



BTA AAS

**Separate and consolidated
financial statements
for the year
2010**

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Information about the Company

Name of the parent company	<i>BTA AAS</i>
Legal status of the company	<i>Insurance Joint Stock Company</i>
Number, place and date of registration	<i>40003159840, was registered in Riga, Latvia, in 1993 as a Joint Stock Insurance Company.</i>
Address	<i>Kr.Valdemāra 63, Riga</i>
Board members and their positions	<i>Gints Dandzbergs – Chairman of the Board Jeļena Alfejeva – Member of the Board Agris Dambeniēks – Member of the Board Jānis Lucaus - Member of the Board Andrejs Skroderis – Member of the Board from 23 April 2010</i>
Council members and their positions	<i>Pauls Dandzbergs – Chairman of the Council Andrejs Galanders – Member of the Council Marts Dandzbergs – Member of the Council</i>
Reporting year	<i>01.01.2010 – 31.12.2010</i>
Information on shareholders	<i>Residents of Latvia</i>
Information on subsidiary	<i>BTA Draudimas UAB Registration No 110079036 Date of registration: 17 January 2000 Legal address: Verkiu 29-18, Vilnius, Lithuania AAS BTA - 100%</i> <i>BTA Help OU Registration No 11895230 Legal address : Jarvevana street 9, Tallina, 11314, Estonia AAS BTA – 100%</i>
Auditors	<i>KPMG Baltics SIA Vesetas iela 7 Riga, LV-1013 Licence No 55</i>

Management Report

Two words describe the economics of Latvia in 2010 – stability and recovery. In the first half of the year, operations in the insurance industry continued to shrink whereas in the second half of the year, the reduction in insurance premiums began to slow down notably. With certain delay, stabilization of the Latvian economy was also felt in the insurance industry. The next step for the economy in general and each company individually would be to recommence development.

In year 2010 the insurance joint stock company BTA was working actively on retaining customer loyalty and developing the sales network. At the same time, we continued working on the improvement of insurance products and services which were simplified and made easier to understand for the benefit of our clients and sales persons. Significant efforts were made to improve internal processes and quality delivery of services.

It is the fourth year of operation for the Client Information Desk that helps BTA clients who have suffered an insurance event. BTA Car Service was transformed into BTA Support Service which has extended functions and offers additional services.

A critical component of BTA human resources system is improvement of staff qualifications, which we are ready to continue to sustain by investments despite the fact that the Latvian labour market is impacted by high economic emigration to other EU member states.

BTA has made use of the EU common market and in 2010 has strengthened its sales network in a number of member states.

At the end of the last year, we have completed reorganization of UAB BTA Draudimas, a subsidiary of BTA, which has been a branch of BTA since 1 January 2011 (the Company and its subsidiary hereinafter referred to as the Group). This merger will enable us to increase the operational efficiency and centralize various administrative processes. In total, there are three branches of BTA registered in Lithuania, Estonia and Germany.

In January 2011, BTA completed another reorganization process and was registered with the European Commercial Register under name SE BTA. This step will improve the recognition of BTA on the EU level and reduce the risk in case there is a sudden worsening of the investment climate in Latvia.

In 2010, the Company managed to break the trend of 2009 when operations reduced throughout the insurance market of Latvia in years 2009 and 2010.

As a result of successful operations, in 2010 BTA achieved growth in gross written premiums by LVL 0.6 million, totalling LVL 48.52 million in gross written premiums.

Net written premiums in the reporting period amounted to LVL 45.06 million. Gross written premiums of the Group in the reporting period amounted to LVL 71.76 million and net earned premiums amounted to LVL 68.79 million.

In 2010 the Company paid claims in the amount of LVL 25.10 million and net claims incurred amounted to LVL 27.15 million. The respective indices for the Group were LVL 40.68 million and LVL 43.08 million.

BTA is the largest non-life insurance company in Latvia by gross written premiums and technical reserves.

The four primary lines of business of the Company are motor compulsory third party liability, motor own damage, health and property insurance.

In contrast to the trends governing the insurance market in 2010, the Group increased technical reserves intended for future contingent claims and thus improved its financial stability. Gross technical reserves at the end of 2010 amounted to LVL 77.86 million. The Company's gross technical reserves in 2010 amounted to LVL 47.95 million, which is the largest amount of technical reserves among non-life insurance companies in Latvia. Technical reserves of the Group and the Company are fully covered with highly liquid assets and safe investments.

Management Report

The reinsurance policy of BTA has not undergone significant changes in 2010 and the structure of reinsurance agreements and the main partners have remained the same. Similar to previous years, risks are reinsured primarily with reinsurers rated A.

The above factors have resulted in stable operation and a satisfactory financial position.

In year 2010, profit of the Group before tax amounted to LVL 5.27 million and net profit after tax was LVL 4.92 million. The respective indices for the Company were LVL 4.31 million and LVL 3.73 million.

In view of the upcoming implementation of Solvency II in 2013 and in order to secure further development of the Company in Latvia and EU member states, the Board recommends to retain at least 75% of the profit of the reporting year undistributed.

As part of operating activities, the Group is subject to various financial risks. Risk management policy is actively and systematically implemented in daily operations addressing both insurance risks and risks arising from investing activities of the Group. Insurance risk management and control is implemented via insurance risk underwriting methodologies, underwriting limits and reinsurance policies.

Risks in connection with investments made by the Group are controlled in accordance with the investment policy approved by the Company and its subsidiary. The Company's investment policy prescribes restrictions in respect of deals with one transaction partner, as well as restrictions in respect of credit ratings of securities purchased by the Company.

Liquidity risk is reduced by investing in highly liquid financial instruments with unlimited market.

Market risks include interest rate risk, price risk and currency risk. In order to manage interest rate risks, a calculation of investment portfolio duration is made and the sensitivity towards changes in interest rates is calculated.

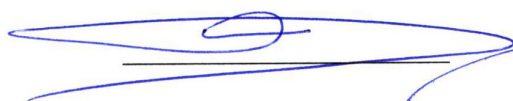
In 2011, the Company expects the Latvian economy to recover and the financial sector to become more active which will result in a gradual increase in demand for voluntary insurance products.

BTA plans to increase operations in 2011 in line with changes in the market situation. The primary focus will be laid on profitability and achieving positive technical results in all lines of business as investment income is expected to reduce following changes in the interest rate trends and the value of the securities portfolio is likely to decrease due to series of increasing interest rates by central banks.

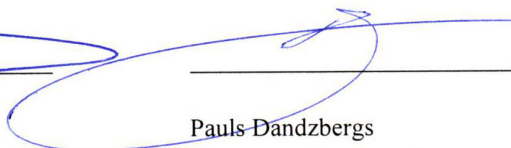
During the reporting year, BTA was in compliance with the requirements of the Commercial Law.

No events have occurred since the year end that according to the Board of BTA may have a significant impact on the financial statement presentation. On behalf of the Board, we express gratitude to our clients, partners and employees for their loyalty and support. With your support BTA will continue to develop and provide our clients with better services.

We wish success to everyone in their further activities.



Gints Dandzbergs
Chairman of the Board



Pauls Dandzbergs
Chairman of the Council



Agris Dambeniēks
Member of the Board

28 April 2011

Statement of management responsibility

In 2010, BTA AAS Board of Directors, which consists of five members, continued to be responsible for the management of the Group. The Management regularly informed the Council about key developments in the Group and provided necessary explanations.

The management assumes responsibility for the preparation of the accounting records, compliance in the process of booking transactions with the regulating norms applicable to accounting, safekeeping of the assets of the Group, as well as the prevention of fraud and other dishonest activities.

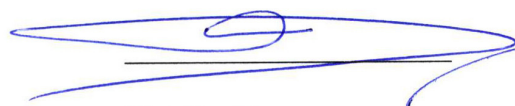
The Company's management assumes responsibility for the preparation of the Company's financial statements and consolidated financial statements for 2010 prepared in accordance with IFRS as adopted by the European Union to reflect the activities of BTA AAS from 1 January 2010 to 31 December 2010.

The Company's Management confirms that the Company's financial statements and consolidated financial statements for 2010 have been prepared in accordance with the effective requirements of legislation and the Financial and Capital Market Commission and IFRS, and gives a true and fair view of the Company's financial position at the end of the reporting year as well as the operating results and cash flows for the year, in accordance with IFRS as adopted by the European Union.

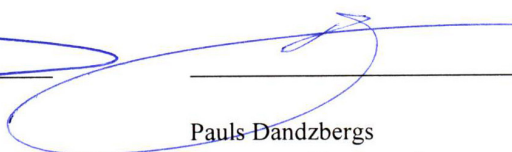
The Company's financial statements and consolidated financial statements for 2010 have been prepared on the basis of prudent decisions and assumptions of management.

Management confirms that the requirements of Latvian legislation have been met and that the financial statements and consolidated financial statements have been prepared on a going concern basis.

The management is not aware of any significant events after the year-end, which are not reflected in this annual report and that might have a material impact on activities of the insurance company and the assessment of the annual report.



Gints Dandzbergs
Chairman of the Board



Pauls Dandzbergs
Chairman of the Council



Agris Dambeniķs
Member of the Board

28 April 2011

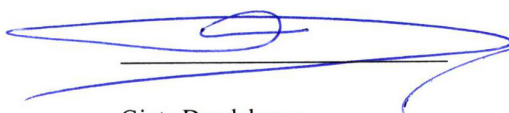
Statement of Comprehensive Income

For the year ended 31 December 2010		Company		Consolidated	
		2010	2009	2010	2009
	Note	LVL'000	LVL'000	LVL'000	LVL'000
Earned premiums					
Written premiums					
Gross written premiums	6	48 522	47 918	71 763	47 918
Reinsurers' share in written premiums	6, 25	(4 198)	(3 954)	(4 666)	(3 954)
<i>Net written premiums</i>	6	44 324	43 964	67 097	43 964
Change in unearned premium and unexpired risk technical reserves					
Gross change	8	904	10 006	2 110	10 006
Reinsurers' share	8, 25	(172)	(145)	(421)	(145)
<i>Change in net unearned premium and unexpired risk technical reserves</i>	8	732	9 861	1 689	9 861
Net earned premiums	7	45 056	53 825	68 786	53 825
Other technical income, net	9	356	85	554	85
Incurred claims, net					
Paid claims, net					
Gross claims paid	10	(25 101)	(32 266)	(40 678)	(32 266)
Paid claims		(24 743)	(32 334)	(40 003)	(32 334)
Loss adjustment expenses		(1 735)	(1 813)	(2 446)	(1 813)
Recovered losses		1 377	1 881	1 771	1 881
Reinsurers' share of claims paid	10, 25	881	923	1 327	923
<i>Net paid claims</i>	10	(24 220)	(31 343)	(39 351)	(31 343)
Change in outstanding claim technical reserve					
Change in gross outstanding claim technical reserve	11	(5 811)	(3 388)	(5 152)	(3 388)
Reinsurers' share	11, 25	2 884	463	1 421	463
<i>Change in net outstanding claim technical reserve</i>	11	(2 927)	(2 925)	(3 731)	(2 925)
Net incurred claims	12	(27 147)	(34 268)	(43 082)	(34 268)
Operating expenses/ income					
Client acquisition costs	13	(7 847)	(5 005)	(12 587)	(5 005)
Change in deferred client acquisition costs	14	1 108	(1 334)	814	(1 334)
Administrative expenses	15	(9 741)	(9 982)	(12 940)	(9 982)
Depreciation and amortisation	26, 27, 28	(410)	(426)	(618)	(427)
Reinsurance commission income, net	16, 25	456	397	684	397
Change in unearned reinsurance commission	17,25	73	41	74	41
Net operating expenses		(16 361)	(16 309)	(24 573)	(16 310)
Other technical expenses, net	18	(237)	(728)	(274)	(728)

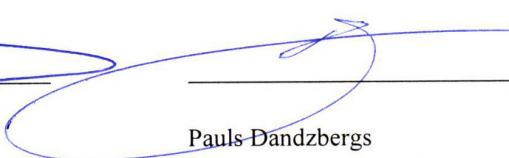
Statement of Comprehensive Income

	Note	Company		Consolidated	
		2010 LVL'000	2009 LVL'000	2010 LVL'000	2009 LVL'000
Investment management charges	19	(52)	(87)	(64)	(87)
Interest income and dividend income, net	20	2 018	2 239	3 168	2 239
Gain/ (loss) from financial assets and liabilities at fair value through profit or loss, net	21	1 359	634	1 476	706
Gain/ (loss) on foreign currency fluctuation		165	(92)	173	(91)
Revaluation of investment property	27	(284)	(712)	(364)	(712)
Impairment loss	22	(446)	(360)	(446)	(360)
Other expenses, net	23	(115)	(195)	(87)	(195)
Profit before tax		4 312	4 032	5 266	4 104
Income tax expense	24	(582)	(809)	(348)	(809)
Net profit for the year		3 730	3 223	4 918	3 295
Other comprehensive income					
Revaluation of land and buildings		(61)	(875)	(61)	(875)
Deferred tax effects on revaluation of land and buildings		9	131	9	131
Change in equalization reserve		10	-	10	-
Other comprehensive income for the year		(42)	(744)	(42)	(744)
Total comprehensive income for the year		3 688	2 479	4 876	2 551

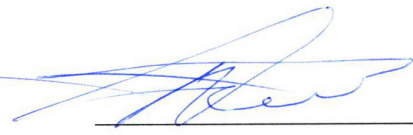
The accompanying notes on pages 14 to 99 form an integral part of these financial statements.



Gints Dandzbergs
Chairman of the Board



Pauls Dandzbergs
Chairman of the Council



Agris Dambeniaks
Member of the Board

28 April 2011

Statement of Financial Position

	Note	Company		Consolidated	
		2010 LVL'000	2009 LVL'000	2010 LVL'000	2009 LVL'000
Assets					
<u>Receivables against shareholders for unpaid share capital</u>	39	-	245	-	245
<u>Land and buildings</u>	27	3 112	3 593	3 305	3 593
<u>Property and equipment</u>	26	531	397	947	857
<u>Intangible assets</u>	28	73	86	329	341
<u>Investment property</u>	27	2 356	2 389	2 356	2 663
Investment in subsidiary	29	4 243	3 334	-	-
Investments in associates	30	-	246	103	349
Investments at fair value through profit or loss					
Shares and other non-fixed income securities	31	3 195	3 161	4 945	4 859
Debt securities and other fixed income securities	31	22 529	21 072	47 411	41 060
Total investments at fair value through profit or loss		25 724	24 233	52 356	45 919
Available-for-sale financial assets					
Shares and other non-fixed income securities	32	412	186	412	186
Deposits with banks	33	15 836	13 274	18 219	18 000
<u>Total financial investments</u>		46 215	41 273	71 090	64 454
Loans and receivables					
Loans					
Mortgage loans		2 664	3 743	3 568	4 673
Other loans		2 752	2 405	1 922	2 757
Total loans issued	34	5 416	6 148	5 490	7 430
Receivables					
Receivables from direct insurance activities					
Due from policy holders		5 187	5 927	8 444	10 415
Due from intermediaries		1 071	1 351	1 202	2 166
Total receivables from direct insurance activities	35	6 258	7 278	9 646	12 581
Receivables from reinsurance activities	36	65	541	504	682
Other receivables	37	1 367	1 004	1 375	867
Prepaid income tax	43	312	341	312	365
Total receivables		8 002	9 164	11 837	14 495
<u>Total loans and receivables</u>		13 418	15 312	17 327	21 925
Accrued income and deferred expenses					
Deferred client acquisition costs	14	2 879	1 771	3 890	3 076
Other accrued income and deferred expenses		120	277	422	630
Total accrued income and deferred expenses		2 999	2 048	4 312	3 706
Reinsurance contract assets					
Reinsurers' share in unearned premiums technical reserves	8	1 282	1 454	1 642	2 063
Reinsurers' share in outstanding claim technical reserve	11	6 522	3 638	10 036	8 615
Total assets from reinsurance contracts		7 804	5 092	11 678	10 678
Deferred tax asset		-	-	-	43
Cash	38	1 109	547	1 930	1 412
Total assets		77 617	70 982	113 274	109 917

The accompanying notes on pages 14 to 99 form an integral part of these financial statements.

Statement of Financial Position

	Note	Company		Consolidated	
		2010 LVL'000	2009 LVL'000	2010 LVL'000	2009 LVL'000
Equity and liabilities					
Equity					
Share capital	40	10 000	10 000	10 000	10 000
Share premium	40	7 219	7 219	7 219	7 219
Revaluation reserves	40	1 686	1 738	1 686	1 738
Equalisation reserve	40	36	26	36	26
Reserve capital and other reserves	40	2 993	720	3 028	720
Retained earnings:					
Retained earnings from prior years		-	-	(27)	-
Current year profit		3 730	3 223	4 918	3 295
<u>Total equity attributable to the equity holders of the Company</u>		25 664	22 926	26 860	22 998
Non-controlling interests		-	-	-	826
Total equity		25 664	22 926	26 860	23 824
Liabilities					
Technical reserves					
Technical reserves for unearned premiums and unexpired risks	8	22 222	23 126	32 049	34 159
Outstanding claim technical reserves	11	25 727	19 916	45 814	40 662
<u>Total technical reserves</u>		47 949	43 042	77 863	74 821
<u>Subordinated liabilities</u>	41	-	-	646	1 821
Creditors					
Direct insurance creditors					
Due to policy holders		44	473	1 208	837
Due to intermediaries		658	669	1 121	1 085
Total direct insurance creditors		702	1 142	2 329	1 922
Reinsurance creditors	44	1 114	1 856	1 390	2 340
Taxes and social contributions		296	242	425	336
Loans from credit institutions	45	-	-	307	271
Other creditors	46	611	534	809	1 496
<u>Total creditors</u>		2 723	3 774	5 260	6 365
<u>Deferred tax liabilities</u>	42	560	460	326	460
<u>Provisions</u>	48	516	502	737	701
<u>Unearned reinsurance commission income</u>	17	205	278	1 582	1 925
<u>Total liabilities</u>		51 953	48 056	86 414	86 093
Total equity and liabilities		77 617	70 982	113 274	109 917

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Gints Dandzbergs
Chairman of the Board

Pauls Dandzbergs
Chairman of the Council

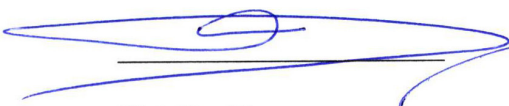
Agris Dambeniaks
Member of the Board

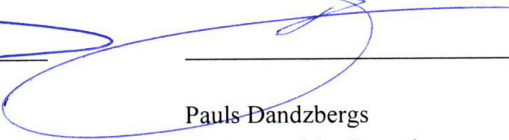
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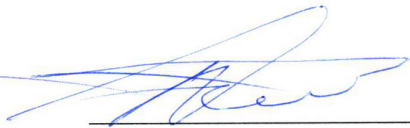
Statement of Cash Flows

	Note	Company		Consolidated	
		2010 LVL'000	2009 LVL'000	2010 LVL'000	2009 LVL'000
Cash flows from insurance activities					
Premiums received in direct insurance		50 887	45 694	75 211	45 694
Claims paid in direct insurance		(25 123)	(30 990)	(40 132)	(30 990)
Payments received from reinsurers		-	1 095	-	1 095
Payments made to reinsurers		(4 463)	(2 841)	(5 605)	(2 841)
Payments received in assumed reinsurance		631	623	662	623
Payments made for assumed reinsurance		(139)	(33)	(139)	(33)
Income tax paid	43	(1 225)	(1 990)	(1 225)	(1 990)
Obligatory payments	39	(547)	(689)	(1 367)	(689)
Payments to employees		(6 835)	(7 571)	(11 373)	(7 571)
Payments to intermediaries		(3 859)	(2 158)	(6 138)	(2 158)
Other payments made		(5 797)	(5 564)	(7 953)	(5 564)
Other payment received		903	875	3 485	875
Total cash flows from insurance activities		4 433	(3 549)	5 426	(3 549)
Cash flows from investing activities					
Acquisition of investments		(152 851)	(135 929)	(16 747)	(133 634)
Acquisition of subsidiary, net of cash and cash equivalent acquired		-	-	-	32
Disposal of investments		147 800	135 259	8 930	135 259
Investment income received		1 758	2 102	2 053	2 102
Dividends received		15	3	15	3
Total cash flows from investing activities		(3 278)	1 435	(5 749)	3 762
Cash flows from financing activities					
Proceeds from increase in shares		245	3 613	245	3 613
Dividends paid		(1 157)	(4 226)	(1 157)	(4 226)
Total cash flows from financing activities		(912)	(613)	(912)	(613)
Cash and cash equivalent net decrease		243	(2 727)	(1 235)	(400)
Effect of exchange rate fluctuations on cash and cash equivalents held		165	(23)	136	(23)
Cash and cash equivalent at the beginning of the year		4 583	7 333	6 911	7 334
Cash and cash equivalent at the end of the year	38	4 991	4 583	5 812	6 911

The accompanying notes on pages 14 to 99 form an integral part of these financial statements.


Gints Dandzbergs
Chairman of the Board


Pauls Dandzbergs
Chairman of the Council


Agris Dambeniaks
Member of the Board

28 April 2011

Statement of Changes in Equity

Company	Share capital LVL'000	Share premium LVL'000	Revaluation reserve LVL'000	Equalisation reserve LVL'000	Reserve capital and other reserves LVL'000	Retained earnings LVL'000	Total Equity LVL'000
31.12.2008	6 000	1 219	2 482	26	699	9 600	20 026
Total comprehensive income							
Profit for the year	-	-	-	-	-	3 223	3 223
Other comprehensive income							
Decrease in revaluation reserve land and buildings	-	-	(875)	-	-	-	(875)
Deferred tax effects on revaluation of land and buildings	-	-	131	-	-	-	131
Transactions with shareholders							
Issued shares in the reporting year	4 000	6 000	-	-	-	-	10 000
Transfer of 2008 profit to other reserves	-	-	-	-	21	(21)	-
Dividends	-	-	-	-	-	(9 579)	(9 579)
31.12.2009	10 000	7 219	1 738	26	720	3 223	22 926
Total comprehensive income							
Profit for the year	-	-	-	-	-	3 730	3 730
Other comprehensive income							
Decrease in revaluation reserve land and buildings	-	-	(61)	-	-	-	(61)
Deferred tax effects on revaluation of land and buildings	-	-	9	-	-	-	9
Change in equalisation reserve	-	-	-	10	-	-	10
Transactions with shareholders							
Transfer of 2009 profit to other reserves	-	-	-	-	2 273	(2 273)	-
Dividends	-	-	-	-	-	(950)	(950)
31.12.2010	10 000	7 219	1 686	36	2 993	3 730	25 664

The accompanying notes on pages 14 to 99 form an integral part of these financial statements.

Statement of Changes in Equity

	Share capital	Share premium	Revaluation reserve	Equalisation reserve	Reserve capital and other reserves	Retained earnings	Total	Non-controlling interest	Total Equity
Consolidated	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000
31.12.2008	6 000	1 219	2 482	26	699	9 600	20 026	-	20 026
Total comprehensive income									
Profit for the year	-	-	-	-	-	3 295	3 295	-	3 295
Other comprehensive income									
Decrease in revaluation reserve land and buildings	-	-	(875)	-	-	-	(875)	-	(875)
Deferred tax effects on revaluation of land and buildings	-	-	131	-	-	-	131	-	131
Transactions with shareholders									
Issued shares in the reporting year	4 000	6 000	-	-	-	-	10 000	-	10 000
Transfer of 2008 profit to other reserves	-	-	-	-	21	(21)	-	-	-
Dividends	-	-	-	-	-	(9 578)	(9 578)	-	(9 578)
Non-controlling interest	-	-	-	-	-	-	-	826	826
31.12.2009	10 000	7 219	1 738	26	720	3 296	22 999	826	23 825
Total comprehensive income									
Profit for the year	-	-	-	-	-	4 918	4 918	-	4 918
Other comprehensive income									
Decrease in revaluation reserve land and buildings	-	-	(61)	-	-	-	(61)	-	(61)
Deferred tax effects on revaluation of land and buildings	-	-	9	-	-	-	9	-	9
Increase in equalisation reserve	-	-	-	10	-	-	10	-	10
Transactions with shareholders									
Dividends	-	-	-	-	-	(950)	(950)	-	(950)
Transfer of 2009 profit to other reserves	-	-	-	-	2 308	(2 308)	-	-	-
Acquisition of non-controlling interest	-	-	-	-	-	(65)	(65)	(826)	(891)
31.12.2010	10 000	7 219	1 686	36	3 028	4 891	26 860	-	26 860

The accompanying notes on pages 14 to 99 form an integral part of these financial statements.

Gints Dandzbergs
Chairman of the Board

Pauls Dandzbergs
Chairman of the Council

Agris Dambenieks
Member of the Board

28 April 2011

Notes to the Financial Statements

(1) General information

(a) Principal activities

Insurance Joint Stock Company BTA AAS (hereinafter the “Parent company”) is a company domiciled in the Republic of Latvia (“Latvia”). The Parent company was registered in 1993 in Riga, Latvia as a Joint Stock Insurance Company. The head office is located in Riga, Kr. Valdemara iela 63, Republic of Latvia.

The consolidated financial statements as at and for the year ended 31 December 2010 comprise the Parent company and its subsidiary Closed Joint Stock company BTA Draudimas UAB (together referred to as the “Group” and individually as “Group entities”) and the Group’s interest in associates.

The Group offers a wide range of non-life insurance products to legal entities and individuals in the following insurance lines:

- motor own damage insurance (CASCO);
- compulsory motor third party liability (CMTPL);
- health;
- property (fire risks);
- property (other risks);
- travel accident;
- general third party liability;
- various financial risks;
- cargo;
- personal accident insurance;
- railway;
- marine;
- guarantees; and
- motor voluntarily third party liability;
- legal risks.

Insurance services are offered through the network of branches, agencies and sales points in Latvia, Lithuania and several other EU countries.

(b) Investments in subsidiaries and associated companies

The Company holds 100% (2009: 79.78%) equity of BTA Draudimas UAB, a subsidiary registered in Lithuania at Verkiu 29-18, Vilnius.

The Company holds 100% equity of BTA Help OU established in 2010. The subsidiary is registered in Estonia, Tallinn and does not have active operations.

The Subsidiary, BTA Draudimas UAB, holds 50% (2009: 50%) equity of SIA Rubiteh (registered office of the company: Smardes par., Industriālais parks, Latvia).

The Company has also other foreign branches. The registered address of the branch in Estonia is Peterburi tee 2F, Tallinn 11415, in Lithuania - Verkiu 29-18, Vilnius and in Germany - Robert-Bosch-Str. 6 64807 Dieburg.

The financial results of branches are included in the operational results of the Company.

(c) Shareholders

Shareholders of the Parent company are residents of Latvia – 1 legal entity and 10 individuals, none of which owns more than 30%.

Notes to the Financial Statements

(2) Basis of preparation

(a) Statement of compliance

The accompanying separate and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union.

The separate and consolidated financial statements are also compliant with the regulations of the Financial and Capital Market Commission of Latvia (“FCMC”) in force as at the reporting date.

The separate and consolidated financial statements (hereinafter „the financial statements”) were approved by the Board of Directors on 28 April 2011. The shareholders have the right to reject the financial statements and request that new financial statements are prepared and reissued.

(b) Functional and Presentation Currency

The amounts presented in these financial statements are in Latvian lats (LVL), the monetary unit of the Republic of Latvia and the functional currency of the Parent company, unless otherwise stated.

(c) Reporting period

The reporting period comprise 12 months from 1 January 2010 to 31 December 2010.

(d) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following items which are carried at fair value: derivatives, financial assets and liabilities designated at fair value through profit or loss, available-for-sale instruments (except those whose fair value cannot be reliably estimated), investment property and land and buildings that are re-valued periodically.

Consistent accounting principles have been applied to the financial years disclosed in these financial statements.

Notes to the Financial Statements

(3) Significant accounting policies

3.1 Changes in accounting policies

New standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 January 2010, none of which was applicable to the transactions of the Company in the reporting period:

- IFRS 3 (revised), 'Business combinations'.
- IFRIC 17, 'Distribution of non-cash assets to owners'.
- IFRIC 18, 'Transfers of assets from customers'.
- IFRIC 9, 'Reassessment of embedded derivatives and IAS 39, Financial instruments: Recognition and measurement'.
- IFRIC 16, 'Hedges of a net investment in a foreign operation'.
- IAS 1 (amendment), 'Presentation of financial statements'.
- IAS 36 (amendment), 'Impairment of assets', effective 1 January 2010.
- IFRS 2 (amendments), 'Group cash-settled share-based payment transactions'.
- IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations'.
- IFRIC 12 'Service Concession Agreements'.
- IFRIC 15 'Agreements for the Construction of Real Estate'.

The following new Standards and Interpretations are not yet effective for the year ended 31 December 2010 and have not been applied in preparing these financial statements:

- Revised IAS 24 *Related Party Disclosure* (effective for annual periods beginning on or after 1 January 2011). The amendment exempts a government-related entity from the disclosure requirements in relation to related party transactions and outstanding balances, including commitments, with (a) a government that has control, joint control or significant influence over the reporting entity; and (b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity. The revised Standard requires specific disclosures to be provided if a reporting entity takes advantage of this exemption. The revised Standard also amends the definition of a related party which resulted in new relations being included in the definition, such as, associates of the controlling shareholder and entities controlled, or jointly controlled, by key management personnel. Revised IAS 24 is not expected to result in new relations requiring disclosure in the financial statements of the Company and the Group.
- Amendment to IFRIC 14 IAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (effective for annual periods beginning on or after 1 January 2011). The amendment of IFRIC 14 addresses the accounting treatment for prepayments made when there is also a minimum funding requirements (MFR). Under the amendments, an entity is required to recognize certain prepayments as an asset on the basis that the entity has a future economic benefit from the prepayment in the form of reduced cash outflows in future years in which MFR payments would otherwise be required. The amendments to IFRIC 14 are not relevant to the Company's and the Group's financial statements as the Company and the Group do not have any defined benefit plans with minimum funding requirement.
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* (effective for annual periods beginning on or after 1 July 2010). The Interpretation clarifies that equity instruments issued to a creditor to extinguish all or part of a financial liability in a 'debt for equity swap' are consideration paid in accordance with IAS 39.41. The initial measurement of equity instruments issued to extinguish a financial liability is at the fair value of those equity instruments, unless that fair value cannot be reliably measured, in which case the equity instrument should be measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability (or part of the financial liability) extinguished and the initial measurement amount of equity instruments issued should be recognized in profit or loss. The Company and the Group did not issue equity to extinguish any financial liability during the current period. Therefore, the Interpretation will have no impact on the comparative amounts in the Company's and the Group's financial statements for the year

Notes to the Financial Statements

ending 31 December 2010. Further, since the Interpretation can relate only to transactions that will occur in the future, it is not possible to determine in advance the effects the application of the Interpretation will have.

- Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for annual periods beginning on or after 1 February 2010). The amendment requires that rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. The amendments to IAS 32 are not relevant to the Company's and the Group's financial statements as the Company and the Group have not issued such instruments at any time in the past.

3.2 Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Investments in associates (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

Investments in associates are accounted for using the equity method (equity accounted investees) and are recognised initially at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.3 Foreign currency, foreign currency transactions

Foreign exchange transactions are translated to the functional currency of the respective entity in accordance with the exchange rate set by the Central Bank of the country of operation on the date of the respective transaction. Monetary assets and liabilities, including commitments and contingencies denominated in foreign currencies are retranslated into functional currency in accordance with the exchange rate set by the respective Central Banks 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.

Notes to the Financial Statements

Foreign exchange rates at the end of the reporting period are as follows:

	31.12.2010	31.12.2009
EUR	0.702804	0.702804
USD	0.535	0.4980
EEK	0.0449	0.0449
LTL	0.2040	0.2040
PLN	0.176	0.1690
RUB	0.0176	0.0164

Profit or loss relating to fluctuations in the exchange rate on assets and liabilities denominated in a foreign currency are recognised as profit or loss in the period in which the fluctuation occurs.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the presentation currency at the exchange rate at the reporting date. The income and expenses of foreign operations are translated to presentation currency at exchange rates that approximate those on the date of the transactions. Differences arising on translation to presentation currency are recognized in other comprehensive income

3.4 Insurance contracts

(a) Classification 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 contracts concluded are classified as non-life insurance contracts and the Group does not conclude any investment contracts.

Non-life insurance contracts include the following contracts:

- in which the insurer assumes substantial insurance risk on behalf of the other contracting party – the policy holder, by agreeing to compensate losses to the policy holders if a certain unexpected future event (insured occurrence) has been previously agreed, which adversely impact the policy holder. An unexpected future event is considered to be a situation when at the time of signing the insurance contract is not known:
 1. whether the insured occurrence will occur;
 2. when it will occur;
 3. how much the insurer will have to pay if it occurs.
- in which the insured event is the discovery of a loss during the term of the contract, even if the loss arises from an event that occurred before the inception of the contract
- in which the insured event is an event that occurred during the term of the contract, even if the resulting loss is discovered after the end of the contract term.
- which comprise events, which have already occurred, but whose financial impact is not yet fixed. For example, reinsurance contracts that protect direct insurance from the adverse development of claims already reported by the policy holder.
- which require or permit payment in kind, i.e., the insurer directly replaces a stolen thing rather than compensates the claim to the policy holder in money.
- which stipulate a fixed charge services, in which the service level depends on an unexpected event. Fixed charge services are based on the number of expected equipment malfunctions, but it cannot be fixed on whether some specific equipment will not function.
- in which one insurer (reinsurer) compensates the losses of one or several contracts closed with other insurers (cedents).

Recognition and evaluation of insurance contracts

A contract, which is deemed to be an insurance contract, remains an insurance contract, until all rights and liabilities are paid off or their validity period has expired. A contract, if in form and substance an insurance contract, may not be requalified to another contract.

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

- insurance of persons against personal accidents

Notes to the Financial Statements

- travel insurance
- insurance against property damage or thefts
- motor vehicle insurance
- general third party liability (TPL) insurance

Each of these contract groups may be divided in more detail by taking into account the substance of the transferred insurance risk.

(b) Insurance premium and premium income

Written premiums include the amounts, which are due for the insurance contracts signed during the reporting year, that have come into force in the reporting year irrespective whether these premiums have been received or not. Premiums written are decreased by premiums cancelled during the reporting period. Premiums are disclosed gross of commission payable to intermediaries and exclude taxes and levies based on premiums.

The earned portion of premiums received is recognised as revenue. Premiums are recognised as earned on pro-rata basis over the term of the related policy coverage and are reported as earned premiums.

The unearned portion of premiums is recognised as a technical reserve.

Outward reinsurance premiums are recognised as an expense in accordance with the pattern of reinsurance service received and the portion of reinsurance expenses attributable for future periods are recognised as assets under the reinsurance part of the unearned premium reserve.

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.

(c) Unearned premium and unexpired risk reserves

Unearned premium reserves (UPR)

Unearned premium reserves represent the proportion of premiums written which relate to the period of risk subsequent to the reporting year. Reserves are calculated for each insurance policy under the 365- day Pro Rata Temporis method based on the period in force for a particular policy.

Unexpired risk reserve (URR)

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 reserve in relation to such policies.

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.

If the liability adequacy test shows a deficiency in the carrying amount of liabilities, the deficiency is recognised as a loss for the financial year by setting additional unexpired risk reserve. The test is performed on whole insurance portfolio basis and test is applied to the gross amounts of reserves, i.e., the effect of reinsurance is not taken into account.

(d) Claims incurred

Claims incurred from insurance activities are claims attributable to the reporting period and consist of claims paid in the financial year, the 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, sales of salvage, or subrogation.

(e) Outstanding claim technical reserves

An outstanding claim technical reserve comprise reserves for the Company's and Group's estimate of the ultimate cost of settling all claims incurred but unpaid at the period end date whether reported or not, and the

Notes to the Financial Statements

related internal and external claims handling expenses. Reserves for non-life claims outstanding are not discounted, with the exception of annuities which may arise from third party liability insurance.

Reported but not settled claims reserve (RBNS)

The RBNS claims reserve is calculated on a case-by-case basis by the Group's loss adjusters for claims reported and not yet settled (including loss adjustment expenses) as at the reporting date.

Incurred but not reported claims reserve (IBNR)

IBNR is calculated in respect of claims incurred but not reported prior to the end of the reporting period.

The IBNR reserve is calculated using statistical methods (triangulation, coefficient methods or modifications thereof) for the following lines of insurance:

- motor own damage insurance;
- property insurance (fire risks);
- property insurance (other risks);
- personal accident insurance;
- travel accident insurance;
- general third party liability;
- cargo insurance;
- various financial risks;
- health insurance

A combined triangulation and loss rate method was used in the calculation of the IBNR reserve for motor compulsory third party liability.

Where available statistics are considered to be insufficient, IBNR reserve is calculated as a percentage of premiums (5-10%) written in last 12 months for the following lines of business:

- marine insurance;
- voluntary motor third party liability insurance;
- marine third party liability insurance;
- guarantees;
- railway insurance;
- aircraft insurance;
- aircraft third party liability insurance;
- credit risk insurance.

(f) Equalisation reserve

An equalisation reserve is established in order to seek to equalise future loss ratio in an insurance line where the loss ratio may be significantly different from year to year, as a result of future claims. Equalisation reserve is a component of the Group's equity.

(g) Reinsurance

Assumed reinsurance

An assumed reinsurance contract is a type of insurance contract where the insurance risk is assumed from another insurer. Consequently, all references to insurance contracts refer also to reinsurance assumed.

Ceded reinsurance

The Group cedes reinsurance in the normal course of business for the purpose of limiting its potential net loss through the diversification of its risks. Assets, liabilities and income and expense arising from ceded reinsurance contracts are presented separately from the related assets, liabilities, income and expense from the related insurance contracts because the reinsurance arrangements do not relieve the Group from its direct obligations to its policyholders.

Reinsurance assets include the recoveries due from reinsurance companies in respect of claims paid and the reinsurance share in the technical insurance reserves.

The reinsurance share of the incurred but not reported claims technical provision in the case of non-proportional or proportional facultative reinsurance contracts are not recognised for ceded reinsurance contracts as the reinsurance asset cannot be reliably measured.

Notes to the Financial Statements

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

(h) Client acquisition costs

Client acquisition costs include commissions paid to intermediaries and other expenses related to the acquisition of insurance policies.

Deferred client acquisition costs, primarily consisting of intermediary commissions are deferred to the extent that they are recoverable out of future premiums and are recognised as expenses over the life of the insurance policies.

(i) Allocation of administration expenses among cost centres and insurance types

The allocation of administrative expenses to claims costs, client acquisition costs and investment costs is made according to the Group's policy, which is based on the expenses incurred in different cost centres.

Administration expenses, which are not directly referred to in a specific type of insurance, are distributed among types of insurance in proportion to the volume of the premiums written.

(j) Liability adequacy test

Management assesses at each reporting date the adequacy of its recognised insurance liabilities using current estimates of future cash flows arising from its insurance contracts, and comparing those estimated future cash flows against the carrying amount of liabilities after the deduction of the deferred acquisition costs.

If the liability adequacy test shows a deficiency in the carrying amount of liabilities, the deficiency is recognised as a loss for the financial year first by reducing the deferred acquisition costs and then by setting aside additional unexpired risk reserves.

The liability adequacy test is applied by lines of business to the gross amounts of reserves, i.e. the effect of reinsurance is not taken into account.

(k) 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.

3.5 Financial instruments

(a) Classification

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

Financial instruments at fair value through profit or loss are financial assets or liabilities that are acquired or incurred principally for the purpose of selling or repurchasing in the near term; or that are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or that are a derivative (except for a derivative that is a designated and effective hedging instrument); or that are upon initial recognition, designated by the entity as at fair value through the profit or loss. 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 and information about the group internally on that basis is provided to key management personnel.

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. Available for sale instruments include short term investments and certain debt and equity securities. 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 maturity with respect to which the Group has a positive intent and ability to hold to maturity. The Group did not classify any financial instruments to this category in 2010 (2009: nil).

Notes to the Financial Statements

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables include loans, term deposits with banks and debtors in the statement of financial position. Insurance receivables are classified in this category.

Financial liabilities carried at amortised cost represent financial liabilities of the Group other than financial instruments designated at fair value through profit or loss. This category includes due to creditors balances.

Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are initially recognised in the statement of financial position at their fair value. Fair values are obtained from quoted market prices or discounted cash flow models as appropriate. All derivatives are carried as assets when their fair value is positive and as liabilities when negative.

Changes in the fair value of derivatives are included in net gains and losses on financial instruments designated at fair value through profit or loss.

The Group has no embedded derivatives in its insurance contracts as at 31 December 2010 and 2009.

(b) Recognition and derecognition

Financial instruments are recognised when the Group becomes a party to the contractual rights of the instrument. All regular way purchase and sales of financial assets are recognised 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 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.

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired or where 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.

(c) Initial and subsequent measurement

Financial instruments are initially measured at fair value and except for financial instruments at fair value through profit or loss include directly attributable transaction costs.

Subsequent to initial measurement, all financial assets and liabilities designated at fair value through profit or loss and all available for sale financial assets 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 cost less transaction expenses and impairment.

All financial liabilities other than financial liabilities designated through profit or loss, all loans and receivables, deposits with banks and held to maturity assets are measured at amortised cost using the effective interest rate method. All instruments are subject to revaluation when impaired. Short term receivables and payables are not discounted.

Profit or loss arising from changes to the fair value of financial instruments designated through profit or loss is recognised in the statement of comprehensive income. Differences arising from changes to the fair value of available for sale financial instruments are recognised through other comprehensive income, except of impairment which is recognised in statement of comprehensive income.

(d) Fair value measurement

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 quoted price 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, discounted cash flows techniques are used or other measurement models available in the respective market provided if the use of such models may ensure a reliable estimate of the fair value.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimate and the discount rate is a market rate related to the reporting period end date for a financial

Notes to the Financial Statements

instrument with similar terms and conditions. Where a pricing model is used, inputs are based on market related measures at the reporting period end date.

The fair value of non-exchange-traded derivatives is estimated at the amount that the Group would receive or pay to terminate the contract at the reporting period end date taking into account the current market conditions and the current creditworthiness of the counterparties.

Fair value for all financial instruments carried at fair value was measured based on market price.

The fair value of loans and receivables and also that of term deposits is estimated as the present value of future cash flows, discounted at the market rate of interest as at the reporting date. This fair value is determined for disclosure purposes.

Fair value of financial liabilities, which is also determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest as at the reporting date.

(e) Sale of assets under agreements to repurchase (repo agreements)

Transactions of asset sales with repurchase commitment are recognised as financing transactions. If the Group is involved in these transactions as a seller of assets, then it continues to recognise the sold assets in its statement of financial position using the same accounting principles as for a similar type of asset. The funds received as a result of sale are recognised as liabilities to the purchaser of the assets. The difference between the sale and repurchase price represents interest expense and is recognized in the income statement over the term of the repo agreement using the effective interest rate method.

If the Group is involved in the asset sales transaction with repurchase commitment as a purchaser, then the purchased assets are not recognised in the Group's statement of financial position, but the purchase price paid as a result of transaction is recognised as a receivable from the seller of assets. The differences between the purchase and resale prices are treated as interest income and accrued over the term of the reverse repo agreement using the effective interest method.

3.6 Impairment

(a) Financial assets

At each reporting period end date the Group assesses whether there is objective evidence that the 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 Group considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are individually assessed for impairment. All individually significant assets which are not assessed as impaired are then collectively assessed for any impairment that has been incurred but not yet identified at the reporting period end date.

Insurance receivables that are overdue are reversed against premium income once the policy is cancelled. No impairment allowances are recognised in respect of amounts that have not yet become due if no portion of the premium is taken to income.

Other debtors are stated at the recoverable amount. Impairment allowances are recognised on doubtful receivables.

(b) Non financial assets

Non financial assets, other than deferred taxes and deferred acquisition costs, are assessed at each reporting date for any indications of impairment. In the presence of such evidence, the Group estimates the recoverable amount of the related asset. The recoverable amount of non financial assets is the greater of their fair value less costs to sell and value in use. 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. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Notes to the Financial Statements

All impairment losses in respect of non financial assets are recognised in the statement of comprehensive income and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss reversed is only reversed 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.

3.7 Property and equipment

Property and equipment are disclosed at cost less accumulated depreciation and impairment. Depreciation is calculated using a linear method over the entire useful life of the respective asset in order to write their value down to the residual value at the end of the useful life based on the following rates:

Office equipment	20% per year
Computers, electrical equipment	35% per year
Vehicles	20% per year
Buildings for own use	5% per year

Land and buildings used for the Group's operating activities are initially stated at cost less depreciation. Subsequently buildings for own use are carried at a revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Land is not depreciated and are carried at a revalued amount, being the fair value at the date of revaluation less any subsequent accumulated impairment losses.. The increase of value resulting from revaluation is recognised under "Revaluation reserve" in other comprehensive income. Valuations are carried out by independent valuers.

Maintenance costs of property, plant and equipment are recognised in profit or loss as incurred. Costs of capital repairs of property and equipment (leasehold improvements) are added to the value of the respective asset and written off over the useful lifetime of the asset. Capital repair costs on leased property, plant and equipment are written off on a straight line basis during the shorter of the useful lifetime of the capital repairs and the period of lease.

Profit or loss from disposal of property and equipment is calculated as the difference between the book value of the asset and income generated from sale, and reflected as profit or loss in the comprehensive income statement when disposed.

Depreciation methods, useful lives and residual values are reviewed annually.

3.8 Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets and contingent liabilities, of the acquired undertaking at the date of acquisition. Goodwill on is included in intangible assets.

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For measurement of goodwill at initial recognition, see Notes 3.1. and 5.

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions.

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset.

Software licences

Software licences are capitalised. Software licences are recorded at cost including acquisition and implementation costs less accumulated amortisation and impairment. Amortisation is calculated using the linear method over the entire useful life of the respective asset in order to write their value down to the estimated residual value at the end of the useful life based on a 20% per year rate.

Notes to the Financial Statements

3.9 Investment property

Land and buildings held either to earn rental income or for capital appreciation or both are classified as investment property and are measured at fair value, with any change therein recognised as profit or loss in the comprehensive income statement.

The fair values are based on 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. An external independent valuation expert, having a recognised professional qualification and experience, values each investment property in order to reflect market conditions at the reporting period end date.

Transfers to or from investment property are made when there is a change in use.

When an item of land and buildings is transferred to investment property following a change in its use, any differences arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in other comprehensive income if it is a gain. Upon disposal of the item the gain is transferred to retained earnings. Any loss arising in this manner exceeding previously recognized reserve is recognised in the statement of comprehensive income immediately.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its deemed cost for subsequent accounting.

3.10 Repossessed assets

As part of the normal course of business the Group occasionally takes possession of property that originally was pledged as security for a loan. When the Group acquires (i.e. gains a full title to) a property in this way, the property's classification follows the nature of its intended use by the Group. When the Group is uncertain of its intentions with respect to property that it has repossessed, those properties are classified as investment property (for real estate) or other assets.

Repossessed assets are initially valued at fair value.

3.11 Leases

The lease of property and equipment is classified as a finance lease if it transfers substantially all risks and rewards of ownership to the lessee. Title does not have to be transferred. All other leases are classified as operating leases.

The Group as lessor

Rental income from an investment property leased out under an operating lease is recognised on a straight-line basis over each lease term.

The Group as lessee

Operating lease payments are recognised in the statement of comprehensive income on a straight-line basis over the lease term. Discounts received are recognised in the statement of comprehensive income as a significant part of the total lease expenses.

3.12 Corporate income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised providing for temporary differences between the carrying value of assets and liabilities in the financial statements (financial reporting purposes) and the amounts used for tax purposes. These differences have mainly occurred from the different depreciation rates of property and equipment applied, which are used for tax accounting and financial accounting and provisions made.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax

Notes to the Financial Statements

assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are not discounted.

3.13 Cash and cash equivalents

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

3.14 Dividends

Dividends are reflected as an appropriation of retained earnings in the period in which they are declared.

3.15 Related parties

Related parties are defined as shareholders of the Group entities, members of the Board and the Supervisory Council, their close relatives and companies in which board members, council members and senior management have a significant influence or control.

3.16 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 the services are provided. 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 of retired employees.

3.17 Provisions

A provision is recognised if, as a result of a past event, 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.

3.18 Subordinated liabilities

Subordinated liabilities are financial liabilities for which it has been contracted that in case of liquidation, bankruptcy, forced settlement or other settlement, they will be settled only after claims of other creditors have been discharged, but before claims of share holders are satisfied.

Subordinated liabilities are recognised initially at fair value net of transaction costs incurred and subsequently carried at amortised cost. The amortised cost of subordinated debt is the amount at which the financial liability was measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation of any difference between that initial amount and the maturity amount.

Critical accounting estimates and judgement in applying accounting policies

The preparation of financial statements in conformity with IFRS as adopted by the EU requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, the actual results ultimately may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the period, in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Notes to the Financial Statements

Key sources of estimation uncertainty:

Insurance technical reserves

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 the 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 reserve 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.

The most judgemental estimation is related to incurred-but-not-reported reserves (“IBNR”). The key assumptions in respect of sufficiency of insurance technical reserves is monitored regularly through claims reserves run-off analyses and liability adequacy testing, performed for each line of business.

Valuation of financial instruments

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. As a result, the Company evaluates such instruments at cost less impairment.

The table below analyses financial instruments carried at fair value, by valuation method. Financial assets 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:

	Company		Consolidated	
	2010	2009	2010	2009
	Published price quotations	Published price quotations	Published price quotations	Published price quotations
	LVL’000	LVL’000	LVL’000	LVL’000
Financial assets	25 724	24 233	52 356	45 919
Investments at fair value through profit or loss				
<i>Shares and other non-fixed income securities</i>	3 195	3 161	4 945	4 859
<i>Debt securities and other fixed income securities</i>	22 529	21 072	47 411	41 060

Available-for-sale investments are carried at cost, refer to note 31.

Impairment of financial investments

The determination of impairment indication is based on comparison of the financial instrument’s carrying value and fair value. Due to frequent volatility of and relative illiquidity in the financial and capital markets, the market price is not always a reliable source for impairment indication. The Group uses valuation models based on quoted market prices of similar products.

For the purposes of impairment loss measurement, the Group’s management makes estimates of any expected changes in future cash flows from a specific financial instrument based on analysis of financial position of the issuer of the financial instrument.

Valuation of investment property and buildings for own use

Investment property is stated at its fair value with all changes in fair value recorded in the statement of comprehensive income.

Notes to the Financial Statements

Buildings used for the Group's operating activities are carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluation result is attributed to other comprehensive income unless impairment should be recognised.

When measuring the fair value of the investment property and buildings for own use, the management relies on external valuations, but critically assesses the reliability of such valuations in light of the current market situation.

Impairment of loans and receivables

Loans and receivables, or those amounts that are overdue, or for which there are indications of impairment are assessed for objective evidence of impairment individually. The Company assesses probability of the debtor fulfilling its obligations in the future and timing of fulfilment of those obligations, to be able to assess recoverable amount of the assets.

Loans and receivables for which no individual impairment loss is measured are assessed on collective level using statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred. These are then adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate. They will, however, always include uncertainty and may change depending on financial position of customers or general economic environment.

(4) Risk and risk management

4.1 Risk and risk management

The business of insurance represents the transfer of risk from the policy holder to the insurer and management of this risk. The largest risks result from accepting insurance risk, choosing the reinsurance cover and fulfilling obligations with respect to signed insurance contracts. In addition, the insurer is also exposed to investment risks incurred when the insurer has to cover technical reserves with assets invested in various financial instruments, market risk, credit risk, liquidity risk and operational risk.

The Group's management has identified risks and developed the management of these risks. Risk management is carried out in accordance with the Group's management decision.

All risks have been divided by the Group's management into the following major groups:

- Insurance risks
- Financial risks
- Operating risks

Each of these groups is divided into subgroups, which identify the risks that might impact any operating direction. Performance plans have been developed for each of the risks, which should be performed in order to minimise and avoid the risk occurrence possibility.

4.2 Insurance risks and risk management

Insurance risk is the most significant risk faced by the Group in day-to-day activities.

(a) Underwriting strategy

The Group's underwriting strategy seeks diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks over a number of years and, as such, it is believed that this reduces the variability of the outcome.

The underwriting strategy is set out in an annual business plan that sets out the classes of business to be written and the industry sectors to which the Group is prepared to expose itself. This strategy is cascaded down to individual underwriters through detailed underwriting authorities that set out the limits that any one underwriter can write by line size, class of business and industry in order to enforce appropriate risk selection within the portfolio. The term of non-life contracts may be up to 3 years; however, contracts are

Notes to the Financial Statements

usually annual in nature and the underwriters have the right to refuse prolongation or renewal or to change the terms and conditions of the contract at prolongation or renewal.

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

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

(b) 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 Group's main products and the ways in which it manages the associated risks.

Casco insurance

Product features

The insurance indemnifies for losses which arise from damage to, destruction or loss of vehicle. Several additional insurance covers may also be purchased which are related to the insured vehicle. The largest losses arise from theft or destruction.

Management of risks

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

Casco insurance rates are determined on the basis of the bonus-malus system, which decreases the insurance premium upon the absence of losses and increases the insurance premium upon the occurrence of losses. The sums insured very rarely exceed LVL 50,000. 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 a retention element by the policyholder.

Motor third party liability insurance

Product features

This insurance is a compulsory insurance, whose policy conditions and indemnification rules are prescribed by the respective regulations on Motor Third Party Liability Insurance. MTPL insurance covers physical injury claims and property claims in Latvia as well as claims caused abroad by insured motorists under the Green Card system. Most of the motor third party liability insurance indemnities are for property damage and lump sum personal injuries, mostly medical treatment costs, and temporary absence from work. However, long-term indemnities may also be possible, such as pensions and permanent inability to work which may be paid out over a long term also as annuities.

Even if from previous statistics the claims have been notified promptly and can be settled without delay, the situation can change and claims arising from motor third party liability insurance are classified as 'long-tail' classes where the ultimate claim cost takes longer to determine.

Management of risks

The key risks associated with this product are underwriting risk, competitive risk, and claims development risk. The Group therefore monitors and reacts to changes in the general economic and commercial environment in which it operates. For determining the rates of motor third party liability insurance, a bonus-malus system is used which reduces the insurance premium upon the absence of losses and increases the insurance premium upon the existence of losses

Health insurance

Product features

The health insurance product is offered to companies who purchase health insurance for their employees. Health insurance indemnifies against expenses such as doctor visits, hospital expenses medication expenses.

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Management of risks

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

Property insurance

Product features

Property insurance indemnifies, subject to any specified limits or deductibles, the insured against loss or damage to material damage of property and business interruption arising from this damage. The risks covered by property insurance include fire risk, pipe leakage explosion, burglary and robbery, and storm risk. When insuring home assets, liability insurance can also be purchased.

Business interruption insurance covers lost business profits and fixed costs incurred that arise from the realisation of any risk covered by the property insurance of the Group. Upon the sale of that insurance type, it is considered to be particularly important to take into account the reliability of the customers and the transparency of the financial statements.

The most frequently occurring risks for home property include pipe leakages and fire. Larger losses result most often from fire.

Generally, claims in the property insurance line are 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.

Management of risks

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

To charge premiums appropriate specifics of different properties is assessed. 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 the property insurance line of business. Insurance risk is managed primarily through pricing, independent assessment of property under international standards, product design, risk selection and reinsurance. The Group therefore monitors and reacts to changes in the general economic and commercial environment in which it operates.

(c) Insurance risk concentration

Within the insurance process, concentrations of risk may arise where a particular event or series of events could impact heavily upon the Group's liabilities. Such concentrations may arise from a single insurance contract or through a small number of related contracts, and relate to circumstances where significant liabilities could arise.

Risk concentration may occur as a result of different coincidences and regularities. Most often risk concentration is observed in a specific type of insurance in which private persons are insured; e.g. personal accident insurance when a group of persons suffers from a personal accident and all of these persons have been insured in the Group. In property insurance, risk concentration might occur if one densely populated area experiences any of the exposures (e.g. fire), which may easily transfer from one property to another one and this action cannot be avoided.

In addition, the management is aware that the possible risk concentration can be in one company or an economic area in total, for which several risks are insured. When insuring such risks, an obligatory precondition is the assessment of the company's financial position and capacity, as well as identifying how large financial liabilities can arise, how large the liabilities are that are already held by the Group and what it can afford. When evaluating financial risks, the trends of economic growth and the risks that might impact this area are studied.

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In order to minimise losses that might be incurred in case of a risk concentration, the Group uses reinsurance – by reinsuring both proportionally, as well as non-proportionally. When placing reinsurance, the Group's share in the risk is fixed both for one object, as well as for one event, in which losses may be caused simultaneously for several objects. Such risks are reinsured in practically all types of insurance. The reinsurance policy, to which the Group adheres, has been approved by the Board.

The Group'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. Secondly, the risk is managed through the use of reinsurance. The Group purchases reinsurance coverage for various classes of its liability and property business. The Group assesses the costs and benefits associated with the reinsurance programme on an ongoing basis.

The Group sets out the total aggregate exposure that it is prepared to accept in relation to the concentrations of risk. It monitors these exposures both at the time of underwriting a risk, and on a monthly basis by reviewing reports which show the key aggregations to which the Group is exposed. The Group uses a number of modelling tools to monitor aggregation in order to measure the effectiveness of the reinsurance programmes and the net exposure to which the Group is exposed.

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Exposure to various business lines and the key concentrations identified are:

Company, 2010	Total insured amount	Reinsurance amount	Net retention (after reinsurance)	Number of contracts in force	Average amount insured
Insurance type	LVL'000	LVL'000	LVL'000		LVL'000
Motor own damage insurance	437 392	-	437 392	58 303	8
Voluntary motor third party liability	1 850	-	1 850	37	50
Health insurance *	110 500	-	110 500	1 455	76
Property insurance*	7 650 420	3 454 123	4 196 297	55 544	76
Various financial risks	165 380	92 379	73 001	4 306	17
Cargo insurance *	66 955	34 633	32 322	86	376
General third party liability	496 696	334 370	162 326	7 106	23
Personal accident insurance *	443 088	53 488	389 600	33 383	12
Travel accident insurance	543 673	213 835	329 838	38 690	9
Marine insurance	20 458	18 412	2 046	79	26
Marine third party liability insurance	4 019	3 618	401	18	22
Railway insurance *	162 430	153 592	8 838	36	245
Compulsory motor third party liability **	-	-	-	284 518	281
Aircraft third party liability insurance	687 990	662 428	25 562	57	448
Aircraft insurance	7 662	6 690	972	34	29
Credit insurance	8 133	4 586	3 547	139	26
Guarantee insurance	21 468	11 827	9 641	280	34
Legal risks	60	-	60	3	20
Total	10 828 174	5 043 981	5 784 193	484 074	-

2009	Total insured amount	Reinsurance amount	Net retention (after reinsurance)	Number of contracts in force	Average amount insured
Insurance type	LVL'000	LVL'000	LVL'000		LVL'000
Motor own damage insurance	425 580	-	425 580	44 210	10
Voluntary motor third party liability	1 800	-	1 800	36	50
Health insurance *	209 061	-	209 061	77 790	3
Property insurance*	7 036 584	3 998 628	3 037 956	60 236	50
Various financial risks	116 704	67 617	49 087	2 761	18
Cargo insurance *	132 272	90 421	41 851	80	523
General third party liability	402 702	264 438	138 264	6 333	22
Personal accident insurance *	225 919	15 646	210 273	14 069	15
Travel accident insurance	484 403	181 890	302 513	33 088	9
Marine insurance	20 858	17 355	3 503	56	63
Marine third party liability insurance	604	544	60	7	9
Railway insurance *	69 784	64 740	5 044	24	210
Compulsory motor third party liability **	-	-	-	196 148	-
Aircraft third party liability insurance	1 050 716	1 006 815	43 901	69	636
Aircraft insurance	9 005	8 567	438	42	10
Credit insurance	8 495	2 649	5 846	105	56
Guarantee insurance	45 220	26 997	18 223	404	45
Total	10 239 707	5 746 307	4 493 400	435 458	-

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Consolidated, 2010	Total		Net retention	Number of contracts in force	Average
	insured amount	Reinsurance amount	(after reinsurance)		amount insured
Insurance type	LVL'000	LVL'000	LVL'000		LVL'000
Motor own damage insurance	568 138	23 753	544 385	63 592	9
Voluntary motor third party liability	1 850	-	1 850	37	50
Health insurance *	110 500	-	110 500	1 455	76
Property insurance*	10 847 641	5 804 568	5 043 073	75 602	67
Various financial risks	219 355	127 314	92 041	4 340	21
Cargo insurance *	220 274	179 108	41 166	199	207
General third party liability	1 995 922	843 537	1 152 385	15 733	73
Personal accident insurance *	5 206 949	53 488	5 153 461	107 591	48
Travel accident insurance	543 673	213 835	329 838	38 690	9
Marine insurance	30 054	18 412	11 642	97	120
Marine third party liability insurance	20 332	6 450	13 882	31	448
Railway insurance *	162 430	153 592	8 838	36	246
Compulsory motor third party liability **	-	-	-	469 454	-
Aircraft third party liability insurance	1 453 305	665 244	788 061	122	6 460
Aircraft insurance	14 080	8 451	5 629	54	104
Credit insurance	8 133	4 586	3 547	139	26
Guarantee insurance	905 862	88 030	817 832	14 479	56
Legal risks	60	-	60	3	20
Total	22 308 558	8 190 368	14 118 190	791 654	-

2009	Total insured		Net retention	Number of contracts in force	Average
	amount	Reinsurance amount	(after reinsurance)		amount insured
Insurance type	LVL'000	LVL'000	LVL'000		LVL'000
Motor own damage insurance	564 653	1 140	563 512	50 193	11
Voluntary motor third party liability	1 800	-	1 800	36	50
Health insurance *	211 335	-	211 335	77 816	3
Property insurance*	9 093 557	4 804 613	4 288 943	70 868	61
Various financial risks	156 593	67 617	88 976	2 802	32
Cargo insurance *	340 657	179 513	161 144	162	995
General third party liability	1 634 315	335 247	1 299 068	12 030	108
Personal accident insurance *	436 867	16 727	420 140	24 650	17
Travel accident insurance	4 786 428	630 184	4 156 244	64 779	64
Marine insurance	37 105	17 355	19 751	83	238
Marine third party liability insurance	10 840	544	10 296	33	312
Railway insurance *	69 784	64 740	5 044	24	210
Compulsory motor third party liability **	-	-	-	395 587	-
Aircraft third party liability insurance	1 126 264	1 058 488	67 776	163	416
Aircraft insurance	15 558	10 442	5 116	69	74
Credit insurance	8 494	2 649	5 846	105	56
Guarantee insurance	723 946	83 113	640 833	15 455	41
Total	19 218 196	7 272 372	11 945 824	714 855	-

* in one contract several objects/ persons can be covered

** gross insurance risk is unlimited. Losses in excess of EUR400,000 are covered by reinsurance.

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(d) Catastrophes

The Group's management is aware that catastrophe risks are possible. In the Group's geographic position these risks are mostly connected with meteorological phenomena: storms, floods, nature disasters (hail, snow, ice, etc.). Large fires and earthquakes are unlikely, but they may occur. The most characteristic catastrophes are floods and storms. In order to minimise the impact of catastrophe risk on the Group, reinsurance is arranged. Reinsurance is arranged both proportionally and non-proportionally. In addition, facultative reinsurance is purchased for large risks. The Group has developed methodology for fixing retention. It depends on many factors and the historical statistical information in each product group. According to management, the measures taken sufficiently reduce the impact of catastrophe risk on the Group.

(e) Insurance risk management

In order to manage insurance risk, the Group has developed different control and management mechanisms. For all insurance types, insurance terms and conditions have been developed, which are binding both for the Group, as well as for the customers. Methodologies have been developed for all insurance types, which should be followed when assessing and accepting the risk assumed by the Group. The Group has established a Risk Underwriting Institution, in which there are employees who are responsible for development of a specific insurance type, insurance terms and conditions and risk assessment methods. In addition, limits have been fixed, up to which each of the employees is allowed to make a decision about risk underwriting. When fixing limits, the hierarchy principle is observed; the higher the level of responsibility, the higher risk may be underwritten.

Irrespective of the steps detailed above and risks being managed, the Group's management is aware that there is a risk that the insurance risk might not be qualitatively assessed and an incorrect decision may be made. In addition, there is a risk that the insurance indemnity will be insufficient for the losses caused or the claims case will be administered for an extended amount of time.

In order to minimise such risks, the Group has developed and uses the quality management system, which describes all processes and order that are carried out during the insurance administration process and the claims regulation procedures. It has been identified when and in what circumstances certain types of procedures should be observed. Quality measurements can be carried out in any process and identify whether this process is being carried out in accordance with the Group's interests and described procedures. The measurements of these processes are the responsibility of the Quality Management Department, which regularly provides information to the Group's management about the process management in the Group. As a result of these measurements, the management can make an adequate decision to minimise the risk that is connected with the insurance processes.

(f) Liability adequacy test

The Company has assessed its insurance liabilities shown in the statement of financial position on 31 December 2010 by the liability adequacy test ("LAT").

A liability adequacy test is carried out by lines of business at each reporting date and assess whether recognised insurance liabilities less deferred acquisition costs are adequate using current estimates of future cash flows under its insurance contracts. Current estimates of future cash flows are best estimates without risk margin. If the assessment indicates liabilities are inadequate in the light of the established future cash flow, the deficiency is recognised in profit or loss. Expected cash flows relating to claims and expenses are estimated by reference to the experience, adjusted for significant individual losses which are not expected to recur.

The test is performed by lines of business each comprising a group of insurance contracts with similar risk profiles.

LAT results calculated by the Group are based on an aggregated basis (i.e. for the whole portfolio). URR, on the other hand, is created based on liability adequacy testing for individual lines of business. As a result, URR is created even if the above aggregate LAT result is a surplus. Refer to Note 8 for further details.

(g) Claims development

Notes to the Financial Statements

Information on the claims development has been provided in order to illustrate the insurance risk to which the Group is subject. 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 the 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 changes 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.

Claims development analysis, LVL'000

Company	2004 and before	Year of insurance event occurrence						Total
		2005	2006	2007	2008	2009	2010	
Estimate of cumulative claims at end of accident year	13 262	14 890	22 562	38 518	39 723	33 563	32 021	39 723
- one year later	13 590	12 891	22 027	35 201	39 051	31 883		39 051
- two years later	12 804	12 917	22 200	35 955	39 750			39 750
- three years later	12 505	13 033	22 829	35 670				35 670
- four years later	12 597	13 627	22 771					22 771
- five years later	13 384	13 391						13 391
Cumulative payments to date	12 591	12 916	22 045	32 043	36 767	29 549	17 349	163 259
Outstanding claims reserves at 31.12.2010	897	475	726	3 626	2 997	2 334	14 672	25 727

Consolidated	2004 and before	Year of insurance event occurrence						Total
		2005	2006	2007	2008	2009	2010	
Estimate of cumulative claims at end of accident year	13 262	14 890	22 562	38 518	39 723	48 849*	48 657	48 849
- one year later	13 590	12 891	22 027	35 201	59 399*	47 464		59 399
- two years later	12 804	12 917	22 200	54 979*	58 485			58 485
- three years later	12 505	13 033	35 121*	54 196				54 196
- four years later	12 597	17 893*	34 774					34 774
- five years later	15 243*	16 983						16 983
Cumulative payments to date	14 396	16 324	32 744	47 550	51 765	41 393	25 467	229 639
Outstanding claims reserves at 31.12.2010	941	659	2 030	6 646	6 720	6 070	22 748	45 814

*) In 2009 gross claims and claim reserves as at 31.12.2009 are increased by insurance liabilities assumed from the subsidiary BTA Draudimas as a result of the acquisition.

(h) Sensitivity analysis assumption made for general business

Process used to assess the assumptions

The process used to undertake sensitivity analysis on the assumptions used 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 inflation rates observable in markets or other published information. There is more emphasis on current trends, and where in early years there is insufficient information to make a reliable best estimate of claims development, prudent assumptions are used.

Notes to the Financial Statements

The estimated amount of IBNR could be influenced by inflation, the risk that significantly large claims will be reported with delay, seasonality of the reporting of claims and other risks.

Sixty-two per cent of IBNR as at 31 December 2009 consists of the following lines of business: compulsory motor TPL, guarantees and property (fire and catastrophes) insurance. Considering the current market situation, the Company believes that the most volatile assumption is inflation. The table below presents the change in IBNR as at 31 December 2010 in the case if the annual inflation used in the IBNR estimation would change as a result of a 3% change in inflation.

Company, 2010

LVL'000

Line of business	IBNR, as at 31.12.2010	IBNR if projected annual inflation increased by 3%	IBNR without annual inflation
Compulsory motor TPL	6 393	6 888	6 087
Property (fire and catastrophes)	435	461	418

Company, 2009

LVL'000

Line of business	IBNR, as at 31.12.2009	IBNR if projected annual inflation increased by 3%	IBNR without annual inflation
Compulsory motor TPL	5 694	5 990	5 482
Property (fire and catastrophes)	319	3 22	141

Consolidated, 2010

LVL'000

Line of business	IBNR, as at 31.12.2010	IBNR if projected annual inflation increased by 3%	IBNR without annual inflation
Compulsory motor TPL	9 049	9 624	8 743
Property (fire and catastrophes)	446	473	429

Consolidated, 2009

LVL'000

Line of business	IBNR, as at 31.12.2009	IBNR if projected annual inflation increased by 3%	IBNR without annual inflation
Compulsory motor TPL	8 512	8 910	8 300
Property (fire and catastrophes)	324	327	146

The main assumption used in the calculation of technical reserves is a stable claims statistic. Management expect that development of claims in the future will have the same pattern as in the past. Reserves are not discounted.

The nature of the business makes it very 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 to loss adjusters and the 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 the information currently available. However, the ultimate liabilities may vary as a result of subsequent developments or if catastrophic events occur. The impact of many of the items affecting the ultimate costs of the loss is difficult to estimate. The provision estimation difficulties also differ by class of business due to differences in the underlying insurance contract, claim complexity, the volume of claims and the individual severity of claims, determining the occurrence date of a claim, and reporting lags.

For most of the risks, the costs of outstanding IBNR reserves are estimated using a range of statistical methods such as the Chain Ladder methods. Such methods extrapolate the development of paid and incurred claims, average cost per claims and ultimate claim numbers for each accident year based upon observed development of earlier years and expected loss ratios.

The key methods, which are used and have remained unchanged from prior years, are:

Notes to the Financial Statements

- chain ladder methods, which use historical data to estimate the paid and incurred to date proportions of the ultimate claim cost;
- development factors methods to evaluate the unknown number of insured events at any given point of time;
- for minor part of portfolio expected loss ratio methods is used, based on the Group's expectation of the loss ratio for a class of business.

The actual method or blend of methods used varies by line of business and observed historical claims development.

To the extent that these methods use historical claims development information, they assume that the historical claims development pattern will occur again in the future. There are reasons why this may not be the case, which, insofar as they can be identified, have been allowed for by modifying the methods. Such reasons include:

- changes in processes that affect the development / recording of claims paid and incurred (such as changes in claim reserving procedures);
- economic, legal, political and social trends (resulting in different than expected levels of inflation);
- changes in mix of business;
- random fluctuations, including the impact of large losses.

Changes in assumptions used for estimation of MTPL claim reserves

During 2010, the Parent company introduced changes in estimating the physical injury claims to be covered from MTPL policies. As a result of no access to data in 2008 and before, IBNR for physical injuries was estimated together with MTPL property claims based on claims reported to the Company.

IBNR estimates on the potential claims for physical injuries 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 Parent company has established an IBNR reserve for physical injuries claims amounting to LVL 1 876 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 with the results disclosed in the sensitivity tables.

The table below presents the change in IBNR for the direct and regress claims for physical injury if proportion of long claims in portfolio increase from 15% to 16%, but other assumptions fixed.

Company

2010

LVL'000

IBNR, as at 31.12.2010 (based on 15%)	IBNR if proportion of long claims increase 16%	IBNR if proportion of long claims decrease 14%
2 186	2 302	2 071

Company

2009

LVL'000

IBNR, as at 31.12.2009 (based on 15%)	IBNR if proportion of long claims increase 16%	IBNR if proportion of long claims decrease 14%
1 876	1 975	1 777

Notes to the Financial Statements

Consolidated

2010

LVL'000

IBNR, as at 31.12.2010 (based on 15%)	IBNR if proportion of long claims increase 16%	IBNR if proportion of long claims decrease 14%
2 935	3 091	2 487

Consolidated

2009

LVL'000

IBNR, as at 31.12.2009 (based on 15%)	IBNR if proportion of long claims increase 16%	IBNR if proportion of long claims decrease 14%
1 876	1 975	1 777

The table below presents the change in IBNR for the physical injury claims if period of long claims increase by 5 years, but other assumptions fixed.

Company, 2010

LVL'000

IBNR, as at 31.12.2010 (based on 10 years)	IBNR if period of long claims increase by 5 years	IBNR if period of long claims decrease by 5 years
2 186	3 051	1 322

2009

LVL'000

IBNR, as at 31.12.2009 (based on 10 years)	IBNR if period of long claims increase by 5 years	IBNR if period of long claims decrease by 5 years
1 876	2 617	1 134

Consolidated

2010

LVL'000

IBNR, as at 31.12.2010 (based on 10 years)	IBNR if period of long claims increase by 5 years	IBNR if period of long claims decrease by 5 years
2 935	4 097	1 775

2009

LVL'000

IBNR, as at 31.12.2009 (based on 10 years)	IBNR if period of long claims increase by 5 years	IBNR if period of long claims decrease by 5 years
1 876	2 617	1 134

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

Notes to the Financial Statements

4.3 Financial risks and risk management

The Group is exposed to financial risks due to operations with financial instruments. Financial risks include market risk, which includes price, interest rate and currency risks, credit risk and liquidity risk. Below is a description of each of these financial risks and a summary of the methods used by the Group to manage these risks. Exposure to those risks arises in the normal course of the Group's business.

The Group's financial assets and liabilities, including investments, deposits with banks, loans, insurance receivables and reinsurance assets, are 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, equity price risk and currency risk;
- **Credit risk:** failure of a counterparty to fulfil a contractual obligation may cause financial losses to the Company,
- **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.

(a) Market risks

All financial instruments and positions are subject to market risk, the risk that future changes in market conditions may make an instrument more or less valuable. The Group is subject to potential investment risks by incurring losses from financial assets, financial liabilities, reinsurance and insurance contractual liabilities as the result of changes in interest rates, currency exchange rates and changes in price of equity instruments.

In order to restrict investment risk, investments are made in different financial instruments. When choosing financial instruments, the requirements of the insurance company and the law on supervision of insurance companies are observed.

When carrying out investing activities, the employees of Financial Department are guided according to the approved Investment establishment procedure, which regulates many issues related to control and the minimisation of investments risk.

The reduction of investments risk is carried out in two ways – firstly, by diversifying the investments portfolio, and secondly, by analysing the specific asset before the purchase of this asset and following the available information on this asset.

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

Notes to the Financial Statements**Investment analysis by ratings:**

Company, 2010	Ratings	Shares and other listed equity instruments	Mortgage bonds	Investme nt funds	Listed debt securities	Governm ent bonds	Available- for-sale investments	Total
Agency		LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000
Fitch	A	-	-	-	175	-	-	175
	A-	-	-	-	274	2 120	-	2 394
	A+	-	-	-	943	-	-	943
	A1	-	-	-	-	148	-	148
	AA	-	-	-	584	-	-	584
	AA-	-	-	-	1 032	-	-	1 032
	AA	-	-	-	300	-	-	300
	AAA	-	-	-	-	3 630	-	3 630
	BB	-	-	-	462	-	-	462
	BBB	-	-	-	604	-	-	604
	BBB-	-	-	-	161	-	-	161
	BBB+	-	-	-	593	-	-	593
Moody's	A1	-	-	-	72	-	-	72
	Aa3	-	-	-	431	-	-	431
	AAA	-	-	-	-	1 695	-	1 695
	Baa1	-	-	-	552	138	-	690
	Baa1	-	-	-	56	-	-	56
	Baa2	-	1 570	-	190	-	-	1 760
	Baa3	-	-	-	-	4 131	-	4 131
	Baa3	-	-	-	-	1 617	-	1 617
S&P	A+	-	-	-	75	-	-	75
	AA	-	-	-	188	-	-	188
	AA-	490	-	-	681	-	-	1 171
	BBB-	-	-	-	-	97	-	97
No rating		248	-	2 457	10	-	412	3 127
Total		738	1 570	2 457	7 383	13 576	412	26 136

Notes to the Financial Statements

Company, 2009	Ratings	Shares and other listed equity instruments	Mortgage bonds	Investment funds	Listed debt securities	Government bonds	Available- for-sale securities	Total
Agency		LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000
Fitch Ratings	A	-	-	-	371	-	-	371
	A-	-	-	-	581	583	-	1 164
	A+	-	-	-	731	-	-	731
	AA	-	-	-	372	-	-	372
	AA-	-	-	-	839	-	-	839
	AA+	-	-	-	185	299	-	484
	AAA	-	-	-	-	4 048	-	4 048
	BBB-	-	-	-	32	100	-	132
	BBB	-	-	-	372	-	-	372
	BBB+	-	-	-	390	-	-	390
Moody's	A1	-	-	-	359	146	-	505
	A2	-	-	-	58	73	-	131
	Aa2	-	-	-	505	-	-	505
	Aa3	-	-	-	546	-	-	546
	Baa2	-	931	-	-	-	-	931
	Baa3	-	-	-	-	4 157	-	4 157
	C	-	-	-	2	-	-	2
Standard & Poor's	A	-	-	-	389	-	-	389
	A-	-	-	-	197	-	-	197
	A+	-	-	-	587	-	-	587
	AA	-	-	-	486	-	-	486
	AA-	572	-	-	426	-	-	998
	AA+	90	-	-	-	-	-	90
	AAA	-	-	-	-	2 297	-	2 297
	BB-	-	-	-	141	-	-	141
	BBB	-	-	-	96	-	-	96
	BBB-	-	-	-	38	-	-	38
	BBB+	-	-	-	227	-	-	227
No rating		341	444	2 158	64	-	186	3 193
Total		1 003	1 375	2 158	7 994	11 703	186	24 419

Notes to the Financial Statements

Consolidated, 2010 Agency Fitch	Ratings	Shares and other listed equity instrument	Mortgage bonds	Investment funds	Listed debt securities	Government bonds	Available- for-sale securities	Total
		LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000
	A	-	-	-	175	148	-	323
	A-	-	-	-	274	2 120	-	2 394
	A+	-	-	-	943	-	-	943
	AA	-	-	-	584	-	-	584
	AA-	-	-	-	1 032	-	-	1 032
	AA	-	-	-	300	-	-	300
	AAA	-	-	-	-	16 069	-	16 069
	BB	-	-	-	462	-	-	462
	BBB	-	-	-	604	-	-	604
	BBB-	-	-	-	161	-	-	161
	BBB+	-	-	-	593	-	-	593
Moody's	A1	-	-	-	72	377	-	449
	Aa2	-	-	1 321	430	354	-	2 105
	Aa3	-	-	83	617	1 696	-	2 396
	Ba2	-	172	-	-	-	-	172
	Baa1	-	-	-	1 013	5 327	-	6 340
	Baa2	-	2 345	-	190	-	-	2 535
	Baa3	-	-	-	-	5 852	-	5 852
S&P	A	-	-	-	456	-	-	456
	A-	112	-	-	827	-	-	939
	A+	-	-	-	717	75	-	792
	AA	-	-	-	446	188	-	634
	AA-	558	-	-	696	681	-	1 935
	AA+	-	-	-	-	364	-	364
	AAA	-	-	-	744	-	-	744
	BBB+	-	-	-	197	-	-	197
	BBB-	-	-	-	97	-	-	97
No rating	N/A	280	-	2 589	15	-	412	3 295
Total		950	2 517	3 994	12 492	32 403	412	52 768

Notes to the Financial Statements

Consolidated, 2009	Ratings	Shares and other listed equity instruments	Mortgage bonds	Investment funds	Listed debt securities	Government bonds	Available- for-sale securities	Total
Agency		LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000
Fitch Ratings	A	-	-	-	607	-	-	607
	A-	-	-	-	579	583	-	1 162
	A+	-	-	-	731	-	-	731
	AA	-	-	-	372	-	-	372
	AA-	-	-	-	839	-	-	839
	AA+	-	-	-	185	671	-	856
	AAA	-	-	-	-	16 829	-	16 829
	BBB-	-	-	-	32	100	-	132
	BBB	-	-	-	373	222	-	595
	BBB+	-	-	-	390	-	-	390
Moody's	A1	-	-	-	359	146	-	505
	A2	-	-	-	58	73	-	131
	Aa2	-	-	-	1 031	-	-	1 031
	Aa3	-	-	-	732	73	-	805
	Baa2	-	931	-	-	-	-	931
	Baa3	-	556	-	-	4 156	-	4 712
	C	-	-	-	2	-	-	2
Standard & Poor's	A	-	-	-	1 030	-	-	1 030
	A-	108	-	-	1 161	-	-	1 269
	A+	-	-	-	1 289	-	-	1 289
	AA	-	-	-	928	-	-	928
	AA-	649	-	-	1 121	-	-	1 770
	AA+	90	-	-	-	-	-	90
	AAA	-	-	-	-	2 297	-	2 297
	B	-	-	-	71	-	-	71
	BB-	-	-	-	141	-	-	141
	BB	-	-	-	-	91	-	91
	BBB	-	-	-	96	1 122	-	1 218
	BBB-	-	-	-	181	-	-	181
	BBB+	11	-	-	227	-	-	238
No rating		451	610	3 549	66	-	186	4 862
Total		1 309	2 097	3 549	12 601	26 363	186	46 105

Notes to the Financial Statements

Notes to the Financial Statements

i) Currency risk

Currency risk: adverse changes to the currency exchange rate may cause loss to the Group.

Some insurance liabilities are denominated in foreign currencies. The Group'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 Group'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 or loss is mainly sensitive only to changes in USD rates and is evaluated as low. The Group is not engaged in any speculative transactions that may increase the currency risk.

The Group is gradually increasing the share of EUR denominated investments. As a result of the above principle, at the end of 2009 EUR denominated investments covered one third of the technical reserves in LVL. Although this policy has an adverse effect on the return on investment, it will be continued in 2010 in order to limit the potential impact of any changes in the government policy regarding the currency.

The split of assets and liabilities by currencies as at year end were as follows:

Company

31 December 2010

Investments and cash	LVL LVL'000	EUR LVL'000	USD LVL'000	EEK LVL'000	PLN LVL'000	Other LVL'000	Total LVL'000
Shares and other non-fixed income securities	-	2 964	177	54	-	-	3 195
Debt securities and other fixed income securities	6 400	14 187	245	-	1 697	-	22 529
Available-for-sale financial assets	216	196	-	-	-	-	412
Deposits with banks	3 057	10 508	403	-	1 812	56	15 836
Mortgage loans	1 609	931	124	-	-	-	2 664
Other loans	733	1 985	34	-	-	-	2 752
Receivables	2 181	2 249	434	718	957	1 463	8 002
Cash and cash equivalents	264	471	223	133	0	18	1 109
Total financial assets	14 460	33 491	1 640	905	4 466	1 537	56 499
Technical reserves, net							
Technical reserves for unearned premiums and unexpired risks, net	10 591	3 409	267	2 862	3 810	1	20 940
Outstanding claim technical reserves, net	14 032	3 304	56	349	413	1 051	19 205
Total technical reserves, net	24 623	6 713	323	3 211	4 223	1 052	40 145
Creditors	1 452	367	86	150	176	492	2 723
Technical reserves, net and creditors	26 075	7 080	409	3 361	4 399	1 544	42 868
Open currency position	(11 615)	26 411	1 231	(2 456)	67	(7)	13 631

Notes to the Financial Statements**Company****31 December 2009**

Investments and cash	LVL LVL'000	EUR LVL'000	USD LVL'000	EEK LVL'000	Other LVL'000	Total LVL'000
Shares and other non-fixed income securities	-	2 968	148	45	-	3 161
Debt securities and other fixed income securities	6 123	14 539	239	-	171	21 072
Available-for-sale financial assets	186	-	-	-	-	186
Deposits with banks	2 407	6 457	664	3 046	700	13 274
Mortgage loans	2 772	871	100	-	-	3 743
Other loans	455	1 859	91	-	-	2 405
Receivables	8 623	541	-	-	-	9 164
Cash and cash equivalents	314	44	160	24	5	547
Total financial assets	20 880	27 279	1 402	3 115	876	53 552
Technical reserves, net						
Technical reserves for unearned premiums and unexpired risks, net	14 685	3 033	90	2 862	1 002	21 672
Outstanding claim technical reserves, net	12 482	1 563	213	1 458	562	16 278
Total technical reserves, net	27 167	4 596	303	4 320	1 564	37 950
Creditors	1 916	1 858	-	-	-	3 774
Technical reserves, net and creditors	29 083	6 454	303	4 320	1 564	41 724
Open currency position	(8 203)	20 825	1 099	(1 205)	(688)	11 828

Consolidated**31 December 2010**

Investments and cash	LVL LVL'000	EUR LVL'000	USD LVL'000	EEK LVL'000	PLN LVL'000	LTL LVL'000	Other LVL'000	Total LVL'000
Shares and other non-fixed income securities	-	4 653	206	54	-	32	-	4 945
Debt securities and other fixed income securities	6 504	34 666	671	-	1 697	3 873	-	47 411
Available-for-sale financial assets	216	196	-	-	-	-	-	412
Deposits with banks	3 057	11 819	403	-	1 812	1 072	56	18 219
Mortgage loans	2 162	1 054	352	-	-	-	-	3 568
Other loans	733	954	34	-	-	201	-	1 922
Receivables	2 181	1 446	434	718	957	4 638	1 463	11 837
Cash and cash equivalents	280	908	390	133	-	201	18	1 930
Total financial assets	15 133	55 696	2 490	905	4 466	10 017	1 537	90 244
Technical reserves, net								
Technical reserves for unearned premiums and unexpired risks, net	10 590	3 650	273	2 862	3 810	9 106	116	30 407
Outstanding claim technical reserves, net	14 101	15 736	58	349	413	2 925	2 196	35 778
Total technical reserves, net	24 691	19 386	331	3 211	4 223	12 031	2 312	66 185
Creditors	643	431	252	150	176	3 116	492	5 260
Technical reserves, net and creditors	25 334	19 817	583	3 361	4 399	15 147	2 804	71 445
Open currency position	(10 201)	35 879	1 907	(2 456)	67	(5 130)	(1 267)	18 799

Notes to the Financial Statements**Consolidated****31 December 2009**

	LVL LVL'000	EUR LVL'000	USD LVL'000	EEK LVL'000	LTL LVL'000	Other LVL'000	Total LVL'000
Investments and cash							
Shares and other non-fixed income securities	-	4 629	170	45	15	-	4 859
Debt securities and other fixed income securities	6 214	33 082	471	-	1 121	172	41 060
Available-for-sale financial assets	186	-	-	-	-	-	186
Deposits with banks	2 407	8 070	664	3 046	3 113	700	18 000
Mortgage loans	3 410	960	303	-	-	-	4 673
Other loans	455	2 012	90	-	200	-	2 757
Receivables	8 625	681	-	-	5 189	-	14 495
Cash and cash equivalents	319	144	260	23	582	84	1 412
Total financial assets	21 616	49 578	1 958	3 114	10 220	956	87 442
Technical reserves, net							
Technical reserves for unearned premiums and unexpired risks, net	14 685	3 854	90	2 861	9 542	1 064	32 096
Outstanding claim technical reserves, net	12 795	14 322	213	1 467	1 464	1 786	32 047
Total technical reserves, net	27 480	18 176	303	4 328	11 006	2 850	64 143
Subordinated liabilities	147	1 488	135	-	51	-	1 821
Creditors	1 359	2 166	-	-	2 840	-	6 365
Technical reserves, net and subordinated liabilities and creditors	28 986	21 830	438	4 328	13 897	2 850	72 329
Open currency position	(7 370)	27 478	1 520	(1 214)	(3 677)	(1 894)	15 113

An analysis of the sensitivity of the Group's comprehensive income to changes in the foreign currency exchange rates based on positions existing as at 31 December 2010 and a simplified scenario of a 5% change in EUR and USD to LVL exchange rates is as follows (in LVL thousand):

	Company		Consolidated	
	2010	2009	2010	2009
	Comprehensive income	Comprehensive income	Comprehensive income	Comprehensive income
	LVL'000	LVL'000	LVL'000	LVL'000
5% appreciation of EUR against LVL	1 320	1 054	1 794	1 400
5% depreciation of EUR against LVL	(1 320)	(1 054)	(1 794)	(1 400)
5% appreciation of USD against LVL	62	55	95	76
5% depreciation of USD against LVL	(62)	(55)	(95)	(76)

Notes to the Financial Statements

ii) 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 Group takes a long or short position in a financial instrument.

An analysis of the sensitivity of the Group's comprehensive income to changes in securities prices based on positions existing as at 31 December 2010 and a simplified scenario of a 5% change in all securities prices is as follows:

	Company		Consolidated	
	2010	2009	2010	2009
	LVL'000	LVL'000	LVL'000	LVL'000
5% increase in securities prices	1 307	1 221	2 638	2 305
5% decrease in securities prices	(1 307)	(1 221)	(2 638)	(2 305)

iii) Interest rate risk

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

The following tables present the Group's financial assets analysed according to repricing periods determined as the earlier of the remaining contractual maturity and the contractual repricing. The interest rate repricing profile of the Group's assets as at year end:

Company

31 December 2010

	Within 6	6-12 months	1-2 years	3-5 years	Over 5	Non-	Total	Amount
	months							
	LVL'000	LVL'000	LVL'000	LVL'000	years	bearing	LVL'000	fixed rates
	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000
Financial assets								
Investments at fair value through profit or loss	809	2 866	4 115	11 703	3 036	3 195	25 724	22 529
Available-for-sale financial assets	-	-	-	-	-	412	412	-
Deposits with banks	8 456	5 403	1 280	697	-	-	15 836	15 836
Loans issued	235	1 345	777	1 988	70	1 001	5 416	4 416
Receivables	-	-	-	-	-	8 002	8 002	-
Cash and cash equivalents	1 100	-	-	-	-	9	1 109	1 100
Total financial assets	10 600	9 614	6 172	14 388	3 106	12 619	56 499	43 881

Notes to the Financial Statements**Company
31 December 2009**

	Within 6 months	6-12 months	1-2 years	3-5 years	Over 5 years	Non- interest bearing	Total	Amount subject to fixed rates
	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000
Financial assets								
Investments at fair value through profit or loss	2 028	4 858	2 523	8 870	3 496	2 458	24 233	21 072
Available-for-sale financial assets	-	-	-	-	-	186	186	-
Deposits with banks	9 046	3 790	226	212	-	-	13 274	13 274
Loans issued	1 490	2 775	556	1 254	73	-	6 148	6 148
Receivables	-	-	-	-	-	9 164	9 164	-
Cash and cash equivalents	534	-	-	-	-	13	547	531
Total financial assets	13 098	11 423	3 305	10 336	3 569	11 821	53 552	41 025

**Consolidated
31 December 2010**

	Within 6 months	6-12 months	1-2 years	3-5 years	Over 5 years	Non- interest bearing	Total	Amount subject to fixed rates
	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000
Financial assets								
Investments at fair value through profit or loss	2 549	4 844	7 558	27 586	4 876	4 943	52 356	47 411
Available-for-sale financial assets	-	-	-	-	-	412	412	-
Deposits with banks	9 411	6 724	1 367	717	-	-	18 219	18 219
Loans issued	240	949	780	1 991	70	1 460	5 490	4 488
Receivables	-	-	-	-	-	11 837	11 837	-
Cash and cash equivalents	1 921	-	-	-	-	9	1 930	1 921
Total financial assets	14 121	12 517	9 705	30 294	4 946	18 661	90 244	72 039

Notes to the Financial Statements**Consolidated
31 December 2009**

	Within 6 months LVL'000	6-12 months LVL'000	1-2 years LVL'000	3-5 years LVL'000	Over 5 years LVL'000	Non- interest bearing LVL'000	Total LVL'000	Amount subject to fixed rates LVL'000
Financial assets								
Investments in associates	-	-	-	-	-	349	349	-
Investments at fair value through profit or loss	4 029	8 486	5 325	16 507	7 416	4 156	45 919	41 061
Available-for-sale financial assets						186	186	
Deposits with banks	11 271	6 287	230	212	-	-	18 000	18 000
Loans issued	1 490	3 326	1 283	1 258	73	-	7 430	7 430
Receivables						14 495	14 495	
Cash and cash equivalents	1 399	-	-	-	-	13	1 412	1 396
Total financial assets	18 189	18 099	6 838	17 977	7 489	19 199	87 791	67 887

Average effective interest rates as applicable for selected interest bearing financial instruments were as follows:

	Company		Consolidated	
	2010	2009	2010	2009
Bonds	4.16%	4.18%	4.16%	4.18%
Deposits	3.58%	9.17%	3.58%	9.17%
Loans	4.20%	2.97%	4.20%	2.97%

Interest rate sensitivity analysis

An analysis of the sensitivity of the net income and total comprehensive income for the year as a result of changes in fair value of financial assets available for sale and fair value through profit or loss due to changes in the interest rates based on positions existing as at 31 December 2010 and 2009 and a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves is as follows (in LVL thousand):

Company	2010		2009	
	Net income	Total comprehensive income	Net income	Total comprehensive income
100 bp parallel increase	(737)	(737)	(595)	(595)
100 bp parallel decrease	737	737	595	595

Consolidated	2010		2009	
	Net income	Total comprehensive income	Net income	Total comprehensive income
100 bp parallel increase	(1 482)	(1 482)	(1 252)	(1 252)
100 bp parallel decrease	1 482	1 482	1 252	1 252

Notes to the Financial Statements

The above analysis assumes all financial assets are held one year from the reporting period end date.

(b) Liquidity risks

In accordance with the approved investment establishment procedure methodology, the employees of Financial Department are obligated to ensure that at least 30% of the assets required for the technical reserve cover would be placed in high liquidity investments.

High liquidity investments are deemed to be the following assets:

- 1) claims on demand to credit institutions;
- 2) other claims to solvent credit institutions (term deposits, etc.) whose remaining repayment term does not exceed 30 days, and deposits with another term if the agreement stipulates an option to withdraw money before the due date (less the amount of contractual penalty for preterm withdrawal of deposits if such is provided);
- 3) investments in securities if they have a constant, unrestricted market, i.e., they can be sold in a short time without considerable losses or can be used as a collateral for receipt of loan.

The tables below shows the allocation of the Group's assets and liabilities to maturity groups based on the time remaining from the reporting period end date to the maturity dates or expected dates of settlement.

Company

31 December 2010	Up to 12 months LVL	From 1 to 5 years LVL	Over 5 years LVL	No fixed maturity LVL	Total LVL
Assets					
Investments at fair value through profit or loss	3 957	16 026	3 036	2 705	25 724
Available-for-sale financial assets	-	-	-	412	412
Deposits with banks	13 859	1 977	-	-	15 836
Loans issued	1 580	2 765	70	1 001	5 416
Receivables from direct insurance activities	6 258	-	-	-	6 258
Receivables from reinsurance activities	65	-	-	-	65
Other receivables	1 367	-	-	-	1 367
Other accrued income and deferred expenses	120	-	-	-	120
Cash and cash equivalents	1 109	-	-	-	1 109
Total assets taking into account maturity	28 315	20 768	3 106	4 118	56 307
Total assets taking into account liquidity	50 082	4 742	70	1 413	56 307
Equity and liabilities					
Technical reserves, gross	38 651	9 298	-	-	47 949
Creditors	2 723	-	-	-	2 723
Total equity and liabilities	41 374	9 298	-	-	50 672
Maturity gap on assets and liabilities	(13 059)	11 470	3 106	4 118	5 635
Maturity gap on assets and liabilities taking into account liquidity	8 708	(4 556)	70	(1 403)	5 635

Notes to the Financial Statements

Company 31 December 2009	Up to 12 months LVL	From 1 to 5 years LVL	Over 5 years LVL	No fixed maturity LVL	Total LVL
Assets					
Investments at fair value through profit or loss	6 886	11 393*	3 496*	2 458*	24 233
Available-for-sale financial assets	-	-	-	186	186
Deposits with banks	12 836	438	-	-	13 274
Loans issued	4 265	1 810	73	-	6 148
Receivables from direct insurance activities	7 278	-	-	-	7 278
Receivables from reinsurance activities	541	-	-	-	541
Other receivables	1 004	-	-	-	1 004
Other accrued income and deferred expenses	277	-	-	-	277
Cash and cash equivalents	547	-	-	-	547
Total assets taking into account maturity	33 634	13 641	3 569	2 644	53 488
Total assets taking into account liquidity	50 981	2 248	73	186	53 448
Equity and liabilities					
Technical reserves, gross	33 861	9 181	-	-	43 042
Subordinated liabilities	-	-	-	-	-
Creditors	3 773	-	-	-	3 773
Total equity and liabilities	37 635	9 181	-	-	46 816
Maturity gap on assets and liabilities	(4 001)	4 460	3 569	(2 644)	6 672
Maturity gap on assets and liabilities taking into account liquidity*)	13 346	(6 933)	73	186	6 672
Consolidated 31 December 2010	Up to 12 months LVL	From 1 to 5 years LVL	Over 5 years LVL	No fixed maturity LVL	Total LVL
Assets					
Investments at fair value through profit or loss	7 676	35 351	4 876	4 453	52 356
Available-for-sale financial assets	-	-	-	412	412
Deposits with banks	16 135	2 084	-	-	18 219
Loans issued	1 190	2 770	70	1 460	5 490
Receivables from direct insurance activities	9 646	-	-	-	9 646
Receivables from reinsurance activities	494	-	-	10	504
Other receivables	1 375	-	-	-	1 375
Other accrued income and deferred expenses	422	-	-	-	422
Cash and cash equivalents	1 930	-	-	-	1 930
Total assets taking into account maturity	38 868	40 205	4 946	6 335	90 354
Total assets taking into account liquidity	83 548	4 854	70	1 882	90 354
Equity and liabilities					
Technical reserves, gross	63 433	14 430	-	-	77 863
Subordinated liabilities	-	646	-	-	646
Creditors	5 260	-	-	-	5 260
Total equity and liabilities	68 693	15 076	-	-	83 769
Maturity gap on assets and liabilities	(29 825)	25 129	4 946	6 335	6 585
Maturity gap on assets and liabilities taking into account liquidity*)	14 855	(10 222)	70	1 882	6 585

Notes to the Financial Statements

Consolidated 31 December 2009	Up to 12 months LVL	From 1 to 5 years LVL	Over 5 years LVL	No fixed maturity LVL	Total LVL
Assets					
Investments at fair value through profit or loss	12 516	21 831	7 416	4 156	45 919
Available-for-sale financial assets	-	-	-	188	186
Deposits with banks	17 558	442	-	-	18 000
Loans issued	4 815	2 542	73	-	7 430
Receivables from direct insurance activities	12 581	-	-	-	12 581
Receivables from reinsurance activities	682	-	-	-	682
Other receivables	867	-	-	-	867
Other accrued income and deferred expenses	631	-	-	-	631
Cash and cash equivalents	1 412	-	-	-	1 412
Total assets taking into account maturity	51 062	24 815	7 489	4 342	87 708
Total assets taking into account liquidity	84 465	2 984	73	186	87 708
Equity and liabilities					
Technical reserves, gross	60 247	14 574	-	-	74 821
Subordinated liabilities	-	1 659	162	-	1 821
Creditors	4 803	1 562	-	-	6 365
Total equity and liabilities	65 050	17 795	162	-	83 007
Maturity gap on assets and liabilities	(13 988)	7 020	7 327	4 342	4 701
Maturity gap on assets and liabilities taking into account liquidity*)	19 415	(14 811)	(89)	186	4 701

*) While the above table reflects the liquidity risk, it is based on time to contractual maturity. Investments classified as financial assets at fair value through profit and loss, are considered as highly liquid financial assets and management has the ability to sell them earlier than the contractual date, thereby helping to manage its liquidity gap, if needed.

Notes to the Financial Statements

(c) Credit risk

The Group takes on exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one issuer of securities, debtor, borrower, or group of the above. Such risks are monitored regularly.

Impact from credit crisis, inactive real estate market

The Group has assessed the possible decrease of value for the collateral of issued loans taking into account the current market situation and has established allowances for loan amounts exceeding the value of collateral.

Exposure to credit risk is managed through the regular analysis of the ability of issuers and borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

The current market value of collateral, where relevant, is regularly assessed by either independent appraisal companies or the Group's specialists.

Maximum credit risk Company	2010 LVL'000		2009 LVL'000	
	Gross	Net	Gross	Net
Non-fixed income securities	3 195	3 195	3 161	3 161
Government bonds	13 576	13 576	11 703	11 702
Corporate bonds	7 383	7 383	7 995	7 995
Mortgage bonds	1 570	1 570	1 375	1 375
Available for sale financial assets	412	412	186	186
Deposits with banks	15 836	15 836	13 274	13 273
Loans	5 416	2 752	6 148	2 405
Due from policy holders	5 187	5 187	5 927	5 927
Due from intermediaries	1 071	1 071	1 351	1 351
Receivables from reinsurance activities	65	65	541	541
Other debtors	1 367	1 367	1 004	1 004
Reinsurers' share in outstanding claim technical reserve	6 522	6 522	3 638	3 638
Cash	1 109	1 109	547	547
Total	62 709	60 045	56 850	53 105

Maximum credit risk Consolidated	2010 LVL'000		2009 LVL'000	
	Gross	Net	Gross	Net
Non-fixed income securities	4 945	4 945	4 859	4 859
Government bonds	32 402	32 402	26 363	26 363
Corporate bonds	12 492	12 492	12 601	12 601
Mortgage bonds	2 517	2 517	2 096	2 096
Available for sale financial assets	412	412	186	186
Deposits with banks	18 219	18 219	18 000	18 000
Loans	5 490	2 824	7 430	3 687
Due from policy holders	8 444	8 444	10 415	10 415
Due from intermediaries	1 202	1 202	2 166	2 166
Receivables from reinsurance activities	504	504	682	682
Other debtors	1 375	1 375	867	867
Reinsurers' share in outstanding claim technical reserve	10 036	10 036	8 615	8 615
Cash	1 930	1 930	1 412	1 412
Total	99 968	97 302	95 692	91 949

Notes to the Financial Statements

Credit risk arises on the direct insurance amounts receivable and the reinsurance amounts receivable and is the risk the counterparty defaults on the payment of the amount due.

Insurance receivables

Direct insurance amounts receivable are monitored by management on a periodic basis and policies are cancelled if appropriate notification has been provided to the policy holder and the amounts due are not paid.

Carrying amounts versus estimated fair values

The carrying amounts of financial assets and liabilities, together with the estimated fair values shown in the statement of financial position, are as follows:

Company	31 December 2010		31 December 2009	
	Carrying amount LVL' 000	Fair value LVL' 000	Carrying amount LVL' 000	Fair value LVL' 000
Financial Assets				
Investments at fair value through profit and loss	25 724	25 724	24 233	24 233
Deposits with banks	15 836	15 836	13 274	13 085
Loans issued	5 416	5 416	6 148	5 994
Receivables from direct insurance activities	6 258	6 258	7 278	7 278
Receivables form reinsurance operations	65	65	541	541
Other receivables	1 363	1 363	1 004	1 004
Cash and cash equivalents	1 108	1 108	547	547
Financial liabilities				
Creditors except tax liabilities	2 427	2 427	3 532	3 532

Consolidated	31 December 2010		31 December 2009	
	Carrying amount LVL' 000	Fair value LVL' 000	Carrying amount LVL' 000	Fair value LVL' 000
Financial Assets				
Investments at fair value through profit and loss	52 356	52 431	45 919	45 919
Deposits with banks	18 219	18 219	18 000	17 811
Loans issued	5 490	5 490	7 430	7 276
Receivables from direct insurance activities	9 646	9 646	12 581	12 581
Receivables form reinsurance operations	504	504	682	682
Other receivables	1 375	1 375	867	867
Cash and cash equivalents	1 930	1 930	1 412	1 412
Financial liabilities				
Subordinated liabilities	646	646	1 821	1 821
Creditors except tax liabilities	4 835	4 835	6 029	6 029

For bases of fair value determination refer to note 3.5 (d)

Notes to the Financial Statements

Reinsurance

The Group reinsures a portion of the risks it underwrites in order to control its exposures to losses and protect capital resources. The Group buys facultative and Excess-of-Loss (“XL”) based reinsurance to reduce the net exposure and not to exceed the actual margin of solvency. The Company also buys reinsurance treaties for the main lines of its business that protect the Group from any cumulative losses that may arise from multiple claims resulting from the same event or occurrence.

From 2008, the Parent company has introduced changes in the reinsurance policy to make it more conservative, i.e. reinsurers are now attracted not only for large risk insurance but additional cover is acquired for non-typical accumulations of common and rather small risks. For certain lines of business (CASCO, Railway, Cargo, equipment) XL treaties have been replaced by Priority Aggregate XL treaty.

Ceded reinsurance contains credit risk, and such reinsurance recoverables are reported after deductions for known insolvencies and uncollectible items. The Group monitors the financial condition of reinsurers on an ongoing basis and reviews its reinsurance arrangements periodically.

Reinsurance is carried out with world-known reinsurance companies with a sound reputation.

When carrying out reinsurance, the ratings of a reinsurance company are generally not lower than the Standard & Poor’s evaluation BBB- (or analogous assessment of another international rating agency). Practically all reinsurance is carried out in reinsurance companies whose rating is not lower than the Standard & Poor’s assessment A.

Reinsurance companies cover their liabilities in the time period of up to 30 days. Reinsurance agreements also provide cases when upon the insurance indemnity exceeding a certain amount, the reinsurance claim is paid immediately.

During 2010, there have been no cases where a reinsurance company has not met its liabilities to the Group.

Company	Reinsurance debtors	2010	
		Reinsurer’s share on written premiums	Reinsurer’s share in claims paid
Rating	LVL’ 000	LVL’ 000	LVL’ 000
AAA-, AAA, AAA+	-	-	515
AA-, AA, AA+	51	1 080	366
A-, A, A+	-	2 727	-
BBB-, BBB, BBB+	-	22	-
No rating	14	369	-
TOTAL	65	4 198	881

Rating	Reinsurance debtors	2009	
		Reinsurer’s share on written premiums	Reinsurer’s share in claims paid
	LVL’ 000	LVL’ 000	LVL’ 000
AAA-, AAA, AAA+	-	29	-
AA-, AA, AA+	506	1 689	662
A-, A, A+	-	1 682	259
BBB-, BBB, BBB+	-	214	2
No rating	35	340	-
TOTAL	541	3 954	923

Notes to the Financial Statements

Consolidated	Reinsurance debtors	2010	
		Reinsurer's share on written premiums	Reinsurer's share in claims paid
Rating	LVL' 000	LVL' 000	LVL' 000
AAA-, AAA, AAA+	-	11	662
AA-, AA, AA+	51	1 743	371
A-, A, A+	-	2 302	-
BBB-, BBB, BBB+	-	106	-
No rating	453	504	294
TOTAL	504	4 666	1 327

Rating	Reinsurance debtors	2009	
		Reinsurer's share on written premiums	Reinsurer's share in claims paid
	LVL' 000	LVL' 000	LVL' 000
AAA-, AAA, AAA+	-	29	-
AA-, AA, AA+	507	1 689	662
A-, A, A+	-	1 682	259
BBB-, BBB, BBB+	-	214	2
No rating	175	340	-
TOTAL	682	3 954	923

Notes to the Financial Statements

The effect of reinsurance arrangements is that the Group for each insurance risk has the following own retention for the main lines of insurance:

	Company		Consolidated	
	2010	2009	2010	2009
	EUR'000	EUR'000	EUR'000	EUR'000
	Reinsured	Reinsured	Reinsured	
Motor own damage insurance	cumulative losses above limit	cumulative losses above limit	cumulative losses above limit	-
CMTPL	400	400	400	400
Health insurance	Not reinsured	Not reinsured	Not reinsured	-
Property insurance	425	425	425	425
Travel accident insurance	35	35	35	-
General third party liability	200	200	200	200
Various financial risks	1 138	1 138	1 138	-
Guarantee insurance	1 138	1 138	1 138	-
Compulsory motor third party liability	400	400	400	-
Credit insurance	1 000	400	1 000	-
Cargo insurance	425	425	425	425
Personal accident insurance	35	35	35	-
Aircraft third party liability insurance	1 950	761	1 950	-
Marine insurance	300	250	300	-
Aircraft insurance	195	152	195	-
Railway insurance	425	425	425	-
Marine third party liability insurance	300	250	300	-
Legal expense insurance	Not reinsured	Not reinsured	Not reinsured	-

4.4 Operating risks and risk management

The Group has determined that customers should receive high quality service. The most significant risk in the provision of these services has been defined to be qualified and knowledgeable employees representing the Group. In order to attract and keep middle and top level qualified employees in the Group, the Group has implemented a competitive salary and motivation system thus achieving a very high retention on the top and middle management level. Retention levels are high also for the specialists' level (88%) and lowest level specialists (73%). The Group has established its training centre, which is engaged in raising the employees' qualification. A knowledge base has been established, which is available to the employees and can be used in day-to-day activities.

In the management's opinion, the risk that any of the employees may intentionally or unintentionally influence the technical result of an insurance line of business by fixing an unreasonably low price or granting unreasonably high discounts has been minimised. When fixing the price, the methodologies should be strictly followed, but deviations are necessary in connection with the market situation and such deviations should be approved by top management. A discount policy is fixed by the Group's Board and no deviations from this policy are permitted.

A significant tool in ensuring the efficiency of these activities is the information system (IS). The Group's management pay much attention to ensure that these systems work and comply with up-to-date requirements. The Group has an IT Department whose assignment is to ensure and maintain a stable and safe environment in the Group's IS. The activities of the Department are regulated by IS security regulations, which have been developed in accordance with the legislation requirements. IS systems should ensure constant performance

Notes to the Financial Statements

and it should comply with the employees' and clients' requirements. Deviations from performance are not permitted and it should be ensured 24 hours a day. If necessary, the waiting time has been defined which is necessary for renewal of performance if damage to the equipment or information has occurred. This time may not exceed 12 hours.

4.5 Capital adequacy requirements and Capital management

In order to ensure the stability of the insurer's financial activities, the insurance companies of the Group monitor carefully that they constantly have at its disposal sufficient own funds. Group's Parent Company and its subsidiary comply with the requirements of the legislation and regulators of Republic of Latvia and Lithuania respectively.

Parent Company

According to the requirements of the „Law on Insurance Companies and their Supervision” of Latvia, the Parent 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 the 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 a guarantee fund announced by the Finance and Capital Market Commission of Latvia (FCMC) set at the level of 3 000 EUR in 2010 (2009: 3 000 EUR).

Equity and solvency compliance	31.12.2010	31.12.2009
	LVL'000	LVL'000
Capital for capital adequacy (own funds)	18 033	15 047
Solvency margin	9 578	11 372
Capital adequacy surplus	8 455	3 675

Own funds for solvency margin purposes are set without reference to audited results of the reporting year which amounts to LVL 3 730 thousand (2009: LVL 3 223 thousand). The effect of including current year profit:

	31.12.2010	31.12.2009
	LVL	LVL
Capital for capital adequacy including audited profit for the year	21 762	18 270
Solvency margin	9 578	11 372
	12 184	6 898

Subsidiary

The Insurance Supervisory Commission of the Republic of Lithuania committed the Company to maintain the solvency reserve not less than 120 per cent of the compulsory solvency reserve.

	31.12.2010	31.12.2009
	LVL	LVL
Subsidiary's solvency reserve	5 634	4 461
Compulsory solvency reserve	3 818	3 471
Solvency surplus LVL	1 534	989
Solvency surplus %	137%	128%

In accordance with FCMC normative regulation of 22 May 2009 No 64 “Regulations on the Procedure for the Calculation of the Adjusted Required Solvency Margin and the Adjusted Available Solvency Margin for the Insurance Company or Reinsurance Company Subject to the Supplementary Supervision and Providing Information on Intra-Group Transactions of the Insurance or Reinsurance Group Subject to the Supplementary Supervision”, the Parent company as the company which owns other insurance company

Notes to the Financial Statements

prepares a Statement of adjusted solvency norm and adjusted equity as at 31 December 2010. Adjusted equity as at 31 December 2010 is sufficient to cover adjusted solvency norm.

	2010 LVL'000	Coverage by own funds	2009 LVL'000	Coverage by own funds
Own funds	18 033	-	15 047	-
Incurring claims, net	27 147	66%	34 268	44%
Earned premiums, net	45 056	40%	53 825	28%
Technical reserves total, net	40 145	45%	37 949	40%
Investments	46 215	39%	41 273	36%

(5) Acquisition of subsidiary

On 10 December 2009 BTA AAS obtained control over BTA Draudimas UAB a closed joint stock company engaged in rendering various non-life insurance services in Lithuania by acquiring 59.79 percent of the shares and voting interests in the company. As a result BTA AAS interest in BTA Draudimas UAB increased from 19.99 percent to 79.78 percent.

As the acquisition occurred on 10 December 2009, management estimated that no significant changes in 2009 consolidated revenues and consolidated profit would arise, therefore the decision was made to consider 31 December 2009 as the effective acquisition date. Additionally, management assumed that the fair value adjustments, determined provisionally on the date of acquisition would have been the same if the acquisition had occurred on 31 December 2009.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date at fair value:

Consideration transferred:

Cash paid	LVL 2 295
Redemption of former shareholders of subsidiary debts to Parent company	296
	<u>2 591</u>

Identifiable assets acquired and liabilities assumed:

Property and equipment, net	LVL 460
<i>Cost</i>	885
<i>Accumulated depreciation</i>	(425)
Intangible assets, net	107
<i>Cost</i>	214
<i>Accumulated depreciation</i>	(107)
Investment property	273
Investments in associates	103
Financial investments at fair value	21 686
Deposits	3 265
Loans and receivables	7 172
Accrued income and deferred expenses	1 659
Assets from reinsurance contracts	5 585
Deferred tax asset	43
Cash and cash equivalents	2 327
Technical reserves	(31 779)
Subordinated liabilities	(1 821)
Trade and other payables	(3 151)
Provisions	(199)
Unearned reinsurance commission income	(1 647)
	<u>4 083</u>

Notes to the Financial Statements

Total net identifiable assets attributable to the equity holders of the Company	3 258
Non-controlling interests	826

The fair value of technical reserves has been determined based on internal actuarial estimates. The measurement of fair value of MTPL IBNR reserve using triangulation methodology lead to fair value adjustment and MTPL IBNR reserve was increased by LVL 275 thousands as at 31 December 2009.

The fair value of Property and equipment (equipment, fixtures and fittings) recognised as a result of business combination is based on market approach and cost approach. Available information about market prices for similar items was used when available and replacement cost when appropriate.

Intangible assets consist from software's and the fair value is based on Group's management's judgement about replacement cost.

Basis for fair value determination for financial instruments is used as described under 3.5 (d).

Goodwill

Goodwill was recognized as a result of acquisition as follows:

	LVL
Total consideration transferred	2 591
Fair value of previous interest in the acquiree	816
Less value of net identifiable assets attributable to the equity holders of the Parent company	(3 258)
Goodwill	149

The remeasurement to fair value of the existing 19.99% interest in the acquired resulted in a gain of LVL 72 102, which has been recognised in other income (refer to Note 21).

The goodwill is attributable mainly to the skills and talent of BTA Draudimas' work force, and synergies expected to be achieved from integrating the company into the Group's existing insurance business. None of the goodwill recognized is expected to be deductible for income tax purposes.

On 11 January 2010 BTA AAS acquired remaining 20.22 percent of the shares for LVL 891 thousand in cash increasing its ownership from 79.78 percent to 100 percent. The carrying amount of BTA Draudimas net assets in the consolidated financial statements on the date of acquisition was LVL 4 083 thousand. The Group recognized a decrease in non-controlling interest of LVL 826 thousand and a decrease in retained earnings of LVL 65 thousand.

	LVL'000
Total consideration transferred	891
Fair value of non-controlling interest acquired	(826)
Loss on acquisition of non-controlling interest	65

Notes to the Financial Statements**(6) Net written premiums**

Company	2010 LVL'000			2009 LVL'000		
	Gross written premiums	Reinsurer's share in premiums	Net written premiums	Gross written premiums	Reinsurer's share in premiums	Net written premiums
CASCO	11 702	(77)	11 625	13 041	(216)	12 825
CMTPL *	17 408	(591)	16 817	12 962	(467)	12 495
Health insurance	5 654	-	5 654	9 739	-	9 739
Property insurance	6 584	(1 136)	5 448	5 442	(854)	4 588
Travel accident insurance	1 651	(36)	1 615	1 578	(35)	1 543
General third party liability	1 232	(425)	807	1 276	(492)	784
Various financial risks	1 203	(293)	910	697	(377)	320
Guarantee insurance	815	(568)	247	693	(467)	226
Voluntary motor third party liability	497	(393)	104	562	(460)	102
Credit insurance	234	(130)	104	447	(65)	382
Cargo insurance	430	(136)	294	439	(87)	352
Personal accident insurance	594	(41)	553	433	(5)	428
Aircraft third party liability insurance	139	(122)	17	203	(168)	35
Marine insurance	166	(149)	17	181	(134)	47
Aircraft insurance	73	(60)	13	127	(116)	11
Railway insurance	106	(10)	96	94	(7)	87
Marine third party liability insurance	34	(31)	3	4	(4)	-
Legal expense insurance	-	-	-	-	-	-
	48 522	(4 198)	44 324	47 918	(3 954)	43 964

* The Parent 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 are shown net of the obligatory deductions LVL 366 912 (2009: LVL 358 467).

Gross written premiums include LVL 1 145 thousand (2009: LVL 913 thousand) of assumed reinsurance.

According to the law On Motor Vehicles Third Party Liability Obligatory Insurance and the related Cabinet Regulations of the Republic of Latvia, the Parent company makes the following obligatory deductions from gross premiums written in this insurance type:

Cofinancing of the activities of the Latvian Motor Vehicle Insurance Bureau: LVL 0.25 per contract + LVL 2 500

For the Guarantee Fund and the Interests Protection Fund: According to a special calculation by taking into account the time of contract activity and the insured motor vehicle

For the Road Traffic Safety Fund: 2% from gross written premium

Notes to the Financial Statements

Consolidated	2010 LVL'000			2009 LVL'000		
	Gross written premiums	Reinsurer's share in premiums	Net written premiums	Gross written premiums	Reinsurer's share in premiums	Net written premiums
CASCO	12 987	(69)	12 918	13 041	(216)	12 825
CMTPL *	32 325	(959)	31 366	12 962	(467)	12 495
Health insurance	5 654	-	5 654	9 739	-	9 739
Property insurance	7 367	(1 307)	6 060	5 442	(854)	4 588
Travel accident insurance	3 188	(36)	3 152	1 578	(35)	1 543
General third party liability	3 991	(514)	3 477	1 276	(492)	784
Various financial risks	1 233	(293)	940	697	(377)	320
Guarantee insurance	2 515	(738)	1 777	693	(467)	226
Voluntary motor third party liability	-	-	-	562	(460)	103
Credit insurance	234	(130)	104	447	(65)	383
Cargo insurance	490	(167)	323	439	(87)	352
Personal accident insurance	1 108	(46)	1 062	433	(5)	428
Aircraft third party liability insurance	199	(125)	74	203	(168)	36
Marine insurance	187	(149)	38	181	(134)	47
Aircraft insurance	137	(91)	46	127	(116)	11
Railway insurance	106	(10)	96	94	(7)	87
Marine third party liability insurance	42	(32)	10	4	(4)	0
Legal expense insurance	-	-	-	-	-	-
	71 763	(4 666)	67 097	47 918	(3 954)	43 964

Gross premiums from direct insurance business and reinsurance assumed are underwritten in the following territories:

Country	Company		Consolidated	
	2010 LVL'000	2009 LVL'000	2010 LVL'000	2009 LVL'000
Latvia	29 803	39 103	29 802	39 103
EU countries	18 719	8 815	41 961	8 815
Total	48 522	47 918	71 763	47 918

Notes to the Financial Statements**(7) Net earned premiums**

Company	2010 LVL'000			2009 LVL'000		
	Gross earned premiums	Reinsurer's share in premiums	Net earned premiums	Gross earned premiums	Reinsurer's share in premiums	Net earned premiums
CASCO	12 516	(78)	12 438	19 660	(216)	19 444
CMTPL	15 058	(567)	14 491	13 825	(467)	13 358
Health insurance	8 163	-	8 163	11 080	-	11 080
Property insurance	6 529	(1 237)	5 292	6 642	(919)	5 723
General third party liability	1 380	(488)	892	1 492	(572)	920
Travel accident insurance	1 572	(36)	1 536	1 615	(35)	1 580
Various financial risks	1 072	(455)	617	968	(572)	396
Cargo insurance	455	(139)	316	405	(56)	349
Personal accident insurance	496	(41)	455	465	(5)	460
Marine insurance	186	(148)	38	188	(160)	28
Marine third party liability insurance	14	(12)	2	3	(3)	-
Railway insurance	107	(10)	97	113	(7)	106
Voluntary motor third party liability	564	(392)	172	365	(460)	(95)
Aircraft third party liability insurance	182	(169)	13	248	(201)	47
Aircraft insurance	93	(80)	13	125	(113)	12
Credit insurance	353	(105)	248	250	(50)	200
Guarantee insurance	686	(413)	273	480	(263)	217
Legal expense insurance	-	-	-	-	-	-
	49 426	(4 370)	45 056	57 924	(4 099)	53 825

Notes to the Financial Statements

Consolidated	2010 LVL'000			2009 LVL'000		
	Gross earned premiums	Reinsurer's share in premiums	Net earned premiums	Gross earned premiums	Reinsurer's share in premiums	Net earned premiums
CASCO	13 767	(71)	13 696	19 660	(216)	19 444
CMTPL	31 245	(1 526)	29 719	13 825	(467)	13 358
Health insurance	8 163	-	8 163	11 080	-	11 080
Property insurance	7 499	(1 568)	5 931	6 642	(919)	5 723
General third party liability	4 306	(621)	3 685	1 492	(572)	920
Travel accident insurance	3 083	8	3 091	1 615	(35)	1 580
Various financial risks	1 102	(455)	647	968	(572)	396
Cargo insurance	128	220	348	405	(56)	349
Personal accident insurance	435	451	886	465	(5)	460
Marine insurance	209	(148)	61	187	(160)	27
Marine third party liability insurance	(26)	39	13	4	(3)	1
Railway insurance	107	(10)	97	113	(7)	106
Voluntary motor third party liability	-	-	-	365	(460)	(95)
Aircraft third party liability insurance	243	(172)	71	248	(201)	47
Aircraft insurance	150	(102)	48	125	(113)	12
Credit insurance	353	(105)	248	250	(50)	200
Guarantee insurance	3 109	(1 027)	2 082	480	(263)	217
Legal expense insurance	-	-	-	-	-	-
	73 873	(5 087)	68 786	57 924	(4 099)	53 825

Notes to the Financial Statements

Notes to the Financial Statements**(8) Technical reserves for unearned premiums and unexpired risks**

Company	Gross LVL'000	Reinsurer share LVL'000	Net LVL'000
Balance at 31 December 2008	33 132	(1 599)	31 533
<i>Written premiums</i>	47 918	(3 954)	43 964
<i>Premiums earned</i>	(57 924)	4 099	(53 825)
Changes during year	(10 006)	145	(9 861)
Balance at 31 December 2009	23 126	(1 454)	21 672
<i>Written premiums</i>	48 522	(4 198)	44 324
<i>Premiums earned</i>	(49 426)	4 370	(45 056)
Changes during year	(904)	172	(732)
Balance at 31 December 2010	22 222	(1 282)	20 940

	2010 LVL'000		2009 LVL'000	
	Gross	Net	Gross	Net
Unearned premium reserve	21 986	20 704	22 073	20 619
Unexpired risk reserve	236	236	1 053	1 053
	22 222	20 940	23 126	21 672

Consolidated	Gross LVL'000	Reinsurer share LVL'000	Net LVL'000
Balance at 31 December 2008	33 132	(1 599)	31 533
<i>Written premiums</i>	47 918	(3 954)	43 964
<i>Premiums earned</i>	(57 924)	4 099	(53 825)
Changes during year	(10 006)	145	(9 861)
Acquisition through business combinations	11 033	(609)	10 424
Balance at 31 December 2009	34 159	(2 063)	32 096
<i>Written premiums</i>	71 763	(4 666)	67 097
<i>Premiums earned</i>	(73 873)	5 087	(68 786)
Changes during year	(2 110)	421	(1 689)
Balance at 31 December 2010	32 049	(1 642)	30 407

	2010 LVL'000		2009 LVL'000	
	Gross	Net	Gross	Net
Unearned premium reserve	31 125	29 483	32 540	30 477
Unexpired risk reserve	924	924	1 619	1 619
	32 049	30 407	34 159	32 096

Notes to the Financial Statements**(9) Other technical income**

Company	2010 LVL'000	2009 LVL'000
Compensation from policy cancellation	34	37
Decrease in impairment allowance for receivables from direct insurance and reinsurance operations	320	-
Agent fee from other insurance companies	-	48
Other income	2	-
	<u>356</u>	<u>85</u>
Consolidated	2010 LVL'000	2009 LVL'000
Compensation from policy cancellation	34	37
Profit share on reinsurance agreements	480	-
Agent fee from other insurance companies	11	48
Other income	29	-
	<u>554</u>	<u>85</u>

The Group acts as an agent when paying out insurance claims on behalf of other non-resident companies. The Group does not accept insurance risks and receives full reimbursement of claims paid on behalf of other insurance companies. The Group receives an agent fee for the services.

Notes to the Financial Statements**(10) Net paid claims**

Company	2010 LVL'000			2009 LVL'000		
	Gross claims paid	Reinsurer's share in claim	Net claims paid	Gross claims paid	Reinsurer's share in claim	Net claims paid
CASCO	(7 606)	19	(7 587)	(10 425)	491	(9 934)
CMTPL	(7 867)	-	(7 867)	(6 181)	-	(6 181)
Health insurance	(5 523)	-	(5 523)	(12 743)	-	(12 743)
Property insurance	(2 467)	202	(2 265)	(1 730)	173	(1 557)
General third party liability	(123)	1	(122)	(267)	60	(207)
Travel accident insurance	(292)	18	(274)	(300)	3	(297)
Various financial risks	(28)	9	(19)	(274)	97	(177)
Cargo insurance	(421)	224	(197)	(102)	54	(48)
Personal accident insurance	(255)	12	(243)	(176)	1	(175)
Marine insurance	(234)	201	(33)	(5)	3	(2)
Railway insurance	(3)	-	(3)	(4)	2	(2)
Aircraft insurance	(54)	45	(9)	(1)	-	(1)
Credit insurance	(91)	60	(31)	(56)	36	(20)
Aircraft third party liability insurance	(5)	5	-	-	-	-
Guarantee insurance	(132)	85	(47)	(1)	3	2
Marine third party liability insurance				(1)	-	(1)
	(25 101)	881	(24 220)	(32 266)	923	(31 343)

Gross claims paid include:

	2010 LVL'000	2009 LVL'000
Paid claims	(24 743)	(32 334)
Loss adjustment expenses	(1 735)	(1 813)
<i>Allocated from Administrative expenses*</i>	(1 054)	(1 209)
Recovered losses	1 377	1 881
	(25 101)	(32 266)

*Loss adjustment expenses allocated from admin expenses include salary and social contributions dealing with claims handling.

Notes to the Financial Statements

Consolidated	2010 LVL'000			2009 LVL'000		
	Gross claims paid	Reinsurer's share in claim	Net claims paid	Gross claims paid	Reinsurer's share in claim	Net claims paid
CASCO	(9 175)	17	(9 158)	(10 425)	491	(9 934)
CMTPL	(19 889)	274	(19 615)	(6 181)	-	(6 181)
Health insurance	(5 523)	-	(5 523)	(12 743)	-	(12 743)
Property insurance	(3 448)	384	(3 064)	(1 730)	173	(1 557)
General third party liability	(255)	46	(209)	(267)	60	(207)
Travel accident insurance	(628)	15	(613)	(300)	3	(297)
Various financial risks	(32)	9	(23)	(274)	97	(177)
Cargo insurance	(358)	176	(182)	(102)	54	(48)
Personal accident insurance	(375)	12	(363)	(176)	1	(175)
Marine insurance	(255)	201	(54)	(5)	3	(2)
Railway insurance	(3)	-	(3)	(4)	2	(2)
Voluntary motor third party liability	-	-	-	0	-	0
Aircraft insurance	(88)	45	(43)	(1)	-	(1)
Credit insurance	(91)	60	(31)	(56)	36	(20)
Aircraft third party liability insurance	(5)	5	-	-	-	-
Guarantee insurance	(553)	83	(470)	(1)	3	2
Marine third party liability insurance	-	-	-	(1)	-	(1)
	(40 678)	1 327	(39 351)	(32 266)	923	(31 343)

Gross claims paid include:

	2010 LVL'000	2009 LVL'000
Paid claims	(40 003)	(32 334)
Loss adjustment expenses	(2 446)	(1 813)
<i>Allocated from Administrative expenses*</i>	1 054	1 209
Recovered losses	1 771	1 881
	(40 678)	(32 266)

*Loss adjustment expenses allocated from admin expenses include salary and social contributions dealing with claims handling.

Notes to the Financial Statements**(11) Outstanding claim technical reserve**

Company	Gross LVL'000	Reinsurer share LVL'000	Net LVL'000
Balance at 31 December 2008	16 528	(3 175)	13 353
<i>Claims incurred during the period</i>	35 654	(1 386)	34 268
<i>Claims paid</i>	(32 266)	923	(31 343)
Changes during year	3 388	(463)	2 925
Balance at 31 December 2009	19 916	(3 638)	16 278
<i>Claims incurred during the period</i>	30 912	(3 765)	27 147
<i>Claims paid</i>	(25 101)	881	(24 220)
Changes during year	5 811	(2 884)	2 927
Balance at 31 December 2010	25 727	(6 522)	19 205

	2010 LVL'000		2009 LVL'000	
	Gross	Net	Gross	Net
RBNS	16 429	9 907	10 734	7 096
IBNR	9 298	9 298	9 182	9 182
	25 727	19 205	19 916	16 278

Consolidated	Gross LVL'000	Reinsurer share LVL'000	Net LVL'000
Balance at 31 December 2008	16 528	(3 175)	13 353
<i>Claims incurred during the period</i>	35 654	(1 386)	34 268
<i>Claims paid</i>	(32 266)	923	(31 343)
Changes during year	3 388	(463)	2 925
Acquisition through business combinations	20 746	(4 977)	15 769
Balance at 31 December 2009	40 662	(8 615)	32 047
<i>Claims incurred during the period</i>	45 830	(2 748)	43 082
<i>Claims paid</i>	(40 678)	1 327	(39 351)
Changes during year	5 152	(1 421)	3 731
Balance at 31 December 2010	45 814	(10 036)	35 778

	2010 LVL		2009 LVL	
	Gross	Net	Gross	Net
RBNS	33 387	23 351	27 807	19 616
IBNR	12 427	12 427	12 855	12 431
	45 814	35 778	40 662	32 047

Notes to the Financial Statements**(12) Claims incurred**

Company	2010 LVL'000			2009 LVL'000		
	Gross claims incurred	Reinsurer's share in claim	Net claims incurred	Gross claims incurred	Reinsurer's share in claim	Net claims incurred
Personal accident	(384)	89	(295)	(170)	(11)	(181)
Health insurance	(3 983)	-	(3 983)	(13 485)	-	(13 485)
CASCO	(7 213)	19	(7 194)	(9 456)	235	(9 221)
Railway insurance	(3)	-	(3)	-	-	-
Aircraft insurance	(49)	45	(4)	1	-	1
Marine insurance	(231)	200	(31)	(927)	864	(63)
Cargo insurance	(107)	(199)	(306)	(175)	162	(13)
Property insurance	(5 493)	3 123	(2 370)	(2 656)	(42)	(2 698)
Voluntary motor third party liability	(305)	-	(305)	0	-	0
Aircraft third party liability insurance	(334)	361	27	(1)	(0)	(1)
Marine third party liability insurance	(1)	-	(1)	-	-	-
General third party liability	(101)	1	(100)	(94)	8	(86)
Credit insurance	(24)	9	(15)	(138)	87	(51)
Guarantee insurance	(188)	101	(87)	(29)	3	(26)
Financial risks	(97)	(1)	(98)	(224)	101	(123)
Legal expense insurance	(1)	-	(1)	-	-	-
Travel insurance	(355)	17	(338)	(237)	(21)	(258)
CMTPL	(12 043)	-	(12 043)	(8 063)	(0)	(8 063)
	(30 912)	3 765	(27 147)	(35 654)	1 386	(34 268)

Notes to the Financial Statements

Consolidated	2010 LVL'000			2009 LVL'000		
	Gross claims incurred	Reinsurer's share in claim	Net claims incurred	Gross claims incurred	Reinsurer's share in claim	Net claims incurred
Personal accident	(536)	89	(447)	(170)	(11)	(181)
Health insurance	(3 983)	-	(3 983)	(13 485)	-	(13 485)
CASCO	(8 829)	18	(8 811)	(9 456)	235	(9 221)
Railway insurance	(3)	-	(3)	-	-	-
Aircraft insurance	(84)	44	(40)	1	-	1
Marine insurance	(284)	200	(84)	(927)	864	(63)
Cargo insurance	(125)	(299)	(424)	(175)	162	(13)
Property insurance	(6 614)	3 261	(3 353)	(2 656)	(42)	(2 698)
Voluntary motor third party liability	(305)	-	(305)	-	-	-
Aircraft third party liability insurance	(335)	361	26	(1)	-	(1)
Marine third party liability insurance	1	-	1	-	-	-
General third party liability	(577)	(130)	(707)	(94)	8	(86)
Credit insurance	(24)	9	(15)	(138)	87	(51)
Guarantee insurance	(771)	261	(510)	(29)	3	(26)
Financial risks	(96)	(1)	(97)	(224)	101	(123)
Legal expense insurance	(1)	-	(1)	-	-	-
Travel insurance	(633)	13	(620)	(237)	(21)	(258)
CMTPL	(22 631)	(1 078)	(23 709)	(8 063)	(0)	(8 063)
	(45 830)	2 748	(43 082)	(35 654)	1 386	(34 268)

(13) Client acquisition costs

Company	2010 LVL'000	2009 LVL'000
Commission paid to intermediaries	7 542	4 858
Commission paid for reinsurance	6	-
Salaries to agents	299	147
	7 847	5 005
Consolidated	2010 LVL'000	2009 LVL'000
Commission paid to intermediaries	11 199	4 858
Commission paid for reinsurance	8	-
Salaries to agents	1 380	147
	12 587	5 005

Notes to the Financial Statements**(14) Change in deferred client acquisition costs**

Company	LVL'000
Balance at 31 December 2008	3 105
<i>Written commissions</i>	5 005
<i>Deferred commissions allocated to statement of comprehensive income</i>	(6 339)
Changes during year	<u>(1 334)</u>
Balance at 31 December 2009	1 771
<i>Written commissions</i>	7 847
<i>Deferred commissions allocated to statement of comprehensive income</i>	(6 739)
Changes during year	<u>1 108</u>
Balance at 31 December 2010	2 879
Consolidated	LVL'000
Balance at 31 December 2008	3 105
<i>Written commissions</i>	5 005
<i>Deferred commissions allocated to statement of comprehensive income</i>	(6 339)
Changes during year	<u>(1 334)</u>
Acquisition through business combinations	1 305
Balance at 31 December 2009	3 076
<i>Written commissions</i>	12 587
<i>Deferred commissions allocated to statement of comprehensive income</i>	(11 773)
Changes during year	<u>814</u>
Balance at 31 December 2010	3 890

(15) Administrative expenses

	Company		Consolidated	
	2010	2009	2010	2009
	LVL'000	LVL'000	LVL'000	LVL'000
Salaries and social contribution expenses	6 536	7 264	8 336	7 264
Allocated to loss adjustment expenses	(1 054)	(1 209)	(1 054)	(1 209)
Changes in provisions for unused vacations	14	(47)	(3)	(47)
Changes in provisions for bonuses	-	53	-	53
Changes in other provisions	-	5	-	5
Office expenses and rent	620	698	1 096	698
Post and communication expenses	451	450	624	450
Transportation	497	502	634	502
Advertisement and public relations	453	283	492	283
FCCM/Interests Protection Fund	320	359	404	359
Representation	158	101	171	101
Business trips	196	139	221	139
Staff training	76	43	80	43
Other expenses	1 474	1 341	1 939	1 341
	9 741	9 982	12 940	9 982

According to the Latvian legislation 0.200% (2009: 0.190%) of gross premiums in the MTLF line and 0.546% (2009: 0.488%) of gross premiums in other lines of insurance should be transferred to the FCCM. Payments to the Interests Protection Fund should be made amounting to 1% of premiums paid by private person policyholders for certain lines of insurance.

The allocation of administrative expenses to claims handling costs is based on personnel expenses incurred in claims handling department.

Notes to the Financial Statements

Administrative expenses allocated by insurance types:

	Company		Consolidated	
	2010	2009	2010	2009
	LVL'000	LVL'000	LVL'000	LVL'000
Personal accident	136	119	203	119
Health insurance	1 039	985	1 039	985
CASCO	2 293	4 382	2 417	4 382
Railway insurance	23	19	23	23
Aircraft insurance	14	16	14	16
Marine insurance	26	5	28	5
Cargo insurance	77	58	106	58
Property insurance	1 341	1 101	1 676	1 101
Voluntary motor third party liability	105	3	118	3
Aircraft third party liability insurance	30	9	539	9
Marine third party liability insurance	7	0	7	0
General third party liability	262	190	724	190
Credit insurance	60	33	73	33
Guarantee insurance	170	63	171	63
Financial risks	257	55	263	55
Travel insurance	369	322	639	322
CMTPL	3 532	2 622	4 900	2 618
	9 741	9 982	12 940	9 982

(16) Reinsurers' commission income

	Company		Consolidated	
	2010	2009	2010	2009
	LVL'000	LVL'000	LVL'000	LVL'000
Reinsurers' commission	344	397	572	397
Retrocession commission	112	-	112	-
	456	397	684	397

(17) Change in unearned reinsurance commission

Company	LVL'000
Statement of financial position at 31 December 2008	319
<i>Written commissions</i>	(397)
<i>Deferred commissions allocated to profit or loss</i>	356
Changes during year	(41)
Statement of financial position at 31 December 2009	278
<i>Written commissions</i>	(456)
<i>Deferred commissions allocated to profit or loss</i>	383
Changes during year	(73)
Statement of financial position at 31 December 2010	205

Notes to the Financial Statements

Consolidated	LVL'000
Statement of financial position at 31 December 2008	319
<i>Written commissions</i>	(397)
<i>Deferred commissions allocated to profit or loss</i>	356
	Changes during year (41)
Acquisition through business combinations	1 647
Statement of financial position at 31 December 2009	1 925
<i>Written commissions</i>	(684)
<i>Deferred commissions allocated to profit or loss</i>	610
	Changes during year (74)
Statement of financial position at 31 December 2010	1 582

(18) Other technical expenses

	Company		Consolidated	
	2010	2009	2010	2009
	LVL'000	LVL'000	LVL'000	LVL'000
Impairment allowance for receivables from direct insurance and reinsurance operations	-	409	20	409
Expenses related to distribution of policies of other insurers	-	2	2	2
Change in equalization reserves, net	10	-	10	-
Other	227	317	242	317
	237	728	274	728

(19) Investment management charges

	Company		Consolidated	
	2010	2009	2010	2009
	LVL'000	LVL'000	LVL'000	LVL'000
Transaction commissions	(22)	(49)	(22)	(49)
Other charges	(30)	(38)	(42)	(38)
	(52)	(87)	(64)	(87)

(20) Interest income and dividend income, net

	Company		Consolidated	
	2010	2009	2010	2009
	LVL'000	LVL'000	LVL'000	LVL'000
Interest income from financial assets at fair value through profit or loss	959	931	1 866	931
Rental income from investment property	34	39	34	39
Interest income from deposits with credit institutions	714	998	930	998
Dividends from investments held as available for sale	15	3	15	3
Interest on loans	296	268	323	268
	2 018	2 239	3 168	2 239

Notes to the Financial Statements**(21) Profit/ (loss) from financial assets and liabilities at fair value through profit or loss, net**

	Company		Consolidated	
	2010	2009	2010	2009
	LVL'000	LVL'000	LVL'000	LVL'000
Change in the value securities other than derivatives	1 359	642	1476	642
Net realised and unrealised profit/(loss) on derivatives	-	(12)	-	(12)
Impact of exchange rate fluctuations on the value of stocks and other securities	-	4	-	4
Remeasurment to fair value of existing percent interest in acquire (Refer to Note 5)	-	-	-	72
	1 359	634	1 476	706

(22) Impairment loss

	Company		Consolidated	
	2010	2009	2010	2009
	LVL'000	LVL'000	LVL'000	LVL'000
Decrease in allowances for bad debts, other than insurance debts	-	52	-	52
Increase in allowances for loans	(446)	(412)	(446)	(412)
	(446)	(360)	(446)	(360)

(23) Other income/ expenses, net

	Company		Consolidated	
	2010	2009	2010	2009
	LVL'000	LVL'000	LVL'000	LVL'000
Gifts to staff	-	(65)	-	(65)
Donations	(104)	(138)	(105)	(138)
Membership fees	(1)	(5)	(1)	(5)
Real estate tax	(36)	(35)	(36)	(35)
Other expenses	(14)	(20)	(52)	(20)
Income from fines	1	-	1	-
Other income	39	68	106	68
	(115)	(195)	(87)	(195)

Notes to the Financial Statements**(24) Income tax expense**

	Company		Consolidated	
	2010	2009	2010	2009
	LVL'000	LVL'000	LVL'000	LVL'000
Current tax	471	677	471	677
Previous period correction	2	-	2	-
Deferred tax	109	132	(125)	132
	582	809	348	809
	Company		Consolidated	
	2010	2009	2010	2009
	LVL'000	LVL'000	LVL'000	LVL'000
Profit before tax	4 312	4 032	5 266	4 104
Theoretical tax using the 15% rate	647	605	790	616
Non-taxable income	-	-	(378)	(11)
Expenses not deductible for tax purposes	21	319	21	319
Donations	(86)	(115)	(85)	(115)
Tax expenses	582	809	348	809

Income declared by the Estonian branch is taxable in Latvia.

(25) Reinsurance cession result

	Company		Consolidated	
	2010	2009	2010	2009
	LVL'000	LVL'000	LVL'000	LVL'000
Reinsurance premiums	(4 198)	(3 954)	(4 666)	(3 954)
Changes in reinsurers' share in unearned premiums reserve	(172)	(145)	(421)	(145)
Reinsurers' share in claims paid	881	923	1 327	923
Changes in reinsurers' share in reserve for outstanding claims	2 884	463	1 421	463
Reinsurance commissions and profit participation	456	397	684	397
Change in unearned reinsurance commissions	73	41	74	41
Total reinsurance cession result	(76)	(2 275)	(1 581)	(2 275)

Notes to the Financial Statements**(26) Property and equipment**

Company	Vehicles LVL'000	Other property and equipment LVL'000	Total LVL'000
Cost			
31.12.2008	-	1 268	1 268
Purchased	-	87	87
Disposed	-	(15)	(15)
31.12.2009	-	1 340	1 340
Purchased	116	207	323
Advance payments for fixed assets	-	28	28
31.12.2010	116	1 575	1 691
Accumulated depreciation			
31.12.2008	-	(737)	(737)
Depreciation for the year	-	(221)	(221)
Depreciation on disposed assets	-	15	15
31.12.2009	-	(943)	(943)
Depreciation for the year	(8)	(209)	(217)
31.12.2010	(8)	(1 152)	(1 160)
Balance at 31.12.2009	-	397	397
Balance at 31.12.2010	108	423	531
Consolidated			
Cost	Vehicles LVL'000	Other property and equipment LVL'000	Total LVL'000
31.12.2008	-	1 268	1 268
Purchased	-	87	87
Disposed	-	(15)	(15)
Acquisition through business combinations	402	483	885
31.12.2009	402	1 823	2 225
Purchased	246	230	476
Advance payments for fixed assets	-	28	28
Reclassification	-	(52)	(52)
Disposed	(1)	(2)	(3)
31.12.2010	647	2 027	2 674
Accumulated depreciation			
31.12.2008	-	(737)	(737)
Depreciation for the year	-	(221)	(221)
Depreciation on disposed assets	-	15	15
Acquisition through business combinations	(127)	(298)	(425)
31.12.2009	(127)	(1 241)	(1 368)
Depreciation for the year	(84)	(277)	(361)
Depreciation on disposed assets	-	2	2
31.12.2010	(211)	(1 516)	(1 727)
Balance at 31.12.2009	191	582	857
Balance at 31.12.2010	436	511	947

Notes to the Financial Statements**(27) Land and buildings and Investment property**

Company	Land and Building LVL'000	Investments Property LVL'000
Deemed cost 31.12.2008	4 005	3 072
<i>of which revaluation prior to 31.12.2008</i>	2 920	2 819
Purchased	695	26
Revaluation recognized in other comprehensive income	(875)	-
Revaluation through profit or loss	(3)	(709)
Adjustment for depreciation on revalued buildings	(146)	-
Deemed cost 31.12.2009	3 677	2 389
<i>of which revaluation prior to 31.12.2009</i>	2 041	2 110
Purchased		
Revaluation recognised in other comprehensive income	(61)	
Impairment recognised	(251)	(33)
Deemed cost 31.12.2010	3 365	2 356
<i>of which revaluation prior to 31.12.2010</i>	1 983	1 823
Accumulated depreciation		
31.12.2008	(49)	-
Depreciation	(181)	-
Adjustment for depreciation on revalued buildings	146	-
31.12.2009	(84)	-
Depreciation	(169)	-
31.12.2010	(253)	-
Statement of financial position 31.12.2009	3 593	2 389
Statement of financial position 31.12.2010	3 112	2 356

Notes to the Financial Statements

Consolidated	Land and Building LVL'000	Investments Property LVL'000
Deemed cost 31.12.2008	4 005	3 072
<i>of which revaluation prior to 01.01.2009</i>	2 920	2 819
Purchased	695	25
Revaluation recognized in other comprehensive income	(875)	-
Revaluation through profit or loss	(3)	(709)
Adjustment for depreciation on revalued buildings	(146)	-
Transfer from investment property	-	-
Acquisition through business combinations	-	274
Deemed cost 31.12.2009	3 676	2 662
<i>of which revaluation prior to 01.01.2010</i>	2 041	2 110
Purchased		
Revaluation recognised in other comprehensive income	(61)	-
Impairment recognised	(332)	(33)
Adjustment for depreciation on revalued buildings		
Transfer from investment property	274	(274)
Deemed cost 31.12.2010	3 556	2 356
<i>of which revaluation prior to 31.12.2010</i>	1 983	1 823
Accumulated depreciation		
31.12.2008	(48)	-
Depreciation	(181)	-
Adjustment for depreciation on revalued buildings	147	-
31.12.2009	(84)	-
Depreciation	(168)	-
Adjustment for depreciation on revalued buildings	-	-
31.12.2010	(253)	-
Statement of financial position 31.12.2009	3 592	2 662
Statement of financial position 31.12.2010	3 305	2 356

The last revaluation was performed by an independent certified valuation expert in November 2010 and was based on comparative market prices. Management have assessed updated information about changes in market prices and concluded that the fair value of property as at reporting period end date is not materially different from the value as at date of valuations which agrees to its carrying amount as at reporting period end date.

Notes to the Financial Statements**(28) Intangible assets**

Company	Software and licenses LVL	Total LVL	
Cost			
31.12.2008	155	155	
Purchased	12	12	
31.12.2009	167	167	
Purchased	11	11	
31.12.2010	178	178	
Accumulated amortisation			
31.12.2008	(57)	(57)	
Amortisation for the year	(24)	(24)	
31.12.2009	(81)	(81)	
Amortisation for the year	(24)	(24)	
31.12.2010	(105)	(105)	
Balance at 31.12.2009	86	86	
Balance at 31.12.2010	73	73	
Consolidated	Goodwill LVL	Software and licenses LVL	Total LVL
Cost			
31.12.2008	-	155	155
Purchased	-	12	12
Acquired through business combination	149	214	363
31.12.2009	149	381	530
Purchased	-	76	76
31.12.2010	149	457	606
Accumulated amortisation			
31.12.2008	-	(57)	(57)
Amortisation for the year	-	(25)	(25)
Acquired through business combination	-	(107)	(107)
31.12.2009	-	(189)	(189)
Amortisation for the year	-	(88)	(88)
31.12.2010	-	(277)	(277)
Balance at 31.12.2009	149	192	341
Balance at 31.12.2010	149	180	329

Notes to the Financial Statements**(29) Investment in subsidiary**

31.12.2008	-
Purchased	2 590
Transfer from available-for-sale financial assets	744
31.12.2009	3 334
Acquisition of non-controlling interest	891
Paid BTA Help OU share capital	18
31.12.2010	4 243

In 2010 the Company acquired 100% of share capital of BTA Draudimas.

	BTA Draudimas	BTA Help OU	Kopā
	LVL'000	LVL'000	LVL'000
31.12.2009	3 334	-	3 334
Purchased	891	18	909
31.12.2010	4 225	18	4 243

(30) Investments in associates

31.12.2008	492
Disposed (cash received)	(246)
Acquisition through business combinations	103
31.12.2009	349
Disposed (cash received)	(50)
Reclassified to available-for-sale	196
31.12.2010	103

The Parent company disposed of 20% of its investment in the KROHA OOO during the 2010 for LVL 50 thousand. There was no gain or loss from transaction.

As at 31 December 2010, the Group has 50 per cent of SIA Rubitech shares (registered office of the company: Smardes par., Industriālais parks, Latvia). The main type of activity of SIA Rubitech is lease of real estate, the main non-audited financial information of SIA Rubitech as at 30 September 2010 is provided below (there was no possibility to present the financial information of SIA Rubitech for 12 months of 2010 as at the date of the financial statements):

	Acquisition	Total	Equity	Total	Sales for	Net profit
	value	assets	liabilities	months of	1-9	(loss)
	LVL'000	LVL'000	LVL'000	2010	months of	LVL'000
				LVL'000	2010	LVL'000
SIA Rubitech	103	203	189	14	-	-

The Group's share of the total recognised gains of the associated companies in the financial year on an equity accounted basis, is insignificant and the value of investment therefore has not been adjusted.

Notes to the Financial Statements**(31) Investments at fair value through profit or loss****Company**

	2010		2009	
	LVL'000		LVL'000	
Non-fixed income securities	Purchase cost	Fair value	Purchase cost	Fair value
Shares and other equity securities	758	738	1 032	1 003
Investments in investment funds	2 433	2 388	2 305	2 105
Other non-fixed income securities	54	69	49	53
	3 245	3 195	3 386	3 161

	2010		2009	
	LVL'000		LVL'000	
Fixed income securities	Purchase cost	Fair value	Purchase cost	Fair value
Debt securities issued or guaranteed by central governments or municipalities	13 205	13 576	12 127	11 702
Mortgage bonds	1 570	1 570	1 568	1 375
Debt securities and other securities with fixed income, which are included in a regulated market	7 292	7 383	8 081	7 995
	22 067	22 529	21 776	21 072

Investment portfolio of fixed income securities by geography:	2010	2009
	LVL'000	LVL'000
Latvia	7 779	6 270
Other European Union countries	12 776	13 261
USA	1 066	1 407
CIS	908	134
	22 529	21 072

Consolidated

	2010		2009	
	LVL'000		LVL'000	
Non-fixed income securities	Purchase cost	Fair value	Purchase cost	Fair value
Shares and other equity securities	988	950	1 336	1 257
Investments in investment funds	3 794	3 926	3 813	3 549
Other non-fixed income securities	54	69	49	53
	4 836	4 945	5 198	4 859

	2010		2009	
	LVL'000		LVL'000	
Fixed income securities	Purchase cost	Fair value	Purchase cost	Fair value
Debt securities issued or guaranteed by central governments or municipalities	33 583	32 402	26 784	26 362
Mortgage bonds	2 357	2 517	2 316	2 097
Debt securities and other securities with fixed income, which are included in a regulated market	13 284	12 492	12 762	12 601
	49 224	47 411	41 862	41 060

Notes to the Financial Statements

	2010	2009
	LVL'000	LVL'000
Investment portfolio of fixed income securities by geography:		
Latvia	8 830	7 084
Lithuania	4 484	1 237
Other European Union countries	30 784	30 414
USA	1 545	1 885
CIS	1 055	287
Other countries	713	153
	47 411	41 060

(32) Available-for-sale financial assets

Equities classified as available-for-sale financial assets are shares in other companies which are not quoted. These are stated at cost as fair value is not possible to determine. Largest equities are following:

Company	2010		2009	
	LVL'000		LVL'000	
	Gross	Net	Gross	Net
BTA Īpašumi (19.94%)	179	179	179	179
Kroha OOO (19.5%)	196	196	-	-
Citi	44	37	14	7
	419	412	193	186

	2010	2009
	LVL'000	LVL'000
Allowance as at 1 January	(7)	(7)
Written-off	-	-
Allowance as at 31 December	(7)	(7)

Consolidated	2010		2009	
	LVL'000		LVL'000	
	Gross	Net	Gross	Net
BTA Īpašumi (19.97%)	179	179	179	179
Kroha OOO (19.5%)	196	196	-	-
Other	44	37	13	7
	419	412	192	186

	2010	2009
	LVL'000	LVL'000
Allowance as at 1 January	(7)	(7)
Written-off	-	-
Allowance as at 31 December	(7)	(7)

Notes to the Financial Statements**(33) Deposits with banks**

	Company		Consolidated	
	2010	2009	2010	2009
Investment maturity structure:	LVL'000	LVL'000	LVL'000	LVL'000
With maturity not longer than 3 months	3 882	4 036	3 882	5 499
With maturity from 3 to 6 months	1 708	3 606	2 663	4 369
With maturity from 6 to 12 months	7 883	4 756	9 204	7 252
With maturity from 1 to 5 years	2 363	876	2 470	880
	15 836	13 274	18 219	18 000

(34) Loans

	Company		Consolidated	
	2010	2009	2010	2009
Structure of loan portfolio	LVL'000	LVL'000	LVL'000	LVL'000
Amount of loan, gross	8 800	9 086	8 874	10 368
Impairment allowance	(3 384)	(2 938)	(3 384)	(2 938)
	5 416	6 148	5 490	7 430

	Company	Consolidated
	Gross LVL' 000	Gross LVL' 000
Allowance as at 31 December 2008	(2 527)	(2 527)
Charge for the year	(587)	(587)
Recoveries	175	175
Written off	1	1
Allowance as at 31 December 2009	(2 938)	(2 938)
Charge for the year	(1 115)	(1 115)
Recoveries	669	669
Written off	-	-
Allowance as at 31 December 2010	(3 384)	(3 384)

The following table provides an analysis of the loan portfolio, net of impairment, by types of collateral as at 31 December 2010:

Company	2010		2009	
	Amortised cost LVL'000	Fair Value LVL'000	Amortised cost LVL'000	Fair Value LVL'000
Mortgage loans	2 664	2 664	3 743	3 687
Other loans	2 752	2 752	2 405	2 307
Total loans	5 416	5 416	6 148	5 994

Consolidated	2010		2009	
	Amortised cost LVL'000	Fair Value LVL'000	Amortised cost LVL'000	Fair Value LVL'000
Mortgage loans	3 568	3 568	4 673	4 646
Other loans	1 922	1 922	2 757	2 671
Total loans	5 490	5 490	7 430	7 317

Notes to the Financial Statements

	Company		Consolidated	
	2010	2009	2010	2009
	LVL'000	LVL'000	LVL'000	LVL'000
Overdue mortgage loans				
Overdue more than 12 months	2 347	2 474	2 347	2 474
Overdue 3 to 12 months	320	-	765	-
Overdue up to 3 months	-	338	-	338
Not overdue mortgage loans	2 660	3 329	3 091	4 259
Impairment allowance	(2 663)	(2 398)	(2 635)	(2 398)
Mortgage loans	2 664	3 743	3 568	4 673
Overdue other loans				
Overdue more than 12 months	8	15	8	15
Overdue 3 to 12 months	402	9	402	9
Overdue up to 3 months	35	-	35	-
Not overdue other loans	3 028	2 921	2 225	3 273
Impairment allowance	(721)	(540)	(748)	(540)
Other loans	2 752	2 405	1 922	2 757
Total loans	5 416	6 148	5 490	7 430

Mortgage loans

	Company		Consolidated	
	2010	2009	2010	2009
	LVL'000	LVL'000	LVL'000	LVL'000
Mortgage loans:				
Loans to individuals	287	377	952	580
Loans to non-financial institutions	5 040	5 764	5 251	6 491
Impairment allowance	(2 663)	(2 398)	(2 635)	(2 398)
	2 664	3 743	3 568	4 673

Other loans

	Company		Consolidated	
	2010	2009	2010	2009
	LVL'000	LVL'000	LVL'000	LVL'000
Other loans:				
Loans to individuals	273	256	279	266
Loans to non-financial institutions	3 200	2 689	2 392	3 031
Impairment allowance	(721)	(540)	(749)	(540)
	2 752	2 405	1 922	2 757

Loans with maturity more than 5 years as at 31 December 2010 were in amount of LVL 267 thousand (2009: LVL 1 327 thousand).

Notes to the Financial Statements**(35) Receivables from direct insurance activities**

	Company		Consolidated	
	2010 LVL'000	2009 LVL'000	2010 LVL'000	2009 LVL'000
Due from policy holders	5 816	6 851	9 432	11 419
Due from intermediaries	1 071	1 376	1 202	2 338
Impairment allowance for bad debtors	(629)	(949)	(988)	(1 176)
	6 258	7 278	9 646	12 581

Company	Allowance for policy holders LVL'000	Allowance for intermediaries LVL'000	Total allowance for insurance debtors LVL'000
Allowance as at 31 December 2008	(515)	(25)	(540)
Impairment loss charge	(409)	-	(409)
Allowance as at 31 December 2009	(924)	(25)	(949)
Impairment loss reversed	295	25	320
Allowance as at 31 December 2010	(629)	-	(629)

Consolidated	Allowance for policy holders LVL'000	Allowance for intermediaries LVL'000	Total allowance for insurance debtors LVL'000
Allowance as at 31 December 2008	(515)	(25)	(540)
Impairment loss charge	(409)	-	(409)
	(80)	(147)	(227)
Allowance as at 31 December 2009	(1 004)	(172)	(1 176)
Impairment loss charge	16	172	188
Allowance as at 31 December 2010	(988)	-	(988)

	Company		Consolidated	
	2010 LVL'000	2009 LVL'000	2010 LVL'000	2009 LVL'000
Other intermediaries	1 071	1 376	1 202	2 338
Allowances for doubtful debts	-	(25)	-	(172)
Intermediaries	1 071	1 351	1 202	2 166
Overdue receivables				
More than 3 months	488	494	529	735
Less than 3 months	792	1 063	4 225	1 681
Outstanding receivables not yet due	4 536	5 294	4 678	9 003
Allowances for doubtful debts	(629)	(924)	(988)	(1 004)
Policyholders	5 187	5 927	8 444	10 415
Total direct insurance debtors:	6 258	7 278	9 646	12 581

Notes to the Financial Statements**(36) Receivables from reinsurance activities**

	Company		Consolidated	
	2010	2009	2010	2009
	LVL'000	LVL'000	LVL'000	LVL'000
Reinsurer's	65	541	494	682
Assumed reinsurance	-	-	10	-
	65	541	504	682

(37) Other receivables

	Company		Consolidated	
	2010	2009	2010	2009
	LVL'000	LVL'000	LVL'000	LVL'000
Employees	6	12	6	12
Advance payments	132	36	268	36
Other debtors	451	416	1 129	845
Settlements with related parties	799	561	-	-
Impairment allowance	(21)	(21)	(28)	(26)
	1 367	1 004	1 375	867

	Company	Consolidated
	Gross LVL'000	Gross LVL'000
Allowance as at 31 December 2008	(73)	(73)
Decrease of allowance	(21)	(21)
Written off	73	73
Acquisition through business combinations	-	(5)
Allowance as at 31 December 2009	(21)	(26)
Decrease of allowance	-	(2)
Written off	-	-
Allowance as at 31 December 2010	(21)	(28)

(38) Cash and cash equivalents

	Company		Consolidated	
	2010	2009	2010	2009
	LVL'000	LVL'000	LVL'000	LVL'000
Cash on hand	9	16	10	18
Current accounts with credit institutions	1 100	531	1 920	1 394
Cash on hand	1 109	547	1 930	1 412
Deposits with original maturity less than 3 months	3 882	4 036	3 882	5 499
Cash and cash equivalents	4 991	4 583	5 812	6 911

Notes to the Financial Statements**(39) Obligatory payments disclosed in statement of cash flows**

	Company		Consolidated	
	2010	2009	2010	2009
	LVL'000	LVL'000	LVL'000	LVL'000
Transport Insurance Bureau	(251)	(318)	(988)	(318)
FCMC (Financial and Capital Market Commission)	(196)	(216)	(279)	(216)
Protection Fund	(100)	(155)	(100)	(155)
	(547)	(689)	(1 367)	(689)

(40) Capital and reserves**Share capital**

The authorized and issued share capital of the Company at 31 December 2010 was LVL 10,000,000 and comprised of 100,000 shares (2009: LVL 10,000,000) and is fully paid. Nominal value of one share was LVL100.

	2010		2009	
	Number of shares	LVL'000	Number of shares	LVL'000
Ordinary shares with voting rights	96 000	9 600	96 000	9 600
Preference shares without voting rights	4 000	400	4 000	400
	100 000	10 000	100 000	10 000

The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company and rank equally with regard to the Company's residual assets. Holders of preference shares are entitled to receive dividends, but do not have voting rights. The holders of preference shares have preference over ordinary shareholders on the residual assets.

The rights to purchase preference shares are given to employees and the management of the Company by a decision of the shareholders' meeting.

Company's shareholders:	2010		2009	
	Number of shares	Shareholding	Number of shares	Shareholding
Transport Information Agency AS	9 578	9.58%	9 578	9.58%
Individuals, directly each owning less than 20%	90 422	90.42%	90 422	90.42%
	100 000	100%	100 000	100%

Notes to the Financial Statements

The premium on all shares issued in the reporting period amounted to LVL 150 per share. The share issues in 2009 of LVL 4 000 thousand and related share premiums LVL 6 000 thousand were paid as follows:

	2010	2009
	LVL'000	LVL'000
Share capital	10 000	6 000
Share premium	7 219	1 219
As at January 1	17 219	7 219
Increase of share capital		
Paid in cash	-	3 613
Financed by dividends distributed but not paid out to shareholders	-	5 078
Paid using subordinated liabilities	-	1 053
Paid by netting against other liabilities	-	11
Issued but unpaid capital as at 31 December	-	245
As at December 31	17 219	17 219
Including:		
Share capital	10 000	6 000
Share premium	7 219	1 219

Revaluation reserve

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

	Company		Consolidated	
	2010	2009	2010	2009
	LVL'000	LVL'000	LVL'000	LVL'000
Land and buildings revaluation reserves	1 984	2 045	1 983	2 045
Deferred tax liabilities at 15%	(298)	(307)	(297)	(307)
	1 686	1 738	1 686	1 738

LVL'000	Company	Consolidated
	LVL'000	LVL'000
Balance at 31 December 2008	2 482	2 482
Revaluation reserve increase	(875)	(875)
Deferred tax from changes in revaluation reserve	131	131
Balance at 31 December 2009	1 738	1 738
Revaluation reserve decrease	(61)	(61)
Deferred tax from changes in revaluation reserve	9	9
Balance at 31 December 2010	1 686	1 686

Equalisation reserve

The Group has established an equalisation reserve to cover unanticipated future random fluctuations of claim expenses around the expected value of claims for credit insurance contracts based on experience over a number of years.

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

Dividends

During 2010, the Company calculated and distributed dividends. Profit of 2009 and prior years was distributed in dividends amounted to LVL 950 thousand.

Distribution of dividends

Total retained earnings as at 1 January 2010	3 223
Dividends paid out in cash	(950)
Retained earnings after dividend distribution	2 273
Transferred to other reserves	(2 273)
Profit of the year	3 730
Retained earnings as at 31 December 2010	3 730

Average dividends paid per 1 share amounted to LVL 9.50.

(41) Subordinated liabilities

	Consolidated financial statements	
	2010	2009
	LVL'000	LVL'000
Subordinated liabilities at 1 January	1 821	1 053
Used as payment for issued shares	-	(1 053)
Acquisition through business combinations	-	1 821
Repaid during the year	1 175	-
Subordinated liabilities at 31 December	646	1 821

In 2010, the amount of subordinated capital LVL 1 053 thousand was transferred for issue of shares. The subordinated lenders do not have options to transfer the loans into the shareholders capital without the shareholders decision.

The annual interest rate of subordinated liabilities is between 3.0-6.48% (2009: 3.0% -6.48%).

The maturity structure of subordinated liabilities:

	2010	2009
	LVL'000	LVL'000
From 1 to 2 years	646	51
From 2 to 3 years	-	439
From 3 to 4 years	-	1 169
From 4 to 5 years	-	162
	646	1 821

Notes to the Financial Statements**(42) Deferred tax liabilities/ assets**

Company	2010	2009
	LVL'000	LVL'000
Deferred tax liability at 1 January	460	459
Deferred tax during the reporting period attributable to profit or loss	109	132
Deferred tax recognised in other comprehensive income	(9)	(131)
Deferred tax liability at 31 December	560	460

Group's deferred tax assets and liabilities in the Parent company include the following items:

Company	2010		2009	
	LVL'000		LVL'000	
	Assets	Liabilities	Assets	Liabilities
Property and equipment	-	(565)	-	(624)
Provisions	209	-	260	-
Temporary revaluation difference	-	(204)	-	(96)
Net result	-	(560)	-	(460)

Consolidated	2010	2009
	LVL'000	LVL'000
Deferred tax liability at 1 January	460	459
Deferred tax during the reporting period attributable to profit or loss	(125)	132
Deferred tax recognised in other comprehensive income	(9)	(131)
Deferred tax liability at 31 December	326	460

Group's deferred tax assets and liabilities in the Parent company include the following items:

Consolidated	2010		2009	
	LVL'000		LVL'000	
	Assets	Liabilities	Assets	Liabilities
Property and equipment	-	(575)	-	(624)
Provisions	209	-	260	-
Revaluation of investment securities	40	-	-	(96)
Net result	-	(326)	-	(460)

No offset with the deferred tax liability was made, due to the different jurisdictions.

Notes to the Financial Statements**(43) Taxes and social contributions****Company**

Tax type	Balance at 31.12.2009 LVL'000	Calculated in 2010 LVL'000	(Paid) in 2010 LVL'000	Balance at 31.12.2010 LVL'000
Income tax	(341)	1 254	(1 225)	(312)
Risk duty	-	2	(2)	-
Social contributions	135	1 580	(1 563)	152
Personal income tax	71	1 116	(1 094)	93
Property tax	-	-	-	-
VAT	3	95	(89)	9
Lithuanian branch tax	-	15	(15)	-
German branch tax	-	15	(15)	-
Estonian branch tax	33	353	(344)	42
	(99)	4 430	(4 347)	(16)
Tax receivable	(341)			(312)
Tax payable	242			296

Consolidated

Tax type	Balance at 31.12.2009 LVL'000	Calculated in 2010 LVL'000	(Paid) in 2010 LVL'000	Balance at 31.12.2010 LVL'000
Income tax	(365)	1 278	(1 225)	(312)
Risk duty	-	5	(4)	1
Social contributions	214	2 590	(2 547)	256
Personal income tax	86	1 791	(1 769)	107
Property tax				
VAT	3	308	(295)	16
Lithuanian branch tax		15	(15)	-
German branch tax		15	(15)	-
Estonian branch tax	33	353	(341)	45
	(29)	6 355	(6 211)	113
Tax receivable	(365)			(312)
Tax payable	336			425

Notes to the Financial Statements**(44) Reinsurance creditors**

	Company		Consolidated	
	2010	2009	2010	2009
	LVL'000	LVL'000	LVL'000	LVL'000
Reinsurance companies	882	1 069	1 149	1 517
Reinsurance brokers	232	787	241	823
	1 114	1 856	1 390	2 340

Reinsurance creditors distributed by countries are as follows:	Company		Consolidated	
	2010	2009	2010	2009
	LVL'000	LVL'000	LVL'000	LVL'000
European Union member countries	1 113	1 764	1 181	2 246
Commonwealth of Independent States, Central Asia	1	89	209	91
USA	-	3	-	3
	1 114	1 856	1 390	2 340

(45) Loans from credit institutions

	Consolidated	
	2010	2009
	LVL'000	LVL'000
Loans	160	77
Finance leases	147	194
	307	271

The maturity of the loan from credit institution is less than 1 month, interest rate is 1.43%.

The maturity structure of finance leases:

	LVL
Within one year	136
From 1 to 2 years	11

Finance lease payments divided by the period:

	Present value of the minimum lease payments			Present value of the minimum lease payments		
	Minimum lease payments 2010	Interest expense 2010	Minimum lease payments 2010	Minimum lease payments 2009	Interest expense 2009	Minimum lease payments 2009
	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000
Below 1 year	139	3	136	154	6	148
2 to 5 years	12	1	11	50	4	46
More than 5 years	-	-	-	-	-	-
	151	4	147	204	10	194

Notes to the Financial Statements**(46) Other creditors**

	Company		Consolidated	
	2010	2009	2010	2009
	LVL'000	LVL'000	LVL'000	LVL'000
Due to the Transport Insurance Bureau	55	46	55	200
Due to employees (remuneration)	166	168	212	191
Due to the Financial Capital and Market Commission	95	77	95	91
Prior year unpaid dividends	2	-	2	-
Other creditors	293	243	445	1 014
	611	534	809	1 496

(47) Related parties

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

A number of key management personnel, or their related parties, hold ownership in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

The company has the following significant transactions with related parties:

During the course of operations the Parent company assumes and reinsures certain risks with related company BTA Draudimas UAB.

	Company		Consolidated	
	2010	2009	2010	2009
	LVL'000	LVL'000	LVL'000	LVL'000
Received insurance premium for assumed reinsurance	1 086	1 053	1 086	1 053
Paid for commission	-	(50)	-	(50)
Paid claims	(139)	(31)	(139)	(31)
Received premium for ceded reinsurance	-	-	139	-
Paid insurance premium for ceded reinsurance	-	(223)	(1 086)	(223)
Received commission	-	85	-	85
Paid commission	-	(3)	-	(3)
Loss adjustment expenses	-	-	(42)	-
Interest paid for subordinated loan	-	-	(76)	-
Received interest	56	49	56	49

Notes to the Financial Statements**Loans issued to related parties:**

	Company		Consolidated	
	2010	2009	2010	2009
	LVL'000	LVL'000	LVL'000	LVL'000
Mortgage loans issued to the companies controlled by board and council members	2 071	1 937	2 287	2 144
Impairment allowance	(803)	(673)	(803)	(673)
Mortgage loans issued to the companies controlled by board and council members, net	1 268	1 264	1 484	1 471
Loans issued to Council and Board members	176	145	176	145
Impairment allowance	(42)	(42)	(42)	(42)
Other loans issued to Council and Board members, net	134	103	134	103
Subordinated loans issued to subsidiary	1 189	-	-	-
Other loans issued to the related parties	1 033	2 424	1 221	2 630
Impairment allowance	(244)	(521)	(244)	(521)
Other loans issued to other related parties, net	789	1 903	977	2 109
Loan balances issued to related parties, net	3 380	3 270	2 595	3 683

	Company		Consolidated	
	2010	2009	2010	2009
	LVL'000	LVL'000	LVL'000	LVL'000
Other receivables				
Other receivables	35	64	35	64
Allowances for bad debts	-	-	-	-
Other receivables, net	35	64	35	64
Other payables	7	28	7	28

Certain Board and Council members of the Group entities have joined the boards of the above borrowing companies. The Group monitors closely the use of loans issued to ensure the credit risk is minimised.

The collateral of mortgage loans issued to companies controlled by board and council members has been evaluated by an independent valuer in 2009.

The interest rate on loans issued according to agreements varies from 3% to 6%.

Information about other transactions with related parties:

A property maintenance agreement was signed and property provided for maintenance to a related party. Members of the management or their related parties acquire insurance products of the Group.

Notes to the Financial Statements**(48) Provisions**

	Company		Consolidated	
	2010	2009	2010	2009
	LVL'000	LVL'000	LVL'000	LVL'000
Provision for staff bonuses	53	53	53	53
Provisions for unused employee vacations	419	444	640	643
Provisions for court claims	39	-	39	-
Other provisions	5	5	5	5
	516	502	737	701

	Company	Consolidated
	Gross	Gross
	LVL'000	LVL'000
Provisions as at 31 December 2008	491	492
Paid	(491)	(492)
Increase of provisions	502	502
Acquisition through business combinations	-	199
Provisions as at 31 December 2009	502	701
Paid	(497)	(701)
Increase of provisions	511	737
Provisions as at 31 December 2010	516	737

(49) Number of employees and information on branches

	Company		Consolidated	
	2010	2009	2010	2009
Employees	719	717	1 140	1 173
Agents	119	159	705	670
	838	876	1 845	1 843

Insurance agents are persons who pursue insurance mediation on behalf of and in the interests of only one insurance company, but are not employees of the Group.

Notes to the Financial Statements

Notes to the Financial Statements

Number of employees as at end of the year:

	Company		Consolidated	
	2010	2009	2010	2009
Head office	401	372	530	501
Branches in Latvia	235	275	235	275
Branches in Lithuania	-	-	292	327
Lithuania branch	8	1	8	1
Germany branch	6	-	6	-
Estonian branch	69	69	69	69
	719	717	1 140	1 173

Number of branches and sales points:

	Company		Consolidated	
	2010	2009	2010	2009
Foreign country branches	3	2	3	2
Customer service centres abroad	121	3	121	3
Regional centres	5	6	9	10
Branches in Latvia	22	21	21	21
Customer service centres	17	21	48	21
Insurance policy selling points	41	49	110	167
	209	102	312	224

	Company		Consolidated	
	2010	2009	2010	2009
Average number of employees	785	785	1 271	1 298
	785	785	1 271	1 298

(50) Personnel expenses

	Company		Consolidated	
	2010 LVL'000	2009 LVL'000	2010 LVL'000	2009 LVL'000
Remuneration	5 445	5 941	7 893	5 941
Social contribution expenses	1 390	1 460	2 147	1 460
	6 835	7 401	10 040	7 401

	Company		Consolidated	
	2010 LVL'000	2009 LVL'000	2010 LVL'000	2009 LVL'000
Employees (included in administrative expenses)	6 536	7 264	8 337	7 264
Agents (included in client acquisition costs)	299	137	1 703	138
	6 835	7 401	10 040	7 402

Notes to the Financial Statements**(51) Information on the remuneration of the members of the Board of Directors and Supervisory Council**

	Company		Consolidated	
	2010	2009	2010	2009
	LVL'000	LVL'000	LVL'000	LVL'000
Supervisory Council	55	70	55	70
Board of Directors	112	122	112	122
Social contribution expenses	40	46	40	46
	207	238	207	238

Remuneration to the Board and Council members includes rewards for their direct responsibilities because all members of the Board and Council are employees of the Group.

(52) Remaining maturities of insurance liabilities

Company	2010 LVL'000			2009 LVL'000		
	Gross liabilities	Reinsu- rance	Net liabilities	Gross liabilities	Reinsu- rance	Net liabilities
Unearned premium and unexpired risk technical reserves	22 222	(1 282)	20 940	23 126	(1 454)	21 672
Outstanding claim technical reserves	25 727	(6 522)	19 205	19 916	(3 638)	16 278
Total	47 949	(7 804)	40 145	43 042	(5 092)	37 950
Up to 1 year	38 650	(7 804)	30 846	33 860	(5 092)	28 768
1-5 years	9 299	-	9 299	9 182	-	9 182

Consolidated	2010 LVL'000			2009 LVL'000		
	Gross liabilities	Reinsu- rance	Net liabilities	Gross liabilities	Reinsu- rance	Net liabilities
Unearned premium and unexpired risk technical reserves	32 049	(1 642)	30 407	34 159	(2 063)	32 096
Outstanding claim technical reserves	45 814	(10 036)	35 778	40 662	(8 615)	32 047
Total	77 863	(11 678)	66 185	74 821	(10 678)	64 143
Up to 1 year	59 338	(11 678)	47 660	60 247	(8 534)	51 712
1-5 years	18 525	-	18 525	14 574	(2 144)	12 431

Notes to the Financial Statements

(53) Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Company		Consolidated	
	31 December 2010 LVL'000	31 December 2009 LVL'000	31 December 2010 LVL'000	31 December 2009 LVL'000
Within one year	59	144	59	144
From 1 to 2 years	33	59	33	59
From 2 to 3 years	4	32	4	32
From 3 to 4 years	-	4	-	4
Total	96	239	96	239

(54) Off balance sheet items and contingent liabilities*General claims*

In the normal course of the business the Group receives claims from policyholders. Management has reviewed such claims and believes that no material liabilities will arise from these cases other than already provided for.

Litigation

As at 31 December 2010 there were no other open legal claims against the Group than shown in note 48.

Credit related commitments

As at 31 December 2010 the Group did not have off balance sheet credit related commitments.

Capital commitments

As at 31 December 2010 the Group did not have any capital commitments.

(55) Subsequent events

UAB BTA Draudimas, a subsidiary of BTA, has been reorganized to a branch of BTA since 1 January 2011.

In January 2011, BTA completed reorganization process and was registered with the European Commercial Register under name SE BTA.



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 BTA AAS

Report on the Separate and Consolidated Financial Statements

We have audited the accompanying separate financial statements of BTA AAS ("the Company"), which comprise the separate statement of financial position as at 31 December 2010, the separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 7 to 99. We have also audited the accompanying consolidated financial statements of BTA AAS and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2010, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 7 to 99.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these separate and consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of these financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these separate and consolidated 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 these financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate and consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of these financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control system relevant to the Company's and Group's preparation and fair presentation of these 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 Company's and Group's internal control system. 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 separate and consolidated 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 BTA AAS as at 31 December 2010, 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 Group's consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2010, and of the consolidated financial performance and 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 4 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

Ondrejs Fikrle
Partner pp KPMG Baltics SIA
Riga, Latvia
28 April 2011

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.