

Quarterly report
3rd quarter 2015

Directors' Report Third Quarter 2015

Nature of the business

SSB Boligkreditt is the funding company of the Sandnes Sparebank Group, for the issue of covered bonds.

The Company has its registered office at Forus in the municipality of Sandnes.

SSB Boligkreditt is a wholly owned subsidiary of Sandnes Sparebank.

The Board of Directors considers the Company's capital adequacy and liquidity levels to be satisfactory. The financial statements have been prepared on the basis that the Company will continue operating as a going concern, as this assumption is justified. The applicable accounting principles are described in Note 1 to the financial statements.

Market conditions

Throughout the third quarter, the market for covered bonds (OMB) was characterized by little liquidity and a significant increase in credit premiums. The credit premium on other types of bonds has also been increased considerably. For SSB Boligkreditt, the indicated credit premium on 5-year financing (indicated by the NBP OMF3 curve) increased from +38 basis points to +60 basis points during the quarter. 3 Month NIBOR was at 1.33% at the start of the quarter and at 1.12% when it ended. The average NIBOR was 1.21% versus 1.43% during the previous quarter. Long interest rates, indicated by the 10 year swap rate, have fallen significantly, from 2.39% at the start of the quarter to 1.90% at the end of the quarter.

Unemployment in Rogaland has increased from 3.1% at the end of the second quarter 2015 to 3.8% at the end of the third quarter of 2015. Unemployment for Norway as a whole has increased from 2.7% to 2.9%. Rogaland is now the county with the highest unemployment.

During the third quarter of 2015, housing prices in Norway as a whole increased by 0.5% (not seasonally adjusted), according to housing price statics from the Norwegian Association of Real Estate Agents. In Rogaland, the change last quarter was -1.6%. Changes for Sandnes and Stavanger were -2.6% and -2.5%, respectively. The turnover time for Norway as a whole has gone from 29 days to 33 during the last quarter. In Rogaland, the sale execution time has increased from 46 days to 54 days. The market in the Bank's primary market area is considered to be stable, but there is uncertainty going forward regarding developments both with respect to housing prices and unemployment.

Earnings performance in the third quarter of 2015

Figures in parentheses apply to the corresponding period in 2014.

Profits before taxes were NOK 11.8 (18.1) million. After tax profits were NOK 17.2 (13.2) million.

The Company's net interest income totaled NOK 19.0 (24.2) million. The decline of the net interest income is due to rate cuts implemented during the period. Other income was NOK -1.8 (-0.1) million. Other income was negative due to revaluations of financial derivatives to fair value (in connection with hedging of fixed rate loans).

The Company's operating costs during the third quarter of 2015 were NOK 6.0 (5.9) million. The cooperation with Sandnes Sparebank has been formalized through a management agreement. The Bank's management fee amounted to NOK 5.4 (5.4) million during the third quarter of 2015. Group writedowns for loan losses were reduced by NOK 0.5 million in the third quarter of 2015.

Balance sheet and asset management

At the end of the third quarter of 2015, SSB Boligkreditt managed assets totaling NOK 7.4 (7.1) billion. Loans to customers constituted NOK 7.0 (6.7) billion. As of 9/30/2015, SSB Boligkreditt had issued covered bonds with a face value of NOK 6.4 billion. The Company had treasury holdings of NOK 0.9 billion. The net outstanding amount of covered bonds was NOK 5.5 billion. Fixed rate bonds with a face value of NOK 1.0 billion have been issued. The rest carry a floating rate. During the third quarter of 2015, SSB Boligkreditt issued new bonds with a face value of NOK 1.1 billion. During the same period, the company repurchased short duration bonds with a face value of NOK 0.1 billion, and bonds with a face value of NOK 0.5 billion have matured.

The Other liabilities item includes debt to the Parent Bank of NOK 1.3 (2.0) million. This is related to bridge financing of SSB Boligkreditt's purchase of a loan portfolio from Sandnes Sparebank.

The Company's liquidity situation is satisfactory.

Risk issues

Pursuant to laws and regulations stipulated by the authorities, companies with license to issue Covered Bonds (Obligasjoner med Fortrinsrett - OMF) should have a low risk level. The Board of Directors of SSB Boligkreditt emphasizes that the Company shall identify, measure and manage the various risk factors in such a way that the confidence in SSB Boligkreditt is maintained in the market.

Credit risk

As of 9/30/2015, the Company had a portfolio of home loans valued at NOK 7.0 billion. The weighted loan balance of this portfolio corresponded to 52.0% of the valuation of the objects. No loans were in default at the end of the period.

The Board of Directors considers the quality of the loan portfolio as very good, and the credit risk as low.

Market risk

Market risk is defined as economic loss due to changes in observable market variables, such as interest rates, currency exchange rates and prices of financial instruments.

SSB Boligkreditt shall carry a low market risk, and has established exposure limits for both interest rate and currency risk. The Company will use financial derivatives in order to keep the above mentioned risks at a low level. As of 9/30/2015, the Company has issued bonds with a nominal value of NOK 6.4 billion, of which NOK 5.4 billion carry a floating rate.

The Company has positions in Norwegian Kroner only. With respect to the lending volume, 94.0% of the loans carry a floating rate. The Company uses financial derivatives to hedge interest rate risk, in order to keep it low. At the end of the third quarter 2015, the Company had no positions in foreign currency, and consequently no currency risk.

The Board of Directors considers the overall market risk to be low.

Liquidity risk

This is the risk of the Company not being able to refinance upon maturity, or not being able to finance its assets at market terms. SSB Boligkreditt issues bonds that enables the Company to extend the maturity of its funding by 12 months if the Company should experience refinancing problems at the ordinary maturity date.

The Board of Directors considers the Company's liquidity risk to be low.

Operational risk

This is the risk of loss due to errors or irregularities in the handling of transactions, lack of internal controls or irregularities in the systems used. SSB Boligkreditt has entered a framework agreement with Sandnes Sparebank regarding management, production, IT and financial and risk management.

The Board of Directors considers the operational risk to be low.

The Board of Directors is of the opinion that the overall risk exposure of SSB Boligkreditt is low.

Organization, employees and environment

The Company has entered an agreement with Sandnes Sparebank regarding the management of the Company's loan portfolio. Prices and terms and conditions are adjusted annually. The Company has no employees. Formally, the Managing Director is employed by Sandnes Sparebank.

There are four Directors.

The company does not pollute the external environment.

Prospects

SSB Boligkreditt has issued covered bonds in the market. New issues are targeted at the Norwegian market.

The Company expects a stable volume for the rest of 2015, and going forward in 2016. Despite a more uncertain macro picture, credit losses are not expected to increase materially for SSB Boligkreditt.

It is expected further pressure on margins in the next quarter due to notified cut in the interest rate.

The current rating of the bonds issued by SSB Boligkreditt of AA from Fitch is expected to be maintained. Fitch now requires an OC level of 10%. SSB Boligkreditt aims to keep the required OC level at 11%.

The Board of Directors of SSB Boligkreditt AS

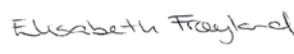
November 03, 2015


Odd Egil Flokketveit
Chairman of the Board


Arild Ollestad
Director


Svein Ivar Førland
Director


Terje Frafjord
Director


Elisabeth Frøyland
Managing Director

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Profit and loss statement

Profit and loss statement (Amounts in NOK thousands)	Note	3. quarter 2015	3. quarter 2014	Jan-Sept 2015	Jan-Sept 2014	Year 2014
Interest income		51 987	63 001	164 866	194 139	254 194
Interest expense		32 953	38 780	99 216	113 829	150 839
Net interest income		19 035	24 221	65 650	80 311	103 355
Commissions and income from banking services		252	283	781	882	1 159
Net change in value on financial instruments at fair value	5	-2 009	-364	-6 967	-564	-1 900
Total other operating revenues		-1 757	-81	-6 186	319	-741
Salaries		15	3	141	279	91
Other operating costs		6 010	5 909	18 089	14 235	20 465
Depreciations and impairment					49	49
Total operating costs		6 026	5 912	18 230	14 563	20 605
Write downs and losses on lending and guarantees	2	-531	174	1 301	425	-70
Operating profit before taxes		11 784	18 055	39 933	65 641	82 079
Tax cost		-5 372	4 875	2 229	17 723	22 177
Operating profit after taxes		17 155	13 180	37 705	47 918	59 902
Other income and expenses (after taxes)						
Total comprehensive income		17 155	13 180	37 705	47 918	59 902

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Balance sheet

Amounts in NOK thousands	Note	30.09.15	30.09.14	31.12.14
Bank deposits	6,7	112 848	130 744	126 277
Loans to customers	6,7	6 961 106	6 663 696	6 790 435
Notes and bonds	6,7	214 359	217 749	217 538
Financial derivatives	6,7	76 379	29 760	68 829
Deferred tax assets		5 087	4 710	5 087
Prepaid expenses and accrued income	6,7	11 012	11 758	11 855
Total assets		7 380 791	7 058 417	7 220 021
Debt securities issued	6,7	5 571 766	4 549 108	4 982 754
Financial derivatives	6,7	16 916	11 902	19 134
Other debts	6	1 252 262	1 989 036	1 701 866
Taxes payable		11 767	26 065	22 156
Accrued expenses and prepaid income	6,7	8 834	11 673	12 568
Total liabilities		6 861 545	6 587 784	6 738 479
Equity certificate capital		227 600	227 600	227 600
Share premium		122 500	122 500	122 500
Other equity		169 146	120 533	131 442
Total equity		519 246	470 633	481 542
Total equity and liabilities		7 380 791	7 058 417	7 220 021

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Statement of equity

	Equity certificate capital	Share premium	Other equity	Total
Equity as of 31.12.2013	227 600	122 500	72 614	422 714
Profit or loss			59 902	59 902
Group relief provided with tax effect (net after tax)			-1 075	-1 075
Equity as of 31.12.2014	227 600	122 500	131 441	481 542
Profit or loss			37 705	37 705
Equity as of 30.09.2015	227 600	122 500	169 146	519 246

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Cash flow statement

Amounts in NOK thousands	Jan-Sept 2015	Jan-Sept 2014	Year 2014
Cash flow from operating activities			
Interest / commission received and fees received from customers	162 229	189 235	248 986
Interest receivable on securities	4 261	1 890	2 373
Disbursements for operations	-467 834	-445 812	-740 496
Taxes	-12 618	-13 614	-21 956
Net cash flow from operating activities	-313 962	-268 301	-511 093
Cash flow from investing activities			
Net cash flows from interest bearing securities		23 299	22 270
Net cash flow from investing activities		23 299	22 270
Cash flow from funding activities			
Net receipts / disbursements of repayment loans, credit lines	-176 887	5 466	-115 171
Certificates and bond debts issued	630 371	708 084	1 829 192
Certificates and bond debts repaid	-50 000	-350 000	-1 075 000
Net interest payments on financing activities	-102 951	-111 606	-147 722
Net cash flow from funding activities	300 533	251 944	491 299
Net cash flow for the period	-13 429	6 943	2 476
Cash and cash equivalents at the beginning of the period	126 277	123 801	123 801
Cash and cash equivalents at the end of the period	112 848	130 744	126 277

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GENERAL ACCOUNTING POLICIES

General

IAS 34 – Interim financial reporting. The accounting principles used has been described in the annual report for 2014.

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 2014, have been applied while preparing the accounts as of 30.09.2015.

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	3. quarter 2015	3. quarter 2014	Jan-Sept 2015	Jan-Sept 2014	Year 2014
Writedowns and losses on loans					
Change in individual write-downs					
Write-offs with individual write-downs	-531	174	1 301	425	-70
Write-offs without individual write-downs					
Recoveries on amounts written off previously					
Writedowns and losses on loans	-531	174	1 301	425	-70
Writedowns of loans					
Group writedowns as of 1.1			3 064	3 460	3 460
- Transferred from Sandnes Sparebank			231	-87	-326
+ Change in group writedown			1 301	425	-70
Group writedowns as of 30.09 / 31.12			4 596	3 798	3 064
Losses and non-performing loans and advances					
Non-performing loans and advances					
Doubtful loans and advances					
Individual write-downs					
Gross non-performing loans and advances as a percentage of gross loans			0,00 %	0,00 %	0,00 %

Non-performing loans and advances are loans and advances that are non-performed for more than 90 days. Doubtful loans and advances are loans and advances that has been impaired. The bank does not report a loan or advance on both lines. If a loan or advance is impaired, it is reported under the line doubtful loans and advances regardless of whether it has been non-performed or not.

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TRANSACTIONS WITH RELATED PARTIES

Transactions within the Group	3. quarter 2015	3. quarter 2014	Jan-Sept 2015	Jan-Sept 2014	Year 2014
Profit and loss statement					
Deposit rate	76	93	290	341	599
Interest paid / credit commissions	-6 713	-10 199	-19 448	-34 989	-42 940
Management fees	-5 442	-5 442	-16 325	-12 404	-17 845
			30.09.15	30.09.14	31.12.14
Balance sheet					
Loans and advances to credit institutions			12 848	30 744	26 277
Other liabilities			1 252 261	1 989 035	1 701 842
Issued securities			499 117	14 775	

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CAPITAL ADEQUACY

Net subordinated capital	30.09.15	30.09.14	31.12.14
Equity certificate capital	227 600	227 600	227 600
Share premium reserve	122 500	122 500	122 500
Other equity	131 442	89 984	131 442
Equity	481 542	440 084	481 542
Deduction for goodwill and other intangible assets	-5 087	-4 710	-5 087
Total tier 1 capital	476 455	435 374	476 455
Net subordinated capital	476 455	435 374	476 455
Risk-weighted assets:			
Credit risk - standard method	2 772 531	2 649 457	2 698 348
Operational risk	157 667	111 738	157 667
CVA risk	78 690	35 835	79 880
Total risk-weighted assets	3 008 888	2 797 029	2 935 895
Capital adequacy ratio	15,8	15,6	16,2
Tier 1 capital ratio	15,8	15,6	16,2
Core Tier 1 capital ratio	15,8	15,6	16,2

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Spesification of calculation base	30.09.15	30.09.14	31.12.14
<i>Standard method</i>			
Institutions	42 503	39 295	43 193
Companies	1 499	371	401
Loans secured by real estate	2 622 939	2 516 483	2 560 852
Covered bonds	22 027	21 977	21 944
Others	83 563	71 331	71 958
Credit risk	2 772 531	2 649 457	2 698 348
Operational risk	157 667	111 738	157 667
Cva surcharge	78 690	35 835	79 880
Total risk-weighted assets	3 008 888	2 797 029	2 935 895

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

	3. quarter 2015	3. quarter 2014	Jan-Sept 2015	Jan-Sept 2014	Year 2014
Net change in valuation of notes and bonds	-1 796	24	-3 179	910	1 032
Gains/losses repayment treasury bonds				-1 559	-2 922
Net change in valuation of currency and financial derivatives	-4 115	-389	1 126	-4 019	-9 721
Net change in valuation of loans at fair value	3 902	2	-4 914	4 106	9 711
Net change in valuation of financial derivatives, hedging	26 496	5 928	8 642	13 271	50 810
Net change in valuation of hedged financial liabilities	-26 496	-5 928	-8 642	-13 271	-50 810
Net change in valuation of financial instruments at fair value	-2 009	-364	-6 967	-564	-1 900

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CLASSIFICATION OF FINANCIAL INSTRUMENTS

Assets	Financial assets and liabilities valued at amortized cost	Financial instruments at fair value through the income statement		Financial derivatives as hedging instruments	Non-financial assets and liabilities	30.09.15
		Trading portfolio	Decided recognized at fair value			Total
Cash and deposits	112 848					112 848
Loans to customers	6 531 817		429 289			6 961 106
Notes and bonds			214 359			214 359
Financial derivatives		1 685		74 694		76 379
Accrued income	11 012					11 012
Other assets					5 087	5 087
Total assets	6 655 677	1 685	643 648	74 694	5 087	7 380 791
Liabilities						
Debt in relation to issued securities	5 571 766					5 571 766
Financial derivatives		16 916				16 916
Accrued cost	8 834					8 834
Other liabilities	1 252 262					1 252 262
Accruals					11 767	11 767
Total liabilities	6 832 862	16 916			11 767	6 861 545

Assets	Financial assets and liabilities valued at amortized cost	Financial instruments at fair value through the income statement		Financial derivatives as hedging instruments	Non-financial assets and liabilities	30.09.14
		Trading portfolio	Decided recognized at fair value			Total
Cash and deposits	130 744					130 744
Loans to customers	6 290 882		372 814			6 663 696
Notes and bonds			217 749			217 749
Financial derivatives		880		28 880		29 760
Accrued income	11 758					11 758
Other assets					4 710	4 710
Total assets	6 433 384	880	590 563	28 880	4 710	7 058 417
Liabilities						
Debt in relation to issued securities	4 549 108					4 549 108
Financial derivatives		11 535		366		11 902
Accrued cost	11 673					11 673
Other liabilities	1 989 036					1 989 036
Accruals					26 065	26 065
Total liabilities	6 549 818	11 535		366	26 065	6 587 784

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Assets	Financial assets and liabilities valued at amortized cost	Financial instruments at fair value through the income statement			Non-financial assets and liabilities	31.12.14
		Trading portfolio	Decided recognized at fair value	Financial derivatives as hedging instruments		Total
Cash and deposits	126 277					126 277
Loans to customers	6 429 345		361 090			6 790 435
Notes and bonds			217 538			217 538
Financial derivatives		1 594		67 235		68 829
Accrued income	11 855					11 855
Other assets					5 087	5 087
Total assets	6 567 478	1 594	578 628	67 235	5 087	7 220 021
Liabilities						
Debt in relation to issued securities	4 982 754					4 982 754
Financial derivatives		17 952		1 183		19 134
Accrued cost	12 568					12 568
Other liabilities	1 701 866					1 701 866
Accruals					22 156	22 156
Total liabilities	6 697 189	17 952		1 183	22 156	6 738 479



7 FAIR VALUE OF FINANCIAL INSTRUMENTS

Assets	Fair value of financial instruments valued at amortized costs					
	30.09.15		30.09.14		31.12.14	
	Recognized value in the balance sheet	Fair value	Recognized value in the balance sheet	Fair value	Recognized value in the balance sheet	Fair value
Cash and deposits	112 848	112 848	130 744	130 744	126 277	126 277
Loans to customers	6 961 106	6 961 106	6 663 696	6 663 696	6 790 435	6 790 435
Accrued income	11 012	11 012	11 758	11 758	11 855	11 855
Total assets	7 084 967	7 084 967	6 806 199	6 806 199	6 928 567	6 928 567
Liabilities						
Debt in relation to issued securities	5 571 766	5 560 968	4 549 108	4 596 720	4 982 754	5 023 562
Accrued expenses	8 834	8 834	11 673	11 673	12 568	12 568
Total liabilities	5 580 600	5 569 802	4 560 781	4 608 394	4 995 323	5 036 130

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Determination of fair value at the end of the period pursuant to the valuation hierarchy

	Level 1	Level 2	Level 3	Total as of 30.06.15
Financial instruments at fair value through the income statement				
Loans to customers			429 289	429 289
Notes and bonds		214 359		214 359
Financial derivatives		1 685		1 685
Financial derivatives, hedging instrument		74 694		74 694
Total		290 738	429 289	720 027
Financial instruments at fair value through the income statement				
Financial derivatives		16 916		16 916
Financial derivatives, hedging instrument				
Total		16 916		16 916

Determination of fair value at the end of the period pursuant to the valuation hierarchy

	Level 1	Level 2	Level 3	Total as of 30.09.14
Financial instruments at fair value through the income statement				
Loans to customers			372 814	372 814
Notes and bonds		217 749		217 749
Financial derivatives		880		880
Financial derivatives, hedging instrument		28 880		28 880
Total		247 509	372 814	620 323
Financial instruments at fair value through the income statement				
Financial derivatives		11 535		11 535
Financial derivatives, hedging instrument				
Total		11 535		11 535

Determination of fair value at the end of the period pursuant to the valuation hierarchy

	Level 1	Level 2	Level 3	Total as of 31.12.14
Financial instruments at fair value through the income statement				
Loans to customers			361 090	361 090
Notes and bonds		217 538		217 538
Financial derivatives		1 594		1 594
Financial derivatives, hedging instrument		67 235		67 235
Total		286 367	361 090	647 457
Financial instruments at fair value through the income statement				
Financial derivatives		17 952		17 952
Financial derivatives, hedging instrument		1 183		1 183
Total		19 134		19 134

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Reconciliations of movements from Level 3 from 31.12.2014 til 30.09.2015

	Loans	Available for sale	Deposits	Total
Balance as of 31.12.2014	361 090			361 090
Recognized profit/loss in the current income statement	-4 914			-4 914
Recognized profit/loss in other income				
Purchase				
Issued	120 586			120 586
Settlement	-47 472			-47 472
Migration to level 2/1				
Balance as of 30.09.2015	429 290			429 290