

Interim Report January-June 2010

Sampo Bank plc

Sampo Bank plc is a Finnish bank which is part of the Danske Bank Group. Danske Bank Group is one of the largest financial enterprises in the Nordic region. This interim report includes Sampo Bank plc and its subsidiaries.

INTERIM REPORT 1.1. - 30.6.2010

SAMPO BANK GROUP IN JANUARY - JUNE 2010

Changes in Group structure

As. Oy Kolarin Nilijänkkä was merged to Sampo Bank plc end of February 2010. Danske DCR Ltd was liquidated end of May 2010.

Significant accounting policies

The group has not changed its accounting policies from those followed in Annual Report 2009. Accounting policies are explained more detailed in Notes to the Interim Report.

Result

Sampo Bank Group's profit before taxes for January-June was EUR 92.1million (-3.0). Return on equity after tax was 7.2 per cent (0.3). Cost-to-income-ratio was 67.0 per cent (59.2).

Net interest income decreased to EUR 158.3 million (268.4). The net fee and commission income in turn rose to EUR 94.6million (89.0).

Sampo Bank Group's total operating costs decreased to EUR 213.8 million (223.7).

Net impairment losses on loans and receivables was EUR 13.1 million (157.3). Individual impairments and final write-offs amounted to EUR 24.4 million. Collective impairments were reversed EUR 0.5 million and recoveries amounted to EUR 10.8 million. Majority of impairment expenses and write-offs were booked of several small exposures.

Balance sheet

Loans and receivables to customers decreased by EUR 519.0 million from year-end 2009 and totalled EUR 22,136.5 million (22,658.1).

Deposits from customers increased by EUR 1,738.1 million from year-end and totalled EUR 15,171.5 million (13,433.4).

Solvency

Sampo Bank Group's solvency ratio was 15.2 per cent (14.0) and the Tier 1 ratio was 14.0 per cent (13.0). The total capital included in solvency calculations amounted to EUR 2,654.2 million at the end of June (2,564.1). The Group's risk-weighted assets totaled EUR 17,493.9million (18,250.7).

SOLVENCY

Sampo Bank Group

Own funds	30.6.2010	31.12.2009	30.6.2009
EURm			
Tier 1 ¹⁾	2 455,1	2 380,7	2 364,1
Share capital	106,0	106,0	106,0
Legal reserve	271,1	271,1	271,1
Capital securities	350,0	350,0	350,0
Distributable capital	1 735,1	1 661,0	1 644,6
Minority interests	0,1	0,1	0,1
Intangible assets	-6,6	-7,5	-7,7
Deductions from Tier 1 ²⁾	-0,6	0,0	0,0
Tier 2	199,1	199,7	200,0
Subordinated liabilities	199,7	199,7	200,0
Other	0,0	0,0	0,0
Deductions from Tier 2 ²⁾	-0,6	0,0	0,0
Total capital	2 654,2	2 580,4	2 564,1
Risk-weighted assets (on-balance sheet and off-balance sheet)	17 493,9	17 331,0	18 250,7
Capital requirement (8% of risk-weighted assets)	1 399,5	1 386,5	1 460,1
Credit and counterparty risk	1 247,9	1 179,4	1 319,3
Market risk	52,3	107,8	41,1
Operational risk	99,3	99,3	99,7
Solvency ratio, %			
- total capital/risk-weighted assets	15,2 %	14,9 %	14,0 %
- Tier 1 capital/risk-weighted assets	14,0 %	13,7 %	13,0 %

Group solvency ratio has been calculated in accordance with Credit Institutions Act Sect 5:44-48§ and 54-66§. For calculation of credit and operational risk's risk-weighted assets, Sampo Bank Group applies standard method.

¹⁾ Sampo Bank Group Tier 1 includes capital securities 14 % (15 %).

²⁾ On 16 March, 2007, the Financial Supervision Authority granted Sampo Bank an exemption, pursuant to the Act on Credit Institutions (48§,8), permitting the Bank not to deduct from its capital investments in companies whose main business area is investment activity. The redemption was valid until 31 December, 2009.

Ratings

Sampo Bank's credit ratings have not changed year-to-date in 2010. Moody's long-term deposit rating was A1 with stable outlook and short-term rating Prime-1. Standard & Poor's long-term counterparty credit rating was A with negative outlook and short-term counterparty credit rating A-1.

Administration

Sampo Bank board members are Thomas F. Borgen (Chairman), Sven Erik Lystbæk, Tonny Thierry Andersen, Esko Mäkeläinen, Georg Schubiger, Per Damborg Skovhus and Maija Strandberg. Ilkka Hallavo is the managing director of the Bank and Risto Tornivaara is his deputy.

The firm of authorised public accountants, Ernst & Young Oy, has acted as Auditor for Sampo Bank plc with Kunto Pekkala, APA, as responsible auditor.

Developments after the reporting period

There are no material developments after the reporting period.

Outlook for the whole year

Expected low interest rates will continue to put pressure on the Net Interest Income. Loan impairments are expected to be lower than in 2009 if the economic recovery continues.

Helsinki, 10 August 2010

SAMPO BANK PLC
Board of Directors

FINANCIAL HIGHLIGHTS

		1-6/2010	1-6/2009
Total income 1)	EURm	319	378
Total operating expenses	EURm	214	224
Impairment on loans and receivables	EURm	13	157
Profit before taxes	EURm	92	-3
Cost to income ratio	%	67,0	59,2
Total assets	EURm	26 413	27 191
Equity	EURm	2 113	2 023
Return on equity	%	7,2	0,3
Solvency ratio	%	15,2	14,0
Full-time-equivalent staff, end of period		2 686	2 951

1) Total income comprises the income in the formula for the cost income ratio.

Formulas used in calculating the financial highlights

Cost to income ratio, %:
$$\frac{\text{staff costs} + \text{other operating expenses}}{\text{net interest income} + \text{net income from financial transactions} + \text{net fee and commission income} + \text{net income from investments} + \text{other operating income}} \times 100$$

Return on equity %:
$$\frac{\text{profit before taxes} + / - \text{change in fair value reserve} - \text{taxes}}{\text{equity} + \text{minority interests [average]}} \times 100$$

CONSOLIDATED INCOME STATEMENT

EURm	Note	1-6/2010	1-6/2009	Change
<u>Continuing operations</u>				
Interest income	1	287,1	539,6	-252,5
Interest expense		-128,8	-271,3	142,5
Net trading income		42,3	-3,1	45,4
Fee income		128,1	113,9	14,2
Fee expenses		-33,5	-24,9	-8,5
Net income from investments		0,8	1,4	-0,6
Other operating income		22,9	22,5	0,4
Total operating income		318,9	378,1	-59,2
Staff costs		-90,8	-102,4	11,5
Other operating expenses		-122,9	-121,3	-1,6
Total operating expenses		-213,8	-223,7	9,9
Impairment losses on loans and receivables	2	-13,1	-157,3	144,3
Profit from continuing operations before taxes		92,1	-3,0	95,0
Taxes		-18,0	5,5	-23,4
Profit from continuing operations		74,1	2,5	71,6
<u>Discontinued operations</u>				
Profit from discontinued operations		0,0	0,0	0,0
Profit for the period		74,1	2,5	71,6
Attributable to				
Equity holders of the parent company		74,1	2,5	
Minority interests		0,0	0,0	

STATEMENT OF COMPREHENSIVE INCOME

EURm	1-6/2010	1-6/2009
Net profit for the period	74,1	2,5
Total comprehensive income for the period	74,1	2,5
Portion attributable to		
Shareholders of the Parent Company	74,1	2,5
Minority interests	0,0	0,0
Total comprehensive income for the period	74,1	2,5

Sampo Bank Group has no net gains that are not recognised in the income statement and should be stated under Statement of comprehensive income according to IAS 1.

CONSOLIDATED BALANCE SHEET

EURm	Note	6/2010	12/2009
Assets			
Cash and balances at central banks		1 966,6	148,7
Trading portfolio assets		1 929,8	1 347,5
Loans and receivables	3	22 136,5	22 658,1
Investments	4	6,7	7,5
Intangible assets		6,6	7,5
Investment property		25,8	18,4
Property, plant and equipment		78,7	94,5
Other assets		241,3	554,0
Tax assets		21,1	31,8
Total assets		26 413,1	24 867,9
Liabilities			
Financial liabilities at fair value through p/l		684,8	1 254,4
Trading portfolio liabilities		1 109,7	896,9
Amounts owed to credit institutions and customers	5	17 766,0	15 824,4
Debt securities in issue		4 206,0	4 388,3
Other liabilities		530,9	465,1
Tax liabilities		3,1	0,2
Total liabilities		24 300,5	22 829,4
Equity			
Share capital		106,0	106,0
Reserves		271,1	271,1
Retained earnings		1 661,2	1 643,2
Profit for the period		74,1	18,4
Equity attributable to parent company's equity holders		2 112,5	2 038,4
Minority interests		0,1	0,1
Total equity		2 112,6	2 038,4
Total equity and liabilities		26 413,1	24 867,9

STATEMENT OF CHANGES IN
EQUITY

EURm	Share capital	Legal reserve	Fair value reserve	Retained earnings	Total	Minority interest	Total
Equity at 1 Jan. 2009	106,0	271,1	0,0	1 643,2	2 020,4	1,2	2 021,6
Exchange rate translation differences					0,0		0,0
Total comprehensive income				2,5	2,5	0,0	2,5
Total income and expenses recognised for the period			0,0	2,5	2,5	0,0	2,5
Dividend distribution					0,0	-1,1	-1,1
Share incentives				0,0	0,0		0,0
Equity at 30 June 2009	106,0	271,1	0,0	1 645,7	2 022,9	0,1	2 023,0
Equity at 1 Jan 2010	106,0	271,1	0,0	1 661,2	2 038,4	0,1	2 038,4
Total comprehensive income							
Total income and expenses recognised for the period			0,0	74,1	74,1	0,0	74,1
Dividend distribution				0,0	0,0	0,0	0,0
Share incentives				0,0	0,0		0,0
Equity at 30 June 2010	106,0	271,1	0,0	1 735,3	2 112,5	0,1	2 112,6

CONSOLIDATED CASH FLOW STATEMENT

EURm	1-6/2010	1-6/2009
Cash flow from operations		
Profit before tax	92	-3
Adjustment for non-cash operating items		
Adjustment of income from associated undertakings	-1	1
Amortisation and impairment charges for intangible assets	0	0
Depreciation and impairment charges for tangible assets	17	21
Loan impairment charges	13	157
Tax paid	-19	-28
Other non-cash operating items	54	-361
Total	156	-213
Changes in operating capital		
Cash in hand and demand deposits with central banks	203	757
Trading portfolio	-370	1 008
Loans and advances	-225	716
Deposits	1 738	678
Other assets/liabilities	-436	-2 493
Cash flow from operations	1 067	453
Cash flow from investing activities		
Acquisition of group undertakings and other business units	-6	0
Acquisition of intangible assets	0	0
Acquisition of tangible assets	17	-25
Sale of tangible assets	6	8
Cash flow from investing activities	17	-18
Cash flow from financing activities		
Increase in subordinated debt and hybrid core capital	0	0
Redemption of subordinated debt and hybrid core capital	0	-150
Dividends	0	-1
Change in minority interests	0	-1
Cash flow from financing activities	0	-152
Cash and cash equivalents, beginning of period	3 232	4 285
Change in cash and cash equivalents	1 083	284
Cash and cash equivalents, end of period	4 315	4 569
Cash in hand and demand deposits with central banks	1 967	101
Amounts due from credit institutions and central banks within 3 months	2 349	4 468
Total	4 315	4 569

The Group has prepared its cash flow statement according to the indirect method. The statement is based on the pre-tax profit for the year and shows the cash flows from operating, investing and financing activities and the increase or decrease in cash and cash equivalents during the year.

Cash and cash equivalents consists of cash in hand and demand deposits with central banks and amounts due from credit institutions and central banks with original maturities shorter than three months.

NOTES TO THE INTERIM REPORT

SIGNIFICANT ACCOUNTING POLICIES

Sampo Bank Group is part of the Danske Bank Group. The Danske Bank Group presents its consolidated accounts in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and approved by the EU and with relevant interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC). Additional requirements in accordance with Finnish Accounting Act, Finnish Act on Credit Institutions and Finnish Financial Supervision standards have also been applied when preparing the Interim Report for Sampo Bank Group.

Sampo Bank Group's interim report January - June 2010 has been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by EU.

Sampo Bank Group has not changed its significant accounting policies from those followed in Annual Report 2009 except in the instances mentioned below. Annual Report 2009 provides a full description of the Group's significant accounting policies.

Changes in presentation

As Oy Leppävaaran Aurinkopiha is presented in Investment property as from 1.1.2010. Previously this item was presented in Property, plant and equipment. The comparative figures have been adjusted correspondingly.

The interim report has not been audited. The financial statements for 2009 are available on Sampo Bank's web site <http://www.sampobank.com>.

SEGMENT INFORMATION

Segment principles

The Group consists of number of business units and resource and support functions. The Group's activities are segmented into business units according to internal reporting and organisational structure in 2010. The inter-segment pricing is based on market prices.

Inter-segment transactions are settled on an arm's-length basis. Expenses incurred centrally, including expenses incurred by support, administrative and back-office functions, are charged to the business units in accordance with their estimated proportionate share of overall activities or at market prices, if available.

Segment assets and liabilities are assets and liabilities that are used to maintain the operating activities of a segment or have come into existence as a result of such activities and that are either directly attributable to or may reasonably be allocated to a segment. A calculated portion of shareholders' equity is allocated to each segment.

In the consolidated financial statements the inter-segment transactions, assets and liabilities have been eliminated.

Operating Segments

Banking Activities was divided into six regions until end of May 2010: Helsinki, Greater Helsinki, Western Finland, Central Finland, Eastern Finland and Northern Finland. In the beginning of June 2010 Banking Activities were reorganised into five customer segments. Personal, private and corporate segments operate in five regions: Southern, Western, Central, Eastern and Northern Finland. In addition Banking Activities includes also Corporate Banking and Institutions segments, which provide banking solutions for large corporate and institutional customers.

Markets is responsible for operations in the financial markets and advisory services related to markets area. Capital is responsible for Sampo Bank's Asset Management operations and mutual funds. Other activities includes primarily Group's funding and Group's support functions such as IT services, Contact Centre, product development and logistics.

OPERATING SEGMENTS - tables

JANUARY-JUNE 2010

EURm	Banking Activities	Markets	Capital	Other	Eliminations	Sampo Bank Group
Net interest income	152,4	5,3	-0,1	0,7	0,0	158,3
Other income (net)	104,3	22,4	22,6	11,2	0,0	160,6
Total operating income	256,7	27,7	22,5	11,9	0,0	318,9
Total operating expenses	-191,9	-10,4	-9,4	-2,1	0,0	-213,8
Impairment losses on loans and receivables	-13,1	0,1	0,0	0,0	0,0	-13,1
Profit before taxes	51,7	17,4	13,1	9,8	0,0	92,1

JUNE 30, 2010

TOTAL ASSETS	34 841	4 803	47	6 497	-19 774	26 413
of which loans and advances to credit inst. & customers	34 586	6 311	114	363	-19 238	22 137
TOTAL LIABILITIES AND EQUITY	34 841	4 803	47	6 497	-19 774	26 413
of which liabilities to credit inst. & customers	34 446	2 624	6	-84	-19 225	17 766

JANUARY-JUNE 2009

EURm	Banking Activities	Markets	Capital	Other	Eliminations	Sampo Bank Group
Net interest income	222,6	58,8	0,0	-13,0	0,0	268,4
Other income (net)	98,1	-8,5	21,2	-1,1	0,0	109,7
Total operating income	320,8	50,4	21,2	-14,2	0,0	378,1
Total operating expenses	-199,2	-10,1	-12,5	-1,8	0,0	-223,7
Impairment losses on loans and receivables	-157,3	0,0	0,0	0,0	0,0	-157,3
Profit before taxes	-35,8	40,3	8,6	-16,0	0,0	-3,0

JUNE 30, 2009

TOTAL ASSETS	32 415	6 960	45	7 736	-19 965	27 191
of which loans and advances to credit inst. & customers	33 704	9 566	71	963	-19 495	24 809
TOTAL LIABILITIES AND EQUITY	32 415	6 961	45	7 736	-19 965	27 191
of which liabilities to credit inst. & customers	32 122	3 169	1	875	-19 441	16 725

In accordance with IFRSs, Sampo Bank Group is required to disclose business with a single customer that generates 10% or more of the combined revenue. The Group has no such customers.

OTHER NOTES

1 NET INTEREST INCOME

EURm	1-6/2010	1-6/2009
Interest income, total	287,1	539,6
Interest expenses, total	-128,8	-271,3
Net interest income	158,3	268,4

2 IMPAIRMENT LOSSES ON LOANS AND RECEIVABLES

EURm	Individual impairment charges	Collective impairment charges	Recoveries	Total
From loans and advances to credit institutions	-0,4			-0,4
From loans and advances to customers				
-impairment charges	196,1	14,4		210,5
-write-offs	31,2		10,8	20,4
-reversals	-203,9	-14,7		-218,6
From guarantees and other off-balance sheet items	2,0	0,5		2,5
-reversals	-0,6	-0,8		-1,3
Total 1-6/2010	24,4	-0,5	10,8	13,1
Total 1-6/2009	131,0	29,2	2,9	157,3

3 LOANS AND RECEIVABLES

EURm	6/2010	12/2009
Loans and receivables to credit institutions		
Deposits	1 853,4	2 602,5
Other loans	496,7	481,6
Total	2 350,1	3 084,1
Loans and receivables to customers		
By type of loan		
Home loans	10 113,8	9 848,6
Consumer loans	1 470,8	1 497,4
Other retail loans	1 108,6	1 083,3
Finance lease assets	646,7	717,5
Money market loans		0,0
Other commercial loans	6 446,5	6 427,3
Total	19 786,4	19 574,0
Total loans and receivables	22 136,5	22 658,1

Allowance account breakdown

	Individual impairment charges	Collective impairment charges	Total
At January 1, 2009			
From balance sheet and off-balance sheet items	138,2	15,6	153,8
+ New allowances	399,1	64,5	463,6
- Reversals and write-offs	-198,5	-50,0	-248,5
- Write-offs debited to allowance account	-42,2		-42,2
At December 31.12.2009	296,6	30,1	326,7
From balance sheet and off-balance sheet items			
+ New allowances	201,3	14,9	216,2
- Reversals and write-offs	-181,5	-15,5	-197,0
- Write-offs debited to allowance account	-23,3		-23,3
At June 30, 2010	293,0	29,5	322,5

4 INVESTMENTS

EURm	6/2010	12/2009
Financial assets		
Total	0,0	0,0
Other assets		
Investments in associates	6,7	7,5
Total	6,7	7,4

5 AMOUNTS OWED TO CREDIT INSTITUTIONS AND CUSTOMERS

EURm	6/2010	12/2009
Amounts owed to credit institutions		
Liabilities to central banks	0,4	0,7
Deposits from credit institutions	2 160,1	732,3
Other liabilities owed to credit institutions	434,0	1 658,1
Total	2 594,5	2 391,1
Amounts owed to customers		
Deposits		
Demand deposits	2 600,9	2 446,1
Savings accounts	3 022,8	2 823,5
Current accounts	6 914,3	5 309,3
Money market deposits	563,9	693,8
Other time deposits	2 069,6	2 160,7
Total deposits	15 171,5	13 433,4
Other liabilities		
Other liabilities	0,0	0,0
Total amounts owed to customers	15 171,5	13 433,4
Total amounts owed to credit institutions and customers	17 766,0	15 824,4

6 CONTINGENT LIABILITIES AND COMMITMENTS

EURm	6/2010	12/2009
Off-balance sheet items		
Guarantees	1 701,4	1 492,2
Undrawn loans, overdraft facilities and other commitments to lend	3 134,8	3 456,3
Other irrevocable commitments	0,0	0,0
Total	4 836,2	4 948,5

Sampo Bank Group companies are a party to various lawsuits. In view of its size, the Group does not expect the outcomes of the cases pending to have any material effect on its financial position.