

A photograph of a young man and woman standing outdoors in a residential setting. The woman, on the left, has blonde hair and is wearing a white parka over a red turtleneck sweater. The man, on the right, has dark hair and is wearing a black parka over a brown turtleneck sweater. They are both smiling and looking at each other. The background shows a wooden house with a gabled roof and bare tree branches against a clear blue sky. The ground is covered with fallen leaves.

Second quarter report 2007

DnB NOR Boligkreditt AS

Second quarter report 2007

Introduction

As in the first quarter of 2007, the company's second quarter performance reflected intensifying competition and narrowing lending spreads. As a result of strong competition in the home mortgage market, lending spreads contracted further in the April through June 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 17.9 million in the second quarter of 2007, compared with NOK 18.3 million in the year-earlier period. After taxes, profits came to NOK 12.9 million, down from NOK 13.2 million in the second quarter of 2006. Return on equity was 3.5 per cent in the April through June period of 2007, as against 6.7 per cent in the year-earlier period. Earnings per share were NOK 2.35 in the second quarter of 2007, an increase from NOK 1.98 in the second quarter of 2006.

DnB NOR Boligkreditt recorded operating profits of NOK 18.4 million for the first half of 2007, compared with NOK 39.6 million in the year-earlier period. After taxes, profits came to NOK 13.2 million, down from NOK 28.5 million in the first six months of 2006. Net interest income totalled NOK 67.6 million in the first half of 2007, up from NOK 55.3 million in 2006.

The core capital ratio of DnB NOR Boligkreditt was 8.8 per cent at end-June 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 has been granted permission to use the foundation IRB approach for credit risk to calculate capital adequacy. Capital adequacy according to Basel II will be reported as from the second quarter of 2007.

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

Income

Income totalled NOK 42.6 million in the second quarter of 2007, up from NOK 26.2 million in the year-earlier period.

Net interest income

Net interest income came to NOK 41.4 million for the April through June period, an increase of NOK 16 million or 63 per cent from the second quarter of 2006.

Net other operating income

Net other operating income totalled NOK 1.2 million in the second quarter of 2007, which represented 3 per cent of total income.

Operating expenses

The company's operating expenses totalled NOK 24.7 million in the second quarter of 2007, an increase of NOK 16.8 million from the year-earlier period. The management fee to DnB NOR Bank was NOK 21.2 million, up from NOK 7.9 million in the second 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 second quarter of 2007.

Write-downs on commitments

Based on the strong Norwegian economy and sound portfolio quality, the Board of Directors finds that there is no need for write-downs on loans in the second quarter of 2007.

Taxes

DnB NOR Boligkreditt's tax charge for the second quarter of 2007 was NOK 5 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-June 2007, DnB NOR Boligkreditt had a total of NOK 49.9 billion under management, an increase of NOK 37.5 billion from a year earlier.

Net lending to customers rose by NOK 37.6 billion over the 12-month period, mainly 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, currency and margin 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 second quarter of 2007, the company completed a private placing with DnB NOR Bank, which increased equity by NOK 600 million. At end-June 2007, the company's equity totalled NOK 2 089.2 million, of which NOK 2 075.2 million represented core capital. Total primary capital in the company is NOK 2 805.2 million.

The core capital ratio was 8.8 per cent, while the capital adequacy ratio was 11.8 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.

Important events in the second quarter

Amendments in the Financial Institutions Act regarding covered bonds and appurtenant regulations entered into force as of 1 June 2007. This enables mortgage institutions to issue bearer bonds in the form of promissory notes with pre-emptive rights secured by the company's cover pool.

With effect from 6 June 2007, DnB NOR Boligkreditt has a concession from Kredittilsynet to operate as a mortgage institution and will be responsible for issuing covered bonds in the DnB NOR Group. The company 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. DnB NOR Bank ASA will serve as a sales channel for the company's mortgages.

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. All companies have assigned DnB NOR Boligkreditt a rating of AAA (or the equivalent).

During the second quarter of 2007, the company completed a bond programme with a total limit of EUR 15 billion. During this quarter, the company sold covered bonds for a total value of EUR 1.5 billion with settlement date on 3 July 2007.

Prospects for the rest of the year

DnB NOR Boligkreditt will acquire portfolios from DnB NOR Bank and extend loans directly to customers.

DnB NOR Boligkreditt is planning to finance large parts of its lending by issuing covered bonds.

Oslo, 9 August 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						
		2nd quarter 2007	2nd quarter 2006	1st half 2007	1st half 2006	Full year 2006
<i>Amounts in NOK 1 000</i>	<i>Note</i>					
Total interest income	2	515 236	124 856	928 500	256 160	705 234
Total interest expenses	2	473 845	99 434	860 927	200 885	580 465
Net interest income	2	41 391	25 422	67 573	55 275	124 769
Commissions and fees receivable etc.		220	36	279	66	139
Commissions and fees payable etc.		21	-	88	-	51
Net gains/(losses) on financial instruments at fair value	3	1 002	708	(5 667)	1 838	9 458
Other income		-	-	-	-	-
Net other operating income		1 201	744	(5 476)	1 904	9 546
Total income		42 592	26 166	62 097	57 179	134 315
Salaries and other ordinary personnel expenses	4	1 462	-	1 890	-	115
Other expenses	4	23 225	7 862	41 811	17 573	45 474
Depreciation and impairment of fixed and intangible assets		-	-	-	-	-
Total operating expenses		24 687	7 862	43 701	17 573	45 589
Net gains on fixed and intangible assets		-	-	-	-	-
Write-downs on loans and guarantees	6	-	-	-	-	-
Pre-tax operating profit		17 905	18 304	18 396	39 606	88 726
Taxes		5 013	5 125	5 151	11 090	24 843
Profit for the period		12 892	13 179	13 245	28 516	63 883
Earnings per share (NOK)		2.35	1.98	2.40	4.33	9.50
Diluted earnings per share (NOK)		2.35	1.98	2.40	4.33	9.50

Balance sheets

DnB NOR Boligkreditt AS				
		30 June 2007	31 Dec. 2006	30 June 2006
<i>Amounts in NOK 1 000</i>	<i>Note</i>			
Assets				
Cash and deposits with central banks		-	-	-
Lending to and deposits with credit institutions		86 767	4 452 327	250 000
Lending to customers	7	49 807 904	22 951 687	12 186 321
Financial derivatives		34 600	214 567	3 822
Deferred tax assets		797	797	-
Other assets		-	5 658	776
Total assets		49 930 068	27 625 036	12 440 919
Liabilities and equity				
Loans and deposits from credit institutions		47 077 096	500 000	11 303 927
Financial derivatives		-	938 930	23 100
Securities issued	8	-	24 512 624	-
Payable taxes		3 119	3 119	-
Deferred taxes		-	-	189
Other liabilities		29 473	314 393	75 452
Subordinated loan capital	8	731 164	350 000	-
Total liabilities		47 840 852	26 619 066	11 402 668
Share capital		792 000	685 000	685 000
Other reserves and retained earnings		1 297 216	320 970	353 251
Total equity		2 089 216	1 005 970	1 038 251
Total liabilities and equity		49 930 068	27 625 036	12 440 919

Statement of changes in equity

DnB NOR Boligkreditt AS

<i>Amounts in NOK 1 000</i>	Share capital	Share premium reserve	Other equity	Total other reserves and retained earnings	Total equity
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)	
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			28 516	28 516	
Net income for the period			28 516	28 516	28 516
Balance sheet as at 30 June 2006 (pro forma)	650 000	-	27 676	27 676	677 676
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	
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			13 245	13 245	
Net income for the period			13 245	13 245	13 245
Share issue 5 February 2007	47 000	423 000	-	423 000	470 000
Share issue 14 May 2007	60 000	540 000	-	540 000	600 000
Balance sheet as at 30 June 2007	792 000	1 278 000	19 216	1 297 216	2 089 216

Cash flow statement

<i>Amounts in NOK 1 000</i>	DnB NOR Boligkreditt AS		
	1st half 2007	1st half 2006	Full year 2006
OPERATIONS			
Net payments on loans to customers	(9 394 429)	(2 684 632)	(7 455 866)
Interest received from customers	783 666	391 986	431 679
Net payments on sales of financial assets for investment or trading	-	-	-
Net receipts on commissions and fees	191	66	139
Payments to operations	20 655	17 573	39 591
Taxes paid	-	-	-
Other receipts	-	-	-
Net cash flow relating to operations	10 157 631	3 059 111	7 848 093
INVESTMENT ACTIVITY			
Net payments on the acquisition of fixed assets	-	-	-
Net purchase of loan portfolio	36 207 285	170 355	15 701 467
Net cash flow relating to investment activity	(36 207 285)	(170 355)	(15 701 467)
FUNDING ACTIVITY			
Net receipts/payments on loans from credit institutions	46 680 780	(2 547 947)	(13 498 141)
Net receipts/payments on other short-term liabilities	(119 417)	(59 083)	(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	1 070 000	100 000	350 000
Dividend payments	-	-	-
Net interest payments on funding activity	1 639 940	135 459	151 337
Net cash flow from funding activity	21 677 016	(2 642 489)	12 301 968
Net cash flow	(4 372 638)	246 267	4 448 594
Cash as at 1 January	4 452 327	3 733	3 733
Net receipts/payments on cash	(4 372 638)	246 267	4 448 594
Cash at end of period	79 689	250 000	4 452 327

Key figures

	DnB NOR Boligkreditt AS				
	2nd quarter 2007	2nd quarter 2006 ¹⁾	1st half 2007	1st half 2006 ¹⁾	Full year 2006 ¹⁾
Rate of return/profitability					
1. Return on equity, annualised (%)	3.5	6.7	2.0	7.8	7.4
Financial strength					
2. Core (Tier 1) capital ratio at end of period (%)	8.8	16.2	8.8	16.2	7.9
3. Capital adequacy ratio at end of period (%)	11.8	16.2	11.8	16.2	10.6
4. Core capital at end of period (NOK million)	2 075 174	995 254	2 075 174	995 254	996 881
5. Risk-weighted volume at end of period (NOK million)	23 689 113	6 130 805	23 689 113	6 130 805	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	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

Accounting principles

The second quarter accounts have been prepared according to the IFRS principles, including IAS 34 – Interim Financial Reporting. A description of the accounting principles the applied by the company in preparing the accounts is found in the first quarter report 2007.

Comparable figures

Comparable figures are based on IFRS.

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	2nd quarter
	2006	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	510
Profit for the period IFRS	63 883	15 034

Note 2 – Net interest income

	DnB NOR Boligkreditt AS				
	2nd quarter	2nd quarter	1st half	1st half	Full year
	2007	2006	2007	2006	2006
<i>Amounts in NOK 1 000</i>					
Interest on loans to and deposits with credit institutions	4 192	653	14 487	776	28 905
Interest on loans to customers	507 172	122 810	906 301	252 668	669 371
Interest on impaired commitments	-	-	-	-	-
Front-end fees etc.	120	-	120	-	-
Other interest income	3 752	1 393	7 592	2 716	6 958
Total interest income	515 236	124 856	928 500	256 160	705 234
Interest on loans and deposits from credit institutions	468 823	74 212	614 053	175 663	329 449
Interest on securities issued	0	0	215 213	-	197 926
Interest on subordinated loan capital	8 783	0	15 137	-	3 850
Other interest expenses	(3 761)	25 222	16 524	25 222	49 240
Total interest expenses	473 845	99 434	860 927	200 885	580 465
Net interest income	41 391	25 422	67 573	55 275	124 769

Note 3 – Net gains on financial instruments at fair value

	DnB NOR Boligkreditt AS				
	2nd quarter	2nd quarter	1st half	1st half	Full year
	2007	2006	2007	2006	2006
<i>Amounts in NOK 1 000</i>					
Dividends	-	-	-	-	-
Net gains on foreign exchange and financial derivatives	26 292	22 800	207 826	45 900	(104 234)
Net gains on financial derivatives, hedging	-	-	-	-	-
Net gains on fixed rate loans	(25 290)	(22 092)	(31 734)	(44 062)	(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	1 002	708	(5 667)	1 838	9 458

Note 4 – Operating expenses

<i>Amounts in NOK 1 000</i>	DnB NOR Boligkreditt AS				
	2nd quarter 2007	2nd quarter 2006	1st half 2007	1st half 2006	Full year 2006
Ordinary salaries	1 162	-	1 587	-	115
Employer's national insurance contributions	203	-	203	-	-
Pension expenses	94	-	94	-	-
Social expenses	3	-	6	-	-
Total salaries and other personnel expenses	1 462	0	1 890	0	115
Fees	21 216	7 862	39 783	17 573	44 215
EDP expenses	823	-	823	-	-
Postage and telecommunications	-	-	1	-	-
Office supplies	2	-	2	-	-
Marketing and public relations	-	-	2	-	800
Travel expenses	21	-	23	-	-
Other operating expenses	1 163	-	1 177	-	459
Other expenses	23 225	7 862	41 811	17 573	45 474
Depreciation and impairment of fixed and intangible assets	0	0	0	0	0
Total operating expenses	24 687	7 862	43 701	17 573	45 589

Last five quarters

<i>Amounts in NOK 1 000</i>	DnB NOR Boligkreditt AS				
	2nd quarter 2007	1st quarter 2007	4th quarter 2006	3rd quarter 2006	2nd quarter 2006
Ordinary salaries	1 162	425	115	-	-
Employer's national insurance contributions	203	-	-	-	-
Pension expenses	94	-	-	-	-
Social expenses	3	3	-	-	-
Total salaries and other personnel expenses	1 462	428	115	0	0
Fees	21 216	18 567	14 911	11 731	7 862
EDP expenses	823	-	-	-	-
Postage and telecommunications	-	1	-	-	-
Office supplies	2	-	-	-	-
Marketing and public relations	-	2	800	-	-
Travel expenses	21	2	-	-	-
Other operating expenses	1 163	14	411	48	-
Other expenses	23 225	18 586	16 122	11 779	7 862
Depreciation and impairment of fixed and intangible assets	0	0	0	0	0
Total operating expenses	24 687	19 014	16 237	11 779	7 862

Note 5 – Number of employees/full-time positions

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

Note 6 – Write-downs on loans and guarantees

<i>Amounts in NOK 1 000</i>	DnB NOR Boligkreditt AS				
	2nd quarter 2007	2nd quarter 2006	1st half 2007	1st half 2006	Full year 2006
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	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.

Note 7 – Lending to customers

<i>Amounts in NOK 1 000</i>	DnB NOR Boligkreditt AS		
	30 June 2007	31 Dec. 2006	30 June 2006
Lending to customers, nominal amount	47 834 617	21 334 605	10 183 799
Individual write-downs	-	-	-
Lending to customers, after individual write-downs	47 834 617	21 334 605	10 183 799
+ Accrued interest and amortisation	123 703	48 869	19 010
- Individual write-downs of accrued interest and amortisation	-	-	-
- Group write-downs	-	-	-
Lending to customers, at amortised cost	47 958 320	21 383 474	10 202 809
Lending to customers, nominal amount	1 876 802	1 563 958	1 954 859
+ Accrued interest	4 914	4 487	4 880
+ Adjustment to fair value	(32 132)	(232)	23 773
Lending to customers, classified at fair value	1 849 584	1 568 213	1 983 512
Lending to customers	49 807 904	22 951 687	12 186 321

Note 8 – Securities issued and subordinated loan capital

<i>Amounts in NOK 1 000</i>	DnB NOR Boligkreditt AS		
	30 June 2007	31 Dec. 2006	30 June 2006
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

<i>Amounts in NOK 1 000</i>	DnB NOR Boligkreditt AS					
	Balance sheet 30 June 2007	Issued 2007	Matured/ redeemed 2007	Exchange rate movements 2007	Net change in recorded costs and adjustments 2007	Balance sheet 31 Dec. 2006
Term subordinated loan capital, nominal amount	730 000	380 000	-	-	-	350 000
Adjustments	1 164	-	-	-	-	-
Total	731 164	380 000	0	0	0	350 000

Note 9 – Capital adequacy

Primary capital	DnB NOR Boligkreditt AS	
	30 June 2007	31 Dec. 2006
<i>Amounts in NOK 1 000</i>		
Share capital	792 000	685 000
Other equity ¹⁾	1 283 971	315 000
Total equity	2 075 971	1 000 000
Deductions		
Deferred tax assets	(797)	(3 119)
Core capital	2 075 174	996 881
Perpetual subordinated loan capital	-	-
Term subordinated loan capital	730 000	350 000
Supplementary capital	730 000	350 000
Deductions	-	-
Total eligible primary capital	2 805 174	1 346 881

Minimum primary capital

	30. juni 2007
<i>Amounts in NOK 1 000</i>	
Credit risk, IRB ²⁾	281 327
Of which:	
Retail commitments secured by residential property	281 327
Claims calculated according to Basel I, transitional rules ³⁾	24 249
Total capital requirement, credit risk	305 576
Counterparty risk	-
Position risk	-
Settlement risk	-
Foreign exchange risk	-
Total capital requirement, market risk	0
Operational risk	32 643
Deductions	-
Total capital requirements	338 219
Addition due to transitional rules (max 5 per cent reduction in relation to Basel I) ⁴⁾	1 589 553
Total capital requirements	1 927 772

Capital adequacy

	Reported 30 June 2007 ⁴⁾	Basel II 30 June 2007	Basel I 30 June 2007	31 Dec. 2006 ⁵⁾
Risk-weighted volume (NOK 1 000)	23 689 113	4 259 697	24 935 911	12 663 969
Core capital ratio (%)	8.8	48.7	8.3	7.9
Capital ratio (%)	11.8	65.9	11.3	10.6

1) Profit for the period is not included in core capital.

2) In 2007 credit risk for loans to retail customers secured by residential property is reported according to the foundation IRB approach, Internal Ratings Based.

3) The minimum capital requirements for all portfolios not mentioned in footnote 2 is 8 per cent of risk-weighted volume calculated according to Basel I rules.

4) Due to transitional rules, minimum capital requirement for 2007, 2008 and 2009 can maximum be reduced to 95, 90 and 80 per cent respectively in relation to the requirements according to Basel I rules.

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

Note 10 – Capital adequacy – Basel II implementation

Monitoring and managing risk is an integral part of financial operations. In DnB NOR, sound risk management is a strategic tool to enhance value generation. See note 18 in the DnB NOR Group's first quarter report for 2007 for a comprehensive description of Basel II.

Basel II

New capital requirements, Basel II, entered into force on 1 January 2007 and is divided into three parts, so-called pillars. Pillar 1 is about minimum capital adequacy requirements and is based on the previous capital adequacy regulations, Basel I. Pillar 2 is about institutions' assessment of their overall capital requirement and supervisory review, while Pillar 3 is about the disclosure of financial information. The regulations entail that there will be greater consistency between the authorities' capital adequacy regulations for financial institutions and the methodologies used by the financial institutions themselves in calculating capital requirements. The minimum capital requirement is still 8 per cent, with minimum 50 per cent representing core capital. The new regulations will result in changes in the risk-weighted volume included in the calculation of the capital adequacy requirement. A new methodology has been introduced for calculating credit risk, while operational risk calculations have been added as a new element. The shift from Basel I to Basel II has a more limited impact on the treatment of market risk.

Pillar 1 Approach used in capital adequacy calculations

Pillar 1 includes capital requirements for credit, market and operational risk. The DnB NOR Group has been granted permission to use the foundation IRB, Internal Ratings Based, approach for credit risk to calculate the Group's capital adequacy as from 30 June 2007.

Use of the foundation IRB approach implies that the company's own classification systems are used for capital adequacy purposes. The IRB system is defined as the models, work processes, decision-making processes, control mechanisms, IT systems and internal guidelines and routines used to classify and quantify credit risk. During 2006, DnB NOR implemented important parts of the IRB system, mainly through the development of routines, procedures and IT systems. The company has been granted permission to use the foundation IRB approach for the portfolio of home mortgages for the 2007 accounting year.

Note 11 – Contingencies

DnB NOR Boligkreditt is party to no legal actions.

Note 12 – Profit and balance sheet trends

Income statement		DnB NOR Boligkreditt AS			
	2nd quarter	1st quarter	4th quarter	3rd quarter	2nd quarter
<i>Amounts in NOK 1 000</i>	2007	2007	2006	2006	2006
Total interest income	515 236	413 264	273 714	175 360	124 856
Total interest expenses	473 845	387 082	244 999	134 581	99 434
Net interest income	41 391	26 182	28 715	40 779	25 422
Commissions and fees receivable etc.	220	59	44	29	36
Commissions and fees payable etc.	21	67	51	-	-
Net gains on financial instruments at fair value	1 002	(6 669)	7 069	551	708
Other income	-	-	-	-	-
Net other operating income	1 201	(6 677)	7 062	580	744
Total income	42 592	19 505	35 777	41 359	26 166
Salaries and other ordinary personnel expenses	1 462	428	115	-	-
Other expenses	23 225	18 586	16 122	11 779	7 862
Depreciation and impairment of fixed and intangible assets	-	-	-	-	-
Total operating expenses	24 687	19 014	16 237	11 779	7 862
Net gains on fixed and intangible assets	-	-	-	-	-
Write-downs on loans and guarantees	-	-	-	-	-
Pre-tax operating profit	17 905	491	19 540	29 580	18 304
Taxes	5 013	137	5 471	8 282	5 125
Profit for the period	12 892	354	14 069	21 298	13 179
Earnings per share (NOK)	2.35	0.05	2.05	3.11	1.98
Diluted earnings per share (NOK)	2.35	0.05	2.05	3.11	1.98

Balance sheets		DnB NOR Boligkreditt AS			
	30 June	31 March	31 Dec.	30 Sept.	30 June
<i>Amounts in NOK 1 000</i>	2007	2007	2006	2006	2006
Assets					
Cash and deposits with central banks	-	-	-	-	-
Lending to and deposits with credit institutions	86 767	475 832	4 452 327	34 608	250 000
Lending to customers	49 807 904	43 727 601	22 951 687	25 909 239	12 186 321
Financial derivatives	34 600	8 300	214 567	13 169	3 822
Deferred tax assets	797	797	797	-	-
Other assets	-	3 689	5 658	2 442	776
Total assets	49 930 068	44 216 219	27 625 036	25 959 458	12 440 919
Liabilities and equity					
Loans and deposits from credit institutions	47 077 096	41 914 216	500 000	24 391 554	11 303 927
Financial derivatives	-	-	938 930	27 523	23 100
Securities issued	-	-	24 512 624	-	-
Payable taxes	3 119	3 119	3 119	-	-
Deferred taxes	-	-	-	343	189
Other liabilities	29 473	85 637	314 393	122 361	75 452
Subordinated loan capital	731 164	736 922	350 000	350 000	-
Total liabilities	47 840 852	42 739 894	26 619 066	24 891 781	11 402 668
Share capital	792 000	732 000	685 000	685 000	685 000
Other reserves and retained earnings	1 297 216	744 325	320 970	382 677	353 251
Total equity	2 089 216	1 476 325	1 005 970	1 067 677	1 038 251
Total liabilities and equity	49 930 068	44 216 219	27 625 036	25 959 458	12 440 919

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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

www.dnbnor.com