

**SAMPO HOUSING LOAN BANK PLC**

**ANNUAL REPORT AND ACCOUNTS 2008**

# SAMPO HOUSING LOAN BANK PLC

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## **SAMPO HOUSING LOAN BANK PLC**

### **BOARD OF DIRECTORS' REPORT**

Sampo Housing Loan Bank plc's profit for the 2007 financial year was EUR 11.4 million.

#### **Business idea**

The business idea of Sampo Housing Loan Bank, a wholly owned subsidiary of Sampo Bank plc, is to obtain economical, non-deposit funding for the Sampo Bank Group by issuing covered bonds.

The covered bonds issued by Sampo Housing Loan Bank are secured by mortgages as regulated by Finland's Mortgage Bank Act. Sampo Housing Loan Bank purchases the mortgages securing these bond issues from its parent company, Sampo Bank plc. The purchased mortgages must fulfil the provisions of the Mortgage Bank Act, the terms and conditions of the issuance programme and the conditions set by Sampo Housing Loan Bank's Board of Directors. All decisions relating to mortgage purchases are made by Sampo Housing Loan Bank's Board of Directors. Sampo Housing Loan Bank does not itself grant loans to customers.

In September 2005, Sampo Housing Loan Bank signed an issuance programme worth EUR 5 billion (Euro Medium Term Covered Note Programme) and has issued within that programme during financial years 2005 and 2006 two covered bond issues secured by mortgages, nominally valued at EUR 1 billion each. Moody's Investors Service Ltd has given both of these issues the Aaa credit rating. During the financial year 2007 the company did not issue new covered bond issues secured by mortgages.

#### **Result**

The operating profit for the year before taxes was EUR 15.4 million, compared with EUR 13.0 million in the previous year. The profit for the year was EUR 11.4 million (9.6). Net interest income decreased to EUR 19.9 million (21.5).

#### **Balance sheet**

The company's loan portfolio at the end of the financial year totalled EUR 2,112.2 million (2,219.0). Sampo Housing Loan Bank purchases mortgages from Sampo Bank as security for the covered bonds. In 2008, the total value of mortgages purchased was EUR 599 million.

Non-performing loans totalled EUR 3.7 million (0.9). No impairment losses were recognised during the year.

The short term funding of the company was based on the credit account in Danske Bank A/S and short term deposits from Sampo Bank.

The carrying amount of the covered bonds in issue was EUR 2,024.1 million (1,923.2) and the nominal value was EUR 2,000.0 million (2,000.0).

The covered bonds were secured by mortgages worth EUR 2,109.2 million and supplementary collateral, as provided for in Section 10 of the Mortgage Bank Act, worth EUR 292.3 million, for an aggregate value of EUR 2,401.5 million (2 211,1). Mortgages have been measured at fair value.

## Capital adequacy

The capital adequacy ratio at the end of the year was 15.4 per cent (11.8) and the tier 1 ratio was 11.2 per cent (8.4).

Risk weighted assets and liabilities decreased to EUR 967.1 million (1,160.4).

Minimum capital requirements set by capital adequacy regulation are presented in Table 1 below.

### CAPITAL REQUIREMENT BY PORTFOLIO

EUR

	<b>31.12.2008</b>
<b>Capital requirements for credit and counterparty credit risk</b>	<b>75 171 768,00</b>
Central governments and central banks	0,00
Administrative bodies and non-commercial undertakings	0,00
Institutions	6 369 184,00
Corporates	5 072 800,00
Retail	5 426 880,00
Real estate	55 585 016,00
Past due items	379 560,00
Items belonging to regulatory high-risk categories	0,00
Covered bonds	2 338 328,00
Other items	0,00
Securitisation positions	0,00
<b>Capital requirement for market risk</b>	<b>0,00</b>
<b>Capital requirement for operational risk</b>	<b>2 199 440,00</b>
<b>TOTAL CAPITAL REQUIREMENT</b>	<b>77 371 208,00</b>

## Contents of loan and collateral portfolio

Under the Mortgage Bank Act, covered bonds must be secured by loans or portions thereof with loan-to-value not exceeding 60 per cent up to an aggregate carrying amount corresponding to the carrying amount of the outstanding covered bonds. Such loans totalled EUR 2,051.6 million, or 98.05 per cent of the loan portfolio used as collateral. Loans with loan-to-value in excess of 60 per cent totalled EUR 40.7 million, or 1.95 per cent of the loan portfolio.

The loan portfolio used as collateral without valuations totalled EUR 2,092.3 million and consisted of about 50,000 loans with an average loan amount of EUR 42,000. The average loan-to-value of the loan portfolio is 37.68 per cent. The collateral for the loans consists of properties and shares of housing companies used for dwelling purposes. All collateral is located in Finland.

Furthermore, supplementary collateral as intended in Section 13 of the Mortgage Bank Act was used as temporary collateral for the bonds. This supplementary collateral consisted of debt papers issued by financial institutions with an Aaa credit rating, and their nominal amount was EUR 300 million at the turn of the year.

The discounted average maturity, as per the Financial Supervision Authority's regulation 105.15 based on Section 9a of the Mortgage Bank Act, was 6.92 years for the secured loan portfolio and the supplementary collateral used and 2.17 years for the outstanding bonds.

In accordance with the terms and conditions of the bond programme, the carrying amount of the secured loan portfolio and the nominal amount of the supplementary collateral must cover at least 105 per cent of the outstanding amount of the covered bonds. At the turn of the year, this ratio was 119.27 per cent.

## **Risk management**

The risk management policies applied by Sampo Housing Loan Bank are based on legislation related to mortgage banks. In addition, the Board of Directors annually approves risk policies for Sampo Housing Loan Bank.

## **Credit risk**

When granting loans, Sampo Bank plc assesses the creditworthiness of its retail customers by analysing each customer's or household's income, living expenses and debt repayment obligations, as well as other factors that have a bearing on the customer's solvency. These are used for customer credit scoring. Uncertainties related to the evaluation of creditworthiness are covered by using collateral which, in the case of long-term loans granted to retail customers, is usually a dwelling. Sampo Housing Loan Bank utilises this information in its own decision-making.

Sampo Bank utilises a statistical credit risk model to measure its credit risks. The model estimates the expected credit losses and the economic capital for credit risk. The measurement is based on the default probabilities implied by the customer's credit rating and the estimated loss given default.

Collateral is valued in accordance with the written instructions prepared by Sampo Bank and approved by Sampo Housing Loan Bank's Board of Directors, and occurs either as part of a credit decision or as an independent credit decision. Collateral is valued at the time of its acceptance and regularly thereafter. The basic valuation is executed by the company's staff assisted, if necessary, by the assessments of an external independent valuation expert. Price trends are monitored by an index supplied by Statistics Finland describing the price trends of dwellings.

Sampo Housing Loan Bank maintains a register of its covered bonds in issue and their collateral. Loans in the register may be used as collateral for covered bonds in issue only to the extent that they correspond to a maximum of 60 per cent of the fair value of the collateral. The bank delivers the register information to the Financial Supervision Authority monthly.

## **Market risk**

Management of the company's market risks is based on the market and financial risk management policy approved by Sampo Housing Loan Bank's Board of Directors. The services related to risk management are purchased from Sampo Bank's Asset and Liability Management unit which monitors the company's interest rate risk and other market risks, managing risks within the policies and limits set by Sampo Housing Loan Bank's Board of Directors.

Sampo Housing Loan Bank uses derivative contracts to hedge against interest rate risks. The counterparty of all derivative contracts is Sampo Bank plc or Danske Bank A/S, the parent company of Sampo Bank plc.

Sampo Housing Loan Bank has hedged its mortgage loan portfolio with two interest rate swaps, one of which targets the fixed interest rate portfolio while the other targets the floating rate portfolio. These interest rate swaps are used to exchange the base rate cash flows from the hedged mortgages (total loan interest rate less customer-specific margin) to three month Euribor cash flows. The maturity date for the interest rate swap that hedges the fixed rate mortgages is determined on the basis of the end date of the hedged mortgages' interest rate period, while the due date for the interest rate swap hedging the floating rate mortgages is determined on the basis of the hedged mortgages' maturity date.

As a counter for the above-mentioned arrangements are two interest rate swaps, with which Sampo Housing Loan Bank has swapped the fixed coupon rates of the covered bonds it has issued to the three month Euribor rate. Due to the aggregate effect of the interest rate swaps made, Sampo Housing Loan Bank's balance sheet is almost free of interest rate risks.

The interest rate swaps made in order to hedge the issued bonds and the fixed interest rate mortgage loan portfolio comply with the rules for hedge accounting as per IAS 39, and hedge accounting has been applied to them. The interest rate swap hedging the floating rate mortgage loans does not comply with the rules for hedge accounting as per IAS 39, for which reason it has been recognised in the accounting as other than a hedging derivative agreement and its effect on the result has been itemised under the net income from securities trading.

### **Administration and staff**

During the financial year, Sampo Housing Loan Bank had no employees of its own, but purchased administrative services from Sampo Bank plc.

The Annual General Meeting of 31 March, 2008 elected the following as members of the Board of Directors: Aki Palo, Jukka Huotari and Kirsi Autiosalo. Aki Palo was elected as Chairman of the Board. Jari Raassina serves as the company's Managing Director.

The firm of Ernst & Young Oy, authorised public accountants, with principal responsibility Kunto Pekkala, APA and Tomi Englund, APA were elected as auditors at the Annual General Meeting.

### **Outlook for 2009**

The amount of new housing loans started to reduce in 2008 and descending development is expected to continue in 2009. Housing loan portfolio will still increase if only slower than previous year. Extremely low interest rates may slowly refresh housing market in the second half of the year.

Above-mentioned development enables Sampo Housing Loan Bank to expand its operations. However the company is not intending to issue new covered bond issuance secured by mortgages for the meantime.

### **Board of Director's proposal for the distribution of profit**

The Board will propose to the Annual General Meeting that no dividend be paid.

Sampo Housing Loan Bank plc will publish one Interim Report during the financial year.

## INCOME STATEMENT

EUR	Year ended at 31 Dec. 2008 1000 EUR	Year ended at 31 Dec. 2007 1000 EUR
Interest income	94 142	95 315
Interest expenses	74 197	73 838
Net interest income	19 945	21 477
Fee and commission income	469	539
Fee and commission expenses	-266	-21
Net income from transactions in securities and foreign exchange dealing from transactions in securities	-1 864	-1 198
Net income from financial assets available-for-sale	-	-395
Net gains on hedge accounting	1 538	-2 253
Administrative expenses Other administrative expenses	-4 220	-4 911
Other operating expenses	-218	-261
Profit before taxes	15 383	12 977
TAXES	-4 000	-3 374
Profit for the financial year	<u>11 383</u>	<u>9 603</u>

**BALANCE SHEET**

EUR	At 31 Dec. 2008 1000 EUR		At 31 Dec. 2007 1000 EUR	
<b>ASSETS</b>				
Loans and advances to credit institutions	-		44 563	
Repayable on demand	16 000	16 000	16 697	61 259
Other				
Loans and advances to customers				
Other than repayable on demand		2 112 229		2 219 008
Debt securities		292 291		
Derivatives		43 863		4 753
Other assets		0		-
Prepayments and accrued income		8 801		20 521
<b>TOTAL ASSETS</b>		<b>2 473 184</b>		<b>2 305 542</b>
<b>LIABILITIES</b>				
<b>LIABILITIES</b>				
Liabilities to credit institutions				
Other		266 059		149 000
Debt securities in issue				
Bonds and notes		2 024 147		1 923 205
Derivatives and other liabilities held for trading		16 352		66 878
Other liabilities		43		392
Accruals and deferred income		17 970		28 836
Subordinated liabilities		40 000		40 000
<b>EQUITY</b>				
Share capital	41 050		41 050	
Share premium account	35 000		35 000	
Fair value reserve				
Changes in fair value			-	
Retained earnings	21 180		11 577	
Profit for the year	11 383	108 613	9 603	97 230
<b>TOTAL LIABILITIES</b>		<b>2 473 184</b>		<b>2 305 542</b>
<b>OFF-BALANCE SHEET ITEMS</b>				
Commitments				
Other		8 271		2

## STATEMENT OF CHANGES IN EQUITY

<b>1 000 EUR</b>	<b>Share capital</b>	<b>Share premium account</b>	<b>Fair value reserve</b>	<b>Retained earnings</b>	<b>Total</b>
<b>Equity at 1 Jan. 2007 IFRS</b>	<b>41 050</b>	<b>35 000</b>	<b>-32</b>	<b>11 577</b>	<b>87 595</b>
Financial assets available-for-sale					
- Change in fair value			32		32
Profit for the year				9 603	9 603
<b>Equity at 31 Dec. 2007</b>	<b>41 050</b>	<b>35 000</b>	<b>-</b>	<b>21 180</b>	<b>97 230</b>
<b>Equity at 1 Jan. 2008 IFRS</b>	<b>41 050</b>	<b>35 000</b>	<b>-</b>	<b>21 180</b>	<b>97 230</b>
Financial assets available-for-sale					
- Change in fair value					0
Profit for the year				11 383	11 383
<b>Equity at 31 Dec. 2008</b>	<b>41 050</b>	<b>35 000</b>	<b>-</b>	<b>32 563</b>	<b>108 613</b>

## CASH FLOW STATEMENT

1 000 EUR

	<b>2008</b>	<b>2007</b>
<b>Cash and cash equivalent at the beginning of the period</b>	<b>44 563</b>	<b>27 910</b>
Cash flows from/used in operating activities	-28 563	13 282
Cash flows from/used in financing activities	0	3 371
<b>Cash and cash equivalent at the end of the period</b>	<b>16 000</b>	<b>44 563</b>

The cash flow statement reports cash flows during the period classified by operating, investing and financing activities. Cash flows are reported by using the indirect method. Cash flows from operating activities derive primarily from the principal revenue-producing activities. Financing activities include cash flows resulting from changes in equity and borrowings in order to conduct the business. Cash and cash equivalents consist of cash and balances with central banks and loans and advances to credit institutions repayable on demand.

Cash flow statement for 2008 has been adjusted to Danske Bank Group -principles. Increase of cash is due to classification where below 3 month's due from credit institutions is now considered as cash.

**CAPITAL ADEQUACY**

<b>EUR</b>	<b>At 31 Dec. 2008</b>	<b>At 31 Dec. 2007</b>
	<b>1000 EUR</b>	<b>1000 EUR</b>
<b>Tier 1</b>	108 613	97 230
Share capital	41 050	41 050
Share premium capital	35 000	35 000
Distributable capital	32 563	21 180
<b>Tier 2</b>	40 000	40 000
Subordinated liabilities	40 000	40 000
Other	-	-
<b>TOTAL CAPITAL</b>	148 613	137 230
<b>RISK-WEIGHTED ASSETS (ON-BALANCE SHEET AND OFF-BALANCE SHEET)</b>	967 138	1 160 384
<b>CAPITAL REQUIREMENT (8% of risk-weighted assets)</b>	77 371	92 831
Credit- and counterparty risk	75 172	92 831
Market risk	-	-
Operational risk	2 199	-
<b>CAPITAL ADEQUACY RATIO, %</b>		
- Total capital/ Risk-weighted assets	15,37 %	11,83 %
- Tier 1 capital/ Risk-weighted assets	11,23 %	8,38 %

Group capital adequacy 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.

Comparison figures for 2007 have been calculated in accordance with old Credit Institutions Act Sect 9:72-81§ and an Interpretation of Financial Supervision Authority on calculation of own funds of credit institutions 3/125/125, as enabled by transitional provision possibility in Credit Institutions Act Sect.12.

## NOTES

The financial statements of Sampo Housing Loan Bank plc for 2006 are prepared in compliance with International Financial Reporting Standards (IFRSs) as adopted by the EU. The interim report has not been reviewed of auditors.

In preparing the interim financial statements, the same accounting policies and methods of computation are applied as in the financial statements for 2006. The interim report is available on Sampo Bank's web site <http://sampobank.com>.

## 1000 EUR

<b>1 Interest income and expenses by balance sheet item</b>	<b>2008</b>	<b>2007</b>
<b>Interest income</b>		
Treasury bills and other eligible bills	-	522
Loans and advances to credit institutions	4 476	2 069
Loans and advances to customers	112 661	104 968
Debt securities	7 573	-
Derivatives	-30 569	-12 259
Other interest income	0	15
<b>Total</b>	<b>94 142</b>	<b>95 315</b>
<b>Interest expenses</b>		
Liabilities to credit institutions	5 483	4 655
Debt securities in issue	65 977	65 971
Subordinated liabilities	2 073	1 888
Other interest expenses	664	1 324
<b>Total</b>	<b>74 197</b>	<b>73 838</b>
Of which received from or paid to Group companies		
Interest income	<b>-26 093</b>	<b>-10 190</b>
Interest expenses	<b>8 221</b>	<b>7 867</b>
<b>2 Fee and commission income and expenses</b>		
<b>2008</b>		
<b>Fee and commission income</b>		
From loans	469	539
From other activities	-	0
<b>Total</b>	<b>469</b>	<b>539</b>
<b>Fee and commission expenses</b>		
Fees and commissions payable	0	1
Custody fee	266	20
<b>Total</b>	<b>266</b>	<b>21</b>
<b>3 Net income from transactions in securities</b>		
	<b>2008</b>	<b>2007</b>
	Change in fair value	Change in fair value
From debt securities	-3 951	-
From others	2 087	-1 198
<b>Net income from transactions in securities, total</b>	<b>-1 864</b>	<b>-1 198</b>
<b>4 Net income from available for sale financial assets</b>		
	<b>2008</b>	<b>2007</b>
Treasury bills and other eligible bills	-	-1 925
Disposals of financial assets (gains/losses)	-	1 530
Revaluation	-	-
<b>Total</b>	<b>-</b>	<b>-395</b>

<b>5 Net gains on hedge accounting</b>	<b>2008</b>	<b>2007</b>
Change in fair value of hedging instruments, net	78 853	-10 546
Change in fair value of hedged items, net	-77 315	8 293
<b>Total</b>	<b>1 538</b>	<b>-2 253</b>

#### 6 Information on business and geographical market areas

	<b>2008</b>			
	Income	Operating profit	Assets	Liabilities
<b>Business area</b>				
Mortgage banking	20 087	15 383	2 473 184	2 364 571
<b>Geographical market area</b>				
Finland	20 087	15 383	2 473 184	2 364 571
	<b>2007</b>			
	Income	Operating profit	Assets	Liabilities
<b>Business area</b>				
Mortgage banking	18 170	12 977	2 305 542	2 208 312
<b>Geographical market area</b>				
Finland	18 170	12 977	2 305 542	2 208 312

Income includes net interest income, fee and commission income, net income from transactions in securities and foreign exchange dealing, net income from financial assets available-for-sale and net gains on hedge accounting.

<b>7 Loans and receivables to credit institutions</b>	<b>2008</b>	<b>2007</b>
To domestic credit institutions		
Repayable on demand	-	44 563
Other	16 000	16 697
<b>Total</b>	<b>16 000</b>	<b>61 259</b>

<b>8 Loans and advances to customers</b>	<b>2008</b>	<b>2007</b>
Corporations and housing companies	165	208
Households	2 108 437	2 216 406
Non-profit institutions servicing households	1 889	2 019
Foreign	1 738	375
<b>Total</b>	<b>2 112 229</b>	<b>2 219 008</b>

<b>Non-performing loans</b>	<b>2008</b>	<b>2007</b>
Households	3 677	897

<b>Loans and advances to customers</b>	<b>2008</b>	<b>2007</b>
<b>By type of loan</b>		
Home loans	1 947 163	1 993 036
Consumer loans	90 301	138 320
Other consumer loans	74 601	87 444
Other commercial loans	165	208
<b>Total</b>	<b>2 112 229</b>	<b>2 219 008</b>

<b>9 Debt securities</b>	<b>2008</b>	<b>2007</b>
Issued by public bodies	-	-
Other debt securities	292 291	-
<b>Total</b>	<b>292 291</b>	<b>-</b>

## 10 Derivatives

12

	2008			2008	
	Contract/notional amount			Fair value	
	Remaining maturity			Positive	Negative
Under 5 years	5-15 years	Over 15 years			
<b>Held for hedging purposes</b>					
Interest rate swaps	2 000 000	-	114 385	37 934	3 602
- of which with Group companies	2 000 000	-	114 385		
<b>Held for other purposes</b>					
Interest rate swaps	1 886 609	-	-	-	12 750
- of which with Group companies	1 886 609	-	-		
Other swaps	300 000	-	-	5 929	-
- of which with Group companies	-				

	2007			2007	
	Contract/notional amount			Fair value	
	Remaining maturity			Positive	Negative
Under 5 years	5-15 years	Over 15 years			
<b>Held for hedging purposes</b>					
Interest rate swaps	1 129 328	1 000 000	-	3 349	66 878
- of which with Group companies	1 129 328	1 000 000	-		
<b>Held for other purposes</b>					
Interest rate swaps	2 092 965	-	-	1 404	-
- of which with Group companies	2 092 965	-	-		

## 11 Prepayments and accrued income

	2008	2007
Accrued interest	8 801	20 515
<b>Total</b>	<b>8 801</b>	<b>20 515</b>

## 12 Liabilities to credit institutions

	2008	2007
Deposit/Sampo Bank	263 000 000	149 000 000
Sampo-account 800017-70707595	46 504	-
Nostro DB	3 012 690	-
<b>Total</b>	<b>266 059 194</b>	<b>149 000 000</b>

## 13 Debt securities in issue

	2008		2007	
	Carrying amount	Nominal value	Carrying amount	Nominal value
Bonds	2 024 147	2 000 000	1 923 205	2 000 000
<b>Total</b>	<b>2 024 147</b>	<b>2 000 000</b>	<b>1 923 205</b>	<b>2 000 000</b>

## 14 Other liabilities

	2008	2007
Other	43	392
<b>Total</b>	<b>43</b>	<b>392</b>

## 15 Accruals and deferred income

	2008	2007
Deferred interest	17 350	28 836
Other	620	-
<b>Total</b>	<b>17 970</b>	<b>28 836</b>

<b>16 Subordinated liabilities</b>	<b>2008</b>	<b>2007</b>
Subordinated liabilities		
Due to Group companies	40 000	40 000

Subordinated liabilities with a carrying amount more than 10% of the total amount of such liabilities

Issuer	Amount in EUR thousands	Currency	Interest %	Due date
Sampo Housing Loan Bank plc	1) 20 000	EUR	4,816	19 Aug. 2015
Sampo Housing Loan Bank plc	2) 20 000	EUR	4,276	30 Aug. 2016

1) Repayable on 19 August 2010 and after that on any interest payment date.

2) Repayable on 30 August 2011 and after that on any interest payment date.

In capital adequacy, when calculating the amount of the total capital, the debenture of EUR 40 million is included totally in the lower Tier 2 capital.

#### 17 Maturity analysis of assets and liabilities, by remaining maturity

<b>Assets</b>	<b>2008</b>	<b>2007</b>
<i>Less than 3 months</i>	63 829	96 239
Treasury bills and other eligible bills	-	-
Loans and advances to credit institutions	16 000	44 563
Loans and advances to customers	47 829	51 677
Debt securities	-	-
<i>3 - 12 months</i>	164 364	150 894
Treasury bills and other eligible bills	-	-
Loans and advances to credit institutions	-	-
Loans and advances to customers	164 364	150 894
Debt securities	-	-
<i>1 - 5 years</i>	813 679	709 300
Treasury bills and other eligible bills	-	-
Loans and advances to credit institutions	-	16 697
Loans and advances to customers	813 679	692 603
Debt securities	-	-
<i>5 - 10 years</i>	923 212	580 963
Treasury bills and other eligible bills	-	-
Loans and advances to credit institutions	-	-
Loans and advances to customers	630 921	580 963
Debt securities	292 291	-
<i>Over 10 years</i>	455 436	742 872
Treasury bills and other eligible bills	-	-
Loans and advances to credit institutions	-	-
Loans and advances to customers	455 436	742 872
Debt securities	-	-
<b>Liabilities</b>		
<i>Less than 3 months</i>	266 059	149 000
Liabilities to credit institutions	266 059	149 000
Debt securities in issue	-	-
Subordinated liabilities	-	-
<i>3 - 12 months</i>	-	-
<i>1 - 5 years</i>	2 064 147	1 963 205
Liabilities to credit institutions	-	-
Debt securities in issue	2 024 147	1 923 205
Subordinated liabilities	40 000	40 000
<i>5 - 10 years</i>	-	-
<i>Over 10 years</i>	-	-

**18 Assets and liabilities denominated in euro and in currencies other than euro**

	<b>2008</b>		<b>2007</b>	
	EUR	Intra-Group	EUR	Intra-Group
<b>Assets</b>				
Loans and receivables to credit institutions	16 000	16 000	61 259	61 259
Loans and receivables to customers	2 112 229	-	2 219 008	-
Debt securities	292 291	-	-	-
Derivatives	43 863	43 863	4 753	4 753
Other assets	8 801	213	20 521	15 376
<b>Total</b>	<b>2 473 184</b>	<b>60 076</b>	<b>2 305 542</b>	<b>81 389</b>
<b>Liabilities</b>				
Liabilities to credit institutions	266 059	266 059	149 000	149 000
Debt securities in issue	2 024 147	-	1 923 205	-
Derivatives and other liabilities held for trading	16 352	16 352	66 878	66 678
Other liabilities	58 013	40 212	69 228	52 033
<b>Total</b>	<b>2 364 571</b>	<b>322 623</b>	<b>2 208 312</b>	<b>267 711</b>

Sampo Housing Loan Bank has not balance sheet items denominated in other currencies.

**19 Share capital****Sampo Housing Loan Bank plc**

The share capital of Sampo Housing Loan Bank plc amounts to EUR 41 050 000,00.

The number of shares is 41 050, all of the same class, with a nominal value of EUR 1000.

**20 Share issues, option rights and issue of convertible bonds**

Sampo Housing Loan Bank had no right offerings based on option rights or convertible bonds during the year.

The Board of Directors was not authorised by the AGM to issue new shares, grant options or issue convertible bonds during the year.

**21 Distribution of shareholding and principal shareholders**

Sampo Bank plc owns all the share capital of Sampo Housing Loan Bank plc.

**22 Assets pledged as collateral security**

	<b>2008</b>	<b>2007</b>
<b>Secured liabilities</b>		
<b>Balance sheet item</b>	Pledges	Pledges
Debt securities in issue	2 109 168	2 211 078
<b>Total</b>	<b>2 109 168</b>	<b>2 211 078</b>

**23 Off-balance sheet item**

	<b>2008</b>	<b>2007</b>
<b>Undrawn loans, overdraft facilities and other irrevocable commitments to lend</b>	8 271	2

**24 Staff numbers**

Sampo Housing Loan Bank had no employees in 2008 and 2007.

**25 Loans and advances to members of administrative and supervisory bodies**

The members and administrative don't have any loans or advances got from Sampo Housing Loan Bank.

**26 Information on Group undertakings**

Sampo Housing Loan Bank plc is a part of Sampo Bank -Group, whose parent company is Sampo Bank plc.

The registered office of Sampo Housing Loan Bank plc is in Helsinki.

Sampo Bank plc is a part of the Danske Bank Group, whose parent company is Danske Bank A/S.

**FINANCIAL HIGHLIGHTS**

<b>1000 EUR</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Revenues	94 284	92 008	59 932	13 873	973
Net interest income	19 945	21 477	13 364	4 398	315
% of revenue	21,2	23,3	22,3	31,7	32,4
Profit before taxes	15 383	12 977	11 862	3 007	68
% of revenue	16,3	14,1	19,8	21,7	7,0
Total income 1)	19 821	18 149	15 512	4 653	331
Total operating expenses 2)	4 438	5 172	3 649	1 645	263
Cost to income ratio %	22,4	28,5	23,5	35,4	79,4
Total assets	2 473 184	2 305 542	2 422 368	1 119 065	27 381
Equity	108 613	97 230	87 595	43 849	6 624
Return on assets, % 3)	0,5	0,4	0,5	0,4	0,2
Return on equity, % 3)	11,1	10,7	13,3	8,8	0,7
Equity/assets ratio, %	4,4	4,2	3,6	3,9	24,2
Capital adequacy ratio, % 4)	15,4	11,8	11,7	11,1	50,4
Off-balance sheet items	8 271	2	30	504	-

The financial highlights have been calculated as referred to in the regulations of the Finnish Financial Supervision Authority, taking into account renamed income statement and balance sheet items resulting from changes in the accounting practice.

- 1) Total income comprises the income in the formula for the cost to income ratio.
- 2) Total operating expenses comprise the cost in the formula for the cost to income ratio.
- 3) The financial highlights have been calculated with taking into account the amount of the fair value reserve in equity and changes in it. Without the change in the fair value reserve the return on equity would have been 13,4 % for 2006.
- 4) In accordance with Credit Institutions Act Sect 5:44-48§ ja 54-66§; to the end of year 2007 in accordance with old Credit Institutions Act Sect 9:72-81§

**Formulas used in calculating the financial highlights**

Revenues:	interest income, fee and commission income, net income from transactions in securities and foreign exchange dealing, net income from financial assets available-for-sale, net gains on hedge accounting, other operating income
Cost to income ratio, %:	$\frac{\text{administrative expenses} + \text{other operating expenses}}{\text{net interest income} + \text{fee and commission income, net} + \text{net income from transactions in securities and foreign exchange dealing} + \text{net income from financial assets available-for-sale} + \text{net gains on hedge accounting} + \text{other operating income}} \times 100$
Return on equity (at fair values), %:	$\frac{\text{profit before taxes} \pm \text{change in fair value reserve} - \text{taxes}}{\text{equity (average)}} \times 100$
Return on assets (at fair values), %:	$\frac{\text{profit before taxes} \pm \text{change in fair value reserve} - \text{taxes}}{\text{average total assets}} \times 100$
Equity/assets ratio (at fair values), %:	$\frac{\text{equity}}{\text{total assets}} \times 100$

SAMPO HOUSING LOAN BANK PLC BOARD OF DIRECTORS' PROPOSAL TO THE ANNUAL  
GENERAL MEETING FOR DISTRIBUTION OF THE PROFITS OF THE COMPANY

The Board of Directors proposes that the Annual General meeting confirm the profit for the year  
EUR 11 383 347,91 and that no dividend be distributed.

Helsinki, 5 February 2009

Aki Palo

Kirsi Autiosalo

Jukka Huotari