

Quarterly report 2010

Q3



# Third quarter 2010

## – Earnings as expected

- Profits before taxes of NOK 29.4 (29.0) million
- Losses and write-downs totaled NOK 6.5 (7.1) million
- The interest rate margin ended up on 1.3 % (1.2 %)
- Net interest income increased and was NOK 94.8 (87.0) million
- Total cost to income ratio was 72.6 % (71.8 %).  
Cost to total assets ratio was 1.3 % (1.3 %)
- Segment volume developments are according to plan
- Improved earnings for the corporate segment
- Return on equity was 6.9 % (6.9 %) before taxes,  
and 4.2 % (4.9 %) after taxes
- The deposit to loan ratio was 44.7 % (45.7 %) for the  
Group as a whole, and 56.4 % (54.7 %) for the Parent Bank
- The Tier-1 capital ratio ended up on 11.7 % (9.3 %)

*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.*

### Third quarter

Profits before taxes were NOK 29.4 million in the third quarter of 2010, compared to NOK 29.0 million during the same period of 2009. The loss after taxes was NOK 17.8 million, compared to profits of NOK 20.4 million in 2009.

Third quarter earnings were charged with NOK 5.3 million in write-downs, compared to NOK 4.8 million in 2009. This year's write-down is mainly related to the market performance for investment properties.

Return on equity after taxes was 4.2 %, versus 4.9 % in the third quarter 2009. Return on equity before taxes was at the same level in both periods, and thus the decline in the after tax figure is higher taxation in the third quarter 2010 than in the corresponding period in 2009.

### As of 30.09.2010

Earnings before taxes were NOK -28.8 million as of 30.09.10. This is a decline of NOK 93.1 million from profits of NOK 64.2 million during the same period in 2009. The decline was due to increased write-downs of loans amounting to NOK 128.6 million to date in 2010, up from NOK 21.4 million in the same period of 2009. Profits after taxes were NOK -23.6 million, compared to NOK 39.0 million per 30.09.09.

Return on equity after taxes was -1.9 %, versus 3.1 % as of 30.09.09. The decline was mainly due to increased write-downs of loans, done in the second quarter. A decline in the net return on financial investments also had a negative impact on profits.

### Third quarter profits

#### Net interest income

The Group's net interest income was NOK 94.8 (87.0) million for the third quarter. Compared to the same period in 2009, this is an increase of NOK 7.8 million, or 9.0 %. The interest margin was 1.3 %, compared to 1.2 % in the third quarter of 2009.

The contribution to net interest income from the Bank's portfolio of loans secured in structured products was significantly reduced in 2009. The decline has, as assumed, continued through 2010, and most of the remaining products expire in the fourth quarter. The risk profile of this loan portfolio is moderate.

#### Other income

Total other income was reduced by NOK 5.1 million relative to the third quarter of 2009.

Net yield from financial investments decreased by NOK 3.1 million. Performance was positive in the third quarter 2010.

However, there was better performance in 2009, due to the fact that the markets were rebounding from the financial crisis of 2008. This applied to notes and bonds, in particular.

Net commission income was reduced by NOK 0.6 million, mainly due to a fall in income from securities distribution and management. The market for the sale of saving products was still seen as challenging.

Other income forming part of other operating income was reduced by NOK 1.4 million relative to the third quarter of 2009. The decline is due to income from SSB Securities being included in third quarter 2009.

### Operating cost

In the third quarter of 2010, the Group's operating cost amounted to NOK 95.0 million. This was an increase of NOK 3.0 million, or 3.2 %, compared to the same period of 2009. Of this amount, NOK 0.7 million was related to higher write-downs.

For the Group, costs were 72.6 % of income. The total cost to total assets ratio was 1.3 %, compared to 1.3 % in the third quarter of 2009.

### Losses and non-performing loans

At the end of the third quarter of 2010, gross non-performing loans totaled NOK 110.6 (124.1) million, corresponding to 0.5 % (0.5 %) of gross lending

Losses and write-downs in the amount of NOK 6.5 (7.1) million were recorded in the third quarter of 2010. Individual write-downs increased by NOK 12.6 million, whereas for write-downs related to groups of assets, reversals resulted in recognized income of NOK 6.4 million.

Gross loan volume, subject to individual write-downs, totaled NOK 1,227 million as of 30.09.10, compared to NOK 958 million as of 31.12.2009.

## The business segments

### The retail market

Profits before loan losses were NOK 10.6 million in the third quarter of 2010, compared to NOK 17.5 million during the same period of 2009. The interest margin went down from 1.4 % to 1.3 %. The change was due to increased funding costs in the period.

The retail market experienced a total decline in income of NOK 4.2 million in the third quarter of 2010, compared to the third quarter of 2009. Net interest income has declined by NOK 0.8 million, and other income has been reduced by NOK 3.4 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 third quarter of 2010 in isolation and year to date, show positive growth rates for regular retail market activities.

Costs increased in the third quarter of 2010, compared to the same period in 2009, mainly due to several market oriented activities. Extraordinary accrual of early retirement pensions had a positive impact on profits per 30.09.10.

The loan portfolio grew by 0.5 % during the third quarter of 2010, versus a decline of 2.1 % in the third quarter of 2009. Correspondingly, there was an increase per 30.09.10 of 7.4 %, versus a decline of 13.1 % during the same period 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 was 46.0 %, compared to 49.4 % for the third quarter of 2009.

In the third quarter of 2010, individual write-downs of loans declined by NOK 0.3 million, whereas group based write-downs increased by NOK 1.1 million. Thus, at the end of the third quarter individual write-downs in the retail segment totaled NOK 2.2 million and group based write-downs totaled NOK 24.6 million.

### The corporate market

Corporate market profits before taxes were NOK 26.4 million during the third quarter of 2010, compared to NOK 12.2 million during the same period of 2009. The interest margin increased from 1.5 % to 2.1 %. 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 13.3 million in the third quarter of 2010, compared to the third quarter of 2009. The increase is mainly due to increased net interest income, but also commission income performed positively.

Cost was reduced by NOK 2.0 million in the third quarter of 2010 compared to the same period in 2009. In addition, extraordinary accrual of early retirement pension had a positive impact on earnings as of 30.09.10.

Corporate lending fell during the third quarter of 2010 by 3.1 %, compared to a decline of 2.3 % during the same period of 2009. Correspondingly, there was a decline per 30.09.2010 of 7.8 %, versus an increase of 0.9 % during the same period of 2009. The Bank reduced its major customer segment by 2.2 % during the quarter, whereas the small and medium business segment was more or less unchanged.

The deposit to loan ratio was 40.2 %, compared to 34.1 % for the third 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 third quarter of 2010 by NOK 12.9 million, whereas group based write-downs fell by NOK 7.4 million. Thus, at the end of the third quarter individual write-downs in the corporate market segment totaled NOK 177.0 million, whereas group based write-downs totaled NOK 35.8 million. No material losses were realized during the period.

### Estate agency

Estate agency operating profits were negative NOK -0.6 million during the third quarter of 2010, compared to positive earnings of NOK 1.1 million in the same period in 2009. This is due to little market activity during the summer holidays, as well as a low volume of homes on the market also after the holiday season. This is reflected in a reduction in the number of sales assignments relative to the first half of the year. Correspondingly, operating profits as of 30.09.10 were NOK 1.1 million, compared to NOK 1.4 million during the same period in 2009.

### 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 -0.6 million for the third quarter of 2010, compared to NOK 6.3 million for the third quarter of 2009. Correspondingly, operating profits as of 30.09.10 were NOK -16.2 million, compared to NOK 17.7 million during the same period in 2009. The decline was mainly due to negative changes in market value of financial instrument valued at fair value.

The operating loss on investment properties was NOK -4.0 million, compared to profits of NOK 1.5 million in the third quarter of 2009. The loss was due to loss on an interest rate contract, as well as a negative contribution from Røldal Eiendom and Breibukta, which were consolidated as of 31.5.2010 and 01.07.10, respectively.

### Balance sheet

As of the end of the third quarter of 2010, the Group's total assets amounted to NOK 27.8 (28.9) billion. Relative to 31.12.2009, total assets have declined by NOK 0.4 billion, or 1.4 %. During the third quarter 2010, there was a decline in lending of 1.0 % and a deposit increase of 6.6 %. The decline in deposits was controlled, and due to a reduction in deposits from big institutional investors. The share of the mortgage

loan portfolio financed by covered bonds (OMF) remained more or less unchanged throughout the quarter.

Notes and bonds were valued at NOK 1,668.0 (2,047.8) million, while other securities were valued at NOK 70.2 (53.6) million. Financial derivatives amounted to NOK 206.7 (151.5) 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 financial unrest.

As of 30.09.2010, SSB Boligkreditt AS has issued covered bonds worth NOK 4.3 billion. Sandnes Sparebank is holding bonds worth NOK 2.9 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

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.

According to the regulations, the loss as of 30.09.2010 results in a decline of subordinated capital as of 30.09.2010. Thus, at Group level the capital adequacy ratio was 14.4 % as of 30.9.2010, down from 15 % as of 31.12.2009. Correspondingly, Tier-1 capital went down to 11.7, from 12.3 as of 31.12.2009. For the Parent Bank, the capital adequacy ratio was 16.3 % as of 30.9.2010, compared to 16.2 % as of 31.12.2009. Correspondingly, the Tier-1 capital ratio was 13.3 %, the same level as of 31.12.2009.

The Group is 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 30.09.2010, the SADG price was NOK 89.0, versus NOK 79.50 at the end of 2009. The value of the Bank's equity certificates has appreciated 12 % year to date, and 41 % over the past 12 months.

At the end of the third quarter, there were 3,383 registered owners of the Bank's equity certificates. At the same point in time, the 20 principal holders controlled 36.99 % of the equity capital.

Primary cap. certificates per 30.09.2010	No.	Share as %
1. Protector Eiendom AS	805 079	11.33 %
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. Tirna Holding AS	64 600	0.91 %
12. Solvang Shipping A/S	62 173	0.87 %
13. Antero AS	62 150	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. Victory Life	41 000	0.58 %
18. Kirksæter Per	40 035	0.56 %
19. Marin Elektro Holding AS	37 304	0.52 %
20. Horten Hus Eiendom AS	36 173	0.51 %
<b>= 20 biggest holders</b>	<b>2 628 315</b>	<b>36.99 %</b>
<b>+ Other holders</b>	<b>4 477 496</b>	<b>63.01 %</b>
<b>= Primary capital certificates issued</b>	<b>7 105 811</b>	<b>100.00 %</b>

The Board wants to contribute to more equity certificate liquidity, and in 2010 it will consider different measures to further this objective. In the third quarter, the Bank entered a liquidity guarantee agreement with Terra Markets. The purpose of the agreement is to increase the liquidity of the Company's equity certificates.

## 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.

## Market conditions

The European credit markets strengthened throughout the period, and this has resulted in somewhat more activity on the interbank market. For the Norwegian market, the third quarter of this year may be described as stable, and with a growing number of new issues. The European exchanges are still being affected by the problems with the financing of the sovereign debt of the PIIGS countries (Portugal, Italy, Ireland, Greece and Spain). This in spite of somewhat mixed developments, where Portugal and Ireland stand out with increasing rate premiums on government debt, versus falling rates in Greece. The fear of a strong global economic downturn must be considered to be declining, and there are expectations of continued economic recovery in the Nordic region.

At the August and September meetings of the policy committee of the Norwegian central bank (Norges Bank), the policy rate was kept unchanged and the expected future interest rate path was revised down. NIBOR fell from 2.79 % to 2.60 % during the period. NIBOR developments are monitored closely, and the Bank is continuously considering changes in lending rates and margins.

Housing prices have continued to rise throughout the quarter, even though the general activity level is somewhat lower than during the summer. The Stavanger and Sandnes region has been under increasing pricing pressure recently, and the average sales period continues to be at very low levels. The Bank experienced an increase of 0.5 % in the lending volume to the retail market during the third quarter. In order to ensure stronger growth of the retail market, it has been decided to

open a new branch office at Hundvåg, in line with the Bank's strategy. This is one of the fastest growing, centrally located residential areas in Stavanger. As of 30.09.2010, unemployment both nationally (2.8 %) and for Rogaland (2.2 %) was more or less unchanged relative to the end of the second quarter.

There have been no significant changes in the commercial property segment during the quarter. There are few deals being made and the biggest interest is primarily for newer buildings with solid tenants. The Bank reduced its major customer segment by 2.2 %, whereas the small and medium business segment was more or less unchanged. The demand for loans is still considered moderate in this segment.

## Outlook

In the coming quarters, the Bank will work according to its established strategy. This means further scaling down of the major customer segment in order to reduce concentration risk towards commercial property and major individual customers. Furthermore, specific measures have been initiated to ensure growth of the retail market and the small and medium business segment.

The increasing focus of competing banks on major cities has resulted in pricing pressure in our area. The Bank wants to penetrate the part of the market where also other means besides price is important.

The profitability program that was announced in the second quarter, is not expected to have any significant impact until 2011. So far, the organization has been streamlined and areas of improvement have been identified.

The Bank's liquidity situation is good. Going forward, the priority will be the refinancing of the Bank's loans that mature in the latter part of 2011. The Group had a Tier-1 capital ratio of 11.7 at the end of the third quarter.

The Board of Directors expects the positive earnings performance to continue.

The Board of Directors of Sandnes Sparebank  
27 October 2010

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### Group

Q3 2010	Q3 2009	30.09.10	30.09.09	Year 2009	SUMMARY OF RESULTS
94 822	86 996	292 495	249 791	358 573	Net earned interests
35 995	41 110	83 324	116 721	157 006	Other operating revenues
94 995	92 030	276 075	280 871	375 869	Other operating expenses
6 485	7 096	128 569	21 413	13 233	Net losses
<b>29 337</b>	<b>28 980</b>	<b>-28 826</b>	<b>64 229</b>	<b>126 477</b>	<b>Operating profit before taxes</b>
11 561	8 593	-5 227	25 265	46 303	Tax cost
<b>17 777</b>	<b>20 386</b>	<b>-23 599</b>	<b>38 963</b>	<b>80 174</b>	<b>Operating profit after taxes</b>
0	-1 372	-1 127	-1 916	-2 244	Minority interests
17 777	21 758	-22 472	40 880	82 418	Majority interests

Q3 2010	Q3 2009	30.09.10	30.09.09	Year 2009	EXTRACTS FROM THE BALANCE SHEET
		27 845	28 927	28 249	Total assets
28 144	28 678	28 047	30 316	29 977	Average total assets
		24 546	24 451	24 378	Loans to customers
		11 073	11 252	11 719	Deposits from customers
		1 668	2 048	1 900	Notes and bonds
		207	152	134	Financial derivatives
		1 686	1 672	1 713	Equity

Q3 2010	Q3 2009	30.09.10	30.09.09	Year 2009	KEY FIGURES
<b>Development last 12 months</b>					
-2.1 %	1.8 %	-3.7 %	-2.8 %	-10.9 %	- Total assets
-1.0 %	-2.2 %	0.6 %	-4.8 %	-7.9 %	- Loans
-6.6 %	0.3 %	-1.6 %	6.5 %	0.3 %	- Deposits
		44.7 %	45.7 %	47.7 %	<b>Ratio of deposits to loans</b>
<b>Profitability</b>					
1.3 %	1.2 %	1.4 %	1.1 %	1.2 %	Interest margin
72.6 %	71.8 %	73.5 %	76.6 %	72.9 %	Cost / income ratio
1.3 %	1.3 %	1.3 %	1.2 %	1.3 %	Costs as a percentage of average total assets
6.9 %	6.9 %	-2.3 %	5.2 %	7.5 %	Return on equity before tax
4.2 %	4.9 %	-1.9 %	3.1 %	4.8 %	Return on equity after tax
<b>Solidity</b>					
		14.4 %	11.9 %	15.0 %	Capital adequacy ratio
		11.7 %	9.3 %	12.3 %	Tier 1 capital ratio
		19 354	19 708	18 914	Risk-weighted assets
<b>Personnel</b>					
		208	212	208	Number of man-years as of the period
<b>Equity certificates</b>					
					Market price
					Equity certificate capital in % of equity
1.4	1.6	-1.9	3.1	6.4	Earnings per equity certificate
1.4	1.6	-1.9	3.1	6.4	Diluted earnings per equity certificate
					Book value per equity certificate

### Parent company

Q3 2010	Q3 2009	30.09.10	30.09.09	Year 2009	
90 454	83 943	282 298	246 494	347 318	
25 611	31 539	58 868	86 797	123 752	
90 805	80 550	255 524	246 031	340 302	
5 632	7 096	127 405	21 413	13 233	
<b>19 628</b>	<b>27 835</b>	<b>-41 763</b>	<b>65 847</b>	<b>117 534</b>	
10 568	8 498	-7 291	23 971	42 024	
<b>9 060</b>	<b>19 336</b>	<b>-34 473</b>	<b>41 876</b>	<b>75 510</b>	

Q3 2010	Q3 2009	30.09.10	30.09.09	Year 2009	
		26 562	29 198	28 459	
27 200	28 977	27 511	30 470	30 100	
		19 619	20 898	20 685	
		11 240	11 551	11 967	
		4 606	5 056	4 907	
		207	152	134	
		1 653	1 657	1 691	

Q3 2010	Q3 2009	30.09.10	30.09.09	Year 2009	
-4.6 %	1.5 %	-9.0 %	-1.9 %	-10.3 %	
-0.7 %	-7.7 %	-5.7 %	-18.5 %	-22.6 %	
-6.8 %	-0.1 %	-2.7 %	9.1 %	1.5 %	
		56.4 %	54.7 %	57.4 %	
1.3 %	1.1 %	1.4 %	1.1 %	1.2 %	
78.2 %	69.8 %	74.9 %	73.8 %	72.2 %	
1.3 %	1.1 %	1.2 %	1.1 %	1.1 %	
4.7 %	6.7 %	-3.3 %	5.4 %	7.1 %	
2.2 %	4.7 %	-2.8 %	3.4 %	4.6 %	
		16.3 %	12.8 %	16.2 %	
		13.3 %	10.0 %	13.3 %	
		17 077	18 275	17 415	
		185	187	185	
		89.0	63.0	79.5	
		56.8 %	56.8 %	56.8 %	
0.7	1.5	-2.8	3.3	6.0	
0.7	1.5	-2.8	3.3	6.0	
		132.1	132.4	135.1	

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Q3 2010	Q3 2009	30.09.10	30.09.09	Year 2009	Profit and loss statement (Amounts in NOK thousands)
336 962	425 828	1 033 808	1 471 510	1 887 014	Interest income
242 140	338 832	741 313	1 221 719	1 528 441	Interest expense
<b>94 822</b>	<b>86 996</b>	<b>292 495</b>	<b>249 791</b>	<b>358 573</b>	<b>Net interest income</b>
252	0	561	5 044	3 968	Dividends
15 918	16 153	45 954	46 251	62 012	Commissions and income from banking services
-2 642	-2 272	-7 141	-7 468	-10 049	Commission costs and costs of banking services
9 259	12 611	4 125	31 836	48 682	Net change in value on financial instruments at fair value
13 208	14 617	39 824	41 059	52 393	Other operating revenues
<b>35 995</b>	<b>41 110</b>	<b>83 324</b>	<b>116 721</b>	<b>157 006</b>	<b>Total other operating revenues</b>
61 726	58 850	177 062	185 452	252 930	Salaries and general administration costs
9 924	9 240	24 663	23 160	24 495	Depreciations and impairment
23 345	23 941	74 350	72 259	98 444	Other operating costs
<b>94 995</b>	<b>92 030</b>	<b>276 075</b>	<b>280 871</b>	<b>375 869</b>	<b>Total operating costs</b>
6 485	7 096	128 569	21 413	13 233	Write downs and losses on lending and guarantees
<b>29 337</b>	<b>28 980</b>	<b>-28 826</b>	<b>64 229</b>	<b>126 477</b>	<b>Operating profit before taxes</b>
11 561	8 593	-5 227	25 265	46 303	Tax cost
<b>17 777</b>	<b>20 386</b>	<b>-23 599</b>	<b>38 963</b>	<b>80 174</b>	<b>Operating profit after taxes</b>
<b>-72 798</b>	<b>8 666</b>	<b>-41 375</b>	<b>18 577</b>	<b>80 174</b>	<b>Comprehensive income</b>
0	-1 372	-1 127	-1 916	-2 244	Minority interests
17 777	21 758	-22 472	40 880	82 418	Majority interests
1.4	1.6	-1.9	3.1	6.4	Earnings per equity certificate
1.4	1.6	-1.9	3.1	6.4	Diluted earnings per equity certificate

### Parent company

Q3 2010	Q3 2009	30.09.10	30.09.09	Year 2009	
326 230	424 814	1 015 639	1 473 543	1 880 580	Interest income
235 777	340 872	733 341	1 227 048	1 533 262	Interest expense
<b>90 454</b>	<b>83 943</b>	<b>282 298</b>	<b>246 494</b>	<b>347 318</b>	<b>Net interest income</b>
12	0	321	5 044	3 668	Dividends
18 744	19 461	53 922	53 498	72 977	Commissions and income from banking services
-2 642	-2 272	-7 141	-7 468	-10 049	Commission costs and costs of banking services
9 497	14 349	11 006	35 723	57 154	Net change in value on financial instruments at fair value
1	0	760	0	0	Other operating revenues
<b>25 611</b>	<b>31 539</b>	<b>58 868</b>	<b>86 797</b>	<b>123 752</b>	<b>Total other operating revenues</b>
56 209	53 374	163 077	163 660	224 523	Salaries and general administration costs
17 467	6 232	31 195	21 774	27 790	Depreciations and impairment
17 130	20 944	61 251	60 597	87 989	Other operating costs
<b>90 805</b>	<b>80 550</b>	<b>255 524</b>	<b>246 031</b>	<b>340 302</b>	<b>Total operating costs</b>
5 632	7 096	127 405	21 413	13 233	Write downs and losses on lending and guarantees
<b>19 628</b>	<b>27 835</b>	<b>-41 763</b>	<b>65 847</b>	<b>117 534</b>	<b>Operating profit before taxes</b>
10 568	8 498	-7 291	23 971	42 024	Tax cost
<b>9 060</b>	<b>19 336</b>	<b>-34 473</b>	<b>41 876</b>	<b>75 510</b>	<b>Operating profit after taxes</b>
<b>9 060</b>	<b>19 055</b>	<b>-34 473</b>	<b>41 594</b>	<b>75 510</b>	<b>Comprehensive income</b>
0.7	1.5	-2.8	3.3	6.0	Minority interests
0.7	1.5	-2.8	3.3	6.0	Majority interests
0.7	1.5	-2.8	3.3	6.0	Earnings per equity certificate
0.7	1.5	-2.8	3.3	6.0	Diluted earnings per equity certificate



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### Group

30.09.10	30.09.09	31.12.09	Balance sheet (Amounts in NOK thousands)	30.09.10	30.09.09	31.12.09
320 510	1 626 891	1 193 572	Cash and receivables from central banks	320 510	1 626 891	1 193 572
373 735	98 535	103 494	Loans to and receivables from credit institutions	370 859	97 729	101 359
24 546 286	24 450 948	24 377 940	Loans to customers	19 618 624	20 898 256	20 684 952
1 667 993	2 047 768	1 899 505	Notes and bonds	4 605 878	5 055 653	4 907 390
70 163	53 596	68 155	Shares	34 906	22 924	33 559
206 735	151 502	134 396	Financial derivatives	206 735	151 502	134 314
34 082	615	33 932	Ownership interest in affiliates	35 112	615	34 962
			Investments in group companies	279 904	360 801	292 598
18 427	22 249	19 617	Intangible assets	14 788	17 103	16 376
43 848	8 807	18 735	Deferred tax assets	19 204		11 913
408 604	271 485	270 581	Investment property			
29 274	25 306	26 697	Fixed assets	28 668	24 511	25 977
45 894	16 251	3 215	Other assets	958 662	791 627	923 522
58 893	92 309	72 240	Prepaid expenses and accrued income	47 772	89 051	71 578
	33 323		Assets held for sale		34 353	
20 431	27 350	27 236	Financial instruments available for sale	20 431	27 350	27 236
<b>27 844 875</b>	<b>28 926 933</b>	<b>28 249 315</b>	<b>Total assets</b>	<b>26 562 052</b>	<b>29 198 364</b>	<b>28 459 306</b>
6 787 807	8 697 916	8 042 967	Loans and deposits from credit institutions	6 787 807	8 697 916	8 042 967
11 073 319	11 251 808	11 718 758	Deposits from customers	11 239 821	11 551 098	11 966 680
6 585 081	5 912 901	5 206 686	Debts securities issued	5 219 023	5 912 901	5 206 686
143 198	137 573	140 769	Financial derivatives	132 522	137 573	140 747
56 326	92 783	41 433	Other debts	44 217	88 206	35 846
9 221	25 991	73 181	Taxes payable	3 244	23 141	69 655
275 715	356 113	87 815	Accrued expenses and prepaid income	260 672	350 518	83 955
59 228	54 074	58 287	Provisions	53 530	53 469	57 493
2 277	10 707	1 529	Deferred tax liabilities	0	11 793	
1 166 441	715 033	1 164 644	Subordinated loan capital	1 168 441	715 033	1 164 644
<b>26 158 614</b>	<b>27 254 899</b>	<b>26 536 070</b>	<b>Total liabilities</b>	<b>24 909 278</b>	<b>27 541 647</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
784 998	768 602	810 142	Other equity	-5 447	75 126	32 412
22 450	24 619	24 291	Minority interests			
<b>1 686 261</b>	<b>1 672 034</b>	<b>1 713 245</b>	<b>Total equity</b>	<b>1 652 774</b>	<b>1 656 717</b>	<b>1 690 633</b>
<b>27 844 875</b>	<b>28 926 933</b>	<b>28 249 315</b>	<b>Total equity and liabilities</b>	<b>26 562 052</b>	<b>29 198 364</b>	<b>28 459 306</b>

### Parent company

30.09.10	30.09.09	31.12.09
320 510	1 626 891	1 193 572
370 859	97 729	101 359
19 618 624	20 898 256	20 684 952
4 605 878	5 055 653	4 907 390
34 906	22 924	33 559
206 735	151 502	134 314
35 112	615	34 962
279 904	360 801	292 598
14 788	17 103	16 376
19 204		11 913
28 668	24 511	25 977
958 662	791 627	923 522
47 772	89 051	71 578
	34 353	
20 431	27 350	27 236
<b>26 562 052</b>	<b>29 198 364</b>	<b>28 459 306</b>
6 787 807	8 697 916	8 042 967
11 239 821	11 551 098	11 966 680
5 219 023	5 912 901	5 206 686
132 522	137 573	140 747
44 217	88 206	35 846
3 244	23 141	69 655
260 672	350 518	83 955
53 530	53 469	57 493
0	11 793	
1 168 441	715 033	1 164 644
<b>24 909 278</b>	<b>27 541 647</b>	<b>26 768 673</b>
710 581	710 581	710 581
168 232	168 232	168 232
78 881	35 365	78 881
700 527	667 413	700 527
-5 447	75 126	32 412
<b>1 652 774</b>	<b>1 656 717</b>	<b>1 690 633</b>
<b>26 562 052</b>	<b>29 198 364</b>	<b>28 459 306</b>

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Group	Equity certificate capital	Share premium reserve	Other equity	Total majority interest	Minority interests	Total
<b>Equity as of 31.12.2008</b>	<b>710 581</b>	<b>168 232</b>	<b>724 814</b>	<b>1 603 627</b>	<b>42 211</b>	<b>1 645 838</b>
Dividends and gifts			-41	-41		-41
Minority interests disposed				0	-15 676	-15 676
Commitment to buy minority interests			2 950	2 950		2 950
Comprehensive income			40 880	40 880	-1 916	38 963
<b>Equity as of 30.09.2009</b>	<b>710 581</b>	<b>168 232</b>	<b>768 603</b>	<b>1 647 416</b>	<b>24 619</b>	<b>1 672 034</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			-3 386	-3 386		-3 386
Comprehensive income			-22 472	-22 472	-1 127	-23 599
<b>Equity as of 30.09.2010</b>	<b>710 581</b>	<b>168 232</b>	<b>784 284</b>	<b>1 663 097</b>	<b>23 164</b>	<b>1 686 261</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					-41	-41
Comprehensive income					41 594	41 594
<b>Equity as of 30.09.2009</b>	<b>710 581</b>	<b>168 232</b>	<b>35 364</b>	<b>667 412</b>	<b>75 128</b>	<b>1 656 717</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					-3 386	-3 386
Comprehensive income					-34 473	-34 473
<b>Equity as of 30.09.2010</b>	<b>710 581</b>	<b>168 232</b>	<b>78 881</b>	<b>700 527</b>	<b>-5 447</b>	<b>1 652 774</b>

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30.09.2010	30.09.2009	31.12.2009	Cash flow statement (Amounts in NOK thousands)	30.09.2010	30.09.2009	31.12.2009
<b>Cash flow from operating activities</b>						
1 071 877	1 441 629	1 859 986	Interest / commission received and fees received from customers	951 014	1 391 946	1 780 667
-262 616	-550 397	-998 394	Interest paid to customers	-262 616	-550 397	-998 394
6 224	2 686	42 769	Net payments and receipts from trading in financial assets	4 823	2 686	42 665
321	5 044	3 668	Dividend received	321	5 044	3 668
88 922	71 385	97 099	Interest received on securities	88 922	71 385	97 099
-273 879	-207 559	-328 168	Disbursements for operations	-277 547	-197 197	-313 045
-66 411	-777	1 101	Taxes	-66 411	-777	-777
-3 387	-41	-41	Payment of gifts from profit	-3 387	-41	-41
<b>561 052</b>	<b>761 970</b>	<b>678 020</b>	<b>Net cash flow from operating activities</b>	<b>435 120</b>	<b>722 649</b>	<b>611 842</b>
<b>Cash flow from investing activities</b>						
-12 459	-12 926	-17 090	Purchases and divestments of fixed assets	-12 143	-12 125	-16 118
-1 991	-62 676	-31 577	Purchases of long-term investments in equity and other assets	-1 519	-264 620	-234 348
307 233	-641 905	-480 896	Net cash flows from interest bearing securities	307 233	-3 641 638	-3 480 896
<b>292 783</b>	<b>-717 507</b>	<b>-529 563</b>	<b>Net cash flow from investing activities</b>	<b>293 572</b>	<b>-3 918 383</b>	<b>-3 731 362</b>
<b>Cash flow from financing activities</b>						
103 273	1 793 596	1 834 301	Net receipts / disbursements of repayment loans, credit lines	939 612	5 056 847	5 122 165
-873 448	-559 729	-251 331	Net receipt of deposits	-870 505	-576 359	-264 794
-1 254 288	575 379	-87 570	Net investmetns / borrowing in credit institutions	-1 254 288	575 379	-87 570
1 324 702	700 000	700 000	Certificates and bond depts issued	575 000	700 000	700 000
-540 827	-3 280 514	-3 989 769	Certificates and bond depts repaid	-540 827	-3 280 514	-3 989 769
0	0	450 000	Subordinated tier 1 bond repaid	0	0	450 000
-216 068	228 430	264 218	Net interest payments on financing activities	-181 246	228 430	264 218
<b>-1 456 655</b>	<b>-542 838</b>	<b>-1 080 151</b>	<b>Net cash flow from financing activities</b>	<b>-1 332 253</b>	<b>2 703 783</b>	<b>2 194 250</b>
-602 821	-498 375	-931 694	Net cash flow for the period	-603 562	-491 951	-925 270
1 297 067	2 125 266	2 125 266	Cash and cash equivalents at the beginning of the year	1 294 931	2 118 842	2 118 842
694 245	1 626 891	1 193 572	Cash and cash equivalents at the end of the year	691 369	1 626 891	1 193 572

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## 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 30.09.2010.

## 2

### CHANGES IN GROUP STRUCTURE

Røldal Eiendom is consolidated from June 2010, and is included as investment property in the undistributed segment. 60 % of the company has been acquired. Breibukta is consolidated as of July 2010, and is included as investment property in the undistributed segment. The company was acquired 100 %. SSB Securities was sold in third quarter 2009.



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## SEGMENT REPORTING

	RM Q3		CM Q3		Property Q3		Corporate Finance Q3		Undistributed Q3		Total Q3	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Net external interest income	49 079	50 531	45 614	35 347	226				-97	1 119	94 822	86 997
Net internal interest income	622		5 064	3 167	-156	-101	31		-5 529	-3 097		
Net interest income	49 701	50 531	50 678	38 515	70	-101	31		-5 627	-1 978	94 822	86 997
Net commissions	7 426	9 980	5 850	3 901							13 276	13 881
Financial instruments at fair value	-4		-4		240	300			9 280	12 311	9 511	12 611
Other revenues	43	859	43	859	7 669	7 632	220		5 452	5 047	13 208	14 617
Total other operating revenues	7 465	10 839	5 889	4 760	7 909	7 932	220		14 732	17 358	35 995	41 110
Depreciations and impairment	2 658	1 169	1 936	866	702	404	1 043		4 628	5 757	9 924	9 239
Profit before loss provisions	10 593	17 484	26 391	12 176	-594	1 091	-982		-567	6 308	35 823	36 077
Write down and losses on lending	1 159	1 006	5 326	6 090							6 485	7 096
Operating profit before tax	9 433	16 478	21 065	6 086	-594	1 091	-982		-567	6 308	29 338	28 981

	RM 30.09.		CM 30.09.		Property 30.09.		Corporate Finance 30.09.		Undistributed 30.09.		Total 30.09.	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Net external interest income	150 536	162 487	141 887	85 035	614	4			-542	2 265	292 495	249 791
Net internal interest income	1 633	1 676	9 449	8 163	-324	-264	215		-10 757	-9 790		
Net interest income	152 168	164 163	151 336	93 198	290	-260	215		-11 299	-7 525	292 495	249 791
Net commissions	23 555	26 021	15 258	12 762							38 813	38 783
Financial instruments at fair value	-29		-29		240	300			4 505	36 579	4 686	36 879
Other revenues	-32	1 686	-32	1 686	23 033	21 102	1 420		16 855	15 165	39 824	41 059
Total other operating revenues	23 494	27 707	15 197	14 447	23 273	21 402	1 420		21 359	51 744	83 324	116 721
Depreciations and impairment	5 799	4 502	4 279	3 659	1 027	662	43		13 559	14 293	24 663	23 159
Profit before loss provisions	40 148	57 083	74 668	12 045	1 130	1 403	-2 564		-16 203	17 675	99 744	85 642
Write down and losses on lending	2 328	3 206	126 241	18 207							128 569	21 413
Operating profit before tax	37 820	53 877	-51 573	-6 162	1 130	1 403	-2 564		-16 203	17 675	-28 826	64 229
Loans to customers	15 102 683	14 140 886	9 443 603	10 310 062							24 546 286	24 450 948
Other assets					21 952	21 240			3 276 636	4 454 745	3 298 588	4 475 986
Total assets	15 102 683	14 450 295	9 443 603	10 310 062	21 952	21 240			3 276 636	4 454 745	27 844 875	28 926 933
Deposits from customers	6 939 891	6 981 576	3 794 226	3 520 412					339 202	749 820	11 073 319	11 251 808
Other liabilities					9 338	9 294			15 075 958	15 993 797	15 085 295	16 003 091
Debt and liabilities	6 939 891	7 245 897	3 794 226	3 520 412	9 338	9 294			15 415 160	16 743 617	26 158 614	27 254 899

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## LOSSES

### Group

### Parent company

Q3 2010	Q3 2009	30.09.10	30.09.09	Year 2009	Write-downs and losses on loans	Q3 2010	Q3 2009	30.09.10	30.09.09	Year 2009
12 570	2 446	137 057	7 122	-6 408	Change in individual write-downs	12 570	2 446	137 056	-23 457	-36 986
-6 346	2 000	-9 609	11 116	14 171	Change in group write-downs	-7 200	2 000	-10 773	11 116	14 171
		670		-	Write-offs with individual write-downs			671	30 579	30 579
619	934	1 861	2 390	3 877	Write-offs without individual write-downs	619	934	1 861	2 390	3 877
-357	1 716	-1 409	785	1 593	Recoveries on amounts written off previously	-357	1 716	-1 409	785	1 593
6 485	7 096	128 569	21 413	13 233	Write-downs and losses on loans	5 632	7 096	127 406	21 413	13 233

#### Write-downs of loans

	111 534	117 941	117 941	Individual write-downs as of 1.1		111 534	148 520	148 520
	670			- Confirmations against previous write-downs		671	30 579	30 579
	54 762		17 500	+ Increased individual write-downs		112 872		17 500
	28 289	9 075	39 968	+ New individual write-downs		28 289	9 075	39 968
	16 947	1 953	63 876	- Reversed write-downs		14 556	1 953	63 876
	176 968	125 063	111 534	Individual write-downs as of 30.09 / 31.12		237 468	125 063	111 534
	70 077	55 906	55 906	Group write-downs as of 1.1		66 688	55 906	55 906
				- Transferred to SSB Boligkreditt		274	2 880	3 389
	-9 609	11 116	14 171	+ Increase in group write-down		-10 773	11 116	14 171
	60 468	67 022	70 077	Group write-downs as of 30.09 / 31.12		55 641	64 142	66 688

#### Losses and non-performing loans and advances

	110 640	124 068	55 658	Non-performing loans and advances		109 431	124 068	55 479
	1 226 903	802 727	958 002	Doubtful loans and advances		1 454 947	802 727	958 002
	176 968	125 063	111 534	Individual write-downs		237 468	125 063	111 534
	0.45 %	0.50 %	0.23 %	Gross non-performing loans and advances as a percentage of gross loans		0.55 %	0.59 %	0.27 %

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# 5

## CAPITAL ADEQUACY

### Group

### Parent company

30.09.10	30.09.09	31.12.09	Net subordinated capital	30.09.10	30.09.09	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
262 439	271 451	302 137	Other equity	241 666	256 135	279 524
1 673 547	1 649 445	1 713 245	Equity	1 652 774	1 634 129	1 690 633
659 069	205 700	655 256	Subordinated tier 1 bonds	659 069	205 700	655 256
-62 276	-31 056	-38 352	Deduction for goodwill and other intangible assets	-33 992	-17 103	-28 289
2 270 340	1 824 090	2 330 149	Total tier 1 capital	2 277 851	1 822 726	2 317 600
509 372	509 333	509 388	Subordinated loan capital	509 372	509 333	509 388
2 779 713	2 333 423	2 839 537	Net subordinated capital	2 787 224	2 332 060	2 826 988

### Risk-weighted assets

18 380 738	18 756 048	17 964 946	Credit risk - standard method	16 144 813	17 332 765	16 475 630
1 033 675	1 018 975	1 018 975	Operational risk	987 881	1 005 938	1 005 938
-60 468	-67 022	-70 077	Deductions	-55 641	-64 142	-66 688
19 353 945	19 708 001	18 913 844	Total risk-weighted assets	17 077 052	18 274 561	17 414 880
<b>14.4</b>	<b>11.8</b>	<b>15.0</b>	<b>Capital adequacy ratio</b>	<b>16.3</b>	<b>12.8</b>	<b>16.2</b>
<b>11.7</b>	<b>9.3</b>	<b>12.3</b>	<b>Tier 1 capital ratio</b>	<b>13.3</b>	<b>10.0</b>	<b>13.3</b>

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

Group

Parent company

Q3 2010	Q3 2009	30.09.10	30.09.09	Year 2009	Net change in valuation of financial instruments at fair value	Q3 2010	Q3 2009	30.09.10	30.09.09	Year 2009
2 478	-6 038	1 911	2 792	7 475	Net change in valuation of currency and financial derivatives	3 935	-6 038	12 784	2 792	7 476
970	-30 053	14 396	-19 450	-24 114	Net change in valuation of loans at fair value	2 497	-30 053	13 855	-19 450	-24 218
5 032	12 205	8 530	39 711	52 190	Net change in valuation of notes and bonds	2 223	12 205	5 721	39 711	52 190
-2 903	102	327	-12 954	-10 443	Net change in valuation of equities	-1 980	1 840	546	-9 067	-1 868
3 681	36 394	-21 041	21 738	23 574	Net change in valuation of financial liabilities	2 821	36 394	-21 901	21 738	23 574
6 781	18 649	2 214	29 044	41 207	Net change in valuation of financial instruments, determined recognized at fair value	5 562	20 387	-1 778	32 931	49 678
-4 094	-21 984	41 438	15 776	16 660	Net change in valuation of financial derivatives, hedging	-3 234	-21 984	41 438	15 776	16 660
4 094	21 984	-41 438	-15 776	-16 660	Net change in valuation of hedged financial liabilities	3 234	21 984	-41 438	-15 776	-16 660
0	0	0	0	0	Net change in valuation of hedged items	0	0	0	0	0
9 259	12 611	4 125	31 836	48 682	Net change in valuation of financial instruments at fair value	9 497	14 349	11 006	35 723	57 154

# 7

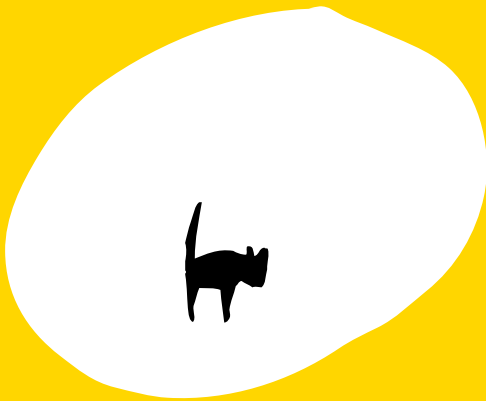
## SALARIES AND OTHER GENERAL ADMINISTRATIVE EXPENSES

Group

Parent company

Q3 2010	Q3 2009	30.09.10	30.09.09	Year 2009	Salaries and other general administrative expenses	Q3 2010	Q3 2009	30.09.10	30.09.09	Year 2009
40 971	40 809	110 133	123 638	166 727	Salaries, pensions and social security costs	35 453	35 333	96 148	101 846	139 718
20 755	18 041	66 929	61 814	86 203	Administrative expenses	20 755	18 041	66 929	61 814	84 805
61 726	58 850	177 062	185 452	252 930	Total salaries and general administrative expenses	56 208	53 374	163 077	163 660	224 523





***Sandnes Sparebank***  
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