

Chapter IV



Financial Statements

IFRS Financial Statements	74
<i>Consolidated Income Statement</i>	74
<i>Consolidated Balance Sheet</i>	75
<i>Statement of Changes in Equity</i>	76
<i>Statement of Cash Flows</i>	77
<i>Notes to the Accounts</i>	79
Sampo plc's Financial Statements	152
<i>Parent Company Income Statement</i>	152
<i>Parent Company Balance Sheet</i>	153
<i>Parent Company Statement of Cash Flows</i>	154
<i>Notes to the Parent Company</i>	
<i>Financial Statements</i>	155
Approval of the Financial Statements and the Board of Directors' Report.....	162
Auditors' Report	163

{ Consolidated Income Statement }

EURm	Note	1-12/2008	1-12/2007
Continuing operations			
Insurance premiums written	1, 8	4,350	4,458
Net income from investments	2	275	974
Other operating income		23	25
Claims incurred	3, 8	-3,355	-3,195
Change in liabilities for insurance and investment contracts	4	667	-188
Staff costs	5	-494	-479
Other operating expenses	6, 8	-532	-558
Finance costs		-66	-67
Share of associates' profit/loss		2	3
Profit from continuing operations before taxes		870	974
Taxes	18, 19	-195	-254
Profit from continuing operations		675	720
Discontinued operations			
Profit from discontinued operations		-	2,853
Profit for the period		675	3,573
Attributable to			
Equity holders of parent company		675	3,572
Minority interest		0	0
Earning per share (eur)			
Basic, continuing operations	9	1.18	1.25
Basic, discontinued operations		-	4.94
Total		1.18	6.18

{ Consolidated Balance Sheet }

EURm	Note	12/2008	12/2007
Assets			
Property, plant and equipment	11	38	40
Investment property	12	138	158
Intangible assets	13	663	718
Investments in associates	14	5	9
Financial assets	15, 16	16,139	19,575
Investments related to unit-linked insurance contracts	17	1,637	2,072
Tax assets	18	212	89
Reinsurers' share of insurance liabilities	22	436	489
Other assets	20	1,473	1,316
Cash and cash equivalents	21	465	958
Total assets		21,205	25,424
Liabilities			
Liabilities for insurance and investment contracts	22	12,375	13,148
Liabilities for unit-linked insurance and investment contracts	23	1,637	2,071
Financial liabilities	24, 16	1,269	1,102
Tax liabilities	18	441	562
Provisions	25	26	35
Employee benefits	26	92	118
Other liabilities	27	732	655
Total liabilities		16,573	17,691
Equity			
Share capital	29	98	98
Reserves		-832	1,847
Retained earnings		5,365	5,788
Equity attributable to parent company's equityholders		4,631	7,733
Minority interest		0	0
Total equity		4,631	7,733
Total equity and liabilities		21,205	25,424

{ Statement of Changes in Equity }

Attributable to the equity holders of the parent company									
EURm	Share capital	Share premium account	Legal reserve	Fair value reserve	Retained earnings	Total	Minority interest	Total	
Equity at 1 Jan. 2007	95	1,157	370	486	3,061	5,168	21	5,189	
Equity related to non-current assets classified as held for sale		0	0	3	-3	-1	-22	-22	
Financial assets available-for-sale									
- recognised in equity				6		6		6	
- recognised in p/l				-238		-238		-238	
Exchange differences					-74	-74		-74	
Income tax related to items recognised in equity or transferred to p/l				60		60		60	
Net income recognised in equity	-	-	-	-169	-78	-246	-22	-268	
Profit for the financial year					3,572	3,572	0	3,573	
Total income and expenses recognised for the period	-	-	-	-169	3,495	3,326	-21	3,305	
Dividends					-693	-693		-693	
Subscription for shares with options	3	4				6		6	
Share-based payments					0	0		0	
Acquisition of treasury shares					-81	-81		-81	
Recognition of undrawn dividends					6	6		6	
Equity at 31 Dec. 2007	98	1,160	370	317	5,788	7,733	0	7,733	
Financial assets available-for-sale									
- recognised in equity				-3,116		-3,116		-3,116	
- recognised in p/l				87		87		87	
Cash flow hedges:									
- recognised in equity				15		15		15	
- recognised in p/l				-		-		-	
Exchange differences		1			-249	-248		-248	
Income tax related to items recognised in equity or transferred to p/l				333		333		333	
Net income recognised in equity	-	1	-	-2,681	-249	-2,928	-	-2,928	
Profit for the financial year					675	675	0	675	
Total income and expenses recognised for the period	-	1	-	-2,681	426	-5,182	0	-2,254	
Dividends					-686	-686		-686	
Share-based payments					3	3		3	
Acquisition of treasury shares					-167	-167		-167	
Recognition of undrawn dividends					3	3		3	
Equity at 31 Dec. 2008	98	1,161	370	-2,364	5,365	4,631	0	4,631	

{ Statement of Cash Flows }

EURm	2008	2007
Operating activities		
Profit before taxes	870	3,833
Adjustments:		
Depreciation and amortisation	28	44
Unrealised gains and losses arising from valuation	393	339
Realised gains and losses on investments	92	-3,031
Impairment losses on loans and receivables	-	2
Change in liabilities for insurance and investment contracts	-35	903
Other adjustments	551	3,022
Adjustments total	1,029	1,280
Change (+/-) in assets of operating activities		
Investments*)	-1,047	-5,652
Other assets	-123	-222
Total	-1,170	-5,873
Change (+/-) in liabilities of operating activities		
Financial liabilities	196	676
Other liabilities	-85	22
Paid taxes	-49	-172
Total	62	526
Net cash from operating activities	790	-235
Investing activities		
Investments in group and associated undertakings	0	0
Proceeds from the sale of group and associated undertakings	6	3,230
Other investments	-522	-2,646
Net investment in equipment and intangible assets	65	14
Net cash used in investing activities	-451	598
Financing activities		
Subscription of share options	-	6
Acquisition of own shares	-167	-81
Dividends paid	-678	-693
Issue of debt securities	-	742
Repayments of debt securities in issue	-	-1,395
Net cash used in financing activities	-845	-1,421
Total cash flows	-506	-1,058
Cash and cash equivalents at 1 January	946	2,016
Effects of exchange rate changes	25	13
Cash and cash equivalents at 31 December	465	958
Net increase in cash and cash equivalents	-506	-1,058

Additional information to the statement of cash flows:

EURm	2008	2007
Interest income received	652	682
Interest expense paid	90	78
Dividend income received	431	195

*) Investments include investment property, financial assets and investments related to unit-linked insurance contracts.

The items of the statement of cash flows cannot be directly concluded from the balance sheets due to e.g. exchange rate differences, and acquisitions and disposals of subsidiaries during the period.

Cash and cash equivalents include cash at bank and in hand EURm 176 (184), and short-term deposits (max. 3 months) EURm 289 (774).

The net cash flows of banking and investment services (discontinued operations)

EURm	2008	2007
Operating activities	-	-712
Investing activities	-	3,224
Financing activities	-	-299
Net cash flows total	-	2,214

{ *Note to the Cash Flow Statement* }

Acquired entities during the year 2008

If P&C Insurance Holding AB acquired the entire share stock of a Russian insurance company SOAO Region on 1 June, 2008. The preliminary acquisition cost of EURm 28 was paid in cash in its entirety.

The assets and liabilities of the acquired company did not have a material effect on the Group's income statement, balance sheet or cash flows.

Disposed entities during the year 2007

In accordance with the contract signed on 9 Nov. 2006, Sampo plc sold the entire share stock of Sampo Bank plc to Danske Bank A/S. The major subsidiaries in Sampo Bank Group were Sampo Fund Management Ltd, Mandatum Asset Management Ltd, Mandatum Securities Ltd, Mandatum & Co Ltd, 3C Asset Management Ltd and Arvo Value Asset Management Ltd. The trade became effective on 1 Feb. 2007.

DISPOSED ASSETS AND LIABILITIES 31 JAN. 2007

EURm

Assets	
Property, plant and equipment	91
Intangible assets	64
Investments in associates	13
Financial assets	24,873
Deferred tax assets	24
Other assets	541
Cash and cash equivalents	799
Total assets	26,404
Liabilities	
Financial liabilities	24,098
Deferred tax liabilities	25
Other liabilities	1,069
Total liabilities	25,191
Sales consideration	4,028
Less cash and cash equivalents	-799
Cash flow from the disposal	3,230

{ Notes to the Accounts }

Contents

Summary of Significant Accounting Policies	80	16 Fair Values	126
Segment Information		17 Investments Related to Unit-linked Insurance Contracts	126
Consolidated Income Statement by Business Segment	94	18 Deferred Tax Assets and Liabilities	127
Consolidated Balance Sheet by Business Segment	96	19 Taxes	128
Geographical Segment Information	98	20 Other Assets	128
Acquired and Disposed Entities	99	21 Cash and Cash Equivalents	129
Notes to the Income Statement		22 Liabilities from Insurance and Investment Contracts	130
1 Insurance Premiums Written	100	23 Liabilities from Unit-linked Insurance	
2 Net Income from Investments	101	and Investment Contracts	134
3 Claims Incurred	104	24 Financial Liabilities	134
4 Change in Liabilities for Insurance and Investment Contracts	107	25 Provisions	135
5 Staff Costs	108	26 Employee Benefits	136
6 Other Operating Expenses	109	27 Other Liabilities	138
7 Result Analysis of P&C Insurance	110	28 Contingent Liabilities and Commitments	139
8 Performance Analysis per Class of P&C Insurance	111	29 Equity and Reserves	141
9 Earnings per Share	112	30 Related Party Disclosures	143
10 Financial Assets and Liabilities	113	31 Incentive Schemes	144
Notes to the Balance Sheet		32 Auditors' Fees	146
11 Property, Plant and Equipment	114	33 Legal Proceedings	146
12 Investment Property	115	34 Investments in Subsidiaries	146
13 Intangible Assets	118	35 Investments in Shares and Participations	
14 Investments in Associates	120	Other than Subsidiaries and Associates	147
15 Financial Assets	121	36 Events after the Balance Sheet Date	151

Summary of Significant Accounting Policies

Sampo Group has prepared the consolidated financial statements for 2008 in compliance with the International Financial Reporting Standards (IFRSs). In preparing the financial statements, Sampo has applied all the standards and interpretations relating to its business, adopted by the commission of the EU and effective at 31 December, 2008.

On 13 October, 2008, as a result of the global financial crisis, the IASB (International Accounting Standards Board) amended the standards IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures*. The changes, already adopted by the EU, became effective at 1 July, 2008 and allow reclassifications of certain financial assets. Since the group did not hold assets for which the management would have seen reclassifications necessary, these amendments do not have an impact on Sampo's financial statements for the financial year of 2008.

During the financial year 2008 Sampo did not adopt any other new or amended standards or interpretations.

In preparing the notes to the consolidated financial statements, attention has also been paid to the Finnish accounting and company legislation and applicable regulatory requirements.

The financial statements have been prepared under the historical cost convention, with the exception of financial assets and liabilities at fair value through p/l, financial assets available-for-sale, hedged items in fair value hedges and share-based payments settled in equity instruments measured at fair value.

The consolidated financial statements are presented in euro (EUR), rounded to the nearest million, unless otherwise stated.

The Board of Directors of Sampo plc accepted the financial statements for issue on 11 February 2009.

Consolidation

SUBSIDIARIES

The consolidated financial statements combine the financial statements of Sampo plc and all its subsidiaries. Entities qualify as subsidiaries if the Group has the controlling power. The Group exercises control if its shareholding is more than 50 per cent of the voting rights or it otherwise has the power to exercise control over the financial and operating policies of the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group, and cease to be consolidated from the date that control ceases.

The acquisition method of accounting is used for the purchase of subsidiaries. The cost of an acquisition is allocated to the identifiable assets, liabilities and contingent liabilities, which are measured at the fair value of the date of the acquisition. The excess of the cost of an acquisition over the Group's

share of the fair value of the identifiable net assets acquired is recognised as goodwill.

The accounting policies used throughout the Group for the purposes of consolidation are consistent with respect to similar business activities and other events taking place in similar conditions. All intra-group transactions and balances are eliminated upon consolidation.

ASSOCIATES

Associates are entities in which the Group has significant influence, but no control over the financial management and operating policy decisions. Unless otherwise demonstrated, this is generally presumed when the Group holds in excess of 20 per cent, but no more than 50 per cent, of the voting rights of an entity. Investments in associates are treated by the equity method of accounting, in which the investment is initially recorded at cost and increased (or decreased) each year by the Group's share of the post-acquisition net income (or loss), or other movements reflected directly in the equity of the associate. If the Group's share of the associate's loss exceeds the carrying amount of the investment, the investment is carried at zero value, and the loss in excess is consolidated only if the Group is committed to fulfilling the obligations of the associate. Goodwill arising on the acquisition is included in the cost of the investment. Unrealised gains (losses) on transactions are eliminated to the extent of the Group's interest in the entity.

FOREIGN CURRENCY TRANSLATION

The consolidated financial statements are presented in euro, which is the functional and reporting currency of the Group and the parent company. Items included in the financial statements of each of the Group entities are measured using their functional currency, being the currency of the primary economic environment in which the entity operates. Foreign currency transactions are translated into the appropriate functional currency using the exchange rates prevailing at the dates of transactions or the average rate for a month. Monetary balance sheet items denominated in foreign currencies are translated into the functional currency at the rate prevailing at the balance sheet date. Non-monetary balance sheet items measured at historical cost are presented in the balance sheet using the historical rate existing at the date of the transaction.

Translation differences arising from translation of transactions and monetary balance sheet items denominated in foreign currencies into functional currency are recognised as translation gains and losses in profit or loss. Translation differences arising from equities classified as available-for-sale financial assets are included directly in the fair value reserve in equity.

The income statements of Group entities whose functional currency is other than euro are translated into euro at the

average rate for the period, and the balance sheets at the rates prevailing at the balance sheet date. The resulting translation differences are included in equity. When a subsidiary is divested entirely or partially, the cumulative translation differences are included in the income statement under sales gains or losses.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as if they were assets and liabilities of the foreign entity. Exchange differences resulting from the translation of these items at the exchange rate of the balance sheet date are included in equity.

Translation differences that existed at the Group's IFRS transition date, 1 January 2004, are deemed to be zero, in accordance with the exemption permitted by IFRS 1.

The following exchange rates have been applied in the consolidated financial statements:

1 euro =	Balance sheet date	Average exchange rate
Swedish krona (SEK)	10.8700	9.6226
Estonian kroon (EEK)	15.6466	15.6466

Segment reporting

The Group's primary segmentation is based on business areas whose risks and performance bases as well as regulatory environment differ from each other. The control and management of business and management reporting is organised in accordance with the business segments. The Group's business segments are P&C insurance, life insurance and holding business.

The transaction of selling the Banking and Investment services segment to Danske Bank A/S was closed on the 1 Feb. 2007. The result for the segment is presented as profit from discontinued operations in the comparison year 2007.

The Group's secondary segmentation is based on geographical distribution. The reported segments are Finland, Sweden, Norway, Denmark, the Baltic countries and other countries.

In the inter-segment and inter-company pricing, for both domestic and cross border transactions, market-based prices are applied. The pricing is based on the Code of conduct on Transfer Pricing Documentation in the EU and OECD guidelines.

Inter-segment transactions, assets and liabilities are eliminated in the consolidated financial statements on a line-by-line basis.

Interest and dividends

Interest income and expenses are recognised in the income statement using the effective interest rate method. This method recognises income and expenses on the instrument evenly in proportion to the amount outstanding over the period to maturity.

Dividends on equity securities are recognised as revenue when the right to receive payment is established.

Fees and commissions

The fees and transaction costs of financial instruments measured at fair value through profit or loss are recognised in profit or loss when the instrument is initially recognised.

The costs of acquiring new and renewed insurance business are treated as deferred acquisition costs in the P&C insurance. In the life insurance business the acquisition costs are treated as fee and commission expense under 'Other operating expenses'.

The fees and commissions paid for investment activities are included in 'Net income from investments'.

Insurance premiums

Insurance premiums in the income statement consist of premiums written for P&C insurance and life insurance.

P&C insurance contracts are primarily of short duration (1 year), so that premiums written are recognised as earned on a pro rata basis, adjusting them by a change in the provision for unearned premiums i.e. by the proportion of the insurance premium income that, based on the period covered by the insurance contract, belongs to the following financial year.

In the life insurance business, liabilities arising from insurance and investment contracts count as long-term liabilities. Therefore the insurance premium and related claims are usually not recognised in the same accounting period. Depending on the type of insurance, premiums are primarily recognised in premiums written when the premium has been paid. In group pension insurance, a part of the premiums is recognised already when charged.

The change in the provisions for unearned premiums is presented as an expense under 'Change in insurance and investment contract liabilities'.

Financial assets and liabilities

Based on the measurement practice, financial assets and liabilities are classified in the following categories upon the initial recognition: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, financial liabilities at fair value through profit or loss, and other liabilities.

According to the Group's risk management policy, investments are managed at fair value in order to have the most realistic and real-time picture of investments, and they are reported to the Group key management at fair value. Investments comprise debt and equity securities. They are mainly classified as financial assets available-for-sale.

In the P&C insurance, the fair value option permitted by IAS 39 has been applied in the earlier years. The remaining assets acquired before the year 2008 are still measured at fair value through p/l. Furthermore, the fair value option is applied in some minor P&C companies.

In the life insurance business, IFRS 4 *Insurance Contracts* provides that insurance contracts with a discretionary participation feature are measured in accordance with national valuation principles (except for the equalisation reserve) rather than at fair value. These contracts and investments made to cover shareholders' equity are managed in their entirety and are classified mainly as available-for-sale financial assets.

Financial assets designated as at fair value through profit or loss in the life insurance business are investments related to unit-linked insurance, presented separately in the balance sheet. The corresponding liabilities are also presented separately. In addition, in the life insurance business, investments classified as the financial assets of foreign subsidiaries, and financial instruments in which embedded derivatives have not been separated from the host contract have been designated as at fair value through profit or loss.

In the Holding business, investments are primarily classified as financial assets available-for-sale.

RECOGNITION AND DERECOGNITION

Purchases and sales of financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets are recognised and derecognised on the trade date, which is the date on which the Group commits to purchase or sell the asset. Loans and receivables are recognised when cash is advanced.

Financial assets and liabilities are offset and the net amount is presented in the balance sheet only when the Group has a legally enforceable right to set off the recognised amounts and it intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when the contractual rights to receive cash flows have expired or the Group has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or expires.

On 16 Oct. 2008, the EU approved the amendments, published by IASB, to standards IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures*. In limited circumstances, the amendments permit reclassifications of certain financial assets measured at fair value, after the initial recognition.

If a debt instrument, classified as held for trading or available for sale, had met the definition of loans and receivables at initial recognition, it may be reclassified to loans and receiv-

ables, if the entity has the intention and ability to hold the asset for the foreseeable future or until maturity.

Any other debt instruments held for trading, or equity instruments, may be reclassified, in rare circumstances, to available for sale financial assets or held to maturity investments, if the asset is no longer held for the purpose of selling it in the near term.

The derivatives, financial assets designated as at fair value through p/l and financial liabilities may not be reclassified.

FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

In Sampo Group, financial assets and liabilities at fair value through profit of loss comprise derivatives held for trading, and financial assets designated as at fair value through profit or loss.

***Financial derivative instruments held for trading***

Derivative instruments that are not designated as hedges and do not meet the requirements for hedge accounting are classified as derivatives for trading purposes.

Financial derivatives held for trading are initially recognised at cost, which is the fair value of the consideration paid or given. Derivative instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Derivative instruments are recognised at fair value, and gains and losses arising from changes in fair value together with realised gains and losses are recognised in the income statement.

***Financial assets designated as at fair value through profit or loss* ...**

Financial assets designated as at fair value through profit or loss are assets which, at inception, are irrevocably designated as such. They are initially recognised at cost which is the fair value of the consideration given, and subsequently remeasured at fair value. Gains and losses arising from changes in fair value, or realised on disposal, together with the related interest income and dividends, are recognised in the income statement.

HELD-TO-MATURITY INVESTMENTS

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold until maturity. Held-to-maturity investments are initially recorded at cost which is the fair value of the consideration given plus any directly attributable transaction costs, and are subsequently measured at amortised cost using the effective interest rate method.

LOANS AND RECEIVABLES

Loans and receivables comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the short term. The category also comprises cash and balances with central banks.

Loans and receivables are initially recognised at cost which is the fair value of the consideration given, including transaction costs that are directly attributable to the acquisition of the asset. Loans and receivables are subsequently measured at amortised cost using the effective interest rate method.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are non-derivative financial investments that are designated as available for sale and are not categorised into any other category. Available-for-sale financial assets comprise debt and equity securities.

Available-for-sale financial assets are initially recognised at cost, which is the fair value of the consideration given, including direct and incremental transaction costs. They are subsequently remeasured at fair value, and the changes in fair value are included as a separate component of equity, taking the tax effect into account. Interest income and dividends are recognised in profit or loss. When the available-for-sale assets are sold, the cumulative change in the fair value is transferred from equity and recognised together with realised gains or losses in profit or loss. The cumulative change in the fair value is also transferred to profit or loss when the assets are impaired and the impairment loss is recognised. Translation differences due to available-for-sale monetary balance sheet items are always recognised directly in profit or loss.

OTHER FINANCIAL LIABILITIES

Other financial liabilities comprise debt securities in issue and other financial liabilities.

Other financial liabilities are recognised when the consideration is received and measured to amortised cost, using the effective interest rate method.

If debt securities issued are redeemed before maturity, they are derecognised and the difference between the carrying amount and the consideration paid at redemption is recognised in profit or loss.

FAIR VALUE

The fair value of financial instruments is determined primarily by using quoted prices in active markets. Financial assets are measured at the bid price and financial liabilities at the asking price. If there are items in a position offsetting each other's market position, the mid price may be used to that extent. If a published price quotation does not exist for a financial instrument in its entirety, but active markets exist for its component

parts, the fair value is determined on the basis of the relevant market prices of the component parts.

If a market for a financial instrument is not active, or the instrument is not quoted, the fair value is established by using generally accepted valuation techniques including recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

If the fair value of a financial asset cannot be determined, historical cost is deemed to be a sufficient approximation of fair value. The amount of such assets in the Group balance sheet is immaterial.

Impairment of financial assets

Sampo assesses on each balance sheet date whether there is any objective evidence that a financial asset, other than those at fair value through p/l, may be impaired. A financial asset is impaired and impairment losses are incurred, if there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset, and if that event has an impact, that can be reliably estimated, on the estimated future cash flows of the financial asset.

FINANCIAL ASSETS CARRIED AT AMORTISED COST

There is objective evidence of impairment if the payment status of a customer is rated as 'default'

When a default occurs, the impairment of a loan is assessed. The amount of the loss is measured as the difference between the loan's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred), discounted at the loan's original effective interest rate. The difference is recognised as an impairment loss in profit or loss. The impairment of loans is assessed individually.

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised (the default status is removed), the previously recognised impairment loss shall be reversed.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

The impairment of available-for-sale financial assets is monitored through an investment plan. The credit risk limits by issuer have been determined in the investment plan and the plan is followed daily. Whether there is objective evidence of an impairment of available-for-sale financial assets is evaluated in a separate assessment, which is done if the credit rating of an issuer has declined or the entity is placed on watchlist, or there is a significant or prolonged decline in the fair value of

an equity instrument below its cost. The assessment is not, however, based solely on the general decline on values due to market conditions, but the acquisitions are assessed case by case. If it is assessed that an amount equivalent to the acquisition cost would not be recovered when selling the investment, an impairment loss is recognised. When the observable data indicates that an impairment has occurred, the cumulative loss recognised directly in equity is removed from equity and recognised in profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed by recognising the amount in profit or loss. Impairment losses recognised in profit or loss for an equity instrument shall not be reversed through profit or loss.

Derivative financial instruments and hedge accounting

Derivative financial instruments are classified as those held for trading and those held for hedging, including interest rate derivatives, foreign exchange derivatives, equity derivatives and commodity derivatives. Derivative instruments are measured initially at fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

DERIVATIVES HELD FOR TRADING

Derivative instruments that are not designated as hedges and embedded derivatives separated from a host contract are treated as held for trading. They are measured at fair value and the change in fair value, together with realised gains and losses and interest income and expenses, is recognised in profit or loss. If derivatives are used for hedging, but they do not qualify for hedge accounting as required by IAS 39, they are treated as held for trading.

HEDGE ACCOUNTING

The Sampo Group may hedge its operations against interest rate risks, currency risks and price risks through fair value hedging and cash flow hedging. Cash flow hedging is used as a protection against the variability of the future cash flows, while fair value hedging is used to protect against changes in the fair value of recognised assets or liabilities.

Hedge accounting applies to hedges that are effective in relation to the hedged risk and meet the hedge accounting requirements of IAS 39. The hedging relationship between the hedging instrument and the hedged item, as well as the risk management objective and strategy for undertaking the hedge, are documented at the inception of the hedge. In addition,

the effectiveness of a hedge is assessed both at inception and on an ongoing basis, to ensure that it is highly effective throughout the period for which it was designated. Hedges are regarded as highly effective in offsetting changes in fair value or the cash flows attributable to a hedged risk within a range of 80–125 per cent.

During the financial year, both fair value and cash flow hedging has been applied in life insurance. Sampo plc used fair value hedging in the comparison year.

CASH FLOW HEDGING

Cash flow hedging is used to hedge the interest cash flows of individual floating rate debt securities or other floating rate assets or liabilities. The hedging instruments used include interest rate swaps, interest rate and cross currency swaps and interest rate options. Derivative instruments which are designated as hedges and are effective as such are measured at fair value. The effective part of the change in fair value is recognised in the fair value reserve in equity and the remaining ineffective part is recognised in profit or loss.

The cumulative change in fair value is transferred from equity and recognised in profit or loss in the same period that the hedged cash flows affect profit or loss.

When a hedging instrument expires, is sold, terminated or exercised, or the hedge no longer meets the criteria for hedge accounting, the cumulative change in fair value remains in equity until the hedged cash flows affect profit or loss.

FAIR VALUE HEDGING

Fair value hedging is used to hedge changes in fair values resulting from changes in price, interest rate or exchange rate levels. The hedging instruments used include foreign exchange forwards, interest rate swaps, interest rate and cross currency swaps and options.

Changes in the fair value of derivative instruments that are documented as fair value hedges and are effective in relation to the hedged risk are recognised in profit or loss. In addition, the hedged assets and liabilities are measured at fair value during the period for which the hedge was designated, with changes in fair value recognised in profit or loss.

Securities lending

Securities lent to counterparties are retained in the balance sheet. Conversely, securities borrowed are not recognised in the balance sheet, unless these are sold to third parties, in which case the purchase is recorded as a trading asset and the obligation to return the securities as a trading liability at fair value through profit or loss.

Non-current assets held for sale and discontinued operations

Non-current assets and the assets and liabilities related to discontinued operations are classified as held for sale, if their carrying amount will be recovered principally through sales transactions rather than from continuing use. For this to be the case, the sale must be highly probable, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups), the management must be committed to a plan to sell the asset (or disposal group), and the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Assets that meet the criteria to be classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Once classified, depreciation on such assets ceases.

A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale, and

1. represents a separate major line of business or geographical area of operations
2. is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or
3. is a subsidiary acquired exclusively with a view to resale.

The results of discontinued operations are presented separately on the face of the consolidated income statement. Assets or disposal groups that are classified as held for sale, amounts related to assets held for sale and recognised directly in equity, and the liabilities included in disposal groups held for sale are presented separately on the face of the balance sheet.

Leases

GROUP AS LESSEE

Finance leases

Leases of assets in which substantially all the risks and rewards of ownership are transferred to the Group are classified as finance leases. Finance leases are recognised at the lease's inception at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The corresponding obligation is included in 'Other liabilities' in the balance sheet. The assets acquired under finance leases are amortised or depreciated over the shorter of the asset's useful life and the lease term. Each lease payment is allocated between the liability and the interest expense. The interest expense is amortised over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Operating leases

Assets in which the lessor retains substantially all the risks and rewards of ownership are classified as operating leases and they are included in the lessor's balance sheet. Payments made on operating leases are recognised on a straight-line basis over the lease term as rental expenses in profit or loss.

GROUP AS LESSOR

Operating leases

Leases in which assets are leased out and the Group retains substantially all the risks and rewards of ownership are classified as operating leases. They are included in 'Investment property' in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment, and the impairment losses are recognised on the same basis as for these items. Rental income on assets held as operating leases is recognised on a straight-line basis over the lease term in profit or loss.

Intangible assets

GOODWILL

Goodwill represents the excess of the cost of an acquisition (made after 1 January 2004) over the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities of the acquired entity at the date of acquisition. Goodwill on acquisitions before 1 January 2004 is accounted for in accordance with the previous accounting standards and the carrying amount is used as the deemed cost in accordance with the IFRS.

Goodwill is measured at historical cost less accumulated impairment losses. Goodwill is not amortised.

OTHER INTANGIBLE ASSETS

IT software and other intangible assets, whether procured externally or internally generated, are recognised in the balance sheet as intangible assets with finite useful lives, if it is probable that the expected future economic benefits that are attributable to the assets will flow to the Group and the cost of the assets can be measured reliably. The cost of internally generated intangible assets is determined as the sum of all costs directly attributable to the assets. Research costs are recognised as expenses in profit or loss as they are incurred. Costs arising from development of new IT software or from significant improvement of existing software are recognised only to the extent they meet the above-mentioned requirements for being recognised as assets in the balance sheet.

Customer relationships based on insurance contracts and identifiable in conjunction with the merger of the P&C insurance business are also recognised as other intangible assets.

Customer relationships were measured at fair value at the acquisition. Measurement of the present value of all future cash flows from an asset takes into consideration insurance premium revisions, cross-sales and general economic forecasts. The average validity period of insurance contracts, 6 years, is deemed as the asset's useful life, during which time it is amortised on a straight-line basis. When necessary, customer relationships are tested for impairment.

Intangible assets with finite useful lives are measured at historical cost less accumulated amortisation and impairment losses. Intangible assets are amortised on a straight-line basis over the estimated useful life of the asset. The estimated useful lives by asset class are as follows:

IT software	4-10 years
Other intangible assets	3-10 years

Property, plant and equipment

Property, plant and equipment comprise properties occupied for Sampo's own activities, office equipment, fixtures and fittings, and furniture. Classification of properties as those occupied for own activities and those for investment activities is based on the square metres in use. If the proportion of a property in Sampo's use is no more than 10 per cent, the property is classified as an investment property.

Property, plant and equipment are measured at historical cost less accumulated depreciation and impairment losses. Improvement costs are added to the carrying amount of a property when it is probable that the future economic benefits that are attributable to the asset will flow to the entity. Costs for repairs and maintenance are recognised as expenses in the period in which they were incurred.

Items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful life. In most cases, the residual value is estimated at zero. Land is not depreciated. Estimates of useful life are reviewed at financial year-ends and the useful life is adjusted if the estimates change significantly. The estimated useful lives by asset class are as follows:

Residential, business premises and offices	20-60 years
Industrial buildings and warehouses	30-60 years
Components of buildings	10-15 years
IT equipment and motor vehicles	3-5 years
Other equipment	3-10 years

Depreciation of property, plant or equipment will be discontinued, if the asset in question is classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Impairment of intangible assets and property, plant and equipment

At each reporting date the Group assesses whether there is any indication that an intangible asset or an item of property, plant or equipment may be impaired. If any such indication exists, the Group will estimate the recoverable amount of the asset. In addition, goodwill, intangible assets not yet available for use and intangible assets with an indefinite useful life will be tested for impairment annually, independent of any indication of impairment. For impairment testing the goodwill is allocated to the cash-generating units of the Group from the date of acquisition. In the test the carrying amount of the cash-generating unit, including the goodwill, is compared with its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The value in use is calculated by estimating future net cash flows expected to be derived from an asset or a cash-generating unit, and by discounting them to their present value using a pre-tax discount rate. If the carrying amount of an asset is higher than its recoverable amount, an impairment loss is recognised in profit or loss. In conjunction with this, the impaired asset's useful life will be re-determined.

If there is any indication that an impairment loss recognised for an asset in prior periods may no longer exist or may have decreased, the recoverable amount of the asset will be estimated. If the recoverable amount of the asset exceeds the carrying amount, the impairment loss is reversed, but no more than to the carrying amount which it would have been without recognition of the impairment loss. Impairment losses recognised for goodwill are not reversed.

Investment property

Investment property is held to earn rentals and for capital appreciation. The Group applies the cost model to investment property in the same way as it applies to property, plant and equipment. Moreover, the depreciation periods and methods and the impairment principles are the same as those applied to corresponding property occupied for own activities. The fair value of investment property is estimated using a method based on estimates of future cash flows and a comparison method based on information from actual sales in the market. The fair value of investment property is presented in the Notes.

The valuation takes into account the characteristics of the property with respect to location, condition, lease situation and comparable market information regarding rents, yield requirements and unit prices. During the financial year, the valuations were conducted by the Group's internal resources.

Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the Group can reliably estimate the amount of the obligation. If it is expected that some or all of the expenditure required to settle the provision will be reimbursed by another party, the reimbursement will be treated as a separate asset only when it is virtually certain that the Group will receive it.

Insurance and investment contracts

Insurance contracts are treated, in accordance with IFRS 4, either as insurance or investment contracts. Under the standard, insurance contracts are classified as insurance contracts if significant insurance risk is transferred between the policyholder and the insurer. If the risk transferred on the basis of the contract is essentially financial risk rather than significant insurance risk, the contract is classified as an investment contract. Classification of a contract as an insurance contract or investment contract determines the measurement principle applied to it.

Sampo treats the liabilities arising from contracts in the first phase of the standard according to national accounting standards, except for the equalisation reserve and the provision for collective guarantee item and their changes which are reported in equity and profit or loss, in accordance with the IFRS.

REINSURANCE CONTRACTS

A reinsurance contract is a contract which meets the IFRS 4 requirements for insurance contracts and on the basis of which the Sampo Group (the cedant) may receive compensation from another insurer (the reinsurer), if it becomes liable for paying compensation based on other insurance contracts it has issued. Such compensation received on the basis of reinsurance contracts is included in the balance sheet under 'Reinsurers' share of insurance liabilities' and 'Other assets'. The former item includes the reinsurers' share of the provisions for unearned premiums and claims outstanding in the Group's reinsured insurance contracts, while the latter includes short-term receivables from reinsurers.

When the Group itself has to pay compensation to another insurer on the basis of a reinsurance contract, the liability is recognised in the item 'Other liabilities'.

Receivables and liabilities related to reinsurance are measured uniformly with the cedant's receivables and liabilities. Reinsurance receivables are tested annually for impairment. Impairment losses are recognised through profit or loss, if there is objective evidence indicating that the Group (as the cedant) will not receive all amounts of money it is entitled to on a contractual basis.

P&C INSURANCE BUSINESS**Classification of insurance contracts**

In classifying insurance contracts and examining their related risks, embedded contracts are interpreted as one contract.

Other than insurance contracts, i.e. contracts where the risk is not transferred, include Captive contracts in which an insurance company underwrites a company's direct business and reinsures the same risk in an insurance company in the same group as the policyholder. There are also contracts in P&C insurance (Reverse Flow Fronting contracts) in which the insurance company grants insurance and then transfers the insurance risk to the final insurer. For both the above types of contract, only the net effect of the contract relationship is recognised in the income statement and balance sheet (instead of the gross treatment, as previously). The prerequisite for net treatment is that the net retention recognised on the contract is zero.

There are also contracts in P&C insurance in which the insurance risk is eliminated by a retrospective insurance premium, i.e. the difference between forecast and actual losses is evened out by an additional premium directly or in connection with the annual renewal of the insurance. The net cash flow from these contracts is recognised directly in the balance sheet, without recognising it first in the income statement as premiums written and claims incurred.

Insurance liabilities

Insurance liabilities are the net contractual obligations which the insurer has on the basis of insurance contracts. Insurance liabilities, consisting of the provisions for unearned premiums and unexpired risks and for claims outstanding, correspond to the obligations under insurance contracts.

The provision for unearned premiums is intended to cover anticipated claims costs and operating expenses during the remaining term of insurance contracts in force. In P&C insurance and reinsurance, the provision for unearned premiums is normally calculated on a strictly proportional basis over time, i.e. on a pro rata temporis basis. In the event that premiums are judged to be insufficient to cover anticipated claims costs and operating expenses, the provision for unearned premiums must be augmented by a provision for unexpired risks. Calculation of the provision for unexpired risks must also take into account instalment premiums not yet due.

The provision for claims outstanding is intended to cover the anticipated future payments of all claims incurred, including claims not yet reported to the company; i.e. the IBNR (incurred but not reported) provision. The provision for claims outstanding includes claims payments plus all estimated costs of claim settlements.

The provision for claims outstanding in direct P&C insurance and reinsurance may be calculated by statistical methods or

through individual assessments of individual claims. Often a combination of the two methods is used, meaning large claims are assessed individually while small claims and claims incurred but not reported (the IBNR provision) are calculated using statistical methods. The provision for claims outstanding is not discounted, with the exception of provisions for vested annuities, which are discounted to present value using standard actuarial methods, taking anticipated inflation and mortality into account.

Premiums written for P&C insurance and reinsurance are recognised in the income statement when the annual insurance premium is due for payment.

Liability adequacy test

A liability adequacy test is performed separately for both the provision for claims outstanding and the provision for unearned premiums. The provision for claims outstanding is based on estimates of future cash flows. The estimates are made by using well-established actuarial methods.

The provision for unearned premiums is, for the most part, calculated on a strictly proportional basis over time (so called *pro rata temporis* principle). The adequacy of the provision for unearned premiums is tested by calculating a provision for unexpired risks for each company per business area and line of business. If the provisions are judged to be insufficient, the provision for unearned premiums is augmented by recognising a provision for unexpired risks.

Provision for a collective guarantee

The provision for a collective guarantee is regulated by Finland's Traffic and Accident Insurance Act and must be collected by insurers. Its purpose is to guarantee the payment of claims to customers in the event that any insurers are put into liquidation or bankruptcy. The collection of funds for this provision is to guarantee the payment of obligations that may arise in the future. In the Sampo Group the provision for a collective guarantee is recognised in equity, in accordance with the Framework of the IFRS, until it becomes probable that the obligation will be settled. The provision for a collective guarantee is not a part of distributable equity.

Pay-as-you-go system for P&C insurance

Pensions and compensation for healthcare or medical rehabilitation paid on the basis of Finland's statutory P&C insurance (accident, motor third party liability and patient insurance) are raised annually by the TEL (Employee Pensions Act) index in order to maintain the real value of the pensions. The index raises are not the responsibility of the insurance companies, but are funded by the so-called pay-as-you-go principle, i.e. each year premiums written include index raises to the same amount that is paid out in that year. In practice, the P&C insurance companies collect a so-called expense loading along with their premi-

ums written, which is then forwarded to the central organisation for the particular insurance line. The central organisation distributes the pay-as-you-go contributions collected so that the company undertaking the type of insurance in question receives an amount equal to the compensation falling under the pay-as-you-go system it has paid that year. The insurer's participation in the payment is proportional to the insurer's market share in the insurance line in question.

The pay-as-you-go system related to pension index raises is not treated as an insurance activity under IFRS 4 and does not generate any risk for the insurance company. Thus, the pay-as-you-go contribution collected together with the insurance premium is not deemed to be premium income, and the pension index raise paid out is not deemed to be claims incurred. Because the collected index raise corresponds in amount to the paid out pension index raise, the said items are set-off in the Income Statement item 'Other expenses from operations'. The share of a balancing figure not yet received from, or not paid by, a central organisation is presented as current receivables or liabilities in the balance sheet items 'Other assets' or 'Other liabilities'.

Deferred acquisition costs

In the P&C insurance business, acquisition costs clearly relating to the writing of insurance contracts and extending beyond the financial year are recognised as assets in the balance sheet. Acquisition costs include operating expenses directly or indirectly attributable to writing insurance contracts, fees and commissions, marketing expenses and the salaries and overheads of sales staff. Acquisition costs are amortised in the same way as provisions for unearned premiums, usually in 12 months at the maximum.

LIFE INSURANCE BUSINESS

Classification of insurance contracts

Policies issued by the life insurance business are classified as either insurance contracts or investment contracts. Insurance contracts are contracts that carry significant insurance risk or contracts in which the policyholder has the right to change the contract by increasing the risk. As capital redemption contracts do not carry insurance risk, these contracts are classified as investment contracts.

The discretionary participation feature (DPF) of a contract is a contractual right held by a policyholder to receive additional benefits, as a supplement to the guaranteed minimum benefits. The supplements are bonuses based on the reserves of policies credited to the policy reserve, additional benefits in the case of death, or lowering of insurance premiums. In Mandatum Life, the principle of fairness specifies the application of this feature. In unit-linked contracts the policyholder carries the investment risk by choosing the investment funds linked to the contracts.

Measurement of insurance and investment contracts

National accounting standards are applied to all insurance contracts and to investment contracts with DPF, with the exception of the equalisation provision and changes in it.

All contracts, except unit-linked contracts and the assumed reinsurance, include DPF. In those unit-linked contracts which are not insurance contracts, the policyholder has the possibility to transfer the return on savings from unit-linked schemes to guaranteed interest with DPF. Thus, these contracts are also measured as contracts with DPF.

The surrender right, guaranteed interest and the unbundling of the insurance component from the deposit component and similar features are not separated and measured separately.

Insurance and investment contract liabilities and reinsurance assets

Liabilities arising from insurance and investment contracts consist of provisions for unearned premiums and outstanding claims. In the life insurance business, various methods are applied in calculating liabilities which involve assumptions on matters such as mortality, morbidity, the yield level of investments, future operating expenses and the settlement of claims.

Changes in the liabilities of reinsurance have been calculated at variable rates of exchange.

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

The interest rate used in discounting liabilities is, at most, the maximum rate accepted by the authorities in each country. The guaranteed interest used in the direct insurance premium basis varies on the basis of the starting date of the insurance from zero to 4.5 per cent. The interest rate used in discounting liabilities is the same or lower than that used in premium calculation. Most of the liabilities of the accrued benefits of pension business with DPF are discounted by an interest rate of 3.5 per cent, also being the highest discount rate used. The highest discount rate used for accrued benefits is 3.5 per cent. In addition, Mandatum Life has lowered the claim of interest for the year 2009 to 3.0 per cent.

Due to the difference in the discount rate of liabilities and the guaranteed interest of 4.5%, and the lowering of the claim of interest for 2009, supplementary provisions for guaranteed interest have been added to technical provisions. In the subsidiary, SE Sampo Life Insurance Baltic, the discount rate varies by country between 2.3–3.5 per cent and the average guaranteed interest rate between 3.5–3.8 per cent.

Mortality assumptions have an essential effect on the amount of liability, particularly in group pension insurance, the liability of which accounts for about 43 per cent of the technical provisions of the Finnish life company. A so-called

cohort mortality model is used in calculating the group pension insurance liability since 2002, incorporating the insured person's birth year in addition to his or her age and sex. The cohort mortality model assumes that life expectancy increases by one year over a ten-year period.

For unit-linked contracts, all the liabilities and the assets covering the unit-linked insurance are matched. Both the liabilities and the assets have been presented in the Notes to the financial statements. In calculating the provision for claims outstanding of direct insurance, discounting is applied only in connection with the liabilities of pensions whose payment has commenced. The liabilities of assumed reinsurance are based on the reports of the ceding company and on an estimate of claims which have not yet been settled.

The provision for claims outstanding is intended to cover expected future payments for all claims incurred, including claims not yet reported to the company (the IBNR provision). The provision for claims outstanding includes claim payments plus all costs of claim settlements.

The amounts of short- and long-term liabilities in technical provisions are determined annually. Additionally, the risk management section of the Notes includes the forecast annual maturities of technical provisions.

Liability adequacy test

A liability adequacy test is applied to all portfolios, company by company, and the need for augmentation is checked, company by company, on the basis of the adequacy of the whole technical provisions. The test includes all the expected contractual cash flows for non-unit-linked liabilities. The expected contractual cash flows include expected premiums, claims, bonuses and expenses. The claims have been estimated including surrenders and other insurance transactions based on historical data. The amounts of claims include the guaranteed interest and an estimation of future bonuses. The present values of the cash flows have been discounted to the balance sheet date by using a swap rate curve.

For the unit-linked business, the present values of the insurance risk and expense results are calculated correspondingly. If the aggregate amount of the liability for the unit-linked and other business presumes an augmentation, the liability is increased by the amount shown by the test and recognised in profit or loss.

Principle of fairness

According to Chapter 13, Section 2 of the Finnish Insurance Companies' Act, the Principle of Fairness must be observed in life insurance and investment contracts with a discretionary participation feature. If the solvency requirements do not prevent it, a reasonable part of the surplus has to be returned to these policies as bonuses.

Mandatum Life aims at giving a total return before charges and taxes on policyholders' savings in contracts with DPF that is at least the yield of a Finnish government long-term bond. The total return consists of the guaranteed interest rate and bonuses determined annually. Continuity is pursued in the level of bonuses. The aim is to maintain the company's solvency status on such a level that it neither limits the giving of bonuses to policyholders nor the distribution of profit to shareholders. The principle is explained in detail on the company's website.

The legislation of Estonia, Latvia and Lithuania respectively does not contain provisions corresponding to the Principle of Fairness. The insurance business undertaken by the Swedish company is not entitled to distribute profit.

Employee benefits

POST-EMPLOYMENT BENEFITS

Post-employment benefits include pensions and life insurance.

Sampo has defined benefit plans in Sweden and Norway, and defined contribution plans in other countries. The most significant defined contribution plan is that arranged through the Employees' Pensions Act (TEL) in Finland.

In defined contribution plans, the Group pays fixed contributions to a pension insurance company and has no legal or constructive obligation to pay further contributions. The obligations arising from a defined contribution plan are recognised as an expense in the period that the obligation relates to.

In defined benefit plans, the company still has obligations after paying the contributions for the financial period and bears their actuarial and/or investment risk. The obligation is calculated separately for each plan using the projected unit credit method. In calculating the amount of the obligation, actuarial assumptions are used. The pension costs are recognised as an expense for the service period of employees.

Defined benefit plans are both funded and unfunded. The amounts reported as pension costs during a financial year consist of 1) the actuarially calculated earnings of old-age pensions during the year, calculated straight-line, based on pensionable income at the time of retirement, and 2) calculated effects in the form of interest expense for crediting/appreciating the preceding years' established pension obligations less 3) revenues from the assets covered by the plan. The calculation of pension costs during the financial year starts at the beginning of the year and is based on assumptions about such factors as salary growth and price inflation throughout the duration of the obligation and on the anticipated/expected return on the plan's assets and the market interest rate on the obligation during the financial year.

When reporting defined benefit plans in the balance sheet, the so-called corridor method is used. According to this mod-

el, accrued actuarial gains and losses resulting from differences between calculated assumptions and the actual outcome are not reported in the income statement unless the accumulated difference exceeds 10 per cent of the present value of the future obligations or the fair value of the plan's assets, whichever is higher. Accumulated differences that exceed the 10 per cent limit are accrued in the income statement as pension costs throughout the duration of the obligation. The accumulated accrued actuarial gains and losses calculated in this way that are not reported in the income statement are reported in the balance sheet as a net asset/net liability.

The Group also has certain voluntary defined benefit plans. These are intra-Group, included in the insurance liabilities of Mandatum Life and have no material significance.

TERMINATION BENEFITS

An obligation based on termination of employment is recognised as a liability when the Group is verifiably committed to terminate the employment of one or more persons before the normal retirement date or to grant benefits payable upon termination as a result of an offer to promote voluntary redundancy. As no economic benefit is expected to flow to the employer from these benefits in the future, they are recognised immediately as an expense. Obligations maturing more than 12 months later than the balance sheet date are discounted. The benefits payable upon termination at Sampo are the monetary and pension packages related to redundancy.

SHARE-BASED PAYMENTS

Sampo has share-based incentive schemes that are settled either in cash (the long-term incentive schemes 2004 I, 2004 II, 2005 I, 2006 I, 2006 II, 2008 I and 2008 II) for executives and specialists) or in equity instruments (Sampo 2006). Schemes with cash payments are measured at the intrinsic value of the incentive on interim or annual balance sheet dates, and changes in the liability are recognised through profit or loss. Schemes where the payment is in equity instruments are measured at fair value at the grant date, and are recognised as an expense and as an increase in equity on a straight-line basis during the vesting period.

The fair value of incentives payable in equity instruments has been determined using the Black-Scholes-pricing model. The fair value of the market-based part of the incentive takes into consideration the model's forecast concerning the number of shares to be paid as an incentive. The effects of non-market based terms are not included in the fair value of the incentive; instead, they are taken into account in the number of those share options that are expected to be exercised during the vesting period. In this respect, the Group will update the assumption on the estimated final number of shares at every interim or annual balance sheet date.

In adopting the IFRS on 1 January 2004, Sampo did not apply IFRS 2 *Share-based payments* to the year 2000 option programme, in accordance with the exemption permitted by IFRS 1.

Income taxes

Item Tax expenses in the income statement comprise current and deferred tax. Tax expenses are recognised through profit or loss, except for items recognised directly in equity, in which case the tax effect will also be recognised in equity. Current tax is calculated based on the valid tax rate of each country. Tax is adjusted by any tax related to previous periods.

Deferred tax is calculated on all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. Deferred tax is not recognised on non-deductible goodwill impairment, and nor is it recognised on the undistributed profits of subsidiaries to the extent that it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated by using the enacted tax rates prior to the balance sheet date.

A deferred tax asset is recognised to the extent that it is probable that future taxable income will be available against which a temporary difference can be utilised.

Share capital

The incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are included in equity as a deduction, net of tax, from the proceeds.

Dividends are recognised in equity in the period when they are approved by the Annual General Meeting.

When the parent company or other Group companies purchase the parent company's equity shares, the consideration paid is deducted from the share capital as treasury shares until they are cancelled. If such shares are subsequently sold or reissued, any consideration received is included in equity.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term deposits (3 months).

Sampo presents cash flows from operating activities using the indirect method in which the profit (loss) before taxation is adjusted for the effects of transactions of a non-cash nature, deferrals and accruals, and income and expense associated with investing or financing cash flows.

In the cash flow statement, interest received and paid is presented in cash flows from operating activities. In addition, the dividends received are included in cash flows from operating activities. Dividends paid are presented in cash flows from financing.

Accounting policies requiring management judgement and key sources of estimation uncertainties

Preparation of the accounts in accordance with the IFRS requires management estimates and assumptions that affect the revenue, expenses, assets, liabilities and contingent liabilities presented in the financial statements. Judgement is needed also in the application of accounting policies. The estimates made are based on the best information available at the balance sheet date. The estimation is based on historical experiences and most probable assumptions concerning the future at the balance sheet date. The actual outcome may deviate from results based on estimates and assumptions. Any changes in the estimates will be recognised in the financial year during which the estimate is reviewed and in all subsequent periods.

Sampo's main assumptions concerning the future and the key uncertainties related to balance sheet estimates are related, for example, to assumptions used in actuarial calculations, determination of fair values of non-quoted financial assets and liabilities and investment property and determination of the impairment of financial assets and intangible assets. From Sampo's perspective, accounting policies concerning these areas are most complicated and require most significant use of estimates and assumptions.

ACTUARIAL ASSUMPTIONS

Evaluation of insurance liabilities always involves uncertainty, as technical provisions are based on estimates and assumptions concerning future claims costs. The estimates are based on statistics on historical claims available to the Group on the balance sheet date. The uncertainty related to the estimates is generally greater when estimating new insurance portfolios or portfolios where clarification of a loss takes a long time because complete claims statistics are not yet available. In addition to the historical data, estimates of insurance liabilities take into consideration other matters such as claims development, the amount of unpaid claims, legislative changes, court rulings and the general economic situation.

A substantial part of the Group's P&C insurance liabilities concerns statutory accident and traffic insurance. The most significant uncertainties related to the evaluation of these liabilities are assumptions about inflation, mortality, discount rates and the effects of legislative revisions and legal practices.

The actuarial assumptions applied to life insurance liabilities are discussed in more detail under 'Insurance and investment contract liabilities and reinsurance assets'.

Defined benefit plans as intended in IAS 19 are also estimated in accordance with actuarial principles. As the calculation of a pension plan reserve is based on expected future pensions, assumptions must be made not only of discount rates,

but also of matters such as mortality, employee turnover, price inflation and future salaries.

DETERMINATION OF FAIR VALUE

The fair value of any non-quoted financial assets is determined using valuation methods that are generally accepted in the market. These methods are discussed in more detail above under 'Fair value'.

Fair values of investment property have been determined internally during the financial year on the basis of comparative information derived from the market. They include management assumptions concerning market return requirements and the discount rate applied.

IMPAIRMENT TESTS

In testing loans and other receivables for impairment, the carrying amount is compared with the present value of recoverable future cash flows. Recoverable future cash flows are estimated for each contract by utilising assumptions based on historical data.

Goodwill, intangible assets not yet available for use, and intangible assets with an indefinite useful life are tested for impairment at least annually. The recoverable amounts from cash-generating units have mainly been determined using calculations based on value in use. These require management estimates on matters such as future cash flows, the discount rate, and general economic growth and inflation.

Application of new or revised IFRSs and interpretations

APPLICATIONS IN 2009

In 2009, the Group will apply the following new or amended standards and interpretations related to the Group's business, published by the IASB in 2007 and 2008. If not stated otherwise, the following standards or interpretations or their amendments were approved by the EU at the balance sheet date. The new or amended standards are effective for annual periods beginning on or after 1 Jan. 2009.

The amendments to IFRS 2 *Share-based payments – Vesting conditions and cancellations* state that all non-vesting conditions must be taken into account when estimating the fair value of equity instruments granted. The amendment also clarifies the accounting treatment of cancellations. The adoption of the amendment will have no material effect on Sampo's financial statements reporting.

IFRS 8 *Operating Segments* changes the segment reporting by requiring the reported segment information to be based on the information reported to the chief operating decision maker and to comply with those accounting principles. The adoption of the standard will not have a material effect on

Sampo's segment information, as the segment information published before has already been based on the group's internal reporting structure. The standard has already been adopted by the EU.

The revised IAS 1 *Presentation of Financial Statements* aims to improve the analysis and comparison of the information in the financial statements. The amendments mainly concern the presentation of the income statement and the statement of changes in equity, and the used terminology.

The changes in IAS 1 *Presentation of Financial Statements* and IAS 32 *Financial Instruments: Presentation* (Puttable Financial Instruments and Obligations Arising on Liquidation) require some financial instruments puttable at fair value to be classified as equity, instead of financial liabilities. The adoption of the amendment will have no material effect on Sampo's financial statements reporting.

IFRIC 13 *Customer Loyalty Programmes* (effective for the annual periods beginning on or after 1 July 2008) states that the loyalty award credits should be treated separately from the sale of goods and services. The adoption of the interpretation will have no material effect on Sampo's financial statements reporting.

IFRIC 14 IAS 19 *The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction* (effective for the annual periods beginning on or after 1 Jan. 2008) clarifies how to assess the limit on the amount of the surplus that can be recognised as an asset, and how the pension asset or liability may be affected when there is a statutory or contractual minimum funding requirement. The adoption of the interpretation will have no material effect on Sampo's financial statements reporting.

IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* (effective for the annual periods beginning on or after 1 Oct. 2008) clarifies the accounting treatment of a net investment in a foreign operation on the group level. The adoption of the interpretation will have no material effect on Sampo's financial statements reporting. The interpretations was not approved by the EU at the balance sheet date.

Improvements to IFRSs – various minor changes made to different standards at the same time. The Group expects these changes to be immaterial to Sampo's financial statements reporting.

APPLICATIONS IN 2010

The Group will adopt the following revised standards and new interpretation (effective for annual periods beginning on or after 1 July, 2009) in 2010, provided the EU will have adopted them by then:

The revised IFRS 3 *Business combinations* includes various significant changes regarding the accounting treatment of business combinations. The revised standard allows the en-

tity to measure non-controlling interest, in accordance with the prevailing principle, at its proportionate interest in the acquiree's net assets or at its fair value. The choice is acquisition-specific and affects the amounts of recognised goodwill and non-controlling interest. Other significant changes in the standard regard acquisition-related costs that should be expensed through p/l, the accounting of step acquisitions, and the treatment of contingent consideration.

The revised IAS 27 *Consolidated and Separate Financial Statements* requires that changes in the ownership interest of subsidiary are accounted for as an equity transactions, if the control of a subsidiary is not lost. On loss of control, any retained interest will be measured at fair value through p/l. Furthermore, after the revision, losses incurred by the subsidiary may be allocated to the non-controlling interest, even if the losses exceed their equity investment in the subsidiary.

IAS 39 *Financial Instruments: Recognition and Measurement* clarifies the hedging of one-sided risk of hedged items and inflation, in the case of financial assets or liabilities.

IFRIC 17 *Distributions of Non-cash Assets to Owners* clarifies the recognition and measurement of assets other than cash paid as dividend. The adoption of the interpretation will have no material effect on Sampo's financial statements reporting.

{ Segment Information }

The Group's business segments comprise P&C insurance, Life insurance and Holding company. In the comparison year, the banking and investment services are presented as discontinued operations. The classification was made on 9 Nov. 2006 when Sampo plc signed a contract to sell the entire share stock of Sampo Bank plc to Danske Bank A/S in Denmark. The trade became effective on 1 Feb. 2007.

The Group's secondary segmentation is based on geographical distribution. The reported segments are Finland, Sweden, Norway, Denmark, the Baltic countries and other countries.

Segment information has been produced in accordance with the accounting policies adopted for preparing and presenting the consolidated financial statements. The segment revenue, expense, assets and liabilities, either directly attributable or reasonably allocable, have been allocated to the segments. Inter-segment pricing is based on market prices. The transactions, assets and liabilities between the segments are eliminated in the consolidated financial statements on a line-by-line basis.

Depreciation and amortisation by segment are disclosed in notes 11–13 and investments in associates in note 14.

Consolidated Income Statement by Business Segment for Year Ended 31 December 2008

EURm	P&C insurance	Life insurance	Holding	Elimination	Group
Insurance premium written	3,821	529	-	-	4,350
Net income from investments	268	-222	232	-3	275
Other operating income	26	0	8	-11	23
Claims incurred	-2,592	-763	-	-	-3,355
Change in liabilities for insurance and investment contracts	-14	681	-	-	667
Staff costs	-460	-23	-11	-	-494
Other operating expenses	-473	-51	-13	4	-532
Finance costs	-29	-11	-37	10	-66
Share of associates' profit/loss	2	0	0	-	2
Profit before taxes	549	140	180	1	870
Taxes					-195
Profit for the period					675
Attributable to					
Equity holders of parent company					675
Minority interest					0

Consolidated Income Statement by Business Segment for Year Ended 31 December 2007

EURm	P&C insurance	Life insurance	Holding	Elimination	Group
Insurance premium written	3,840	618	-	-	4,458
Net income from investments	211	600	168	-5	974
Other operating income	29	0	8	-13	25
Claims incurred	-2,541	-653	-	-	-3,195
Change in liabilities for insurance and investment contracts	-43	-145	-	-	-188
Staff costs	-441	-20	-18	-	-479
Other operating expenses	-493	-50	-26	11	-558
Finance costs	-29	-10	-38	10	-67
Share of associates' profit/loss	1	1	1	-	3
Profit from continuing operations before taxes	534	342	95	3	974
Taxes					-254
Profit from continuing operations					720
Profit from discontinued operations					2,853
Profit for the period					3,573
Attributable to					
Equity holders of parent company					3,572
Minority interest					0

Consolidated Balance Sheet by Business Segment at 31 December 2008

EURm	P&C insurance	Life insurance	Holding	Elimination	Group
Assets					
Property, plant and equipment	27	5	5	-	38
Investment property	28	100	10	-	138
Intangible assets	495	167	0	-	663
Investments in associates	3	2	0	-	5
Financial assets	8,874	4,503	5,260	-2,498	16,139
Investments related to unit-linked insurance contracts	-	1,637	-	-	1,637
Tax assets	144	62	6	0	212
Reinsurers' share of insurance liabilities	431	4	-	-	436
Other assets	1,176	270	54	-27	1,473
Cash and cash equivalents	259	171	35	-	465
Total assets	11,437	6,922	5,370	-2,525	21,205
Liabilities					
Liabilities for insurance and investment contracts	7,889	4,487	-	-	12,375
Liabilities for unit-linked insurance and investment contracts	-	1,637	-	-	1,637
Financial liabilities	686	104	604	-125	1,269
Tax liabilities	379	54	9	-	441
Provisions	26	-	-	-	26
Employee benefits	92	-	-	-	92
Other liabilities	444	242	73	-27	732
Total liabilities	9,516	6,523	686	-152	16,573
Equity					
Share capital					98
Reserves					-832
Retained earnings					5,365
Equity attributable to parent company's equityholders					4,631
Minority interest					0
Total equity					4,631
Total equity and liabilities					21,205

Consolidated Balance Sheet by Business Segment at 31 December 2007

EURm	P&C insurance	Life insurance	Holding	Elimination	Group
Assets					
Property, plant and equipment	29	5	6	-	40
Investment property	41	105	12	-	158
Intangible assets	554	164	0	-	718
Investments in associates	4	2	3	-	9
Financial assets	9,467	5,456	7,151	-2,499	19,575
Investments related to unit-linked insurance	-	2,072	-	-	2,072
Tax assets	84	0	5	1	89
Reinsurers' share of insurance liabilities	484	5	-	-	489
Other assets	1,224	66	54	-29	1,316
Cash and cash equivalents	637	93	229	-	958
Total assets	12,524	7,968	7,458	-2,527	25,424
Liabilities					
Liabilities for insurance and investment contracts	8,527	4,621	-	-	13,148
Liabilities for unit-linked insurance and investment contracts	-	2,071	-	-	2,071
Financial liabilities	530	101	596	-125	1,102
Tax liabilities	391	155	16	-	562
Provisions	35	-	-	-	35
Employee benefits	118	-	-	-	118
Other liabilities	558	46	79	-29	655
Total liabilities	10,159	6,994	690	-153	17,691
Equity					
Share capital					98
Reserves					1,847
Retained earnings					5,788
Equity attributable to parent company's equityholders					7,733
Minority interest					0
Total equity					7,733
Total equity and liabilities					25,424

Geographical Segment Information

REVENUE BY GEOGRAPHICAL SEGMENT

EURm	Finland	Sweden	Norway	Denmark	Baltic	Other	Total
Income 2008							
P&C insurance	804	1,147	1,397	293	166	0	3,807
Life insurance	499	-	-	-	30	-	529
Holding	240	-	-	-	-	-	240
Total	1,543	1,147	1,397	293	196	0	4,576
Income 2007							
P&C insurance	814	1,187	1,378	284	134	0	3,797
Life insurance	550	1	3	0	64	-	618
Holding	176	-	-	-	-	-	176
Banking and investment services (discontinued operations)	60	-	-	-	8	0	68
Total	1,600	1,188	1,381	285	206	0	4,659

The revenue for insurance businesses includes insurance premiums according to the underwriting country, consisting of premiums earned for P&C insurance and premiums written for Life insurance.

The revenue for Holding includes all net investment income and other operating income in that segment.

The revenue for Banking and investment services includes the total operating income of the segment for the first month of 2007.

ASSETS BY GEOGRAPHICAL SEGMENT

EURm	Finland	Sweden	Norway	Denmark	Baltic	Other	Elimination	Total
Assets 2008								
P&C insurance	3,225	4,181	2,569	824	325	314	-	11,437
Life insurance	6,835	-	-	-	87	-	-	6,922
Holding	5,370	-	-	-	-	-	-	5,370
Total	15,430	4,181	2,569	824	412	314	-2,525	21,205
Assets 2007								
P&C insurance	3,066	5,202	3,018	653	238	347	-	12,524
Life insurance	7,817	1	7	1	141	-	-	7,968
Holding	7,458	-	-	-	-	-	-	7,458
Total	18,341	5,203	3,025	654	380	347	-2,527	25,424

Investments of P&C insurance have been allocated to different countries based on the claims they have on their share of investment assets managed centrally in Sweden.

{ *Acquired and Disposed Entities* }

Year 2008

If P&C Insurance Holding AB acquired the entire share stock of a Russian insurance company SOAO Region on 1 June, 2008. The preliminary acquisition cost of EURm 28 was paid in cash in its entirety.

The assets and liabilities of the acquired company did not have a material effect on the Group's income statement, balance sheet or cash flows. The goodwill arising from the acquisition was 17 EURm at the balance sheet date.

Year 2007

In accordance with the contract signed on 9 Nov. 2006, Sampo plc sold the entire share stock of Sampo Bank plc to Danske Bank A/S. The trade became effective on 1 Feb. 2007. As a result, the profit of the first month of 2007 for the Banking and Investment services is presented under the profit from discontinued operations.

{ Notes to the Income Statement }

I Insurance Premiums Written

P&C INSURANCE

EURm	2008	2007
Premiums from insurance contracts		
Premiums written, direct insurance	3,967	4,000
Premiums written, assumed reinsurance	90	85
Premiums written, gross	4,057	4,085
Reinsurers' share of premiums written	-236	-245
Premiums written, net	3,821	3,840
Change in unearned premium provision	-12	-43
Reinsurers' share	-2	0
Change in unearned premium provision, net	-14	-43
Premiums earned, total	3,807	3,797

LIFE INSURANCE

EURm	2008	2007
Premiums from insurance contracts		
Premiums written, direct insurance	487	607
Premiums written, assumed reinsurance	2	2
Insurance contracts total, gross	488	609
Premium revenue ceded to reinsurers on insurance contracts issued	-7	-6
Insurance contracts total, net	482	603
Investment contracts	47	15
Premiums written, net¹⁾	529	618
Group, total	4,350	4,458

¹⁾ The change in unearned premiums is presented in note 4 'The change in insurance and investment liabilities'.

SPECIFICATION OF PREMIUMS WRITTEN IN LIFE INSURANCE

EURm	2008	2007
Premiums from insurance contracts		
Premiums from contracts with discretionary participation feature	242	211
Premiums from unit-linked contracts	240	388
Premiums from other contracts	5	7
Total	487	607
Assumed reinsurance	2	2
Premiums from investment contracts		
Premiums from contracts with discretionary participation feature	0	1
Premiums from unit-linked contracts	47	15
Total	47	15
Insurance and investment contracts, total	536	625
Reinsurers' share	-7	-6
Premiums written, total	529	618
Single and regular premiums from direct insurance		
Regular premiums, insurance contracts	365	404
Single premiums, insurance contracts	121	202
Single premiums, investment contracts	47	15
Total	534	622

2 Net Income from Investments

P&C INSURANCE	2008	2007
EURm		
Financial assets		
Derivative financial instruments		
Gains/losses	83	35
Financial assets designated as at fair value through p/l		
Debt securities		
Interest income	83	363
Gains/losses	-62	-82
Equity securities		
Gains/losses	-135	-114
Dividend income	4	43
Total	-109	210
Loans and receivables		
Interest income	25	27
Financial assets available-for-sale		
Debt securities		
Interest income	374	-
Impairment losses	-81	-
Gains/losses	52	-
Equity securities		
Gains/losses	-32	-
Impairment losses	-4	-
Dividend income	47	-
Total	356	-
Total from financial assets	354	272
Other assets		
Investment properties		
Gains/losses	-1	6
Other	1	-1
Total from other assets	1	5
Interest expense on repurchase agreements	-16	-
Effect of discounting annuities	-60	-56
Fee and commission expenses		
Asset management	-12	-10
P&C insurance, total	268	211
Net income from investments includes exchange differences		
Arising from insurance business	20	10
Arising from investments	2	-1

Included in gains/losses from financial assets available-for-sale is a net gain of EURm 59 (-) transferred from the fair value reserve.

LIFE INSURANCE

EURm	2008	2007
Financial assets		
Derivative financial instruments		
Gains/losses	59	45
Financial assets designated as at fair value through p/l		
Debt securities		
Interest income	4	5
Gains/losses	-9	-4
Equity securities		
Gains/losses	-1	0
Dividend income	0	0
Total	-6	0
Investments related to unit-linked contracts		
Debt securities		
Interest income	4	3
Gains/losses	-5	-7
Equity securities		
Gains/losses	-486	61
Dividend income	0	0
Loans and receivables		
Interest income	1	-
Other financial assets		
Gains/losses	1	-
Total	-485	57
Investments in securities held-to-maturity		
Debt securities		
Interest income	0	1
Loans and receivables		
Interest income	7	5
Gains/losses	-8	-3
Total	-1	2
Financial assets available-for-sale		
Debt securities		
Interest income	173	143
Gains/losses	-70	-27
Equity securities		
Gains/losses	30	263
Impairment losses	-1	-10
Dividend income	62	109
Total	194	477
Total financial assets	-239	583
Other assets		
Investment properties		
Gains/losses	1	1
Impairment losses	0	0
Other	6	4
Total other assets	7	5
Net fee income		
Asset management	-13	-16
Fee income	23	28
Total	10	12
Life insurance, total	-222	600
Net income from investments includes exchange differences		
Arising from investments	-47	24

Included in gains/losses from financial assets available-for-sale is a net gain of EURm 30 (234) transferred from the fair value reserve.

HOLDING	2008	2007
EURm		
Financial assets		
Derivative financial instruments		
Gains/losses	14	2
Loans and receivables		
Interest income	5	3
Financial assets available-for-sale		
Debt securities		
Interest income	77	123
Impairment losses	0	-
Equity securities		
Gains/losses	3	-1
Impairment losses	-1	-
Dividend income	133	43
Total	213	165
Total financial assets	232	170
Other assets		
Investment properties		
Gains/losses	0	-1
Other	0	0
Total other assets	0	-2
Holding, total	232	168
Included in gains/losses from financial assets available-for-sale is a net gain of EURm -2 (-1) transferred from the fair value reserve.		
Elimination items between segments	-3	-5
Group, total	275	974

The changes in the fair value reserve are disclosed in the 'Statement of changes in equity' on p. 76.

Other income and expenses comprise rental income, maintenance expenses and depreciation of investment property.

All the income and expenses arising from investments are included in 'Net income from investments'. Gains/losses include realised gains/losses on sales, unrealised and realised changes in fair values and exchange differences. Unrealised fair value changes for financial assets available-for-sale are recognised in equity.

The effect of discounting annuities in P&C insurance is disclosed separately. The provision for annuities is calculated in accordance with actuarial principles taking anticipated inflation and mortality into consideration, and discounted to take the anticipated future return on investments into account. To cover the costs for upward adjustment of annuity provisions required for the gradual reversal of such discounting, an anticipated return on investments is added to annuity results.

3 Claims Incurred

P&C INSURANCE EURm	2008			2007		
	Gross	Ceded	Net	Gross	Ceded	Net
P&C insurance						
Claims cost attributable to current-year operations						
Claims paid	-1,406	45	-1,361	-1,283	31	-1,251
Change in provision for claims outstanding (incurred and reported losses)	-704	55	-650	-702	44	-658
Change in provision for claims outstanding (incurred but not reported losses, IBNR)	-670	18	-651	-707	24	-683
Claims-adjustment costs	-9	-	-9	-14	-	-14
Change in claims provision for annuities	-11	-	-11	-10	-	-10
Total claims cost attributable to current-year operations	-2,800	118	-2,682	-2,716	99	-2,617
Claims costs attributable to prior-year operations						
Claims paid	-1,153	83	-1,070	-1,065	95	-970
Annuities paid	6	-	6	-20	0	-20
Claims portfolio	6	-6	0	-7	7	-
Change in provision for claims outstanding (incurred and reported losses)	685	-41	644	693	-67	626
Change in provision for claims outstanding (incurred but not reported losses, IBNR)	547	-37	510	456	-16	439
Total claims cost attributable to prior-year operations	91	-1	90	56	19	76
Insurance claims paid						
Claims paid	-2,559	128	-2,431	-2,348	127	-2,221
Annuities paid	-29	-	-29	-33	-	-33
Claims portfolio	6	-6	0	-7	7	-
Total claims paid	-2,582	122	-2,460	-2,388	134	-2,254
Change in provision for claims outstanding						
Change in provision for claims outstanding (incurred and reported losses)	-19	14	-5	-9	-23	-32
Change in provision for claims outstanding (incurred but not reported losses, IBNR)	-122	-19	-141	-251	8	-244
Change in claims provision for annuities	23	0	23	-1	0	-1
Claims-adjustment costs	-9	-	-9	-10	-	-10
Total change in provision for claims outstanding	-127	-5	-132	-272	-15	-287
P&C insurance, total	-2,709	117	-2,592	-2,660	119	-2,541

The provision for annuities is valued in accordance with normal actuarial principles taking anticipated inflation and mortality into consideration, and discounted to take the anticipated future investment return into account. To cover costs for the upward adjustment of annuity provisions required for the gradual reversal of such discounting, an anticipated return is added to the annuity results. Provisions for incurred but not reported losses pertaining to annuities in Finland are discounted. The provisions in 2008 amounted to approximately EURm 303 (284). The non-discounted value was EURm 467 (463). The growth is mainly caused by the increase in the provision for work insurance.

Interest rate used in calculating the technical provisions of annuities (%)

	2008	2007
Sweden	1.50	1.50
Finland	3.30	3.30
Denmark	2.00	2.00

LIFE INSURANCE EURm	Claims paid		Change in provision for claims outstanding		Claims incurred	
	2008	2007	2008	2007	2008	2007
Insurance contracts						
Life-insurance						
Contracts with discretionary participation feature (DPF)	-135	-140	-1	0	-136	-140
Other contracts	-1	0	0	0	-1	-1
Unit-linked contracts	-176	-102	-2	-1	-178	-103
Total	-312	-243	-3	-1	-315	-244
Pension insurance						
Contracts with discretionary participation feature (DPF)	-284	-259	-113	-99	-397	-358
Other contracts	0	0	0	0	0	0
Unit-linked contracts	-5	-5	0	0	-5	-6
Total	-289	-264	-113	-99	-402	-364
Assumed reinsurance	-1	-2	0	0	-1	-2
Insurance contracts total, gross	-602	-509	-116	-100	-717	-608
Reinsurers' share	5	5	1	0	5	5
Insurance contracts total, net	-597	-504	-115	-100	-713	-604
Investment contracts						
Capital redemption policies						
Contracts with discretionary participation feature (DPF)	-38	-36	0	0	-38	-36
Unit-linked contracts	-12	-14	0	0	-12	-14
Investment contracts, total	-50	-49	0	0	-50	-49
Life insurance, total	-648	-554	-115	-100	-763	-653

Claims paid by type of benefit EURm	2008	2007
Insurance contracts		
Life insurance		
Surrender benefits	-23	-24
Death benefits	-25	-22
Maturity benefits	-82	-88
Loss adjustment expenses	0	0
Other	-7	-6
Total	-136	-140
Life insurance, unit-linked		
Surrender benefits	-124	-58
Death benefits	-22	-20
Maturity benefits	-29	-23
Loss adjustment expenses	0	0
Other	0	0
Total	-176	-102
Pension insurance		
Pension payments	-269	-248
Surrender benefits	-10	-7
Death benefits	-4	-4
Loss adjustment expenses	0	0
Other	-1	0
Total	-284	-259
Pension insurance, unit-linked		
Pension payments	-1	0
Surrender benefits	-3	-3
Death benefits	-1	-2
Other	0	0
Total	-5	-5
Assumed reinsurance	-1	-2
Insurance contracts total, gross	-602	-509
Reinsurers' share	4	5
Insurance contracts total, net	-597	-504
Investment contracts		
Capital redemption policy, with-profit		
Surrender benefits	-13	-32
Loss adjustment expenses	-25	-4
Other	0	0
Total	-38	-36
Investment contracts		
Capital redemption policy, unit-linked		
Surrender benefits	-5	-14
Loss adjustment expenses	-7	0
Total	-12	-14
Investment contracts total, gross	-50	-50
Claims paid total, gross	-652	-559
Claims paid total, net	-648	-554
Group, total	-3,355	-3,195

4 Change in Liabilities for Insurance and Investment Contracts

P&C INSURANCE

EURm	2008	2007
Change in unearned premium provision	-12	-43
Reinsurers' share	-2	0
Change in unearned premium provision, net	-14	-43

LIFE INSURANCE

EURm	2008	2007
Insurance contracts		
Life insurance		
Contracts with discretionary participation feature (DPF)	114	90
Other contracts	-1	0
Unit-linked contracts	301	-190
Total	414	-100
Pension insurance		
Contracts with discretionary participation feature (DPF)	88	50
Other contracts	0	-1
Unit-linked contracts	171	-128
Total	259	-79
Assumed reinsurance	1	1
Insurance contracts total, gross	675	-178
Reinsurers' share	0	0
Insurance contracts total, net	675	-177
Investment contracts		
Capital redemption policy		
Contracts with discretionary participation feature (DPF)	42	33
Unit-linked contracts	-36	0
Investment contracts, total	6	32
Change in liabilities for insurance and investment contracts in total, gross	681	-145
Change in liabilities for insurance and investment contracts in total, net	681	-145
Group, total	667	-188

5 Staff Costs

P&C INSURANCE		
EURm	2008	2007
Staff costs		
Wages and salaries	-328	-311
Equity-settled share-based payments	-1	-1
Cash-settled share-based payments	-1	-1
Pension costs		
- defined contribution plans	-45	-39
- defined benefit plans (Note 28)	-21	-27
Other social security costs	-64	-62
P&C insurance, total	-460	-441
LIFE INSURANCE		
EURm	2008	2007
Staff costs		
Wages and salaries	-18	-16
Equity-settled share-based payments	0	0
Cash-settled share-based payments	0	0
Pension costs – defined contribution plans	-3	-2
Other social security costs	-1	-2
Life insurance, total	-23	-20
HOLDING		
EURm	2008	2007
Staff costs		
Wages and salaries	-7	-7
Equity-settled share-based payments	-2	-5
Cash-settled share-based payments	0	0
Pension costs – defined contribution plans	-2	-6
Other social security costs	-1	-1
Holding, total	-11	-18
Group, total	-494	-479

More information on share-based payments in note 31 'Incentive schemes'.

6 Other Operating Expenses

P&C INSURANCE

EURm	2008	2007
IT costs	-20	-50
Other staff costs	-17	-17
Marketing expenses	-41	-45
Depreciation and amortisation	-20	-32
Rental expenses	-49	-48
Change in deferred acquisition costs	10	7
Direct insurance commissions	-137	-130
Commissions on reinsurance ceded	20	19
Other	-219	-197
P&C insurance, total	-473	-493

LIFE INSURANCE

EURm	2008	2007
IT costs	-12	-10
Other staff costs	-1	-1
Marketing expenses	-4	-3
Depreciation and amortisation	-3	-2
Rental expenses	-3	-2
Direct insurance commissions	-9	-13
Commissions of reinsurance assumed	-1	-1
Commissions on reinsurance ceded	1	1
Other	-20	-20
Life insurance, total	-51	-50

Item Other for P&C and Life Insurance includes e.g. expenses related to communication, external services and other administrative expenses.

HOLDING

EURm	2008	2007
IT costs	-1	-2
Other staff costs	0	0
Marketing expenses	-1	-1
Depreciation and amortisation	-1	-2
Rental expenses	-3	-2
Other	-7	-19
Holding, total	-13	-26

Item Other includes e.g. consultancy fees and rental and other administrative expenses.

Elimination items between segments	4	11
Group, total	-532	-558

7 Result Analysis of P&C Insurance

EURm	2008	2007
Insurance premiums earned	3,807	3,797
Claims incurred	-2,834	-2,788
Operating expenses	-662	-653
Other insurance technical income and expense	4	5
Allocated investment return transferred from the non-technical account	233	205
Technical result	548	565
Net investment income	299	238
Allocated investment return transferred to the technical account	-293	-261
Other income and expense	-5	-8
Operating result	549	534
Specification of activity-based operating expenses included in the income statement		
EURm	2008	2007
Claims-adjustment expenses (Claims paid)	-242	-247
Acquisition expenses (Operating expenses)	-434	-436
Joint administrative expenses for insurance business (Operating expenses)	-259	-243
Administrative expenses pertaining to other technical operations (Operating expenses)	-22	-25
Asset management costs (Investment expenses)	-12	-10
Total	-968	-961

8 Performance Analysis per Class of P&C Insurance

EURm	Accident and health	Motor, third party liability	Motor, other classes	Marine, air and transport	Fire and other damage to property	Third party liability	Credit insurance
Premiums written, gross							
2008	568	680	1,086	145	1,205	168	2
2007	562	723	1,068	144	1,198	184	3
Premiums earned, gross							
2008	555	687	1,086	145	1,196	176	2
2007	561	747	1,015	142	1,197	184	2
Claims incurred, gross ¹⁾							
2008	-404	-597	-753	-103	-805	-106	-1
2007	-460	-642	-699	-97	-747	-79	0
Operating expenses, gross ²⁾							
2008	-98	-145	-171	-23	-193	-31	0
2007	-92	-151	-154	-20	-200	-29	0
Profit/loss from ceded reinsurance							
2008	-3	0	-2	-10	-83	-35	0
2007	13	-1	-3	-10	-96	-31	0
Technical result before investment return							
2008	49	-55	159	9	115	3	1
2007	23	-46	159	16	153	45	2

EURm	Legal expenses	Other	Total direct insurance	Reinsurance assumed	Elimination	Total
Premiums written, gross						
2008	17	104	3,974	90	-7	4,057
2007	16	108	4,006	85	-5	4,085
Premiums earned, gross						
2008	17	103	3,966	85	-6	4,045
2007	16	104	3,967	80	-5	4,042
Claims incurred, gross ¹⁾						
2008	-12	-87	-2,868	-85	2	-2,951
2007	-11	-100	-2,834	-75	2	-2,907
Operating expenses, gross ²⁾						
2008	-2	-4	-668	-12	2	-678
2007	-2	-8	-657	-11	0	-668
Profit/loss from ceded reinsurance						
2008	0	2	-132	25	5	-101
2007	0	16	-111	0	4	-107
Technical result before investment return						
2008	3	14	298	14	2	315
2007	3	12	365	-5	0	360

¹⁾ Activity-based operating costs EURm 242 (247) have been allocated to claims incurred.

²⁾ Includes other technical income EURm 26 (29) and other technical expenses EURm 22 (25).

9 Earnings per Share

EURm	2008	2007
Basic earnings per share		
Profit or loss attributable to the equity holders of the parent company/continuing operations	675	720
Profit or loss attributable to the equity holders of the parent company/discontinued operations	-	2,852
Weighted average number of shares outstanding during the period	569	578
Basic earnings per share (EUR per share)/continuing operations	1.18	1.25
Basic earnings per share (EUR per share)/discontinued operations	-	4.94
Diluted earnings per share	-	-

10 Financial Assets and Liabilities

Financial assets and liabilities have been categorised in accordance with IAS 39.9. In the table are also included interest income and expenses, realised and unrealised gains and losses recognised in P/L, impairment losses and dividend income arising from those assets and liabilities. The financial assets in the table include balance sheet items 'Financial assets', 'Investments related to unit-linked contracts' and 'Cash and cash equivalents'.

EURm	Carrying amount	Interest inc./exp.	2008 Gains/ losses	Impairment losses	Dividend income
FINANCIAL ASSETS					
Financial assets at fair value through p/l					
Derivative financial instruments	470	4	152	-	-
Financial assets designated as at fair value through p/l	2,033	91	-696	-	4
Investments held-to-maturity	1	0	-	-	-
Loans and receivables	472	37	-8	-	-
Financial assets available-for-sale	15,265	615	-17	-87	243
Financial assets, group total	18,241	748	-569	-87	247
FINANCIAL LIABILITIES					
Financial liabilities at fair value through p/l					
Derivative financial instruments	255	-			
Other financial liabilities	1,014	-66			
Financial liabilities, group total	1,269	-66			
EURm	Carrying amount	Interest inc./exp.	2007 Gains/ losses	Impairment losses	Dividend income
FINANCIAL ASSETS					
Financial assets at fair value through p/l					
Derivative financial instruments	193	-	70	-	-
Financial assets designated as at fair value through p/l	11,402	370	-146	-	86
Investments held-to-maturity	8	1	-	-	-
Loans and receivables	964	35	-3	-	-
Financial assets available-for-sale	10,038	257	-25	-10	151
Financial assets, group total	22,605	662	-104	-10	238
FINANCIAL LIABILITIES					
Financial liabilities at fair value through p/l					
Derivative financial instruments	91	-			
Other financial liabilities	1,011	-67			
Financial liabilities, group total	1,102	-67			

{ Notes to the Balance Sheet }

II Property, Plant and Equipment

	2008		2007			
EURm	Equipment	Equipment	Equipment	Equipment		
P&C INSURANCE						
At 1 January						
Cost	117			105		
Accumulated depreciation	-88			-78		
Net carrying amount at 1 January	29			28		
Opening net carrying amount at 1 January	29			28		
Additions	11			14		
Disposals	-1			-1		
Depreciation	-11			-11		
Exchange differences	-1			0		
Closing net carrying amount at 31 December	27			29		
At 31 December						
Cost	126			117		
Accumulated depreciation	-100			-88		
Net carrying amount at 31 December	27			29		
LIFE INSURANCE						
	2008			2007		
EURm	Land and buildings	Equipment	Total	Land and buildings	Equipment	Total
At 1 January						
Cost	4	5	10	4	5	9
Accumulated depreciation	0	-4	-4	0	-4	-4
Net carrying amount at 1 January	4	1	5	4	1	5
Opening net carrying amount at 1 January	4	1	5	4	1	5
Additions	-	0	0	-	1	1
Disposals	-	0	0	-	0	0
Depreciation	0	0	-1	0	0	0
Closing net carrying amount at 31 December	4	1	5	4	1	5
At 31 December						
Cost	4	6	10	4	5	10
Accumulated depreciation	0	-4	-5	0	-4	-4
Net carrying amount at 31 December	4	1	5	4	1	5
HOLDING						
	2008			2007		
EURm	Land and buildings	Equipment	Total	Land and buildings	Equipment	Total
At 1 January						
Cost	2	5	7	15	11	26
Accumulated depreciation	-1	0	-1	-1	-6	-7
Accumulated impairment losses	0	-	0	-1	-	-1
Net carrying amount at 1 January	1	4	6	13	5	18
Opening net carrying amount at 1 January	1	4	6	13	5	18
Additions	0	0	0	-	2	2
Disposals	-	-	0	-	-2	-2
Transfer from owner-occupied to investment properties	-	-	-	-12	-	-12
Depreciation	0	0	0	0	-1	-1
Closing net carrying amount at 31 December	1	4	5	1	4	6
At 31 December						
Cost	2	5	7	2	5	7
Accumulated depreciation	-1	-1	-2	-1	0	-1
Accumulated impairment losses	0	-	0	0	-	0
Net carrying amount at 31 December	1	4	5	1	4	6
EURm	2008		2007			
Group, total	38		40			

Equipment in different segments comprise IT equipment and furniture.

12 Investment Property

P&C INSURANCE

EURm	2008	2007
At 1 January		
Cost	56	61
Accumulated depreciation	-4	-3
Accumulated impairment losses	-11	-17
Net carrying amount at 1 January	41	41
Opening net carrying amount at 1 January	41	41
Additions	1	0
Disposals	-25	-5
Depreciation	-1	-1
Impairment losses	0	-1
Reversal of impairment losses	10	7
Exchange differences	1	0
Closing net carrying amount at 31 December	28	41
At 31 December		
Cost	33	56
Accumulated depreciation	-5	-4
Accumulated impairment losses	-1	-11
Net carrying amount at 31 December	28	41
Rental income from investment property	2	3
Property rented out under operating lease		
Non-cancellable minimum rental		
- not later than one year	1	1
- later than one year and not later than five years	1	1
Total	2	3
Expenses arising from investment property		
- direct operating expenses arising from investment property generating rental income during the period	-1	-1
- direct operating expenses arising from investment property not generating rental income during the period	-1	-0
Total	-2	-1
Fair value of investment property at 31 December	24	44

LIFE INSURANCE

EURm	2008	2007
At 1 January		
Cost	157	163
Accumulated depreciation	-35	-35
Accumulated impairment losses	-17	-19
Net carrying amount at 1 January	105	110
Opening net carrying amount at 1 January	105	110
Additions	1	1
Disposals	-4	-4
Depreciation	-3	-3
Impairment losses	1	1
Closing net carrying amount at 31 December	100	105
At 31 December		
Cost	154	157
Accumulated depreciation	-38	-35
Accumulated impairment losses	-16	-17
Net carrying amount at 31 December	100	105
Rental income from investment property	17	15
Property rented out under operating lease		
Non-cancellable minimum rental		
- not later than one year	8	10
- later than one year and not later than five years	6	11
- later than five years	5	14
Total	20	34
Total rental recognised as income during the financial period	0	0
Expenses arising from investment property		
- direct operating expenses arising from investment property generating rental income during the period	-7	-8
- direct operating expenses arising from investment property not generating rental income during the period	0	-0
Total	-7	-8
Fair value of investment property at 31 December	118	122

HOLDING	2008	2007
EURm		
At 1 January		
Cost	29	38
Accumulated depreciation	0	-1
Accumulated impairment losses	-17	-18
Net carrying amount at 1 January	12	19
Opening net carrying amount at 1 January	12	19
Additions resulting from subsequent expenditure recognised as an asset	-	0
Disposals	-2	-20
Depreciation	0	0
Reversal of impairment losses	-	1
Transfer from owner-occupied to investment properties	-	12
Closing net carrying amount at 31 December	10	12
At 31 December		
Cost	27	29
Accumulated depreciation	0	0
Accumulated impairment losses	-17	-17
Net carrying amount at 31 December	10	12
Rental income from investment property	2	2
Property rented out under operating lease		
Non-cancellable minimum rental		
- not later than one year	1	1
- later than one year and not later than five years	0	2
Total	2	3
Expenses arising from investment property		
- direct operating expenses arising from investment property generating rental income during the period	0	1
- direct operating expenses arising from investment property not generating rental income during the period	1	1
Total	1	1
Fair value of investment property at 31 December	14	13
Group, total	138	158

Fair values for the Group's investment property are entirely determined by the Group based on the market evidence.

The premises in investment property for different segments are leased on market-based, irrevocable contracts. The lengths of the contracts vary from those for the time being to those for several years.

13 Intangible Assets

		2008			
P&C INSURANCE				Other	
EURm		Goodwill	Customer relations	intangible assets	Total
At 1 January					
Cost		530	47	99	676
Accumulated amortisation		-	-26	-96	-122
Net carrying amount at 1 January		530	21	3	554
Opening net carrying amount at 1 January					
Exchange differences		-69	-1	0	-70
Additions					
Acquired separately		-	-	3	3
Acquired through business combinations		19	-	-	19
Disposals					
Amortisation		-	-8	-2	-9
Closing net carrying amount at 31 December		479	13	4	495
At 31 December					
Cost		479	47	101	627
Accumulated amortisation		-	-34	-98	-132
Net carrying amount 31 December		479	13	4	495
		2007			
P&C INSURANCE				Other	
EURm		Goodwill	Customer relations	intangible assets	Total
At 1 January					
Cost		549	47	106	703
Accumulated amortisation		-	-18	-93	-111
Net carrying amount at 1 January		549	29	13	592
Opening net carrying amount at 1 January					
Exchange differences		-19	-	-0	-20
Additions					
Disposals		-	-	1	1
Amortisation					
Amortisation		-	-9	-3	-12
Closing net carrying amount at 31 December		530	21	3	554
At 31 December					
Cost		530	47	99	676
Accumulated amortisation		-	-26	-96	-122
Net carrying amount at 31 December		530	21	3	554

The intangible asset allocated to customer relations arose from acquisition of If in 2004, when a part of the acquisition cost was allocated to insurance contracts of If Group. The item is amortised on a straight-line basis over 6 years.

In other intangible assets for 2007, the disposal of EURm 9 is the scrapping of IT software used in If P&C Insurance Company Ltd. The scrapping will reduce amortisation expense over the next four years about EURm 1–2 per year.

TESTING GOODWILL FOR IMPAIRMENT

Goodwill is tested for impairment in accordance with IAS 36 *Impairment of assets*. No impairment losses have been recognised based on these tests.

For the purpose of testing goodwill for impairment, Sampo determines the recoverable amount of its cash-generating units, to which goodwill has been allocated, on the basis of value in use. Sampo has defined these cash-generating units as If Group and Mandatum Life.

The recoverable amounts for If have been determined by using a discounted cash flow model. The model is based on Sampo's management's best estimates of both historical evidence and economic conditions such as volumes, margins, income and cost development. The value in use model for Mandatum Life has been fundamentally based on the embedded value model where the cash flow estimates for existing policies are based on budgets approved by the management and on historical evidence in terms of policy surrendering, death and accident frequencies etc. The derived cash flows for If were discounted at the pre-tax rates of 11.3 per cent. For Mandatum Life, the weighted average cost of capital of 11.1 per cent has been used for the discounting.

Forecasts for If, approved by the management, cover years 2009–2011. The cash flows beyond that have been extrapolated using a 3% growth rate. A 2% growth rate for years beyond 2008 has been used for the markets where Mandatum Life operates.

Management believes that any reasonably possible change in any of these key assumptions would not cause the aggregate carrying amount to exceed the aggregate recoverable amount.

14 Investments in Associates

EURm	2008	2007
At beginning of year	9	16
Share of loss/profit	1	3
Additions	-	2
Disposals	-4	-13
Exchange differences	0	0
At end of year	5	9

ASSOCIATES THAT HAVE BEEN ACCOUNTED FOR BY THE EQUITY METHOD AT 31 DEC. 2008

EURm	Carrying amount	Fair value ^{*)}	Interest held %	Assets/liabilities	Revenue	Profit/loss
Name						
Henkivakuutusosakeyhtiö Retro	1		24.21	37/32	4	2
Autovahinkokeskus Oy	2		35.54	7/2	7	1
Vahinkopalvelu Oy	0		20.00	1/0	3	0

ASSOCIATES NOT ACCOUNTED FOR BY THE EQUITY METHOD AT 31 DEC. 2008^{**)}

EURm	Assets/liabilities	Revenue	Profit/loss
Name			
Consulting AB Lennemark & Andersson	8/5	10	1
Euro-Center Holding A/S	5/3	10	1

ASSOCIATES THAT HAVE BEEN ACCOUNTED FOR BY THE EQUITY METHOD AT 31 DEC. 2007

EURm	Carrying amount	Fair value ^{*)}	Interest held %	Assets/liabilities	Revenue	Profit/loss
Name						
Henkivakuutusosakeyhtiö Retro	1		24.21	39/35	3	1
Autovahinkokeskus Oy	1		35.54	6/2	5	0
Netwheels Oy	1		20.06	3/0	3	1
Vahinkopalvelu Oy	0		20.00	1/0	3	0
Primasoft Oy	3		20.00	55/42	62	5

ASSOCIATES NOT ACCOUNTED FOR BY THE EQUITY METHOD AT 31 DEC. 2007^{**)}

EURm	Assets/liabilities	Revenue	Profit/loss
Name			
Consulting AB Lennemark & Andersson	8/5	11	1
Euro-Alarm A/S	4/3	10	0

^{*)} If there is a published price quotation.

^{**)} Excluded from accounting for by the equity method because of their immaterial effect on consolidated figures.

15 Financial Assets

Group's financial assets comprise investments in derivatives, financial assets designated as at fair value through p/l, held-to-maturity investments, loans and receivables, available-for-sale financial assets and investments in subsidiaries. The Holding segment includes also investments in subsidiaries.

The Group uses derivative instruments for trading and for hedging purposes. The derivatives used are foreign exchange, interest rate and equity derivatives. Derivatives held for trading relate primarily to customer business and, to a lesser degree to proprietary trading. In P&C insurance business derivatives are used for hedging interest rate risk and foreign exchange risk, but hedge accounting is not applied. In Life insurance, both fair value and cash flow hedging has been applied during the financial year 2008.

P&C INSURANCE	2008	2007
EURm		
Derivative financial instruments	362	182
Financial assets designated as at fair value through p/l	355	9,283
Loans and receivables	1	2
Financial assets available-for-sale	8,155	-
P&C insurance, total	8,874	9,467

LIFE INSURANCE	2008	2007
EURm		
Derivative financial instruments	108	10
Financial assets designated as at fair value through p/l	41	47
Investments held-to-maturity	1	8
Loans and receivables	5	4
Financial assets available-for-sale	4,348	5,387
Life insurance, total	4,503	5,456

HOLDING	2008	2007
EURm		
Derivative financial instruments	1	1
Financial assets available-for-sale	2,890	4,781
Investments in subsidiaries	2,370	2,370
Holding, total	5,260	7,151
Elimination items between segments	-2,498	-2,499
Group, total	16,139	19,575

P&C INSURANCE	2008			2007		
Derivative financial instruments	Contract/ notional amount	Fair value		Contract/ notional amount	Fair value	
EURm		Assets	Liabilities		Assets	Liabilities
Derivatives held for trading						
Interest rate derivatives						
OTC derivatives						
Interest rate swaps	23	19	4	-	-	-
Interest forwards	-	-	-	40	0	-
Exchange traded derivatives						
Interest rate futures	55	0	0	6,322	23	7
Interest rate options, bought and sold	-	-	-	5	0	0
Total interest rate derivatives	78	19	4	6,327	23	7
Foreign exchange derivatives						
OTC derivatives						
Currency forwards	4,930	342	247	5,398	157	81
Currency options, bought and sold	47	0	1	565	1	1
Total foreign exchange derivatives	4,977	343	247	5,963	159	82

EURm	Contract/ notional amount	2008 Fair value		Contract/ notional amount	2007 Fair value	
		Assets	Liabilities		Assets	Liabilities
Equity derivatives						
Exchange traded derivatives	-	-	-	1	-	0
Equity and equity index options	-	-	-	67	0	-
Equity index futures	-	-	-	1	0	0
Total equity derivatives	-	-	-	1	0	0
Total derivatives	5,055	362	251	12,292	182	90
Other financial assets						
EURm					2008	2007
Financial assets designated as at fair value through p/l						
Debt securities						
- Government bonds					122	3,564
- Other debt securities					211	4,708
Total debt securities					333	8,272
Listed debt securities EURm 290 (8,272).						
Equity securities						
- Listed					19	1,009
- Unlisted					1	2
Total					20	1,011
Total financial assets designated as at fair value through p/l					354	9,283
Loans and receivables						
Deposits with ceding undertakings					1	2
Financial assets available-for-sale						
Debt securities						
- Government bonds					2,038	-
- Other debt securities					5,633	-
Total debt securities					7,671	-
Listed debt securities EURm 7,278 (-).						
Equity securities						
- Listed					417	-
- Unlisted					69	-
Total					486	-
Total financial assets available-for-sale					8,157	-
Financial assets available-for-sale for P&C insurance include impairment losses EURm 85 (-).						
P&C Insurance, total financial assets					8,874	9,467

LIFE INSURANCE	Contract/ notional amount	2008		Contract/ notional amount	2007	
		Fair value			Fair value	
		Assets	Liabilities		Assets	Liabilities
Derivative financial instruments						
EURm						
Derivatives held for trading						
Interest rate derivatives						
OTC derivatives						
Interest options, bought and sold	-	-	-	50	1	0
Interest rate swaps	1,062	55	0	-	0	-
Total	1,062	55	0	50	1	0
Exchange traded derivatives						
Interest futures	-	-	-	200	0	-
Interest options, bought and sold	-	-	-	225	0	0
Total	-	-	-	425	1	0
Total interest rate derivatives	1,062	55	0	475	1	0
Foreign exchange derivatives						
OTC derivatives						
Currency forwards	459	17	1	489	6	1
Currency options, bought and sold	126	2	3	52	0	0
Total foreign exchange derivatives	585	19	4	541	7	1
Equity derivatives						
Exchange traded derivatives						
Equity forwards	-	-	-	20	1	-
Equity and equity index options	-	-	-	39	2	0
Total equity derivatives	0	0	0	59	2	0
Total derivatives held for trading	1,647	74	4	1,075	10	1
Derivatives held for hedging						
Fair value hedges						
Currency forwards	226	16	0	-	-	-
Cash flow hedges						
Interest rate swaps	829	19	0	-	-	-
Total derivatives held for hedging	1,055	35	0	-	-	-
Total derivatives	2,702	108	4	1,075	10	1

FAIR VALUE HEDGES

Fair value hedging is used to hedge a proportion of foreign exchange risk in available-for-sale financial assets. The aim is to eliminate the risk of fluctuations in the fair values of the hedged items as a result of changes in foreign exchange rates.

Net gains on foreign exchange contracts designated as fair value hedges during 2008 amounted to EURm 16. Net losses on available-for-sale financial assets hedged in the fair value hedges during 2008 amounted to EURm 17.

CASH FLOW HEDGES

Cash flow hedges have been used to hedge future interest payments resulting from floating rate interest-bearing assets. The hedged items designated are interest payments from EUR denominated bonds. The effectiveness of the hedging relationships is assessed prospectively using the critical terms match method. An effectiveness test is carried out retrospectively using the hypothetical swap method.

The total amount of gains recognised in equity from the changes in the fair values of hedging instruments was EURm 15 at 31 Dec. 2008. These gains are recognised in the income statement at the time when the hedged items affect profit or loss, depicted in the table below. Any ineffectiveness was recognised in the income statement.

	Total	Up to 1 year	1-2 years	2-3 years	3-5 years
Receivable cash flows (forecast)	48	22	16	8	2
Payable cash flows (forecast)	-31	-16	-8	-5	-2
Net	18	6	8	3	1

Other financial assets EURm	2008	2007
Financial assets designated as at fair value through p/l		
Debt securities		
Issued by public bodies	12	9
Government bonds	10	6
Other	1	4
Certificates of deposit issued by banks	14	3
Other debt securities	15	29
Total debt securities	40	42
Listed debt securities EURm 11 (14).		
Equity securities		
- Listed	1	0
- Unlisted	0	5
Total	1	5
Total financial assets designated as at fair value through p/l	41	47
Investments held-to-maturity		
Debt securities		
Debt securities issued by other than public bodies	1	8
Listed debt securities EURm 0 (0).		
EURm	2008	2007
Loans and receivables		
Deposits	0	2
Deposits with ceding undertakings	2	2
Loans	4	0
Total loans and receivables	5	4
Financial assets available-for-sale		
Debt securities		
Issued by public bodies	105	1,238
Government bonds	105	1,238
Other	0	0
Issued by banks	1,853	1,906
Other debt securities	1,215	535
Total debt securities	3,173	3,679
Listed debt securities EURm 3,138 (3,650).		
Equity securities		
- Listed	818	1,390
- Unlisted	357	317
Total	1,175	1,707
Total financial assets available-for-sale	4,348	5,387
Financial assets available-for-sale for life insurance include impairment losses EURm 43 (47).		
Life insurance, total financial assets	4,503	5,456

Financial assets available for sale / debt securities: Debt securities available for sale include EURm 1,876 investments in bonds and EURm 1,297 investments in money market instruments.

Financial assets available for sale / shares and participations: Listed equity securities include EURm 370 quoted shares. Unlisted equity securities include EURm 318 investments in capital trusts.

HOLDING	Contract/ notional amount	2008		Contract/ notional amount	2007	
		Fair value			Fair value	
Derivative financial instruments		Assets	Liabilities		Assets	Liabilities
EURm						
Derivatives held for trading						
Equity derivatives						
Exchange traded derivatives						
Equity options	-	-	-	4	0	0
Exchange derivatives						
OTC derivatives						
Currency forwards	70	0	0	-	-	-
Total derivatives	70	0	0	4	0	0
Other financial assets						
EURm					2008	2007
Loans and receivables						
Deposits					1	1
Financial assets available-for-sale						
Debt securities						
Certificates of deposit issued by banks					994	1,766
Other debt securities					190	257
Total debt securities					1,184	2,023
Listed debt securities EURm 1,084 (1,923).						
Equity securities						
- Listed					1,670	2,719
- Unlisted					35	39
Total					1,705	2,758
Total financial assets available-for-sale					2,890	4,781
Financial assets available-for-sale for Holding business include impairment losses EURm 3 (2).						
Investments in subsidiaries					2,370	2,370
Holding, total financial assets					5,260	7,151
Elimination items between segments					-2,498	-2,499
Group, total					16,139	19,575

16 Fair Values

EURm	2008		2007	
	Fair value	Carrying amount	Fair value	Carrying amount
Financial assets, group				
Financial assets	16,139	16,139	19,575	19,575
Investments related to unit-linked contracts	1,637	1,637	2,072	2,072
Other assets	205	205	7	7
Cash and cash equivalents	465	465	958	958
Total	18,446	18,446	22,613	22,613
Financial liabilities, group				
Financial liabilities	1,263	1,269	1,104	1,102
Other liabilities	183	183	14	14
Total	1,446	1,453	1,119	1,116

In the table above are presented fair values and carrying amounts of financial assets and liabilities. The detailed measurement bases of financial assets and liabilities are disclosed in Group Accounting policies.

The fair value of investment securities is assessed using quoted prices in active markets. If published price quotations are not available, the fair value is assessed using discounting method. Values for the discount rates are taken from the market's yield curve.

The fair value of the derivative instruments is assessed using quoted market prices in active markets, discounting method or option pricing models.

The fair value of loans and other financial instruments which have no quoted price in active markets is based on discounted cash flows, using quoted market rates. The market's yield curve is adjusted by other components of the instrument, e.g. by credit risk.

The fair value for short-term non-interest-bearing receivables and payables is their carrying amount.

Disclosed fair values are 'clean' fair values, i.e. full fair value less interest accruals.

17 Investments Related to Unit-linked Insurance Contracts

LIFE INSURANCE

EURm	2008	2007
Financial assets designated at fair value through p/l		
Debt securities		
Issued by public bodies	1	5
Government bonds	1	5
Other	0	0
Certificates of deposit issued by banks	107	65
Other debt securities	13	5
Total	121	75
Listed debt securities EURm 121 (75).		
Equity securities		
- Listed	1,477	1,918
- Unlisted	0	79
Total	1,477	1,997
Total financial assets designated at fair value through p/l	38	-
Other	1	0
Investment related to unit-linked contracts, total	1,637	2,072

The historical cost of the equity securities related to unit-linked contracts was EURm 1,669 (1,665) and that of the debt securities EURm 130 (81).

18 Deferred Tax Assets and Liabilities

CHANGES IN DEFERRED TAX DURING THE FINANCIAL PERIOD 2008

EURm	1.1.	Recognised in p/l	Recognised in equity	Exchange differences	31.12.
Deferred tax assets					
Tax losses carried forward	0	0	63	0	63
Changes in fair values	0	0	1	0	1
Employee benefits	39	-1	0	-5	32
Other deductible temporary differences	50	-21	0	-5	24
Total deferred tax assets	89	-23	64	-10	120
Netting of deferred taxes					92
Deferred tax assets in the balance sheet					212
Deferred tax liabilities					
Depreciation differences and untaxed reserves	359	6	1	-32	334
Changes in fair values	161	88	-257	-1	-8
Other taxable temporary differences	11	9	0	-3	17
Total	531	103	-255	-36	342
Netting of deferred taxes					92
Total deferred tax liabilities					435
Other tax liabilities					7
Total deferred tax liabilities in the balance sheet					441

In P&C Insurance, EURm 1 of deferred tax asset has not been recognised on unused tax losses and temporary differences.

CHANGES IN DEFERRED TAX DURING THE FINANCIAL PERIOD 2007

EURm	1.1.	Recognised in p/l	Recognised in equity	Exchange differences	31.12.
Deferred tax assets					
Tax losses carried forward	17	-17	-	0	0
Changes in fair values	0	0	0	0	0
Employee benefits	47	-8	-	-1	39
Other deductible temporary differences	72	-19	-	-3	50
Total deferred tax assets	137	-45	0	-3	89
Deferred tax liabilities					
Depreciation differences and untaxed reserves	338	23	-	-3	359
Changes in fair values	257	-35	-59	-2	161
Other taxable temporary differences	9	-3	-	4	11
Total	605	-14	-59	-1	531
Other tax liabilities					31
Total deferred tax liabilities					562

19 Taxes

EURm	2008	2007
Profit before tax from continuing operations	870	974
Tax calculated at parent company's tax rate	-226	-253
Different tax rates on overseas earnings	-5	-7
Income not subject to tax	140	202
Expenses not allowable for tax purposes	-8	-13
Consolidation procedures and eliminations	-118	-188
Tax losses for which no deferred tax asset has been recognised	-3	0
Changes in tax rates	6	-
Tax from previous years	19	5
Total tax for continuing operations	-195	-254
Tax for discontinued operations	-	-6
Total	-195	-260

20 Other Assets

P&C INSURANCE

EURm	2008	2007
Interests	139	137
Assets arising from direct insurance operations	767	845
Assets arising from reinsurance operations	44	40
Settlement receivables	17	2
Deferred acquisition costs ¹⁾	99	103
Assets related to Patient Insurance Pool	60	58
Other	49	38
P&C insurance, total	1,176	1,224

Other assets include non-current assets EURm 50 (48).

Item Other comprise rental deposits, salary and travel advancements and assets held for resale.

1) CHANGE IN DEFERRED ACQUISITION COSTS IN THE PERIOD

EURm	2008	2007
At 1 January	103	96
Net change in the period	10	6
Exchange differences	-14	1
At 31 December	99	103

LIFE INSURANCE

EURm	2008	2007
Interests	53	31
Receivables from policyholders	4	5
Assets arising from reinsurance operations	1	1
Settlement receivables	187	5
Other	25	24
Life insurance, total	270	66

Item Other comprise e.g. receivables from the employees' group life insurance pool, pensions paid in advance and receivables from co-operations companies.

HOLDING		
EURm	2008	2007
Interests	12	11
Other	42	43
Holding, total	54	54
Item Other includes e.g.VAT receivable from Primasoft Oy (see Sampo plc's Note 24) and asset management fee receivables.		
Elimination items between segments	-27	-29
Group, total	1,473	1,316

21 Cash and Cash Equivalents

P&C INSURANCE		
EURm	2008	2007
Cash at bank and in hand	149	163
Short-term deposits (max 3 months)	110	474
P&C insurance, total	259	637

LIFE INSURANCE		
EURm		
Cash at bank and in hand	16	10
Short-term deposits (max 3 months)	155	84
P&C insurance, total	171	93

HOLDING		
EURm		
Cash	11	12
Short-term deposits (max 3 months)	24	217
Holding, total	35	229
Group, total	465	958

Cash and cash equivalents above equal those used in the statement of cash flows.

22 Liabilities from Insurance and Investment Contracts

P&C INSURANCE

Change in insurance liabilities

EURm	2008			2007		
	Gross	Ceded	Net	Gross	Ceded	Net
Provision for unearned premiums						
At 1 January	1,691	55	1,636	1,640	56	1,584
Insurance holdings acquired	13	2	11	-	-	-
Transfer to other debtors	-9	-	-9	-	-	-
Exchange differences	-184	-2	-183	9	-1	10
Change in provision	10	-2	12	42	0	42
At 31 December	1,521	54	1,467	1,691	55	1,636

EURm	2008			2007		
	Gross	Ceded	Net	Gross	Ceded	Net
Provision for claims outstanding						
At 1 January	6,835	429	6,406	6,606	465	6,141
Unwinding of discount	53	-	53	55	-	-
Insurance holdings acquired	4	2	3	-	-	0
Insurance holdings sold	-13	-1	-12	-30	-17	-
Exchange differences	-625	-48	-577	-62	-4	-58
Change in provision	113	-5	117	266	-15	281
At 31 December	6,367	377	5,990	6,835	429	6,406

Liabilities from insurance contracts

	2008	2007
Provision for unearned premiums	1,521	1,691
Provision for claims outstanding	6,367	6,835
Incurred and reported losses	1,756	1,944
Incurred but not reported losses (IBNR)	2,944	3,197
Provisions for claims-adjustment costs	212	227
Provisions for annuities and sickness benefits	1,455	1,467
P&C insurance total	7,889	8,527
Reinsurers' share		
Provision for unearned premiums	54	55
Provision for claims outstanding	377	429
Incurred and reported losses	221	229
Incurred but not reported losses (IBNR)	156	200
Total reinsurers' share	431	484

As the P&C Insurance is exposed to various exchange rates, comparing the balance sheet data from year to year can be misleading. However, all exchange effects have been excluded from the income statement. The exchange effect on technical provisions for own account between 2007 and 2008 amounted to a net increase of EURm 343 (222).

CLAIMS COST TREND OF P&C INSURANCE

The tables below show the cost trend for the claims for different years. The upper part of the tables shows how an estimate of the total claims costs per claims year evolves annually. The lower section shows how large a share of this is presented in the balance sheet.

Claims costs before reinsurance

ESTIMATED CLAIMS COST

EURm	> 2002	2003	2004	2005	2006	2007	2008	Total
At the close of the claims year	4,473	2,246	2,200	2,336	2,347	2,416	2,532	
One year later	4,673	2,211	2,168	2,288	2,329	2,410		
Two years later	4,750	2,146	2,112	2,239	2,305			
Three years later	4,817	2,139	2,109	2,215				
Four years later	4,895	2,122	2,095					
Five years later	4,928	2,105						
Six years later	4,924							
Current estimate of total claims costs	4,924	2,105	2,095	2,215	2,305	2,410	2,532	
Total disbursed	2,520	1,796	1,665	1,734	1,761	1,709	1,264	
Provision reported in the balance sheet	2,404	310	430	481	544	701	1,268	6,139
of which established vested annuities	1,164	59	45	67	73	36	10	1,455
Other provision								17
Provision for claims-adjustment costs								212
Total provision reported in the BS								6,367

Claims costs after reinsurance

ESTIMATED CLAIMS COST

EURm	> 2002	2003	2004	2005	2006	2007	2008	Total
At the close of the claims year	3,944	2,142	2,138	2,208	2,251	2,325	2,424	
One year later	4,139	2,100	2,106	2,154	2,225	2,313		
Two years later	4,225	2,040	2,052	2,106	2,201			
Three years later	4,274	2,032	2,047	2,088				
Four years later	4,339	2,014	2,036					
Five years later	4,367	1,999						
Six years later	4,361							
Current estimate of total claims costs	4,361	1,999	2,036	2,088	2,201	2,313	2,424	
Total disbursed	2,075	1,714	1,625	1,644	1,703	1,662	1,226	
Provision reported in the balance sheet	2,286	285	411	444	498	651	1,198	5,773
of which established vested annuities	1,164	59	45	67	73	36	10	1,455
Other provision								5
Provision for claims-adjustment costs								212
Total provision reported in the BS								5,990

LIFE INSURANCE

Change in liabilities arising from other than unit-linked insurance and investment contracts

EURm	Insurance contracts	Investment contracts	Total
At 1 Jan. 2008	4,515	105	4,621
Premiums	248	0	248
Claims paid	-421	-38	-460
Expense charge	-39	0	-39
Guaranteed interest	158	3	161
Bonuses	25	0	26
Other	-64	-7	-71
At 31 Dec. 2008	4,423	63	4,487
Reinsurers' share	-4	0	-4
Net liability at 31 Dec. 2008	4,419	63	4,482
At 1 Jan. 2007	4,553	138	4,691
Premiums	221	1	221
Claims paid	-402	-36	-437
Expense charge	-40	0	-40
Guaranteed interest	160	4	165
Bonuses	35	1	36
Other	-12	-3	-15
At 31 Dec. 2007	4,515	105	4,621
Reinsurers' share	-5	0	-5
Net liability at 31 Dec. 2007	4,511	105	4,616

Change in liabilities arising from unit-linked insurance and investment contracts

EURm	Insurance contracts	Investment contracts	Total
At 1 Jan. 2008	2,008	63	2,071
Premiums	240	47	287
Claims paid	-181	-12	-193
Expense charge	-26	0	-26
Other	-504	1	-503
At 31 Dec. 2008	1,538	99	1,637
At 1 Jan. 2007	1,690	62	1,752
Premiums	388	15	403
Claims paid	-108	-14	-121
Expense charge	-28	0	-28
Other	65	1	65
At 31 Dec. 2007	2,008	63	2,071

The liabilities at 1 Jan. and at 31 Dec. include the future bonus reserves and the effect of the reserve for the decreased discount rate of individual insurances. The calculation is based on items before reinsurers' share. For more detailed specification of changes in liabilities arising from insurance and investment contracts, see Risk Management.

EURm	2008	2007
Insurance contracts		
Liabilities for contracts with discretionary participation feature (DPF)		
Provision for unearned premiums	2,629	2,843
Provision for claims outstanding	1,777	1,664
Liabilities for contracts without discretionary participation feature (DPF)		
Provision for unearned premiums	13	3
Provision for claims outstanding	0	1
Total	4,419	4,510
Assumed reinsurance		
Provision for unearned premiums	2	3
Provision for claims outstanding	2	2
Total	4	5
Insurance contracts total		
Provision for unearned premiums	2,644	2,849
Provision for claims outstanding	1,779	1,667
Total	4,423	4,515
Investment contracts		
Liabilities for contracts with discretionary participation feature (DPF)		
Provision for unearned premiums	63	105
Liabilities for insurance and investment contracts total		
Provision for unearned premiums	2,707	2,954
Provision for claims outstanding	1,779	1,667
Life insurance total	4,487	4,621
Reinsurers' share		
Provision for unearned premiums	0	-1
Provision for claims outstanding	-4	-4
Total	-4	-5
Investment contracts do not include a provision for claims outstanding. Liability adequacy test does not give rise to supplementary claims. Exemption allowed in IFRS 4 <i>Insurance contracts</i> has been applied to investment contracts with DPF or contracts with a right to trade-off for an investment contract with DPF. These investment contracts have been valued like insurance contracts.		
Group, total	12,375	13,148

23 Liabilities from Unit-linked Insurance and Investment Contracts

LIFE INSURANCE

EURm	2008	2007
Unit-linked insurance contracts	1,538	2,008
Unit-linked investment contracts	99	63
Total	1,637	2,071

24 Financial Liabilities

Financial liabilities in the segments include liabilities from derivatives, debt securities in issue and other financial liabilities.

P&C INSURANCE

EURm	2008	2007
Derivative financial instruments (note 15)	251	90
Debt securities in issue		
Subordinated debt securities		
Subordinated loans		
Euro-denominated loans		
Preferred capital note, 2001	215	219
Preferred capital note, 2002	70	72
Preferred capital note, 2005	149	149
Total subordinated debt securities	435	440
P&C insurance, total financial liabilities	686	530

If P&C Insurance Ltd issued in 2001 EURm 200 preferred capital note. The loan pays fixed interest rate for the first ten years and floating rate interest after that. The loan falls due at the latest March 2021. The loan is listed on the Luxembourg Exchange.

If P&C Insurance Company Ltd issued in 2002 EURm 65 preferred capital note. The loan was wholly subscribed by If Group's owners of that moment. The loan has a maturity of 20 years. It pays fixed interest rate for the first 10 years and the last 10 years floating rate interest. The loan is not listed.

If P&C Insurance issued in June 2005 EURm 150 preferred capital note. The loan is perpetual and pays fixed interest rate for the first ten years. The loan is listed on the Luxembourg Exchange.

LIFE INSURANCE

EURm	2008	2007
Derivative financial instruments (note 15)	4	1
Debt securities in issue		
Subordinated debt securities		
Subordinated loans	100	100
Life insurance, total	104	101

Mandatum Life issued in 2002 EURm 100 Capital Notes. The loan is perpetual and pays floating rate interest. The interest is payable only from distributable capital. The loan is repayable only with the consent of the Insurance Supervisory Authority and at the earliest on 2012 or any interest payment date after that. The loans is wholly subscribed by Sampo plc.

HOLDING		
EURm	2008	2007
Derivative financial instruments (note 15)	0	0
Debt securities in issue		
Subordinated debt securities		
Debentures	597	589
Other financial liabilities		
Other liabilities	6	6
Holding, total	604	596
Elimination items between segments	-125	-125
Group, total	1,269	1,102

25 Provisions

P&C INSURANCE	
EURm	2008
At 1 Jan. 2008	35
Exchange rate differences	-5
Additions	9
Amounts used during the period	-10
Unused amounts reversed during the period	-3
At 31 Dec. 2008	26
Current (less than 1 year)	13
Non-current (more than 1 year)	13
Total	26

The development of efficient administrative and claims-adjustment processes and structural changes in distribution channels result in organisational changes that affect all business areas. The provision consists mainly of funds reserved for future expenses attributable to previously implemented or planned future organisational changes.

26 Employee Benefits

EMPLOYEE BENEFITS

Sampo has defined benefit plans in P&C insurance business in Sweden and Norway.

In addition to statutory retirement pension insurance, the Group has certain voluntary defined benefit plans. The voluntary defined benefit plans are intra-Group and included in the insurance liabilities of Mandatum Life. The amount is negligible and they have no material impact on the Group profit or loss or equity.

EMPLOYEE BENEFIT OBLIGATIONS OF P&C INSURANCE 31 DEC.

EURm	2008	2007	2006	2005	2004
Present value of estimated pension obligation	390	406	405	359	302
Fair value of plan assets	220	255	228	203	178
Net obligation/liability	170	152	177	156	124
Net cumulative unrecognised actuarial gains/losses	-94	-54	-90	-75	-39
Net pension obligation recognised in the balance sheet	76	98	87	81	85
Provision for social security	17	20	22	19	14
Provision for pensions 31 Dec.	92	118	109	100	99

IAS 19 *Employee benefits* is applied in the accounting for the defined benefit plans from the beginning of the financial year 2005.

Pension obligations, and the pension cost accrued during the fiscal period, are calculated using actuarial methods. Earned pension rights are calculated on a straight-line basis during the employment period. The calculation of pension obligations is based on anticipated future pension payments and includes assumptions regarding mortality, employee turnover and salary growth. The nominally calculated liability is discounted to present value using an interest rate based on the current market rate and adjusted to take into account the duration of the company's pension obligations. After deducting plan assets, a net asset or liability is entered in the balance sheet. The net obligation reported in the closing balance pertained to defined-benefit pension plans for employees in Sweden and Norway. The pension benefits arising in the other countries covered by the Group's operations have been classified as defined contribution plans.

The following actuarial assumptions have been used for the calculation of defined benefit pension plans in Sweden and Norway:

	Sweden 31.12.2008	Sweden 31.12.2007	Norway 31.12.2008	Norway 31.12.2007
Discount interest rate	4.00%	4.50%	4.00%	4.75%
Anticipated return	4.00%	5.25%	5.25%	6.00%
Future pay increases	3.25%	3.50%	4.00%	4.25%
Price inflation	2.00%	2.25%	2.50%	2.50%

The expected rate of return on the plan assets has been calculated based on the following division of investment assets:

	Sweden 31.12.2008	Sweden 31.12.2007	Norway 31.12.2008	Norway 31.12.2007
Debt instruments	37%	41%	69%	58%
Equity instruments	47%	43%	5%	28%
Property	11%	10%	17%	14%
Other	5%	6%	9%	-

ANALYSIS OF THE EMPLOYEE BENEFIT OBLIGATION

EURm	2008			2007		
	Funded plans	Unfunded plans	Total	Funded plans	Unfunded plans	Total
Present value of estimated pension obligation	337	53	390	352	55	406
Fair value of plan assets	220	-	220	255	-	255
Net obligation/liability	117	53	170	97	55	152
Net cumulative unrecognised actuarial gains/losses	-86	-8	-94	-53	-1	-54
Net pension obligation recognised in the balance sheet	31	45	76	44	54	98

RECOGNISED IN INCOME STATEMENT

EURm	2008	2007	2006	2005	2004
Current service cost	14	16	18	19	13
Interest cost	18	17	16	19	16
Expected rate of return on plan assets at the beginning of the year	-15	-12	-12	-10	-9
Actuarial gains (-) or losses (+) recognised during the financial year	1	3	2	1	-
Losses (+) or gains (-) on curtailments and settlements	2	3	4	2	7
Past service cost	-	-	4	-3	-
Pension costs	21	27	33	27	26

ANALYSIS OF THE CHANGE IN NET LIABILITY RECOGNISED IN THE BALANCE SHEET

EURm	2008	2007	2006	2005	2004
Pension obligations:					
At the beginning of the year	406	405	359	302	237
Earned during the financial year	14	16	18	19	13
Interest cost	18	17	16	18	16
Actuarial gains or losses	41	-25	18	22	35
Losses or gains on curtailments and settlements	1	2	4	1	7
Release of obligation by payment	-	-2	-	-	-
Cost/return related to past service	-	-	4	-3	-
Exchange differences on foreign plans	-79	5	-6	5	3
Benefits paid	-12	-11	-8	-6	-9
Defined benefit plans at 31 Dec.	390	406	405	359	302
Reconciliation of plan assets:					
At the beginning of the year	255	228	203	178	155
Expected return on assets	13	12	12	10	9
Actuarial gains or losses	-17	5	-1	-6	-7
Contributions	21	17	25	22	28
Used for release of obligations	-	-2	-	-	-
Exchange differences on foreign plans	-44	4	-3	3	2
Benefits paid	-8	-9	-7	-4	-9
Plan assets at 31 Dec.	220	255	228	203	178

OTHER SHORT-TERM EMPLOYEE BENEFITS

There are other short-term staff incentive schemes in the Group, the terms of which vary according to country, business area or company. Benefits are recognised in the profit or loss for the year they arise from. An estimated amount of these profit-sharing bonuses, social security costs included, for 2008 is EURm 27.

27 Other Liabilities

P&C INSURANCE

EURm	2008	2007
Liabilities arising out of direct insurance operations	94	109
Liabilities arising out of reinsurance operations	38	36
Settlement liabilities	0	0
Liabilities related to Patient Insurance Pool	58	55
Prepayments and accrued income	133	155
Other	120	203
P&C insurance, total	444	558

The non-current share of other liabilities is EURm 52 (48).

Item Other includes e.g. withholding taxes, social expenses related to Workers Compensation insurance policies and employee benefits, unpaid premium taxes and other accruals.

LIFE INSURANCE

EURm	2008	2007
Interests	23	10
Liabilities arising out of direct insurance operations	5	-
Liabilities arising out of reinsurance operations	5	5
Settlement liabilities	183	6
Other liabilities	26	25
Life insurance, total	242	46

Item Other includes e.g. liabilities arising from withholding taxes and social security costs, liabilities to creditors and insurance premium advances.

HOLDING

EURm	2008	2007
Interests	19	19
Settlement liabilities	-	8
Other liabilities	54	52
Holding, total	73	79

Item Other includes e.g. liabilities arising from intra-group management fees and unredeemed dividends.

Elimination items between segments	-27	-29
Group, total	732	655

28 Contingent Liabilities and Commitments

P&C INSURANCE		2008	2007
EURm			
Off-balance sheet items			
Guarantees		37	41
Other irrevocable commitments		20	16
Total		57	57
Assets pledged as collateral for liabilities or contingent liabilities			
		2008	2007
		Liabilities/	Liabilities/
EURm	Assets pledged	commitments	Assets pledged
			commitments
Cash at balances at central banks	9	8	12
Investments			
- Investment securities	127	108	276
			102
EURm		2008	2007
Commitments for non-cancellable operating leases			
Minimum lease payments			
not later than one year		32	35
later than one year and not later than five years		89	101
later than five years		90	99
Total		212	236
Lease and sublease payments recognised as an expense in the period			
- minimum lease payments		-39	-38
- sublease payments		0	0
Total		-39	-38

The subsidiaries If P&C Insurance Ltd and If P&C Insurance Company Ltd provide insurance with mutual undertakings within the Nordic Nuclear Insurance Pool and within the Norwegian Natural Perils' Pool.

In connection with the transfer of property and casualty insurance business from the Skandia group to the If Group as of March 1, 1999, If P&C Holding Ltd and If P&C Insurance Ltd issued a guarantee for the benefit of Försäkringsaktiebolaget Skandia (publ.) whereby the aforementioned companies in the If Group mutually guarantee that companies in the Skandia group will be indemnified against any claims or actions due to guarantees or similar commitments made by companies in the Skandia group within the property and casualty insurance business transferred to the If Group.

With respect to certain IT systems that If and Sampo use jointly, If has undertaken to indemnify Sampo for any costs that Sampo may incur in relation to the owner of the systems.

If P&C Holding Ltd and If P&C Insurance Ltd have separately entered into contracts with Försäkringsaktiebolaget Skandia (publ.) and Tryg-Baltica Forsikrings AS whereby Skandia and Tryg-Baltica will be indemnified against any claims attributable to guarantees issued by Försäkringsaktiebolaget Skandia (publ.) and Vesta Forsikring AS, on behalf of Skandia Marine Insurance Company (U.K.) Ltd. (now Marlon Insurance Company Ltd.) in favor of the Institute of London Underwriters. Marlon Insurance Company Ltd. was disposed during 2007, and the purchaser issued a guarantee in favor of If for the full amount that If may be required to pay under these guarantees.

If P&C Holding Ltd has issued a guarantee to the benefit of TietoEnator Corporation whereby If Holdings guarantees the commitments incurred by the If Group company If It Services A/S with TietoEnator based on an agreement covering IT-services. The guarantee will indemnify TietoEnator if If It Services A/S is declared bankrupt, suspends payments in general, seeks a composition of creditors or in any other way is deemed to be insolvent.

If P&C Holding Ltd has issued a guarantee to the benefit of Svenska Handelsbanken Ab (publ) whereby If Holdings guarantees the commitments incurred by the If P&C Insurance Ltd deriving from short term credits up to an amount of EURm 46 and for commitments deriving from derivatives transaction and - on behalf of - If P&C Insurance Ltd, If P&C Insurance Company Ltd and Capital Assurance Company for those companies commitments relating to Letters of Credits issued on behalf of their insurance operations. Capital Assurance Company Inc was sold during 2008, and the purchaser issued a guarantee in favor of If for the amount that If may be required to pay under the stand-by letters of credit pertaining to Capital Assurance Company Inc.

LIFE INSURANCE		
EURm	2008	2007
Off-balance sheet items		
Fund commitments	308	273
EURm	2008	2007
Other commitments		
Acquisition of IT-software	3	1
EURm	2008	2007
Commitments for non-cancellable operating leases		
Minimum lease payments		
not later than one year	2	2
later than one year and not later than five years	7	6
later than five years	3	4
Total	11	12
Total of sublease payments expected to be received under non-cancellable operating sub-leases		
	0	0
Lease and sublease payments recognised as an expense in the period		
- minimum lease payments	-2	-2
- sublease payments	0	0
Total	-2	-2

HOLDING				
EURm	2008		2007	
Off-balance sheet items				
Subscription liabilities		4		6
Assets pledged as collateral for liabilities or contingent liabilities				
	2008		2007	
EURm	Assets pledged	Liabilities/ commitments	Assets pledged	Liabilities/ commitments
Assets pledged as collateral				
Investments				
- Mortgaged collateral notes	15	6	15	6
EURm	2008		2007	
Commitments for non-cancellable operating leases				
Minimum lease payments				
not later than one year			3	2
later than one year and not later than five years			4	5
later than five years			3	3
Total			9	11

The Group had at the end of 2008 premises a total of 180,872 m² (200,087) taken as a lessee. The contracts have been made mainly for 3 to 10 years.

29 Equity and Reserves

EQUITY	Number of shares	Share capital	Share premium account	Total
EURm				
At 1 Jan. 2008	578,530,890	98	1,160	1,258
Cancellation of own shares	-17,158,500	-	-	-
Business acquisitions	-	-	1	1
At 31 Dec. 2008	561,372,390	98	1,161	1,259
Treasury shares				
RESERVES AND RETAINED EARNINGS				
EURm	2008		2007	
Reserves at 31 Dec.				
Legal reserve			370	370
Fair value reserve			-2,364	317
Total			-1,994	687

MOVEMENTS IN RESERVES:

LEGAL RESERVE

The legal reserve comprises the amounts to be transferred from the distributable equity according to the articles of association or on the basis of the decision of the AGM. No change has been in the legal reserve during the presented financial years.

FAIR VALUE RESERVE

EURm	2008	2007
At 1 Jan.	317	486
Financial assets available-for-sale		
Recognised in equity	-3,116	6
Transferred to profit or loss	87	-238
Recognised in equity from cash flow hedges	15	-
Income taxes related to items above	333	60
Share related to discontinued operations	-	3
At 31 Dec.	-2,364	317

The fair value reserve consists of changes in the fair values of the financial assets available-for-sale and derivative instruments used for hedging cash flows.

RETAINED EARNINGS

EURm	2008	2007
At 1 Jan.	5,788	3 061
Profit for the financial year	675	3 572
Dividend distribution	-686	-693
Share-based payments	3	0
Exchange differences	-249	-74
Recognition of undrawn dividends	3	6
Acquisition of own shares	-167	-81
Retained earnings related to discontinued operations	-	-3
At 31 Dec.	5,365	5 788

SHARES AND VOTES

The number of Sampo plc's shares at 31 December 2008 was 561,372,390, of which 560,172,390 were A-shares and 1,200,000 B-shares. Each A-share has 1 vote and each B-share has 5 votes at General Meetings. All the B-shares are owned by the Kaleva Mutual Insurance Company. B-shares can be converted into A-shares at the request of the holder of B shares. Sampo's A-shares are quoted on the Helsinki Stock Exchange.

The Annual General Meeting of 15 April 2008 granted the Board of Directors authorisation, valid until the close of the next AGM, to buy back Sampo's shares. The maximum amount of A-shares that can be bought back is 50,000,000 shares in either one or various set (about 8,6 % of all the company's shares). Shares may be acquired otherwise than in proportion to the shareholders' holdings through public trading at a market price prevailing at the time of purchase.

In 2008 Sampo plc acquired total 12,836,500 treasury shares. These and the 4,322,000 shares held by Sampo plc at 31 Dec. 2007 were cancelled during the financial year 2008. The cancellation decreased the number of A-shares with an equal amount, but did not effect the share capital.

At the balance sheet date, Sampo plc or other Group companies did not hold shares in the parent company.

30 Related Party Disclosures

KEY MANAGEMENT PERSONNEL

The key management personnel in Sampo Group consists of the members of the Board of Directors of Sampo plc and Sampo Group's Executive Committee.

KEY MANAGEMENT COMPENSATION

EURm	2008	2007
Short-term employee benefits	6	6
Post employment benefits	1	1
Other long-term benefits	4	4
Total	11	11

Short-term employee benefits comprise salaries and other short-terms benefits, including profit-sharing bonuses accounted for for the year, and social security costs.

Post employment benefits include pension benefits under the Employees' Pensions Act (TEL) in Finland and voluntary supplementary pension benefits.

Other long-term benefits consist of the benefits under long-term incentive schemes accounted for for the year (see note 31).

3I Incentive Schemes

LONG-TERM INCENTIVE SCHEMES 2004 I – 2008 II

The Board of Directors for Sampo plc has decided on the long-term incentive schemes 2004 I – 2008 II for the management and experts of the Sampo Group. The Board has authorised the Nomination and Compensation Committee of the Board, or the CEO, to decide who will be included in the scheme, as well as the number of calculated bonus units granted for each individual used in determining the amount of the performance-related bonus. In the schemes 2008 I and 2008 II, the number of calculated bonus units granted for the members of the Group's Executive Committee is decided by the Board of Directors. Over 100 persons were included in the schemes at the end of year 2008.

The amount of the performance-related bonus is based on the value performance of Sampo's A-share and on the insurance margin (IM) and, regarding already terminated schemes, also on Sampo's return on the risk adjusted capital (RORAC). The value of one calculated bonus unit is the trade-weighted average price of Sampo's A-share at the time period specified in the terms of the scheme, and reduced by the starting price adjusted with the dividends per share distributed up to the payment date. The pre-dividend starting prices vary between EUR 8.88–20.17. The maximum value of one bonus unit varies between EUR 19–30, reduced by the dividend-adjusted starting price. The IM criteria in the schemes has three levels. If the insurance margin reaches 4 per cent or more, the bonus is paid in its entirety. If the insurance margin is between 2–3.99 per cent, the payout is 50 per cent. In the case of insurance margin staying below these benchmarks, no bonus will be paid out.

Each plan has three performance periods and bonuses are settled in cash in three installments. In the schemes 2008 I and 2008 II, when the bonus is paid, the employee shall buy Sampo's A-shares at the first possible opportunity, taking into account the provisions on insiders, with 30 per cent of the amount of the bonus after taxes and other comparable charges, and to keep the shares in his/her possession for one year. In other schemes, when the bonus is paid, the employee shall buy Sampo's A-shares at the first possible opportunity, taking into account the provisions on insiders, with 20 per cent of the amount of the bonus after taxes and other comparable charges, and to keep the shares in his/her possession for two years. A premature payment of the bonuses may occur in the event of changes in the group structure or in the case of employment termination on specifically determined bases. The fair value of the incentive schemes 2008 I and 2008 II is estimated by using the Black-Scholes pricing model.

	2004 I	2004 II	2005 I	2005 II	2006 II	2008 I	2008 II
Terms approved ^{*)}	11 Feb 2004	5 Oct 2004	22 Mar 2005	22 Jun 2005	21 Dec 2006	16 Jan 2008	7 May 2008
Granted (1,000) 31 Dec. 2004	1,570	445	-	-	-	-	-
Granted (1,000) 31 Dec. 2005	1,490	448	2 290	455	-	-	-
Granted (1,000) 31 Dec. 2006	1,385	343	2 085	480	-	-	-
Granted (1,000) 31 Dec. 2007	220	310	1 775	360	180	-	-
Granted (1,000) 31 Dec. 2008	-	-	-	-	112	3 961	95
End of performance period I 30 %	12-2006	12-2006	4-2007	Q2-2007	Q3-2008	Q1-2009	Q3-2009
End of performance period II 35 %	Q4-2006	Q4-2006	Q3-2007	Q4-2007	Q1-2009	Q3-2009	Q1-2010
End of performance period III 35 %	Q4-2006	Q4-2006	Q4-2007	Q2-2008	Q3-2009	Q2-2010	Q4-2010
Payment I 30 %	12-2006	12-2006	6-2007	9-2007	12-2008	6-2009	12-2009
Payment II 35 %	6-2007	6-2007	1-2008	4-2008	6-2009	1-2010	6-2010
Payment III 35 %	1-2008	1-2008	7-2008	9-2008	1-2010	9-2010	3-2011
Price of Sampo A at terms approval date ^{*)}	9.00	8.94	11.01	12.34	20.25	18.23	18.02
Starting price ^{**)}	9.37	8.88	11.17	12.67	20.17	17.26	18.44
Dividend-adjusted starting price at 31 Dec. 2008	-	-	-	-	17.77	16.06	18.44
Sampo A – closing price 31 Dec. 2008	13.24						
Total intrinsic value, EURm					0	1	0
Total debt							1
Total cost for the financial period, EURm (incl. social costs)							2

^{*)} Grant dates vary

^{**)} Trade-weighted average for ten trading days from the approval of terms

SAMPO 2006 SHARE-BASED INCENTIVE PROGRAMME

On 5 April 2006, the Annual General Meeting of Sampo plc agreed on the "Sampo 2006" share-based incentive programme. The programme applies to senior executive management of Sampo plc and its subsidiaries, and to Sampo's president and CEO. On 11 May 2006, the Board of Directors of Sampo plc allocated 1,300,000 shares of the maximum of 1,500,000 shares of the programme.

50 per cent of the amount of the reward eventually payable is based on the price performance of Sampo's A-share, and the other 50 per cent is based on the development of insurance margin (IM). The programme has three performance periods that cover the years 2006–2010. Each installment corresponds, at the maximum, to one third of the total amount of shares. The terms of the programme include a limitation according to which the amount of the reward payable will be decreased, if Sampo's share price increases by more than 160 per cent during an individual performance period. The shares to be distributed as a reward are partly subject to a two-year lock-up. The Board of Directors of Sampo has the right to decide to pay the reward partly or as a whole in cash instead of the shares.

In accordance with the programme, the reward is paid in three installments. The first installment, EUR 2,420,000, was paid in December 2008. The reward was paid in cash so that the employee was obliged to buy Sampo's A-shares at Helsinki Stock Exchange at the least with 50 per cent of the amount of the bonus after taxes and other comparable charges.

PERFORMANCE PERIODS	Period I	Period II	Period III
Share price*)	Q1 2006– Q3 2008	Q4 2006– Q3 2009	Q4 2007– Q3 2010
Insurance margin	2006– 9/2008	2007– 9/2009	2008– 9/2010

*) Determined as the trade-weighted average for 10 days after the result release of the period in question.

PERFORMANCE CONDITIONS FOR PERIODS	Increase of dividend adjusted share price	Insurance margin
Minimum payout requirement	26%	5%
Maximum payout requirement	64%	10.5%
Payout of the total maximum reward if the minimum is achieved	20%	40%

Payout between the minimum and the maximum increases linearly.

The fair value of the programme at grant date has been measured by using Black-Scholes pricing model. When measuring the fair value of the part of the reward that is based on market conditions (share price), the estimated amount of shares to vest has been taken into account. Non-market conditions (IM and ROE) have not been taken into account in the fair value calculations, but instead these conditions have been taken into account when estimating the amount of shares to vest by the end of the vesting period. In this respect, the Group updates the assumptions of non-market conditions for each interim and annual accounts. The volatility used in the pricing-model, 30.0 per cent, was two and half years' weekly historical volatility. Other inputs used in the model were risk free interest rates 2.50–3.25 per cent and 5 per cent dividend per share.

Average fair value per granted share at grant date	
reward based on the share price, EUR	4.18
reward based on IM and ROE, EUR	14.76

The cost from the incentive scheme during the reporting period 2008 totalled EURm 2.7.

32 Auditors' Fees

EURm	2008	2007
Auditing fees	2	2
Other fees	0	0
Total	2	2

33 Legal Proceedings

There are a number of legal proceedings against the Group companies outstanding on 31 Dec. 2008, arising in the ordinary course of business. No provisions have been made as professional advice indicates that it is unlikely that any significant loss will arise.

34 Investments in Subsidiaries

Name	Group holding %	Carrying amount
EURm		
P&C insurance		
If P&C Insurance Holding Ltd	100	1,886
If P&C Insurance Ltd	100	1,111
If P&C Insurance Company Ltd	100	465
UAB If Draudimas	100	9
AAS If Latvia	100	7
AS If Eesti Kindlustus	100	41
CJSC If Insurance	100	8
SOAO Region	100	27
If Säkerhet AB	100	0
MSK Vesta	100	0
Life insurance		
Mandatum Life Insurance Company Ltd	100	484
SE Sampo Life Insurance Baltic	100	11
If Livförsäkring Ab	100	5
OOO Region Life	100	3
Other business		
Oy Finnish Captive & Risk Services Ltd	100	0
If IT Services A/S	100	0
Riskienhallinta Oy	100	0
Barn i Bil	100	0
Sampo Capital Oy	100	1

The table excludes property and housing companies accounted for in the consolidated accounts.

35 Investments in Shares and Participations Other than Subsidiaries and Associates

P&C INSURANCE

Listed companies	Country	No. of shares	Holding %	Carrying amount/ Fair value
EURm				
ABB Ltd	Switzerland	223,000	0.01	2
Aker Floating Production	Norway	1,030,800	4.69	1
Astra Zeneca Plc	Great Britain	88,400	0.01	2
Atlas Copco AB A	Sweden	430,000	0.05	3
B&B Tools B	Sweden	264,500	0.69	1
BE Group AB	Sweden	2,498,600	5.00	5
Cardo AB	Sweden	2,999,000	10.00	31
Clas Ohlson AB B	Sweden	3,182,129	2.71	16
CTT Systems AB	Sweden	511,200	4.71	1
Duni Ab	Sweden	230,000	0.49	1
Eniro AB	Sweden	600,000	0.37	1
Equinox Offshore Accommodation Ltd	Singapore	2,610,000	4.97	1
G & L Beijer B	Sweden	135,000	0.56	1
Gunnebo AB	Sweden	4,821,700	10.59	7
Hennes & Mauritz Ab B	Sweden	73,000	0.00	2
Höganäs AB B	Sweden	2,686,900	6.12	17
Husqvarna AB A	Sweden	3,645,513	2.87	13
Husqvarna AB B	Sweden	357,800	0.03	1
Lindab International AB	Sweden	2,776,142	3.53	12
Nederman Holding AB	Sweden	1,160,400	9.90	5
Nobia AB	Sweden	14,632,850	8.35	22
Nolato Ab B	Sweden	1,167,000	2.28	3
Scania AB B	Sweden	395,000	0.01	3
Sectra AB B	Sweden	4,396,300	7.28	14
Skanska Ab B	Sweden	500,000	0.08	4
StatoilHydro ASA	Norway	201,000	0.01	2
Svedbergs i Dalstorp AB B	Sweden	2,298,600	7.04	6
TeliaSonera AB	Sweden	1,708,000	0.04	6
TTS Marine ASA	Norway	1,608,600	6.25	3
VBG AB B	Sweden	474,200	1.92	2
Veidekke ASA	Norway	11,649,680	8.57	27
Vestas Wind Systems A/S	Denmark	68,100	0.04	3
Yara International ASA	Norway	171,000	0.06	3
Total listed companies				222
Other companies				5

Unit trusts				Carrying amount/ Fair value
EURm	Country	No. of shares	Holding %	
IShares S&P 500 Index Fund ETF	U.S.	595,000		39
APS Japan Growth Fund JPY	Cayman Island	141,555		7
APS Small Cap Alpha Fund	Cayman Island	184,320		8
Danske Invest Emerging Asia Kasvu	Finland	1,349,509		21
Danske Invest Europe Enhanced Index	Finland	45,964,543		49
Danske Invest European Opportunities Kasvu	Finland	12,620,831		8
Danske Invest North America Enhanced Index USD	Finland	36,502,097		29
Danske Invest US Small Cap Value Kasvu	Finland	26,386,762		24
Danske Invest Japan Osake Kasvu JPY	Finland	315,965,078		27
PMI Venture Fund L.P. (CIM Venture Fund for Creative Industries L.P.)	Finland	116,602		0
EQT IV (No. 1) Limited Partnership	Finland	859,878		4
EQT III UK No 1 L.P. (EQT Northern Europe UK No. I L.P.)	Finland	1,025,044		4
Mandatum Pääomarahasto I Ky	Finland	626,705		5
Mandatum Pääomarahasto II Ky EUR	Finland	106,000		1
Private Energy Market Fund L.P.	Finland	297,559		3
WD Power Investment	Finland	2,523		0
Mandatum Pääomarahasto II Ky USD	Finland	451,200		3
WD Power Investment USD	Finland	29,239		0
GS Loan partners I DEBT EUR	U.S.	1,071,605		11
GS Loan partners I	U.S.	1,368,000		10
GS Loan partners I DEBT	U.S.	3,542,012		25
Total unit trusts				280
Total shares and participations				506

LIFE INSURANCE

Listed companies

EURm	Country	No. of shares	Holding %	Carrying amount/ Fair value
Alma Media Oyj	Finland	6,655,512	8.92	33
Amanda Capital Oyj	Finland	2,053,296	9.02	3
Comptel Oyj	Finland	19,569,925	18.28	14
Finnair Oyj	Finland	2,400,000	1.87	12
Kemira Oyj	Finland	2,088,089	1.67	12
Kesko Oyj	Finland	515,153	0.53	9
Lassila & Tikanoja Oyj	Finland	2,231,238	5.75	25
Neste Oil Oyj	Finland	598,336	0.23	6
Nokia Oyj	Finland	1,551,900	0.04	17
Norvestia Oyj	Finland	1,789,538	11.68	10
Salcomp Oyj	Finland	3,724,000	9.55	7
Sanoma Oyj	Finland	2,710,945	1.66	25
Tamfelt Oyj Abp	Finland	788,427	2.86	6
Teleste Oyj	Finland	1,679,200	9.43	4
Turvatiimi Oyj	Finland	5,699,436	5.04	1
Uponor Oyj	Finland	2,369,488	3.24	18
Vaisala Oyj	Finland	766,650	4.21	17
YIT Oyj	Finland	5,507,004	4.33	25
Total				243

Other listed companies

28

Listed companies in total

271

Other companies

Metsä Tissue Oyj	Finland	553,407	6.07	11
------------------	---------	---------	------	----

Unit trusts

EURm	Country	No. of shares	Holding %	Carrying amount/ Fair value
Danske Invest Emerging Markets Debt	Finland	52,084,602		61
Danske Invest Euro High Yield Kasvu	Finland	20,064,205		15
Danske Invest European Opportunities Kasvu	Finland	22,570,870		14
Danske Invest High Yield Kasvu	Finland	170,230,497		138
Danske Invest Japani Osake Kasvu	Finland	314,513,376		27
Fourton Odysseus Kasvu	Finland	128,399		15

Capital trusts

EURm	Country	No. of shares	Holding %	Carrying amount/ Fair value
Amanda III Eastern Private Equity Ky	Finland			6
CapMan Real Estate I Ky	Finland			10
Mandatum Pääomarahasto I Ky	Finland			8
Total				305

Other shares and participations in total

39

Domestic shares and participations in total

614

Listed foreign shares and participations

EURm	Country	No. of shares	Holding %	Carrying amount/ Fair value
Nordea Bank AB	Sweden	5,150,000	0.20	26
Topdanmark Forsikring A/S	Denmark	831,531	4.98	76
Total				103

Foreign unit trusts

EURm	Country	No. of shares	Holding %	Carrying amount/ Fair value
APS Japan Growth Fund	Cayman Islands	183,278		9
Comgest Panda	Luxembourg	15,354		16
Danske Capital Germany	Luxembourg	1,103,086		6
Goldman Sachs Asset Management Liquidity Partners 2007	U.S.	512,415		14
IShares S&P 500 Index Fund ETF	U.S.	419,037		27
Lloyd George Asia Small Companies Fund	Hong Kong	233,008		9
New Providence Fund Ltd	Bahamas	49,039		11
Prosperity Cub Fund	Cayman Islands	237,181		18
RMF Commodity Strategies (Class SOE1)	Bahamas	14,787		18
RMF Distressed Strategies	Cayman Islands	16,159		16
Richelieu France	France	32,410		8

Foreign capital trusts

EURm	Country	No. of shares	Holding %	Carrying amount/ Fair value
Access Capital II A L.P.	Great Britain			6
Access Capital II C L.P.	Great Britain			7
Access Capital L.P.	Great Britain			16
BOF III CV Investors LP (Gilde Buyout Fund III)	Netherlands			6
Behrman Capital III L.P.	U.S.			8
CapMan Buyout VIII (Guernsey) L.P.	Great Britain			5
Duke Street Capital Structured Solutions	Great Britain			18
EQT V (General Partner) LP	Great Britain			5
First European Fund Investments UK L.P.	Great Britain			6
Goldman Sachs Loan Partners I, L.P.	U.S.			13
Goldman Sachs Loan Partners I, L.P.	U.S.			34
Goldman Sachs Loan Partners I, L.P.	U.S.			14
Goldman Sachs Petershill Fund Offshore, L.P.	Great Britain			17
Montagu Fund III L.P.	Great Britain			6
Pai Europe IV L.P.	Great Britain			7
Russia Partners II L.P.	U.S.			8
Thomas H. Lee Equity Fund V L.P.	U.S.			6
VenCap 9 LLC (Preferential Equity Investors II LLC)	Great Britain			7
Total				357

Other shares and participations

	102
--	-----

Foreign shares and participations in total

561

Shares and participations in total

1,176

HOLDING

Domestic other than listed companies

EURm	Country	No. of shares	Holding %	Carrying amount/ Fair value
Varma Mutual Pension Insurance Company	Finland	57	80.28	10
Other	Finland			6
Total domestic shares and participations				16

Foreign listed companies

EURm	Country	No. of shares	Holding %	Carrying amount/ Fair value
Nordea Bank AB	Sweden	313,202,100	12.05	1,576
Topdanmark Forsikring A/S	Denmark	1,017,545	6.10	94

Foreign unit trusts

EURm	Country	No. of shares	Holding %	Carrying amount/ Fair value
Thomas H. Lee Equity Fund V L.P.	U.S.			5

Other

				14
--	--	--	--	----

Total foreign shares and participations				1,689
------------------------------------------------	--	--	--	--------------

Total shares and participations				1,705
----------------------------------------	--	--	--	--------------

Holdings exceeding EURm 5 and holdings in listed companies exceeding five per cent specified.

36 Events After the Balance Sheet Date

The Board of Directors proposes to the Annual General Meeting on 7 April 2009 that a dividend of EUR 0.80 per share, or total EUR 449,097,912, be distributed for 2008. The dividends to be paid will be accounted for in the equity in 2009 as an appropriation of retained earnings.