

Quarterly report 2010

Q2



2nd quarter and 1st half of 2010

- The interest margin is still healthy and the deposit to loan ratio has been improved, but increased single loan risk results in write-downs in the quarter

Highlights – 2Q

- Profits before taxes of NOK -101.7 (20.1) million, the decline being due to increased write-downs.
- Losses and write-downs of NOK 110.2 million.
- The interest rate margin ended up on 1.3 % (1.3 %).
- The cost to income ratio was 92.7 % (76.0 %). The cost to total assets ratio was 1.5 % (1.3 %).
- Return on equity was -23.9 % (4.9 %) before taxes, and -17.1 % (2.1 %) after taxes.
- The deposit to loan ratio was 47.9 % (44.5 %) for the Group as a whole, and 61.1 % (50.6 %) for the Parent Bank.
- The Tier-1 capital ratio ended up on 11.5 % (8.9 %).
- Refinancing of EUR 300 million due in December, was completed in June. The liquidity situation is good, and there are no major loans maturing during the next 12 months.

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.

Second quarter

The loss before taxes for the second quarter 2010 was NOK -101.7 million, compared to profits of NOK 20.1 million for the corresponding period of 2009. The loss after taxes was NOK -72.8 million, compared to profits of NOK 8.7 million in 2009.

During the second quarter of 2010 some existing doubtful loans in the major customer segment of the Corporate Market business have increased negative performance. In connection

with the reporting of revised financial statements as of June 30, 2010, it has been made a significant increase in individual write-downs of some existing doubtful loans in this segment.

Return on equity after taxes was -17.1 %, versus 2.1 % in 2Q 2009. The drop is mainly due to increased write-downs of loans, as well as higher operating cost. A decline in the net return on financial investments also had a negative impact on profits.

The first half-year

The pre-tax loss for the first half of 2010 was NOK -58.2 million. This is a decline of NOK 93.4 million from profits of NOK 35.2 million during the first half of 2009. The decline was due to increased write-downs of loans of NOK 122.1 million to date in 2010, up from NOK 14.3 million in the same period of 2009. The loss after taxes was NOK -41.4 million, compared to profits of NOK 18.6 million in the first quarter of 2009.

Return on equity after taxes was -4.9 %, versus 2.3 % in the first half of 2009. The decline was mainly due to increased write-downs of loans. A decline in the net return on financial investments also had a negative impact on profits.

Second quarter profits

Net interest income

The Group's net interest income was NOK 92.2 (94.7) million for the second quarter. Compared to the same period in 2009, this is a reduction of NOK 2.4 million, or 2.6%. In both periods, the interest margin was 1.3 %. In the second quarter of 2010, the interest margin was negatively impacted by the

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change in the market interest rate level, which had an impact on the Bank's funding 1.5 months before it was possible to effect at corresponding lending rate increase.

The contribution to net interest income from the Bank's portfolio of loans secured in structured products was significantly reduced in 2009. As assumed, the decline continued in the first half of 2010, and most of the other products will expire during the second half of 2010. The risk profile of the Bank's loan portfolio is moderate.

Other income

Total other income was reduced by NOK 8.1 million relative to the second quarter of 2009. The decline was mainly due to a reduction in the net return on financial investments of NOK 10.2 million. Performance, especially for notes and bonds, was very positive throughout 2009, as the markets recovered from the autumn crash of 2008.

Net commission income increased by NOK 1.0 million, mainly due to increased income from insurance and security distribution. The market for the sale of saving products was still seen as challenging.

Other income forming part of other operating income, increased by NOK 1.2 million relative to the second quarter of 2009. Increased revenues from the estate agency business, as well as Røldal Eiendom, which will be consolidated as of 31.5.2010, more than compensated for the effect of the sale of SSB Securities in the autumn of 2009.

Operating cost

In the second quarter of 2010, the Group's operating cost amounted to NOK 106.7 million. This was an increase of NOK 11.8 million, or 12.5 %, compared to the same period of 2009. Of this amount, NOK 1.8 million was related to higher write-downs, and NOK 7.0 million was extraordinary items. The cost increase was mainly a consequence of a higher level of marketing activities.

For the Group, costs were 92.7 % of income. The total cost to total assets ratio was 1.5 %, compared to 1.3 % in the second quarter of 2009.

Losses and non-performing loans

At the end of the second quarter of 2010, gross non-performing loans totaled NOK 119.8 (113.8) million, corresponding to 0.48 % (0.45 %) of gross lending

Losses and write-downs in the amount of NOK 110.2 (10.7) million were recorded in the second quarter of 2010. Individual write-downs increased by NOK 111.7 million, whereas for write-downs related to groups of assets, reversals resulted in recognized income of NOK 2.1 million.

Gross loan volume, subject to individual write-downs, totaled NOK 1,490 million as of 30.06.10, compared to NOK 958 million as of 31.12.2009.

The business segments

The retail market

Profits before loan losses were NOK 12.4 million in the second quarter of 2010, compared to NOK 25.6 million during the same period of 2009. The interest margin went down from 1.6 % in the second quarter of 2009, to 1.5 % in the second quarter of 2010.

The retail market experienced a total decline in income of NOK 7.8 million in the second quarter of 2010, compared to the second quarter of 2009. Net interest income declined by NOK 7.9 million, and other income increased by NOK 0.1 million. The decline in net interest income was due to timing differences between increased funding costs and increased lending rates, as well as the maturation of structured products. Both the second quarter of 2010 in isolation, and the second half of 2010 as a whole, show positive growth rates for regular retail market activities.

Costs increased in the second quarter of 2010, compared to the same period in 2009, mainly due to several market oriented activities.

The loan portfolio grew by 4.0 % during the second quarter of 2010, versus a decline of 6.7 % in the second quarter of 2009. The increase starting in the first quarter of 2010 follows

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from a Bank initiative towards the end of last year to implement measures to attract new mortgage customers.

The deposit to loan ratio was 47.5 %, compared to 50.1 % for the second quarter of 2009.

In the second quarter of 2010, individual write-downs of loans increased by NOK 0.9 million, whereas group based write-downs increased by NOK 0.2 million. Thus, at the end of the second quarter individual write-downs in the retail segment totaled NOK 2.5 million and group based write-downs totaled NOK 18.8 million.

In May, the Bank's city center branch in Stavanger moved to new and more centrally located premises in the Romsøgården.

The corporate market

Corporate market profits before taxes were NOK 10.2 million during the second quarter of 2010, compared to NOK 4.7 million during the same period of 2009. The interest margin increased from 1.2 % to 1.7 %. The change was caused by high funding costs throughout 2009, a trend that has continued through 2010. Furthermore, year to date we have had particular focus on the repricing of loans to major customers. The reason is increased concentration of risk in this portfolio.

The corporate market experienced a total increase in income of NOK 10.5 million in the second quarter of 2010, compared to the second quarter of 2009. The increase was due to increased net interest income. Commission income and other income remained at the same level as last year.

Costs increased some during the second quarter of 2010, compared to the same period in 2009, mainly due to several market oriented activities.

Corporate lending fell during the second quarter of 2010 by 3.9 %, compared to an increase of 3.2% during the same period of 2009. Increased market uncertainty has resulted in a decline in the startup of projects, which in turn meant lower demand for corporate financing. In other areas, the Bank is working on reducing its exposure to some segments.

The deposit to loan ratio was 36.6%, compared to 37.3 % for the second 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 continued high priority on the small and medium sized business segment.

Individual write-downs of loans increased in the second quarter of 2010 by NOK 110.8 million, whereas group based write-downs fell by NOK 3.0 million. Thus, at the end of the second quarter individual write-downs in the corporate segment totaled NOK 226.0 million, and group based write-downs totaled NOK 43.3 million. The increased write-downs only apply to corporate loans that have been defined as doubtful since the 4th quarter of 2008, and which have previously been subject to individual write-downs. No material losses were realized during the period.

Estate agency

Estate agency operating profits were NOK 1.4 million in the second quarter of 2010, compared to NOK 0.8 million during the same period of 2009. The earnings improvement was due to increased income in 2010, especially from the estate agency business in Rogaland.

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 loss of the "others" segment was NOK -15,7 million for the second quarter of 2010, compared to NOK -0.6 million for the second quarter of 2009. The decline was 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.

The operating loss on investment properties was NOK -5.5 million, compared to profits of NOK 0.3 million in the second quarter of 2009. The loss was due to loss on an interest rate contract, as well as a negative contribution from Røldal Eiendom, which was consolidated as of 31.5.2010.

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Balance sheet

As of the end of the second quarter of 2010, the Group's total assets amounted to NOK 28.4 (28.4) billion. Relative to 31.12.2009, total assets have increased by NOK 0.2 billion, or 0.7 %.

During the second quarter 2010, there was an increase in lending of 1.0 % and a deposit increase of 0.7 %. The share of the mortgage loan portfolio financed by covered bonds (OMF) increased by NOK 1 billion during the quarter.

Notes and bonds were valued at NOK 1,437.0 (1,456.6) million, while other securities were valued at NOK 73.1 (52.8) million. Financial derivatives amounted to NOK 124.4 (160.4) million.

The Bank's liquidity situation is good. 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 refinancing of a EUR 300 million syndicated loan maturing in December 2010, was completed in June.

As of 30.06.10, SSB Boligkredit AS has issued covered bonds worth NOK 5.0 billion. Of these, Sandnes Sparebank has purchased bonds worth NOK 3.3 billion and utilized approximately NOK 2.2 billion of these securities to secure long-term liquidity through participation in the government exchange scheme.

Solvency

In 2009, the Group's capital adequacy was significantly strengthened by increasing subordinated capital both through a NOK 450 million capital infusion from the Norwegian State Finance Fund, and through retained earnings. Risk weighed assets were reduced through effective balance sheet management.

In accordance with regulations, the loss during the first half of 2010, reduces subordinated capital as of 30.06.2010. Thus, at Group level the capital adequacy ratio was 14.1 % as of 30.06.10, down from 15.0 % as of 31.12.2009. Correspondingly, the Tier-1 capital ratio was 11.5 %, down from 12.3 % as of 31.12.2009. For the Parent Bank, the capital adequacy ratio was 16.0% as of 30.06.10, down from 16.2 % as of

31.12.2009. Correspondingly, the Tier-1 capital ratio was 13.1 %, down from 13.3 % as of 31.12.2009.

Regardless, the Group is currently well capitalized with a capital adequacy 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 30.06.2010, the SADG price was NOK 93.00, versus NOK 79.50 at the end of 2009. The value of the Bank's equity certificates has appreciated 17 % year to date, and 93 % over the past 12 months.

At the end of the second quarter, there were 3,410 registered owners of the Bank's equity certificates. The 20 major owners controlled 36.18 % of the equity certificate capital at the end of the year.

Primary capital certificates per 30.06.2010	No.	Share as %
1. Protector Eiendom AS	741 535	10.44
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 DNB NOR	73 252	1.03
11. Tirma Holding AS	68 150	0.96
12. Nordea Bank Norge AS	64 600	0.91
13. Solvang Shipping A/S	62 173	0.87
14. Skretting Marit	51 527	0.73
15. Aske Jan Sigurd	49 001	0.69
16. Solvang ASA	43 317	0.61
17. Marin Elektro Holding AS	41 000	0.58
18. Horten Hus Eiendom AS	40 035	0.56
19. Inge Steenslands Stiftelse	37 304	0.52
20. Haugli A.S.	36 173	0.51
= 20 biggest holders	2 570 771	36.18
+ Other holders	4 535 040	63.82
= Primary capital certificates issued	7 105 811	100.00

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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.

There has been a limited audit of the accounts as of 30.06.2009.

Market conditions

The unrest experienced in the first quarter regarding refinancing of sovereign debt in some South European countries, extended its scope through the second quarter. It has resulted in a further increase in credit premiums and generally lower levels of activity on the credit markets. Through the whole second quarter, this has also affected the Norwegian market, in the form of great fluctuations in the NOK exchange rate and increased credit premiums.

Property prices continued to rise in the second quarter. According to Statistics Norway, the national housing price index increased by 3.7 %, whereas prices in the Stavanger region increased by 1.9 % during the same period. High demand for mortgage financing, combined with the Bank's focus on the retail market, has had a positive impact and resulted in a volume increase of 4 % in the second quarter in isolation, and 6.9 % for the first half of 2010 as a whole. According to NAV, unemployment in Rogaland was back at 2.2 % in June 2010. This is below the national average, which was 3 % during the same period. The decline in Rogaland is mainly due to laid off workers returning to work.

The demand for business loans was moderate throughout the whole first half of the year. However, it is positive that major contracts are still being awarded in the oil service industry. In addition, there is increased activity within the construction industry. The Bank reduced its corporate lending volume by 3.9 % through the first half of the year. This is a consequence of the Bank's strategy of stepping down the major customer segment.

The policy rate was increased by 25 basis points, from 1.75 % to 2.0 %, with effect from 06.05.2010. The result was that most banks increased their lending rates correspondingly. In the second quarter, NIBOR increased from 2.34 % to 2.79 %. This is an increase of 45 basis points, and entails an increase in the Bank's funding costs. NIBOR developments are monitored closely, and the Bank is continuously considering changes in lending rates and margins.

Outlook

For the next half, the Bank will, as previously communicated, actively sharpen the focus of its business on the retail market and the small and medium business segment. This work was commenced during the summer. As a consequence, some of the Bank's loans to major customers have been redeemed. Going forward, we will work actively to effect a further reduction of this exposure.

The Bank undertook a general rate increase, effective as of 10.06.2010. In addition, a margin increase was implemented for the major customer segment, effective July 2010. This will have a positive impact on the Bank's net interest income in the next period.

The Bank is also implementing a new profitability program focusing on both increasing income and reducing operating costs. Beyond increased profitability, focus will be on sharpened and better service of our various customer groups. The profitability program will be presented in detail during the third quarter of 2010.

The liquidity situation of the Bank is good, and there are no major loans maturing until the autumn of 2011. As of the end of the second quarter, the Bank had a Tier-1 capital ratio of 11.5 %, 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 normalized earnings performance in the second half of 2010.

*The Board of Directors of Sandnes Sparebank
11 August 2010*

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Declaration pursuant to Section 5-6 of the Securities Trading Act

We certify that the Group's and the parent bank's interim accounts for the period 1 January to 30 June 2010 have according to the best of our belief been compiled in compliance with IAS 34 Interim reporting and that the information in the accounts provides a correct overview of the information mentioned in Section 5-6(4) of the Securities Trading Act:

- An overview of important events during the accounting period and their effect on the half-year accounts
- A description of the most important elements of risk and uncertainty facing the enterprise during the coming accounting period
- A description of important transactions with related parties

Sandnes, 11 August 2010
The Board of Directors of Sandnes Sparebank



Eimund Nygaard
Chairman of the Board



Magne Morken
Deputy Chairman



Nils H. Birkeland
Director



Marion Svhus
Director



Trine Lise Bjørvik
Director



Frode Svaboe
Director



Håvard Ånestad
Director



Svein Ivar Førland
Managing Director

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Q2 2010	Q2 2009	YTD 2010	YTD 2009	Year 2009	SUMMARY OF RESULTS	Q2 2010	Q2 2009	YTD 2010	YTD 2009	Year 2009
92 211	94 656	197 674	162 795	358 573	Net earned interests	90 336	87 753	191 844	162 552	347 318
22 991	31 051	47 328	75 611	157 006	Other operating revenues	17 899	22 032	33 257	55 258	123 752
106 739	94 919	181 081	188 840	375 869	Other operating expenses	98 745	86 218	164 719	165 481	340 302
110 176	10 726	122 084	14 317	13 233	Net losses	110 041	10 726	121 774	14 317	13 233
-101 713	20 063	-58 163	35 249	126 477	Operating profit before taxes	-100 551	12 841	-61 391	38 012	117 534
-28 915	11 397	-16 788	16 672	46 303	Tax cost	-28 816	8 425	-17 859	15 473	42 024
-72 798	8 666	-41 375	18 577	80 174	Operating profit after taxes	-71 735	4 416	-43 532	22 539	75 510
-1 131	408	-1 127	-544	-2 244	Minority interests					
-71 667	8 259	-40 249	19 121	82 418	Majority interests					
Q2 2010	Q2 2009	YTD 2010	YTD 2009	Year 2009	EXTRACTS FROM THE BALANCE SHEET	Q2 2010	Q2 2009	YTD 2010	YTD 2009	Year 2009
		28 443	28 429	28 249	Total assets			27 838	28 755	28 459
28 514	29 575	28 346	30 067	29 977	Average total assets	28 304	30 614	28 149	30 248	30 100
		24 774	25 007	24 378	Loans to customers			19 753	22 657	20 685
		11 860	11 216	11 719	Deposits from customers			12 062	11 566	11 967
		1 437	1 457	1 900	Notes and bonds			4 695	3 464	4 907
		124	160	134	Financial derivatives			124	160	134
		1 669	1 651	1 713	Equity			1 644	1 638	1 691
Q2 2010	Q2 2009	YTD 2010	YTD 2009	Year 2009	KEY FIGURES	Q2 2010	Q2 2009	YTD 2010	YTD 2009	Year 2009
					Development last 12 months					
-0.5 %	-7.5 %	0.1 %	-5.7 %	-10.9 %	- Total assets	-3.2 %	-11.4 %	-3.2 %	-4.7 %	-10.3 %
0.0 %	-2.7 %	-1.7 %	-2.5 %	-7.9 %	- Loans	-6.0 %	-7.1 %	-13.6 %	-11.5 %	-22.6 %
0.7 %	-1.3 %	5.7 %	-0.7 %	0.3 %	- Deposits	0.4 %	-12.2 %	4.3 %	2.1 %	1.5 %
		47.9 %	44.5 %	47.7 %	Ratio of deposits to loans			61.1 %	50.6 %	57.4 %
					Profitability					
1.3 %	1.3 %	1.4 %	1.1 %	1.2 %	Interest margin	1.3 %	1.1 %	1.4 %	1.1 %	1.2 %
92.7 %	76.0 %	73.9 %	79.6 %	72.9 %	Cost / income ratio	91.2 %	78.5 %	73.2 %	76.0 %	72.2 %
					Costs as a percentage of average total assets					
1.5 %	1.3 %	1.3 %	1.3 %	1.3 %		1.4 %	1.1 %	1.2 %	1.1 %	1.1 %
-23.9 %	4.9 %	-6.9 %	4.3 %	7.5 %	Return on equity before tax	-24.0 %	3.1 %	-7.4 %	4.7 %	7.1 %
-17.1 %	2.1 %	-4.9 %	2.3 %	4.8 %	Return on equity after tax	-17.1 %	1.1 %	-5.3 %	2.8 %	4.6 %
					Solidity					
					Capital adequacy ratio			16.0 %	12.1 %	16.2 %
					Tier 1 capital ratio			13.1 %	9.5 %	13.3 %
					Risk-weighted assets			17 250	19 300	17 415
					209	220	208	Number of man-years as of the period	184	180
									185	
					Personnel					
					Market price			93.0	48.2	79.5
					Equity certificate capital in % of equity			56.8 %	56.8 %	56.8 %
-5.8	0.7	-3.3	1.5	6.4	Earnings per equity certificate	-5.7	0.4	-3.5	1.8	6.0
-5.8	0.7	-3.3	1.5	6.4	Diluted earnings per equity certificate	-5.7	0.4	-3.5	1.8	6.0
					Book value per equity certificate			131.4	130.9	135.1

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Parent company

Q2 2010	Q2 2009	YTD 2010	YTD 2009	Year 2009	Profit and loss statement (Amounts in NOK thousand)	Q2 2010	Q2 2009	YTD 2010	YTD 2009	Year 2009
330 084	482 592	696 846	1 045 682	1 887 014	Interest income	325 405	475 043	689 409	1 048 729	1 880 580
237 873	387 936	499 172	882 887	1 528 441	Interest expense	235 069	387 290	497 565	886 177	1 533 262
92 211	94 656	197 674	162 795	358 573	Net interest income	90 336	87 753	191 844	162 552	347 318
308	5 044	310	5 044	3 968	Dividends	308	5 044	310	5 044	3 668
15 448	15 284	30 036	30 098	62 012	Commissions and income from banking services	17 666	17 888	35 178	34 037	72 977
-2 123	-2 961	-4 499	-5 196	-10 049	Commission costs and costs of banking services	-2 123	-2 961	-4 499	-5 196	-10 049
-5 582	-87	-5 134	19 224	48 682	Net change in value on financial instruments at fair value	1 290	2 062	1 509	21 373	57 154
14 940	13 772	26 616	26 441	52 393	Other operating revenues	759		759		
22 991	31 051	47 328	75 611	157 006	Total other operating revenues	17 899	22 032	33 257	55 258	123 752
66 738	61 087	115 336	126 602	252 930	Salaries and general administration costs	62 197	53 000	106 869	110 286	224 523
10 882	9 059	14 739	13 920	24 495	Depreciations and impairment	11 143	12 837	13 729	15 542	27 790
29 119	24 772	51 006	48 319	98 444	Other operating costs	25 404	20 381	44 121	39 653	87 989
106 739	94 919	181 081	188 840	375 869	Total operating costs	98 745	86 218	164 719	165 481	340 302
110 176	10 726	122 084	14 317	13 233	Write downs and losses on lending and guarantees	110 041	10 726	121 774	14 317	13 233
-101 713	20 063	-58 163	35 249	126 477	Operating profit before taxes	-100 551	12 841	-61 391	38 012	117 534
-28 915	11 397	-16 788	16 672	46 303	Tax cost	-28 816	8 425	-17 859	15 473	42 024
-72 798	8 666	-41 375	18 577	80 174	Operating profit after taxes	-71 735	4 416	-43 532	22 539	75 510
-72 798	8 666	-41 375	18 577	80 174	Comprehensive income	-71 735	4 416	-43 532	22 539	75 510
-1 131	408	-1 127	-544	-2 244	Minority interests					
-71 667	8 259	-40 249	19 121	82 418	Majority interests					
-5.8	0.7	-3.3	1.5	6.4	Earnings per equity certificate	-5.7	0.4	-3.5	1.8	6.0
-5.8	0.7	-3.3	1.5	6.4	Diluted earnings per equity certificate	-5.7	0.4	-3.5	1.8	6.0

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30.06.10	30.06.09	31.12.09	Balance sheet (Amounts in NOK thousand)	30.06.10	30.06.09	31.12.09
1 008 801	1 145 502	1 193 572	Cash and receivables from central banks	1 008 801	1 141 965	1 193 572
270 954	151 080	103 494	Loans to and receivables from credit institutions	267 728	151 080	101 359
24 773 763	25 006 562	24 377 940	Loans to customers	19 753 357	22 657 141	20 684 952
1 436 955	1 456 552	1 899 505	Notes and bonds	4 694 840	3 464 437	4 907 390
73 056	52 823	68 155	Shares	36 876	20 295	33 559
124 358	160 433	134 396	Financial derivatives	124 358	160 433	134 314
34 638	660	33 932	Ownership interest in affiliates	35 668	660	34 962
			Investments in group companies	292 368	376 250	292 598
19 839	23 233	19 617	Intangible assets	15 419	16 093	16 376
50 867	8 780	18 735	Deferred tax assets	29 772		11 913
341 318	272 503	270 581	Investment property			
29 730	26 690	26 697	Fixed assets	29 100	25 233	25 977
13 755	13 570	3 215	Other assets	1 291 476	631 995	923 522
244 904	48 995	72 240	Prepaid expenses and accrued income	238 257	47 327	71 578
	33 323		Assets held for sale		34 353	
20 431	27 830	27 236	Financial instruments available for sale	20 431	27 830	27 236
28 443 368	28 428 535	28 249 315	Total assets	27 838 450	28 755 092	28 459 306
6 793 083	7 809 212	8 042 967	Loans and deposits from credit institutions	6 793 083	7 808 887	8 042 967
11 859 709	11 215 584	11 718 758	Deposits from customers	12 061 746	11 565 919	11 966 680
6 150 825	6 497 257	5 206 686	Debts securities issued	5 401 123	6 497 257	5 206 686
304 747	122 535	140 769	Financial derivatives	295 527	122 535	140 747
78 609	93 497	41 433	Other debts	67 392	84 293	35 846
8 660	17 092	73 181	Taxes payable	3 244	15 283	69 655
360 365	240 257	87 815	Accrued expenses and prepaid income	354 044	241 925	83 955
50 052	53 904	58 287	Provisions	49 231	52 443	57 493
1 491	10 631	1 529	Deferred tax liabilities		11 793	
1 167 145	717 093	1 164 644	Subordinated loan capital	1 169 145	717 093	1 164 644
26 774 686	26 777 063	26 536 070	Total liabilities	26 194 536	27 117 430	26 768 673
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
766 705	746 376	810 142	Other equity	-14 307	56 071	32 412
23 164	26 283	24 291	Minority interests			
1 668 682	1 651 472	1 713 245	Total equity	1 643 914	1 637 662	1 690 633
28 443 368	28 428 535	28 249 315	Total equity and liabilities	27 838 450	28 755 092	28 459 306

Parent company

30.06.10	30.06.09	31.12.09	30.06.10	30.06.09	31.12.09
1 008 801	1 141 965	1 193 572	1 008 801	1 141 965	1 193 572
267 728	151 080	101 359	267 728	151 080	101 359
19 753 357	22 657 141	20 684 952	19 753 357	22 657 141	20 684 952
4 694 840	3 464 437	4 907 390	4 694 840	3 464 437	4 907 390
36 876	20 295	33 559	36 876	20 295	33 559
124 358	160 433	134 314	124 358	160 433	134 314
35 668	660	34 962	35 668	660	34 962
292 368	376 250	292 598	292 368	376 250	292 598
15 419	16 093	16 376	15 419	16 093	16 376
29 772			29 772		
29 100	25 233	25 977	29 100	25 233	25 977
1 291 476	631 995	923 522	1 291 476	631 995	923 522
238 257	47 327	71 578	238 257	47 327	71 578
34 353			34 353		
20 431	27 830	27 236	20 431	27 830	27 236
27 838 450	28 755 092	28 459 306	27 838 450	28 755 092	28 459 306
6 793 083	7 808 887	8 042 967	6 793 083	7 808 887	8 042 967
12 061 746	11 565 919	11 966 680	12 061 746	11 565 919	11 966 680
5 401 123	6 497 257	5 206 686	5 401 123	6 497 257	5 206 686
295 527	122 535	140 747	295 527	122 535	140 747
67 392	84 293	35 846	67 392	84 293	35 846
3 244	15 283	69 655	3 244	15 283	69 655
354 044	241 925	83 955	354 044	241 925	83 955
49 231	52 443	57 493	49 231	52 443	57 493
1 169 145	717 093	1 164 644	1 169 145	717 093	1 164 644
26 194 536	27 117 430	26 768 673	26 194 536	27 117 430	26 768 673
710 581	710 581	710 581	710 581	710 581	710 581
168 232	168 232	168 232	168 232	168 232	168 232
78 881	35 365	78 881	78 881	35 365	78 881
700 527	667 413	700 527	700 527	667 413	700 527
-14 307	56 071	32 412	-14 307	56 071	32 412
1 643 914	1 637 662	1 690 633	1 643 914	1 637 662	1 690 633
27 838 450	28 755 092	28 459 306	27 838 450	28 755 092	28 459 306

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Group	Equity certificate capital	Share premium reserve	Other equity	Total majority interest	Minority interests	Total
Equity as of 31.12.2008	710 581	168 232	724 814	1 603 627	42 211	1 645 838
Dividends and gifts			-41	-41		-41
Minority interests disposed			0	0	-15 384	-15 384
Commitment to buy minority interests			2 483	2 483		2 483
Comprehensive income			19 121	19 121	-544	18 577
Equity as of 30.06.2009	710 581	168 232	746 377	1 625 190	26 283	1 651 473
Equity as of 31.12.2009	710 581	168 232	810 142	1 688 955	24 290	1 713 245
Dividends and gifts			-3 187	-3 187		-3 187
Comprehensive income			-40 249	-40 249	-1 127	-41 375
Equity as of 30.06.2010	710 581	168 232	766 707	1 645 520	23 164	1 668 683

Parent bank	Equity certificate capital	Share premium reserve	Dividend equalisation reserve	Savings bank's fund	Other equity	Total
Equity as of 31.12.2008	710 581	168 232	35 364	667 412	33 575	1 615 164
Dividends and gifts					-41	-41
Comprehensive income					22 539	22 539
Equity as of 30.06.2009	710 581	168 232	35 364	667 412	56 073	1 637 662
Equity as of 31.12.2009	710 581	168 232	78 881	700 527	32 412	1 690 633
Dividends and gifts					-3 187	-3 187
Comprehensive income					-43 532	-43 532
Equity as of 30.06.2010	710 581	168 232	78 881	700 527	-14 307	1 643 914

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Group

30.06.2010	30.06.2009	31.12.2009	Cash flow statement (Amounts in NOK thousand)	30.06.2010	30.06.2009	31.12.2009
Cash flow from operating activities						
733 811	1 048 707	1 859 986	Interest / commission received and fees received from customers	664 563	1 022 874	1 780 667
-225 493	-416 985	-998 394	Interest paid to customers	-203 324	-416 985	-998 394
-7 265	8 243	42 769	Net payments and receipts from trading in financial assets	-9 333	8 243	42 665
310	5 044	3 668	Dividend received	310	5 044	3 668
53 747	49 301	97 099	Interest received on securities	53 747	49 301	97 099
-139 753	-134 510	-328 168	Disbursements for operations	-144 572	-97 892	-313 045
-66 411	-252	1 101	Taxes	-66 411	-252	-777
-3 187	-41	-41	Payment of gifts from profit	-3 187	-41	-41
345 759	559 507	678 020	Net cash flow from operating activities	291 794	570 292	611 842
Cash flow from investing activities						
-9 840	-10 873	-17 090	Purchases and divestments of fixed assets	-9 942	-9 991	-16 118
-918	-282 463	-31 577	Purchases of long-term investments in equity and other assets	231	-276 453	-234 348
216 048	-2 062 894	-480 896	Net cash flows from interest bearing securities	216 048	-2 062 627	-3 480 896
205 290	-2 356 230	-529 563	Net cash flow from investing activities	206 336	-2 349 071	-3 731 362
Cash flow from financing activities						
-356 712	3 508 522	1 834 301	Net receipts / disbursements of repayment loans, credit lines	442 137	3 490 187	5 122 165
-20 190	-468 500	-251 331	Net receipt of deposits	-16 416	-465 222	-264 794
-1 415 589	-370 990	-87 570	Net investmetns / borrowing in credit institutions	-1 415 589	-370 990	-87 570
1 224 702	700 000	700 000	Certificates and bond depts issued	475 000	700 000	700 000
-256 281	-2 737 003	-3 989 769	Certificates and bond depts repaid	-256 281	-2 737 003	-3 989 769
325	450 000	Subordinated tier 1 bond repaid	325	0	450 000	
87 924	184 930	264 218	Net interest payments on financing activities	87 924	184 930	264 218
-735 821	816 959	-1 080 151	Net cash flow from financing activities	-682 900	801 902	2 194 250
-184 772	-979 764	-931 694	Net cash flow for the period	-184 771	-976 877	-925 270
1 193 573	2 125 266	2 125 266	Cash and cash equivalents at the beginning of the year	1 193 572	2 118 842	2 118 842
1 008 801	1 145 502	1 193 572	Cash and cash equivalents at the end of the year	1 008 801	1 141 965	1 193 572

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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 30.06.2010.

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CHANGES IN GROUP STRUCTURE

Røldal Eiendom is consolidated from 31.05.2010, and is included as investment property in the undistributed segment. 60% of the company has been acquired. As compared with second quarter 2009, SSB Securities is no longer part of the Group as this company was sold in third quarter 2009.



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SEGMENT REPORTING

	RM Q2		CM Q2		Property Q2		Corporate Finance Q2		Undistributed Q2		Total Q2	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Net external interest income	53 149	59 780	39 519	29 110	-13	3			-444	5 763	92 211	94 656
Net internal interest income	438	1 676	2 203	2 087	-104	-66	67		-2 537	-3 764		
Net interest income	53 587	61 456	41 722	31 197	-117	-63	67		-2 981	1 999	92 211	94 656
Net commissions	8 220	7 650	5 106	4 673							13 325	12 323
Financial instruments at fair value	-25		-25						-5 224	4 956	-5 274	4 956
Other revenues	-75	379	-64	379	8 883	7 365	600		6 196	5 049	14 940	13 772
Total other operating revenues	8 120	8 029	5 017	5 052	8 883	7 365	600		972	10 005	22 991	31 051
Depreciations and impairment	1 613	1 540	1 196	1 230	160	82	-1 040		7 913	7 248	10 882	9 060
Profit before loss provisions	12 449	25 580	10 247	4 683	1 434	796	333		-15 666	-603	8 463	30 788
Write down and losses on lending	2 455	1 518	107 721	9 208							110 176	10 726
Operating profit before tax	9 994	24 062	-97 474	-4 525	1 434	796	333		-15 666	-603	-101 713	20 062

	RM YTD		CM YTD		Property YTD		Corporate Finance YTD		Undistributed YTD		Total YTD	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Net external interest income	101 457	111 956	96 273	49 688	387	4			-444	1 146	197 673	162 794
Net internal interest income	1 011	1 676	4 385	4 996	-168	-163	184		-5 228	-6 693		
Net interest income	102 468	113 632	100 658	54 684	219	-159	184		-5 672	-5 547	197 673	162 794
Net commissions	16 129	16 042	9 408	8 860							25 537	24 902
Financial instruments at fair value	-25		-25						-4 775	24 268	-4 825	24 268
Other revenues	-75	827	-75	827	15 364	13 470	1 200		11 403	10 118	26 616	26 441
Total other operating revenues	16 029	16 868	9 308	9 687	15 364	13 470	1 200		6 627	34 386	47 328	75 612
Depreciations and impairment	3 141	3 333	2 342	2 793	325	258	-1 000		8 931	8 537	14 739	13 920
Profit before loss provisions	29 556	39 599	48 277	-131	1 724	312	-1 582		-15 636	11 367	63 921	49 565
Write down and losses on lending	1 169	2 199	120 915	12 118							122 084	14 317
Operating profit before tax	28 387	37 399	-72 639	-12 248	1 724	312	-1 582		-15 636	11 367	-58 164	35 248

Loans to customers	15 032 701	14 450 295	9 741 062	10 556 267							24 773 763	25 006 562
Other assets					22 131	17 561	12 731	3 647 475	3 391 681	3 679 606	3 421 973	
Total assets	15 032 701	14 450 295	9 741 062	10 556 267	22 131	17 561	12 731	3 647 475	3 391 681	28 453 369	28 428 535	
Deposits from customers	7 144 362	7 245 897	3 565 630	3 936 792					1 149 717	32 895	11 859 709	11 215 584
Other liabilities					9 157	7 116	3 580	14 905 820	15 550 783	14 914 977	15 561 479	
Debt and liabilities	7 144 362	7 245 897	3 565 630	3 936 792	9 157	7 116	3 580	16 055 537	15 583 678	26 774 686	26 777 064	

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LOSSES

Group

Q2 2010	Q2 2009	YTD 2010	YTD 2009	31.12.09	Writedowns and losses on loans	Q2 2010	Q2 2009	YTD 2010	YTD 2009	31.12.09
111 734	4 769	124 487	4 676	-6 408	Change in individual write-downs	111 734	-18 689	124 486	-26 710	-36 986
-2 077	5 132	-3 263	9 116	14 171	Change in group write-downs	-2 212	5 939	-3 573	9 923	14 171
221		670			Write-offs with individual write-downs	221	22 651	671	30 579	30 579
859	796	1 242	1 456	3 877	Write-offs without individual write-downs	859	796	1 242	1 456	3 877
-561	29	-1 052	-931	1 593	Recoveries on amounts written off previously	-561	29	-1 052	-931	1 593
110 176	10 726	122 084	14 317	13 233	Writedowns and losses on loans	110 041	10 726	121 774	14 317	13 233

Writedowns of loans

111 534	117 941	117 941	Individual writedowns as of 1.1	111 534	148 520	148 520
670			- Confirmations against previous writedowns	671	30 579	30 579
86 547		17 500	+ Increased individual writedowns	125 549		17 500
1 169	5 500	39 968	+ New individual writedowns	1 169	5 500	39 968
9 101	824	63 876	- Reversed writedowns	9 102	824	63 876
189 479	122 617	111 534	Individual writedowns as of 31.03 / 31.12	228 479	122 617	111 534
70 077	55 906	55 906	Group writedowns as of 1.1	66 688	55 906	55 906
-3 263	9 116	14 171	- Transferred to SSB Boligkreditt	1 032	807	3 389
66 814	65 022	70 077	+ Increase in group writedown	-3 573	9 923	14 171
			Group writedowns as of 31.03 / 31.12	62 083	65 022	66 688

Losses and non-performing loans and advances

119 824	113 777	55 658	Non-performing loans and advances	117 926	113 777	55 479
1 490 073	846 162	958 002	Doubtful loans and advances	1 490 073	846 162	958 002
189 479	122 617	111 534	Individual write-downs	228 479	122 617	111 534
0.48 %	0.45 %	0.23 %	Gross non-performing loans and advances as a percentage of gross loans	0.59 %	0.50 %	0.27 %

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CAPITAL ADEQUACY

Group

Parent bank

30.06.10	30.06.09	31.12.09	Net subordinated capital	30.06.10	30.06.09	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
254 291	273 363	302 137	Other equity	232 806	256 135	279 524
1 665 398	1 651 357	1 713 245	Equity	1 643 914	1 634 129	1 690 633
659 650	207 815	655 256	Subordinated tier 1 bonds	659 650	207 815	655 256
-70 705	-32 013	-38 352	Deduction for goodwill and other intangible assets	-45 191	-16 093	-28 289
2 254 343	1 827 159	2 330 149	Total tier 1 capital	2 258 373	1 825 851	2 317 600
509 495	509 278	509 388	Subordinated loan capital	509 495	509 278	509 388
2 763 838	2 336 438	2 839 537	Net subordinated capital	2 767 869	2 335 130	2 826 988

Risk-weighted assets

18 576 698	19 658 050	17 964 946	Credit risk - standard method	16 323 813	18 358 688	16 475 630
1 033 675	1 018 975	1 018 975	Operational risk	987 881	1 005 938	1 005 938
-66 814	-65 022	-70 077	Deductions	-62 083	-65 022	-66 688
19 543 559	20 612 003	18 913 844	Total risk-weighted assets	17 249 610	19 299 604	17 414 880
14.1	11.3	15.0	Capital adequacy ratio	16.0	12.1	16.2
11.5	8.9	12.3	Tier 1 capital ratio	13.1	9.5	13.3

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

Group

Paren bank

Q2 2010	Q2 2009	YTD 2010	YTD 2009	31.12.09	Net change in valuation of financial instruments at fair value	Q2 2010	Q2 2009	YTD 2010	YTD 2009	31.12.09
-5 470	-8 502	-567	8 829	7 475	Net change in valuation of currency and financial derivatives	2 504	-8 502	8 849	8 829	7 476
3 841	-9 809	13 426	10 603	-24 114	Net change in valuation of loans at fair value	3 174	-9 809	11 358	10 603	-24 218
3 608	14 121	3 498	27 506	52 190	Net change in valuation of notes and bonds	3 608	14 121	3 498	27 506	52 190
1 149	-7 596	3 231	-13 057	-10 443	Net change in valuation of equities	714	-5 447	2 526	-10 908	-1 868
-8 710	11 698	-24 722	-14 657	23 574	Net change in valuation of financial liabilities	-8 710	11 698	-24 722	-14 657	23 574
-112	8 415	-4 567	10 395	41 207	Net change in valuation of financial instruments, determined recognized at fair value	-1 214	10 563	-7 340	12 544	49 678
10 480	-12 239	44 672	37 760	16 660	Net change in valuation of financial derivatives, hedging	10 480	-12 239	44 672	37 760	16 660
-10 480	12 239	-44 672	-37 760	-16 660	Net change in valuation of hedged financial liabilities	-10 480	12 239	-44 672	-37 760	-16 660
0	0	0	0	0	Net change in valuation of hedged items	0	0	0	0	0
-5 582	-87	-5 134	19 224	48 682	Net change in valuation of financial instruments at fair value	1 290	2 062	1 509	21 373	57 154

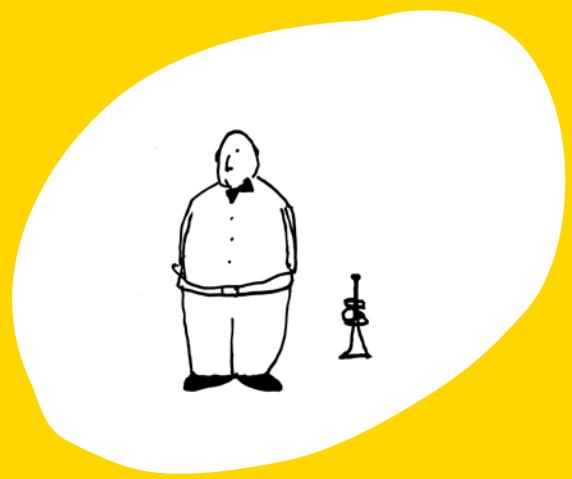
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SALARIES AND OTHER GENERAL ADMINISTRATIVE EXPENSES

Group

Parent bank

Q2 2010	Q2 2009	YTD 2010	YTD 2009	31.12.09	Salaries and other general administrative expenses	Q2 2010	Q2 2009	YTD 2010	YTD 2009	31.12.09
42 082	39 447	69 163	82 829	166 727	Salaries, pensions and social security costs	37 541	31 360	60 695	66 513	139 718
24 656	21 640	46 173	43 773	86 203	Administrative expenses	24 656	21 640	46 173	43 773	84 805
66 738	61 087	115 336	126 602	252 930	Total salaries and general administrative expenses	62 198	53 000	106 869	110 286	224 523



Sandnes Sparebank
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