



PHOTO: THOMAS BØRNFLATEN

ANNUAL REPORT 2005

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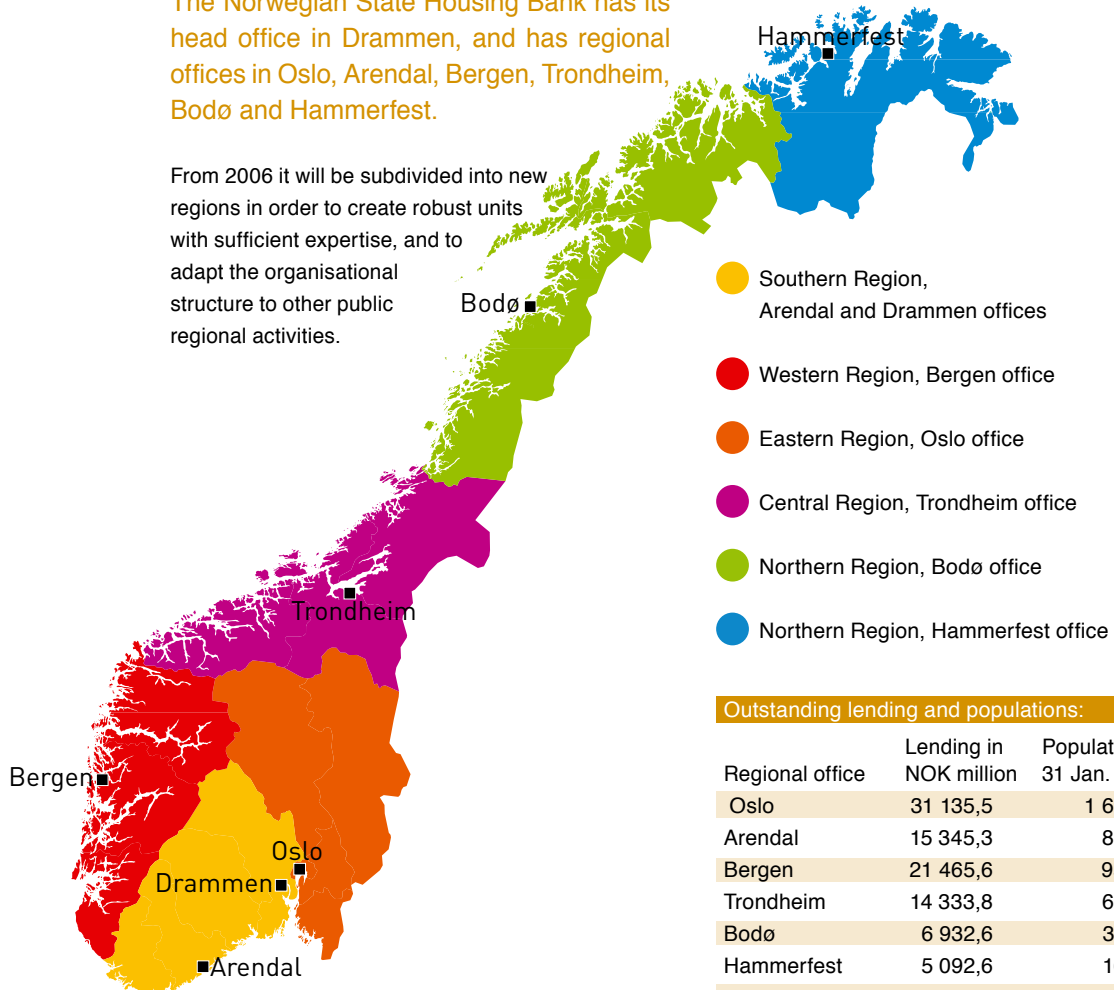
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THE NORWEGIAN STATE HOUSING BANK'S OFFICES

The Norwegian State Housing Bank has its head office in Drammen, and has regional offices in Oslo, Arendal, Bergen, Trondheim, Bodø and Hammerfest.

From 2006 it will be subdivided into new regions in order to create robust units with sufficient expertise, and to adapt the organisational structure to other public regional activities.



THE EXECUTIVE BOARD CHAIRMAN: Monica Mæland • **Board members:** Barbro Lill Hætta Jacobsen, Rolf Myhre, Øystein Gottfred Sjøtveit, Heming Olaussen • **Deputies:** Birger Westlund, Håkon Økland, Liv Røssland, Rolf Mikaelson, Liv Andersen

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BODØ REGIONAL BOARD Chairman: Anne-Britt Norø • **Board members:** Hugo Bjørnstad, Lisbet Holand • **Deputies:** Marte Ann Helness, Odd Johan Henriksen, Guri Helene Ingebrigtsen

TRONDHEIM REGIONAL BOARD Chairman: Kristian Wibe • **Board members:** Anne Sofie Hunstad, Arve Tonning • **Deputies:** Bjørg Brusset, Paul Ludvig Almåsvold, Astri Marie Wessel

HAMMERFEST REGIONAL BOARD Leder: Alf Birger Olsen • **Board members:** Rolf Arne Hanssen, Bodil Andersen • **Deputies:** Kirsti Saxi, Ulf Tore Isaksen, Randi Tennefoss

HISTORICAL CONTEXT

The Housing Bank was established by the Norwegian parliament on 1 March 1946 in order to “provide central and local government support for reconstruction and new building”. Since its foundation, the Housing Bank has been the government’s most important tool in the implementation of its housing policy.

The Housing Bank is a state-owned bank run by the Ministry of Local Government and Regional Development, which borrows money from the government, and receives appropriations to cover its administrative costs and subsidies through the national budget. Below you can see an outline of the characteristic features of the various periods of the Housing Bank’s 60-year history.

1946–1954: Reconstruction and new building

After the war there was an overwhelming housing shortage in the areas that had suffered most damage. The purpose of the Housing Bank was to increase the standard of housing for normal wage earners. Like today, interest rates were low in the period immediately after the war.

1954–1965: Reining in and adjusting

The end of 1950s saw a downturn in home building. The Housing Bank was no longer able to offer loans to all of its applicants. The budget set out binding frameworks for its activities, not only specifying the funds that were available to it, but also how many housing units the money was supposed to finance.

1965–1970: Rationalisation of home building

Home building increased in the period leading up to 1970, on account of industrial production methods being introduced and greater investment in housing. The Housing Bank was heavily involved in the appearance of the many suburbs.

1971–1980: Years of expansion

The 1970s were expansionary, but also contradictory. High inflation resulted in significant increases in building and site costs. Norwegian home building peaked in 1973 with nearly 45 000 homes being completed. Around 70 percent of them were financed through the Housing Bank. Separate loans for regeneration and environmental measures were introduced around 1970.

1981–1988: Deregulation of the housing market

The housing market was liberalised through measures such as prohibitions against pre-emptive rights and price regulation. Selective measures – including equity loans for young people setting up home – be-

gan to play a more important role in home financing, whilst general subsidies were reduced. The Housing Bank was also heavily involved in the large-scale re-development of towns.

1988–1996: Debt crisis and readjustment

The 1990s started with an economic downturn, debt crisis and collapse of the private banking system, which meant that the Housing Bank had to finance almost all home building. From the middle of the 90s, the Housing Bank provided means-tested subsidies, whilst general interest rate subsidies on loans were reduced. At the same time, homes with good access which were suitable for all stages of life were rewarded with increased loan disbursements.

1997–2004: From housing bank to welfare institution

At the turn of the millennium, the Housing Bank was able to demonstrate that most people have homes of a good standard, and its activities were redirected towards welfare measures. The Housing Bank and local authorities were to help people struggling in the housing market, ensuring that they had a home of a good standard.

2005 – The future of the Housing Bank

As of 2006, the Housing Bank is an important player in the social housing market, with more than 100 000 households receive housing benefit from the bank each month. The Housing Bank now operates in the knowledge economy, and it is a centre of expertise for social housing issues, leading the way in areas such as universal design, energy efficiency and structural aesthetics.



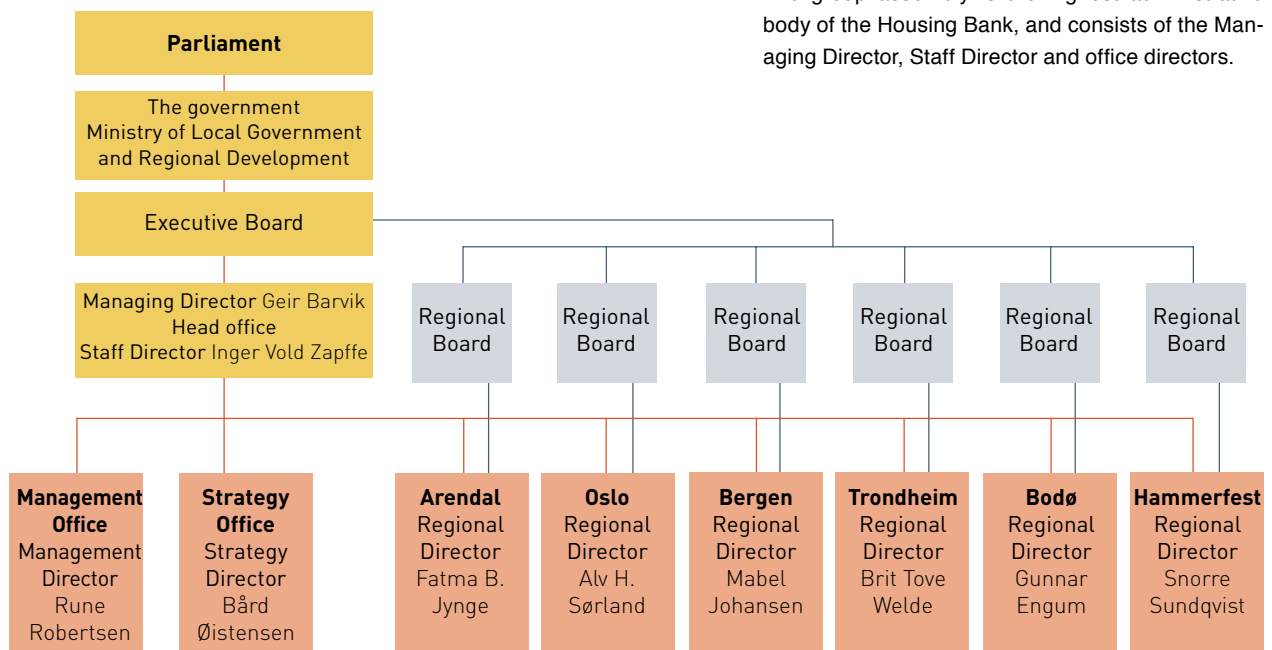
ORGANISATIONAL STRUCTURE

The organisational structures and resources of the individual regional offices have been enhanced, and they are now independent units responsible for their own financial results. The regional offices all deal with customers, and they have also been delegated responsibility for various group tasks. The strengthening of the regional offices will continue in 2006, and the regions will be reorganised to match those of other publicly owned businesses, which are the Southern, Eastern, Central and Northern Regions.

The head office and the two central offices – the Strategy Office and the Management Office – which have all been located in Drammen since 1 August 2005, deal with the government, support the regional offices and coordinate the Housing Bank's activities.

The Housing Bank has a flat organisational structure, with eight equal units each led by a director. In 2005 the Cultural Office was incorporated into the Strategy Office, and the Cultural Director was given responsibility for managing projects.

The group assembly is the highest administrative body of the Housing Bank, and consists of the Managing Director, Staff Director and office directors.



THE HOUSING BANK IS CHANGING ITS LOGO FOR ITS ANNIVERSARY

The Housing Bank's current logo has been effective, and has helped to ensure that the Husbanken brand is recognised as the most important home financing institution in Norway. The logo reflects our values such as playing by the rules, quality and prudence. The housing market has changed, and most people now have a good home. The Housing Bank's role is therefore now to ensure that the few people who the system doesn't work for also find somewhere to live.

The Housing Bank shall also contribute to projects that emphasise universal design, energy efficiency and structural aesthetics. The internal values of our organisation, which will help us to achieve our goals, are transparency, diversity and cooperation. Our new logo reflects the redirection of our activities towards helping disadvantaged people in the housing market, as well as the internal values that our work shall be based on.



HIGHLIGHTS FOR 2005

- 2005 was a record year for nursery school development. The Housing Bank approved loan applications for the creation of 8 156 new nursery school places, which is over 75% more than in the previous year.
- Almost 1 600 rented housing units for the disadvantaged received housing grants from the Housing Bank. This was an increase of over 50%, of which a major part was grants allocated to several large-scale renovation projects in Oslo.
- 2005 saw 31 600 housing starts - the highest figure since 1982. More than one in every four of the housing starts was approved for Housing Bank financing. Some 29 500 housing units were completed in 2005 - the highest figure since 1988. An economic upturn has also resulted in an increase in housing starts in the two most northern counties.
- The Housing Bank interest rate fell to a record low in 2005. With an average floating rate of 2.33%, the rate was lower than during the early post-war years. In October, the fixed rate fell to 3.5% which is the lowest level since the Housing Bank introduced fixed-rate loans in 1996.
- The Housing Bank experienced the lowest level of defaults ever registered. Non-performance loans constituted a mere 1% of total loans. Furthermore, losses were reduced to less than half of the 2004-level.
- From 2005 inclusive, a new contribution scheme has been available where local authorities can receive compensation on interest in connection with renovation of church buildings.
- On the 1st of July, the Housing Bank's new foundation loan was introduced and replaced the previous construction loan and improvement loan.
- The Housing Bank's central administration relocated to Drammen on August the 1st. The division at Arendal regional office handling customers from the counties of Buskerud, Vestfold and Telemark also moved to the new Housing Bank premises.
- Erna Solberg, the then Minister of Local Government and Regional Development, carried out the official opening of the Housing Bank's new offices in Drammen on the 21st of September. The day was appropriately marked with the announcement of a new logo and various cultural initiatives.
- October the 13th, Røråstoppen Primary School in the municipality of Re in Vestfold received the 2005 Building of the Year Award. Universal design is a central part of this project.
- Åslaug Haga, Minister of Local Government and Regional Development, visited the Housing Bank on November the 8th. She showed particular interest in the Housing Bank's role in terms of architectural tradition and local development.
- The Housing Bank's new development at Strømsø received Drammen Municipality's Architectural Award on the 24th of November.
- Emergency housing for young people who are threatened with, or are the victims of, forced marriages was the topic on an exchange of experience seminar arranged by the Housing Bank on December the 2nd. Among the delegates were representatives from the Ministry of Children and Equality, the Ministry of Local Government and Regional Development and the police.
- An ECON report on the progress of local authority start-up loans was presented in December. The report concludes that a majority of the local authorities are performing well in terms of providing housing assistance to the disadvantaged.
- Statistics Norway published its price index for multi-dwelling housing for the first time in December. The new index, which is entirely based on data from the Housing Bank, shows a significantly higher increase in price for apartment-block dwellings compared to detached houses over the past five years.



FOTO: OLAUG THORVET

PLAYGROUND · FEATURING · WOODEN WAVES



ACTIVE INVOLVEMENT

– The Housing Bank has influenced Norwegian building practice for the past 60 years, but there are still plenty of areas that need influencing,” says Geir Barvik, the Managing Director of the Housing Bank. “Our most important task is raising levels of awareness. As soon as people start thinking about good solutions, the battle has almost been won.

– How would you describe 2005, from the point of view of the Housing Bank?

– 2005 was an exciting and busy year for us, not least because it was the first year that the white paper on housing was reflected in the budget. It has given the Housing Bank many new and exciting roles, including responsibility for coordinating the project På vei til egen bolig (“A home of one’s own”), which is the government’s strategy for preventing and combating homelessness.

– Our work on this project shows the great potential of the Housing Bank as a government provider of services to local authorities, including outside our traditional area of home financing. There are certain parallels in the role that we have been given in following up the Ministry of the Environment’s project “Fjerne 100 hindringer” [“Removing 100 hurdles”], which aims to make everyday life easier for people with disabilities. These are exciting projects for the Housing Bank!

– Are there any other areas that you think are important?

– Yes. In 2005 the Housing Bank also introduced the new foundation loan, with a particular focus on aspects of homes such as universal design and sustainable energy solutions. We increased our investment in skills development through the new education and research grants. And we introduced a new strategic platform, which even more clearly defines the Housing Bank as a public welfare institution.

– You have said that providing homes to disadvantaged people will be the Housing Bank’s most important task in the coming years. Why is that?

– Throughout the post-war period the Housing Bank has worked to ensure that there is an adequate supply of housing in Norway, and now the Norwegian economy has developed to such an extent that most Norwegian people can obtain a satisfactory home on the back of their own resources. Meanwhile, the gap between the people benefiting from this economic growth and those who have been left behind has grown in recent years. But society doesn’t accept that anyone should live in inadequate housing. It is therefore important for housing policy to focus on the groups who are disadvantaged in the housing market.

– What can the Housing Bank do for people who are struggling in the housing market?

– Often it takes very little to improve people’s housing conditions. Young and disadvantaged people can apply for start-up loans to help them get their own home, and the elderly can apply for grants to adapt their homes to the needs of an ageing body, just to mention a few examples. And one of the most exciting things that we are currently involved in is working to develop housing benefit into an even more efficient tool for helping people who are struggling to get or keep a suitable home.

– How has the role of the Housing Bank changed in recent years?

– We have gradually gone from being a lender to a consultant, over an extended period of time. The regionalisation of the Housing Bank has played an important role in this process. Our regional offices are the Housing Bank in their local districts, and this means that we are now closer to municipal councils and developers throughout the country. We do not achieve our results in isolation. They come from our cooperation with municipal councils, the building industry and other stakeholders.

– What does that mean in practice?

– Perhaps our most important task is to inspire local authorities to choose good solutions. The housing market varies from one municipality to the next, and so a variety of measures need to be implemented. It is our task to guide and help local authorities to achieve the best possible solutions for their municipalities. We have exactly the same role with respect to developers. It is important that we play an active role.

– What are your expectations for the letter of intent that the Housing Bank has signed with several large developers?

– It is an exciting project. The letter of intent will increase predictability for the developers, who will find out what the Housing Bank requires and has to offer at an early stage. At the same time, we will have to spend less time looking into applications for loans from these developers. Developers who have signed a letter of intent must take issues like housing quality into consideration right from the planning stage of new projects.



– Can you say any more about the qualities that the Housing Bank wants Norwegian homes to have?

– Universal design, which means making a home accessible to everyone, must be at the root of all home building. Here it is our role to challenge some fundamental aspects of traditional Norwegian design. Take staircases, for example. If you insist on building a staircase inside or into a home, it should be due to exceptional circumstances. Today, ramps are the exception. Our task is to make ramps the rule, and staircases the exception.

– Energy efficient, sustainable homes, which are the Housing Bank's other main focus in terms of housing quality, have the advantage of being in demand on the market. This makes it easier for the industry to work on these issues, but we have found that developers are also willing to go further in other areas. Universal design doesn't actually have to be extensive per se – it's making alterations after a home has been built that costs a lot of money.

– What are the ambitions of the Housing Bank in its capacity as a centre of expertise for housing policy?

– In 2005 the Housing Bank allocated more money to education and research than ever before. This is a smart way of investing money, as research projects can generate solutions that are both better for households and cheaper for the public sector. Now we are working hard to document and distribute the knowledge gained

in the course of the individual projects that the Housing Bank has supported. Our ambition is also to share the knowledge that is available elsewhere, at universities and colleges, in the building industry and at various public bodies. The housing library that we have established in Drammen, which we want to make the best in the country, is at the heart of our efforts.

– What does 2006 hold in store for the Housing Bank?

– 2006 is the 60th anniversary of the foundation of the Housing Bank. The celebrations started on the 1st of March in Hammerfest, and will continue with events in Bodø, Trondheim, Bergen, Arendal and Oslo over the course of the year. We are celebrating the fact that for 60 years the Housing Bank has helped to ensure that Norway has had world-class housing in terms of quality and supply, which is something that we are very proud of!

– Will there be any new areas of investment?

– The Housing Bank will become more actively involved in what is called local development. Local development is all about creating vibrant local communities, and is an area that goes beyond traditional housing policy. The Housing Bank has always aimed to develop good living environments for normal people, but it is just as important that the whole local community works well.

ON THE WAY TO YOUR OWN HOUSE

Preventing and combating homelessness is a serious challenge. In order to achieve results, it is necessary for public institutions to cooperate well at various levels, and to work well with private and voluntary organisations.

On the way to your own house is the government's strategy for preventing and combating homelessness in the period 2005-2007. The Housing Bank is coordinating the implementation of this strategy, which sets out the following targets:

- The number of eviction notices shall be reduced by 50 percent, and the number of evictions by 30 percent.
- No-one shall have to stay in temporary accommodation when they are released from jail or discharged from an institution.
- No-one shall spend more than three months in temporary accommodation.

Municipal Councils have primary responsibility for ensuring that everyone has a home, with the Housing Bank acting as an important source of central government funding and expertise. At the turn of the year, the Housing Bank ran regional networks with a total of 115 participating municipalities, which exchange experiences and ideas with a view to improving services. 95 municipalities receive subsidies from the Directorate for Health and Social Affairs and/ or the Housing Bank for the establishment or development of sheltered housing for the disadvantaged, as well as for the development of new approaches and cooperative measures to combat homelessness. The number of eviction notices and evictions fell by around 20 percent in 2005. Municipal reports show that subsidies were given for 134 rented properties for homeless people in 2005, against 276 in 2004.

In 1996, the Norwegian Building Research Institute carried out a survey which estimated that there were 6200 homeless people in Norway. A similar survey in 2003 revealed that the number of homeless people had fallen to 5200. A new survey is expected to be completed during the first half of 2006.

Housing support officers build bridges and create stability

Since 2001, the Housing Bank has worked closely with the City of Oslo and the Church City Mission to help homeless people with drug and/ or mental health problems to find a home, originally through

Prosjekt Bostedsløse, but subsequently as part of the "A home of one's own" initiative. The Housing Bank has given around NOK 17.5 million in housing grants, and around NOK 10 million in regeneration loans in conjunction with three housing projects. We have also financed a project management position at the City Church Mission during the initial phase of the project, and have helped to finance the Housing School, which offers practical advice on housing matters to people moving into their own home.

The City Church Mission runs one of its housing initiatives for homeless people in the heart of the Grünerløkka district of Oslo. The initiative consists of a block of twelve flats. The target group are people who in addition to being classified as homeless people, also need additional support in their home.

The City Church Mission employs two people to support the people living there. These two positions form part of Aktivitetshuset Prindsen, which is run by the Oslo City Church Mission and financed by the Grünerløkka borough council. Olav R. Thelle (38) is an environmental therapist, and is one of four employees of Aktivitetshuset Prindsen who share the two positions.

"Our aim is to create stable homes for people who were previously unable to manage living in their own homes. The flats are let unconditionally, and tenants will only be asked to leave under exceptional circumstances," explains Thelle.

The four people working on this housing initiative in Grünerløkka are called housing support officers. Their tasks range from helping with practical tasks such as booking and keeping doctor's appointments to coordinating the efforts of various public institutions that deal with the individuals (such as social services, the benefits office, psychiatric services and the child protection agency). Thelle says that the emphasis is on building good relationships with the tenants.

"The tenants have very mixed experiences of dealing with the authorities. We build bridges to the public welfare services. Participation is not compulsory, and without a good relationship with each individual tenant it would be difficult to make it work.

We have tenants who with the help of the life skills they receive here, combined with other support measures, will be able to set up in their own homes without our support in the long term."

[homeless]

People who do not have their own accommodation at their disposal are considered houseless. This includes individuals who do not have a set place to stay for the night to come, who are left with occasional living arrangements or temporarily reside with relatives or friends, or people in institutions, in prison or similar and who do not have housing when discharged or released.



ENVIRONMENTAL · THERAPIST · OLAV · R. · THELLE · AT · THE · ACTIVITY · CENTRE · PRINSDEN

PHOTO : . ARASH . NEZAD

NORWAY'S FIRST MAJOR LOW ENERGY PROJECT

Husby Amfi in Stjørdal marks a breakthrough in Norwegian housing projects. The 56 new flats make up Norway's largest energy efficient housing development.

The aim has been to reduce energy consumption and the environmental impact by making use of a sunny location and to achieve a good indoor climate. Whilst society benefits from the fact that these homes are environmentally friendly, the occupiers benefit from lower electricity bills and greater comfort.

"At a national level, the Housing Bank's task is to ensure that homes become more environmentally friendly and to improve their quality. Energy efficient housing is a specific area of focus. Husby Amfi is a landmark project that we are proud to have helped develop and finance, and it is great to see that the occupiers can now move in," says Assistant Regional Director Georg Vesterhus of the Housing Bank.

Normal homes for normal people

"Energy efficient housing is robust, user-friendly and profitable, provides a high level of comfort and the reduced consumption of energy does not require extra work or a change of lifestyle," says Assistant Director Are Rødsjø of the Housing Bank.

At Husby Amfi we have done things like using a new type of switch that controls the heating and lighting of the home. If you are going out, you turn it off, and if you are at home, you turn it on – it's incred-

ibly simple," explains Rødsjø. Low energy homes are based on the principle of passive energy design, with the first stage being to reduce heat loss and the final stage being to select the energy source. This involves measures such as better insulation, use of the sun's energy and ventilation systems with extra high levels of heat recovery.

The Housing Bank and Husby Amfi are getting a great deal of attention

In conjunction with people moving into Husby Amfi, we held a press conference on Thursday, 13 October in order to put the spotlight on this pioneering project. This resulted in a number of stories in the media, and on Wednesday 25 January 2006, NRK 1 had an item about the Housing Bank and the low energy project in its consumer affairs programme. Crown Prince Haakon has also noticed this project, and at the opening of the energy trade fair in Essen in Germany on 14 February 2006 an enthusiastic Crown Prince singled out this project for praise.

Knowledge creates demand!

"So far the Housing Bank has focused on increasing the building industry's knowledge about energy efficient housing. We have held courses, seminars and meetings for builders, engineers, architects, estate agents and manufacturers of prefabricated houses throughout Norway. Now the time has come to raise awareness amongst home buyers of the advantages of choosing an energy efficient home when they invest in a home for themselves," says Are Rødsjø.

FACTS ABOUT THE LOW ENERGY HOUSING AT HUSBY AMFI IN STJØRDAL:

– Passive energy design* and heat pumps on grey water

Location: Husby Amfi in Stjørdal, 56 flats in two blocks.

Aims: Reducing energy consumption and the environmental impact by making use of a sunny location and achieving a good indoor climate. On account of the very sunny location, it is also important to focus on thermal comfort/ passive cooling in the summer.

Energy concept: Developed by SINTEF's Building and Environment department in cooperation with the client and architect, and with the support of the Housing Bank.

Energy consumption: Estimated energy requirements 75 kWh/m²/year. This is less than half the energy consumption of ordinary housing.

Heating system: Underfloor heating in the bathroom. The small heating requirements of other rooms is covered by small electric panel heaters. Balanced ventilation system with highly efficient heat recovery units in each flat. Joint heat recovery unit for grey water in plant room - used to pre-heat domestic hot water in joint tanks. **Design features:** Highly insulated main structure, detailing designed to minimise thermal bridges and climate protection without air leaks, sun-facing windows. Integrated blinds for sun-facing windows that open.

Extra building costs: Approx. 6 %

[low-energy housing]

Low-energy housing is homes with annual energy requirements below 100 kWh/m² (standard level approx. 150-180 kWh/m²) and annual heating requirements of less than 30 kWh/m². The low-energy home is thus the one to suit both your pocket and the environment.



PHOTO: FRANK CADAMARTERI, ADRESSEWIS4

THE BRATT/ELDEN FAMILY RECEIVES THE KEYS TO THEIR NEW APARTMENT IN HUSEBY ANFI

THE HOUSING BANK MOVES TO DRAMMEN

The Housing Bank moved into new premises in Drammen on 1 August 2005, and on 21 September Erna Solberg, the Minister of Local Government and Regional Development, performed the official opening.

As part of the project to move public sector jobs out of Oslo, the Ministry of Local Government and Regional Development asked the Housing Bank to consider the possibility of moving its head office to Lillestrøm or Drammen. The Housing Bank's management assessed the two towns, and decided to propose Drammen, and the Executive Board supported the management's proposal.

On 27 April 2005 the Norwegian parliament adopted changes to the Housing Bank Act in order to make it formally possible for the head office to move to Drammen. The recommendation of the Local Government Committee noted that: "it has been a drawn-out process during which employees have been consulted to a much greater extent than moves of other public institutions in recent years."

Choice of premises

In a competition between several existing premises and two new-build projects, the Housing Bank decided to enter into an agreement with a developer who offered a new-build designed for our activities and size, on a site approx. 200 metres from the railway station. Throughout the construction period, the Housing Bank cooperated with the developer, Røysi Invest and Skanska, the contractor. The Housing Bank is leasing the property, with a 10 year lease contract that specifies the design, use of materials, technical specifications, etc. in great detail.

The building was ready to move into on 1 August 2005 with new furnishings and working IT equipment. Erna Solberg, the Minister of Local Government and Regional Development, opened the building officially on 21 September at a ceremony that included cultural performances, a guided tour and refreshments in the new canteen. The Housing Bank also used the occasion to present its new logo, which will be introduced in its anniversary year 2006.

The office building comprises approx. 4 500 m² of floor space over 5 floors and has an underground car park. As the tenant, the Housing Bank sought to adapt the building and tailor it to our requirements. The building reflects our focus on the environment, energy efficiency, universal design and structural

aesthetics. In addition, the building shall allow the Housing Bank to safeguard its core values of transparency, diversity and cooperation. The building was awarded Drammen Municipal Council's award for structural aesthetics in 2005.

The ground floor is open to the public. "We hope that a café, technical library and an auditorium will attract professionals, students and the general public to make use of the facilities at the Housing Bank's new head office," says Ole Bjørn Edner, the Housing Bank's Cultural Director.

He says that the idea is for people to be able to pop in for a bite to eat, to enjoy themselves and to learn. The Housing Bank is aiming to offer Norway's best technical library for housing issues. The auditorium is suitable for cultural events, courses and conferences, and will benefit students, businesses and cultural institutions in Drammen.

The Housing Bank's technical library

The Housing Bank's technical library is open to the general public. There you can borrow publications from the Housing Bank's library collections, magazines and books. The technical library will also be a wi-fi hotspot. There will be places for reading and studying, and the librarian can provide advice on how best to find information.

The Housing Bank's technical library is part of the national library network. It cooperates closely with Drammen public library and the Drammen Science Park, which will be completed in the summer of 2006.

FACTS ABOUT THE HOUSING BANK'S HEAD OFFICE:

Number of employees: Approx. 140 **Departments:** Head office and Southern Region (Buskerud, Telemark and Vestfold counties) **Location:** On Strømsø Torg, Drammen in Buskerud. **Premises:** Approx. 4 500 m² on 5 floors **Owner:** Røisi Invest **Contractor:** Skanska Norge **Architect:** Filip Finell of Halvorsen og Reine AS (Drammen) **Opened:** 21 September 2005 by cabinet minister Erna Solberg **Use of materials:** Aluminium and red pine (ferric sulphate treated) and otherwise generally Norwegian building materials



PHOTO: . THOMAS . BØRNEFLATEN

THE HOUSING BANK'S NEW PREMISES IN DRAMMEN

[MAIN OBJECTIVE #1]



PROMOTE A WELL FUNCTIONING HOUSING MARKET

Aims and strategies

One important step towards achieving the government's aim of everyone having a good and safe home, is to ensure that the housing market functions as well as possible. A functioning housing market should ideally form the framework for sufficient numbers of good housing units being built as reasonably as possible. The government's most important tools for ensuring that the housing market functions properly are legislation and regulation, organisation, providing knowledge and communication, as well as the provision of good access to home financing for purchases and new-builds. The Housing Bank contributes towards home financing through loans for new-builds (construction loans until the end of 2005 and foundation loans from 1 July 2005). The Housing Bank's construction loans have been, and the new foundation loan will be, a particularly important tool in providing good quality homes for everyone. See the more detailed discussion of quality issues in the chapter on environmental and universally designed homes and neighbourhoods.

However, private credit institutions have the main responsibility for financing new homes in Norway. The Housing Bank shall supplement the private credit market, and provide loans and subsidies for purposes that are of socio-economic benefit and that are redistributive. This might include ensuring an adequate supply of homes in the regions. In order to help the housing market function properly, the Housing Bank needs tools that allow homebuyers to buy existing homes that are released as new ones appear on the market. People struggling in the housing market must also have the opportunity to find a place in the chain that new-builds generate. Start-up loans and housing grants are important tools for achieving this. The housing grants shall also help to provide additional rental properties. These measures are discussed in greater detail in the chapter on housing for disadvantaged people in the housing market.

The Norwegian housing market

After the turn of the millennium, the number of new homes being built has to some extent been significantly higher than the level in the 1990s; cf. fig. 1. 30 000 new homes were started in 2004, and this increased further in 2005 to over 31 600 units. The high level of building activity has been driven by high demand as a result of low interest rates and significant real terms increases in wages. Demand from investors can also be seen in the strong growth

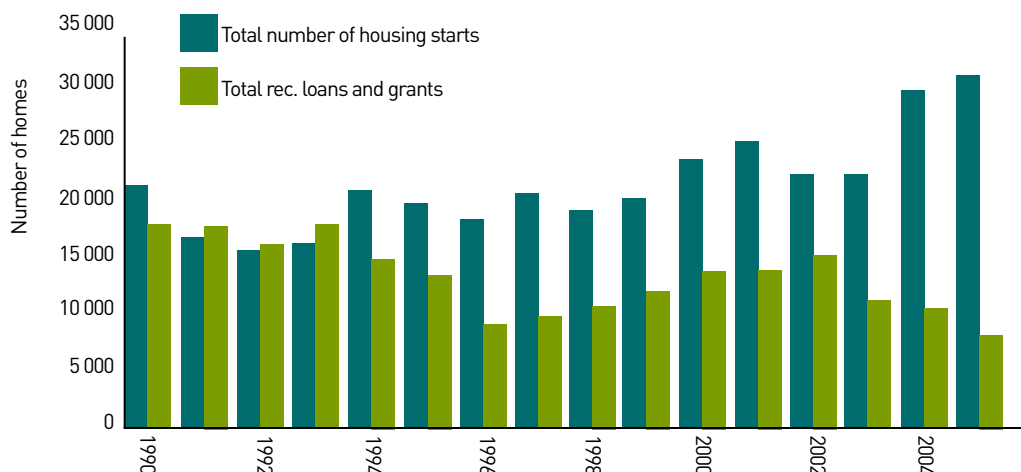
in bank mortgage lending, which for the first time has passed NOK 1 000 billion. The large increase in the number of home-starts in recent years is now resulting in a strong increase in the number of housing units being completed. The increasing supply of properties has helped to reduce pressure in the housing market. The growth in the housing stock resulting from the high numbers of new housing units being completed is expected to have a moderating influence on house prices, which rose around eight percent on average in 2005, against ten percent the previous year. The number of registered house sales has increased over the past four years, whilst the time on the market – the time from when a property is advertised until it is registered as sold – has been consistently lower in 2005 than in previous. Since the turn of the millennium, house prices have risen by over 36 percent, whilst earnings have increased by around 25 percent over the same period. However, household mortgage debt has almost doubled during that period, and there is an increasing fear that there may be a house price bubble.

The Housing Bank helps to ensure a sufficient supply of homes

In the period 2002–2005, over 95 000 housing units were completed. But over the same period the population grew by more than 100 000 people. This demonstrates that the level of house building has been very high in recent years, if you take into account the fact that the average household consists of 2.3 people. (Figures from the 2001 census). The rate of house building is now close to the capacity that can be reached without creating significant inflationary pressures. In 2005 the Housing Bank approved construction and foundation loans for a total of 8 100 homes, which corresponds to 25 percent of home starts. In 2004 this proportion was 33 percent. When houses are being built "at a rate of knots", there is less need for government intervention. The Housing Bank's total lending in 2005 was NOK 13.5 billion, which was NOK 1 billion less than the previous year.

The Housing Bank is particularly involved in ensuring that sufficient numbers of homes/ institutional places are built for special categories of users. During the period 1998–2004, we approved grants for around 19 000 sheltered homes and approx. 19 700 nursing home places within the action plan for the elderly, as well as over 3 400 sheltered homes for people covered by the psychiatric health care plan. By the end of 2005, around 18 700 of these shel-

Fig. 1: Number of housing starts 1990 - 2005



tered homes had been completed, of which around 1 500 were completed in 2005. A total of 14 164 nursing home places had been completed. In the period 2003–2005 the Housing Bank has approved NOK 550 million in grants for student housing. These grants have helped to build a total of 2 163 housing units during this period.

Good and affordable homes

One of the Housing Bank's tasks is to stimulate the building of good and affordable housing. A comparison of the average project cost or price for housing units approved for foundation loans from the Housing Bank in 2005 with the price of housing units sold during the same period shows that on average the Housing Bank homes were approx. NOK 200 000 cheaper than the overall average. After the Housing Bank changed its cost definitions to conform with the existing industry standards this kind of comparison has become more relevant (see more detailed discussion in the Housing Bank's Q3 report for 2005). The price difference in favour of the Housing Bank is particularly large for multiple unit properties, although the floor space differential for this type of home is relatively small (3–4 m² according to Statistics Norway's floor space statistics). The cost differential for detached houses is primarily due to the houses financed by the Housing Bank being significantly smaller than the average house. Flats, mainly in blocks, have traditionally been financed by the Housing Bank, and as such it is not surprising that new homes in many cases are more expensive

than existing ones. A large proportion of the new blocks of flats will also face higher investment costs in order to satisfy requirements for universal design. From the point of view of society, this will be a very good long term investment.

In addition to the Housing Bank helping to provide affordable new housing, we have tools to help disadvantaged people to buy affordable existing homes. For households who received start-up loans worth more than 90 percent of the purchase price, the average cost was around NOK 560 000.

The new foundation loan has a regional profile

Compared with 2004, more housing units were started in most Norwegian counties in 2005. There was a clear increase in activity in the two northernmost counties, largely due to the Snøhvit project. Rogaland and Hordaland were the two counties outside Oslo in which the Housing Bank approved most foundation loans for the construction of new homes in 2005. These homes were largely located outside the big towns in these two counties. The average size of the properties receiving foundation loans was slightly bigger than the size of the properties receiving construction loans in 2005. This is linked to the fact that there was a higher proportion of detached and semi-detached houses that received foundation loans, which also indicates the regional profile of this scheme. One of the goals for the foundation loan is to provide an adequate supply of housing in districts where mortgage values are low.

HOMES FOR THE DISADVANTAGED

Providing social housing is an important part of the Housing Bank's role. Through various loans and grants, and by spreading knowledge and communicating ideas, the Housing Bank helps to ensure that disadvantaged people can have their own homes in Norway.

Housing policy is central to government welfare policy. Having a good and safe home is a prerequisite for the enjoyment a good standard of living, and for the ability of individuals to participate in the various aspects of society. Our ambitions for the provision of social housing are greater than ever, and the Housing Bank is an important plank of the government's strategy, with the local authorities as its closest partners.

The number of disadvantaged households receiving loans, grants or support from the Housing Bank was three percent lower in 2005 than in the previous year. The fall can be explained by the generally good economic climate and low interest rates. Meanwhile, the total disbursements of housing benefit increased, due to each individual recipient getting slightly more support than previously.

During 2005 ECON Analyse carried out an evaluation of the provision of start-up loans by local authorities, and found that there is a shortfall relative to the number of people who could qualify for this type of loan. In order to ensure that everyone who qualifies for a start-up loan is offered one, the Housing Bank will in 2006 continue its work on encouraging more municipi-

Housing benefit – Payments to help cover the housing costs of households with low incomes in relation to their housing costs, such as the elderly, people on benefits and single parents

Alteration grants – grants to cover the cost of alterations for people with disabilities and low incomes

Housing grants – Grants to help disadvantaged groups pay for the building/purchase of a home. Also provided for the construction of local authority owned rental property, which is not covered by this summary

Start-up loans – Loans to people buying a property for the first time, who will normally be unable to get a loan from a private bank

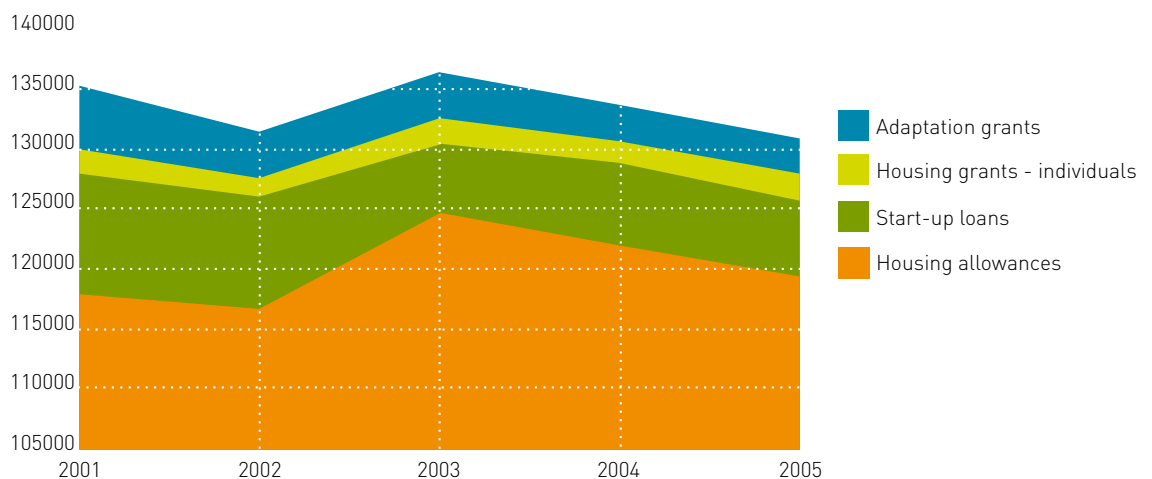
palities to offer the scheme. We will increase our work on reaching relevant groups with targeted information about the various support schemes in 2006.

The Housing Bank's social housing strategy.

In 2005 the Housing Bank drew up a new social housing strategy. The strategy defines and sets out specific goals for our work in this area. The Housing Bank shall be a centre of expertise on work relating to social housing for the government, local authorities and other stakeholders, and shall coordinate social housing policy with general welfare policies. The following challenges will be prioritised:

- helping low income households to get their own, safe homes
- preventing and combating homelessness

Fig. 2: Loans, grants or support to disadvantaged from the Housing Bank 2001 - 2005



- providing housing for refugees with residency permits
- helping people with disabilities to access the housing market
- enhancing municipal housing services
- expanding knowledge as a tool for change

The first four of these points coincide with the goals described in the Housing Bank's licence. Here we have chosen to discuss our work on preventing and combating homelessness in greater detail.

Preventing and combating homelessness

The Housing Bank's work in this area is primarily linked to its role in coordinating the implementation of the government's "A home of one's own" initiative. The important goals of this strategy include:

- The number of eviction notices shall be reduced by 50 percent, and the number of evictions by 30 percent.
- No-one shall have to stay in temporary accommodation when they are released from jail.
- No-one shall have to stay in temporary accommodation when they are discharged from an institution.

By establishing regional municipal networks, helping to develop social housing action plans at municipal level and providing grants to help people get their own home and to extend knowledge, the Housing Bank helps ensure that Norwegian local authorities are in a position to find good solutions for the most disadvantaged people in the housing market. The number of eviction notices and evictions fell by around 20 percent from 2004 to 2005.

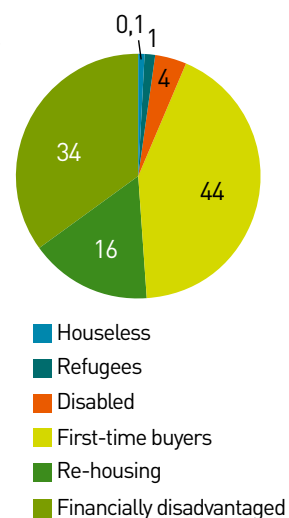
There is a strong emphasis on projects to prevent homelessness that ensure good cooperation between the various public bodies, particularly between the central and local level. The aim is for agreements to be signed between local authorities and central government institutions such as prisons/ the correctional services, healthcare institutions and enforcement officers. One good example of this is an agreement between Trondheim City Council and Trondheim prison, which aims to ensure that inmates are not released into homelessness.

Letter of intent signed with the Directorate of Integration and Diversity (IMDi)

In order to further strengthen our work on the provision of housing for refugees who have been given residency permits, at the turn of the year the Housing Bank signed a letter of intent regarding cooperation with the newly established Directorate of Integration and Diversity (IMDi). The letter of intent sets out that we will work to

- find out about and point out barriers and opportunities that various groups in the immigrant population face in the housing market
- ensure that participants in the introductory scheme for refugees are offered the housing benefit they are entitled to
- increase the level of home ownership amongst all immigrant groups through the good and efficient use of the Housing Bank's loans and grants.
- ensure equal public services in the housing sector.

Fig. 3: Start-up loans
- share of various groups (in %)



2005 THE STATE BUILDING DESIGN AWARD GOES TO RANA MUNICIPALITY

Rana received the prize on account of its holistic approach to work on homelessness, based on the municipal social housing plan. New housing has been provided for disadvantaged people, including drug addicts, and one group have become homeowners in a housing association. The support services have been reorganised to cater for the needs of the users, with the municipal council moving resources from social services to housing

support aimed at individuals. Start-up loans and housing grants from the Housing Bank have been used to buy housing. The experiences of Rana, along with the experiences of three other municipalities, will be communicated to other municipalities as examples of best practice for turning social housing action plans into targeted housing measures, in a report being written by the Nordland Research Institute.

All figures except the housing benefit figure are preliminary, based on municipal reports as of 18 January.

TO INCREASE THE NUMBER OF SUSTAINABLE AND UNIVERSALLY DESIGNED HOUSING UNITS AND NEIGHBOURHOODS

Focusing on quality

The government has given the Housing Bank particular responsibility for stimulating qualities that are of benefit to society such as sustainability, universal design and structural aesthetics, both for new projects and for the refurbishment of existing properties.

Specifically, the Housing Bank shall help to ensure that

- housing and buildings are functional and of a good quality; i.e. help ensure adequate standards in terms of health, the environment, security, universal design and structural aesthetics
- sustainable development is prioritised through sustainable new-builds, high-density housing and improvements to the existing housing stock
- that there is the right framework for a good neighbourhood environment.

In order to promote good quality construction and outdoor areas, the Housing Bank has several tools available to it:

- information, advice and training
- loans and grants.

Area grants help local authorities to integrate these qualities into their planning, inhabitants can receive alteration grants and loans to make their homes more accessible, housing associations receive grants for surveys, particularly with a view to making their housing more environmentally friendly and accessible, and developers can get loans for projects that incorporate sustainability and universal design. The Housing Bank also supports projects that aim to increase our understanding of how we can reduce barriers to the implementation of these qualities, and develop concrete solutions for designing individual buildings and outdoor areas.

As part of its goal to make the housing sector more **environmentally friendly**, the Housing Bank has particularly focused on reducing energy consumption. Low energy housing is robust, user-friendly and profitable, provides a high level of comfort and the reduced consumption of energy does not require extra work or a change of lifestyle. Also see the report on page 10.

Universal design ensures that everyone has equal access to products, buildings, plants and outdoor areas in so far as this is possible without special alterations. This is a strategy that aims to achieve genuine equality, so that everyone has the same opportunities for personal development, participation in society and enjoyment of life. The Housing Bank is tackling a wide range of issues in relation to this, in close cooperation with other public bodies. We are working with the National Insurance Administration on a trial project to

improve housing consultancy services at local authority level, and to encourage flexible use of our and of the National Insurance Administration's measures for increasing accessibility. In cooperation with the National Office of Building Technology and Administration, we have set up an information programme about universal design in the building sector, which has a particular emphasis on providing information and an extended foundation, intermediate and higher education programme. The Housing Bank also plays an important role in the Ministry of Environment's measures to eliminate 100 barriers at local authority level. We shall organise the implementation of the campaign, including judging applications and allocating resources to the best projects. Universal design projects are also taking an increasing share of our financial resources. It is a fundamental criterion for getting a foundation loan, and our education and research grants prioritise training in this area.

One of the most important measures in our work on promoting **structural aesthetics** is the awarding of The State Building Design Award. In 2005 it went to Rørostoppen primary school at Revetal in Re Municipality. The jury's verdict emphasised the good design of the school's outdoor areas and the successful incorporation of the school buildings, which provides varied and exciting interaction between indoor and outdoor areas. The jury also pointed out the space efficiency of the project, its good accessibility, low running costs and flexibility of use.

Our work on structural aesthetics also involves significant investment in various training measures, including collaboration with the Norwegian Association of House Builders on the development of course packages and the continuation of our cooperation with Norsk Form and the Directorate for Cultural Heritage on regional courses

Individual measures

In 2005, a new "Foundation loan for construction and regeneration" was introduced, which is an important tool in encouraging universal design, sustainability, energy efficiency and structural aesthetics. Only promises have been made in the second half of 2005.

Of 2 161 new homes receiving foundation loans, well over half satisfied the requirements for universal design and the phases of life standard. In the area of universal design, disabled access is currently the most common measure. We anticipate that the requirements in terms of movement and orientation disabilities will increase as the foundation loan beds in. Around a third of the housing units receiving founda-

[Universal design]

Products, buildings and outdoor areas designed in a manner that to every extent possible ensures that anyone can make use of them without the need for any special adaptations or aids for people with disabilities.



RØRÅSTOPPEN · SCHOOL · RECEIVED · THE · BUILDING · OF · THE · YEAR · AWARD · IN · 2005

tion loans satisfy the requirements in terms of being sustainable and energy efficient.

Top-up loans for additional housing and environmental qualities

Up to 1 January 2006, the Housing Bank could top-up construction loans for various housing and environmental qualities, and 79 percent of the housing units receiving construction loans were given this kind of top-up loan in 2005. Health, safety and the environment was the dominant additional quality.

Regeneration loans are intended to stimulate the refurbishment of homes and neighbourhoods in order to improve the quality of housing and the environment. Regeneration loans shall also help facilitate home care and promote social and cultural heritage considerations.

In 2005 there was less demand for regeneration loans than in the past. Loans were given for 5 877 housing units, which is 14 percent below the previous year. The most usual reasons for applications for regeneration loans were environmental measures and urban regeneration.

The average regeneration loan was worth NOK 187 562 in 2005, against NOK 153 394 in 2004.

Grants for surveys

Housing associations, housing cooperatives and similar can receive grants for surveys and for the planning of housing and environmental regeneration.

As of 2005 this scheme became part of the grants for the construction, regeneration and rental properties.

Demand for the scheme roughly halved from 2004 to 2005. In 2005 surveys of 7 536 housing units in 98 projects were approved. This is a reduction of 29 percent measured by the number of housing units

Homes with top-up loans as percentage of homes with approval for construction loans

– Homes with top-up loans as percentage of homes with construction loans ¹⁾

	2004	2005	Change
Total	80,6	78,5	-3
Phases of life standard	36,1	40,5	12
Visitor standard	9,6	6,3	-35
Lift	16,7	14,6	-13
Terrain/vegetation	39,7	35,7	-10
Good outdoor areas	45,7	42,4	-7
Traffic safety	50,9	46,2	-9
Health, safety and environment	64,7	61,0	-6
Sustainable	1,4	2,6	80
Regional top-up ²⁾	3,1	4,6	47
Top-up for deprived area	7,4	0,8	-89
Other top-ups ³⁾	2,5	1,0	-59

1) A single home can have several additional qualities

2) Distriktstillegg og finnmarkstillegg

3) Top-ups for housing for elderly, structural aesthetics, climate and weather conditions, disadvantaged, disabled, specially adapted, garage and large households are included under "other top-ups".

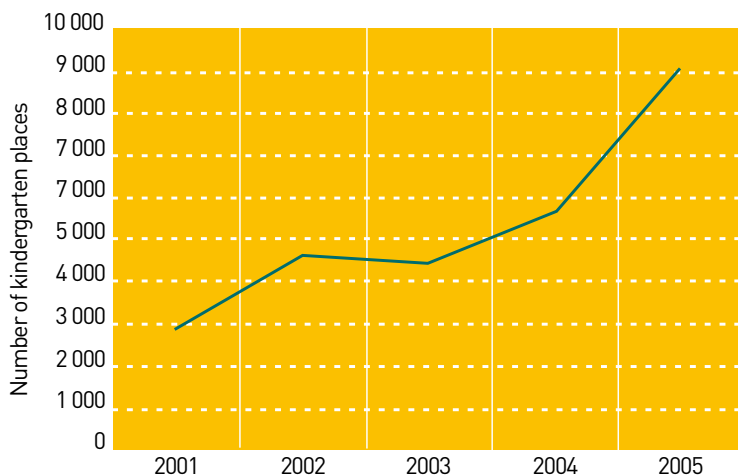
OTHER SCHEMES – RECORD NUMBER OF KINDERGARTEN PLACES.

The Housing Bank approved loans for the building of almost 8 200 kindergarten places in 2005, which is 76 percent more than the previous year. Focused work by the Housing Bank helped to ensure that the aim of kindergarten places for everyone is close to being realised.

In addition to the normal loan and subsidy schemes for housing, we administrate several schemes aimed at the development and improvement of housing and buildings that “belong to” other sectors of society. This covers kindergartens, schools, student accommodation, church buildings, nursing homes and sheltered housing.

The most significant development in this area in 2005 was in the kindergarten sector. The number of approved loans increased by 76 percent, whilst the average loan per place increased by 19 percent to NOK 168 000. Places for children over the age of three are being built more quickly than places for those under the age of three. Six out of every ten places that loans were awarded to were for the oldest age group

Figur 4. Kindergarten loans applications Q4 2001–2005



In order to increase the rate at which kindergarten places are built, the Housing Bank has simplified the rules to make it easier to finance new kindergartens. Amongst other things, the general requirement for a municipal guarantee has been removed, so guarantees are only required in special circumstances. The Housing Bank's regional offices have also held a number of meetings throughout the country in order to spread the word about our loans. They have also informed people about investment grants, operating grants and other topics.

www.etablerebarnehage.no

In collaboration with the Ministry of Children and Equality, the Housing Bank has established a dedicated website for people wanting to set up a kindergarten. The website answers most questions that people have about setting up a kindergarten, and also provides links to other relevant websites, application forms and lists of things to remember. The website has been used a lot by people wanting to set up a kindergarten and by local authority employees.

Popular interest-free church refurbishments

From 1 May 2005, a new subsidy scheme was introduced that allows local authorities to obtain a grant from the Housing Bank to cover the interest payments on loans for the refurbishment of church buildings. The NOK 500 million set aside for the scheme had been used up by the end of the third quarter. Listed and protected church buildings have been given high priority, and 70 percent of the 134 projects that received support related to listed or protected churches. The budget for 2006 has again been set at NOK 500 million in 2006. The scheme has also been extended to cover the building of new churches and extensions to existing churches. The Ministry of Culture and Church Affairs has decided that up to NOK 150 million can be allocated to new-builds and extensions.

Fewer grants for school buildings

The number of grants to cover interest payments in connection with the building or refurbishment of school buildings more than halved from 252 in 2004 to 118 in 2005. The scheme, which involves local or county authorities applying for grants to cover interest payments on loans of up to NOK 15 billion borrowed within a period of eight years, was introduced in 2002. The aim of the scheme is to ensure that all pupils have good learning environments, by encouraging local and county authorities to rehabilitate, upgrade and adapt existing school buildings for all groups of children, and to build new schools as required. 110 of the 118 projects that were awarded grants in 2005 took the needs of the disabled into account, whilst broadband was a feature of 53 projects.

Other schemes

The Housing Bank also subsidises the building of student accommodation. The Ministry of Education and Research decides who should receive support, whilst the Housing Bank provides consultancy, checks the quality, approves the building projects and pays the grants to the student welfare associations. Since the scheme was introduced, 2 163 student rooms costing NOK 553 million have been approved, 1 381 in 2003, 684 in 2004 and 98 in 2005. 1 199 of the rooms that have been awarded grants have been completed. The remainder are under construction.

[interest compensation]

The Housing Bank provides interest compensation to cover interest costs on investments in school and church buildings. Compensation provided is equivalent to a floating interest rate on a serial loan based on a 20-year term from the Housing Bank for approved projects within the boundaries of an annual investment ceiling. Furthermore, the Housing Bank provides interest compensation to local authorities who have received Housing Bank loans for residential care accommodation and nursing homes.



PHOTO: OLAUG THORTVEIT

CHILDREN FROM BERGSTO NURSERY SCHOOL SING IN LILLESAND

EFFICIENT MANAGEMENT AND CENTER OF COMPETENCE

The Housing Bank as a centre of expertise

The government’s vision for its housing policy is that everyone should have a good and safe home. Homes and neighbourhoods should be safely and properly designed, with an emphasis on qualities such as universal design and structural aesthetics, and there should also be an environmental slant to their production and operation. The Housing Bank should know about all of these areas, or know who the experts in these areas are. The Housing Bank should help to ensure that knowledge is extended in all areas of the housing sector.

Education and research grants

The Housing Bank manages an education and research fund, which is used for measures that increase skills, knowledge and improve planning work on housing questions. There is a particular emphasis on measures to help homeless people, measures that encourage the development of universal design, sustainable building and structural aesthetics. In 2005 the grants totalled NOK 56.7 million, and were used to support 232 different projects. It is important to communicate the results of research that is financed through these grants, and all material is now continuously added to a database that is searchable from the Housing Bank’s library pages.

Technical library

The Housing Bank has established its own technical library in Drammen, and all of our regional offices have their own branch libraries. The library mainly holds research reports funded through our grants and technical journals, but there are also technical books. In so far as it is possible, the Housing Bank’s

technical library aims to be a virtual library in terms of the development of the collection and services. The library is part of the national library system, and cooperates closely with Drammen Municipality, which runs the library system.

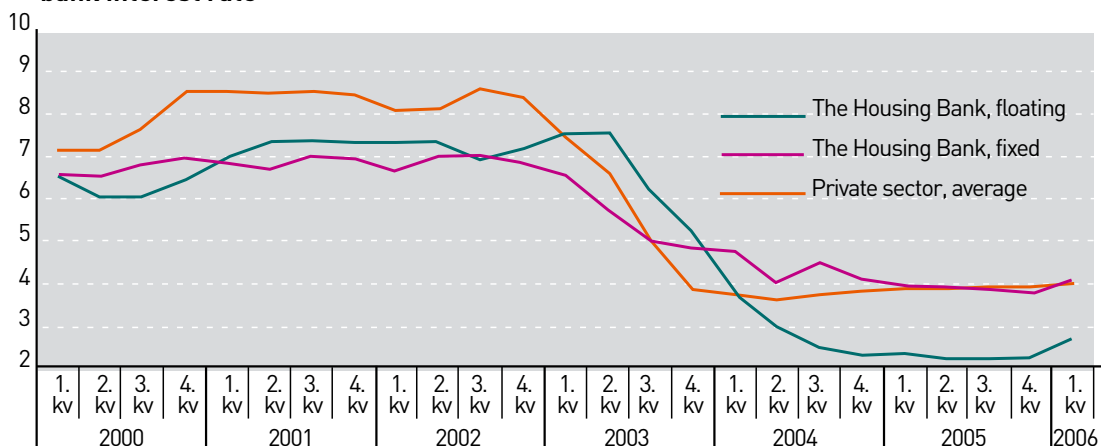
The library has developed and is responsible for several databases, including an electronic database of good housing projects. The database aims to be a showcase for experiences and examples, and entries can be made both by internal and external users.

Skills development

In cooperation with Gjøvik University College, the Housing Bank has developed internet based courses in the fields of universal design and structural aesthetics. The courses each give 10 credits. The main focus of the universal design course is on accessibility in outdoor areas, particularly for visually impaired and physically handicapped people. The course is aimed at area planners, local authority employees, architects, engineers and other people who work on issues relating to accessibility. The main purpose of the course on structural aesthetics is to spread the terminology that can be used to express professional attitudes, and to further understanding of this field. This involves teaching candidates to assess the character of a location, describe its qualities, and develop their own professional views as to how a building project will work in the local context. In collaboration with Sør-Trøndelag University College’s faculty of health education and social work we have developed a course on social housing issues. It is a part-time course that is taken over 1.5 years, and it is worth 30 credits.

The course aims to provide a common platform for different bodies and professional groups who are in-

Fig. 5: The Housing Bank’s floating and fixed interest rate compared to the commercial bank interest rate



involved in providing housing for disadvantaged people. Deinstitutionalisation requires government bodies and service providers to work in new ways. There needs to be greater integration between treatment and monitoring. Work on social housing issues is about providing help and support to ensure a stable housing situation and to create good housing environments.

Modernisation and development of ICT systems

In addition to its own website www.husbanken.no, the Housing Bank has independently and in collaboration with others developed websites for particular areas in which it is involved such as www.etablerebarnehage.no, www.bostedslose.no, www.lavenergiboliger.no and www.husbanken/ops.no. It has also developed BOKART, an electronic system for constantly monitoring people who are struggling in the housing market. The system provides the basis for municipal planning in the area of social housing. We have also developed Ekstranett, an online system which gives defined stakeholders access to information and services. Ekstranett includes functionality that facilitates cooperation and communication between the Housing Bank and local authorities, and amongst local authorities. This makes it easier to track and target digital communications.

Collaboration with Statistics Norway

- The Ministry of Local Government and Regional Development asked the Housing Bank to investigate the possibility of establishing an index of rental prices. Statistics Norway carried out a survey of the rental market and of the factors that affect rents for different types of properties in various regions and boroughs. The results were published in November 2005. The plan is for the new index of rental prices to be published regularly by the end of 2006. You can find out more about the survey of the rental market at http://ssb.no/emner/05/03/rapp_200532/
- The Housing Bank and Statistics Norway have established a price index for new multiple unit properties. Indexes for the period running from the first half of 2000 to the first half of 2005 were published in December 2005. You can find out more about the index at http://ssb.no/emner/05/03/rapp_200532/

Removing 100 hurdles

As part of the government's plan of action on universal design, all local authorities in Norway were offered financial support for the removal of 100 important hurdles in their municipality. The plan runs until the end of 2009. The budget for 2005 was NOK 3.3 million, and 21 measures were granted support. They ranged

from measures in connection with municipal plans for universal design to individual improvement projects.

Home alteration project

The home alteration project is a collaboration between the Housing Bank and National Insurance Administration at its centres in the counties of Hordaland and Sør-Trøndelag. The aim is to adapt homes to the requirements of occupants with disabilities with the help of a complete advice service in the municipality, as well as to try out a more targeted use of government funds.

Efficient management

Interest rates

Our interest rates have remained low throughout 2005, about 0.5-1 percentage points lower than the average in the private sector. Our variable rate started at 2.4% in the first quarter, and was subsequently 2.3% for the rest of the year. The fixed rate, which has a 5 year lock-in period, has been between 3.5% and 4.0%. As of January 2006 the Housing Bank also offers 3 year fixed rates.

Losses – defaults

The number of loans in default has remained low, with 1 561 loans in default as of 31 December 2005 against 2 013 the previous year.

The number of loans continued to fall from 97 339 in 2004 to 88 653 in 2005. The value of our loan portfolio has nevertheless stabilised at NOK 94.5 billion over the past two years.

Total losses in 2005 totalled NOK 18.7 million, against NOK 36.0 million in 2004. Personal borrowers were responsible for NOK 17.1 million of this. We made recoveries of NOK 5.8 million against loan losses, which meant that the net loss was only NOK 12.9 million

Allocation of loans and grants

The Housing Bank allocated 2 992 new loans in 2005, with a value of just under NOK 10.5 billion against NOK 9.4 billion the previous year. This include NOK 5.5 billion to construction loans (including foundation loans), NOK 1.0 billion to home improvement loans, NOK 0.7 billion to kindergarten loans and NOK 3.3 billion to start-up loans.

A total of NOK 5.2 billion was paid out in subsidies and grants in 2005, against NOK 5.4 billion the previous year. Of that, NOK 2.1 billion was given in housing benefit, whilst NOK 1.2 billion was given in subsidies and funding to nursing homes and sheltered housing. The

new schemes for school and church funding totalled NOK 207 million and NOK 0.3 million respectively.

Human resources

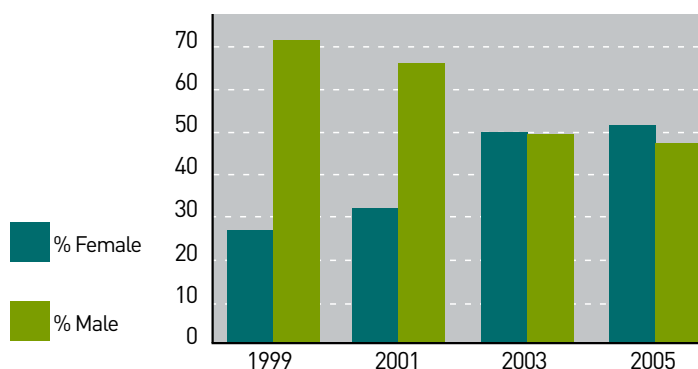
Our desire for the Housing Bank to be a centre of expertise and to be actively involved in shaping housing policy requires a great deal of our human resources. Staff turnover is low, so credit-based training of our existing employees is a high priority. The Housing Bank has 362 employees, of whom 226 are women and 136 are men. This means that 62 percent of the workforce is female. The average age of our employees is just under 50, and as many as 78 percent of them are over 40. Seven percent of our employees are from “non-Nordic” backgrounds.

Equal opportunity

Boards

The Executive Board is chaired by a woman, whilst one of the four remaining directors is a woman. The regional boards are chaired by two women and four men. There are 17 women on these boards and 13 men. Both sexes are well represented on the boards.

Fig. 6. Management positions 1999–2005



Management

There are 28 women and 25 men in management positions. This means that 53 percent of the managers are female. In 1997 more than 70 percent of the Housing Bank’s managers were men. Various measures were implemented, and by 2003 the number of female managers had risen to 50 percent, and in 2005 its was 52 percent.

Types of positions

A larger proportion of women work in office jobs and as case workers. An increasing proportion of men work in senior technical positions without management responsibilities. The number of women in senior positions has remained stable in recent years.

Pay

There are a number of parameters that determine the levels of pay of individual employees. When comparing solely in terms of gender, there are very few pay differentials between women and men within the various groups of positions. Pay differentials vary for case workers and managers. In 2004, women were on average one pay grade higher than men, and in 2005 they were one pay grade lower.

There were no pay negotiations in accordance with Section 2.3.3 of the Basic Collective Agreement in 2005. Negotiations in accordance with Section 2.3.4 of the Basic Collective Agreement reveal that 60 percent of funds went to women. This means that the pay negotiations have not helped to even out differentials between women and men, since 62 percent of employees are women.

Part-time workers

There are 33 women and 4 men who work part-time at the Housing Bank. Part-time is defined as 80 percent or less of a full-time job. This means that fifteen percent of women and three percent of men work part-time. There has been a reduction in the numbers of both female and male part-time workers since 2004.

Measures and plans

The cooperation forum between the Managing Director and the employee representatives has discussed equal opportunity on several occasions. One office has prioritised female managers in management development measures, and at one office four out of six women have received training to upgrade their skills in 2005.

Planned measures include a continuing focus on any pay differentials due to gender. One office wants to put in place the framework for pay increases by raising skills levels, and one office with a high proportion of female employees is focusing on recruiting men if all other factors are equal.

HSE and inclusive working life

All of our offices have working environment committees with management and employee representatives. The offices that share premises in Drammen have a joint working environment committee. A great deal of work is done on HSE issues at all of our offices. There have, for example, been courses on first-aid, quitting smoking and the working environment. The offices have physiotherapists visiting the workplace, carry out fire drills and arrange safety inspections. Several

[The Housing Bank interest rate]

The floating rate is determined quarterly based on the average interest rate of the Government Bond market for the two previous quarters, plus an additional margin of 0.5 percentage points (the rate for the 1st quarter is based on the rate from the 3rd quarter of the previous year etc.).



PHOTO: THOMAS BØRNFLATEN

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of our offices have gyms, there are exercise classes in breaks and some offices offer massage.

All of our offices state that work on reducing absenteeism is a high priority and that people on sick-leave are followed up. They have also demonstrated a great deal of creativity in adjusting the work situation of individuals who are on sick-leave or who are in danger of needing sick-leave. In spite of this committed effort, absenteeism due to illness has increased significantly from 4.98% in 2004 to 6.24% now, but it remains lower than the 6.95% level in 2003.

A greener Housing Bank

We have entered into a collaboration agreement with GRIP (the Norwegian foundation for Sustainable Consumption and Production). The aim is to ensure that the Housing Bank develops more sustainable and cost-efficient solutions for itself and the surrounding world. The agreement is expected to improve the

Housing Bank's environmental expertise in areas such as purchasing, travel and transport. After our relocation to Drammen, a travel survey revealed that 82 percent of employees travel by public transport.

We have also signed an agreement with Fair Recycling, and the Housing Bank is certified participant of its recycling scheme for used ICT equipment. More than 70 percent of the equipment that is donated through this scheme is upgraded and then used by the education sectors in developing countries. This is done in collaboration with the Norwegian Agency for Development Cooperation (NORAD). Currently equipment is only collected from our offices in Drammen and Oslo. Other measures are implemented in accordance with our internal environmental action plan, such as turning off lighting, turning down the heating during weekends, limiting the use of printouts, double-sided printing, sorting of waste at source and making green purchases.

ANNUAL REPORT BY THE EXECUTIVE BOARD

Everyone should have a good and safe home. This vision for Norwegian housing policy was agreed by a united parliament in the 2004 white paper on housing.

The aim has been for as many people as possible to be self-reliant in the housing market, on the basis of their income from employment. The main strategy has been to put in place the framework for a functioning housing market, and to pursue policies that result in stable, low interest rates and a high rate of employment.

However, it remains the case that some people will have problems establishing themselves in the housing market unassisted. One of the main tasks of the Housing Bank has been to offer financing schemes, etc. that also make it possible for these people to get an adequate home. The Housing Bank also works to imbue the housing stock with qualities that are of importance to society but that the housing market does not automatically provide. For example, we aim to ensure that new and older homes have a universal design.

In 2005 the Housing Bank has worked to develop new strategies to meet the challenges of the white paper on housing, both in terms of social housing goals and building qualities. The Housing Bank is now awaiting guidance from the new government on its future strategy.

Government policy

In its joint statement on government policy, the red-green coalition government highlighted several challenges and areas of focus for its housing policy. The measures mentioned included increasing the number of non-commercial rental properties, subsidies towards the installation of lifts in existing buildings and the active use of the Housing Bank's loans to promote new-builds. The government will also make start-up loans available to all young people. The strong emphasis on poverty reduction will in general terms involve greater investment in housing the most disadvantaged groups. The joint declaration specifically mentioned strengthening housing benefit and completely eliminating the use of hostels for homeless people.

The Executive Board believes that the Housing Bank is in a good position to help implement the priorities of the new government in its housing policy.

The role of the Housing Bank in partnerships

The Executive Board wants to emphasise that there are many stakeholders who are responsible for the

implementation of housing policy. The most important players are undoubtedly the local authorities, who in addition to being responsible for housing regulations are responsible for overall area planning at municipal level, and also have primary responsibility for accommodating disadvantaged people. Several of the Housing Bank's loan and subsidy schemes are administered by the local authorities in close cooperation with the Housing Bank.

Privately owned businesses are responsible for investment decisions and construction. Housing co-operatives occupy a special position as both the developers and managers of a large proportion of Norwegian homes, and have a particular focus on the interests of home-buyers.

In today's world, very many people are able to obtain and service mortgages from private banks and credit institutions. The vast majority of ordinary purchases of existing homes are financed by the private banks.

The white paper on housing policy states that the Housing Bank is to develop into a centre of expertise for the housing sector. This expertise is currently shared between several research institutes as well as public and private sector operators. The Executive Board wishes to point out that the role of the Housing Bank will largely be to promote good cooperation between these various stakeholders, and to provide good arenas for the development and exchange of knowledge.

The Housing Bank's **research and education grant** is particularly important for extending knowledge and insight in the housing sector – not least in relation to municipal housing policy. This grant has, for instance, helped very many local authorities to develop social housing action plans. In 2005 measures that help to achieve the goals set out in the "A home of one's own" strategy have been given high priority. Funding was also given to R&D and education projects. In 2005 a total of 256 grants worth NOK 57 million were handed out.

Focus on people struggling in the housing market

In addition to the Housing Bank providing housing grants to 1 590 rental properties in 2005, grants worth a total of NOK 275 million were given to approx. 1 550 households to help them set up their own home. The local authorities are responsible for allocating the majority of the housing grants for people setting up their own home. The housing grant is *important* to the work of local authorities on housing the most disadvantaged groups.



Housing grants for rental projects are allocated directly by the Housing Bank. In 2005 the level of support for these projects was reduced to 20 percent on average. This was one stage of a reorientation of subsidies from housing grants to housing benefit.

The Executive Board considers housing benefit to be the most important tool in helping people on low incomes to gain a foothold in the housing market and to maintain an adequate standard of housing. In 2005 **housing benefit** was improved in several ways. One important improvement is that it is now paid monthly. It was also opened to all refugees and asylum seekers who are participating in the new introductory programme. More than NOK 2 billion was paid out in housing benefit in 2005. Almost 104 000 households were receiving housing benefit at the end of the year. The average monthly housing benefit was NOK 1 630.

134 homes were financed for **homeless people**. Combating homelessness is a very important task. The government strategy – “On the way to your

own house” – sets out ambitious goals for reducing homelessness. The Housing Bank is responsible for coordinating government work in this area. Useful networks in which the Housing Bank and other bodies are involved have been established. The provision of homes to the disadvantaged is now an integrated part of local authorities' work on housing. The Housing Bank shall put in place a framework that allows local authorities to achieve these goals.

Local authorities largely using existing housing to accommodate **refugees**. The lower numbers of new asylum seekers have resulted in slightly less pressure on the financing of new homes for refugees.

Investment in universal design, sustainable housing and structural aesthetics

As is the case in many other countries, the number of old people in Norway will rise sharply in the decades leading up to 2050. The very oldest group – the over 80s – will increase most. One of the main challenges that Norwegian society faces is to deal with this demographic change. There will be greater

demand for health, care and nursing services, and for appropriate homes and institutions with universal designs. This will be key to the increasing proportion of elderly people being able to participate actively in society and to enjoy a good quality of life.

This demographic change is one of the reasons why the Executive Board considers it very important for new homes to be built in such a way that they are available and suitable for elderly people with reduced mobility.

Universal design is not just desirable on account of the increasing numbers of old people in our society, it also allows the disabled to be as self-reliant as possible in their own homes. Surveys have revealed that a large proportion of the population will have to live with some kind of disability on one or more occasions during their lives. The Executive Board believes that universal design is an important area of focus for the Housing Bank, and that it should promote the widespread use of these principles.

The Board wants to see a greater emphasis on **sustainable housing**. So far we have mainly concentrated on work on energy efficiency, but in the future the Board also wants the Housing Bank to work on other environmental issues in the housing sector. In 2005 there was an emphasis on the use of sustainable building materials.

Almost 3 000 energy efficient and passive houses are now under construction or planning having been financed by the Housing Bank. Our ambition is for half of the Housing Bank homes that are built in 2010 to need half the amount of energy as traditional homes.

The Executive Board also wants aesthetic considerations to be taken into account, both for new-builds and renovations of existing properties. Both the building itself and the way in which fits into its surroundings are important aspects of **structural aesthetics**.

Around 100 people have so far participated in the credit-based course on structural aesthetics that has been established in collaboration with Gjøvik University College. The Housing Bank has awarded several scholarships to local authority employees to enable them to attend this course. We have also held regional courses in collaboration with the Directorate for Cultural Heritage and Norsk Form.

The Housing Bank acts as the secretariat for the The State Building Design Award. A jury appointed by the Ministry of Local Government and Regional Development chooses the winner from the nominated projects. In 2005 the prize was awarded to Rørostop-

pen primary school in Re Municipality in the county of Vestfold. The jury highlighted the fact that the school provides an attractive and pleasant environment, and is an exciting venue for new forms and methods of education.

Good supply of housing in 2005

In 2005, ground was broken on 31 600 homes in Norway, which is a further increase on the previous year's record number. The number of home-starts in 2005 was the highest recorded since 1982. Interest rates remain at a historically low and stable level.

In 2005 the Housing Bank had NOK 13.5 billion available for loans, which was used in its entirety except for NOK 250 million of the ear-marked budget for sheltered housing overseas. Loans were provided for the construction of 8 150 new homes, a reduction of 14 percent in comparison with 2004. Approx. 80% of the homes had additional qualities relating to universal design, sustainability, energy efficiency or structural aesthetics. The Housing Bank's share of home-starts fell from 33 percent to 25 percent. This is not because it has become more difficult to receive Housing Bank financing, but because of high activity, slightly less money being available for loans at the Housing Bank and a great deal of willingness to provide mortgages on the part of the private banks.

The introduction of **the new foundation loan** has been a major task for the Housing Bank in 2005. The foundation loan is available both to new-builds and home improvements. The main criterion for the allocation of a foundation loan is that the home fulfils specific quality criteria in the areas of universal design and sustainability/ energy efficiency. The Housing Bank collaborates with borrowers at the planning stage, so that prioritised qualities can be included at an early stage, and to ensure predictability in the financing of the project. The former requirements for minimum standards have been removed.

In order to provide affordable homes for young people and for other prioritised groups, the quality requirements can be modified after a specific assessment.

The Executive Board considers it very important that new homes financed through the Housing Bank have qualities that will make them attractive for a number of years into the future. This means ensuring that they can be used by different people of different ages and levels of mobility, and that they do not consume excessive amounts of energy.

The foundation loan will cover a larger proportion of the required financing than was previously the avail-

able. Basically the applicant decides how big a loan they need, usually up to 80 percent of the cost. This will make the foundation loan more attractive for detached houses and other small buildings that previously received smaller loans.

A basic prerequisite for Housing Bank mortgages is that the value of the mortgaged property is satisfactory. In certain districts with weak housing markets and low mortgage values, where it may be difficult to obtain a mortgage from private credit institutions, the Housing Bank will be able to provide mortgages for sensible new properties with slightly lower requirements for mortgage security than private banks normally require.

The new foundation loan was introduced on 1 January last year, but throughout 2005 borrowers could choose between the new foundation loan and the old construction loan. As of 2006 only the new foundation loan is available.

In 2005 the Housing Bank provided loans for 1590 **rental properties**, without subsidies, including independent rental properties in the basements of detached houses. 1 590 rental properties were also partially financed through housing grants. Rental properties financed through subsidies are in the vast majority of cases used as local authority rental properties for housing disadvantaged groups.

In 2005 98 new **student flats** were financed. This is a reduction of 80 percent in comparison with 2004, when loans were given to an unusually high number of student flats. The Housing Bank paid out start-up grants on behalf of the Ministry of Education and Research, and fully financed the student accommodation with loans.

By **rehabilitating old housing stock**, important qualities can be added to older properties, making them suitable for current use and the requirement for good and functional homes. Nearly 5 900 homes were improved with the help of loans from the Housing Bank. In 2005 it was largely big housing associations who carried out rehabilitation work using loans from the Housing Bank, with a total of xx cases being handled. In addition, preliminary reports suggest that the local authorities allocated grants worth a total of NOK 74 million for the alteration of approx. 3 100 old homes.

The vast majority of ordinary purchases of existing houses are financed through private banks and other credit institutions. For households whose low incomes mean that they have problems obtaining and servicing loans from the private banking sector, municipal **start-up loans** are an excellent tool. In a recent report, ECON stated that start-up loans are an impor-

tant tool in local authority's housing policies. The vast majority of local authorities make use of their ability to obtain these loans from the Housing Bank, and then lend the funds on to disadvantaged households and young people setting up home. In general the start-up loan is used as a top-up loan, but it can also be used for the complete financing of the home. Preliminary reports suggest that in 2005 local authorities awarded 6 300 start-up loans worth a total of NOK 2.7 billion. The Executive Board wants future focus to be on the 16 percent of local authorities who still do not offer start-up loans to their inhabitants.

Record construction of kindergartens

There has been a high level of activity in terms of the construction of kindergartens, and the Housing Bank has financed a total of xx new kindergartens offering 8 150 places, an increase of xx percent on the previous year. The website for people wanting to establish a kindergarten, which was launched in collaboration with the Ministry for Children and Family Affairs, provides advice and guidance for people wanting to set up a kindergarten.

The Housing Bank's loan portfolio

Our total loan portfolio at the end of the year was NOK 94.4 billion, around the same as the previous year.

The Executive Board notes that defaults and loan losses remain low, in spite of the fact that a large proportion of loans are given to people on relatively low incomes or in districts with low mortgage values. Barely two percent of loans are in default. Loan losses are very low at barely NOK 19 million, which is 0.02% of our loan portfolio. The main reason for the low level of defaults is undoubtedly our low interest rates.

As of 1 September 2005, the Housing Bank gathered the administration of all loans throughout Norway to the Management Office in Drammen. This centralisation aims to ensure that our loans are administered as competently and efficiently as possible.

The Housing Bank's organisational structure is constantly developing

Housing policy priorities and the Housing Bank's values – **transparency, diversity and cooperation** – form the basis for the Housing Bank's strategic platform. The Executive Board sees these values as being a good foundation for a modern organisation.

2005 was an important year for the Housing Bank, with its move to its new head office in Drammen in August. The Housing Bank is the only tenant in this new-build, and it was specially designed to fulfil our wishes and requirements. Amongst other things, there will be a

library service that the whole housing and construction sector will be able to make use of. The building is functional and attractive, with most of the qualities that the Housing Bank promotes. There was emphasis on healthy materials, excellent energy efficiency and universal design. The Executive Board is delighted that the building was awarded Drammen Municipal Council's structural aesthetics prize for 2005.

The Board wishes to thank the Housing Bank's employees for their positive and reasonable attitude towards the housing moving process.

We believe that it is important to respond to the guidelines on the **renewal of the public sector**, and we aim to be a modern and future-oriented government body.

In the field of ICT we have invested significant resources in developing modern and efficient IT systems, particularly for housing benefits. The monthly payment of housing benefit was one of the concrete results of these investments in 2005.

By gathering all of the administration of our loans to one office, we are aiming for specialist and efficient management of our portfolio. It will also make it easy to compare our use of resources in this area with other alternative management models.

Since the Executive Board has delegated all processing of ordinary loans and grants to the regional offices, it views it as appropriate for all complaints against the regional offices' decisions in such cases to be handled by the Executive Board, rather than by a specially appointed **complaints board** as is currently the case. The Executive Board has proposed this to the Ministry of Local Government and Regional Development.

The Board considers the Housing Bank's **regional structure** to be a positive factor in terms of closeness to our customers and flexible solutions based on regional differences. In addition to processing loans and grants, the regional offices have been given national responsibility for several technical areas. During the second half of 2005 the regional director in Hammerfest also acted as the director of the Bodø office, and the Board will consider whether it is appropriate for these two offices to have closer ties on a permanent basis.

The three counties of Vestfold, Telemark and Buskerud have been transferred from the Oslo region to the Arendal region. The section that processes cases from these counties is located in the Housing Bank's

new premises in Drammen, which means that the Arendal regional office now has premises both in Arendal and in Drammen.

The Executive Board notes that it has been decided that from 2006 the Housing Bank will be linked to a joint call centre which will serve several government bodies and will be located in Engerdal. However, the Board doubts whether this will improve the service offered to the general public.

The Housing Bank is working consciously at improving the skills of its employees in several areas, in order to meet the challenge of developing into a centre of expertise for the housing sector. Several regional offices have started working with local university colleges. In 2005 a new position of Quality Director has been established.

The average age of the Housing Bank's employees is relatively high at just under 50. Only 2.5% are under 30. This creates challenges for the Housing Bank both in terms of its seniors policy and in terms of the recruitment of new employees. A collaboration agreement has been signed with the National Insurance Service on inclusive working life.

Absenteeism due to illness was 6.16% in 2005, an increase over the 4.98% recorded in 2004. The Board has noted the increase, but does not view these variations as worrying.

For all categories of positions, the proportion of female employees at the Housing Bank is 62.5 percent. The proportion of women in management positions is 53 percent, whilst in office positions it is 77 percent.

There are relatively small pay differentials between women and men within each category of position. At the local pay negotiations in 2005, 60 percent of the available funds went to women.

Future prospects

Interest rate levels have in recent years been very low. Both the Housing Bank's variable rate and fixed interest rate products reached record lows in 2005, at 2.3% and 3.5% respectively. In the past, our fixed interest rates have been offered for five year periods, but from the turn of the year we will also start offering three year fixed interest rates. The Executive Board also believes that the introduction of long-term fixed interest rates should be considered.

We have noted the strong increase in household borrowing. The Board will focus on ensuring that the Housing Bank's lending is designed in such a way



ALL HOUSING BANK EMPLOYEES ARE GATHERED FOR THE START OF THE ANNIVERSARY YEAR.

that our customers will still be able to service their loans in the event of higher interest rates.

As previously mentioned, both defaults and loan losses have been low over the past year. The Housing Bank has a relatively large proportion of its loans in districts where the mortgage value is lower than in more central areas, and many loans have been made to households less able to service loans than is normal for private credit institutions. The proportion of the property value offered under the new foundation loan is higher than was previously the case, which has increased the Housing Bank's exposure to risk. We believe that it is important that our portfolio of loans be subjected to ongoing risk assessment. The Bank's exposure through market risk, credit risk and liquidity risk is covered by the Norwegian govern-

ment through running accounts. The Housing Bank's finances are well managed, and there is no doubt that the going concern assumption is justified.

Being an office-based operation, the Bank does not have a significant impact on the external environment. The Housing Bank's ambition is to be a green government body, and there was a great deal of emphasis on ensuring that our new head office fulfilled important environmental criteria. Our travel survey in Drammen revealed that 82 percent of employees travel by public transport. It is also worth noting that the Housing Bank has entered into a green alliance with the environmental foundation GRIP.

The Board wishes to thank the employees of the whole housing bank organisation for their great work in 2005.



PROFIT AND LOSS ACCOUNT

Amounts in NOK 1000

	Note	2005	2004	2003
1 Interest received	1	3,726,383	4,243,111	6,067,506
2 Interest charges		3,751,664	4,271,751	6,105,340
Net interest charges		25,281	28,640	37,834
Interest support, state -subsidised		-25,281	-28,640	-37,834
3 Various grants to the housing sector				
3.1 Housing allowances	2	2,053,960	2,036,390	2,350,410
3.2 Housing and environmental initiatives	3	685,676	690,910	688,608
3.3 Residential care and nursing home accommodation		1,196,843	1,552,868	1,513,895
3.4 Compens. interest/instalm., resident. care & nursing h.	4	976,847	948,947	1,179,540
3.5 Houseless Project and public/private collaboration	0	10,539	10,650	
3.6 Student accommodation	5	58,660	190,087	0
Total		4,971,986	5,429,741	5,743,103
Various grants to the housing sector, state-subsidised		-4,971,986	-5,429,741	-5,743,103
4 Grants to educational institutions and church buildings				
4.1 Interest compensation, loans educational institutions	6	206,937	0	0
4.2 Interest compensation	7	289	181,981	264,554
Total		207,226	181,981	264,554
Grants to educational institutions and church buildings, state-subsidised		-207,226	-181,981	-264,554
5 Administrative expenses				
5.1 Salaries and remuneration	8	159,915	149,970	148,111
5.2 Goods and services		141,094	122,280	120,934
5.3 Større utstyrsanskaffelser		5,203	4,840	5,184
Total		306,212	277,090	274,229
Administrative expenses, state-subsidised		-306,212	-277,090	-274,229
6 Operating revenues and misc. payments received				
6.1 Operating revenues	9	30,513	38,207	48,397
6.2 Misc. refunds/repayments	10	25,067	22,209	22,397
6.3 Interest on Treasury receivables		3,355	3,051	8,140
Total		58,935	63,467	78,934
Operating revenues and misc. payments received, transferred to State		-58,935	-63,467	-78,934
7 Loss on loans/liabilities				
7.1 Net actual loss – charged to contingency fund	14	12,887	28,868	19,935
7.2 Administration/sale properties - profit	14	-1,044	-3,146	-571
Net total		11,843	25,722	19,364
Net loss on loans & liabilities charg. to contingency fund		-11,843	-25,722	-19,364



STOCK

BALANCE SHEET AS AT 31.12


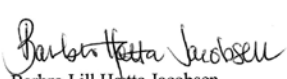

Amounts in NOK 1000

Assets	Note	2005	2004	2003
Fixed assets				
Properties	11	1,326	1,496	2,730
Ordinary current mortgages and debt instrument loans	12	94,305,214	94,302,709	101,071,394
Outstanding loans on mortgage repossessions	13	14,790	15,227	4,075
Total fixed assets		94,321,330	94,319,432	101,078,199
Current assets				
Interest due, not yet received		39,929	50,789	93,195
Accrued interest, not due		798,286	856,168	1,239,903
Other current receivables		7,731	4,791	4,594
Deposits in Norwegian banks		193,840	165,705	179,420
Total current assets		1,039,827	1,077,533	1,517,252
SUM ASSETS		95,361,157	95,396,965	102,595,451

LIABILITIES AND EQUITY (Amounts in 1000 kroner)		2005	2004	2003
Equity				
Primary capital		20,000	20,000	20,000
Contingency fund	14	88,797	100,639	126,361
Total equity		108,797	120,639	146,361
Long-term liabilities				
Funding from the State	15	94,207,573	94,259,729	100,705,019
Current liabilities				
Outstanding to Treasury		73,504	53,229	20,845
Other current liabilities	16	971,283	963,368	1,723,226
Total current liabilities				
TOTAL EQUITY AND LIABILITIES		95,361,157	95,396,965	102,595,451
Guarantee liabilities – previously Sifbo as at 31.12		38	54	171

Total value of loans pledged or granted but not paid out as at 31.12.05: NOK 14,671,120,000. Total value of grants pledged or granted but not paid out as at 31.12.05: NOK 2,648,580,000. Housing allowance payment obligation for 3rd period 2005: NOK 677,354,000. 31. December 2005

Drammen, 28 February 2006


 Monica Mæland

 Barbro Lill Hætta Jacobsen

 Henny Olaussen


 Rolf Myhre

 Øystein Gottfred Sjøtveit



ACCOUNTING PRINCIPLES

The annual accounts for the Housing Bank have been prepared in accordance with generally accepted accounting principles that satisfy the requirements of the legislation and regulations pertaining to the Housing Bank. The Bank is not subject to the Norwegian Accounting Act and the bank accounting regulations set by the Financial Supervisory Authority of Norway.

Going concern

The accounts are prepared on the going concern basis. Any liquidation of the Bank will require a resolution passed by the Storting.

Interest received and interest charges

Both interest income and costs are recorded in the profit and loss accounts as and when these are earned as income or incurred as an expense (accrual accounting).

Recording of other revenues and expenses

These revenues and expenses are recorded in the accounts in accordance with the cash accounting method.

Repossessioned properties

Such properties are recorded in the accounts at repossession price at forced auction. The properties are not written down to estimated market value at point of takeover.

Loss on loans

The Bank will record losses in the annual accounts only when actual loss has been established. Consequently, losses are recorded at the point of compulsory sale and after resale of properties taken over by the Bank itself at compulsory sale, when payment is received. A significant proportion of the losses recorded are interest up to the point of realisation.

The loss entered will be reversed if a payment agreement is entered into and the loan is re-established as an ordinary receivable.

Estimated losses on repossession of properties, petitions for compulsory sale and other non-performing loans are not included in the annual accounts. As a result, the annual accounts comprise no calculations and provisions for specified losses. Neither do the annual accounts include calculations and provisions for unspecified losses. In order to assess the credit risk of the loan portfolio, comments and information on non-performance, forced auctions and similar have been provided in the report from the executive board as well as in the section on loan administration.

Recording of interest on non-performance loans as revenue

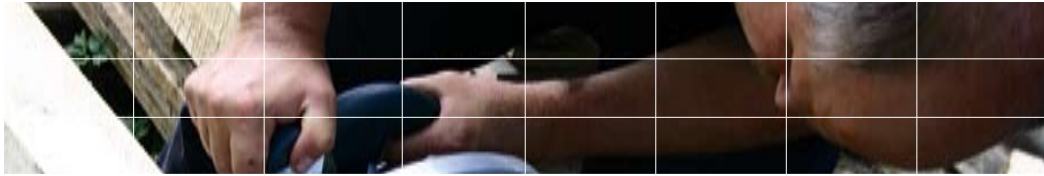
Recording of interest on such loans as revenue is carried on. The interest is calculated and recorded as income up to the point when the loss is realised.

Grants

Grants written-off over eight or ten years are entered in the loan ledger, but have since 1997 and onwards been removed from the balance sheet to ensure that the accounts present a true and fair view of the total assets.

Reimbursed housing grants

Since the introduction of commitment authorisation for this assistance scheme in 1999, reimbursed housing grants are handled and presented in accordance with the proportionate consolidation method. This entails that reimbursed grants are credited to the Central Government Accounts as income. Reimbursed grants will thus not influence the commitment quota for new grants.



NOTES TO THE ACCOUNTS

	2005	2004	2003
Note 1 Interest received			
Interest on mortgages and debt instrument loans	3,726,373	4,243,073	6,067,453
Other interest received	10	38	53
Interest received	3,726,383	4,243,111	6,067,506
Note 2 Housing allowances			
Housing allowances for families with children	697,338	640,941	728,905
Housing allowances for pensioners and disabled	1,356,622	1,395,449	1,357,835
Grants to cover increase in electricity costs	0	0	263,670
Housing allowances		2,053,960	2,036,390
Note 3 Housing and environmental initiatives			
	2005	2004	2003
Grants for urban renewal and housing quality	45,844	41,934	51,271
Housing grants	605,948	612,708	599,179
Grants for development of residential areas etc.	32,668	28,986	28,752
Grants for radon-reducing measures in homes	1,216	7,282	9,406

Note 4 Compensation for interest and instalment expenses – residential care and nursing homes

Assistance scheme from 1998 (White Paper no. 50 (1996-970)) for municipalities where loans are raised to finance new residential care homes and nursing home availability. The template-based grant is to cover interest and instalment expenses on such loans.

Note 5 Student accommodation

Assistance scheme managed by the Housing Bank on behalf of the Ministry of Education and Research (MER) since 2004. The grants are to ensure provision of accommodation at institutions for higher education. MER handles application prioritisation and approves government grants, while the Housing Bank manages the scheme

Note 6 Interest compensation, educational institutions

This is a compensatory scheme introduced in 2002 for interest charges on loans for new buildings and renovation of municipal and county municipal educational institutions. Interest compensation for an investment framework of NOK 15 billion in total is projected. The national investment framework is based on an 8-year period and is subject to the annual budget resolution of the Norwegian Storting. Applicants can be granted interest compensation for loan financing, calculated based on the Housing Bank's floating interest rate for loans over a 20-year term and a 5-year interest-only period. At the end of 2005, projects totalling NOK 13.4 billion had been approved. Basis of calculation for the period 2002-2005 was NOK 10.1 billion. Interest compensation paid for 2005 totalled NOK 207 million.

Note 7 Interest compensation, church buildings

A new compensation scheme launched in 2005 for interest charges on loans for renovation of churches with conditions equivalent to the interest compensation scheme for educational institutions. Total investment framework of NOK 0.5 billion. At the end of 2005, projects totalling NOK 0.5 billion had been approved. Basis of calculation for 2005 was NOK 82 million. Interest compensation paid for 2005 totalled NOK 289 thousand.



Note 8 Salaries and other remuneration

Remuneration to the Housing Bank's Executive Board and 6 regional boards totalled NOK 718,683. Salary and remunerations to Managing Director totalled NOK 798,000. The external Auditor's fee for 2005 was charged at NOK 247,500. External auditor has not carried out any other services than the statutory audit of the annual report and accounts for 2004. The chairman of the regional board in Hammerfest has a loan with an outstanding balance of NOK 263,160 and the regional director in Hammerfest has a loan with an outstanding balance of NOK 725,000, both loans are on the bank's standard terms & conditions and secured against a 1st priority mortgage on the asset. No other Board Members or Bank Executives have loans or have received grants.

	2005	2004	2003
Employee pension scheme expenses	10,081	7,560	7,605
Employee telephone/ADSL allowance	209	258	153
Number of man-labour years	349	347	357

Note 9 Other operating revenues

	2005	2004	2003
Establishment fee*)	1,721	2,189	0
Valuation charges	0	0	6,697
Allocation charges	15	18	19
Administration charges	14,525	15,779	122
Credit insurance fees**	29	699	14,653
Notification charges	4,829	6,136	815
Legal costs awarded	95	142	7,327
Sale of data services	0	0	1,500
Rental income	40	60	60
Interest on arrears ***)	4,105	6,118	10,920
Reimbursed housing grants	5,049	7,022	6,280
Incidental revenues	105	44	4
Andre driftsinntekter	30,513	38,207	48,397

*) From 2004, the valuation charge for new loans has been replaced by an establishment fee.

**) The credit insurance arrangement for loan customers was phased-out in 2005.

***) From 1998, interest on arrears has been deducted from the interest support and the income amount is thus presented as other operating revenues.



Note 10	Misc. payments	2005	2004	2003
	Reimbursement of maternity pay *)	2,229	1,043	1,682
	Direct reimbursement of sickness benefit *)	3,949	3,160	4,277
	Reimbursement of apprentice salaries*)	70	55	78
	Reimbursement of labour market initiatives *)	135	332	40
	Employers' social security contributions	18,684	17,619	16,320
	Misc. payments	25,067	22,209	22,397

*) Can be allocated to the bank's administrative budget

Note 11	Properties	2005	2004	2003
	The former Sifbo:			
	Co-op housing	1,326	1,495	2,731
	Privately owned property (recorded as NOK 100)	0	0	0
	Fixed assets			

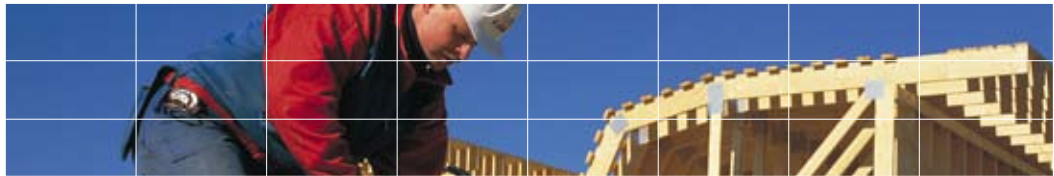
Note 12 Ordinary mortgages and debt instrument loans

The bank offers alternative interest terms where the borrower can choose between floating or fixed interest rate. For current loans with floating interest rate, a transfer to fixed interest rate with a 5-year tie-in period can be agreed.

a) Development of interest terms	2005		2004		2003	
Interest rate on loans as a % p.a. in arrears:	Floating	Fixed	Floating	Fixed	Floating	Fixed
1st quarter	2.4	3,7 - 4,0	3.7	4,6 - 4,9	7.6	6,2 - 6,5
2nd quarter	2.3	3,6 - 3,9	3.1	3,7 - 4,2	7.5	5,5 - 5,9
3rd quarter	2.3	3,6 - 3,8	2.5	4,2 - 4,6	6.3	4,5 - 5,5
4th quarter	2.3	3,5 - 3,6	2.3	4,0 - 4,3	5.4	4,7 - 4,9

The floating interest rate is based on the Treasury note average for quarterly observation periods, and the interest rate for 1st quarter is thus determined by the development in 3rd quarter of the previous year and so on.

The fixed rate of interest offered will change on a monthly basis. At the end of each month, the fixed rate of interest will be determined and take effect two months after the observation month.



b) Distribution of loans according to interest level:

	2005		2004		2003	
	Number	Amount	Number	Amount	Number	Amount
0%-6,8%						
Special terms & conditions	5727	3,091,891,411	5903	3,256,117,018	6542	3,763,259,401
2.3 %						
Floating interest rate *)	38483	34,051,233,984	40948	39,097,318,596	32584	21,640,465,081
3,5-7,3%						
Fixed interest rate	47762	57,176,878,650	53912	51,964,500,528	76090	75,671,744,305
Tot. number/debt outst.	91972	94,320,004,045	100763	94,317,936,142	115216	101,075,468,787

*) Rates of interest in 2004 and 2003 were 2.3 and 5.4 respectively

c) Residual claims on loans recorded as loss

Residual claims comprise loans recorded as loss after realisation of a mortgage where the claim against the borrower has not been waived. The receivables are included in the loan portfolio and are retained for follow-up and possible recovery. In the loan balance sheet figures, residual claims of NOK 222,751,832 have been deducted. As a result, the accounts present the bank's net loans.

Note 13 Outstanding loans on mortgage repossessions

	2005		2004		2003	
	Number	Amount	Number	Amount	Number	Amount
Repossessed mortgages by regional office:						
Bergen	2	14,120	2	14,177	3	3,589
Trondheim	0	0	1	570	0	0
Hammerfest	2	670	2	480	3	486
Outst. loans on mortgage repossess.	4	14,790	5	15,227	6	4,075

There are no repossessed mortgages for the regional offices in Oslo, Arendal and Bodø.

Note 14 Contingency fund

	2005	2004	2003
Opening balance at 1.1	100,639	126,362	145,726
Grants for the year	0	0	0
Loss written off	-18,673	-35,956	-26,705
Credited loss reversed	5,786	7,087	6,770
Operational profit for the year, the former SIFBO *)	1,044	3,146	571
Closing balance at 31.12	88,796	100,639	126,362



*) Specification of operational profit for the year:

Profit, rent	374	434	398
Net interest received	0	0	63
Net gain/loss on sale of housing	669	2,711	92
Included in prev. written off loss	1	1	18
Total profit, the former SIFBO	1,044	3,146	571

Note 15	Borrowings from the State	2005	2004	2003
	Total borrowings at 01.01.	94,259,729	100,705,019	102,521,667
	+ New loans for the year	10,545,192	9,479,910	10,829,224
	- Instalment repayments	-10,597,348	-15,925,200	-12,645,872
	Loans from the State	94,207,573	94,259,729	100,705,019

With this system, the Housing Bank can finance its loan activities by means of drawing rights in the State group account system. Agreements with account-holding banks are established in compliance with financial regulations and associated operational requirements.

These loans are based on variable interest and instalment terms & conditions in keeping with the average estimated interest on loans and realised instalments from customers. The floating and fixed rate of interest vary in line with the market interest rate for 3-month Treasury notes and 5-year Government Bond loans respectively, plus an additional margin of 0.5 percentage points.

In 2005, the interest rate margin produced a State income of NOK 473 million.

Note 16	Other current liabilities	2005	2004	2003
	Paid, not cleared interest and instalments *)	257,678	315,760	777,784
	Accrued, not due interest on borrowings	301,447	318,939	468,291
	Paid interest, not due	402,974	320,318	460,179
	Tax and pension liabilities due	6,506	6,168	5,813
	Other current liabilities	2,678	2,183	11,159
	Other current liabilities	971,283	963,368	1,723,226

*) Ordinary and extraordinary payments at the end of December offset against loans at the end of the year.



Riksrevisjonen
Office of the Auditor General
of Norway

The Housing Bank
PO Box 824 Bedriftssenter
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Our executive officer

Jan Myhrvold

Our date:

14.03.2006

Our ref:

3.4 2006/470/JEM/ill

Archive code

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Your date:

Your ref:

Delayed public access, rr cf § 18 (2)

The Annual Accounts for 2005 - auditor's statement

The Office of the Auditor General of Norway has performed an audit of the Norwegian Housing Bank's accounts and budget compliance for 2005.

Our obligation pursuant to Act no. 21 of May 7th 2004 relating to the Office of the Auditor General § 9 of Instructions Concerning the Activities of the Office of the Auditor General of March 11th 2004 § 3, is to ensure that the accounts provide a true and fair view of the company's financial position, and included hereunder:

- a) to confirm that the accounts do not comprise substantial errors and shortcomings, and
- b) to check whether the allocations on which the accounts are based are in compliance with the resolutions, conditions and prevailing regulations of the Storting, and whether the allocations are acceptable in terms of norms and standards for public financial administration.

The audit has been conducted in accordance with the Act and Instructions relating to, and the Auditing Standards and Guidelines of, the Office of the Auditor General.

We have performed the audit as deemed necessary for specific parts of the source material.

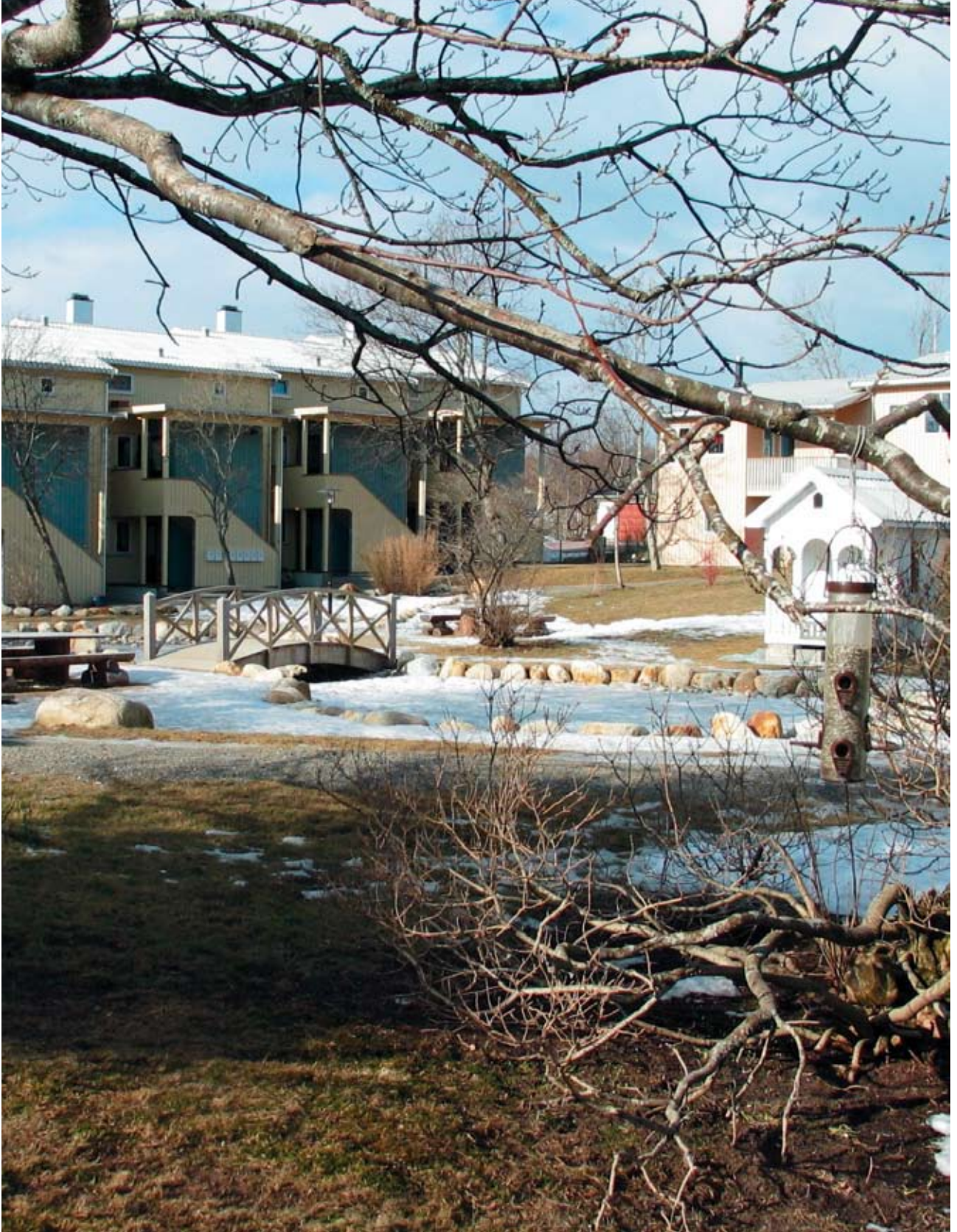
The Office of the Auditor General has no significant comments to the accounts and the company's budget compliance.

Pre Pro

Kari S. Haugen
Deputy Director General

Jan Myhrvold
Consultant

Copy: The Ministry of Local Government and Regional Development





KEY OPERATIONAL FIGURES

Loans and comitted loans not yet issued		2005		2004	
	NOK mill	Number	NOK mill	Number	
Total		13,245		13,998	
Loans, new housing etc.					
New housing 1]		7,033	8 138 homes	8,769	9 450 homes
Loans, residential care homes etc.		254	300 living units	81	63 living units
Loans, nursery schools		1,366	8 156 places	657	4 646 places
Home-improvement and start-up loans					
Home-improvement loans		1,094	5 877 homes	1,060	6 821 homes
Start-up loans		3,498	7 459 households	3,431	7 015 households
Loan limit		13,500		14,500	

1] Incl. homes with basic loan in 2005

Expences/financing	Foundation loans	Construction loans	Construction loans
Average loan per home (NOK)	1,358,300	1,026,100	987,800
Average living area)	84	76	76
Average cost per m ² (NOK)	20,900	19,100	18,100
Average cost per home (NOK)			
Price of land/Land costs	143,200	234,500	214,300
Building costs	1,508,100	1,218,000	1,165,000
Project costs 2)/Construction costs	1,755,200	1,452,500	1,379,300
Housing Bank loans as a percentage of costs	77.4	70.6	71.6
2] With the introduction of the base loan, the cost statistics for the Housing Bank has been amended in line with the Norwegian standard [NS 3453].			

	2005		2004	
	NOK mill	Number	NOK mill	Number
Grants from the Housing Bank				
Total	3,838		4,064	
Housing allowances	2,055	120 300 households	2,036	123 000 households
Housing grants – first home and rental	454	3 399 homes	578	2 548 homes
Housing grants - adaptations	85	3 379 households	86	3 551 households
Start-up grants – care homes etc.	-	- homes	178	913 homes
Comp. grants – care homes etc.	977	33 002 living units	949	29 411 living units
Educational institutions - interest compensation	207	118 projects	182	282 projects
Church buildings - interest compensation	8	134 projects	-	-
Housing quality grants	3	98 projects	24	313 projects
Resource grants	57	256 projects	31	143 projects



STOCK

		2005		2004	
Payments	NOK mill			NOK mill	
Loans	10,545			9,480	
Housing allowances	2,055			2,036	
Housing grants	606			613	
Housing quality grants	47			49	
Start-up grants for residential care homes	1,197			1,553	
Comp. grants – res. care homes etc.	977			949	
Educational institutions - interest compensation	207			182	
Resource grants	33			29	
Student accommodation grants	59			190	
Administration		NOK mill	%	NOK mill	
Average interest rate at 31.12					
Borrowings		3.97		4.38	
Loans		3.95		4.35	
Interest received	3,726			4,243	
Interest expenses	3,752			4,272	
Interest support		25		29	
Instalments received	10,597			15,925	
Total borrowings	94,208			94,260	
Outstanding loans	94,305			94,303	
Loan growth 2		-6,768			
Payment obligations	17,320			17,084	
Defaults		NOK mill	Number/%	NOK mill	Number/%
Loss (net)	13			29	
Loss as a % of outstanding loans			0.014		0.031
Non-performing loans			1,561		2,013
Non-performing loans	965			1,188	
Non-performing loans as a % of total loans			1.02		1.26
Petitions for compulsory sale			558		740
Compulsory sales completed			111		143
Repossessed properties in adm. at 31.12			9		10
Administration		NOK mill	Number/%	NOK mill	Number/%
Fee revenues	21			25	
Adm. expenses	301			277	
Adm. expenses as a % of outstanding loans			0.32		0.29
Average number of man-labour years			362		347
Operating costs per man-labour year (NOK)	831,500			798,300	

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