

Quarterly report
2nd quarter 2015

Directors' Report Second 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 second quarter, the market for covered bonds (OMB) was characterized by somewhat less liquidity and a further increase in credit premiums. The credit premium on other types of bonds has also been rising. For SSB Boligkreditt, the indicated credit premium for 5-year financing (indicated by the NBP OMF3 curve) increased from +33 basis points to +38 basis points during the quarter. 3 Month NIBOR was at 1.47% at the start of the quarter and at 1.33% when it ended. The average 3 Month NIBOR was 1.43% versus 1.38% during the previous quarter. Long interest rates, indicated by the 10 year swap rate, have increased significantly, from 1.85% at the start of the quarter to 2.39% at the end of the quarter.

Unemployment in Rogaland saw an uptick, from 3.0% at the end of the first quarter 2015 to 3.1% at the end of the second quarter of 2015. Unemployment for Norway as a whole has gone down from 3.0% to 2.8%. Rogaland now has a higher unemployment rate than Norway as a whole, and is the county with the biggest increase in unemployment during the past year. The increase was 1.0 percentage points, versus 0.1 percentage points for Norway as a whole.

During the second quarter of 2015, housing prices in Norway as a whole, increased by 1.1% (not seasonally adjusted), according to housing price statics from the Norwegian Association of Real Estate Agents. In Rogaland, the change last quarter was -1.3%. Changes for Sandnes and Stavanger were -1.6% and -1.8%, respectively. The sale execution time for Norway as a whole has gone down from 34 days to 29 during the last quarter. In Rogaland, the sale execution time has gone down from 47 days to 46 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 second quarter 2015

Figures in parentheses apply to the corresponding period in 2014.

Profits before taxes were NOK 9.8 (22.4) million. After tax profits were NOK 7.1 (16.4) million.

The Company's net interest income totaled NOK 21.9 (27.2) million. The decline of the net interest income is due to rate cuts implemented during the period. Other income was NOK -4.4 (0.4) 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 second quarter of 2015 were NOK 5.9 (5.0) million. The cooperation with Sandnes Sparebank has been formalized through a management agreement. The Bank's management fee amounted to NOK 5.4 (4.5) million during the second 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 in May 2014. During the second quarter of 2015, writedowns were made on groups of loans in the amount of NOK 1.8 million.

Balance sheet and asset management

At the end of the second quarter of 2015, SSB Boligkreditt managed assets totaling NOK 7.1 (6.9) billion. Loans to customers constituted NOK 6.7 (6.5) billion. As of 6/30/2015, SSB Boligkreditt had issued covered bonds with a face value of NOK 5.9 billion. The Company had treasury holdings of NOK 0.9 billion. The net outstanding amount of covered bonds was NOK 5.1 billion. Fixed rate bonds with a face value of NOK 1.5 billion have been issued. The rest carry a floating rate. During the second quarter of 2015, SSB Boligkreditt issued new bonds with a face value of NOK 0.2 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 1.4 (2.1) 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 6/30/2015, the Company had a portfolio of home loans valued at NOK 6.7 billion. The weighted loan balance of this portfolio corresponded to 50.0% 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 6/30/2015, the Company has issued bonds with a nominal value of NOK 5.9 billion, of which NOK 4.4 billion carry a floating rate.

The Company has positions in Norwegian Kroner only. With respect to the lending volume, 94.25% 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 second 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

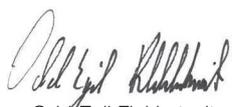
SSB Boligkreditt has issued covered bonds in the market. New issues are targeted at the Norwegian market.

The Company expects a stable volume going forward in 2015. Despite a more uncertain macro picture, credit losses are not expected to increase materially 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

July 10, 2015



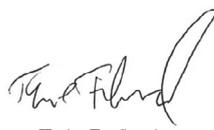
Odd Egil Flokketveit
Chairman of the Board



Arild Ollestad
Director



Svein Ivar Førland
Director



Terje Frafjord
Director



Elisabeth Frøyland
Managing Director

2. QUARTER 2015

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Profit and loss statement

Profit and loss statement (Amounts in NOK thousands)	Note	2. quarter 2015	2. quarter 2014	Half year 2015	Half year 2014	Year 2014
Interest income		54 399	65 167	112 879	131 138	254 194
Interest expense		32 519	37 935	66 264	75 049	150 839
Net interest income		21 879	27 232	46 615	56 089	103 355
Commissions and income from banking services		257	296	529	599	1 159
Net change in value on financial instruments at fair value	5	-4 620	97	-4 958	-200	-1 900
Total other operating revenues		-4 363	394	-4 429	399	-741
Salaries		53	34	126	35	91
Other operating costs		5 846	4 922	12 079	8 566	20 465
Depreciations and impairment					49	49
Total operating costs		5 899	4 957	12 204	8 651	20 605
Write downs and losses on lending and guarantees	2	1 832	252	1 832	252	-70
Operating profit before taxes		9 785	22 418	28 150	47 587	82 079
Tax cost		2 642	6 053	7 600	12 848	22 177
Operating profit after taxes		7 143	16 365	20 549	34 738	59 902
Other income and expenses (after taxes)						
Total comprehensive income		7 143	16 365	20 549	34 738	59 902

2. QUARTER 2015

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Balance sheet

Amounts in NOK thousands	Note	30.06.15	30.06.14	31.12.14
Bank deposits	6,7	113 556	137 035	126 277
Loans to customers	6,7	6 676 753	6 500 745	6 790 435
Notes and bonds	6,7	216 155	207 186	217 538
Financial derivatives	6,7	50 242	23 335	68 829
Deferred tax assets		5 087	4 710	5 087
Prepaid expenses and accrued income	6,7	11 951	10 853	11 855
Total assets		7 073 743	6 883 863	7 220 021
Debt securities issued	6,7	5 104 715	4 257 720	4 982 754
Financial derivatives	6,7	13 159	11 016	19 134
Other debts	6	1 435 782	2 125 738	1 701 866
Taxes payable		8 585	21 190	22 156
Accrued expenses and prepaid income	6,7	9 410	10 747	12 568
Total liabilities		6 571 652	6 426 411	6 738 479
Equity certificate capital		227 600	227 600	227 600
Share premium		122 500	122 500	122 500
Other equity		151 991	107 353	131 442
Total equity		502 091	457 453	481 542
Total equity and liabilities		7 073 743	6 883 863	7 220 021

Statement of equity

Parent company	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			20 549	20 549
Equity as of 30.06.2015	227 600	122 500	151 990	502 091

Cash flow statement

Amounts in NOK thousands	Half year 2015	Half year 2014	Year 2014
Cash flow from operating activities			
Interest / commission received and fees received from customers	109 895	126 660	248 986
Interest receivable on securities	3 417	2 086	2 373
Disbursements for operations	-278 288	-303 198	-740 496
Taxes	-21 171	-13 614	-21 956
Net cash flow from operating activities	-186 148	-188 067	-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	103 033	168 590	-115 171
Certificates and bond debts issued	189 816	421 175	1 829 192
Certificates and bond debts repaid	-50 000	-350 000	-1 075 000
Net interest payments on financing activities	-69 422	-73 753	-147 722
Net cash flow from funding activities	173 427	166 013	491 299
Net cash flow for the period	-12 721	13 234	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	113 556	137 035	126 277

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GENERAL ACCOUNTING POLICIES**General**

The financial statements for the second 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 30.06.2015.

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LOSSES

	2. quarter 2015	2. quarter 2014	Half year 2015	Half year 2014	Year 2014
Writedowns and losses on loans					
Change in individual write-downs					
Write-offs with individual write-downs	1 832	252	1 832	252	-70
Write-offs without individual write-downs					
Recoveries on amounts written off previously					
Writedowns and losses on loans	1 832	252	1 832	252	-70
Writedowns of loans					
Group writedowns as of 1.1			3 064	3 460	3 460
- Transferred from Sandnes Sparebank			297	285	-326
+ Change in group writedown			1 832	252	-70
Group writedowns as of 30.06 / 31.12			5 193	3 997	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	2. quarter 2015	2. quarter 2014	Half year 2015	Half year 2014	Year 2014
Profit and loss statement					
Deposit rate	108	70	214	248	599
Interest paid / credit commissions	-6 552	-11 253	-13 277	-24 789	-42 940
Management fees	-5 442	-4 461	-10 884	-6 962	-17 845
			30.06.15	30.06.14	31.12.14
Balance sheet					
Loans and advances to credit institutions			13 556	37 035	26 277
Other liabilities			1 435 781	2 125 720	1 701 842
Issued securities				14 775	

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CAPITAL ADEQUACY

Net subordinated capital	30.06.15	30.06.14	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	2 653 432	2 563 443	2 698 348
Operational risk	157 667	111 738	157 667
CVA risk	53 788		79 880
Total risk-weighted assets	2 864 887	2 675 180	2 935 895
Capital adequacy ratio	16,6	16,3	16,2
Tier 1 capital ratio	16,6	16,3	16,2
Core Tier 1 capital ratio	16,6	16,3	16,2

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Spesification of calculation base	30.06.15	30.06.14	31.12.14
<i>Standard method</i>			
Institutions	37 438	38 617	43 193
Companies	718	693	401
Loans secured by real estate	2 507 610	2 453 624	2 560 852
Covered bonds	22 016	20 779	21 944
Others	85 650	49 730	71 958
Credit risk	2 653 432	2 563 443	2 698 348
Operational risk	157 667	111 738	157 667
Cva surcharge	53 788		79 880
Total risk-weighted assets	2 864 887	2 675 181	2 935 895

*Cva surcharge was calculated first time from 30.9.2014.

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

	2. quarter 2015	2. quarter 2014	Half year 2015	Half year 2014	Year 2014
Net change in valuation of financial instruments at fair value					
Net change in valuation of notes and bonds	-591	346	-1 383	886	1 032
Gains/losses repayment treasury bonds				-1 559	-2 922
Net change in valuation of currency and financial derivatives	3 701	-3 037	5 242	-3 630	-9 721
Net change in valuation of loans at fair value	-7 730	2 789	-8 816	4 104	9 711
Net change in valuation of financial derivatives, hedging	-11 827	8 074	-17 855	7 343	50 810
Net change in valuation of hedged financial liabilities	11 827	-8 074	17 855	-7 343	-50 810
Net change in valuation of financial instruments at fair value	-4 620	97	-4 958	-200	-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	30.06.15
		Trading portfolio	Decided recognized at fair value			Total
Cash and deposits	113 556					113 556
Loans to customers	6 282 791		393 962			6 676 753
Notes and bonds			216 155			216 155
Financial derivatives		1 649		48 593		50 242
Accrued income	11 951					11 951
Other assets					5 087	5 087
Total assets	6 408 298	1 649	610 117	48 593	5 087	7 073 743

Liabilities	Financial assets and liabilities valued at amortized cost	Trading portfolio	Decided recognized at fair value	Financial derivatives as hedging instruments	Non-financial assets and liabilities	Total
Debt in relation to issued securities	5 104 715					5 104 715
Financial derivatives		12 764		395		13 159
Accrued cost	9 410					9 410
Other liabilities	1 435 782					1 435 782
Accruals					8 585	8 585
Total liabilities	6 549 907	12 764		395	8 585	6 571 652

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	30.06.14
		Trading portfolio	Decided recognized at fair value			Total
Cash and deposits	137 035					137 035
Loans to customers	6 135 814		364 930			6 500 745
Notes and bonds			207 186			207 186
Financial derivatives		749		22 586		23 335
Accrued income	10 853					10 853
Other assets					4 710	4 710
Total assets	6 283 703	749	572 116	22 586	4 710	6 883 863

Liabilities	Financial assets and liabilities valued at amortized cost	Trading portfolio	Decided recognized at fair value	Financial derivatives as hedging instruments	Non-financial assets and liabilities	Total
Debt in relation to issued securities	4 257 720					4 257 720
Financial derivatives		11 016				11 016
Accrued cost	10 747					10 747
Other liabilities	2 125 738					2 125 738
Accruals					21 190	21 190
Total liabilities	6 394 205	11 016			21 190	6 426 411

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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

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FAIR VALUE OF FINANCIAL INSTRUMENTS

Assets	Fair value of financial instruments valued at amortized costs					
	30.06.15		30.06.14		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	113 556	113 556	137 035	137 035	126 277	126 277
Loans to customers	6 676 753	6 676 753	6 500 745	6 500 745	6 790 435	6 790 435
Accrued income	11 951	11 951	10 853	10 853	11 855	11 855
Total assets	6 802 260	6 802 260	6 648 633	6 648 633	6 928 567	6 928 567
Liabilities						
Debt in relation to issued securities	5 104 715	5 123 797	4 257 720	4 299 104	4 982 754	5 023 562
Accrued expenses	9 410	9 410	10 747	10 747	12 568	12 568
Total liabilities	5 114 125	5 133 207	4 268 467	4 309 851	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	30.06.15
Financial instruments at fair value through the income statement				
Loans to customers			393 962	393 962
Notes and bonds		216 155		216 155
Financial derivatives		1 649		1 649
Financial derivatives, hedging instrument		48 593		48 593
Total		266 396	393 962	660 359
Financial instruments at fair value through the income statement				
Financial derivatives		12 764		12 764
Financial derivatives, hedging instrument		395		395
Total		13 159		13 159

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

	Level 1	Level 2	Level 3	30.06.14
Financial instruments at fair value through the income statement				
Loans to customers			364 930	364 930
Notes and bonds		207 186		207 186
Financial derivatives		749		749
Financial derivatives, hedging instrument		22 586		22 586
Total		230 521	364 930	595 451
Financial instruments at fair value through the income statement				
Financial derivatives		11 016		11 016
Financial derivatives, hedging instrument				
Total		11 016		11 016

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

	Nivå 1	Nivå 2	Nivå 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

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Reconciliations of movements from Level 3 from 31.12.2014 til 30.06.2015

	Loans	Available for sale	Deposits	Total
Balance as of 31.12.2014	361 090			361 090
Recognized profit/loss in the current income statement	-8 816			-8 816
Recognized profit/loss in other income				
Purchase				
Issued	86 951			86 951
Settlement	-45 263			-45 263
Migration to level 2/1				
Balance as of 30.06.2015	393 962			393 962

DECLARATION PURSUANT TO SECTION 5-6 OF THE SECURITIES TRADING ACT

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We certify that SSB Boligkreditt's interim accounts for the period 1 January to 30 June 2015 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

The Board of Directors of SSB Boligkreditt AS

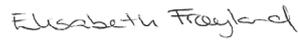
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