



First quarter report 2007

DnB NOR Boligkreditt AS

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Introduction

The financial performance of DnB NOR Boligkreditt AS in the first quarter of 2007 reflected intensifying competition and narrowing lending spreads. As a result of strong competition in the home mortgage market, lending spreads contracted in the January through March period. Notification periods in connection with changes in customer interest rates will normally cause a shortfall in net interest income during periods of rising interest rates.

DnB NOR Boligkreditt recorded pre-tax operating profits before write-downs of NOK 0.5 million in the first quarter of 2007, compared with NOK 21.3 million in the year-earlier period. After taxes, profits came to NOK 0.4 million, down from NOK 15.4 million in the first quarter of 2006. Return on equity was 0.11 per cent in the January through March period of 2007, as against 9.20 per cent in the year-earlier period. Earnings per share were NOK 0.05 in the first quarter of 2007, a reduction from NOK 2.35 in the first quarter of 2006.

The core capital ratio of DnB NOR Boligkreditt was 6.7 per cent at end-March 2007, compared with 7.9 per cent at end-December 2006.

New capital adequacy regulations, Basel II, entered into force with effect from 2007. DnB NOR Boligkreditt AS has sent a separate application to Kredittilsynet (Financial Supervisory Authority of Norway) for approval to use the foundation IRB approach for credit risk to calculate capital adequacy. A response to the application is expected in the course of June 2007. Basel II is not implemented in the calculation of DnB NOR Boligkreditt's capital adequacy for first quarter 2007.

In DnB NOR's consolidated accounts, DnB NOR Boligkreditt is reported along with the Retail Banking business area.

Income

Income totalled NOK 19.5 million in the first quarter of 2007, down from NOK 31.0 million in the year-earlier period.

Net interest income

Net interest income came to NOK 26.2 million for the January through March period, a reduction of NOK 3.7 million or 12 per cent from the first quarter of 2006.

Net other operating income

There was a net other operating loss of NOK 6.7 million in the first quarter of 2007, which reflected premature redemption of bonds and related derivatives.

Operating expenses

The company's operating expenses totalled NOK 19.0 million in the first quarter of 2007, an increase of NOK 9.3 million from the year-earlier period. The management fee to DnB NOR Bank was NOK 18.5 million, up from NOK 9.7 million in the first quarter of 2006. The increase is due to the fact that the fee is calculated on the basis of portfolio volume. Expansion of the company, including the hiring of designated employees and the acquisition of additional portfolios, and necessary systems development are other key factors behind the cost trend in the first quarter of 2007.

Write-downs on commitments

No write-downs on loans were required in the first quarter of 2007, as agreements between DnB NOR Bank ASA and DnB NOR Boligkreditt AS stipulate that the bank will take over any loans with an identified risk of being written down. In the opinion of the Board of Directors, there would have been no need for write-downs even if no such guarantee had been given, based on the strong Norwegian economy and sound portfolio quality.

Taxes

DnB NOR Boligkreditt's tax charge for the first quarter of 2007 was NOK 0.1 million. The tax charge is based on an anticipated average tax rate of 28 per cent of the company's pre-tax operating profits.

Balance sheet and assets under management

At end-March 2007, DnB NOR Boligkreditt had a total of NOK 44.2 billion under management, an increase of NOK 30.7 billion or 227 per cent from a year earlier.

Net lending to customers rose by NOK 30.7 billion or 226 per cent over the 12-month period, reflecting the acquisition of a portfolio from DnB NOR Bank.

Risk and capital adequacy

The company has established limits for risk exposure together with guidelines to handle the different types of risk. Interest and currency risk is sought eliminated through the use of financial derivatives.

Operational risk is assessed to be low. A management agreement has been entered into with DnB NOR Bank comprising administration, bank production, IT operations and financial and liquidity management.

Assets are primarily mortgages within 60 per cent of appraised value, and credit risk is therefore assessed to be very low.

During the first quarter of 2007, the company raised subordinated loans in DnB NOR Bank for a total value of NOK 380 million. In addition, the company completed a private placing with DnB NOR Bank, which increased equity by NOK 470 million. At end-March 2007, the company's equity totalled NOK 1 476.3 million, of which NOK 1 475.2 million represented core capital. Total primary capital in the company is NOK 2 205.2 million. The company intends to accomplish a share issue in second quarter.

The core capital ratio was 6.7 per cent, while the capital adequacy ratio was 10.0 per cent. The Board of Directors considers the company to be adequately capitalised relative to the risk level in the loan portfolios and other operations.

Conversion to mortgage institution

DnB NOR Boligkreditt has applied to Kredittilsynet for a licence to operate as a mortgage institution and will be responsible for issuing covered bonds in the DnB NOR Group. DnB NOR Boligkreditt is a wholly owned subsidiary of DnB NOR Bank ASA.

DnB NOR Boligkreditt's strategy includes both acquiring and extending mortgages that are secured within

75 per cent of appraised value. The company's mortgages will be distributed through DnB NOR Bank ASA.

The rating agencies' assessments of DnB NOR Boligkreditt and the DnB NOR Group are of significance to the Group's funding terms. During the first quarter of 2007, the company engaged Standard & Poor's, Fitch Ratings and Moody's with a view to obtaining ratings of the company and the company's covered bonds.

In the first quarter of 2007, the company initiated work on a bond programme which is expected to be finalised during the second quarter.

Prospects for the rest of the year

DnB NOR Boligkreditt will continue to acquire portfolios from DnB NOR Bank and extend loans directly to customers as from the second quarter. The company expects relevant laws and regulations to enter into force during the second quarter of the year and to be granted a licence to be converted to a mortgage institution.

DnB NOR Boligkreditt is planning to finance part of its lending by issuing covered bonds by end-June this year.

Oslo, 10. May 2007

The Board of Directors of DnB NOR Boligkreditt AS

Åsmund Skår
(chairman)

Eldbjørg Sture

Reidar Bolme

Steinar Ouren

Carl Johan Wickmann
(chief executive officer)

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Income statement

		DnB NOR Boligkreditt AS		
		1st quarter	1st quarter	Full year
<i>Amounts in NOK 1 000</i>		2007	2006	2006
	Note			
Total interest income	3	413 264	131 304	705 234
Total interest expenses	3	387 082	101 451	580 465
Net interest income	3	26 182	29 853	124 769
Commissions and fees receivable etc.		59	30	139
Commissions and fees payable etc.		67	-	51
Net gains/(losses) on financial instruments at fair value	4	(6 669)	1 130	9 458
Other income		-	-	-
Net other operating income		(6 677)	1 160	9 546
Total income		19 505	31 013	134 315
Salaries and other ordinary personnel expenses	5	428	-	115
Other expenses	5	18 586	9 711	45 474
Depreciation and impairment of fixed and intangible assets		-	-	-
Total operating expenses		19 014	9 711	45 589
Net gains on fixed and intangible assets		-	-	-
Write-downs on loans and guarantees	7	-	-	-
Pre-tax operating profit		491	21 302	88 726
Taxes		137	5 965	24 843
Profit for the period		354	15 337	63 883
Earnings per share (NOK)		0,05	2,35	9,50
Diluted earnings per share (NOK)		0,05	2,35	9,50

Balance sheets

		DnB NOR Boligkreditt AS		
		31 March	31 Dec.	31 March
<i>Amounts in NOK 1 000</i>		2007	2006	2006
	Note			
Assets				
Cash and deposits with central banks		-	-	-
Lending to and deposits with credit institutions		475 832	4 452 327	103 733
Lending to customers	8	43 727 601	22 951 687	13 432 980
Financial derivatives		8 300	214 567	437
Deferred tax assets		797	797	10
Other assets		3 689	5 658	123
Total assets		44 216 219	27 625 036	13 537 283
Liabilities and equity				
Loans and deposits from credit institutions		41 914 216	500 000	12 636 018
Financial derivatives		-	938 930	45 900
Securities issued	9	-	24 512 624	-
Payable taxes		3 119	3 119	-
Other liabilities		85 637	314 393	85 219
Subordinated loan capital	9	736 922	350 000	-
Total liabilities		42 739 894	26 619 066	12 767 137
Share capital		732 000	685 000	660 000
Other reserves and retained earnings		744 325	320 970	110 146
Total equity		1 476 325	1 005 970	770 146
Total liabilities and equity		44 216 219	27 625 036	13 537 283

Statement of changes in equity

DnB NOR Boligkreditt AS

	Share capital	Share premium reserve	Other equity	Total other reserves and retained earnings	Total equity
<i>Amounts in NOK 1 000</i>					
Balance sheet as at 1 January 2006 NGAAP	650 000	-	-	-	650 000
IFRS effects (pro forma)					
IAS 39 - Extended use of fair value of financial instruments			(840)	(840)	(840)
Total IFRS effects (pro forma)			(840)	(840)	(840)
Balance sheet as at 1 January 2006 (pro forma)	650 000	-	(840)	(840)	649 160
Profit for the period			15 337	15 337	15 337
Net income for the period			15 337	15 337	15 337
Balance sheet as at 31 March 2006 (pro forma)	650 000	-	14 497	14 497	664 497
Balance sheet as at 31 December 2006 NGAAP	685 000	315 000	-	-	1 000 000
IFRS effects					
IAS 39 - Extended use of fair value of financial instruments			5 971	5 971	5 971
Total IFRS effects			5 971	5 971	5 971
Balance sheet as at 1 January 2007	685 000	315 000	5 971	320 971	1 005 971
Profit for the period			354	354	354
Net income for the period			354	354	354
Share issue 5 February 2007	47 000	423 000	-	423 000	470 000
Balance sheet as at 31 March 2007	732 000	738 000	6 325	744 325	1 476 325

Cash flow statement

DnB NOR Boligkreditt AS			
	1st quarter 2007	1st quarter 2006	Full year 2006
<i>Amounts in NOK 1 000</i>			
OPERATIONS			
Net payments on loans to customers	(4 148 379)	(1 292 472)	(7 455 866)
Interest received from customers	367 839	130 582	431 679
Net payments on sales of financial assets for investment or trading	-	-	-
Net receipts on commissions and fees	(8)	30	139
Payments to operations	20 418	9 711	39 591
Taxes paid	-	-	-
Other receipts	-	-	-
Net cash flow relating to operations	4 495 792	1 413 373	7 848 093
INVESTMENT ACTIVITY			
Net payments on the acquisition of fixed assets	-	-	-
Net purchase of loan portfolio	24 882 705	-	15 701 467
Net cash flow relating to investment activity	(24 882 705)	0	(15 701 467)
FUNDING ACTIVITY			
Net receipts/payments on loans from credit institutions	41 414 216	(1 362 123)	(13 498 141)
Net receipts/payments on other short-term liabilities	(1 940)	(19 140)	(8 554)
Net issue of bonds and commercial paper	(24 694 407)	-	25 260 000
Issue of subordinated loan capital	380 000	-	350 000
Redemptions of subordinated loan capital	-	-	-
Repurchase of own shares/share issue	470 000	100 000	350 000
Dividend payments	-	-	-
Net interest payments on funding activity	1 160 337	32 110	151 337
Net cash flow from funding activity	16 407 532	(1 313 373)	12 301 968
Net cash flow	(3 979 381)	100 000	4 448 594
Cash as at 1 January	4 452 327	3 733	3 733
Net receipts/payments on cash	(3 979 381)	100 000	4 448 594
Cash at end of period	472 946	103 733	4 452 327

Key figures

DnB NOR Boligkreditt AS			
	1st quarter 2007	1st quarter 2006	Full year 2006
Rate of return/profitability			
1. Return on equity, annualised (%) ¹⁾	0.1	9.2	7.4
Financial strength			
2. Core (Tier 1) capital ratio at end of period (%)	6.7	11.2	7.9
3. Capital adequacy ratio at end of period (%)	10.0	11.2	10.6
4. Core capital at end of period (NOK million)	1 475 174	750 000	996 881
5. Risk-weighted volume at end of period (NOK million)	21 963 173	6 714 585	12 663 969
Loan portfolio and write-downs			
6. Write-downs relative to net lending to customers, annualised	-	-	-
7. Net non-performing and impaired commitments, per cent of net lending	-	-	-
8. Net non-performing and impaired commitments at end of period (NOK 1 000)	-	-	-
Staff			
9. Number of full-time positions at end of period	9	4	4

Definitions

1) Profit for the period is adjusted for the period's change in fair value recognised directly in equity. Average equity is calculated on the basis of recorded equity.

Note 1 – Accounting principles etc

BASIS FOR PREPARING THE ACCOUNTS

DnB NOR Boligkreditt AS has prepared accounts for the first quarter of 2007 in accordance with IFRS, including IAS 34 – Interim Financial Reporting. The company is included in the DnB NOR Group, which implemented IFRS in the consolidated accounts as of 1 January 2005. The DnB NOR Group's opening balance date was 1 January 2004.

DnB NOR Boligkreditt AS has prepared statutory accounts according to the Norwegian Ministry of Finance's regulations on annual accounts, Section 1-5, on the use of IFRS (International Financial Reporting Standards) hereinafter called the Norwegian IFRS regulations. These regulations give permission to record provisions for dividends and group contribution in subsidiaries as income and record the Board of Directors' proposed dividends and group contributions as liabilities on the balance sheet date. According to IFRS, dividends should be classified as equity until approved by the general meeting. The Norwegian IFRS regulations also imply that the company will use all other accounting principles resulting from IFRS in full. Changes in IAS 23 – Borrowing Costs were issued by IASB in the first quarter of 2007. The effective date of these standards is 1 January 2009. Hence, the company has not adopted these regulations in the accounts for the first quarter of 2007.

COMPARISON FIGURES

DnB NOR Boligkreditt implemented IFRS as of 1 January 2007. The opening balance date according to IFRS was 1 January 2006, thus comparable figures according to new principles have been prepared for 2006. The effects of the transition to IFRS are described in further detail in note 2.

ACCOUNTING PRINCIPLES

The accounting principles applied by DnB NOR Boligkreditt according to IFRS are described below.

Conversion of transactions in foreign currency

Norwegian kroner serve as the reporting currency for the company. DnB NOR Boligkreditt AS has Norwegian kroner as its functional currency.

Monetary assets and liabilities in foreign currency are translated to exchange rates prevailing on the balance sheet date. Changes in value of such assets due to exchange rate movements between the transaction date and the balance sheet date, are recognised in the income statement. Profit and loss items are translated according to exchange rates on the transaction date.

Recognition and derecognition of assets and liabilities

Assets and liabilities are recorded in the balance sheet at the time the company assumes actual control of the rights to the assets and takes on a real commitment.

Assets are derecognised at the time actual risk relating to the assets is transferred and control of rights to the assets is annulled or expired.

Financial instruments

Classification of financial instruments

On initial recognition financial assets are classified in one of the following categories according to the purpose of the investment:

- Financial assets held for trading (trading portfolio), carried at fair value through profit or loss.
- Financial assets designated at fair value with changes in value recognised in the income statement
- Loans and receivables, carried at amortised cost

On initial recognition financial liabilities are classified in one of the following categories:

- Financial liabilities designated as at fair value with changes in value recognised in the income statement
- Other financial liabilities carried at amortised cost

Financial assets and liabilities in the trading portfolio

The trading portfolio includes financial derivatives.

Financial assets and liabilities designated at fair value through profit and loss

The company's portfolios of fixed-rate loans are managed together and valued at fair value.

Loans and receivables, carried at amortised cost

The loans and liabilities category includes portfolios of loans and other financial assets that are not traded in an active market or carried at fair value through profit and loss.

Other financial liabilities carried at amortised cost

Other financial liabilities designated at fair value with changes recognised in profit or loss, are carried at amortised cost.

Measurement

Initial recognition of financial instruments

Financial instruments are measured at fair value on the trade date.

Subsequent measurement

Measurement at fair value

Some instruments are recorded at fair value on the balance sheet date. Fair value is the amount for which an asset could be exchanged, or a liability settled, in a transaction between independent parties. Calculations are based on the going concern assumption, and provisions for credit risk on the instruments are reflected in the measurement.

Financial instruments for which offsetting market risks can be identified with a reasonable degree of probability, are recorded at mid-market prices on the balance sheet date. Other financial assets and liabilities are measured at bid or asking prices respectively.

Instruments traded in an active market

Most of the company's financial derivatives, e.g. forward currency contracts, forward rate agreements (FRAs), interest rate options, currency options, interest rate swaps and interest rate futures, are traded in an active market.

A market is considered active if it is possible to obtain external, observable prices, exchange rates or volatilities and these prices represent actual and frequent market transactions. With respect to instruments traded in an active market, quoted prices are used, obtained from a stock exchange, a broker or a price-setting agency. If no prices are quoted for the instrument, it is decomposed and valued on the basis of quoted prices on the individual components.

Instruments not traded in an active market

Financial instruments not traded in an active market are valued according to different valuation techniques. When valuing ordinary, straightforward financial instruments, the company uses recognised option and discounting models with inputs from observable markets. For more complex products, valuation techniques that as far as possible are based on market information are used. When applying such valuation techniques, the value is adjusted for, e.g., credit risk and liquidity risk.

Financial instruments in the company not traded in an active market mainly include the portfolios of fixed-rate loans and certain non-standardised derivative contracts.

The fair value of the portfolios of fixed-rate loans is estimated at the value of contractual cash flows discounted by the market rate including a credit risk margin on the balance sheet date.

When valuing non-standardised derivative contracts, such as 'over-the-counter' options (OTC options) and unlisted instruments, a theoretical price is set based on market inputs.

Measurement at amortised cost

Financial instruments not recorded at fair value are recorded at amortised cost and measured using the internal rate method. When using the internal rate method, the internal rate of return for the contract is calculated. The internal rate of return is set by discounting contractual cash flows based on the expected life of the financial instrument. Cash flows include front-end fees and direct marginal transaction costs not covered by the customer, as well as any residual value at the end of the expected life of the instrument. Amortised cost is the net present value of such cash flows discounted by the internal rate of return.

Impairments on financial assets

Individual write-downs

If objective evidence of a decrease in value can be found, write-downs on loans are calculated as the difference between the value of the loan in the balance sheet and the net present value of estimated future cash flows discounted by the internal rate of return on the loan. The internal rate of return used is the internal rate of return on the loan prior to the identification of objective evidence of impairment, adjusted for changes in market rates up to the measurement date. Changes in the credit risk of the loan due to objective evidence of impairment are not taken into consideration when adjusting the internal rate of return used for discounting.

Objective evidence of a decrease in value of a loan or loan portfolio includes serious financial problems on the part of the debtor, non-payment or other serious breaches of contract, the probability that the debtor will enter into debt negotiations or other special circumstances that have occurred.

Individual write-downs reduce the value of commitments in the balance sheet, and changes during the period are recorded under "Write-downs on loans and guarantees". Interest calculated according to the internal rate method on the written-down value of the loan is included in "Net interest income".

Group write-downs

Loans, which have not been individually evaluated for impairment, are evaluated collectively in groups. Loans, which have been individually evaluated, but not written down, are also evaluated in groups. The evaluation is based on objective evidence of a decrease in value that has occurred on the balance sheet date and can be related to the company.

Loans are grouped on the basis of similar risk and value characteristics in accordance with the division of customers into main sectors or industries and risk classes. The need for write-downs is estimated per customer group based on estimates of the general economic situation and loss experience for the respective customer groups.

Group write-downs reduce the value of commitments in the balance sheet, and changes during the period are recorded under "Write-downs on loans and guarantees". Like individual write-downs, group write-downs are based on discounted cash flows. Cash flows are discounted on the basis of statistics derived from individual write-downs. Interest is calculated on commitments subject to group write-downs according to the same principles and experience base as for commitments evaluated on an individual basis.

Interest calculated according to the internal rate method on the written-down value of the loan is included in "Net interest income".

Presentation in the balance sheet and income statement

Cash and deposits with central banks

Cash is defined as cash and deposits with banks and credit institutions with no agreed period of notice.

Lending

Loans are recorded, dependent on the counterparty, either as lending to and deposits with credit institutions or lending to customers, regardless of measurement principle.

Interest income on instruments classified as lending are included in "Net interest income" using the internal rate method, irrespective of measurement principle. The method is described in the section on amortised cost.

A decrease in value on the balance sheet date based on objective evidence of impairment for loans valued at amortised cost and in the portfolio of fixed-rate loans in Norwegian kroner, which are measured at fair value, are reflected in "Write-downs on loans and guarantees".

Other changes in value of the portfolio of fixed-rate loans in Norwegian kroner which are measured at fair value, are included under "Net gains on financial instruments at fair value".

Financial derivatives

Financial derivatives are presented as assets if the value is positive and as liabilities if there is a negative value. Netting is undertaken if the company has a legally binding netting agreement with its counterparty and intends to make a net redemption or sell the asset and meet the obligation at the same time.

Interest income and expenses on financial derivatives are included in "Net interest income" using the internal rate method. The method is described in more detail in the section on amortised cost. Other changes in value are recorded under "Net gains on financial instruments at fair value".

Loans and deposits from credit institutions

Liabilities to credit institutions are recorded as loans and deposits from credit institutions, regardless of measurement category.

Interest expenses on instruments classified as loans and deposits from credit institutions and deposits from customers are included in "Net interest income" using the internal rate method. Other changes in value are recorded under "Net gains on financial instruments at fair value".

Securities issued and subordinated loan capital

Securities issued and subordinated loan capital includes bond debt and subordinated loan capital, regardless of measurement category.

Interest expenses on instruments classified as securities issued and subordinated loan capital are included in "Net interest income" using the internal rate method.

Risk management

The company's portfolios of fixed-rate loans and borrowings make it necessary to manage and hedge interest rate risk. To reflect this in the accounts the company designates financial assets and liabilities as assets of liabilities at fair value with changes in value recognised in the income statement.

This is done to avoid asymmetry in the accounts as a result of items included in the company's interest rate management being assessed according to different principles. Use of the above principles for items involving interest rate risk will ensure that the overall presentation of such items in DnB NOR Boligkredit's accounts is consistent with the company's interest rate management and actual financial performance.

Fixed assets

Other tangible assets are classified as fixed assets and recorded at cost less accumulated depreciation and write-downs. Cost includes expenses directly related to the acquisition of the asset. Subsequent expenses are capitalised on the relevant assets when it is probable that future economic benefits associated with the expenditure will flow to the company and can be measured reliably. Expenses for repairs and maintenance are recorded in the income statement as they occur.

Impairment assessment

On each reporting date, fixed and intangible assets are reviewed to look for indications of a decrease in value. If there is any indication of impairment, the recoverable amount of the asset is calculated. The recoverable amount represents the higher of an asset's fair value less costs to sell and its value in use. If the asset's recorded value exceeds the estimated recoverable amount, the asset is immediately written down to its recoverable amount.

Taxes

Taxes for the year comprise payable taxes for the financial year, any payable taxes for previous years and changes in deferred taxes. In accordance with IAS 12 - Income Taxes, deferred taxes are calculated on temporary differences. Temporary differences are differences between the recorded value of an asset or liability and the taxable value of the asset or liability. Deferred taxes are calculated on the basis of tax rates and tax rules that are applied on the balance sheet date or are highly likely to be approved and are expected to be applicable when the deferred tax asset is realised or the deferred tax liability settled. The most significant temporary differences refer to pensions, depreciation of fixed assets and properties and revaluations of certain financial assets and liabilities.

Deferred tax assets are recorded in the balance sheet to the extent that it is probable that future taxable income will be available against which they can be utilised. Deferred taxed and deferred tax assets are recorded net in the company's balance sheet.

Payable and deferred taxes are recorded against equity if the taxes refer to items recorded against equity during the same or in previous periods.

Accrual accounting of interest and fees

Interest and commissions are included in the income statement when earned as income or incurred as expenses. Fees that represent direct payment for services rendered are recognised as income upon payment. Fees for the establishment of loan agreements are included in cash flows when calculating amortised cost and recorded under "Net interest income" using the internal rate method.

Recording of interest

Interest income is recorded using the internal rate method. This implies that nominal interest is recorded when incurred, with the addition of amortised front-end fees less direct marginal establishment costs. Interest is recorded according to the internal rate method with respect to both balance sheet items carried at amortised cost and balance sheet items carried at fair value with changes in value recognised in the income statement. Interest taken to income on impaired commitments corresponds to the internal rate of return on the written-down value. Cf. "Measurement at fair value", "Measurement at amortised cost" and "Impairments on financial assets" above.

Cash flow statements

The cash flow statements show cash flows grouped according to source and use. Cash is defined as cash, deposits with banks and deposits with credit institutions with no agreed period of notice.

Equity and capital adequacy

Dividends and group contributions

DnB NOR Boligkreditt AS records distributed dividends and group contributions as liabilities in accordance with the Board of Directors' proposal on the balance sheet date.

Provisions for dividends and group contributions are not included in the capital adequacy calculations.

Capital adequacy

For the time being, the company reports capital adequacy according to Basel I.

Note 2 – Transition to IFRS

Up until 31 December 2006, DnB NOR Boligkreditt AS prepared accounts based on Norwegian accounting legislation, the accounting regulations issued by the Ministry of Finance and Norwegian generally accepted accounting principles, hereinafter referred to as NGAAP. DnB NOR Boligkreditt AS has prepared statutory accounts according to the Norwegian IFRS regulations. See note 1 for further description. The most significant changes in accounting principles resulting from the transition to IFRS are described below. Reconciliation and a description of effects on equity in DnB NOR Boligkreditt upon the transition as well as on profits for the first quarter of 2006 and the full year 2006 are shown in the statement of changes in equity and in the variance analysis for the first quarter of 2006 and the full year 2006 below.

DnB NOR Boligkreditt AS implemented the Norwegian IFRS regulations as of 1 January 2007. The formal opening balance date was 1 January 2006. DnB NOR Boligkreditt AS is part of the DnB NOR Group, which implemented IFRS on 1 January 2005. The opening balance date of the DnB NOR Group was 1 January 2004.

DnB NOR Boligkreditt AS has used the option under IFRS 1 to carry book values for the DnB NOR Group forward on the opening balance date for the company. Thus, no new valuation has been made as at 1 January 2006.

A number of financial instruments are recorded at market value according to IFRS, as opposed to the lower of cost and fair value based on NGAAP. Fixed-rate loans in Norwegian kroner are recorded at fair value according to IFRS, as against amortised cost according to NGAAP.

The transition to IFRS entails changes in the value of a number of balance sheet items. The tax value of assets and liabilities remains unchanged, thus a new calculation has been made of deferred taxes/deferred tax assets.

Provisions for dividends and group contributions are classified as debt on the balance sheet date.

The accounting effect of changes in accounting principles will be charged directly against equity. See the statement of changes in equity for a further specification of the effects of changes in accounting principles.

DnB NOR Boligkreditt implemented regulations from the Norwegian Ministry of Finance on the accounting treatment of loans and guarantees with effect from 1 January 2006. The stated changes in principles implied consistency between NGAAP and IFRS regarding the recording of loans at amortised costs and pensions.

Result for the period – transition from NGAAP to IFRS

The most significant effects of the transition to the Norwegian IFRS regulations on 1 January 2007 are listed below.

- According to IFRS, a number of financial instruments are recorded at market value, as against the lower of cost and fair value based on NGAAP. The portfolios of fixed-rate loans in Norwegian kroner are recorded at fair value, while they were recorded at amortised cost according to NGAAP.

Effects on the income statement

	DnB NOR Boligkreditt AS	
	Full year 2006	1st quarter 2006
<i>Amounts in NOK 1 000</i>		
Profit for the period NGAAP	57 073	14 524
IAS 39 - Extended use of fair value of financial instruments	6 810	813
Profit for the period IFRS	63 883	15 337

Note 3 – Net interest income

	DnB NOR Boligkreditt AS		
	1st quarter 2007	1st quarter 2006	Full year 2006
<i>Amounts in NOK 1 000</i>			
Interest on loans to and deposits with credit institutions	10 295	123	28 905
Interest on loans to customers	399 129	129 858	669 371
Interest on impaired commitments	-	-	-
Front-end fees etc.	-	-	-
Other interest income	3 840	1 323	6 958
Total interest income	413 264	131 304	705 234
Interest on loans and deposits from credit institutions	145 230	101 451	329 449
Interest on securities issued	215 213	-	197 926
Interest on subordinated loan capital	6 354	-	3 850
Other interest expenses	20 285	-	49 240
Total interest expenses	387 082	101 451	580 465
Net interest income	26 182	29 853	124 769

Note 4 – Net gains on financial instruments at fair value

<i>Amounts in NOK 1 000</i>	DnB NOR Boligkreditt AS		
	1st quarter 2007	1st quarter 2006	Full year 2006
Dividends	-	-	-
Net gains on foreign exchange and financial derivatives	181 534	23 100	(104 234)
Net gains on financial derivatives, hedging	-	-	-
Net gains on fixed rate loans	(6 444)	(21 970)	(68 067)
Net gains on financial guarantees	-	-	-
Net gains on commercial paper and bonds	(181 759)	-	181 759
Net gains on shareholdings	-	-	-
Net gains on other financial assets	-	-	-
Net gains on financial liabilities, hedged items	-	-	-
Net gains on financial liabilities, other	-	-	-
Net interest on interest rate positions	-	-	-
Net gains on financial instruments at fair value	(6 669)	1 130	9 458

Note 5 – Operating expenses

<i>Amounts in NOK 1 000</i>	DnB NOR Boligkreditt AS		
	1st quarter 2007	1st quarter 2006	Full year 2006
Ordinary salaries	425	-	115
Employer's national insurance contributions	-	-	-
Pension expenses	-	-	-
Social expenses	3	-	-
Total salaries and other personnel expenses	428	0	115
Fees	18 567	9 711	44 215
EDP expenses	-	-	-
Postage and telecommunications	1	-	-
Office supplies	0	-	-
Marketing and public relations	2	-	800
Travel expenses	2	-	-
Other operating expenses	14	-	459
Other expenses	18 586	9 711	45 474
Depreciation and impairment of fixed and intangible assets	0	0	0
Total operating expenses	19 014	9 711	45 589

Last five quarters

<i>Amounts in NOK 1 000</i>	DnB NOR Boligkreditt AS				
	1st quarter 2007	4th quarter 2006	3rd quarter 2006	2nd quarter 2006	1st quarter 2006
Ordinary salaries	425	115	-	-	-
Employer's national insurance contributions	-	-	-	-	-
Pension expenses	-	-	-	-	-
Social expenses	3	-	-	-	-
Total salaries and other personnel expenses	428	115	0	0	0
Fees	18 567	14 911	11 731	7 862	9 711
EDP expenses	-	-	-	-	-
Postage and telecommunications	1	-	-	-	-
Office supplies	-	-	-	-	-
Marketing and public relations	2	800	-	-	-
Travel expenses	2	-	-	-	-
Other operating expenses	14	411	48	-	-
Other expenses	18 586	16 122	11 779	7 862	9 711
Depreciation and impairment of fixed and intangible assets	0	0	0	0	0
Total operating expenses	19 014	16 237	11 779	7 862	9 711

Note 6 – Number of employees/full-time positions

	DnB NOR Boligkreditt AS		
	1st quarter 2007	1st quarter 2006	Full year 2006
Number of employees at end of period	9	4	4
Number of employees calculated on a full-time basis at end of period	9	2	2

Note 7 – Write-downs on loans and guarantees

	DnB NOR Boligkreditt AS		
	1st quarter 2007	1st quarter 2006	Full year 2006
<i>Amounts in NOK 1 000</i>			
Write-offs	-	-	-
New individual write-downs	-	-	-
Total new individual write-downs	-	-	-
Reassessed individual write-downs	-	-	-
Total individual write-downs	-	-	-
Recoveries on commitments previously written off	-	-	-
Change in group write-downs	-	-	-
Write-downs on loans and guarantees	0	0	0

The loan portfolio has been acquired from DnB NOR Bank ASA. It is the opinion of the Board of Directors that the quality of the loan portfolio is so sound that write-downs on groups of mortgages are not necessary.

According to agreements between DnB NOR Bank ASA and DnB NOR Boligkreditt, the bank will take over any mortgages with an identified risk of being written down. Thus, no individual or group write-downs have been made in the company's accounts.

Note 8 – Lending to customers

	DnB NOR Boligkreditt AS		
	31 March 2007	31 Dec. 2006	31 March 2006
<i>Amounts in NOK 1 000</i>			
Lending to customers, nominal amount	42 194 236	21 334 605	10 567 408
Individual write-downs	-	-	-
Lending to customers, after individual write-downs	42 194 236	21 334 605	10 567 408
+ Accrued interest and amortisation	97 842	48 869	19 742
- Individual write-downs of accrued interest and amortisation	-	-	-
- Group write-downs	-	-	-
Lending to customers, at amortised cost	42 292 078	21 383 474	10 587 150
Lending to customers, nominal amount	1 438 653	1 563 958	2 793 083
+ Accrued interest	3 711	4 487	6 883
+ Adjustment to fair value	(6 841)	(232)	45 864
Lending to customers, classified at fair value	1 435 523	1 568 213	2 845 830
Lending to customers	43 727 601	22 951 687	13 432 980

Note 9 – Securities issued and subordinated loan capital

Securities issued	DnB NOR Boligkreditt AS		
	31 March 2007	31 Dec. 2006	31 March 2006
<i>Amounts in NOK 1 000</i>			
Bond debt, nominal amount	-	24 694 383	-
Adjustments	-	(181 759)	-
Total securities issued	0	24 512 624	0

Subordinated loan capital and perpetual subordinated loan capital securities	DnB NOR Boligkreditt AS					
	Balance sheet 31 March 2007	Issued 2007	Matured/ redeemed 2007	Exchange rate movements 2007	Net change in recorded costs and adjustments 2007	Balance sheet 31 Dec. 2006
<i>Amounts in NOK 1 000</i>						
Term subordinated loan capital, nominal amount	730 000	380 000	-	-	-	350 000
Adjustments	6 922				-	-
Total	736 922	380 000	0	0	0	350 000

Note 10 – Capital adequacy

	DnB NOR Boligkreditt AS			
	31 March 2007	31 Dec. 2006	31 March 2006	31 Dec. 2005
<i>Amounts in NOK 1 000</i>				
Share capital	732 000	685 000	660 000	650 000
Other equity ¹⁾	743 971	315 000	90 000	-
Total equity	1 475 971	1 000 000	750 000	650 000
Deductions				
Deferred tax assets	(797)	(3 119)	-	-
Core capital	1 475 174	996 881	750 000	650 000
Perpetual subordinated loan capital	-	-	-	-
Term subordinated loan capital	730 000	350 000	-	-
Supplementary capital	730 000	350 000	-	-
Deductions	-	-	-	-
Total eligible primary capital	2 205 174	1 346 881	750 000	650 000
Total risk-weighted volume	21 963 173	12 663 969	6 713 175	7 341 288
Core capital ratio (per cent)	6.7	7.9	11.2	8.9
Capital ratio (per cent)	10.0	10.6	11.2	8.9

Figures for previous periods have been prepared in accordance with rules prevailing on the reporting dates.

Note 11 – Capital adequacy – Basel II implementation

New capital adequacy regulations, Basel II, entered into force on 1 January 2007. The report for the first quarter of 2007 has been prepared according to Basel I in compliance with the transitional arrangement described in Section 49-2 of the capital adequacy regulations.

DnB NOR Boligkreditt AS has applied to Kredittilsynet (the Financial Supervisory Authority of Norway) for permission to use the foundation IRB approach for credit risk.

Note 12 – Contingencies

DnB NOR Boligkreditt is party to no legal actions.

Note 13 – Profit and balance sheet trends

Income statement					
	1st quarter	4th quarter	3rd quarter	2nd quarter	1st quarter
<i>Amounts in NOK 1 000</i>	2007	2006	2006	2006	2006
Total interest income	413 264	273 714	175 360	124 856	131 304
Total interest expenses	387 082	244 999	134 581	99 434	101 451
Net interest income	26 182	28 715	40 779	25 422	29 853
Commissions and fees receivable etc.	59	44	29	36	30
Commissions and fees payable etc.	67	51	-	-	-
Net gains on financial instruments at fair value	(6 669)	7 069	551	708	1 130
Other income	-	-	-	-	-
Net other operating income	(6 677)	7 062	580	744	1 160
Total income	19 505	35 777	41 359	26 166	31 013
Salaries and other ordinary personnel expenses	428	115	-	-	-
Other expenses	18 586	16 122	11 779	7 862	9 711
Depreciation and impairment of fixed and intangible assets	-	-	-	-	-
Total operating expenses	19 014	16 237	11 779	7 862	9 711
Net gains on fixed and intangible assets	-	-	-	-	-
Write-downs on loans and guarantees	-	-	-	-	-
Pre-tax operating profit	491	19 540	29 580	18 304	21 302
Taxes	137	5 471	8 282	5 125	5 965
Profit for the period	354	14 069	21 298	13 179	15 337

Balance sheets					
	31 March	31 Dec.	30 Sept.	30 June	31 March
<i>Amounts in NOK 1 000</i>	2007	2006	2006	2006	2006
Assets					
Cash and deposits with central banks	-	-	-	-	-
Lending to and deposits with credit institutions	475 832	4 452 327	34 608	250 000	103 733
Lending to customers	43 727 601	22 951 687	25 909 239	12 186 321	13 432 980
Financial derivatives	8 300	214 567	13 169	3 822	437
Deferred tax assets	797	797	-	-	10
Other assets	3 689	5 658	2 442	776	123
Total assets	44 216 219	27 625 036	25 959 458	12 440 919	13 537 283
Liabilities and equity					
Loans and deposits from credit institutions	41 914 216	500 000	24 391 554	11 303 927	12 636 018
Financial derivatives	-	938 930	27 523	23 100	45 900
Securities issued	-	24 512 624	-	-	-
Payable taxes	3 119	3 119	-	-	-
Deferred taxes	-	-	343	189	-
Other liabilities	85 637	314 393	122 361	75 452	85 219
Subordinated loan capital	736 922	350 000	350 000	-	-
Total liabilities	42 739 894	26 619 066	24 891 781	11 402 668	12 767 137
Share capital	732 000	685 000	685 000	685 000	660 000
Other reserves and retained earnings	744 325	320 970	382 677	353 251	110 146
Total equity	1 476 325	1 005 970	1 067 677	1 038 251	770 146
Total liabilities and equity	44 216 219	27 625 036	25 959 458	12 440 919	13 537 283

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Other sources of information

Annual reports

Annual reports for DnB NOR Boligkreditt AS, the DnB NOR Bank Group and DnB NOR Group are available on www.dnbnor.com.

Quarterly publications

Quarterly reports are available on www.dnbnor.com