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First quarter report 2011

Unaudited

DnB NOR
Boligkreditt

First quarter report 2011

Introduction

DnB NOR Boligkreditt AS is the DnB NOR Group's vehicle for the issue of covered bonds based on residential property.

DnB NOR Boligkreditt recorded pre-tax operating profits before write-downs of NOK 422.2 million in the first quarter of 2011, compared with NOK 515.6 million in the year-earlier period. Profits in the first quarter of 2011 totalled NOK 287.1 million, down from NOK 382.8 million in the corresponding period in 2010.

Return on equity was 8.7 per cent in the January through March period of 2011, as against 13.0 per cent in the year-earlier period.

The core capital ratio of DnB NOR Boligkreditt was 7.0 per cent at end-March 2011, compared with 7.4 per cent at end-December 2010. The company's capital adequacy ratio was 8.8 per cent at end-March 2011, down from 9.3 per cent at year-end 2010. The reduced capital adequacy ratio was mainly due to rising lending volumes in the company.

During the first quarter of 2011, DnB NOR Boligkreditt acquired residential mortgages from DnB NOR Bank for a total of NOK 9.6 billion. Mortgages for a total of NOK 36.2 billion were converted through 2010. At end-March 2011, 82 per cent of the Group's total residential mortgages were carried in DnB NOR Boligkreditt's balance sheet.

The company issued new covered bonds for NOK 43.5 billion during the first quarter of 2011, while new bonds issued through 2010 totalled NOK 85.0 billion.

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

Income

Income totalled NOK 750.9 million in the first quarter of 2011, down from NOK 880.8 million in the year-earlier period. Income in 2010 totalled NOK 4 058.3 million.

Net interest income

Net interest income came to NOK 589.3 million in the first quarter of 2011, up NOK 27.6 million from the first quarter of 2010. Net interest income in 2010 totalled NOK 2 319.8 million.

Net other operating income

Net other operating income came to NOK 161.7 million in the first quarter of 2011, compared with NOK 319.2 million in the first quarter of 2010. Net other operating income totalled NOK 1 738.5 million in 2010.

Operating expenses

The company's operating expenses totalled NOK 328.7 million in the first quarter of 2011, a decline of NOK 36.5 million from the year-earlier period. The management fee to DnB NOR Bank was NOK 317,0 million, down from NOK 357.7 million in the first quarter of 2010.

Write-downs on commitments

The company recorded write-downs on loans of NOK 23.5 million in the first quarter of 2011. Collective write-downs according to the DnB NOR Group's calculation model represented NOK 18.2 million, while individual write-downs came to NOK 5.4 million. The Board of Directors considers the total level of write-downs to be satisfactory relative to the quality of the loan portfolio. Non-performing and impaired commitments represented 0,15 per cent of total lending volume at end-March 2011, compared with 0,14 per cent at end-December 2010.

Taxes

DnB NOR Boligkreditt's tax charge for the first quarter of 2011 was NOK 111.6 million. The tax charge is based on an anticipated average tax charge of 28 per cent of pre-tax operating profits.

Balance sheet and assets under management

At end-March 2011, DnB NOR Boligkreditt had a total of NOK 422.6 billion under management, an increase of NOK 55.7 billion or 13.6 per cent from a year earlier.

Net lending to customers rose by NOK 59.5 billion or 15.0 per cent over the 12-month period, to NOK 412.6 billion. The increase stemmed from the sale of new loans and the acquisition of mortgage portfolios from DnB NOR Bank.

Since year-end 2010, recorded securities issued increased by NOK 21.1 billion, from NOK 289.4 billion to NOK 310.5 billion.

Risk and capital adequacy

The company has established guidelines and limits for management and control of the different types of risk. Currency risk is eliminated through the use of financial derivatives. Interest rate and liquidity risk is managed in accordance with stipulations concerning covered bonds in the Financial Institutions Act and guidelines and limits approved by the Board of Directors. The company's overall financial risk is considered to be low.

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

Assets are primarily mortgages within 75 per cent of appraised value. Credit risk is assessed to be low. In the opinion of the Board of Directors, the loan portfolio is of high quality.

The Board of Directors considers the company's total risk exposure to be low.

At end-March 2011, the company's equity totalled NOK 13 898.7 million, of which NOK 11 837.1 million represented core capital. Total primary capital in the company was NOK 14 759.3 million. The core capital ratio was 7.0 per cent, while the capital adequacy ratio was 8.8 per cent, excluding interim profits. The Board of Directors considers the company to be adequately capitalised relative to the risk level in the loan portfolios and other operations.

Market situation

The capital markets stabilised towards the end of 2010, and this trend continued in the first quarter of 2011. Covered bond issues in the European market totalled approximately EUR 96 billion, up from some EUR 64 billion in the year-earlier period. The US covered bonds market was open to a few European issuers during the first quarter, and in March 2011, DnB NOR Boligkreditt completed a USD 2 billion bond issue with a five-year maturity.

Prospects for 2011

There are positive signs in the economies worldwide, including in Norway, though the debt situation in several countries may dampen the positive trend. Housing prices in Norway were approximately 9.5 per cent higher at end-March 2011 than a year earlier. There was an upward trend in housing sales in the autumn of 2010, and housing sales in the first quarter of 2011 were approximately 8 per cent higher than in the year-earlier period. The number of new housing starts remained low, and high population growth combined with limited belief in a pronounced interest rate increase indicate that housing investments and housing prices may continue to rise.

An increasing number of bond issuers can be expected to exploit prevailing market conditions and issue covered bonds through 2011. If market conditions remain favourable, maturities in excess of five years will probably also be observed. Though market unrest may increase, there should be continued demand for Norwegian covered bonds due to the sound Norwegian economy.

Up till now, only a very limited number of large US investors have purchased covered bonds. Measures are being planned with an aim to increase the number of US investors investing in the company's bonds.

Oslo, 11 May 2011
The Board of Directors of DnB NOR Boligkreditt AS

Bjørn Erik Næss (chairman)	Katrine Trovik	Stein Ove Steffensen
Elisabeth Ege	Rein Øsebak	Øyvind Birkeland (chief executive officer)

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

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Comprehensive income

DnB NOR Boligkreditt AS

Amounts in NOK 1 000	Note	1 st quarter 2011	1 st quarter 2010	Full year 2010	Full year 2009
Total interest income	3	3 570 804	2 759 543	12 815 101	10 394 127
Total interest expenses	3	2 981 521	2 197 909	10 495 338	7 432 098
Net interest income	3	**589 283**	**561 634**	**2 319 763**	**2 962 029**
Commissions and fees receivable etc.	4	10 957	10 663	45 785	45 872
Commissions and fees payable etc.	4	474	419	1 821	4 919
Net gains/(losses) on financial instruments at fair value	4,5	149 660	304 779	1 688 008	(924 089)
Other income	4	1 515	4 146	6 538	2 244
Net other operating income	4	**161 659**	**319 169**	**1 738 511**	**(880 892)**
Total income		**750 941**	**880 803**	**4 058 273**	**2 081 137**
Salaries and other ordinary personnel expenses	6	6 636	5 503	19 294	17 796
Other expenses	6, 16	322 087	359 716	1 282 156	783 607
Total operating expenses	6	**328 723**	**365 220**	**1 301 451**	**801 404**
Write-downs on loans and guarantees	8	23 493	(16 130)	32 781	63 040
Pre-tax operating profit		**398 725**	**531 713**	**2 724 042**	**1 216 693**
Taxes		111 643	148 880	762 734	343 419
Profit for the period		**287 082**	**382 834**	**1 961 308**	**873 273**
Other comprehensive income		-	-	-	-
Comprehensive income for the period		**287 082**	**382 834**	**1 961 308**	**873 273**
Earnings per share (NOK)		18,20	24,28	124,37	65,26
Diluted earnings per share (NOK)		18,20	24,28	124,37	65,26

Balance sheets

DnB NOR Boligkreditt AS

Amounts in NOK 1 000	Note	31 March 2011	31 Dec. 2010	31 March 2010	31 Dec. 2009
Assets					
Lending to and deposits with credit institutions	16	232 923	620 807	2 449 020	1 813 745
Lending to customers	9	412 579 655	397 640 408	353 091 472	337 111 139
Financial derivatives		9 816 553	12 079 717	11 361 655	11 996 890
Other assets		0	186 801	43 964	21 717
Total assets		**422 629 131**	**410 527 733**	**366 946 111**	**350 943 492**
Liabilities and equity					
Loans and deposits from credit institutions	16	82 948 006	94 306 638	98 473 459	102 761 111
Financial derivatives		10 276 835	8 315 131	2 754 225	2 014 948
Debt securities issued	10	310 491 063	289 405 545	249 284 459	230 551 778
Payable taxes		1 238 413	790 770	148 880	-
Deferred taxes		407 630	407 630	771 666	771 666
Other liabilities		248 513	1 434 580	360 161	74 537
Provisions		29 980	29 980	30 337	30 337
Subordinated loan capital	11	3 089 856	3 089 705	3 089 644	3 088 670
Total liabilities		**408 730 295**	**397 779 980**	**354 912 831**	**339 293 046**
Share capital		1 577 000	1 577 000	1 577 000	1 577 000
Other reserves and retained earnings		12 321 836	11 170 754	10 456 280	10 073 446
Total equity		**13 898 836**	**12 747 754**	**12 033 280**	**11 650 446**
Total liabilities and equity		**422 629 131**	**410 527 733**	**366 946 111**	**350 943 492**

Statement of changes in equity

DnB NOR Boligkreditt AS

Amounts in NOK 1 000	Share capital	Share premium reserve	Other equity	Total equity
Balance sheet as at 1 January 2010, Norwegian IFRS regulations	1 577 000	8 343 000	1 730 446	11 650 446
Transition to IFRS				
IAS 10/IAS 32 - Classification of dividends and group contributions as equity	-	-	-	0
Other	-	-	-	0
Total effects of transition to IFRS	0	0	0	0
Balance sheet as at 1 January 2010 (IFRS)	**1 577 000**	**8 343 000**	**1 730 446**	**11 650 446**
Profit for the period	-	-	382 834	382 834
Comprehensive income for the period	0	0	382 834	382 834
Balance sheet as at 31 March 2010 (IFRS)	**1 577 000**	**8 343 000**	**2 113 280**	**12 033 280**
Balance sheet as at 31 December 2010, Norwegian IFRS regulations	**1 577 000**	**8 343 000**	**2 827 754**	**12 747 754**
Transition to IFRS				
IAS 10/IAS 32 - Classification of dividends and group contributions as equity	-	-	864 000	864 000
Other	-	-	-	0
Total effects of transition to IFRS	0	0	864 000	864 000
Balance sheet as at 1 January 2011	**1 577 000**	**8 343 000**	**3 691 754**	**13 611 754**
Profit for the period	-	-	287 082	287 082
Comprehensive income for the period	0	0	287 082	287 082
Balance sheet as at 31 March 2011	**1 577 000**	**8 343 000**	**3 978 836**	13 898 836

Cash flow statement

DnB NOR Boligkreditt AS

Amounts in NOK 1 000	1 st quarter 2011	1st quarter 2010	Full year 2010	Full year 2009
OPERATIONS				
Payments on loans to customers	(5 549 287)	(6 761 024)	(24 275 588)	(50 267 555)
Interest received from customers	3 519 749	2 695 977	12 687 292	10 547 814
Net receipts on commissions and fees	10 483	10 245	43 964	40 953
Payments to operations	(440 782)	(78 955)	(1 143 483)	(729 714)
Taxes paid	-	-	-	(66 881)
Other receipts	1 515	4 146	6 538	1 344
Net cash flow relating to operations	**(2 458 322)**	**(4 129 610)**	**(12 681 277)**	**(40 474 039)**
INVESTMENT ACTIVITY				
Net purchase of loan portfolio	9 632 327	8 958 136	36 187 985	88 604 098
Net cash flow relating to investment activity	**(9 632 327)**	**(8 958 136)**	**(36 187 985)**	**(88 604 098)**
FUNDING ACTIVITY				
Net receipts/payments on loans from credit institutions	(11 358 632)	(4 287 652)	(8 454 473)	20 933 278
Net receipts/payments on other short-term liabilities	86 109	6 492	(41 605)	7 531
Net issue of bonds and commercial paper	25 962 752	20 155 710	66 421 808	110 155 476
Issue of subordinated loan capital	-	-	-	850 000
Repurchase of own shares/share issue	-	-	-	4 250 000
Dividend payments	-	-	-	180 000
Interest payments on funding activity	2 987 463	2 151 528	10 249 407	7 304 843
Net cash flow from funding activity	**11 702 765**	**13 723 022**	**47 676 324**	**128 711 442**
Net cash flow	**(387 883)**	**635 275**	**(1 192 938)**	**(366 696)**
Cash as at 1 January	620 807	1 813 745	1 813 745	2 180 441
Net receipts/payments on cash	(387 884)	635 275	(1 192 938)	(366 696)
Cash at end of period	232 923	2 449 020	620 807	1 813 745

The cash flow statement shows receipts and payments of cash and cash equivalents during the period. The statement has been prepared in accordance with the direct method. Cash flows are classified as operating activities, investment activities or funding activities. Cash is defined as cash and deposits with central banks, and deposits with credit institutions with no agreed period of notice.

Note 1 – Accounting principles

The first quarter accounts 2011 have been prepared according to IAS 34 Interim Financial Reporting.

Up until 31 December 2010, DnB Boligkreditt AS prepared accounts according to Norwegian accounting legislation and the Norwegian Ministry of Finance's regulations on annual accounts, Section 1-5, on simplified use of international accounting standards, hereinafter called the Norwegian IFRS regulations. Among other things, these regulations give permission to record allocated dividends and group contributions as liabilities on the balance sheet date.

A description of the accounting principles applied by the company is found in the annual report for 2010. The company's accounting principles and calculation methods are essentially the same as those described in the annual report for 2010. The only exception is that allocated group contributions according to IFRS are classified as equity up until approved by the general meeting.

None of the new or amended accounting standards or interpretations which entered into force during the first quarter of 2011 had any material impact on the company's accounts.

The accounts for the first quarter of 2011 were approved by the Board of Directors on 11 May 2011.

Transition to IFRS

DnB NOR Boligkreditt AS implemented IFRS with effect from 1 January 2011. The opening balance sheet according to IFRS was as at 1 January 2010. Comparable figures have been restated. The transition from Norwegian IFRS regulations to IFRS had no effect on balance sheet values, with the exception of the classification of allocated group contributions from liabilities to equity. The reconciliation of the company's equity in connection with the transition from Norwegian IFRS regulations to IFRS is shown under "Statement of changes in equity".

Total profits for the period – transition from Norwegian IFRS regulations to IFRS

The transition from Norwegian IFRS regulations to IFRS with effect from 1 January 2011 had no effect on the company's profits.

Operating segments

The company has operations within only one operating segment according to IFRS 8. Profits for the segment totalled NOK 398.7 million in the first quarter of 2011. The company uses the information in the income statement and balance sheet also in its internal reporting.

Note 2 – Important accounting estimates and discretionary assessments

When preparing the accounts of DnB NOR Boligkreditt AS, management makes estimates and discretionary assessments and prepares assumptions that influence the effect of the accounting principles applied and thus the recorded values of assets and liabilities, income and expenses. A more detailed account of important estimates and assumptions is presented in note 1 Important accounting estimates and discretionary assessments in the annual report for 2010.

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Note 3 – Net interest income

DnB NOR Boligkreditt AS

Amounts in NOK 1 000	1st quarter 2011	1st quarter 2010	Full year 2010	Full year 2009
Interest on loans to and deposits with credit institutions	14 863	13 746	51 140	84 146
Interest on loans to customers	3 513 797	2 708 939	12 602 761	10 184 177
Front-end fees etc.	81	28	2 983	3 523
Other interest income	42 063	36 831	158 468	122 281
Total interest income	**3 570 804**	**2 759 543**	**12 815 101**	**10 394 127**
Interest on loans and deposits from credit institutions	670 562	701 546	2 971 639	2 513 773
Interest on debt securities issued	2 306 662	1 585 157	7 709 541	5 833 959
Interest on subordinated loan capital	33 905	30 633	134 341	110 931
Other interest expenses [1)]	(29 608)	(119 427)	(320 182)	(1 026 565)
Total interest expenses	**2 981 521**	**2 197 909**	**10 495 338**	**7 432 098**
Net interest income	**589 283**	**561 634**	**2 319 763**	**2 962 029**

1) Other interest expenses include interest rate adjustments resulting from interest rate swaps entered into.

Note 4 – Net other operating income

DnB NOR Boligkreditt AS

Amounts in NOK 1 000	1st quarter 2011	1 st quarter 2010	Full year 2010	Full year 2009
Money transfer fees receivable	1 065	726	3 484	2 263
Sundry commissions and fees receivable on banking services	9 892	9 937	42 301	43 609
Total commissions and fees receivable etc.	**10 957**	**10 663**	**45 785**	**45 872**
Fees on custodial services payable	474	444	1 862	1 332
Credit broking commissions	-	-	(97)	(2 508)
Sundry commissions and fees payable on banking services	-	(25)	56	6 095
Total commissions and fees payable etc.	**474**	**419**	**1 821**	**4 919**
Other operating income [1)]	1 515	4 146	6 538	2 244
Total other operating income	**1 515**	**4 146**	**6 538**	**2 244**
Net gains on financial instruments at fair value	**149 660**	**304 779**	**1 688 008**	**(924 089)**
Net other operating income	**161 659**	**319 169**	**1 738 511**	**(880 892)**

1) Other operating income represents fees from DnB NOR Næringskreditt for hired personnel.

Note 5 – Net gains on financial instruments at fair value

DnB NOR Boligkreditt AS

Amounts in NOK 1 000	1st quarter 2011	1 st quarter 2010	Full year 2010	Full year 2009
Net gains on foreign exchange and financial derivatives, trading	(405 931)	95 459	441 752	(416 747)
Total gains on foreign exchange and financial derivatives, trading	(405 931)	95 459	441 752	(416 747)
Net gains on loans at fair value	(240 234)	193 843	6 513	13 181
Net gains on financial liabilities, other	795 825	48 704	1 239 743	(487 542)
Total gains on financial instruments, designated as at fair value	555 592	242 546	1 246 256	(474 361)
Net gains on financial derivatives, hedging [1) 2)]	(3 339 157)	1 149 923	(2 985 209)	353 317
Net gains on financial liabilities, hedged items [1) 2)]	3 339 157	(1 183 150)	2 985 209	(386 299)
Ineffectiveness in hedging	-	(33 227)	0	(32 982)
Total gains on financial instruments at fair value	**149 660**	**304 779**	**1 688 008**	**(924 089)**

1) With respect to hedged liabilities, the hedged risk is recorded at fair value, while the rest of the instrument is recorded at amortised cost. Derivatives used for hedging are recorded at fair value. Changes in fair value arising from hedged risk are presented under Financial derivatives,hedging.

2) DnB NOR Boligkreditt AS uses hedge accounting for long-term borrowings in foreign currency. Loans are hedged 1:1 through contracts where there is perfect correlation between currencies, interest rate flows and the hedging instrument.

Note 6 – Operating expenses

DnB NOR Boligkreditt AS

Amounts in NOK 1 000	1st quarter 2011	1st quarter 2010	Full year 2010	Full year 2009
Ordinary salaries	3 856	3 345	13 393	10 900
Employer's national insurance contributions	582	554	2 127	1 623
Pension expenses	1 681	1 362	2 251	3 873
Social expenses	517	243	1 524	1 399
Total salaries and other personnel expenses	**6 636**	**5 503**	**19 294**	**17 796**
			-	
Fees	321 575	359 156	1 279 234	779 765
EDP expenses	-	1	1	6
Postage and telecommunications	9	5	21	33
Office supplies	14	5	12	16
Marketing and public relations	1	3	14	34
Travel expenses	104	115	375	368
Training expenses	1	96	258	175
Operating expenses on properties ans premises	188	220	717	679
Operating expenses on machinery, vehicles and office equipment	6	9	61	28
Other operating expenses	188	108	1 464	2 503
Other expenses	**322 087**	**359 716**	**1 282 156**	**783 607**
Total operating expenses	**328 723**	**365 220**	**1 301 451**	**801 404**

Last five quarters

DnB NOR Boligkreditt AS

Amounts in NOK 1 000	1st quarter 2011	4th quarter 2010	3rd quarter 2010	2nd quarter 2010	1st quarter 2010
Ordinary salaries	3 856	3 609	3 360	3 079	3 345
Employer's national insurance contributions	582	582	517	474	554
Pension expenses	1 681	(1 763)	780	1 872	1 362
Social expenses	517	617	343	321	243
Total salaries and other personnel expenses	**6 636**	**3 044**	**5 000**	**5 747**	**5 503**
Fees	321 575	368 190	291 784	260 103	359 156
EDP expenses	-	-	-	-	1
Postage and telecommunications	9	5	5	5	5
Office supplies	14	4	2	1	5
Marketing and public relations	1	3	1	6	3
Travel expenses	104	186	48	26	115
Training expenses	1	9	16	138	96
Operating expenses on properties ans premises	188	174	167	156	220
Operating expenses on machinery, vehicles and office equipment	6	21	3	28	9
Other operating expenses	188	95	1 168	94	108
Other expenses	**322 087**	**368 688**	**293 194**	**260 557**	**359 716**
Total operating expenses	**328 723**	**371 733**	**298 194**	**266 304**	**365 220**

Note 7 – Number of employees/full-time positions

DnB NOR Boligkreditt AS

	1st quarter 2011	1st quarter 2010	Full year 2010	Full year 2009
Number of employees at end of period	14	15	14	14
Number of employees calculated on a full-time basis at end of period	14	15	14	14

Note 8 – Write-downs on loans

DnB NOR Boligkreditt AS

Amounts in NOK 1 000	1st quarter 2011	1st quarter 2010	Full year 2010	Full year 2009
Write-offs	1 319	27	18 425	4 230
New individual write-downs	21 044	21 453	51 788	47 354
Total new individual write-downs	22 363	21 480	70 213	51 584
Reassessed individual write-downs	16 972	38 603	52 663	10 482
Total individual write-downs	5 391	(17 123)	17 550	41 102
Recoveries on commitments previously written off	141	7	269	62
Change in collective write-downs [1)]	18 243	1 000	15 500	22 000
Write-downs on loans	**23 493**	**(16 130)**	**32 781**	**63 040**

1) Based on the DnB NOR Group's calculation model and statistics.

A more detailed account of write-downs on loans is presented in note 1 Important accounting estimates and discretionary assessments in the annual report for 2010.

Note 9 – Lending to customers

DnB NOR Boligkreditt AS

Amounts in NOK 1 000	31 March 2011	31 Dec. 2010	31 March 2010	31 Dec. 2009
Lending to customers, nominal amount	388 072 969	372 959 074	331 381 271	315 758 378
Individual write-downs	33 635	33 888	22 584	39 407
Lending to customers, after individual write-downs	388 039 334	372 925 186	331 358 687	315 718 971
+ Accrued interest and amortisation	803 190	786 348	767 683	714 542
– Individual write-downs of accrued interest and amortisation	28 474	26 391	19 294	17 187
Lending to customers, at amortised cost	**388 814 050**	**373 685 144**	**332 107 076**	**316 416 326**
Lending to customers, nominal amount	23 828 206	23 760 488	20 593 878	20 497 611
Individual write-downs	1 275	-	686	-
Lending to customers, after individual write-downs	23 826 931	23 760 488	20 593 192	20 497 611
+ Accrued interest	58 612	56 238	50 835	49 676
+ Adjustment to fair value	3 805	244 039	431 369	237 526
Lending to customers, at fair value	**23 889 348**	**24 060 765**	**21 075 395**	**20 784 813**
– Collective write-downs	123 743	105 500	91 000	90 000
Lending to customers	**412 579 655**	**397 640 408**	**353 091 472**	**337 111 139**

Note 10 – Debt securities issued

Debt securities issued — **DnB NOR Boligkreditt AS**

Amounts in NOK 1000	31 March 2011	31 Dec. 2010	31 March 2010	31 Dec. 2009
Bond debt, nominal amount	310 091 676	285 010 673	240 495 933	223 235 698
Adjustments	399 387	4 394 873	8 788 526	7 316 080
Total debt securities issued	**310 491 063**	**289 405 546**	**249 284 459**	**230 551 778**

Changes in debt securities issued — **DnB NOR Boligkreditt AS**

Amounts in NOK 1000	Balance sheet 31 March 2011	Issued 2011	Matured/ redeemed 2011	Exchange rate movements 2011	Other adjustments 2011	Balance sheet 31 Dec. 2010
Bond debt, nominal amount	310 091 676	43 454 752	(17 492 000)	(881 749)	-	285 010 673
Adjustments	399 387	-	-	-	3 995 486	4 394 873
Total debt securities issued	**310 491 063**	**43 454 752**	**(17 492 000)**	**(881 749)**	**3 995 486**	**289 405 546**

Maturity of debt securities issued — **DnB NOR Boligkreditt AS**

	NOK	Foreign currency	Total
2011	-	16 063 470	16 063 470
2012	-	13 264 945	13 264 945
2013	13 734 000	16 572 799	30 306 799
2014	22 500 000	-	22 500 000
2015	19 964 000	37 546 701	57 510 701
2016	22 900 000	32 380 653	55 280 653
2017 and later	57 372 000	57 793 106	115 165 106
Total bond debt	136 470 000	173 621 675	310 091 676

Debt securities issued - matured/redeemed during the quarter — **DnB NOR Boligkreditt AS**

Amounts in NOK 1 000 ISIN Code	Nominal value	Currency	Interest	Issued	Matured		31 March 2011	31 Dec. 2010
XS0343679220	50 000	EUR	Floating	2008	2011	Matured	-	390 697
XS0345378524	8 000 000	JPY	Floating	2008	2011	Matured	-	575 080
NO 0010473820	14 000 000	NOK	Floating	2008	2015	Redeemed	-	14 000 000
NO 0010477706	2 686 000	NOK	Floating	2008	2015	Redeemed	14 214 000	16 900 000
Total debt securities issued, nominal value							**14 214 000**	**31 865 777**

Cover pool

DnB NOR Boligkreditt AS

Amounts in NOK 1 000	31 March 2011	31 Dec. 2010	31 March 2010	31 Dec. 2009
Pool of eligible loans	403 744 832	388 579 135	331 150 670	311 366 221
Market value of derivatives	(460 282)	6 869 437	2 879 070	9 867 522
Supplementary assets	-	-	2 243 636	1 556 719
Total collateralised assets	**403 284 550**	**395 448 572**	**336 273 376**	**322 790 462**
Over-collateralisation	129 %	135 %	135 %	140 %

Note 11 – Subordinated loan capital

Subordinated loan capital

DnB NOR Boligkreditt AS

Amounts in NOK 1 000	Nominal	Currenc	Interest rate	Issue date	Maturity date	31 March 2011	31 Dec. 2010	31 March 2010	31 Dec. 2009
Term subordinated loan capital	350 000	NOK	3 month Nibor + 35 bp	2006	2016	350 000	350 000	350 000	350 000
Term subordinated loan capital	150 000	NOK	3 month Nibor + 20 bp	2007	2017	150 000	150 000	150 000	150 000
Term subordinated loan capital	230 000	NOK	3 month Nibor + 20 bp	2007	2017	230 000	230 000	230 000	230 000
Term subordinated loan capital	300 000	NOK	3 month Nibor + 75 bp	2007	2017	300 000	300 000	300 000	300 000
Term subordinated loan capital	1 200 000	NOK	3 month Nibor + 152 b	2008	2018	1 200 000	1 200 000	1 200 000	1 200 000
Term subordinated loan capital	850 000	NOK	3 month Nibor + 400 b	2009	2019	850 000	850 000	850 000	850 000
Adjustments						9 856	9 705	9 644	8 670
Total	**3 080 000**					**3 089 856**	**3 089 705**	**3 089 644**	**3 088 670**

Note 12 - Capital adequacy

DnB NOR Boligkreditt AS comply to the Basel II regulations.

Primary capital

DnB NOR Boligkreditt AS

Amounts in NOK 1 000	31 March 2011	31 Dec. 2010
Share capital	1 577 000	1 577 000
Other equity	12 034 654	11 170 754
Total equity	13 611 654	12 747 754
Deductions		
50 percent expected losses, IRB-portfolios	(157 772)	(151 617)
Portion of unrecognised actuarial (gains)/losses	(752 802)	(752 802)
Allocated group contributions for payment	(864 000)	-
Core capital [1)]	11 837 080	11 843 335
Term subordinated loan capital	3 080 000	3 080 000
Supplementary capital	3 080 000	3 080 000
Deductions		
50 percent expected losses, IRB-portfolios	157 772	151 617
Total eligible primary capital	14 759 308	14 771 718
Risk-weighted volume	168 035 074	159 126 275
Minimum capital requirement	13 442 806	12 730 102
Core capital ratio (%)	7,0	7,4
Capital ratio (%)	8,8	9,3

Due to transitional rules, the minimum capital requirement for 2011 cannot be reduced below 80 per cent in relation to the requirements according to Basel I rules.

Capital adequacy for the first quarter is reported according to the transitional rules.

The Schedule below shows capital adequacy according to Basel II without regard to the rules of transition.

DnB NOR Boligkreditt AS

Amounts in NOK 1 000	31 March 2011	31 Dec. 2010
Risk-weighted volume, Basel II	60 431 950	54 102 588
Minimum capital requirement, Basel II	4 834 556	4 328 207
Core capital ratio (%)	19.6	21.9
Capital ratio (%)	24.4	27.3

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

Note 13 – Credit risk

Credit risk is the risk of losses due to failure on the part of the company's counterparties or customers to meet their payment obligations towards the company. Credit risk represents the chief risk category for the company and refers to all claims against customers, mainly loans. Commitments in the form of approved, undisbursed loans, undrawn credits, as well as counterparty risk arising through derivatives and foreign exchange contracts, also entail credit risk. Settlement risk, which arises in connection with payment transfers as not all transactions take place in real time, also involves counterparty risk.

According to the Group's credit policy, which DnB NOR Boligkreditt AS is required to follow, the principal objective for credit activity is that the loan portfolio should have a quality and a composition which secure the Group's profitability in the short and long term. The quality of the credit portfolio should be consistent with DnB NOR's low risk profile target. If the customer has not proven a satisfactory debt servicing capacity, credit should normally not be extended even if the collateral is adequate. The value of collateral should be assessed based on estimated realisation value. The portfolio should be sufficiently flexible and liquid to permit sales. Commitments showing a negative trend must be identified and be subject to special monitoring.

DnB NOR Boligkreditt AS uses residential property as collateral to reduce the risk related to customers' willingness and capacity to service their debt. As a rule, the physical objects used as collateral must be insured. When approving loans, an objective appraisal of the residential property must be available. In addition, aspects which may influence collateral value must be taken into account, for example concession terms or encumbrances.

As a mortgage institution entitled to issue covered bonds, the company is subject to special stipulations concerning the loan-value ratio of collateral and which assets may serve as collateral. The company's strategy is to grant residential mortgages secured within 75 per cent of appraised value. For some types of residential property, the company extends loans within 60 per cent of appraised value. In order to ensure optimal funding terms for the Group, DnB NOR Boligkreditt issues new loans or acquires loans from DnB NOR Bank ASA when the collateral and loan-value ratio meet these requirements.

Note 14 – Liquidity risk

Liquidity risk is the risk that the company will be unable to meet its payment obligations.

The Board of Directors sets annual limits for the company's liquidity risk, which means preparing liquidity risk limits, contingency plans, organisational aspects and responsibilities, forecasts, stress tests, routines for monitoring limit utilisation and compliance with guidelines, management reporting and independent monitoring of management and control systems.

Covered bonds are the company's primary source of funding. The aim is that liquidity flows from lending activity and from funding activity should be as similar as possible. Funding in excess of outstanding bond debt is in the form of primary capital and a long-term overdraft facility in DnB NOR ASA with a total limit of NOK 130 billion.

According to Section 2-32 of the Financial Institutions Act: "the mortgage institution shall ensure that payment flows from the cover assets at all times enable the mortgage institution to meet its payment obligations to the owners of bonds with preferential rights and counterparties in derivative agreements". The company's Board of Directors has decided that the company shall, at all times, have positive cash flows within the next 12 months.

According to Section 6 in the regulations on sound liquidity management, "the institution shall analyse the liquidity situation by means of stress tests, which must be adapted to the scope, complexity and risk of operations. Experience from the stress tests shall be used when the Board of Directors considers the liquidity strategy and approves liquidity risk limits".

As part of liquidity risk management, the company prepares liquidity stress tests with quarterly reporting to the Board of Directors. Important parameters in the stress tests are developments in non-performing volume and reductions in housing prices.

DnB NOR Boligkreditt AS's liquidity situation at end of first quarter 2011 can be characterised as sound.

Note 15 Market risk

Conditions for calculating market risk

Market risk arises as a consequence of open positions in foreign exchange, interest rate, commodity and equity instruments. Risk is linked to variations in financial results due to fluctuations in market prices and exchange rates. DnB NOR Boligkreditt AS is not exposed to market risk linked to commodities and equity instruments.

Currency risk

The company has eliminated currency risk through currency swap agreements with DnB NOR Bank ASA linked to all principal amounts and interest rate payments.

Interest rate risk

The company is exposed to interest rate risk through its ordinary operations. The company's strategy is to swap to short-term fixed interest on all interest income and interest expenses. Fixed interest on the company's funding is managed through interest rate swaps and is managed relative to the company's funding and customer loan portfolios.

Basis risk

DnB NOR Boligkreditt uses interest rate and currency swaps to convert funding in foreign currencies to Norwegian kroner. The company extends loans in Norwegian kroner, though its funding is denominated in a number of other currencies. A typical example is that the company issues bonds denominated in euros which are swapped to Norwegian kroner through a basis swap. The company will thus pay interest in Norwegian kroner based on a swap curve which has been reduced or increased by a margin, and receive interest in euros. The margin requirements may vary a great deal from day to day and causes volatility in profits which cannot be reduced through economic hedges.

Note 16 - Information on related parties

Major transactions with related parties:

DnB NOR Bank ASA

DnB NOR Boligkreditt AS is 100 per cent owned by DnB NOR Bank ASA. As part of ordinary business transactions, a large number of banking transactions are entered into between DnB NOR Boligkreditt AS (Boligkreditt) and DnB NOR Bank ASA (the bank), including loans, deposits and financial derivatives used in currency and interest rate risk management. Transactions are carried out on market terms and are regulated in the ”Agreement relating to transfer of loan portfolio between DnB NOR Bank ASA and DnB NOR Boligkreditt AS” (the transfer agreement) and the ”Contract concerning purchase of management services” (the servicing agreement).

The transfer agreement regulates the transfer of loan portfolios qualifying as collateral for the issue of covered bonds. During the first quarter of 2011, portfolios of NOK 9.6 billion were transferred from the bank to Boligkreditt. The transfers are based on market terms.

Pursuant to the servicing agreement, Boligkreditt purchases services from the bank, including administration, bank production, distribution, customer contact, IT operations, financial and liquidity management. Boligkreditt pays a monthly management fee for these services based on the lending volume under management and the lending spread achieved. The fee paid for the first quarter of 2011 totalled NOK 317 million.

In the balance sheet, lending to and deposits with credit institutions and also loans and deposits from credit institutions are solely outstandings with DnB NOR Bank ASA.
DnB NOR Bank ASA net holdings of covered bonds issued by DnB NOR Boligkreditt was valued at NOK 109.8 billion at end-March 2011.

Vital Forsikring ASA

As part of the company's ordinary investment activity, Vital Forsikring ASA (Vital) has subscribed for covered bonds issued by Boligkreditt. Vital's investments in Boligkreditt are limited to listed covered bonds. Vital's holding of Boligkreditt bonds was valued at NOK 8.5 billion at end-March 2011.

DnB NOR Næringskreditt AS

All employees in DnB NOR Boligkreditt AS are to a varying extent hired out to DnB NOR Næringskreditt AS. The relevant personnel expenses are thus invoiced to Næringskreditt. The fee paid for such services amounted to NOK 1.5 million for the first quarter of 2011.

Note 17 – Contingencies and post-balance sheet events

DnB NOR Boligkreditt is party to no legal actions.

Key figures

DnB NOR Boligkreditt AS

	1 st quarter 2011	1 st quarter 2010	Full year 2010	Full year 2009
1. Return on equity, annualised (%) [1)]	8,74	13,0	16,0	9,7
2. Core (Tier 1) capital ratio at end of period (%)	7,0	7,5	7,4	7,9
3. Capital adequacy ratio at end of period (%)	8,8	9,5	9,3	10,0
4. Core capital at end of period (NOK 1000)	11 837 080	11 672 445	11 843 335	11 552 178
5. Risk-weighted volume at end of period (NOK 1000)	168 035 074	152 782 614	159 126 275	145 568 721
6. Write-downs relative to net lending to customers, annualised	0,02	(0,02)	0,01	0,01
7. Net non-performing and impaired commitments, per cent of net lending	0,15	0,13	0,14	0,10
8. Net non-performing and impaired commitments at end of period (NOK 1 000)	629 242	467 946	562 891	324 377
9. Number of full-time positions at end of period	14	15	14	14

Definitions

1) Average equity is calculated on the basis of recorded equity.

Profit and balance sheet trends

Income statement

DnB NOR Boligkreditt AS

Amounts in NOK 1 000	1st quarter 2011	4th quarter 2010	3rd quarter 2010	2nd quarter 2010	1st quarter 2010
Total interest income	3 570 804	3 538 337	3 402 096	3 115 125	2 759 543
Total interest expenses	2 981 521	2 895 360	2 844 705	2 557 365	2 197 909
Net interest income	**589 283**	**642 977**	**557 391**	**557 761**	**561 634**
Commissions and fees receivable etc.	10 957	12 280	11 919	10 923	10 663
Commissions and fees payable etc.	474	511	458	434	419
Net gains on financial instruments at fair value	149 660	1 305 655	(142 321)	219 895	304 779
Other income	1 515	1 505	1 770	(882)	4 146
Net other operating income	**161 659**	**1 318 930**	**(129 090)**	**229 502**	**319 169**
Total income	**750 941**	**1 961 907**	**428 300**	**787 263**	**880 803**
Salaries and other ordinary personnel expenses	6 636	3 044	5 000	5 747	5 503
Other expenses	322 087	368 688	293 194	260 557	359 716
Total operating expenses	**328 723**	**371 733**	**298 194**	**266 304**	**365 220**
Write-downs on loans and guarantees	23 493	27 486	(4 980)	26 404	(16 130)
Pre-tax operating profit	**398 725**	**1 562 688**	**135 086**	**494 554**	**531 713**
Taxes	111 643	437 555	37 824	138 475	148 880
Profit for the period	**287 082**	**1 125 133**	**97 262**	**356 079**	**382 834**
Earnings per share (NOK)	18,20	71,35	6,17	22,58	24,28
Diluted earnings per share (NOK)	18,20	71,35	6,17	22,58	24,28

Balance sheets

DnB NOR Boligkreditt AS

Amounts in NOK 1 000	31 March 2011	31 Dec. 2010	30 Sep. 2010	30 June 2010	31 March 2010
Assets					
Lending to and deposits with credit institutions	232 923	620 807	1 705 739	1 826 256	2 449 020
Lending to customers	412 579 655	397 640 408	383 365 969	368 422 044	353 091 472
Financial derivatives	9 816 553	12 079 717	17 112 331	14 006 975	11 361 655
Other assets	-	186 801	125 664	127 349	43 964
Total assets	**422 629 131**	**410 527 733**	**402 309 703**	**384 382 625**	**366 946 111**
Liabilities and equity					
Loans and deposits from credit institutions	82 948 006	94 306 638	88 508 342	95 898 995	98 473 459
Financial derivatives	10 276 835	8 315 131	5 333 506	3 464 775	2 754 225
Debt securities issued	310 491 063	289 405 545	291 659 029	268 439 501	249 284 459
Payable taxes	1 238 413	790 770	325 179	287 355	148 880
Deferred taxes	407 630	407 630	771 666	771 666	771 666
Other liabilities	248 513	1 434 581	103 750	9 397	360 161
Provisions	29 980	29 980	32 045	32 045	30 337
Subordinated loan capital	3 089 856	3 089 705	3 089 566	3 089 531	3 089 644
Total liabilities	**408 730 295**	**397 779 981**	**389 823 082**	**371 993 266**	**354 912 830**
Share capital	1 577 000	1 577 000	1 577 000	1 577 000	1 577 000
Other reserves and retained earnings	12 321 836	11 170 754	10 909 620	10 812 359	10 456 280
Total equity	**13 898 836**	**12 747 754**	**12 486 620**	**12 389 359**	**12 033 280**
Total liabilities and equity	**422 629 131**	**410 527 733**	**402 309 703**	**384 382 625**	**366 946 111**

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Other sources of information

Annual reports
DnB NOR Boligkreditt AS is part of the DnB NOR Bank Group and the DnB NOR Group. Annual reports for DnB NOR Boligkreditt AS, the DnB NOR Bank Group and the DnB NOR Group are available on www.dnbnor.no.

Quarterly publications
Quarterly reports are available on www.dnbnor.no

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