

Quarterly report 2010

Q1



## First quarter 2010

### - Stable interest margin and good underlying operations

- Profits before taxes were NOK 43.6 (15.2) million, an increase of NOK 28.4 million from 2009.
- The interest margin in the quarter was 1.5% (0.9%).
- In the first quarter, the cost to income ratio was 57.3% (83.5%). The cost to total assets ratio was 1.1% (1.2%).
- Return on equity was 10.2% (3.7%) before taxes and 7.4% (2.4%) after 2010 taxes.
- The deposit to loan ratio at the Parent Bank level was 57.1% (53.5%).
- The first quarter 2010 Tier-1 capital ratio was 12.2% (8.5%).

*Figures in parentheses apply to the corresponding period in 2009. Both the consolidated accounts and the Parent Bank's accounts are reported pursuant to IFRS.*

### First quarter profits

In the first quarter of 2010, Sandnes Sparebank achieved profits before taxes of NOK 43.6 million. This is an increase of NOK 28.4 million, or 186.8%, compared to the first quarter of 2009. Profits after taxes were NOK 31.4 million, compared to NOK 9.9 million in 2009.

The increase is mainly due to a higher interest margin. In addition, there was a positive impact on profits from reduced operating cost. The decline in net return on financial investments had a negative impact on profits. Also negative was higher provisions for losses in the first quarter of 2010 than in the same period in 2009.

### Net interest income

The Group's net interest income was NOK 105.5 (68.1) million for the first quarter. Compared to the same period in 2009,

this is an increase of NOK 37.3 million, or 54.8%. The interest margin increased from 0.9% to 1.5%. The increase is due to reduced funding cost relative to the first quarter of 2009, as well as generally better conformity between lending and funding rates because of a more stable financial market.

The contribution to net interest income from the Bank's portfolio of loans secured in structured products was significantly reduced in 2009. The rest of this portfolio will mature during 2010. The risk profile of the Bank's loan portfolio is moderate.

### Other income

Total other income was reduced by NOK 20.2 million relative to the first quarter of 2009. The decline is mainly due to a reduction in the net return on financial investments of NOK 18.9 million. Performance was very positive throughout 2009, as the markets recovered from the autumn crash in 2008.

Net commission income was reduced by NOK 0.4 million, mainly because of a somewhat lower volume of fee related services. The market for sale of saving products is still seen as challenging.

Other income forming part of other operating income is reduced by NOK 0.9 million relative to the first quarter of 2009. This is mainly a consequence of the sale of SSB Securities in the autumn of 2009.

### Operating cost

In the first quarter of 2010, the Group's operating cost amounted to NOK 74.3 million. The total reduction from the same period in 2009 is NOK 19.6 million. Of this amount, NOK 12.7 million is due to the recognition of extraordinary income from reduced liabilities related to a change in the early retirement scheme. The sale of SSB Securities contributes with

# quarterly report Q1-2010

## Quarterly report

## Quarterly accounts

3 / 17 more

a cost reduction of NOK 2.6 million. In addition, reduced write-downs and a general decline in the number of employees, contributed to the cost reduction.

For the Group, costs were 57.3% of income. The total cost to total assets ratio is 1.1%, compared to 1.2% in the first quarter 2009.

### **Losses and non-performing loans**

At the end of the first quarter of 2010, gross non-performing loans totaled NOK 121.8 (101.7) million, corresponding to 0.49% (0.39%) of gross lending. This is still a very low level, and according to an analysis from Lindorff, the collection agency, the estimate for 2010 is for the number of collection cases to stay at the same level as in 2009.

In the first quarter of 2010, recognized write-downs amounted to NOK 11.9 (3.6) million. Individual write-downs increased by NOK 9.5 million, whereas for write-downs related to groups of assets, reversals resulted in recognized income of NOK 1.2 million. On an annual basis, the write-down of loans constitutes 0.05% of net lending to customers. This represents the same level as recorded for all of 2009.

Gross loan volume, subject to individual write-downs, totaled NOK 976 million at the end of the quarter, compared to NOK 958 million as of 31.12.2009.

### The business segments

#### **The retail market**

Retail market profits before losses were NOK 17.1 million in the first quarter of 2010. This is NOK 3.1 million, or 22.0%, better than during the same period 2009. The interest margin increased from 1.3% to 1.4%. The recognition of extraordinary income related to early retirement pensions, had a positive impact on first quarter profits in 2010.

In 2010, there was a decline in retail market income of NOK 4.2 million, compared to 2009. Net interest income has declined by NOK 3.3 million, and other income has been

reduced by NOK 0.9 million. The drop in net interest income is due to a volume decline relative to the first quarter of 2009, as well as maturing structured products. Seen in isolation, the first quarter of 2010 exhibited positive growth rates for ordinary retail market activities.

The loan portfolio increased by 2.8%, versus a decline of 4.8% in the first quarter of 2009. The 2010 increase follows from a Bank initiative towards the end of last year to implement measures to attract new mortgage customers. The deposit to loan ratio is 48.0%, compared to 47.5% for the first quarter of 2009.

Individual write-downs of loans were unchanged in the first quarter of 2010, whereas group write-downs were reduced by NOK 1.2 million.

In March, the Bank opened a branch office at the Forus main office. Forus is located midway between the municipal centers of Stavanger, Sandnes and Sola, in an area where there are 25,000 jobs. In addition to banking services, real estate brokers from our Sandnes Eiendom subsidiary are providing real estate services from premises in the branch.

#### **The corporate market**

Corporate market profits before taxes were NOK 38.0 million during the first quarter of 2010, compared to a loss of NOK 4.8 million in the same period in 2009. The interest margin increased from 0.9% to 2.3%. The big turn-around is due to high funding cost throughout 2009, with an improvement towards the end of the year. In addition, loans were repriced throughout 2009 in line with market developments.

In 2010, there was a total increase in corporate market income of NOK 35.1 million, compared to 2009, of which NOK 35.5 million is due to a higher interest margin. Commission income and other income declined by NOK 0.4 million.

Corporate lending increased during the first quarter of 2010 by 1.0%, compared to an increase of 0.1% during the same period of 2009. More market uncertainty has resulted in the start-up of fewer projects. This results in lower demand for

# quarterly report Q1-2010

## Quarterly report

## Quarterly accounts

4 / 17 more

financing from the corporate sector.

The deposit to loan ratio is 35.2%, compared to 39.0% for the first quarter of 2009. Deposits from corporate customers are generally more volatile than retail deposits. The Bank is committed to strengthening the business area's degree of self-financing, including putting continued high priority on the small and medium sized business segment.

In the first quarter of 2010, individual write-downs of loans increased by NOK 9.5 million, whereas write-downs of groups of assets are at the same level as at 31.12.2009. Loans secured by securities constitute a small part of the portfolio, but are receiving special attention due to volatile market conditions. No material losses were realized during the period.

### Estate agency

Estate agency profits before taxes were NOK 0.3 million during the first quarter of 2010, compared to a loss of NOK 0.5 million in the same period in 2009. The profit improvement is due to increased income in 2010.

### Other segments

Other segments include profits from the Group's portfolio of securities, as well as Directors' fees and administrative costs related to functions reporting to the Board of Directors. This item also includes investment properties.

The operating profit of the "others" segment was NOK 0.0 million for the first quarter of 2010, compared to NOK 12.0 million for the first quarter of 2009. The decline is mainly due to a negative change in the market value of financial instruments marked to market, including fixed rate loans and deposits, as well as bonds and notes.

Operating profits from investment properties was NOK 1.5 million, compared to NOK 0.0 million in the first quarter of 2009. The companies suffered losses on interest rate contracts in 2009, and this is the reason for the improvement.

### Balance sheet

As of the end of the first quarter of 2010, the Group's total assets amounted to NOK 28.6 (30.7) billion. Relative to 31.12.2009, total assets have increased by NOK 0.3 billion, or 1.2%.

During the first quarter 2010, there was an increase in lending of 0.9% and a deposit increase of 0.5%. The share of the mortgage loan portfolio financed by covered bonds (OMF) was stable throughout the quarter.

Notes and bonds were valued at NOK 1,842.6 (2,404.5) million, while other securities were valued at NOK 70.9 (60.8) million. Financial derivatives amounted to NOK 105.2 (218.7) million.

The Bank's liquidity situation is satisfactory. Even though the domestic debt capital market is more or less normalized, funding cost has stabilized at a higher level after the 2008 crash. The effort to refinance a EUR 300 million syndicated loan due in December 2010 is approaching conclusion, and is expected to be finalized during the second quarter of 2010.

As of 31.12.2010, SSB Boligkredit AS has issued covered bonds worth NOK 3.5 billion. Sandnes Sparebank is holding bonds worth NOK 2.6 billion and has utilized approximately NOK 2.2 billion of these securities to secure long-term liquidity through participation in the government exchange scheme.

### Solvency

The capital adequacy of the Group was significantly strengthened in 2009, and was maintained on the same level through the first quarter of 2010. Subordinated capital has been strengthened by the capital infusion of NOK 450 million from the Norwegian State Finance Fund. Risk weighed assets were reduced through effective balance sheet management. At the Group level, the capital adequacy ratio is 14.9% (15.0%) and the Tier 1 ratio 12.2% (12.3%). As of 31.12.2010, the capital adequacy ratio for the Parent Bank was 16.1% (16.2%), and the Tier 1 capital ratio 13.2% (13.3%).

Currently, the Group is well capitalized with a capital adequacy

# quarterly report Q1-2010

## Quarterly report

## Quarterly accounts

5 / 17 more

ratio that is significantly in excess of regulatory requirements and the Bank's own estimated capital requirements. The Bank still has potential to release tied-up equity in the existing balance sheet and will continuously consider the proper solvency level, including the need to maintain all or parts of the temporary capital infusion from the Norwegian State Finance Fund.

### The Bank's equity certificates (SADG)

As of March 31, 2010, the SADG price was NOK 111.00, versus NOK 79.50 at the end of 2009. The value of the Bank's equity certificates has appreciated 40% year to date, and 270% over the past 12 months.

At the turn of the year, the Bank had 3,554 registered owners of equity certificates. The 20 major owners controlled 31.34% of the equity certificate capital at the end of the year.

Primary cap. certificates per 31.03.2010	No.	Share as %
1. Protector Eiendom AS	391 275	5.51
2. Frank Mohn A/S Aksjer	244 925	3.45
3. Helland A/S	209 130	2.94
4. Clipper A/S	203 478	2.86
5. Madland, Kjell	178 068	2.51
6. MP Pensjon	163 927	2.31
7. Skagenkaien Holding AS	95 000	1.34
8. Aske Investering AS	87 400	1.23
9. Nordhaug Invest AS	80 776	1.14
10. Sparebankstiftelsen DNBNOR	73 252	1.03
11. Tirma Holding AS	68 150	0.96
12. Solvang Shipping A/S	62 173	0.87
13. Antero AS	60 600	0.85
14. Skretting Marit	51 527	0.73
15. Aske Jan Sigurd	49 001	0.69
16. Solvang ASA	43 317	0.61
17. Victory Life	42 253	0.59
18. Kirksæter Per	41 973	0.59
19. Marin Elektro Holding AS	41 000	0.58
20. Horten Hus Eiendom AS	40 035	0.56
= 20 biggest holders	2 227 260	31.34
+ Other holders	4 878 551	68.66
= Primary capital certificates issued	7 105 811	100.00

The Board wants to contribute to more equity certificate

liquidity, and in 2010 it will consider different measures to further this objective.

### Accounting principles

Sandnes Sparebank prepares its consolidated financial statements and its company financial statements in compliance with IFRS. A further description of the accounting principles on which the financial statements are based, is provided in the notes to the 2009 annual financial statements.

The quarterly financial statements have not been audited.

### Market conditions

During the first quarter, the uncertainty related to the refinancing of government debt in countries such as Greece, Spain, Portugal and Ireland, increased in scope. This has an impact on the international credit markets, and they have reacted nervously with increased credit premiums. In spite of all this, the Norwegian credit market performed positively during the first quarter. This has materialized as a general increase in the liquidity of the market, and increased demand for covered bonds (OMF). The latter constitute a growing part of banks' sources of liquidity.

Growth in housing prices in the Bank's primary market continued during the first quarter. According to Statistics Norway, the housing price index for Stavanger increased by 4.4% during the first quarter of 2010. For the country as a whole, the housing price index increased by 3.4% during the same period. During the first quarter, the Bank increased its home loan financing volume by 2.8%, and there is healthy demand for loans in the retail market. Unemployment is still low in Rogaland County, even though figures from NAV (The Norwegian Labour and Welfare Administration) show that it has increased by 0.5% to 2.7% as of 31.3.2010.

In the corporate market, there is a generally lower demand

# quarterly report Q1-2010

**Quarterly report**

**Quarterly accounts**

6 / 17

for financing. The Bank's lending volume is more or less unchanged with respect to its priority business segments. With respect to the commercial property market, there have been few transactions and little change since the prior quarter.

The policy interest rate has remained unchanged at 1,75% after the two meetings of the central bank's interest rate committee held so far in 2010, whereas NIBOR has increased slightly (14 basis points) during the quarter. There are several factors indicating that a coming rate increase is expected to take somewhat longer than assumed by the Norwegian central bank in its year-end estimate. Credit premiums, contrary to developments in 2009, have increased some during the first quarter of 2010. This is primarily due to the uncertainty surrounding Greece and other EU countries with high levels of external debt.

## Outlook

The main focus of the Bank going forward is to reduce the most capital intensive elements of the business, including the share of major loans. In the longer term, this is expected to have a positive effect that will contribute to strengthening the Bank's earnings.

Future growth will mainly take place within the small and

medium business segment of the Corporate Market and in the Retail Market. However, this growth strategy must at all times be reconciled with the Bank's capital situation and the assumption of a stable liquidity market.

The Bank is still seeing a great potential for strengthening its income side and its cost efficiency, however external requirements in the form of a new liquidity regulation and a new capital requirement regulation may have an impact on this.

The Bank's liquidity situation is satisfactory, and we have concrete plans for the refinancing of loans that are maturing during the coming 12 months. However, it is expected that the new liquidity regulation will require more long-term funding, and this work will continue to receive high priority from the Bank.

As of the end of the first quarter, the Bank has a Tier-1 capital ratio of 12.2%, and the Board of Directors will perform a continuous evaluation of the capital situation and implement a plan for gradual payback of temporary capital infusions from the Norwegian State Finance Fund.

The Board of Directors expects stable earnings performance going forward.

The Board of Directors of Sandnes Sparebank  
4 May 2010

# quarterly report Q1-2010

## Quarterly report

## Quarterly accounts

Highlights

Profit and loss account

Balance sheet

Statement of equity

Cash flow statement

Notes

7 / 17

Group

Parent company

1Q 2010			SUMMARY OF RESULTS			1Q 2010		
1Q 2010	1Q 2009	Year 2009	1Q 2010	1Q 2009	Year 2009	1Q 2010	1Q 2009	Year 2009
105 463	68 139	358 573	Net earned interests	101 509	74 799	347 318		
24 337	44 561	157 006	Other operating revenues	15 358	33 226	123 752		
74 342	93 922	375 869	Other operating expenses	65 973	79 263	340 302		
11 908	3 591	13 233	Net losses	11 732	3 591	13 233		
<b>43 550</b>	<b>15 186</b>	<b>126 477</b>	<b>Operating profit before taxes</b>	<b>39 160</b>	<b>25 171</b>	<b>117 534</b>		
12 128	5 275	46 303	Tax cost	10 958	7 048	42 024		
<b>31 422</b>	<b>9 911</b>	<b>80 174</b>	<b>Operating profit after taxes</b>	<b>28 203</b>	<b>18 123</b>	<b>75 510</b>		
4	-952	-2 244	Minority interests					
31 418	10 863	82 418	Majority interests					
1Q 2010			EXTRACTS FROM THE BALANCE SHEET			1Q 2010	1Q 2009	Year 2009
28 584	30 722	28 249	Total assets	28 769	32 473	28 459		
28 417	31 213	29 977	Average total assets	28 614	32 107	30 100		
24 589	25 722	24 378	Loans to customers	20 829	24 420	20 685		
11 781	11 367	11 719	Deposits from customers	12 008	13 170	11 967		
1 843	2 404	1 900	Notes and bonds	4 851	3 912	4 907		
105	219	134	Financial derivatives	105	219	134		
1 742	1 656	1 713	Equity	1 716	1 633	1 691		
1Q 2010			KEY FIGURES			1Q 2010	1Q 2009	Year 2009
Development last 12 months								
1,2 %	-3,1 %	-10,9 %	- Total assets	1,1 %	2,3 %	-10,3 %		
0,9 %	-2,9 %	-7,9 %	- Loans	0,7 %	-8,7 %	-22,6 %		
0,5 %	-2,7 %	0,3 %	- Deposits	0,3 %	11,7 %	1,5 %		
47,5 %	43,9 %	47,7 %	Ratio of deposits to loans	57,1 %	53,5 %	57,4 %		
Profitability								
1,5 %	0,9 %	1,2 %	Interest margin	1,4 %	0,9 %	1,2 %		
57,3 %	83,5 %	72,9 %	Cost / income ratio	56,5 %	73,4 %	72,2 %		
1,1 %	1,2 %	1,3 %	Costs as a percentage of average total assets	0,9 %	1,0 %	1,1 %		
10,2 %	3,7 %	7,5 %	Return on equity before tax	9,3 %	6,3 %	7,1 %		
7,4 %	2,4 %	4,8 %	Return on equity after tax	6,7 %	4,5 %	4,6 %		
Solidity								
14,9 %	10,9 %	15,0 %	Capital adequacy ratio	16,1 %	11,1 %	16,2 %		
12,2 %	8,5 %	12,3 %	Tier 1 capital ratio	13,2 %	8,7 %	13,3 %		
19 098	21 418	18 914	Risk-weighted assets	17 506	20 859	17 415		
Personnel								
208	221	208	Number of man-years as of the period	185	180	185		
Equity certificates								
Market price				111,0	30,0	79,5		
Equity certificate capital in % of equity				56,8 %	56,8 %	56,8 %		
2,5	0,8	6,4	Earnings per equity certificate	2,3	1,4	6,0		
2,5	0,8	6,4	Diluted earnings per equity certificate	2,3	1,4	6,0		
Book value per equity certificate				137,2	130,5	135,1		

# quarterly report Q1-2010

## Quarterly report

## Quarterly accounts

Highlights **Profit and loss account** Balance sheet Statement of equity Cash flow statement Notes

8 / 17

Group

Parent company

1Q 2010	1Q 2009	Year 2009	Profit and loss statement (Amounts in NOK thousands)	1Q 2010	1Q 2009	Year 2009
366 762	563 090	1 887 014	Interest income	364 004	573 686	1 880 580
261 299	494 952	1 528 441	Interest expense	262 496	498 887	1 533 262
<b>105 463</b>	<b>68 139</b>	<b>358 573</b>	<b>Net interest income</b>	<b>101 509</b>	<b>74 799</b>	<b>347 318</b>
2	3 968	Dividends		2	0	3 668
14 587	14 814	62 012	Commissions and income from banking services	17 512	16 149	72 977
-2 376	-2 235	-10 049	Commission costs and costs of banking services	-2 376	-2 235	-10 049
447	19 312	48 682	Net change in value on financial instruments at fair value	220	19 312	57 154
11 677	12 669	52 393	Other operating revenues	0	0	0
<b>24 337</b>	<b>44 561</b>	<b>157 006</b>	<b>Total other operating revenues</b>	<b>15 358</b>	<b>33 226</b>	<b>123 752</b>
48 598	65 515	252 930	Salaries and general administration costs	44 671	57 286	224 523
3 857	4 861	24 495	Depreciations and impairment	2 586	2 705	27 790
21 887	23 546	98 444	Other operating costs	18 717	19 272	87 989
<b>74 342</b>	<b>93 922</b>	<b>375 869</b>	<b>Total operating costs</b>	<b>65 973</b>	<b>79 263</b>	<b>340 302</b>
11 908	3 591	13 233	Write downs and losses on lending and guarantees	11 732	3 591	13 233
<b>43 550</b>	<b>15 186</b>	<b>126 477</b>	<b>Operating profit before taxes</b>	<b>39 160</b>	<b>25 171</b>	<b>117 534</b>
12 128	5 275	46 303	Tax cost	10 958	7 048	42 024
<b>31 422</b>	<b>9 911</b>	<b>80 174</b>	<b>Operating profit after taxes</b>	<b>28 203</b>	<b>18 123</b>	<b>75 510</b>
<b>31 422</b>	<b>9 911</b>	<b>80 174</b>	<b>Comprehensive income</b>	<b>28 203</b>	<b>18 123</b>	<b>75 510</b>
4	-952	-2 244	Minority interests			
31 418	10 863	82 418	Majority interests			
2,5	0,8	6,4	Earnings per equity certificate	2,3	1,4	6,0
2,5	0,8	6,4	Diluted earnings per equity certificate	2,3	1,4	6,0

# quarterly report Q1-2010

## Quarterly report

## Quarterly accounts

Highlights   Profit and loss account   **Balance sheet**   Statement of equity   Cash flow statement   Notes

9 / 17

### Group

31.03.10	31.03.09	31.12.09	Balance sheet (Amounts in NOK thousands)	31.03.10	31.03.09	31.12.09
1 283 108	1 729 359	1 193 572	Cash and receivables from central banks	1 283 108	1 724 984	1 193 572
229 572	90 713	103 494	Loans to and receivables from credit institutions	228 681	90 713	101 359
24 589 140	25 722 087	24 377 940	Loans to customers	20 828 877	24 419 649	20 684 952
1 842 619	2 404 463	1 899 505	Notes and bonds	4 850 504	3 912 348	4 907 390
70 869	60 831	68 155	Shares	35 124	25 516	33 559
105 234	218 720	134 396	Financial derivatives	105 234	218 720	134 314
33 932	660	33 932	Ownership interest in affiliates	34 962	660	34 962
			Investments in group companies	292 555	318 156	292 598
23 193	26 568	19 617	Intangible assets	20 135	16 686	16 376
18 892	10 802	18 735	Deferred tax assets	11 913		11 913
269 563	273 110	270 581	Investment property			
24 519	27 582	26 697	Fixed assets	23 823	26 021	25 977
4 315	23 500	3 215	Other assets	966 765	1 586 345	923 522
62 183	71 104	72 240	Prepaid expenses and accrued income	59 915	69 821	71 578
	33 323		Assets held for sale		34 353	
27 236	29 269	27 236	Financial instruments available for sale	27 236	29 269	27 236
<b>28 584 373</b>	<b>30 722 091</b>	<b>28 249 315</b>	<b>Total assets</b>	<b>28 768 831</b>	<b>32 473 241</b>	<b>28 459 306</b>
7 909 378	8 466 737	8 042 967	Loans and deposits from credit institutions	7 909 378	8 466 737	8 042 967
11 780 629	11 366 636	11 718 758	Deposits from customers	12 007 881	13 169 904	11 966 680
5 527 567	7 962 444	5 206 686	Debts securities issued	5 527 567	7 962 444	5 206 686
116 396	189 131	140 769	Financial derivatives	115 014	189 131	140 747
66 384	82 735	41 433	Other debts	63 444	80 903	35 846
85 270	7 918	73 181	Taxes payable	80 613	7 104	69 655
142 019	210 363	87 815	Accrued expenses and prepaid income	136 374	186 320	83 955
45 412	51 077	58 287	Provisions	44 604	46 992	57 493
1 529	10 676	1 529	Deferred tax liabilities		11 793	
1 167 549	718 623	1 164 644	Subordinated loan capital	1 167 549	718 623	1 164 644
<b>26 842 133</b>	<b>29 066 341</b>	<b>26 536 070</b>	<b>Total liabilities</b>	<b>27 052 424</b>	<b>30 839 951</b>	<b>26 768 673</b>
710 581	710 581	710 581	Equity certificate capital	710 581	710 581	710 581
168 232	168 232	168 232	Share premium reserve	168 232	168 232	168 232
			Dividend equalisation reserve	78 881	35 365	78 881
			Savings bank's fund	700 527	667 413	700 527
839 132	735 679	810 142	Other equity	58 186	51 698	32 412
24 295	41 259	24 291	Minority interests			
<b>1 742 240</b>	<b>1 655 751</b>	<b>1 713 245</b>	<b>Total equity</b>	<b>1 716 407</b>	<b>1 633 289</b>	<b>1 690 633</b>
<b>28 584 373</b>	<b>30 722 091</b>	<b>28 249 315</b>	<b>Total equity and liabilities</b>	<b>28 768 831</b>	<b>32 473 241</b>	<b>28 459 306</b>

# quarterly report Q1-2010

Quarterly report

Quarterly accounts

Highlights Profit and loss account Balance sheet Statement of equity Cash flow statement Notes

10 / 17

Group	Equity certificate capital	Share premium reserve	Other equity	Total majority interest	Minority interests	Total
<b>Equity as of 31.12.2008</b>	710 581	168 232	724 814	1 603 627	42 211	1 645 838
Comprehensive income			10 863	10 863	-952	9 911
<b>Equity as of 31.03.2009</b>	<b>710 581</b>	<b>168 232</b>	<b>735 677</b>	<b>1 614 490</b>	<b>41 259</b>	<b>1 655 749</b>
<b>Equity as of 31.12.2009</b>	<b>710 581</b>	<b>168 232</b>	<b>810 142</b>	<b>1 688 955</b>	<b>24 290</b>	<b>1 713 245</b>
Dividends and gifts			-2 429	-2 429		-2 429
Comprehensive income			31 418	31 418	4	31 422
<b>Equity as of 31.03.2010</b>	<b>710 581</b>	<b>168 232</b>	<b>839 132</b>	<b>1 717 945</b>	<b>24 294</b>	<b>1 742 239</b>

Parent company	Equity certificate capital	Share premium reserve	Dividend equalisation reserve	Savings bank's fund	Other equity	Total
<b>Equity as of 31.12.2008</b>	<b>710 581</b>	<b>168 232</b>	<b>35 364</b>	<b>667 412</b>	<b>33 575</b>	<b>1 615 164</b>
Dividends and gifts						0
Comprehensive income					18 123	18 123
<b>Equity as of 31.03.2009</b>	<b>710 581</b>	<b>168 232</b>	<b>35 364</b>	<b>667 412</b>	<b>51 698</b>	<b>1 633 287</b>
<b>Equity as of 31.12.2009</b>	<b>710 581</b>	<b>168 232</b>	<b>78 881</b>	<b>700 527</b>	<b>32 412</b>	<b>1 690 633</b>
Dividends and gifts					-2 429	-2 429
Comprehensive income					28 203	28 203
<b>Equity as of 31.03.2010</b>	<b>710 581</b>	<b>168 232</b>	<b>78 881</b>	<b>700 527</b>	<b>58 186</b>	<b>1 716 407</b>

# quarterly report Q1-2010

## Quarterly report

## Quarterly accounts

Highlights   Profit and loss account   Balance sheet   Statement of equity   **Cash flow statement**   Notes

11 / 17

### Group

### Parent company

31.03.2010	31.03.2009	31.12.2009	Cash flow statement (Amounts in NOK thousands)	31.03.2010	31.03.2009	31.12.2009
<b>Cash flow from operating activities</b>						
386 436	606 938	1 859 986	Interest/commission received and fees received from customers	355 826	606 938	1 780 667
-119 706	-256 240	-998 394	Interest paid to customers	-119 706	-256 240	-998 394
1 497	9 739	42 769	Net payments and receipts from trading in financial assets	97	9 739	42 665
2	3 668	Dividend received		2		3 668
25 976	19 155	97 099	Interest received on securities	25 976	19 156	97 099
-59 502	-107 652	-328 168	Disbursements for operations	-60 312	-106 150	-313 045
		1 101	Taxes			-777
-2 429		-41	Payment of gifts from profit	-2 429		-41
<b>232 275</b>	<b>271 940</b>	<b>678 020</b>	<b>Net cash flow from operating activities</b>	<b>199 455</b>	<b>273 443</b>	<b>611 842</b>
<b>Cash flow from investing activities</b>						
-3 459	-7 655	-17 090	Purchases and divestments of fixed assets	-3 787	-7 306	-16 118
-1 105	-216 140	-31 577	Purchases of long-term investments in equity and other assets	44	-210 130	-234 348
56 775	-2 524 960	-480 896	Net cash flows from interest bearing securities	56 775	-2 524 659	-3 480 896
<b>52 211</b>	<b>-2 748 755</b>	<b>-529 563</b>	<b>Net cash flow from investing activities</b>	<b>53 031</b>	<b>-2 742 095</b>	<b>-3 731 362</b>
<b>Cash flow from financing activities</b>						
-229 869	797 611	1 834 301	Net receipts/disbursements of repayment loans, credit lines	-197 860	799 934	5 122 165
-24 843	1 263 824	-251 331	Net receipt of deposits	-24 851	1 255 386	-264 794
-260 048	345 299	-87 570	Net investments/borrowing in credit institutions	-260 048	345 299	-87 570
475 000		700 000	Certificates and bond debts issued	475 000		700 000
-139 303	-547 988	-3 989 769	Certificates and bond debts repaid	-139 303	-547 988	-3 989 769
			Subordinated loan issued			
271		450 000	Subordinated tier 1 bond repaid	271		450 000
			Dividend paid			
			Primary capital issue			
-16 159	222 163	264 218	Net interest payments on financing activities	-16 159	222 163	264 218
<b>-194 951</b>	<b>2 080 909</b>	<b>-1 080 151</b>	<b>Net cash flow from financing activities</b>	<b>-162 950</b>	<b>2 074 794</b>	<b>2 194 250</b>
89 535	-395 906	-931 694	Net cash flow for the period	89 536	-393 858	-925 270
1 193 573	2 125 265	2 125 266	Cash and cash equivalents at the beginning of the year	1 193 572	2 118 842	2 118 842
1 283 108	1 729 359	1 193 572	Cash and cash equivalents at the end of the year	1 283 108	1 724 984	1 193 572

## 1

### GENERAL ACCOUNTING POLICIES

#### GENERAL

The consolidated financial statements for the first half year for Sandnes Sparebank has been prepared in accordance with International Financial Reporting Standards (IFRS) as approved by the EU, including IAS 34 – Interim financial reporting. The accounting principles used has been described in the annual report for 2009.

#### APPLICATION OF ESTIMATES

The preparation of accounts in compliance with generally accepted accounting principles in some cases requires the management to apply estimates and assumptions. The estimates are based on historical experience and assumptions that management consider reasonable and prudent. The estimates and valuations on which decisions are based affect the recognised amounts of assets, debts and liabilities, as well as income and costs in the accounts. Actual results may subsequently differ to some extent from the estimates and assumptions.

The same estimates and assumptions that were described in the annual report for 2009, have been applied while preparing the accounts as of 31.03.2010.

## 2

### CHANGES IN GROUP STRUCTURE

There are no changes to the Group structure in first quarter 2010. As compared with first quarter 2009, SSB Securities is no longer part of the Group as this company was sold in third quarter 2009.



# quarterly report Q1-2010

## Quarterly report

## Quarterly accounts

[Highlights](#)
[Profit and loss account](#)
[Balance sheet](#)
[Statement of equity](#)
[Cash flow statement](#)
[Notes](#)

13 / 17

## 3

### SEGMENT REPORTING

	RM 1Q		CM 1Q		Property 1Q		Corporate Finance 1Q		Undistributed 1Q		Total 1Q	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Net external interest income	48 308	52 177	56 754	20 578	400	1			-4 617	105 462	68 138	
Net internal interest income	572		2 182	2 909	-63	-97	117	-2 691	-2 929	0	0	
Net interest income	48 880	52 177	58 936	23 487	337	-96	0	117	-2 691	-7 546	105 462	68 138
Net commissions	7 909	8 392	4 302	4 188							12 212	12 580
Financial instruments at fair value									449	19 312	449	19 312
Other revenues	448	-12	448	6 482	6 105		0	600	5 207	5 069	11 677	12 669
Total other operating revenues	7 909	8 839	4 290	4 635	6 482	6 105	0	600	5 655	24 381	24 337	44 561
Depreciations and impairment	1 528	1 793	1 147	1 562	165	176	40	1 018	1 289	3 857	4 861	
Profit before loss provisions	17 107	14 019	38 030	-4 813	290	-484	0	-1 915	31	11 971	55 457	18 777
Write down and losses on lending	-1 287	681	13 195	2 910							11 908	3 591
Operating profit before tax	18 393	13 337	24 835	-7 723	290	-484	0	-1 915	31	11 971	43 549	15 186
Loans to customers	14 450 792	15 495 167	10 138 348	10 226 920							24 589 140	25 722 087
Other assets					18 603	10 579			4 451	3 976 631	4 984 973	3 995 234
Total assets	14 450 792	15 532 535	10 138 347	10 226 920	18 603	10 579	0	4 451	3 976 631	4 984 973	28 584 374	30 722 090
Deposits from customers	6 940 858	7 353 396	3 572 339	3 987 192					1 267 433	26 047	11 780 629	11 366 636
Other liabilities					6 939	6 614			4 698	15 054 564	17 688 394	15 061 504
Debt and liabilities	6 940 858	8 924 479	3 572 339	3 987 192	6 939	6 614	0	4 698	16 321 997	17 714 441	26 842 134	29 066 341

# quarterly report Q1-2010

## Quarterly report

## Quarterly accounts

[Highlights](#)
[Profit and loss account](#)
[Balance sheet](#)
[Statement of equity](#)
[Cash flow statement](#)
[Notes](#)

14 / 17

# 4

## LOSSES

### Group

### Parent company

1Q 2010	1Q 2009	Year 2009	Writedowns and losses on loans	1Q 2010	1Q 2009	Year 2009
12 753	-93	-6 408	Change in individual write-downs	12 752	-93	-36 986
-1 186	3 984	14 171	Change in group write-downs	-1 361	3 984	14 171
449		-	Write-offs with individual write-downs	449		30 579
383	660	3 877	Write-offs without individual write-downs	383	660	3 877
-491	-960	1 593	Recoveries on amounts written off previously	-491	-960	1 593
11 908	3 591	13 233	Writedowns and losses on loans	11 732	3 591	13 233

### Writedowns of loans

111 534	117 941	117 941	Individual writedowns as of 1.1	111 534	148 520	148 520
449			- Confirmations against previous writedowns	449		30 579
9 461		17 500	+ Increased individual writedowns	9 462		17 500
	286	39 968	+ New individual writedowns			39 968
	379	63 876	- Reversed writedowns			63 876
120 546	117 848	111 534	Individual writedowns as of 31.03 / 31.12	120 547	148 520	111 534
70 077	55 906	55 906	Group writedowns as of 1.1	66 688	55 906	55 906
			- Transferred to SSB Boligkreditt	-105	807	3 389
-1 186	3 984	14 171	+ Increase in group writedown	-1 361	3 984	14 171
68 891	59 890	70 077	Group writedowns as of 31.03 / 31.12	65 432	59 083	66 688

### Losses and non-performing loans and advances

121 808	101 685	55 658	Non-performing loans and advances	120 414	101 685	55 479
975 827	1 332 105	958 002	Doubtful loans and advances	975 827	1 332 105	958 002
120 546	117 848	111 534	Individual write-downs	111 534	148 520	111 534
0,49 %	0,39 %	0,23 %	Gross non-performing loans and advances as a percentage of gross loans	0,57 %	0,41 %	0,27 %

# quarterly report Q1-2010

**Quarterly report**

**Quarterly accounts**

Highlights

Profit and loss account

Balance sheet

Statement of equity

Cash flow statement

Notes

15 / 17

## 5

### CAPITAL ADEQUACY

Group

Parent company

31.03.10	31.03.09	31.12.09	Net subordinated capital	31.03.10	31.03.09	31.12.09
710 581	710 581	710 581	Equity certificate capital	710 581	710 581	710 581
700 527	667 413	700 527	Saving bank's fund	700 527	667 413	700 527
299 710	259 633	302 137	Other equity	277 097	237 172	279 524
1 710 818	1 637 628	1 713 245	Equity	1 688 204	1 615 166	1 690 633
658 107	209 399	655 256	Subordinated tier 1 bonds	658 107	209 399	655 256
-42 084	-37 370	-38 352	Deduction for goodwill and other intangible assets	-32 049	-16 686	-28 289
2 326 841	1 809 657	2 330 149	Total tier 1 capital	2 314 263	1 807 879	2 317 600
509 442	509 224	509 388	Subordinated loan capital	509 442	509 224	509 388
2 836 283	2 318 881	2 839 537	Net subordinated capital	2 823 705	2 317 103	2 826 988

#### Risk-weighted assets:

18 164 224	20 421 488	17 964 946	Credit risk - standard method	16 583 402	19 861 425	16 475 630
1 003 150	1 056 325	1 018 975	Operational risk	987 881	1 056 325	1 005 938
-68 891	-59 890	-70 077	Deductions	-65 432	-59 083	-66 688
19 098 483	21 417 923	18 913 844	Total risk-weighted assets	17 505 851	20 858 667	17 414 880
<b>14,9</b>	<b>10,8</b>	<b>15,0</b>	<b>Capital adequacy ratio</b>	<b>16,1</b>	<b>11,1</b>	<b>16,2</b>
<b>12,2</b>	<b>8,4</b>	<b>12,3</b>	<b>Tier 1 capital ratio</b>	<b>13,2</b>	<b>8,7</b>	<b>13,3</b>

# quarterly report Q1-2010

Quarterly report

Quarterly accounts

Highlights

Profit and loss account

Balance sheet

Statement of equity

Cash flow statement

Notes

16 / 17

## 6

NET CHANGE OF VALUE AND GAINS/LOSSES ON CURRENCY AND SECURITIES VALUED AS CURRENT ASSETS

Group

Parent company

1Q 2010	1Q 2009	Year 2009	Net change in valuation of financial instruments at fair value	1Q 2010	1Q 2009	Year 2009
4 903	17 331	7 475	Net change in valuation of currency and financial derivatives	6 345	17 331	7 476
9 585	20 412	-24 114	Net change in valuation of loans at fair value	8 185	20 412	-24 218
-110	13 385	52 190	Net change in valuation of notes and bonds	-110	13 385	52 190
2 081	-5 460	-10 443	Net change in valuation of equities	1 812	-5 460	-1 868
-16 012	-26 355	23 574	Net change in valuation of financial liabilities	-16 012	-26 355	23 574
-4 456	1 981	41 207	Net change in valuation of financial instruments, determined recognized at fair value	-6 125	1 981	49 678
34 192	49 999	16 660	Net change in valuation of financial derivatives, hedging	34 192	49 999	16 660
-34 192	-49 999	-16 660	Net change in valuation of hedged financial liabilities	-34 192	-49 999	-16 660
0	0	0	Net change in valuation of hedged items	0	0	0
<b>447</b>	<b>19 312</b>	<b>48 682</b>	<b>Net change in valuation of financial instruments at fair value</b>	<b>220</b>	<b>19 312</b>	<b>57 154</b>

## 7

SALARIES AND OTHER GENERAL ADMINISTRATIVE EXPENSES

Group

Parent company

1Q 2010	1Q 2009	Year 2009	Salaries and other general administrative expenses	1Q 2010	1Q 2009	Year 2009
27 081	43 382	166 727	Salaries, pensions and social security costs	23 154	35 153	139 718
21 517	22 133	86 203	Administrative expenses	21 517	22 133	84 805
48 598	65 515	252 930	Total salaries and general administrative expenses	44 671	57 286	224 523



**Sandnes Sparebank**  
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