

Tryggingamiðstöðin hf.
Condensed Consolidated Interim
Financial Statements
for the period 1 January to 30 June 2009
ISK

Tryggingamiðstöðin hf.
Síðumúla 24
108 Reykjavík
Iceland

Reg no. 660269-2079

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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 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 3,512 million. According to the Consolidated Interim Balance Sheet, equity at the end of the period amounted to ISK 8,622 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 2009 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 2009, its assets, liabilities and consolidated financial position as at 30 June 2009 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 2009 and confirm them by means of their signatures.

Reykjavík, 27 August 2009

Board of Directors:

Jón Sigurðsson

Eva Helgadóttir

CEO:

Sigurður Viðarsson

Independent Auditor's Review Report

To the board of Tryggingamiðstöðin hf.

We have reviewed the accompanying Condensed Consolidated Interim Financial Statements of Tryggingamiðstöðin hf, which comprise the consolidated interim balance sheet as at 30 June 2009 and the consolidated interim income statement, consolidated interim statement of changes in equity and condensed consolidated interim statement of cash flow for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standards (IAS 34). 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 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 interim financial information does not give a true and fair view of the financial position of the entity as at 30 June 2009, and of its financial performance and its cash flows for the six-month period then ended in accordance with International Financial Reporting Standards.

Reykjavik, 27 August 2009

KPMG hf.

Helgi F. Arnarson

Consolidated Interim Income Statement for the period 1 January to 30 June 2009

	Notes	2009 1.1.-30.6	2008 1.1.-30.6
Premiums, earned		5,048,489	4,875,856
Outward reinsurance premiums		(524,487)	(568,567)
Earned premiums, net of reinsurance	9	<u>4,524,002</u>	<u>4,307,289</u>
Interest income and foreign exchange difference		1,279,961	1,993,391
Fair value through profit and loss		913,958	(2,508,132)
Profit from associated companies		0	13,959
Other investments income		0	2,088
Investment income		<u>2,193,919</u>	<u>(498,694)</u>
Other income		2,655	759,655
Other income		<u>2,655</u>	<u>759,655</u>
Total income		<u>6,720,576</u>	<u>4,568,250</u>
Claims incurred		(4,320,501)	(4,633,535)
Claims incurred, reinsurers' share		135,969	169,174
Net insurance claims	10	<u>(4,184,532)</u>	<u>(4,464,361)</u>
Other operating expenses		(1,178,150)	(1,243,535)
Financial expenses		(263,411)	(627,129)
Impairments losses on loans		(468,876)	(282,042)
Net expenses		<u>(6,094,969)</u>	<u>(6,617,067)</u>
Profit (loss) before income tax		625,607	(2,048,817)
Income tax		(134,781)	(470,192)
Profit (loss) from continuing operations		490,826	(2,519,009)
Profit (loss) from discontinued operations	3	<u>3,021,356</u>	<u>(881,896)</u>
Profit (loss) for the period		<u><u>3,512,182</u></u>	<u><u>(3,400,904)</u></u>
Attributable to:			
Equity holders of the parent		3,501,764	(3,423,110)
Minority interest		10,417	22,206
Profit (loss) for the period		<u>3,512,181</u>	<u>(3,400,904)</u>
Earnings (loss) per share:			
Basic (loss) earnings per share	11	3.25	(3.14)
Diluted (loss) earnings per share		3.25	(3.14)

The notes on pages 9 to 12 are integral part of these Condensed Consolidated Interim Financial Statements.

Statement of Consolidated Comprehensive Interim Income for the period 1 January to 30 June 2009

	Notes	2009 1.1.-30.6	2008 1.1.-30.6
Profit (loss) for the period		3,512,182	(3,400,904)
Other comprehensive income:			
Net income on investments at fair value		0	(55,845)
Currency translation differences		(5,502,636)	3,869,208
Income tax relating to other comprehensive income		0	10,052
Total other comprehensive income for the period		(5,502,636)	3,823,415
Total comprehensive income for the period		(1,990,454)	422,511
Comprehensive income attributable to:			
Equity holders of the parent		(2,000,871)	400,305
Minority interest		10,417	22,206
(Loss) profit for the period		(1,990,454)	422,511

The notes on pages 9 to 12 are integral part of these Condensed Consolidated Interim Financial Statements.

Consolidated Interim Balance Sheet as at 30 June 2009

	Notes	30.6.2009	31.12.2008
Assets:			
Operating assets		722,477	401,861
Goodwill		99,916	99,916
Assets available for sale		0	44,530,333
Loans		7,029,692	7,017,831
Securities	5	12,462,766	9,687,181
Reinsurance assets	7	521,377	303,775
Accounts receivables		5,644,479	3,670,006
Deferred tax assets		606,115	627,850
Other assets		1,110,789	103,680
Cash and cash equivalents		2,501,762	3,422,892
Total assets		30,699,373	69,865,325
Equity:			
Share capital		1,081,639	1,081,639
Other reserves	6	6,827,135	6,827,135
Translation difference		0	5,502,636
Retained earnings (accumulated deficit)		713,005	(2,788,760)
Shareholders equity		8,621,779	10,622,650
Minority interest		0	181,873
Total equity		8,621,779	10,804,523
Liabilities:			
Subordinated loans	8	3,853,620	3,844,621
Technical provision	7	16,164,621	13,460,106
Liabilities classified as held for sale		0	40,671,786
Borrowings	8	973,846	155,080
Deferred tax liability		88,754	2,634
Accounts payable and other liabilities		996,753	926,575
Total liabilities		22,077,594	59,060,802
Equity and liabilities		30,699,373	69,865,325

The notes on pages 9 to 12 are integral part of these Condensed Consolidated Interim Financial Statements.

Consolidated Interim Statement of Changes in Equity for the period 1 January to 30 June 2009

	Share capital	Other reserve	Translation differences	Retained earnings (Accumulated deficit)	Minority interest	Total equity
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
Fair value changes						0
Translation difference			(5,502,636)			(5,502,636)
Net loss recognised directly in equity			(5,502,636)			(5,502,636)
Profit for the period				3,501,764	10,417	3,512,181
Total profit 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

1 January to 30 June 2008:

Equity 1.1.2008	1,081,639	6,827,135	437,838	16,950,432	318,634	25,615,678
Fair value changes			(55,845)			(55,845)
Translation difference			3,869,208			3,869,208
Net loss recognised directly in equity			3,813,363			3,813,363
Loss for the period				(3,423,110)	22,206	(3,400,904)
Total profit for the period			3,813,363	(3,423,110)	22,206	412,459
Minority interest acquired					(51,924)	(51,924)
Dividend to shareholders				(2,098,380)		(2,098,380)
Equity 30.6.2008	1,081,639	6,827,135	4,251,201	11,428,942	288,916	23,877,833

The notes on pages 9 to 12 are integral part of these Condensed Consolidated Interim Financial Statements.

Condensed Consolidated Interim Statement of Cash Flows

	Notes	2009 1.1.-30.6	2008 1.1.-30.6
Net cash used in operating activities	(1,793,410)	(1,578,195)
Net cash used in investing activities		867,941	644,002
Net cash used in financing activities	(395)	(2,098,380)
Decrease in cash and cash equivalents	(925,864)	(3,032,573)
Effect of exchange rate fluctuations on cash held		0	393,030
Cash and cash equivalents at beginning of the year		<u>3,422,892</u>	<u>12,684,064</u>
Cash and cash equivalents at the end of the period		<u><u>2,497,028</u></u>	<u><u>10,044,521</u></u>

The notes on pages 9 to 12 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 2009 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 2008.

The Condensed Consolidated Interim Financial Statements were approved by the Board of Directors on 27 of

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 2008. The consolidated financial statements for the Group as at and for the year ended 31 December 2008 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 million, 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. 2009	Property and casualty insurance	Life insurance	Financial operation	Group
Net insurance premium revenue	4,402,129	121,873	0	4,524,002
Investment income	726,513	16,034	1,451,373	2,193,920
Other income	0	0	2,655	2,655
Total income	5,128,642	137,907	1,454,028	6,720,577
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)	(263,411)
Impairment	0	0	(468,876)	(468,876)
Total expenses	(5,161,014)	(78,416)	(855,541)	(6,094,970)
Operating profit of Segment	(32,372)	59,491	598,488	625,607
Income tax				(134,782)
Profit (loss) from continuing operations				490,825
Profit (loss) from discontinued operations				3,021,356
Profit (loss) for the period				3,512,181
Segments 1.1. - 30.6. 2008				
Net insurance premium revenue	4,210,254	97,035	0	4,307,288
Investment income	1,120,756	10,054	(1,629,502)	(498,692)
Other income	0	0	759,654	759,654
Total income	5,331,009	107,089	(869,848)	4,568,251
Net insurance claims	(4,424,994)	(39,367)	0	(4,464,361)
Operating expenses	(887,213)	(57,438)	(298,885)	(1,243,536)
Interest expenses	0	0	(627,129)	(627,129)
Impairment	0	0	(282,042)	(282,042)
Total expenses	(5,312,207)	(96,804)	(303,885)	(6,617,067)
Operating profit of Segment	18,803	10,285	(1,173,732)	(2,048,816)
Income tax				(470,192)
(Loss) profit from continuing operations				(2,519,008)
(Loss) profit from discontinued operations				(881,896)
(Loss) profit for the period				(3,400,904)

Notes, contd.:

6. Discontinued operations

In March 2009 all shares in Nemi Forsikring ASA were sold. The loss from the sale amounted to ISK 2.478 million ISK. Nemi is classified as a discontinued operation in the Condensed Consolidated Interim Financial Statements.

Hagnaður (tap) af aflagðri starfsemi greinist þannig:

Profit (Loss) from discontinued operation are specified as follows:

	2009	2008
	1.1.-30.6	1.1.-30.6
Net revenue	0	2,328,274
Expenses	0	(3,099,095)
Results from operating activities	0	(770,821)
Net finance expense	0	(247,375)
Income tax	0	136,300
Results from discontinued operation, net of income tax	0	(881,896)
Loss from the sale of Nemi	(2,477,731)	0
Currency translation difference from equity to income statement	5,502,636	0
Cost of the sale of Nemi	(3,549)	0
Profit (loss) for the period	3,021,356	(881,896)

4. The Group

Companies in the Group at June 30th 2009 are specified as follows:

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

5. Securities

Securities at June 30th 2009 are specified as follows:

	Book value
Government backed securities	5,731,336
Other bonds	398,804
Listed shares	896,865
Unlisted shares	3,562,993
Equity funds	136,577
Fixed income funds	725,087
Other	1,011,104
	<u>12,462,766</u>

Notes, contd.:

6. Reserves

	30.6.2009	31.12.2008
Legal reserves	6,556,425	6,556,425
Share premium	270,710	270,710
	<u>6,827,135</u>	<u>6,827,135</u>

7. Technical provisions

	30.6.2009	31.12.2008
Technical provisions (total):		
Provision for unearned premiums	5,137,023	2,586,918
Claims provisions	<u>11,027,597</u>	<u>10,873,188</u>
Technical provisions total	<u>16,164,621</u>	<u>13,460,106</u>
Reinsurers share:		
Provision for unearned premiums	317,541	75,466
Claims provisions	96,218	156,819
Reinsurance receivables and retention money	<u>107,618</u>	<u>71,490</u>
Reinsurance share, total	<u>521,377</u>	<u>303,775</u>
Own technical provision (net):		
Provision for unearned premiums	4,819,482	2,511,452
Claims provisions	10,931,379	10,716,369
Reinsurance receivables and retention money	<u>(107,618)</u>	<u>(71,490)</u>
Own technical provision, total	<u>15,643,244</u>	<u>13,156,331</u>

8. Borrowings

Borrowings are specified as follows:

Subordinated bonds.....	3,853,620	3,844,621
Loans from credit institutions.....	<u>973,846</u>	<u>155,080</u>
	<u>4,827,466</u>	<u>3,999,701</u>

9. Earned premiums, net of reinsurance

	2009 1.1.-30.6	2008 1.1.-30.6
Premiums, earned.....	7,598,832	7,166,532
Change in the gross provision for unearned premiums	<u>(2,550,344)</u>	<u>(2,290,676)</u>
Premiums written	<u>5,048,488</u>	<u>4,875,856</u>
Reinsurer's share of premium written	<u>(766,562)</u>	<u>(828,802)</u>
Changes in reinsurers share in provision for unearned premium.....	<u>242,075</u>	<u>260,235</u>
Changes in insurance premiums ceded to reinsurers.....	<u>(524,486)</u>	<u>(568,567)</u>
Earned premiums, net of reinsurance.....	<u>4,524,002</u>	<u>4,307,289</u>

Notes, contd.:

	2009 1.1.-30.6	2008 1.1.-30.6
10. Claims incurred, net of reinsurance		
Claims paid	4,197,835	4,070,040
Change in the provision for claims	122,667	563,495
Insurance claims.....	<u>4,320,503</u>	<u>4,633,535</u>
Reinsurers share in claims.....	(196,570)	(101,652)
Changes in reinsurers share in claims provisions.....	<u>60,601</u>	<u>(67,522)</u>
Insurance claims recovered from reinsurers.....	<u>(135,969)</u>	<u>(169,174)</u>
Claims insurance, net of reinsurance, total	<u>4,184,533</u>	<u>4,464,361</u>

11. Earnings per share

Earnings per share is calculated by dividing the profit by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by the Company and held as treasury shares.

Profit (loss) attributable to the Company's equity holders.....	3,512,182	(3,400,904)
Weighted average number of ordinary shares in issue.....	1,081,639	1,081,639
Earnings (loss) per share.....	<u>3.25</u>	<u>(3.14)</u>