[Front page]

DnB NOR Boligkreditt AS

Annual report 2007

Contents

Notes to the accounts

Director’s report 2007

Operations in 2007

DnB NOR Boligkreditt AS is DnB NOR's vehicle for the issue of covered bonds. The company operates in the Norwegian home mortgage market. Parts of DnB NOR's home mortgages have been transferred to DnB NOR Boligkreditt. The mortgages are managed by DnB NOR Bank ASA.

During 2007, DnB NOR Boligkreditt acquired mortgages with a total balance of NOK 75.5 billion from DnB NOR Bank. The company granted new loans with a total balance of NOK 15.3 billion through DnB NOR's distribution channels in 2007. DnB NOR Boligkreditt offers mortgages secured within 75 per cent of appraised value. DnB NOR Boligkreditt plans to acquire additional mortgages from DnB NOR Bank during 2008.

The rating agencies' assessments of DnB NOR Boligkreditt and the DnB NOR Group are of significance to the Group's funding terms, and the company has engaged Standard & Poor’s, Fitch Ratings and Moody’s.

During 2007, DnB NOR Boligkreditt established a bond programme with a total limit of EUR 15 billion. The company has launched a total of six covered bond issues under the programme at favourable funding terms. An overview of outstanding bonds is presented in note 18 – Securities issued. The bonds are listed in Luxembourg.

The company is a wholly-owned subsidiary of DnB NOR Bank and is reported along with the Retail Banking business area in DnB NOR's consolidated accounts.

Strategy

DnB NOR Boligkreditt will provide home mortgages on competitive terms to retail customers. The issue of covered bonds secured by the company's cover pool will ensure competitive funding for the banking group. The bonds are offered in the Norwegian as well as in international financial markets.

The strategy includes both acquiring and extending mortgages that are secured within 75 per cent of appraised value. The loan portfolio and the company’s activities will at all times be in accordance with the Norwegian Financial Institutions Act, chapter 2 IV, "Covered bonds".

The target group for covered bonds is national and international financial institutions and other investors. All bond issues have been assigned a rating of AAA (or the equivalent). It is the company's ambition that all future bond series will obtain corresponding ratings.

Review of the annual accounts

The company recorded profits of NOK 66.8 million in 2007, up from NOK 63.9 million in 2006, corresponding to a return on equity of 3.7 per cent and 7.4 per cent respectively. The low return on equity was due to the fact that short-term money markets were the main source of funding for the company. 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. Net interest income was NOK 213.4 million in 2006 and NOK 124.8 million in 2006.

Operating expenses totalled NOK 140.1 million in 2007 and NOK 45.6 million in 2006. The company has entered into a management agreement with DnB NOR Bank regulating the administration of mortgages and operation of the company. According to this agreement, DnB NOR Boligkreditt is required to pay a monthly management fee to DnB NOR Bank, based on the book value of the portfolio.

Based on the strong Norwegian economy and sound portfolio quality, the Board of Directors finds that there is no need for individual write-downs on loans in 2007. Based on the high lending volume at year-end 2007, the company made group write-downs of NOK 14 million. The write-downs are based on the DnB NOR Group's calculation model for group write-downs.

DnB NOR Boligkreditt had a total tax charge of NOK 26.0 million in 2007. This represents 28 per cent of pre-tax operating profits.

Total assets in the balance sheet were NOK 93.9 billion at year-end 2007 and NOK 27.6 billion at year-end 2006.

The mortgage portfolio is financed through the issue of covered bonds and borrowings from DnB NOR Bank at market terms.

The capital adequacy ratio stood at 9.1 per cent at year-end 2007 and 10.6 per cent at year-end 2006.

In accordance with the provisions of the Norwegian Accounting Act, the Board of Directors confirms that the accounts have been prepared on a going concern basis.

Risk

The company is exposed to interest rate risk, credit risk and liquidity risk. The company has established limits for risk exposure together with guidelines to handle the different types of risk.

Currency risk is sought eliminated through the use of financial derivatives. Interest rate and liquidity risk is managed in accordance with stipulations regarding covered bonds in the Financial Institutions Act. Short-term debt to DnB NOR Bank represents a major part of the company's funding. The company's overall financial risk is assessed to be low.

Operational risk is also 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 home mortgages within 75 per cent of appraised value, and credit risk is therefore assessed to be very low.

In the opinion of the Board of Directors, the quality of the loan portfolio is sound. The company made group write-downs of NOK 14 million in 2007. The credit risk profile was stable through the accounting year.

It is the opinion of the Board of Directors that the company's total risk exposure is low.

Employees and working environment

On 1 September 2007, Øyvind Birkeland was appointed new chief executive officer.

The company has nine employees, six men and three women. DnB NOR Boligkreditt is committed to gender equality. The total number of sickness absence days in 2007 was 41. The working environment in the company is good, and it is the opinion of the Board of Directors that the company's activities do not pollute the external environment.

The Board of Directors has four members, including one woman.

Future prospects

DnB NOR Boligkreditt is the DnB NOR Group's source of long-term funding through its covered bond issues. The company is considering the possibility of issuing bonds backed by collateral in the form housing cooperatives' joint debt. Further acquisitions of loan portfolios from DnB NOR Bank will be made throughout 2008. DnB NOR's distribution network in Norway mediates loans on behalf of DnB NOR Boligkreditt. It is expected that direct sales will reduce the need for acquiring loan portfolios from DnB NOR Bank. The company's established low risk profile will be maintained.

DnB NOR Boligkreditt has ambitions to be a leading, profitable and strong participant within its market segment. Operations are expected to be profitable for the owner in a market characterised by increasing competition for mortgages and at the same time ensure competitive borrowing terms for customers.

DnB NOR Boligkreditt intends to finance large parts of its lending by issuing covered bonds. Current market conditions are considered to be very favourable for the company, which aims to expand the investor base for its covered bonds.

Dividends and the allocation of profits

The profit for 2007 was NOK 66.8 million. The Board of Directors suggests giving a group contribution of NOK 66.8 million to DnB NOR Bank ASA for 2006.

Oslo, 12 March 2008
The Board of Directors of DnB NOR Boligkreditt AS

Åsmund Skår
(chairman)

Eldbjørg Sture

Reidar Bolme

Steinar Ouren

Øyvind Birkeland
(chief executive officer)

The annual report 2007 has been approved by the Board of Directors in the original Norwegian version. This is an English translation.

Income statement

DnB NOR Boligkreditt AS

Amounts in NOK 1 000	Note	2007	2006
Total interest income	4	2 658 891	705 234
Total interest expenses	4	2 445 484	580 465
Net interest income	4	**213 407**	**124 769**
Commissions and fees receivable etc.		6 791	139
Commissions and fees payable etc.		125	51
Net gains/(losses) on financial instruments at fair value	5	26 752	9 458
Other income		-	-
Net other operating income		**33 418**	**9 546**
Total income		**246 825**	**134 315**
Salaries and other ordinary personnel expenses	6	7 699	115
Other expenses	6	132 370	45 474
Total operating expenses		**140 069**	**45 589**
Write-downs on loans and guarantees	9	14 000	-
Pre-tax operating profit		**92 756**	**88 726**
Taxes	10	25 984	24 843
Profit for the year		**66 772**	**63 883**
Earnings per share (NOK)		8.66	9.50
Diluted earnings per share (NOK)		8.66	9.50

Balance sheets

		DnB NOR Boligkreditt AS	
		31 Dec.	31 Dec.
Amounts in NOK 1 000	Note	2007	2006
Assets			
Lending to and deposits with credit institutions		2 243 726	4 452 327
Lending to customers	14,15	90 005 395	22 951 687
Financial derivatives	12,16	1 583 060	214 567
Deferred tax assets		-	797
Other assets		20 509	5 658
Total assets	11	**93 852 690**	**27 625 036**
Liabilities and equity			
Loans and deposits from credit institutions		55 100 835	500 000
Financial derivatives	16	1 002 748	938 930
Securities issued	18	33 305 705	24 512 624
Payable taxes		-	3 119
Deferred taxes	10	54 889	-
Other liabilities	7	180 272	313 825
Subordinated loan capital	19	1 032 270	350 568
Total liabilities	17	**90 676 719**	**26 619 066**
Share capital		902 000	685 000
Other reserves and retained earnings		2 273 971	320 970
Total equity		**3 175 971**	**1 005 970**
Total liabilities and equity		**93 852 690**	**27 625 036**

Statement of changes in equity

DnB NOR Boligkreditt AS

Amounts in NOK 1 000	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			63 883	63 883	
Group contribution			(57 072)	(57 072)	
Net income for the period			6 811	6 811	6 811
Share issue 13 March 2007	10 000	90 000			100 000
Share issue 7 June 2007	25 000	225 000			250 000
Balance sheet as at 31 December 2006 (pro forma)	**685 000**	**315 000**	**5 971**	**320 971**	**1 005 971**
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	-	-	66 772	66 772	66 772
Group contribution			(66 772)	(66 772)	(66 772)
Net income for the period			-	-	-
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
Share issue 13 December 2007 [1)]	110 000	990 000	-	990 000	1 100 000
Balance sheet as at 31 December 2007	**902 000**	**2 268 000**	**5 971**	**2 273 971**	**3 175 971**

1) The share issue on 13 December 2007 was registered with the Brønnøysund Register Centre on 16 February 2008.

Cash flow statement

Amounts in NOK 1 000	**DnB NOR Boligkreditt AS** Full year 2007	Full year 2006
OPERATIONS		
Net payments on loans to customers	(8 718 914)	(7 455 866)
Interest received from customers	2 390 389	431 679
Net payments on sales of financial assets for investment or trading	-	-
Net receipts on commissions and fees	6 791	139
Payments to operations	223 885	39 591
Taxes paid	3 119	-
Other receipts	-	-
Net cash flow relating to operations	**10 889 090**	**7 848 093**
INVESTMENT ACTIVITY		
Net payments on the acquisition of fixed assets	-	-
Net purchase of loan portfolio	75 482 545	15 701 467
Net cash flow relating to investment activity	**(75 482 545)**	**(15 701 467)**
FUNDING ACTIVITY		
Net receipts/payments on loans from credit institutions	54 600 835	(13 498 141)
Net receipts/payments on other short-term liabilities	29 912	(8 554)
Net issue of bonds and commercial paper	8 120 976	25 260 000
Issue of subordinated loan capital	680 000	350 000
Redemptions of subordinated loan capital	-	-
Repurchase of own shares/share issue	2 170 000	350 000
Dividend payments	-	-
Net interest payments on funding activity	3 216 869	151 337
Net cash flow from funding activity	**62 384 854**	**12 301 968**
Net cash flow	**(2 208 601)**	**4 448 594**
Cash as at 1 January	4 452 327	3 733
Net receipts/payments on cash	(2 208 601)	4 448 594
Cash at end of period	2 243 726	4 452 327

The cash flow statement shows receipts and payments of cash and cash equivalents during the year. The statement has been prepared in accordance with the direct method and has been adjusted for items that do not generate cash flows, such as accruals, depreciation and write-downs on loans and guarantees. Cash flows are classified as operating activities, investment activities or funding activities. Balance sheet items are adjusted for the effects of exchange rate movements. Cash is defined as cash and deposits with central banks, and deposits with credit institutions with no agreed period of notice.

Key figures

		DnB NOR Boligkreditt AS	
		Full year 2007	Full year 2006 1)
	Rate of return / profitability		
1.	Return on equity, annualised (%)	3.7	7.4
	Financial strength		
2.	Core (Tier 1) capital ratio at end of period (%) 2)	6.9	7.9
3.	Capital adequacy ratio at end of period (%) 2)	9.1	10.6
4.	Core capital at end of period (NOK million)	3 175 971	996 881
5.	Risk-weighted volume at end of period (NOK million)	46 069 822	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

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

Note 1 Accounting principles etc

Basis for preparing the accounts

DnB NOR Boligkreditt AS has prepared accounts for 2007 in accordance with Norwegian regulations on the use of IFRS. 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.

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 Norwegian IFRS regulations 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 designated at fair value with changes in value recognised in the income statement
- Financial derivatives classified as hedging instruments
- 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 designated at fair value through profit and loss

The company's portfolios of fixed-rate loans, bonds issued in Norwegian kroner and derivatives are managed together and valued at fair value.

Financial derivatives designated as hedging instruments

The company uses derivative instruments as part of its risk exposure management to manage exposures to interest rate. Derivatives used in hedge accounting are recorded as financial derivatives in the balance sheet.

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.

Hedge accounting and 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.

Fixed-rate instruments issued in foreign currency are subject to fair value interest rate hedging on an individual basis. In such cases, there is a clear, direct and documented correlation between changes in the value of the currency loan (hedged item) and changes in the value of the financial derivative (hedging instrument).

Upon entering into the hedge relationship, the correlation between the hedged item and the hedging instrument is documented. In addition, the goal and strategy underlying the hedging transaction are documented. Correlations are verified in the form of a test of hedge effectiveness at the beginning and end of the relevant period. Hedging instruments are recorded at fair value and included under "Net gains on financial instruments at fair value" in the income statement. In cases where adequate effectiveness between the hedged item and the hedging instrument is documented, the change in fair value attributable to interest rate risk will be recorded as an addition to or deduction from financial liabilities. The change in value will be included under "Net gains on financial instruments at fair value" in the income statement. Financial derivatives used as hedging instruments are presented as other financial derivatives in the balance sheet.
If the hedge relationship ceases or adequate hedge effectiveness cannot be verified, the change in value of the hedged item during the period is amortised over the remaining maturity.

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 Boligkreditt's accounts is consistent with the company's interest rate management and actual financial performance.

Pensions

The basis for calculating pension expenses is a linear distribution of pension entitlements measured against estimated accumulated commitments at the time of retirement. Expenses are calculated on the basis of pension entitlements earned during the year with the deduction of the return on funds assigned to pensions.

Pension commitments which are administered through life insurance companies or pension funds, are matched against funds within the scheme. When total pension funds exceed estimated pension commitments on the balance sheet date, the net value is classified as an asset in the balance sheet if it has been rendered probable that the overfunding can be utilised to cover future commitments. When pension commitments exceed pension funds, the net commitments are classified under liabilities in the balance sheet. Each scheme is considered separately.
Pension commitments which are not administered through life insurance companies or pension funds, are recorded as liabilities in the balance sheet.
Pension commitments represent the present value of estimated future pension payments, which in the accounts are classified as accumulated on the balance sheet date. The calculation of pension commitments is based on actuarial and economic assumptions about life expectancy, rise in salaries, early retirement etc. The discount rate used is determined by reference to market yields as at 31 December 2006 on long term (10-year) government bonds, plus an addition that takes into account the relevant duration of the pension liabilities.
Deviations in estimates are recorded in the income statement over the average remaining service period when the difference exceeds the greatest of 10 per cent of pension funds and 10 per cent of pension commitments.
The financial effects of changes in pension schemes are recorded as income or charged to expense on the date of the change, unless the rights under the new pension scheme are conditional on the employee remaining in service for a specified period.
Pension expenses are based on assumptions determined at the start of the period. Expenses in connection with the accumulation of pension rights are classified as personnel expenses in the income statement. Employer's contributions are included in pension expenses and pension commitments.

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, financial derivatives 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

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.

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 2006 are shown in the statement of changes in equity and in the variance analysis for 2006 below.

DnB NOR Boligkreditt AS implemented the Norwegian IFRS regulations as of 1 January 2007. The IFRS regulations require that comparable figures be prepared for one accounting year, and an opening balance according to IFRS has been prepared as at 1 January 2006. DnB NOR Boligkreditt AS are 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 have 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 was 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.

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 and the differences between equity according to NGAAP and according to IFRS on 1 January 2006 and on 31 December 2006, respectively.

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
Amounts in NOK 1 000	2006
Profit for the period NGAAP	**57 072**
IAS 39 - Extended use of fair value of financial instruments	6 811
Profit for the period IFRS	**63 883**

Note 3 Important accounting estimates and discretionary assessments

Estimates and discretionary assessments are subject to continual evaluation and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the present circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will rarely be fully consistent with the final outcome. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

Pension commitments

The net present value of pension commitments depends on current economic and actuarial assumptions. Any change made to these assumptions affects the pension commitments amount recorded in the balance sheet and the pension expense.

The discount rate used is determined by reference to market yields at the balance sheet date on long term (10-year) government bonds, plus an addition that takes into account the relevant duration of the pension liabilities. The type of pension fund investments and historical returns determine the expected return on pension funds. In the past, the average return on pension funds has been higher than the risk-free rate of interest as part of the pension funds have normally been placed in securities with slightly higher risk than government bonds. Over the last 12 years, Norwegian life insurance companies have recorded an average excess return of 1.1 percentage points. The expected return has thus been estimated on the basis of the discount rate plus an addition reflecting past excess returns.

Other fundamental assumptions for pension commitments include annual rise in salaries, annual rise in pensions, anticipated increase in the National Insurance basic amount (G) and anticipated CPA acceptance (early retirement pension). See note 7 Pensions and note 1 Accounting principles

Pension funds and pension commitments recorded in the balance sheet at year-end are based on actuarial assumptions. The company has not received a final settlement relating to the transfer of employees from other companies in the DnB NOR Group. The transfer will have no material impact on accounting figures.

Note 4 Net interest income

	DnB NOR Boligkreditt AS	
	Full year	Full year
Amounts in NOK 1 000	2007	2006
Interest on loans to and deposits with credit institutions	47 523	28 905
Interest on loans to customers	2 588 986	669 371
Interest on impaired commitments	-	-
Front-end fees etc.	7	-
Other interest income	22 375	6 958
Total interest income	**2 658 891**	**705 234**
Interest on loans and deposits from credit institutions	1 661 952	329 449
Interest on securities issued	735 806	197 926
Interest on subordinated loan capital	36 262	3 850
Other interest expenses	11 464	49 240
Total interest expenses	**2 445 484**	**580 465**
Net interest income	**213 407**	**124 769**

Note 5 Net gains on financial instruments at fair value

	DnB NOR Boligkreditt AS	
Amounts in NOK 1 000	Full year 2007	Full year 2006
Net gains on foreign exchange and financial derivatives	232 355	(104 234)
Net gains on financial derivatives, hedging	(12 475)	-
Net gains on fixed rate loans	(23 413)	(68 067)
Net gains on financial guarantees	-	-
Net gains on commercial paper and bonds	-	-
Net gains on other financial assets	-	-
Net gains on financial liabilities, hedged items	10 654	-
Net gains on financial liabilities, other	(180 369)	181 759
Net interest on interest rate positions	-	-
Net gains on financial instruments at fair value	**26 752**	**9 458**

Note 6 Operating expenses

	DnB NOR Boligkreditt AS	
Amounts in NOK 1 000	Full year 2007	Full year 2006
Ordinary salaries	5 490	115
Employer's national insurance contributions	698	-
Pension expenses	1 167	-
Social expenses	344	-
Total salaries and other personnel expenses	**7 699**	**115**
Fees	130 351	44 215
EDP expenses	1 375	-
Postage and telecommunications	7	-
Office supplies	16	-
Marketing and public relations	69	800
Travel expenses	293	-
Other operating expenses	259	459
Other expenses	**132 370**	**45 474**
Total operating expenses	**140 069**	**45 589**

Note 7 Pensions

Description of the pension schemes

DnB NOR Group has established a joint, defined benefit occupational pension scheme for all employees in Norway in the form of a group pension scheme funded by Vital Forsikring. Employees in DnB NOR Boligkreditt AS are encompassed by the agreement for the DnB NOR Group. Pension benefits include retirement pensions, disability pensions and pensions for spouses and dependent children, which supplement benefits from the National Insurance Scheme. Full pension entitlements require 30 years of pensionable service and give the right to a retirement pension corresponding to the difference between 70 per cent of the employee's salary and estimated benefits from the National Insurance Scheme. The pension scheme is in compliance with the Act on Occupational Pensions.

The right to a paid-up policy upon termination of employment only applies to retirement pensions. Disability pensions and survivor's pensions for employees and survivor's pensions for retirement pensioners represent risk coverage without accumulation of capital. The annual risk coverage premium is included in pension expenses.

DnB NOR Boligkreditt have adopted the contractual pension (CPA) scheme for the banking and financial services industry. In addition, an agreement on contractual pensions according to public sector rules has been entered into with respect to employees who are members of the Public Service Pension Fund. Provisions have thus been made in the accounts to cover anticipated future CPA acceptance. Upon retirement under a contractual pension agreement, employees continue as members of the group pension scheme, earning benefits up till ordinary retirement age.

Boligkreditt also has commitments relating to salaries exceeding 12G (12 times the National Insurance basic amount) and early retirement agreements. Commitments relating to salaries exceeding 12G and early retirement agreements are funded through operations. Under other forms of early retirement than CPA, employees resign from the company pension plans but are, upon reaching the ordinary retirement age, compensated for the reduction in benefits earned.

Employer's contributions are included in pension expenses and commitments. In pension schemes where pension funds exceed pension commitments, no allocation has been made for employer's contributions.

Economic assumptions applied in calculating pension expenses and commitments:

Economic assumptions	Expenses		Commitments	
Per cent	2007	2006	31 Dec. 07	31 Dec. 06 [3)]
Discount rate [1)]	4.50	3.90	4.70	4.50
Anticipated return	5.60	4.90	5.80	5.60
Anticipated rise in salaries	4.50	3.50	4.50	4.50
Anticipated increase in basic amount	4.25	3.00	4.25	4.25
Anticipated rise in pensions	2.25	2.50	2.25	2.25
Anticipated CPA acceptance	35.00	40.00	35.00	35.00
Demographic assumptions about mortality [2)]	K2005	K1963	K2005	K2005

1) *The discount rate used is determined by reference to market yields at the balance sheet date on long term (10-year) government bonds, plus an addition that takes into account the relevant duration of the pension liabilities.*
2) *Statistical assumptions on population mortality, as officially estimated in 1963 and 2005 respectively.*
3) *Assumptions used as a basis for the DnB NOR Group's calculations for 2006*

Pension expenses				**DnB NOR Boligkreditt AS**		
	2007			2006		
Amounts in NOK 1 000	Funded	Unfunded	Total	Funded	Unfunded	Total
Net present value of pension entitlements	743	-	743	-	-	-
Interest expenses on pension commitments	628	-	628	-	-	-
Expected return on pension funds	(348)	-	(348)	-	-	-
Changes in pension schemes	-	-	-	-	-	-
Amortisation of changes in estimates not recorded in the accounts	-	-	-	-	-	-
Administrative expenses	-	-	-	-	-	-
Net pension expenses	1 023	-	1 023	-	-	-

Note 7 Pensions (continued)

Pension commitments — **DnB NOR Boligkreditt AS**

	31 Dec. 2007			31 Dec. 2006		
Amounts in NOK 1 000	Funded	Unfunded	Total	Funded	Unfunded	Total
Accrued pension commitments	9 359	-	9 359	-	-	-
Estimated effect of future salary adjustments	5 969	-	5 969	-	-	-
Total pension commitments	15 327	-	15 327	-	-	-
Value of pension funds	(6 753)	-	(6 753)	-	-	-
Net pension commitments	8 574	-	8 574	-	-	-
Changes in estimates not recorded in the accounts	(1 200)	-	(1 200)	-	-	-
Employer's contribution	1 040	-	1 040	-	-	-
Recorded pension commitments	8 414	-	8 414	-	-	-

Members — **DnB NOR Boligkreditt AS**

	31 Dec. 2007	31 Dec. 2006
Number of persons covered by the pension schemes	9	0
- in employment	9	0
- on retirement and disability pensions	0	0

Pension funds investments

Per cent	31 Dec. 2007	31 Dec. 2006
Short-term bonds	0	0
Bonds held to maturity	0	0
Money market	0	0
Equities	0	0
Real estate	0	0
Other [1)]	100	0
Total	100	0

1) Claims on companies in the DnB NOR Group.

The table shows a percentage breakdown of pension fund investments, including derivatives administered by Vital Forsikring at year-end.

Note 8 Number of employees/full-time positions

DnB NOR Boligkreditt AS

	Full year 2007	Full year 2006
Number of employees at end of period	9	4
Number of employees calculated on a full-time basis at end of period	9	2

Note 9 Write-downs on loans and guarantees

DnB NOR Boligkreditt AS

Amounts in NOK 1 000	2007	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 [1)]	14 000	-
Write-downs on loans and guarantees	**14 000**	**0**

1) Based on the DnB NOR Group's calculation model and statistics. Further information about group write-downs can be found in note 1 Accounting principles.

Note 10 Taxes

Taxes	**DnB NOR Boligkreditt AS**	
Amounts in NOK 1 000	2007	2006
Payable taxes	-	24 843
Deferred taxes	25 984	-
Total taxes	25 984	24 843

Balancing tax charges against pre-tax operating profit

Amounts in NOK 1 000	2007	2006
Operating profit before taxes	92 756	88 726
Estimated income tax - nominal tax rate (28 per cent)	25 972	24 843
Tax effect of income taxable abroad	-	-
Tax effect of permanent differences	12	-
Total taxes	25 984	24 843
Effective tax rate	28 %	28 %

Deferred tax assets / (deferred taxes)

28 per cent deferred tax calculation on all temporary differences (Norway)

Amounts in NOK 1 000	2007	2006
Annual changes in deferred tax assets / (deferred taxes):		
Deferred tax assets/(deferred taxes) as at 1 January	797	3 119
Changes recorded against profits	(25 984)	-
Changes in the balance sheet - opening balance pension commitments and excess value paid on portfolio	(29 702)	
Other items recorded against equity:	-	-
IAS 39 - Transition to amortised cost	-	(2 322)
IAS 39 - Increased use of fair value on financial instruments	-	-
Deferred tax assets/(deferred taxes) as at 31 December	(54 889)	797

Deferred tax assets and deferred taxes in the balance sheet affect the following temporary differences:	31 Dec.	31 Dec.
Amounts in NOK 1 000	2007	2006
Deferred tax assets		
Net other tax-deductable temporary differendes	-	(796)
Total deferred tax assets	0	(796)
Deferred taxes		
Net pension commitments	(2 356)	-
Finansiel instruments [1)]	32 845	-
Net other taxable temporary differences	28 311	-
Losses carried forward	(3 910)	-
Total deferred taxes	54 889	0

Deferred taxes in the profit and loss accounts affect the following temporary differences:

Amounts in NOK 1 000	2007	2006
Pensions	138	-
Financial instruments	(33 641)	-
Other temporary differences	3 609	-
Losses carried forward	3 910	-
Deferred taxes	(25 984)	0

1) *Financial instruments are carried at market value in the financial accounts and treated according to the realisation principle in the tax accounts.*

Note 11 Assets

Amounts in NOK 1 000	DnB NOR Boligkreditt AS 31 Dec. 2007	31 Dec. 2006
Assets		
Deposits with banks	2 243 726	4 452 327
Installment loans to customers	89 763 213	22 898 563
	242 182	53 124
Other receivables	1 603 569	221 022
Total assets	**93 852 690**	**27 625 036**

Loans according to customer group:

	Committed limits [2] 31 Dec. 2007	31 Dec. 2006	Loans 31 Dec. 2007	31 Dec. 2006
Retail customers	5 899 272	-	87 530 927	22 851 913
Various business sectors [1]	178 676	-	2 232 286	46 649
Total	**6 077 948**	**-**	**89 763 213**	**22 898 562**

Loans according to geographical location:

Country		
Østfold	7 053 093	1 684 077
Akershus	23 701 554	5 810 611
Oslo	17 148 363	5 176 918
Hedmark	2 203 063	561 269
Oppland	3 455 397	621 558
Buskerud	6 025 081	1 624 041
Vestfold	8 761 581	2 093 167
Telemark	1 607 175	351 829
Aust-Agder	1 039 613	290 926
Vest-Agder	733 504	160 553
Rogaland	3 234 128	920 938
Hordaland	6 347 742	1 879 812
Sogn og Fjordane	144 527	58 451
Møre og Romsdal	1 116 937	233 716
Sør-Trøndelag	2 671 465	629 752
Nord-Trøndelag	659 875	126 054
Nordland	939 909	146 837
Troms	1 610 508	302 071
Finnmark	919 971	177 571
Abroad [3]	389 727	48 411
Total	**89 763 213**	**22 898 563**

1) *This allocation is based on definitions given by Norges Bank and Kredittilsynet (The Financial Supervisory Authority of Norway).*
2) *Total committed limits for credit exposure.*
3) *Based on the customer's address.*

Loans to customers are mortgages secured within 75 per cent of appraised value.

Note 12 Classification of financial instruments

DnB NOR Boligkreditt AS

Amounts in NOK 1 000	Financial instruments designated as at fair value through profit and loss: Fair value option	Financial derivatives designated as hedging instruments	Financial assets and liabilities carried at amotised cost	Total
Assets				
Lending to and deposits with credit institutions	-	-	2 243 726	2 243 726
Lending to customers	1 874 645	-	88 130 750	90 005 395
Commercial paper and bonds	-	-	-	-
Financial derivatives	1 555 614	27 446	-	1 583 060
Fixed assets	-	-	-	-
Other assets	-	-	20 509	20 509
Total assets	**3 430 259**	**27 446**	**90 394 985**	**93 852 690**
Liabilities and equity				
Loans and deposits from credit institutions	-	-	55 100 835	55 100 835
Financial derivatives	962 826	39 922	-	1 002 748
Securities issued [1)]	6 639 775	-	26 665 930	33 305 705
Deferred taxes	-	-	54 889	54 889
Other liabilities	-	-	171 694	171 694
Provisions	-	-	8 578	8 578
Subordinated loan capital	-	-	1 032 270	1 032 270
Total liabilities	**7 602 601**	**39 922**	**83 034 196**	**90 676 719**
Total equity	**-**	**-**	**3 175 971**	**3 175 971**
Total liabilities and equity	**7 602 601**	**39 922**	**86 210 167**	**93 852 690**

1) *Securities issued which are subject to hedge accounting are classified as carried at amortised cost.*

Note 13 Information on fair value

Method to calculate fair value of financial instruments

Financial instruments recorded at fair value in the DnB NOR Bank Group
See description in note 1 Accounting principles.

<u>Securities issued</u>
The fair value of securities issued is measured based on agreed cash flows and credit risk on the balance sheet date. In cases where the company has entered into hedging transactions, the value of the hedged item will be adjusted by an amount corresponding to the value of the hedged risk. The value of the hedging instrument is recorded under financial derivatives.

Financial instruments recorded at amortised cost in the DnB NOR Bank Group

<u>Lending to and deposits with credit institutions and lending to customers</u>
The pricing of lending to and deposits with credit institutions and lending to customers is based on market prices. Stipulated prices include additions to cover credit risk. The value of impaired commitments is determined by discounting expected future cash flows by the internal rate of return based on market conditions for corresponding loans not subject to impairment. Fair value is estimated as the recorded value of loans and deposits carried at amortised cost. Credit risk changes other than changes in expected future cash flows for impaired loans are not taken into account. Fixed-rate loans in Norwegian kroner are already recorded at fair value in the accounts and are not included in the estimates described above.

<u>Loans from credit institutions</u>
Fair value valuation is determined to equal recorded value for loans from credit institutions measured at amortised cost.

<u>Subordinated loan capital</u>
The fair value of subordinated loan capital is measured based on agreed cash flows and credit risk on the balance sheet date.

Note 14 Lending to customers

	DnB NOR Boligkreditt AS	
	31 Dec.	31 Dec.
Amounts in NOK 1 000	2007	2006
Lending to customers, nominal amount	87 869 975	21 334 605
Individual write-downs	-	-
Lending to customers, after individual write-downs	87 869 975	21 334 605
+ Accrued interest and amortisation	274 775	48 869
– Individual write-downs of accrued interest and amortisation	-	-
– Group write-downs	14 000	-
Lending to customers, at amortised cost	88 130 750	21 383 474
Lending to customers, nominal amount	1 893 238	1 563 958
+ Accrued interest	5 216	4 487
+ Adjustment to fair value	(23 809)	(232)
Lending to customers, classified at fair value	1 874 645	1 568 213
Lending to customers	**90 005 395**	**22 951 687**

Note 15 Commitments for principal sectors

	DnB NOR Boligkreditt AS			
	Loans and receivables		Committed limits [1]	
	31 Dec.	31 Dec.	31 Dec.	31 Dec.
Amounts in NOK 1 000	2007	2006	2007	2006
Retail customers	87 530 927	22 851 914	5 899 272	-
International shipping	3 185	-	-	-
Real estate	176 200	7 139	26 045	-
Manufacturing	86 414	507	3 667	-
Services and management	1 053 634	18 537	96 857	-
Trade	257 205	2 317	11 351	-
Oil and gas	7 443	6 751	67	-
Transportation and communication	208 993	4 246	12 956	-
Building and construction	269 726	6 305	21 673	-
Power and water supply	-	-	-	-
Fishing	5 165	-	-	-
Hotels and restaurants	43 210	847	596	-
Agriculture and forestry	121 110	-	5 464	-
Central and local government	-	-	-	-
Other sectors	-	-	-	-
Total customers, nominal amount after individual write-downs	89 763 213	22 898 563	6 077 948	-
- Group write-downs, customers	14 000	-	-	-
+ Other adjustments	256 182	53 124	-	-
Lending to customers	**90 005 395**	**22 951 687**	6 077 948	0
Credit institutions, nominal amount after individual write-downs	2 243 726	4 452 327	-	-
+ Other adjustments	-	-	-	-
Lending to and deposits with credit institutions	2 243 726	4 452 327	0	0

1) *Total committed limits for credit exposure.*

Note 16 Financial derivatives

General information on application of financial derivatives

Financial derivatives are contracts stipulating financial values in the form of interest rate terms, exchange rates and the value of equity instruments for fixed periods of time. Corresponding contracts stipulating prices on commodities and indexes are also defined as financial derivatives. Derivatives include swaps, forward contracts and options as well as combinations thereof, including forward rate agreements (FRAs), financial futures and agreements on the transfer of securities. Financial derivatives in DnB NOR Boligkreditt are traded to manage liquidity and market risk arising from the company's ordinary operations.

"Over the counter" (OTC) options or forward contracts are contracts entered into outside the stock exchange. The contracts are tailor-made according to investor requirements with respect to the underlying object, number, price, expiration terms and maturity. The advantage of OTC derivatives is that customers are not limited to standardised contracts and can buy the precise position they wish. The disadvantage compared with the standardised market is that it can be difficult to find other contracting parties and to sell the contracts on the secondary market. Clearing of non-standardised OTC options is regulated by separate standard conditions stipulated by the clearing house NOS ASA, and the relationship between the actors in the market is regulated through agreements similar to those in the standardised market.

The following derivatives are employed for hedging purposes in DnB NOR Boligkreditt:

Swaps: transactions where two parties exchange cash flows on a fixed amount over an agreed period. The swaps used by DnB NOR Boligkreditt are tailor-made to hedge the company's risk. DnB NOR Bank acts as counterparty for all the swaps. The most important types of swaps traded by DnB NOR Boligkreditt are:

- interest rate swaps in which fixed rates of interests are exchanged for floating or floating rates of interest are exchanged for fixed
- cross-currency interest rate swaps in which parties exchange both currency and interest payments

Use of financial derivatives for risk management purposes

DnB NOR Boligkreditt has entered into interest rate swaps to eliminate risk associated with funding and fixed-rate lending. The company has entered into a margin swap (total return swap) where the parties exchange cash flows in situations where the cash flow generated by the cover pool does not cover the cash flow generated by outstanding covered bonds.

Hedge accounting

Hedge accounting is used for long-term funding in foreign currencies. In connection with every bond issue, the company enters into a hedging transaction where there is a 1:1 relationship between the bonds (the hedged item) and the relevant derivatives (hedging instruments). The purpose of the 1:1 hedging is to guard against changes in the fair value of the liabilities.

Note 17 Liabilities

	DnB NOR Boligkreditt AS	
Amounts in NOK 1 000	31 Dec. 2007	31 Dec. 2006
Loans and deposits from credit institutions with no fixed term or period of notice	55 100 835	-
Loans and deposits from credit institutions with a fixed term or period of notice	-	500 000
Loans from credit institutions	**55 100 835**	**500 000**
Bond debt	33 305 705	24 512 624
Securities issued	**33 305 705**	**24 512 624**
Accrued expenses and prepaid revenues	22 327	235 122
Unpaid group contribution and dividends	66 774	57 073
Payable taxes	-	3 119
Financial derivatives	1 002 748	938 930
Sundry liabilities	82 593	21 602
Other liabilities	**1 174 442**	**1 255 846**
Accrued expenses and prepaid revenues	**0**	**28**
Deffered taxes	54 889	-
Pension commitments	8 414	-
Other provisions	164	-
Provisions for commitments	**63 467**	**0**
Term subordinated loan capital	1 032 270	350 568
Subordinated loan capital	**1 032 270**	**350 568**
Total liabilities	**90 676 719**	**26 619 066**

Note 18 Securities issued

Covered bonds

Amounts in NOK 1 000							DnB NOR Boligkreditt AS	
ISIN Code	Nominal value	Currency	Interest		Issued	Matured	31 Dec. 2007	31 Dec. 2006
NO0010337751 [1]	1 500 000	EUR	Fixed	3.925 %	-	-	-	12 347 192
NO0010337736 [1]	1 500 000	EUR	Fixed	3.895 %	-	-	-	12 347 191
NO0010378730	5 000 000	NOK	Fixed	5.550 %	2007	2014	5 000 000	-
XSO308736023	1 500 000	EUR	Fixed	4.625 %	2007	2012	11 957 952	-
NO0010398431	1 500 000	NOK	Floating	3M Nibor - 0,03%	2007	2010	1 500 000	-
CH0034696242	250 000	CHF	Fixed	3.000 %	2007	2012	1 204 593	-
CH0034696259	250 000	CHF	Fixed	3.375 %	2007	2016	1 204 593	-
XS0330848622	1 500 000	EUR	Fixed	4.375 %	2007	2010	11 957 952	-
Adjustments							480 615	(181 759)
Total securities issued							**33 305 705**	**24 512 624**

[1] *Ordinary bonds*

Outstanding covered bonds secured by a first priority pledge on the cover pool. The composition of the cover pool is defined in Section 2-28 of the Financial Institutions Act.

Cover pool

	DnB NOR Boligkreditt AS	
Amounts in NOK 1 000	31 Dec. 2007	31 Dec. 2006
Pool of eligible loans	36 455 693	n/a
Market value of derivatives	413 129	n/a
Supplementary assets	288 291	n/a
Total collateralised assets	**37 157 113**	**n/a**
Over-collateralisation	112 %	n/a

Note 19 Subordinated loan capital

Subordinated loan capital

						DnB NOR Boligkreditt AS	
Amounts in NOK 1 000	Nominal	Currency	Interest rate	Issue date	Maturity date	Balance sheet 31 Dec. 2007	Balance sheet 31 Dec. 2006
Term subordinated loan capital	350 000	NOK	3 month Nibor + 35 bp	18.09.2006	18.09.2016	350 000	350 000
Term subordinated loan capital	150 000	NOK	3 month Nibor + 20 bp	10.01.2007	10.01.2017	150 000	-
Term subordinated loan capital	230 000	NOK	3 month Nibor + 20 bp	20.02.2007	20.02.2017	230 000	-
Term subordinated loan capital	300 000	NOK	3 month Nibor + 75 bp	30.11.2007	30.11.2017	300 000	-
Adjustments						2 270	568
Total	**1 030 000**					**1 032 270**	**350 568**

Note 20 Capital management and risk

Risk management in DnB NOR Boligkreditt AS

The Board of Directors of DnB NOR ASA has a clearly stated goal to maintain a low risk profile. DnB NOR Boligkreditt AS is part of the DnB NOR Group and a wholly owned subsidiary of DnB NOR Bank ASA. The profitability of DnB NOR will depend on the Group's ability to identify, manage and accurately price risk arising in connection with financial services.

Organisation and authorisation structure

- *Board of Directors*. The Board of Directors of DnB NOR Boligkreditt AS sets long-term targets for the company's risk profile which are harmonised with the Group's risk targets. The risk profile is operationalised through the risk management framework, including the establishment of authorisations.
- *Authorisations*. Authorisations must be in place for the extension of credit and for position and trading limits in all critical financial areas. All authorisations are personal. Authorisations and company limits are determined by the Board of Directors and can be delegated in the organisation. According to the management agreement dated 25 June 2007, credit authorisations have been granted to DnB NOR Bank.
- *Annual review of limits*. Risk limits are reviewed at least annually in connection with budget and planning processes.
- *Independent risk management functions*. Risk management functions and the development of risk management tools are undertaken by units that are independent of operations in the individual business areas.

Monitoring and use

- *Accountability*. All executives are responsible for risk within their own area of responsibility and must consequently be fully updated on the risk situation at all times.
- *Risk reporting*. Risk reporting in the Group ensures that all executives have the necessary information about current risk levels and future developments. To ensure high-quality, independent risk reports, responsibility for reporting is assigned to units that are independent of the operative units.
- *Capital assessment*. A summary and analysis of the company's capital and risk situation is presented in a special risk report to the Board of Directors of DnB NOR Boligkreditt AS
- *Use of risk information*. Risk is an integral part of the management and monitoring of business operations.

Risk categories in DnB NOR Boligkreditt AS

For risk management purposes, DnB NOR Boligkreditt distinguishes between the following risk categories:

- *Credit risk* is the risk of losses due to failure on the part of the company's counterparties/customers to meet their payment obligations towards DnB NOR Boligkreditt. Credit risk refers to all claims against counterparties/customers, mainly loans. The company's credit risk is considered to be very low as all loans in the cover pool, cf. requirements in the Financial Institutions Act, are home mortgages secured within 75 per cent of appraised value. Note 21 contains an assessment of the company's credit risk at year-end 2006 and 2007.
- *Interest rate risk* arises due to different fixed-rate periods for assets and liabilities in the company's balance sheet. The company's interest rate risk is practically eliminated through interest rate swaps entered into with DnB NOR Bank ASA.
- company will be unable to meet its payment obligations. The company's liquidity rate risk is considered to be insignificant and well within legal requirements and requirement set by the rating agencies. Note 23 contains an assessment of the company's liquidity risk at year-end 2006 and 2007.
- *Operational risk* is the risk of losses due to deficiencies or errors in processes and systems, errors made by employees or external events.
- *Business risk* is the risk of losses due to external factors such as the market situation or government regulations. This risk category also includes reputational risk.

The DnB NOR Group uses a total risk model to quantify risk and calculates risk-adjusted capital requirements for individual risk categories and for the Group's overall risk in the business areas, including the individual group subsidiaries. Risk-adjusted capital requirements should cover unexpected losses which may occur in operations in exceptional circumstances. Quantifications are based on statistical probability calculations for the various risk categories, using historical data.

Risk measurement is a field in constant development, and measurement methods and tools are subject to continual improvement. No significant changes were made in routines and procedures for risk monitoring in 2007.

Note 21 Credit risk

Credit risk represents the chief risk category for the banking group and refers to all claims against customers, mainly loans, but also liabilities in the form of other extended credits, guarantees, interest-bearing securities, approved, undrawn credits, as well as counterparty risk arising through derivatives and foreign exchange contracts. Settlement risk, which arises in connection with payment transfers as not all transactions take place in real time, also involves counterparty risk.

DnB NORs risk classification [1)]

	Probability of default (per cent)		External rating		
Risk category [2)]	As from	Up to	Moody's	Standard & Poor's	Dominion Bond Rating Service
1	0.01	0.10	Aaa - A3	AAA - A-	AAA - A low
2	0.10	0.25	Baa1	BBB+	BBB high
3	0.25	0.50	Baa2 - Baa3	BBB/BBB-	BBB/BBB low
4	0.50	0.75	Ba1	BB+	BB high
5	0.75	1.25	Ba2	BB	BB
6	1.25	2.00	Ba3	BB-	BB low
7	2.00	3.00		B+	B high
8	3.00	5.00	B1		B
9	5.00	8.00	B2	B	B/B low
10	8.00	impaired	B3, Caa/C	B-, CCC/C	B low/CCC/ C

1) DnB NORs risk classification system, where 1 represents the lowest risk and 10 the highest risk.
2) Risk category 1 requires external rating of the customer.

Commitments according to risk classification

DnB NOR Boligkreditt AS

Amounts in NOK 1 000	Gross loans	Undrawn limits (committed)	Total commitments
Risk category based on probability of default			
1 - 4	18 182 670	-	18 182 670
5 - 7	4 403 900	-	4 403 900
8 - 10	299 693	-	299 693
Non-performing and impaired commitments 1)	12 300	-	12 300
Total commitments as at 31 December 2006	22 898 563	-	22 898 563
Risk category based on probability of default			
1 - 4	69 669 187	4 878 770	74 547 957
5 - 7	18 115 655	961 957	19 077 612
8 - 10	1 941 532	237 220	2 178 752
Non-performing and impaired commitments [1)]	36 839	1	36 840
Total commitments as at 31 December 2007	89 763 213	6 077 948	95 841 161

Loan-loss level [2)]	2007	2006
Normalised losses including loss of interest income in per cent of net lending	0.05	0.05

1) Commitments classified under "non-performing and impaired commitments" include no commitments which have been non-performing for more than 90 days. In cases where timely payment is not made, the commitments are reclassified to risk category 11 (non-performing and impaired commitments according to DnB NOR's classification). The commitments in question are monitored, and the need for individual write-downs is assessed based on the collateral and the customer's ability and willingness to pay. With respect to commitments in arrears as at 31 December 2007, the company considers the underlying security to be adequate to avoid individual write-downs.
2) The calculation of the loan-loss level is based on an evaluation of the probability of future losses (default frequency), exposure at default and the size of the estimated loss (loss ratio). Calculations are based on a certain level of discretion and estimation.

Note 21 Credit risk (continued)

Collateral security

Depending on the market and type of transaction, the banking group uses collateral security to reduce risk. Collateral security can be in the form of physical assets, guarantees, cash deposits or netting agreements. The principal rule is that physical assets in the form of buildings, residential properties or warehouses should be insured. Evaluations of collateral are based on a going concern assumption, with the exception of situations where write-downs have been made. In addition, factors which may affect the value of collateral, such as concession terms or easements, are taken into account. With respect to evaluations of both collateral in the form of securities and counterparty risk, the estimated effects of enforced sales and sales costs are also considered.

Commitments according to:	**DnB NOR Boligkreditt AS**	
Amounts in NOK 1 000	31 Dec. 2007	31 Dec. 2006
Home mortgages < 80 per cent of appraised value	89 763 213	22 898 563
Home mortgages > 80 per cent of appraised value	-	-

Note 22 Interest rate risk

Expected time to interest rate adjustments for balance sheet items

DnB NOR Boligkreditt AS

Amounts in NOK million		Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	No fixed maturity	Total
Assets								
Lending to and deposits with	NOK	2 243 726	-	-	-	-	-	2 243 726
credit institutions	f.curr	-	-	-	-	-	-	-
Net lending to customers [1) 3)]	NOK	7 003	87 930 866	591 569	769 328	363 336	343 293	90 005 395
	f.curr	-	-	-	-	-	-	-
Finacial derivatives [1)]	NOK	684 651	106 414	-	-	131 042	81 537	1 003 644
	f.curr	147 625	96 261	-	346 397	5 097	(15 964)	579 416
Sundry assets	NOK	20 509	-	-	-	-	-	20 509
	f.curr	-	-	-	-	-	-	-
Total assets		**3 103 514**	**88 133 541**	**591 569**	**1 115 725**	**499 475**	**408 866**	**93 852 690**
	NOK	2 955 889	88 037 280	591 569	769 328	494 378	424 830	93 273 274
	f.curr	147 625	96 261	0	346 397	5 097	(15 964)	579 416
Liabilities and equity								
Loans and deposits from	NOK	55 100 835	-	-	-	-	-	55 100 835
credit institutions [2)]	f.curr	-	-	-	-	-	-	-
Financial derivatives [1)]	NOK	701 169	100 809	-	-	-	(37 805)	764 173
	f.curr	146 500	76 384	-	-	-	15 691	238 575
Securities issued [1)]	NOK	-	6 500 000	-	-	-	139 775	6 639 775
	f.curr	-	-	-	25 102 082	1 212 354	351 494	26 665 930
Sundry liabilities	NOK	-	-	-	-	-	235 161	235 161
	f.curr	-	-	-	-	-	-	-
Subordinated loan capital	NOK	-	1 030 000	-	-	-	2 270	1 032 270
	f.curr	-	-	-	-	-	-	-
Equity	NOK	-	-	-	-	-	3 175 971	3 175 971
	f.curr	-	-	-	-	-	-	-
Total liabilities and equity		**55 948 504**	**7 707 193**	**0**	**25 102 082**	**1 212 354**	**3 882 557**	**93 852 690**
	NOK	55 802 004	7 630 809	0	0	0	3 515 372	66 948 185
	f.curr	146 500	76 384	0	25 102 082	1 212 354	367 185	26 904 505
Net, residual maturity on		**(52 844 990)**	**80 426 348**	**591 569**	**(23 986 357)**	**(712 879)**	**(3 473 691)**	**0**
balance sheet items	NOK	(52 846 115)	80 406 471	591 569	769 328	494 378	(3 090 542)	26 325 089
	f.curr	1 125	19 877	0	(24 755 685)	(1 207 257)	(383 149)	(26 325 089)

1) *The company's portfolios of financial derivatives ensure a reasonable balance between actual incoming and outgoing payments relating to assets and liabilities.*
2) *Credit lines/loans from DnB NOR Bank are classified under "up to 1 month".*
3) *Committed limits are not included in this table. See note 11 for a listing of committed limits.*

Note 23 Residual maturity

The table shows final maturity irrespective of instalment payments.

DnB NOR Boligkreditt AS

Amounts in NOK million		Up to 1 month	From 1 month to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	No fixed maturity	Total
Assets								
Lending to and deposits with credit institutions	NOK	2 243 726	-	-	-	-	-	2 243 726
	f.curr	-	-	-	-	-	-	-
Net lending to customers [1]	NOK	309 036	8 897	124 372	2 087 540	87 475 550	-	90 005 395
	f.curr	-	-	-	-	-	-	-
Financial derivatives	NOK	441 783	-	-	358 369	203 492	-	1 003 644
	f.curr	-	-	-	566 326	13 090	-	579 416
Sundry assets	NOK	20 509	-	-	-	-	-	20 509
	f.curr	-	-	-	-	-	-	-
Total assets		**3 015 054**	**8 897**	**124 372**	**3 012 235**	**87 692 132**	**0**	**93 852 690**
	NOK	3 015 054	8 897	124 372	2 445 909	87 679 042	0	93 273 274
	f.curr	0	0	0	566 326	13 090	0	579 416
Liabilities and equity								
Loans and deposits from credit institutions	NOK	55 100 835	-	-	-	-	-	55 100 835
	f.curr	-	-	-	-	-	-	-
Financial derivatives	NOK	436 745	-	-	235 736	91 692	-	764 173
	f.curr	-	-	-	234 286	4 289	-	238 575
Securities issued	NOK	-	-	141 165	1 498 110	5 000 500	-	6 639 775
	f.curr	-	-	351 494	25 102 082	1 212 354	-	26 665 930
Sundry liabilities	NOK	105 086		66 772	-	-	63 303	235 161
	f.curr	-	-	-	-	-	-	-
Subordinated loan capital	NOK	-	2 270	-	-	1 030 000	-	1 032 270
	f.curr	-	-	-	-	-	-	-
Equity	NOK	-	-	-	-	-	3 175 971	3 175 971
	f.curr	-	-	-	-	-	-	-
Total liabilities and equity		**55 642 666**	**2 270**	**559 431**	**27 070 214**	**7 338 835**	**3 239 274**	**93 852 690**
	NOK	55 205 921	2 270	207 937	1 498 110	6 030 500	3 239 274	66 184 012
	f.curr	0	0	351 494	25 102 082	1 212 354	0	26 665 930
Net, residual maturity on balance sheet items		**(52 627 612)**	**6 627**	**(435 059)**	**(24 057 979)**	**80 353 297**	**(3 239 274)**	**0**
	NOK	(52 190 867)	6 627	(83 565)	947 799	81 648 542	(3 239 274)	27 089 262
	f.curr	0	0	(351 494)	(24 535 756)	(1 199 264)	0	(26 086 514)

1) *Committed limits are not included in this table. See note 11 for a listing of committed limits.*

Note 24 Capital adequacy

New capital adequacy regulations, Basel II, entered into force on 1 January 2007, see below for further description of the DnB NOR Group's implementation of the Basel II regulations.

Primary capital

	DnB NOR Boligkreditt AS	
Amounts in NOK 1 000	31 Dec. 2007	31 Dec. 2006
Share capital	902 000	685 000
Other equity [1)]	2 273 971	315 000
Total equity	3 175 971	1 000 000
Deductions		
Deferred tax assets	-	(3 119)
Core capital	3 175 971	996 881
Perpetual subordinated loan capital	-	-
Term subordinated loan capital	1 030 000	350 000
Supplementary capital	1 030 000	350 000
Deductions	-	-
Total eligible primary capital	4 205 971	1 346 881

Minimum primary capital

Amounts in NOK 1 000	31 Dec. 2007
Credit risk, IRB [2)]	622 850
Of which:	
Retail commitments secured by residential property	622 850
Claims calculated according to Basel I, transitional rules [3)]	68 769
Total capital requirement, credit risk	691 619
Counterparty risk	-
Position risk	-
Settlement risk	-
Foreign exchange risk	-
Total capital requirement, market risk	0
Operational risk	15 418
Deductions	-
Total capital requirements	707 037
Addition due to transitional rules (max 5 per cent reduction in relation to Basel I) 4)	2 978 549
Total capital requirements	3 685 586

The table below illustrates the effect of the transition to Basel II regulations in 2007. The column "Basel I" reflects calculations based on the former capital adequacy regulations. The results of the Basel II calculations have been included in the capital adequacy calculations shown in the "Basel II" column. The transitional rules limit the effect of Basel II calculations to a reduction to 95 per cent of Basel I requirements in the first year of implementation. This restriction, known as "Capital floor" is reflected in the capital adequacy shown in the "Reported" column in the table below.

Capital adequacy

	Reported	Basel II	Basel I	
	31 Dec.	31 Dec.	31 Dec.	
	2007 [4)]	2007	2007	2006 [5)]
Risk-weighted volume (NOK 1 000)	46 069 822	8 837 967	48 494 549	12 663 969
Core capital ratio (%)	6.9	35.9	6.5	7.9
Capital ratio (%)	9.1	47.6	8.7	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 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 24 Capital adequacy (continued)

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. DnB NOR Boligkreditt has been granted permission to use the IRB, Internal Ratings Based, approach for credit risk to calculate the company's capital adequacy as from 30 June 2007. The portfolio for which permission to use the IRB approach has been granted consists of home mortgages.

Use of the 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.

Credit risk

Credit risk represents the chief risk category for the Group and refers to all claims against customers, mainly loans

The classification of commitments provides the basis for statistical calculations of expected losses in a long-term perspective and the need for equity on the basis of portfolio risk. DnB NOR's models for risk classification of customers are subject to continual improvement and testing. The models are adapted to different industries and segments and are successively upgraded to satisfy quality requirements according to Basel II. The models are based on three components:

Estimated probability of default. The counterparty (customer) is classified according to a scale of ten risk categories based on the probability of default. In addition, impaired and non-performing commitments are placed in categories 11 and 12 respectively for reporting purposes. The risk categories are defined on the basis of the scales used by international rating agencies.

Exposure at default. Exposure is an estimated figure which includes amounts drawn under credit limits (loans) as well as a percentage share of committed, undrawn credit lines.

Loss given default. This is a statistically modelled quantity indicating how much the Group expects to lose if the customer fails to meet his obligations, taking the collateral provided into consideration. Realisation values for collateral are set on the basis of experience and/or external data.

The credit risk models should show the average probability of default during a business cycle. However, no model is completely unaffected by cyclical fluctuations. Consequently, stress testing is used to assess whether the company would be required to hold additional capital during a recession. Such assessments will be taken into account in the company's management process to determine the correct level of capital.

Operational risk

On 1 January 2007, new regulations for capital requirements for operational risk entered into force. In a separate policy for operational risk management, the Board of Directors states that DnB NOR will have low operational risk. Thus, management places great emphasis on risk and quality in the management of the Group. DnB NOR Boligkreditt observes the Group's operational risk policy.

DnB NOR Boligkreditt AS reported according to the standardised approach in 2007 and will consider a shift to the advanced measurement approach at a later date.

Transitional rules

Due to transitional rules the minimum capital adequacy requirements for 2007, 2008 and 2009 will be reduced to a maximum of 95, 90 and 80 per cent respectively relative to the Basel I requirements.

Pillar 2 Institutions' assessment of total capital requirement and supervisory review

According to Pillar 2, DnB NOR is required to have a process for assessing the Group's overall capital adequacy. This includes an analysis of the risks not encompassed by the Pillar 1 process and the capital requirement for growth, as well as an indication of how much above the minimum regulatory capital ratios the Group chooses to set its capital levels.

Note 24 Capital adequacy (continued)

The staff unit, Group Risk Analysis has overall responsibility for assessing and reporting the Group's overall risk situation. Each quarter, Group Risk Analysis prepares a report to the Board of Directors of DnB NOR ASA regarding developments in the various risk categories as well as a report to the Board of Directors of DnB NOR Bank ASA regarding the trend in the banking group's credit risk.

As part of the adaptation to Pillar 2, the Board of Directors of DnB NOR ASA approved a new group capitalisation policy in April 2006, aimed at ensuring that group equity is adequate to ensure effective and optimal use of equity relative to the scope and risk profile of operations. The equity of DnB NOR should enable the Group to achieve a competitive return on equity and obtain competitive terms in funding markets. Also, it should put the Group in a position to exploit growth opportunities in the market through either organic growth or acquisitions while meeting minimum capital adequacy requirements with a margin adapted to the Group’s adopted risk profile and risk tolerance.

In the longer term, the Group’s equity will be structured to ensure that core capital excluding hybrid securities exceeds 4.25 per cent of risk-weighted assets, with the addition of a capital buffer. The calculation model for risk-adjusted capital is used to measure the size of the capital buffer relative to risk tolerance limits. Risk will be quantified through calculations of risk-adjusted capital. In addition, stress tests for credit and market risk are important reference points. The capitalisation policy is reviewed annually as part of the Group’s budget and strategy process.

As part of its supervisory process, Kredittilsynet will prepare an annual overall risk assessment for the Group, including feedback on the capitalisation of the Group. These assessments will play a significant part when determining the actual effect of the transfer to new capital adequacy regulations.

Pillar 3 Requirements concerning the disclosure of financial information
Pillar 3 presents requirements concerning the disclosure of financial information on the Internet. The information must cover DnB NOR’s adaptation to and compliance with the new capital adequacy regulations. Such information are presented on separate pages on www.dnbnor.com.

Note 25 Remunerations etc

Remunerations etc in 2007

DnB NOR Group

Amounts in NOK	Remuneration	Saleries	Bonus	Benefits in kind	Total remuneration	Loans 31 Dec. 2007	Accrued pension expenses	Current value of pension agreement
The Board of Directors								
Åsmund Skår	-	2 761 391	839 750	270 043	3 871 184	515 629	1 698 477	19 003 157
Reidar Bolme	-	2 093 000	15 000	124 000	2 232 000	10 999	160 581	1 588 014
Eldbjørg Sture [1)]	14 000	147 000	-	9 000	170 000	-	234 715	3 918 236
Steinar Ouren [2)]	12 000	-	-	4 000	16 000	72 047	-	-
Carl Johan Wickmann [3)]	-	1 338 000	15 000	141 000	1 494 000	1 989 709	-	-
Board of directors, total	**26 000**	**6 339 391**	**869 750**	**548 043**	**7 783 184**	**2 588 384**	**2 475 555**	**27 272 066**
Chief executive officer [4)]	**-**	**2 196 000**	**-**	**213 000**	**2 409 000**	**3 953 150**	**-**	**-**
Control Committee								
Helge B. Andresen (resigned)	172 618	-	-	-	172 618	-	-	-
Svein Brustad (deputy)	232 500	-	-	-	232 500	-	-	-
Svein Norvald Eriksen (from 24 Apr.)	158 576	-	-	-	158 576	1 518 834	-	-
Ingebjørg Harto (from 24 April)	158 576	-	-	-	158 576	-	-	-
Frode Hassel	328 099	-	-	-	328 099	-	-	-
Kristin Normann (resigned)	135 531	-	-	-	135 531	-	-	-
Thorstein Øverland	232 500	-	-	-	232 500	-	-	-
Total Control Committee	**1 418 400**	**-**	**-**	**-**	**1 418 400**	**1 518 834**	**-**	**-**
Supervisory Board, total	**120 000**	**4 799 000**	**5 863 000**	**538 000**	**11 320 000**	**4 962 783**	**1 355 093**	**16 069 572**
Total	**1 564 400**	**13 334 391**	**6 732 750**	**1 299 043**	**22 930 584**	**13 023 152**	**3 830 648**	**43 341 638**

1) *Of which NOK 14 000 was paid by DnB NOR Boligkreditt AS.*

2) *Of which NOK 12 000 was paid by DnB NOR Boligkreditt AS.*

3) *Of which NOK 542 000 was paid by DnB NOR Boligkreditt AS.*

4) *Of which NOK 756 000 was paid by DnB NOR Boligkreditt AS.*

Other information on pension agreements

The pensionable age for employees in DnB NOR Boligkreditt is 67 years. One of the employees has a pension agreement entitling him to retire at the age of 60, while two employees have agreements entitling them to retire at the age of 62.

Other information

DnB NOR Boligkreditt AS has nine employees (nine full time positions) at the end of 2007.

DnB NOR Boligkreditt As paid no remunerations to the Control Committee in 2007.

DnB NOR Boligkreditt AS has no contractual obligations to give the chief executive officer, members of the board or others special compensation in case of changes in conditions of employment. Nor has the company contractual obligations to offer bonuses, profit sharing arrangements or options benefiting the chief executive officer, the Board of Directors or others.

Remuneration to the statutory auditor

DnB NOR Boligkreditt AS

Amounts in NOK 1 000	2007	2006
Statutory audit [1) 2)]	393	120
Other certification services [1)]	260	6
Other services	0	0
Total remuneration to the statutory auditor	654	126

1) *All amounts are inclusive of VAT.*

2) *Of this, the remuneration to the independent investigator, pursuant to Section 2-34 of the Financial Institutions Act, represents NOK 205 953 including VAT.*

Note 26 Information on related parties

Transactions with related parties	DnB NOR Boligkreditt AS	
Amounts in NOK 1 000	2007	2006
Assets		
Lending to and deposits with credit institutions	2 243 726	4 452 327
Financial derivatives	1 583 060	214 567
Liabilities		
Loans from credit institutions	55 100 835	500 000
Subordinated loan capital	1 032 270	350 568
Financial derivatives	1 002 748	938 930
Income and expenses		
Interest income	47 523	28 905
Interest expenses	2 445 484	580 465
Fees	121 523	44 215
Guarantees	**0**	**0**

Note 27 Earnings per share

	DnB NOR Boligkreditt AS	
	2007	2006
Profit for the year (NOK 1 000)	66 772	63 883
Average number of shares (in 1 000)	7 708	6 722
Average number of shares, fully diluted (in 1 000)	7 708	6 722
Earnings per share (NOK)	8.66	9.50
Earnings per share, fully diluted (NOK)	8.66	9.50

Note 28 Ownership

The share capital of DnB NOR Boligkreditt AS is NOK 902 000 000 divided into 9 020 000 shares of NOK 100 each. All shares carry the same voting rights in the company. All shares in DnB NOR Boligkreditt AS are owned by DnB NOR Bank ASA.

Note 29 Contingencies and post balance sheet events

DnB NOR Boligkreditt is party to no legal actions.

Revisjonsberetning

Kontrollkomiteens uttalelse

Governing bodies

Supervisory Board

Members
Wenche Agerup, Oslo (resigned on 21 Dec. 2007)
Anita Roarsen, Oslo
Helge Stray, Oslo
Jørn E. Pedersen, Oslo
Morten Ronæss, Trondheim
Alf Erik Kvaal, Bergen

Deputies
Tove Storrødvann, Oslo
Nils H. Bastiansen, Stabekk
Ragnhild Martinsen, Bodø

Control Committee

Members
Svein Norvald Eriksen, Oslo
Ingebjørg Harto, Oslo
Frode Hassel, Trondheim
Thorstein Øverland, Oslo

Deputy
Svein Brustad, Hvalstad

Board of Directors of DnB NOR Boligkreditt AS

Åsmund Skår, Lysaker
Reidar Bolme, Oslo
Eldbjørg Sture, Oslo
Steinar Ouren, Lillehammer

Contact information

DnB NOR ASA

Organisation number: 981 276 957
www.dnbnor.com

DnB NOR Bank ASA

Organisation number: 984 851 006
Mailing address: NO-0021 Oslo
Visiting address: Stranden 21, NO-0250 Oslo
www.dnbnor.no
Tel: 03000 (from abroad: +47 915 03000)

DnB NOR Boligkreditt AS

Organisation number: 985 621 551
Mailing address: Kirkegata 21, NO-0021 Oslo
Visiting address: Kirkegata 21, NO-0021 Oslo

Chief executive officer

Øyvind Birkeland

Investor Relations

Helge Stray
Tel: +47 22 94 93 76
helge.stray@dnbnor.no

Thor Tellefsen
Tel: +47 22 94 93 88
thor.tellefsen@dnbnor.no

Per Sagbakken
Tel: +47 22 48 20 72
per.sagbakken@dnbnor.no

Other sources of information

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

Quarterly publications
Quarterly reports are available on www.dnbnor.com

www.dnbnor.com

DnB NOR
Boligkreditt