

Tryggingamiðstöðin hf.

**Condensed Consolidated Interim Financial Statements
for the period 1 January to 31 March 2008**

Tryggingamiðstöðin hf.
Aðalstræti 6-8
101 Reykjavík
Iceland

Reg no. 660269-2079

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Endorsement and Statement by the Board of Directors and the CEO

The Condensed Consolidated Interim Financial Statements of Tryggingamiðstöðin hf. for the period 1 January to 30 March 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. and Nemi Forsikring ASA, Tryggingar hf., TM fé ehf., Líftryggingamiðstöðin hf. and Fjárvía hf.

According to the Consolidated Interim Income Statement, net loss for the period amounted to ISK 3,271 million. According to the Consolidated Interim Balance Sheet, equity at the end of the period amounted to ISK 23,748 million.

Statement by the Board of Directors and the CEO

The condensed consolidated interim financial statements for the three months ended 31 March 2008 have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU 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 three-month period ended 31 March 2008, its assets, liabilities and consolidated financial position as at 31 March 2008 and its consolidated cash flows for the period then ended.

Further, in our opinion the consolidated financial statements and the endorsement 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 31 March 2008 and confirm them by means of their signatures.

Reykjavík, 8 May 2008

Board of Directors:

Árni Hauksson
Gunnar Karl Gunnarsson
Pétur Guðmundarson

CEO:

Sigurður Viðarsson

Independent Auditor's Review Report

To the board of Tryggingamiðstöðin hf.

We have reviewed the accompanying condensed consolidated financial statements of Tryggingamiðstöðin hf, which comprise the consolidated balance sheet as at 31 March 2008 and the consolidated income statement, statement of changes in equity and cash flow statement for the three-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 as adopted by the EU. 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 31 March 2008, and of its financial performance and its cash flows for the three-month period then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Reykjavík, 8 May 2008

KPMG hf.

Jón S. Helgason

Helgi F. Arnarson

Consolidated Interim Income Statement for the period 1 January to 31 March 2008

| | Notes | 2008 1.1.-31.3. | 2007 1.1.-31.3. |
|---|-------|--------------------|--------------------|
| Premiums, earned | | 5,519,741 | 4,322,619 |
| Insurance premiums ceded to reinsurers | (| 2,343,883) | (1,944,815) |
| Net insurance premium revenue | 10 | 3,175,858 | 2,377,804 |
| Interest and dividend income | | 748,618 | 533,341 |
| Net realised gains on financial assets | | 10,033 | 9,185 |
| Fair value through profit and loss | (| 2,899,319) | 1,355,895 |
| Investment income | | (2,140,668) | 1,898,421 |
| Total income | | 1,035,190 | 4,276,225 |
| Insurance claims expenses | (| 5,149,006) | (3,617,601) |
| Insurance claims expenses recovered from reinsurers | | 1,821,979 | 1,255,838 |
| Net insurance claims | 11 | (3,327,027) | (2,361,763) |
| Other operating expenses | (| 876,765) | (540,875) |
| Total expenses | | (4,203,792) | (2,902,638) |
| Result of operating activities | | (3,168,602) | 1,373,587 |
| Financial expenses | (| 359,799) | (324,197) |
| Impairments losses on loans | (| 202,859) | (4,587) |
| Profit share from associated companies | | 4,177 | 3,922 |
| (Loss) profit before income tax | (| 3,727,084) | 1,048,725 |
| Income tax | | 455,689 | (162,421) |
| (Loss) profit for the period | | (3,271,395) | 886,304 |
| Attributable to: | | | |
| Equity holders of the Company | (| 3,287,718) | 882,524 |
| Minority interest | | 16,323 | 3,780 |
| (Loss) profit for the period | (| 3,271,395) | 886,304 |
| (Loss) earnings per share: | 12 | | |
| Basic (loss) earnings per share | (| 3.04) | 0.82 |
| Diluted (loss) earnings per share | (| 3.04) | 0.82 |

Notes on pages 9 to 13 are integral part of these Consolidated Interim Financial Statements

Consolidated Interim Balance Sheet as at 31 March 2008

| | Notes | 31.3.2008 | 31.12.2007 |
|--|-------|-------------------------------------|-------------------|
| Assets: | | | |
| Operating assets | | 595,265 | 544,173 |
| Goodwill | | 6,387,683 | 4,769,192 |
| Other intangible assets | | 1,353,526 | 1,031,002 |
| Investment in associated companies | 5 | 161,738 | 184,576 |
| Assets available for sale | | 1,725,319 | 1,836,731 |
| Investment designated at fair value | 6 | 12,864,685 | 17,193,296 |
| Investment held to maturity | | 4,995,909 | 3,750,335 |
| Short term receivables | | 9,775,814 | 5,730,516 |
| Loans | | 7,644,024 | 7,878,794 |
| Deferred tax assets | | 1,301,845 | 904,661 |
| Reinsurance assets | 8 | 19,825,549 | 13,936,552 |
| Cash and cash equivalents | | 9,226,202 | 12,684,064 |
| | | Total assets | 70,443,892 |
| | | 75,857,559 | 70,443,892 |
| Equity: | | | |
| Share capital | | 1,081,639 | 1,081,639 |
| Share premium and legal reserve | 7 | 6,827,135 | 6,827,135 |
| Other reserve | | 3,940,230 | 437,838 |
| Retained earnings | | 11,564,334 | 16,950,432 |
| Total equity attributable to equity holders of the company | | 23,413,338 | 25,297,044 |
| Minority interest | | 334,957 | 318,634 |
| | | Total equity | 25,615,678 |
| | | 23,748,295 | 25,615,678 |
| Liabilities: | | | |
| Insurance provision | 8 | 40,147,660 | 29,626,338 |
| Borrowings | 9 | 3,626,158 | 8,808,941 |
| Accounts payable and other liabilities | | 7,713,783 | 5,867,008 |
| Deferred income tax | | 602,989 | 519,596 |
| Income tax payable | | 18,676 | 6,330 |
| | | Total liabilities | 44,828,214 |
| | | 52,109,264 | 44,828,214 |
| | | Total equity and liabilities | 70,443,892 |
| | | 75,857,559 | 70,443,892 |

Notes on pages 9 to 13 are integral part of these Consolidated Interim Financial Statements

Consolidated Interim Statement of Changes in Equity for the period 1 January to 31 March 2008

| | Share capital | Share premium and legal reserve | Other reserve | Retained earnings | Minority interest | Total equity |
|---|------------------|--|------------------|----------------------|----------------------|-----------------|
| 1 January to 31 March 2008: | | | | | | |
| Equity 1.1.2008 | 1,081,639 | 6,827,135 | 437,838 | 16,950,432 | 318,634 | 25,615,678 |
| Fair value changes | | | (22,345) | | | (22,345) |
| Translation difference | | | 3,524,737 | | | 3,524,737 |
| Net loss recognised directly in equity | | | 3,940,230 | 16,950,432 | 318,634 | 29,118,070 |
| Loss for the period | | | | (3,287,718) | 16,323 | (3,271,395) |
| Total loss for the period | | | 3,940,230 | 13,662,714 | 334,957 | 25,846,675 |
| Dividend to shareholders | | | | (2,098,380) | | (2,098,380) |
| Equity 31.3.2008 | 1,081,639 | 6,827,135 | 3,940,230 | 11,564,334 | 334,957 | 23,748,296 |
| 1 January to 31 March 2007: | | | | | | |
| Equity 1.1.2007 | 1,081,639 | 6,614,725 | 485,971 | 13,638,497 | 151,549 | 21,972,381 |
| Translation difference | | | (583,425) | | | (583,425) |
| Profit for the period | | | | 882,524 | 3,780 | 886,304 |
| Total profit for the period | | | (97,454) | 14,521,021 | 155,329 | 22,275,260 |
| Dividend to shareholders | | | | (998,529) | | (998,529) |
| Equity 31.3.2007 | 1,081,639 | 6,614,725 | (97,454) | 13,522,492 | 155,329 | 21,276,731 |

Notes on pages 9 to 13 are integral part of these Consolidated Interim Financial Statements

Condensed Consolidated Interim Statement of Cash Flows

| | Notes | 2008 1.1.-31.3. | 2007 1.1.-31.3. |
|---|-------|-------------------------|-------------------------|
| Net cash used in operating activities | (| 1,611,490) | (366,007) |
| Net cash used in investing activities | (| 34,631) | (36,958) |
| Net cash used in financing activities | (| <u>2,098,380)</u> | <u>(998,529)</u> |
| Decrease in cash and cash equivalents | (| 3,744,501) | (1,401,494) |
| Effect of exchange rate fluctuations on cash held | | 286,639 | (57,134) |
| Cash and cash equivalents at beginning of the year | | <u>12,684,064</u> | <u>8,701,700</u> |
| Cash and cash equivalents at the end of the period | | <u><u>9,226,202</u></u> | <u><u>7,243,072</u></u> |

Notes on pages 9 to 13 are integral part of these Consolidated Interim Financial Statements

Notes

1. Significant accounting policies

a. *Reporting Entity*

Tryggingamiðstöðin hf. ("the company") registered office is at Aðalstræti 6, Reykjavík, Iceland. The condensed consolidated interim financial statements of Tryggingamiðstöðin hf. ("the Company") as at and for the three months ended 31 March 2008 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 mainly operates business in Iceland and Norway.

b. *Statement of compliance*

These condensed Consolidated Interim Financial Statements of Tryggingamiðstöðin hf. for the period from 1 January to 31 March 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 2007.

The Consolidated Interim Financial Statements were approved by the Board of Directors on 8 of May 2008.

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 2007. The consolidated financial statements for the Group as at and for the year ended 31 December 2007 are available upon request from the Company's registered office at Aðalstræti 6, Reykjavík or at www.tm.is or at The OMX Nordic Exchange website, www.omxnordicexchange.com

The condensed interim consolidated 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.

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. - 31.3. 2008 | Property and casualty insurance | Life insurance | Financial operation | Group |
|--|---------------------------------------|-------------------|------------------------|---------------------|
| Net insurance premium revenue | 3,123,863 | 51,995 | 0 | 3,175,858 |
| Investment income | 539,706 | 11,109 | (2,691,484) | (2,140,668) |
| Total income | <u>3,663,569</u> | <u>63,104</u> | <u>(2,691,484)</u> | <u>1,035,190</u> |
| Net insurance claims | (3,317,435) | (9,592) | 0 | (3,327,027) |
| Other operating expenses | (687,850) | (29,324) | (159,592) | (876,765) |
| Total expenses | <u>(4,005,285)</u> | <u>(38,916)</u> | <u>(159,592)</u> | <u>(4,203,792)</u> |
| Result of operating activities | (341,716) | 24,188 | (2,851,076) | (3,168,602) |
| Financial expenses | | | (359,799) | (359,799) |
| Impairments losses on loans | | | (202,859) | (202,859) |
| Profit share from associated companies | | | 4,177 | 4,177 |
| Loss before income tax | | | <u>(3,409,557)</u> | <u>(3,727,084)</u> |
| Income tax | | | | 455,689 |
| Loss for the period | | | | <u>(3,271,395)</u> |
| Attributable to: | | | | |
| Equity holders of the Company | | | | (3,287,718) |
| Minority interest | | | | 16,323 |
| | | | | <u>(3,271,395)</u> |
| Segments 1.1. - 31.3. 2007 | | | | |
| Net insurance premium revenue | 2,345,364 | 32,440 | 0 | 2,377,804 |
| Investment income | 433,048 | 1,640 | 1,463,733 | 1,898,421 |
| Total income | <u>2,778,412</u> | <u>34,080</u> | <u>1,463,733</u> | <u>4,276,225</u> |
| Claims incurred | (2,358,454) | (3,309) | 0 | (2,361,763) |
| Other operating expenses | (428,623) | (26,823) | (85,429) | (540,875) |
| Total expenses | <u>(2,787,077)</u> | <u>(30,132)</u> | <u>(85,429)</u> | <u>(2,902,638)</u> |
| Result of operating activities | (8,665) | 3,948 | 1,378,304 | 1,373,587 |
| Financial expenses | | | (324,197) | (324,197) |
| Impairments losses on loans | | | (4,587) | (4,587) |
| Profit share from associated companies | | | 3,922 | 3,922 |
| Profit (loss) before income tax | | | <u>1,053,442</u> | <u>1,048,725</u> |
| Income tax | | | | (162,421) |
| Profit for the period | | | | <u>886,304</u> |
| Attributable to: | | | | |
| Equity holders of the Company | | | | 882,524 |
| Minority interest | | | | 3,780 |
| | | | | <u>886,304</u> |

Notes, contd.:

| 3. Geographical segment breakdown of revenues for the period: | Iceland | Norway |
|--|----------------|----------------|
| Premiums | 2,131,885 | 1,043,973 |
| Investment income | (1,625,112) | (515,556) |
| Net income | <u>506,773</u> | <u>528,417</u> |

4. The Group

Companies in the Group at March 31st 2008 are specified as follows:

| | Share |
|--|-------|
| Nemi Forsikring ASA, Norway | 100% |
| Líftryggingamiðstöðin hf., Iceland | 51% |
| Trygging hf., Iceland | 100% |
| TM fé ehf., Iceland | 100% |
| Fjárvíar hf., Iceland | 66% |

5. Investment in associated companies

Investments in associated companies are specified as follows:

| | Share | Book value |
|--------------------------------|--------|----------------|
| Íslensk endurtrygging hf. | 38,32% | <u>161,738</u> |

6. Financial assets

Investment designated at fair value at March 31st. are specified as follows:

| | Book value |
|--------------------------------|-------------------|
| Shares | 3,415,958 |
| Mutual-fund certificate | 1,883,648 |
| Equity securities abroad | 5,068,376 |
| Debt securities abroad | <u>2,496,703</u> |
| | <u>12,864,685</u> |

7. Reserves

| | 31.3.2008 | 31.12.2007 |
|----------------------|------------------|------------------|
| Legal reserves | 270,710 | 270,710 |
| Share premium | <u>6,556,425</u> | <u>6,556,425</u> |
| | <u>6,827,135</u> | <u>6,827,135</u> |

Notes, contd.:**8. Insurance liabilities and reinsurance assets**

| | 31.3.2008 | 31.12.2007 |
|--|-------------------|-------------------|
| Insurance liabilities: | | |
| Provision for unearned premiums | 12,043,229 | 6,147,042 |
| Claims provisions | 28,104,431 | 23,479,296 |
| | <u>40,147,660</u> | <u>29,626,338</u> |
| Reinsurance assets: | | |
| Reinsurers share of insurance liabilities: | | |
| Provision for unearned premiums | 4,374,578 | 2,635,283 |
| Claims provisions | 14,502,090 | 11,015,832 |
| Reinsurance receivables and retention money..... | 948,881 | 285,437 |
| | <u>19,825,549</u> | <u>13,936,552</u> |
| Net liability due to insurance contracts | | |
| Provision for unearned premiums | 7,668,651 | 3,511,759 |
| Claims provisions | 13,602,341 | 12,463,464 |
| Reinsurance receivables and retention money..... | (948,881) | (285,437) |
| | <u>20,322,111</u> | <u>15,689,786</u> |

9. Borrowings

| Borrowings are specified as follows: | 31.3.2008 |
|--------------------------------------|------------------|
| Subordinated bonds..... | 3,365,792 |
| Loans from credit institutions..... | 260,366 |
| | <u>3,626,158</u> |

10. Net insurance premium revenue

| | 2008 1.1.-31.3 | 2007 1.1.-31.3 |
|--|-------------------|-------------------|
| Premiums, earned..... | 9,843,457 | 8,674,842 |
| Change in the gross provision for unearned premiums | (4,323,716) | (4,352,223) |
| Insurance premiums written | <u>5,519,741</u> | <u>4,322,619</u> |
| Reinsurer's share of premium written | (3,604,060) | (3,850,270) |
| Changes in reinsurers share in provision for unearned premium..... | 1,260,177 | 1,905,455 |
| Changes in insurance premiums ceded to reinsurers..... | (2,343,883) | (1,944,815) |
| Net insurance premium revenue..... | <u>3,175,858</u> | <u>2,377,804</u> |

Notes, contd.:

11. Net insurance claims expenses

| | 2008 1.1.-31.3 | 2007 1.1.-31.3 |
|---|---------------------|---------------------|
| Claims paid | 5,050,103 | 3,271,976 |
| Change in the provision for claims | 98,903 | 345,625 |
| Insurance claims..... | <u>5,149,006</u> | <u>3,617,601</u> |
| Reinsurers share in claims..... | (2,001,935) | (1,107,496) |
| Changes in reinsurers share in claims provisions..... | 179,956 | (148,342) |
| Insurance claims recovered from reinsurers..... | <u>(1,821,979)</u> | <u>(1,255,838)</u> |
| Net insurance claims..... | <u>3,327,027</u> | <u>2,361,763</u> |

12. 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.

| | | |
|---|----------------|-------------|
| (Loss) profit attributable to the Company's equity holders..... | (3,287,718) | 882,524 |
| Weighted average number of ordinary shares in issue..... | 1,081,639 | 1,081,639 |
| Earnings per share..... | <u>(3.04)</u> | <u>0.82</u> |

13. Quarterly overview

| | Q1 2008 | Q4 2007 | Q3 2007 | Q2 2007 | Q1 2007 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| Net insurance premium revenue | 3,175,858 | 2,769,418 | 2,741,552 | 2,653,829 | 2,377,804 |
| Investment income | (2,140,669) | (432,199) | 254,741 | 2,175,946 | 1,898,421 |
| Total income | <u>1,035,189</u> | <u>2,337,219</u> | <u>2,996,293</u> | <u>4,829,775</u> | <u>4,276,225</u> |
| Net insurance claims | (3,327,027) | (2,598,484) | (2,408,224) | (2,176,231) | (2,361,763) |
| Other operating expenses | (876,765) | (856,120) | (789,352) | (773,953) | (540,875) |
| Total expenses | <u>(4,203,792)</u> | <u>(3,454,604)</u> | <u>(3,197,576)</u> | <u>(2,950,184)</u> | <u>(2,902,638)</u> |
| Result of operating activities | <u>(3,168,603)</u> | <u>(1,117,385)</u> | <u>(201,283)</u> | <u>1,879,591</u> | <u>1,373,587</u> |
| Financial expenses | (359,799) | (428,039) | (428,506) | (272,358) | (324,197) |
| Impairments losses on loans | (202,859) | 14,130 | (24,709) | (3,375) | (4,587) |
| Profit share from associated companies | 4,177 | 10,346 | 4,748 | 5,892 | 3,922 |
| (Loss) profit before income tax | <u>(3,727,084)</u> | <u>(1,520,948)</u> | <u>(649,750)</u> | <u>1,609,750</u> | <u>1,048,725</u> |
| Income tax | 455,689 | 4,023,701 | 94,335 | (68,135) | (162,421) |
| (Loss) profit for the period | <u>(3,271,395)</u> | <u>2,502,753</u> | <u>(555,415)</u> | <u>1,541,615</u> | <u>886,304</u> |