



AS Sampo Elukindlustus

Annual Report 2004 / PDF version

AS Sampo Elukindlustus

Annual Report 2004

AS Sampo Elukindlustus operates in the Estonian life-insurance market.
The company is owned by Finnish Sampo Life Insurance Company Limited.

Business name:	AS SAMPO ELUKINDLUSTUS
Commercial register code:	10561490
Address:	Narva mnt. 11, 15015 Tallinn, Estonia
Telephone:	+372 630 2300
Fax:	+372 630 2299
E-mail:	elukindlustus@sampo.ee
Internet page:	www.sampo.ee
Start of financial year:	01.01.2004
End of financial year:	31.12.2004
CEO:	Imre Madison
Auditor:	Ernst & Young Baltic AS

List of Contents

Management Report	4-6
Annual Accounting Report	7
Balance Sheet	7
Profit and Loss Account	8
Cash Flow Statement	9
Statement of Changes in Shareholders' Equity	10
Confirmation of the Actuary Regarding the Accuracy of Technical Provisions as of 31 st December 2004	10
Annexes to the Annual Accounting Report	11
Annex 1 Accounting Methods and Estimation Bases Used in Composing the Annual Report	11-14
Annex 2 Investments	15
Annex 3 Investments Covering Unit-linked Insurance Contracts	16
Annex 4 Accrued Income	16
Annex 5 Tangible Assets	16
Annex 6 Intangible Assets	17
Annex 7 Accruals	17
Annex 8 Technical Provisions	17
Annex 9 Gross Insurance Premiums	18
Annex 10 Reinsurance	18
Annex 11 Investment Income and Charges	19
Annex 12 Operating Expenses	19
Annex 13 Other Expenses	19
Annex 14 Operating Lease	20
Annex 15 Off-balance Assets	20
Annex 16 Transactions with Associated Parties	21-22
Management Board Declaration	23
Auditor's Report	24
Proposal Regarding Profit Distribution	25
Signatures of the Management Board and Supervisory Board for the Annual Report 2004	26
List of Shareholders	27

Management Report 2004

AS Sampo Elukindlustus belongs to Finnish financial group Sampo. Company's shares are owned 100% by Sampo Life Insurance Company Ltd. In June 2004 Sampo Life acquired 100 % of the shares of Sampo Elukindlustus from Sampo plc. Sampo Elukindlustus' memorandum of association was concluded on 7th of April 1999 but active marketing activities of products started in January 2000. The year 2004 was the fifth active year for the Company in the Estonian life insurance market.

Supervision and Management of the Company

Several changes in the Company's management structures, both in Supervisory Board and Management Board composition, took place in 2004. The former Chairman of the Management Board and Managing Director Ulla Ilisson resigned from the Management Board on 2nd of February, 2004. Imre Madison was elected first as a new Management Board Member in February 2004 and then as a Chairman of the Management Board in April 2004. He has been acting as of the Managing Director and Sales Director of the Company. Chief Actuary Airi Viiart and Chief Accountant Terje Otstavel continued their activities as other members of Management Board, whereas Terje Otstavel also fulfilled the duties of the Chairman of Management Board from mid-February until mid-April 2004.

Since April 2004 there is one more member in the Company's Supervisory Board – Senior Vice President in Sampo Life Timo Laitinen. Senior Vice President in Sampo Life Minna Kohmo continued as the chairman of the Company's Supervisory Board, whereas other members of the Supervisory Board were Sampo Life Business Controller Timo Pursiala and Sampo Pank Retail Banking Director Margus Žuravljov.

Financial Results of the Company

Gross written premiums consisted of 83.95 mio Estonian kroons in 2004, the biggest part (55%) of which consisted of unit-link investment insurance agreements' premiums. The share of premiums

of pension agreements from total gross written premiums was 34% in 2004. AS Sampo Elukindlustus was continuously the fastest growing life insurance company in the Estonian market – the increase of total gross written premiums was 58% compared to the year 2003. Total claims paid out in 2004 consisted of 3.4. mio kroons, which is 2.3 mio kroons more than in 2003. Net investment income comprised of 6.5 mio kroons and the investment portfolio increased by 38.6% compared with 2003.

Business result for 2004 was a net profit of 2.85 mio kroons, which also covered the operating loss incurred in previous years. Company's total assets comprised of 170.2 mio kroons, balance sheet total increased by 78.5% in comparison with the balance of 31.12.2003. Main source of increase was the increase of technical reserves in unit-link investment insurance. Equity capital comprised of 30.9 mio kroons as of 31.12.2004.

As of 31.12.2004, the investment portfolio of the Company comprised mainly of allocations into bonds and commercial papers - their share of total assets invested was 60.5%. Total assets invested comprised of 106.2 mio kroons by end of year 2004. In 2004, the Company continuously observed two different strategies for equity investments and investments of assets covering liabilities in order to ensure the optimum relationship between the risk taken and expected productivity. In 2004, investment management service was continuously carried out in co-operation with another Sampo financial group member - Sampo Baltic Asset Management AS.

Altogether there were 13 529 active insurance agreements of 10 605 clients under the Company's management as of 31.12.2004. Core insurance policies represented 91% of total active agreements and additional accidental insurance policies made up the remaining 9%. 41% of core insurance policies were supplementary funded pension agreements. Active sale of unit-link investment insurance agreements was continued in 2004, the share of

which comprised of 58% from all new agreements concluded in 2004 and altogether 15% of the Company's total contract portfolio. New funds in Estonia – special offers by capital guaranteed funds – was a contributing factor to the sale of unit-link agreements, whereas the Company took the leading role in sales of capital guaranteed funds in Estonia in 2004.

The market share of AS Sampo Elukindlustus continued its increase also in 2004 – from 9.2% in 2003 to 10.4%. For the first time the Company finished the year holding the third market position as compared to the fifth position in previous years. Company obtained 11.8% from the total of all new agreements concluded in the Estonian life insurance market during 2004. Company's share of supplementary funded pension agreements in 2004 was 9.1% of all new agreements concluded in the market.

The results of the Company exceeded the prognoses and expectations of the Company's supervisory board and management board.

Organisation and Personnel of the Company

As of 31.12.2004, there were 29 employees in the Company acting on the basis of employment agreements, whereas half of them were active in the sales unit. Seven employees were on maternity leave. In 2004 the Company's sales unit was reorganized in order to offer a higher level of support to the sale of Company's products as well as to lead sales teams more effectively to achieve quantitative and qualitative development in sales results. Company's own contact centre was established in order to reach to more new clients. Contracts management unit was renamed as Client management unit, the purpose of which is to manage existing client base in a more professional way as well as offer better service to the Company's clients to ensure their higher satisfaction and loyalty. Since April 2004, a lawyer in a principal job is working in the Company.

Gross salary expenses in 2004 comprised of 5.3 mio Estonian kroons. The work of Supervisory and Management Board members was not separately remunerated. The salary expenses of Management Board members working in the Company under employment agreements were 0.9 mio kroons.

Sales and Development Activities

AS Sampo Pank was the best sales channel for the Company in terms of sales results and cost effectiveness in 2004. The sale of Company's products via Sampo Pank made up 70% from the total number of the Company's new agreements and 74% of new sales gross written premiums. Ranking next in importance as far as other sales channels are concerned, were Company's own sales staff and the sales network of AS If Eesti Kindlustus. The main focus in 2004 was on the sale of unit-link, incl. capital guaranteed funds, and also on supplementary funded pension agreements and loan insurance agreements. The Company continuously focused its attention on the increase of Company's cost effectiveness in order to ensure a higher growth of gross written premiums versus operating expenses growth. The cooperation with external auditors from Ernst & Young Baltic AS was also continued in 2004. AS PricewaterhouseCoopers is responsible for the Company's internal audits activities since 2004.

The main projects for year 2005 are continuously related to the strengthening Company's market position – the goal is to reach a gross written premiums result which maintain at least the third market position for the Company and ensure the increase of the Company's market share. The main cooperation partner in sales operations will remain Sampo Pank. The Company will continue to offer active product campaigns and innovative product solutions to its clients in co-operation with other companies belonging to the Sampo financial group. Several product development and marketing activities have been planned in order to strengthen the Company's market position. Equally important is to ensure that the Company acts in an effective manner in all fields. In investment management the cooperation with Sampo Baltic Asset Management AS will be continued. As of 01.01.2005, a change took effect in the area of reinsurance where the Company now co-operates with Hannover Rueckversicherung AG instead of the former partner Swiss Reinsurance Company.



Imre Madison
Chairman of the Management Board

In Tallinn, on January 27, 2005

A handwritten signature in black ink, enclosed in a white rectangular box. The signature is stylized and appears to be 'Imre Madison'.

Annual Accounting Report

BALANCE SHEET / In kroons

ASSETS	31.12.2004	31.12.2003	
1. Cash and bank accounts	315 123	423 631	
2. Accounts receivable			
2.1. Arising out of direct insurance operations	81 989	113 793	
2.1.1. Policyholders	81 989	113 793	
2.2. Other accounts receivable	36 313	42 031	
2. Total	118 302	155 824	
3. Accrued and prepayments income			Annex 4
3.1. Accrued income	1 289 526	1 035 342	
3.2. Other prepayments	165 043	144 401	
3. Total	1 454 569	1 179 743	
4 Investments			Annex 2
4.1. Other financial investments	106 154 970	76 601 766	
4.1.1. Shares and other securities	32 466 317	19 731 973	
4.1.2. Bonds and other fixed income securities	64 223 653	46 119 793	
4.1.3. Deposits with credit institutions	9 465 000	10 750 000	
4. Total	106 154 970	76 601 766	
5. Investments covering unit-linked insurance contracts	61 478 995	16 036 408	Annex 3
6. Intangible assets	562 269	808 834	Annex 6
7. Tangible assets	170 197	159 135	Annex 5
TOTAL ASSETS	170 254 425	95 365 341	
LIABILITIES	31.12.2004	31.12.2003	
1. Accounts payable			
1.1. Arising out of direct insurance operations	495 458	571 892	
1.1.1. Policyholders	362 390	395 544	
1.1.2. Intermediaries	133 068	176 348	
1.2. Arising out of reinsurance operations	348 000	299 917	
1. Total	843 458	871 809	
2. Accruals and deferred income			Annex 7
2.1. Accruals	2 282 215	1 630 759	
2. Total	2 282 215	1 630 759	
3. Technical provisions			Annex 8
3.1. Life insurance provision	74 001 173	48 340 066	
3.1.1. Total amount	74 001 173	48 340 066	
3.2. Provision for outstanding claims	102 462	79 918	
3.2.1. Total amount	102 462	104 034	
3.2.2. Amount of reinsurers' share (-)	-	24 116	
3.3. Provision for bonuses	610 257	319 971	
3.3.1. Total amount	610 257	319 971	
3. Total	74 713 892	48 739 955	
4. Technical provisions for unit-linked insurance			Annex 8
4.1. Total amount	61 478 995	16 036 408	
4. Total	61 478 995	16 036 408	
5. Equity			
5.1. Share capital	20 000 000	20 000 000	
5.2. Paid-in capital over par	10 000 000	10 000 000	
5.3. General reserve	80 071	-	
5.4. Profit / loss brought forward	-1 993 661	-2 714 298	
5.5. Profit of financial year	2 849 455	800 708	
5. Total	30 935 865	28 086 410	
TOTAL LIABILITIES	170 254 425	95 365 341	

PROFIT AND LOSS ACCOUNT / In kroons

	2004	2003	
1. Net premiums written			
1.1. Gross premiums written	83 950 484	53 135 648	Annex 9
1.2. Reinsurers' share (-)	1 432 421	1 235 626	Annex 10
1. Total	82 518 063	51 900 022	
2. Investment income			Annex 11
2.1. Other investments	2 720 601	2 092 081	
2.2. Value readjustments	3 125 660	1 836 491	
2.3. Gains on realization of investments	2 610 521	680 577	
2. Total	8 456 782	4 609 149	
3. Unrealized profit from investments	2 943 234	269 142	
4. Claims incurred, net of reinsurance			
4.1. Claims paid	3 586 461	1 089 817	
4.1.1. Sums insured	467 004	178 085	
4.1.2. Surrenders	3 027 759	831 584	
4.1.3. Claims handling costs	91 698	80 148	Annex 12
4.2. Reinsurers' share in claims paid	169 316	10 800	
4.3. Change in provision of outstanding claims (increase -)	1 572	-30 651	
4.4. Reinsurers' share in provision of outstanding claims (increase +)	-24 116	1 193	
4. Total	3 439 689	1 108 475	
5. Change in life insurance provisions, net of reinsurance (+/-)			Annex 8
5.1. Total amount (increase -)	-25 661 107	-24 529 490	
5. Total	-25 661 107	-24 529 490	
6. Change in other technical provisions, net of reinsurance			Annex 8
6.1. Total amount (increase -)	-45 442 587	-15 532 686	
6. Total	-45 442 587	-15 532 686	
7. Bonuses, net of reinsurance	290 286	229 158	Annex 8
8. Net operating expenses			
8.1. Acquisition costs	8 389 530	8 301 908	Annex 12
8.2. Administrative expenses	6 378 955	5 441 945	Annex 12
8.3. Reinsurance commissions and participation in profits (-)	702 301	581 716	Annex 10
8. Total	14 066 184	13 162 137	
9. Investment charges			Annex 11
9.1. Investment charges	849 422	327 961	
9.2. Value readjustments	920 684	67 010	
9.3. Losses on realization of investments	212 090	223 436	
9. Total	1 982 196	618 407	
10. Unrealized loss from investments	-	2 205	
11. BALANCE ON TECHNICAL ACCOUNT	3 036 030	1 595 755	
NON-TECHNICAL ACCOUNT			
12. Balance on technical account	3 036 030	1 595 755	
13. Other income	454 975	91 294	
14. Other charges	641 550	886 341	Annex 13
15. NET PROFIT FOR THE FINANCIAL YEAR	2 849 455	800 708	

CASH FLOW STATEMENT / In kroons

	2004	2003	
1. INSURANCE OPERATION			
1.1. Collected insurance premiums	83 949 134	53 294 254	Annex 9
1.2. Indemnities and surrenders paid	-3 494 763	-1 009 669	
1.3. Claims handling costs	-91 698	-73 469	
1.4. Sums ceded to reinsurers	-825 687	-846 308	
1.5. Sums ceded from reinsurers	312 966	241 101	
1.6. Operating expenses	-13 291 260	-13 880 500	Annex 12
1. Total	66 558 692	37 725 409	
2. INVESTMENT OPERATION			
			Annex 2
2.1. Amounts received from investments	4 612 997	2 509 582	
Incl. from 2.1.1. Securities with variable interest	2 589 540	687 147	
2.1.2. Fixed income securities	2 562 104	1 893 672	
2.1.3. Deposits	310 775	255 120	
2.1.4. Other investments	-	1 604	
2.1.5. Investment charges	-849 422	-327 961	
2.2. Received amounts due to termination, cancellation of investments	146 802 244	138 750 296	
Incl. from 2.2.1. Securities with variable interest	94 469 209	64 336 973	
2.2.2. Fixed income securities	32 983 035	36 167 824	
2.2.3. Deposits	19 350 000	38 245 499	
2.3. Other investments into:	-217 751 953	-178 476 595	
Incl. 2.3.1. Securities with variable interest	-147 784 009	-87 261 180	
2.3.2. Fixed income securities	-51 434 763	-47 696 448	
2.3.3. Deposits	-18 065 000	-42 995 499	
2.3.4. Other fixed assets	-468 181	-523 468	
2. Total	-66 336 712	-37 216 717	
3. FINANCIAL OPERATIONS AND CHANGE OF OTHER CASH RESIDUAL			
3.1. Other income	311 062	91 294	
3.2. Paid for other expenses	-641 550	-437 839	Annex 13
3. Total	-330 488	-346 545	
TOTAL CASH FLOW (1. + 2. + 3.)	-108 508	162 147	
4. CHANGE IN CASH AND BANK ACCOUNTS RESIDUAL	-108 508	162 147	

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY / in kroons

Equity	31.12.04			31.12.03		
Shares total (number)	2 000			2 000		
Nominal value of a Share (EEK)	10 000			10 000		
Equity flow	Share capital	Paid-in capital over par	General reserve	Profit / loss brought forward	Profit / loss for the financial year	Equity
As of 31.12.2002	20 000 000	10 000 000	-	-2 589 905	-734 925	26 675 170
Changes in accounting policies	-	-	-	610 532	-	610 532
As of 01.01.2003	20 000 000	10 000 000	-	-1 979 373	-734 925	27 285 702
Distribution of profit into profit brought forward	-	-	-	-734 925	734 925	-
Profit / loss for the financial year	-	-	-	-	800 708	800 708
As of 31.12.2003	20 000 000	10 000 000	-	-2 714 298	800 708	28 086 410
Distribution of profit into profit brought forward	-	-	-	720 637	-720 637	-
General reserve 10%	-	-	80 071	-	-80 071	-
Profit / loss for the financial year	-	-	-	-	2 849 455	-
As of 31.12.2004	20 000 000	10 000 000	80 071	-1 993 661	2 849 455	30 935 865

The shares are owned 100% by the Finnish financial group Sampo Life Insurance Company. The minimum share capital of the company is 20 million kroons, and the maximum is 80 million kroons. Payment for shares took place by cash deposits.

CONFIRMATION OF THE ACTUARY REGARDING THE ACCURACY OF TECHNICAL PROVISIONS AS OF DECEMBER 31ST, 2004 / in kroons

Life insurance provisions	74 001 173
Provisions for outstanding claims	102 462
Bonus provision	610 257
Technical provisions for unit-linked insurance	61 478 995

I hereby ascertain the correctness of the submitted information.

Airi Viiart / Actuary



Annexes to the Annual Accounting Report

Annex 1. Accounting methods and estimation bases used for compiling the annual report

Report composition principles

Management Board of the Company has compiled the annual accounting report based on the Commercial Code, which report properly and fairly addresses the assets, liabilities and equity and the result of economic activities of the Company. The annual accounting report of 2004 of AS Sampo Elukindlustus has been compiled on the basis of good accounting practice in Estonia, Insurance Activities Act, Procedure for compilation and submission of insurers' annual accounting report, interim report and consolidated accounting reports as approved with Regulation no. 75 of Ministry of Finance on 9th of August 2000. The Estonian good practice of accounting is based on internationally accepted principles of accounting and reporting, the fundamental requirements of which are established by the Accounting Act of the Republic of Estonia and which are replenished with the directives of Accounting Committee. The same accounting principles were observed in compiling the annual accounting report that were used in the compilation of annual accounting report 2003.

AS Sampo Elukindlustus has not compiled a consolidated annual accounting report because it is owned 100% by the Finnish financial affiliated group Sampo plc. (www.sampo.fi) and the latter compiles the consolidated accounting annual report itself. The financial year started on the 1st of January 2004 and ended on the 31st of December 2004. The numerical data of the annual accounts have been

presented in Estonian kroons, stated in round figures. Reflection of transactions carried out in foreign currencies has been done on the basis of official exchange rates of the Bank of Estonia effective on the day of the transactions. The monetary assets reported in foreign currency have been presented in the annual report according to the exchange rate of the Bank of Estonia effective on the date of the balance sheet. The gains and losses on the realization of investments have been reported in the profit and loss account.

When needed, comparison data has been adjusted to comply with the presentation format of this annual report. These corrections do not have any influence on the balance sheet total, loss or equity.

Cash and bank accounts

The balances of demand deposits in the bank have been reported as cash and bank accounts, as of 31.12.2004. There are no cash operations in the Company.

Accounts receivable arising out of direct insurance operations

When composing the annual report, every single account receivable has been valued on an individual basis, i.e. the probability of collection has been estimated separately for every valid contract. Policyholders' debts deemed as unlikely income, have been carried out of the balance and the reported period profits are decreased in the same value.

Accrued and prepayments income

This item reports interests and other investment income presented in the profit and loss account statement as income, however not yet received by the closing date. Also reported therein are the prepaid expenses for the future periods.

Financial instruments

Financial instruments are reported in their acquisitions costs, consisting of purchase price and expenses directly related to the purchase. Expenses directly related to the purchase include commissions to brokers or banks. Financial instruments are reported as of their settlement date.

Shares and other securities

Fund units of the investment funds and shares belonging to the Company are reported as shares and other securities.

Shares and other securities are reported in the balance in their fair value, which is based on the market price of securities quoted on a public stock exchange and official exchange rates of the Bank of Estonia. Bonds which are quoted on a public stock exchange are evaluated on the basis of closing prices of the date of the balance. The evaluation of shares and other securities' is made using the FIFO method, according to which the charging to expenses is performed according to the acquisition order of purchased securities.

The last revaluation was carried out on 31.12.2004. The unrealized profit or loss received through the revaluation is reported in the profit and loss account on the line for value readjustments on investments.

Bonds and other fixed-income securities

Bonds and other fixed-income securities are considered as long-term financial investments — with intention to keep them until maturity date. The bonds are reported at adjusted acquisition costs. When the acquisition cost and nominal value of the bond differ, the gap will be depreciated over the period from the date of acquisition of the bond until the date of maturity. The arising unrealised gains or losses is reported in the profit and loss account on the line for *Gains/losses on realisation of other investments*. The interest income earned from bonds is reported under the accrual principle.

Investments covering unit-linked insurance contracts

The company's balance sheet discloses the investments portfolio, pegged to the life insurance contracts involving investments risk, whereas the value and return on investments (ROI) thereof determines the company's obligations derived from those contracts.

Investments are reported pursuant to the method of fair value. The unrealized profit or loss received through revaluation of investments is reported on the line of profit and loss account *Unrealized profit from investments* or *Unrealized loss from investments*. The investments belonging to the portfolio of unit-linked insurance contracts are valued on an individual basis.

Tangible and intangible assets

Tangible and intangible assets are both accounted for in their acquisitions cost, which consists of purchase price and expenses directly related to the purchase. Tangible and intangible assets are both reported on the balance sheet in their residual value.

Reported as tangible assets are, as a rule, assets with estimated utility time over one year and with the acquisition cost in excess of 10 000 kroons. The tangible assets are depreciated under a straight line method over 2-5 years, depending on their utility time.

Included among intangible assets are the acquired licences and software (at the cost of over 10 000 kroons). Intangible assets are depreciated under a straight line method over three years.

Financial liabilities

As financial liabilities, tax liabilities, payables to employees, accounts payable to suppliers and other accruals recognised in the income statement for the financial year, but unsettled as of the balance sheet date are reflected on the line *Accrued expenses and deferred income*.

Technical provisions

Technical provisions reflect liabilities of the insurer to the policyholders. The provisions have been calculated under the life-standard insurance mathematical rules in accordance with the Company's rules for calculating provisions as approved by the Company's Supervisory Board and harmonized with the Estonian Financial Supervision Authority.

Life insurance provision

Reported in the balance sheet as life insurance provisions are liabilities to the policyholders, including the retained bonuses and the risk premium provision for prepaid premiums. Life insurance provision is calculated separately to each valid contract, subject to the technical business plan of the respective life insurance class. Provision for prepaid premiums is calculated under *pro rata temporis* method.

Provision for outstanding claims

Stated as provision for outstanding claims is the amount, which has been allocated for meeting the eventual and estimated payments, in connection with sums insured and the claims (including the claims handling costs), arising from insurance events, reported prior to the closing date of the balance.

Provision for bonuses

Stated as provision for bonuses are the amounts, which have been calculated in the reporting year for the policyholders or beneficiaries under the insurance contract, in addition to the guaranteed interest in profits and on account of which life insurance provision will be increased or bonuses will be paid in the next reporting year.

Technical provision for unit-linked insurance contract

Reported in the balance sheet is the technical provision for unit-linked insurance contracts, the size of which is immediately linked, under contract, with the return on investment (ROI) and the change in value of investment.

All supplementary technical provisions, which have been established to cover the death risk,

operating expense or other risks arising from such agreements, are reported in the composition of provision for life insurance.

Reinsurance

Reinsurance contract

The reinsurance partner of AS Sampo Elukindlustus is Sampo Life Insurance Company Ltd. The first reinsurance agreement was signed on 18.10.1999. A new reinsurance agreement was signed on 18.04.2002, on the basis of a secondary reinsurance partner (retrocessionaire) was added - Swiss Re. This agreement entered into force on 01.01.2002. Co-operation with Swiss Re in respect of reinsurance of new agreements was terminated on 31.12.2004. Life insurance agreements concluded as of 01.01.2005 or later will be underwritten and claims will be handled by principles of reinsurance company Hannover Rueckversicherung AG.

Conditions of reinsurance

Reinsured are the death risk of main insurance contracts, and the death and disability risks of the supplementary accident insurance contracts. Children insurance contracts and daily allowances of supplementary accident insurance contracts are not reinsured. Under the insurance contract, those risks valued up to 2 300 000 kroons are automatically reinsured. Larger contracts must be approved separately in every given case. The participation of AS Sampo Elukindlustus is up to 300 000 kroons, per one risk, depending on the risk.

Insurance premium

Premium income is reported in the profit and loss account on an accrual basis. Reported as premium income are those insurance premiums or instalments that are due in the reporting period. In annexes to the annual report the premiums have been divided into two: regular and single premiums. All premiums from flexible insurance contracts are shown as regular premiums, not as lump sum premiums, since according to insurance conditions of the respective products the frequency and number of premiums under these contracts is unfixed. The premiums have also been divided by profit. Deemed as with-profit contracts are capital

endowment insurance, children insurance and universal life insurance. All other contracts are deemed as non-profit contracts like term life insurance, loan insurance, unit-linked insurance and supplementary accident insurance.

Operating expenses

Operating expenses break down into administrative expenses, acquisition costs and claims handling costs. The general principle governing the distribution of expenses among entries of the profit and loss account is as follows: those costs which can be precisely identified (personnel expenses, transportation costs, communications expenses, commissions to brokers etc.) are directly posted to a respective entry. In respect of expenses, which cannot be immediately distributed (office expenses, expenses on premises etc.), the *pro rata* distribution method is used.

Acquisition costs are the costs incurred with concluding insurance agreements. They are the direct expenses like commissions to brokers, expenses related with preparation of insurance documents, expenses incurred by employees directly involved in acquisition of agreements, as well as indirect costs such as advertising costs and administrative expenses related to delivery of policies.

Administrative expenses include the costs related to running the Company, which do not classify as acquisition costs, claims handling costs and investment charges.

Claims handling costs consist in administrative expenses related to claims management, salary of the claims handling personnel and related taxes as well as charges payable to experts for claims handling.

Other charges

Other charges of the insurer include costs not included in the technical results. These are the company's general expenses that are not directly related to main business activities, e.g. fees for auditors', experts', legal and tax consultants' services, the fees for insurance supervision and membership fees to professional associations.

This also includes unrealized loss from the translations of foreign currency accounts by the currency rate of the Bank of Estonia effective on the balance date and other charges.

Other income

This item reflects commissions earned in the result of intermediation of other insurers insurance contracts as well as other income which is not taken into account when stating the technical return. This also includes unrealized profit from the translation of foreign currency by the currency rate of the Bank of Estonia and other income.

Calculation of lease

Leases used in the company are operating leases, because the lessee can unilaterally terminate the lease contract without making any additional payments before the term of the lease contract and the ownership of the leased property is not transferred to the lessee during the lease period or at the expiry thereof.

Income tax

Company's profit brought forward was 855.8 thousand kroons as of 31.12.2004. Maximum possible income tax which may arise upon paying profit brought forward as dividends is 205.4 thousand kroons. Accordingly, 650 thousand kroons may be paid as dividends.

When calculating the maximum possible income tax amount, it has been presumed that the shared net dividends and the accompanying income tax cost in total cannot exceed the shareable profit as of 31.12.2004.

Annex 2. Investments

	31.12.2004	31.12.2003
Balance value in the beginning of period (31.12.2003)	76 601 766	51 312 026
Shares	7 440 371	1 983 001
Fund units	12 291 602	8 831 475
Bonds and other fixed income securities	46 119 793	34 497 550
Deposits	10 750 000	6 000 000
Acquired investments		
Shares	12 629 742	8 272 755
Fund units	90 791 218	63 535 351
Bonds and other fixed income securities	51 434 763	47 696 447
Deposits	18 065 000	42 995 499
Decrease of investments		
Shares	16 921 896	3 453 007
Fund units	76 416 471	60 697 969
Bonds and other fixed income securities	32 983 035	36 167 823
Deposits	19 350 000	38 245 499
Change of investments value (+)		
Shares	104 268	1 053 118
Fund units	3 098 384	623 104
Bonds and other fixed income securities	21 915	160 269
Deposits	-	-
Change of investments value (-)		
Shares	540 271	415 496
Fund units	10 630	359
Bonds and other fixed income securities	369 783	66 650
Deposits	-	-
Balance value in the end of the period (31.12.2004)	106 154 970	76 601 766
Shares	2 712 214	7 440 371
Fund units	29 754 103	12 291 602
Bonds and other fixed income securities	64 223 653	46 119 793
Deposits	9 465 000	10 750 000

Annex 3. Investments covering unit-linked insurance contracts

The investments in unit-linked insurance contracts totalled 61 478 995 kroons, on the closing date of balance.

Investments were made into the following securities:

	31.12.2004	31.12.2003
Investment fund units	51 076 607	16 036 408
Shares, which are tradable on regulated securities markets of Estonia	837 910	-
Shares, which are tradable on regulated securities markets of A-Zone of the OECD countries	6 280 116	-
Bonds, which are freely tradable on regulated securities markets of Estonia	386 797	-
Deposit	2 897 565	-
Total	61 478 995	16 036 408

Annex 4. Accrued income and prepayments

	31.12.2004	31.12.2003
Accrued income, incl.	1 289 526	1 035 342
Deposit interests	22 821	89 363
Bond interests	1 266 705	945 979
Prepayments	165 043	144 401
Total	1 454 569	1 179 743

Annex 5. Tangible assets

	Acquisition costs	Accumulated depreciation	Residual value
31.12.2002	637 006	-344 667	292 339
Acquired	45 491	-	-
Depreciation during fiscal period	-	-178 695	-
31.12.2003	682 497	-523 362	159 135
Acquired	142 900	-	-
Written - off	-8 954	7 351	-
Depreciation during fiscal period	-	-130 235	-
31.12.2004	816 443	-646 246	170 197

Annex 6. Intangible assets

	Intangible assets	Accumulated depreciation	Residual value
31.12.2002	2 101 766	-1 003 859	1 097 907
Acquisition	477 977	-	-
Depreciation during fiscal period		-767 050	-
31.12.2003	2 579 743	-1 770 909	808 834
Acquisition	334 235	-	-
Depreciation during fiscal period	-	-580 800	-
31.12.2004	2 913 978	-2 351 709	562 269

Annex 7. Accruals and deferred income

	31.12.2004	31.12.2003
Accruals to employees	1 074 603	881 781
Accruals to suppliers	572 154	183 906
Deferred income	89 747	9 198
Tax liability	545 711	555 874
Individual income tax	197 587	221 239
Social tax	284 472	279 145
Corporate income tax from fringe benefits	39 494	29 516
Unemployment insurance tax	11 298	12 536
Funded pension payments	12 857	13 374
Trade-union tax	3	64
Total	2 282 215	1 630 759

Annex 8. Technical provisions

	Life insurance provision	Provision for outstanding claims	Provision for bonuses	Total technical provisions	Technical provisions for unit-linked insurance contracts
As of 31.12.2002	23 810 576	50 460	90 813	23 951 849	503 722
Added to life insurance provisions	90 813	-	-90 813	-	-
Calculated during the accounting period	24 438 677	30 651	319 971	24 789 299	15 532 686
Part of reinsurance (- increase)	-	-1 193	-	-1 193	-
As of 31.12.2003	48 340 066	79 918	319 971	48 739 955	16 036 408
Added to life insurance provisions	319 971	-	-319 971	-	-
Calculated during the accounting period	25 341 136	-1 572	610 257	25 949 821	45 442 587
Part of reinsurance (- increase)	-	24 116	-	24 116	-
As of 31.12.2004	74 001 173	102 462	610 257	74 713 892	61 478 995

Annex 9. Gross premiums

All life insurance contracts have been concluded with private persons in Estonia

Division of insurance premiums by life insurance classes	2004	2003
Term-life insurance	2 446 472	2 020 187
Endowment	34 400 192	34 037 187
Incl. endowment with tax benefit	21 539 547	21 676 356
Supplementary insurance	881 389	1 024 067
Unit-linked insurance	46 222 431	16 054 207
Incl. unit-linked insurance with tax benefit	7 410 894	1 443 288
Total premiums	83 950 484	53 135 648

Division of insurance premiums by frequency of accrual		
Regular premiums	83 769 967	51 525 985
Single premiums	180 517	1 609 663
	83 950 484	53 135 648

Division of insurance premiums by profit sharing		
Premiums from non-profit contracts	3 327 861	3 044 254
Premiums from with-profit contracts	34 400 192	34 037 187
Premiums from unit-linked insurance	46 222 431	16 054 207
	83 950 484	53 135 648

Annex 10. Reinsurance

	2004	2003
Reinsurance premiums	1 432 421	1 235 626
Reinsurance commissions	702 301	581 715
Reinsurance result	730 120	653 911

Annex 11. Investment income and investment charges

INVESTMENT INCOME		2004	2003
On other investments		2 720 601	2 092 081
Incl. Deposit interests		244 234	266 182
Bond interests		2 213 132	1 753 585
Dividends		262 770	70 711
Other		465	1 603
Changes in investments value		3 125 660	998 746
Incl. Shares and fund units		3 103 746	1 676 222
Bonds		21 914	160 269
Gains on realization of investments		2 610 521	574 238
Total investment income		8 456 782	4 609 149
INVESTMENT CHARGES			
Investment charges		849 422	327 961
Maintenance fee		774 723	288 178
Management fee		74 699	39 783
Changes in investments value		920 684	67 010
Incl. Shares and units		550 901	359
Bonds		369 783	66 651
Loss from realized investments		212 090	223 436
Total investment charges		1 982 196	618 407

Annex 12. Operation expenses

	Claims handling costs		Acquisition costs		Administrative costs	
	2004	2003	2004	2003	2004	2003
Salaries	41 316	41 316	2 547 383	2 529 893	2 755 900	2 483 376
Social tax	13 632	13 632	933 528	832 862	929 046	654 381
Commissions to brokers	-	-	1 969 074	1 834 151	-	-
Other operating expenses	-	-	2 495 655	2 528 325	2 298 131	1 798 653
Services from other suppliers	36 750	25 200	129 087	142 184	-	-
Depreciation	-	-	314 804	434 493	395 878	505 535
Total	91 698	80 148	8 389 530	8 301 908	6 378 955	5 441 945

Annex 13. Other charges

	2004	2003
Fees to Estonian Financial Supervisory Authority	171 809	173 325
Consultations and auditor fees	153 757	104 046
Membership fees to professional unions	33 794	29 558
Other charges	282 190	579 412
Other charges in total	641 550	886 341

Annex 14. Operating lease

AS Sampo Elukindlustus rents cars for official use from Hansa Liising Eesti AS and Sampo Liising AS. These are operating lease contracts because a leaseholder can terminate the contract unilaterally without making additional payouts before the stated term in the contract and the ownership of the leased property does not transfer to the leaseholder during the leasing period or at the expiry thereof.

As of December 31st, 2004, there were 6 valid lease contracts, whereas lease payments had been made during the accounting period in the total amount of 273.7 thousand kroons on the basis of 5 contracts out of the total 6. The average duration of a lease contract is 5 years, and in 2005, a total of 384.2 thousand kroons is due pursuant to the contracts. Lease payments in the amount of 246.7 thousand kroons were paid on the basis of 4 lease contracts during the same period in 2003.

The rental contract of office premises of AS Sampo Elukindlustus at Narva mnt. 11 has been concluded for 3 years with AS Sampo Pank. In 2004, rental payments were made in the amount of 642.1 thousand kroons (compare at 616.8 thousand kroons during the same period in 2003). Office premises used by the Company's branch office in Tartu were rented from AS Kaseväli & KO and the rental contract ended in the end of 2004. During the accounting period, rental payments were made in the amount of 89.9 thousand kroons (in 2003, respectively 93.5 thousand kroons). New rental contract for Company's branch office premises in Tartu has been concluded for 5 years with OÜ Vestentop.

Annex 15. Off-balance assets

Inventory is calculated as off-balance. Those are objects that according to their acquisition cost or another criterion have not been deemed to belong to the fixed assets and have been charged to expenses at the time of acquisition, however, they still participate in the business operations during a longer period of time. IT-hardware, communication equipment and fittings form the majority of inventory.

Annex 16. Transactions with associated parties

In this context associated parties stand for the enterprises of the Sampo financial group and the members of the Supervisory and Management Boards of the Company. Transactions with other enterprises of the Sampo financial group have taken place under ordinary market conditions. There were no transactions between the Company and its Supervisory and Management Board members.

Assets	2004	2003
Current accounts		
AS Sampo Pank (Group company)	75 124	2 883
Sampo Bank plc. (Group company)	18 814	2 733
Accrued income		
Sampo Life Insurance Ltd. (parent company)	-	40 925
AS Sampo Pank	41 354	106 465
Sampo Bank plc.	-	17 233
Financial Investments		
AS Sampo Pank	20 892 028	17 150 966
Sampo Fund Management Ltd. (Group company)	9 682 246	3 512 714
Sampo Bank plc.	-	3 131 790
Investments covering unit- linked insurance contracts		
AS Sampo Pank	5 011 992	633 967
Sampo Fund Management Ltd.	16 678 747	3 383 062
Liabilities		
Arising out of direct insurance		
Sampo Life Insurance Ltd.	348 000	299 917
AS Sampo Pank	127 399	98 974
If Eesti Kindlustus (Group company)	4 681	-
Accruals		
AS Sampo Pank	440 960	152 845
Income		
Reinsurance premiums (-)		
Sampo Life Insurance Ltd.	1 432 421	-1 235 626
Investment income		
AS Sampo Pank	3 442 370	727 635
Sampo Fund Management Ltd.	1 144 999	352 613
Sampo Bank plc.	-	97 592
Reinsurers' share in technical provisions (-)		
Sampo Life Insurance Ltd.	-24 116	-
Reinsurers' share in paid claims		
Sampo Life Insurance Ltd.	169 316	-
Reinsurance commission		
Sampo Life Insurance Ltd.	702 301	581 716
Other income		
AS Sampo Pank	82 589	51 841
If Eesti Kindlustus	12 222	-

Expenses

Commissions to brokers

AS Sampo Pank	1 464 040	741 800
If Eesti Kindlustus	74 235	-

Expenses on lease and administration of premises

AS Sampo Pank	940 584	804 156
If Eesti Kindlustus	14 276	-

Transportation costs

AS Sampo Pank	270 757	508 391
If Eesti Kindlustus	31 933	-

IT expenses

AS Sampo Pank	11 529	11 528
---------------	--------	--------

Investment charges

AS Sampo Pank	848 522	255 320
Sampo Fund Management Ltd.	23 610	2 205

Other charges

AS Sampo Pank	100 890	1 985
Sampo Bank plc.	158 015	-
Sampo Life Insurance Ltd.	-	170 167
If Eesti Kindlustus	200	-

Annual Accounting Report

Management Board Declaration

The Management Board hereby declares its liability for the correctness of the AS Sampo Elukindlustus Annual Accounting Report of 2004, pages 7 to 23, and confirms that, to the best of its knowledge:

- The annual accounting report has been compiled on the basis of good accounting practice of Estonia, Accounting Act of the Republic of Estonia, Insurance Activities Act of the Republic of Estonia, the Procedure for compilation and submission of insurers' annual accounting report, approved by Resolution no. 75 of the Minister of Finance, dated August 9, 2000;
- The Annual Accounting Report correctly and justly reflects the financial state, economic results and cash flows of AS Sampo Elukindlustus;
- All known facts that have occurred up to the date the report was prepared, i.e. 18.02.2005, have been taken into account properly when composing the report and have been stated therein;
- AS Sampo Elukindlustus is a continuously operating business unit.

Imre Madison
Chairman of the Management Board

Airi Viiart
Member of the Management Board

Terje Otstavel
Member of the Management Board

Auditor's Report



■ Ernst & Young Baltic AS
Harju 6, 4 krs.
10130 Tallinn
Eesti
Tel. 372 6 310-610
Fax 372 6 310-611
www.ey.com/ee
Tallinn@ee.ey.com

■ Ernst & Young Baltic AS
Harju 6, 4th Floor
10130 Tallinn
Estonia
Tel. 372 6 310-610
Fax 372 6 310-611
www.ey.com/ee
Tallinn@ee.ey.com

Translation of the Estonian Original

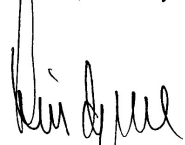
AUDITOR'S REPORT TO THE AS SAMPO ELUKINDLUSTUS SHAREHOLDERS

We have audited the financial statements of AS Sampo Elukindlustus (hereafter "the Company") for the financial year ended December 31, 2004, which we have identified on accompanying pages. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2004, and of the results of its operations and its cash flows for the financial year then ended in accordance with the Estonian generally accepted accounting principles.

Tallinn, February 23, 2005



Hanno Lindpere
Ernst & Young Baltic AS



Tiina Sõmer
Authorised Auditor

A Member of Ernst & Young Global

Signatures of the Management Board and Supervisory Board for the Annual Report 2004

The Management Board of AS Sampo Elukindlustus has prepared the management report and annual accounts for the year 2004.

Annual report compiled by the Management Board comprises of the management report, annual accounting report, proposal for profit distribution and auditor's report. The Supervisory Board has reviewed the annual report and approved it for submission to the General Meeting of Shareholders.

Imre Madison
Chairman of the Management Board

Airi Viiart
Member of the Management Board

Terje Otstavel
Member of the Management Board

Minna Kohmo
Chairman of the Supervisory Board

Timo Pursiala
Member of the Supervisory Board

Timo Laitinen
Member of the Supervisory Board

Margus Žuravljov
Member of the Supervisory Board

List of Shareholders

Shares are owned 100% by Finnish company Sampo Life Insurance Company Limited.