

Tryggingamiðstöðin hf.
Condensed Consolidated Interim
Financial Statements
for the period 1 January to 30 June 2010
ISK

Tryggingamiðstöðin hf.
Síðumúla 24
108 Reykjavík
Iceland

Reg no. 660269-2079

Contents

Report and Statement of the Board of Directors and the CEO	3	Consolidated Interim Balance Sheet	7
Independent Auditor's Review Report	4	Consolidated Interim Statement of Changes in Equity	8
Consolidated Interim Income Statement	5	Condensed Consolidated Statement of Cash Flows	9
Statement of Comprehensive Income	6	Notes	10

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 Interim Financial Statements comprise the Consolidated Interim Financial Statements of Tryggingamiðstöðin hf., Trygging hf., TM fé ehf., Líftryggingamiðstöðin hf., Fjárvíar hf. and Íslensk Endurtrygging hf.

According to the Consolidated Interim Income Statement, net profit for the first half of the year amounted to ISK 319 million. According to the Consolidated Interim Balance Sheet, equity at the end of the period amounted to ISK 8,357 million.

Statement by the Board of Directors and the CEO

The Condensed Consolidated Interim Financial Statements for the first half of the year ended 30 June 2010 have been prepared in accordance with Interim Financial Statements (IAS 34) and additional Icelandic disclosure requirements for consolidated financial statements of listed companies.

According to our best knowledge it is our opinion that the Condensed Consolidated Interim Financial Statements give a true and fair view of the consolidated financial performance of the Company for the first half of the year ended 30 June 2010, its assets, liabilities and consolidated financial position as at 30 June 2010 and its consolidated cash flows for the period then ended.

Further, in our opinion the Condensed Consolidated Financial Statements and the Report of the Board of Directors and the CEO give a fair view of the development and performance of the Group'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 statements of Tryggingamiðstöðin hf. for the period from 1 January to 30 June 2010 and confirm them by means of their signatures.

Reykjavík, 25 August, 2010

Board of Directors:

Eva Bryndís Helgadóttir

Steinn Logi Björnsson

Júlíus Þorfinnsson

CEO:

Sigurður Viðarsson

Independent Auditor's Review Report

To the board of Tryggingamiðstöðin hf.

We have reviewed the accompanying Condensed Consolidated statement of financial position of Tryggingamiðstöðin hf as at June 30, 2010, the condensed consolidated statement of comprehensive income, changes in equity and cash flows for the six month period then ended. Management is responsible for the preparation and fair presentation of this condensed consolidated interim financial information in accordance with IAS 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard 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 IAS 34 "Interim Financial Reporting".

Reykjavik, 25 August, 2010

KPMG hf.

Jón S. Helgason

Consolidated Interim Income Statement for the period 1 January to 30 June 2010

	Notes	2010 1.1.-30.6	2009 1.1.-30.6
Premiums, earned		5.439.224	5.048.489
Outward reinsurance premiums		(406.779)	(524.487)
Earned premiums, net of reinsurance	8	<u>5.032.445</u>	<u>4.524.002</u>
Interest income and foreign exchange difference		365.305	1.279.961
Fair value through profit and loss		691.442	913.958
Other investments income		353	0
Investment income		<u>1.057.100</u>	<u>2.193.919</u>
Other income		11.837	2.655
Other income		<u>11.837</u>	<u>2.655</u>
Total income		<u>6.101.382</u>	<u>6.720.576</u>
Claims incurred		(4.041.327)	(4.320.501)
Claims incurred, reinsurers' share		45.600	135.969
Net insurance claims	9	<u>(3.995.727)</u>	<u>(4.184.532)</u>
Other operating expenses		(1.124.310)	(1.178.150)
Financial expenses		(245.712)	(263.411)
Impairments losses on loans		(330.052)	(468.876)
Net expenses		<u>(5.695.801)</u>	<u>(6.094.969)</u>
Profit before income tax		405.581	625.607
Income tax		(86.892)	(134.781)
Profit from continuing operations		318.689	490.826
Profit from discontinued operations		0	3.021.356
Profit for the period		<u>318.689</u>	<u>3.512.182</u>
Attributable to:			
Equity holders of the parent		318.686	3.501.765
Minority interest		3	10.417
Profit for the period		<u>318.689</u>	<u>3.512.182</u>

The notes on pages 10 to 13 are integral part of these Condensed Consolidated Interim Financial Statements.

Statement of Consolidated Comprehensive Interim Income for the period 1 January to 30 June 2010

	Notes	2010 1.1.-30.6	2009 1.1.-30.6
Profit for the period		318.689	3.512.182
Other comprehensive income:			
Currency translation differences		0	(5.502.636)
Total other comprehensive income for the period		0	(5.502.636)
Total comprehensive income for the period		318.689	(1.990.454)
Comprehensive income attributable to:			
Equity holders of the parent		318.686	(2.000.871)
Minority interest		3	10.417
Profit (loss) for the period		318.689	(1.990.454)

The notes on pages 10 to 13 are integral part of these Condensed Consolidated Interim Financial Statements.

Tryggingamiðstöðin hf.

Condensed Consolidated Interim Financial Statements 30 June 2010

Amounts are in ISK thousands

Consolidated Interim Balance Sheet as at 30 June 2010

	Notes	30.6.2010	31.12.2009
Assets:			
Operating assets		695.506	736.316
Goodwill		99.916	99.916
Assets available for sale		1.054.653	1.070.262
Loans		4.990.849	5.966.306
Securities	4	14.788.903	12.870.321
Reinsurance assets	6	474.514	308.755
Accounts receivables		5.368.958	3.201.233
Deferred tax assets		180.713	230.492
Cash and cash equivalents		3.959.417	3.993.088
		<u>31.613.429</u>	<u>28.476.689</u>
Total assets			
Equity:			
Share capital		1.081.639	1.081.639
Other reserves	5	6.827.135	6.827.135
Retained earnings (accumulated deficit)		447.328	128.641
Shareholders equity		8.356.102	8.037.415
Minority interest		1.323	1.320
		<u>8.357.425</u>	<u>8.038.735</u>
Total equity			
Liabilities:			
Subordinated loans	7	3.989.090	3.884.741
Technical provision	6	17.631.420	14.895.895
Liabilities classified as held for sale		787.502	851.923
Accounts payable and other liabilities		847.992	805.395
		<u>23.256.004</u>	<u>20.437.954</u>
Total liabilities			
		<u>31.613.429</u>	<u>28.476.689</u>
Equity and liabilities			

The notes on pages 10 to 13 are integral part of these Condensed Consolidated Interim Financial Statements.

Consolidated Interim Statement of Changes in Equity

30 June 2010

	Share capital	Other reserve	Translation differences	Retained earnings (Accumulated deficit)	Minority interest	Total equity
1 January to 30 June 2010:						
Equity 1.1.2010	1.081.639	6.827.135	0	128.641	1.320	8.038.735
Total profit for the period				318.686	3	318.689
Equity 30.6.2010	1.081.639	6.827.135	0	447.327	1.323	8.357.425

1 January to 30 June 2009:

Equity 1.1.2009	1.081.639	6.827.135	5.502.636	(2.788.760)	181.873	10.804.523
Total profit (loss)						
for the period			(5.502.636)	3.501.764	10.417	(1.990.455)
Minority interest acquired					(192.290)	(192.290)
Equity 30.6.2009	1.081.639	6.827.135	0	713.004	0	8.621.779

The notes on pages 10 to 13 are integral part of these Condensed Consolidated Interim Financial Statements.

Tryggingamiðstöðin hf.

Condensed Consolidated Interim Financial Statements 30 June 2010

Amounts are in ISK thousands

Condensed Consolidated Interim Statement of Cash Flows for the period 1 January to 30 June 2010

	Notes	2010 1.1.-30.6	2009 1.1.-30.6
Net cash used in operating activities	(18.349)	(1.793.410)
Net cash (used in) from investing activities	(15.322)	867.941
Net cash used in financing activities		0	(395)
Decrease in cash and cash equivalents	(33.671)	(925.864)
Cash and cash equivalents at beginning of the year		3.993.088	3.422.892
Cash and cash equivalents at the end of the period		3.959.417	2.497.028

The notes on pages 10 to 13 are integral part of these Condensed Consolidated Interim Financial Statements.

Notes

1. Significant accounting policies

a. *Reporting Entity*

Tryggingamiðstöðin hf. ("the company") registered office is at Síðumúla 24, Reykjavík, Iceland. The Condensed Consolidated Interim Financial Statements of Tryggingamiðstöðin hf. ("the Company") as at and for the six months ended 30 June 2010 comprise the Company and its subsidiaries, together referred to as the "Group".

The Group operates in the insurance business as well as in financial business. The Group operates business in Iceland.

b. *Statement of compliance*

These Condensed Consolidated Interim Financial Statements of Tryggingamiðstöðin hf. for the period from 1 January to 30 June have been prepared in accordance with International Financial Reporting Standard (IFRS) for *Interim Financial Statements*, IAS 34. They do not include all of the information required for a complete set of consolidated annual financial statements, and should be read in conjunction with the Consolidated Financial Statements for the Company as at and for the year ended 31 December 2009.

The Condensed Consolidated Interim Financial Statements were approved by the Board of Directors on August 25, 2010.

c. *Basis of preparation*

The accounting policies and methods of computation applied by the Company in these Condensed Interim Consolidated Financial Statements are the same as those applied by the Company in its Consolidated Financial Statements as at and for the year ended 31 December 2009. The consolidated financial statements for the Group as at and for the year ended 31 December 2009 are available upon request from the Company's registered office at Síðumúli 24, Reykjavík or at www.tm.is or at The OMX Nordic Exchange website, www.omxnordicexchange.com.

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

d. *Use of estimates and judgements*

The preparation of interim financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Notes, contd.:

2. Segment reporting

Segments 1.1. - 30.6. 2010	Property and casualty insurance	Life insurance	Financial operation	Group
Net insurance premium revenue	4.916.894	115.551	0	5.032.445
Investment income	590.718	10.817	455.565	1.057.100
Other income	0	0	11.837	11.837
Total income	<u>5.507.612</u>	<u>126.368</u>	<u>467.402</u>	<u>6.101.382</u>
Net insurance claims	(3.977.297)	(18.431)	0	(3.995.727)
Operating expenses	(930.140)	(47.180)	(146.990)	(1.124.310)
Interest expenses	0	0	(245.712)	(245.712)
Impairment	0	0	(330.052)	(330.052)
Total expenses	<u>(4.907.437)</u>	<u>(65.611)</u>	<u>(722.754)</u>	<u>(5.695.801)</u>
Operating profit of Segment	600.175	60.757	(255.352)	405.581
Income tax				(86.892)
Profit for the period				<u>318.689</u>
Segments 1.1. - 30.6. 2009				
Net insurance premium revenue	4.402.129	121.873	0	4.524.002
Investment income	726.513	16.034	1.451.373	2.193.919
Other income	0	0	2.655	2.655
Total income	<u>5.128.642</u>	<u>137.907</u>	<u>1.454.028</u>	<u>6.720.576</u>
Net insurance claims	(4.157.281)	(27.251)	0	(4.184.532)
Operating expenses	(1.003.733)	(51.164)	(123.254)	(1.178.151)
Interest expenses	0	0	(263.411)	(263.410)
Impairment	0	0	(468.876)	(468.876)
Total expenses	<u>(5.161.014)</u>	<u>(78.416)</u>	<u>(855.541)</u>	<u>(6.094.969)</u>
Operating profit of Segment	(32.372)	59.491	598.488	625.607
Income tax				(134.781)
Profit from continuing operations				<u>490.826</u>
Profit from discontinued operations				<u>3.021.356</u>
Profit for the period				<u>3.512.182</u>

Notes, contd.:

3. The Group

Companies in the Group at June 30th 2010 are specified as follows:

	Ownership interest
Líftryggingamiðstöðin hf., Iceland	100,0%
Trygging hf., Iceland	100,0%
TM fé ehf., Iceland	100,0%
Fjárvíar hf., Iceland	100,0%
Íslensk endurtrygging hf., Iceland	99,7%

4. Securities

Securities at 30 June 2010 are specified as follows:

	Book value
Government backed securities	5.938.939
Other bonds	934.298
Listed shares	827.518
Unlisted shares	3.791.003
Equity funds	148.133
Fixed income funds	2.783.143
Other	365.869
	<u>14.788.903</u>

5. Reserves

	30.6.2010	31.12.2009
Legal reserves	6.556.425	6.556.425
Share premium	270.710	270.710
	<u>6.827.135</u>	<u>6.827.135</u>

6. Technical provisions

Technical provisions (total):

Provision for unearned premiums	5.498.984	2.770.427
Claims provisions	12.132.436	12.125.468
	<u>17.631.420</u>	<u>14.895.895</u>

Reinsurers share:

Provision for unearned premiums	334.722	80.899
Claims provisions	139.792	168.252
	<u>474.514</u>	<u>249.151</u>

Own technical provision (net):

Provision for unearned premiums	5.164.262	2.689.528
Claims provisions	11.992.645	11.957.216
	<u>17.156.907</u>	<u>14.646.744</u>

Notes, contd.:

7. Borrowings	30.6.2010	31.12.2009
Borrowings are specified as follows:		
Subordinated bonds.....	3.989.090	3.884.741
8. Earned premiums, net of reinsurance		
	2010	2009
	1.1.-30.6	1.1.-30.6
Premiums, written.....	8.213.741	7.598.833
Change in the gross provision for unearned premiums	(2.774.517)	(2.550.344)
Premiums earned.....	5.439.224	5.048.489
Reinsurer's share of premium written	(661.373)	(766.562)
Changes in reinsurers share in provision for unearned premium.....	254.594	242.075
Changes in insurance premiums ceded to reinsurers.....	(406.779)	(524.487)
Earned premiums, net of reinsurance.....	5.032.445	4.524.002
9. Claims incurred, net of reinsurance		
Claims booked	4.020.743	4.197.835
Change in the provision for claims	20.584	122.667
Claims incurred.....	4.041.327	4.320.501
Reinsurers' share in claims.....	(64.980)	(196.570)
Changes in reinsurers' share in claims provisions.....	19.380	60.601
Claims incurred, reinsurers' share.....	(45.600)	(135.969)
Net insurance claims.....	3.995.727	4.184.532

Financial ratios**10. The Group's principal financial ratios:**

	2010	2009
	1.1.-30.6	1.1.-30.6
Claims ratio	79,4%	92,5%
Cost ratio	19,4%	23,3%
Combined ratio	98,8%	115,8%
Equity ratio	26,4%	28,1%