AAS GJENSIDIGE BALTIC

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2009

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2009

CONTENTS	**Page**

REPORT OF THE COUNCIL AND THE MANAGEMENT BOARD

In 2009, AAS Gjensidige Baltic (the Company) continued to strengthen its position on the Baltic insurance market positioning itself as a significant and stable player on the non-life insurance market in the Baltics. The Company provides non-life insurance services to individuals and legal entities. Private sector products are focussed on residents with medium and high income while legal entities embrace small and medium sized companies. The Company defined its values to be the client and securing the client's valuables against various types of risks, and the results for the reporting year prove that this strategy is in line with the existing market situation.

Over the past years the Baltic insurance market increased considerably, however, in 2009, due to international and regional economic decline tendencies, the Baltic non-life insurance market experienced a rapid decline of 25% in comparison to the previous year. In 2009, the greatest decline in gross written premiums in the overall Baltic non-life insurance market was experienced in Latvia and Lithuania, which amounted to 30% in each country, followed by a 12% decline in gross premiums in the Estonian market compared to the previous year.

The Company's gross written premiums in 2009 amounted to LVL 45,4 million, the level of the previous year, which is a significant indicator of stability and reliability of the Company, especially taking into account the rapid decline of the Baltic non-life insurance market. Such results were achieved due to the Company's sales channels: direct sales, agent networks and brokers. Among the measures that facilitated the achievement of the results for the reporting year one can name consistent development of the key product lines, improvement and development of the information system software, changes in the reinsurance program, improvement of risk assessment in the insurance of large commercial objects. 60% of the total gross written premiums were written in Latvia, 27% - in Lithuania, 13% - in Estonia.

AAS Gjensidige Baltic has achieved its objective for 2009 – to be a stable number 3 company in the Latvian non-life insurance sector and continue to increase its market share. The Company and its subsidiary successfully completed their activities in 2009 and gained 8.7% (based on consolidated amount) of the Baltic non-life insurance market, which is a 1% increase in the market share compared to 7.7% at the end of 2008. Due to successful operations, activities and efficient internal control, the Company has fulfilled its goal to achieve the combined ratio of not more than 97%.

During 2009, the Company had a number of significant activities in line with its plans to create a strong development platform for operations in the Baltic market. On 1 April 2009, the Company completed a cross border merger and merged the Company's Lithuanian subsidiary „RESO Europa" with Gjensidige Baltic AAS.

The Company's intentions in the Baltic market are illustrated by the acquisition of 100% shares Länsförsäkringar International, an insurance company registered in Sweden with branch offices operating in Latvia and Lithuania under the title Nordicia Apdrošināšana. The acquisition of Nordicia Apdrošināšana (as of 15 December 2009 GF Forsakringsaktiebolag) business portfolio allows the Company to strengthen its positions in the insurance market.

Compared to 2008, the most significant changes in the Company's lines of business in 2009 have occurred in property insurance and motor third party liability obligatory insurance in Latvia, Lithuania and Estonia in general.

The Company's growth was significantly fostered by the choice of proper strategy and successful advertisement campaigns. As a result of the above, in 2009 the Company's gross written premiums increased in the property insurance line amounting to LVL 5,5 million representing a growth of 12% compared to the previous year. The amount of premiums written in the compulsory motor third party liability insurance in Latvia, Lithuania and Estonia increased by 10% and amounted to LVL 21,6 million, while the amount of motor own damage insurance decreased by 33% and amounted to LVL 10,9 million. During 2009, the Company paid claims to its customers amounting to LVL 30,5 million which is a 23% increase over the last year. The Company's share in claims paid (net claims paid) amounted to LVL 30,3 million.

The result for 2009 is a profit of LVL 3,7 million, one of the highest in the industry in Latvia. The consolidated profit after tax was LVL 4,8 million.

In order to decrease the share of insurer's liability, strengthen the protection of policy holders' interest, and based on legal requirements, the Company has paid significant attention to reinsurance and coinsurance. During the reporting year, the Company continued with the development of its reinsurance programs. Based on contracts, the Company cooperated with the leading insurers in area of reinsurance and coinsurance. The reinsurance program with the parent company Gjensidige Forsikring has increased the Company's risk underwriting capacity which results in a better competing position.

During 2009, the Company continued cooperation with IPAS Parex Asset Management on the management of share capital and special (technical) reserves and extended the range of business partners involving DnB Nord Bank in Latvia and Lithuania, and the Regional Investment Bank. The Company has created an investment portfolio which includes bank deposits, fixed income securities of different countries and corporations and investment certificates of investment funds. Investment net income in 2009 represented LVL 3,42 million.

During the reporting year, the Company's specialists continued marketing of insurance products in their markets of operation, through advertisement in mass media and catalogues, and by participating in other public activities. The Company's specialists have performed regular analysis of the Baltic insurance market which enabled them to perform current and prospective planning and formulate the Company's and development strategy and tactics.

Cooperation partners

As a result of the Company's activities during 2009, cooperation with insurance brokers and commercial banks was improved this greatly contributed to the Company's overall results. The Company cooperated with all largest brokers acting on the Baltic market. Car service and dealership network can be mentioned as the second largest co-operation partners group with whom client service co-operation in motor insurance is created receiving claims applications in the service.

The key cooperation partners in the Latvian market are Statoil and Viada filling station networks.

Strategy

In 2009 the Company acquired 100% of insurance company Lansforsakringar International Forsakringsaktiebolag (as of 15 December 2009 GF Forsakringsaktiebolag) registered in Sweden and in the next year it is planned to merge the subsidiary with the Company. In order to ensure common branch management and operations, the Company is implementing common information system solutions that will provide efficient exchange of information. The Company will also develop the product portfolio in line with its priorities, improve the efficiency of sales channels and introduce new customer service programs.

The Baltic insurance market is forecasted to normalize during 2010 and recover from the global crisis in subsequent years. In 2010 it is planned to maintain the sales level of the previous year in each of the Baltic States and in order to achieve this objective the Company should establish mutually loyal relationships with its staff, clients and the public. At the same time, the key priority is to maintain the combined ratio at 97%.

The achievement of budget goals for 2010 will be focussed on the basic product lines, efficiency of sales channels and development of customer loyalty programs. Further improvements are planned in the claims settlement process in order to make this process available to customers and transparent, increase the claims reporting opportunities and the efficiency of claims administration.

Risk Management

Based on the Risk Management Policy and the parent company best practice in risk assessment, a periodic comprehensive risk identification and assessment procedure was carried out in 2009 through involvement of all levels of managers in Latvia, Lithuania and Estonia, which provided information for further activities and improvement planning and identification. The Company's risk management policy foresees that risk assessment should result in the identification of risk groups, activities for risk mitigation, responsibilities for management of certain risks, the likelihood of risk occurrence and their impact on the Company's financial results such as total assets and written premiums.

The strategy proposed by the Company and approved by the shareholders during the time of its operation and the reporting has promoted successful development of the Company by assessing the insurance market, opportunities, specifics and restrictions of legislation and competition and related risks, and management believe that capital adequacy, solvency and liquidity of the Company is sufficient.

Personnel

In view of the growing insurance market, the Company has learned to appreciate the importance of personnel in the achievement of goals. Therefore, the Company has commenced development of a personnel motivation policy, talents are developed purposefully and career opportunities for more successful staff are promoted. The Company pays significant attention to recruiting in order to achieve the goal of the Company having motivated, professional, loyal and positively minded employees.

Another priority for the Company is increasing the personnel competency. During the reporting period, the Company organized appropriate staff training which helped achieve the operational results reflected in this annual report. The Company's operations throughout the Baltic region have significantly facilitated the exchange of experience and improvement of staff competencies. Information on the number of staff is provided in Note 46.

The Board and Council propose to the shareholders to pay out at least 50% of the net profit of the year 2009 as dividends to Shareholder.

No significant subsequent events have occurred that would materially impact the financial statement presentation.

On behalf of AAS Gjensidige Baltic management we would like to express our gratitude to our clients, shareholders, partners and staff for their contribution to achieving our common goals in 2009. The Company will continue to set realistic and challenging goals for meeting the interests of all stakeholders.

Dace Brumziede	Petter Bøhler
Chairman of the Board	Chairman of the Council

Riga, 15 April, 2010

STATEMENT OF THE MANAGEMENT'S RESPONSIBILITIES

The Board and Council of AAS Gjensidige Baltic confirm that the Company's financial statements and consolidated financial statements for 2009 have been prepared in accordance with the requirements of the legislation applicable in the Republic of Latvia which state that financial statements and consolidated financial statements have to be prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU based on appropriate accounting methods consistently applied and that the financial statements and consolidated financial statements give a true and fair view of the Company's financial position as at 31 December 2009, and its operational results and cash flows for the year ended 31 December 2009 in accordance with IFRS as adopted by the European Union.

Management is responsible for maintaining appropriate accounting records in line with the requirements of normative acts, for safeguarding the Company's assets, and the prevention and detection of fraud and other irregularities.

Decisions made and assumptions taken by the management with respect to the preparation of financial statements and consolidated financial statements have been prudent and reasonable.

Dace Brumziede	Petter Bøhler
Chairman of the Board	Chairman of the Council

Riga, 15 April, 2010

INFORMATION ON THE COMPANY

Name of the Company	Gjensidige Baltic AAS
Legal status	Joint Stock Company
Registration number and date	5000 321 0451, 15 August 1994, re-registered with the Commercial Register on 29 December 2004, re-registered on 28 December 2007
Address and contact details	Brīvības iela 39, LV-1010 Riga Phone 371 6711 2222, Fax 371 6710 6444 E-mail: info@gjensidige.lv www.gjensidige.lv
Board members and their positions	Dace Brumziede, Chairman of the Board Aleksandrs Rjabovs, Head of Legal and Claims Department Ināra Meija, Head of Sales Department
Council members and their positions	Petter Bøhler, Chairman Ieva Trizna, Council Member Katrīne Judovica, Council Member Arūnas Šikšta, Council Member (till 18 December 2009)
Reporting year	01.01.2009-31.12.2009.
Information on shareholders	Gjensidige Forsikring (100%) Reg No. 938741700 Address: Drammensveien 288, 1326 Lysaker, Norway
Information on subsidiary and branches	GF Försäkringsaktiebolag (until 15 December 2009 named Länsförsäkringar International Försäkringsaktiebolag) (100%) Reg. No 516406-0609 Address: Box 3031, 10361 Stockholm, Sweden RESO Europa ADB (100%) Reg. No 110073720 Address: A.Goštauto g.40 A, LT – 01112, Vilnius Lithuanian branch of Gjensidige Baltic Address: T. Ševčenkos g. 21/ Vytenio g. 12 LT-03111 Vilnius Estonian branch of Gjensidige Baltic Address: Sõpruse pst 145, 13417 Tallinn
Auditors	SIA KPMG Baltics Vesetas street 7 Riga, LV-1013 License No 55

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009	Note	Parent company financial statements 2009 LVL'000	Parent company financial statements 2008 LVL'000	Consolidated financial statements 2009 LVL'000	Consolidated financial statements 2008 LVL'000
Earned premiums	6	**49,405**	**41,440**	**53,242**	**50,445**
Gross written premiums	5	45,361	45,488	47,650	55,843
Reinsurer's share in written premiums	5	(1,418)	(1,496)	(1,553)	(1,884)
Changes in gross unearned premium and unexpired risk technical reserves	7	5,508	(2,559)	7,295	(2,754)
Change in the unearned premium and unexpired risk technical reserves, reinsurer's share	7	(46)	7	(150)	(760)
Other technical income, net	8	**150**	**355**	**160**	**420**
Claims incurred, net	11	**(30,213)**	**(27,138)**	**(32,872)**	**(31,452)**
Claims paid, net		**(30,259)**	**(24,000)**	**(32,083)**	**(27,059)**
Gross claims	9	(30,458)	(24,691)	(32,378)	(28,057)
Claims paid		*(30,513)*	*(24,817)*	*(32,360)*	*(28,137)*
Loss adjustment expenses		*(1,619)*	*(1,141)*	*(1,739)*	*(1,340)*
Recovered losses		*1,674*	*1,267*	*1,721*	*1,420*
Reinsurer's share in claims paid	9	199	691	295	998
Change in claim technical reserves	10	596	(3,831)	(153)	(5,137)
Change in claim technical reserves, reinsurer's share	10	(550)	693	(636)	744
Premium refunds	12	**(194)**	**(275)**	**(194)**	**(275)**
Net operating expenses		**(13,851)**	**(11,833)**	**(15,211)**	**(14,894)**
Client acquisition costs	13	(8,207)	(7,907)	(8,857)	(10,548)
Change in deferred client acquisition costs	14	(885)	111	(1,198)	322
Administrative expenses	15	(4,917)	(4,184)	(5,332)	(5,057)
Reinsurance commission income and profit share		158	147	176	389
Other technical expenses, net	16	**(1,689)**	**(325)**	**(1,720)**	**(759)**
Investment management expenses and commission fee payments	17	(38)	(51)	(41)	(60)
Net interest income	18	3,372	1,710	3,568	2,127
Net gain/ losses from financial assets classified at fair value through profit and loss	19	89	(504)	(183)	(1,577)
Foreign exchange revaluation loss		(74)	(46)	(140)	(297)
Depreciation		(342)	(239)	(393)	(338)
Other income	20	9	94	1,561	94
Other expenses	21	(2,075)	(176)	(2,167)	(246)
Profit before corporate income tax		**4,549**	**3,012**	**5,610**	**3,188**
Corporate income tax	22	(843)	(460)	(862)	(356)
Profit of the reporting year		**3,706**	**2,552**	**4,748**	**2,832**

(continued)

STATEMENT OF COMPREHENSIVE INCOME (continued)

For the year ended 31 December 2009	Note	Parent company financial statements		Consolidated financial statements	
		2009	**2008**	**2009**	**2008**
		LVL'000	**LVL'000**	**LVL'000**	**LVL'000**
Profit for the year		**3,706**	**2,552**	**4,748**	**2,832**
Other comprehensive income					
Revaluation reserve for land and buildings for own use		-	(6)	-	(6)
Effect on reorganization (note 45)		162	-	-	-
Foreign currency translation differences (note 26)		-	-	3	-
Other comprehensive income for the year		**162**	**(6)**	**3**	**(6)**
Total comprehensive income for the year		**3,868**	**2,546**	**4,751**	**2,826**

The accompanying notes on pages 15 to 79 form an integral part of these financial statements and consolidated financial statements. The Council and the Board of the Company approves for issue to the shareholders these financial statements on 15 April 2010, and the financial statements are signed on behalf of the Council and Board of the Company by:

Petter Bøhler Chairman of the Council	Dace Brumziede Chairman of the Board	Agita Nitiša Chief Accountant

Riga, 15 April, 2010

STATEMENT OF FINANCIAL POSITION

ASSETS

	Note	Parent company financial statements 2009 LVL'000	Parent company financial statements 2008 LVL'000	Consolidated financial statements 2009 LVL'000	Consolidated financial statements 2008 LVL'000
Property, plant and equipment	23	**419**	**447**	**435**	**550**
Land and buildings	24	**294**	**37**	**294**	**319**
Intangible assets	25	**6,570**	**23**	**6,570**	**8,380**
Investment in subsidiary	26	**1,372**	**12,729**	**-**	**-**
Financial assets designated at fair value through profit and loss					
Investment certificates of investment funds	27	187	758	187	907
Debt securities and other fixed income securities	28	1,553	2,386	1,553	4,435
Held-to-maturity investments					
Debt securities and other fixed income securities	29	25,951	11,921	27,329	19,450
Term deposits with credit institutions	30	19,707	16,436	22,980	20,526
Total investments		**48,770**	**44,230**	**52,049**	**45,318**
Loans	31	59	2	59	80
Direct insurance receivables					
Policy holders	32	5,112	5,380	5,924	8,249
Intermediaries		683	951	683	1,094
Reinsurance receivables	33	145	48	145	294
Other receivables	34	42	119	79	122
Total loans and receivables		**6,041**	**6,500**	**6,890**	**9,839**
Deferred client acquisition costs	14	2,328	2,437	2,548	3,458
Other prepaid expenses and accrued income	35	28	68	35	263
Total accrued income and deferred expenses		**2,356**	**2,505**	**2,583**	**3,721**
Deferred tax asset	38	**295**	**69**	**295**	**318**
Reinsurer's share in unearned premium and unexpired risk technical reserves	7	483	480	483	633
Technical reserves for outstanding claims	10	1,400	1,549	1,400	2,036
Total reinsurance contracts		**1,883**	**2,029**	**1,883**	**2,669**
Cash and cash equivalents	36	**3,767**	**2,433**	**3,982**	**2,720**
TOTAL ASSETS		**70,395**	**58,273**	**74,981**	**73,834**

The accompanying notes on pages 15 to 79 form an integral part of these financial statements and consolidated financial statements. The Council and the Board of the Company approves for issue to the shareholders these financial statements on 15 April 2010, and the financial statements are signed on behalf of the Council and Board of the Company by:

Petter Bøhler	Dace Brumziede	Agita Nitiša
Chairman of the Council	Chairman of the Board	Chief Accountant

Riga, 15 April, 2010

STATEMENT OF FINANCIAL POSITION

LIABILITIES

	Note	Parent company financial statements		Consolidated financial statements	
		2009 LVL'000	2008 LVL'000	2009 LVL'000	2008 LVL'000
Equity					
Share capital		22,500	17,500	22,500	17,500
Revaluation reserve		43	43	43	43
Reserve capital and other reserves		591	591	591	591
Foreign currency translation reserve		-	-	3	-
Retained earnings carried forward from previous years		520	2,806	638	2,806
Profit of the reporting period		3,706	2,552	4,748	2,832
Total equity	37	**27,360**	**23,492**	**28,523**	**23,772**
Liabilities					
Insurance liabilities					
Unearned premium and unexpired risk technical reserves	7	19,801	19,508	21,778	26,565
Technical reserves for outstanding claims	10	17,368	11,436	18,538	17,201
Total insurance liabilities		**37,169**	**30,944**	**40,316**	**43,766**
Creditors					
Direct insurance liabilities					
Policy holders		1,821	839	1,821	1,626
Intermediaries		208	259	324	360
Reinsurance liabilities	40	514	663	514	1,239
Taxes and social contributions	41	452	182	452	340
Other creditors	42	1,262	866	1,360	1,014
Total creditors		**4,257**	**2,809**	**4,471**	**4,579**
Provisions	39	**542**	**177**	**542**	**341**
Accrued expenses and deferred income	43	**1,067**	**851**	**1,129**	**1,376**
Total liabilities		**43,035**	**34,781**	**46,458**	**50,062**
TOTAL LIABILITIES		**70,395**	**58,273**	**74,981**	**73,834**

The accompanying notes on pages 15 to 79 form an integral part of these financial statements and consolidated financial statements. The Council and the Board of the Company approves for issue to the shareholders these financial statements on 15 April 2010, and the financial statements are signed on behalf of the Council and Board of the Company by:

Petter Bøhler	Dace Brumziede	Agita Nitiša
Chairman of the Council	Chairman of the Board	Chief Accountant

Riga, 15 April, 2010

STATEMENT OF CHANGES IN EQUITY

Parent company financial statements

	Notes	Share capital LVL'000	Revaluation reserve for land and buildings LVL'000	Reserve capital and other reserves LVL'000	Retained earnings LVL'000	Profit for the year LVL'000	Total LVL'000
Balance as at 31 December 2007		**5,000**	**49**	**591**	**1,163**	**1,643**	**8,446**
Increase in share capital	37	12,500	-	-	-	-	**12,500**
Transfer of 2007 profit to retained earnings		-	-	-	1,643	(1,643)	**-**
Other comprehensive income for the year		-	(6)	-	-	-	**(6)**
Profit for the year		-	-	-	-	2,552	**2,552**
Balance as at 31 December 2008		**17,500**	**43**	**591**	**2,806**	**2,552**	**23,492**
Increase in share capital		5,000	-	-	-	-	**5,000**
Transfer of 2008 profit to retained earnings		-	-	-	2,552	(2,552)	**-**
Dividends to equity holders		-	-	-	(5,000)	-	**(5,000)**
Other comprehensive income for the year		-	-	-	162	-	**162**
Profit for the year		-	-	-	-	3 706	**3,706**
Balance as at 31 December 2009		**22,500**	**43**	**591**	**520**	**3,706**	**27,360**

Consolidated financial statements

	Notes	Share capital LVL'000	Revaluation reserve for land and buildings LVL'000	Reserve capital and other reserves LVL'000	Foreign currency translation reserve LVL'000	Retained earnings LVL'000	Profit for the year LVL'000	Total LVL'000
Balance as at 31 December 2007		**5,000**	**49**	**591**	**-**	**1,163**	**1,643**	**8,446**
Increase in share capital	37	12,500	-	-	-	-	-	**12,500**
Transfer of 2007 profit to retained earnings		-	-	-	-	1,643	(1,643)	**-**
Other comprehensive income for the year		-	(6)	-	-	-	-	**(6)**
Profit for the year		-	-	-	-	-	2,832	**2,832**
Balance as at 31 December 2008		**17,500**	**43**	**591**	**-**	**2,806**	**2,832**	**23,772**
Increase in share capital		5,000	-	-	-	-	-	**5,000**
Transfer of 2008 profit to retained earnings		-	-	-	-	2,832	(2,832)	**-**
Dividends to equity holders		-				(5,000)		**(5,000)**
Other comprehensive income for the year		-	-	-	3	-	-	**3**
Profit for the year		-	-	-	-	-	4,748	**4,748**
Balance as at 31 December 2009		**22,500**	**43**	**591**	**3**	**638**	**4,748**	**28,523**

The accompanying notes on pages 15 to 79 form an integral part of these financial statements and consolidated financial statements. The Council and the Board of the Company approves for issue to the shareholders these financial statements on 15 April 2010, and the financial statements are signed on behalf of the Council and Board of the Company by:

Petter Bøhler Chairman of the Council	Dace Brumziede Chairman of the Board	Agita Nitiša Chief Accountant

Riga, 15 April, 2010

STATEMENT OF CASH FLOW

	Note	Parent company financial statements 2009 LVL'000	Parent company financial statements 2008 LVL'000	Consolidated financial statements 2009 LVL'000	Consolidated financial statements 2008 LVL'000
Cash flow from insurance activities					
Premiums received in direct insurance		49,251	45,878	49,327	54,513
Claims paid in direct insurance		(30,876)	(24,450)	(31,214)	(26,735)
Payments received from reinsurers		7	734	7	779
Payments made to reinsurers		(1,007)	(2,352)	(1,007)	(2,774)
Payments made in assumed reinsurance		-	(2)	-	(2)
Profits tax	41	(669)	(682)	(669)	(682)
Obligatory payments		(696)	(882)	(696)	(1,086)
Payments to employees		(2,971)	(2,362)	(3,126)	(3,764)
Payments to intermediaries		(5,079)	(5,464)	(5,128)	(5,914)
Other payment made		(4,047)	(2,673)	(4,074)	(3,162)
Other payments received		375	753	395	753
Net cash flow from insurance activities		**4,288**	**8,498**	**3,815**	**11,926**
Cash flow from investing activities					
Acquisition of investments:					
Investments in non-fixed income securities		-	(233)	-	(1,605)
Debt securities and other fixed income securities		(32,318)	(9,361)	(33,696)	(14,146)
Term deposits with credit institutions		(99,505)	(47,954)	(102,778)	(52,209)
Investment in subsidiary, net cash outflow	26	(1,369)	(12,412)	(1,369)	(12,412)
Total acquisition of investments:		**(133,192)**	**(69,960)**	**(137,843)**	**(80,372)**
Disposal of investments:					
Investments in non-fixed income securities		961	425	961	473
Debt securities and other fixed income securities		17,476	2,756	17,476	5,175
Term deposits with credit institutions		109,261	46,192	109,261	50,603
Other investments		-	-	-	2
Total disposal of investments:		**127,698**	**49,373**	**127,698**	**56,253**
Investment income:					
Debt securities and other fixed income securities		947	274	947	313
Term deposits with credit institutions		1,422	740	1,422	898
Total investment income:		**2,369**	**1,014**	**2,369**	**1,211**
Other payments made		(33)	(35)	(33)	(43)
Net cash flow from investing activities		**(3,158)**	**(19,608)**	**(7,809)**	**(22,951)**

(continued)

(continued)

	Note	Parent company financial statements		Consolidated financial statements	
		2009	**2008**	**2009**	**2008**
		LVL'000	**LVL'000**	**LVL'000**	**LVL'000**
Financing activities					
Payment into share capital	37	-	12,500	-	12,500
Net cash used in financing activities		**-**	**12,500**	**-**	**12,500**
Net decrease of cash and cash equivalents		**1,130**	**1,390**	**(3,994)**	**1,475**
Impact of currency exchange rate fluctuations on cash and cash equivalents		(85)	(27)	(85)	(112)
Cash acquired on transfer		289	-	5,341	287
Cash and cash equivalents at the beginning of the year		**2,433**	**1,070**	**2,720**	**1,070**
Cash and cash equivalents at the end of the year	36	**3,767**	**2,433**	**3,982**	**2,720**

The accompanying notes on pages 15 to 79 form an integral part of these financial statements and consolidated financial statements. The Council and the Board of the Company approves for issue to the shareholders these financial statements on 15 April 2010, and the financial statements are signed on behalf of the Council and Board of the Company by:

Petter Bøhler	Dace Brumziede	Agita Nitiša
Chairman of the Council	Chairman of the Board	Chief Accountant

Riga, 15 April, 2010

NOTES TO THE FINANCIAL STATEMENTS

(1) GENERAL INFORMATION

AAS Gjensidige Baltic ("the Company") was registered in Riga, Latvia, in 1994 as a closed Joint Stock Company. The Company was re-registered with the Commercial register on 29 December 2004 and on 28 December 2007.

The Company provides insurance and reinsurance services to legal entities and individuals. The headquarters of the Company is located in Riga, Brīvības iela 39, and insurance services are provided in branch offices and sales locations in Latvia, Lithuania and Estonia.

Information about the shareholders

Name: Gjensidige Forsikring
Address: Drammensveien 288, 1326 Lysaker, Norway
Shareholding: 100 %

Information about the branches of

Gjensidige Baltic Estonian branch, Sõpruse pst 145, 13417 Tallinn,Estonia

Gjensidige Baltic Lithuanian branch, T. Ševčenkos g.21/Vytenio g.12 LT-03111 Vilnius

The consolidated financial statements of the Company for the year ended 31 December 2009 comprise the Company and its subsidiary (together referred to as the "Group").

Information about the subsidiary

Name: GF Försäkringsaktiebolag (until 15 December 2009 named Länsförsäkringar International Försäkringsaktiebolag)
Reg. No 516406-0609*Address*: Box 3031, 10361 Stockholm, Sweden
Acquisition date: 17 November, 2009
Shareholding: 100 %

Name: RESO Europa ADB
Address: A.Goštauto g.40 A, LT – 01112, Vilnius
Acquisition date: 28 May, 2008
Shareholding: 100 %

This subsidiary was merged into Gjensidige Baltic AAS on 31 March 2009 (note 45).

The consolidated financial statements of the Company for the year ended 31 December 2008 comprise the Company and its subsidiary (together referred to as the "Group").

Information about the subsidiary

Name: RESO Europa ADB
Address: A.Goštauto g.40 A, LT – 01112, Vilnius
Acquisition date: 28 May, 2008
Shareholding: 100 %

The financial statements and consolidated financial statements were authorized for issue by the Board of Directors on 15 April, 2010. The financial statements and consolidated financial statements will be presented to the annual shareholder's meeting which has the power to request amendment of financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(2) BASIS OF PREPARATION

Statement of compliance

These financial statements and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, as required by the regulation *"On the preparation of annual reports and consolidated annual reports of insurance companies, branches of non-EU insurance companies, reinsurance companies, and branches of non-EU reinsurance companies"* issued by the Financial and Capital Market Commission.

Functional and Presentation Currency

The financial statements and consolidated financial statements are presented in thousands of lats (LVL 000's), unless otherwise stated, being the Company's functional currency.

Changes in accounting policies

New standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 January 2009, and which the Company and the Group has applied:

- IAS 1(revised), 'Presentation of financial statements'. The revised standard requires the presentation of items of income and expenses (that is 'non-owner changes in equity') separately owner changes in equity. All 'non-owner changes in equity' are shown in a statement of comprehensive income. Owner changes in equity are shown in equity. Management elected to present one combined statement of comprehensive income under this standard.
  Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.
- Amendments to IFRS 7 Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 January 2009) aim at requiring enhanced disclosures about fair value measurements and liquidity risk associated with financial instruments. These amendments have been adopted by the Company and the Group to the extent applicable to the Company's operations. Comparative information has been re-presented so that it also is in conformity with the revised standard.

  Other mandatory new standards for were not relevant to the company and the group

New standards and interpretations not yet adopted

A number of a new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2009, and have not been applied in preparing these stand alone and consolidated financial statements:

Revised *IFRS 3 Business Combinations* (effective for annual periods beginning on or after 1 July 2009) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. As the revised Standard should not be applied to business combinations prior to the date of adoption, the revised Standard is expected to have no impact on the financial statements of the Company and the Group with respect to business combinations that occur before the date of adoption of the revised Standard.

Amended *IAS 27 Consolidated and Separate Financial Statements* (effective for annual periods beginning on or after 1 July 2009) requires the term minority interest to be replaced by non-controlling interest, which is defined as "the equity in a subsidiary not attributable, directly or indirectly, to a parent". The revised Standard also amends the accounting for non-controlling interest, the loss of control of a subsidiary, and the allocation of profit or loss and other comprehensive income between the controlling and non-controlling interest. Management believes that revised IAS 27 will not be relevant to the Company's and the Group's financial statements.

Amendment to *IAS 39, Financial Instruments: Recognition and Measurement – Eligible Hedged Items* (effective for annual periods beginning on or after 1 July 2009): clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. In designating a hedging relationship the risks or portions must be separately identifiable and reliably measurable; however, inflation cannot be designated, except in limited circumstances. The amendments to IAS 39 are not relevant to the Company's and the Group's financial statements as the Company do not apply hedge accounting.

NOTES TO THE FINANCIAL STATEMENTS

IFRIC 12 Service Concession Agreements (effective for annual financial statements for periods beginning on or after 1 January 2008, as issued by IASB; but effective for periods on or after 1 April 2009, as adopted by EU) applies to service concession operators that are private sector entities operating under public-to-private service concession arrangements. This interpretation explains how to account for the obligations undertaken and rights received in service concession arrangements. As the Company does not operate under service concession agreements, this Interpretation does not have any impact on the Company's results of operations and financial position.

IFRIC 15 Agreements for the Construction of Real Estate (effective for annual periods beginning on or after 1 January 2009, as issued by IASB, but effective for annual periods beginning on or after 1 January 2010, as adopted by EU): IFRIC 15 clarifies that revenue arising from agreements for the construction of real estate is recognised by reference to the stage of completion of the contract activity in the following cases: the agreement meets the definition of a construction contract in accordance with IAS 11.3, the agreement is only for the rendering of services in accordance with IAS 18 (e.g., the entity is not required to supply construction materials); and the agreement is for the sale of goods but the revenue recognition criteria of IAS 18.14 are met continuously as construction progresses. In all other cases, revenue is recognised when all of the revenue recognition criteria of IAS 18.14 are satisfied (e.g., upon completion of construction or upon delivery). IFRIC 15 is not relevant to the Company's financial statements as the Company does not provide real estate construction services or develop real estate for sale.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008, as issued by IASB, but effective for annual periods beginning on or after 1 July 2009, as adopted by EU): the Interpretation explains the type of exposure that may be hedged, where in the group the hedged item may be held, whether the method of consolidation affects hedge effectiveness, the form the hedged instrument may take and which amounts are reclassified from equity to profit or loss on disposal of the foreign operation. IFRIC 16 is not expected to be applicable to the Company's financial statements.

IFRIC 17 Distributions of Non-cash Assets to Owners (effective prospectively for annual periods beginning on or after 1 July 2009, as issued by IASB, but effective prospectively for annual periods beginning on or after 1 November 2009, as adopted by EU): the Interpretation applies to non-reciprocal distributions of non-cash assets to owners acting in their capacity as owners. In accordance with the Interpretation a liability to pay a dividend shall be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity and shall be measured at the fair value of the assets to be distributed. The carrying amount of the dividend payable shall be remeasured at each reporting date, with any changes in the carrying amount recognised in equity as adjustments to the amount of the distribution. When the dividend payable is settled the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the dividend payable shall be recognised in the statement of comprehensive income. As the Interpretation is applicable only from the date of application, it will not impact on the financial statements for periods prior to the date of adoption of the interpretation. Further, since it relates to future dividends that will be at the discretion of the shareholders it is not possible to determine the effects of application in advance.

IFRIC 18 Transfers of Assets from Customers (effective prospectively for annual reports beginning on or after 1 July 2009, as issued by IASB, but effective prospectively for annual periods beginning on or after 1 November 2009, as adopted by EU): the Interpretation provides clarification and guidance on the accounting for transfers of items of property, plant and equipment from customers, or cash to acquire or construct an item of property, plant and equipment. As the Interpretation is applicable only from the date of application, it will not impact on the financial statements for periods prior to the date of adoption of the interpretation.

Amendment to *IAS 32 Financial instruments: Presentation – Classification of Rights Issues* (effective for annual periods beginning on or after 1 February 2010) clarifies how to account for certain rights when the issued instruments are denominated in a currency other than the functional currency of the issuer. If such instruments are issued pro rata to the issuer's existing shareholders for a fixed amount of cash, they should be classified as equity even if their exercise price is denominated in a currency other than the issuer's functional currency. The amendment is not relevant to the Company's financial statements as the Company has not issued such instruments at any time in the past.

Basis of measurement

The financial statements and consolidated financial statements have been prepared on the historical cost basis except the following items which are carried at fair value: financial assets carried at fair value through profit or loss, land and buildings are measured at fair value .Other financial assets and liabilities are carried at amortized cost using the effective interest rate method.

NOTES TO THE FINANCIAL STATEMENTS

Use of estimates and judgments

The preparation of financial statements and consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are reflected in the income statement in the period of reporting.

In particular, information about significant areas of estimation uncertainty and critical judgments made by management in applying accounting policies are described in the following notes:

- Insurance liabilities Note 4, Insurance risk management, paragraph (iv),
- Impairment of financial instruments – Note 19,
- Fair value of financial investments– Note 4,
- Impairment of Goodwill – Note 25,
- Building revaluation estimates - Note 24.

Consistent accounting principles have been applied to the financial years disclosed in these financial statements and consolidated financial statements, unless otherwise stated.

Reporting period

The reporting period is the 12 months from 1 January 2009 to 31 December 2009.

NOTES TO THE FINANCIAL STATEMENTS

(3) SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been applied in the preparation of the financial statements and consolidated financial statements. Consistent accounting principles have been applied to the financial years disclosed in these financial statements, except for those stated in Note 2.

Basis of consolidation

(i) Subsidiary

A subsidiary is an enterprise controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of a subsidiary are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

(ii) Transactions eliminated on consolidation

Intra-company balances and transactions, and any unrealised gains arising from intra-company transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

(iii) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary undertaking at the date of acquisition. Goodwill on acquisition of subsidiary is included in intangible assets.

Goodwill is allocated to cash-generating units and is stated at cost less impairment losses.

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Negative goodwill arising on an acquisition is recognised immediately in the statement of comprehensive income.

Foreign currency

Foreign exchange transactions including transactions in Lithuania and Estonia are translated to lats in accordance with the exchange rate set by the Bank of Latvia on the date of the respective transaction. Currency exchange rates in Lithuania and Estonia are fixed to Euro and consequently to LVL. Monetary assets and liabilities, including off-balance-sheet assets and liabilities denominated in foreign currencies are retranslated into lats in accordance with the exchange rate set by the Bank of Latvia on the last date of the reporting period. Non monetary assets and liabilities denominated in foreign currency that are measured at fair value or cost are translated at the exchange rate as at the date fair value or cost was determined.

Profit or loss relating to fluctuations in the exchange rate on assets and liabilities denominated in a foreign currency are recognized in the statement of comprehensive income in the period in which the fluctuation occurs. Foreign exchange rates for the key currencies at the end of the reporting period were the following (LVL vs 1 unit of foreign currency):

	31.12.2009	**31.12.2008**
EUR	0.702804	0.702804
EEK	0.044900	0.044900
LTL	0.204000	0.203000
USD	0.489000	0.495000

Classification of insurance contracts

(i) Recognition and measurement of insurance contracts

An insurance contract signed by the insurer is classified as an insurance contract only if it transfers a significant insurance risk from the policy holder to the insurer. All the Company's and the Group's insurance contracts are classified as

NOTES TO THE FINANCIAL STATEMENTS

insurance contracts.

When classifying insurance contracts for accounting purposes, the basis is the substance of transfer of insurance risk. For example:

- insurance of persons against personal accidents
- travel insurance
- insurance against property damage or thefts
- motor vehicle insurance
- general third party liability insurance

During the course of its business, the Company enters into reinsurance contracts to restrict the potential net loss through diversification of risks. Reinsurance contracts do not relieve the Company from its direct liabilities to policy holders.

A reinsurance contract is an insurance contract where the potential risk of financial loss is transferred to a reinsurer. During the course of business, the Company signs reinsurance contracts that transfer risk to reinsurers and accepts risk from other insurers.

Reinsurance contracts are concluded for a period of one year. The prevailing form of reinsurance contract is the obligatory non-proportional contract. Risks that exceed the limits of obligatory reinsurance contracts or fall outside the scope of reinsurance by their nature are reinsured facultatively.

(ii) Insurance premium and premium income

Written premiums include insurance premiums receivable by the Group and the Company under insurance contracts where the insurance year starts in the reporting year irrespective of when the payment is due. Written premiums are decreased by the amount of premiums cancelled during the reporting year.

If insurance premiums are expected to be paid in several instalments during the insurance year, written premiums include the premiums that related to the entire insurance year. If an insurance contract is signed for several insurance years, the premium of the respective year is reflected in each year. Except for certain cases, the Company’s and Group’s contracts are short term.

The earned portion of premiums received is recognised as revenue. Premiums are earned from the date of commencement of risk, over the insured period. Unearned premium is recognised in liabilities under technical reserves.

A reinsurers’ share in written premiums is calculated in accordance with reinsurance contracts in force Outward reinsurance premiums are recognised as an expense in accordance with the pattern of reinsurance service received and reinsurance expenses attributable for future periods are recognised as assets under reinsurance part of unearned premium reserve.

(iii) Insurance receivables and payables

Amounts due to and from policyholders, agents and reinsurers are financial instruments and are included in insurance receivables and payables, and not in insurance contract provisions or reinsurance assets.

Amounts that are overdue are reversed against premium income once the policy is cancelled. Allowances are recognized for overdue insurance receivables. Allowances are recognized for the outstanding amount depending on the number of days outstanding. Receivables are disclosed net of impairment allowance. The amount of allowance represents the difference between the gross and recoverable amount of receivables. Allowances for doubtful debts are recognized when the Company’s and the Group’s management believe that the recoverability of these assets is uncertain. Receivables are written off when their recoverability is considered impossible.

Reinsurance assets include recoveries due from reinsurance companies in respect of claims paid. These are classified as loans and receivables and are included within insurance and other receivables in the statement of financial position.

Amounts recoverable under reinsurance contracts are assessed for impairment at each reporting period end date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition,

NOTES TO THE FINANCIAL STATEMENTS

that the Company and the Group may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Company and the Group will receive from the reinsurer.

Reinsurance assets include balances due from reinsurance companies for ceded insurance liabilities. Premiums on reinsurance assumed are recognised as revenue and accounted as if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims technical reserve or settled claims associated with the reinsured policy. Reinsurance assets comprise the actual or estimated amounts, which, under contractual reinsurance arrangements, are recoverable from reinsurers in respect of technical reserves. Reinsurance assets relating to technical reserves are established based on the terms of reinsurance contracts and valued on the same basis as the related reinsured liabilities. The Company records an allowance for estimated irrecoverable reinsurance assets, if any.

Premium refunds

Premium refunds represent a proportion of premium that becomes contractually refundable to policy holders in the event that no claims are made under the respective insurance contract.

Claims incurred

Claims incurred from insurance activities are claims attributable to the reporting period and consist of claims paid in the financial year, corresponding claim handling expenses (loss adjustment expenses) and changes in the claim reserves. Claims paid are decreased by the amount of losses recoverable through cession salvage, or subrogation.

The claims amounts recoverable under reinsurance contracts are assessed on each reporting period end date. The value of those assets decrease if due to an event subsequent to initial recognition there is objective evidence that the Company and the Group will not be able to recover all amounts, and this event has a reasonable measurable impact on the amounts receivable by the Company from the reinsurer.

Technical reserves

The Company establishes technical reserves to reflect the estimate of liabilities arising from insurance contracts: unearned premium and unexpired risk reserve, outstanding claim technical reserve.

(i) Unearned premium and unexpired risk reserves

Unearned premium technical reserve (UPR) represents written insurance premiums that relate to the period of time from the reporting date until the expiry date of the insurance policy, and is maintained in order to cover future insurance claims and expenses arising on valid policies. Technical reserves are calculated for each insurance policy based on its period in force

Unexpired risk reserve (URR) is set aside for unexpired risks arising from general insurance contracts where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the reporting period end date exceeds the unearned premiums provision in relation to such policies after the deduction of any deferred acquisition costs.

The provision for unexpired risks is provided when it is expected that the unearned premium reserve will not be sufficient to cover all claims and expenses arising on agreements in force.

(ii) Outstanding claim technical reserves

Outstanding claims technical provision at the year end reflects the estimated amount of claims reported but not paid (RBNS) as at the reporting date and statistically the estimated amount of claims incurred but not reported date (IBNR) as at reporting date.

The *RBNS* provision is created to cover claims for insurance cases that have occurred and have been reported to the company by the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

The *IBNR* provision is calculated in respect of claims incurred but not reported as at the end of reporting period. The IBNR provision has been calculated using triangulation methodology. Due to the small number of incurred insurance claims, for some lines of insurance statistical methods could not be used and *IBNR* reserves were calculated using as a best estimate 5% from GWPR for last 12 months.

Statistical methods (Chain-Leather) were used for the larger lines of business such as compulsory motor third party liability insurance ("CMTPL"), CASCO, property and health insurance. Due to small number of incurred insurance claims, for some small lines of insurance (marine, aircraft, cargo, railway and other) statistical methods could not be used and IBNR reserves was calculated using a percentage method (5% of GWPR of the previous 12 months).

Outstanding claims technical reserves include direct loss adjustment expenses that will be necessary in order to manage claims incurred during the reporting and previous years. Outstanding claims technical reserves are reduced by the estimated income from salvage to be received in future reporting periods on the insurance claims incurred during the reporting and previous years that are unpaid.

The reinsurer's share in the technical reserves is disclosed under assets in the statement of financial position.

Financial Instruments

(i) Classification

At inception, all financial instruments are classified into one of the following categories:

Financial instruments designated at fair value through profit or loss are financial assets and liabilities initially classified by the Group as assets and liabilities designated at fair value through profit or loss and financial instruments held for trading. These include groups of financial assets designated at fair value through profit and loss which are managed and performance evaluated on a fair value basis, in accordance with the group's documented investment strategy. Held for trading financial instruments are those instruments that the Group holds only for generating profit from short term fluctuations in the value of financial instruments. Derivatives are also categorised as held for trading unless they are designated as hedging instruments for hedge accounting purposes.

Available for sale assets are financial assets classified at inception as available for sale or assets other than classified as held for trading, held to maturity or loans and receivables. Generally, this category is assigned by the Group to financial assets that are held for an indeterminate period of time and may be sold based on liquidity or interest rate needs, or as a result of changes in exchange rates and share prices.

Held-to-maturity financial instruments are non-derivative financial assets with fixed or determinable payments and a fixed term with respect to which the Company and the Group has a positive intent and ability to hold to maturity.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than held for trading. Loans and receivables include Loans, Term deposits with banks and debtors. Insurance receivables are classified in this category.

Financial liabilities carried at amortized cost represent financial liabilities of the Company and the Group other than financial instruments designated at fair value through profit or loss. This category includes creditors.

(ii) Recognition

Financial instruments are recognized when the Company becomes a party to the contractual rights of the instrument. All regular way purchase and sales of financial assets are recognized in the statement of financial position on the transaction date representing the date when the financial asset is delivered. In the period between the dates of transaction and settlement, the Company and the Group accounts for the changes in the fair value of the received or transferred asset based on the same principles used for any other acquired asset of the respective category.

All loans are recognized when cash is advanced to borrowers.

NOTES TO THE FINANCIAL STATEMENTS

(iii) Measurement

Financial instruments are initially measured at fair value and , except for financial assets at fair value through profit and loss account, include transaction costs.

Subsequent to initial measurement, all available-for-sale financial assets and financial assets and liabilities designated at fair value through profit or loss are measured at fair value except those instruments for which no reliable fair value measurement is possible. In this case, such instruments are carried at acquisition cost less transaction costs and impairment.

Fair value measurement principles

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction

The fair value of financial instruments that have a quoted market price in an active market is determined based on the bid prices on the reporting date or the last working date of the respective market. Where reference to an active market for a financial instrument is not possible, use is made of discounted cash flows models available in the respective market provided the use of such models ensures a reliable estimate of the fair value.

All financial assets and liabilities other than financial assets and liabilities at fair value through profit and loss, including loans and receivables, held-to-maturity assets and financial liabilities at amortised cost are measured at amortized cost using the effective interest rate method.

Profit or loss arising from changes in the fair value of available-for-sale financial instruments is recognized in other comprehensive income until the asset is derecognized when the gain or loss previously accrued is recognized in profit or loss. The interest calculated using the effective interest rate method and is recognized in the statement of comprehensive income. Impairment losses are recognised in the statement of comprehensive income.

Profit or loss arising from changes to the fair value of financial instruments designated at fair value through profit and loss is recognized in the statement of comprehensive income.

For financial assets and liabilities carried at amortised cost, a gain or loss is recognized in the consolidated statement of comprehensive income when the financial asset or liability is derecognized.

Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described above. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

NOTES TO THE FINANCIAL STATEMENTS

The table below analysis financial instruments carried at fair value, by valuation method:
Parent company

2009	**Published price quotations (1)**	**Total**
Financial assets		
Financial assets designated at fair value through profit and loss		
Investment certificates of investment funds	187	187
Debt securities and other fixed income securities	1,553	1,553
	1,740	**1,740**
2008		
Financial assets		
Financial assets designated at fair value through profit and loss		
Investment certificates of investment funds	758	758
Debt securities and other fixed income securities	2,386	2,386
	3,144	**3,144**

Group

2009	**Published price quotations (1)**	**Valuation techniques not based on market observable inputs (2)**	**Total**
Financial assets			
Financial assets designated at fair value through profit and loss			
Investment certificates of investment funds	187	-	187
Debt securities and other fixed income securities	1,553	-	1,553
	1,740	**-**	**1,740**
2008			
Financial assets			
Financial assets designated at fair value through profit and loss			
Investment certificates of investment funds	907	-	907
Debt securities and other fixed income securities	4,160	275	4,435
	5,067	**275**	**5,342**

(1) Included in this category are financial assets and liabilities that are measured by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. Main asset classes included in this category are financial assets for which the fair value is obtained via pricing vendors or binding broker quotes and assets for which the fair value is determined by reference to indices.

(2) Not based upon market observable input means that fair values are determined in whole or in part using a valuation technique (model) base on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. Main asset classes in this category are not quoted debt instruments.

(iv) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired or where the Company and the Group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when they are extinguished, that is, when the obligation is discharged, cancelled or expires.

NOTES TO THE FINANCIAL STATEMENTS

(v) Derivative financial instruments

Derivatives financial instruments are held for risk management purposes and include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the statement of financial position. The Company does not have derivative instruments at the date of reporting.

Derivatives may be embedded in another contractual arrangement (a "host contract"). The Company accounts for an embedded derivative separately from the host contract when the host contract is not itself carried at fair value through profit or loss, the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract, and the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

During 2009, the Company and the Group did not apply hedge accounting.

(vi) Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Investments in subsidiary

Investments in subsidiary are initially recognized at cost, less impairment, if any

Property, plant and equipment

(i) Owned assets

Property, plant and equipment include buildings, office equipment and vehicles. Items of property and equipment are stated at cost less accumulated depreciation and impairment losses, except for buildings which are stated at re-valued amounts as described below.

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

Costs of capital repairs and reconstruction of property, plant and equipment that prolong the useful life of the asset are added to the value of the respective asset and written off over the useful lifetime of the asset. When capitalizing the costs of installed spare parts, the book value of the spare parts is written off in the income statement.

Maintenance costs of property, plant and equipment are recognized in the statement of comprehensive income as incurred.

Land and buildings are classified as either investment properties or land and buildings used by the company for its operating activities (own use). Transfers to or from investment property are made when there is a change in use. When an item of property, plant and equipment is transferred to investment property following a change in its use, any increase arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognized in other comprehensive income as component of equity. Upon disposal of the item the gain is transferred to retained earnings. Any loss arising in this manner is recognized in the statement of comprehensive income immediately. If an investment property becomes owner-occupied, it is reclassified as land and buildings for own use and its fair value at the date of reclassification becomes its deemed cost for subsequent accounting.

All the Company's and the Group's land and buildings are classified as used for operating activities (own use).

In the event the book value of an asset is higher than its recoverable amount, the value of the respective asset is written down to its recoverable amount. The recoverable amount is the higher of its fair value less selling expenses or value in use.

Profit or loss from disposal of property, plant and equipment is calculated as the difference between the book value of the asset and the proceeds generated from the sale and is reflected to the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

(ii) Revaluation

Land and buildings of the Company and the Group are subject to revaluation on a regular basis. An external, independent valuation expert, having an appropriate recognised professional qualification and experience in the location values each property in order to reflect market conditions at the reporting period end date.

The fair values are based on observable market values, being the estimated amount at which a property could be exchanged on the date of valuation between a willing buyer and willing seller in an arm's length transaction after proper marketing.

If the fair value of land and buildings used for operating activities (own use) at the reporting period end date is significantly higher than their book value, they are re-measured at the higher value. The increase of value resulting from revaluation is recognized under "Revaluation reserve for land and buildings" in other comprehensive income as a component of equity. Revaluation reserve for land and buildings is decreased when the revalued asset is disposed, is not utilized, or increase of value is no longer reasonable.

(iii) Depreciation

Depreciation methods, useful lives and residual values are reviewed at each reporting date. Depreciation is calculated in accordance with the straight-line method to write down the asset over its useful life based on the following depreciation rates per annum:

Buildings for own use	2%
Computers and equipment	33%
Other office equipment	7 – 50%
Vehicles	33%

Intangible assets

Intangible assets include software, goodwill and intangible assets acquired in business combination.

Intangible assets, which are acquired by the Company and the Group, are stated at cost less accumulated amortisation and impairment losses.

Intangible assets acquired in business combination are stated at fair value. The fair value of software acquired in a business combination is determined using the replacement value method. The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method.

Amortisation is calculated in accordance with the straight-line method to write down the asset over its useful life based on the following amortisation rates per annum:

Software	20%
Intangible asset acquired in business combination (client relations)	10%
Intangible asset acquired in business combination (software)	33%

Impairment

(i) Financial assets

At each reporting period end date the Company and the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

The Company and the Group considers evidence of impairment for loans and advances and held-to-maturity investment securities at a specific asset level. All individually significant loans and advances and held-to-maturity investment securities are assessed for specific impairment.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest

NOTES TO THE FINANCIAL STATEMENTS

rate. Losses are recognised in statement of comprehensive income and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through income statement.

(ii) Non-financial assets

The carrying amounts of the Company's and the Group’s assets, other than deferred tax assets are reviewed at each reportiong period end date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. If any such indication exists then the asset’s recoverable amount is estimated. The recoverable amount of goodwill is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in statement of comprehensive income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Cash on hand and demand deposits with credit institutions

In the cash flow statement cash and cash equivalents comprise cash in hand, demand deposits, overnight deposits and term deposits with banks with a maturity term less than three months. In the cash flow statement, cash flows are presented using the direct method

Interest income

Interest income is included in the statement of comprehensive income for all cash generating financial instruments on an accrual basis using the effective interest rate. Interest income includes coupon payments earned on fixed-income securities, interest earned on investments in bank deposits and loans, current account balances and discount or premium amortization or other difference between the book value of an interest bearing instrument and its value on the maturity date calculated based on the effective interest rate method.

Client acquisition costs

Client acquisition costs include commissions paid to intermediaries and other expenses related to the acquisition of insurance policies. Client acquisition costs that cannot be allocated to a specific line of insurance are allocated in proportion to earned premiums. Intermediary commissions that form a part of client acquisition costs are allocated to each specific line of insurance.

Deferred client acquisition costs

Deferred client acquisition costs reflect the portion of commisions paid to intermediaries that are attributable to future reporting periods in accordance with the proportion of unearned premium technical reserves to gross written premiums for each insurance contract.

NOTES TO THE FINANCIAL STATEMENTS

Reinsurance commissions

Reinsurance commissions include commissions received or receivable from reinsurers based on reinsurance contracts. Non-life reinsurance commissions are deferred in a manner consistent with the deferral of acquisition costs in non-life insurance.

Unearned reinsurance commission

Unearned reinsurance commission includes calculated commissions from reinsurers in accordance with reinsurance contracts that are deferred and attributed to revenues in accordance with the insurance period of the respective policies.

Allocation of indirect income and expenses by insurance lines

10% from the Company's administrative expenses are equally allocated between lines of insurance portfolio split into groups used in reporting to the local supervisory institution. The residual amount of administrative expenses is allocated among insurance lines in proportion to earned premiums.

Income tax

Corporate income tax comprises of current and in deferred tax. Income tax is recognized in the statement of comprehensive income except to the extent that it relates to items recognized other comprehensive income, in which case the related income tax is also recognized in other comprehensive income.

Current income tax expense reflected includes the current tax expense on the taxable profit. In respect of Latvia, income tax at the rate of 15% is calculated in accordance with Latvian tax regulations and is based on the taxable profit reported for the taxation period. The financial result of the Estonian branch is included in the corporate income tax calculation in accordance with Latvian tax regulations on corporate income tax. The corporate income tax for the Lithuanian branch is calculated separately in accordance with Lithuanian tax regulations at a tax rate of 15%.

Taxable profit derived through the Lithuanian branch is taxed in Lithuania and is not taxed in Latvia.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. The principal temporary differences arise from the differing rates and methods used for accounting and tax depreciation on property, plant and equipment and accruals.

Deferred tax assets are only recognized to the extent that it is probable that the future taxable profit will be available against which the temporary differences can be utilized.

Leases

The Company and the Group is a lessee for the rent of premises. Lease payments and prepayments for lease are in included in the statement of comprehensive income on a straight-line basis over the period of lease.

Provisions

A provision is recognized if, as a result of past event, the Company and the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Employee benefits

Short term employee benefits, including salaries and social security contributions, bonuses and vacation benefits are included in net operating expenses on an accrual basis as services are provided. The Company and the Group pays fixed social security contributions to State Social Fund on behalf of its employees during the employment period in accordance with local legal requirements and will have no obligations to pay further contributions relating to employee services in respect to pensions.

Related parties

Related parties are defined as shareholders of the Company, members of the Board and Council, their close relatives and companies in which they have a significant influence or control.

NOTES TO THE FINANCIAL STATEMENTS

(4) RISKS AND RISK MANAGEMENT

The objective of risk management performed by the Company is to protect the interests of stakeholders, i.e. policy holders and shareholders of the Company, and management of risks. Risk management includes a set of measures the performance of which requires involvement of each staff member within the scope of his or her competency from an agent to a board member.

The Company's risk management includes:

- Capital risk management;
- Insurance risk identification and management;
- Financial risk identification and management;
- Operational risks identification and management

Capital risk management

The capital risk management is performed by the Company and by its branches in accordance with requirements of local legislation.

Capital risk management prepared by the Company

According to the requirements of the „Law on Insurance Companies and their Supervision" in Latvia, in order to ensure the stability of the insurer's financial activities, the insurance company should constantly have at its disposal own funds, which should be equal or larger than a determined solvency margin. The solvency margin is defined as the larger of amounts calculated based on written premiums or claims paid and the result cannot be smaller than the adjusted solvency margin of the prior year or the minimum amount of guarantee fund announced by the FCMC.

	31.12.2009 LVL'000	**31.12.2008 LVL'000**
Solvency margin based on claims	7,330	5,253
Solvency margin based on premiums written	9,142	7,797
Solvency margin at the end of the previous reporting period	7,797	5,932
Minimum guarantee fund (EUR)	3,200	3,200
EUR exchange rate set by the Bank of Latvia at the end of the reporting period	0,702804	0.702804
Minimum guarantee fund (LVL)	2,249	2,249
Solvency margin (The largest of amounts)	**9,142**	**7,797**

Equity and solvency compliance	**31.12.2009 LVL'000**	**31.12.2008 LVL'000**
Insurer's paid up share capital	22,500	17,500
Reserve capital and other reserves	591	591
Audited retained earnings/accumulated loss carried forward from prior years (+/-)	520	2,806
70% of property revaluation reserve	30	-
Intangible assets	(6,570)	(23)
Investments in capital and reserves and subordinated capital of credit institutions, financial institutions, reinsurance companies and reinsurers where the insurer directly or indirectly holds 20 or more per cent of equity, voting rights or shares	(1,372)	(12,729)
Total capital for capital adequacy (own funds)	**15,699**	**8,145**
Solvency margin	**9,142**	**7,797**
Capital adequacy	**6,557**	**348**

NOTES TO THE FINANCIAL STATEMENTS

The insurer's own funds are also directly related to the insurer's ability to accept risk which is characterised by the amount of own funds compared to the key insurer's balance sheet and profit and loss indices. Own funds versus written premiums and paid claims characterize the insurer's ability to manage various insurance risks, while its proportion to technical reserves characterizes the insurer's ability to sustain losses that may occur in the event of a mistake in the calculations of technical reserves.

	2009 LVL'000		**2008 LVL'000**	**Ability to accept risk**
Own funds	15,699	%	8,145	%
Claims incurred, net	30,213	52	27,138	30
Earned premiums, net	49,405	32	41,440	20
Total technical reserves, net	35,286	44	28,915	28
Total Investments	48,770	32	44,432	18

Capital risk management of the Company's subsidiary

According to the Swedish legislation, the solvency margin which is the excess of the insurer's assets over liabilities. The solvency margin should be at least as specified in the legislation and the guarantee fund should be at least on the level of the minimum guarantee fund specified by the Swedish Insurance Supervision Commission.

As at 31 December 2009, the minimum guarantee fund amounted to EUR 3.2 million. As the company has not operated for more than 2 years and the amount of written premiums is insignificant the required solvency margin is equal with the minimum guarantee fund.

As at 31 December 2009, the company's equity was LVL 2,550 thousand (SEK 37,607 thousand), and the currency equivalent of the minimum guarantee fund was LVL 2,249 thousand (SEK 33,129 thousand). The solvency margin was 1.13.

Insurance risks

The business of insurance represents the transfer of risk from the policy holder to the insurer and management of this risk.

The Company operates in Latvia, Lithuania, Estonia and Poland. The core business of the Company is acceptance and management of insurance risks. Insurance risks relate to the occurrence of an insured event of a large impact or a large number of the same risk events. Insurance risks result from accepting insured risks, selecting reinsurance cover and assessing the adequacy of obligations with respect to signed insurance contracts. In addition, the company is exposed to the risk of catastrophes or man-made accidents.

Calculation of the tariffs and prices on insurance product reflects current market conditions and covers the most probable assumptions necessary for the adjustment of future results, aiming to significantly mitigate financial risks.

Each corporate client policy requires separate approval of the underwriters or risk committee, depending on the magnitude of the acceptable risk in line with company internal policy.

Adherence to the underwriting authorities is monitored by management on an on-going basis. Those transactions requiring special authorization are subject to the special attention of the Company's Board of Directors.

(i) Basic product features

The terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of future cash flows arising from insurance contracts are set out below. In addition, the following gives an assessment of the Company's main products and the ways in which it manages the associated risks.

Property insurance

This insurance covers losses incurred as a result of damage to the property of individuals and legal entities if the cause is one of the following insured risks:

- Fire
- Falling of a controllable aircraft, its parts or cargo carried by it
- Natural disasters (storm, flood)
- Fluid leak or steam escape
- Illegal activities of third parties

NOTES TO THE FINANCIAL STATEMENTS

The risk inherent under property insurance is the rapid increase in prices for construction and renovation, as a result of which the policy holder may not be able to fully restore the property using the claim proceeds. This has an indirect impact on the relationship between the Company and policy holders.

Risk management is carried out by precisely defined assessment of the insured property to determine which property should be insured, which should be insured on special terms and which should not be accepted for insurance at all in line with the authority of the underwriter in the respective line of insurance.

In terms of loss adjustment, the Company is exposed to the risk of unfair actions on the part of policy holders. In order to reduce this risk the Company has set claim settlement administration limits for separate units and introduced high requirements for review of claim supporting documents.

The claim will thus be notified promptly and can be settled without delay. Property business is therefore classified as ‘short-tail’, contrasted with the ‘long-tail’ classes where the ultimate claim cost takes longer to determine.

The key risks associated with this product are underwriting risk, competitive risk, and claims experience risk.

Underwriting risk is the risk that the Company does not charge premiums appropriate for the different properties it insures. For private property insurance, it is expected that there will be large numbers of properties with similar risk profiles. However, for commercial business this may not be the case. Many commercial property proposals comprise a unique combination of location, type of business, and safety measures in place. Calculating a premium commensurate with the risk for these policies will be subjective, and hence risky.

Property classes are exposed to the risk that the insured will make false or invalid claims, or exaggerate the amount claimed following a loss. This largely explains why economic conditions correlate with the profitability of a property portfolio. Insurance risk is managed primarily through pricing, independent assessment of property under international standards, product design, risk selection and reinsurance. The Company therefore monitors and reacts to changes in the general economic and commercial environment in which it operates.

Motor own damage insurance (CASCO)

This insurance covers losses incurred as a result of damage to the vehicle if the cause is one of the following insured risks:

- road accident
- deeds of nature
- fire
- falling of various objects
- illegal activities of third parties
- theft and/or robbery
- glass insurance

Various extensions ofcover are possible.

Insurance premiums are set in line with applicable insurance methodology. Motor vehicles are divided into four risk groups with different insurance premiums. Motor insurance usually contains self risk.

The largest losses are incurred in the event of complete destruction and theft of the vehicle, but such cases are infrequent.

In order to prevent unfair dealing of policy holders, the Company performs detailed review of claim supporting documents, and ask competent institutions to perform additional investigation if necessary.

The claim will thus be notified promptly and can be settled without undue delay. Casco is therefore classified as ‘short-tail’, contrasted with the ‘long-tail’ classes where the ultimate claim cost takes longer to determine.

Motor compulsory third party liability (MTPL)

Motor compulsory third party liability insures the vehicle owner’s liability for damages caused to third parties as a result of a road accident. The objective of this line of insurance is to protect the interests of third parties who have suffered in road accidents and this line of insurance is regulated by the laws on motor third party liability compulsory insurance that regulate the legal relationship between vehicle owners, authorised users and insurers in relation to the compulsory insurance of third party liability of the vehicle owners and authorised users.

NOTES TO THE FINANCIAL STATEMENTS

In view of the risk of inflation which impacts the amount of claims paid, the Company performs tariff analyses for this line of insurance and the assessment of the impact on the financial ratios on a regular basis.

Even if statistics reflect that previous claims have been notified promptly and can be settled without undue delay, Motor third party liability insurance is classified as 'long-tail' classes where the ultimate claim cost takes longer to determine.

Health insurance

Health insurance is developing as a stable line of business. The Company's identified risk in this line of business is the weak health care system and the obscure government policy in this area as well as changes in economic environment.

The Company monitors and reacts to changes in prices for medical services, monitors the claim ratios on employer's bases and adjust prices accordingly each year when renewal takes place.

(ii) Concentration of insurance risks

The concentration of insurance risks is one of the key risk factors in insurance which may have an adverse impact on the Company's liabilities under insurance contracts. The concentration of insurance risks may be caused by the occurrence of a single insurance event involving large liabilities or a number of separate insurance events which results in significant liabilities for the company towards the policy holders.

Since in reality insurance risks will never be totally independent from each other, then irrespective of the portfolio size there is always a so-called non-diversified risk when the insurer generally pays more claims than planned. Non-diversified risk is related to changes in the external environmental factors such as stages of the country economic development which have a systematic impact on the frequency and amount of claims in certain lines of business. For example, the increase of the inflation rate will increase the amounts of claims in the majority of the portfolio while government amendments relating to one of the type of the compulsory insurance may suddenly increase the insurer's liabilities.

The Company's key methods in managing these risks are two-fold. Firstly, the risk is managed through appropriate underwriting. Underwriters are not permitted to underwrite risks unless the expected profits are commensurate with the risks assumed (refer to *Insurance risk management*). Secondly, the risk is managed through the use of reinsurance. The Company purchases reinsurance coverage for various classes of its liability and property business. Management reviews the reinsurance program at least on an annual basis and determines the required changes. The Company assesses the costs and benefits associated with the reinsurance programme on an ongoing basis.

Exposure to various business lines for Parent company as at December 31, 2009	**Total insured amount LVL'000**	**Reinsurance amount LVL'000**	**Net retention (after reinsurance) LVL'000**
MTPL*)	-	-	-
Property insurance	7,479,065	(614,983)	6,864,082
CASCO	407,721	-	407,721
Other business lines	3,085,385	(889,266)	2,196,119
Total	**59,656,174**	**(1,504,249)**	**58,151,925**

*) insurance risk is unlimited

Exposure to various business lines for Parent company as at December 31, 2008	**Total insured amount LVL'000**	**Reinsurance amount LVL'000**	**Net retention (after reinsurance) LVL'000**
MTPL	42,742,608	(23,794,505)	18,948,103
Property insurance	4,560,448	(314,467)	4,245,981
CASCO	469,317	-	469,317
Other business lines	5,785,813	(970,762)	4,815,051
Total	**53,558,186**	**(25,079,734)**	**28,478,452**

NOTES TO THE FINANCIAL STATEMENTS

Exposure to various business lines for Group as at December 31, 2009	**Total insured amount LVL'000**	**Reinsurance amount LVL'000**	**Net retention (after reinsurance) LVL'000**
MTPL *)	-	-	-
Property insurance	7,778,230	(614,983)	7,163,247
CASCO	456,532	-	456,532
Other business lines	3,085,385	(889,266)	2,196,119
Total	**65,963,606**	**(1,504,249)**	**64,459,357**

*) gross insurance risk is unlimited

Exposure to various business lines for Group as at December 31, 2008	**Total insured amount LVL'000**	**Reinsurance amount LVL'000**	**Net retention (after reinsurance) LVL'000**
MTPL	122,305,315	(32,012,615)	90,292,700
Property insurance	5,116,683	(461,084)	4,655,599
CASCO	525,131	(16,769)	508,362
Other business lines	6,173,810	(1,003,334)	5,170,476
Total	**134,120,939**	**(33,493,802)**	**100,627,137**

Geographic and other type of concentration

The Company's and the Group's insured risks are located in Latvia, Lithuania and Estonia. The risk concentration in motor and property insurance is in the largest cities of Latvia, Lithuania and Estonia. The risk concentration in motor insurance is increasing due to the growing number of vehicles and traffic intensity, resulting in an indirect impact on claim amounts in this line of insurance. Insurance regulations and methodology determines the necessary risk assessment for property, claim amount limits and reinsurance regulations which ensure risk management in the respective insurance lines. The Company believes that it is not exposed to the risk related to the policy holders' social and professional status, age or similar.

(iii) Potential impact of catastrophic events

A significant insurance risk that the Company believes is necessary to evaluate and include in insurance methodologies is the risk of nature or man-made catastrophes which creates the likelihood of the risk of large liabilities. The Latvian, Lithuanian and Estonian market is characterized by a low risk of catastrophes. The most common natural catastrophes are storms and storm ravage, flood and spring inundation. Storm and flood exposed territories include forests, sea shore lines and territories adjacent to rivers.

(iv) Potential impact of individual events

The biggest possible losses resulting from single events relate to motor third party liability insurance and property insurance. In order to limit possible losses resulting from single events the Company and the Group has bought non-proportional reinsurance cover.

Insurance risk management

(i) Risk underwriting policy

The management of insurance risks is performed by the Company and the Group by underwriting risks in accordance with policy. In accordance with the risk underwriting policy, each line of insurance has a set methodology and rules regulating the risk assessment methods to be applied, thus decreasing the likelihood of accepting liabilities with respect to risks that are in conflict with the Company's risk insurance policy and internal regulations.

The insurance methodology and rules define criteria and additional information for risk assessment by ensuring a systematic approach to risk assessment. As a result, the Company obtains consistent information in line with its requirements, for regular risk underwriting and introducing the required changes in the documents regulating risk underwriting.

The Company has set insurance limits based on operational experience, market requirements and risk assessment for each

NOTES TO THE FINANCIAL STATEMENTS

line of insurance.

Insurance tariffs are analyzed and reviewed based on insurance events and claims paid on a regular basis, and changes are made to the tariffs using actuarial methods which help ensure the ability to meet liabilities. The reinsurance rules regulate the transfer of insurance risks to reinsurers. The Company’s insurance type methodology and rules help insurance intermediaries and agents observe the Company’s insurance guidelines on all insurance products offered on the Baltic market. The methodology for calculating technical reserves determines that appropriate reserves be created for incurred claims.

Many claims and subsequent recoveries take several years to materialise. Although the financial results cannot be established with certainty, the Company sets provisions for irrecoverable claims based upon current perceptions of risk employing a substantial degree of experience and judgement. The level of such provisions has been set on the basis of information which is currently available. Whilst the Company considers that claims provisions and related recoveries are fairly stated on the basis of the information currently available to it, the ultimate liability will vary as a result of subsequent information and events. This may result in significant adjustments to the amounts provided. These estimates and methods of estimation are reviewed annually and, if adjustments prove necessary, they will be reflected in future financial statements.

(ii) Claims development

Information on the claims development has been provided in order to illustrate the insurance risk to which the Company is subject to. The claim table discloses a comparison of cumulative payments to date and the development of technical reserves made for these insurance claims by accident year.

Excesses or deficits indicated in each column should be evaluated separately by ignoring other columns because such corrections made in the prior years may be included as part of corrections made during the prior years.The recalculated technical reserves and the cumulative deficit or excess, which is indicated in the enclosed table, may subsequently vary due to change in different factors.

Although the information provided in the table reflects the estimates of historical unpaid claims made in the prior years, the users of these financial statements should avoid extrapolation of past remains or deficits in respect to the balance of unpaid losses of this period.

Parent company	**Year of insured occurrence**						
	2004 LVL’000	**2005 LVL’000**	**2006 LVL’000**	**2007 LVL’000**	**2008 LVL’000**	**2009 LVL’000**	**Total LVL’000**
Estimate of cumulative claims at end of accident year	3,666	6,133	9,334	18,437*)	26,872	**32,504**)**	32,504
- one year later	4,302	6,474	9,805*)	19,506	**27,883**)**	*6,045*	27,883
- two years later	4,239	6,851*)	10,005	**20,807**)**	*3,345*		20,807
- three years later	4,641*)	7,034	**10,660**)**	*814*			10,660
- four years later	4,853	**7,616**)**	*396*				7,616
- five year later	**5,162**)**	*569*					5,162
***) Includes impact from RESO Europa portfolio assumed as the result of reorganization*	*324*						
Cumulative payments to date	(4,904)	(7,090)	(10,318)	(18,171)	(24,794)	(22,014)	(87,292)
Outstanding claims reserves for 2004 -2009	258	526	343	2,635	3,089	10,491	17,342
Outstanding claim reserves for years before 2004***)							26
Total outstanding claim reserves as at 31.12.2009							**17,368**

*) In 2007 gross claims and claim reserves as at 31.12.2007 are increased by insurance liabilities assumed from Gjensidige Baltic Lithuanian branch (Baltic Polis) as a result of reorganisation.
**) 2009 gross claims and gross deferred claims reserves as at 31 December 2009 include insurance liabilities assumed from its subsidiary Reso Europa as a result of reorganization.
***) Data for years prior to 2004 are not available in a format consistent with later years and are not presented.

NOTES TO THE FINANCIAL STATEMENTS

Group	**Year of insured occurrence**						
	2004	**2005**	**2006**	**2007**	**2008**	**2009**	**Total**
	LVL'000	**LVL'000**	**LVL'000**	**LVL'000**	**LVL'000**	**LVL'000**	**LVL'000**
Estimate of cumulative claims at end of accident year	3,666	6,133	9,334	18,437*)	33,823**)	**34,442***)**	34,442
- one year later	4,302	6,474	9,805*)	20,371**)	**32,259***)**		32,259
- two years later	4,239	6,851*)	10,352**)	**20,903***)**			20,903
- three years later	4,641*)	7,499**)	**10,670***)**				10,670
- four years later	5,228**)	**7,649***)**					7,649
- five year later	**5,170***)**						5,170
Cumulative payments to date	(4,912)	(7,123)	(10,328)	(18,268)	(29,159)	(22,800)	(92,589)
Outstanding claims reserves for 2004 -2009	258	526	343	2,635	3,100	11,649	18,512
Outstanding claim reserves for years before 2004****)							26
Total outstanding claim reserves as at 31.12.2009							**18,538**

*) In 2007 gross claims and claim reserves as at 31.12.2007 are increased by insurance liabilities assumed from Gjensidige Baltic Lithuanian branch (Baltic Polis) as a result of the acquisition.
**) In 2008 gross claims and claim reserves as at 31.12.2008 are increased by insurance liabilities assumed from the subsidiary RESO Europa as a result of the acquisition.
***) Gross claims incurred and reserves as at 31 December 2009 include insurance liabilities assumed from GF Försäkringsaktiebolag, a subsidiary and from Reso Europe, via acquisition.
****) Data for years prior to 2004 are not available in a format consistent with later years and are not presented.

(iii) Liability adequacy test

On each reporting date, the company prepares a liability adequacy test by assessing whether the insurance liabilities recognized during the reporting year for valid policies are adequate by comparing the insurance reserves established to the present value of the estimated future cash flows arising on existing insurance policies. The Company and the Group evaluates its reserves as adequate.

(iv) Uncertainty of estimation of insurance liabilities

The process used to determine the assumptions is intended to result in neutral estimates of the most likely or expected outcome. The sources of data used as inputs for the assumptions are internal, using detailed studies that are carried out annually. The assumptions are checked to ensure that they are consistent with observable market prices or other published information.

The nature of the business makes it difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate, case-by-case basis with due regard to the claim circumstances, information available from loss adjusters and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information arises. The provisions are based on information currently available. However, the ultimate liabilities may vary as a result of subsequent developments. The provision estimation difficulties also differ by class of business due to claim complexity, the volume of claims and the individual severity of claims, determining the occurrence date of a claim, and reporting lags.

NOTES TO THE FINANCIAL STATEMENTS

The most significant assumption is related to the estimating of IBNR. The table below presents IBNR sensitivity analysis as at December 31, 2009 comparing develoment factors used for IBNR estimation in case if develoment factors used in IBNR estimation would be increased (largest development factor would be used) or decreased (basic development factors would be used):

Sensitivity analysis of IBNR for the parent company	IBNR as at 31.12.2009 LVL'000	Chain-Ladder with largest development factor LVL'000	Basic Chain-Ladder LVL'000
Motor compulsory third party liability in Latvia	1,790	2,816	1,922
Motor compulsory third party liability in Lithuania and Estonia	2,388	2,566	2,181
Motor own damage insurance	89	102	78
Property insurance	60	65	37
Other lines of business where IBNR estimated based on statistical methods	773	810	731
Other lines of business where IBNR estimated based on non-statistical methods	51	51	51
Total	**5,151**	**6,410**	**5,000**

Sensitivity analysis of IBNR for the group	IBNR as at 31.12.2009 LVL'000	Chain-Ladder with largest development factor LVL'000	Basic Chain-Ladder LVL'000
Motor compulsory third party liability in Latvia	1,859	2,896	1,990
Motor compulsory third party liability in Lithuania and Estonia	2,513	2,703	2,295
Motor own damage insurance	128	146	114
Property insurance	65	70	39
Other lines of business where IBNR estimated based on statistical methods	773	810	731
Other lines of business where IBNR estimated based on non-statistical methods	53	53	53
Total	**5,391**	**6,678**	**5,220**

Whilst management considers that the gross outstanding claim technical reserves and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and developments and may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made, and disclosed separately if material. The methods used, and the estimates made, are reviewed regularly.

Although management believes that gross claim reserves and the related amounts recoverable from reinsurers are disclosed accurately, the amount of liabilities may differ subject to receipt of further information on the developments which may result in significant adjustments required to the technical reserves. Adjustments to the claims technical reserves of previous years are disclosed in the respective financial statements and consolidated financial statements, and, if material, such adjustments are disclosed separately. Methods and estimates are reviewed on a regular basis.

For the larger lines of business, the measurement of IBNR reserves via triangulation is based on analysis of development rates, rather than risk margins used in 2008. The effect of this change is an increase of IBNR reserve by LVL 368 thousand as at 31 December 2009.

During 2009, the Company made certain significant changes in estimating the bodily injury claims to be covered from MTPL policies. As a result of no access of data in 2008, the IBNR for bodily injuries was estimated together with MTPL property claims based on claims reported directly to the Company by the State Social Insurance Agency ("SSIA"). The SSIA had not reported any such claims prior to 2009.

IBNR estimates on the potential claims from SSIA have a material impact on the obligatory MTPL insurance in Latvia with respect to the insurance period 2007 to 2009. Based on own market statistics and that of the MTPL insurance market, the Company has established an IBNR reserve for SSIA claims amounting to LVL 732 thousand in addition to its IBNR reserve calculated via triangulation. Certain sensitive inputs were used also for assessing this IBNR reserve, and such inputs were subject to a sensitivity analysis.

The IBNR reserve for SSIA claims will be reviewed and analysed on a regular basis, in consideration of new statistical information on new SSIA claims.

Financial risks and risk management

The Company's and Group's financial assets and liabilities, including investments, insurance receivables and reinsurance assets, may be exposed to financial risk as follows:

- *Market risk*: changes to the market situation may adversely impact the insurer's assets and/or liabilities, investments may be impaired, and return on assets decreased. Market risk includes interest rate risk, currency risk and price risk;
- *Credit risk*: failure of a counterparty to meet contractual obligations may cause financial losses to the Company and the Group,
- *Liquidity risk*: under certain adverse conditions for the insurer, the insurer may be forced to sell assets at a lower price than their fair value in order to be able to settle liabilities.

Below is a description of each of these financial risks and a summary of methods used by the Company and the Group to manage these risks. Exposure to those risks arises in the normal course of the Company's business.

(i) Market Risk

Market risk is the risk that movements in market prices, including foreign exchange rates, interest rates, credit spreads and equity prices will affect the Company's and the Group's income or the value of its portfolios.

Market risks comprise:

- interest rate risk;
- currency risk;
- price risk.

Market risk arises from open positions in interest rate, currency and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices.

Interest rate risk

Interest rate risk is the risk that movements in interest rates will affect the Company's and Group's income or the value of its portfolios of financial instruments.

The Company and the Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements arise.

Measures for management of the interest rate risk in the Company are centralized and based on the assessment of the impact of the interest rate risk on the Company's financial indices. The Company and Group does not have significant interest bearing liabilities and the largest share of interest bearing assets are at a fixed interest rate, therefore, the Company is not exposed to a significant interest rate risk and to the effects of fluctuations in interest rates resulting from different maturity or interest re-pricing profile of the Company's and the Group's interest bearing assets and liabilities.

The following Interest rate repricing analysis tables present the Company's and Group's financial assets analysed according to repricing periods determined as the earlier of remaining contractual maturity and contractual repricing.

NOTES TO THE FINANCIAL STATEMENTS

Rate repricing analysis for Parent company as at 31 December 2009

	Within 6 months LVL'000	6-12 months LVL'000	1-2 years LVL'000	2-5 years LVL'000	Over 5 years LVL'000	Non-interest bearing LVL'000	Total LVL'000	Amounts subject to fixed rates LVL'000
Financial assets								
Investment certificates of investment funds	-	-	-	-	-	187	**187**	-
Debt securities and other fixed income securities	3,328	1,230	2,446	16,068	4,432	-	**27,504**	25,951
Term deposits with credit institutions	17,464	2,200	-	43	-	-	**19,707**	19,707
Receivables	59	-	-	-	-	5,982	**6,041**	59
Cash and cash equivalents	3,754	-	-	-	-	13	**3,767**	-
Total financial assets	**24,605**	**3,430**	**2,446**	**16,111**	**4,432**	**6,182**	**57,206**	**45,717**

Rate repricing analysis for Parent company as at 31 December 2008

	Within 6 months LVL'000	6-12 months LVL'000	1-2 years LVL'000	2-5 years LVL'000	Over 5 years LVL'000	Non-interest bearing LVL'000	Total LVL'000	Amounts subject to fixed rates LVL'000
Financial assets								
Investment certificates of investment funds	-	-	-	-	-	758	**758**	-
Debt securities and other fixed income securities	1,115	667	115	307	-	182	**2,386**	1,818
Held-to-maturity investments	203	3,244	-	2,932	2,378	3,164	**11,921**	8,757
Term deposits with credit institutions	10,777	5,618	-	41	-	-	**16,436**	16,436
Loan	-	-	-	-	-	2	**2**	-
Receivables	-	-	-	-	-	6,498	**6,498**	-
Cash and cash equivalents	2,417	-	-	-	-	16	**2,433**	2,417
Total financial assets	**14,512**	**9,259**	**115**	**3,280**	**2,370**	**10,620**	**40,434**	**29,428**

NOTES TO THE FINANCIAL STATEMENTS

Rate repricing analysis for Group as at 31 December 2009

	Within 6 months LVL'000	6-12 months LVL'000	1-2 years LVL'000	2-5 years LVL'000	Over 5 years LVL'000	Non-interest bearing LVL'000	Total LVL'000	Amounts subject to fixed rates LVL'000
Financial assets								
Investment certificates of investment funds	-	-	-	-	-	187	**187**	-
Debt securities and other fixed income securities	4,706	1,230	2,446	16,068	4,432	-	**28,882**	28,882
Term deposits with credit institutions	20,737	2,200	-	43	-	-	**22,980**	22,980
Receivables	59	-	-	-	-	6,831	**6,890**	59
Cash and cash equivalents	3,969	-	-	-	-	13	**3,982**	-
Total financial assets	**29,471**	**3,430**	**2,446**	**16,111**	**4,432**	**7,031**	**62,921**	**51,921**

Rate repricing analysis for Group as at 31 December 2008

	Within 6 months LVL'000	6-12 months LVL'000	1-2 years LVL'000	2-5 years LVL'000	Over 5 years LVL'000	Non-interest bearing LVL'000	Total LVL'000	Amounts subject to fixed rates LVL'000
Financial assets								
Investment certificates of investment funds	-	-	-	-	-	907	**907**	-
Debt securities and other fixed income securities	1,404	2,427	115	307	-	182	**4,435**	3,867
Held-to-maturity investments	3,360	4,673	603	5,272	2,378	3,164	**19,450**	16,286
Term deposits with credit institutions	13,016	7,469	-	41	-	-	**20,526**	20,526
Receivables	-	-	-	-	-	9,839	**9,839**	-
Cash and cash equivalents	2,704	-	-	-	-	16	**2,720**	2,704
Total financial assets	**20,484**	**14,569**	**718**	**5,620**	**2,378**	**14,108**	**57,877**	**43,383**

Currency risk

The Company and the Group has assets and liabilities denominated inforeign currencies. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency.

Some insurance risks are denominated in foreign currencies. The Company's policy is to restrict the currency risk with respect to known and expected transactions in foreign currencies. Currency risk management is based on investments in the respective currencies. The local currencies on the Company's operational market – Latvia, Lithuania and Estonia are pegged to EUR which decreases currency risk. This peg could change as a result of macroeconomic policy. Profit and loss is therefore mainly sensitive only to changes in USD rates and is evaluated as low. The Company is not engaged in any speculative transactions that may increase the currency risk.

An analysis of sensitivity of the Company's net income for the year to changes in the foreign currency exchange rates based on positions existing as at 31 December 2009 and 2008 and a simplified scenario of a 5% change in USD or EUR to LVL exchange rates is as follows:

NOTES TO THE FINANCIAL STATEMENTS

Parent company financial statements	**2009**	**2008**
	Net income	**Net income**
5% appreciation of EUR against LVL	1,466	451
5% depreciation of EUR against LVL	(1,466)	(451)
5% appreciation of LTL against LVL	(120)	(118)
5% depreciation of LTL against LVL	120	118
5% appreciation of EEK against LVL	(156)	(138)
5% depreciation of EEK against LVL	156	138

	2009	**2008**
Consolidated financial statements	**Net income**	**Net income**
5% appreciation of EUR against LVL	1,535	755
5% depreciation of EUR against LVL	(1,535)	(755)
5% appreciation of LTL against LVL	(222)	(67)
5% depreciation of LTL against LVL	222	67
5% appreciation of EEK against LVL	(178)	(138)
5% depreciation of EEK against LVL	178	138

The following table provides the analysis of the Company's and Group's assets, liabilities and equity as at December 31, 2009 and as at December 31, 2008 by currency profile:

Parent company's currency profile as at 31 December 2009

Assets	**LVL'000**	**EUR'000**	**USD'000**	**EEK'000**	**LTL'000**	**Other**	**Total**
Property plant and equipment	298	-	-	-	121	-	**419**
Land and buildings	-	-	-	-	294		**294**
Intangible assets	6,557	-	-	-	13	-	**6,570**
Investment in subsidiary	-	-	-	-	-	1,372	**1,372**
Investment certificates of investment funds	-	187	-	-	-	-	**187**
Debt securities and other fixed income securities	5,289	21,134	-	-	1,081	-	**27,504**
Term deposits with credit institutions	6,685	8,117	-	300	4,605	-	**19,707**
Loans and receivables	3,352	878	-	806	1,005	-	**6,041**
Accrued income and deferred expenses	1,576	-	-	-	780	-	**2,356**
Deferred tax asset	45	-	-	-	250	-	**295**
Reinsurance share in reserves	3	1,491	266	-	123	-	**1,883**
Cash and cash equivalents	653	2,857	24	11	220	2	**3,767**
Total assets	**24,458**	**34,664**	**290**	**1,117**	**8,492**	**1,374**	**70,395**
Equity and liabilities							
Equity	27,360	-	-	-	-	-	**27,360**
Unearned premium and unexpired risk technical reserves	9,127	2,135	246	2,623	5,670	-	**19,801**
Technical reserves for outstanding claims	6,870	2,887	103	838	5,221	1,449	**17,368**
Liabilities	3,516	318	-	-	423	-	**4,257**
Provisions	174	-	-	-	368	-	**542**
Accrued expenses and deferred income	1,067	-	-	-	-	-	**1,067**
Total equity and liabilities	**48,114**	**5,340**	**349**	**4,252**	**10,891**	**1,449**	**70,395**
Open currency position	**(23,656)**	**29,324**	**(59)**	**(3,135)**	**(2,399)**	**(75)**	**-**

NOTES TO THE FINANCIAL STATEMENTS

Parent company's currency profile as at 31 December 2008

Assets	**LVL'000**	**EUR'000**	**USD'000**	**EEK'000**	**LTL'000**	**Other**	**Total**
Property plant and equipment	388	-	-	-	59	-	**447**
Land and buildings	-	-	-	-	37	-	**37**
Intangible assets	23	-	-	-	-	-	**23**
Investment in subsidiary	12,729	-	-	-	-	-	**12,729**
Investment certificates of investment funds	167	464	127	-	-	-	**758**
Debt securities and other fixed income securities	5,913	8,127	267	-	-	-	**14,307**
Term deposits with credit institutions	10,216	5,135	-	271	814	-	**16,436**
Loans and receivables	5,519	-	-	-	981	-	**6,500**
Accrued income and deferred expenses	2,026	-	-	-	479	-	**2,505**
Deferred tax asset	69	-	-	-	-	-	**69**
Reinsurance share in reserves	1,706	245	-	-	10	68	**2,029**
Cash and cash equivalents	571	1,321	86	87	368	-	**2,433**
Total assets	**39,327**	**15,292**	**480**	**358**	**2,748**	**68**	**58,273**
Equity and liabilities							
Equity	23,492	-	-	-	-	-	**23,492**
Unearned premium and unexpired risk technical reserves	10,851	3,027	257	2,369	3,004	-	**19,508**
Technical reserves for outstanding claims	5,796	2,598	117	726	1,925	274	**11,436**
Liabilities	1,967	641	-	20	181	-	**2,809**
Provisions	177						**177**
Accrued expenses and deferred income	851	-	-	-	-	-	**851**
Total equity and liabilities	**43,134**	**6,266**	**374**	**3,115**	**5,110**	**274**	**58,273**
Open currency position	**(3,807)**	**9,026**	**106**	**(2,757)**	**(2,362)**	**(206)**	**-**

NOTES TO THE FINANCIAL STATEMENTS

Group's currency profile as at 31 December 2009

Assets	**LVL'000**	**EUR'000**	**USD'000**	**EEK'000**	**LTL'000**	**Other**	**Total**
Property plant and equipment	294	-	-	-	141	-	**435**
Land and buildings	-	-	-	-	294	-	**294**
Intangible assets	6,557	-	-	-	13	-	**6,570**
Investment certificates of investment funds	-	187	-	-	-	-	**187**
Debt securities and other fixed income securities	5,289	22,512	-	-	1,081	-	**28,882**
Term deposits with credit institutions	9,656	8,117	-	300	4,907	-	**22,980**
Loans and receivables	3,789	878	-	806	1,417	-	**6,890**
Accrued income and deferred expenses	1,641	-	-	-	942	-	**2,583**
Deferred tax asset	45	-	-	-	250	-	**295**
Reinsurance share in reserves	3	1,491	266	-	123	-	**1,883**
Cash and cash equivalents	726	2,857	24	11	362	2	**3,982**
Total assets	**28,000**	**36,042**	**290**	**1,117**	**9,530**	**2**	**74,981**
Equity and liabilities							
Equity	28,523	-	-	-	-	-	**28,523**
Unearned premium and unexpired risk technical reserves	9,736	2,135	246	2,632	7,029	-	**21,778**
Technical reserves for outstanding claims	7,278	2,887	103	838	5,983	1,449	**18,538**
Liabilities	2,412	318	-	846	895	-	**4,471**
Provisions	174	-	-	368	-	-	**542**
Accrued expenses and deferred income	1,067	-	-	-	62	-	**1,129**
Total equity and liabilities	**49,190**	**5,340**	**349**	**4,684**	**13,969**	**1,449**	**74,981**
Open currency position	**(21,190)**	**30,702**	**(59)**	**(3,567)**	**(4,439)**	**(1,447)**	**-**

NOTES TO THE FINANCIAL STATEMENTS

Group's currency profile as at 31 December 2008

Assets	**LVL'000**	**EUR'000**	**USD'000**	**EEK'000**	**LTL'000**	**Other**	**Total**
Property plant and equipment	388	-	-	-	162	-	**550**
Land and buildings	-	-	-	-	319	-	**319**
Intangible assets	7,682	-	-	-	698	-	**8,380**
Investment certificates of investment funds	167	613	127	-	-	-	**907**
Debt securities and other fixed income securities	5 854	13 669	267	-	4,095	-	**23,885**
Term deposits with credit institutions	12,453	4,000	86	271	3,716	-	**20,526**
Loans and receivables	5,519	-	-	-	4,320	-	**9,839**
Accrued income and deferred expenses	2,027	-	-	-	1,694	-	**3,721**
Deferred tax asset	69	-	-	-	249	-	**318**
Reinsurance share in reserves	8	2,049	245	-	299	68	**2,669**
Cash and cash equivalents	605	1,471	-	87	557	-	**2,720**
Total assets	**34,772**	**21,802**	**725**	**358**	**16,109**	**68**	**73,834**
Equity and liabilities							
Equity	23,772	-	-	-	-	-	**23,772**
Unearned premium and unexpired risk technical reserves	10,991	3,027	257	2,369	8,131	1,790	**26,565**
Technical reserves for outstanding claims	6,082	2,620	117	726	7,094	562	**17,201**
Liabilities	1,968	1,055	-	20	1,536	-	**4,579**
Provisions	177	-	-	-	164	-	**341**
Accrued expenses and deferred income	851	-	-	-	525	-	**1,376**
Total equity and liabilities	**43,841**	**6,702**	**374**	**3,115**	**17,450**	**2,352**	**73,834**
Open currency position	**(9,069)**	**15,100**	**351**	**(2,757)**	**(1,341)**	**(2,284)**	**-**

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments traded in the market. Price risk arises when the Company and the Group takes a long or short position in a financial instrument.

An analysis of sensitivity of the Company's and the Group's net income for the year and equity to changes in securities prices based on positions existing as at 31 December 2009 and 2008 and a simplified scenario of a 5% change in all securities prices is as follows:

Parent company	**2009 LVL'000 Net income**	**2008 LVL'000 Net income**
5% increase in securities prices	87	157
5% decrease in securities prices	(87)	(157)

Group	**2009 LVL'000 Net income**	**2008 LVL'000 Net income**
5% increase in securities prices	87	267
5% decrease in securities prices	(87)	(267)

NOTES TO THE FINANCIAL STATEMENTS

Sensitivity analysis of investment coverage of technical reserves

Consolidated financial statements	**31.12.2009 after change**	**31.12.2009 book value**
15% impairment of government securities	23,230	27,329
50% impairment of non-fixed interest rate securities	94	187
10% impairment of other investments	22,079	24,532
TOTAL	**45,403**	**52,049**
Amount required for covering the technical reserve	**38,433**	**38,433**
20% of unearned premium reserves that may be covered from receivables	**4,357**	**4,357**

Credit risk

Credit risk is the risk incurred by failure of contractual parties to meet their obligations or changes in credit rating of the contracting parties. Credit risk of the Company and the Group is related to management of the financial investments, insurance receivables from direct insurance operations and reinsurance.

The Company's and the Group's primary exposure to credit risk arises through the purchase of debt securities. The amount of credit exposure in this regard is represented by the carrying amounts of the assets in the statement of financial position.

(i) Management of Financial investments

The Company manages credit risks by investing most of the investments in markets and investments with high ratings.

Investments by ratings for Parent company as at December 31, 2009

Country	**Rating (Moody's or Standard and Poor's*)**	**Financial instruments designated at fair value through profit or loss**	**Held to maturity debt securities issued or guaranteed by central governments or municipalities**
		LVL'000	**LVL'000**
Denmark	AAA	-	2,407
Slovenia	AA	-	354
Hungary	BBB-	378	1,086
Bulgaria	BBB	-	883
Poland	A-	-	212
Lithuania	BBB	715	9,198
Lithuania	BB	168	-
Romania	BB+	-	1,280
Latvia	Baa3	447	-
Latvia	BB	-	10,531
Other	Not rated	32	-
TOTAL		**1,740**	**25,951**

NOTES TO THE FINANCIAL STATEMENTS

Investments by ratings for Parent company as at December 31, 2008

Country	Rating (Moody's or Standard and Poor's*)	Financial instruments designated at fair value through profit or loss LVL'000	Held to maturity debt securities issued or guaranteed by central governments or municipalities LVL'000
France	Aaa	-	3 244
Germany	Aaa	183	-
Belgium	Aa1	-	203
Finland	Aa1	25	-
Scotland	A1	212	-
Latvia	A2	169	-
Lithuania	A2	191	1 789
Netherlands	A2	154	-
Hungary	A3	384	-
USA	A3	242	-
Latvia	B2	11	-
Latvia	Baa1	-	3 521
Netherlands	Baa2	104	-
Latvia	Bbb	557	3 164
Other	Not rated	912	-
TOTAL		**3,144**	**11,921**

Investments by ratings for Group as at December 31, 2009

Country	Rating (Moody's or Standard and Poor's*)	Financial instruments designated at fair value through profit or loss LVL'000	Held to maturity debt securities issued or guaranteed by central governments or municipalities LVL'000
Denmark	AAA	-	2,407
Slovenia	AA	-	354
Hungary	BBB-	378	1,086
Bulgaria	BBB	-	883
Poland	A-	-	212
Lithuania	BBB	715	10,576
Lithuania	BB	168	-
Romania	BB+	-	1,280
Latvia	Baa3	477	-
Latvia	BB	-	10,531
Other	Not rated	32	-
TOTAL		**1,740**	**27,329**

NOTES TO THE FINANCIAL STATEMENTS

Investments by ratings for Group as at December 31, 2008

Country	Rating (Moody's or Standard and Poor's*)	Financial instruments designated at fair value through profit or loss LVL'000	Held to maturity debt securities issued or guaranteed by central governments or municipalities LVL'000
Germany	Aaa	183	-
France	Aaa	-	3,244
Belgium	Aa1	-	203
Finland	Aa1	25	-
Scotland	A1	212	-
Latvia	A2	169	-
Lithuania	A2	2,085	4,540
Netherlands	A2	154	-
Hungary	A3	384	-
USA	A3	242	-
Latvia	B2	11	-
Bulgaria	BBB	-	2,340
Lithuania	Baa1	-	3,521
Netherlands	Baa2	104	-
Latvia	Bbb	557	3,164
Rumania	BBB	-	1,085
Other	Not rated	1,216	1,353
TOTAL		**5,342**	**19,450**

(ii) Insurance receivables from direct insurance operations

Credit risk related to clients' balances incurred due to unpaid insurance premiums exists only during the fixed period determined in the policy, during which the policy is paid or terminated. Insurance cover regulations and conditions are presented in insurance methodology.

Parent company financial statements	**2009**			
	Gross receivables LVL'000	**%**	**Allowances LVL'000**	**Net receivables LVL'000**
Overdue receivables	1,005		958	47
More than 3 months	*547*	9%	*530*	*17*
Less than 3 months	*458*	8%	*428*	*30*
Outstanding receivables not overdue	5,065	83%	-	5,065
Total direct insurance receivables from policy holders	**6,070**	**100%**	**958**	**5,112**

Parent company financial statements	**2008**			
	Gross receivables LVL'000	**%**	**Allowances LVL'000**	**Net receivables LVL'000**
Overdue receivables	876		383	493
More than 3 months	*253*	4%	*253*	-
Less than 3 months	*623*	11%	*130*	*493*
Outstanding receivables not overdue	4,887	85%	-	4,887
Total direct insurance receivables from policy holders	**5,763**	**100%**	**383**	**5,380**

NOTES TO THE FINANCIAL STATEMENTS

Consolidated financial statements	**2009** **Gross receivables LVL'000**	**%**	**Allowances LVL'000**	**Net receivables LVL'000**
Overdue receivables	1,376		958	418
More than 3 months	*826*	12%	*530*	*296*
Less than 3 months	*550*	8%	*428*	*122*
Outstanding receivables not overdue	5,506	80%	-	5,506
Total direct insurance receivables from policy holders	**7,084**	**100%**	**958**	**5,924**

Consolidated financial statements	**2008** **Gross receivables LVL'000**	**%**	**Allowances LVL'000**	**Net receivables LVL'000**
Overdue receivables	1,086		435	651
More than 3 months	*305*	4%	*305*	-
Less than 3 months	*781*	9%	*130*	*651*
Outstanding receivables not overdue	7,598	87%	-	7,598
Total direct insurance receivables from policy holders	**8,684**	**100%**	**435**	**8,249**

(iii) Reinsurance

For the purposes of credit risk management, the Company and the Group has approved a reinsurance program that determines the reinsurance principles and criteria for the selection of reinsurers. Management reviews the reinsurance program at least on an annual basis and determines the required changes. the Company and the Group had cooperation with the leading companies including Swiss Re, Lloyd's, AXA and with its parent company, Gjensidige Norway.

Reinsurers' share in written premiums, claims paid, technical reserves and receivables by rating for the Parent company as at December 31, 2009:

Rating	**Reinsurer's share in claims paid LVL'000**	**Reinsurer's share in written premiums LVL'000**	**Reinsurer's share in outstanding claim reserve LVL'000**	**Reinsurer's share in unearned premium reserve LVL'000**	**Receivables LVL'000**
AAA	9	25	140	29	-
AA	37	145	689	115	36
A	96	1,248	365	293	61
BBB	-	-	71	-	-
no rating	57	-	135	23	48
TOTAL	**199**	**1,418**	**1,400**	**483**	**145**

Reinsurers' share in written premiums, claims paid, technical reserves and receivables by rating for Parent company as at December 31, 2008:

Rating	**Reinsurer's share in claims paid LVL'000**	**Reinsurer's share in written premiums LVL'000**	**Reinsurer's share in outstanding claim reserve LVL'000**	**Reinsurer's share in unearned premium reserve LVL'000**	**Receivables LVL'000**
AAA	-	53	140	29	-
AA	100	259	838	115	-
A	516	1,157	435	298	-
BBB	-	18	1	15	-
no rating	75	9	135	23	48

NOTES TO THE FINANCIAL STATEMENTS

TOTAL	**691**	**1,496**	**1,549**	**480**	**48**

Reinsurers' share in written premiums, claims paid, technical reserves and receivables by rating for Group as at December 31, 2009:

Rating	Reinsurer's share in claims paid LVL'000	Reinsurer's share in written premiums LVL'000	Reinsurer's share in outstanding claim reserve LVL'000	Reinsurer's share in unearned premium reserve LVL'000	Receivables LVL'000
AAA	9	522	140	32	-
AA	102	174	689	132	36
A	106	1,311	365	296	61
BB	-	-	71	-	-
no rating	78	16	135	23	48
TOTAL	**295**	**1,553**	**1,400**	**483**	**145**

Reinsurers' share in written premiums, claims paid, technical reserves and receivables by rating for Group as at December 31, 2008:

Rating	Reinsurer's share in claims paid LVL'000	Reinsurer's share in written premiums LVL'000	Reinsurer's share in outstanding claim reserve LVL'000	Reinsurer's share in unearned premium reserve LVL'000	Receivables LVL'000
AAA	280	105	233	166	165
AA	102	390	857	115	49
A	516	1,185	435	298	21
BBB	-	52	1	15	4
BB	-	-	69	-	-
no rating	100	152	441	39	55
TOTAL	**998**	**1,884**	**2,036**	**633**	**294**

Liquidity risk

Liquidity risk is the risk that the Company and the Group will encounter difficulty in raising funds to meet its commitments. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of financial institutions. It is unusual for financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The purpose of liquidity risk management is to ensure that the Company is able to fulfill its liabilities in due time, to observe supervision laws and regulations and to react to changes in business environment duly and appropriately.

The Company's objective is to earn competitive returns by investing in a diverse portfolio of high quality, liquid securities. Portfolio characteristics are analysed regularly. The Company's holdings are diversified across industries, and concentrations in any one company or industry are limited by parameters established by senior management, as well as by statutory requirements.

NOTES TO THE FINANCIAL STATEMENTS

The table below allocates the Company's and Group's assets, liabilities to maturity groups based on the time remaining from the reporting period end date to thematurity dates as at December 31, 2009 and as at December 31, 2008:

Parent company's maturity dates financial statements as at 31 December 2009

	Within 6 months LVL'000	6-12 months LVL'000	1-2 years LVL'000	2-5 years LVL'000	Over 5 years LVL'000	No fixed term LVL'000	Total LVL'000
Assets							
Property, plant and equipment	-	-	-	-	-	294	**294**
Land and buildings	-	-	-	-	-	419	**419**
Intangible assets	-	-	-	-	-	6,570	**6,570**
Investment in subsidiary						1,372	**1,372**
Investment certificates of investment funds	-	-	-	-	-	187	**187**
Debt securities and other fixed income securities	3,328	1,230	2,446	16,068	4,432	-	**27,504**
Term deposits with credit institutions	17,464	2,200	-	43	-	-	**19,707**
Loans and receivables	6,041	-	-	-	-	-	**6,041**
Accrued income and deferred expenses	-	-	-	-	-	2,356	**2,356**
Deferred tax asset	-	-	-	-	-	295	**295**
Reinsurance share in reserves	842	537	378	126	-	-	**1,883**
Cash and cash equivalents	3,767	-	-	-	-	-	**3,767**
Total assets	**31,442**	**3,967**	**2,824**	**16,237**	**4,432**	**11,493**	**70,395**
Equity and liabilities							
Equity	-	-	-	-	-	27,360	**27,360**
Unearned premium and unexpired risk technical reserves	13,267	6,534	-	-	-	-	**19,801**
Technical reserves for outstanding claims	6,427	4,689	4,689	1,563	-	-	**17,368**
Creditors	4,257	-	-	-	-	-	**4,257**
Provisions	542	-	-	-	-	-	**542**
Other liabilities	-	-	-	-	-	1,067	**1,067**
Total equity and liabilities	**24,493**	**11,223**	**4,689**	**1,563**	**-**	**28,427**	**70,395**
Maturity gap on assets and liabilities	**6,949**	**(7,256)**	**(1,865)**	**14,674**	**4,432**	**(16,934)**	**-**

NOTES TO THE FINANCIAL STATEMENTS

Parent company's maturity dates financial statements as at 31 December 2008

	Within 6 months LVL'000	6-12 months LVL'000	1-2 years LVL'000	2-5 years LVL'000	Over 5 years LVL'000	No fixed term LVL'000	Total LVL'000
Assets							
Property, plant and equipment	-	-	-	-	-	447	**447**
Land and buildings	-	-	-	-	-	37	**37**
Intangible assets	-	-	-	-	-	23	**23**
Investment in subsidiary	-	-	-	-	-	12,729	**12,729**
Investment certificates of investment funds	-	-	-	-	-	758	**758**
Debt securities and other fixed income securities	4,373	4,112	112	3,406	2,304	-	**14,307**
Term deposits with credit institutions	10,778	5,617	-	41	-	-	**16,436**
Loan and receivables	6,500	-	-	-	-	-	**6,500**
Accrued income and deferred expenses	-	-	-	-	-	2,505	**2,505**
Deferred tax asset	-	-	-	-	-	69	**69**
Reinsurance share in reserves	895	577	418	139	-	-	**2,029**
Cash and cash equivalents	2,433	-	-	-	-	-	**2,433**
Total assets	**24,979**	**10,306**	**530**	**3,586**	**2,304**	**16,568**	**58,273**
Equity and liabilities							
Equity	-	-	-	-	-	23,492	**23,492**
Unearned premium and unexpired risk technical reserves	13,071	6,437	-	-	-		**19,508**
Technical reserves for outstanding claims	4,231	3,088	3,088	1,029	-	-	**11,436**
Creditors	2,809	-	-	-	-	-	**2,809**
Provisions	177	-	-	-	-	-	**177**
Accrued expenses and deferred income	-	-	-	-	-	851	**851**
Total equity and liabilities	**20,288**	**9,525**	**3,088**	**1,029**	**-**	**24,343**	**58,273**
Maturity gap on assets and liabilities	**4,691**	**781**	**(2,558)**	**2,557**	**2,304**	**(7,775)**	**-**

NOTES TO THE FINANCIAL STATEMENTS

Group's maturity dates financial statements as at 31 December 2009

	Within 6 months LVL'000	6-12 months LVL'000	1-2 years LVL'000	2-5 years LVL'000	Over 5 years LVL'000	No fixed term LVL'000	Total LVL'000
Assets							
Property, plant and equipment	-	-	-	-	-	435	**435**
Land and buildings	-	-	-	-	-	294	**294**
Intangible assets	-	-	-	-	-	6,570	**6,570**
Investment certificates of investment funds	-	-	-	-	-	187	**187**
Debt securities and other fixed income securities	4,706	1,230	2,446	16,068	4,432	-	**28,882**
Term deposits with credit institutions	20,737	2,200	-	43	-	-	**22,980**
Loan and receivables	6,890	-	-	-	-	-	**6,890**
Accrued income and deferred expenses	-	-	-	-	-	2,583	**2,583**
Deferred tax asset	-	-	-	-	-	295	**295**
Reinsurance share in reserves	842	537	378	126	-	-	**1,883**
Cash and cash equivalents	3,982	-	-	-	-	-	**3,982**
Total assets	**37,157**	**3,967**	**2,824**	**16,237**	**4,432**	**10,364**	**74,981**
Equity and liabilities							
Equity	-	-	-	-	-	28,523	**28,523**
Unearned premium and unexpired risk technical reserves	14,592	7,186	-	-	-	-	**21,778**
Technical reserves for outstanding claims	6,860	5,005	5,005	1,668	-	-	**18,538**
Creditors	4,471	-	-	-	-	-	**4,471**
Provisions	542	-	-	-	-	-	**542**
Other liabilities	-	-	-	-	-	1,129	**1,129**
Total equity and liabilities	**26,465**	**12,191**	**5,005**	**1,668**	**-**	**29,652**	**74,981**
Maturity gap on assets and liabilities	**10,692**	**(8,224)**	**(2,181)**	**14,569**	**4,432**	**(19,288)**	**-**

NOTES TO THE FINANCIAL STATEMENTS

Group's maturity dates financial statements as at 31 December 2008

	Within 6 months LVL'000	6-12 months LVL'000	1-2 years LVL'000	2-5 years LVL'000	Over 5 years LVL'000	No fixed term LVL'000	Total LVL'000
Assets							
Property, plant and equipment	-	-	-	-	-	550	**550**
Land and buildings	-	-	-	-	-	319	**319**
Intangible assets	-	-	-	-	-	8,380	**8,380**
Investment certificates of investment funds	-	-	-	-	-	907	**907**
Debt securities and other fixed income securities	8,787	6,812	968	4,996	2,322	-	**23,885**
Term deposits with credit institutions	13,017	7,468	-	41	-	-	**20,526**
Loans and receivables	9,772	10	18	33	6	-	**9,839**
Accrued income and deferred expenses	-	-	-	-	-	3,721	**3,721**
Deferred tax asset	-	-	-	-	-	318	**318**
Reinsurance share in reserves	1,177	759	550	183	-	-	**2,669**
Cash and cash equivalents	2,720	-	-	-	-	-	**2,720**
Total assets	**35,473**	**15,049**	**1,536**	**5,253**	**2,328**	**14,195**	**73,834**
Equity and liabilities							
Equity	-	-	-	-	-	23,772	**23,772**
Unearned premium and unexpired risk technical reserves	17,798	8,767	-	-	-	-	**26,565**
Technical reserves for outstanding claims	6,365	4,644	4,644	1,548	-	-	**17,201**
Creditors	4,579	-	-	-	-	-	**4,579**
Provisions	341	-	-	-	-	-	**341**
Accrued expenses and deferred income	-	-	-	-	-	1,376	**1,376**
Total equity and liabilities	**29,083**	**13,411**	**4,644**	**1,548**	**-**	**25,148**	**73,834**
Maturity gap on assets and liabilities	**6,390**	**1,638**	**(3,108)**	**(3,705)**	**(2,328)**	**(10,953)**	**-**

NOTES TO THE FINANCIAL STATEMENTS

Operational risks and risk management

Operational risks arise from deficiencies and errors in processes which may occur due to staff error or under the influence of external factors. These risks are successfully limited by internal control, internal processes and procedures, delegation of responsibilities and monitoring of performance.

The Company and the Group has implemented annual internal control system assessment process during which each Head of department carries out risk assessment, identifying risks existing in the market, assessing their influence and determining measures and activities to reduce risks together with Senior staff of the Company. The assessment of measures and activities performed for risk reduction is performed periodically.

Management actions

The Company and the Group recognizes sufficient technical reserves in order to be able to meet all liabilities under insurance and reinsurance arrangements and ensure stable financial operation. The insurance company performs technical reserve calculations separately for each insurance contract or group of contracts. The Company monitors that formation of the asset structure for the technical reserve cover is based on the following rules:

- not more than 10% of technical reserves are allocated to a single real estate, land and buildings or land properties and buildings which may be treated as a single investment due to their location, and not more than 25% of technical reserves are allocated to aggregate buildings and land properties;
- not more than 5% of technical reserves are allocated to equity securities and debt securities (except mortgage bonds) issued by a single party except the Republic of Latvia, other member states or OECD debt securities issued by the state and municipality;
- not more than 10% of technical reserves are allocated to mortgage bonds issued in accordance with the Mortgage Bond Law or member state normative acts and issued by a single party, and not more than 25% of technical reserves for aggregate mortgage bonds;
- not more than 5% of technical reserves are allocated to investment certificates of a single investment fund registered in the Republic of Latvia, other member state or OECD country;
- not more than 25% of technical reserves are allocated to deposits with a single credit institution;
- not more than 10% of technical reserves are allocated to a single mortgage loan and not more than 25% of technical reserves to aggregate mortgage loans;
- not more than 20% of unearned premium technical reserves are allocated to insurance receivables from direct insurance operations;
- not more than 15% of technical reserves are allocated to assets in entities related to the insurer.

NOTES TO THE FINANCIAL STATEMENTS

(5) GROSS WRITTEN PREMIUMS

Parent company financial statements	2009		2008	
	Gross	Reinsurer's share	Gross	Reinsurer's share
	LVL'000	LVL'000	LVL'000	LVL'000
Motor own damage insurance	10,911	-	16,295	-
Motor compulsory third party liability in Latvia	10,682	(428)	12,136	(374)
Property insurance	5,505	(277)	4,932	(404)
Motor compulsory third party liability in Lithuania and Estonia	10,724	(145)	7,268	(157)
Personal accident insurance	372	(15)	233	(14)
Health insurance	3,607	-	2,465	-
Aircraft insurance	128	(109)	137	(116)
Marine insurance	78	(13)	79	(13)
Cargo insurance	90	(17)	89	(9)
Aircraft third party liability insurance	86	(76)	92	(82)
Marine third party liability insurance	9	-	2	-
General third party liability	1,655	(329)	749	(321)
Guarantee insurance	504	-	219	-
Various financial risks	489	-	393	-
Travel insurance	508	(3)	389	(2)
Railway insurance	13	(6)	10	(4)
	45,361	**(1,418)**	**45,488**	**(1,496)**

The Company makes obligatory deductions in accordance with the law "On compulsory motor third party liability" and the related Cabinet of Ministers regulations Gross written premiums on motor third party liabilities insurance and gross written premiums are shown net of the obligatory deductions TLVL 287 (2008: TLVL 382).

Consolidated financial statements	2009		2008	
	Gross	Reinsurer's share	Gross	Reinsurer's share
	LVL'000	LVL'000	LVL'000	LVL'000
Motor own damage insurance	10,918	-	17,180	(56)
Motor compulsory third party liability in Latvia	10,678	(464)	12,137	(374)
Property insurance	5,682	(282)	6,094	(438)
Motor compulsory third party liability in Lithuania and Estonia	12,057	(239)	14,174	(432)
Personal accident insurance	413	(15)	482	(14)
Health insurance	3,607	5	2,678	-
Aircraft insurance	128	(109)	137	(116)
Marine insurance	78	(13)	79	(13)
Cargo insurance	102	(17)	123	(13)
Aircraft third party liability insurance	86	(76)	92	(82)
Marine third party liability insurance	9	-	2	-
General third party liability	2,192	(334)	1,300	(337)
Guarantee insurance	633	-	571	(3)
Various financial risks	489	-	394	-
Travel insurance	565	(3)	390	(2)
Railway insurance	13	(6)	10	(4)
	47,650	**(1,553)**	**55,843**	**(1,884)**

NOTES TO THE FINANCIAL STATEMENTS

Gross written premiums by country:	**Parent company financial statements**		**Consolidated financial statements**	
	2009 LVL'000	**2008 LVL'000**	**2009 LVL'000**	**2008 LVL'000**
Latvia	27,923	32,333	28,623	32,333
Estonia	5,423	5,103	5,423	5,103
Lithuania	11,982	8,052	13,571	14,550
Poland	33	-	33	3,857
	45,361	**45, 488**	**47,650**	**55,843**

Gross written premiums by currencies:	**Parent company financial statements**		**Consolidated financial statements**	
	2009 LVL'000	**2008 LVL'000**	**2009 LVL'000**	**2008 LVL'000**
LVL	18,185	16,153	18,203	16,350
EUR	8,928	7,824	8,935	7,876
LTL	12,338	14,678	14,602	21,303
EEK	4,889	5,192	4,889	5,192
Other	1,021	1,641	1,021	5,122
	45,361	**45, 488**	**47,650**	**55,843**

(6) EARNED PREMIUMS

Parent company financial statements Earned premiums	**2009**			**2008**		
	Gross LVL'000	**Reinsurer's share LVL'000**	**Net amount LVL'000**	**Gross LVL'000**	**Reinsurer's share LVL'000**	**Net amount LVL'000**
Motor own damage insurance	14,053	(34)	14,019	17,660	-	17,660
Motor compulsory third party liability in Latvia	12,012	(428)	11,584	9,357	(374)	8,983
Property insurance	5,811	(267)	5,544	4,518	(410)	4,108
Motor compulsory third party liability in Lithuania and Estonia	12,107	(156)	11,951	7,320	(157)	7,163
Other insurance lines	6,886	(579)	6,307	4,074	(548)	3,526
Total	**50,869**	**(1 464)**	**49,405**	**42,929**	**(1,489)**	**41,440**

Consolidated financial statements Earned premiums	**2009**			**2008**		
	Gross LVL'000	**Reinsurer's share LVL'000**	**Net amount LVL'000**	**Gross LVL'000**	**Reinsurer's share LVL'000**	**Net amount LVL'000**
Motor own damage insurance	14,669	(131)	14,538	18,923	(521)	18,402
Motor compulsory third party liability in Latvia	12,015	(463)	11,552	9,357	(374)	8,983
Property insurance	6,387	(279)	6,108	6,507	(559)	5,948
Motor compulsory third party liability in Lithuania and Estonia	14,326	(239)	14,087	12,486	(611)	11,875
Other insurance lines	7,548	(591)	6,957	5,816	(579)	5,237
Total	**54,945**	**(1,703)**	**53,242**	**53,089**	**(2,644)**	**50,445**

NOTES TO THE FINANCIAL STATEMENTS

(7) UNEARNED PREMIUM AND UNEXPIRED RISK TECHNICAL RESERVES

Parent company financial statements	Gross LVL'000	Reinsurer share LVL'000	Net LVL'000
Balance at 31 December 2007	**16,949**	**(473)**	**16,476**
Written premiums	45,488	(1,496)	43,992
Premiums earned	(42,929)	1,489	(41,440)
Balance at 31 December 2008	**19,508**	**(480)**	**19,028**
Written premiums	45,361	(1,418)	43,943
Premiums earned	(50,869)	1,464	(49,405)
Reserves assumed on reorganization (note 45)	5,801	(49)	5,752
Balance at 31 December 2009	**19,801**	**(483)**	**19,318**

Parent company financial statements	2009 Gross LVL'000	2009 Net LVL'000	2008 Gross LVL'000	2008 Net LVL'000
Unearned premium reserve	19,201	18,718	19,508	19,028
Unexpired risk reserve	600	600	-	-
Total	**19,801**	**19,318**	**19,508**	**19,028**

Consolidated financial statements	Gross LVL'000	Reinsurer share LVL'000	Net LVL'000
Balance at 31 December 2007	**16,949**	**(473)**	**16,476**
Written premiums	55,844	(1,884)	53,960
Premiums earned	(53,090)	2,644	(50,446)
Reserves assumed on acquisition (note 26)	6,862	(920)	5,942
Balance at 31 December 2008	**26,565**	**(633)**	**25,932**
Written premiums	47,650	(1,553)	46,097
Premiums earned	(54,945)	1,703	(53,242)
Reserves assumed on acquisition (note 26)	2,508	-	2,508
Balance at 31 December 2009	**21,778**	**(483)**	**21,295**

Consolidated financial statements	2009 Gross LVL'000	2009 Net LVL'000	2008 Gross LVL'000	2008 Net LVL'000
Unearned premium reserve	21,178	20,695	26,565	25,932
Unexpired risk reserve	600	600	-	-
Total	**21,778**	**21,295**	**26,565**	**25,932**

NOTES TO THE FINANCIAL STATEMENTS

(8) OTHER TECHNICAL INCOME, NET

	Parent company financial statements		Consolidated financial statements	
	2009 LVL'000	**2008 LVL'000**	**2009 LVL'000**	**2008 LVL'000**
Income from cancellation of policies	-	1	6	7
Commission fees for distribution of insurance products from other insurers	103	332	103	332
Other technical income	47	22	51	81
	150	**355**	**160**	**420**

(9) CLAIMS PAID

Parent company financial statements	**2009**		**2008**	
Claims paid	**Gross LVL'000**	**Reinsurer's share LVL'000**	**Gross LVL'000**	**Reinsurer's share LVL'000**
Motor own damage insurance	(9,115)	61	(10,679)	-
Motor compulsory third party liability in Latvia	(5,765)	-	(5,198)	-
Property insurance	(2,614)	5	(1,836)	535
Motor compulsory third party liability in Lithuania and Estonia	(8,174)	69	(5,046)	75
Personal accident insurance	(140)	-	(101)	-
Health insurance	(4,105)	-	(1,430)	-
Aircraft insurance	(1)	1	(85)	81
Marine insurance	(200)	59	(7)	-
Cargo insurance	(32)	-	(9)	-
General third party liability	(213)	4	(43)	-
Guarantee insurance	(40)	-	-	-
Travel insurance	(34)	-	(57)	-
Financial loss insurance	(25)	-	(200)	-
	(30,458)	**199**	**(24,691)**	**691**

Consolidated financial statements	**2009**		**2008**	
Claims paid	**Gross LVL'000**	**Reinsurer share LVL'000**	**Gross LVL'000**	**Reinsurer share LVL'000**
Motor own damage insurance	(9,686)	139	(11,361)	280
Motor compulsory third party liability in Latvia	(5,792)	-	(5,198)	-
Property insurance	(2,796)	20	(2,876)	544
Motor compulsory third party liability in Lithuania and Estonia	(9,194)	71	(6,546)	78
Personal accident insurance	(203)	-	(154)	-
Health insurance	(4,105)	-	(1,462)	-
Aircraft insurance	(1)	1	(85)	81
Marine insurance	(200)	59	(7)	-
Cargo insurance	(32)	-	(9)	-
General third party liability	(224)	4	(97)	15
Guarantee insurance	(40)	-	(5)	-
Travel insurance	(80)	-	(57)	-
Financial loss insurance	(25)	-	(200)	-
	(32,378)	**295**	**(28,057)**	**998**

NOTES TO THE FINANCIAL STATEMENTS

Gross claims paid by currencies:	**Parent company financial statements**		**Consolidated financial statements**	
	2009 LVL'000	**2008 LVL'000**	**2009 LVL'000**	**2008 LVL'000**
LVL	(16,118)	(14,229)	(16,371)	(14,481)
EUR	(3,112)	(2,574)	(3,257)	(2,722)
LTL	(7,090)	(4,634)	(8,327)	(7,195)
EEK	(2,730)	(2,960)	(2,732)	(2,968)
Other	(1,408)	(294)	(1,691)	(691)
	(30,458)	**(24,691)**	**(32,378)**	**(28,057)**

(10) TECHNICAL RESERVES FOR OUTSTANDING CLAIMS

Parent company financial statements	**Gross LVL'000**	**Reinsurer share LVL'000**	**Net LVL'000**
Balance at 31 December 2007	**7,605**	**(856)**	**6,749**
Claims incurred during the period	28,522	(1,384)	27,138
Gross claims	(24,691)	691	(24,000)
Balance at 31 December 2008	**11,436**	**(1,549)**	**9,887**
Claims incurred during the period	29,862	351	30,213
Gross claims	(30,458)	199	(30,259)
Reserves assumed on reorganization (note 45)	6,528	(401)	6,127
Balance at 31 December 2009	**17,368**	**(1,400)**	**15, 968**

	2009		**2008**	
	LVL'000 Gross	**LVL'000 Net**	**LVL'000 Gross**	**LVL'000 Net**
RBNS	12,217	10,817	9,098	7,549
IBNR	5,151	5,150	2,338	2,338
Total	**17,368**	**15,968**	**11,436**	**9,887**

Consolidated financial statements	**Gross LVL'000**	**Reinsurer share LVL'000**	**Net LVL'000**
Balance at 31 December 2007	**7,605**	**(856)**	**6,749**
Claims incurred during the period	33,194	(1,742)	31,452
Gross claims	(28,057)	998	(27,059)
Reserves assumed on acquisition (note 26)	4,459	(436)	4,023
Balance at 31 December 2008	**17,201**	**(2,036)**	**15,165**
Claims incurred during the period	32,531	341	32,872
Gross claims	(32,378)	295	(32,083)
Reserves assumed on acquisition (note 26)	1,301	-	1,301
Other technical reserves	(117)	-	(117)
Balance at 31 December 2009	**18,538**	**(1,400)**	**17,138**

	2009		**2008**	
	LVL'000 Gross	**LVL'000 Net**	**LVL'000 Gross**	**LVL'000 Net**
RBNS	13,149	11,749	12,925	10,889
IBNR	5,389	5,389	4,276	4,276

NOTES TO THE FINANCIAL STATEMENTS

Total	**18,538**	**17,138**	**17,201**	**15,165**

(11) CLAIMS INCURRED

Parent company financial statements Claims incurred	2009 Gross LVL'000	Reinsurer's share LVL'000	Net amount LVL'000	2008 Gross LVL'000	Reinsurer's share LVL'000	Net amount LVL'000
Motor own damage insurance	(8,459)	(5)	(8,464)	(10,563)	(1)	(10,564)
Motor compulsory third party liability in Latvia	(6,632)	-	(6,632)	(6,857)	-	(6,857)
Property insurance	(2,274)	(1)	(2,275)	(1,674)	(75)	(1,749)
Motor Compulsory third party liability in Lithuania and Estonia	(7,854)	(421)	(8,275)	(7,152)	1,341	(5,811)
Other insurance lines	(4,643)	76	(4,567)	(2,276)	119	(2,157)
Total	**(29,862)**	**(351)**	**(30,213)**	**(28,522)**	**1,384**	**(27,138)**

Consolidated financial statements Claims incurred	2009 Gross LVL'000	Reinsurer's share LVL'000	Net amount LVL'000	2008 Gross LVL'000	Reinsurer's share LVL'000	Net amount LVL'000
Motor own damage insurance	(9,001)	62	(8,939)	(11,276)	265	(11,011)
Motor compulsory third party liability in Latvia	(6,590)	-	(6,590)	(6,857)	-	(6,857)
Property insurance	(2,463)	(18)	(2,481)	(2,765)	(69)	(2,834)
Motor Compulsory third party liability in Lithuania and Estonia	(9,430)	(484)	(9,914)	(9,543)	1,345	(8,198)
Other insurance lines	(5,047)	99	(4,948)	(2,753)	201	(2,552)
Total	**(32,531)**	**(341)**	**(32,872)**	**(33,194)**	**1,742**	**(31,452)**

(12) PREMIUM REFUNDS

Premium refunds represent a proportion of premium that becomes contractually refundable to policy holders in the event that no claims are made under the respective insurance contract.

Parent company financial statements

	LVL'000
Balance at 31 December 2007	**199**
Premium refunds recognised during the period	275
Premium refunds paid during the period	(404)
Balance at 31 December 2008	**70**
Premium refunds recognised during the period	194
Premium refunds paid during the period	(168)
Balance at 31 December 2009	**96**

Consolidated financial statements

	LVL'000
Balance at 31 December 2007	**199**
Premium refunds recognised during the period	275
Premium refunds paid during the period	(404)
Balance at 31 December 2008	**70**
Premium refunds recognised during the period	194
Premium refunds paid during the period	(168)
Balance at 31 December 2009	**96**

NOTES TO THE FINANCIAL STATEMENTS

Premium refunds contractually due and not yet paid are disclosed under accrued expenses and deferred income (refer to Note 43).

(13) CLIENT ACQUISITION COSTS

	Parent company financial statements		Consolidated financial statements	
	2009	2008	2009	2008
	LVL'000	LVL'000	LVL'000	LVL'000
Commission fees paid to intermediaries	7,922	7,469	8,543	10,010
Advertisement expenses	218	341	233	341
Policy printing expenses	66	96	80	148
Tenders	1	1	1	49
	8,207	**7,907**	**8,857**	**10,548**

Client acquisition costs by the line of insurance	Parent company financial statements		Consolidated financial statements	
	2009	2008	2009	2008
	LVL'000	LVL'000	LVL'000	LVL'000
Motor own damage insurance	1,983	2,893	2,113	3,053
Motor third party liability compulsory insurance in Latvia	1,513	1,939	1,515	1,939
Property insurance	1,412	1,288	1,467	1,561
Motor third party liability compulsory insurance in Lithuania and Estonia	2,272	1,310	2,584	3,213
Other insurance lines	1,027	477	1,179	782
	8,207	**7,907**	**8,857**	**10,548**

(14) DEFERRED CLIENT ACQUISITION COSTS

Parent company financial statements

	LVL'000
Balance at 31 December 2007	**2,326**
Written commissions	7,907
Deferred commissions	(7,796)
Balance at 31 December 2008	**2,437**
Written commissions	8,207
Deferred commissions	(9,092)
Deferred commissions assumed on reorganization (note 45)	776
Balance at 31 December 2009	**2,328**

Consolidated financial statements

	LVL'000
Balance at 31 December 2007	**2,326**
Written commissions	10,548
Deferred commissions	(10,226)
Deferred commissions assumed on acquisition (note 26)	810
Balance at 31 December 2008	**3,458**
Written commissions	8,857
Deferred commissions	(10,055)
Deferred commissions assumed on acquisition (note 26)	288
Balance at 31 December 2009	**2,548**

NOTES TO THE FINANCIAL STATEMENTS

(15) ADMINISTRATIVE EXPENSES

	Parent company financial statements		Consolidated financial statements	
	2009 LVL'000	2008 LVL'000	2009 LVL'000	2008 LVL'000
Remuneration to staff	1,698	1,633	1,856	1,930
Social taxes	965	524	1,012	604
Provisions for unused vacations	175	58	201	(43)
Professional services	308	320	322	542
Financial and Capital Market Commission	158	176	158	186
Rent and maintenance of premises	936	593	1,033	798
Other expenses	677	880	750	1,040
	4,917	**4,184**	**5,332**	**5,057**

According to the Latvian legislation, the Company should transfer to the Financial and Capital Market Commission 0.19% of gross premium income from obligatory motor TPL and 0,488 % from other gross premium income. Transfers to the Interest protection fund should amount to 1% of insurance premiums paid by individuals on voluntary lines of insurance.

Administrative expenses by the line of insurance	Parent company financial statements		Consolidated financial statements	
	2009 LVL'000	2008 LVL'000	2009 LVL'000	2008 LVL'000
Motor own damage insurance	1,951	1,951	2,041	2,026
Motor compulsory third party liability in Latvia	835	835	835	835
Property insurance	660	660	690	747
Motor compulsory third party liability in Lithuania and Estonia	425	425	604	1,066
Other insurance lines	1,046	313	1,162	383
	4,917	**4,184**	**5,332**	**5,057**

(16) OTHER TECHNICAL EXPENSES, NET

	Parent company financial statements		Consolidated financial statements	
	2009 LVL'000	2008 LVL'000	2009 LVL'000	2008 LVL'000
Allowance for bad debts from policy holders (note 32)	575	127	523	179
Allowance for bad debts from intermediaries	372		440	
Expenses relating insurance policies of other insurance companies	-	197	7	197
Other technical expenses	742	1	750	383
	1,689	**325**	**1,720**	**759**

(17) INVESTMENT MANAGEMENT EXPENSES/INCOME AND COMMISSION FEE PAYMENTS

	Parent company financial statements		Consolidated financial statements	
	2009 LVL'000	2008 LVL'000	2009 LVL'000	2008 LVL'000
Debt securities and other fixed income securities	38	51	41	60
	38	**51**	**41**	**60**

NOTES TO THE FINANCIAL STATEMENTS

(18) NET INTEREST INCOME

	Parent company financial statements		Consolidated financial statements	
	2009	2008	2009	2008
	LVL'000	LVL'000	LVL'000	LVL'000
From debt securities and other fixed income securities	1,576	420	1,576	688
From deposits with credit institutions	1,796	1,290	1,992	1,439
	3,372	**1,710**	**3,568**	**2,127**

(19) NET gain/ losses from financial assets classified at fair value through profit and loss

	Parent company financial statements		Consolidated financial statements	
	2009	2008	2009	2008
	LVL'000	LVL'000	LVL'000	LVL'000
Realized gain	230	110	230	110
Unrealised loss	(141)	(614)	(138)	(590)
Impairment allowances for corporate bonds*)	-	-	(275)	(1,097)
	89	**(504)**	**(183)**	**(1,577)**

*) The group, through its subsidiary RESO Europa, acquired in 2008 two corporate bonds with maturity dates at the beginning of December 2009 (01/12/2009 and 15/12/2009) at a cost of TLVL 964 (or TEUR 1 368) and TLVL 408 (or TLTL 2 000). The nominal value of the bonds is EUR 1 and LTL 1, the rate of interest, payable at the maturity, is 7.25% and 7.9%. There is no active market for such investment while there is no direct evidence of impairment, management have estimated an impairment allowance of TLVL 1 097 on this bond due to the deteriorating economic circumstances in Baltics. In 2009, the Group recognized additional provisions for these debt securities amounting to LVL 275 thousand. As a result, the total allowance amounts to TLVL 1,372 (100%).

(20) OTHER INCOME

	Parent company financial statements		Consolidated financial statements	
	2009	2008	2009	2008
	LVL'000	LVL'000	LVL'000	LVL'000
Income on sale of property, plant and equipment	-	21	-	21
Negative goodwill on acquisition (note 26)	-	-	1,093	-
Other	9	73	468	73
	9	**94**	**1,561**	**94**

(21) OTHER EXPENSES

	Parent company financial statements		Consolidated financial statements	
	2009	2008	2009	2008
	LVL'000	LVL'000	LVL'000	LVL'000
Sponsorship	276	166	276	166
Impairment of Goodwill (note 25)	1,708	-	1,708	-
Other	91	10	183	80
	2,075	**176**	**2,167**	**246**

NOTES TO THE FINANCIAL STATEMENTS

(22) CORPORATE INCOME TAX

	Parent company financial statements		Consolidated financial statements	
	2009	**2008**	**2009**	**2008**
	LVL'000	**LVL'000**	**LVL'000**	**LVL'000**
Current tax	819	460	839	566
Changes in deferred tax assets (note 38)	24	-	23	(210)
	843	**460**	**862**	**356**

	Parent company financial statements		Consolidated financial statements	
	2009	**2008**	**2009**	**2008**
	LVL'000	**LVL'000**	**LVL'000**	**LVL'000**
Profit before tax	**4,549**	**3,012**	**5,610**	**3,188**
Theoretical tax using the 15% rate (Latvia)	683	451	794	451
Effect of tax rate in other jurisdictions	-	-	64	43
Expenses not deductible for tax purposes	153	49	153	49
Effect from impairment of goodwill	256	-	256	-
Exempt income and non-deductible expenses (securities)	(41)	51	(41)	51
Change in unrecognized deferred tax asset (note 38)	21	-	69	-
Not taxable income	-	-	(204)	-
Utilisation of previously unrecognised deferred tax asset	-	-	-	(123)
Tax relief on donations	(197)	(115)	(197)	(115)
Exempt income from operations in Lithuania	(32)	24	(32)	-
Tax expenses	**843**	**460**	**862**	**356**

(23) PROPERTY, PLANT AND EQUIPMENT

Parent company financial statements	**Vehicles**	**Computers**	**Office equipment**	**Total**
Historical cost /revaluation	**LVL'000**	**LVL'000**	**LVL'000**	**LVL'000**
31 December 2007	**536**	**348**	**257**	**1,141**
Additions	222	37	78	337
Disposals	(108)	(9)	(21)	(138)
31 December 2008	**650**	**376**	**314**	**1,340**
Assumed on reorganisation (note 45)	159	209	19	387
Additions	67	26	56	149
Disposal	(51)	(22)	(40)	(113)
31 December 2009	**825**	**589**	**349**	**1,763**
Depreciation				
31 December 2007	**363**	**257**	**166**	**786**
Charge for the year	123	56	38	217
Depreciation on disposals	(86)	(8)	(16)	(110)
31 December 2008	**400**	**305**	**188**	**893**
Depreciation assumed on reorganisation (note 45)	148	148	8	304
Charge for the year	132	41	68	241
Depreciation on disposals	(38)	(21)	(35)	(94)
31 December 2009	**642**	**473**	**229**	**1,344**
Balance at 31 December 2008	**250**	**71**	**126**	**447**
Balance at 31 December 2009	**183**	**116**	**120**	**419**

NOTES TO THE FINANCIAL STATEMENTS

Consolidated financial statements	**Vehicles**	**Computers**	**Office equipment**	**Total**
	LVL'000	**LVL'000**	**LVL'000**	**LVL'000**
Historical cost /revaluation				
31 December 2007	**536**	**348**	**257**	**1,141**
Assumed on acquisition, net (note 26)	55	21	29	105
Additions	222	39	103	364
Disposals	(108)	(32)	(30)	(170)
31 December 2008	**705**	**376**	**359**	**1,440**
Assumed on acquisition (note 26)	11	6	-	17
Additions	71	26	57	154
Disposal	(51)	(21)	(40)	(112)
31 December 2009	**736**	**387**	**376**	**1,499**
Accumulated depreciation				
31 December 2007	**363**	**257**	**166**	**786**
Charge for the year	134	62	48	244
Depreciation on disposals	(84)	(32)	(24)	(140)
31 December 2008	**413**	**287**	**190**	**890**
Charge for the year	141	52	69	262
Depreciation on disposals	(38)	(21)	(35)	(94)
Depreciation assumed on acquisition (Note 26)	4	2	-	6
31 December 2009	**520**	**320**	**224**	**1,064**
Balance at 31 December 2008	**292**	**89**	**169**	**550**
Balance at 31 December 2009	**216**	**67**	**152**	**435**

All equipment items are used in operating activities.

(24) LAND AND BUILDINGS

Parent company financial statements		**For own use**	**Total**
		LVL'000	**LVL'000**
Historical cost/ revaluation			
31 December 2007		**70**	**70**
	Including revaluation	*49*	*49*
Disposals		(20)	(20)
31 December 2008		**50**	**50**
	*Including revaluation**)*	*22*	*22*
Assumed on reorganisation (note 26)		275	275
	Including revaluation)*	*136*	*136*
31 December 2009		**325**	**325**
	Including revaluation)*	*158*	*158*
Accumulated depreciation			
31 December 2007		**14**	**14**
Charge for the year		2	2
Depreciation of disposed		(3)	(3)
31 December 2008		**13**	**13**
Charge for the year		18	18
31 December 2009		**31**	**31**
Balance at 31 December 2008		**37**	**37**
Balance at 31 December 2009		**294**	**294**

*) The last revaluation of the subsidiary's owned property was performed in October 2008 and was based on comparative market prices. The Company retrospectively adjusted against the goodwill calculation the adjustment to the fair value of the subsidiary's buildings recognized at the acquisition date (May 28, 2008) based on revaluation obtained in October 2008. Depreciation of buildings was calculated based on this revalued amount starting from June 2008. Management believes that the fair value of property is not materially different from its carrying amount as at reporting period end date.
**) The last revaluation was performed in 2006 and was based on comparative market prices. .Management believes that the fair value of property is not materially different from its carrying amount as at balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

Consolidated financial statements	**For own use LVL'000**	**Total LVL'000**
Historical cost/ revaluation		
31 December 2007	**70**	**70**
Including revaluation	*49*	*49*
Assumed on consolidation, net (note 26)	295	295
Disposals	**(20)**	**(20)**
Including revaluation from consolidation)*	*136*	*136*
31 December 2008	**345**	**345**
Including revaluation)*	*158*	*158*
31 December 2009	**345**	**345**
Including revaluation)*	*158*	*158*
Accumulated depreciation		
31 December 2007	**14**	**14**
Charge for the year	15	15
Depreciation of disposed	(3)	(3)
31 December 2008	**26**	**26**
Charge for the year	25	25
31 December 2009	51	51
Balance at 31 December 2008	**319**	**319**
Balance at 31 December 2009	**294**	**294**

*) The last revaluation of the subsidiary's owned property was performed in October 2008 and was based on comparative market prices. The Company retrospectively adjusted against goodwill calculation the amount of subsidiary's buildings recognized at the acquisition date (May 28, 2008) to revaluation of buildings obtained in October 2008. Depreciation of buildings was calculated based on this revalued amount starting from June 2008. Management believes that the fair value of property is not materially different from its carrying amount as at reporting period end date.

(25) INTANGIBLE ASSETS

Parent company financial statements	**Software LVL'000**	**Client relationship LVL'000**	**Goodwill LVL'000**	**Total LVL'000**
Historical cost				
31 December 2007	**89**	**-**	**-**	**89**
Additions	5	-	-	5
31 December 2008	**94**	**-**	**-**	**94**
Additions	4	-	-	4
Assumed on reorganisation (note 45)	88	653	7,664	8,405
31 December 2009	**186**	**653**	**7,664**	**8,503**
Accumulated amortization				
31 December 2007	**51**	**-**	**-**	**51**
Charge for the year	20	-	-	20
31 December 2008	**71**	**-**	**-**	**71**
Amortization assumed on reorganisation (note 45)	17	54	-	71
Impairment loss (note 21)	-	-	1,708	1,708
Charge for the year	34	49	-	83
31 December 2009	**122**	**103**	**1,708**	**1,933**
Balance at 31 December 2008	**23**	**-**	**-**	**23**
Balance at 31 December 2009	**64**	**550**	**5,956**	**6,570**

NOTES TO THE FINANCIAL STATEMENTS

Consolidated financial statements	**Software**	**Customer relationship**	**Goodwill**	**Total**
	LVL'000	**LVL'000**	**LVL'000**	**LVL'000**
Historical cost				
31 December 2007	**89**	**-**	**-**	**89**
Additions as a result of acquisition, net (note 26)	89	653	-	742
Additions as a result of acquisition (note 26)	-	-	7,664	7,664
Additions	15	-	-	15
31 December 2008	**193**	**653**	**7,664**	**8,510**
Additions	6	-	-	-
Disposals	(2)	-	-	-
31 December 2009	**197**	**653**	**7,664**	**8,514**
Accumulated amortization				
31 December 2007	**51**	**-**	**-**	**51**
Charge for the year	41	38	-	79
31 December 2008	**92**	**38**	**-**	**130**
Charge for the year	41	65	-	106
Impairment loss (note 21)	-	-	1,708	1,708
31 December 2009	**133**	**103**	**1,708**	**1,944**
Balance at 31 December 2008	**101**	**615**	**7,664**	**8,380**
Balance at 31 December 2009	**64**	**550**	**5,956**	**6,570**

The value of customer relationship is estimated by means of the Net Present Value of estimated excess earnings after tax, generated over the remaining operating life. The estimation is based on a forecast from 2008 until 2018; the customer retention rate used in estimation is 69%. Useful life cycle of customer relations has been defined as 10 years based on observable market data.

Goodwill was recognized as a result of the acquisition of a subsidiary in 2008. At the end of 2009, management assessed goodwill for impairment by comparing the carrying amounts of the underlying cash generating units, including the allocated goodwill, with their recoverable amounts.

In view of the unstable macroeconomic situation, increasing interest rates and material reduction of the insurance market, goodwill was reduced by LVL 1.7 million.

The Company assesses the carrying amount of goodwill for impairment annually. The valuation is based on a Discounted Dividend Model. The profit after tax is assumed to be a proxy for free cash flow available for distribution to owners. However, the required solvency capital must be in place before the owners can get dividends. The remaining amount, after retaining the increase in solvency capital, is assumed to be paid out as dividends. A negative figure would mean that an equity contribution is required in order to comply with the calculated need for solvency capital.

- The discount rate, Cost of Equity, is calculated to be 15.1 % based on the following: CoE[1] = Rf[2] + Rp[3] x Beta[4]
    - Rf: Lithuanian gov't 5-year bond 9.1%.
    - Rp = 6%.
    - Beta of 1.0 assumed.
- The NPV (Net Present Value) consists of two components
    - The NPV of the dividends in the explicit period 2010E-2018E
    - The terminal value from 2019E and onwards (based on 3 % terminal growth assumption)
- Sensitivity analysis has been performed to test impact of change in major assumptions – premium growth, profitability (CR) and discount rate

Following assumptions were used for future cash flow estimate;

[1] CoE – cost of equity;
[2] Rf – risk free rate;
[3] Rp – risk Premium;
[4] Beta – number describing return for industry.

NOTES TO THE FINANCIAL STATEMENTS

- Non-life insurance market in Baltic countries has fallen sharply in 2009 (estimated fall >25%) and will lose some volume also in 2010. Together with slow economic recovery, insurance market will gradually increase starting from 2011.
- The uninsured potential is large, giving a basis for considerable growth in long term. Currently insurance market in the Baltic states strongly lags behind EU and also Central European countries in terms of GWP/GDP and GWP per capita
- We forecast CGU performance in line with Gjensidige Baltic performance - slightly better than market in total, giving moderate increase in market share – from ca.8% currently till close to 10% in 2018.
- Claims ratio currently is at a relatively low level of approx.62% (2009 result) and is forecasted to increase to 65% over the next 3 years, main reasons being:
    - Competition in the market and pressure on prices
    - Continued consolidation in the market, consequently bigger and more efficient players being able to price aggressively
- Cost ratio was ca.36% for 2009 and it is in the line with Lithuanian market performance. However, the level is quite high and decrease is expected generally in the market, mainly due to:
    - The cost ratio level will reduce in the market as a result of consolidation, and companies becoming bigger both from organic and non-organic growth
    - Market players becoming more efficient and professional
    - Gjensidige Baltic will continue developing efficient Pan-Baltic operation, centralizing certain functions and profiting from economies of scale and synergies with Gjensidige
    - Reducing commissions for intermediaries which currently are at a high level in the market in general
    - As a result, cost ratio is assumed to reduce gradually to 28%
- Return on investment is assumed conservative at 5% level over the coming years

The values assigned to the key assumptions represent management’s assessment of future trends in the industry and are based on both external sources and internal sources (historical data).

(26) INVESTMENTS IN SUBSIDIARY

Company	Share in equity	2009 Cost LVL ’000	2008 Cost LVL ’000
GF Försäkringsaktiebolag	100%	1,372	-
RESO Europa	100%	-	12,729
		1,372	**12,729**

a) Investment in GF Försäkringsaktiebolag

The Company signed a purchase agreement on 17 November 2009 in respect of the 100% acquisition of a Lithuanian Insurance company GF Försäkringsaktiebolag. GF Försäkringsaktiebolag has activities in Lithuania and Latvia.

	Pre-acquisition carrying amounts LVL’000	Fair value adjustments LVL’000	Recognised values on acquisition LVL’000
Tangible assets, net (note 23)	11	-	**11**
Intangible assets, net	2,320	(2,320)	**-**
Financial investments	-	-	**-**
Receivables, net	1,179	(283)	**896**
Accrued income and deferred expenses	19	-	**19**
Deferred acquisition costs (note 14)	288	-	**288**
Deferred tax assets	998	(998)	**-**
Other assets	54	-	**54**
Cash	5,341	-	**5,341**
Unearned premium and unexpired risk technical reserve, Net (note 7)	(2,683)	175	**(2,508)**
Technical reserves for outstanding claims, Net (note 10)	(1,135)	(166)	**(1,301)**
Payables	(248)	-	**(248)**
Accrued expenses and deferred income	(90)	-	**(90)**
Net identifiable assets	**6 054**	**(3 592)**	**2 462**
Negative goodwill on acquisition (note 20)			**(1,093)**

NOTES TO THE FINANCIAL STATEMENTS

Consideration paid, satisfied in cash *)	**1,369**
Cash acquired	(5,341)
Net cash outflow	**(3,972)**

*) Consideration paid is 19,510 TSEK. Total investment in subsidiary is 1,372 TLVL as at 31 December 2009 and includes legal and due diligence fees of 50 TLVL. Foreign currency translation difference 3 TLVL is disclosed in other comprehensive income.

b) Investment in RESO Europa

The company has signed a purchase agreement on 26 May 2008 in respect of the 100% acquisition of a Lithuanian Insurance company RESO Europa. RESO Europa has activities in Lithuania, Latvia and Poland.

.

	Pre-acquisition carrying amounts LVL'000	**Fair value adjustments LVL'000**	**Recognised values on acquisition LVL'000**
Land and buildings, net (note 24) *)	159	136	295
Tangible assets, net (note 23)	98	7	105
Intangible assets, net (note 25) **)	29	713	742
Financial investments	11,269	77	11,346
Receivables, net	3,975	501	4,476
Accrued income and deferred expenses	174	-	174
Deferred acquisition costs (note 14)	756	54	810
Deferred tax assets (note 38)	-	39	39
Cash on hand	317	-	317
Unearned premium and unexpired risk technical reserve, Net (note 7)	(5,781)	(161)	(5,942)
Technical reserves for outstanding claims, Net (note 10)	(4,023)	-	(4,023)
Payables	(1,922)	(517)	(2,439)
Provisions (note 39)	(265)	-	(265)
Accrued expenses and deferred income	(687)	117	(570)
Net identifiable assets	**4,099**	**966**	**5,065**
Goodwill on acquisition (note 25)			**7,664**
Consideration paid, satisfied in cash ***)			**12,729**
Cash acquired			(317)
Net cash outflow			**12,412**

*) For revaluation of buildings refer to note 24.
**) Fair value adjustment of intangible assets includes intangible assets acquired in business combination (customer relationship by TLVL 653 and software TLVL 60).
***) includes legal and due diligence fees of 445 TLVL and refund of 16 TLVL.

(27) INVESTMENT CERTIFICATES OF INVESTMENT FUNDS CLASSIFIED AS FAIR VALUE THROUGH PROFIT AND LOSS

	2009		**2008**	
Parent company financial statements	**Fair value of investment LVL'000**	**Cost LVL'000**	**Fair value of investment LVL'000**	**Cost LVL'000**
Nestor Osteuropa Bond FD	-	-	191	275
SGAM FD-MoneMarket fund	-	-	8	8
Parex Balanced Fund	-	-	167	227
Parex eastern European balanced fund	-	-	192	218
Parex eastern European bond fund	-	-	127	194
Parex Baltic real estate fund II	38	70	73	70
SEB Guarantee Fund 80	149	146	-	-

NOTES TO THE FINANCIAL STATEMENTS

	187	**216**	**758**	**992**

Consolidated financial statements	**2009**		**2008**	
	Fair value of investment	**Cost**	**Fair value of investment**	**Cost**
	LVL'000	**LVL'000**	**LVL'000**	**LVL'000**
Nestor Osteuropa Bond FD	-	-	191	275
SGAM FD-MoneMarket fund	-	-	8	8
Parex Balanced Fund	-	-	166	227
Parex eastern European balanced fund	-	-	193	218
Parex eastern European bond fund	-	-	127	194
Parex Baltic real estate fund II	38	70	73	70
SEB Guarantee Fund 80	149	146	149	-
	187	**216**	**907**	**992**

(28) DEBT SECURITIES AND OTHER FIXED INCOME SECURITIES CLASSIFIED AS FAIR VALUE THROUGH PROFIT AND LOSS

Parent company financial statements	**2009**		**2008**	
	Fair value of investment	**Cost**	**Fair value of investment**	**Cost**
	LVL'000	**LVL'000**	**LVL'000**	**LVL'000**
Debt securities of OECD member countries companies	378	351	1,819	1,809
Debt securities of Latvian and Lithuanian companies	1,175	1,259	567	598
	1,553	**1,610**	**2,386**	**2,407**

Consolidated financial statements	**2009**		**2008**	
	Fair value of investment	**Cost**	**Fair value of investment**	**Cost**
	LVL'000	**LVL'000**	**LVL'000**	**LVL'000**
Debt securities of OECD member countries companies	378	351	3,565	4,318
Debt securities of Latvian and Lithuanian companies	1,175	1,259	870	1,998
	1,553	**1,610**	**4,435**	**6,316**

(29) DEBT SECURITIES AND OTHER FIXED INCOME SECURITIES ISSUED OR GUARANTEED BY CENTRAL BANKS OR LOCAL GOVERNMENTS CLASSIFIED AS HELD TO MATURITY

Parent company financial statements

		2009			**2008**	
	Amortized cost	**Cost**	**Fair value**	**Amortized cost**	**Cost**	**Fair value**
	LVL'000	**LVL'000**	**LVL'000**	**LVL'000**	**LVL'000**	**LVL'000**
Latvian government bonds	10,531	10,476	9,881	6,685	6,781	5,901
Lithuanian government bonds	9,198	8,516	9,335	1,789	1,701	1,648
Denmark government bonds	2,407	2,407	2,504	-	-	-
Hungary government bonds	1,086	1,076	1,207	-	-	-
Rumanian government bonds	1,280	1,443	1,323	-	-	-
Bulgarian government bonds	883	906	884	-	-	-
Slovenian government bonds	354	366	340	-	-	-
Poland government bonds	212	326	219	-	-	-
Belgian government bonds	-	-	-	203	197	204
French government bonds	-	-	-	3,244	3,240	3,246
	25,951	**25,516**	**25,693**	**11,921**	**11,919**	**10,999**

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

Consolidated financial statements

	2009			2008		
	Amortized cost	**Cost**	**Fair value**	**Amortized cost**	**Cost**	**Fair value**
	LVL'000	**LVL'000**	**LVL'000**	**LVL'000**	**LVL'000**	**LVL'000**
Latvian government bonds	10,531	10,476	9,881	6,685	6,781	5,901
Lithuanian government bonds	10,576	9,908	10,721	5,366	4,426	5,414
Denmark government bonds	2,407	2,407	2,504	-	-	-
Hungarian government bonds	1,086	1,076	1,207	-	-	-
Romanian government bonds	1,280	1,443	1,323	1,396	1,443	1,284
Bulgarian government bonds	883	906	884	944	906	831
Slovenian government bonds	354	366	340	-	-	-
Polish government bonds	212	326	219	230	229	236
Greek government bonds	-	-	-	901	877	909
Belgian government bonds	-	-	-	203	197	198
French government bonds	-	-	-	3,244	3,240	3,246
Portuguese government bonds	-	-	-	481	490	491
	27,329	**26,908**	**27,079**	**19,450**	**18,589**	**18,510**

(30) TERM DEPOSITS WITH CREDIT INSTITUTIONS

	Parent company financial statements		Consolidated financial statements	
Investment portfolio split by countries:	**2009**	**2008**	**2009**	**2008**
	LVL'000	**LVL'000**	**LVL'000**	**LVL'000**
Latvia	12,474	14,620	14,609	14,820
Lithuania	5,564	1,545	6,702	5,435
Estonia	1,669	271	1,669	271
	19,707	**16,436**	**22,980**	**20,526**

	Parent company financial statements		Consolidated financial statements	
Investment portfolio maturity structure:	**2009**	**2008**	**2009**	**2008**
	LVL'000	**LVL'000**	**LVL'000**	**LVL'000**
Maturity of up to 3 months	10,213	3,195	12,774	4,823
Maturity of 3 to 6 months	7,251	7,583	7,963	8,194
Maturity of 6 to 12 months	2,200	5,617	2,200	7,468
Maturity over 12 months	43	41	43	41
	19,707	**16,436**	**22,980**	**20,526**

Gross maximum credit risk is equal to net maximum credit risk for the Company and the Group as at 31 December 2009 and amounted to LVL 19,707 thousand (2008: 16,436 TLVL) and LVL 22,980 thousand (2008: 20,526 TLVL) respectively.

(31) LOANS

Structure of loan portfolio	Parent company financial statements		Consolidated financial statements	
	2009	**2008**	**2009**	**2008**
	LVL'000	**LVL'000**	**LVL'000**	**LVL'000**
Amount of loan	59	2	59	80
	59	**2**	**59**	**80**

NOTES TO THE FINANCIAL STATEMENTS

Currency structure of loan portfolio	**Parent company financial statements**		**Consolidated financial statements**	
	2009	**2008**	**2009**	**2008**
	LVL'000	**LVL'000**	**LVL'000**	**LVL'000**
LVL	13	2	13	2
LTL	46	-	46	78
	59	**2**	**59**	**80**

Parent company financial statements	**2009**		**2008**	
	Amortized cost	**Fair Value**	**Amortized cost**	**Fair Value**
	LVL'000	**LVL'000**	**LVL'000**	**LVL'000**
Other loan	59	59	2	2
	59	**59**	**2**	**2**

Consolidated financial statements	**2009**		**2008**	
	Amortized cost	**Fair Value**	**Amortized cost**	**Fair Value**
	LVL'000	**LVL'000**	**LVL'000**	**LVL'000**
Other loan	59	59	80	80
	59	**59**	**80**	**80**

(32) POLICY HOLDERS

	Parent company financial statements		**Consolidated financial statements**	
	2009	**2008**	**2009**	**2008**
	LVL'000	**LVL'000**	**LVL'000**	**LVL'000**
Gross amount from policy holders	6,070	5,763	6,882	8,684
Allowance for doubtful amounts	(958)	(383)	(958)	(435)
	5,112	**5,380**	**5,924**	**8,249**

	Parent company financial statements	**Consolidated financial statements**
	Gross	**Gross**
	LVL	**LVL**
Allowance as at 31 December 2007	**(256)**	**(256)**
Increase of allowance (note 16)	(127)	(179)
Allowance as at 31 December 2008	**(383)**	**(435)**
Increase of allowance	(575)	(523)
Allowance as at 31 December 2009	**(958)**	**(958)**

NOTES TO THE FINANCIAL STATEMENTS

(33) REINSURANCE RECEIVABLES

	Parent company financial statements		Consolidated financial statements	
	2009 LVL'000	2008 LVL'000	2009 LVL'000	2008 LVL'000
Gross reinsurance receivables	157	60	157	306
Allowance for doubtful amounts	(12)	(12)	(12)	(12)
	145	**48**	**145**	**294**

	Parent company financial statements Gross LVL'000	Consolidated financial statements Gross LVL'000
Allowance as at 31 December 2007	**(12)**	**(12)**
Increase of allowance	**-**	**-**
Allowance as at 31 December 2008	**(12)**	**(12)**
Increase of allowance	**-**	**-**
Allowance as at 31 December 2009	**(12)**	**(12)**

(34) OTHER RECEIVABLES

	Parent company financial statements		Consolidated financial statements	
	2009 LVL'000	2008 LVL'000	2009 LVL'000	2008 LVL'000
Tax receivable (note 41)	-	37	-	37
Salvage claims from other insurance companies	-	75	-	75
Other receivables	42	7	79	10
	42	**119**	**79**	**122**

(35) OTHER PREPAID EXPENSES AND ACCRUED INCOME

	Parent company financial statements		Consolidated financial statements	
	2009 LVL'000	2008 LVL'000	2009 LVL'000	2008 LVL'000
Prepayments for Licences	-	27	-	27
Other prepayments	28	41	35	236
	28	**68**	**35**	**263**

(36) CASH AND CASH EQUIVALENTS

	Parent company financial statements		Consolidated financial statements	
	2009 LVL'000	2008 LVL'000	2009 LVL'000	2008 LVL'000
Demand deposits with credit institutions	3,754	2,417	3,969	2,704
Cash on hand	13	16	13	16
Total cash and cash equivalents	**3,767**	**2,433**	**3,982**	**2,720**

(37) EQUITY

Share capital

In 2009, the Company's share capital was increased by the issue of 5,000 ordinary shares with voting rights and with a nominal value LVL 100. The share capital of the Company at 31 December 2009 was TLVL 22,500 and comprised of 225,000 shares (fully paid). The nominal value of one share was LVL 100**.**

	2009		2008	
	Amount	**LVL'000**	**Amount**	**LVL'000**
Ordinary shares with voting rights	225,000	22,500	175,000	17,500
	225,000	**22,500**	**175,000**	**17,500**

Each share carries a right to vote at shareholder's meetings, a rights to receive dividends as declared from time to time and a right to residual assets.

Company's shareholders	**2009**		**2008**	
	Number of shares	% of share capital	Number of shares	% of share capital
Gjensidige Forsikring	225,000	100	175,000	100
	225,000	**100**	**175,000**	**100**

Revaluation reserve

The revaluation reserve relates to revaluations on property, plant and equipment used by the Group for its own activities, net of deferred tax.

	Parent company financial statements		**Consolidated financial statements**	
	2009	**2008**	**2009**	**2008**
	LVL'000	**LVL'000**	**LVL'000**	**LVL'000**
Buildings revaluation reserves	51	51	51	51
Deferred tax liabilities at 15%	(8)	(8)	(8)	(8)
	43	**43**	**43**	**43**

	Parent company financial statements Gross LVL'000	**Consolidated financial statements Gross LVL'000**
Balance as at 31 December 2007	**49**	**49**
Decrease in revaluation reserve	(7)	(7)
Deferred tax from changes in revaluation reserve	1	1
Balance as at 31 December 2008	**43**	**43**
Decrease in revaluation reserve	-	-
Balance as at 31 December 2009	**43**	**43**

Reserve capital and other reserves

According to decisions made by the shareholders, a part of the profit has been transferred to reserve capital and other reserves. These reserves are available for shareholders and there are no restrictions on those reserves.

NOTES TO THE FINANCIAL STATEMENTS

(38) DEFERRED TAX

The Company offsets deferred tax assets and liabilities only when it is legally allowed to do so, and the deferred tax relates to the same tax administration.

	Parent company financial statements		Consolidated financial statements	
	2009	2008	2009	2008
	LVL'000	LVL'000	LVL'000	LVL'000
Deferred tax assets at the beginning of the year	69	69	318	69
Deferred tax expenses in the income statement of the reporting period (note 22)	(24)	-	(23)	210
Transferred from consolidation (note 45)	250	-	-	39
Deferred tax assets at the end of the year	**295**	**69**	**295**	**318**

Deferred income tax assets and liabilities are attributable to the following items:

	Parent company financial statements		Consolidated financial statements	
	2009	2008	2009	2008
	LVL'000	LVL'000	LVL'000	LVL'000
Temporary difference between property, plant and equipment carrying amounts for financial reporting purposes and amounts used taxation purposes	(122)	(20)	(122)	(45)
Effect from different provisions	417	89	417	363
Deferred tax assets, net	**295**	**69**	**295**	**318**
Attributable to:				
Latvia	45	69	45	69
Lithuania	250	-	250	249
Total deferred tax at the end of the year	**295**	**69**	**295**	**318**

In 2009 change in unrecognized deferred tax asset is 21 TLVL (2008: 69 TLVL).

(39) PROVISIONS

	Parent company financial statements Provision for unused vacations LVL'000	Consolidated financial statements Provision for unused vacations LVL'000
31 December 2007	**127**	**127**
Provisions created	50	50
Provisions released	-	(101)
Transferred on reorganisation (note 26)	-	265
31 December 2008	**177**	**341**
Provisions created	175	201
Transferred on reorganization (note 45)	190	
31 December 2009	**542**	**542**

(40) REINSURANCE LIABILITIES

	Parent company financial statements		Consolidated financial statements	
	2009 LVL'000	**2008 LVL'000**	**2009 LVL'000**	**2008 LVL'000**
Due to reinsurer's - related Company's Gjensidige (note 45)	503	161	503	192
Due to other reinsurers	11	502	11	1,047
	514	**663**	**514**	**1,239**

RESULT OF CEDED REINSURANCE TO THE INCOME STATEMENT

	Parent company financial statements		Consolidated financial statements	
	2009 LVL'000	**2008 LVL'000**	**2009 LVL'000**	**2008 LVL'000**
Reinsurer's share in written premiums (note 5)	(1,418)	(1,496)	(1,553)	(1,884)
Reinsurer's share in changes of unearned premium and unexpired risk technical reserves (note 7)	(46)	7	(150)	(760)
Reinsurer's share in claims paid (note 9)	199	691	295	998
Reinsurer's share in changes of outstanding claim technical reserves (note 10)	(550)	693	(636)	744
Reinsurance commission income and profit share	158	147	176	389
Net result from ceded reinsurance	**(1,657)**	**42**	**(1,553)**	**(513)**

(41) TAXES AND SOCIAL CONTRIBUTIONS

Parent company financial statements **Tax**	**Balance at 31. 12. 2008 liability (+)/ overpayment (-) LVL'000**	**Calculated in 2009 (+) LVL'000**	**Paid in 2009 (-) LVL'000**	**Over payment in 2009 (-) LVL'000**	**Tranfered from reorganization LVL'000**	**Balance at 31 12 2009 liability (+)/ overpayment (-) LVL'000**
Corporate income tax Latvia	(37)	787	(527)	-	-	223
Corporate income tax Lithuania	-	32	(142)	-	142	32
Value added tax in Latvia	2	11	(13)	-	-	-
Value added tax in Estonia	2	7	(9)	-	-	-
Social contributions in Latvia	56	854	(828)	(7)	-	75
Social contributions in Estonia	6	100	(99)	-	-	7
Social contributions in Lithuania	26	73	(70)	-	38	67
Personal income tax in Latvia	80	496	(531)	-	-	45
Personal income tax in Estonia	2	53	(53)	-	-	2
Personal income tax in Lithuania	8	324	(332)	-	-	-
Real estate tax in Lithuania	-	4	(17)	-	13	-
Environmental tax Lithuania	-	1	-	-	-	1
	145	**2,742**	**(2,621)**	**(7)**	**193**	**452**
Including						
Liabilities	**182**					**452**
Overpayment	**(37)**					**-**

Tax over payment is reflected in other receivables (note 34).

NOTES TO THE FINANCIAL STATEMENTS

Consolidated financial statements **Tax**	**Balance at 31. 12. 2008 liability (+)/ overpayment (-)** **LVL'000**	**Transferred from consolidation** **LVL'000**	**Calculated in 2009 (+)** **LVL'000**	**Paid in 2009 (-)** **LVL'000**	**Over payment in 2009 (-)** **LVL'000**	**Balance at 31 12 2009 liability (+)/ overpayment (-)** **LVL'000**
Corporate income tax Latvia	(37)	-	787	(527)	-	223
Corporate income tax Lithuania	106	-	68	(142)	-	32
Value added tax in Latvia	2	-	11	(13)	-	-
Value added tax in Estonia	2	-	7	(9)	-	-
Social contributions in Latvia	56	-	854	(828)	(7)	75
Social contributions in Estonia	6	-	100	(99)	-	7
Social contributions in Lithuania	65	-	104	(102)	-	67
Social contributions (consolidation)	-	10	6	(16)	-	-
Personal income tax in Latvia	80	-	496	(531)	-	45
Personal income tax in Estonia	2	-	53	(53)	-	2
Personal income tax in Lithuania	8	-	373	(381)	-	-
Personal income tax (consolidation)	-	4	2	(6)	-	-
Real estate tax in Lithuania	13	-	4	(17)	-	-
Environmental tax Lithuania	-	-	1	-	-	1
	303	**14**	**2,866**	**(2,724)**	**(7)**	**452**

Including		
Liabilities	**340**	**452**
Over payment	**(37)**	**-**

Tax over payment is reflected in other receivables (note 34).

(42) OTHER CREDITORS

	Parent company financial statements		**Consolidated financial statements**	
	2009 **LVL'000**	**2008** **LVL'000**	**2009** **LVL'000**	**2008** **LVL'000**
Due to Motor Insurer's Bureau of Latvia	32	73	32	73
Due to Motor Insurer's Bureau of Lithuania	82	4	82	120
Due to Financial and Capital Market Commission	51	38	51	38
Due to personnel	121	125	121	125
Due to Gjensidige Forsikring (note 45)	319	319	319	319
Other liabilities	657	307	755	339
	1,262	**866**	**1,360**	**1,014**

(43) ACCRUED EXPENSES AND DEFERRED INCOME

	Parent company financial statements		**Consolidated financial statements**	
	2009 **LVL'000**	**2008** **LVL'000**	**2009** **LVL'000**	**2008** **LVL'000**
Unearned reinsurance commission	-	-	-	28
Accrued intermediary commission fees	875	702	922	1,002
Accrued premium refunds	96	70	96	70
Other	96	79	111	276
	1,067	**851**	**1,129**	**1,376**

(44) OBLIGATORY PAYMENTS

	Parent company financial statements		Consolidated financial statements	
	2009 LVL'000	**2008 LVL'000**	**2009 LVL'000**	**2008 LVL'000**
Motor insurer's bureau of Latvia	287	382	287	382
Financial and Capital Market Commission	191	176	191	176
	478	**558**	**478**	**558**

(45) TRANSACTIONS AND PAYMENTS TO RELATED PARTIES

Related parties are defined as shareholders of the Company, members of the Board and Council, their close relatives and companies in which they have a significant influence or control.

a) On 31 March 2009, the Company completed a structural reorganization whereby its 100% owned Lithuanian subsidiary, AS RESO Europa UAB was merged into the parent Company. As a result of this reorganization, AAS Gjensidige Baltic assumed all the assets, rights and liabilities of AS RESO Europa UAB, including its insurance portfolio. AS RESO Europa UAB was removed from the Lithuanian Enterprise Register as a separate entity on 31 March 2009. From that date, all Lithuanian insurance activity is now conducted through the branch of AAS Gjensidige Baltic.

All assets and liabilities were assumed at book value as the respective entities were under common control. All intercompany balances between the company and its subsidiary as at 31 March 2009 were eliminated. As a result of this reorganization, the Company assumed the following assets and liabilities:

Assets	**TLVL**	**Liabilities**	**TLVL**
Intangible assets, net	670	Unearned premium reserves	5,801
Property, plant and equipment	83	Outstanding claim reserves	6,528
Land	275	Liabilities	1,748
Investments	14,317	Tax liabilities	193
Debtors	2,749	Provisions	190
Accrued income and deferred expenses	229	Accrued expenses and deferred income	401
Deffered client aquisition costs	776		
Reinsurers' share in unearned premium reserves	49		
Reinsurers' share in outstanding technical reserves	401		
Cash on hand and due from credit institutions	289		
Deferred tax assets (note 38)	250		
Total assets transferred	**20,088**	**Total liabilities transferred**	**14,861**

Net assets transferred	**5,227**
Investment in subsidiary (note 26)	(12,729)
Goodwill acquired recognized on aqiusition (note 25)	7,664
Net residual equity recognized in reserves	162

The income statement of the subsidiary before reorganisation, for the three months ended 31 March 2009, was the follows:

	TLVL
Earned premiums, net	3,651
Claims incurred, net	(2,353)
Net operating expenses and other technical expenses, net	(1,285)
Investment management expenses, net	(94)
Other income, net	(66)

NOTES TO THE FINANCIAL STATEMENTS

Subsidiary's loss before reorganization in year 2009	**(147)**

b) At the end of the reporting period, the Company had the following settlements with related parties:

	Parent company financial statements		**Consolidated financial statements**	
	2009	**2008**	**2009**	**2008**
	LVL'000	**LVL'000**	**LVL'000**	**LVL'000**
Gjensidige Forsikring, parent company:				
Reinsurance premiums ceded to parent company	(906)	(801)	(906)	(801)
Reinsurance commissions received	59	516	59	516
Board members				
Insurance premium received	6	5	6	5

Balances outstanding	**Parent company financial statements**		**Consolidated financial statements**	
	2009	**2008**	**2009**	**2008**
	LVL'000	**LVL'000**	**LVL'000**	**LVL'000**
Gjensidige Forsikring, parent company				
Reinsurance liabilities (note 40)	54	161	54	192
Other liabilities (note 42)	319	319	319	319

(46) NUMBER OF EMPLOYEES

	Parent company financial statements		**Consolidated financial statements**	
	2009	**2008**	**2009**	**2008**
	LVL'000	**LVL'000**	**LVL'000**	**LVL'000**
Staff	490	354	505	513
Agents	469	325	469	540
	959	**679**	**974**	**1,053**

	Parent company financial statements		**Consolidated financial statements**	
	2009	**2008**	**2009**	**2008**
	LVL'000	**LVL'000**	**LVL'000**	**LVL'000**
Head office of Gjensidige Baltic	98	98	98	98
Branches in Latvia	358	370	358	370
Branch in Estonia	23	16	23	16
Branch in Lithuania	480	195	480	195
Subsidiary in Lithuania	-	-	15	374
	959	**679**	**974**	**1,053**

(47) INFORMATION ON THE REMUNERATION TO BOARD AND MANAGEMENT

	Parent company financial statements		**Consolidated financial statements**	
	2009	**2008**	**2009**	**2008**
	LVL'000	**LVL'000**	**LVL'000**	**LVL'000**
Salary for Board members	223	426	223	426
Social contributions on salaries	54	21	54	21
	277	**447**	**277**	**447**

In the reporting year, members of the Council have not received remuneration for their work on the Council.

NOTES TO THE FINANCIAL STATEMENTS

There were no other short term employee benefits, post employment benefit, other long term benefits, termination benefits or share based payments to management and board members.

(48) REMAINING MATURITIES OF INSURANCE LIABILITIES

Parent company financial statements	2009			2008		
	Gross liabilities	Reinsurance	Net liabilities	Gross liabilities	Reinsurance	Net liabilities
	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000
Unearned premium and unexpired risk technical reserves	19 801	(483)	19 318	19,508	(480)	19,028
Claim technical reserves	17 368	(1,400)	15 968	11,436	(1,549)	9,887
Total	**37,169**	**(1,883)**	**35,286**	**30,944**	**(2,029)**	**28,915**
Up to 1 year	30,917	(1,379)	29,538	26,827	(1,472)	25,355
1-2 years	4,689	(378)	4,311	3,088	(418)	2,670
2-5 years	1,563	(126)	1,437	1,029	(139)	890

Consolidated financial statements	2009			2008		
	Gross liabilities	Reinsurance	Net liabilities	Gross liabilities	Reinsurance	Net liabilities
	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000
Unearned premium and unexpired risk technical reserves	21,778	(483)	21,295	26,565	(633)	25,932
Claim technical reserves	18,538	(1,400)	17,138	17,201	(2,036)	15,165
Total	**40,316**	**(1,883)**	**38,433**	**43,766**	**(2,669)**	**41,097**
Up to 1 year	33,643	(1,379)	32,264	37,574	(1,936)	35,638
1-2 years	5,005	(378)	126	4,644	(550)	4,094
2-5 years	1,668	(126)	1,542	1,548	(183)	1,365

(49) OFF-BALANCE-SHEET ITEMS

Claims

During the ordinary course of operations from time to time the Company and the Group receives claims from clients. Such claims have been assessed by management and management believes that no significant losses are expected beyond the level of appropriate reserves.

Capital commitments

As at 31 December 2009 and 2008, the Company and the Group did not have capital commitments.

Credit liabilities

As at 31 December 2009 and 2008, the Company and the Group did not have credit liabilities.

Pledged assets

As at 31 December 2009 and 2008, the Company and the Group did not have pledged assets.

KPMG Baltics SIA
Vesetas iela 7
Riga LV 1013
Latvia

Phone +371 670 380 00
Fax +371 670 380 02
Internet: www.kpmg.lv

Independent Auditors' Report

To the shareholders of AAS "Gjensidige Baltic"

Report on the Financial Statements

We have audited the accompanying separate financial statements of AAS Gjensidige Baltic ("the Company"), which comprise the statement of financial position as at 31 December 2009, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory notes, as set out on pages 8 to 79. We have also audited the accompanying consolidated financial statements of AAS Gjensidige Baltic and its subsidiary ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory notes, as set out on pages 8 to 79.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's and the Group's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control systems. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the separate financial statements give a true and fair view of the financial position of AAS Gjensidige Baltic as at 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2009, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

In addition, our responsibility is to assess whether the accounting information included in the management report, as set out on pages 3 to 5, the preparation of which is the responsibility of management, is consistent with the financial statements. Our work with respect to the Management Report was limited to the aforementioned scope and did not include a review of any information other than drawn from the financial statements. In our opinion, the management report is consistent with the financial statements.

KPMG Baltics SIA
License No 55

Stephen Young
Chairman of the Board
Riga, Latvia
15 April 2010

Inga Lipšāne
Sworn Auditor
Certificate No. 112

This report is an English translation of the original Latvian. In the event of discrepancies between the two reports, the Latvian version prevails.

Aruande elektroonilised kinnitused

AAS Gjensidige Baltic Eesti filiaal (registrikood: 11193232) 01.01.2009 - 31.12.2009 majandusaasta aruande andmete õigsust on elektrooniliselt kinnitanud:

Kinnitaja nimi	Kinnitaja roll	Kinnituse andmise aeg
Marko Privoi	Filiaali juhataja	30.06.2010
Resolutsioon:	Esitasime majandusaasta aruande inglise keelse allkirjastatud versiooni, vajadusel saame edastada majandusaasta aruande eesti keelde tõlgitud allkirjadeta versiooni(ei osanud lisada kahte versiooni korraga).	

Müügitulu jaotus tegevusalade lõikes

Tegevusala	EMTAK kood	Müügitulu (EEK)	Müügitulu %	Põhitegevusala
Kahjukindlustus	**65121**	**1100334076**	**100.00%**	**Jah**

Sidevahendid

Liik	Sisu
Telefon	**+372 6755380**
Faks	**+372 6755385**
E-posti aadress	**info@gjensidige.ee**
E-posti aadress	**marko.privoi@gjensidige.ee**