

ERGO Life Insurance SE
Financial statements for 2011

Contents

| | |
|---|----|
| Company details | 1 |
| Independent auditor's report to the shareholders of ERGO Life Insurance SE | 2 |
| Balance sheet | 4 |
| Profit and loss account | 8 |
| Statement of changes in equity | 12 |
| Cash flow statement | 13 |
| Explanatory notes | 16 |
| Annual report for the year 2011 | 56 |

Company details

ERGO Life Insurance SE

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Supervisory Council

Thomas Hans Schirmer
Thomas Schöllkopf
Donald Michael Gambardella

Board

Dr Kęstutis Bagdonavičius
Saulius Jokubaitis
Deniss Sazonovs
Maarika Liivamägi

Management

Dr Kęstutis Bagdonavičius – Managing Director
Jūratė Muckienė – Chief Accountant
Dr Gintaras Bakštys – Chief Actuary

Auditor

KPMG Baltics, UAB

Banks

AB SEB Bankas
Swedbank, AB
Nordea Bank Finland Plc
AS UniCredit Bank
AS SEB Pank
AB DNB Bankas
Danske Bank A/S
Commerzbank AG
Bawag Bank
Ge Money Bank, AS



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Independent auditor's report

To the shareholders of ERGO Life Insurance SE

Report on the Financial Statements

We have audited the accompanying financial statements of ERGO Life Insurance SE ("the Company"), which comprise the balance sheet as at 31 December 2011, the statements of income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information, as set out on pages 4-55.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Business Accounting Standards of the Republic of Lithuania and following Resolution No N-7 of the Insurance Supervision Commission of the Republic of Lithuania dated 3 February 2004 and all its amendments, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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



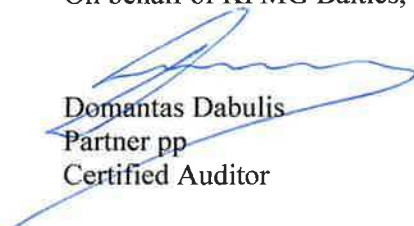
Opinion

In our opinion, the financial statements give a true and fair view of the financial position of ERGO Life Insurance SE as at 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with Business Accounting Standards of the Republic of Lithuania and following Resolution No N-7 of the Insurance Supervision Commission of the Republic of Lithuania dated 3 February 2004 and all its amendments.

Report on Other Legal and Regulatory Requirements

Furthermore, we have read the annual report of ERGO Life Insurance SE for the year 2011, set out on pages 56-59 of the financial statements, and have not identified any material inconsistencies between the financial information included in the annual report and the financial statements of ERGO Life Insurance SE for the year ended 31 December 2011.

On behalf of KPMG Baltics, UAB



Domantas Dabulis
Partner pp
Certified Auditor

Vilnius, Republic of Lithuania
19 March 2012

Company code: 110707135
Address: Geležinio Vilko 6A, Vilnius

APPROVED BY

Minutes No. _____ (date)

Balance sheet

(Litas)

| Row No. | ASSETS | Note No. | Financial year | Previous financial year |
|-------------|--|----------|--------------------|-------------------------|
| A. | INTANGIBLE NON-CURRENT ASSETS | 1 | 1,557,181 | 497,952 |
| I. | Development costs | | | |
| II. | Goodwill | | | |
| III. | Patents, licences | | | |
| IV. | Software | | 1,182,242 | 319,125 |
| V. | Other intangible non-current assets | | 374,939 | 178,827 |
| B. | INVESTMENTS | | 582,160,269 | 330,529,048 |
| I. | Land, buildings and other real estate | 2 | 793,605 | 65,377 |
| I.1. | Occupied by insurance company for its own activities | | | |
| I.1.1. | Land | | | |
| I.1.2. | Buildings | | | |
| I.1.3. | Construction in progress and prepayments | | | |
| I.1.4. | Other | | | |
| I.2. | Other investments into real estate | | | |
| I.3. | Investment property | | 793,605 | 65,377 |
| I.3.1. | Land | | 65,377 | 65,377 |
| I.3.2. | Buildings | | 728,228 | |
| II. | Investments in subsidiaries and associates | 3 | 11,699,928 | 5,259,247 |
| II.1. | Shares of subsidiaries | | 5,265,540 | 0 |
| II.1.1. | Listed | | | |
| II.1.2. | Unlisted | | 5,265,540 | 0 |
| II.2. | Debt securities of subsidiaries and loans granted to subsidiaries | | 2,087,874 | 0 |
| II.2.1. | Debt securities | | | |
| II.2.2. | Loans | | 2,087,874 | 0 |
| II.3. | Shares in associated companies | | 4,346,514 | 5,259,247 |
| II.3.1. | Listed | | | |
| II.3.2. | Unlisted | | 4,346,514 | 5,259,247 |
| II.4. | Debt securities issued by associated companies and loans granted to associated companies | | | |
| II.4.1. | Debt securities | | | |
| II.4.2. | Loans | | | |
| III. | Other financial investments | | 569,666,736 | 325,204,424 |
| III.1. | Shares, other variable interest securities and units of unit trusts | 4 | 4,558,015 | 262,893 |
| III.1.1. | Listed | | 2,715,532 | 0 |
| III.1.2. | Unlisted | | 1,842,483 | 262,893 |
| III.2. | Debt and other fixed interest securities | 4 | 558,300,405 | 321,523,088 |
| III.2.1. | Government, central bank and municipal securities | | 435,516,122 | 247,791,721 |
| III.2.2. | Securities issued by other business entities | | 122,784,283 | 73,731,367 |
| III.3. | Participation in investment pools | | | |
| III.4. | Loans secured in with mortgages | | | |
| III.5. | Other loans | | 137,760 | 0 |
| III.6. | Deposits in credit institutions | 5 | 6,670,556 | 3,418,443 |
| III.7. | Other investments | | | |
| IV. | Deposits at the reinsured | | | |

Balance sheet

(Litas)

| Row No. | ASSETS | Note No. | Financial year | Previous financial year |
|------------|---|-----------|--------------------|-------------------------|
| C. | OTHER LIFE INSURANCE INVESTMENTS | 6 | 22,538,509 | 14,688,600 |
| I. | Life insurance investments with investment risk taken by the insured | | 22,538,509 | 14,688,600 |
| II. | Professional pension accumulation investment | | | |
| D. | ACCOUNTS RECEIVABLE | 7 | 22,847,436 | 3,916,400 |
| I. | Amounts receivable from insurance activities | | 20,461,979 | 3,587,334 |
| I.1. | The insured | | 20,384,921 | 3,587,334 |
| I.2. | Intermediaries | | 77,058 | |
| I.3. | Others | | | |
| II. | Accounts receivable from inward and outward reinsurance activities | | 991,821 | 235,695 |
| II.1. | The reinsured | | 29,873 | 235,131 |
| II.2. | Reinsurers | | 961,948 | 0 |
| II.3. | Intermediaries | | | |
| II.4. | Others | | | 564 |
| III. | Other accounts receivable | | 1,393,636 | 93,371 |
| E. | OTHER ASSETS | | 8,711,819 | 5,152,549 |
| I. | Tangible assets and inventories | | 728,099 | 232,181 |
| I.1. | Motor vehicles | 9, 10 | 191,829 | 92,252 |
| I.2. | Office and other equipment | 9, 10 | 519,247 | 133,480 |
| I.3. | Inventories | | 379 | 379 |
| I.4. | Prepayments | | 16,644 | 6,070 |
| II. | Cash at bank and in hand | 11 | 7,934,084 | 4,920,368 |
| III. | Other assets | | 49,636 | 0 |
| F. | ACCRUED INCOME AND DEFERRED COSTS | 12 | 12,885,253 | 7,870,800 |
| I. | Accrued interest and rental income | | | |
| II. | Deferred acquisition costs | | 12,329,805 | 7,400,355 |
| II.1. | Deferred acquisition costs for non-life part | | 1,241,106 | 0 |
| II.2. | Deferred acquisition costs for life part | | 11,088,699 | 7,400,355 |
| III. | Other accrued income | | | |
| IV. | Other deferred costs | | 555,448 | 470,445 |
| | TOTAL ASSETS | | 650,700,467 | 362,655,349 |

Balance sheet

(Litas)

| Row No. | EQUITY AND LIABILITIES | Note No. | Financial year | Previous financial year |
|-------------|--|-----------|--------------------|-------------------------|
| A. | CAPITAL AND RESERVES | | 84,984,131 | 31,934,191 |
| I. | Share capital | 13 | 15,124,000 | 7,500,000 |
| II. | Share premium (surplus of nominal value) | 13 | 52,238,411 | 15,499,487 |
| III. | Own shares (-) | | | |
| IV. | Revaluation reserve | | | |
| V. | Reserves | 14 | 2,221,477 | 1,600,000 |
| V.1. | Legal reserve | | 1,221,477 | 600,000 |
| V.2. | Reserve for acquisition of own shares | | | |
| V.3. | Other reserves | | 1,000,000 | 1,000,000 |
| VI. | Profit (loss) to be carried forward from previous year | 15 | 8,713,802 | 11,138,746 |
| VII. | Retained earnings (losses) of the current year (+/-) | 15 | 6,686,441 | (3,804,042) |
| B. | FINANCING (GRANTS AND SUBSIDIES) | | | |
| C. | SUBORDINATED LIABILITIES | 17 | 0 | 0 |
| D. | TECHNICAL PROVISIONS | 16 | 517,941,484 | 307,322,374 |
| I. | Provision for unearned premiums | | 29,393,678 | 17,044,719 |
| I.1. | Gross amount | | 40,022,968 | 17,371,464 |
| I.2. | Reinsurers' share (-) | | (10,629,290) | (326,745) |
| II. | Life insurance mathematical technical provision | | 466,958,256 | 278,078,874 |
| II.1. | Gross amount | | 472,174,186 | 278,078,874 |
| II.2. | Reinsurers' share (-) | | (5,215,930) | 0 |
| III. | Outstanding claims technical provision | | 7,403,933 | 4,054,915 |
| III.1. | Gross amount | | 9,278,163 | 4,355,339 |
| III.2. | Reinsurers' share (-) | | (1,874,230) | (300,424) |
| IV. | Technical provision for rebates | | 14,037,136 | 8,060,533 |
| IV.1. | Gross amount | | 14,785,633 | 8,060,533 |
| IV.2. | Reinsurers' share (-) | | (748,497) | 0 |
| V. | Loss equalisation technical provision | | | |
| VI. | Other technical provisions | | 148,481 | 83,333 |
| VI.1. | Gross amount | | 148,481 | 83,333 |
| VI.2. | Reinsurers' share (-) | | | |
| E. | OTHER TECHNICAL PROVISION FOR LIFE INSURANCE | 16 | 22,538,509 | 14,688,600 |
| I. | Technical provision for life insurance with the investment risk borne by the insured | | 22,538,509 | 14,688,600 |
| I.1. | Gross amount | | 22,538,509 | 14,688,600 |
| I.2. | Reinsurers' share (-) | | | |
| II. | Technical provision for professional pension accumulation | | | |
| F. | PROVISIONS | | | |
| I. | Provisions for pensions and similar liabilities | | | |
| II. | Provisions for taxation | | | |
| III. | Other provisions | | | |
| G. | DEPOSITS OF REINSURERS | 17 | 465,066 | 326,745 |

Balance sheet

(Litas)

| Row No. | EQUITY AND LIABILITIES | Note No. | Financial year | Previous financial year |
|------------|---|-----------|--------------------|-------------------------|
| H. | LIABILITIES | | 24,771,277 | 8,383,439 |
| I. | Liabilities from insurance activities | 17 | 8,567,711 | 5,453,459 |
| I.1. | Liabilities to the insured | | 6,475,163 | 5,289,175 |
| I.2. | Liabilities to intermediaries | | 2,092,548 | 164,284 |
| I.3. | Other liabilities from insurance activities | | | |
| II. | Liabilities from inward and outward reinsurance activities | 17 | 10,249,303 | 156,312 |
| II.1. | Liabilities to the reinsured | | | |
| II.2. | Liabilities to the reinsurers | | 10,249,303 | 156,312 |
| II.3. | Liabilities to intermediaries | | | |
| II.4. | Other liabilities from inward and outward reinsurance activities | | | |
| III. | Issued debt securities converted debts to be specified separately | | | |
| IV. | Debts to credit institutions | | | |
| V. | Taxes, social security and other liabilities | 17 | 5,954,263 | 2,773,668 |
| V.1. | Taxes | | 1,534,992 | 598,937 |
| V.2. | Compulsory social security contributions | | 134,748 | 111,525 |
| V.3. | Salaries | | 121,935 | 106,488 |
| V.4. | Other liabilities | 19 | 4,162,588 | 1,956,718 |
| I. | ACCRUED COSTS AND DEFERRED INCOME | | | |
| I. | Accrued costs | | | |
| II. | Deferred income | | | |
| | TOTAL EQUITY AND LIABILITIES | | 650,700,467 | 362,655,349 |

Head of the insurance company

2012-03-19
(signature, date)

Dr Kęstutis Bagdonavičius
(first and last names)

Chief financier
(accountant)

2012-03-19
(signature, date)

Jūratė Muckienė
(first and last names)

Chief actuary

2012-03-19
(signature, date)

Dr Gintaras Bakštys
(first and last names)

Company code: 110707135
Address: Geležinio Vilko 6A, Vilnius

APPROVED BY

Minutes No. _____ (date)

Profit and loss account

(Litas)

| Row No. | ITEMS | Note No. | Financial year | Previous financial year |
|-------------|---|-----------|---------------------|-------------------------|
| I. | TECHNICAL PART - NON-LIFE INSURANCE | | | |
| I.1. | EARNED PREMIUMS NET OF REINSURERS' SHARE | | 26,582,631 | 6,944,594 |
| I.1.1. | Gross premiums written | 22 | 46,495,274 | 7,480,634 |
| I.1.2. | Outward premiums (-) | | (19,130,548) | 0 |
| I.1.3. | Change in technical provision for premiums unearned +/- | | (1,309,395) | (536,040) |
| I.1.4. | Change in the reinsurers' share in technical provision for premiums unearned +/- | | 527,300 | 0 |
| I.2. | PROFIT (LOSS) FROM INVESTMENTS TRANSFERRED FROM NON-TECHNICAL PART | | 425,883 | 146,524 |
| I.3. | OTHER TECHNICAL INCOME, NET OF REINSURERS' SHARE | | 100,023 | 0 |
| I.4. | INSURANCE CLAIM, NET OF REINSURERS' SHARE EXPENSES (-) | 22 | (20,181,151) | (5,979,350) |
| I.4.1. | Claims paid on insured events (-) | | (20,028,933) | (6,256,902) |
| I.4.1.1. | Claims paid (-) | | (29,282,799) | (5,605,419) |
| I.4.1.2. | Claims settlement expenses (-) | | (2,543,465) | (651,483) |
| I.4.1.3. | Amounts recovered (+) | | 71,439 | 0 |
| I.4.1.4. | Reinsurers' share (+) | | 11,725,892 | 0 |
| I.4.2. | Change in the technical provision for claims outstanding (-/ +) | | (152,218) | 277,552 |
| I.4.2.1. | Gross amount (-) | | (89,709) | 277,552 |
| I.4.2.2. | Reinsurers' share (+) | | (62,509) | |
| I.5. | CHANGE IN OTHER TECHNICAL PROVISIONS, NET OF REINSURERS' SHARE, NOT SHOWN UNDER OTHER HEADINGS +/- | | (65,148) | 914,588 |
| I.5.1. | Gross amount (-) | | (65,148) | 914,588 |
| I.5.2. | Reinsurers' share (+) | | | |
| I.6. | RETURNED (PAYABLE) INSURANCE PREMIUMS (PROFIT PARTICIPATION), NET OF REINSURERS' SHARE (-) | | | |
| I.6.1. | Returned premiums (profit participation (-) | | | |
| I.6.1.1. | Gross amount (-) | | | |
| I.6.1.2. | Reinsurers' share (+) | | | |
| I.6.2. | Change in technical provision for rebates (-/+) | | | |
| I.6.2.1. | Gross amount (-) | | | |
| I.6.2.2. | Reinsurers' share (+) | | | |
| I.7. | NET OPERATING EXPENSES (-) | 24 | (6,001,739) | (1,403,347) |
| I.7.1. | Acquisition costs (-) | | (6,782,430) | (964,346) |
| I.7.2. | Change in deferred acquisition costs (-/+) | | 181,553 | 0 |
| I.7.3. | Administrative expenses (-) | | (2,563,414) | (439,001) |
| I.7.4. | Reinsurance commissions and reinsurers' profit share (+) | | 3,162,552 | 0 |

Profit and loss account

(Litas)

| Row No. | ITEMS | Note No. | Financial year | Previous financial year |
|-----------|---|-----------|---------------------|-------------------------|
| I.8. | OTHER TECHNICAL COSTS, NET OF REINSURERS' SHARE (-) | | | |
| I.9. | TECHNICAL RESULT BEFORE THE FORMATION OF THE LOSS EQUALISATION PROVISION | | 860,499 | 623,009 |
| I.10. | CHANGE IN THE LOSS EQUALISATION PROVISION +/-(-) | | | |
| I.11. | PROFIT (LOSS) OF THE TECHNICAL ACCOUNT FOR NON-LIFE INSURANCE | | 860,499 | 623,009 |
| II. | TECHNICAL ACCOUNT - LIFE INSURANCE | | | |
| II.1. | EARNED PREMIUMS, NET OF REINSURERS' SHARE | | 87,961,061 | 48,968,148 |
| II.1.1. | Gross premiums written | 21 | 86,206,290 | 48,874,547 |
| II.1.2. | Outward premiums (-) | | (3,366,087) | (1,011,427) |
| II.1.3. | Change in unearned premiums technical provision +/-(-) | | 4,983,640 | 1,035,457 |
| II.1.4. | Change in reinsurers' share of unearned premiums technical provision +/-(-) | | 137,218 | 69,571 |
| II.2. | INVESTING INCOME | 28 | 24,747,018 | 13,871,691 |
| II.2.1. | Income from participating in other companies | | 749,680 | 0 |
| II.2.2. | Income from other investments | | 22,824,269 | 13,390,981 |
| II.2.2.1. | Income from land and buildings | | 44,688 | 0 |
| II.2.2.2. | Income from other investments | | 22,779,581 | 13,390,981 |
| II.2.3. | Reverse of impairment | | 626,883 | 0 |
| II.2.4. | Profit from transfer of investments | | 546,186 | 480,710 |
| II.3. | PROFIT FROM INVESTMENT WHEN THE INVESTMENT RISK IS BORNE BY THE INSURED | | 0 | 1,258,412 |
| II.4. | OTHER TECHNICAL INCOME, NET OF REINSURERS' SHARE | | 1,709,561 | 1,416,749 |
| II.4.1. | Income from pension accumulation activity | 25 | 1,446,314 | 1,231,886 |
| II.4.2. | Other technical income | | 263,247 | 184,863 |
| II.5. | INSURANCE CLAIM EXPENSES, NET OF REINSURERS' SHARE (-) | | (33,634,907) | (19,973,316) |
| II.5.1. | Claims paid on insurance events (-) | | (33,245,408) | (20,703,789) |
| II.5.1.1. | Claims paid (-) | | (20,428,365) | (8,884,895) |
| II.5.1.2. | Redeemable amounts (-) | | (13,629,298) | (11,825,933) |
| II.5.1.3. | Claims settlement costs (-) | | (450,110) | (44,587) |
| II.5.1.4. | Reinsurers' share (+) | | 1,262,365 | 51,626 |
| II.5.2. | Change in the technical provision for claims outstanding (-/+) | | (389,499) | 730,473 |
| II.5.2.1. | Gross amount (-) | | (290,985) | 506,560 |
| II.5.2.2. | Reinsurers' share (+) | | (98,514) | 223,913 |

Profit and loss account

(Litas)

| Row No. | ITEMS | Note No. | Financial year | Previous financial year |
|---------------|---|-----------|---------------------|-------------------------|
| II.6. | CHANGE IN OTHER TECHNICAL PROVISIONS NOT DISCLOSED IN OTHER POSITIONS, NET OF REINSURERS' SHARE +/-(-) | | (41,472,497) | (28,695,599) |
| II.6.1. | Change in life insurance mathematical technical provision, net of reinsurers' share +/-(-) | | (41,472,497) | (28,695,599) |
| II.6.1.1. | Gross amount (-) | | (40,567,058) | (28,695,599) |
| II.6.1.2. | Reinsurers' share (+) | | (905,439) | 0 |
| II.6.2. | Change in other technical provisions, net of reinsurers' share (-/+) | | | |
| II.6.2.1. | Gross amount (-) | | | |
| II.6.2.2. | Reinsurers' share (+) | | | |
| II.7. | RETURNED (PAYABLE) INSURANCE PREMIUMS (PROFIT PARTICIPATION), NET OF REINSURERS' SHARE (-) | | (2,874,590) | (4,483,742) |
| II.7.1. | Returned premiums (profit participation) (-) | | (534,096) | (524,602) |
| II.7.1.1. | Gross amount (-) | | (689,480) | (524,602) |
| II.7.1.2. | Reinsurers' share (+) | | 155,384 | 0 |
| II.7.2. | Change in technical provision for returned premiums (-/+) | | (2,340,494) | (3,959,140) |
| II.7.2.1. | Gross amount (-) | | (2,146,922) | (3,959,140) |
| II.7.2.2. | Reinsurers' share (+) | | (193,572) | 0 |
| II.8. | NET OPERATING EXPENSES (-) | 24 | (18,635,958) | (12,767,893) |
| II.8.1. | Acquisition costs (-) | | (13,242,774) | (8,707,823) |
| II.8.2. | Change in deferred acquisition costs (-/+) | | (887,738) | (683,461) |
| II.8.3. | Administration costs (-) | | (5,885,248) | (3,810,473) |
| II.8.4. | Reinsurance commissions and reinsurers' profit share (+) | | 1,379,802 | 433,864 |
| II.9. | INVESTMENT EXPENSES (-) | 28 | (5,853,249) | (3,705,820) |
| II.9.1. | Investment management expenses including interest (-) | | (1,074,103) | (877,830) |
| II.9.2. | Decrease in investment value (-) | | (3,706,631) | (2,679,548) |
| II.9.2.1 | Costs related to participation in other companies activity and other investments (-) | | | |
| II.9.2.2. | Loss due to decrease in value (-) | | (3,706,631) | (2,679,548) |
| II.9.3. | Loss on transfer of investments (-) | | (1,072,515) | (148,442) |
| II.10. | LOSS ON INVESTMENTS WITH THE INVESTMENT RISK BORNE BY THE INSURED (-) | | (4,865,093) | 0 |
| II.11. | OTHER TECHNICAL EXPENSES, NET OF REINSURERS' SHARE (-) | | (18,622) | 0 |
| II.12. | PROFIT (LOSS) FROM INVESTMENTS TRANSFERRED TO NON-TECHNICAL PART (-) | | (2,772,439) | (1,197,446) |
| II.13. | PROFIT (LOSS) FROM TECHNICAL ACCOUNT OF LIFE INSURANCE | | 4,290,285 | (5,308,816) |
| III. | NON-TECHNICAL ACCOUNT | | | |
| III.1. | PROFIT (LOSS) FROM THE TECHNICAL ACCOUNT - NON-LIFE INSURANCE BUSINESS | | 860,499 | 623,009 |
| III.2. | PROFIT (LOSS) FROM THE TECHNICAL ACCOUNT - LIFE INSURANCE | | 4,290,285 | (5,308,816) |

Profit and loss account

(Litas)

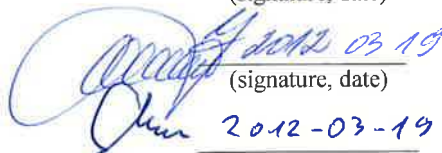
| Row No. | ITEMS | Note No. | Financial year | Previous financial year |
|----------------|--|----------|------------------|-------------------------|
| III.3. | INVESTMENT INCOME | | | |
| III.3.1. | Income from participating in other companies | | | |
| III.3.2. | Income from other investments | | | |
| III.3.2.1. | Income from land and buildings | | | |
| III.3.2.2. | Income from other investments | | | |
| III.3.3. | Reverse of impairment | | | |
| III.3.4. | Profit from transfer of investments | | | |
| III.4. | PROFIT (LOSS) FROM INVESTMENTS TRANSFERRED FROM THE LIFE INSURANCE TECHNICAL ACCOUNT | | 2,772,439 | 1,197,446 |
| III.5. | INVESTMENT EXPENSES (-) | | | |
| III.5.1. | Investment management expenses including interest (-) | | | |
| III.5.2. | Decrease in investment value (-) | | | |
| III.5.2.1. | Costs related to participation in other companies activity and other investments (-) | | | |
| III.5.2.2. | Loss due to decrease in value (-) | | | |
| III.5.3. | Loss on transfer of investments (-) | | | |
| III.6. | PROFIT (LOSS) FROM INVESTMENTS TRANSFERRED TO THE TECHNICAL ACCOUNT OF NON-LIFE INSURANCE (-) | | (425,883) | (146,524) |
| III.7. | OTHER INCOME | | 674,612 | 33,351 |
| III.7.1. | Finance income | 29 | 137,680 | 12,936 |
| III.7.2. | Other income | | 536,932 | 20,415 |
| III.8. | OTHER EXPENSES (-) | | (754,635) | (202,508) |
| III.8.1. | Finance expenses (-) | 29 | (219,970) | 0 |
| III.8.2. | Other expenses (-) | | (534,665) | (202,508) |
| III.9. | PROFIT (LOSS) FROM ORDINARY ACTIVITIES | | 7,417,317 | (3,804,042) |
| III.10. | EXTRAORDINARY INCOME | | | |
| III.11. | EXTRAORDINARY EXPENSES (-) | | | |
| III.12. | EXTRAORDINARY PROFIT (LOSS) | | | |
| III.13. | CURRENT YEAR RESULT – PROFIT (LOSS) BEFORE TAXATION | | 7,417,317 | (3,804,042) |
| III.14. | PROFIT TAX (-) | 30 | (730,876) | 0 |
| III.15. | CURRENT YEAR RESULT - PROFIT (LOSS) | | 6,686,441 | (3,804,042) |

Head of the insurance company


(signature, date) 2012-03-19

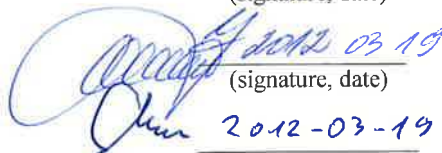
Dr Kęstutis Bagdonavičius
(first and last names)

Chief financier
(accountant)


(signature, date) 2012-03-19

Jūratė Muckienė
(first and last names)

Chief actuary


(signature, date) 2012-03-19

Dr Gintaras Bakštys
(first and last names)

Company code: 110707135
Address: Geležinio Vilko 6A, Vilnius

APPROVED BY

Minutes No. _____ (date)

Statement of changes in equity (Litas)

| | | Issued authorized capital | Share premium account | Own shares (-) | Revaluation reserve (results) | | Legal reserve | | Other reserves | Retained earnings (loss) | Total |
|-----|---|---------------------------------|-----------------------------|----------------------|---------------------------------------|--------------------------|------------------|-----------------------------------|-------------------|--------------------------------|-------------------|
| | | | | | Tangible non- current assets | Finan- cial assets | Compul- sory | Own shares acqui- sition | | | |
| 1. | Balance as at 31 December 2009 | 7,500,000 | 15,499,487 | | | | 600,000 | | 1,000,000 | 11,138,746 | 35,738,233 |
| 2. | Result of change in the accounting policy | | | | | | | | | | |
| 3. | Result of corrections of essential errors | | | | | | | | | | |
| 4. | Restated balance as at 31 December 2009 | 7,500,000 | 15,499,487 | | | | 600,000 | | 1,000,000 | 11,138,746 | 35,738,233 |
| 5. | Increase (decrease) in value of non-current tangible assets | | | | | | | | | | |
| 6. | Increase (decrease) in value of financial assets | | | | | | | | | | |
| 7. | Purchase/sale of own shares | | | | | | | | | | |
| 8. | Profit (loss) not recognized in the profit and loss account | | | | | | | | | | |
| 9. | Net profit (loss) of the reporting period | | | | | | | | | (3,804,042) | (3,804,042) |
| 10. | Dividends | | | | | | | | | | |
| 11. | Other amounts paid out | | | | | | | | | | |
| 12. | Reserves allocated | | | | | | | | | | |
| 13. | Reserves used | | | | | | | | | | |
| 14. | Increase (decrease) in the authorized capital | | | | | | | | | | |
| 15. | Result of change of the accounting policy | | | | | | | | | | |
| 16. | Result of corrections of essential errors | | | | | | | | | | |
| 17. | Balance as at 31 December 2010 | 7,500,000 | 15,499,487 | | | | 600,000 | | 1,000,000 | 7,334,704 | 31,934,191 |
| 18. | Increase (decrease) in value of non-current tangible assets | | | | | | | | | | |
| 19. | Increase (decrease) in value of financial assets | | | | | | | | | | |
| 20. | Acquisition of own shares | | | | | | | | | | |
| 21. | Profit (loss) not recognized in the profit and loss account | | | | | | | | | | |
| 22. | Net profit (loss) of the reporting period | | | | | | | | | 6,686,441 | 6,686,441 |
| 23. | Dividends | | | | | | | | | | |
| 24. | Other amounts paid out | | | | | | | | | | |
| 25. | Reserves allocated due to merger | | | | | | 621,477 | | | | 621,477 |
| 26. | Reserves used | | | | | | | | | | |
| 27. | Increase/decrease in authorized capital | | | | | | | | | | |
| 28. | Increase of the authorised capital due to merger | 7,624,000 | 36,738,924 | | | | | | | | 44,362,924 |
| 29. | Increase due to merger | | | | | | | | | 4,188,019 | 4,188,019 |
| 30. | Restated figures of the merged companies | | | | | | | | | (2,808,921) | (2,808,921) |
| 31. | Result of corrections of material errors | | | | | | | | | | |
| 32. | Balance as at 31 December 2011 | 15,124,000 | 52,238,411 | | | | 1,221,477 | | 1,000,000 | 15,400,243 | 84,984,131 |

Head of the insurance company

2012-03-19
(signature, date)

Dr Kęstutis Bagdonavičius
(first and last names)

Chief financier
(accountant)

2012-03-19
(signature, date)

Jūratė Muckienė
(first and last names)

Chief actuary

2012-03-19
(signature, date)

Dr Gintaras Bakšys
(first and last names)

Company code: 110707135
Address: Geležinio Vilko 6A, Vilnius

APPROVED BY

Minutes No. _____ (date)

Cash flow statement

(Litas)

| Row No. | ITEMS | Financial year | Previous financial year |
|-------------|---|---------------------|-------------------------|
| I. | CASH FLOWS FROM OPERATING ACTIVITIES +/- | 39,047,836 | 16,206,983 |
| I.1. | Insurance and inward reinsurance premiums received | 134,657,725 | 57,656,442 |
| I.1.1. | Insurance premiums | 134,445,064 | 57,652,288 |
| I.1.2. | Inward reinsurance premiums | 212,661 | 4,154 |
| I.2. | Coinsurance premiums | | |
| I.2.1. | Share of insurance undertakings in coinsurance premiums received | | |
| I.2.2. | Share in coinsurance premiums received of other insurance undertakings involved in coinsurance operations | | |
| I.3. | Amounts paid to other insurance undertakings involved in coinsurance operations (-) | | |
| I.4. | Amounts received from other insurance undertakings involved in coinsurance operations | | |
| I.5. | Outward reinsurance premiums (-) | (1,775,583) | (433,877) |
| I.5.1. | Proportional outward reinsurance premiums (-) | (638,698) | 0 |
| I.5.2. | Non-proportional outward reinsurance premiums (-) | (1,136,885) | (433,877) |
| I.6. | Amounts paid under insurance and reinsurance contracts (-) | (61,430,254) | (28,585,116) |
| I.6.1. | Rebates upon cancellation of contracts (-) | (28,444) | 0 |
| I.6.1.1. | Insurance (-) | (28,444) | 0 |
| I.6.1.2. | Reinsurance (-) | | |
| I.6.2. | Claims paid (-) | (41,272,666) | (9,444,960) |
| I.6.2.1. | Insurance (-) | (41,824,505) | (9,444,960) |
| I.6.2.2. | Reinsurance (-) | 551,839 | |
| I.6.3. | Amounts recovered by way of subrogation and salvage (+) | 71,439 | 0 |
| I.6.3.1. | Insurance (+) | 71,439 | 0 |
| I.6.3.2. | Reinsurance (+) | | |
| I.6.4. | Surrender values paid (-) | (20,047,935) | (19,140,156) |
| I.6.4.1. | Insurance (-) | (20,281,893) | (19,140,156) |
| I.6.4.2. | Reinsurance (-) | 233,958 | 0 |
| I.6.5. | Claim handling expenses paid (-) | (55,795) | 0 |
| I.6.5.1. | Insurance (-) | (55,795) | 0 |
| I.6.5.2. | Reinsurance (-) | | |
| I.6.6. | Bonuses and rebates (profit participation) paid to policyholders on maturity (-) | (252,238) | 0 |
| I.6.7. | Bonuses and rebates (profit participation) paid to the reinsured on maturity (-) | 155,385 | 0 |
| I.7. | Other amounts transferred to reinsurers (-) | (226,564) | 0 |
| I.8. | Other amounts received from reinsurers | | |
| I.9. | Other amounts transferred to the reinsured (-) | | |
| I.10. | Other amounts received from the reinsured | | |
| I.11. | Operating expenses paid (-) | (28,178,160) | (11,013,148) |

Cash flow statement

(Litas)


| Row No. | ITEMS | Financial year | Previous financial year |
|--------------|---|----------------------|-------------------------|
| I.12. | Taxes on ordinary activities paid (-) | (4,035,521) | (1,481,694) |
| I.13. | Amounts received from other operating activities | 226,582 | 64,376 |
| I.14. | Amounts paid on other operating activities (-) | (190,389) | 0 |
| II. | CASH FLOWS FROM INVESTING ACTIVITIES +/-(-) | (35,884,142) | (14,948,405) |
| II.1 | Amounts received from investing activities | 33,648,954 | 16,064,153 |
| II.1.1. | Amounts received due to merger | 8,450,356 | 0 |
| II.1.2. | Shares, other variable-yield securities and income units in unit trusts | 1,795,183 | 1,589,182 |
| II.1.3. | Debt and other fixed-interest securities | 20,737,115 | 13,269,430 |
| II.1.4. | Land | | |
| II.1.5. | Buildings | 46,914 | 0 |
| II.1.6. | Loans secured with mortgages | 234,712 | 0 |
| II.1.7. | Other secured loans | | |
| II.1.8. | Unsecured loans | 14,996 | 0 |
| II.1.9. | Deposits with credit institutions | 931,387 | 7,041 |
| II.1.10. | Other investments | 1,438,291 | 1,198,500 |
| II.2. | Amounts received on maturity or realization of investments | 134,719,755 | 171,414,529 |
| II.2.1. | Subsidiaries and associates | | |
| II.2.2. | Shares, other variable-yield securities and units in unit trusts | 7,464,960 | 37,774 |
| II.2.3. | Debt securities and other fixed-interest securities | 52,324,104 | 38,973,296 |
| II.2.4. | Land | | |
| II.2.5. | Buildings | 1,765,123 | 0 |
| II.2.6. | Loans secured with mortgages | 2,423,463 | 0 |
| II.2.7. | Other secured loans | | |
| II.2.8. | Unsecured loans | 82,586 | 0 |
| II.2.9. | Deposits with credit institutions | 70,659,519 | 132,403,459 |
| II.2.10. | Other investments | | |
| II.3. | Amounts paid on investment (-) | (203,336,655) | (201,717,469) |
| II.3.1. | Subsidiaries and associates (-) | | |
| II.3.2. | Shares, other variable-yield securities and units in unit trusts (-) | (36,111,990) | (2,215,563) |
| II.3.3. | Debt securities and other fixed-interest securities (-) | (118,174,973) | (64,846,022) |
| II.3.4. | Land (-) | | |
| II.3.5. | Buildings (-) | | |
| II.3.6. | Loans secured with mortgages (-) | | |
| II.3.7. | Other secured loans (-) | 0 | (5,179,200) |
| II.3.8. | Unsecured loans (-) | (90,645) | |
| II.3.9. | Deposits with credit institutions (-) | (48,507,464) | (129,289,204) |
| II.3.10. | Other investments (-) | (451,583) | (187,480) |
| II.4. | Taxes paid on investing activities (-) | (587,188) | (709,618) |
| II.5. | Amounts generated from other investing activities | | |
| II.6. | Amounts paid on other investing activities (-) | (329,008) | 0 |

Cash flow statement

(Litas)

| Row No. | ITEMS | Financial year | Previous financial year |
|-------------|---|------------------|-------------------------|
| III. | CASH FLOWS FROM FINANCING ACTIVITIES +/- | (149,978) | 0 |
| III.1. | Amounts received on issue of ordinary and preference shares | | |
| III.2. | Amounts paid on purchase of own shares (-) | | |
| III.3. | Amounts received on issue of debt securities | | |
| III.4. | Amounts paid on redemption of debt securities (-) | | |
| III.5. | Loans received | | |
| III.6. | Loans repaid (-) | | |
| III.7. | Dividends paid (-) | | |
| III.8. | Taxes paid on financing activities (-) | | |
| III.9. | Amounts generated from other financing activities | | |
| III.10. | Amounts paid on other financing activities (-) | (149,978) | 0 |
| IV. | INCREASE (DECREASE) IN CASH | 3,013,716 | 1,258,578 |
| V. | CASH AND CASH EQUIVALENTS IN THE BEGINNING OF THE PERIOD | 4,920,368 | 3,661,790 |
| VI. | CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | 7,934,084 | 4,920,368 |

Head of the insurance company


(signature, date)
2012 03 19

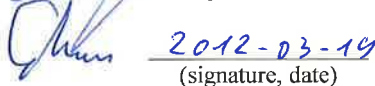
Dr Kestutis Bagdonavičius
(first and last names)

Chief financier
(accountant)


(signature, date)
2012 03 19

Jūratė Muckienė
(first and last names)

Chief actuary


(signature, date)
2012-03-19

Dr Gintaras Bakštys
(first and last names)

Explanatory notes

1 Introduction

AB ERGO LIETUVA Gyvybės Draudimas (hereinafter the Company) was established on 27 July 1995. The Company provides life insurance services. The Company's activities are regulated by the Law on Insurance of the Republic of Lithuania and other legal acts of the Republic of Lithuania. The insurance license No. 000010 was issued on 15 March 2005.

The company ERGO Life Insurance SE has been established as of 1 January 2011 by merger, i.e. by acquiring ERGO ELUKINDLUSTUSE AKTSIASELTS and Ergo Latvija dzīvība apdrošināšanas akciju sabiedrība by AB ERGO LIETUVA Gyvybės Draudimas. The central headquarters of the new European Company was established in Lithuania with its Branches in Estonia and Latvia. ERGO Life Insurance SE integrated three life insurance companies of the ERGO insurance group in the Baltics.

The main financial figures of the merged companies before merger as at 31 December 2010 and for the financial year then ended, and the figures restated during the process of the merger:

| Items | AB ERGO LIETUVA Gyvybės Draudimas | ERGO Latvija Dzīvība | ERGO Elukindlustuse AS | Total | Restated figures of the merged companies* | Total, after the restatement of figures of the merged companies (by merging companies on 3 January 2011) |
|-----------------------------------|--|-------------------------|------------------------------|-------------|--|--|
| Assets | 362,655,349 | 134,345,137 | 109,614,322 | 606,614,808 | 4,431,133 | 611,045,941 |
| Equity | 31,934,191 | 29,414,780 | 19,757,640 | 81,106,611 | (2,808,921) | 78,297,690 |
| Liabilities | 330,721,158 | 104,930,357 | 89,856,682 | 525,508,197 | 7,240,054 | 532,478,251 |
| Premiums written | 56,355,181 | 50,714,012 | 15,999,937 | 123,069,130 | | |
| Result of the reporting period | (3,804,042) | 5,792,555 | 109,388 | 2,097,901 | | |

* Information re restatement of figures of the merged companies is presented in Note 37.

The information of the financial year includes the results of Ergo Life Insurance SE operating in Lithuania, Latvia and Estonia, and the comparative information of the previous financial year is related to the company AB ERGO LIETUVA Gyvybės Draudimas, which has been operating before the merger in Lithuania. Therefore, the comparative information presented cannot be directly compared.

The following insurance groups are performed: life insurance and health and accidents insurance.

Life insurance group includes the following:

- 1 Life insurance group, as not specified in Items 2-5 of Part 2 of Article 7 of the Law on Insurance.
- 2 Group of life insurance related to investment funds (when the investment risk is related to the policyholder).

Non-life insurance group includes the following:

- 1 Accident insurance group.
- 2 Health insurance group.

Furthermore, the Company participates in the second stage of the pension system by managing two pension funds.

In 2011, the premiums written by the Company increased up to 132.70 million Litass, compared to 56.36 million Litass in 2010. Costs of insurance payments, except for reinsurers' share, amounted to 53.82 million Litass in the financial year (25.95 million Litass in 2010).

In 2011, the profit generated by the Company amounted to 6,686,441 Litass because of the successful investment activity pursued in the established European Company, increase in the premiums written as well as increased activity in the health insurance group.

Management of the Company's investment portfolio was taken over by the Estonian company AS Trigon Funds.

The average number of employees in 2011 amounted to 218 (in 2010 – 95). The Company has 8 regional centres and 5 representative offices in Lithuania and 4 regional centres, 10 branches and 1 sales point in Latvia. The Estonian branch has no sales network of its own.

On 3 January 2011, new authorised capital of the Company amounting to 15,124,000 Litass (fifteen million one hundred and twenty four thousand) was formed. It is divided in 15,124 (fifteen thousand one hundred and twenty four) ordinary registered shares with a nominal value of 1,000 (one thousand) Litass each.

Besides, share premium (surplus of nominal value) of 52,238,411 Litass (fifty two million two hundred thirty eight thousand four hundred and eleven) has been formed.

The compulsory reserve was replenished by 621,477 Litass (six hundred twenty one thousand four hundred and seventy seven) from former compulsory reserves, established by decision of the shareholder, of ERGO ELUKINDLUSTUSE AKTSIASELTS and Ergo Latvija dziviba apdrošinašanas akciju sabiedrība.

Other equity, earlier possessed by the companies ERGO ELUKINDLUSTUSE AKTSIASELTS and Ergo Latvija dziviba apdrošinašanas akciju sabiedrība, as well as amounts occurred as a result of different requirements of Business Accounting Standards of the Republic of Latvia, the Republic of Estonia and the Republic of Lithuania, are reflected under retained earnings of the previous accounting periods.

10,177 shares of the Company (67.2904% from the total authorised capital) are owned by the parent company ERGO International AG, the head office of which is situated at the address Victoriaplatz 2,D-40198, Dusseldorf, Germany. Company code 40871.

3,947 shares of the Company (32.7096% from the total authorised capital) are owned by Ergo Kindlustuse AS, the head office of which is situated at the address A. H. Tamsaare tee 47, 11316 Tallinn, Estonia. Company code 10017013.

The Company has been audited by KPMG Baltics, UAB. The shareholders' meeting is foreseen to be held on 21 March 2012.

2 Accounting principles

Statement of compliance

The financial statements of the Company are prepared in accordance with Business Accounting Standards (BAS) of the Republic of Lithuania, other legal acts regulating financial reporting in the Republic of Lithuania as well as Resolution No. N-7 and all its amendments issued by the Insurance Supervisory Commission of the Republic of Lithuania of 3 February 2004.

Basis of preparation

The financial statements are presented in the national currency Litas. As of 2 February 2002, Litas is pegged to Euro at the exchanged rate 3.4528 Litas equal to 1 EUR.

The financial statements have been prepared on the historical cost basis, except for the financial assets available for sale stated at fair market values. The financial statements have been prepared on the going concern principle.

The financial year of the Company coincides with the calendar year.

The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

In the financial statements, the amounts increasing the insurance company activity results are presented as positive figures, whereas decreasing - as negative figures (-).

Deferred acquisition costs are estimated according to US GAAP FAS 60, applying actual data for each agreement in force.

Estimates

The preparation of the financial statements, in accordance with Business Accounting Standards of the Republic of Lithuania, requires from the management to make judgments on the estimates and assumptions that affect the application of the accounting policies and reported amounts related to assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the current circumstances, the results of which form the basis for making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from the estimates

Change in such estimates shall be recognized in the financial statements when identified.

Intangible assets

Intangible assets include identified non-monetary assets which have no material form, which are disposed by the Company and which are used expecting to get direct or indirect economic benefit.

Maintenance and other costs of intangible assets are treated as expenses of the accounting period when incurred. Losses related to impairment of intangible assets, write-off of assets are treated as operating costs of the Company.

Intangible assets are stated at acquisition cost less accumulated amortisation and impairment losses, if any. Amortisation of intangible assets is provided on a straight-line basis over the expected useful lives of the assets. Amortisation costs are related to operating costs of the Company. The expected useful lifetime for the groups of intangible assets is as follows:

| | |
|-------------------------|-----------|
| Software | 3-5 years |
| Other intangible assets | 5 years |

Investment property

Investment property of the Company includes real estate used for generation of income from lease. Investment property is recognized at acquisition cost. Land in Lithuania and a building in Estonia are recognized as investment property by the Company.

Financial assets

Financial assets consists of cash and cash equivalents, receivables, deposits in credit institutions and financial assets available for sale, as well as the financial assets held to maturity.

Financial assets available for sale consist of securities to be held for unlimited time and which may be sold in case of need for liquidity. Financial assets held to maturity are the assets which have a fixed maturity term with fixed or potential payments, which the Company intends to and may keep until the fixed maturity term, except for loans and amounts receivable.

Amounts receivable include payments from the insured, brokers and other intermediaries, amounts receivable from the reinsured and the reinsurers. Also, amounts paid in advance to the Company's employees and other companies and tax overpayments. Amounts receivable are booked at nominal value less impairment. Impairment losses of the amounts receivable are recognized in the profit and loss account when there are objective factors showing the decreased value of the assets.

Doubtful amounts are identified according to the term overdue.

Cash includes cash in hand and at bank. Cash equivalents are short-term highly liquid investments readily convertible into known amounts of cash and the risk of change in value of which is insignificant.

Deposits in credit institutions are financial assets, including cash held at bank for a certain period. At initial recognition, deposits in credit institutions are accounted for at the acquisition cost. Whereas, at each date of the financial statements they are booked at amortized cost. Deposits in credit institutions include amounts which may be withdrawn only after a prescribed term. The amounts not subject to this limitation are treated as cash in hand and at bank, even if interest is charged on them.

Investments in associated companies

Investment in subsidiaries and associated companies is accounted at cost less impairment losses.

Investments into equity securities

Investments in equity securities are treated as financial assets available for sale. Initially these investments are recognized at acquisition cost and booked at the end of each period at the fair value which is established based on the market price. Investments in non-listed securities are booked at fair value. In the event the fair value of the investments may not be reliably assessed, they are measured at the acquisition cost less impairment loss. Changes in the fair value of investment in equity securities are reflected in the income statement as income or costs of investment activities.

Investments into debt securities

The assessment of the investments into debt securities depends on the objective of the acquisition of the assets. Commencing with 1 January 2007, for evaluation purposes, these financial assets have been divided into two groups: financial assets available for sale and financial assets held to maturity. The financial assets held to maturity group may include only newly acquired debt securities. The amendments of the accounting policies have been introduced with a purpose to avoid a negative influence of the fluctuation of the financial assets market value on the Company's investment result.

Part of the investments into debt securities, classified as financial assets available for sale, at the initial recognition is registered in the accounting at acquisition cost. Subsequently, these investments are booked at the fair value at the end of each accounting period, which is established based on the market value, and reflected in the balance sheet at the fair value. Profit and loss arising from the change in the fair value of the investments in debt securities are reflected in the profit and loss account as income and costs of investment activities as incurred.

Part of the investments into debt securities, classified as financial assets held to maturity, at the initial recognition is registered in the accounting at acquisition cost. These assets are not stated at fair value and have a fixed maturity term. The assets are measured at the amortized cost.

Interest income on debt securities is accrued in the profit and loss account for the period. Accrued interest in the balance sheet is included in the total value of investments.

The total acquisitions and sales of investments are recognised as at the date of their purchase/sales.

Dividend income is recognized when distributed.

Loans

Loans granted are stated in the balance sheet at amortized cost. There are no doubtful loans in the Company.

Tangible non-current assets

Tangible non-current assets of the Company include assets held and controlled by the Company expecting to get benefit in future periods, which are to be used for over one year and the acquisition cost of which can be reliably measured and the value of which is higher than the minimum established for that group of the assets.

Tangible non-current assets are recognized at acquisition cost when acquired. In the balance sheet, the tangible non-current assets are reflected at the acquisition cost less accumulated depreciation and impairment losses.

Tangible non-current assets are depreciated on a straight line basis over the expected useful life time of the assets. Depreciation costs are considered as operating costs of the Company. The tangible assets are depreciated over the following period:

| | |
|------------------|--------------|
| Office equipment | 3 - 10 years |
| Vehicles | 4 - 10 years |

The useful lives are reviewed periodically to ensure that the period of depreciation is consistent with the expected pattern of economic benefits from tangible non-current assets. Depreciation rates are approved by Order of Director.

When the assets are written off or disposed, their acquisition cost and accumulated depreciation are eliminated and gain or loss on disposal is recognized in the profit and loss account.

If the renovation of tangible assets improves their useful properties or extends their useful life, the acquisition cost of the tangible non-current assets is increased by the value of the renovation. Otherwise, the renovation is expensed. The value added tax is not included in the acquisition cost of tangible non-current assets. The minimum value of tangible non-current assets of 5,179 Litas has been determined by the Company.

Inventories

Inventories in the Company include various non-current assets used by the Company to generate income during the year.

The cost of inventories is accounted for at acquisition cost on the first-in first-out principle.

Capital and reserves

The authorised capital of the Company is booked according to the by-laws of the Company. The amount paid, by which the sales price of the shares issued is exceeding the nominal value of the shares, is booked as share premium. Share premium accounts may be used for increase of the authorised capital of the Company as well as cover losses.

Reserves are formed by distributing profit of the accounting year by a decision of Annual Shareholders' Meeting, according to legislation and legal acts of the Republic of Lithuania as well as the by – laws of the Company. Legal reserves are compulsory reserves formed of the profit for distribution. The Company shall transfer to the compulsory reserve 5% of the profit for distribution until the reserve makes up 10% of the authorised capital of the Company. The compulsory reserve may be used only to cover losses of the Company. Part of the compulsory reserve, exceeding 10% of the authorised capital, can be redistributed when distributing profit of the following financial year.

In 2005, as to decision of the shareholders, a compulsory reserve of 48,750 Litas and a reserve for distribution of 1,000,000 Litas, reflected in the balance sheet under equity and liabilities of Item V.3. Other Reserves, have been formed. In 2008, the compulsory reserve was increased by 551,250 Litas. On 3 January 2011, after the merger of the companies, the legal reserve was replenished by 621,477 Litas from the former compulsory reserves, made by decision of the shareholder, of ERGO ELUKINDLUSTUSE AKTSIASELTS and Ergo Latvija dzīvība apdrošināšanas akciju sabiedrība.

The compulsory reserve can be used only to cover losses of the Company. The reserve for distribution can be used only for the purposes approved by the General Shareholders' Meeting.

Technical provisions

The Company forms the following technical provisions:

- 1 Unearned premiums;
- 2 Life insurance mathematical technical provision;
- 3 Life insurance when investment risk is assumed by the policyholder;
- 4 Outstanding claims;
- 5 Provision for rebates;
- 6 Other technical provisions.

For life insurance branch, 1-5 technical provisions are formed and, for non-life insurance, part of 1 and 4 technical provisions are formed.

The mentioned technical provisions are formed in accordance with Resolution No. N-117 approved by the Insurance Supervisory Commission of the Republic of Lithuania „Methods for Calculation of Insurance Technical Provisions“ and subsequent amendments to this Resolution.

Unearned premiums technical provision is calculated for every insurance contract separately by proportionate distribution of the written premium throughout the risk period. The unearned part of the regular premium of the traditional life insurance is calculated by the 1/12 method, non-recurring and irregular premiums are not brought forward. The provision of unearned premiums of non-life insurance is calculated by the day method.

Life insurance mathematical technical provision is formed in accordance with the principles of the actuarial practice for insurance products technical plans. It is estimated by the principle of actuarial perspective net insurance premiums as a difference between the actuary discounted contractual insurance liabilities (as at the date of the provision calculation) and future claim settlement costs and actuary discounted future net insurance premiums. The actuary basis is actualized annually. The Zillmer method is applied. Life insurance mathematical technical provision is directly interpolated by the 1/12 method as insurance contracts start on the first day of each month.

Life insurance technical provision, when the investment risk is assumed by the policyholder, covers all amounts according to life insurance contracts, the investment risk of which is assumed by the policyholder. It is estimated according to the amount of investment units attributed to the insurance contract at the moment of making the provision.

Outstanding claims technical provision is intended to cover all anticipatory payments and covers the following: claims incurred, but not reported (IBNR); claims incurred and reported; payments outstanding for claims to be paid in annuities which are overdue; payments outstanding for ceased or otherwise terminated before expiry insurance contracts and not reported non-insurance events; outstanding claim settlement costs to cover the above mentioned losses.

Technical provision for rebates shall be intended for the amounts due to be distributed later in the form of extra-profit or premiums discounts for individual insurance contracts and which are not reflected by the mathematical technical provision. It is formed as to technical plans of insurance products. Technical provision for rebates shall be formed for each individual insurance contract in which participation in profit is specified.

Other technical provisions include technical provision of unexpired risk. The technical provision of the unexpired risk is formed having stated insufficiency of premiums written, which appears after wrong valuation of the insurance risk accepted, as well as operating costs at the moment of negotiating the insurance contract.

Reinsurer's share of the technical provision is estimated based on reinsurance contracts.

Derivatives

Derivatives are used to hedge risks and for trading purposes. Embedded derivative is the derivative, which is attached to other financial instrument.

Embedded derivatives included in life insurance contracts, such as guaranteed interest rate and surrender option, satisfy the definition of insurance contract and are not accounted separately.

Provisions for other liabilities

Provisions are made when liability of the Company comes into existence and when it is probable that economic resources will be needed to cover the liability, and the amount of the liability might be reliably assessed.

Other liabilities

Other liabilities are accounted for when liabilities concerning insurance and other related activities arise. Other liabilities do not include technical provision.

Financial liabilities

Financial liabilities are accounted for when the Company undertakes to pay in cash or in other assets. These are the financial liabilities not related to market prices. Initially the Company recognizes the financial liability at the acquisition cost, i.e. at the cost of assets or services received, and later on, at the day when the financial statements are prepared, it evaluates the financial assets again and states them at the amortized cost.

Premiums written and earned premiums

Premiums written consist of premiums calculated for the term of validity of risk insured less premiums on insurance policy cancelled.

Premiums earned comprise premiums attributable to the accounting period, i.e. premiums written during the accounting period, decreased by the change of the technical provision of the unearned premiums during the accounting period.

For life insurance, where the investment risk is assumed by the policyholder, premiums written and earned include actually received premiums during the accounting period as to effective policy. If the policyholder does not pay, the premiums written are not recorded.

Depending on the type of a reinsurance contract, the reinsurer's share in the premiums is estimated either in proportion to the portfolio held or the risk share reinsured is calculated on a yearly basis and a premium for each individual contract is estimated according to this share.

Outward reinsurance premiums decrease revenue and represent reinsurance premiums ceded to reinsurers and premiums attributable to the period in accordance with reinsurance contracts.

Reinsurers' share in earned premiums includes the share of the premiums written during the accounting period given to reinsurers and adjusted by change in unearned premiums technical provision, related to the premiums given to reinsurers.

Costs of insurance claims paid

Costs of insurance claims paid include actually paid amounts according to insurance events including claim settlement costs and anticipatory changes in technical provision payments. These are payments according to insurance events occurred, terminated insurance contracts, expired insurance contracts. The reinsurers share to be rebated from the reinsurer according to the reinsurance contract is deducted from the costs of the insurance claims paid.

Claim settlement costs include costs incurred in relation to insurance events occurred. These costs are attributed to the insurance group depending on the payment group.

Claim settlement costs include remuneration to employees engaged in claims settlement and part of other costs related to the claim settlement group according to the nature of the costs. Indirect claim settlement costs are attributed to the line of insurance proportionally to the number of claims settled during the accounting quarter, specifying claims of the accounting and previous years. The Company has the claim settlement costs distribution methodology approved.

Reinsurers' share in payments costs includes the amounts paid by reinsurers or the amounts receivable from reinsurers for the amounts paid by the Company during the accounting period and adjusted by reinsurers' share change in the technical provision for claims outstanding, as to reinsurance contracts.

Investment income and expenses

The total investment income and expenses in connection with life insurance and non- life insurance as well as equity investment are related to life insurance investment income and expenses and are booked in the profit and loss account under the item Investment Income and Expenses on an accrual basis.

Taking the ratio of non-life technical provisions and equity and the total ratio of insurance technical provisions and the amounts of equity as a basis, a relevant share of the investment property (loss), related to investment of non-life technical provisions and equity, is transferred from the life insurance technical part to the non- technical part of the profit and loss account. According to the ratio of non-life insurance technical provisions and equity, part of the investment property is transferred from the non-technical part to the non-life insurance technical part of the profit and loss account. The ratios of the amounts of the technical provisions and equity are determined following the mathematical average of the relevant amount of the beginning and the end of the period.

Recognition of other income and expenses

Income from sales of services is the increase of economic benefit from supply of services during the accounting period, evidencing the increase of the assets of the Company or decrease of liabilities, resulting in increase of equity except for additional contributions of the owners.

Services are the activity performed by the Company, related to supply of services to the client, generating income. Income from sales of services is recognised on an accrual basis, i.e. in the accounting, it is registered when earned irrespective of the time money was received.

Expenses are recognized based on the accrual and matching principle in the accounting period in which related income is earned irrespective of the time the money was spent.

Only this part of expenses of the accounting or previous accounting period is recognized which relates to income generated during the accounting period.

Operating expenses are related to expenses of the accounting period as well as operating activity of the Company.

Other income includes income generated after rendering of services and not related to insurance activity, i.e. interest for the balance in bank accounts, income from currency exchange, other income, not related to other items.

Other costs include costs incurred from currency exchange, other costs not related to other items.

Deferred acquisition costs

Deferred acquisition costs are estimated according to the methodology recommended by US GAAP FAS 60. Deferred costs include commission remuneration less change in mathematical technical provision of contracts, based on which the remuneration shall be paid, which occurred due to the Zillmer method. Deferred costs are amortised in subsequent years on individual basis for each contract according to a fixed schedule which shall be adjusted when the loss recognition event is identified based on the premium inadequacy test.

Acquisition costs and administrative expenses

Acquisition costs include costs related to underwriting of insurance contracts, their updating and servicing. Acquisition costs include direct and indirect acquisition costs. Direct acquisition costs include commissions to intermediaries, which are attributed to lines of insurance depending on which line of the insurance contracts the commissions are paid for, directly for each line. Other acquisition costs related to underwriting and servicing of insurance contracts (e.g. preparation of insurance documents, salaries to employees concluding insurance contracts, advertising) are allocated in proportion to gross premiums earned during the reporting quarter, provided that type of insurance was not specified when entering costs into the accounting system. Acquisition costs related to future periods are shown in the balance sheet as deferred acquisition costs.

Acquisition costs of the pension funds include commission fee to intermediaries for conclusion of pension contracts.

Administrative expenses are the expenses that contribute to generating income for the reporting period, e.g. salaries paid to the Company's management and social insurance contributions, costs of non-current assets of common use, repairs, exploitation and depreciation, expenses of communication, business trips and other. These expenses are identified as to the centre of expenses they are incurred in (administrative expenses are incurred in the functional group of administration). Administrative expenses are allocated in proportion to gross premiums earned during the reporting quarter, provided that type of insurance was not specified when entering costs into the accounting system.

When allocating the expenses, part of the administrative expenses of the functional group is attributed to acquisition costs. Attribution is regulated by the Company's methods for accounting and allocating expenses.

Administrative costs of the pension funds include a fee to the investment managing company, salary costs of the personnel directly engaged in pension accumulation activity as well as other costs directly related to the pension accumulation activity (e.g. advertising, publishing of financial statements in press, printing of forms, etc.).

Other technical income

Other technical income includes fees for pension funds administration and management and other income not attributed to other items.

Taxes

The main rates of the taxes paid by the Company:

- The fee to the Insurance Supervisory Commission of 0.3454% on insurance premiums written.
- Social insurance contributions of 30.98% in Lithuania, 24.09% in Latvia and 34.10% in Estonia on employment related income calculated for employees.
- Output value added tax of 21% in Lithuania, 22% in Latvia and 20% in Estonia calculated on sales income taxable by VAT less input VAT.
- Real estate tax up to 1% in Lithuania, 1.5% in Latvia and 0% in Estonia calculated on the value of real estate.
- Pollution tax following the rates specified by the legislation.

Corporate income tax is calculated and booked by the Company using the profit tax rate valid at the date of the financial statements and effective tax accounting principles.

In 2011, a corporate income tax of 66,482 Litas was calculated for the activity in the Republic of Lithuania which was covered by the accumulated tax losses. A corporate income tax of 730,876 Litas was calculated for the activity in the Republic of Latvia paid to the Budget of the Republic of Latvia. Activity in the Republic of Estonia is not subject to corporate income tax.

Calculation of corporate income tax was influenced by the result of the financial activity, attribution of life insurance premiums and investment income to the tax exempt income and attribution of costs, generating tax exempt income, to non-deductible expenses. In 2011, a profit tax rate of 15% was applied. The calculated tax decreased the tax loss carried forward, the basis of which is tax losses from the previous accounting periods.

Due to the economic recession and uncertainties in the market, the Company does not expect to have corporate income tax payable in future, therefore no deferred tax assets have been formed by the Company.

Foreign currencies

All monetary assets and liabilities denominated in foreign currencies are translated into Litas at the rate prevailing at the year-end. Gains and losses arising from this transaction are included in the profit and loss account for the year.

All transactions in foreign currencies are accounted at the rate prevailing at the date of transaction.

Cash flow statement

The cash flow statement has been prepared using the direct method.

Post-balance sheet events

Post-balance sheet events are disclosed in the notes in case of significant influence.

Risk management

The risk management is performed in the Company following the risk management recommendations prepared by the ERGO group as well as the Risk Management Strategy Regulations.

The Company estimates risks based on the mentioned documents.

Significant risk management fields are as follows:

- Insurance technical risk management;
- Premiums adjustment risk management – a review of the insurance premiums policy on a regular basis allows to adjust long-term insurance premiums respectively if the anticipated claim value suddenly starts to increase or decrease unexpectedly;
- Investment risk management – in order to avoid collision of insurance activity losses with losses in investing activity, the investment risk is aimed to be limited to maximum;
- Claim reserve risk management is based on mathematical statistical or economic – probability evaluation models;
- Solvency margin risk management implies available sufficient solvency margin in order to soften negative business fluctuation consequences.

The following risk management means are used:

- Risk avoidance – sometimes for sake of security, risky activities are refused and other methods are sought for achievement of the goals set;
- Risk reduction – the goals set are not changed, however other means are taken parallel in order to avoid risk or reduce consequences of undesirable results of events;
- Risk ceded to third persons –when risk is ceded to an insurance undertaking, part of the risk remains with the insurer.

Notes

Note 1. Intangible assets (Litas)

| Items | Assets groups | | Total |
|---|---------------|-------------------------|-----------|
| | Software | Other intangible assets | |
| Acquisition cost | | | |
| In the beginning of the accounting period | 1,873,017 | 187,480 | 2,060,497 |
| Additions due to merger | 3,271,826 | 424,725 | 3,696,551 |
| Acquired assets | 596,148 | 1,660 | 597,808 |
| Transferred assets (-) | | | |
| Written-off assets (-) | | | |
| Reclassified assets +/-(-) | | | |
| At the end of the accounting period | 5,740,991 | 613,865 | 6,354,856 |
| Accumulated amortization charge | | | |
| In the beginning of the accounting period | 1,553,892 | 8,653 | 1,562,545 |
| Additions due to merger | 2,637,335 | 135,185 | 2,772,520 |
| Calculated amortization charge | 367,522 | 95,088 | 462,610 |
| Restated amortization charge (-) | | | |
| Written off amortization charge on cessions (-) | | | |
| Written off amortization charge on write-offs (-) | | | |
| Reclassified amortization charge +/-(-) | | | |
| At the end of the accounting period | 4,558,749 | 238,926 | 4,797,675 |
| Book value | | | |
| In the beginning of the accounting period | 319,125 | 178,827 | 497,952 |
| At the end of the accounting period | 1,182,242 | 374,939 | 1,557,181 |

The Company has no intangible assets acquired or being acquired under lease agreements.

Note 2. Real estate (Litas)

| Items | Assets group | | Total |
|---|--------------|----------|-------------|
| | Buildings | Land | |
| Acquisition cost | | | |
| In the beginning of the accounting period | 0 | 65,377 | 65,377 |
| Additions due to merger | 2,157,354 | 45,845 | 2,203,199 |
| Acquired assets | | | |
| Transferred assets (-) | | | |
| Written-off assets (-) | (1,429,126) | (45,845) | (1,474,971) |
| Reclassified assets +/- | | | |
| At the end of the accounting period | 728,228 | 65,377 | 793,605 |
| Revaluation | | | |
| In the beginning of the accounting period | | | |
| Increase in value | | | |
| Decrease in value (-) | | | |
| Written off revaluation result on cessions (-) | | | |
| Written off revaluation result on write-offs (-) | | | |
| Reclassified revaluation result +/- | | | |
| At the end of the accounting period | | | |
| Accumulated depreciation charge | | | |
| In the beginning of the accounting period | | | |
| Additions due to merger | 164,266 | | 164,266 |
| Calculated depreciation charge | 16,674 | | 16,674 |
| Restated depreciation charge (-) | | | |
| Written off depreciation charge on cessions (-) | | | |
| Written off depreciation charge on write-offs (-) | (180,940) | | (180,940) |
| Reclassified depreciation charge +/- | | | |
| At the end of the accounting period | | | |
| Book value | | | |
| In the beginning of the accounting period | 0 | 65,377 | 65,377 |
| At the end of the accounting period | 728,228 | 65,377 | 793,605 |

Note 3. Investments into subsidiary and associated companies (Litas)

| Items | Subsidiaries | | Associates | |
|--|--------------|---------------------------|-------------|---------------------------|
| | Shares | Debt securities and loans | Shares | Debt securities and loans |
| Acquisition cost | | | | |
| In the beginning of the accounting period | 0 | 0 | 5,259,247 | |
| Additions due to merger | | 2,087,874 | 4,352,807 | |
| Acquired assets | | | | |
| Transferred assets (-) | | | | |
| Written-off assets (-) | | | | |
| Reclassified assets +/- | 5,265,540 | | (5,265,540) | |
| At the end of the accounting period | 5,265,540 | 2,087,874 | 4,346,514 | |
| Revaluation | | | | |
| In the beginning of the accounting period | | | | |
| Increase in value | | | | |
| Decrease in value (-) | | | | |
| Written off revaluation result on cessions (-) | | | | |
| Written off revaluation result on write-offs (-) | | | | |
| Reclassified revaluation result +/- | | | | |
| At the end of the accounting period | | | | |
| Book value | | | | |
| In the beginning of the accounting period | 0 | 0 | 5,259,247 | |
| At the end of the accounting period | 5,265,540 | 2,087,874 | 4,346,514 | |

Investments of the Company in subsidiary and associated companies comprise:

62 per cent of the shares of the company ERGO Invest SIA (to 1 January 2011 it had 33 per cent), the acquisition cost of which is 5,265,540 Litas. The head office of ERGO Invest SIA is situated at Unijas 45, Riga, Republic of Latvia. Following Article 6 (2) of Law on Consolidated Financial Reporting of Group Companies, the subsidiary has not been consolidated (due to insignificance).

The main financial information (not audited) of ERGO Invest SIA as at 31 December 2011 was the following:

| Assets | Liabilities | Equity | Income | Result of the year |
|------------|-------------|------------|-----------|--------------------|
| 30,367,361 | 11,947,109 | 18,420,252 | 3,734,576 | 330,636 |

44.25 per cent of the shares of the company ERGO Funds AS (to 1 January 2011 it had 24.58 per cent), the acquisition cost of which is 4,337,691 Litas. The head office of ERGO Funds AS is situated at A. H. Tammsaare tee 118c, 12918 Tallinn, Republic of Estonia.

The main financial information (not audited) of ERGO Funds AS as at 31 December 2011 was the following:

| Assets | Liabilities | Equity | Income | Result of the year |
|------------|-------------|------------|-----------|--------------------|
| 16,522,991 | 371,763 | 16,151,228 | 2,225,975 | 568,597 |

Investments in subsidiary and associated companies include a mortgage loan issued to the company ERGO Invest SIA (the loan is granted on 30 June 2006). The loan was taken over by Ergo Latvija dzīvība apdrošināšanas akciju sabiedrība on 3 January 2011, during merger of the companies. The repayment term of the loan is 30 June 2016. The fixed interest rate is of 6.3%.

Note 4. Equity and debt securities (Litas)

| Items | Equity securities | Debt securities |
|--|-------------------|-----------------|
| Acquisition cost | | |
| In the beginning of the accounting period | 3,073,049 | 315,823,043 |
| Additions due to merger | 3,598,813 | 145,784,076 |
| Acquired assets | 16,349,700 | 202,356,217 |
| Transferred assets (-) | (15,941,849) | (116,295,360) |
| Written-off assets (-) | | |
| Reclassified assets +/-(-) | | |
| At the end of the accounting period | 7,079,713 | 547,667,976 |
| Revaluation | | |
| In the beginning of the accounting period | (2,810,156) | 5,700,045 |
| Additions due to merger | 951,366 | 2,953,442 |
| Increase in value | 504,576 | 24,124,448 |
| Decrease in value (-) | (1,024,770) | (21,209,774) |
| Written off revaluation result on cessions (-) | (142,714) | (935,732) |
| Written off revaluation result on write-offs (-) | | |
| Reclassified revaluation result +/-(-) | | |
| At the end f the accounting period | (2,521,698) | 10,632,429 |
| Book value | | |
| In the beginning of the accounting period | 262,893 | 321,523,088 |
| At the end of the accounting period | 4,558,015 | 558,300,405 |

Investments in Government securities at the end of the year amounted to 435 million Litas. The investments in debt securities of other business entities comprised over 123 million Litas.

Equity and debt securities, classified as financial assets available for sale, are booked at fair value, therefore each time, when preparing financial statements, they are restated to the market value. Changes in the fair value are disclosed directly in the profit and loss account. Debt securities classified as held to maturity are booked at amortized cost.

As at 31 December 2011, the values of the investments in debt securities were as follows:

| | Balance value |
|------------------------------------|--------------------|
| Debt securities held to maturity | 358,845,320 |
| Debt securities available for sale | 199,455,085 |
| Total debt securities | 558,300,405 |

As at 31 December 2011, the market value of debt securities classified as held to maturity amounted to 375,589,851 Litas.

Note 5. Deposits in credit institutions (Litas)

Deposits in credit institutions consist of term deposits (6,670,556 Litas); annual interest rate is of 1.64 per cent, the average duration of the deposits is 8 months.

Note 6. Life insurance investments when the investment risk is borne by the insured
(Litas)

| Items | Shares, other variable income securities and investment funds units | Debt securities | Real estate | Term deposits | Loans | Deriva- tive financial instru- ments | Cash at bank and in hand | Other |
|---|---|-----------------|----------------|------------------|-------|--|-----------------------------------|-------|
| Book value at the beginning of the accounting period | 14,135,228 | 305,288 | | | | | 248,084 | |
| Additions due to merger | 8,516,381 | 763,664 | | | | | | |
| Assets acquired | 11,825,932 | 2,935,193 | | | | | 109,255 | |
| Assets transferred (-) | (9,180,108) | (1,991,251) | | | | | (264,055) | |
| Assets written- off (-) | | | | | | | | |
| Assets transferred from one heading to another +/- | | | | | | | | |
| Increase of value | 203,864 | 422,726 | | | | | | |
| Decrease of value(-) | (5,260,563) | (231,129) | | | | | | |
| Book value at the end of the accounting period | 20,240,734 | 2,204,491 | | | | | 93,284 | |

The item Cash at Bank and in Hand shows the cash received the last day of 2011 for investment life insurance contracts. According to item 7.5 of the Investment Life Insurance Rules of ERGO Life Insurance SE, the cash, following the insurance contract in force, is translated into investment units within 3 working days as of the premium payment day, if the insurance certificate does not state otherwise. The indicated amount shall be recalculated into investment units in the very beginning of 2012.

Note 7. Amounts receivable (Litas)

| Items | Total amount | Doubtful amount receivable | Book value |
|--|-------------------|----------------------------|-------------------|
| Insurance receivables: | 21,839,526 | 1,377,547 | 20,461,979 |
| from the insured: | 21,685,074 | 1,300,153 | 20,384,921 |
| Subsidiaries | | | |
| Associates | | | |
| Other | 21,685,074 | 1,300,153 | 20,384,921 |
| from intermediaries: | 154,452 | 77,394 | 77,058 |
| Subsidiaries | | | |
| Associates | | | |
| other | 154,452 | 77,394 | 77,058 |
| from others: | | | |
| Subsidiaries | | | |
| Associates | | | |
| Other | | | |
| Amounts receivable from inward and outward reinsurance activities: | 991,821 | 0 | 991,821 |
| from the reinsured: | 29,873 | 0 | 29,873 |
| Subsidiaries | | | |
| Associates | | 0 | |
| Other | 29,873 | | 29,873 |
| from the reinsurers: | 961,948 | 0 | 961,948 |
| Subsidiaries | | | |
| Associates | | | |
| Other | 961,948 | 0 | 961,948 |
| from intermediaries: | | | |
| Subsidiaries | | | |
| Associates | | | |
| Other | | | |
| from others: | | | |
| Subsidiaries | | | |
| associates | | | |
| Other | | | |
| Other receivables: | 1,393,636 | 0 | 1,393,636 |
| Subsidiaries | | | |
| Associates | | | |
| Other | 1,393,636 | 0 | 1,393,636 |
| Total | 24,224,983 | 1,377,547 | 22,847,436 |

Note 8. Doubtful amounts (Litas)

| Items | Financial year | Previous financial year |
|--|----------------|-------------------------|
| Balance sheet | | |
| Doubtful amounts in the beginning of the period | 770,000 | 710,000 |
| Additions due to merger in the beginning of the period | 612,977 | |
| Decrease of doubtful amounts during the period | (35,430) | |
| Increase of doubtful amounts during the period | 30,000 | 60,000 |
| Doubtful amounts at the end of the period | 1,377,547 | 770,000 |
| Profit and loss account | | |
| Recovered earlier written off amounts | | |
| Change of doubtful amounts during the period | (5,430) | 60,000 |
| Impact of doubtful amounts during the period | 5,430 | (60,000) |

Note 9. Tangible non-current assets excluding investments (Litas)

| Items | Asset groups | | Total |
|---|--------------------|------------------|-----------|
| | Transport vehicles | Office equipment | |
| Acquisition cost | | | |
| In the beginning of the accounting period | 118,337 | 444,474 | 562,811 |
| Additions due to merger | 198,932 | 965,827 | 1,164,759 |
| Acquired assets | 37,298 | 257,708 | 295,006 |
| Disposed assets (-) | | | |
| Written-off assets (-) | | (220,204) | (220,204) |
| Reclassified assets +/-(-) | | | |
| At the end of the accounting period | 354,567 | 1,447,805 | 1,802,372 |
| Revaluation | | | |
| In the beginning of the accounting period | | | |
| Increase in value | | | |
| Decrease in value (-) | | | |
| Written-off revaluation result on cessions (-) | | | |
| Written-off revaluation result on write-offs (-) | | | |
| Reclassified revaluation result +/-(-) | | | |
| At the end of the accounting period | | | |
| Accumulated depreciation charge | | | |
| In the beginning of the accounting period | 26,085 | 310,994 | 337,079 |
| Additions due to merger | 88,028 | 619,918 | 707,946 |
| Calculated depreciation charge | 48,625 | 217,703 | 266,328 |
| Restated depreciation charge | | | |
| Written-off depreciation on disposal (-) | | | |
| Written-off depreciation charge on write-offs (-) | | (220,057) | (220,057) |
| Reclassified depreciation charge +/-(-) | | | |
| At the end of the accounting period | 162,738 | 928,558 | 1,091,296 |
| Book value | | | |
| In the beginning of the accounting period | 92,252 | 133,480 | 225,732 |
| At the end of the accounting period | 191,829 | 519,247 | 711,076 |

The Company has no tangible assets acquired or being acquired under lease agreements.

Note 10. Depreciated tangible assets in use excluding investments (Litas)

| Asset group | Acquisition cost |
|------------------|------------------|
| Motor vehicles | 52,077 |
| Office equipment | 453,786 |
| Total | 505,863 |

Note 11. Cash at bank and in hand (Litas)

| Items | Financial year | Previous financial year |
|-----------------|------------------|-------------------------|
| Cash at bank | 7,927,192 | 4,783,881 |
| Cash in hand | 6,892 | 36,487 |
| Cash in transit | 0 | 100,000 |
| Total | 7,934,084 | 4,920,368 |

Note 12. Accrued income and deferred costs (Litas)

| Items | Financial year | Previous financial year |
|--|-------------------|-------------------------|
| Deferred acquisition costs of non-life insurance | 1,241,106 | 0 |
| Deferred acquisition costs of life insurance | 11,088,699 | 7,400,355 |
| Deferred acquisition costs of pension funds | 355,561 | 420,526 |
| Deferred costs of insurance | 49,365 | 49,919 |
| Other deferred costs | 150,522 | 0 |
| Total | 12,885,253 | 7,870,800 |

The major part of the deferred costs consists of accumulated commission fee related to sales of pension contracts. It is amortised over the period: as of the day the contract came into effect up to the term when the pension fund might be changed by the insured.

Note 13. Shareholders' equity

| Shareholder | Number of shares | % |
|-----------------------|------------------|------------|
| ERGO International AG | 10,177 | 67.2904 |
| ERGO Kindlustuse AS | 4,947 | 32.7096 |
| Total | 15,124 | 100 |

| Items | Number of shares | Amount (Litas) |
|---|------------------|-------------------|
| Structure of the share capital at the end of the financial year | | |
| As to type of shares | | |
| Ordinary shares | 15,124 | 15,124,000 |
| Preferred shares | | |
| Employees' shares | | |
| Special shares | | |
| Other shares | | |
| Total: | 15,124 | 15,124,000 |
| Capital owned by the state or municipalities | | |
| Shares owned by the company | | |
| Shares owned by subsidiaries or associates | | |

As at 31 December 2011, the authorised capital consists of 15,124 ordinary registered shares with a nominal value of 1,000 Litas each. Share premiums amount to 52,238,411 Litas (fifty two million two hundred thirty eight thousand four hundred and eleven). All the shares are fully paid in.

Note 14. Reserves

Legal reserve is formed from profit to be appropriated under the Company Law of the Republic of Lithuania. Annual transfers of 5% of the net profit are required until the reserve reaches 10% of the authorized capital. This reserve can be used only for coverage of losses of the Company.

Before merger of the companies, the compulsory reserve, comprising 8% of the authorised capital, was gradually formed amounting to 600,000 Lit. After the merger of the companies, in the beginning of 2011 the reserve was replenished by 621,477 Lit. from former reserves formed in the companies ERGO ELUKINDLUSTUSE AKTSIASELTS and Ergo Latvija dzīvība apdrošināšanas akciju sabiedrība. During the reporting period, the compulsory reserve makes 8.08% of the newly formed authorised capital. The reserve will be replenished from profit of 2011 (Note 15).

Note 15. Draft appropriation of profit (Lit.)

| Items | Amount |
|---|------------|
| Retained earnings at the end of the previous financial year | 8,713,802 |
| Net result - profit (loss) - for the financial year | 6,686,441 |
| Profit (loss) for distribution at the end of the financial year | 15,400,243 |
| Shareholders' contributions against losses | |
| Transfers from reserves | |
| Profit for distribution | 15,400,243 |
| Profit distribution: | |
| - to legal reserves | 334,322 |
| - to other reserves | |
| - dividends | 5,560,000 |
| - other | |
| Retained earnings at the end of the financial year | 9,505,921 |

Dividends are planned to be paid and transfers made to legal reserves from profit for distribution. The remaining accumulated profit is planned to be carried forward. In case the Shareholders' Meeting decides otherwise, it would be reflected in the financial statements for 2012.

Note 16. Technical provisions

Unearned premiums technical provision

Unearned premiums technical provision is intended to cover insurance activity costs according to all effective insurance risks. It may also be used to cover current liabilities, when the insurance risk is evenly distributed in the period. Unearned premiums technical provision shall be calculated as gross part of premiums written which shall be attributed to income of the insurance undertaking in future accounting period.

Unearned premiums technical provision on a gross basis as at the end of the period amounted to 40.02 million Lit. Reinsurer's share amounted to 10.63 million Lit.

Life insurance mathematical technical provision

Quarterly changing interest amount used for reserve calculation has the greatest impact on the life insurance mathematical technical provision. For calculation of this technical provision, the lower of interest rates guaranteed by the insurance contract and the maximum technical insurance rate shall be used in accordance with Resolution No. N-90 of the Insurance Supervisory Commission „On Maximum Technical Interest Rates“. The Zillmer method is applied. The method of equalisation of fluctuation of the mathematical technical provision is applied, permitted by the Insurance Supervisory Commission of the Republic of Lithuania by Resolution N-117, dated 28 December 2006. Branches of ERGO Life Insurance SE in Estonia and Latvia have started to apply the method of equalisation of fluctuation of the mathematical technical provision, as to Resolution N-117 of the Insurance Supervisory Commission of the Republic of Lithuania dated 28 December 2006, as of 3 January 2011.

Change (increase) in the life insurance mathematical technical provision is influenced by the aging of the available portfolio of contracts.

Liability of deferred annuity is moved to mathematical reserve, corresponding claim reserve used to reflect this liability in previous years is reduced.

As at the end of the period, the life insurance mathematical technical provision amounted to Lit 472.17 million Lit. Reinsurer's share amounted to 5.22 million Lit.

Life insurance technical provision, when the investment risk is assumed by the policyholder

As at the end of the period, life insurance technical provision, when the investment risk is assumed by the policyholder, amounted to 22.54 million Lit. It is calculated as to the value of the investment units related to the insurance contract at the moment of forming of the provision.

Outstanding claims technical provision

Technical provision for incurred but not reported claims (IBNR) is made following Item 35.3 of the methodology for forming of technical provision for claims incurred before the period investigated but not reported.

The technical provision for life insurance incurred but not reported claims (IBNR) is made only for additional non-life insurance risks. It is generally accepted that IBNR for life insurance risks is not made as delayed claims in this line of insurance are rare. Besides, there is no sufficient statistics for formation of the technical provision. It would not be reasonable to form minimum IBNR for life insurance risk (5% on earned premiums during the 4 previous quarters) as the technical provision formed according to this regulation would be excessive and would deviate from the technical result of the Company significantly. IBNR of additional accidents of life insurance is taken as the higher amount from the minimum (5% on earned premiums during the 4 previous quarters) and estimated amounts by "Chain-ladder" and "Bornhuetter-Ferguson" methods. Provision for incurred but not reported claims in working ability insurance was not estimated by "Chain-ladder" and "Bornhuetter-Ferguson" methods due to not sufficient statistics, and minimum IBNR was formed for the risks.

The technical provision for non-life insurance claims incurred but not reported reflects health insurance risks and is formed taking the highest provision between the minimum (5% on earned premiums during the previous 4 quarters) and estimated by "Chain-ladder" and "Bornhuetter-Ferguson" methods.

Part of the technical provision for outstanding claims consists of outstanding claim settlement costs. This part of the technical provision is formed only to non-life insurance outstanding claims and is calculated as 10% on the technical provision for outstanding claims (incurred and reported events).

The biggest reserved claim in the total portfolio as at 31 December 2011 amounted to 177,819 Litass (life insurance, when the investment risk is assumed by the policyholder). Claims, related to events occurred before the beginning of the accounting period, but paid out during 2011, amounted to 4,282,964 Litass. At the end of the accounting period, technical provision for events related to previous periods amounts to 2.38 million Litass. The biggest payment of the current year in the total portfolio reached 283,545 Litass (life insurance when the investment risk rests with the policy holder).

Technical provision for outstanding claims as at 31 December 2010:

| Insurance type | Share | RBNS | IBNR | Provision for claim settlement costs | Provision for outstanding claims |
|--|------------------------|------------------|----------------|--------------------------------------|----------------------------------|
| Health insurance | Total provision | 433,582 | 669,060 | 43,358 | 1,146,000 |
| | ELGD share | 433,582 | 669,060 | 43,358 | 1,146,000 |
| Accidents insurance | Total provision | 326,221 | 147,926 | 32,622 | 506,769 |
| | ELGD share | 326,221 | 147,926 | 32,622 | 506,769 |
| Life insurance related to investment funds | Total provision | 456,171 | 14,029 | 6,103 | 476,303 |
| | ELGD share | 172,662 | 14,029 | 6,103 | 192,794 |
| Life insurance | Total provision | 2,226,267 | 0 | 0 | 2,226,267 |
| | ELGD share | 2,209,352 | 0 | 0 | 2,209,352 |
| Total | Total provision | 3,442,241 | 831,015 | 82,083 | 4,355,339 |
| | ELGD share | 3,141,817 | 831,015 | 82,083 | 4,054,915 |

Total provision – technical provision, including reinsurer's share.

ELGD share– technical provision related to AB ERGO LIETUVA Gyvybės Draudimas, i.e. excluding reinsurers' share.

Technical provision for outstanding claims as at 31 December 2011:

| Insurance type | Share | RBNS | IBNR | Provision for claim settlement costs | Provision for outstanding claims |
|--|------------------------|------------------|------------------|--------------------------------------|----------------------------------|
| Health insurance | Total provision | 892,364 | 3,713,348 | 65,206 | 4,670,918 |
| | ELI share | 819,758 | 2,244,017 | 65,206 | 3,128,981 |
| Accidents insurance | Total provision | 415,900 | 223,879 | 31,448 | 671,227 |
| | ELI share | 395,487 | 223,879 | 31,448 | 650,814 |
| Life insurance related to investment funds | Total provision | 21,400 | 13,317 | 967 | 35,684 |
| | ELI share | 21,400 | 13,317 | 967 | 35,684 |
| Life insurance | Total provision | 3,900,334 | 0 | 0 | 3,900,334 |
| | ELI share | 3,588,454 | 0 | 0 | 3,588,454 |
| Total | Total provision | 5,229,998 | 3,950,544 | 97,621 | 9,278,163 |
| | ELI share | 4,825,099 | 2,481,213 | 97,621 | 7,403,933 |

ELI share – technical provision related to ERGO Life Insurance SE, i.e. excluding reinsurers' share.

Adequacy of the technical provision for outstanding claims of the direct insurance as at 31 December 2010 was estimated for the whole company ERGO Life Insurance SE, i.e. in all three countries in aggregate. (As at 31 December 2010, provision for claims amounted: ERGO ELUKINDLUSTUSE AKTSIASELTS of 530,662 Lit, Ergo Latvija dzīvība apdrošināšanas of 3,876,183 Lit, AB ERGO LIETUVA Gyvybės Draudimas of 4,054,915 Lit). The results show that the technical provision for outstanding claims formed as at 31 December 2010 was adequate.

| Insurance type | Share | Provision for claims 31 12 2010 (3) | Provision for claims 31 12 2011, related to events occurred in prior years, Lt (4) | Claims paid in 2011 related to events occurred in prior years, Lt (5) | Difference (3)-(4)-(5) |
|---|------------------------|---|---|--|---------------------------|
| Health insurance | Total provision | 4,587,771 | 246,607 | 2,459,177 | 1,881,987 |
| | ELI share | 4,587,771 | 175,304 | 3,272,386 | 1,140,081 |
| Accidents insurance | Total provision | 699,902 | 104,994 | 358,302 | 236,606 |
| | ELI share | 694,092 | 84,580 | 358,302 | 251,210 |
| Life insurance related to investment funds | Total provision | 481,828 | 3,877 | 296,606, | 181,345 |
| | ELI share | 198,319 | 3,877 | 84,654 * | 109,788 |
| Life insurance | Total provision | 3,133,579 | 2,025,461 | 1,168,879 | (60,761) |
| | ELI share | 2,981,578 | 1,924,450 | 991,316 | 65,812 |
| Total | Total provision | 8,903,080 | 2,380,939 | 4,282,964 | 2,239,177 |
| | ELI share | 8,461,760 | 2,188,211 | 4,706,658 | 1,566,891 |

* Part of the claim paid by Hannover Re, amounting to 61,590.15 EUR, is included in Other Technical Income.

Adequacy of the technical provision for outstanding claims of the direct insurance is checked by comparing the technical provision for outstanding claims as at 31 December 2010 (which consists of the provisions for reported but not paid yet claims, incurred but not paid yet claims, settled but not paid yet claims and for the costs related to claim settlement) to the claims incurred last and in previous financial years but paid in the current financial year as well as to the technical provision for outstanding claims as at 31 December 2011 for claims incurred last and in previous financial years.

The difference between these two amounts being analysed is positive for all insurance types, therefore the outstanding claims technical provision as at 31 December 2010 of the direct insurance was adequate.

Technical provision for rebates

Technical provision for rebates at the end of the period amounted to 14.79 million Lit. The total amount relates to rebate of insurance premiums (participation in profit).

Technical provision for rebates was increased not taking into consideration the surplus of the mathematical technical provisions compared to the opening technical provisions. That was influenced by the aging of the available portfolio of liabilities.

Other technical provisions

The unexpired risk technical provision is made having determined deficiency of health insurance premiums. The amount of unexpired risk technical provision at the end of the accounting period was 148 thousand Lit.

Note 17. Other liabilities (Litas)

| Creditors | Amounts payable | | |
|---|-------------------|---|--------------|
| | Within 1 year | In one year but not later than within 5 years | In five year |
| Subordinated liabilities | | | |
| Reinsurers' deposits | 465,066 | | |
| Insurance related liabilities: | 8,567,711 | | |
| liabilities to the insured: | 6,475,163 | | |
| subsidiaries | | | |
| associates | | | |
| other | 6,475,163 | | |
| liabilities to intermediaries: | 2,092,548 | | |
| subsidiaries | | | |
| associates | | | |
| other | 2,092,548 | | |
| other insurance related liabilities: | | | |
| subsidiaries | | | |
| associates | | | |
| other | | | |
| Liabilities of inward and outward reinsurance activities: | 10,249,303 | | |
| liabilities to the reinsured: | | | |
| subsidiaries | | | |
| associated companies | | | |
| other | | | |
| liabilities to reinsurers: | 10,249,303 | | |
| subsidiaries | | | |
| associates | | | |
| other | 10,249,303 | | |
| liabilities to intermediaries: | | | |
| subsidiaries | | | |
| associates | | | |
| other | | | |
| Other liabilities of inward and outward reinsurance activities: | | | |
| subsidiaries | | | |
| associates | | | |
| other | | | |
| Issued debt securities, converted debts to be specified separately | | | |
| Debts to credit institutions: | | | |
| subsidiaries | | | |
| associates | | | |
| other | | | |
| Taxes, compulsory social security contributions and other liabilities: | 5,954,263 | | |
| taxes | 1,534,992 | | |
| compulsory social security contributions | 134,748 | | |
| salaries | 121,935 | | |
| subsidiaries | | | |
| associates | | | |
| other | 4,162,588 | | |
| Total | 25,236,343 | | |

Note 18. Related parties (Litas)

Related parties include shareholders and associated companies, related to the shareholders, employees and their family members, as well as companies which directly or indirectly through one or more mediators control the Company or are controlled by the Company separately or together with mediators, if the specified relations enable one of the parties to control or significantly influence financial and operating decisions of another company.

The Company's transactions with the related parties during the year:

- Munich Re (the main shareholder of the group)
- ERGO International AG (the direct shareholder of the Company)
- UADB ERGO Lietuva
- ERGO Latvija AAS
- ERGO International Services GmbH
- ERGO Kindlustus AS
- ERGO Funds AS
- Ergo Invest SIA

Information about related party transactions is presented as follows:

| Type of transaction | Financial year | Previous financial year |
|------------------------------------|------------------|-------------------------|
| Costs | | |
| Reinsurance premiums | 2,943,529 | 1,011,427 |
| Assumed reinsurance claims | 0 | 0 |
| Assumed reinsurance commission | 0 | 43,929 |
| Pension funds' management services | 363,535 | 294,430 |
| Interest for loan | 0 | 85,778 |
| Rent services | 940,470 | 539,996 |
| Other services | 1,581,189 | 143,508 |
| Total | 5,828,723 | 2,119,068 |
| Income | | |
| Assumed reinsurance premiums | 0 | 0 |
| Reinsurance claims | 208,006 | 51,626 |
| Reinsurance commission | 1,378,161 | 433,864 |
| Other services | 19,386 | 0 |
| Dividends | 592,155 | 0 |
| Rent services | 25,475 | 0 |
| Total | 2,223,183 | 485,490 |

Outstanding claims of related parties are specified as follows:

| Company | Financial year | Previous financial year |
|--|------------------|-------------------------|
| Amount receivable from the Parent company | 0 | 0 |
| Amounts receivables from other related parties | 2,191,562 | 639,144 |
| Total | 2,191,562 | 639,144 |
| Amount payable to the Parent company | 79,324 | 80,091 |
| Amounts payable to other related parties | 1,121,430 | 579,334 |
| Total | 1,200,754 | 659,425 |

In 2011, the Company had a reinsurance contract concluded with the companies Munchener Ruckversicherungs-Gesellschaft, ERGO Latvija AAS, ERGO Kindlustus AS, rented premises from UADB ERGO Lietuva, sold health insurance to UADB ERGO Lietuva and purchased vehicle fleet and telecommunication maintenance services from Ergo Invest SIA.

The Company holds 44.25% of shares of the company ERGO Funds AS. Management of the investment portfolio of the pension accumulation activities has been delegated to the company.

The company ERGO International Services GmbH sells licenses of the accounting software SAP to the Company.

Information regarding financial relations with management of the Company is disclosed in Note 20. The Company had no liabilities to management of the Company at the end of 2011.

Note 19. Accrued costs and deferred income and other liabilities (Litas)

| Items | Financial year | Previous financial year |
|---|------------------|-------------------------|
| Accrued vacation reserve | 436,236 | 347,169 |
| Accrued commission for intermediaries | 842,715 | 607,163 |
| Accrued salary costs | 1,096,122 | 331,132 |
| Liabilities related to maintenance of software | 133,758 | 92,931 |
| Audit services | 73,742 | 82,335 |
| Liabilities to the Insurance Supervisory Commission (as of 1 January 2012 to the Bank of Lithuania) | 247,990 | 62,191 |
| Accrued voluntary health insurance costs | 51,814 | 52,146 |
| Other accrued costs | 296,945 | 10,000 |
| Other liabilities | 983,266 | 371,651 |
| Total | 4,162,588 | 1,956,718 |

Note 20. Financial relations with the management (Litas)

| Items | Financial year | Previous financial year | Balance at the end of the financial year |
|--|----------------|-------------------------|--|
| Annual amounts related to labour relations and redundancy payments to management | 402,711 | 849,384 | |
| Loans issued by the Company | | | |
| Loans repaid by the Company | | | |
| Loans received | | | |
| Assets given free of charge and gifts | | | |
| Guarantees issued on behalf of the Company | | | |
| Other significant amounts calculated during the year | | | |
| Other significant commitments to the Company | | | |
| Assets sold | | | |
| Average number of management | 2* | 3* | |

*Management – 2 Board members:
Managing Director
Deputy Managing Director

Note 21. Life insurance premiums written and result of reinsurance activities (Litas)

| Items | Premiums written |
|--------------|-------------------|
| Insurance | 86,206,290 |
| Reinsurance | |
| Total | 86,206,290 |

| Items | Premiums written |
|---|------------------|
| As to individual contracts | 78,828,108 |
| As to group contracts | 7,378,182 |
| Single time premiums | 6,414,833 |
| Regular (partial) premiums | 79,791,457 |
| As to contracts without participation in profits | 2,968,400 |
| As to contracts with participation in profits | 75,025,040 |
| As to contracts when investment risk is related to the policyholder | 8,212,850 |

| Country in which insurance policy was signed | Premiums written |
|--|-------------------|
| Republic of Lithuania | 56,488,240 |
| Other member states of the European Union | 29,718,050 |
| Foreign countries | 0 |
| Total | 86,206,290 |
| Result of reinsurance activities | (1,628,843)* |

*Comment: The reinsurance activity result is calculated having estimated the change in the reinsurer's share in the technical provision. It is calculated as follows: the change in the reinsurer's share of the unearned premiums technical provision is added to life reinsurance premiums less the reinsurer's share of the claims paid for insurance events and the reinsurer's share of the change in outstanding claims technical provision, the reinsurer's share of the life insurance mathematical provision, the reinsurance commission and part of the reinsurer's profit as well as other technical income from reinsurance.

Note 22. Non-life insurance results (Litas)

| Items | Premiums written | Premiums earned | Claims incurred | Operating expenses | Reinsurance result |
|---------------------|-------------------|-------------------|-------------------|--------------------|--------------------|
| Insurance | 46,495,274 | 45,185,879 | 31,844,534 | 9,164,291 | (3,777,313) |
| Assumed reinsurance | | | | | |
| Total | 46,495,274 | 45,185,879 | 31,844,534 | 9,164,291 | (3,777,313) |

| Items | Premiums written | Premiums earned | Claims incurred | Operating expenses | Reinsurance result |
|---------------------------|-------------------|-------------------|-------------------|--------------------|--------------------|
| Civil liability insurance | | | | | |
| Health insurance | 46,495,274 | 45,185,879 | 31,844,534 | 9,164,291 | (3,777,313) |
| Accidents insurance | | | | | |
| Total | 46,495,274 | 45,185,879 | 31,844,534 | 9,164,291 | (3,777,313) |

| Country in which insurance policy was signed | Premiums written |
|--|-------------------|
| Republic of Lithuania | 8,234,178 |
| Other member states of the European Union | 38,261,096 |
| Foreign countries | |
| Total | 46,495,274 |

Note 23. Segments (Litas)

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. An operating segment's operating results are reviewed regularly by management of the Company to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to management include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Information about geographical segments is provided in the financial statements. After merger of the companies on 3 January 2011, the Company has three segments identified: Lithuania, Latvia and Estonia. No segments were identified in the previous financial year, as the Company performed its activities only in Lithuania.

| Items | Lithuania | Latvia | Estonia | Total |
|---|---------------------|--------------------|--------------------|---------------------|
| Earned premiums net of reinsurers' share (non-life insurance) | 7,979,392 | 18,603,239 | 0 | 26,582,631 |
| Earned premiums net of reinsurers' share (life insurance) | 55,223,161 | 16,645,629 | 16,092,271 | 87,961,061 |
| Insurance claim, net of reinsurers' share, expenses (non-life insurance) | (6,853,140) | (13,328,011) | 0 | (20,181,151) |
| Insurance claim, net of reinsurers' share, expenses (life insurance) | (20,106,293) | (6,416,391) | (7,112,223) | (33,634,907) |
| Change in other technical provisions, net of reinsurers' share, not shown under other | (26,880,054) | (4,650,306) | (10,007,285) | (41,537,645) |
| Returned (returnable) insurance premiums (profit participation), net of reinsurers' share | (1,621,933) | (857,502) | (395,155) | (2,874,590) |
| Net operating expenses | (14,731,039) | (6,955,904) | (2,950,754) | (24,637,697) |
| <i>Including: depreciation and amortization costs</i> | <i>(295,548)</i> | <i>(443,903)</i> | <i>(6,161)</i> | <i>(745,612)</i> |
| Investing income | 16,489,363 | 4,030,413 | 4,227,242 | 24,747,018 |
| Profit from investment when the investment risk is borne by the insured | 0 | 0 | 0 | 0 |
| Investment expenses | (4,299,097) | (760,608) | (793,544) | (5,853,249) |
| Loss on investment when the investment risk is borne by the insured | (3,565,673) | (1,299,420) | 0 | (4,865,093) |
| Other technical income, net of reinsurers' share | 1,709,561 | 100,023 | 0 | 1,809,584 |
| Other technical expenses, net of reinsurers' share | 0 | (18,622) | 0 | (18,622) |
| Other income | 10,692 | 505,690 | 158,230 | 674,612 |
| Other expenses | (187,604) | (489,580) | (77,451) | (754,635) |
| Current year result – profit (loss) before taxation | 3,167,336 | 5,108,650 | (858,669) | 7,417,317 |
| Profit tax | 0 | (730,876) | 0 | (730,876) |
| Current year result – profit (loss) | 3,167,336 | 4,377,774 | (858,669) | 6,686,441 |

| Items | Lithuania | Latvia | Estonia | Total |
|---|--------------------|--------------------|--------------------|--------------------|
| Assets | 394,535,861 | 134,758,181 | 121,406,425 | 650,700,467 |
| Liabilities | 359,434,333 | 100,439,786 | 105,842,217 | 565,716,336 |
| Including: | | | | |
| <i>Technical provisions</i> | <i>336,746,121</i> | <i>76,841,338</i> | <i>104,354,025</i> | <i>517,941,484</i> |
| <i>Other technical provision for life insurance</i> | <i>13,416,716</i> | <i>9,121,793</i> | <i>0</i> | <i>22,538,509</i> |
| <i>Other liabilities</i> | <i>9,271,496</i> | <i>14,476,655</i> | <i>1,488,192</i> | <i>25,236,343</i> |

Note 24. Net operating expenses (Litas)

| Net operating expenses | Financial year | Previous financial year |
|---|-------------------|-------------------------|
| Total acquisition costs: | 11,498,195 | 4,749,806 |
| Commission acquisitions costs | 11,485,370 | 4,692,955 |
| Commission for products of other companies | 12,825 | 56,851 |
| Total staff costs: | 11,267,528 | 5,184,927 |
| Remuneration costs | 11,011,983 | 5,119,115 |
| Other staff costs | 255,545 | 65,812 |
| Pension accumulation costs | 736,660 | 980,055 |
| Maintenance costs of premises and office | 1,701,655 | 811,334 |
| Change in deferred acquisition costs | 706,185 | 683,461 |
| Reinsurance commission and profit share of reinsurers | (4,300,348) | (433,864) |
| Other | 3,027,822 | 2,195,521 |
| Total | 24,637,697 | 14,171,240 |
| <i>Including:</i> | | |
| Non-life insurance | 6,001,739 | 1,403,347 |
| Life insurance | 18,635,958 | 12,767,893 |
| Total | 24,637,697 | 14,171,240 |

Note 25. Income and expenses of pension accumulation activity (Litas)

| Income and costs of pension accumulation activity | Financial year | Previous financial year |
|---|------------------|-------------------------|
| Total income from pension accumulation activity: | 1,446,314 | 1,231,886 |
| Fee for management of pension funds | 1,438,688 | 1,221,646 |
| Other income | 7,626 | 10,240 |
| Total expenses of pension accumulation activity: | 736,660 | 980,055 |
| Fee for depository services | 78,638 | 62,279 |
| Costs of drawing up of pension accumulation contracts | 116,120 | 351,823 |
| Advertising | 20,597 | 17,694 |
| Administration costs | 363,535 | 294,430 |
| Other costs | 157,770 | 253,829 |

Note 26. Commission (Litas)

| Types of commission | Financial year | Previous financial year |
|----------------------------------|-------------------|-------------------------|
| Insurance activity commission: | 11,485,370 | 4,692,955 |
| acquisition commission | 11,485,370 | 4,692,955 |
| agreement renewal commission | | |
| premium collection commission | | |
| portfolio management commission | | |
| other commission | | |
| Reinsurance activity commission: | 0 | 43,929 |
| acquisition commission | 0 | 43,929 |
| agreement renewal commission | | |
| premium collection commission | | |
| portfolio management commission | | |
| other commission | | |
| Total | 11,485,370 | 4,736,884 |

Note 27. Payroll costs (Litas)

| Items | Financial year | Previous financial year |
|-------------------------------|-------------------|-------------------------|
| Administration: | | |
| Remuneration | 7,157,199 | 2,819,415 |
| Social security contributions | 1,988,369 | 869,843 |
| Salesmen: | | |
| Variable part of remuneration | 17,661 | 18,618 |
| Fixed part of remuneration | 1,440,235 | 1,073,799 |
| Social security contributions | 408,519 | 337,440 |
| Total | 11,011,983 | 5,119,115 |

The Company incurred remuneration costs of 8,615,095 Litas and paid social insurance contributions of 2,396,888 Litas. In Lithuania, remuneration costs of employees amounted to 3,789,460 Litas and social insurance contributions paid amounted to 1,170,327 Litas. In Estonia, remuneration costs of employees amounted to 680,721 Litas and social insurance contributions paid amounted to 230,865 Litas. In Latvia, remuneration costs of employees amounted to 4,144,914 Litas and social insurance contributions paid amounted to 995,696 Litas. The amount of persons employed in the Company as at 31 December 2011 amounted to 218, including administrative staff of 76 persons and 25 sales persons in Lithuania, administrative staff of 10 persons in Estonia and administrative staff of 52 persons and 56 sales persons in Latvia.

Note 28. Result of investing activities (Litas)

| Items | Financial year | Previous financial year |
|--|-------------------|-------------------------|
| <i>Income from investing activity</i> | | |
| Interest | 1,412,135 | 67,724 |
| Interest for securities | 21,246,237 | 12,742,871 |
| Increase in value of securities | 1,497,772 | 580,386 |
| Profit from disposal of investment | 546,186 | 480,710 |
| Income from rent of non-current assets | 44,688 | 0 |
| Total | 24,747,018 | 13,871,691 |
| <i>Costs of investing activities</i> | | |
| Costs of investment management | 1,074,103 | 877,830 |
| Decrease in value of securities | 3,706,631 | 2,679,548 |
| Loss from disposal of investment | 1,072,515 | 148,442 |
| Total | 5,853,249 | 3,705,820 |

Note 29. Income and costs from financial activity (Litas)

Income from financial activity includes income of 137,680 Litas related to currency exchange rate (income for 2010 related to currency exchange rate amounted to 12,936 Litas).

Note 30. Corporate income tax (Litas)

| Items | Financial year | Previous financial year |
|--------------------------|----------------|-------------------------|
| Financial year | 730,876 | 0 |
| Change in deferred taxes | 0 | 0 |
| Total | 730,876 | 0 |

Reconciliation of the profit (loss) before taxes of the financial year with the taxable profit (loss) of the same period:

| Items | Lithuania | Latvia | Estonia | Financial year, total |
|---|--------------------|------------------|-----------|-----------------------|
| Current year profit (loss) before taxes | 3,167,336 | 5,108,650 | (858,669) | 7,417,317 |
| Differences | (2,536,330) | (236,143) | | (2,772,473) |
| Amount of doubtful debts | 30,000 | (35,430) | | (5,430) |
| Other non-deductible expenses | 4,485,482 | | | 4,485,482 |
| Non-deductible expenses related to non-taxable income | 63,225,110 | 544,805 | | 63,769,915 |
| Income from investment and other non-taxable income | (16,419,698) | (745,518) | | (17,165,216) |
| Life insurance premiums | (53,857,224) | | | (53,857,224) |
| Taxable profit (loss) of the accounting year | 631,006 | 4,872,507 | 0 | 5,503,513 |
| Increased (decreased) by the amount of operating losses of the previous years | (631,006) | 0 | | (631,006) |
| Current year income tax | 0 | 730,876 | 0 | 730,876 |

Reconciliation of the profit (loss) before taxes of the previous year with the taxable profit (loss) of the same period

| Items | Previous financial year |
|---|-------------------------|
| Current year profit (loss) before taxes | (3,804,042) |
| Differences | 3,110,382 |
| Amount of doubtful debts | 60,000 |
| Other non-deductible expenses | 6,863,803 |
| Non-deductible expenses related to non-taxable income | 58,085,394 |
| Income from investment and other non-taxable income | (14,577,415) |
| Life insurance premiums | (47,321,400) |
| Taxable profit (loss) of the accounting year | (693,660) |
| Increased (decreased) by the amount of operating losses of the previous years | 693,660 |
| Current year income tax | 0 |

2011, the tax loss accumulated in the Republic of Lithuania carried forward amounted to 116,238,164 Lit. Tax losses can be carried forward for unlimited period of time if activities of the Company do not change.

Deferred tax

The Company has a deferred tax asset amounting to approximately 17 million Lit. The Company did not recognize the deferred tax asset as there is an uncertainty if adequate taxable profits will be available in future.

Note 31. Earnings per share

Basic earnings per share were calculated dividing the net profit of the Company of 2006 of 2,553,391 Litas, 2007 of 138,876 Litas and a loss of 2008 of 2,648,153 Litas by number of shares of 6,000. The net profit of 2009 is divided by number of shares of 7,500, and in 2010 a loss of 3,804,042 Litas is divided by number of shares of 7,500. The profit of 2011 of 6,619,169 Litas is divided by number of shares of 15,124.

Earnings per share:

2006 – 425.57 Litas per share

2007 – 23.15 Litas per share

2008 – (441.36) Litas per share

2009 – 0.13 Litas per share

2010 – (507.21) Litas per share

2011 – 438.66 Litas per share

Note 32. Regulatory compliance

The Insurance Supervisory Commission of the Republic of Lithuania requires that insurance companies maintained minimum solvency reserves (amount in Litas), which should be not less than the determined solvency minimum of 35,888,306 Litas (as at 31 December 2010: 18,396,667 Litas) and the guarantee fund should not be smaller than the minimum guarantee fund. Currently, the minimum guarantee fund required is of 12,084,800 Litas (3.5 million EUR). As at 31 December 2011 and 2010, the Company's actual solvency reserve was 70,431,614 Litas and 23,517,826 Litas, respectively.

Solvency reserve of the Company

| Items | Financial year | Previous financial year |
|--|-------------------|-------------------------|
| <i>Amounts increasing solvency reserve:</i> | 84,916,859 | 31,934,191 |
| Paid in authorized capital | 15,124,000 | 7,500,000 |
| Share premium | 52,238,411 | 15,499,487 |
| Legal reserve | 1,221,477 | 600,000 |
| Other reserves | 1,000,000 | 1,000,000 |
| Retained profit (loss) | 15,332,971 | 7,334,704 |
| Subordinated loan | 0 | 0 |
| <i>Amounts decreasing solvency reserve:</i> | 14,485,245 | 8,416,365 |
| Intangible assets | 1,557,181 | 497,952 |
| Deferred costs | 12,885,253 | 7,870,800 |
| Overdue debtors liabilities | 0 | 0 |
| Contingent liabilities | 42,811 | 47,613 |
| Actual solvency reserve | 70,431,614 | 23,517,826 |
| Guarantee fund | 12,084,800 | 12,084,800 |

Compulsory solvency reserve for non-life insurance

| Items | Financial year | Previous financial year |
|--|-------------------|-------------------------|
| Premiums ratio (1) | 8,151,654 | 1,342,555 |
| Claims ratio (2) | 11,489,904 | 3,274,749 |
| Reinsurance ratio (3) | 1 | 1 |
| Compulsory solvency reserve [max {(1),(2)}]*(3) | 11,489,904 | 3,274,749 |
| Compulsory solvency reserve after adjustment | 11,489,904 | 3,274,749 |

Compulsory solvency reserve for life insurance

| Items | Financial year | Previous financial year |
|--|-------------------|-------------------------|
| Insurance technical provision ratio | 19,273,805 | 11,582,437 |
| Technical risk ratio | 1,845,964 | 1,357,229 |
| Supplementary insurance ratio | 1,084,828 | 599,832 |
| Tontine ratio | 0 | 0 |
| Investment insurance ratio | 1,451,157 | 1,338,908 |
| Pension accumulation activity ratio | 184,165 | 243,512 |
| Compulsory solvency reserve (life insurance activity) | 23,839,919 | 15,121,918 |

As at the balance sheet date, the Company complied with requirements for the solvency and investment directions applicable to insurance companies operating in the Republic of Lithuania.

Note 33. Off-balance sheet liabilities

| Row No. | Liability | Liability occurrence date | End of liability term | Amount as at the end of the accounting period, Litas | Amount as at the beginning of the accounting period, Litas |
|---------|--|---------------------------|-----------------------|--|--|
| I. | Guarantees and warranties granted | | | 0 | 0 |
| II. | Assets of the clients managed | | | 126,640,467 | 116,243,535 |
| II.1 | Pension fund ERGO Balans | | | 87,709,591 | 80,879,212 |
| II.2 | Pension fund ERGO Konservatyvūs | | | 38,930,876 | 35,364,323 |
| III. | Other contingent liabilities | | | 42,811 | 47,613 |

Note 34. Possible future liabilities and commitments

As at 31 December 2011, the Company was not involved in any legal procedures which, in opinion of Management, could significantly influence on the financial statements.

Note 35. Exchange of goods and services

In the financial and previous years, the Company had no transactions related to exchange of goods and services.

Note 36. Information about correction of errors

There were no corrections of errors either in the financial year or in the previous year.

Note 37. Restatement of figures of the merged companies

Due to different requirements of Business Accounting Standards of the Republic of Latvia, the Republic of Estonia and the Republic of Lithuania, differences of the accounting changes occurred in the accounting of premiums written, technical provisions, deferred acquisition costs and investment. The companies ERGO ELUKINDLUSTUSE AKTSIASELTS and Ergo Latvija dzīvība apdrošināšanas akciju sabiedrība, as branches of ERGO Life Insurance SE, as of 3 January 2011 changed their accounting in accordance with Business Accounting Standards (BAS) of the Republic of Lithuania and other legal acts regulating financial reporting in the Republic of Lithuania as well as Resolution No. N-7 and all its amendments issued by the Insurance Supervisory Commission of the Republic of Lithuania of 3 February 2004.

Effect of the restatement of figures of the merged companies per country is specified in the table below:

| Items | Technical provisions | Deferred acquisition costs | Effect of the restatement of figures of the merged companies |
|--|----------------------|----------------------------|--|
| Before restatement of figures of the merged companies as at 31 12 2010 | (504,104,805) | 8,604,875 | (496,929,724) |
| Estonia | (5,675,127) | 2,340,378 | (3,334,749) |
| Latvia | (1,564,927) | 2,090,784 | 525,857 |
| Lithuania | 0 | 0 | 0 |
| After the restatement of figures of the merged companies as at 03 01 2011 | (511,344,859) | 13,036,037 | (498,308,821) |
| Effect of the restatement of figures of the merged companies as at 03 01 2011 | (7,240,054) | 4,431,162 | (2,808,892) |

Note 38. Post-balance sheet events

As at the date of the financial statements for the year 2011, there were no material post-balance events which, as to Management, would have effect on these financial statements.

| | | |
|---------------------------------|--|---|
| Head of the insurance company |  20.12.2013 (signature, date) | Dr Kestutis Bagdonavičius (first and last names) |
| Chief financier (accountant) |  2012-03-19 (signature, date) | Jūratė Muckienė (first and last names) |
| Chief actuary |  2012-03-19 (signature, date) | Dr Gintaras Bakštys (first and last names) |

Annual report for the year 2011

Dear Clients,

We sincerely appreciate your trust placed in us and loyalty – it is the most powerful incentive to find solutions to improve service quality, efficiency and strive to surpass your expectations.

The year 2011 was dynamic; however, the ERGO insurance group successfully followed its direction. Consistent, prudent and balanced policy of risk assumption, focus on optimization of prices and development of insurance products enabled ERGO to reach for the goals set. The fact that the Company's strategy served its purpose is reflected by successful financial outcomes. Insurance premiums signed by ERGO Life Insurance SE during the reporting year amounted to 132.7 million – about 7 per cent more than in 2010. Operating result of the European Company was a profit of 6.6 million Lit.

At the end of 2011, ERGO Life Insurance SE occupied 9.36 per cent of the Lithuanian life insurance market; meanwhile in 2010 the share in the market comprised 8.41 per cent. According to statistics of the Insurance Supervisory Commission, term life insurance premiums written by ERGO Life Insurance SE in Lithuania in 2011, if compared to 2010, went up by 364.66 per cent, while this line of insurance in the Lithuanian life insurance market went up by 22.89 per cent. Life insurance, related to the investment funds, in ERGO Life Insurance SE in Lithuania went up by 66.85 per cent, while the market growth was of 3.31 per cent. In 2011, more premiums were written in the following insurance lines of ERGO Life Insurance SE in Lithuania: survival insurance (5.99 per cent), annuities (31.3 proc.). The overall growth of insurance premiums written in ERGO Life Insurance SE in Lithuania was at 15.75 per cent, while the total Lithuanian life insurance market went up by 3.93 per cent.

The investment activity result of ERGO Life Insurance SE at the end of 2011 was a profit of 18 894 Lit.

The stable result was achieved by applying conservative investment policy during the reporting year. ERGO Life Insurance SE managed to achieve better performance efficiency: administrative costs ratio in 2010 was of 6.7 per cent, while in 2011 it was of 6.2 per cent.

ERGO mainly focuses on fulfilment of obligations to its clients, i.e. timely payment of claims. The available solvency reserve of ERGO Life Insurance SE in 2011 amounted to 70,432 million Lit, which exceeded the compulsory solvency reserve nearly twice. Payments and redeemable amounts of ERGO Life Insurance SE in 2011 amounted to 63.34 million Lit.

ERGO mainly focuses on fulfilment of obligations to its clients, i.e. timely payment of claims. The available solvency reserve of ERGO Life Insurance SE in 2011 amounted to 70,432 million Lit – and that is nearly twice more than the compulsory solvency reserve established by the Lithuanian legislation.

Special attention is paid to risk management. In our activity we face the following risks: insurance risk, investment risk, claim reserve risk, solvency reserve risk. The Company manages its risks following the recommendations prepared by ERGO Group and the risk management strategy approved by the Company. Risk management strategy is presented in more detail in Section 2 of the Explanatory Notes, in the section 'Risk Management'. Furthermore, we carry out the market, insurance product, public opinion surveys on a yearly basis.

Having merged the three ERGO life insurance companies in the Baltics into one European Company, the authorised capital of ERGO Life Insurance SE amounted to 15,124,000 Lit. At the end of 2011, the share capital of the European Company consisted of 15,124 ordinary registered shares with a nominal value of 1,000 Lit. The Company has no own shares acquired. 67 per cent of shares is owned by the company ERGO International AG, situated in Germany, 33 per cent is owned by ERGO Kindlustuse AS. Shareholders of the Company did not change in 2011.

In 2012, we have plans to grow and strengthen our position in the market. The number of premiums written by ERGO Life Insurance SE is expected to grow approximately by 8 per cent, and we expect to maintain profitability at the same level. It is forecasted that in 2012 ERGO Life Insurance SE will occupy more than 8 per cent of the life insurance market in the Baltics. Besides, it is expected that the European Company in the health insurance line will occupy more than 25 per cent of the market in the Baltics.

In 2012, ERGO Life Insurance SE plans to improve risk management and continue preparation for implementation of the directive "Solvency II", which will establish new framework for company solvency assessment, methods for capital calculation and risk assessment, as well as extent of information about the companies to be made publicly available. Thus, every insurance company will have to review its risk management system, management structures, design of products offered and pricing system.

More investment opportunities to the clients

In 2011, ERGO Life Insurance SE provided more investment opportunities to the clients of investment life insurance in the line mentioned: in the reporting year, the Company started to offer 18 new investment areas. In 2011, clients were offered 3 areas of lower than average risk investment, 2 areas of average risk investment and one area of higher than average risk investment by ERGO Life Insurance SE. More investment areas will be offered to the clients who want high risk investment. During the reporting year, 12 new high risk investment areas were offered by ERGO Life Insurance SE. The total number of investment areas offered to investment life insurance clients by the Company amounted to 26.

Clients receive more surpluses

During the reporting period, ERGO Life Insurance SE deducted from its profit and allocated an amount of 1.32 million Lit. to the clients of accumulative life insurance, study insurance and pension insurance to additionally increase their amounts accumulated, and this amount is by 10 per cent more than in 2010. The contracts of the insurance products provide for guaranteed interest. In case of successful activity, additional means shall be calculated to the clients, i.e. surplus. In this way, profit, generated from investment, is divided between the Company and its clients.

Surplus has been paid to the clients by ERGO Life Insurance SE as of 1999. An amount of 1.8 million Lit. has been paid already, while an amount of 8.1 million Lit. has been reserved for existing contracts.

Innovative insurance initiatives

In 2011, the Company offered new insurance solutions, which allow the clients to create even greater security for themselves and their families.

ERGO Life Insurance SE has been further developing bank service insurance and strengthening partnership with DnB NORD Bank. ERGO Life Insurance SE and DnB NORD Bank became strategic partners even in 2010 – when two products were offered to the clients taking housing loans: mortgage investment life insurance and perspective investment life insurance. These products protect clients' relatives, in case of emergency, from financial liabilities burden.

During the reporting year, ERGO Life Insurance SE offered DnB NORD clients, taking consumer instant credits, the insurance security. Those who take consumer instant credits may insure their life and prevent themselves in case of incapacity for work. In case of insurance event, the insurance company, instead of their relatives, fulfils all the obligations of the insured to the bank.

The clients, having private health insurance, were offered innovations by ERGO Life Insurance SE. In case of serious illness, the clients may present information to the insurance company about the illness and receive conclusions from the team of the best European doctors about their state of health as well as the most effective treatment recommendations. The clients can also go to Germany and have direct consulting services. The possibility to receive conclusions and recommendations of the team of the best European doctors will be useful to the clients, as they will have an opportunity to try alternative treatments or, vice versa, make sure that they do not exist and they are doing everything possible. More than 70 best European professionals, working in 14 different medical fields, are engaged in the service. For investigation of a specific client's problem, 3-5 best professionals from an appropriate medical field will be selected each time.

ERGO Life Insurance SE in cooperation with the worldwide famous health insurance German company Almeda GmbH which belongs to the biggest health insurance company of private persons in Europe DKV Deutsche Krankenversicherung AG (DKV) started to offer this service to health insurance clients free of charge. This insurance is applied to all loyal voluntary health insurance clients of ERGO Life Insurance SE.

User-friendly client service network

ERGO gives special attention to creation of user-friendly client service network. During the reporting year, the ERGO insurance group had eight regional client service centres and five representative offices in Lithuania and four regional centres, ten branches and one sales point in Latvia. ERGO Life Insurance SE also has a representative office in Estonia. Only in Lithuania, the insurance group products are distributed by 94 independent insurance brokers and 568 dependent ones.

Well-balanced and competent staff

In 2011, UADB ERGO Lietuva and ERGO Life Insurance SE had 922 employees, the number of employees remained nearly the same as in 2010. The Company appreciates employees' loyalty; therefore, it constantly puts every effort in presenting attractive long-term offers, motivates them by providing additional social guarantees, by promoting and creating conditions for development and good performance of employees.

During the reporting year, continuous internal and external trainings were held, where employees of regional centres and head office as well as brokers were provided with an opportunity to raise qualification. The following training courses were mostly attended: "Negotiation Skills", "Decision Making and Problem Solving", "Peculiarities of Finance Management in Insurance Company: What an Insurer Must Know?", "How to Figure out and Motivate Different People according to DiSC Method?" and "Dance of Sales: Successful Process and Closing of a Deal". During these trainings over 320 employees successfully improved their knowledge. In 2011, internal trainings organized by ERGO were attended by over 300 brokers.

The lecturers notice that ERGO employees are exceptional because of high motivation for learning and developing. We are happy that our employees are active, seeking knowledge, brave and positive during the trainings.

During the reporting year, the ERGO insurance group in the Baltic States approved staff policy and strategy the purpose of which is to give more transparency to staff related matters, starting with detailed recruitment procedure, development, training policy and remuneration and finishing with regulation regarding identification of annual goals, classification of roles etc.

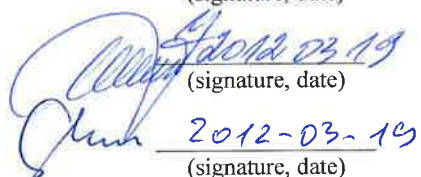
We sincerely appreciate your trust placed in us. The following values help us in reaching our goals and seeing sense in our trade name: E-Excellence, R-Results, G-Group spirit and O-Openness. Hopefully, these values will be of great assistance in our efficient and harmonious communication in the future.

Head of the insurance company


2012-03-19
(signature, date)

Dr Kęstutis Bagdonavičius
(first and last names)

Chief financier
(accountant)


2012-03-19
(signature, date)

Jūratė Muckienė
(first and last names)

Chief actuary

Dr Gintaras Bakštys
(first and last names)

Aruande elektroonilised kinnitused

ERGO Life Insurance SE Eesti filiaal (registrikood: 12025488) 01.01.2011 - 31.12.2011 majandusaasta aruande andmete õigsust on elektrooniliselt kinnitanud:

| Kinnitaja nimi | Kinnitaja roll | Kinnituse andmise aeg |
|------------------|----------------|-----------------------|
| Jelena Panfilova | Sisestaja | 02.07.2012 |

Müügitulu jaotus tegevusalade lõikes

| Tegevusala | EMTAK kood | Müügitulu (EUR) | Müügitulu % | Põhitegevusala |
|---------------|------------|-----------------|-------------|----------------|
| Elukindlustus | 65111 | 4714798 | 100.00% | Jah |

Sidevahendid

| Liik | Sisu |
|-----------------|-----------------|
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| Faks | +372 6106676 |
| E-posti aadress | infoelu@ergo.ee |