned premiums, net of reinsurance</b>	7	<u>3,813,822</u>	<u>3,786,611</u>
Finance income .....	8	951,685	737,608
Other income .....		8,256	7,795
<b>Total income.....</b>		<u>4,773,763</u>	<u>4,532,014</u>
Claims incurred .....		( 3,351,307)	( 3,488,372)
Claims incurred, reinsurers' share .....		34,387	194,733
<b>Claims incurred, net of reinsurance</b>	9	<u>( 3,316,920)</u>	<u>( 3,293,639)</u>
Operating expenses .....		( 893,042)	( 975,907)
Interest expenses .....		( 51,197)	( 50,121)
Impairment .....		( 58,996)	48,849
<b>Total expenses</b>		<u>( 4,320,155)</u>	<u>( 4,270,818)</u>
<b>Profit before income tax</b>		453,608	261,196
Income tax .....	10	( 20,759)	27,956
<b>Profit and Comprehensive Income for the period</b>		432,849	289,152
<b>Attributable to</b>			
Equity holders of the parent .....		432,849	289,153
Minority interest .....		0	( 1)
		<u>432,849</u>	<u>289,152</u>
<b>Earnings per share</b>			
Basic and diluted earnings per share .....		0.64	0.43

The notes on pages 8 to 15 are an integral part of these Condensed Consolidated Interim Financial Statements.

## Condensed Consolidated Balance Sheet

	Notes	31.3.2019	31.12.2018
<b>Assets</b>			
Operating assets .....		313,122	325,187
Right-of-use asset .....	19	506,138	0
Goodwill and other intangible assets .....		532,119	489,277
Restricted cash .....		4,678	4,637
Loans .....		967,911	1,053,650
Securities .....	11	26,929,830	26,438,425
Investment where investment risk is borne by life-insurance policyholders ..		39,326	36,721
Deferred tax asset .....	12	92,938	88,311
Assets classified as held for sale .....		3,169	3,111
Reinsurance assets .....	13	915,510	720,176
Trade receivables .....		8,026,479	4,051,892
Cash and cash equivalents .....		2,027,514	1,439,187
<b>Total assets</b>		<b>40,358,734</b>	<b>34,650,574</b>
<b>Equity</b>			
Share capital .....	14	678,143	678,143
Share premium .....		425,516	425,516
Reserves .....		270,710	270,710
Restricted earnings .....		4,874,469	4,362,638
Retained earnings .....		6,713,196	7,566,140
<b>Total equity</b>		<b>12,962,034</b>	<b>13,303,147</b>
<b>Liabilities</b>			
Technical provision .....	15	23,092,175	18,132,744
Technical provision for life-insurance policies where investment risk is borne by the policyholders .....		39,326	36,721
Lease liabilities .....	19	594,462	0
Trade and other payables .....		1,457,927	1,004,956
Subordinated debt .....	16	2,212,810	2,173,006
<b>Total liabilities</b>		<b>27,396,700</b>	<b>21,347,427</b>
<b>Total equity and liabilities</b>		<b>40,358,734</b>	<b>34,650,574</b>

The notes on pages 8 to 15 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 .....					289,153	289,153	( 1)	289,152	
Restricted reserves .....				( 326,581)	326,581				
<b>Shareholders</b>									
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 31.3.2018 .....	678,143	425,516	270,710	4,313,879	7,203,280	12,891,529	25	12,891,554	
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 .....					432,849	432,849	0	432,849	
Restricted reserves .....				511,831	( 511,831)				
<b>Shareholders</b>									
Paid out dividends .....					( 700,000)	( 700,000)		( 700,000)	
	0	0	0	0	( 700,000)	( 700,000)	0	( 700,000)	
Equity 31.3.2019 .....	678,143	425,516	270,710	4,874,469	6,713,196	12,962,034	0	12,962,034	

In June 2016, the Icelandic Parliament passed a legal reform of the Icelandic Financial Statements Act no. 3/2006, which limits the permitted amount for distribution of dividends. Under the law, companies that apply the measurement of financial assets at fair value through profit and loss have to recognize unrealized fair value changes before income tax, as appropriate, to restricted retained earnings. Realised fair value changes are recognized from restricted to unrestricted retained earnings. In addition to these changes, if share of profit of its subsidiaries and associates are higher than the received dividend or the dividend that has been decided to distribute then the difference shall be recognized among restricted retained earnings.

Due to uncertainties in the interpretation of certain Articles, the disclosure of retained earnings in the Condensed Consolidated Interim Financial Statements of TM hf. for the three month period ended 31 March 2019 may change following further clarification of the Act. The change will concern potential reclassification between restricted reserves and retained earnings.

The notes on pages 8 to 15 are an integral part of these Condensed Consolidated Interim Financial Statements.

## Condensed Consolidated Statement of Cash Flows

	2019	2018
	1.1.-31.3	1.1.-31.3
<b>Net cash from operating activities</b>		
Premiums, received .....	4,561,157	4,454,724
Claims, paid .....	( 2,988,517)	( 3,150,636)
Operating cost, paid .....	( 691,588)	( 796,487)
<b>Net cash from insurance activities</b>	<u>881,052</u>	<u>507,601</u>
Finance income, received .....	153,638	82,326
Finance expense, paid .....	( 11,394)	( 3,279)
Investment income, received .....	340,075	373,961
Finance income from investment properties, received .....	0	310
Operating cost, paid .....	( 94,308)	( 108,612)
<b>Net cash from investments activities</b>	<u>388,011</u>	<u>344,706</u>
Income tax paid .....	( 53,855)	( 91,168)
<b>Net cash from operating activities</b>	<u>1,215,208</u>	<u>761,139</u>
<b>Investing activities</b>		
Securities, change .....	16,464	290,803
Restricted cash, change .....	( 41)	( 78)
Loans, change .....	83,821	184,568
Investment properties, change .....	0	50,324
Operating assets, additions .....	( 308)	( 4,026)
Intangible assets, additions .....	( 54,915)	( 60,023)
<b>Net cash flow used in investing activities</b>	<u>45,021</u>	<u>461,568</u>
<b>Financing activities</b>		
Dividend paid to shareholders .....	( 641,426)	( 1,372,820)
Borrowing, change .....	0	( 26,209)
Lease liabilities, change .....	( 30,476)	0
<b>Net cash flow used in financing activities</b>	<u>( 671,902)</u>	<u>( 1,399,029)</u>
<b>Increase (decrease) in cash and cash equivalents.....</b>	588,327	( 176,322)
<b>Cash and cash equivalents at the beginning of the period</b>	<u>1,439,187</u>	<u>1,129,841</u>
<b>Cash and cash equivalents at the end of period.....</b>	<u>2,027,514</u>	<u>953,519</u>

The notes on pages 8 to 15 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 three month period ended 31 March 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 14 May 2019.

### 2. Basis of preparation

These Condensed Consolidated Interim Financial Statements of the Company and its subsidiaries are for the three month period ended 31 March 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](http://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. - 31.3. 2019

	Non-Life insurance	Life insurance	Financial operation	Group
Premiums .....	3,820,947	168,337		3,989,284
Outward reinsurance premiums .....	(125,031)	(50,431)		(175,462)
Investment income .....	70,215	985	880,485	951,685
Other income .....			8,256	8,256
<b>Total income</b>	<b>3,766,130</b>	<b>118,891</b>	<b>888,742</b>	<b>4,773,763</b>
Claims incurred .....	( 3,262,673)	( 88,634)		( 3,351,307)
Claims incurred, reinsurers' share .....	( 5,381)	39,768		34,387
Operating expenses .....	( 773,149)	( 10,421)	( 109,473)	( 893,042)
Interest expenses .....			( 51,197)	( 51,197)
Impairment .....			( 58,996)	( 58,996)
<b>Total expenses</b>	<b>( 4,041,203)</b>	<b>( 59,287)</b>	<b>( 219,666)</b>	<b>( 4,320,155)</b>
<b>Operating profit of segment</b>	<b>( 275,073)</b>	<b>59,604</b>	<b>669,076</b>	<b>453,608</b>
Income tax .....				( 20,759)
<b>Profit for the period</b> .....				<b>432,849</b>

#### Operating segment 1.1. - 31.3. 2018

	Non-Life insurance	Life insurance	Financial operation	Group
Premiums .....	3,788,548	157,340		3,945,888
Outward reinsurance premiums .....	(112,027)	(47,249)		(159,276)
Investment income .....	254,033	3,401	480,174	737,608
Other income .....			7,795	7,795
<b>Total income</b>	<b>3,930,554</b>	<b>113,491</b>	<b>487,969</b>	<b>4,532,015</b>
Claims incurred .....	( 3,458,014)	( 30,359)		(3,488,372)
Claims incurred, reinsurers' share .....	176,249	18,484		194,733
Operating expenses .....	( 841,992)	( 21,928)	( 111,987)	(975,907)
Interest expenses .....			( 50,121)	(50,121)
Impairment .....			48,849	48,849
<b>Total expenses</b>	<b>( 4,123,756)</b>	<b>( 33,802)</b>	<b>( 113,259)</b>	<b>( 4,270,819)</b>
<b>Operating profit of segment</b>	<b>( 193,203)</b>	<b>79,689</b>	<b>374,711</b>	<b>261,196</b>
Income tax .....				27,956
<b>Profit for the period</b> .....				<b>289,152</b>

## Notes, contd.:

### 6. Group entities

Group's subsidiaries at 31 March 2019 are following:

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

	2019 1.1.-31.3.	2018 1.1.-31.3.
<b>7. Earned premims, net of reinsurance</b>		
Premiums written.....	8,711,608	8,706,723
Reinsurer's share.....	( 467,122)	( 438,457)
Change in the gross provision for unearned premiums.....	( 4,722,324)	( 4,760,836)
Change in the provision for unearned premiums, reinsurer's share.....	291,661	279,181
Earned premims, net of reinsurance.....	<u>3,813,822</u>	<u>3,786,611</u>

	2019 1.1.-31.3.	2018 1.1.-31.3.
<b>8. Finance income</b>		
Interest income from deposits.....	6,266	14,152
Interest income from bonds.....	21,792	26,757
Other interest income.....	74,627	71,952
Effects from associates.....	75,827	0
Net income from investments.....	714,179	662,389
Exchange rate difference.....	58,993	( 37,643)
Finance income, total.....	<u>951,685</u>	<u>737,608</u>

	2019 1.1.-31.3.	2018 1.1.-31.3.
<b>9. Claims incurred, net of reinsurance</b>		
Claims paid.....	( 3,114,202)	( 3,263,886)
Claims paid, reinsurer's share.....	130,714	25,533
Change in the provision for claims.....	( 194,345)	( 179,634)
Change in risk margin.....	( 42,761)	( 44,853)
Change in the provision for claims, reinsurer's share.....	( 96,326)	169,200
Claims incurred, net of reinsurance, total.....	<u>( 3,316,920)</u>	<u>( 3,293,639)</u>

	2019 1.1.-31.3.	2018 1.1.-31.3.
<b>10. Income tax and financial activity tax</b>		
Income tax recognised in the income statement is specified as follows:		
Current tax payable.....	6,895	0
Deferred tax.....	13,864	( 27,956)
Tekjuskattur samtals.....	<u>20,759</u>	<u>( 27,956)</u>

		2019 1.1.-31.3.		2018 1.1.-31.3.
Effective tax rate:				
Profit before income tax .....		453,608		261,196
Income tax using Icelandic corporation tax ratio .....	20.0%	90,722	20.0%	52,239
Tax exempt revenue .....	(15.4%)	( 69,963)	(30.7%)	( 80,195)
Effective tax rate .....	4.6%	<u>20,759</u>	(10.7%)	<u>( 27,956)</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 31 March 2019	Level 1	Level 2	Level 3	Total
<b>State guaranteed securities</b>				
State guaranteed securities .....	2,109,595	2,178		2,111,773
State guaranteed securities funds .....	394,632			394,632
<b>Bonds</b>				
Asset guaranteed bonds .....	6,689,573	576,808		7,266,381
Other bonds .....	837,647	964,541		1,802,188
<b>Shares</b>				
Listed shares .....	3,574,019			3,574,019
Unlisted shares .....		3,693,017	2,853,398	6,546,415
<b>Share certificates</b>				
Debt securities funds .....	588,760	1,342,393		1,931,153
<b>Other securities</b>				
Other securities .....	1,098,515	1,941,383	263,367	3,303,265
<b>Total securities</b> .....	<b>15,292,742</b>	<b>8,520,322</b>	<b>3,116,767</b>	<b>26,929,830</b>

## Notes, contd.:

### 11. Securities, contd.

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

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 .....	21,791
Sales/repayments .....	( 822,961)
Interest and changes in valuation* .....	( 3,766)
Balance 31.3.....	<u>3,116,767</u>

\*ISK 3.8 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 31.3.2019	Assumption	Range	Impact on fair value, sensitivity analysis
Unlisted shares	2,853,398	EBITDA growth	1.3%-5.4%	Unlisted shares on 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 450 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 603 million.
		Return on equity	13.0%-16.4%	

## Notes, contd.:

	31.3.2018	31.12.2018
<b>12. Deferred tax asset</b>		
Deferred income tax asset 1.1. ....	88,311	81,046
Income tax for the period .....	( 20,759)	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 .....	6,895	0
Deferred income tax asset 31.3. ....	<u>92,938</u>	<u>88,311</u>

	31.3.2018	31.12.2018
<b>13. Reinsurance assets</b>		
Premium reserve, reinsurer's share .....	373,473	81,812
Claims outstanding, reinsurer's share .....	542,037	638,363
Total reinsurance assets .....	<u>915,510</u>	<u>720,176</u>

### 14. Share Capital

Total share capital, approved and issued by the Company at 31 March 2019, amounted to 678.1 million shares; with a par value of 1 ISK per share.

	31.3.2018	31.12.2018
<b>15. Technical provisions</b>		
Technical provisions (total):		
Claims outstanding .....	12,919,400	12,725,055
Provisions for unearned premiums .....	9,609,800	4,887,476
Risk margin .....	562,975	520,214
Technical provision, total .....	<u>23,092,175</u>	<u>18,132,744</u>
Reinsurance assets:		
Claims outstanding .....	542,037	638,363
Provisions for unearned premiums .....	373,473	81,812
Reinsurer's share, total .....	<u>915,510</u>	<u>720,176</u>
Own technical provision:		
Claims outstanding .....	12,377,363	12,086,692
Provisions for unearned premiums .....	9,236,327	4,805,664
Risk margin .....	562,975	520,214
Own technical provision (net), total .....	<u>22,176,665</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. - 31.3. 2019		31.3.2018	
	Income	Expenses	Assets	Liabilities
Board, key personnel and related companies .....	<u>78,273</u>	<u>1,103</u>	<u>2,455,019</u>	<u>37</u>
	1.1. - 31.3. 2018		31.12.2018	
	Income	Expenses	Assets	Liabilities
Board, key personnel and related companies .....	<u>2,363</u>	<u>2,801</u>	<u>2,380,048</u>	<u>26</u>

## Notes, contd.:

<b>18. Financial Ratios</b>	<b>2019</b>	<b>2018</b>
The Group's principal financial ratios:	<b>1.1.-31.3.</b>	<b>1.1.-31.3.</b>
Net claims ratio .....	87.0%	87.0%
Net cost ratio .....	20.5%	22.8%
Net combined ratio (claims + cost) .....	107.5%	109.8%
Return on equity (annualized) .....	14.1%	9.0%
	<b>31.3.2019</b>	<b>31.12.2018</b>
Equity ratio .....	32.1%	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:

	<b>31.3.2019</b>	<b>1.1.2019</b>
<b>Right-of-use asset</b>		
Properties .....	484,430	507,919
Motor vehicles .....	<u>21,707</u>	<u>24,567</u>
Total right-of-use assets .....	<u>506,138</u>	<u>532,486</u>
Deferred tax asset		18,490
<b>Lease liabilities</b>		
Lease liabilities .....	594,462	624,938
Current portion .....	127,400	
<b>Retained earnings</b>		
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.

## Notes, contd.:

## 20. Quarterly results

	Q 1 2019	Q 4 2018	Q 3 2018	Q 2 2018	Q 1 2018
Premiums earned .....	3,989,284	4,103,914	4,283,175	4,039,586	3,945,887
Outward reinsurance premiums .....	( 175,462)	( 188,876)	( 187,753)	( 188,512)	( 159,276)
<b>Earned premiums, net of reinsurance</b>	<b>3,813,822</b>	<b>3,915,038</b>	<b>4,095,422</b>	<b>3,851,074</b>	<b>3,786,611</b>
Finance income .....	951,685	507,945	234,685	324,793	737,608
Finance income from investment properties .....	0	( 519)	3,535	8,994	0
Other income .....	8,256	6,040	6,242	30,957	7,795
<b>Total income</b> .....	<b>4,773,763</b>	<b>4,428,504</b>	<b>4,339,884</b>	<b>4,215,818</b>	<b>4,532,014</b>
Claims incurred .....	( 3,351,307)	( 3,126,350)	( 3,192,463)	( 4,116,292)	( 3,488,372)
Claims incurred, reinsurers' share .....	34,387	( 19,458)	( 62,503)	674,621	194,733
<b>Claims incurred, net of reinsurance</b>	<b>( 3,316,920)</b>	<b>( 3,145,808)</b>	<b>( 3,254,966)</b>	<b>( 3,441,671)</b>	<b>( 3,293,639)</b>
Operating expenses .....	( 893,042)	( 886,599)	( 777,413)	( 901,225)	( 975,907)
Interest expenses .....	( 51,197)	( 42,310)	( 50,163)	( 40,938)	( 50,121)
Impairment .....	( 58,996)	37,526	( 12,057)	( 29,358)	48,849
<b>Total expenses</b> .....	<b>( 4,320,155)</b>	<b>( 4,037,191)</b>	<b>( 4,094,599)</b>	<b>( 4,413,192)</b>	<b>( 4,270,818)</b>
<b>Profit before income tax</b> .....	<b>453,608</b>	<b>391,313</b>	<b>245,284</b>	<b>( 197,373)</b>	<b>261,196</b>
Income tax .....	( 20,759)	( 47,281)	( 37,713)	57,389	27,956
<b>Profit and Comprehensive Income for the period</b> .....	<b>432,849</b>	<b>344,032</b>	<b>207,571</b>	<b>( 139,984)</b>	<b>289,152</b>
<b>Attributable to:</b>					
Equity holders of the parent .....	432,849	344,031	207,571	( 139,984)	289,153
Minority interest .....	0	1	0	0	( 1)
Profit and Comprehensive income for the period .....	432,849	344,032	207,571	( 139,984)	289,152