



Quarterly report
1st quarter 2015

Directors' Report First 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

During the first quarter, the oil spot price has fluctuated around USD 55 a barrel. As expected, this has resulted in a reduction of the investment levels in the oil business. Both the major oil companies and the oil service companies continue to down-scale their operations and in addition, several consolidations have been announced in the industry.

The covered bond (OMF) market was healthy in the first quarter, with decent liquidity but with an increase in credit premiums. The credit premium on other types of bonds has been stable. For SSB Boligkreditt, the indicated credit premium for 5-year financing (indicated by the NBP OMF3 curve) increased from +25 basis points to +33 basis points during the quarter. 3 Month NIBOR was at 1.46% at the start of the quarter and at 1.47% when it ended. The average 3 Month NIBOR was 1.38% versus 1.61% during the previous quarter.

Long interest rates, indicated by the 10 year swap rate, have fallen from 1.91% at the start of the quarter to 1.85% at the end of the quarter.

Unemployment in Rogaland saw an uptick, from 2.4% at the end of the fourth quarter 2014 to 3.0% at the end of the first quarter of 2015. Unemployment for Norway as a whole has increased from 2.7% to 3.0%. Rogaland now has the same unemployment rate as Norway as a whole, and is the county with the biggest increase in unemployment during the past year. The increase was 0.9 percentage points, versus 0.1 percentage points for Norway as a whole.

During the first quarter of 2015, housing prices in Norway as a whole, increased by 4.7% (not seasonally adjusted), according to housing price statics from the Norwegian Association of Real Estate Agents. In Rogaland, the change last quarter was 3.0%. Changes for Sandnes and Stavanger were 2.9% and 2.8%, respectively. The sale execution time for Norway as a whole has gone down from 48 days to 34 during the last quarter. In Rogaland, the sale execution time has gone down from 55 days to 47 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 first quarter 2015

Figures in parentheses apply to the corresponding period in 2014.

Profits before taxes were NOK 18.4 (25.2) million. After tax profits were NOK 13.4 (18.4) million.

The Company's net interest income totaled NOK 24.7 (28.9) million. Other income was NOK -0.1 (0.0) million. The decrease in net interest income is due to interest-adjustments done during the period. 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 first quarter of 2015 were NOK 6.3 (3.7) million. The cooperation with Sandnes Sparebank has been formalized through a management agreement. The Bank's management fee amounted to NOK 5.4 (2.5) million during the first quarter of 2015. The reason for the increase of the management fee is an adjustment of the allocation of cost between Sandnes Sparebank and SSB Boligkreditt in connection with the renewal of the management agreement. During the first quarter of 2015, no writedowns were made on groups of loans.

Balance sheet and asset management

At the end of the first quarter of 2015, SSB Boligkreditt managed assets totaling NOK 7.2 (7.0) billion. Loans to customers constituted NOK 6.8 (6.7) billion. As of 3/31/2015, SSB Boligkreditt had issued covered bonds with a face value of NOK 5.8 billion. The Company had treasury holdings of NOK 0.8 billion. The net outstanding amount of covered bonds was NOK 5.1 billion. Fixed rates bonds with a face value of NOK 1.3 billion have been issued. The rest carry a floating rate. During the first quarter of 2015, SSB Boligkreditt issued new bonds with a face value of NOK 0.3 billion, and shorter maturity bonds were purchased during the same period amounting to NOK 0.1 billion in face value.

The Other liabilities item includes debt to the Parent Bank of NOK 1.6 (2.4) 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 Fortrinnsrett - 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 3/31/2015, the Company had a portfolio of home loans valued at NOK 6.8 billion. The weighted loan balance of this portfolio corresponded to 51.6% 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 3/31/2015, the Company has issued bonds with a nominal value of NOK 5.8 billion, of which NOK 4.5 billion carry a floating rate.

The Company has positions in Norwegian Kroner only. With respect to the lending volume, 94.7% 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 first 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 going forward in 2015. Despite a more uncertain macro picture, credit losses are not expected to increase for SSB Boligkreditt.

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 9%. SSB Boligkreditt aims to keep the required OC level at 11%.

The Board of Directors of SSB Boligkreditt AS
April 20, 2015



Odd Egil Flokketveit
Chairman of the Board



Arild Ollestad
Director



Svein Ivar Førland
Director



Terje Frafjord
Director



Elisabeth Frøyland
Managing Director

ANNUAL ACCOUNTS

5 / 15

Profit and loss statement

Profit and loss statement (Amounts in NOK thousands)	Note	1. quarter 2015	1. quarter 2014	Year 2014
Interest income		58 480	65 971	254 194
Interest expense		33 744	37 114	150 839
Net interest income		24 735	28 857	103 355
Commissions and income from banking services		271	303	1 159
Net change in value on financial instruments at fair value	5	-337	-297	-1 900
Total other operating revenues		-66	6	-741
Salaries		35	1	91
Other operating costs		6 270	3 644	20 465
Depreciations and impairment		0	49	49
Total operating costs		6 305	3 694	20 605
Write downs and losses on lending and guarantees	2			-70
Operating profit before taxes		18 365	25 169	82 079
Tax cost		4 958	6 796	22 177
Operating profit after taxes		13 406	18 373	59 902
Other income and expenses (after taxes)				
Total comprehensive income		13 406	18 373	59 902

ANNUAL ACCOUNTS

6 / 15

Balance sheet

Amounts in NOK thousands	Note	31.03.15	31.03.14	31.12.14
Bank deposits	7	169 362	119 842	126 277
Loans to customers	6, 7	6 774 111	6 675 167	6 790 435
Notes and bonds	6	216 745	206 840	217 538
Financial derivatives	6, 7	62 520	14 981	68 829
Deferred tax assets		5 087	4 710	5 087
Prepaid expenses and accrued income	6	14 678	11 904	11 855
Total assets		7 242 503	7 033 444	7 220 021
Debt securities issued	6, 7	5 126 259	4 110 208	4 982 754
Financial derivatives	6, 7	17 312	7 698	19 134
Other debts	6	1 576 457	2 443 413	1 701 866
Taxes payable		16 529	21 944	22 156
Accrued expenses and prepaid income	6, 7	10 999	9 093	12 568
Total liabilities		6 747 555	6 592 356	6 738 479
Equity certificate capital		227 600	227 600	227 600
Share premium		122 500	122 500	122 500
Other equity		144 848	90 988	131 442
Total equity		494 948	441 088	481 542
Total equity and liabilities		7 242 503	7 033 444	7 220 021

The Board of Directors of SSB Boligkreditt AS

April 20, 2015



Odd Egil Flokketveit
Chairman of the Board



Arild Ollestad
Director



Svein Ivar Førland
Director



Terje Frøfjord
Director



Elisabeth Frøyland
Managing Director

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			13 406	13 406
Equity as of 31.03.2015	227 600	122 500	144 848	494 948

Cash flow statement

Amounts in NOK thousands	1. quarter 2015	1. quarter 2014	Year 2014
Cash flow from operating activities			
Interest / commission received and fees received from customers	55 577	60 855	248 986
Interest receivable on securities	352	1 376	2 373
Disbursements for operations	-131 714	19 433	-740 496
Taxes	-10 586	-6 807	-21 956
Net cash flow from operating activities	-86 371	74 858	-511 093
Cash flow from investing activities			
Net cash flows from interest bearing securities		35 288	22 270
Net cash flow from investing activities		35 288	22 270
Cash flow from funding activities			
Net receipts / disbursements of repayment loans, credit lines	15 237	-8 369	-115 171
Certificates and bond debts issued	199 532	281 737	1 829 192
Certificates and bond debts repaid	-50 000	-350 000	-1 075 000
Net interest payments on financing activities	-35 314	-37 473	-147 722
Net cash flow from funding activities	129 456	-114 104	491 299
Net cash flow for the period	43 085	-3 959	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	169 362	119 842	126 277

1

GENERAL ACCOUNTING POLICIES**General**

The financial statements for the first quarter 2015 for SSB Boligkreditt AS 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 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 31.03.2015.

2

LOSSES

	1. quarter 2015	1. quarter 2014	Year 2014
Writedowns and losses on loans			
Change in individual write-downs			
Write-offs with individual write-downs			-70
Write-offs without individual write-downs			
Recoveries on amounts written off previously			
Writedowns and losses on loans			-70
Writedowns of loans			
Group writedowns as of 1.1	3 064	3 460	3 460
- Transferred from Sandnes Sparebank			-326
+ Change in group writedown			-70
Group writedowns as of 31.03 / 31.12	3 064	3 460	3 064
Losses and non-performing loans and advances			
Non-performing loans and advances		1 219	
Doubtful loans and advances			
Individual write-downs			
Gross non-performing loans and advances as a percentage of gross loans	0,00 %	0,02 %	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.

3

TRANSACTIONS WITH RELATED PARTIES

Transactions within the Group	1. quarter 2015	1. quarter 2014	Year 2014
Profit and loss statement			
Deposit rate	106	178	599
Interest paid / credit commissions	-6 725	-13 035	-42 940
Management fees	-5 442	-2 501	-17 845
	31.03.15	31.03.14	31.12.14
Balance sheet			
Loans and advances to credit institutions	69 362	19 842	26 277
Other liabilities	1 576 321	2 443 412	1 701 842
Issued securities		14 775	

4

CAPITAL ADEQUACY

Net subordinated capital	31.03.15	31.03.14	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	72 614	131 442
Equity	481 542	422 714	481 542
Deduction for goodwill and other intangible assets	-5 087	-4 710	-5 087
Total tier 1 capital	476 455	418 005	476 455
Net subordinated capital	476 455	418 005	476 455
Risk-weighted assets:			
Credit risk - standard method	2 720 404	2 623 508	2 698 348
Operational risk	157 667	111 738	157 667
CVA risk	60 838		79 880
Total risk-weighted assets	2 938 909	2 735 245	2 935 895
Capital adequacy ratio	16,2	15,3	16,2
Tier 1 capital ratio	16,2	15,3	16,2
Core Tier 1 capital ratio	16,2	15,3	16,2

NOTES

11 / 15

Spesification of calculation base	31.03.15	31.03.14	31.12.14
<i>Standard method</i>			
Institutions	50 883	29 646	43 193
Companies	48	372	401
Loans secured by real estate	2 568 764	2 520 850	2 560 852
Covered bonds	21 956	20 732	21 944
Overdue loans		1 219	
Others	78 753	50 688	71 958
Credit risk	2 720 404	2 623 507	2 698 348
Operational risk	157 667	111 738	157 667
Cva surcharge*	60 838		79 880
Total risk-weighted assets	2 938 909	2 735 245	2 935 895

*Cva surcharge was calculated first time from 30.9.2014..



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

	1. quarter 2015	1. quarter 2014	Year 2014
Net change in valuation of financial instruments at fair value			
Net change in valuation of notes and bonds	-793	-593	1 032
Gains/losses repayment treasury bonds		1 315	-2 922
Net change in valuation of currency and financial derivatives	1 541	540	-9 721
Net change in valuation of loans at fair value	-1 086	-1 559	9 711
Net change in valuation of financial derivatives, hedging	-6 028	-730	50 810
Net change in valuation of hedged financial liabilities	6 028	730	-50 810
Net change in valuation of financial instruments at fair value	-337	-297	-1 900

NOTES

12 / 15



CLASSIFICATION OF FINANSIAL INSTRUMENTS

Assets	Financial assets and liabilities valued at amortized cost	Financial instruments at fair value through the income statement			Non-financial assets and liabilities	31.03.15
		Trading portfolio	Financial derivatives as hedging instruments	Decided recognized at fair value		Total
Cash and deposits	169 362					169 362
Loans to customers	6 397 712			376 400		6 774 111
Notes and bonds				216 745		216 745
Financial derivatives		1 720	60 800			62 520
Accrued income	14 678					14 678
Other assets					5 087	5 087
Total assets	6 581 752	1 720	60 800	593 145	5 087	7 242 503
Liabilities						
Debt in relation to issued securities	5 126 259					5 126 259
Financial derivatives		16 536	776			17 312
Accrued cost	10 999					10 999
Other liabilities	1 576 457					1 576 457
Accruals					16 529	16 529
Total liabilities	6 713 714	16 536	776		16 529	6 747 555

Assets	Financial assets and liabilities valued at amortized cost	Financial instruments at fair value through the income statement			Non-financial assets and liabilities	31.03.14
		Trading portfolio	Financial derivatives as hedging instruments	Decided recognized at fair value		Total
Cash and deposits	119 842					119 842
Loans to customers	6 290 931			384 236		6 675 167
Notes and bonds				206 840		206 840
Financial derivatives		469	14 512			14 981
Accrued income	11 904					11 904
Other assets					4 710	4 710
Total assets	6 422 677	469	14 512	591 076	4 710	7 033 444
Liabilities						
Debt in relation to issued securities	4 110 208					4 110 208
Financial derivatives		7 698				7 698
Accrued cost	9 093					9 093
Other liabilities	2 443 413					2 443 413
Accruals					21 944	21 944
Total liabilities	6 562 713	7 698			21 944	6 592 356

NOTES

13 / 15

	Financial assets and liabilities valued at amortized cost	Financial instruments at fair value through the income statement			Non-financial assets and liabilities	31.12.15
		Trading portfolio	Financial derivatives as hedging instruments	Decided recognized at fair value		Total
Assets						
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	67 235	578 628	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

Virkelig verdi av finansielle instrumenter vurdert til amortisert kost

	31.03.15		31.03.14		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
Assets						
Cash and deposits	169 362	169 362	119 842	119 842	126 277	126 277
Loans to customers	6 774 111	6 774 111	6 675 167	6 675 167	6 790 435	6 790 435
Accrued income	14 678	14 678	11 904	11 904	11 855	11 855
Total assets	6 958 151	6 958 151	6 806 913	6 806 913	6 928 567	6 928 567
Liabilities						
Debt in relation to issued securities	5 126 259	5 149 780	4 110 208	4 133 506	4 982 754	5 023 562
Accrued expenses	10 999	10 999	9 093	9 093	12 568	12 568
Total liabilities	5 137 257	5 160 778	4 119 301	4 142 598	4 995 323	5 036 130

NOTES

14 / 15

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

	Level 1	Level 2	Level 3	31.03.15
Financial instruments at fair value through the income statement				
Loans to customers			376 400	376 400
Notes and bonds		216 745		216 745
Financial derivatives		1 720		1 720
Financial derivatives, hedging instrument		60 800		60 800
Total		279 266	376 400	655 665
Financial instruments at fair value through the income statement				
Financial derivatives		16 536		16 536
Financial derivatives, hedging instrument				
Total		16 536		16 536

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

	Level 1	Level 2	Level 3	31.03.14
Financial instruments at fair value through the income statement				
Loans to customers			384 236	384 236
Notes and bonds	206 840			206 840
Financial derivatives		469		469
Financial derivatives, hedging instrument		14 512		14 512
Total	206 840	14 981	384 236	606 057
Financial instruments at fair value through the income statement				
Financial derivatives		7 698		7 698
Financial derivatives, hedging instrument				
Total		7 698		7 698

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

	Level 1	Level 2	Level 3	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

NOTES

15 / 15

Reconciliations of movements from Level 3 from 31.12.2014 til 31.03.2015

	Loans	Available for sale	Deposits	Total
Balance as of 31.12.2014	361 090			361 090
Recognized profit/loss in the current income statement	-1 086			-1 086
Recognized profit/loss in other income				
Purchase				
Issued	46 228			46 228
Settlement	-29 833			-29 833
Migration to level 2/1				
Balance as of 31.03.2015	376 400			376 400