Annual Report 2002

Something's in the air.

SAMPO

Sampo

Sampo offers investment, savings and traditional banking services to retail, corporate and institutional customers. These services are provided through Sampo's web bank and phone bank, through its branch network in nearly 100 cities and towns in Finland, and through the eight Mandatum offices located in the major cities and focusing on private banking services. The branches help customers to plan their finances, while the web bank is the most common channel for routine banking transactions.

Sampo financial group was established at the outset of 2001 when Finland's leading insurance group, Sampo, and one of the leading banking groups, Leonia, joined forces. In February 2001, Mandatum, a specialist in private and investment banking, joined the Group. The Mandatum brand is still used for Sampo Group's private banking, asset management, investment banking and mutual funds. In early 2002, Sampo Group's property & casualty insurance companies were integrated as a part the Nordic P&C insurance group, If, with Sampo as its largest shareholder. Sampo Group has 1.2 million retail customers and 80,000 active corporate and institutional customers in Finland. Including Sampo's associated company, If, the number of customers in Finland rises to over 2 million. Although Sampo's operations are concentrated primarily in Finland, it has subsidiary banks in Estonia and Lithuania. Sampo provides life insurance services in the whole Baltic region and Poland.

Sampo's strategy:

The most customer-oriented and competent financial services group in Finland – in Europe's fastest growing investment and savings market

Sampo's goal is to be a long-term partner for its customers, not just to perform banking transactions or sell individual products. The longer the customers stay with Sampo, or the more they concentrate their financial affairs in Sampo, the bigger are the benefits they gain.

Sampo's business areas are long-term savings (pension and life insurance, asset management and mutual funds), retail, corporate and private banking, and investment banking. Sampo's goal is to be the leading Finnish company in these areas. There are good prospects for growth because Finns have both more reason and more opportunity to save than they did before. As the population grows older, there is increasing public discussion on the adequacy of pension security. This, combined with the current small amount of household savings in fund and life insurance products, makes Finland the fastest growing investment and savings market in Europe.

Essential to Sampo's strategy is the conviction that it need not do everything itself. Sampo's customers will get the best overall service when Sampo links up with strategic partners to provide those products or services it cannot effectively produce itself. These include the partnership with leading foreign asset managers in Sampo's funds, and the property & casualty insurance services which Sampo integrated into If, the biggest Nordic P&C group, at the beginning of 2002.

Efficiency is a key aspect of Sampo's operations. New banking technology has no intrinsic value, and gives no competitive edge. It is simply the means to provide customers with convenient, cost-efficient services. Sampo's real competitive edge comes from its expertise, good service and effective way to work.

Group Key Figures

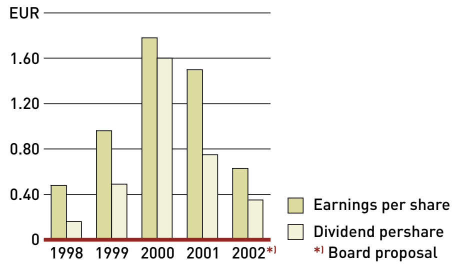
EUR m	2002	2001	Change,%
RESULTS			
Operating profit	542	1,104	–50.9
Banking	252	296	–14.9
Life insurance	86	79	8.9
Holding company	277	372	–25.5
Profit before extraordinary items	534	1,075	–50.3
Group profit for the accounting period	387	833	–53.5
VOLUME			
Mutual funds	3,858	2,675	44.2
Other AUM (excl. Group)	7,702	7,469	3.1
Life insurance savings	4,733	4,452	6.3
Deposits	9,230	9,062	1.9
Loans	12,490	13,597	–8.1
PER SHARE KEY FIGURES			
Earnings per share, EUR	0.63	1.50	–58.0
Net asset value per share, EUR *)	5.26	5.67	–7.2
Dividend per share, EUR **)	0.35	0.75	–53.3

*) Full tax liability deducted. **) Proposed dividend for 2002.

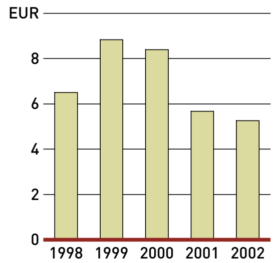
Internal dividends and sales profits between business areas have not been eliminated in analysing the results of banking and investment services or of insurance – in either the breakdowns or the key figures.

The above-mentioned items have been eliminated from the Group's operating profit. In addition, the profit/loss corresponding to the ownership share in the If Group has been added to/deducted from the operating profit. For this reason the Group,s operating profit is not the same as the sum of the operating profits of the business areas

Earnings and dividend per share



Net asset value per share



Sampo Financial Targets

Banking and investment services	Target	Performance 2002
RORAC	20–25%	19.2%
C/I -ratio	<0.55	0.64
Life insurance		
RONAV	12–15%	14.0%
Group target		
RONAV	15–19%	12.3%

RORAC = Net Operating Profit (taxes 29%) / Risk Allocated Capital (7% × Risk Weighted Assets)

C/I -ratio = total expenses / total income (fees and commissions net)

RONAV = Net Operating Profit (taxes 29%) / Net Asset Value

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Chief Executive Officer's Review

The Finnish economy has survived these uncertain times at the beginning of the new millennium quite well. As I have said on many occasions before, Finland has actually been a success story in this globalising world.

Ahead of us, however, lie even greater challenges in the form of the ageing of our population. Over the next ten years, an enormous number of Finns will retire. They will need health and care services to an extent that has never been experienced before, putting extreme pressure on our pension systems and public expenditure. At the same time, taxes should be lowered to maintain competitiveness.

Sampo's strategy is founded on the strong belief that Finns will significantly increase their saving. The year 2002 showed this strategy to be correct.

The only way to handle this situation without an outcome of major disappointment is to start preparing for the future. In other words, to save.

Statutory pension schemes are a good starting point, but they are not sufficient in themselves to prevent a significant drop in income after retirement. Additional voluntary pension savings will be needed to provide for a reasonable degree of financial freedom. Indeed, Finns seem to have noticed this. Compared with 2001, when 55,000 pension insurance policies were written in Finland, by 2002 the number had risen to 85, 000. Over the same period, the average pension insurance premium, i.e. the sum paid by an individual pension saver in one year, actually decreased. This is a result of the fact that in 2002 pension insurance started to become the preferred way of saving for the average Finn.

Planners of reforms to our tax systems should remember that savings and pension insurance are important means for those with small and medium incomes to prepare for the future. The tax benefits involved are necessary to provide the incentives and indeed the opportunity to save. No tax reform should aim only at short-term increases in revenue, because such changes may, in the worst case, significantly impair the growth prospects and savings ratio of the economy.

Sampo's strategy is founded on the strong belief that Finns will significantly increase their saving. The year 2002 showed this strategy to be correct.

In sales of new pension insurance policies Sampo made outstanding progress. During 2002 we concluded more than 20,000 new pension insurance contracts, compared with not quite 8,000 one year earlier. Our market share of new pension insurance policies rose to 23 per cent, up by 9 percentage points over the previous year.

In September Sampo became the largest fund management company in Finland.

In the mutual fund market we were just as successful. In September Sampo became the largest fund management company in Finland. Sampo's extraordinary rise in the fund business in 2002 resulted in 44 per cent of total net asset inflow to Finnish funds going into Sampo's and Mandatum's funds.

In the corporate customer segment we implemented our focusing strategy, and are now ready to strengthen our market position also among Finnish companies and institutional customers.

Sampo Bank already holds a nearly 40 per cent market share of corporate payment transactions and is a strong player in the supply of financing and cash management services. Sampo is the clear market leader in capital market services for corporate and institutional customers. Sampo's capital markets unit has long held the number one spot in its own area, while Mandatum dominates in investment banking services for Finnish companies. Sampo also sets the pace in the corporate life insurance market.

Of significance to shareholders is the fact that Sampo dramatically reduced its risk positions in 2002. We transferred our property & casualty insurance businesses to the If Group and sold the majority of the former Finnish Export Credit project and export financing receivables to Landesbank Schleswig-Holstein Girozentral (LB Kiel). Sampo was also able to report a reasonable, if not good, investment performance in difficult capital market conditions.

In many matters Sampo out-performed its competitors in 2002. This is a matter for some pride, especially when we remember the enormous changes the company faced in 2001. There is every reason, therefore, to thank Sampo's staff for their excellent work. Without you the progress made in 2002 in an extremely challenging environment would not have been possible.

In Helsinki
March 2003

Björn Wahlroos
Chief Executive Officer

Sampo Highlights 2002

January

Sampo became the largest owner of the If P&C Insurance Group with an ownership of 38.05 per cent. The Sampo Group's P&C insurance companies became part of If and were renamed. Sampo Insurance Company Ltd became If P&C Insurance Company Ltd and Sampo Industrial Insurance Company Ltd became If Industrial Insurance Ltd. As previously announced, in spite of the change of ownership both companies remained Finnish.

February

Sampo announced that it had adopted an open architecture in the management of its mutual fund portfolios. The leading international manager in the field is chosen for each mutual fund through a strict selection process.

Sampo published its results for 2001. The operating profit of the Sampo Group was EUR 1,286 million (1,628). The Group performed well in every business area. The decrease in operating profit was attributable to the impact of one-off equity sales profits and dividends in the reference year.

March

Rationalisation negotiations concerning the Sampo Group's administrative and support services were concluded. The number of staff working in Group administration and support services would be reduced by 489, and in Sampo's associated company If Finland-based staff with similar tasks would be reduced by 250. The main part of this reduction was implemented through support and pension arrangements, the outsourcing of certain functions, and through staff retraining for customer service and sales tasks.

April

Sampo sold export and project financing receivables with a capital value of EUR 1.3 billion, which represented the majority of its foreign long-term financing receivables, to Landesbank Schleswig-Holstein Girozentral (LB Kiel). This was linked to implementation of Sampo's strategy which was approved in 2001.

May

Mandatum Asset Management's hedge fund business and 3C Fund Management merged to form a new company, 3C Asset Management Ltd. In the initial phase Sampo owns 56 per cent of the new company, with the remaining 44 per cent owned by 3C's key personnel.

August

Sampo plc announced that it had acquired almost five per cent of the share capital of AS Sampo Pank from minority owners. As a result Sampo owns almost the entire share capital of AS Sampo Pank. Sampo Pank is the third largest bank in Estonia.

September

Sampo Institutional Liquidity Fund became the first Finnish mutual fund to exceed EUR 1 billion.

Campaigns launched during the spring - to encourage clients to discuss their banking requirements – are reflected in Sampo's market shares. Sampo Fund Management became Finland's largest fund management company measured in Finnish capital.

October

Amanda Capital Plc (formerly Finvest Plc) and Sampo Group combined their private equity fund management activities in Mandatum Private Equity Funds Ltd. The aim is to establish the leading private equity fund management organisation in the Nordic countries. Mandatum Private Equity Funds Ltd is a fully-owned subsidiary of Sampo plc.

November

New statistics showed that positive developments had also occurred in insurance savings: during the year Sampo Life's share of unit-linked policies in the retail segment rose by as much as 14.3 percentage points and was 25.6 per cent at the end of September.

December

Sampo became the first Finnish company to launch an absolute return fund also intended for retail investors. The name of the new fund is Eliksir.

Sampo plc's fully-owned subsidiaries, Sampo Business Properties Ltd and Mandatum Holding Ltd were merged into Sampo plc.

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Sampo Group

CEO – Björn Wahlroos

- **Chief Counsel** – Ilona Ervasti-Vaintola
- **Investor Relations** – Jarmo Salonen
- **Internal Audit** – Pentti Mattila
- **Communications** – Hannu Vuola

- **Financial Control and Corporate Development** – Peter Johansson
- **Treasury and Administration** – Patrick Lapveteläinen
  - Group Treasury – Martti Porkka
  - Human Resources – Harri Hietaranta
  - Proprietary Investments and Real Estate
- **Investment Banking** – Sten Eklundh
  - Corporate Finance – Juha Karttunen
  - Brokerage – Jaakko Niemelä
- **Banking and Distribution** – Mika Ihamuotila
  - Retail and Private Banking – Maarit Näkyvä
  - Corporate Banking – Ilkka Hallavo
- **Long-Term Savings**
  - Life Insurance – Petri Niemisvirta
  - Asset Management – Ari Aaltonen
  - Mutual Funds – Kimmo Laaksonen
- **Deputy CEO** – Kari Stadigh
  - **If P&C Insurance**

Banking **Retail Customers**

Sampo continued to work for its chosen strategy throughout 2002. Sampo Bank's goal is to be the most attractive partner for retail customers in savings and investment decisions.

The demand for Sampo's financial advice services increased rapidly and 60,000 customers booked an appointment to come to a branch office to discuss their financial plans. The new service approach has been well received by customers, and has helped the bank's retail customer network to sell a record number of mutual funds and life and pension insurance policies.

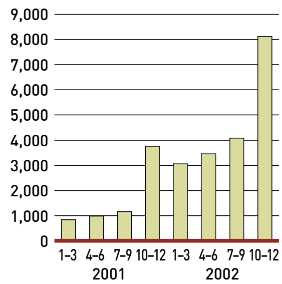
During 2002 the public image of Sampo as a bank and as an investment and savings expert became well-established, even though its strong image as a P&C insurance company slowed down the transition. Separating P&C insurance under the If brand will help to build a strong Sampo brand.

Sampo's banking operations will grow in the future by capitalising on changes in the savings and investment markets. Sampo's share in its target markets will grow through its active and professional sales efforts.

Looking at the customer's finances as a whole

Sampo's goal in 2002 was to raise its profile as an expert advisor for household financial planning, which serves the whole spectrum of retail customers. The work done at the branches has changed dramatically and the demand for advisory services has grown enormously. Sampo has responded by increasing the staff available for these services and by continuously investing in staff training.

Number of pension insurance contracts (retail customers)

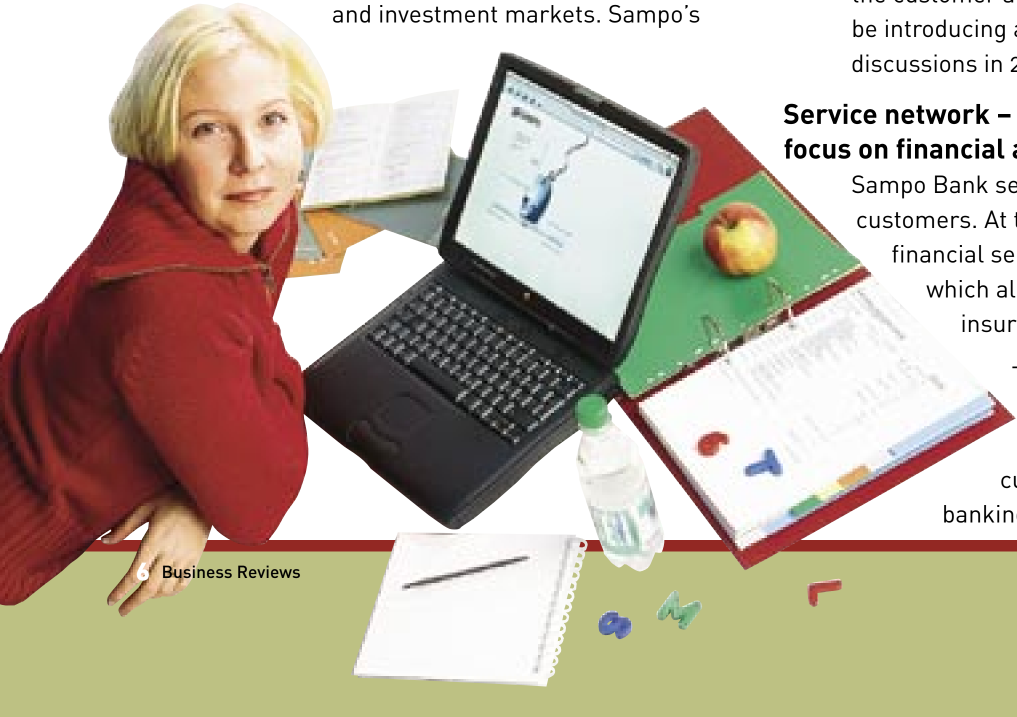


Sampo's new service approach aims to offer customers solutions that suit their lifestyle and savings, while helping them prepare for their future. Sampo offers customers the chance to discuss the whole range of financial matters – housing, preparing for retirement, increasing savings and investing, and preparing for unexpected expenses. In 2002, Sampo introduced its new service concept, "an hour with the customer", to characterise the discussions carried out between the customer and a Sampo's advisor. Sampo will be introducing a new web tool to support these discussions in 2003.

Service network – branches focus on financial advice

Sampo Bank serves over one million retail customers. At the end of 2002, Sampo offered financial services through 131 branches, 49 of which also offered the services of If P&C insurance company.

The increasing automation of banking services has significantly reduced the number of customers handling their daily banking transactions at the branches.



Only three per cent of all Sampo customers do their basic banking in the branches, aided by Sampo staff. As much as 70 per cent of daily customer contacts take place on the Internet. In 2002, Sampo increased the capacity of its web bank and improved its monitoring services.

Sampo out-sourced its web services development to Meridea Financial Software in 2001. Meridea will provide Sampo with new web banking software.

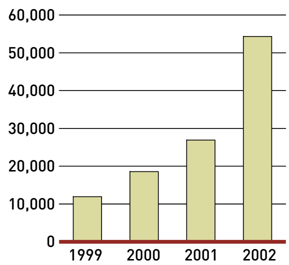
Sales were emphasised in Sampo's phone service during 2002. The phone service's sales contacts to customers increased significantly, and it also assisted the branches to attract new customers by arranging appointments. Sampo's phone service made nearly 500,000 contacts to new and current customers. An improvement was made in the spring when services were concentrated in the Oulu and Helsinki units and tasks were re-divided. The compatibility of web, branch and telephone services and their availability and usability will increase in the future.

Banking – demand for housing loans increased

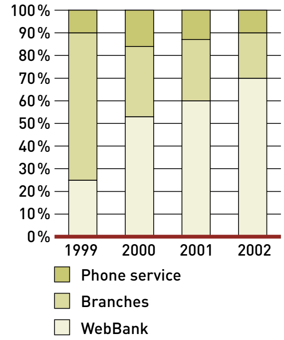
Due to low interest rates, the housing business was more lively than expected, with more new housing loans being granted than in the previous year. The low rates also made long-term fixed rates an attractive option. Despite this growth, not all targets were achieved, so Sampo will focus in 2003 on selling housing loans as part of overall family finance planning. In accordance with Sampo's new approach, the bank's housing loans are often linked to offers of more comprehensive management of the customer's finances through pension insurance and fund savings, for example. Sales of Sampo's own brand, "Premium Housing Finance", increased.

Sampo issued an improved selection of international payment cards. Customers were attracted both by the possibility to use cards abroad and by the increased purchasing power provided by the credit limit of Sampo's Eurocard and Visa credit cards. The use of credit and bank cards as a means of payment increased rapidly. Purchases made with these cards were up by over 15 per cent, while cash withdrawals made by Sampo's customers decreased by 11 per cent. In 2002, the total value of card purchases easily exceeded the total value of cash withdrawals at cash dispensers and branch offices.

Number of continuous fund savings agreements (retail customers)



Customer contacts in different service channels



The uncertain market situation created demand for the "Equity Deposit" product introduced by Sampo, which secures the customer's capital and yields a fixed rate of interest. In addition, the "Equity Deposit"offers the opportunity to make a good return as share prices rise.

Baltic region and Poland

Sampo has subsidiary banks in Estonia and Lithuania and life insurance companies in all three Baltic states and in Poland. Sampo also has a pension fund management company in Poland.

Retail customers were the main focus of Sampo's banking operations in the Baltic area in 2002. In Estonia, the number of retail customers was more than doubled to 60,000, while in Lithuania it rose to 4,500. Growth was particularly strong in home loans. With respect to corporate customers, growth was more moderate, with special attention being paid to customer selection and the management of credit risks. In Estonia, a strong position was also achieved in the management of new employee pension funds. By the end of the year, Sampo's market share had risen to 14.5 per cent.

Sampo's Baltic life insurance companies continued to increase their business rapidly. In Estonia and Latvia, premiums written were up by 100 per cent. In Lithuania, sales increased even more, and the number of customers doubled. Sampo now has about 15,000 insured customers in the Baltic countries. In Poland, premiums written increased by 17 per cent and the number of customers rose to 17,000. Assets invested in the Polish pension fund increased by 35 per cent. The pension fund has 440,000 customers.

Mandatum Private Bank

Mandatum Private Bank is a specialist in private wealth management. Its aim is to be the leading and most respected Finnish private bank. Mandatum Private Bank offers wealth management and banking services primarily to private individuals and to companies and institutions owned or controlled by them.

2002 was a challenging year for asset management. Uncertainty continued in both the fixed income and equity markets and there was increasing concern over economic growth in Europe. For this reason low-risk strategies were emphasised in investment portfolios. Absolute return strategies were introduced as a new, powerful theme in investment. Despite the difficult market, Mandatum Private Bank's assets and number of customers continued to develop positively. At year's end assets under management totalled nearly EUR 2 billion.

The wealth management services of Mandatum Private Bank include both discretionary and non-discretionary portfolio management. Each wealth management customer is appointed a relationship manager responsible for surveying his or her wealth management needs, preparing an investment plan and implementing the agreed actions. The relationship manager actively manages each customer's assets and banking affairs.

The values emphasised in Mandatum Private Bank's operations are ethicality, individuality and entrepreneurship. The bank's experts understand that successful wealth management is founded on trust, from which long-term customer relationships can grow.

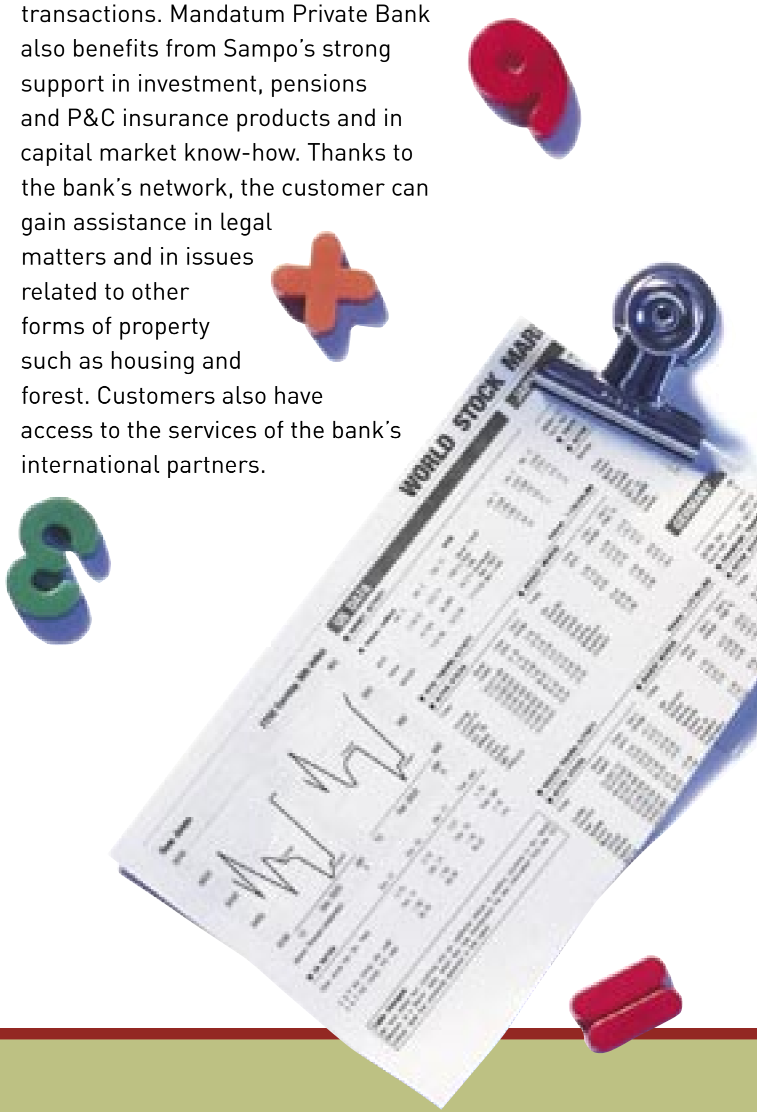
Close to the customer – access to a wide range of international services

At the end of the year under review, Mandatum Private Bank had branches in Helsinki, Jyväskylä, Kuopio, Lahti, Oulu, Turku, Tampere and Vaasa, and relationship managers in Espoo, Kouvola and Vantaa. The customers of Mandatum Private Bank are also served by the Mandatum Direct telephone bank and web bank. In 2002, the information systems of Mandatum Private Bank were integrated with Sampo Bank's systems. Thus, the customers of the private bank can benefit from all the services provided by Sampo Group.

In the spring of 2002, Mandatum Private Bank created a new Family Office for the purpose of managing the wealth of extended families and especially the assets of family-owned investment trusts and foundations. In addition to asset management, the Family Office also assists its customers in managing and monitoring other kinds of property.

Mandatum Private Bank also puts its wealth management expertise at the disposal of option holders. The services provided include the monitoring of options and the planning of when to sell or exercise them.

As part of Sampo Bank, Mandatum Private Bank can provide its customers with all basic banking services such as accounts, loans and payment transactions. Mandatum Private Bank also benefits from Sampo's strong support in investment, pensions and P&C insurance products and in capital market know-how. Thanks to the bank's network, the customer can gain assistance in legal matters and in issues related to other forms of property such as housing and forest. Customers also have access to the services of the bank's international partners.



Banking **Corporate Customers**

Sampo's services for corporate and institutional customers are tailored to meet individual customer needs. They are provided through a customer account manager system and feature the broadest selection of financial services in the market, including investment, payment transaction, cash management and financing services. The core services also include risk management and mergers & acquisitions services, as well as insurance and performance bonus systems for corporate executives and staff.

The more than 80,000 active corporate customers of Sampo Bank are served by over 250 customer account managers in 55 branches. Services for large corporate and institutional customers are provided through specialised units. The named customer account managers in these units co-operate closely with Group companies and with If P&C Insurance Company and Varma-Sampo. They also ensure that customers have access to all the services that suit their needs. The service mix is supplemented by call center units and electronic service channels.

The use of web services grew by almost 25 per cent in 2002. Almost 100 per cent of corporate payment transactions are performed electronically. Sampo's main emphasis now is in developing web service solutions that support customers' own web-related business. Examples include an identification service, E and T billing and web payment.

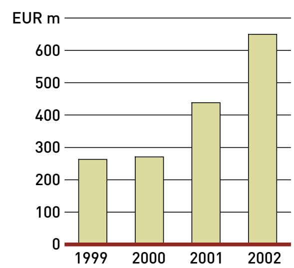
Sampo continuously trains its staff to better serve corporate and institutional customers. One of recent trainings has been an investment specialist programme, developed together with the Helsinki School of Economics, which is completed by all customer account officers.

Customer confidence visible in volume development

Sampo maintained a strong position in traditional banking products, particularly in customer cash management, deposits and payment transactions. Market shares in investment products continued to grow strongly. Corporate and institutional customers improved their cash management during the year by increasingly using mutual funds.

Sampo withdrew from new lending for export and project financing in 2001. In the spring of 2002, Sampo sold its export and project finance portfolio valued at EUR 1.3 billion. The focus has now shifted to lending for Finnish or Finland-based companies and institutions, and active growth is sought in these customer relationships. Despite the uncertain economic situation, credit losses have been minor.

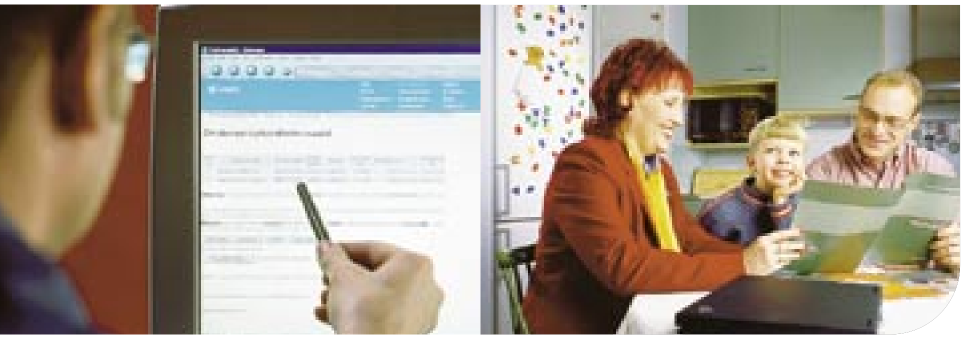
Sales of mutual funds by corporate branches



Financial services of a more comprehensive nature than traditional banking services are provided to large corporate customers through customer teams led by customer account managers. Net lending to large corporate customers declined somewhat due to reduced demand for finance compared to the previous year and tight price competition. Nevertheless, Sampo's position as a major provider of finance to large Finnish corporations continued to be strong. Moreover, Sampo was able to apply significantly more resources to serving Finnish corporate customers after the sale of its export and project finance portfolio.

Sampo is the market leader in capital market services for corporate and institutional customers. The importance of these services is growing in Finland. In 2002, the capital markets team arranged four syndicated loans and 13 bond issues for its customers in various business sectors in Finland and Sweden. The most significant transactions were the bonds issued by Tornator Finance p.l.c. securitising Stora Enso's forestlands (the first asset-backed transaction in the euro market using forest as collateral), the subordinated bonds by Rautaruukki and the bonds issued by Myllykoski, which was the first corporate rated by Fennorating.

Long-term Savings



The sales network's sustained, dedicated efforts resulted in higher market shares in the areas of focus.

Life insurance – a successful year in a demanding market environment

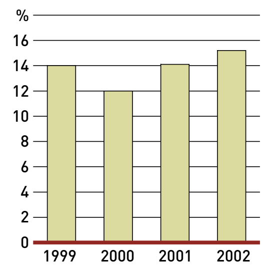
Sampo Life nearly doubled its premiums written in unit-linked insurance in 2002, achieving growth of 82.9 per cent and raising its market share to 25.3 per cent. Significant factors contributing to this success were efficient sales channels and product development, and good co-operation with the fund management company. Sales of individual pension insurance policies also grew strongly, from 7,911 policies in 2001 to 20,064 policies in 2002, an increase of 154 per cent. In the retail customer segment, Sampo's market share rose to 15.2 per cent. Excluding with-profit insurance policies, the market share was 25.0 per cent. Sampo Life acted successfully against market trends by increasing its sales of unit-linked policies and reducing the share of with-profit policies in contrast to its competitors, who focused on with-profit insurance.

Total premiums written on industry level in Finland increased by 2.1 per cent from the previous year, totalling EUR 3.3 billion. The decline in share prices made the solvency of life insurance companies a hot topic in Finland as well as elsewhere in Western Europe. Compared with the general market trends, Sampo Life's investment activities were successful and the company was able to manage the effects of declining share prices on its solvency well. At the end of 2002, the solvency ratio was 12.4 per cent.

Sampo Life sells life and pension products through several distribution channels. Sampo Bank's branch office network acts as the main distribution channel, and sales to the retail customer segment grew particularly strongly in 2002. In addition, various forms of co-operation with brokers and tied agents were used to increase sales of pension insurance. In sales to corporate customers, Sampo's associated company, If, and co-operation company, Varma-Sampo, played an important role alongside Sampo Bank's corporate branch network.

The concept "selling through the workplace" launched in co-operation with corporate and institutional customers was well-received. In this concept Sampo and the employer make an agreement which provides company employees with additional benefits if they take out voluntary pension insurance with Sampo. This way of working benefited both Sampo, through increased sales of individual pension insurance, and the companies, because they were able to provide a new kind of employee benefit.In the future, sales will continue to focus on retail customers, unit-linked policies and regular premium contracts in particular. Sampo will also be more active in offering individual and group pension solutions for small and medium-sized companies. These services will continue to be offered through several channels.

Market shares of Sampo Life retail customer segments



The quality and efficiency of service and production processes are important. The measures carried out in 2002 to improve efficiency lowered Sampo Life's expense ratio to 97 per cent. The company will continue measures to improve cost efficiency in 2003.

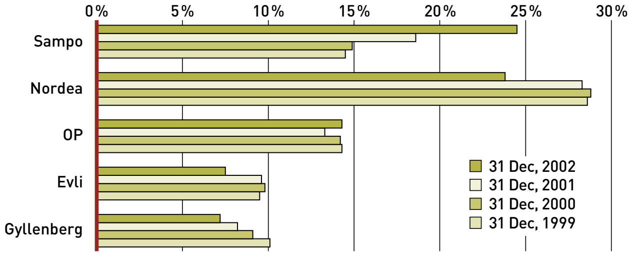
Mutual funds
– Sampo becomes the market leader

The net inflow to mutual funds registered in Finland was approximately EUR 3.4 billion in 2002. However, due to the exceptionally poor performance of share prices, mutual fund assets grew by only EUR 1.2 billion. Sampo accounted for approximately 44 per cent of the net inflow to mutual funds, which means that its mutual fund assets grew significantly faster than those of its competitors. According to the Mutual Fund Report published by HEX and the Finnish Association of Mutual Funds, Sampo became the market leader in September, measured in Finnish capital. By the end of 2002, Sampo held 24.5 per cent of the market, an increase of 6.1 percentage points over 2001.

Mutual fund sales were successful in both the retail customer and corporate and institutional customer segments. As in 2001, retail customers put their assets in low-risk alternatives, especially money market and absolute return funds. They invested in equity and balanced funds mainly through continuous fund savings plans. There were about 197,000 fund unit holders in Sampo at the end of 2002, up by 35 per cent from the previous year. With respect to corporate and institutional customers, the trend of using mutual funds as a more efficient liquidity management tool strengthened. In this regard, the Sampo Sweeper grew in popularity, attracting assets to Sampo Yhteisökorko (Sampo Institutional Liquidity Fund) which has become Finland's biggest mutual fund.

During 2002, Sampo Fund Management merged and launched several new funds. They were combined to simplify the fund selection, while new ones were started in order to better respond to customer needs. For example, Sampo introduced the Mandatum US Small Cap Value Fund to invest in value companies, and Enhanced Index Funds aimed at institutional customers. Sampo also launched Eliksir, Finland's first fund of hedge funds. The assets of Eliksir are invested in the absolute return funds of several asset managers analysed and selected by 3C Asset Management.

Market shares of fund management companies, Finnish-registered mutual funds



Fund-based investment and saving are expected to become increasingly popular. The historically low interest rates, combined with the long decline in share prices, are expected to drive customers to look for alternatives to pure fixed income funds. Thus, funds with an absolute return objective and those whose investment policy follows the principles of sustainable development will become increasingly popular.

Asset management – still the biggest in Finland

In 2002, Sampo strengthened its position in selected growth areas of asset management through acquisitions and by combining certain mutual funds and reorganising its portfolio management. Thus Sampo acquired a majority holding in 3C Asset Management Ltd., a Finnish pioneer in funds with absolute return objectives, and combined it with the corresponding operations of Mandatum. Amanda Capital Plc (former Finvest Plc) and the Sampo Group combined their private equity funds and investments under the management of Mandatum Private Equity Funds Ltd.

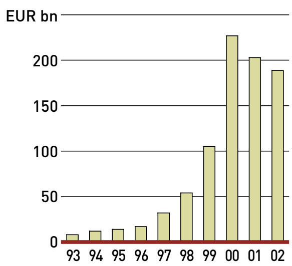
In 2002, Mandatum Asset Management Ltd. maintained its position as Finland's largest asset manager for corporate and institutional customers. Despite the difficult market conditions, the number of asset management agreements and assets under management continued to increase. Including mutual funds and the Group's own portfolio, the total assets managed by Mandatum Asset Management at the end of 2002 amounted to approximately EUR 15.7 billion (10.1). Group assets accounted for EUR 6.6 billion of this. Mandatum Private Equity Funds Ltd. managed approximately EUR 800 million, and 3C Asset Management Ltd. approximately EUR 400 million.

Investment Banking

Sampo's investment bank operates under the Mandatum brand. The investment bank consists of two separate companies: Mandatum & Co Ltd, which is responsible for corporate finance operations, and Mandatum Stockbrokers Ltd., which is responsible for brokerage and equity research.

In 2002 the operational environment for investment banking continued to be challenging. The economic conditions were difficult and the key stock indices at the Helsinki Exchanges decreased clearly (HEX General index –34.4 per cent and HEX Portfolio index –16.7 per cent). Decreasing share prices were also reflected in trade volumes and the overall volume at the Helsinki Exchanges decreased by nearly seven per cent. The volume trading was still concentrated on Nokia which took a 70.4 per cent share of the overall volume.

Trading volume at the Helsinki Exchanges



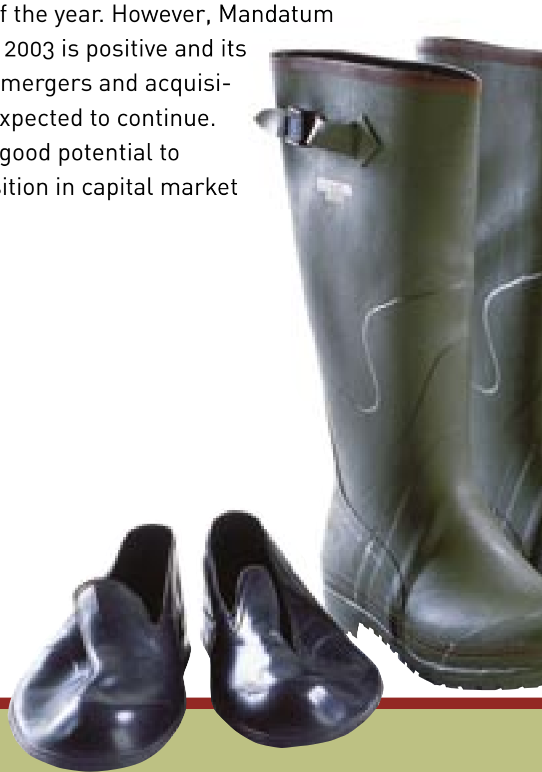
The economic uncertainty was also reflected in mergers and acquisitions and the number of transactions decreased globally by nearly 50 per cent compared to 2001. The number of share issues and initial public offerings (IPOs) also decreased compared to 2001 and especially to 2000.

Mandatum & Co – leading position in mergers and acquisitions strengthened

Mandatum & Co's year was successful taking into account the prevailing market conditions, and the company maintained its leading position as an advisor in mergers and acquisitions in Finland.

No IPOs were carried out in Finland in 2002 and there were also clearly fewer other capital market transactions than in 2001. Due to market conditions, the year 2002 was modest for Mandatum in the capital markets sector and the company focused on the development of its distribution channels. The year was good for Mandatum in mergers and acquisitions advisory services, however. The company acted as an advisor in several significant mergers and acquisitions and was the market leader in Finland.

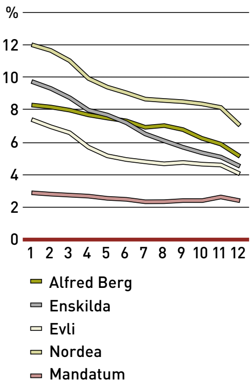
In the stock markets, the market situation has continued to be unstable in early 2003. Uncertainty concerning a potential economic recovery has increased and the number of mergers and acquisitions is not expected to increase from the 2002 level. In capital markets, the number of transactions may increase from last year's low levels provided that stock markets recover towards the end of the year. However, Mandatum & Co's outlook for 2003 is positive and its strong position in mergers and acquisitions advisory is expected to continue. The company has good potential to strengthen its position in capital market transactions.



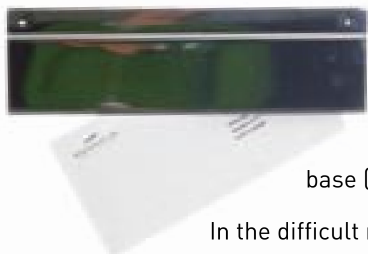
Mandatum Stockbrokers – market position strengthens in many customer segments

Despite a strong invasion of international brokers at the Helsinki Exchanges, Mandatum Stockbrokers' market share remained intact. Its share of HEX Oyj's overall volume and number of transactions was 2.7 per cent and 5.0 per respectively. During 2002 Mandatum Stockbrokers managed to increase its market share in several customer segments. In particular, the number of direct retail clients increased.

The market shares of domestic brokers at the Helsinki Exchanges in 2002



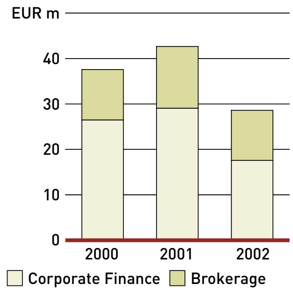
Mandatum Stockbrokers increased equity research directed mainly at domestic retail clients. In order to better meet customer needs and increased distribution efficiency, the company launched a new Internet-based research library and research database system: Mandatum Research Database (MRD).



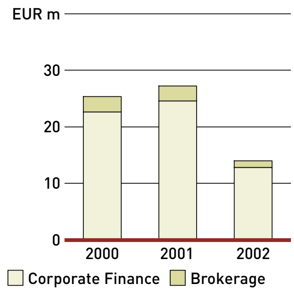
In the difficult market conditions of 2002, operational volume and profitability may be seen as relatively good. Profitability was affected both by the challenging operational environment and continued tight competition that has pushed commissions to extremely low levels. Mandatum Stockbrokers' earnings were depressed by the fact that no major capital market transactions were carried out in 2002.

During 2003 Mandatum Stockbrokers will develop all three of its business areas – retail operations, institutional operations and derivatives operations – even though the strongest growth will come from domestic retail clients. In equity research, the company will continue enhancing research for retail clients and the research concept will be developed so that it brings value added to institutional investors as well.

Investment banking, total revenues



Investment banking, operating profit



Corresponding figures available since 2000.

Current resources offer an excellent platform to grow profitably if the market situation normalizes in 2003. Mandatum Stockbrokers is aimimg for significant growth in commissions. However, earnings development will be affected not only by general conditions on the stock markets, but also by prevailing environment for capital market transactions.

Realty World

Realty World (Kiinteistömaailma) is Finland's second largest real estate agency chain. The central unit of the chain is owned by Sampo Bank but all the real estate agencies themselves are independently owned and operated firms. The chain operates nation-wide, serving its customers in the selling, buying and letting of property.

Realty World aims to be the market leader in all the localities where it operates.

The year 2002 was Realty World's thirteenth financial year. The chain brokered 9,104 real estate transactions and carried out 2,880 other assignments. The value of all real estate transactions brokered by the chain was EUR 913.8 million, providing gross earnings of EUR 34.6 million. Earnings grew by eight per cent compared with the previous year.

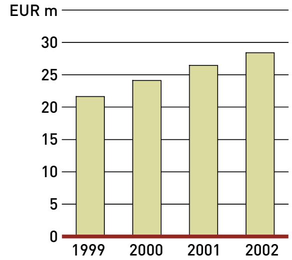
According to the advance information approximately 135,000 real estate transactions were completed in Finland in 2002, roughly the same number as in the previous year. The real estate market was quite active in the first half of the year, but experienced a decline – particularly in the demand for old apartments – in the summer. In the autumn, the number of transactions reached approximately the level of the previous year. The rise in apartment prices that started at the end of 2001 continued until the summer, varying between 7 and 15 per cent depending on the region. Price levels were fairly stable in the latter part of 2002. Despite the rise in nominal prices, the real prices of apartments are still generally lower than, or at the same level as, they were in the late 1980s.

Service network – efficiency through franchising

Realty World is organised as a franchise chain and is the fourth largest franchise chain of all business sectors in Finland. At the end of the year, the chain comprised 81 real estate agencies in 50 localities and employed 387 people.

The central unit of the chain provides the agencies with services especially in the fields of bank co-operation, marketing, information systems and training. The independently owned and operated agencies are responsible for Realty World's customer service and real estate agency activities. The benefits of independent ownership are strong local knowledge, flexibility in the market and cost-efficiency. The chain enables nation-wide marketing and selling, and standardised, joint services for customers. Realty World's values are customer-friendliness, integrity, openness, promptness and a desire for continuous improvement.

Turnover of the chain



Services – buyers surf on the net

Realty World has consistently introduced new practices in the sector. The chain was the first in Finland to introduce "customer-oriented" agency offices, to post pictures of the properties for sale in the offices and in the marketing media, and to establish a national information system for the purposes of joint selling. Realty World has also been a pioneer in developing realty services for the Internet, the mobile environment and digital TV.

The development of electronic services and marketplaces has quickly changed marketing in the sector. Approximately 200,000 different visitors look at Realty World's properties for sale on the Internet every month. The latest electronic services allow customers to receive information on properties and showing times through text or picture messages on their mobile phones as well as through e-mail messages.

If P&C Insurance

Sampo's property and casualty (P&C) insurance has been a part of the Nordic If P&C Insurance Group since 2 January 2002. If is a long-term strategic partner of Sampo.

Sampo holds a 38 per cent interest in If and actively participates in the development of the Group. Varma-Sampo is another significant Finnish owner, with a 10 per cent interest.

If is the leading P&C insurance company in Finland, holding a market share of 34 per cent. In 2003, the If brand will be comprehensively launched in Finland. If carries on the traditions of Sampo's P&C insurance. Its multi-channel services (including claims handling) are available to customers through its approximately 75 branch offices, some of which are shared with Sampo, its telephone contact centres and its Internet service.

If is also the leading Nordic P&C insurance company with 3.7 million customers and a market share of 24 per cent (2001). In 2002, the company's gross written premiums totalled EUR 4.2 billion (SEK 38.1 billion). The If Group employs approximately 7,600 people, about 2,600 of whom work in Finland.

If's operations are divided between three customer segments – Private, Commercial and Industrial. As If operates throughout the Nordic region, it can utilise competence from different countries while, at the same time, adapting its customer contacts and products to local market conditions.

Performance improved according to plan

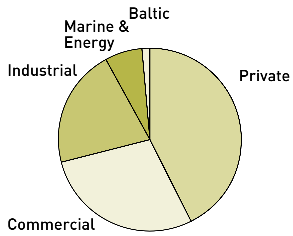
During 2002, If focused on customer orientation and the improvement of profitability in its core business. At the same time, the company quickly and flexibly created a uniform Nordic organisation, into which the Finnish operations were integrated sooner than expected. On 30 September, If Industrial Insurance Ltd was merged into If P&C Insurance Company Ltd.

If has taken a variety of measures to lower costs and improve profitability. Cost savings have been generated by personnel reductions and synergy benefits in information technology, for example. For the most part, cost savings have occurred in support functions and have thus not affected the level of customer service.

Both the overall results and the results of the business areas have been successfully improved by premium increases and extensive profitability measures. If's technical result was positive in 2002. The combined ratio fell from 113.1 per cent (pro forma) in 2001 to 106.1 per cent in 2002.

If's investment results in 2002 were significantly affected by the global decline in share prices, partially offset by positive developments in fixed income markets. The overall return on investment activities was 2.1 per cent. During 2002, If successfully reduced investment risks by decreasing equity investments and increasing fixed income investments.

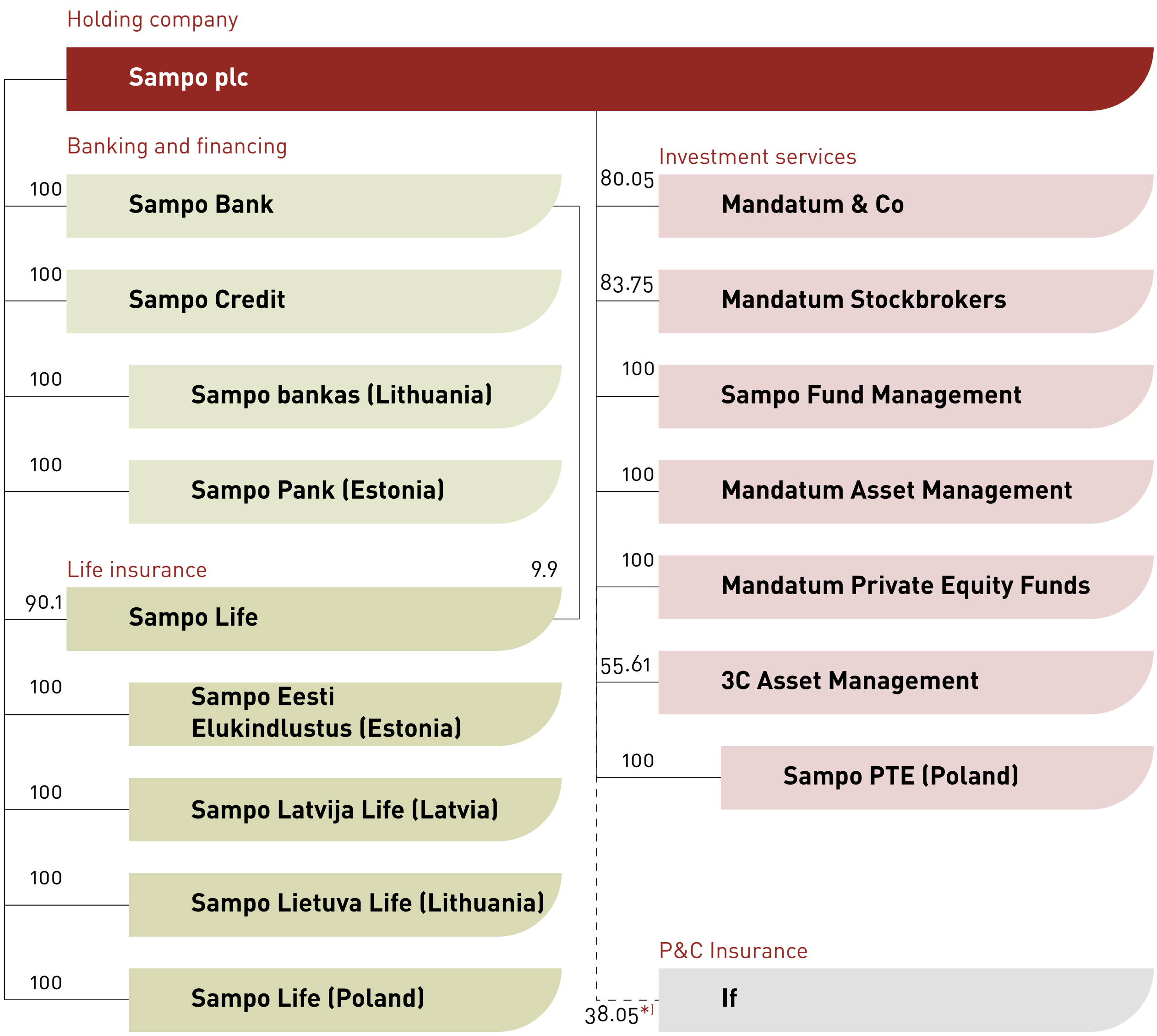
Gross written premiums 2002



If's operating result for 2002 was a loss of EUR 227 million (SEK 2,080 million).

The cost savings and other measures taken last year will also boost competitiveness and profitability in 2003. A cost-conscious approach is being applied in all operations. In the long term, the premium revisions will result in a more sustainable premium level. Premiums will still be increased in some business areas, but in the future these revisions will be largely based on claims experience. The strict underwriting guidelines will be applied also in 2003.

Main legal structure of Sampo 1 January, 2003



Interest in share capital, per cent

*) If is not part of Sampo Group. Sampo and Varma-Sampo together hold 50 per cent of the votes in If.

Corporate Governance

Sampo complies with the recommendations for the governance of listed companies set out by the Central Chamber of Commerce and the Confederation of Finnish Industry and Employers in 1997. Sampo's Board of Directors has also approved internal rules concerning corporate governance, internal control and reporting in Sampo Group.

Sampo's Board of Directors has approved insider guidelines for Sampo Group. These guidelines are fully compliant with the insider guidelines of the Helsinki Exchanges, the insider and trading guidelines of the Finnish Association of Securities Dealers and the Finnish Association of Mutual Funds, the recommendations for insider guidelines covering investment activities issued by the Federation of Finnish Insurance Companies, and the regulations of the Financial Supervision Authority. Sampo Group's insider guidelines are even stricter than the above-mentioned in matters concerning the Group Executive Committee, other corporate executives, and other specifically-named persons, as they must ask for separate written permission in advance for each securities transaction.

Board of Directors

Board of Directors' duties

Sampo's Board of Directors is responsible for the management of the company in compliance with the law, the regulations of the various authorities, Sampo's Articles of Association and the decisions of its Shareholders' Meetings. The operating procedures and main duties of the Board of Directors have been defined in the Board's rules of procedure.

The Board of Directors approves the business strategy and long-term operating plans of Sampo Group, and the principles governing Sampo Group's risk management and internal control, and is responsible for the proper management of the Group's operations. The Board also decides, within the limits of the company's field of activities, on exceptional and far-reaching matters with respect to the scope and quality of Sampo Group.

The Board elects the CEO and the executives of Sampo Group, releases them from their duties, and decides on their terms and conditions of employment and on other compensations. In addition, the Board confirms the Group's staff planning targets and supervises their implementation, determines the grounds for the Group's compensation system and decides on other far-reaching matters concerning the staff.

Election and Terms of Office of Board Members

According to Sampo's Articles of Association, the company's Board of Directors comprises no fewer than three and no more than ten members elected by shareholders at the Annual General Meeting. The Annual General Meeting of 2002 decided to elect seven members to the Board. The term of office of the Board members is one year, ending at the close of the Annual General Meeting that next follows their election. The members of the Board annually elect a Chairman and Vice Chairman from among their members, at their first meeting following the Annual General Meeting.

The composition of the Board of Directors of Sampo plc is as follows:

Olli-Pekka Kallasvuo, Chairman
Jyrki Juusela, Vice Chairman
Tom Berglund, member
Georg Ehrnrooth, member
Paavo Pitkänen, member
Christoffer Taxell, member
Björn Wahlroos, member

The Board of Directors of Sampo plc convened 12 times in 2002.

Executive committees and other committees appointed by the Board

The Board of Directors may appoint committees, executive committees and other permanent or fixed-term bodies for duties assigned by the Board. The Board confirms the rules of procedure of the Executive Committee, and the guidelines and authorisations given to other bodies appointed by the Board. The Board has established Sampo Group's Executive Committee, Risk Control Committee, Board Nomination Committee, Asset and Liability Committee (to monitor the Group's balance sheet risks), Credit Committee (to monitor credit risks) and Investment Committee (to monitor investment risks). The Board has also appointed the members of these Committees. Information concerning these members is presented as per 31 December, 2002.

Sampo Group's Executive Committee

Sampo Group's Executive Committee, appointed by the Board of Directors, supports the CEO in the preparation of strategic issues relating to Sampo Group, in the handling of operating matters that are significant or involve questions of principle, and in ensuring a good internal flow of information.

Sampo Group's Executive Committee comprises:

Björn Wahlroos, CEO
Kari Stadigh, Deputy CEO,
Executive Vice President
Sten Eklundh, Executive Vice President,
Head of Investment Banking
Ilona Ervasti-Vaintola, Chief Counsel,
Principal Attorney
Ilkka Hallavo, Head of Corporate Banking,
Managing Director of Sampo Bank
Mika Ihamuotila, Executive Vice President,
Head of Banking and Distribution
Peter Johansson, CFO,
Head of Corporate Planning
Patrick Lapveteläinen, Head of Treasury and
Administration
Petri Niemisvirta, Managing Director of
Sampo Life
Maarit Näkyvä, Executive Vice President,
Head of Retail and Private Banking

The Executive Committee convenes once a week in accordance with its rules and at the request of the CEO.

Risk Control Committee

The Board of Directors has appointed a Risk Control Committee to control Sampo Group's risks at the Group level. The Risk Control Committee is responsible for supervising the preparation of and compliance with Sampo Group's risk management principles and other related guidelines, supervising Sampo Group's risks and risk accumulations and the quality and scope of risk management, and monitoring the implementation of risk policies, the use of limits and the development of risks and profit in the various business areas.

The Risk Control Committee comprises the Chairman of the Board, one or two members elected from among the Board members, the CEO, the Chairmen of the Group's Asset and Liability Committee, Investment Committee and Credit Committee, the member of the Group's Executive Committee responsible for risk control and the Head of Risk Control, and any other members elected at the discretion of the Board. The Chairman of the Board acts as the Chairman of the Risk Control Committee. The Risk Control Committee comprises Olli-Pekka Kallasvuo (Chairman), Paavo Pitkänen, Björn Wahlroos, Kari Stadigh, Ilkka Hallavo, Mika Ihamuotila, Peter Johansson, Patrick Lapveteläinen and Petri Viertiö.

The Committee convenes regularly each quarter at the request of the Chairman and reports to the Board on its activities at least four times a year.

Asset and Liability Committee, Credit Committee and Investment Committee

The Asset and Liability Committee is responsible for preparing the Group's balance sheet policy for approval by the Board, preparing the banking book, trading limits and authorisations for the Boards of Group companies, and monitoring the use of limits and authorisations and the Group's consolidated liquidity. The Asset and Liability Committee comprises Patrick Lapveteläinen (Chairman), Martti Porkka, Kai Brander, Aki Palo, Markku Pehkonen, Risto Tornivaara, Jyrki Appelqvist, Pekka Kainulainen and Petri Viertiö, the last three being expert members.

The Credit Committee is responsible for preparing the Group's credit policy for approval by the Board, preparing credit risk limits and authorisations for the Boards of Group companies, monitoring the use of credit risk limits and authorisations, and making decisions in cases requiring the highest level of authority. The Credit Committee comprises Ilkka Hallavo (Chairman), Jukka Apajalahti, Jarmo Lankinen, Patrick Lapveteläinen and Aki Palo (expert member).

The Investment Committee is responsible for preparing the Group's investment policy for approval by the Board, preparing investment decision authorisations for the Boards of Group companies, and monitoring the use of limits and authorisations. The Investment Committee comprises Kari Stadigh (Chairman), Patrick Lapveteläinen, Sirpa Mannila, Vesa Nurminen, Ulla Kangas and Petri Viertiö (expert member).

Nomination Committee

The Board's Nomination Committee comprises the Board Chairman as Chairman of the Committee, the Board Vice Chairman and one member elected from among the Board members. The Nomination Committee convenes at the request of the Chairman and is entrusted to prepare proposals for Sampo's Annual General Meeting on the composition of the Board and the principles by which Board members are to be remunerated and rewarded. The Nomination Committee comprises Olli-Pekka Kallasvuo, Jyrki Juusela and Georg Ehrnrooth.

Chief Executive Officer

The company has a Managing Director who is simultaneously the CEO of Sampo Group. The Board of Directors elects and releases the CEO, and decides on the terms of employment and other compensation. The Managing Director of the company and the CEO of Sampo Group is Björn Wahlroos.

Remuneration and other benefits of top management

According to Sampo's Articles of Association, the Annual General Meeting decides on the remuneration of members of the Board. The Board decides on the employment terms and other compensation of the CEO and other members of Sampo Group's Executive Committee.

The Chairman, Vice Chairman and members of the Board of Directors will be paid the following remuneration monthly until the close of the Annual General Meeting in 2003: the Chairman EUR 4,200, the Vice Chairman EUR 3,360, and other members of the Board EUR 2,520. In addition, all members of the Board will be paid EUR 420 for each meeting of the full Board or one of its sub-committees. Members of the Board will be paid a daily travel allowance corresponding to the maximum, valid, tax-exempt travel allowance permitted by the tax authorities and will be reimbursed for accommodation and travel expenses.

Board members employed by the company do not receive separate remuneration for Board work.

The CEO was paid a total of EUR 750,300 in salaries and profit bonuses for 2002, and the Deputy CEO a total of EUR 466,172.

The retirement age of the members of the Group Executive Commitee is 60 years, and the pension to be paid to them corresponds to the full amount permitted under the Employees' Pensions Act (TEL).

Auditors

Ernst & Young Oy
Authorised Public Accountants

Responsible auditor
Tomi Englund APA

Board of Directors

Sampo plc's Board of Directors is appointed annually by the Annual General Meeting. The present members of the Board were elected by the Annual General Meeting on 10 April 2002.

Chairman
Olli-Pekka Kallasvuo, born 1953

CFO and Member of the Executive Group of Nokia Corporation.

Chairman of the Boards of F-Secure Corporation, Nextrom Holding S.A and Nokia Tyres plc. He was appointed member of the Board of Directors of Sampo plc and Chairman of the Board on 5 April, 2001.

He holds 10,000 Sampo plc shares directly or through a controlled company.

Vice Chairman
Jyrki Juusela, born 1943

Managing director, Chairman of the Group Executive Committee of Outokumpu Oyj.

Chairman of the Board of AvestaPolarit Oyj Abp, member of the Boards of Inmet Mining Corporation, the Confederation of Finnish Industry and Employers, the Federation of Finnish Metal, Engineering and Electrotechnical Industries and the Association of Finnish Steel and Metal Producers, member of the Supervisory Board of Varma-Sampo Mutual Pension Insurance Company. He transferred to the Board of Directors of Sampo plc from the Supervisory Board on 25 May, 2000.

He holds 4,905 Sampo plc shares directly or through a controlled company.

Tom Berglund and Björn Wahlroos.

Tom Berglund, born 1951

Professor, Vice-Rector, Swedish School of Economics and Business Administration.

He was appointed member of the Board of Directors of Sampo plc on 25 May, 2000.

He holds no Sampo plc shares.

Georg Ehrnrooth, born 1940

Chairman of Assa Abloy AB (publ) and Varma-Sampo Mutual Pension Insurance Company, Vice Chairman of the Board of Rautaruukki Corporation, member of the Boards of Nokia Corporation, Wärtsilä Corporation, Karl Fazer Oy Ab and Sandvik AB. He was appointed member of the Board of Directors of Sampo plc on 26 June, 1992.

He holds 3,600 Sampo plc shares directly or through a controlled company.

Christoffer Taxell, Jyrki Juusela and Georg Ehrnrooth.

Olli-Pekka Kallasvuo and Paavo Pitkänen.

Paavo Pitkänen, born 1942

Managing Director of Varma-Sampo Mutual Pension Insurance Company.

Member of the Boards of Wärtsilä Corporation and Stora Enso Oyj. He was appointed member of the Board of Directors of Sampo plc on 22 January, 1999.

He holds no Sampo plc shares.

Christoffer Taxell, born 1948

Minister.

Chairman of the Board of Finnair Oyj (as of 1 January, 2003), member of the Boards of Raisio Yhtymä Oyj (as of 1 January, 2003) and Stockmann Oyj Abp, and Chairman of the Board of Stiftelsen för Åbo Akademi (as of 1 January, 2003). He transferred to the Board of Directors of Sampo plc from the Supervisory Board on 1 January, 1998.

He holds no Sampo plc shares.

Björn Wahlroos, born 1952

CEO of Sampo plc.

Member of the Board of Varma-Sampo Mutual Pension Insurance Company. He was appointed member of the Board of Directors of Sampo plc on 5 April, 2001.

He holds 11,839,890 Sampo plc shares directly or through a controlled company.

Information as on 31 December, 2002.

Group Executive Commitee

Björn Wahlroos, born 1952
CEO, Managing Director

Member of the Board of Varma-Sampo Mutual Pension Insurance Company.

He holds 11,839,890 Sampo plc shares directly or through a controlled company.
Options (1998 programme): -
Options (2000 programme): -

Kari Stadigh, born 1955
Deputy CEO, Executive Vice President

Chairman of the Boards of If P&C Incurance Holding Ltd, Kaleva Mutual Insurance Company and Aspo Plc, and Vice Chairman of the Board of Alma Media Corporation.

He holds 60,380 Sampo plc shares directly or through a controlled company.
Options (1998 programme): 51,000
Options (2000 programme): 50,000

Sten Eklundh, born 1960
Executive Vice President, Head of Investment Banking

He holds 22,220 Sampo plc shares directly or through a controlled company.
Options (1998 programme): –
Options (2000 programme): 20,000

Ilona Ervasti-Vaintola, born 1951
Chief Counsel, Principal Attorney

Member of the Legal Committee of the Central Chamber of Commerce, Chairman of the Delegation of the Investors' Compensation Fund, member of the Delegation of the Deposit Insurance Fund of the Commercial Banks and Postipankki Oy, and member of the Delegation of the Deposit Insurance Fund.

She holds 297,720 Sampo plc shares directly or through a controlled company.
Options (1998 programme): –
Options (2000 programme): 50,000

Ilkka Hallavo, born 1956
Head of Corporate Banking, Managing Director, Sampo Bank plc.

Vice Chairman of the Board of Novo Group Plc,

Ilkka Hallavo, Patrick Lapveteläinen and Maarit Näkyvä.

First Vice Chairman of the Board of the Finnish Bankers' Association, member of the Boards of MB Rahastot Oy and MB Eurogiro Network A/S, member of the Supervisory Boards of Finpro ry and Luottokunta and member of the Executive Committee of the Customer Advisory Office of the Banking Sector.

He holds 500 Sampo plc shares directly or through a controlled company.
Options (1998 programme): –
Options (2000 programme): 50,000

Mika Ihamuotila, born 1964
Executive Vice President, Head of Banking and Distribution

Member of the Boards of Instrumentarium Corporation and HYY-Group.

He holds 225,190 Sampo plc shares directly or through a controlled company.
Options (1998 programme): –
Options (2000 programme): 50,000

Petri Niemisvirta, Björn Wahlroos and Peter Johansson.

Kari Stadigh, Mika Ihamuotila, Sten Eklundh and Ilona Ervasti-Vaintola.

Peter Johansson, born 1957

CFO, Head of Corporate Planning

Member of the Boards of If P&C Incurance Holding Ltd, Meridea Oy, the Research Institute of the Finnish Economy, and the Deposit Insurance Fund of the Commercial Banks and Postipankki Oy.

He holds 2,500 Sampo plc shares directly or through a controlled company.
Options (1998 programme): –
Options (2000 programme): 50,000

Patrick Lapveteläinen, born 1966

Head of Treasury and Administration

Member of the Boards of If P&C Incurance Holding Ltd and EQT Finland.

He holds 80,485 Sampo plc shares directly or through a controlled company.
Options (1998 programme): –
Options (2000 programme): 50,000

Petri Niemisvirta, born 1970

Managing Director, Sampo Life Insurance Company Limited

Member of the Board of the Consumers' Insurance Office

He holds no Sampo plc shares.
Options (1998 programme): 15,825
Options (2000 programme): 50,000

Maarit Näkyvä, born 1953

Executive Vice President, Head of Retail and Private Banking.

Member of the Board of Kesko Corporation.

She holds no Sampo plc shares.

Options (1998 programme): –
Options (2000 programme): 50,000

Information as on 31 December, 2002.

Staff

In 2002, Sampo employees working in the sales network strengthened the skills they need for the planning of customer finances. Administrative and support functions were also developed and reorganised.

At the end of 2002, Sampo Group employed 5,848 people. The rationalisation negotiations concerning employees in administrative and support services were concluded in March and, as a result, reductions of 489 were made in Sampo Group and 250 in Sampo's associated company, If, in Finland. The rationalisation negotiations procedure is a statutory procedure in which the employer and employees negotiate on the termination of employment contracts or retraining and reassignment necessitated by reduced work or financial restructuring. Nearly all redundancies were carried out through support and pension arrangements and outsourcing. Retraining for customer service and sales tasks was arranged for some employees. Sampo also co-operated with the employment authorities to promote the quick re-employment of those leaving.

Sales network strengthened in many ways

All employees of the retail customer network participated in training to familiarise themselves with the Sampo way to deal with customers, which was launched in the spring, and to develop the skills needed for planning customers' finances. Persons working in customer service tasks completed a self-study networked programme in subjects such as economics and investment. In addition, branch managers and employees serving scheduled customers participated in more extensive training.

Co-operation projects were arranged with various polytechnics in Finland. In these projects, specially trained students tutored Sampo's customers on the use of the Internet.

Extensive training on savings and investment was arranged for the entire customer service staff in the corporate customer network.

Sampo and the Helsinki Business Polytechnic, Helia, concluded a partnership agreement in October. In addition to continuing their previous training co-operation, Sampo and Helia started a recruiting service and began to offer training places and thesis-writing opportunities for Helia students.

Supervisor training started

The first group took part in a renewed training programme for supervisors in September. Supervisor training aims to develop the leadership skills of Sampo's supervisors. In addition, a Supervisor Workshop was constructed on the intranet as another way of supporting the supervisors. It offers answers to practical management questions.

Planning started on the new Sampo Business School education programme during the latter part of the year. It aims to improve Sampo's competitiveness particularly in the areas of investment and savings, and business expertise. The actual implementation phase will start in the spring of 2003.

Positive results in staff survey

The response rate was nearly 70 per cent in the staff survey conducted in September. The overall satisfaction of Sampo employees was rated as 8 on a scale of 4 to 10. Branch managers and department heads were the most satisfied groups of employees.

According to the survey, factors essential to job satisfaction, such as management culture, atmosphere, a sense of being appreciated and having clear goals and the opportunity for development provide a good basis for productive work. The staff feel that they know the strategic focus areas of Sampo and are committed to them. The intention is to follow the development of staff satisfaction each year.

Well-being services expanded

Occupational health and well-being services were reorganised to correspond to the Group's current structure. Occupational health services include the statutory occupational health care and primary medical care

Group staff 31 December, 2002

	At the end of December, 2002			At end of 2001	Change over year
	permanent	temporary	total	total	total
BANKING AND INVESTMENT SERVICES	4,433	280	4,713	4,782	–69
Finland	3,861	280	4,141	4,309	–168
Sampo Bank Group	3,701	268	3,969	4,141	–172
Investment Bank	77	8	85	93	–8
Asset Management Services *)	83	4	87	75	12
Baltic and Polish companies	572	0	572	473	99
LIFE INSURANCE OPERATIONS	436	13	449	576	–127
Sampo Life	242	13	255	296	–41
Baltic and Polish companies	194	0	194	280	–86
HOLDING COMPANY OPERATIONS	89	1	90	779	–689
PRIMASOFT	579	17	596	305	291
P&C INSURANCE OPERATIONS **)	0	0	0	3,489	–3,489
GROUP TOTAL	5,537	311	5,848	9,931	–4,083

*) Sampo Fund Management, Mandatum Asset Management, Mandatum Private Equity Funds and 3C Asset Management **) Part of If Group since the beginning of 2002

Please note that the number of Sampo Group staff (9,684) stated in the Annual Report for 2001 includes, in the case of insurance services, only permanent staff.

voluntarily paid by the employer. Co-operation in occupational safety and the challenges of well-being at work were examined in regional meetings of branch managers and safety representatives and experts from the bank's occupational health care and human resources unit. The issues considered in these meetings included coping at work and procedures to monitor working conditions. An extensive programme for well-being at work (TYVI) was launched in the retail customer network, and health and physical examinations were given to supervisors. TYVI programmes were also started in many other offices and units and as an extensive pilot project in Sampo Life.

Other staff services developed included long service awards, remembrance of special days, holiday sites, club activities and sports services. Sampo agreed with the Finnish Sport-for-All Association on the arranging of sports and other physical activities. Sport services supported by the employer were considerably expanded and are now available in all Sampo branch locations in Finland. Leisure club activities focused especially on cultural activities.

Incentive and participation systems remained unchanged

Sampo's entire staff is covered by a performance bonus system. The system complements the normal remuneration systems and aims to influence the success of the Group by channelling activities in the right direction and motivating and rewarding staff. Collective rewards are given through the personnel fund which is part of the performance bonus system.

Sampo Group's Co-operation Board had eight meetings during the year. The purpose of the board is to promote and develop co-operation between the employer and the staff, and within the staff, as well as to implement the Act on Co-operation within Undertakings in the Group. The committee has 15 members, of whom eight represent clerical personnel, two represent supervisors and specialists and five represent the employer.

The participation of staff representatives on the Boards of Directors of Sampo Bank and Sampo Life was continued. The staff representatives have the right to be present and to express opinions.

Corporate Responsibility
Operations based on sustainability and customer orientation

In 2002, ethical issues received a lot of international attention. The Kyoto Climate Protocol and the resolutions of the Johannesburg World Summit prompted much discussion. Accounting irregularities and malpractice in different parts of the world caused a lot of concern. Declining employment in many countries due to slow economic growth also raised questions concerning the ways in which job reductions are implemented and income is divided. As a result of the anti-terror campaign there was general discussion about defining the line between privacy protection and collective security. In the financial sector, money laundering was particularly in the spotlight in this context.

In line with these developments, Sampo refined some of its guidelines and policies. The complete and revised guidelines on, for example, money laundering and the Group's ethical principles were made available to the staff on Sampo's intranet pages, and sustainability continued to be integrated into Sampo's operations. The Corporate Responsibility steering group continued its work, with group members familiarising themselves with the Green Office and GRI reporting and its applicability to Sampo. Additionally, Sampo has significantly increased its emphasis on paperless communications.

Sampo's corporate values were reinforced through the revision of the ethical guidelines. The Group's values are ethicality, loyalty, transparency and enterprise.

Ethicality

"From product orientation to customer orientation."

Ethicality means that Sampo offers customers the solutions that meet their actual needs.

The customer can also choose an ethical approach to investment when choosing a mutual fund or unit-linked pension insurance. In 2002, a decision was made to set up a fixed income fund emphasising sustainable development alongside the Sampo Sustainability Fund. The fund's investment policy, designed for the cautious investor, emphasises the reliability of company accounting or, concerning countries, their participation in the Kyoto Climate Protocol.

"New kind of pension saving based on sustainable development."

The Union of Salaried Employees (TU) has included voluntary pension saving in their membership benefits. In Finland, this new kind of membership benefit is only available at Sampo and has been offered to TU members since January 2003. The large TU membership (more than 120,000 members) is offered supplemental pension security by means of pension saving or continuous fund saving. The savings can be used to increase income while on pension or already before it in the event of becoming unemployed or unable to work. Sampo was the first in Finland to create a pension saving scheme based on sustainable development.

Sampo Bank aims to develop its corporate loan decision process to take into account the environmental responsibilities of companies and the measures they have taken to fulfil these responsibilities, when evaluating the creditworthiness of corporate customers.

Sampo fulfilled its duties as a corporate citizen by sponsoring sports, culture and bio-technical research. A new sponsorship target was the Sibelius web site. Other long-term targets were the Finnish Association of People with Mobility Disabilities, the Finnish National Opera and the Salmela Art Centre.

Loyalty

Loyalty is closely connected to Sampo's customer-oriented approach. Sampo provides service packages based on customer needs and is transparent in its product pricing policy. Customers are invited to spend "an hour with Sampo" in Sampo's branches to discuss their money matters. The purpose of these meetings is not to present products, but to find the service packages that best fit the customers' current situation and future needs.

Long-term customer relationships and the concentration of services in Sampo is rewarded. The entire staff of the retail customer service network participated in training to familiarise themselves with this approach. A staff survey showed that staff are committed to the Group's goals.

Transparency

"The staff is committed and satisfied."

One of the focal points in internal communications was the importance of open and frank communication by supervisors. A co-operation committee, comprised of the company's management and staff representatives, assembled to discuss matters affecting the staff. As a result of the negotiations that ended in the spring, the number of staff was reduced by nearly 10 per cent. Despite this, the staff survey showed that staff are generally satisfied with Sampo Group and its way to work.

External communications were also developed by supplementing Sampo's web site with an audio and video archive containing presentations from investor meetings. In a survey conducted by a major Finnish business weekly (Talouselämä, issue 36/02), Sampo was selected as the second best listed company in terms of its attention to investor relations.

The content of Sampo's Internet service channel was expanded and clarified, and the pages were made more interactive than before.

A paperless pilot report was produced as a foundation for future environmental, social and staff reporting. Work will continue on this project. Information was also gathered on sustainability indicators and is available on Sampo's web site.

Enterprise

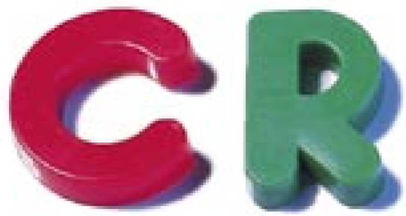
In order to promote enterprise throughout the organisation, Sampo focused on further developing its incentive systems and staff competence. The idea is to reward initiative and activity in customer relationship management. Training was carried out in co-operation with various institutes.

Sampo's operations increasingly focused on core competence areas. Efficiency was increased by outsourcing and reorganisation. This has already been reflected in increased market share in core businesses and in cost reductions.

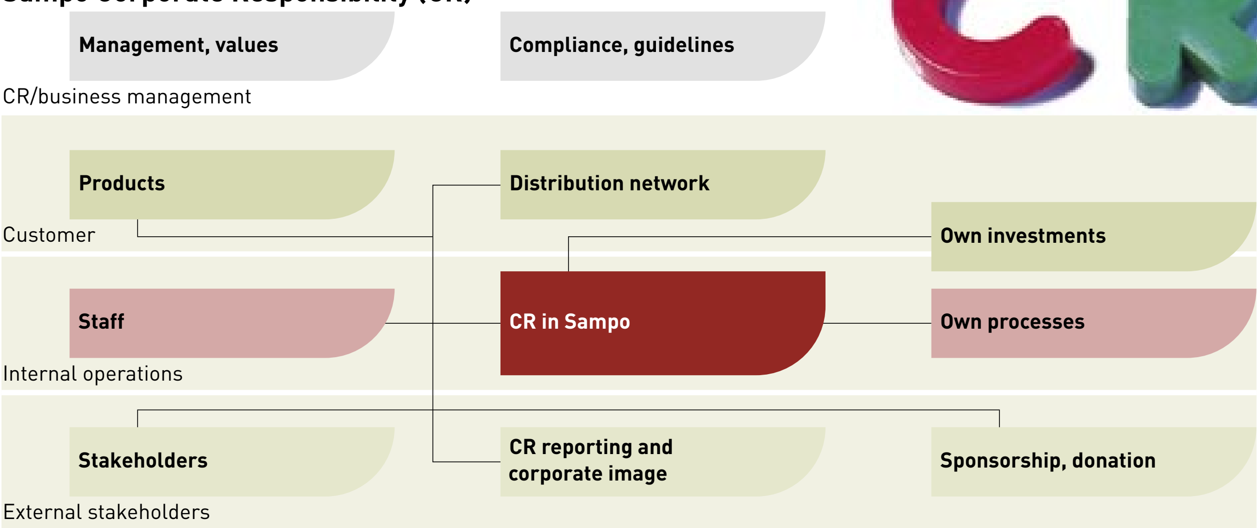
Internally, the Group aims to create and maintain a good and safe working environment. This involves fulfilling legal obligations, promoting recycling, reducing the amount of waste, handling hazardous waste safely and reducing paper consumption. Most purchase invoices are already handled in electronic form.

About a dozen projects are underway to promote recycling and decrease the amount of waste and paper consumption. The environmental training of the staff will be implemented as a part of safety training during 2003. Sampo also monitors the environmental programmes of its partners and subcontractors, and how these programmes are carried out with respect to staff dining arrangements and property maintenance, for example.

In 2002, Sampo was included in the FTSE4Good index family along with three other Finnish companies. However, Sampo's primary goal is not its inclusion in indexes but to integrate sustainability into all of its customer relationships and operating procedures.



Sampo Corporate Responsibility (CR)



Shares and Shareholders

Shares and Votes

The Articles of Association state that Sampo plc's share capital can be at minimum EUR 30,105,638.84 and at maximum EUR 120,422,555.30. On 31 December, 2002, the company's share capital was EUR 93,560,969.79 divided into 556,288,265 shares, of which 555,088,265 were A shares and 1,200,000 were B shares. The approximate counter-book value of the shares is EUR 0.17. Each A share has 1 vote and each B share has 5 votes at a General Meeting. The A shares have been quoted at the Helsinki Exchanges since 1988. Kaleva Mutual Insurance Company owns all the B shares. In addition, Sampo's A, B and C warrants of 1998 and A warrants of 2000 are quoted on the main list of the Helsinki Exchanges. The C warrants of Sampo plc's Bonds with Warrants programme of 1998 have been traded since 2 May, 2002 and the A warrants of the programme of 2000 since 2 January 2003.

B shares can be converted into A shares upon the demand of their holder.

As a result of the on-going authorization to buy back Sampo's own shares, Group companies owned 2,434,400 shares in the parent company at the end of the financial year. A wholly owned Sampo subsidiary, Satura, held 23,175 warrants issued by the parent company.

Changes in share capital

During the year under review, 664,750 A shares with a counter value totalling EUR 111,802.92 were subscribed for in five lots with warrants of Sampo's 1998 Option programme. The new shares have been traded at the Helsinki Exchanges since the entry of each lot in the Trade Register.

Authorisations given to the Board of Directors

On 10 April, 2002, Sampo's Annual General Meeting authorised the Board of Directors to buy back and convey Sampo shares. The maximum amount of A shares that can be bought back is 5 per cent of the company's share capital or of the votes attached to the shares. The shares can be bought back in order to develop the company's capital structure, to be used as consideration in acquisitions or other arrangements, or to be further conveyed or cancelled.

The Annual General Meeting also authorised the Board of Directors to decide on increasing the share capital by a rights offering, or by an issue of options or convertible bonds. The increase in share capital may correspond at most to approximately 5 per cent of the share capital and approximately 4.96 per cent of the total number of votes. The authorisation was not exercised during the financial year.

By virtue of the authorisation granted by the Annual General Meeting on 10 April, 2002, the Board of Directors decided on 14 August, 2002 to buy back Sampo's own shares. The shares are to be cancelled at the next Annual General Meeting.

Share buy back

During public trading at the Helsinki Exchanges from 29 August to 31 December, 2002, a total of 2,434,400 A shares were bought back by Sampo. The total counter-book value of the shares is approximately EUR 410,000 and they represent approximately 0.44 per cent of the share capital and approximately 0.43 per cent of the total number of votes. Thus, the transactions have had no significant effect on the division of share-holding or voting power between other Sampo shareholders. A consideration of EUR 16.0 million, or an average of EUR 6.59 per share, has been paid for the shares.

1998 Option programme

On 22 May, 1998, Sampo issued a bond loan with warrants valued at approximately EUR 1.1 million. All the staff permanently employed by the Sampo Group and Kaleva Mutual Insurance Company were entitled to subscribe. Five Sampo A shares can be subscribed for with each warrant. The subscription period ends on 31 May, 2005.

The subscription price is EUR 6.12 per share. The amount of the dividend is deducted from the subscription price. If the Annual General Meeting accepts the Board of Directors' proposal concerning the distribution of dividends for 2002, the subscription price will be reduced to EUR 5.77.

As a result of the subscriptions, the share capital can increase by a maximum of 16,500,000 A shares, or by no more than EUR 2.8 million, which equals approximately 3 per cent of the company's share capital as of 31 December, 2002.

Increases and decreases in share capital 1998–2002

Mode of increase / decrease	Subscription period / Registration	Terms of subscription or subscriber or reason for decrease	Number of new shares	Share capital after increase / decrease EUR m*)
Decrease in share capital	4 May 2000	Cancellation of shares bought back (1,520,000 A-shares)	–1,520,000	50.86
Decrease in share capital	3 July 2000	Technical decrease	–	49.85
Merger consideration, A shares	31 December 2000	Leonia shareholders, i.e. the State of Finland	44,720,000	87.46
Exchange offer consideration, A shares	7 February 2001	Mandatum shareholders	4,754,255	91.46
Exchange offer consideration, A shares	23 February 2001	Mandatum shareholders	2,362,738	93.44
Bonds with Warrants of 1998, A shares	28 November 2001	Warrant conversion	38,550	93.45
Bonds with Warrants of 1998, A shares	Five Conversions in 2002	Warrant conversion	664,750	93.56

*) Rounded out

2000 Option Programme

On 29 September, 2000, in deviation from the shareholders' pre-emptive subscription rights, Sampo's Extraordinary General Meeting decided to offer options without consideration to the management, middle management and other key people of Sampo and its subsidiaries and to a wholly-owned subsidiary specified by the Board of Directors.

A total of 5,200,000 options were issued, of which 2,600,000 are marked with the letter A and 2,600,000 with the letter B. Each option entitles its holder to subscribe for five Sampo A shares. The share subscription period for A options started on 2 January, 2003. At the same time, the options were entered in the book-entry securities system. The A options have been freely conveyable since 2 January, 2003 and the B options will be as of 2 January, 2004, provided that the subscription terms are met. The share subscription period for all options expires on 31 December, 2007.

The share subscription price is the average trading volume weighted price of Sampo's A share at the Helsinki Exchanges during the period 15–28 September, 2000, with an addition of 10 per cent and rounded out to the nearest 10 cents. The subscription price thus became EUR 55.70. The share subscription price is reduced by the amount of dividends paid.

Due to the split and dividend distribution implemented in the spring of 2001, the share subscription price is EUR 8.79. If the Annual General Meeting approves the Board's proposed dividend distribution for 2002, the subscription price will decline to EUR 8.44.

As a result of the subscriptions, the number of Sampo shares can increase by a maximum of 26,000,000 new shares and the share capital by no more than EUR 4,372,886.09, which equals approximately 4.7 per cent of the share capital as of 31 December, 2002.

Shareholders

There were 45,730 registered shareholders on 31 December, 2002. 1.52 per cent of all shares had not been transferred to the book-entry securities system. 30.47 per cent of the share capital was under foreign ownership, amounting to 30.21 per cent of the votes. Almost all foreign shareholders have nominee-registered holdings.

The direct or indirect ownership of Sampo of the Chief Executive Officer and the members of the Board of Directors amounted to 11,858,395 shares. Their total holdings constituted 2.1 per cent of the share capital and of the votes.

Varma-Sampo Mutual Pension Insurance Company announced on 21 February, 2002 that it had sold 20 million Sampo A shares. Therefore, Varma-Sampo Group's holding of Sampo's share capital and votes was reduced to less than 10 per cent.

The Franklin Templeton Group announced on 22 March, 2002 that the combined amount of votes attached to Sampo shares that are owned by its funds and administered by Franklin Resources Inc. had exceeded 5 per cent of the total voting power of Sampo plc's shares.

Annual General Meeting

Sampo plc's Annual General Meeting will be held on Wednesday 9 April, 2003 at 2 p.m. in the Congress Wing of Finlandia Hall, address Mannerheimintie 13 E, 00100 Helsinki. The reception of persons who have registered for the meeting will commence at 1 p.m.

To be entitled to participate in the AGM, shareholders must be registered in the shareholder register maintained by the Finnish Central Securities Depository Ltd (Suomen Arvopaperikeskus Oy) by 28 March, 2003. Asset managers shall report the names of nominee-registered shareholders to Sampo's shareholder register kept by the Finnish Central Securities Depository Ltd for the AGM.

Shareholders whose shares have not been transferred to the book-entry securities system are also entitled to attend the AGM, provided they were registered in Sampo's share register before 12 September, 1997. In this case, the shareholder must present, upon arrival at the AGM, a share certificate or other proof that ownership of the shares has not been transferred to a book-entry account.

To be entitled to participate in the Annual General Meeting, shareholders and nominee-registered shareholders must register with Sampo's Equity Issues Department by 12 a.m. on 7 April, 2003.

Dividends and dividend payment policy

According to the dividend payment policy approved by Sampo's Board of Directors, the company's goal is to distribute half of its profit for the financial year in dividends. The Board will propose to the Annual General Meeting that a dividend of EUR 0.35 per share be paid for 2002.

In previous years, dividends have been paid as follows (the figures have been split-corrected, converted to EUR and rounded out):

1998	EUR 0.16
1999	EUR 0.49
2000	EUR 1.60
2001	EUR 0.75
2002	EUR 0.35 *)

*) Board proposal to the Annual General Meeting

According to the proposal, only shareholders who are registered in the shareholder register kept by the Finnish Central Securities Depository Ltd on the record date for dividend payment, 14 April, 2003, are entitled to dividends. The proposed dividend payment date is 23 April, 2003.

Shareholders who have not transferred their share certificates to the book-entry securities system by the dividend record date will be paid their dividends after the shares have been transferred to the book-entry system.

Shareholders at 31 December, 2002

A and B shares	Number of shares	% of share-capital	% of votes
Finnish state	223,616,080	40.20	39.85
Varma-Sampo Mutual Pension Insurance Company	44,811,085	8.06	7.99
Wahlroos Björn	11,839,890	2.13	2.11
Kaleva Mutual Insurance Company *)	11,517,955	2.07	2.91
Stora-Enso Oyj	8,746,620	1.57	1.56
Ilmarinen Mutual Pension Insurance Company	8,455,700	1.52	1.51
State Pension Fund	2,800,000	0.50	0.50
Sampo plc	2,434,400	0.44	0.43
Wärtsilä Corporation	1,901,000	0.34	0.34
Pension fund of Fortum	1,715,240	0.31	0.31
Mutual Insurance Company Pension-Fennia	1,518,500	0.27	0.27
LEL Pension Fund	1,476,750	0.27	0.26
OP-Delta Trust Fund	1,200,000	0.22	0.21
OP-Pirkka Trust Fund	680,000	0.12	0.12
SITRA, The Finnish National Fund for Research and Development	642,700	0.12	0.11
Teollisuuden Voima Oy	610,260	0.11	0.11
Nordea Fennia Trust Fund	574,850	0.10	0.10
Steveco Oy	545,800	0.10	0.10
Pension fund of Imatran Voima	541,591	0.10	0.10
Sampo Finnish Equity Fund	522,375	0.09	0.09
In the nominee register in total	168,980,976	30.38	30.12
Others in total	61,156,493	10.99	10.90
Total	556,288,265	100.00	100.00

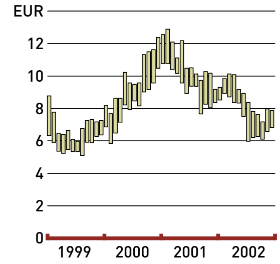
*) 10,317,955 A shares and 1,200,000 B shares.

Shareholders by number of shares owned at 31 December, 2002

Shareholdings A and B shares	Number of shareholders	%	Number of shares	%
1 – 100	11,072	24.21	697,392	0.13%
101 – 1,000	29,122	63.68	10,559,191	1.90%
1,001 – 10,000	5,019	10.98	13,217,398	2.38%
10,001 – 100,000	419	0.92	11,884,836	2.14%
100,001 –	98	0.21	511,492,448	91.95%
On waiting list			0	
On joint account			8,437,000	1.52%
Total	45,730*)	100.00	556,288,265	100.00%

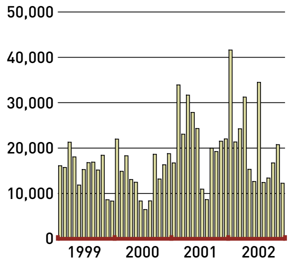
*) Each nominee register is included in this figure as one single owner.

Monthly share price performance

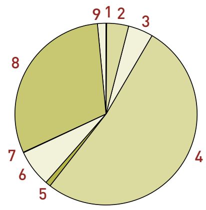


(highest and lowest trading price in euro)

Monthly share turnover, trading volume, 1,000

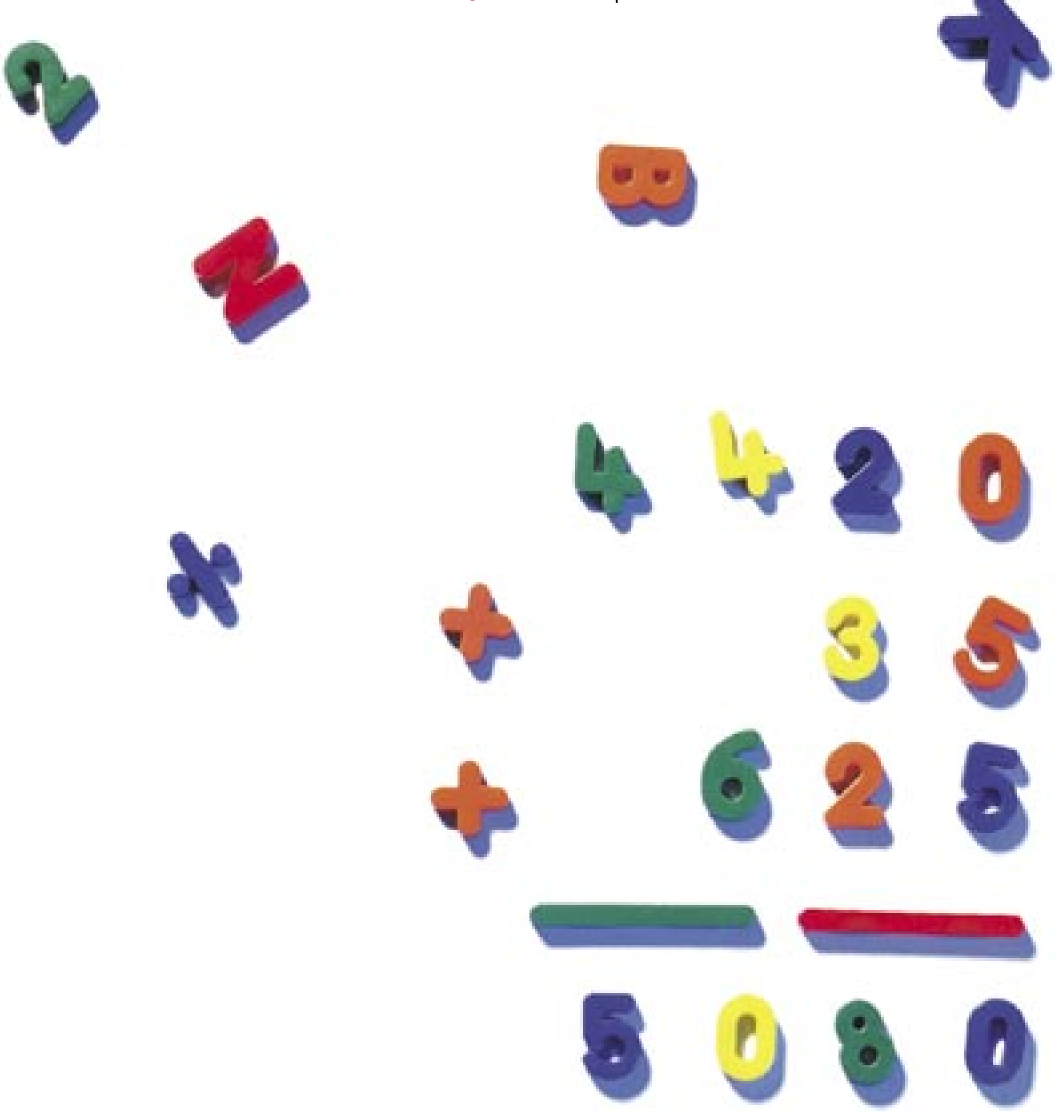


Shareholder groups, 31 December 2002
(A and B shares)



1	Public companies	0.11%
2	Private companies	3.89%
3	Financial institutions and insurance companies	4.42%
4	Public corporations	52.10%
5	Non-profit corporations	0.93%
6	Households	6.56%
7	Foreign ownership own account	0.09%
8	Foreign ownership, incl. nominee register	30.38%
9	On joint account	1.52 %

Financial Statements and Notes



Sampo plc Board of Directors' Report

Sampo Group's net asset value per share remained high at EUR 5.26 (5.67). Taking into account the dividend (EUR 0.75 per share) paid in 2002, Sampo's net asset value per share increased by EUR 0.34, despite the difficult capital market environment. Sampo's operating profit was EUR 542 million (1,104) in 2002. The comparison figures for 2001 include more than EUR 750 million in sales profits from Nokia shares. The result for 2002 was increased by a profit of EUR 261 million booked in the first quarter as a result of the If arrangements. Earnings per share was EUR 0.63 (1.50). The Board proposes to the Annual General Meeting that a dividend of EUR 0.35 per share (0.75) be distributed.

Banking profitability remained quite good in the year under review, although the operating profit declined to EUR 252 million (296). The operating profit for life insurance was EUR 86 million (79) and solvency capital amounted to 12.9 per cent of technical provisions on own account (14.7). The operating profit of the holding company was EUR 277 million (372). The share in the result of the associated company, If, weakened the Group's result by EUR 69 million.

In 2002 Sampo strengthened its market share in its areas of focus. In the mutual fund business Sampo became the market leader achieving a 24.5 per cent (18.4) market share by the end of the year under review. The market share of Sampo Life in unit-linked insurance grew to 25.3 per cent (14.5) and in the retail customer segment to 15.2 per cent (14.1).

Changes in Group structure

In line with its strategy Sampo re-structured its operations in 2002 to emphasise long-term savings products and retail banking and to gain a more streamlined Group structure. In addition, administrative and support functions were developed and reorganised in a more rational and cost-efficient way.

Sampo's P&C insurance companies and the If Group were merged on 2 January 2002 to form the largest P&C insurance group in the Nordic countries. In the year under review, however, P&C insurance customers were still also served in Finland under the Sampo brand. At the same time, Sampo became If's largest owner with a 38.05 per cent holding. The Finnish owners, Sampo and Varma-Sampo, together control 50 per cent of the voting rights in If.

Sampo outsourced its insurance business IT services to Primasoft Oy (formerly Tietoleonia Oy), a company jointly owned by Sampo and TietoEnator, on 1 January 2002. Primasoft is owned 20 per cent by Sampo plc and 20 per cent by Sampo Bank plc. The Sampo Group has 60 per cent of the voting rights.

On 2 August 2002, Sampo plc redeemed almost 5 per cent of the share capital of AS Sampo Bank in Estonia from its minority shareholders. Sampo became the sole owner of AS Sampo Bank on 6 February 2003 when the redemption procedure for all outstanding shares was concluded.

In October, Amanda Capital Plc (formerly Finvest Plc), a company listed on the Helsinki Exchanges, and Sampo Group combined their private equity fund and investment management activities in Mandatum Private Equity Funds Ltd. The aim is to establish the leading private equity fund-of-fund management organisation in the Nordic countries, serving both retail and institutional customers. Mandatum Private Equity Funds Ltd is a fully-owned subsidiary of Sampo plc and has close to EUR 800 million in private equity assets under management.

Mandatum's absolute return fund business and 3C Fund Management Ltd merged to form a new company, 3C Asset Management Ltd. The market value of the fund assets managed by the new company at the end of the year under review was EUR 407 million and thus 3C was the second largest Nordic manager in this fund segment. Sampo plc held 56 per cent and the key persons in 3C 44 per cent of the share capital of the company.

Sampo plc's wholly owned subsidiaries, Sampo Business Properties Ltd and Mandatum Holding Ltd, were merged with all their assets and liabilities into Sampo plc on 31 December 2002. The merger was aimed at streamlining Sampo Group's structure.

At the end of 2000 Sampo acquired life insurance and pension fund companies in Poland. The economic situation in Poland has deteriorated considerably since the original acquisitions and the companies' operating potential has weakened at the same time. In the present situation, they are not expected to meet the profitability targets set within a reasonable period. As a part of the critical review of Sampo's balance sheet structure, the book values of these companies were adjusted to a level which in the current market conditions can be considered prudent, in the first quarter of 2002. The goodwill relating to the life insurance company Sampo TU Zycie, EUR 26 million, has been written off in full and 50 per cent of the EUR 142 million goodwill of the pension fund Sampo PTE has also been written off. These one-time write-offs are entered in the consolidated profit and loss account under 'extraordinary expenses'.

Administration

On 10 April 2002, the Annual General Meeting re-elected the entire Board of Directors, which thus comprises Tom Berglund, Georg Ehrnrooth, Jyrki Juusela, Olli-Pekka Kallasvuo, Paavo Pitkänen, Christoffer Taxell and Björn Wahlroos (CEO of Sampo plc). At its inaugural meeting, the Board re-elected Olli-Pekka Kallasvuo as Chairman and Jyrki Juusela as Vice Chairman.

The Annual General Meeting approved the Board's proposal for an amendment to articles 7, 12 and 16 of the Articles of Association and the deletion of article 22 as unnecessary. An addition was made to the article concerning the company's administrative organs to the effect that the Board would appoint the Managing Director. The other changes concerned the right to sign for the company and the provisions concerning General Meetings.

The Annual General Meeting decided to elect one auditor for the company and that the auditor would be Ernst & Young Oy until the closing of the next Annual General Meeting.

Changes in share capital

During the year under review, 664,750 A shares with a total counter value of EUR 111,802.92 were subscribed for in five lots with warrants issued under the 1998 Sampo option scheme. The new shares were accepted for trading in the Helsinki Exchanges as each lot was entered in the Trade Register. As a result of the share subscriptions, the company's share capital on 31 December 2002 increased to EUR 93,560,969.79. At the end of the financial year the total number of Sampo plc's shares was 556,288,265, including 1,200,000 B shares.

The C options of the 1998 Sampo option scheme were accepted for trading on 2 May 2002 and the A options of the 2000 option scheme on 2 January 2003.

Sampo's Annual General Meeting of 10 April 2002 authorised the Board to buy back and convey the company's own shares. The number of A shares that can be bought back may correspond at most to 5 per cent of the company's share capital or the votes attached to all shares. Shares can be bought back to develop the company's capital structure, to use in financing or implementing acquisitions or other restructuring, or otherwise to be conveyed or annulled.

During the period 29 August – 31 December 2002, a total of 2,434,400 A shares were bought back in public trading on the Helsinki Exchanges. The combined counter book value of the shares is approximately EUR 410,000. As the shares thus acquired represent about 0.44 per cent of the share capital and about 0.43 per cent of the votes attached to all shares, the transactions had no significant effect on the proportions of shareholdings and votes of the company's other shareholders. The total price paid for the shares was EUR 16.0 million, equivalent to an average of EUR 6.59 per share. With respect to the share buy-back programme, Group companies owned 2,434,400 shares of the parent company at the end of the financial year. Sampo's wholly owned subsidiary, Satura, held 23,175 options issued by the parent company.

The Annual General Meeting also authorised the Board to decide on increasing the share capital by a rights offering, or by an issue of options or convertible bonds. The increase in share capital may correspond at most to approximately 5 per cent of the company's share capital and approxi-

mately 4.96 per cent of the votes attached to the shares. The authorisation was not utilised in the financial year.

Staff

The number of staff employed by Sampo Group decreased significantly in the first half of 2002 as a result of the rearrangements with respect to If, the outsourcing of certain functions and the co-operation negotiations concerning the streamlining of administrative and support services that were concluded in March. Sales network staff received training in the Group's areas of focus and Sampo's new approach to customer service was introduced.

The staff employed in the Group's administrative and support functions decreased during the year by nearly 500 persons. The staff employed in corresponding jobs by the associated company If also shrank by about 250 persons. Most of the reductions were implemented by voluntary support and pension solutions, by the outsourcing of functions and retraining for customer service and sales duties. Sampo's rationalisation measures aim at staff cost savings of about EUR 20 million and other operational savings of about EUR 20 million per year. These targets will be exceeded by the end of 2003, and their effects could already be seen in the latter half of 2002.

By the end of the year the Group's staff had declined to 5,848 persons. One year earlier, the Group's staff had numbered 9,931 persons, or, excluding the P&C insurance staff, 6,442 persons. This number includes 311 temporary staff (450). 81 per cent of the staff worked in banking and investment services, 8 per cent in life insurance, 2 per cent in the holding company and 10 per cent in Primasoft. Primasoft produces IT services for companies in the Sampo Group and for If's Finnish operations. The average number of staff in the year under review was 5,977 persons, compared with 10,162 persons in 2001.

Banking and investment services

The Group's most important domestic banking and investment service companies are Sampo Bank plc, Sampo Fund Management Ltd, Mandatum Asset Management Ltd, Mandatum Stockbrokers Ltd, Mandatum & Co Ltd, Sampo Finance Ltd, Sampo Card Ltd, Sampo Credit plc, Mandatum Private Equity Funds Ltd and 3C Asset Management Ltd. The Group also includes Sampo PTE S.A., a pension fund company located in Poland, and AS Sampo Pank and UAB Sampo bankas, two banks located in Estonia and Lithuania respectively. The branch network also acts as a distribution channel for a wide range of advisory services and long-term savings products.

Performance remained quite good

Banking and investment services recorded quite good results for the year under review. The operating profit was EUR 252 million (296). The return on risk allocated capital (RORAC) was 19.2 per cent (19.4), only just short of the 20 per cent target. The return on net asset value (RONAV) was 10.9 per cent (12.4). These return indicators are sensitive to changes in interest rates. A one percentage point change in interest rates is reflected in a 2–3 percentage point change in the values of the indicators.

In spite of falling interest rates and the reduction in balance sheet money and capital market assets, net income from financial operations remained fairly steady at EUR 448 million (469). The 12-month moving average of the interest spread between deposits and lending was 3.4 per cent (3.9). One factor contributing to relative stability of the interest spread is the action taken early in the year under review to bring interest rates in deposits into line with market conditions.

Both gross and net fees and commissions receivable remained approximately as before. Fees and commissions receivable from asset management rose by 41 per cent due to the brisk growth of this business and the restructuring implemented. They also grew in basic banking operations and, in particular, in payment transactions and deposits, where they were higher than in the comparison year. Fees and commissions receivable from the investment bank's corporate finance operations were significantly lower than in the comparison year, but profitability was maintained quite well despite the weakened market. Mandatum retained its leading position in Finland in advisory and M&A. The weak performance of the stock markets and seasonal factors reduced trading volumes in stockbroking in the summer. In the second half of the year profitability and market share developed favourably.

Expenses were lower than in the previous financial year. Staff and other administrative expenses declined by 4 per cent. The cost reductions in Finnish operations were offset by increased investments in banking in Estonia and Lithuania. The concentration of property assets in the holding company in November 2001 weakened the result of banking and investment services by EUR 13 million as incomes decreased by nearly EUR 19 million and costs and depreciation contracted altogether by over EUR 5 million. As incomes decreased more than costs, the cost to income ratio (including net amount of fees and commissions in income) weakened during the financial year to 64 per cent (59). The effect of changes in interest rates on the cost to income ratio is considerable. A one percentage point change in the general interest level affects the cost to income ratio by about 4 per cent.

The subsidiary banks operating in Estonia and Lithuania increased their number of customers substantially and altogether the banks had nearly 75,000 customers at the end of the year under review. The number of housing loans granted in Estonia doubled and the loan portfolio at the end of the year under review was EUR 55 million. The growth in Lithuania was still faster with the number of housing loans rising during the year from EUR 6 million to EUR 32 million. The end-of-year result of the Estonian bank, AS Sampo Pank, was a profit, while the Lithuanian bank, UAB Sampo bankas, is expected to be profitable from the beginning of 2004.

Sampo Fund Management became the market leader

The mutual fund business, one of Sampo's core business areas, performed extremely well during the financial year. Sampo's market share of all new Finnish net investments in Finnish-registered funds was almost 45 per cent. The emphasis on sales in the distribution network and good mutual fund products were the main factors that promoted Sampo's strategy of tapping the growth potential of long-term savings. According to the mutual fund report of the Finnish Association of Mutual Funds published by the Helsinki Exchanges, Sampo became the largest mutual fund management company in Finland in September and at the end of the year it held a market share of 24.5 per cent (18.4). The market share in the retail customer segment increased even more to 25.5 per cent (17.7).

In the difficult capital market conditions, subscription growth was focused on low-risk and especially money market funds. As the capital markets revive, it is expected that investments will gradually be transferred to equity funds. On 31 December 2002, the investments in Sampo's mutual funds totalled approximately EUR 3.9 billion (2.7). The figure includes about EUR 425 million in investments of companies belonging to Sampo Group (117). The number of fund unit holders grew by a good 35 per cent and was 197,371 (146,046). The number of continuous fund agreements more than doubled in the year under review and increased to 54,312 (26,906). The fund investments are managed by Mandatum Asset Management Ltd and 3C Asset Management Ltd, both of Sampo Group, together with five foreign partners.

Assets under management grew

The total amount of assets under discretionary management within Sampo Group grew due to new investments and restructuring to about EUR 17 billion (10.1). At the end of 2002, assets held under discretionary management agreements by Mandatum Asset Management, including the mutual funds and the Group's own portfolios, amounted to around EUR 15.7 billion (10.1). This included about EUR 6.6 billion in Group-related assets. During the year under review, the management of the Group's life insurance assets was transferred under Mandatum Asset Management, with respect to fixed income and foreign equity investments. Mandatum Private Equity Funds had about EUR 800 million under management and 3C over EUR 400 million.

The total assets under the management of Sampo PTE, a pension fund company operating in Poland, grew by over 35 per cent to EUR 227 million. The pension fund managed by the company has

440,000 members. The company recorded a profit in the year under review.

Growth in retail customer loans

With regard to traditional banking products, growth did not reach the level of long-term savings products. The deposit base increased during the financial year by just under 2 per cent and Sampo Bank's market share of deposits in Finland was 14 per cent at year's end (14). Sampo Bank's market share of deposit-taking bank lending in Finland was about 14 per cent on 31 December (14). Sampo Group's loan portfolio contracted during the year, due to the reduction in the corporate loan portfolio and the strategy-driven sale of export and project finance. Loans to households continued to grow, rising to EUR 5,715 million (5,322). Housing loans, which form more than 3/4 of all loans to households, climbed by over 9 per cent. Tightened competition was reflected in a fall in margins. Sampo Bank retained a market share of over 14 per cent in housing loans in Finland. Banking grew strongly in Estonia and Lithuania. Although the subsidiary banks in those countries currently account for only a small share of the Group's result and balance sheet, rapid growth is expected to continue.

Bad and doubtful debts and non-performing loans in check

Net provisions for bad and doubtful debts in the profit and loss account were EUR 1 million positive (–16). During the financial year, new provisions for bad and doubtful debts and write-offs were made totalling EUR 26 million (36), while recoveries of loans previously written off and releases totalled EUR 27 million (20). At the end of the year, provisions pooled by customer group defined on the basis of credit ratings were EUR 31 million (31). At the end of the year, non-performing loans totalled EUR 77 million (109) and other non-interest-earning loans EUR 2 million (9). Of these, corporate and institutional customers accounted for EUR 38 million (81) and households for EUR 41 million (38).

Capital adequacy of the Group

Because its operations are weighted more towards banking and finance than insurance, the capital adequacy of Sampo Group is calculated according to the provisions of the Act on Credit Institutions. The Group's capital adequacy ratio was 17.3 per cent (12.7). The Tier 1 capital ratio was strong at 18.7 per cent (15.6). The Tier 1 capital ratio is higher because the parent company's holdings in insurance companies, which are deducted from the total capital, are greater than Tier 2 assets. The consolidated group comprises Sampo Bank Group, Sampo Credit plc, AS Sampo Pank, UAB Sampo bankas, Sampo PTE, Sampo Fund Management Ltd, Mandatum Asset Management Ltd, Mandatum Private Equity Funds Ltd, Mandatum Stockbrokers Ltd, Mandatum & Co Ltd, 3C Asset Management Ltd and the parent company Sampo plc.

Capital adequacy of the Group

EUR m	2002	2001
TIER 1	2,344	2,170
TIER 2	266	352
– deductions from capital	–441	–747
Total capital	2,169	1,775
Risk-weighed assets	12,519	13,952
Capital adequacy of the Group		
total capital / risk-weighted assets	17.3%	12.7%
TIER 1 / risk-weighted assets	18.7%	15.6%

Sampo Bank plc had following ratings on 28 February 2003:

	Short-term funding	Long-term funding
Moody's Investors Service	P–1	A2
Standard & Poor's	A–1	A

Life insurance

The core of the Group's life insurance business is Sampo Life, operating in Finland. The business area also includes life insurance companies located in the three Baltic states, and Sampo TU Zycie in Poland.

The sale of Sampo Life's insurance products rose to a record level during the year under review. In accordance with the Group's strategies, the focal sales areas were the retail customer segment and especially unit-linked insurance. 23,173 new insurance policies including a unit-linked element were sold, which is 290 per cent more than the corresponding period last year. The majority, 87 per cent, of new pension policies were unit-linked. 64 per cent of all new sales were focused on unit-linked policies. There was a similar trend in the retail customer segment and 34,448 new insurance policies were sold, which is 48 per cent more than in the previous year.

In the year under review, the Group's life insurance companies gathered EUR 613 million in premiums written (755). The majority of this was written by Sampo Life, whose premium income was EUR 602 million (747). Sampo Life's premiums written decreased from 2001, because the company ceased to actively market certain products such as capital redemption contracts. In the comparison figures for 2001 capital redemption contracts and portfolio transfers of pension foundations accounted for EUR 264 million of premiums written, whereas the corresponding figure for the year under review was EUR 54 million.

Success in the areas of focus was reflected in powerful growth in premium income from regular premium contracts. In 2002, 48 per cent of Sampo Life's premiums derived from such contracts (32).

Sampo Group's life insurance companies operating in the Baltic states strengthened their market positions. The companies' premiums written totalled about EUR 4 million (2). Sampo Group also includes Sampo TU Zycie, a Polish company that sells unit-linked insurance. The company's operations were substantially reorganised during the year under review. The company's premiums written grew only a little in the difficult market environment in Poland and totalled about EUR 7 million (6). All four companies have operated only a short time and their impact on the Group's operating profit is insignificant.

The growth of Sampo Life's unit-linked premiums written significantly exceeded general growth in the sector and the market share rose to 25.3 per cent (14.5). In the retail customer segment, too, the company's position was strengthened compared with the previous year, rising to 15.2 per cent (14.1). As a result of the concentration on focal areas, the company's total market share fell to 18.2 per cent (23.1).

The net investment income of the Group's life insurance companies increased to EUR 193 million (248) and the return on investment assets at current values was 2.8 per cent. The market value of investment assets (excluding unit-linked insurance) on 31 December 2002 was EUR 5.2 billion, of which 62 per cent was invested in fixed income instruments, 30 per cent in equities and 7 per cent in properties. Of all investments, 52 per cent were in Finland, 21 per cent in the rest of the euro zone and 27 per cent in other countries.

The life insurance business recorded an operating profit of EUR 86 million (79) for the year under review. The cost of operations was cut in particular by streamlining administrative and support functions. Operating expenses were reduced to EUR 53 million (67).

Despite the difficult capital market situation, the solvency ratio of the Group's life insurance companies remained good and stood at 12.9 per cent of technical provisions on own account (14.7). The corresponding solvency ratio for Sampo Life was 12.4 per cent (14.5). Sampo Life's solvency margin was EUR 581 million (639), far above the company's minimum requirement of EUR 197 million.

In order to prepare for an extension of lifetimes, the technical provisions of Sampo Life's group pension insurance were increased in the year under review by EUR 21 million. Taking into account the total increases made earlier, the technical provisions include a provision of EUR 48 million for extended lifetimes. The sum is estimated to be sufficient to cover the known effects on technical provisions.

From the beginning of 2002 Sampo Life introduced a new accounting method based on the principle of fairness, according to which the owners' share of valuation differences is standardised at 25 per cent. On 31 December 2002, therefore, EUR 59 million was allocated to shareholders from a total of EUR 234 million in valuation differences. In 2002, 4.5–5.25 per cent returns were credited to insurance savings entitled to customer credits, depending on the type of insurance. Technical provisions include customer credits amounting to EUR 36.7 million

(55.7) awarded for 2002. Earlier reserved credits were used to finance the customer credits and EUR 48.2 million has been reserved for credits in future years. At the end of the year under review, the provision for future additional benefits was EUR 72.3 million (73.2).

Holding company

The holding company's main function is to own and control subsidiaries engaged in banking, investment services and life insurance.

The holding company recorded an operating profit of EUR 277 million (372) for the year under review. The majority of the operating profit, EUR 261 million, arose as a result of the rearrangements with respect to If. In 2001 the operating profit included one-off sales profits from Nokia shares in particular.

The holding company's balance sheet total was EUR 3.0 billion. Of this amount, holdings in banking and investment services companies accounted for EUR 1.6 billion and holdings in insurance companies for EUR 0.5 billion. Other investments totalled EUR 0.5 billion. At the end of the year under review, the holding company had 90 full-time employees, compared with over 700 at the end of 2001. Staff numbers have been dramatically reduced, due especially to the outsourcing of IT operations.

Sampo's associated company If is the leading Nordic P&C insurance company, with 3.7 million customers and a market share of 24 per cent. The company's premiums written in the year under review totalled EUR 4.2 billion.

If started several projects to lower costs and improve profitability. During the year under review, significant cost savings were achieved by reducing the number of staff, by utilising IT synergies in the Nordic countries and by re-negotiating external service contracts. In addition, insurance premiums were raised, particularly in Sweden and Norway, and underwriting was tightened by new instructions. The technical result was a profit of EUR 35 million for the year under review (–215) and the combined ratio fell to 106.1 per cent (113.1 per cent, proforma).

The decline in share prices weakened If's investment income which was, however, partially improved by an upwards trend in the fixed income markets. In order to reduce the level of investment risk, If decreased the proportion of equities in its investment portfolio and increased the proportion of fixed income investments.

The result for the year under review was a loss and Sampo's share of If's loss for 2002 was EUR 69 million.

Preparation for implementing IAS

The European Parliament and the Council of the European Union approved the Final Regulations on IAS on 14 September 2002, according to which member states' listed companies should prepare their consolidated accounts for each financial year starting on or after 1 January 2005 in conformity with the International Accounting Standards (IAS/IFRS).

The IAS regulation lets member states decide whether they will permit or require the application of IAS/IFRS standards also to the individual annual accounts of listed companies or to the consolidated accounts or individual accounts of non-listed companies.

No decision has yet been made on the above matters in Finland. The Ministry of Trade and Industry has established a committee to clarify the need to amend legislation due to the recent development of the EU's accounting norms. This IAS Regulation Committee will complete its work on 30 May 2003.

Sampo has established an on-going IAS Project, to create the framework for the Group's flexible transfer to consolidated accounts in conformity with the standards in 2005. The work is advancing on schedule.

Outlook

No strong recovery can yet be seen in the European economy. The Group will continue to implement its strategy. The focus will be on establishing new customer relationships and expanding the offering to old customers. In addition, the efficiency programme that has started well will be continued. Instability in the capital markets will complicate assessment of the business development of Sampo Group in 2003.

The result prospects for banking are clouded by low interest rates. If short-term rates do not rise, net income from financial operations will be weaker than last year. The quality of Sampo's credit portfolio is good, and provisions for bad and doubtful debts are not expected to grow significantly. Net fees and commissions receivable are likely to continue their steady development, but fees and commissions related to long-term savings will grow faster than those related to investment banking.

Strong growth in the sale of long-term savings products is forecast to continue. The market shares in Sampo's areas of focus – the mutual fund business and selected life insurance segments – will probably increase further, but more moderately than in 2002.

Life insurance results are expected to develop favourably and the solvency ratio to remain good. In contrast to the actions normally taken in the sector, Sampo Life has, in practice, discounted its whole technical provisions at a 3.5 per cent interest rate. This will provide the company with a strong financial position in the future.

The profitability of the associated company If is expected to improve. Throughout 2003 the combined ratio will probably decline below the best quarterly level of 2002 (103.6 per cent). The company's result is expected to be positive overall.

The substantial one-off items that have influenced Sampo Group's result in recent years are not in sight for 2003. Nevertheless, the result is expected to be good. In producing the shareholder value, the main emphasis is on return on invested capital, which increases as business becomes more efficient and as the Group returns to its shareholders capital released from business operations.

Board's dividend proposal

Distributable capital and reserves totalled EUR 1,340,756,866 in the Group and EUR 1,001,724,291 in the parent company. The Board proposes that a dividend for the financial year of EUR 0.35 per share be paid on the company's 553,853,865 shares. The total amount of dividends would be EUR 193,848,853.

Consolidated Profit and Loss Account

EUR m	Notes	2002	2001
Banking and investment services			
Interest receivable	1	825	1,195
Interest payable	1	–377	–726
Net income from financial operations		**448**	**469**
Dividend income		7	27
Fees and commissions receivable		221	220
Fees and commissions payable		–46	–41
Net income from transactions in securities and foreign exchange dealing	2		
from transactions in securities		15	25
from foreign exchange dealing		14	17
		29	43
Other operating income	3	24	37
Administrative expenses			
Staff costs			
Wages and salaries		–152	–165
Social security costs			
Pension costs		–35	–32
Other		–11	–17
		–46	–49
Other administrative expenses		–153	–154
		–352	–367
Depreciation and write-down of tangible and intangible assets	4	–32	–35
Other operating expenses	3	–53	–44
Provisions for bad and doubtful debts	5	1	–16
Write-offs in respect of debt securities held as financial fixed assets	5	0	0
Income from companies accounted for by the equity method		4	4
Operating profit before elimination items		**252**	**296**
Elimination items	24	8	12
Operating profit		**260**	**308**

continues →

→ **Consolidated Profit and Loss Account**

EUR m	Notes	2002	2001
Technical account – Life insurance business			
Premiums earned			
Premiums written	7	613	755
Reinsurers' share		–8	–4
		605	751
Investment income	13	625	640
Revaluation on investments	13	4	3
Other technical income		0	–
Claims incurred			
Claims paid	8	–407	–403
Reinsurers' share		5	4
		–401	–399
Change in the provision for outstanding claims		–34	–135
Reinsurers' share		1	1
		–33	–134
		–435	–533
Change in premium reserve			
Change in premium reserve		–231	–346
Reinsurers' share		0	–1
		–231	–347
Net operating expenses	9	–53	–67
Investment charges	13	–434	–389
Revaluation adjustments on investments	13	–1	–5
Other technical charges		–	0
Balance on technical account		**80**	**52**
Non-technical account – Life insurance business			
Other income	14	1	4
Other charges	14	–2	–6
Income from companies accounted for by the equity method		0	0
Profit before elimination items and extraordinary items		**78**	**50**
Elimination items	24	7	–8
Profit before extraordinary items		**86**	**41**

continues →

→ Consolidated Profit and Loss Account

Holding business

EUR m	Notes	2002	2001
Interest receivable	15	14	15
Interest payable	15	–20	–15
Net income from financial operations		**–6**	**0**
Dividend income		4	8
Fees and commissions receivable		0	–
Fees and commissions payable		0	–1
Net income from transactions in securities and foreign exchange dealing	16		
from transactions in securities		–4	401
from foreign exchange dealing		–1	–4
		–5	398
Other operating income	17	366	120
Administrative expenses			
Staff costs			
Wages and salaries		–5	–29
Social security costs			
Pension costs		0	–6
Other		0	–2
		–1	–8
Other administrative expenses		–21	–56
		–27	–93
Depreciation and write-down of tangible and intangible assets	19	–29	–45
Other operating expenses	17	–29	–20
Provisions for bad and doubtful debts	18	0	0
Income from companies accounted for by the equity method		3	4
Operating profit before elimination items		**277**	**372**
Elimination items	24	–20	–33
Operating profit		**257**	**339**
Income from P&C operations		–69	386
Operating profit from banking and investment services		260	308
Profit before extraordinary items from life insurance		86	41
Operating profit from holding business		257	339
Extraordinary items			
Extraordinary income	21	108	3
Extraordinary charges	21	–97	–
		11	3
Profit after extraordinary items		**545**	**1,078**
Income taxes	22	–154	–230
Minority interest		–3	–14
Profit for the financial year		**387**	**833**

Consolidated Balance Sheet

EUR m	Notes	2002	2001
ASSETS			
Banking and investment services assets			
Cash and balances at central banks	25, 32, 66, 67	1,292	1,383
Treasury bills and other eligible bills			
Treasury bills		–	5
Other		1,022	2,447
		1,022	2,452
Loans and advances to credit institutions	26, 30, 66, 67		
Repayable on demand		94	85
Other		851	914
		944	999
Loans and advances to customers	27, 30, 66, 67	12,490	13,597
Lease assets	31	535	515
Debt securities	32, 66, 67		
Issued by public bodies		168	470
Other		1,233	620
		1,402	1,090
Shares and participations	33, 34	36	36
Shares and participations in associated undertakings	34, 95	19	17
Shares and participations in Group undertakings	34, 94	1	1
Intangible assets	35		
Group goodwill		7	12
Other intangible assets		66	61
		73	73
Tangible assets	34, 36		
Property and shares in property companies		13	41
Other tangible assets		25	28
		39	69
Other assets	37	427	360
Prepayments and accrued income	38	178	299
Deferred tax assets	68	25	26
Elimination items	96	–79	–23
Total		**18,405**	**20,894**

continues →

→ Consolidated Balance Sheet

EUR m	Notes	2002	2001
Life insurance business assets			
Intangible assets	39		
Intangible rights		2	5
Goodwill		–	3
Group goodwill		–	0
Other long-term expenditures		3	3
Prepayments		0	–
		5	11
Investments	40		
Investments in land and buildings	41		
Land and buildings		344	330
Loans to associated undertakings		0	0
		344	330
Investments in Group and associated undertakings	43		
Debt securities and loans to Group undertakings		166	256
Shares and participations in associated undertakings		1	11
		167	267
Other financial investments			
Shares and participations		1,434	1,173
Debt securities		2,913	2,773
Loans guaranteed by mortgages		0	28
Other loans	44	0	5
Deposits		71	42
		4,418	4,021
Deposits with ceding undertakings		31	36
		4,961	4,654
Investments covering unit-linked insurance	45	370	300
Debtors			
Arising out of direct insurance operations			
Policyholders		4	3
Intermediaries		–	1
Arising out of reinsurance operations		4	0
Other debtors		19	44
Deferred tax assets		4	11
		30	58
Other assets			
Tangible assets	39		
Equipment		3	5
Other tangible assets		0	0
		3	5
Cash at bank and in hand		19	35
		22	40

continues →

→ **Consolidated Balance Sheet**

EUR m	Notes	2002	2001
Prepayments and accrued income			
Interest and rents		41	86
Other		13	6
		55	93
Elimination items	96	–221	–292
Total		**5,222**	**4,864**
Holding business assets			
Loans and advances to credit institutions	47, 50, 84, 85		
Repayable on demand		46	48
Other		5	212
		51	**260**
Loans and advances to customers	48, 50, 84, 85	13	23
Debt securities	51, 84, 85		
Issued by public bodies		–	5
Other		42	9
		42	14
Shares and participations	52, 53	169	89
Shares and participations in associated undertakings	53, 95	713	415
Intangible assets	54		
Group goodwill		233	349
Other intangible assets		33	27
		266	376
Tangible assets	53, 55		
Property and shares in property companies		208	390
Other tangible assets		9	18
		217	408
Other assets	56	21	20
Prepayments and accrued income	57	22	5
Deferred tax assets	86	2	4
Elimination items	96	–49	–214
Total		**1,467**	**1,399**
TOTAL ASSETS		**25,094**	**27,157**

continues →

→ Consolidated Balance Sheet

EUR m	Notes	2002	2001
LIABILITIES			
Capital and reserves	58		
Share capital		94	93
Share premium account		969	965
Reserves		370	370
Preferred capital notes	59	10	10
Distributable reserves		850	461
Profit/loss brought forward		181	154
Profit for the financial year		387	833
		2,860	**2,886**
Minority interest		21	33
Banking and investment services liabilities			
Liabilities to credit institutions and central banks	61, 66, 67		
Central banks		0	100
Credit institutions			
Repayable on demand		30	38
Other		531	1,720
		562	1,757
		562	1,857
Liabilities to customers	61, 66, 67		
Deposits			
Repayable on demand		7,982	7,621
Other		1,248	1,441
		9,230	9,062
Other liabilities		1,509	1,360
		10,739	10,422
Debt securities in issue	61, 62, 66, 67		
Bonds and notes		2,066	3,027
Other		2,233	2,287
		4,299	5,314
Other liabilities	63	676	682
Accruals and deferred income	64	247	461
Subordinated liabilities	65	319	494
Deferred tax liabilities	68	29	28
Elimination items	96	–264	–502
Total		**16,606**	**18,758**
Life insurance business liabilities			
Technical provisions	76		
Provision for unearned premiums		3,355	3,202
Reinsurers' share		–2	–2
		3,353	3,200

continues →

→ Consolidated Balance Sheet

EUR m	Notes	2002	2001
Claims outstanding		1,274	1,241
Reinsurers' share		–5	–4
		1,269	1,237
		4,623	4,437
Technical provisions for unit-linked insurance		372	299
Deposits received from reinsurers		0	0
Creditors			
Arising out of direct insurance operations		0	0
Arising out of reinsurance operations		7	1
Amounts owed to credit institutions		0	0
Other creditors		54	46
Deferred tax liabilities		4	4
		66	52
Deferred income		26	50
Elimination items	96	–5	–8
Total		**5,080**	**4,830**
Holding business liabilities			
Liabilities to credit institutions and central banks	80, 84, 85		
Credit institutions			
Other than repayable on demand		77	242
Debt securities in issue	80, 81, 84, 85		
Other than bonds and notes		342	239
Other liabilities	82	58	62
Accruals and deferred income	83	14	99
Deferred tax liabilities	78	116	27
Elimination items	96	–80	–18
Total		**527**	**651**
TOTAL LIABILITIES		**25,094**	**27,157**
Banking and investment services off-balance sheet items			
Contingent liabilities			
Guarantees and assets pledged as collateral security		1,738	1,970
Other		1	–
		1,739	**1,970**
Commitments			
Sale and option to resell transactions		0	–
Other		3,084	3,193
		3,085	3,193
		4,824	**5,164**
Holding company off-balance sheet items			
Commitments			
Other than sale and option to resell transactions		39	59

Parent Company Profit and Loss Account

EUR m	Notes	2002	2001
Interest receivable	15	12	14
Interest payable	15	–12	–12
Net income from financial operations		**0**	**2**
Dividend income			
From Group undertakings		280	159
From associated undertakings		6	0
From other companies		4	8
		290	167
Fees and commissions receivable		0	–
Fees and commissions payable		0	–1
Net income from transactions in securities and foreign exchange dealing	16		
from transactions in securities		–4	401
from foreign exchange dealing		–1	–4
		–5	398
Other operating income	17	126	111
Administrative expenses			
Staff costs			
Wages and salaries		–5	–29
Social security costs			
Pension costs		0	–6
Other		0	–2
		–1	–8
Other administrative expenses		–20	–56
		–26	–93
Depreciation and write-down of tangible and intangible assets	19	–8	–5
Other operating expenses	17	–8	–16
Provisions for bad and doubtful debts	18	0	0
P&C insurance operating protif (for period 1 Jan.–31 March 2001)		–	423
Operating profit before extraordinary items		370	986
Extraordinary items		–72	–
Profit before appropriations and tax		**298**	**986**
Appropriations		0	–3
Income tax	22	–84	–159
Profit for the financial year		**214**	**824**

Parent Company Balance Sheet

EUR m	Notes	2002	2001
ASSETS			
Loans and advances to credit institutions	47, 50, 84, 85		
Repayable on demand		45	42
Other		5	198
		50	240
Loans and advances to customers	48, 50, 84, 85	13	24
Debt securities	51, 84, 85		
Issued by other than public bodies		42	9
Shares and participations	52, 53	170	93
Shares and participations in associated undertakings	53, 95	317	65
Shares and participations in Group undertakings	54	2,026	2,450
Intangible assets		34	20
Tangible assets	53, 55		
Property and shares in property companies		193	78
Other tangible assets		8	18
		201	96
Other assets	56	21	16
Prepayments and accrued income	57	22	4
Deferred tax assets	86	0	2
TOTAL ASSETS		**2,896**	**3,019**
LIABILITIES			
Liabilities to credit institutions and central banks	80, 84, 85		
Other than repayable on demand to credit institutions		70	–
Debt securities in issue	80, 81, 84, 85		
Other than bonds and notes		342	239
Other liabilities	82	39	39
Accruals and deferred income	83	14	95
		53	134
Appropriations			
Accumulated depreciation in excess of / less than plan		1	1
Capital and reserves	60		
Share capital		94	93
Undistributable reserves			
Share premium account		969	965
Reserves		366	366
Distributable reserves		788	396
Profit/loss brought forward		0	–
Profit for the financial year		214	824
		2,431	**2,645**
TOTAL LIABILITIES		**2,896**	**3,019**
Holding business off-balance sheet items			
Commitments			
Other than sale and option to resell transactions		39	59

Risk Management

Risk management principles

Risk is an essential part of Sampo's operating environment. The main objective of risk management is to ensure that capital base is adequate in relation to the risks generated by the business activities. The Board of Directors of Sampo plc is responsible for ensuring that the Group's risks are properly managed and controlled. The Board sets the principles of risk management and provides guidance on the organisation of risk management and internal control in the business areas. The Board monitors the risk management process and has established a Risk Control Committee to control the Group's risks. The Group's overall risk exposures are reported to the Board on a monthly basis.

Business risks

Sampo Group provides to its customers a wide range of financial services and each company in the Group has its own separate business role defined by strategy. The clear division of responsibilities leads to minimal overlaps in the risk-taking. Sampo Group's policy is to generate results mainly from customer business and thus the role of risk-taking unrelated to that is kept negligible. The sufficient return on allocated capital is basis for pricing products and services.

The major risks associated with Sampo Group's business companies are credit risks, the interest rate and liquidity risks of non-trading positions, the market risks of investment portfolios, insurance risks and the operational risks inherent in every kind of activity. Market risks in trading activities are minimal. The parent company, Sampo plc, acts as the holding company.

Sampo Group regularly evaluates the risks of its business areas and the sufficiency of the companies' capitalisation in relation to their risks. These evaluations are made at the individual company level and at Group level.

Management of credit risks

Credit risks refer to variations in results caused by customers or counterparties failing to meet their commitments. Credit risks include counterparty, country and settlement risks.

The Group's guidelines lay down uniform principles for credit risk taking, with the aim of ensuring good quality in the credit process. Sampo's Board of Directors annually approves the credit risk policy which sets the parameters for risk appetite (expressed by economic capital) and allocation of credit risks. The targeted economic capital is set at a level below actual capital in the balance sheet. Lending is focused on customers operating in Finland. Limits are set for risk concentrations, measured by the ratio of a customer group's nominal exposures to the Bank's total capital as well as by the ratio of a customer group's economic capital, calculated by a credit risk model, to the total economic capital.

The Group's Credit Committee is authorised to make all credit decisions. The authority is further delegated to separate sub-committees responsible for corporate and retail customers, and to authorised credit officers in customer business units. The nominal amount of the authorisation varies according to the creditworthiness of customers and the quality and type of collateral. All credit requests are prepared in the customer business units. Credit decisions are primarily based on the creditworthiness of the respective customers. To reduce uncertainty related to its estimation, collateral or covenants are required.

The Group's Rating Committee, which is independent of the credit decision process, decides on all significant ratings. The use of the credit decision-making authority is controlled by the limits set for countries, customers, customer groups and products and by reporting requirements.

Credit rating of corporate and institutional customers

The credit risk management system for corporate customers has the following elements. Each significant customer has a customer account officer who is familiar with the customer's business and monitors its development. In addition, the customers with the biggest credit risks or largest exposures are analysed continually by a credit analyst, who is independent of the customer business units. The Group has an internal 12-stage creditworthiness rating scale, which covers more than 98 per cent of loans and other exposures to corporate and institutional customers in domestic banking and about 92 per cent of the corresponding loans and exposures in Sampo Group. The internal rating system has existed in its current form since 1997 and the defaults detected in the bank's customer portfolio during the years 1997–2002 clearly support the default probabilities given to the rating categories. These refer to the possibility of future counterparty defaults, i.e. that customers will be unable to pay interest and loan instalments, and will be forced into corporate or debt restructuring or bankruptcy.

Collateral rating

Collateral is divided into four quality categories according to the probability of a full recovery in the event of possible realisation. Each type of collateral, e.g. securities by issuer, is given a valuation percentage, and this is used to place the share of the collateral pledged to the Bank, at its fair value, in a quality category. The collateral values are regularly updated.

Measurement of credit risks

Sampo Bank has utilised a credit portfolio model since 1999 to quantify its credit risks. The model estimates expected credit losses and economic capital for credit risk based on a large number of scenarios concerning the evolution of counterparty ratings and defaults. The estimate for risk capital is over a three year horizon and based on a confidence level of 99.9 per cent. The counterparty level inputs to the model are the default and transition probabilities implied by Sampo ratings and the estimated loss given default. The latter is a function of the counterparty's exposure and collateral position, and its estimated other recoverables. The loss given default estimate has been designed to take into account the expected depression in collateral values during recessions.

A risk-adjusted performance measurement system for Sampo Bank's corporate business (including SME) was implemented in 2001–2002. Risk-adjusted profitability is measured both at the level of customer relationships and business units, and is used to guide the evaluation of customer relationships and in pricing decisions. The risk-adjusted performance measurement initiative has led to a better risk-return consciousness throughout the organisation and has therefore improved the quality of risk management.

Monitoring credit risks of corporate customers

Credit risk monitoring is based on the continuous monitoring of both the macro-economy and individual customer business sectors, and customer creditworthiness, collateral values and covenants. In addition, the ratings of listed customers are monitored by Moody's KMV® model which estimates Expected Default Frequencies (EDF) by combining information on company financial statements and stock market. Country, customer and product limits are monitored daily. To reduce credit risks, customer account officers draw up action plans for customers in the two lowest rating categories (L4 and L4–). The credit risks of the customer business units are reviewed systematically at least once a year, monitoring the appropriateness of credit decisions, categorising the customers and collateral, and implementing action plans created to reduce the risks of the customers in the lowest rating categories. The achievement of credit policy targets is followed monthly.

Assessing and monitoring credit risks of retail customers

The creditworthiness of retail customers is assessed by comparing the customer's income, or that of his or her family, with living expenses and debt repayment obligations. Uncertainties related to the estimation of creditworthiness are covered by collateral which, in the case of long-term loans, is usually a dwelling. In the case of smaller unsecured loans, the creditworthiness of personal customers is assessed by credit scoring, which estimates the customer's ability to repay the loan. The incidence of delayed loan repayments and the development of non-performing loans are monitored and reported on continuously.

Credit risks in 2002

The figures in the tables describe the outstanding exposures of customers of Sampo Group, excluding the life insurance business outside Finland. The internal receivables of Sampo Group companies have been eliminated from the figures.

Exposures are primarily categorised according to customers or counterparties. However, in cases where the credit decision was based on the creditworthiness of a guarantor, they are categorised according to the guarantor. The reporting of credit risks covers all agreements and derivative contracts, both on and off-balance sheet, with which they are associated.

Sampo Group's outstanding exposures to customers decreased by about EUR 2.3 billion or 9 per cent during the year, and stood at EUR 24 billion at the end of the year. Exposures to retail customers and to financial institutions increased by 9 per cent and 14 per cent respectively, while exposures to public sector customers and to corporate customers decreased by 42 per cent and 15 per cent respectively. The decrease in exposures to the public sector was mainly because Sampo Bank decreased its investments in Finnish Government bonds. The decrease in exposures to the corporate sector was due to the fact that, on 23 April 2002, Sampo Credit and Sampo Bank contracted to sell an export and project finance portfolio valued at approximately EUR 1.3 billion to Landesbank Schleswig-Holstein Girozentral (LB Kiel). This was secured by a bank guarantee supplied by LB Kiel on 7 May 2002. By the end of 2002 nearly one third had not yet been transferred to the purchaser, but will be transferred in accordance with the agreement by 7 May 2003. The majority of the sold portfolio was on Sampo Credit's balance sheet.

In terms of geographical area, 93 per cent of all credit risks were in EU countries. By the end of the year, Latin America exposures had fallen to EUR 19 million (118) and Asian exposures to EUR 153 million, a decrease of one quarter. Of the Asian exposures, Indonesia accounted for EUR 24 million (17) and Pakistan for EUR 3 million (4). Of Eastern European exposures, Estonia accounted for EUR 244 million (217) and Russia for EUR 2 (29) million. Exposures to Middle East countries were reduced by over a third to EUR 20 million, of which Turkey accounts for EUR 16 million (29).

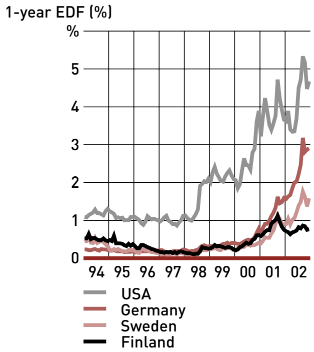
Exposures to corporate customers were reduced during the year by EUR 1.4 billion. Analysed by industry, the greatest relative reductions were

→ Risk Management	2002 EUR m	2002 %	2001 EUR m	2001 %
Exposures by customer sector				
Corporate customers	8,009	34	9,419	36
Financial institutions	6,227	26	5,457	21
Public sector customers	2,871	12	4,967	19
Other institutions	917	4	966	4
Total	**18,024**	**75**	**20,808**	**79**
Retail customers	5,854	25	5,392	21
Total	**23,878**	**100**	**26,200**	**100**
Exposures by geographical area				
Finland	16,847	71	18,751	72
Other EMU countries	2,773	12	3,417	13
Other EU countries	2,399	10	1,846	7
US, CA, JP, AU, NZ, Other Western Europe	1,263	5	1,375	5
Asia (excl. Japan)	153	1	206	1
Middle East	20	0	31	0
Eastern Europe	378	2	366	1
Other countries	45	0	208	1
Total	**23,878**	**100**	**26,200**	**100**
Corporate exposures by industry				
Forest industry	621	8	891	9
Metal industry	1,045	13	1,256	13
Other manufacturing	1,476	18	1,879	20
Wholesale and retail distribution	866	11	960	10
Construction	371	5	423	4
Property	1,427	18	1,377	15
Energy	674	8	838	9
IT and telecommunications	454	6	699	7
Other companies	1,075	13	1,097	12
Total	**8,009**	**100**	**9,419**	**100**

35 per cent in information and communications technology (ICT) and 30 per cent in the forest industry. The ICT sector accounted for 6 per cent of corporate customer exposures and 1.9 per cent of all customer exposures. Abroad, Sampo Bank participated in financing for the network investments of several GSM operators, but the shares were small and did not include finance for any UMTS licences. About 69 per cent of the banking business exposures to corporate customers are secured by category I–IV collateral.

According to Moody's KMV® model (figure) the median expected default frequency estimate for Finnish public corporates has remained at a substantially stronger level than the corresponding estimates for US and Western European corporates. Measured by Sampo's credit risk model, the credit risk of corporate and institutional customers was maintained at the level of the beginning of the year. The average probability of default, weighted by exposures, rose slightly from 0.8 per cent to 0.9 per cent. The expected credit loss of corporate exposures remained at 0.4 per cent and the economic capital declined from 5.3 per cent to 5.1 per cent, which is substantially lower than the minimum capital adequacy level prescribed by

Median EDF™ of all listed companies, 1994 through 2002



Exposures to corporate and institutional customers by creditworthiness category

Sampo ratings	S&P equivalents	2002 EUR m	2002 %	2001 EUR m	2001 %
L1+	AAA	1,173	7	1,463	7
L1	AA+, AA	3,332	18	5,944	29
L1–	AA–	1,454	8	1,651	8
L2+	A+, A	2,463	14	1,725	8
L2	A–, BBB+	3,274	18	3,360	16
L2–	BBB, BBB–	2,361	13	2,046	10
L3+	BB+	700	4	1,098	5
L3	BB	871	5	1,142	5
L3–	BB–, B+	430	2	551	3
L4+	B, B–	316	2	119	1
L4	CCC+, CCC–	128	1	179	1
L4–	CC	6	0	0	0
In default	D	100	1	195	1
Uncategorised	N.a.	1,415	8	1,336	6
Total		**18,024**	**100**	**20,808**	**100**

Exposures in categories L4 and L4– by size of exposure

Size of exposure	2002 EUR m	2002 No. of customers	2001 EUR m	2001 No. of customers
Less than EUR 0.1 million	13	1,275	17	1,439
EUR 0.1–0.5 million	17	85	34	158
EUR 0.5–3 million	36	30	60	57
EUR 3–10 million	27	5	68	12
Over EUR 10 million	41	2	0	0
Total	**134**	**1,397**	**179**	**1,666**

Exposures in categories L4 and L4– by customer category

	2002 EUR m	2002 %	2001 EUR m	2001 %
Manufacturing	38	28	28	16
Wholesale and retail distribution	13	9	36	20
Construction and property	20	15	69	39
Other companies	39	29	26	15
Other customers	25	19	19	11
Total	**134**	**100**	**179**	**100**

Exposures of customers in default by industry

	2002 EUR m	2002 %	2001 EUR m	2001 %
Manufacturing	26	26	94	48
Wholesale and retail distribution	8	8	24	12
Construction and property	13	13	31	16
Other companies	48	49	39	20
Other customers	4	4	7	4
Total	**100**	**100**	**195**	**100**

authorities (8). Total economic capital decreased by 19 per cent from the level at the beginning of the year, due almost entirely to reduced exposures to corporate customers.

Analysed by rating categories, the relative share of exposures belonging to at least the L2– (BBB–) category stayed at 78 per cent. The total exposures included in the two lowest categories (L4, L4–) fell by one quarter from the level at the beginning of the year. At the end of the year, these exposures totalled EUR 134 million and were secured by I–IV category collateral amounting to EUR 75 million. Non-performing loans fell by nearly one half from the level at the beginning of the year. The relatively large share of non-rated exposures is due to the inclusion in the figures of life insurance counterparties and the customers of Baltic area banks.

76 per cent of the retail loan portfolio and most of the new lending was used to finance the purchase of dwellings. 74 per cent of lending and the total of its growth was in areas of net in-migration of population. 2 per cent of lending was in areas with significant net out-migration. About 96 per cent of lending to retail customers was secured by category I–IV collateral, which are mainly dwellings and government guarantees, while 4 per cent of the total was unsecured credits.

Exposures to customers in default and provisions for bad and doubtful debts

Exposures to customers in default (due to bankruptcy, corporate or debt restructuring, failure to perform, non-interest earning loans, booked provisions for bad and doubtful debts) stood as follows:

EUR m	2002	2001
Corporate and institutional customers	100	195
Retail customers	64	62
Total	**164**	**257**

The above exposures totalling EUR 164 million are secured with category I–IV collateral totalling EUR 116 million. Additionally, the Group has made specific provisions pooled by customer group, totalling EUR 35 million. These provisions have not been deducted from the above figures.

Total exposures to corporate and institutional customers in default decreased by EUR 95 million, including non-performing loans of EUR 38 million. The latter decreased by EUR 42 million during the year. This customer group includes customers whose loans are only partly non-performing. As the non-performing part is removed, the customer is returned its original rating category. The decrease in non-performing loans was mainly due to the customer or guarantor making the payments that were in default.

Total exposures to retail customers in default, as shown in the above table, increased by EUR 2 million and include non-performing loans of EUR 41 million. As non-performing loans increased by EUR 3 million, the contribution of other items to total exposures to retail customers in default decreased by EUR 1 million.

Due to recoveries, provisions for bad and doubtful debts were reduced by EUR 1 million compared with an increase of EUR 16 million in 2001. Net provisions for the bad and doubtful debts of corporate customers totalled EUR 2 million (18). New provisions for bad and doubtful debts have been on the decline for the past three years. The recoveries of provisions made for retail customers' bad and doubtful debts were EUR 2.5 million higher than new provisions. In 2001, recoveries had exceeded new provisions by EUR 2 million. The amount of recoveries was significantly affected by the post-collection sale of receivables.

Non-performing and non-interest earning loans

EUR m	2002	2001
Domestic retail customers	39	38
Foreign retail customers	2	0
Total	41	38
Domestic corporate and institutional customers	22	31
Foreign corporate and institutional customers	16	49
Total	38	80
Total	**79**	**119**

Provisions for bad and doubtful debts

EUR m	2002	2001
Domestic retail customers	–4	–2
Foreign retail customers	1	0
Total	–3	–2
Domestic corporate and institutional customers	–2	9
Foreign corporate and institutional customers	4	9
Total	2	18
Total	**–1**	**16**

Management of market risks

Market risks arise from earnings volatility caused by changes in market values. Movements in risk factors such as interest rates, exchange rates, equity prices and their respective volatilities or the creditworthiness of investment targets affect market values.

The Group's Asset & Liability Committee (ALCO) sets limits, control parameters and risk taking authorisations for market risks in banking activities and formulates the main risk-taking policies for the Boards of operating companies.

Trading-unit operates within limits and authorisations, which are monitored daily by an independent risk control function. ALCO guides the risk-taking of trading through limit setting.

ALCO monitors the market and liquidity risks of non-trading activities – the so-called banking book – on a monthly basis. With respect to market risks, the main focus is on the effects of interest rate movements on the economic value of the banking book and on the annual net income from financial operations. In liquidity risk monitoring, the main focus is on the so called funding gap – the difference between customer assets and liabilities, the maturing of assets and liabilities over time and the ratio of liquid assets to different types of liabilities.

Market risks arising from trading activities

Market risks in trading arise from foreign exchange activity with customers and risk and liquidity management services related to customer business. A further source of risk is small-scale proprietary trading which supports the Bank's ability to serve customers. Very little liquidity risk arises from trading.

Market risks in trading are measured and limited by using a technique called Value-at-Risk (VaR). VaR figures are calculated, with a confidence level of 99 per cent, for overnight risk. The volatility and correlation parameters required by the model are calculated daily on the basis of 60-banking day historical market observations. Risks are also monitored and limited by means of stress testing and exposure limits, thus ensuring that agreed levels of risk are also not exceeded in exceptional market conditions.

The banking book and asset and liability activities

In Sampo Group the credit institutions are Sampo Bank Group, Sampo Credit plc and the subsidiary banks in Estonia and Lithuania.

The interest rate and liquidity risk related to banking book is concentrated mainly in Sampo Bank's euro-denominated balance sheet. The interest rate risks of foreign currency-denominated balance sheets are minor. Thus, the currency-denominated net income from financial operations is based mainly on credit margins. In the other companies the interest rate risks of banking books are small. The foreign subsidiaries fund themselves from the market and the other companies from Sampo Bank.

Retail market demand deposits and loans for customers comprise the core of the Sampo Bank's euro-denominated banking book. The banking book also includes wholesale funding items, investments in money market and fixed income instruments and hedging derivatives. All of these items are used to modify the liquidity- and the interest rate risk exposures of the banking book and capital adequacy in general.

Market risks of the banking book

The main market risk of euro-denominated banking book is the interest rate risk. This is

Market risks in trading of Sampo Group's banking operations for 2000–2002 (1% daily VaR figures)

	Average			Maximum			Minimum		
EUR 1,000	2002	2001	2000	2002	2001	2000	2002	2001	2000
Interest rate risk	433	415	766	804	668	1,772	218	219	71
Currency risk	58	98	91	496	540	1,659	8	27	0
Equity risk	11	7	1	76	43	27	0	0	0
Portfolio effect	–59	–99	–89	–285	–397	–642	–7	–14	0
Market risk	**444**	**420**	**769**	**847**	**937**	**1,875**	**217**	**222**	**76**

manifested, when rates are falling, in a deterioration in the net income from financial operations and in the value of banking book.

Finnish customers favour loans with variable interest rates. Thus, most of the bank's loans to customers are tied to Euribor market rates, contrary to the majority of retail demand deposits, the interest rates of which are determined by the bank itself based on general interest levels and the competitive situation. When low rates prevail, the interests paid on deposits are slower to adapt to decreases in market rates than interests received on loans. This results in a slimming in interest margins and thus decreased profitability for customer business. The basic risk is thus a situation in which Euribor rates remain at a low level for a long time. A key task for Asset and Liability management is to maintain a hedge, the yield of which compensates a contraction in net income from core customers operations.

Interest rates fell in all maturities in 2002, apart from a slight rebound in the spring. The hedging contracts made in previous years, when interest rates were higher, supported net interest income as the rates decreased. During the year the interest rate exposure of euro-denominated banking book was kept as small as possible, due to uncertainty about interest rate trends. On 31 December, a hypothetical 1 percentage point interest rate rise would have improved the value of Sampo Bank's euro-denominated non-trading position by EUR 40 million. With respect to the whole of Sampo's banking and investment services the improvement would have been EUR 34 million.

Liquidity risks in banking book

Liquidity risks can be defined as earnings volatility caused by changes in funding costs, or as problems in the availability of funding. Liquidity risks arise in situations of general credit market turmoil or a lack of confidence in individual borrowers.

The great majority of Sampo Bank's funding comes from liabilities to customers. This includes deposits in the current and payment transaction accounts of private persons and companies and other deposits on market terms. Sampo Bank's liquidity structure on 31 December 2002 was as in the enclosed table.

Sampo Bank's loans and advances to customers totalled about EUR 9.5 billion. When the corresponding assets of Sampo Bank's subsidiaries and Sampo Credit are added, a total of EUR 12.2 billion in loans and advances required funding by Sampo Bank. The funding gap between assets and liabilities to customers was thus about EUR 1.7 billion at the end of 2002. The basis of liquidity management is the forecasted funding gap. In addition, ALCO also regularly monitors other indicators of liquidity position, of which one of the most important is the maturity-specific asset and liability risk position.

In 2002 the proportion of long term funding was considered sufficient and Sampo Bank was not active in issuing long-term bonds.

Structure of Sampo Bank's liabilities	31 Dec. 2002	%	31 Dec. 2001
Liabilities to credit institutions and central banks	554	3.21%	521
Liabilities to customers	10,467	60.60%	10,255
– Deposits	8,973	51.95%	8,920
– Other	1,495	8.65%	1,335
Debt securities in issue	4,183	24.22%	3,866
– Bonds and notes	2,015	11.67%	2,981
– Other	2,168	12.55%	885
Other liabilities	652	3.78%	593
Accruals and deferred income	219	1.27%	448
Provisions	43	0.25%	43
Subordinated debt	304	1.76%	482
Capital and reserves	851	4.93%	810
Total	**17,273**		**17,018**

Liquidity risk of Sampo Bank at 31 December 2002

Liquidity risk of Sampo Bank

EUR m	0–1 m	1–12 m	1–2 y	2–5 y	>5 y	Total
Assets denominated in euro	5,449	2,119	1,180	2,517	4,099	15,364
Liabilities denominated in euro	4,281	2,749	1,667	3,302	3,267	15,266
Net of euro-denominated items	**1,168**	**–630**	**–487**	**–785**	**832**	**98**
Assets denominated in other currencies	1,057	632	44	68	103	1,904
Liabilities denominated in other currencies	1,019	319	99	370	282	2,089
Net of items denominated in other currencies	**38**	**313**	**–56**	**–302**	**–179**	**–184**
Liquidity position	**1,206**	**–316**	**–543**	**–1,087**	**653**	**–86**

Trading items are reported at the shortest maturity and market value. Account assets are reported at different maturities. The calculations only include balance sheet items. For example, undrawn loans or overdraft facilities are not included. Due to changes in exchange rates, assets and liabilities in different currencies do not balance, because the table does not include derivative instruments.

Investment risks of the insurance business

The investment operations of Sampo Life aim at achieving the highest possible returns at acceptable levels of risk, to ensure that Sampo Life will always and under all circumstances exceed the required solvency ratio and will have sufficient and structurally suitable investment assets to cover the company's technical provisions. The biggest risks threatening investment performance are decreases in the value of the investment, and returns that are lower than that required by technical provisions. The intention is to limit these risks by diversifying the investment portfolio as far as possible by instrument, sector and country. Currency risks are managed by keeping assets and liabilities sufficiently balanced across currencies or by using derivatives to hedge against currency risks. If necessary, derivatives are also used to hedge the investment portfolio against value decreases.

Sampo Life's Board of Directors annually approves the company's investment policy which defines the target distribution of the investment portfolio, the limits by instrument, the organisation of investment activities and the authorities to make and execute decisions. In allocating assets, the structure of the company's technical provisions and risk bearing ability at any given time are taken into account. The investment risks are monitored by sensitivity analysis. In this case, standard deviations by types of asset, approved by Sampo's Board of Directors, are used in calculating the long-term risk of value changes in the investment portfolio. In calculating the overall risk, it is assumed that all markets calculate their standard deviations at the same time.

The investment policy also includes guidelines on the use of derivatives. The maximum possible risk when using derivatives is monitored every month using the Value-at-Risk technique.

The investment committee ensures compliance with the principles specified in the investment policy and reports to the Board on investment activities.

Sampo Life's Board of Directors annually approves the risk management plan concerning the risks of the entire insurance company.

The year 2002 was challenging one for investment operations. The investment portfolio was slightly re-allocated to increase the proportion of equities by about 2 per cent and decrease the amount of interest-bearing instruments and the interest risk, while keeping the proportion of property investments roughly unchanged. The distribution, current values or valuation differences of the investments of life insurance operations are presented in note 40 in the notes to the accounts. The largest shareholdings are listed in note 42.

Technical risk of the insurance business

Technical risks are limited through careful risk selection, pricing to reflect the risks and costs, and reinsurance. Reinsurance hedging is used to limit both individual compensations and the catastrophe accumulation to be paid for a single loss. The company's Board of Directors determines the maximum amount of compensation for its own account.

Operational risks

Operational risks are defined as the risks of losses attributable to defective processes or systems, to mistakes or abuses, or to unexpected external events.

The Sampo Group's various business areas are responsible for organising and monitoring the management of operational risks. These risks are primarily controlled by making processes efficient and clear, by maintaining personnel competence and by regular reporting. At the Group level, internal auditing monitors the adequacy and efficiency of the Group's internal control, while the Compliance function monitors the adherence to regulations and guidelines and the validity of financial information.

Preparations have been made for unexpected external events by drawing up operational contingency plans and through insurance. The focus is especially on information security and systems reliability.

Sampo plc has initiated a project to improve the co-ordination and management of Group-level operational risks. The aim is also to create a framework for the collection and analysis of actual event information concerning the Group's operational risks.

Compliance with the new capital adequacy framework (Basel 2)

The aim of the EU's capital adequacy framework reform is to increase the risk sensitivity of banks' capital adequacy calculations, and to encourage banks to develop their internal risk management systems in line with the recommendations of the Basel Committee. According to the proposal on capital adequacy, banks can select the method of calculating capital adequacy that best corresponds to the level of their risk management systems. The reform aims at maintaining the capital base in the banking system at their present levels.

The capital adequacy framework consists of three complementary pillars – minimum capital requirements, a supervisory review process and market discipline. The reform will result in substantial changes in all of these pillars. The linkage between them is strong. For example, the approach that banks adopt to calculate the minimum capital requirement for credit risk affects both disclosure requirements and the standards for risk management processes within supervisory review.

The recommendations of the Basel Committee on capital adequacy calculations for banks will take effect at the end of 2006. The European Commission is currently preparing new European legislation for the implementation of the reform. The new legislation will form a foundation for changes in the national legislation of all EU member countries. The new regulations on capital adequacy will concern all credit institutions and investment services companies in the countries of the EU. The relevant EU directives are to take effect simultaneously with the recommendations of the Basel Committee.

The Basel 2 compliance project currently underway in Sampo is responsible for Sampo Group's full compliance with the new framework. Sampo's project is divided as follows:

- Credit risk
- Operational risk
- Market risk and interest rate risk of banking book
- Capital adequacy and allocation

As a part of the preparation process Sampo Bank has analysed the proposals of the Basel Committee, especially in terms of the bank's own portfolio. During autumn 2002, Sampo Bank participated in the Quantitative Impact Study 3 set up by the Basel Committee. The aim of this study was to estimate the capital impact of the proposed rules by using actual exposure data provided by banks. Additionally, Sampo's internal risk management was developed in conformance with the proposals on capital adequacy during 2002.

Accounting Policies

Regulations governing preparation of the accounts

Sampo Group engages in banking and investment services, life insurance business and holding company business.

The consolidated accounts of Sampo Group have been prepared in accordance with the Decree of the Finnish Government on the consolidated accounts of financial services and insurance groups. The annual and consolidated accounts of the parent company and the banking and investment services companies of the Group have been drawn up in accordance with the provisions of Chapter 4 of the Act on Credit Institutions, the Decree of the Ministry of Finance on the annual and consolidated accounts of credit institutions and investment services companies, and the regulations of the Financial Supervision Authority. The annual accounts of the insurance companies of the Group have been prepared in accordance with the provisions of Chapter 10 of the Insurance Companies Act, the Decree of the Ministry of Social Affairs and Health on the annual and consolidated accounts of insurance companies, and the instructions and regulations of the Ministry of Social Affairs and Health and the Insurance Supervision Authority.

The provisions of the Companies Act and Accounting Act and the Decree on Accounting are followed as is prescribed in the Act on Credit Institutions, the Insurance Companies Act and the Decree of the Ministry of Social Affairs and Health. In addition, the rules and recommendations concerning companies listed on the Helsinki Exchanges have been taken into account.

Comparability of data

The Group's parent company is Sampo plc, which was converted from an insurance company into a holding company on 31 March 2001.

Up to that date, the parent company's profit and loss account for 2001 has been prepared in accordance with the Decree of the Ministry of Social Affairs and Health on the annual and consolidated accounts of insurance companies, while since that date they have been prepared in accordance with the Decree of the Ministry of Finance on the annual and consolidated accounts of credit institutions and investment services companies. The parent company's results for the period when it was an insurance company are shown as a separate item in the company's comparative profit and loss account.

For the purpose of comparison, in the consolidated accounts the results of the non-life insurance business for 2001 have been treated using the equity method of accounting. The results have been shown as a separate item in the profit and loss account under holding company business, under the heading "Income from P&C operations". For 2002, the corresponding line shows income from If P&C Insurance Company.

Scope of consolidation

The Group accounts include the accounts of Sampo plc and all its domestic and foreign subsidiary and associated undertakings, either directly or indirectly owned.

Companies of whose equity voting rights the Group holds more than 50 per cent, either directly or indirectly, have been treated as subsidiary undertakings. Companies of whose equity voting rights the Group owns 20–50 per cent have been treated as associated undertakings.

Companies which have no material impact on the performance, financial position and distributable capital and reserves of the Group have been excluded from consolidation. Such companies are Sampo Bank's subsidiary and associated undertakings with a balance sheet total under EUR 10 million, as well as the 20–50 per cent owned housing and property companies of insurance companies and mutual insurance companies, where the owner of guarantee capital is entitled only to the guarantee capital and the interest paid on it.

Subsidiaries acquired during the financial year have been consolidated as from the date of acquisition, and subsidiaries sold until the date of disposal.

Details of the subsidiary and associated undertakings included in the Group accounts are given in note 94.

Principles of consolidation

The Group accounts are prepared by consolidating the profit and loss accounts, balance sheets and notes of the parent company and the subsidiary undertakings. The consolidated profit and loss account is drawn up by line of business, including the account of the banking and investment services, the technical and non-technical accounts of the life insurance business and the account of the holding company business, as well as extraordinary items, income taxes and minority interests combined for all businesses. Correspondingly, in the consolidated balance sheet, the assets and liabilities of the businesses are presented by line of business.

The accounts of the Group companies are included in the consolidated accounts using uniform accounting policies where possible. Differences arise in particular from the different valuation principles applied in banking and investment services and holding company business on the one hand and in the life insurance business on the other. Assets and liabilities in the same line of business are valued using the same principles.

Intra-Group transactions, assets and liabilities, gains and losses, and distribution of profit have been eliminated.

Inter-business transactions and assets and liabilities have not been eliminated line by line, but are shown as a separate item by line of business.

Based on the regulations of the Insurance Supervision Authority, intra-Group direct insurance is not eliminated, because it is not required for the purpose of giving a true and fair view.

Intra-Group shareholdings have been eliminated by using the acquisition method. Accordingly, the difference between the acquisition cost and capital and reserves of the subsidiary companies at the date of acquisition has been allocated to the identifiable balance sheet items and is depreciated according to the plan applied to those items. The unidentifiable part of the difference has been treated as goodwill and capitalised as an intangible asset. It will be amortised through the profit and loss account over its expected useful economic life.

Those of Sampo Bank's subsidiaries which are engaged in other than banking and investment services have been dealt with by using the equity method of accounting. Primasoft Oy, the 60 per cent owned IT subsidiary of the Group, is treated using the equity method and included in the figures of banking and investment services and holding company business in proportion of their holding in Primasoft.

Minority interests in the profits for the financial year and capital and reserves of subsidiary companies are presented as a separate item in the profit and loss account and in the balance sheet.

The treatment of untaxable reserves and depreciation in excess of, or less than, plan is described under the heading "Taxes and Appropriations" later in these accounting policies.

Associated undertakings

Associated undertakings are included in the Group accounts by using the equity method of accounting.

The Group's interest in the associated undertaking, If, is treated as follows:

The Group's holding in If and income from it are included in the consolidated accounts using fair values, according to the Swedish accounting practice applied in If.

In the ownership rearrangements carried out, the amount of the valuation difference of assets and liabilities disposed of by the Group in an exchange of shares with If, and valued according to Finnish and Swedish valuation practices, and the sales profit on the part paid for in cash are recognised in the profit and loss account as a sales profit of Sampo Group in relation to the shareholding of the external owners in If, under the item "Other operating income".

The amount of the valuation difference corresponding to Sampo Group's shareholding is treated as a change in accounting practice and included in "Extraordinary income" in the consolidated profit and loss account. The deferred tax liability recognised corresponds to the tax, which would have arisen, if the arrangement had been carried out as a taxable disposal. The deferred tax liability will be adjusted in accordance with If's profit performance after the acquisition.

Items denominated in currencies other than euro

Banking and investment services and holding company business

The assets, liabilities and off-balance sheet items denominated in other currencies than euro have been translated into euro at the European Central Bank's middle rate on the balance sheet date. Assets and liabilities, which have been hedged by currency swaps are stated at the rate of the original currency. Exchange rate differences arising from translating the items in other currencies into euro and the valuation of exchange rate contracts are included in "Net income from foreign exchange dealing".

Life insurance business

Receivables, investments characterised as receivables, liabilities and off-balance sheet items denominated in other currencies than euro have been translated into euro at the European Central Bank's middle rate on the balance sheet date.

Other investments have been valued at the exchange rates on the date of acquisition or on the balance sheet date, whichever is lower, with the exception of shares characterised as investments, which have been valued without separating the changes in exchange rates and market values. Exchange rate differences resulting from receivables and investments are included in the profit and loss account under the items "Investment income" or "Investment charges".

The exchange rate differences relating to underwriting business have been derived from the differences in figures calculated according to the floating and fixed exchange rates of the foreign reinsurance business. The differences have been calculated from premiums and claims, including changes in the provisions for unearned premiums and outstanding claims, the reinsurance commissions earned and interest on deposit. Exchange rate differences from underwriting business are included in "Investment income" or "Investment charges".

Exchange rate differences arising from investments and insurance business are broken down in note 13 "Net investment income".

Foreign subsidiaries

The accounts of foreign subsidiaries have been translated into euro at the European Central Bank's middle rate on the balance sheet date, and the exchange rate differences arising from consolidation have been included in capital and reserves.

Valuation principles

The Group valuation principles are presented by line of business to the extent that they differ from each other. The differences result from different accounting regulations in the banking and insurance business.

Banking and investment services and holding company business

Assets and liabilities

Loans and advances and liabilities are stated in the balance sheet at the value paid or received for them at the time of acquisition, adjusted for the amortisation of premiums and discounts arising on acquisition. In the profit and loss account, the amortisation of premiums and discounts is accrued as interest receivable or interest payable over the life of the contract. If the probable value of a loan or advance is estimated at lower than the book value, the loan or advance has been stated in the balance sheet at this estimated value and the difference is included in the profit and loss account under the item "Provisions for bad and doubtful debts".

The items "Other assets", "Prepayments and accrued income", "Other liabilities" and "Accruals and deferred income" in the balance sheet have been stated at their nominal value.

Derivative contracts have been treated in the balance sheet as shown in "Off-balance sheet items and derivative contracts".

Agreements on the resale and repurchase of securities

Securities which are sold or purchased under commitments to resell or repurchase them, or lent securities, are included in the original balance sheet item irrespective of the contract. The purchase price is treated as a loan and the selling price as a liability in the relevant balance sheet item with respect to each counterparty. The difference between the resale price and the purchase price of a purchased security is treated as interest receivable and accrued income over the life of the contract. Conversely, the difference between the repurchase price and the sale price is treated as interest payable and accruals over the life of the contract.

Lease assets

Lease assets are stated in the balance sheet at cost less depreciation according to plan. The depreciation is stated at the amount of capital recovered from the lease payments.

In the consolidated profit and loss account, the lease payments less depreciation according to plan is included in "Interest receivable". The additional depreciation, which is actually write-downs of lease assets, is included in "Provisions for bad and doubtful debts". Other income from and expenses on lease assets are included in the item that corresponds with their nature.

In the profit and loss accounts of individual Group companies, "Net income from leasing activities" includes additional depreciation and profits and losses on the disposal of lease assets, fees and commissions, and other income and expenses relating to leasing activities.

Securities

Securities are classified as securities held for trading purposes and those held as financial fixed assets, the basis for classification being defined as is explained below.

The premiums and discounts arising on the acquisition of debt securities, if material, have been amortised or accreted over the life of the contract and included in "Interest receivable". The cost of the security is adjusted to reflect the amortisation or accretion of the premiums and discounts.

Securities held for trading purposes

Securities held for trading purposes consist of treasury bills and other eligible bills, other debt securities and equity shares which are included in the trading book, and other securities which are held for trading.

Securities included in the trading book have been stated at market value, and other securities held for trading purposes at the lower of cost and market value.

The market value of listed securities is regarded as the last transaction price on the balance sheet date. The market value of unlisted debt securities is estimated as the net present value of future cash flows discounted at the current market rate, and that of equity shares as the acquisition cost or the lower probable market value.

The unrealised profits and losses arising from valuation of the securities held for trading purposes are included in "Net income from transactions in securities".

Securities held as financial fixed assets:
Securities held as financial fixed assets consist of treasury bills and other eligible bills and debt securities acquired with the intention of holding them until maturity. In addition, shares and participations in companies needed in order to acquire services ancillary to banking, and in subsidiary and associated undertakings, are treated as securities held as financial fixed assets.

Securities held as financial fixed assets are stated at cost less any permanent diminution in value. The permanent diminution in value of these securities is shown separately in the profit and loss account under the heading "Write-offs in respect of securities held as financial fixed assets". The item also includes the potential write-backs of these securities.

Intangible and tangible assets

Intangible assets

Intangible assets are stated at cost, less amortisation according to plan. Long-term expenditure includes capitalised IT systems and costs of material improvements in flats and rented premises.

Tangible assets

Properties are stated at cost, less depreciation according to plan. The cost includes the direct expenses of purchase and improvements in properties.

The shares and participations in property companies are stated at cost, less any permanent diminution in value.

Other tangible assets are stated at cost, less depreciation according to plan.

If there have been permanent diminutions in the values of tangible and intangible assets on the balance sheet date, the amounts have been charged to the profit and loss account.

The fair values of properties and property companies are estimated following the Group principles, which are presented below under "Life insurance business".

Life insurance business

Investments

Investments in properties and property companies

Shares in property companies are stated at the lower of acquisition cost and current value. Buildings and their components are stated at cost less depreciation according to plan or at current value, whichever is lower. The cost includes the direct expenses of purchase and improvements in properties. The write-downs of the values of properties and property companies that can be characterised as fixed assets are based on the permanency and materiality of the diminution. Revaluations have been made in the book values of certain properties and property companies.

Current values of properties and property companies:

Properties and property companies are classified as those occupied for the Group's own activities and those for other activities. If only a part is occupied for the Group's activities, the classification is made in relation to the square metres occupied.

Current values (fair values) are reviewed quarterly. The reviews have been carried out by internal or external experts. Every item is reviewed individually. The values of properties occupied for the Group's own activities are assessed on the basis of rents which can potentially be received and the prevailing return requirements, considering the particular characteristics of a property. The assessment of the values of properties occupied for other than the Group's own activities is based on the net rental income received or that can potentially be received as well as the prevailing return requirements. In assessing the values of properties, features such as their location, use, particular characteristics and potential increase in value have been taken into account. In addition, statistical data and property market forecasts have been used.

Other investments

Shares and participations that can be characterised as investments are stated at the lower of cost and current value. Shares and participations that can be characterised as fixed assets are stated at the lower of cost and current value, less any permanent diminution in value.

Debt securities include bonds and money-market instruments. They are primarily stated at cost. The premium or discount at which securities have been purchased, is amortised over the period to maturity, adjusting the cost of the security and interest income.

Receivables and investments that can be characterised as receivables are stated at their nominal value or at the lower current value. Credit losses relating to investments that can be characterised as receivables are treated as value adjustments.

Investments covering the technical provisions for unit-linked insurance are valued at their current value.

The current value of publicly traded shares and debt securities is stated as the latest selling price on the balance sheet date or, if this is not available, the buying rate.

The current value of not publicly traded shares and debt securities is stated as the net asset value, or the lower of the remaining acquisition cost and the estimated probable transaction price. The current value of shares in other insurance companies is stated as the estimated probable transaction price or, if not available, the net asset value. The current value of shares in Group companies is stated as the net asset value or book value, while that of shares in associated companies is regarded as the value calculated according to the equity method of accounting or the net asset value.

The current value of loans, deposits with credit institutions and deposits with ceding undertakings is stated as the nominal value or the estimated lower probable value.

Revaluations and adjustments to them made on investments that can be characterised as investment assets and investments covering unit-linked insurance are included in the profit and loss account and shown as a separate item under the items "Revaluations on investments" and "Revaluation adjustments on investments".

Revaluations and reversals of them made on investments that can be characterised as fixed assets are included in the revaluation reserve under "Undistributable capital and reserves". If the current value increases, write-downs made before are written back, but only to the amount of the initial cost of the item.

The difference between the book value and the remaining acquisition cost of investments, which is shown in notes, consists of revaluations and accumulated changes in the net assets of the associated undertakings, having been accounted for by the equity method.

Intangible and tangible assets

Intangible and tangible assets are stated at cost less amortisation according to plan. Long-term expenditure includes IT systems and improvements made in rented premises. Tangible assets include equipment.

Technical provisions

In calculating technical provisions, various methods are applied involving assumptions on matters such as mortality, morbility, yield level of investments, future operating expenses and the settlement of claims. Technical provisions are annually revised on the basis of assumptions and new data received.

The change in the technical provisions of reinsurance has been calculated at fixed rates of exchange. Therefore, the impact of the exchange rates in the underwriting business on the results has been included in "Investment income" in the profit and loss account.

In direct insurance, the premium reserve is calculated by policy, while in reinsurance it is calculated on the basis of a disclosure of the ceding company or the company's own bases of calculation.

The zillmerisation of individual life and pension insurance and capital redemption policies, which has been deducted from the premium reserve, has been planned in such a manner that the future expense loading will be sufficient to cover related amortisations and future operating expenses. The amortisation period of zillmerisation is no longer than the insurance period. However, in a Finnish life insurance company it is no longer than six years.

The interest rate used in discounting technical provisions is at most the maximum rate accepted by the authorities in each country. The interest rate used in discounting technical provisions is the same or lower than that used in premium calculation. Most of the technical provisions is discounted using an interest rate of 3.5 per cent. The highest discount rate used is 4.5 per cent.

The guaranteed interest rate used in the calculation of technical provisions of a Finnish life insurance company is in compliance with the calculation basis approved by the company's Board of Directors and fulfils the requirements of regulation 1999:65 of the Ministry of Social Affairs and Health. The guaranteed interest rate used in the direct insurance premium basis is 3.5 per cent in policies commenced after 1 January 1999, and no more than 4.5 per cent in policies commenced prior to this. The discount rate used in the calculation of technical provisions is 3.5 per cent in the entire technical provisions. Due to the difference in the discount rate of technical provisions and the guaranteed interest of policies commenced prior to 1 January 1999, supplementary provisions of guaranteed interest have been added to technical provisions. The supplementary provisions for guaranteed interest have not been increased after 1 January 2002 regarding payments to respective policies, i.e. the discount rate of the technical provisions for these payments is 4.5 per cent.

In calculating the claims reserve of direct insurance, discounting is applied only in connection with the technical provisions of pensions whose payment has commenced. The technical provisions of assumed reinsurance are based on the disclosure of the ceding company and on an estimate of claims, which have not yet been settled.

Principle of fairness in life insurance

According to Chapter 13, Section 3 of the Insurance Companies' Act, the Principle of Fairness must be observed in life insurance with respect to policies which, according to the insurance contract, entitle their holders to bonuses and rebates granted on the basis of any surplus yielded by the policies. If the solvency requirements do not prevent it, a reasonable part of the surplus has to be returned to these policies as bonuses.

Sampo Life aims at giving a total return before charges and taxes on policyholders' with-profit insurance savings, which is at least the yield of a Finnish government long-term bond. The total return consists of the guaranteed interest rate and bonuses determined annually on the basis of the company's performance. As for the level of the total return, continuity is pursued.

The aim is to maintain the company's solvency status on such a level that it does not limit the giving of bonuses to the policyholders nor the distribution of profit to shareholders.

The Board of Directors of Sampo Life has made a decision on the interpretation of the Principle of Fairness in life insurance, and thus of the share of the valuation differences of the company's investments allocated to the owners. From the start of 2002, the company has applied a new interpretation of the Principle of Fairness, according to which the share of the owners in the valuation differences of investments is a constant 25 per cent. Previously the interpretation applied was that 0–60 per cent of the valuation differences was allocated to the owners, depending on the company's solvency. This computational distribution of valuation differences does not entitle individual shareholders or policyholders to claim these valuation differences.

The legislation of Estonia, Latvia, Lithuania and Poland respectively does not contain provisions corresponding to the Principle of Fairness.

Depreciation and amortisation

The depreciation plan is made on a uniform basis within the Group. Assets are amortised or depreciated on a straight-line basis according to plan over their estimated useful economic lives, as follows:

Intangible rights	4–10 years
Goodwill	5–10 years
Goodwill arising from consolidation and negative consolidation difference	3–20 years
Other long-term expenditure	3–10 years
Residential and business premises and offices	20–60 years
Industrial premises and warehouses	30–60 years
Components of buildings	0–15 years
IT equipment and cars	3–5 years
Other equipment	5–10 years

In the life insurance business, the revaluations made and recognised as income with respect to buildings that can be characterised as investments are depreciated according to plan over the average useful economic lives of those buildings.

Provisions for bad and doubtful debts and non-performing loans

Banking and investment services and holding company business

Provisions for bad and doubtful debts

Provisions for bad and doubtful debts consist of specific provisions made for loans and advances to credit institutions and customers, and for contingent liabilities and commitments and amounts written off these items.

The amount also includes the unrealised losses arising from valuation of the assets acquired in settlement of unpaid loans, and the losses on the sale of such assets. In addition, in the Group accounts, the additional depreciation on lease assets is included in "Provisions for bad and doubtful debts".

A specific provision can be made against an individual loan or against a certain group of loans pooled by customer or by country. A provision against a group of loans pooled by customer will be made, if impaired loans are judged to be present in the loan portfolio but have not yet been identified individually. A specific provision is made when it is considered that recovery is doubtful and the estimated sales value of the asset pledged as collateral security does not cover the principal of the loan.

The loans classified as bad debts are written off when the authorities have confirmed the insolvency of a customer. In assessing the amount of a provision, the assets pledged as collateral have been valued at their fair values.

Recoveries of loans and advances and other items previously written off, releases of provisions, and profits on the sale of assets acquired in settlement of unpaid loans have been deducted from "Provisions for bad and doubtful debts".

Non-performing loans

Loans are regarded as non-performing if either the principal or the interest on a loan become overdue by 90 days. Loans to companies declared bankrupt are classified as non-performing on the date that the bankruptcy is declared. Bank guarantees are treated as non-performing when the bank has made a payment on the basis of a guarantee.

Unpaid interest on loans recorded as non-performing is not accrued, except for loans to public sector customers or loans which are secured by a public body.

With respect to leased assets, the cost less depreciation according to plan is recognised as non-performing when a payment becomes overdue by 90 days.

In note 28 the other non-interest earning loans comprise loans from which no income of any kind will be received, based on agreement with customers.

Operating expenses

Life insurance business

In the life insurance business, the organisation's own operating expenses, amortisations on capitalised IT systems and depreciation on equipment are included in the profit and loss account allocated to activities. Part of them are allocated directly, part on the basis of an annual study on working hours. Accordingly, the percentage share of activities varies from year to year. Expenses by activity are presented under "Operating expenses" (policy acquisition costs, policy management expenses, and administrative expenses), under "Claims paid" (claims settlement expenses) and under "Investment charges" (management expenses arising from property investments and other investments).

Pension schemes

For those employed by the Finnish Group companies, statutory pension cover has been arranged through the Employees' Pensions Act, TEL. In some Group companies there is additional pension cover arranged through insurance companies. In foreign subsidiaries, pension schemes have been arranged in accordance with local practice. Pension costs are included in the profit and loss account on an accrual basis.

Taxes and appropriations

Income taxes

Taxes on ordinary activities and on extraordinary items are shown separately in note 22.

Deferred taxes

Deferred tax liabilities and assets arise from timing differences between different accounting and taxation periods of individual Group undertakings. In calculating them, following the primary principles of IAS 12, other differences than those impacting on the profit and loss account have also been taken into consideration more comprehensively than is required by the Accounting Act. The deferred tax is calculated on the basis of the tax rate prevailing in each country. In Finland it is 29 per cent.

Appropriations

In accordance with the Finnish regulations on accounting and taxation, companies are allowed to include in the accounts certain untaxed reserves and depreciation in excess of plan, which impact on the taxation of the companies.

Companies use them in planning their accounts and taxation. The amount of those appropriations or changes in them do not reflect the risks of the companies.

In the accounts of the individual Group undertakings, the untaxed reserves and the difference between the depreciation according to plan and the amount deductible in corporate taxation are shown as a separate item in companies' profit and loss accounts under "Appropriations" and in balance sheets under "Accumulated appropriations". The appropriations shown in the individual profit and loss accounts and balance sheets are presented without deducting the deferred tax liability arising from them.

In the Group accounts the untaxed reserves and the depreciation difference are shown in the balance sheet under "Deferred tax liability" and "Capital and reserves" and, correspondingly, the changes in them are shown in the profit and loss account under "Changes in deferred tax" and "Profit for the financial year".

The untaxed reserves and depreciation difference included in the capital and reserves have not been included in distributable items when calculating the maximum amount of the distributable profit.

Off-balance sheet items and derivative contracts

Banking and investment services and holding company business

Off-balance sheet items

Off-balance sheet items consist of contingent liabilities and commitments. Contingent liabilities comprise transactions in which companies have underwritten the obligations of third parties, including guarantees and assets pledged as collateral security. Commitments consist of irrevocable commitments such as sale and option-to-resell transactions, underwriting commitments, undrawn formal standby facilities, credit lines and other commitments to lend.

Contingent liabilities are recorded to the extent that the obligation in respect of a guarantee or an asset pledged is met on the balance sheet date. The commitments are stated at the maximum amount that can be required to be paid on the basis of the commitment.

Derivative contracts

Derivative contracts made for trading purposes are marked to market and the resultant profits and losses are included in "Net income from transactions in securities and foreign exchange dealing".

Derivative contracts which are accounted for as hedges are treated in the accounts in accordance with the treatment of hedged contracts. Interest on interest rate contracts used to hedge loans and advances, liabilities and debt securities held as financial fixed assets are included in "Net income from financial operations", while profits and losses on derivative contracts that are used to hedge securities held for trading purposes are included in "Net income from transactions in securities and foreign exchange dealing".

In notes 2 and 16, "Net income from securities transactions", the item "Net income from transactions in debt securities" also includes the profits and losses on interest rate contracts. Profits and losses on equity contracts are included in "Net income from transactions in equity shares". Profits and losses on exchange rate contracts are included in "Net income from foreign exchange dealing".

Assets and liabilities arising from derivative contracts are presented in "Other assets" and "Other liabilities" in the balance sheet.

Life insurance

Derivative contracts are valued at the current value on the balance sheet date. The difference between the current value of a hedging derivative instrument and the lower book value / contract rate is recognised as income up to an amount which corresponds to the amount recognised as expense from the hedged balance sheet item. If the value of the hedging contract is negative, the valuation difference has not been recognised as an expense to the extent that the negative valuation difference corresponds to the unrealised gain from valuation of the underlying balance sheet item. However, both valuation differences are taken into account at their full amount in calculating the solvency margin.

The negative valuation difference between the current value and the higher book value / contract rate of a non-hedging derivative instrument is recognised as an expense. The positive valuation difference is taken into account only in calculating the solvency margin. In addition, the maximum loss arising from the non-hedging derivatives, calculated with the Value-at-Risk method, is deducted from the solvency margin.

Hedging instruments include foreign exchange derivatives which have been designated and documented as hedging instruments at the inception of the hedge, and which have been highly effective, evidenced by hedge accounting.

Calculation of Key Figures

The key figures relating to banking and investment services and to the holding company have been calculated in accordance with regulation 20/420/98 issued by the Finnish Financial Supervision Authority.

The key figures relating to life insurance have been calculated in accordance with the decree issued by the Ministry of Finance and with supplementary instructions issued by the Ministry of Social Affairs and Health on 23 September 2002.

Group key figures

Revenue

Banking and investment services revenue + life insurance revenue + holding company revenue

Banking and investment services

+ interest income
+ net leasing income
+ dividend income
+ fees and commissions receivable
+ net income from transactions in securities and foreign exchange dealing
+ other operating income

Life insurance

+ premiums written before reinsurers' share
+ investment income and revaluations and revaluation adjustments
+ other income

Holding company

Calculated using the formula shown above for banking and investment services revenue.

Operating profit

Banking and investment services operating profit + life insurance operating profit
+ holding company operating profit

Banking and investment services:

+ interest income
– interest charges
+ dividend income
+ fees and commissions receivable
– fees and commissions payable
+ net income from transactions in securities and foreign exchange dealing
+ other operating income
– administrative expenses
– depreciation and write-downs of tangible and intangible assets
– other operating expenses
– provisions for bad and doubtful debts
– write-offs in respect of debt securities held as financial assets
± income from companies accounted for by the equity method

Life insurance

± technical result before bonuses and rebates and change in the equalisation provision
± other income and charges
± income from companies accounted for by the equity method

Holding company

Calculated using the formula shown above for banking and investment services operating profit.

Profit before extraordinary items and tax

+ banking and investment services operating profit
+ life insurance operating profit
+ holding company operating profit
± change in the life insurance equalisation provision
± life insurance bonuses and rebates

Return on equity (at current values), %

+ profit before extraordinary items and tax
± revaluation entered into / withdrawn from revaluation reserve
± change in valuation differences on investments*)
– tax (incl. change in deferred tax relating to valuation differences on investments)

———————————————————— × 100

+ capital and reserves (excl. preferred capital notes in banking operations)
+ minority interest
± valuation differences on investments after deduction of deferred tax *)
(average of values on 1 Jan. and 31 Dec.)

Return on assets (at current values), %

+ operating profit
+ interest and other financial charges
+ calculated interest on technical provisions
± revaluation entered into / withdrawn from revaluation reserve
± change in valuation differences on investments *)

———————————————————— × 100

+ balance sheet total
– technical provisions relating to unit-linked insurance
± valuation differences on investments *)
(average of values on 1 Jan. and 31 Dec.)

Equity/assets ratio (at current values), %

+ capital and reserves (excl. preferred capital notes in banking operations)
+ minority interest
± valuation differences on investments after deduction of deferred tax *)

———————————————————— × 100

+ balance sheet total
± valuation differences on investments *)

Capital adequacy ratio, %

Total capital

———————————————————— × 100

risk-weighted assets

Average number of staff

Average of month-end figures, adjusted for part-time staff

*) In calculating the returns on equity and assets and net asset value per share, the valuation differences have been adjusted for the "other required items (Ministry of Finance decree)" component of the solvency margin, which includes derivative contracts pertaining to the life insurance operations.

Banking and investment service key figures

Revenue

Formula shown above in connection with calculation of Group key figures.

Operating profit

Formula shown above in connection with calculation of Group key figures.

Cost to income ratio

$$\frac{\begin{array}{l}\text{+ fees and commissions payable}\\ \text{+ administrative expenses}\\ \text{+ depreciation}\\ \text{+ other operating expenses}\end{array}}{\begin{array}{l}\text{+ net income from financial operations}\\ \text{+ dividend income}\\ \text{+ fees and commissions receivable}\\ \text{+ net income from transactions in securities and foreign exchange dealing}\\ \text{+ other operating income}\end{array}}$$

Life insurance key figures

Revenue

Formula shown above in connection with calculation of Group revenue.

Operating profit

Formula shown above in connection with calculation of Group operating profit.

Expense ratio

$$\frac{\begin{array}{l}\text{+ operating expenses before change in deferred acquisition costs}\\ \text{+ claims settlement expenses}\end{array}}{\text{load income}} \times 100$$

Solvency margin

+ capital and reserves after proposed profit distribution
± valuation differences on investments
– intangible assets
± deferred tax
± other required items (Ministry of Finance decree)

Solvency capital

+ solvency margin
+ equalisation provision
+ minority interest

Solvency ratio,% of technical provisions

$$\frac{\text{+ solvency capital}}{\begin{array}{l}\text{+ technical provisions}\\ \text{– equalisation provision}\\ \text{– 75\% × technical provisions relating to unit-linked insurance}\end{array}} \times 100$$

Per-share key figures

Earnings per share

$$\frac{+\ \text{profit before extraordinary items and tax} \quad -\ \text{tax} \quad \pm\ \text{minority interest}}{\text{adjusted average number of shares}}$$

Capital and reserves per share

$$\frac{\text{capital and reserves (excl. preferred capital notes in banking operations)}}{\text{adjusted number of shares at balance sheet date}}$$

Net asset value per share

$$\frac{+\ \text{capital and reserves (excl. preferred capital notes in banking operations)} \quad \pm\ \text{valuation differences on investments}^{*)} \quad \pm\ \text{deferred tax and minority interest relating to valuation differences on investments}}{\text{adjusted number of shares at balance sheet date}}$$

Dividend per share, %

$$\frac{\text{dividend for the accounting period}}{\text{adjusted number of shares at balance sheet date}} \times 100$$

Dividend per earnings, %

$$\frac{\text{dividend per share}}{\text{earnings per share}} \times 100$$

Effective dividend yield, %

$$\frac{\text{dividend per share}}{\text{adjusted closing share price at 31 Dec.}} \times 100$$

Price/earnings ratio

$$\frac{\text{adjusted closing share price at 31 Dec.}}{\text{earnings per share}}$$

Market capitalisation

number of shares at 31 Dec. × closing share price at 31 Dec.

Relative share trading volume

$$\frac{\text{number of shares traded through the Helsinki Exchanges}}{\text{adjusted average number of shares}} \times 100$$

*) In calculating the returns on equity and assets and net asset value per share, the valuation differences have been adjusted for the "other required items (Ministry of Finance decree)" component of the solvency margin, which includes derivative contracts pertaining to the life insurance operations.

Key Figures

		Sampo Group 2002	Sampo Group 2001	Sampo Group 2000	Pro forma Sampo Group 1999	Sampo Group 1999	Sampo Group 1998
Group key figures							
Revenue	EUR m	2,877	3,572	3,581	2,719	1,051	340
Operating profit *)	EUR m	542	1,104	1,375	647	448	145
% of revenue	%	18.8	30.9	23.8	23.5	42.7	42.7
Profit before extraordinary items and tax	EUR m	534	1,075	1,183	499	308	123
% of revenue	%	18.6	30.1	33.0	18.4	29.3	36.1
Profit before appropriations and tax	EUR m	545	1,078	1,175	512	308	123
% of revenue	%	18.9	30.2	32.8	18.8	29.3	36.1
Return on equity (at fair values)	%	1.4	–15.3	3.5	37.5	67.1	33.1
Return on assets (at fair values)	%	0.8	–1.6	1.4	6.8	27.6	12.4
Equity/assets ratio	%	12.4	12.1	14.3	14.3	40.8	28.6
Capital adequacy ratio **)	%	17.3	12.7	13.3			
Average number of staff		5,977	10,162	9,184	8,630	3,924	3,292
Banking and investment services							
Revenue	EUR m	1,261	1,664	1,918	1,460		
Net income from financial operations	EUR m	448	469	426	392		
Operating profit	EUR m	252	296	430	202		
% of revenue	%	20.0	17.8	22.4	13.8		
Cost to income ratio		66.1	61.3	52.3	69.9		
Average number of staff		4,747	5,195	4,693	4,684		
Life insurance							
Revenue	EUR m	1,241	1,396	1,663	1,259	1,051	340
Premiums written before reinsurers' share	EUR m	613	755	769	686	541	225
Operating profit	EUR m	86	79	422	185	175	34
% of revenue	%	6.9	5.6	25.4	14.7	16.6	10.1
Expense ratio	%	97.0	108.0	106.1	118.3	138.3	175.9
Solvency margin	EUR m	603	644	870	981	949	522
Equalisation provision	EUR m	4	13	12	12	11	4
Solvency capital	EUR m	609	660	884	997	964	535
% of technical provisions	%	12.9	14.7	21.9	29.4	31.3	20.7
Average number of staff		492	788	350	254	232	122
Holding business							
Revenue	EUR m	379	541				
Operating profit	EUR m	277	372				
% of revenue	%	73.1	68.7				
Average number of staff		738	760				

continues →

→ Key Figures

		Sampo Group 2002	Sampo Group 2001	Sampo Group 2000	Pro forma Sampo Group 1999	Sampo Group 1999	Sampo Group 1998
Per share key figures							
Earnings per share	EUR	0.63	1.50	1.78	0.65	0.94	0.48
Options diluted earnings per share ***)	EUR	0.62	1.49	1.78			
Capital and reserves per share	EUR	5.15	5.18	5.52	4.91	3.28	2.49
Net asset value per share less full deferred tax from holding company's valuation differences	EUR	5.29	5.87	8.81	9.31		
Net asset value per share less full deferred tax from the Group's valuation differences	EUR	5.26	5.67	8.40	8.74		
Net asset value per share, no deferred tax liability deduction	EUR					12.69	6.52
Dividend per share ****)	EUR	0.35	0.75	1.60	–	0.48	0.16
Dividend per share for shares not owned by the Group	EUR					0.49	
Dividend per earnings ****)	%	56.0	50.0	89.8	–	50.6	33.4
Effective dividend yield ****)	%	4.8	8.5	13.9	–	6.9	2.5
Price/earnings ratio		11.6	5.9	6.5	–	7.4	13.5
Adjusted average number of shares	1,000	555,730	555,588	522,535	–	304,000	304,000
Number of shares at 31 Dec.	1,000	553,854	555,623	520,000	–	304,000	304,000
Adjusted number of shares at 31 Dec.	1,000	553,854	555,623	520,000	–	304,000	304,000
Counter-value of shares at 31 Dec. approx.	EUR	0.17	0.17	0.17	–	0.17	0.17
Market capitalisation	EUR m	4,015	4,889	5,980	–	2,110	1,979
A shares							
Adjusted average number of shares	1,000	554,530	554,388	521,335	–	302,800	302,800
Number of shares at 31 Dec.	1,000	552,654	554,423	518,800	–	302,800	302,800
Adjusted number of shares at 31 Dec.	1,000	552,654	554,423	518,800	–	302,800	302,800
Weighted average share price	EUR	8.16	10.11	8.96	–	6.19	7.34
Adjusted share price. high	EUR	9.95	12.70	12.20	–	8.20	10.46
Adjusted share price. low	EUR	6.02	7.70	5.87	–	5.14	3.87
Adjusted closing price	EUR	7.25	8.80	11.50	–	6.94	6.51
Share trading volume during accounting period	1,000	179,173	231,389	170,689	–	182,495	239,510
Relative share trading volume	%	32.3	41.7	32.7	–	60.3	79.1
B shares							
Adjusted average number of shares	1,000	1,200	1,200	1,200	–	1,200	1,200
Number of shares at 31 Dec.	1,000	1,200	1,200	1,200	–	1,200	1,200
Adjusted number of shares at 31 Dec.	1,000	1,200	1,200	1,200	–	1,200	1,200

*) The internal dividends and sales profits between the different lines of business have not been eliminated in the result analysis and specifications or key figures of banking and investment services and life insurance business. In the Group operating profit they have been eliminated. Furthermore, the profit or loss corresponding to the share held in the associated company If has been added or deducted in the operating profit. Therefore, the Group operating profit is not equal to the sum of business area operating profits.

continues →

→ **Key Figures**

**) The solvency ratio group per 31 December 2001 was created on 31 March 2001 as the parent company became a holding company. In order to preserve the comparability, the figure for the reference year has been calculated from the equivalent date.

***) The dilution effect for 2002 has beeen calculated as if all the remaining subscriptions (3,159,340) entitled to would have been realised. One subscription right entitles to subscribe for 5 shares. In 2001, there were 3,261,450 possible subscription rights.

****) The Board of Director's proposal to the Annual General Meeting for the accounting period 2002. The dividend for 2001 was EUR 0.75.

The number of shares used is 553,853,865. The amount includes the number of shares after the split on 20 April 2001, i.e. 555,584,965, to which 703,300 A shares subscribed in 2001 and 2002 under the warrant certificates of the 1998 option programme have been added and the 2,434,400 mother company shares owned by the Group companies have been deducted. The number of shares of the reference periods have been adjusted to comply with the current share capital and number of shares.

In calculating the key figures the tax corresponding to the results for the accounting period has been taken into account. In calculating the net asset value per share, return on equity and equity/assets ratio as per 31 Dec. 2002, the deferred tax liability of 29%, which is estimated to be realised during the next three years, has been deducted from the holding company's valuation differences. A deferred tax liability of 18.6% has been deducted from the valuation differences of P&C insurance in the reference periods. The net asset value per share has furthermore been presented per 29%, i.e. less full deferred tax in all reference periods.

In calculating the net asset value per share and the return on equity, an interpretation of the Principle of Fairness in life insurance has been taken into account. At the beginning of 2002 a new calculation method for the principle of fairness was taken into use, according to which the owners' share of the valuation differences is a standard 25%. According to the previous calculation method the owners were not entitled to a share of the valuation differences per 31 December 2001. As the valuation differences of life insurance are not included in the Balance Sheet, their deferred tax and the change in deferred tax are not entered in the Profit and Loss Account or in the Balance Sheet. Other items of the solvency margin, including derivative contracts, have been deducted from/added to the valuation differences when calculating the key figures. The capital and reserves of life insurance, including a share of untaxed reserves and accumulated depreciation in excess of / less than plan, is considered to belong entirely to the owners.

The "Result of P&C operations" in consolidated Profit and Loss Account includes the result of the If Group, acting as an associated company. The P&C insurance results for the comparison years have also been presented on one line similar to the associated company and the key figures have been changed accordingly.

Other Notes to the Accounts

EUR m	2002	2001
Banking and Investment Services		

1 Interest receivable and payable

	2002	2001
Interest receivable		
Loans and advances to credit institutions	44	75
Loans and advances to customers	637	827
Debt securities	116	259
Net leasing income	30	30
Other interest receivable	–1	4
	825	**1,195**
Interest payable		
Liabilities to credit institutions and central banks	37	126
Liabilities to customers	166	250
Debt securities in issue	174	294
Subordinated liabilities	18	28
Preferred capital notes	1	0
Other interest payable	–19	28
	377	**726**

2 Net income from transactions in securities

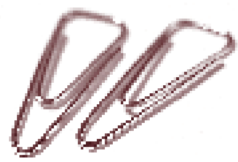
	2002	2001
Debt securities and interest rate derivatives	11	10
Equities and equity derivatives	4	16
	15	**25**

3 Other operating income and expenses

	2002	2001
Other operating income		
Rental and dividend income from properties and property companies	2	20
Profit on disposal of properties and property companies	5	5
Other income	18	13
	24	**37**
Other operating expenses		
Rental expenses	30	19
Expenses on properties and property companies	0	10
Loss on disposal of properties and property companies	0	1
Other expenses	22	14
	53	**44**

4 Depreciation and write-downs of tangible and intangible assets

	2002	2001
Depreciation according to plan		
on tangible assets	8	16
on intangible assets	24	19
	32	**35**
Write-downs		
of properties and property companies	–	0



EUR m

Banking and Investment Services

5 Provisions for bad and doubtful debts plus write-offs in respect of debt securities held as financial fixed assets

	2002 Gross amount	2002 Releases and recoveries	2001 Gross amount	2001 Releases and recoveries
Provisions for bad and doubtful debtst				
Loans and advances to credit institutions	–	–	–	–
Loans and advances to customers	24	26	32	20
Lease assets	2	1	3	0
Guarantees and other contingent liabilities and commitments	1	1	0	0
Other	0	0	1	0
	26	**27**	**36**	**20**

	2002	2001
Total amount written off for the year	7	14
Specific provisions written off during the year	–5	–9
Recoveries of loans and guarantees written off in previous years	–16	–11
New specific provisions for the year	24	31
Releases of provisions for the year	–11	–9
Charge to profit and loss account	**–1**	**16**
Provisions pooled by customer group included in the specific provisions for the year	–	6

6 Segmental information

	2002 Income EUR m	2002 Average staff number	2001 Income EUR m	2001 Average staff number
By class of business				
Banking	699	4,429	646	4,581
Credit card services	20	59	15	53
Finance company operations	23	134	18	133
Financing and investment	6	3	25	9
Mutual fund services	63	110	38	89
Other activities *)	3	12	2	11
	814	**4,747**	**745**	**4,876**
By geographical segment				
Finland	782	4,233	714	4,411
Baltic	25	480	23	441
Poland	7	34	8	24
	814	**4,747**	**745**	**4,876**

*) Income from the group companies accounted for by the equity method

Income includes net income from financial operations, dividend income, fees and commissions receivable, net income from transactions in securities and foreign exchange dealing and other operating income. Intra-group items have not been eliminated.

EUR m	2002	2001

Life Insurance Business

7 Premiums written

Direct insurance		
Finland	593	736
Other countries	11	9
	604	745
Reinsurance	9	11
	613	755
Premiums written before reinsurers' share	**613**	**755**
DIRECT INSURANCE PREMIUMS WRITTEN		
Life insurance		
Unit-linked individual life insurance	105	45
Other individual life insurance	196	214
Unit-linked capital redemption policy	1	8
Other capital redemption policy	36	116
Employees' group life insurance	3	2
Other group life insurance	3	2
	344	**387**
Pension insurance		
Unit-linked individual pension insurance	39	26
Other individual pension insurance	96	93
Unit-linked group pension insurance	7	7
Other group pension insurance	118	232
	260	357
Direct insurance premiums written in total	**604**	**745**
Regular premiums	298	248
Single premiums	306	497
	604	**745**
Premiums from non-profit policies	7	6
Premiums from with-profit policies	445	653
Premiums from unit-linked insurance	152	86
	604	**745**
ITEMS DEDUCTED FROM PREMIUMS WRITTEN		
Credit loss on outstanding premiums	–	0
Premium tax	0	0
Traffic safety charge	0	0
Total	**0**	**0**

8 Claims paid

Direct insurance		
Life insurance	164	108
Pension insurance	162	148
	326	256
Surrenders	72	138
Reinsurance	8	9
Claims paid in total	**407**	**403**
Impact on the technical result of bonuses and rebates attached to life and pension insurance policies reserved during the year	36	37

EUR m

Life Insurance Business

9 Total operating expenses by activity

	2002	2001
Claims settlement expenses (claims paid)	3	2
Operating expenses in profit and loss account		
Policy acquisition costs		
Direct insurance commissions	2	5
Commissions on reinsurance assumed and profit participations	1	3
Other policy acquisition costs	28	33
	32	**40**
Policy management expenses	12	19
Administrative expenses	10	9
Commissions on reinsurance ceded and profit participations (–)	–1	–1
	53	**67**
Investment management expenses (investment charges)	11	8
	67	**77**
Change in deferred policy acquisition costs included in the change in premium reserve		
Life insurance	–1	–1
Pension insurance	1	–1
	0	**–2**

10 Staff costs

	2002	2001
Salaries	19	23
Pension costs	3	2
Other social security costs	2	2
	24	**28**

11 Emoluments of members of administrative and supervisory bodies

	2002	2001
Managing Directors and Deputy Managing Directors	0.6	0.3
Members and deputy members of the Board of Directors	0.5	–
Members and deputy members of the Supervisory Board	–	0.1
	1.1	**0.4**

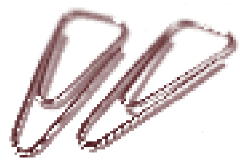
12 Average staff numbers

	2002	2001
By class of business		
Life insurance	492	788
By geographical segment		
Finland	259	268
Latvia	19	14
Lithuania	16	6
Poland	173	484
Estonia	25	16
	492	**788**

EUR m	2002	2001
Life Insurance Business		

13 Net investment income

	2002	2001
INVESTMENT INCOME		
Income from investments in Group undertakings		
Interest income	5	7
Other income	13	–
	18	7
Income from investments in associated undertakings		
Share of profit of associated undertakings	–	0
Income from investments in land and buildings		
Interest income from associated undertakings	0	0
Other income from Group undertakings	0	0
Other income from other than Group undertakings	33	31
	34	31
Income from other investments		
Dividend income	45	45
Interest income from Group undertakings	3	2
Interest income from other than Group undertakings	148	173
Other income from Group undertakings	7	2
Other income from other than Group undertakings	169	231
	372	453
Total	**423**	**491**
Value readjustments	6	33
Gains on realisation of investments	196	115
Investment income in total	**625**	**640**
INVESTMENT CHARGES		
Charges arising from investments in land and buildings	–9	–9
Charges arising from other investments	–146	–199
Interest and other expenses on liabilities to Group undertakings	0	0
Interest and other expenses on liabilities to other than Group undertakings	–1	–2
Total	**–157**	**–210**
Value adjustments and depreciations		
Value adjustments on investments	–173	–104
Planned depreciation on buildings	–9	–7
	–182	–111
Losses on realisation of investments	–95	–69
Investment charges in total	**–434**	**–389**
Net investment income before revaluations and revaluation adjustments	191	250
Revaluations on investments	4	3
Revaluation adjustments on investments	–1	–5
NET INVESTMENT INCOME	**193**	**248**
Investment income and charges include		
Exchange rate differences of insurance business	3	–1
Exchange rate differences of investments	26	39
Share of unit-linked insurance of net investment income	–52	–42



EUR m	2002	2001
Life Insurance Business		
14 Other income and charges		
Other income		
Decrease in negative group goodwill	–	1
Other	1	3
	1	**4**
Other charges		
Amortisation on group goodwill	0	–1
Amortisation on goodwill	–1	–3
Other	0	–2
	–2	**–6**

	Group 2002	Group 2001	Parent Company 2002	Parent Company 2001
Holding Business				
15 Interest receivable and payable				
Interest receivable				
Loans and advances to credit institutions	6	11	5	10
Loans and advances to customers	1	2	1	2
Debt securities	7	1	5	1
Other interest receivable	0	2	0	1
	14	**15**	**12**	**14**
Interest payable				
Liabilities to credit institutions and central banks	7	7	–	5
Liabilities to customers	–	0	–	–
Debt securities in issue	12	7	12	7
Other interest payable	1	1	0	1
	20	**15**	**12**	**12**
16 Net income from transactions in securities				
Debt securities and interest rate derivatives	2	0	2	0
Equities and equity derivatives	–5	401	–5	401
	–4	**401**	**–4**	**401**
17 Other operating income and expenses				
Other operating income				
Rental and dividend income from properties and property companies	25	15	3	6
Profit on disposal of properties and property companies	44	18	4	18
Other income	297	88	119	86
	366	**120**	**126**	**111**
Other operating expenses				
Rental expenses	4	9	2	9
Expenses on properties and property companies	9	4	3	1
Loss on disposal of properties and property companies	15	2	2	1
Other expenses	1	5	1	6
	29	**20**	**8**	**16**

EUR m

Holding Business

18 Provisions for bad and doubtful debts plus write-offs in respect of debt securities held as financial fixed assets

	Group 2002 Gross amount	Group 2002 Releases and recoveries	Group 2001 Gross amount	Group 2001 Releases and recoveries	Parent Company 2002 Gross amount	Parent Company 2002 Releases and recoveries	Parent Company 2001 Gross amount	Parent Company 2001 Releases and recoveries
Provisions for bad and doubtful debts								
Loans and advances to customers	0	–	–	0	0	–	–	0
Recoveries of loans and guarantees written off in previous years	–	–	–	0	–	–	–	0
Charge to profit and loss account	**0**	**–**	**–**	**0**	**0**	**–**	**–**	**0**

19 Depreciation and write-downs of tangible and intangible assets

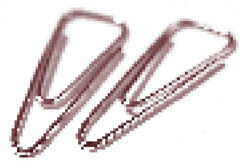
	Group 2002	Group 2001	Parent Company 2002	Parent Company 2001
Depreciation according to plan				
on tangible assets	10	5	5	3
on intangible assets	19	33	3	2
	29	**39**	**8**	**5**
Write-downs				
of properties and property companies	–	6	–	0

20 Segmental information

	Group 2002 Income	Group 2002 Average staff number	Group 2001 Income	Group 2001 Average staff number	Parent Company 2002 Income	Parent Company 2002 Average staff number	Parent Company 2001 Income	Parent Company 2001 Average staff number
By class of business								
Other activities *)	471	127	526	809	411	127	678	809
	471	**127**	**526**	**809**	**411**	**127**	**678**	**809**
By geographcial segment								
Finland	471	127	522	809	411	127	678	809
United Kingdom	–	–	4	–	–	–	–	–
	471	**127**	**526**	**809**	**411**	**127**	**678**	**809**

*) The figures do not include the revenue of 108 EUR m nor the staff of 611 of the group company Primasoft Oy. The company provides computer services and is owned by Sampo plc and Sampo Bank Plc. In the consolidated figures it is accounted for by the equity method.

Income includes net income from financial operations, dividend income, fees and commissions receivable, net income from transactions in securities and foreign exchange dealing and other operating income. Intra-group items have not been eliminated.



EUR m	2002	2001

Sampo Group

21 Extraordinary items

	2002	2001
Extraordinary income		
Disposal of Pohjola's portfolio of capital redemption policies	–	3
Change of accounting polices due to the If business transaction	108	–
	108	**3**
Extraordinary charges		
Amortisation on group goodwill	97	–

22 Income taxes

	2002	2001
Income taxes		
On ordinary activities		
Tax for the financial year	114	229
Tax from previous periods	1	–1
Deferred tax	68	1
	183	**230**
On extraordinary items		
Tax for the financial year	–28	1
	154	**230**
Change of deferred tax liabilities		
Arising from appropriations	–7	–2
Arising from consolidation procedure	66	1
Included in the balance sheets of Group undertakings	9	1
	68	**1**

23 Segmental information of the group by class of business

	2002 Income*)	2002 Staff number**)	2001 Income*)	2001 Staff number**)
Banking and investment services	814	4,747	745	4,876
Life insurance business ***)	1,241	492	1,396	788
Holding business	471	127	526	809
Total	**2,526**	**5,366**	**2,667**	**6,473**

*) See notes 6 and 20

**) Average

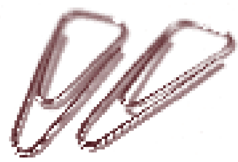
***) Revenue

EUR m	2002	2001

Sampo Group

24 Elimination items in consolidated profit and loss account

Banking and investment services account		
Interest receivable	–1	–5
Interest payable	17	17
Net income from financial operations	**17**	**11**
Dividend income	–4	–14
Fees and commissions receivable	–16	0
Fees and commissions payable	2	–
Other operating income	–2	–9
Administrative expenses	4	–
Other operating expenses	9	24
Operating profit	**8**	**12**
Life insurance business – technical account		
Claims paid	–	1
Operating expenses	18	14
Balance on technical account	**18**	**15**
Life insurance business – non-technical account		
Investment income	–11	–27
Investment charges	–	3
Profit before extraordinary items	**7**	**–8**
Holding business account		
Interest receivable	–9	–8
Interest payable	1	5
Net income from financial operations	**–9**	**–2**
Other operating income	–18	–35
Administrative expenses	5	–
Other operating expenses	1	4
Profit before extraordinary items	**–20**	**–33**
Group profit for the accounting period	**–5**	**–29**



EUR m	2002	2001

Banking and Investment Services

25 Treasury bills and other eligible bills

	2002	2001
Treasury bills	–	5
Government bonds	643	1,978
Certificates of deposit issued by other banks	375	466
Other	4	3
	1,022	**2,452**

26 Loans and advances to central banks included in loans and advances to credit institutions

	2002	2001
Loans and advances to credit institutions	944	999
of which to central banks	–	200

27 Loans and advances to customers

Loans and advances to customers by geographical area

	2002	2001
Finland	11,201	11,140
Other EU countries	290	560
Other EMU countries	72	216
Other Europe	364	242
USA, Canada, Japan, Australia, New Zealand	97	124
Asia	283	796
Other countries	213	549
Bad and doubtful debt provisions based on credit rating	–31	–31
	12,490	**13,597**

Loans and advances to customers by category of borrower

	2002	2001
Corporations	5,160	5,444
Manufacturing	1,572	1,900
Construction	146	167
Wholesale and retail distribution, hotels and restaurants	571	593
Property	7	2
Other	2,864	2,781
Financial and insurance institutions	55	54
Public sector entities	156	193
Non-profit institutions	120	128
Households	5,715	5,322
Foreign	1,315	2,488
Bad and doubtful debt provisions based on credit rating	–31	–31
	12,490	**13,597**

Specific provisions for bad and doubtful debts

	2002	2001
Provisions at beginning of year	76	64
+ New provisions for year	21	32
– Releases of provisions	–10	–9
– Provisions written off	–11	–11
Provisions at end of year	**76**	**76**

EUR m

Banking and Investment Services

28 Non-performing and other non-interest earning loans

	2002 Non-performing loans	2002 Other non-interest earning loans	2002 Total	2001 Non-performing loans	2001 Other non-interest earning loans	2001 Total
Corporations	20	1	20	25	6	32
Financial and insurance institutions	0	0	0	0	–	0
Public sector entities	0	0	0	0	0	0
Non-profit institutions	0	–	0	0	0	0
Households *)	39	1	39	37	1	38
Foreign	18	1	19	47	2	49
	77	**2**	**79**	**109**	**9**	**119**

*) Sampo Bank Plc's non-performing loans to households include loans which are subject to debt restructuring programmes, in which customers follow confirmed repayment schedules. (Under Finnish regulations, loans which are subject to debt restructuring programmes, in which customers follow confirmed schedules, should not be classified as non-performing loans.)

29 Assets acquired in settlement of unpaid loans and those acquired in connection with the reorganisation of a customer's business operations

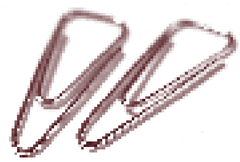
	2002	2001
Book value of assets pledged as collateral security and acquired by the bank in settlement of unpaid loans		
Properties and shares and participations in property companies	1	3
Other shares and participations	2	3
	3	**7**

30 Subordinated loans

	2002	2001
Loans and advances to customers	47	59
Debt securities	90	114
Total	**137**	**172**
Amounts include		
due from Group undertakings	–	–
due from associated undertakings	–	0

31 Lease assets

	2002	2001
Prepayments	17	11
Equipment	380	380
Properties and buildings	90	90
Other assets	47	34
	535	**515**



EUR m	2002	2001

Banking and Investment Services

32 Debt securities

	2002	2001
Book value		
Debt securities	1,402	1,090
Treasury bills and other eligible bills	1,022	2,452
	2,423	**3,543**
For trading purposes		
Listed	1,147	225
Unlisted	1,201	946
	2,348	**1,171**
Held as financial fixed assets		
Listed	5	2,264
Unlisted	70	108
	75	**2,372**
For trading purposes		
Differences between the market value and the lower book value of securities	1	–
Held as financial fixed assets		
Unamortised premiums	0	95
Held as financial fixed assets		
Unamortised discounts	0	10
Debt securities by type		
Treasury bills	11	15
Local authority bills	3	16
Commercial paper	18	10
Certificates of deposit	1,082	566
Convertible bonds	1	1
Other bonds and notes	1,291	2,911
Other	18	23
	2,423	**3,543**

33 Shares and participations

	2002	2001
Book value of shares and participations, total	**36**	**36**
For trading purposes		
Listed	4	2
Unlisted	24	26
	28	**28**
Held as financial fixed assets		
Listed	1	0
Unlisted	7	8
	8	**8**
Difference between the market value and the lower book value of listed securities		
Held for trading purposes	2	1
Held as financial fixed assets	–	–
Shares and participations in associated undertakings		
Other than credit institutions	19	17
Shares and participations in Group undertakings		
Other than credit institutions	1	1

EUR m

34 Movements in shares and participations held as financial fixed assets and in tangible assets

		Shares and participations	Land and buildings, shares and participations in property companies	Equipment and other tangible assets
Cost at beginning of year		**25**	**21**	**33**
Acquisitions	+	7	0	11
Disposals	–	–4	–7	–1
Transfers between items	+/–		0	
Depreciation according to plan for the year	–		0	–8
Write-downs/write-backs for the year	+/–			
Accumulated depreciation at beginning of year	–		0	–9
Accumulated write-downs at beginning of year	–		–	
Book value at end of year		**29**	**13**	**25**

35 Intangible Assets

	2002	2001
Goodwill	7	12
Other intangible assets *)	66	61
	73	**73**

*) Incl. intra-group items arising from IT systems.

36 Properties and shares in property companies

	Book value	Capital employed	Fair value *)
Land and buildings			
Occupied for own activities	9	9	–
Other	–	–	–
	9	**9**	
Shares and participations in property companies			
Occupied for own activities	3	3	–
Other	1	1	1
	4	**4**	**1**

*) Properties and shares in property companies occupied for other than own activities.

EUR m

Banking and Investment Services

	Area m²	Capital employed [1] EUR m	Net income [2] %	Unlet space [3] %
Properties and shares in property companies occupied for other than own activities				
Type of property				
Housing	350	1	2.7	0.0
Business and office property	–	–	–	–
Industrial property	–	–	–	–
Water areas and agricultural and forest land	–	–	–	–
Buildings under construction	–	–	–	–
Other domestic property	–	–	–	–
Foreign property	–	–	–	–
Total	**350**	**1**	**2.7**	**0.0**
Property for letting under finance lease	105,521	61	4.5	0.0
Total	**105,871**	**62**	**4.5**	**0.0**

Capital employed in properties occupied for other than own activity by net income %	Net income %	Capital employed[1]
	Negative	0
	0–3	1
	3–5	46
	5–7	15
	over 7	0
	Total	**62**

[1] The capital employed is the depreciated cost of an asset which, in case of shares in property companies, is added by Group's share of liabilities relating to equity shares in these companies and/or share of debts of these companies.

[2] The net income % is a proportion of the net income to the capital employed and has been calculated by property.

[3] The unlet space % is a proportion of the unlet spaces to all spaces which can be let out. Unlet spaces are spaces which can be let out, but which yield no rental income on the balance sheet date based on a lease.

37 Other assets

	2002	2001
Items in transit	13	35
Guarantee claims	6	11
Derivative contracts	239	93
Other	169	221
	427	**360**

38 Prepayments and accrued income

	2002	2001
Accrued interest	114	231
Other	64	68
	178	**299**

EUR m

Life Insurance Business

39 Changes in intangible and tangible assets

	Intangible rights	Goodwill Group goodwill Negative group goodwill	Other long-term expenditures	Equipment	Total
Acquisition cost, 1 Jan.	10	12	7	8	37
Increase	1	–	1	0	2
Decrease	–2	–2	–	–1	–6
Acquisition cost, 31 Dec.	**8**	**10**	**8**	**7**	**34**
Accumulated depreciation, 1 Jan.	–5	–9	–4	–4	–22
Accumulated depreciation on decreases and appropriations	1	2	–	1	4
Depreciation for the financial period	–2	–3	–1	–1	–7
Accumulated depreciation, 31 Dec.	**–6**	**–10**	**–5**	**–4**	**–26**
Book value, 31 Dec.	**2**	**0**	**3**	**3**	**8**

EUR m

Life Insurance Business

40 Fair value and valuation difference on investments

	2002 Remaining acquisition cost	2002 Book value	2002 Fair value	2001 Remaining acquisition cost	2001 Book value	2001 Fair value
Investments in land and buildings						
Land and buildings	325	333	360	310	318	340
Shares in property companies, associated	2	2	3	3	3	4
Other shares in property companies	9	9	9	9	9	9
Loans to associated undertakings	0	0	0	0	0	0
	336	**344**	**371**	**322**	**330**	**353**
Investments in Group undertakings						
Bonds	2	2	2	2	2	2
Other debt securities	164	164	164	254	254	254
	166	**166**	**166**	**256**	**256**	**256**
Investments in associated undertakings						
Shares and participations	1	1	2	12	11	12
	1	**1**	**2**	**12**	**11**	**12**
Other investments						
Shares and participations	1,434	1,434	1,571	1,176	1,173	1,445
Bonds	1,505	1,505	1,571	2,549	2,549	2,618
Other debt securities	1,407	1,407	1,408	224	224	224
Loans guaranteed by mortgages	0	0	0	28	28	28
Other loans	0	0	0	5	5	5
Deposits with credit institutions	70	70	70	42	42	42
	4,418	**4,418**	**4,620**	**4,024**	**4,021**	**4,362**
Deposits with ceding undertakings	31	31	31	36	36	36
	4,953	**4,961**	**5,191**	**4,650**	**4,654**	**5,020**
The remaining acquisition cost of debt securities comprises:						
Amortised premiums and discounts added to (+) or deducted from interest income (–)	33			18		
Book value comprises:						
Unrealised gains included in income		8			9	
Other revaluations		1			–	
		9			**9**	
Valuation difference (difference between fair value and book value)			**230**			**366**

EUR m

Life Insurance Business

41 Changes in investments in land and buildings

	Land and buildings and shares in property companies	Loans to associated undertakings
Acquisition cost, 1 Jan.	384	0
Change in Group structure	8	–
Increase	21	0
Decrease	–5	–
Acquisition cost, 31 Dec.	**408**	**0**
Accumulated depreciation, 1 Jan.	–36	–
Change in Group structure	–2	–
Accumulated depreciation on decreases and appropriations	1	–
Depreciation for the financial period	–9	–
Accumulated depreciation, 31 Dec.	**–46**	**–**
Value adjustments on investments, 1 Jan.	–27	–
Change in Group structure	3	–
Value adjustments for the financial year	–6	–
Value readjustments	0	–
Value adjustments on investments, 31 Dec.	**–29**	**–**
Revaluations, 1 Jan.	11	–
Decrease	–1	–
Revaluations, 31 Dec.	**11**	**–**
Book value, 31 Dec.	**344**	**0**

LAND AND BUILDINGS OCCUPIED FOR OWN ACTIVITIES		
Remaining acquisition cost	17	14
Book value	18	14
Fair value	24	15

Life Insurance Business

42 Shares and participations in other than subsidiaries and associated companies

	No. of shares	Holding %	Book value EUR m	Fair value EUR m
Listed companies				
Investment				
Citycon Oyj	13,677,071	12.93	13	15
Norvestia plc	744,146	14.58	8	11
Sponda Plc	2,582,098	3.18	10	14
Transport				
Finnlines Plc	697,400	3.49	14	14
Trade				
Kesko Corporation	1,044,930	1.15	13	13
Tamro Corporation	6,274,556	5.46	24	24
Metal and engineering				
Fiskars Corporation	842,398	1.52	7	7
Wärtsilä Corporation	1,690,410	2.84	21	21
Forest industry				
Stora Enso Oyj	6,044,523	0.67	59	61
Multi-business				
Aspo Plc	873,126	10.21	4	8
Lassila & Tikanoja plc	904,683	5.72	10	14
Energy				
Fortum Corporation	1,465,000	0.17	7	9
Food industry				
Chips Abp	387,675	2.31	3	5
HK Ruokatalo Oyj	1,665,165	7.22	5	10
Lännen Tehtaat plc	522,800	8.54	5	5
Construction				
YIT Corporation	2,667,780	8.97	34	45
Telecommunication and electronics				
Elisa Communications Corporation	3,958,095	2.87	23	23
Instrumentarium Corporation	533,300	1.11	8	20
Nokia Corporation	2,988,124	0.06	39	45
Okmetic Oyj	872,250	5.17	2	2
Tecnomen Corporation	3,083,400	5.31	2	2
Teleste Corporation	1,330,000	7.81	3	3
Vaisala Oyj	730,050	4.19	10	17
Chemicals				
Kemira Oyj	3,219,400	2.63	21	21
Orion Corporation	373,716	0.55	8	8
Uponor Oyj	2,804,985	7.40	45	55
Media and publishing				
Alma Media Corporation	555,614	3.53	10	10
Sanoma-WSOY Oyj	1,906,206	1.31	12	18

continues →

Life Insurance Business

	No. of shares	Holding %	Book value EUR m	Fair value EUR m
Other industries				
Suominen Group plc	974,083	6.15	4	6
Tamfelt Corporation	309,782	3.50	5	9
I List				
Menire Corporation	958,483	5.46	0	0
Total			**428**	**514**
Other listed companies			30	34
Listed companies in total			**459**	**548**
Other companies				
Ahlstrom Oyj	386,550	1.06	5	6
Consolis Oy Ab	1,229,430	9.80	19	19
Unit trusts				
BBL Baltic States Cap Fund	10,904	–	4	6
Erikoissijoitusrahasto 3 C Macro Kasvu	100,000	–	10	10
Mandatum Emerging Asia Kasvu	1,000,305	–	16	16
Mandatum Europe Enhanced Index	41,745,736	–	39	39
Mandatum Itä-Eurooppa Kasvu	5,805,880	–	6	6
Mandatum Korko Konvergenssi Kasvu	60,297,722	–	70	77
Mandatum North America Enhanced Index	56,442,402	–	53	53
Mandatum Osake Konvergenssi Kasvu	10,070,253	–	9	9
Mandatum US Bond Kasvu	101,709,000	–	101	101
Mandatum US Small Cap Value Kasvu	39,048,694	–	38	38
Sampo Aasia Osake Kasvu	126,801,443	–	10	10
Sampo Japani Osake Kasvu	10,500,000	–	7	7
3 C Alpha	293,626	–	30	31
3 C Gamma	100,050	–	10	10
Capital trusts				
Fenno rahasto Ky	–	–	10	10
Finnventure rahasto IV Ky	–	–	5	5
Finnventure rahasto V Ky	–	–	10	10
First European Fund Investments UK L.P.	–	–	7	7
Nordic Mezzanine Fund 1 Ltd	–	–	5	5
Total			**464**	**475**
Other shares and participations			50	51
Domestic shares and participations in total			**973**	**1 075**

Holdings exceeding EUR 5 million (fair value) and holdings in listed companies exceeding five per cent specified.

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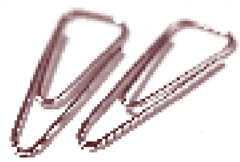


Life Insurance Business

Foreign Shares and Participations	Country	No. of shares	Holding %	Book value EUR m	Fair value EUR m
Listed companies					
Consumer, non-cyclical					
Food industry					
Cloetta Fazer Ab	Sweden	2,349,625	9.80	47	47
Communication					
Telecommunication					
TeliaSonera AB	Sweden	1,935,024	0.04	7	7
Financial					
Insurance					
Försäkringsaktiebolaget Skandia (publ)	Sweden	5,440,500	0.53	14	14
Industry					
Electronics					
Venture Corporation Ltd	Singapore	820,000	0.34	5	6
Industry					
Electrotechnical devices					
Samsung Electronics Co. Ltd	Republic of Korea	26,900	0.02	6	7
Total				**78**	**81**
Other listed companies				47	54
Listed companies in total				**125**	**135**
Other companies					
Investeringssällskapet 1999 AB	Sweden	841,981	12.55	9	9
Unit trusts					
APS Japan Growth Fund	Singapore	150,000	–	8	8
Key International Trust Fund	Cayman saaret	520	–	28	28
Nektar Hedge Fund	Sweden	47,754	–	6	11
New Providence Fund Ltd	Bahamian Islands	48,552	–	10	10
Prosperity Cub Fund	Cayman Islands	350,000	–	4	13
Russian Prosperity Fund A	Cayman Islands	366,688	–	5	9
Sapic II Reference Fund 14 Limited	Cayman Islands	500,000	–	50	50
Swiss Life Relative Value Strategies Class C	Cayman Islands	12,051	–	17	17
Zenit Hedge Fund	Sweden	1,894	–	7	8

continues →

Life Insurance Business

Foreign Shares and Participations	Country	No. of shares	Holding %	Book value EUR m	Current value EUR m
Capital trusts					
Access Capital L.P.	UK	–	–	32	32
Duke Street Capital IV UK L.P.	UK	–	–	14	14
EQT Northern Europe UK No. I L.P.	UK	–	–	13	13
EQT Scandinavia II	The Netherlands	–	–	10	10
Industri Kapital 1997 L.P.	UK	–	–	6	6
Industri Kapital 2000 Fund	UK	–	–	7	7
MediaTel Capital	Luxembourg	–	–	6	6
Nexit Infocom 2000 Fund Limited Partnership	UK	–	–	6	6
Permira Europe I	UK	–	–	5	5
Permira Europe II L.P.2	UK	–	–	6	6
Preferential Equity Investors LLC	Cayman Islands	–	–	7	7
Procuritas Capital Partners II - B, L.P.	Sweden	–	–	5	5
Schroder Ventures Asia Pacific Fund CLP 2	Cayman Islands	–	–	8	8
Total				**267**	**289**
Other shares and participations				71	72
Foreign shares and participations in total				**464**	**496**

Holdings exceeding EUR 5 million (fair value) specified.

43 Investments in group undertakings and associated undertakings

EUR m	Debt securities issued by and loans to Group undertakings	Shares in associated undertakings
Acquisition cost, 1 Jan.	255	12
Acquisitions	560	0
Disposals	–649	–11
Acquisition cost, 31 Dec.	**166**	**2**
Accumulated adjustment arising from associated undertakings		0
Accumulated depreciation, 1 Jan.		–2
Change in Group structure		2
Depreciation for the period		0
Accumulated depreciation, 31 Dec.	**–**	**–1**
Value adjustments on investments, 1 Jan.		–
Value adjustments on investments for the financial period		–
Value adjustments on investments, 31 Dec.	**–**	**–**
Book value, 31 Dec.	**166**	**1**

	2002	2001
Group goodwill pertaining to associated undertakings		
Group goodwill, 31 Dec.	–	1

EUR m	2002	2001

Life Insurance Business

44 Other loans by security

	2002	2001
Bank guarantee	–	0
Shares and participations in housing and property companies	–	1
Guarantee items	–	3
Insurance policy	0	0
Other security	–	1
Total of secured loans	0	5
Total of non-secured loans	–	0
Total of other loans	**0**	**5**

45 Investments covering unit-linked insurance

	2002 Original acquisition cost	2002 Fair value (=book value)	2001 Original acquisition cost	2001 Fair value (=book value)
Shares and participations	450	360	334	292
Debt securities	11	10	8	8
Deposits and other investments	0	0	1	1
	462	**370**	**343**	**300**
Investments acquired in advance	–	–	–1	0
Investments pertaining to unit-linked insurances, corresponding to technical provisions	**462**	**370**	**343**	**299**

46 Derivative contracts shown on the balance sheet

	2002	2001
Other debtors		
Equity options	–	16
Interest rate options	0	–
Exchange rate options	4	2
Margin accounts	0	0
	4	**18**
Other creditors		
Equity options	–	22
Interest rate options	0	–
Exchange rate options	7	6
Margin accounts	2	0
	9	**28**

EUR m	Group 2002	Group 2001	Parent Company 2002	Parent Company 2001

Holding Business

47 Loans and advances to central banks included in loans and advances to credit institutions

Loans and advances to credit institutions	51	260	50	240
of which to central banks	–	–	–	–

48 Loans and advances to customers

Loans and advances to customers by geographical area				
Finland	13	21	13	21
Other countries	–	2	–	2
	13	**23**	**13**	**24**
Loans and advances to customers per category of borrower				
Corporations	11	18	11	19
Manufacturing	–	15	–	15
Property	–	4	–	4
Other	11	–	11	–
Financial and insurance institutions	2	–	2	–
Households	0	2	0	2
Foreign	–	2	–	2
	13	**23**	**13**	**24**

49 Assets acquired in settlement of unpaid loans and those acquired in connection with the reorganisation of a customer's business operations

Book value of assets pledged as collateral security and acquired by the Bank in settlement of unpaid loans				
Properties and shares and participations in property companies	–	0	–	–
Shares and participations acquired in connection with the reorganisation of a customer's business operations	0	–	0	0

50 Subordinated loans

Loans and advances to customers	4	5	4	5
Debt securities	38	2	38	2
Total	**42**	**7**	**42**	**7**
Amounts include				
due from Group undertakings	37	2	37	2
due from associated undertakings	–	–	–	–

51 Debt securities

Book value				
Debt securities	42	14	42	9
For trading purposes				
Listed	–	–	–	–
Other	42	14	42	9
Debt securities by type				
Convertible bonds	3	–	3	–
Other bonds and notes	38	14	38	9
For trading purposes				
Differences between the market value and the lower book value of securities.	0	–	0	–

EUR m	Group 2002	Group 2001	Parent Company 2002	Parent Company 2001

Holding Business

52 Shares and participations

	Group 2002	Group 2001	Parent Company 2002	Parent Company 2001
Book value of shares and participations, total	169	89	170	93
Held for trading purposes				
Listed	95	18	95	18
Unlisted	64	72	64	75
	159	**89**	**159**	**93**
Held as financial fixed assets				
Unlisted	10	0	11	0
Difference between the market value and the lower book value of the securities				
Held for trading purposes	17	1	17	1
Shares and participations in associated undertakings				
Other than credit institutions	713	415	317	65
Shares and participations in Group undertakings				
Credit institutions	–	–	1,454	1,505
Other	–	–	573	945
	–	**–**	**2,026**	**2,450**

53 Movements in shares and participations held as financial fixed assets and in tangible assets

Group		Shares and participations	Land and buildings, shares and participations in property companies	Equipment and other tangible assets
Cost at beginning of year		74	496	47
Acquisitions	+	654	30	1
Disposals	–	–5	–309	–5
Depreciation according to plan for the year	–		–2	–4
Write-downs/write-backs for the year	+/–			
Accumulated deductions of depreciation	–		2	
Accumulated depreciation at beginning of year	–		–6	–29
Deductions of accumulated write-downs	–		14	
Accumulated write-downs at beginning of year	–		–18	
Book value, 31 Dec.		**723**	**208**	**9**
Parent Company				
Cost at beginning of year		2,517	101	47
Acquisitions	+	296	142	0
Disposals	–	–361	–42	–5
Depreciation according to plan for the year	–		0	–4
Write-downs/write-backs for the year	+/–	–97		
Accumulated deductions of depreciation	–		2	
Accumulated depreciation at beginning of year	–		–6	–29
Deductions of accumulated write-downs	–		14	
Accumulated write-downs at beginning of year	–	–1	–18	
Book value, 31 Dec.		**2,354**	**193**	**8**

EUR m

Holding Business

54 Intangible assets

	Group 2002	Group 2001	Parent Company 2002	Parent Company 2001
Group goodwill	233	349	–	–
Other intangible assets *)	33	27	34	20
	266	**376**	**34**	**20**

*) Includes intra-group items arising from IT systems.

55 Properties and shares in property companies

	Group Book value	Group Capital employed	Group Fair value*)	Parent Company Book value	Parent Company Capital employed	Parent Company Fair value*)
Land and buildings						
Occupied for own activities	24	24	–	24	24	–
Other	118	118	108	78	78	72
	142	**142**	**108**	**101**	**102**	**72**
Shares and participations in property companies						
Occupied for own activities	20	24	–	20	24	–
Other	46	53	48	72	90	84
	66	**77**	**48**	**91**	**114**	**84**

*) Properties and shares in property companies occupied for other than own activities 31 December 2002.

EUR m

Holding Business

Properties and shares in property companies occupied for other than own activities 31 December 2002

	Group Area m²	Group Capital employed [1] EUR m	Group Net income [2] %	Group Unlet space [3] %	Parent Company Area m²	Parent Company Capital employed [1] EUR m	Parent Company Net income [2] %	Parent Company Unlet space [3] %
By activity								
Housing	3,855	4	5.4	0.0	3,855	4	5.4	0.0
Business and office property	129,393	113	6.9	8.8	129,393	109	6.9	8.8
Industrial property	21,182	8	3.7	12.9	21,182	8	3.7	12.9
Water areas and agricultural and forest land	0	16	0.0	0.0	0	16	0.0	0.0
Buildings under construction	0	19	0.0	0.0	0	19	0.0	0.0
Other domestic property	1,222	11	–2.9	14.5	1,222	11	–2.9	14.5
Foreign property	193	0	0.2	0.0	193	0	0.2	0.0
Total	**155,844**	**171**	**4.6**	**9.2**	**155,844**	**168**	**4.6**	**9.2**
Property for letting under finance leases	0	0	0.0	0.0	0	0	0.0	0.0
Total	**155,844**	**171**	**4.6**	**9.2**	**155,844**	**168**	**4.6**	**9.2**

Capital employed in properties occupied for other than own activity by net income %

Net income %	Capital employed [1]	Net income %	Capital employed [1]
Negative	14	Negative	14
0–3	43	0–3	43
3–5	20	3–5	20
5–7	45	5–7	42
over 7	49	over 7	49
Total	**171**	**Total**	**168**

[1] The capital employed is the depreciated cost of an asset which, in case of shares in property companies, is added by Group's share of liabilities relating to equity shares in these companies and/or share of debts of these companies.

[2] The net income % is a proportion of the net income to the capital employed and has been calculated by property.

[3] The unlet space % is a proportion of the unlet space to all spaces which can be let out. Unlet spaces are spaces which can be let out, but which yield no rental income based on a lease on the balance sheet date.

	Group 2002	Group 2001	Parent Company 2002	Parent Company 2001
56 Other assets				
Other assets	21	20	21	16
57 Prepayments and accrued income				
Accrued interest	0	0	0	0
Other	22	4	22	4
	22	**5**	**22**	**4**

EUR m

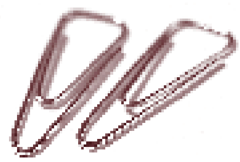
Capital and Reserves

58 Movements in consolidated capital and reserves 1 Jan.–31 Dec. 2002

Share capital, 1 Jan.	93
Share subscription	0
	94
Share premium account, 1 Jan.	965
Share subscription	4
	969
Reserves, 1 Jan.	370
Exchange rate translation differences	0
	370
Preferred capital notes, 1 Jan. = 31 Dec.	10
Distributable reserves, 1 Jan.	461
From profit brought forward	390
	850
Profit brought forward, 1 Jan.	987
For dividend distribution	–417
To distributable reserves	–390
Acquisition of own shares	–16
Exchange rate translation differences	16
	181
Profit for the financial year	387
Total	**2,860**

DISTRIBUTABLE PROFIT AT 31 DECEMBER 2002

Profit for the financial year	387
+ Distributable reserves	850
+ Profit brought forward	181
– Amount of appropriations of the Group's companies entered in the capital and reserves in the consolidated accounts	–77
Distributable profit in total	**1,341**



EUR m	2002	2001

Capital and Reserves

59 Preferred capital notes

	2002	2001
Euro-denominated loans	10	10

At the end of the financial year, EUR 10 million of the preferred capital notes issued in 1998 by Sampo Bank were outstanding. The loan totalled EUR 94 million, of which Leonia Corporate Bank had subscribed for EUR 84 million when it merged with Sampo Bank on 31 December 2000. The notes bear interest at the Helibor 12-month rate plus 100 basis points for 5 years, and thereafter the Helibor 12-month rate plus 225 basis points. The interest on the loan can be paid only from the distributable capital. The interest is paid annually in arrears. The loan is undated and is repayable, with the consent of the Finnish Financial Supervisory Authority, 5 years after the date of issue. The preferred capital notes are included in the Tier 1 capital of the Bank.

60 Movements in parent company capital and reserves 1 Jan.–31 Dec. 2002

Share capital, 1 Jan.	93
Share subscription	0
	94
Share premium account, 1 Jan.	965
Share subscription	4
	969
Reserve, 1 Jan. = 31 Dec.	366
Distributable reserves	396
From profit brought forward	407
Acquisition of own shares	–16
	788
Profit brought forward, 1 Jan.	824
For dividend distribution	–417
To distributable reserves	–407
	0
Profit for the financial year	214
Total	**2,431**

DISTRIBUTABLE PROFIT AT 31 DECEMBER 2002

Profit for the financial year	214
+ Distributable reserves	788
+ Profit brought forward	0
Total distributable profit	**1,002**

Information about Sampo's shares and shareholders is presented in the Annual Report, pages 28–31.

EUR m	2002	2001

Banking and Investment Services

61 Unamortised discounts and premiums on liabilities

	2002	2001
Discounts		
Debt securities in issue	89	88
Subordinated liabilities	0	0
	89	**88**
Premiums		
Debt securities in issue	2	3
Subordinated liabilities	0	0
	2	**3**

62 Debt securities in issue

	2002	2001
Book value at end of year		
Certificates of deposit	2,233	2,146
Bonds and notes	2,066	3,027
Other	–	141
	4,299	**5,314**

63 Other liabilities

	2002	2001
Items in transit	268	412
Derivative contracts	277	88
Other	131	183
	676	**682**

64 Accruals and deferred income

	2002	2001
Deferred interest	174	230
Other	73	231
	247	**461**

65 Subordinated liabilities

	2002	2001
Subordinated liabilities with a book value more than 10% of the total amount of such liabilities	282	413
Other subordinated liabilities	39	68
Total	**321**	**482**
of which amount of perpetuals	100	119
Due to Group undertakings	–	–
Due to associated undertakings	–	–

Issuer	Amount	Currency	Interest	Due date
Sampo Bank plc [1]	32	EUR	3.74	21 Dec. 2011
Sampo Bank plc [2]	150	EUR	3.63	14 June 2007
Sampo Bank plc [3]	100	USD	2.60	Perpetual
	282			

[1] Repayable on any interest payment date after year 2002. As a debtor in the balance sheet of Sampo plc.

[2] Repayable on due date.

[3] Repayable on any interest payment date.

EUR m	2002	2001

Banking and Investment Services

66 Maturity analysis of assets and liabilities, by remaining maturity

	2002	2001
Assets		
Less than 3 months	3,574	3,512
Treasury bills and other eligible bills	329	511
Loans and advances to credit institutions	478	554
Loans and advances to customers	1,868	1,979
Debt securities	900	469
3–12 months	2,082	2,215
Treasury bills and other eligible bills	66	138
Loans and advances to credit institutions	71	72
Loans and advances to customers	1,743	1,877
Debt securities	202	128
1–5 years	5,237	6,915
Treasury bills and other eligible bills	75	1,132
Loans and advances to credit institutions	390	294
Loans and advances to customers	4,600	5,155
Debt securities	172	334
Over 5 years	4,965	5,496
Treasury bills and other eligible bills	551	671
Loans and advances to credit institutions	6	78
Loans and advances to customers	4,280	4,587
Debt securities	128	160
Liabilities		
Less than 3 months	12,688	12,138
Liabilities to credit institutions and central banks	395	963
Liabilities to customers	10,234	9,037
Debt securities in issue	2,059	2,138
3–12 months	1,065	2,418
Liabilities to credit institutions and central banks	80	684
Liabilities to customers	325	693
Debt securities in issue	660	1,042
1–5 years	1,702	2,525
Liabilities to credit institutions and central banks	17	31
Liabilities to customers	152	661
Debt securities in issue	1,533	1,834
Over 5 years	144	512
Liabilities to credit institutions and central banks	70	180
Liabilities to customers	28	32
Debt securities in issue	47	301

EUR m

Banking and Investment Services

67 Assets and liabilities denominated in domestic and foreign currencies

	2002 Euro	2002 Other currencies	2001 Euro	2001 Other currencies
Assets				
Treasury bills and other eligible bills	1,017	5	2,452	1
Loans and advances to credit institutions	674	270	545	454
Loans and advances to customers	11,127	1,363	11,096	2,501
Debt securities	1,269	133	752	338
Other assets	2,192	408	2,533	245
Total	**16,279**	**2,180**	**17,378**	**3,539**
Liabilities				
Liabilities to credit institutions and central banks	102	460	171	1,686
Liabilities to customers	10,136	602	9,711	711
Debt securities in issue	3,526	773	3,789	1,525
Subordinated liabilities	218	100	147	347
Other liabilities	551	368	800	372
Total	**14,534**	**2,303**	**14,619**	**4,641**

68 Deferred tax

	2002	2001
Deferred tax liabilities		
Arising from appropriations	29	28
Deferred tax assets		
Included in the Group undertaking's balance sheets	25	24
Arising from consolidation procedures	–	2
	25	**26**

69 Assets pledged as collateral security and secured liabilities as well as other assets pledged on behalf of the company and other group undertakings

Assets pledged as collateral security		
Pledges	1,062	2,138
Secured liabilities and commitments		
Debt securities in issue	–	–
Other liabilities	20	20
Off-balance sheet items	486	584
Other commitments		
Intra-day overdraft limit of the Bank of Finland's settlement account	700	1,045
Other	657	673
Assets sold under agreements to repurchase		
Debt securities	10	12

70 Pension liabilities

The basic and supplementary pensions of the staff in the domestic Group companies have been arranged with insurances, while those in foreign subsidiary companies have been arranged according to the local practice.

EUR m

Banking and Investment Services

71 Rental commitments

EUR m	2002	2001
The rental payments in 2003	13	10
The rental payments after year 2003	84	97
	97	**107**

72 Off-balance sheet items

EUR m	2002	2001
Guarantees and assets pledged as collateral security	1,739	1,970
on behalf of Group undertakings	–	–
on behalf of associated undertakings	0	0
Sale and option to resell transactions	**0**	**–**
Undrawn loans, overdraft facilities and commitments to lend	3,079	3,193
to Group companies	–	–
to associated undertakings	1	0
Other commitments	3	1
of which to or on behalf of Group undertakings	–	–
of which to or on behalf of associated undertakings	1	0
Total	**4,821**	**5,164**
of which to or on behalf of Group undertakings	–	–
of which to or on behalf of associated undertakings	2	0

EUR m

Banking and Investment Services

73 Derivative contracts

	Values of underlying instruments 2002 For hedging purposes	Values of underlying instruments 2002 Other	Values of underlying instruments 2001 For hedging purposes	Values of underlying instruments 2001 Other
Interest rate contracts				
Futures and forward rate agreements	–	333	–	441
Options				
Purchased *)	–	3,240	–	1,845
Written *)	–	12,179	–	3,993
Interest rate swaps	2,097	3,344	3,813	5,579
Total	2,097	19,096	3,813	11,859
Exchange rate contracts				
Futures and forward exchange	8	8,457	1	6,679
Options				
Purchased *)	52	46	144	808
Written *)	52	22	144	1,023
Interest rate and cross currency swaps	1,028	292	1,832	345
Total	1,141	8,817	2,121	8,855
Equity contracts				
Futures and forwards	–	1	–	1
Options				
Purchased *)	73	44	95	151
Written *)	73	44	95	92
Other equity contracts	73	–	95	–
Total	220	89	285	245
	Credit equivalent amount of contracts	**Risk weighted amount of contracts**	**Credit equivalent amount of contracts**	**Risk weighted amount of contracts**
Interest rate contracts	176	41	247	56
Exchange rate contracts	356	108	362	110
Equity contracts	12	3	23	7

*) Options for hedging purposes are embedded options attached to funding and derivatives hedging funding. The values of underlying instruments are included both in purchased and written options and in items interest rate swaps, interest rate and cross currency swaps and other equity contracts. No separate credit equivalent amounts have been calculated for embedded options attached to derivative contracts, but the market values of the embedded options are included in the credit equivalent amounts of those contracts.

EUR m	2002	2001

Banking and Investment Services

74 Other liabilities and contingent liabilities

VAT deductions, section 33 of the VAT Act *)	9	6

*) In cases of property acquisition, Group undertakings have deducted the VAT which they are obliged, pursuant to section 33 of the VAT Act, to return to the State if the property is sold or if it is purchased for other than a tax-deductible use before five years have passed from the end of the calendar year in which the construction service was completed. The amount of VAT that may possibly be returned is as on the balance sheet date.

75 Asset management services

Asset managemet services supplied

- Asset management services based on an agreement between the customer and the company
- Mutual fund services
- Securities custody services

Life Insurance Business

76 Technical provisions

PROVISION FOR UNEARNED PREMIUMS

Deferred insurance policy acquisition costs deducted from the life insurance premium reserve

	2002	2001
Life insurance	3	2
Pension insurance	2	1
	5	3

PROVISION FOR CLAIMS OUTSTANDING

Technical provisions for unit-linked insurance

	2002	2001
Technical provisions		
Provision for unearned premiums	372	299
Provision for claims outstanding	0	–
Reinsurers' share	0	–
Total	**372**	**299**

77 Long-term liabilities (5 years or longer)

	2002	2001
Amounts owed to credit institutions	0	0

78 Deferred tax

Deferred tax liablities

	2002	2001
Arising from appropriations	4	4
Arising from consolidation procedure	0	0
	4	**4**

Deferred tax assets

	2002	2001
Arising from consolidation procedure	0	–
Included in the Group undertakings' balance sheets	3	11
	4	**11**

79 Contingent liabilities, pledged assets and derivatives

EUR m		2002	2001
Mortgages for own loans		1	1
Amount of the above loans		0	0
Pledges against own liabilities		10	10
Amount of the above liabilities		1	1
Pledges against own trading in derivatives		–	1
Collateral against own foreign reinsurance liabilities		20	25
Countersecurities		10	12
Own investment liabilities		243	270
VAT deductions			
From new construction and property refurbishments during 1998–2002 / 1997–2001		19	19
Derivative contracts			
Interest rate contracts			
Interest rate swaps,open	underlying instruments	78	520
For other purposes	fair value	–	–
Options			
Purchased			
For other purposes	underlying instruments	60	–
	fair value	–	–
Written			
For other purposes	underlying instruments	120	–
	fair value	0	–
Exchange rate contracts			
Futures and forward exchange, open	underlying instruments	233	–
For hedging purposes	fair value	4	–
Futures and forward exchange, open	underlying instruments	164	378
For other purposes	fair value	7	1
Futures and forward exchange, fixed	underlying instruments	22	61
For other purposes	fair value	–	–
Options			
Purchased			
For other purposes	underlying instruments	315	325
	fair value	7	0
Written			
For other purposes	underlying instruments	602	598
	fair value	3	3

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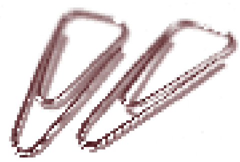


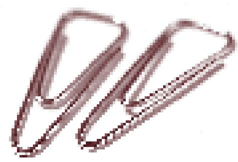
EUR m

Life Insurance Business

		2002	2001
Fixed			
For other purposes	underlying instruments	–	88
	fair value	–	–
Equity contracts			
Futures and forward exchange, open	underlying instruments	–	3
	fair value	–	0
Options			
Purchased			
For hedging purposes	underlying instruments	–	46
	fair value	–	–5
Purchased			
For other purposes	underlying instruments	–	220
	fair value	–	–
Written			
For hedging purposes	underlying instruments	–	93
	fair value	–	–4
Written			
For other purposes	underlying instruments	–	437
	fair value	–	2
Commodity index	underlying instruments	10	10
	fair value	–	–

The current values of option contracts include received and paid premiums. Negative valuation differences of derivative contracts made for other than hedging purposes have been charged to the Profit and Loss Account (fair value = 0).

EUR m	Group 2002	Group 2001	Parent Company 2002	Parent Company 2001
Holding Business				
80 Unamortised discounts and premiums on liabilities				
Discounts				
Debt securities in issue	2	1	2	1
81 Debt securities in issue				
Book value at end of year				
Commercial paper	342	239	342	239
82 Other liabilities				
Derivative contracts	1	–	1	–
Other	57	62	38	39
	58	**62**	**39**	**39**
83 Accruals and deferred income				
Deferred interest	0	2	0	1
Other	13	96	13	94
	14	**99**	**14**	**95**



EUR m

Holding Business

84 Maturity analysis of assets and liabilities, by remaining maturity

	Group 2002	Group 2001	Parent Company 2002	Parent Company 2001
Assets	105	296	105	273
Less than 3 months	51	269	50	250
Loans and advances to credit institutions				
Repayable on demand	46	47	45	42
Other	5	212	5	198
Loans and advances to customers	0	9	0	9
3–12 months	0	1	0	1
Loans and advances to customers	0	0	0	0
Debt securities	–	1	–	1
1–5 years	9	13	9	9
Loans and advances to customers	4	6	4	6
Debt securities	4	8	4	3
Over 5 years	45	14	45	14
Loans and advances to customers	8	9	8	9
Debt securities	37	5	37	5
Liabilities	418	239	412	239
Less than 3 months	304	227	304	227
Liabilities to credit institutions and central banks	70	–	70	–
Liabilities to customers	–	227	–	227
Debt securities in issue	234	–	234	–
3–12 months	107	12	107	12
Liabilities to customers	–	12	–	12
Debt securities in issue	107	–	107	–
1–5 years	7	–	–	–
Liabilities to credit institutions and central banks	7	–	–	–

EUR m

Holding Business

85 Assets and liabilities denominated in domestic and foreign currencies

Group	2002 Euro	2002 Other currencies	2001 Euro	2001 Other currencies
Assets				
Loans and advances to credit institutions	50	1	246	14
Loans and advances to customers	13	–	21	2
Debt securities	41	0	7	7
Other assets	1,410	–	559	417
Total	**1,514**	**1**	**832**	**440**
Liabilities				
Liabilities to credit institutions and central banks	77	–	–	–
Debt securities in issue	342	–	239	–
Other liabilities	72	–	200	231
Total	**490**	**–**	**439**	**231**
Parent Company				
Assets				
Loans and advances to credit institutions	50	1	240	–
Loans and advances to customers	13	–	21	2
Debt securities	41	0	7	2
Other assets	2,260	532	2,402	344
Total	**2,364**	**533**	**2,670**	**349**
Liabilities				
Liabilities to credit institutions and central banks	70	–	–	–
Debt securities in issue	342	–	239	–
Other liabilities	52	0	134	–
Total	**464**	**0**	**373**	**–**

86 Deferred Tax

	Group 2002	Group 2001	Parent Company 2002	Parent Company 2001
Deferred tax liabilities				
Arising from appropriations	0	27	–	–
Arising from consolidation procedures	116	–	–	–
	116	27	–	–
Deferred tax assets				
Included in the Group undertakings' balance sheets	0	3	0	2
Arising from consolidation procedures	2	0	–	–
	2	4	0	2
Income taxes				
on ordinary activities	112	159	112	159
on extraordinary items	–28	–	–28	–
	84	159	84	159

EUR m

Holding Business

87 Assets pledged as collateral security and secured liabilities as well as other assets pledged on behalf of the company and other group undertakings

	Group 2002	Group 2001	Parent Company 2002	Parent Company 2001
Assets pledged as collateral security				
Pledges	8	10	8	10
Secured liabilities and commitments				
Other liabilities	0	–	0	–
Off-balance sheet items	1	1	1	1
Total	**1**	**1**	**1**	**1**

88 Pension liabilities

The basic and supplementary pensions of the staff in the domestic Group companies have been arranged through insurance in Varma-Sampo Mutual Pension Insurance Company and Sampo Life Insurance Company, while those in foreign subsidiary companies have been arranged according to local practice.

89 Off-balance sheet items

Underwriting commitments	39	59	39	59
to Group companies	–	–	–	–
to associated undertakings	–	–	–	–
Total	**39**	**59**	**39**	**59**
of which to or on behalf of Group companies	–	–	–	–
associated undertakings	–	–	–	–

90 Other liabilities and contingent liabilities

Amount of joint liability pertaining to VAT group registration	3	–	5	–

Sampo Group

91 Staff numbers

Group	2002 Average	2002 Change	2001 Average	2001 Change
Full-time staff	5,757	–787	6,544	409
Part-time staff	220	–33	253	–5
Total	**5,977**	**–820**	**6,797**	**404**
of which in banking and investment services	4,747	–129	4,876	–14
full-time	4,567	–130	4,697	–23
part-time	180	1	179	9
in life insurance	492	–296	788	438
full-time	469	–294	763	448
part-time	23	–2	25	–10
in holding company	127	–682	809	–20
full-time	125	–639	764	–16
part-time	2	–43	45	–4
Primasoft Oy	611	287	324	–
full-time	596	276	320	–
part-time	15	11	4	–

Sampo plc, Sampo Life Insurance Company Limited and the Baltic banks include only permanent staff in 2001.

Parent Company	2002 Average	2002 Change	2001 Average	2001 Change
Full-time staff	125	–639	764	–16
Part-time staff	2	–43	45	–4
Total	**127**	**–682**	**809**	**–20**

92 Emoluments of members of administrative and supervisory bodies

EUR m	Group 2002	Group 2001	Parent Company 2002	Parent Company 2001
Members and deputy members of the Supervisory Board	0	0	–	0
Members and deputy members of the Board of Directors/Management and President and Executive Vice Presidents	10	5	4	1
Total	**10**	**5**	**4**	**1**
of which performance-related bonuses	2	1	1	0
Banking and investment services				
Members and deputy members of the Board of Directors/ Management and President and Executive Vice Presidents	5	3		
Life insurance				
Members and deputy members of the Supervisory Board	–	0		
Members and deputy members of the Board of Directors/ Management and President and Executive Vice Presidents	1	0		
Holding company				
Members and deputy members of the Supervisory Board	0	0		
Members and deputy members of the Board of Directors/ Management and President and Executive Vice Presidents	4	1		

The Managing Director and Deputy Managing Director of Sampo plc have been insured with a supplementary insurance. The earnings for the positions of trust of the members of the Board of Directors have been insured with a voluntary pension insurance.

EUR m

Sampo Group

93 Loans and advances to and guarantees on behalf of members of administrative and supervisory bodies

Group	2002 Loans and advances	2002 Guarantees	2001 Loans and advances	2001 Guarantees
Members and deputy members of the Supervisory Board	0	–	–	–
Members and deputy members of the Board of Directors/Management and President and Executive Vice Presidents	10	–	8	–
Auditors	–	–	–	–
Total	**10**	**–**	**8**	**–**
of which from				
banking and investment services	8	–	8	–
life insurance	0	–	0	–
holding company	2	–	0	–
Parent Company				
Members and deputy members of the Supervisory Board	–	–	–	–
Members and deputy members of the Board of Directors/Management and President and Executive Vice Presidents	1	–	0	–
Auditors	–	–	–	–
Total	**1**	**–**	**0**	**–**

The interest on loans to members of administrative and supervisory bodies is at least as high as on the staff loans referred to in the Income and Capital Tax Act, section 67, so that the interest benefit will not be available for taxation.

Sampo Group

94 Group subsidiaries

Name of company	Ref. No	Domicile/ country	Group holding % *)	Parent company holding %*)	Book value of shares in the Group EUR m	Capital and reserves EUR m	Profit/ loss for the financial year EUR m
Banking							
Sampo Card Ltd	1	Helsinki Finland	100.00	–	22		
Sampo Credit plc	1	Helsinki Finland	100.00	100.00	621		
Sampo Bank plc	1	Helsinki Finland	100.00	100.00	787		
Housing Loan Bank of Finland plc	1	Helsinki Finland	100.00	–	6		
AS Sampo Pank	1	Tallinn Estonia	100.00	100.00	30		
UAB Sampo bankas	1	Vilnius Lithuania	100.00	100.00	16		
Financing							
MB Mezzanine Fund Ky	1	Helsinki Finland	100.00	–	0		
MB Mezzanine Fund II Ky	1, 6	Helsinki Finland	62.50	–	23		
Sampo Finance Ltd	1	Helsinki Finland	100.00	–	25		
Investment services							
3C Asset Management Ltd.	1	Helsinki Finland	55.61	55.61	1		
Mandatum & Co Oy	1	Helsinki Finland	80.05	80.05	1		
Mandatum Omaisuudenhoito Oy	1	Helsinki Finland	100.00	100.00	6		
Mandatum Stockbrokers Ltd	1	Helsinki Finland	83.75	83.75	1		
Mandatum Pääomarahastot Oy	1	Helsinki Finland	100.00	100.00	1		
MB Equity Partners Oy	1	Helsinki Finland	40.00 (60.00)	–	0		
Sampo Fund Management Ltd	1	Helsinki Finland	100.00	100.00	6		
Sampo Powszechne Towarzystwo Emerytalne S.A.	1	Warsaw Poland	100.00	100.00	97		
Life insurance							
Sampo Life Insurance Company Limited	1, 6	Helsinki Finland	100.00	90.10	433		
AS Sampo Eesti Elukindlustus	1	Tallinn Estonia	100.00	100.00	2		
UAB Sampo Lietuva Gyvbes Draudimas	1	Vilnius Lithuania	100.00	100.00	3		
AAS Sampo Latvija Dziviba	1	Riga Latvia	99.99	99.99	4		
Sampo Towarzystwo Ubezpieczen na Zycie S.A.	1	Warsaw Poland	100.00	100.00	43		
Property companies							
Kiinteistö Oy Hervannan Tieteenkatu 1	1	Tampere Finland	100.00	100.00	8		
Kiinteistö Oy Kirkkonummen Prisma	1	Helsinki Finland	100.00	–	0		
Kiinteistö Oy Salon Meriniitty Oy	1	Salo Finland	100.00	–	2		
Kiinteistö Oy Salon Örninkatu 15	1	Salo Finland	100.00	–	12		
Kiinteistö Oy Teollisuuskatu 29	1	Helsinki Finland	100.00	100.00	14		
Other							
Realty World Ltd	2, 6	Helsinki Finland	100.00	–	1	1	1
Satura Oy	1	Helsinki Finland	100.00	100.00	1		
Primasoft Oy	2, 6	Espoo Finland	40.00 (60.00)	20.00 (30.00)	1	12	7

*) Share of votes has been announced in brackets if different from the holding.

In addition, a total of 51 property and housing companies have been accounted for in the consolidated accounts. By virtue of regulations for credit institutions 36 property companies have been excluded from consolidation, the balance sheet total of which is less than EUR 10 million.

Sampo Group

95 Associated undertakings of the Group

Name of company	Ref. No	Domicile/ country	Group holding % *)	Parent company holding %*)	Book value of shares in the Group EUR m	Capital and reserves EUR m	Profit/ loss for the financial year EUR m
Financing							
Amanda Capital Oyj	2	Helsinki, Finland	45.41	45.41	16		
MB Equity Fund Ky	2, 6	Helsinki, Finland	32.52	11.63	2		
MB Equity Fund II Ky	2, 6	Helsinki, Finland	18.03	9.99	5		
WD Power Management Oy	3	Helsinki, Finland	21.74	–	0	0	0
Life insurance							
Retro Life Insurance Company Limited	2	Helsinki, Finland	24.21	–	2		
Kaleva Mutual Insurance Company	4, 5, 6	Helsinki, Finland	50.00	30.00	5	154	0
P&C insurance							
If P&C Holding	2	Stockholm, Sweden	38.05	38.05	237		
Other							
Automatia Pankkiautomaatit Oy	2	Helsinki, Finland	33.33	–	5		
Dividum Oy	2	Helsinki, Finland	32.81	32.81	48		
Finanssi-Sampo Oy	2	Helsinki, Finland	50.00	50.00	13		
Kiinteistövarma Oy	2, 6	Helsinki, Finland	46.74	37.04	0		
Tapio Technologies Oy	3	Espoo, Finland	20.00	–	0	0	0
Toimiraha Oy	2	Helsinki, Finland	33.33	–	2		
Other shares and participations held as financial fixed assets							
Eurocard Oy		Helsinki, Finland	11.24	–	1	10*)	2
Luottokunta Osuuskunta		Helsinki, Finland	8.68	–	1	101*)	7
HEX Plc	6	Helsinki, Finland	7.96	1.45	3	52*)	11
HEX Back Office and Custody Service Oy		Helsinki, Finland	5.00	–	0	5*)	0
Itä-Pasilan Pysäköinti		Helsinki, Finland	2.66	2.66	0	3*)	0
Pickala Golf Oy	6	Siuntio, Finland	0.64	0.29	0	6*)	0
Other companies, total number 68 **)					11		

*) Based mainly on information from year 2001.

**) If the nominal and book value of shares and participations in a company other than a Group undertaking or participating interest is less than EUR 168,000 or a smaller amount corresponding to five per cent of the capital and reserves shown on the credit institution balance sheet or the Group balance sheet, only the number of such companies and the combined sum of the book values of the shares and participations owned is notified.

1 Consolidated line by line.
2 Accounted for by the equity method.
3 Excluded from the consolidation group.
4 Mutual company, excluded from consolidation.
5 Share of guarantee capital.
6 Figures at group level.

EUR m **Sampo Group**	2002	2001

96 Elimination items in the consolidated balance sheet

ASSETS		
Banking and investment services assets		
Loans and advances to customers	–77	–22
Prepayments and accrued income	–2	–1
	–79	**–23**
Life insurance assets		
Investments		
Investments in Group and associated undertakings		
Group undertakings		
Debt securities and loans	–164	–256
Other investments		
Deposits	–54	–33
Debtors		
Other debtors	–3	–1
Cash at bank and in hand	0	–2
Prepayments and accrued income		
Interest and rents	0	–0
	–221	**–292**
Holding business assets		
Loans and advances to credit institutions	–6	–42
Loans and advances to customers	–5	–2
Debt securities		
From others	–35	–168
Prepayments and accrued income	0	–0
Other assets	–3	–2
	–49	**–214**
Total	**–348**	**–529**
LIABILITIES		
Banking and investment services liabilities		
Liabilities to customers		
Deposits	–12	–
Other liabilities	–49	–77
Debt securities in issue		
Bonds and notes	–164	–2
Other liabilities	–2	–422
Other liabilities	0	–1
Accruals and deferred income	–37	–0
	–264	**–502**
Life insurance liabilities		
Creditors		
Other creditors	–5	–7
Deferred income	–	–1
	–5	**–8**

continues →

EUR m	2002	2001
Sampo Group		
Holding business liabilities		
Debt securities in issue	–77	–2
Other liabilities	–3	–16
Accruals and deferred income	–	0
	–80	**–18**
Total	**–348**	**–529**

Helsinki, 25 February 2003

SAMPO PLC

Board of Directors

Olli-Pekka Kallasvuo
Chairman

Tom Berglund

Georg Ehrnrooth

Jyrki Juusela

Paavo Pitkänen

Christoffer Taxell

Björn Wahlroos
Chief Executive Officer

Auditors' Report

To the Shareholders of Sampo plc

We have audited the accounting records and the financial statements, as well as the administration by the Board of Directors and the Managing Director of Sampo plc for the financial year 2002. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the Managing Director. Based on our audit we express an opinion on these financial statements and on the company's administration.

We have conducted the audit in accordance with Finnish Generally Accepted Auditing Standards. Those standards require that we plan and perform the audit in order to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting policies used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. The purpose of our audit of administration has been to examine that the Board of Directors and the Managing Director have legally complied with the rules of the Finnish Companies Act.

In our opinion, the final accounts have been prepared in accordance with the Finnish Accounting Act and other rules and regulations governing the preparation of financial statements in Finland. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company result of operations, as well as of the financial position. The financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal made by the Board of Directors regarding the disposition of distributable profit is in compliance with the Finnish Companies Act.

Helsinki, 3 March 2003

ERNST & YOUNG OY
Authorised Public Accountants

Tomi Englund
APA

(Translation of a Finnish original)

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Analysis of Sampo

Analysis of Sampo prepared by leading investment analysts and stock-brokers world-wide. Sampo does not assume liability for the assesments presented in the analyses.

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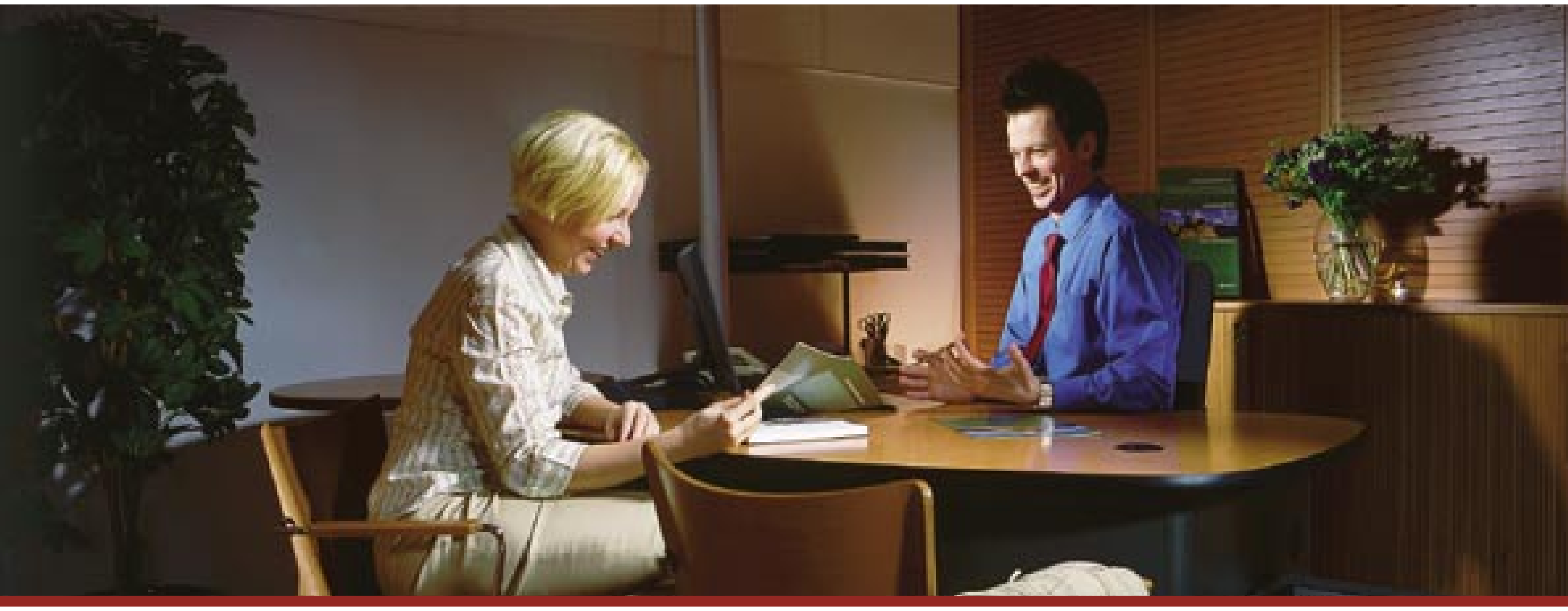

The official financial statements can be inspected in full at Sampo Legal Affairs, Unioninkatu 22, Helsinki and at the address Yliopistonkatu 27, Turku.

The Annual Report is published on Sampo's Internet pages at the address http://www.sampo.fi/annualreport. Printed Annual Reports can be ordered by e-mail at the above Internet address, by post from Sampo Communications, P.O. Box 1026, FIN-00075 SAMPO, or by calling +358 10 516 0042.

Sampo will publish three Interim Reports in 2003, on 8 May, 12 August and 5 November. The Interim reports are published on the Internet at http://www.sampo.fi/interimreports

Press and stock exchange releases, the monthly updated list of shareholders and other investor information published by Sampo is available on the Internet at www.sampo.com

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