

The Housing Bank
Grønland 1
Postboks 824 Bedriftssenter
3007 Drammen
Tlf. 815 33 370

Eastern Regional Office
Støperigata 1
Postboks 1243 Vika
0110 Oslo
Tlf. 815 33 370

Southern Regional Office
Skytebanen 14
Serviceboks 626
4809 ARENDAL
Tlf. 815 33 370

Western Regional Office
Østre Muralmenning 7
Postboks 7650
5020 BERGEN
Tlf. 815 33 370

Central Norway Regional Office
Peter Egges plass 2
Husbanken Region Midt-Norge
7005 TRONDHEIM
Tlf. 815 33 370

Bodø Regional Office
Torvgt. 2
Postboks 384
8001 BODØ
Tlf. 815 33 370

Hammerfest Regional Office
Strandgt. 49
Postboks 480
9615 HAMMERFEST
Tlf. 815 33 370



Annual Report 2006

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Introduction

60 years of housing policy service

The Housing Bank celebrated its 60th anniversary in 2006. Since its foundation, and through shifting economic times and under various political regimes, the Housing Bank has served as the government's most important tool in ensuring that **everyone in Norway shall live in adequate and secure housing**, which is the Housing Bank's vision.

The Housing Bank has a comprehensive and complex portfolio of services. Through its use of loans and subsidies, the development and provision of expertise as well as collaboration with other players, the Housing Bank shall assist with:

- Providing housing for the disadvantaged with particular emphasis on combating homelessness
- Building additional universally designed homes
- Building additional environmentally friendly homes with reduced energy needs

In the annual report for 2006, we make a special effort to provide a complete overview of the Housing Bank's activities and achieved results with particular emphasis on a presentation of work in our main focus areas. The report is divided into four main parts.

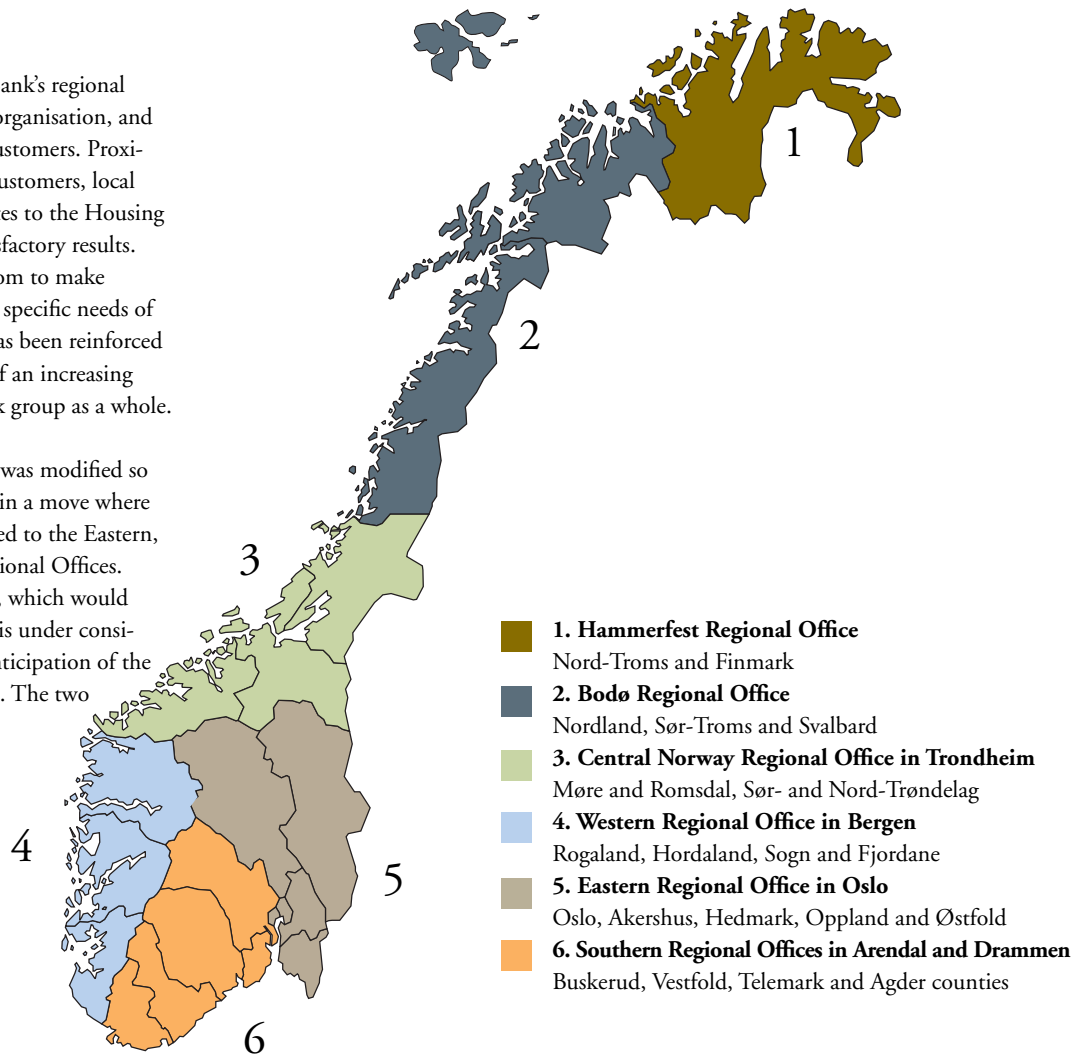
- Part 1: The Housing Bank's historical development and organisation and the Managing Director's overall evaluation of the Housing Bank for 2006.
- Part 2: Thematic articles aimed at shedding light on the Housing Bank's work with our key focus areas and our 60-year Jubilee celebrations.
- Part 3: Evaluation of target achievement and use of resources with regard to the hierarchy of objectives pertaining to housing policy
- Part 4: Formal reports including the annual report by the Executive Board along with the income statement. The accounting component of year's report has been expanded so as to put greater emphasis on presenting analytical information related to the financial statements.

The Housing Bank's regional structure

Since its foundation in 1946, the Housing Bank's regional offices have had an independent role in the organisation, and perform most of the agency's contact with customers. Proximity to and knowledge of local challenges, customers, local authorities and other partners are prerequisites to the Housing Bank's ability to contribute to achieving satisfactory results. The regional offices therefore have the freedom to make adjustments to use of resources based on the specific needs of their district. Focus on the regional offices has been reinforced during recent years through the delegation of an increasing number of tasks related to the Housing Bank group as a whole.

The regional structure of the Housing Bank was modified so as to correspond with other public activities in a move where the names of the regional offices were changed to the Eastern, Southern, Western and Central Norway Regional Offices. A group of offices in Hammerfest and Bodø, which would make up a new and larger Northern Region is under consideration, but is partly being postponed in anticipation of the government's work on administrative reform. The two offices will remain in their current form as the Hammerfest Region and Bodø Region.

The Head Office is located in Drammen, along with the strategy office and the administration office.



Executive board and Regional boards:

Executive board

Chairman: Kristian Wibe
Board members: Barbro Lill Hætta-Jacobsen, Liv Røssland, Heming Olaussen og Ingerd Schou.
Deputies: Else Margrete Lian, Elisabeth Nilsen, Line Gare Paulsen, Kristian Dahlberg Hauge og Øyvind Hilmarsen.

Hammerfest Regional Office

Chairman: Geir Sagelv
Board members: Randi Tennefoss, Linda Randal
Deputies: Ulf Tore Isaksen, Mona Jørgensen, Bjørn Odden

Bodø Regional Office

Chairman: Lisbet Holand
Board members: Guri Helene Ingebrigtsen, Arnfinn Ellingsen
Deputies: Gunnhill Andreassen, Halvor Hilmersen, Odd Arne Tunberg

Central Norway Regional Office

Chairman: Anne Sofie Hunstad
Board members: Marit Voll Skrove, Harald Valved
Deputies: Paul Ludvig Almåsvold, Jan Ole Asplid, Trude Holm.

Western Regional Office

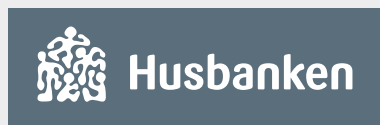
Chairman: Sigrid Brattebø Handegard
Board members: Karl W. Sandvig, Guri Fonsdal
Deputies: Jostein Zazzera, Geir Pollestad, Lillian Blom

Southern Regional Office

Chairman: Ann Kathrine Tornås
Board members: Arnfinn Nergård, Ole Haabeth
Deputies: Harald Solberg, Ellen Løchen Børresen, Lisbeth Lofthus Gabrielsen.

Eastern Regional Office

Chairman: Rolf Erling Andersen
Board members: Eli Løite, Ivar Ramberg
Deputies: Ragnhild Rød, Arne Thomassen, Reidun Nyhus



Organisation

The Housing Bank is governed by the Ministry of Local Government and Regional Development. The Executive Board has five politically appointed members. The Executive Board determines strategic goals and key priorities and is responsible for ensuring that all planning documents required for operations are in place. Additionally, there is a regional board in each region having three politically appointed members. The regional boards are authorised to make resolutions concerning loan and subsidy schemes within their zones. In matters of more general significance in terms of principle, the regional board shall make an evaluation prior to sending a case to the Executive Board for a final decision.

The Housing Bank has its Head Office in Drammen, along with the administration office and strategy office. The central offices deal with the government, support the regional offices, administer all loans and coordinate the Housing Bank's activities.

The Directors' assembly is the highest administrative body of the Housing Bank and is headed by the Managing Director. Other permanent participants include the six Regional Directors, the Staff Director, the Strategy Director, the Management Director, the Communication Director and the Control Director.

The regional offices

The regional offices function as independent entities, which are managed by a regional director. Close proximity to our customers and partners is a prerequisite for achieving results. The regional offices therefore play a key role as the first line of contact with our customers and partners.

The administration office

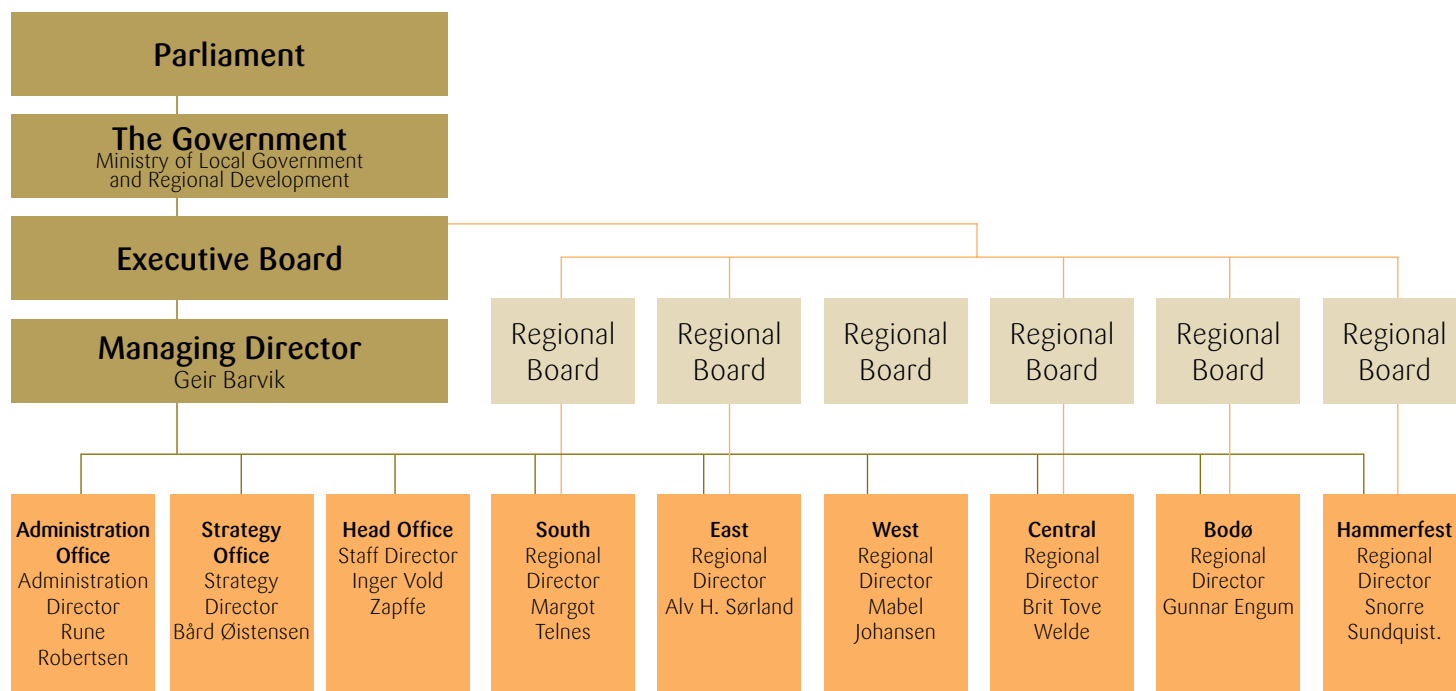
The main duties of the administration office include the administration of loans and the operation and development of the Housing Bank's IT systems.

The strategy office

The strategy office is in charge of the development of policy and strategy, reporting and coordination of various group tasks and related assignments, and serves as an important source of support for the Bank's other offices. The strategy office is also responsible for providing administrative support.

The Head Office

The Head Office acts as the secretariat for the Managing Director and the Executive Board, and its duties encompass such areas as HR, communication, internal control / auditing, corporate culture and international matters.



Managing Director Geir Barvik: The Housing Bank shall help create public welfare benefits

In 2006 the Housing Bank celebrated its 60th anniversary. Historically, the Housing Bank has played a key role in securing an adequate supply of housing in Norway and has financed more than one million homes since 1946. In its current form, the Housing Bank is a regionalised public welfare institution and a centre of expertise with regard to housing policy. The economic resources are intended to benefit the most disadvantaged people in the housing market. It is the aim of the Housing Bank to create socially relevant public welfare benefits through the development and provision of housing-related expertise in addition to close cooperation with the local authorities and the building industry. Aspects of quality housing such as universal design and energy efficiency have replaced quantity as the main objectives of our housing policy.

Some key figures from 2006 serve to illustrate this development. On the one hand, the number of new homes financed with foundation loans from the Housing Bank fell by 18 percent to 6 700 during the course of a year when construction of 32 000 homes was initiated in Norway. The Housing Bank's market share dropped five percentage points to about 20 percent. However, our key objective is not to have the largest possible market share, but rather that the homes that we finance are of a good standard. It is therefore satisfying to point out that almost all of the new Housing Bank homes achieve high quality with regards to universal design and the environment. This leads to an increase in the loan disbursement ratio – we are willing to go a long way in order to ensure sound quality.

Meanwhile, increased use of the Housing Bank's resource grants indicate that our strategic efforts at evolving the Housing Bank into a centre of expertise for housing policy is proving fruitful. A total of 391 projects received more than NOK 82 million in support, which represents an increase of around 50 percent bringing us up to the highest level ever. Funds provided by the Housing Bank in the form of resource grants contribute to the development of a variety of new approaches and working methods, enhanced interaction between the various players in this area and an open exchange of experiences and knowledge which lead to a higher level of achieving our objectives with regard to prevailing housing policy.

The most significant focus area for use of the Housing Bank's resource grants are measures related to the government's strategy for combating homelessness – "På vei til egen bolig" ("A home of one's own"), where the Housing Bank plays an important role as a key coordinator. Norway is the only country in Europe with a national strategy to prevent homelessness. This draws international attention to our efforts. In autumn, a so-called Peer Review was conducted whereby representatives from eight of the EU countries evaluated work on this strategy. The feedback we received was extremely positive. In particular, the anchoring of the strategy within the framework of our housing policy and the manner in which the Housing Bank func-



Photo: Knut Hofstun Knudsen

tions as coordinator of efforts on the local and regional levels were the objects of much praise. It was also considered very positive that overall responsibility is vested with a governmental agency that actually administers the funding necessary for implementation of concrete measures aimed at improving the housing situation in Norway.

Our efforts to prevent and deal with homelessness help to clarify the Housing Bank's new role as a regionalised public welfare institution. The benefits to public welfare that are gained through providing housing to the homeless and other disadvantaged groups are clear and measurable. This work requires resources and the development of new expertise, cooperation with other relevant players and the development of solutions that are tailored to local factors. The same may be said for our work related to the construction of additional universally designed and environmentally friendly homes and our work on the new focus area referred to as local development. The tasks of making organisational improvements and implementing more efficient electronic procedures related to the processing of loans will therefore continue to receive top priority in the coming years. In this manner, we are able to release resources with which to further invest in development of expertise as well as our close and effective collaboration with the local authorities and the building industry. We are dependent upon this so that the Housing Bank will be able to efficiently ensure that all residents of Norway will have access to adequate and secure housing.



Managing Director

Highlights for 2006

Considerable grant funds – a total of approximately NOK 82 million – were invested on enhanced expertise related to housing policy in 2006. A combined total of 391 projects were awarded resource grants, which represents a 50 percent increase in relation to the previous year. More than 45 percent of the resource projects in 2006 were part of the national “På vei til egen bolig” strategy (“A home of one’s own”), the objective of which is to prevent and combat homelessness.

2006 was another record year for the building of new homes. In total, construction was started on roughly 33 000 homes. The last time there was this high level of building was 25 years ago.

Over half of the homes the Housing Bank approved for foundation loans in 2006 are accessible homes with added quality features with regard to universal design, while 45 percent are being built with features that provide energy saving relative to current norms.

The Self Builder project in Meland in Hordaland local authority, where the Western Region of the Housing Bank administered the financing services, was awarded the «Det nytter-prisen» (i.e., the “It Helps” award) for 2006 on 28 February by the Directorate for Health and Social Affairs. The award was presented by Bjarne Håkon Hanssen, Minister of Labour and Social Inclusion.

Our Jubilee Year 2006 was opened with a cultural event at Drammen Theatre at which all 350 of the Housing Bank’s employees got to enjoy a performance of Terje Vigen in the “Year of Ibsen”.

The Housing Bank marked 60 years of service on 1 March. The official opening of the Jubilee was held in Hammerfest. The programme included a visit to Melkøya (i.e. the Snow White field), opening of the Hammerfest Energy House and a trip to the Museum of Reconstruction for Finnmark and Nord-Troms. The 60-year Jubilee was subsequently duly commemorated with various events at each of the regional offices.

The Housing Bank’s Bodø Regional Office held a national conference on 8 and 9 June focusing on the prevention and combating of homelessness under the slogan “Vi gjør så lite med bare hus” (i.e., “We do so little with just a house”). The conference took place in Rana in Nordland, the local authority that received the Government’s award for the best anti-homelessness initiative for 2005. State Secretary Guri Størvold of the Ministry of Local Government and Regional Development opened the conference and the Managing Director of the Housing Bank, Geir Barvik, concluded the event.

On 13 September, Oslo’s first housing association (Tangerudbakken Housing Association) for developmentally challenged people was opened. The Housing Bank has provided valuable contributions to help realise this pilot project. Work connected to Tangerudbakken has served to establish a new model of housing for this target group in Oslo local authority.

The Norwegian Government’s award for Good Practice in Hou-

sing Construction for 2006 was awarded to Hausmannsgate 16 in Oslo – a converted transformer station that emphasises the interaction between culture, local development and architecture. The award ceremony was held at Hausmannsgate 16 on 17 October.

The Housing Bank as a centre of expertise was the topic during the technical day on 15 November in Drammen. Here the focus was on universal design as well as a presentation of the contributions made by the Housing Bank’s five Master’s Degree candidates in various housing-related areas. The latter represents a boost to expertise enhancement that came about through our cooperation with the University of Oslo.

Norway’s first major low-energy project – Husby amfi – a project comprising 56 homes in Stjørdal in Nord-Trøndelag, has been in operation for about one year as of autumn 2006. Energy usage was reduced by 50 to 60 percent compared with traditional solutions. The project was carried out through collaboration between such partners as Sintef Bygg og Miljø, the Housing Bank’s Central Norway Regional Office and Enova. Experts from around the world have come to visit this pilot project.

The Norwegian Government’s award for best anti-homelessness initiative was given to Meland local authority (the Self Builder Project) and The Home School at SAFIR (Centre for Voluntary Efforts related to Drug Abuse). The school is operated by The Church City Mission (Oslo) and the Norwegian Red Cross in Oslo. The award was presented by the Minister of Local Government and Regional Development, Åslaug Haga, on 28 November during a ceremony in the Jakob cultural church in Oslo where the Eastern Regional Office of the Housing Bank served as chief organiser.



The award for best anti-homelessness initiative for 2006 was given to the Home School at SAFIR.

Photo: Jeanette Christensen, The Housing Bank

60-year Jubilee

Our 60-year Jubilee celebrations gave us the opportunity to celebrate as well as demonstrate our housing policy externally and look back on our history as well as forward towards new challenges.

As a prelude to the Jubilee, the new “Housing Bank Building” in Drammen was opened by Erna Solberg on 21 September 2005, which started a new era in the history of the Housing Bank whereby the Head Office and the central offices relocated from Oslo to Drammen.

The Jubilee celebrations began with an internal “Nostalgic Gallery” in Drammen from 26 to 27 January, which was open to all employees. The gathering was a combination of housing policy, culture and celebration. The Housing Bank attended a preview of the Terje Vigen performance at the Drammen theatre, and engaged in a thorough discussion of our stated core values of openness, diversity and interaction along with considering alternative future scenarios.

The actual Jubilee date of 1 March was properly observed in Hammerfest, the core area of reconstruction following the war. A wide

The Housing Bank changed its logo during the Jubilee Year

The Housing Bank’s former logo was effective during the period it was used, and helped to ensure that the Housing Bank brand was recognised as the most important home financing institution in Norway. The logo reflected our values such as quality, prudence and strict adherence to regulations.



The Housing Bank’s role has changed significantly and our main task now is therefore to ensure that the few people who the system does not cater for also find somewhere to live. The Housing Bank shall also contribute to projects that emphasise sustainability, universal design and compatibility with the local surroundings. Our new logo shall reflect the redirection of our activities as well as the internal values that our work shall be based on: **Transparency, Diversity and Cooperation.**



*Jubilee fireworks in Hammerfest on 1 March
Photo: Allan Klo, Finnmark Dagblad*



Universal design

The regional offices conducted regional drawing competitions at elementary schools based on the theme of universal design. In advance of the competition, the Housing Bank had collaborated with Housing Manufacturers' Regional Association to create a schoolbook about universal design that was then sent to all of Norway's elementary schools from the regional directors.

The winners from the Western Region:

- Sarah - 9 years, from Åsane in Bergen,
- Simon - 10 years, from Knarrevik on Sotra
- Group Work - 3rd year pupils from Florø Elementary School.



selection of public institutions participated, as well as interest groups and our other partners among the building industry. The celebration started with a concert for the city's residents featuring the Northern Norwegian band Madrugada on the eve of the Jubilee, and continued with a reception at the Regional Office in the mid-morning, followed by the inauguration of a new energy house in the afternoon and banquet dinner in the evening. This provided guests such as two of our previous managing directors, Bjarne Orten and Ivar Leveraas, with an opportunity to philosophise about the Housing Bank's evolution and our ever strong position in Norway's modern public welfare arena.

The Jubilee celebrations then continued like a long-distance relay around the Norwegian coast among the local events at the Bodø Regional Office, Trondheim, Bergen, Arendal and Oslo. Regional collaboration partners were invited to these locations to take part in cultural and housing-related events that served to mark the Housing Bank's first 60 years. In Oslo the relay was rounded off with a reception in the premises of the Regional Office in Vika that was held for current partners from eastern Norway along with a Jubilee Party for our personnel at Hausmannsgt 16 – a conversion project that won the Norwegian Government's award for Good Practice in Housing Construction for 2006.

The holding of regional events put an emphasis on the Housing Bank's regional role and approach. These festivities received ample coverage among local media and were also reinforced by a Jubilee programme guide that the Housing Bank prepared. The guide was distributed via *Aftenposten* on 1 March and in local newspapers in connection with the local events.

In addition to the Jubilee celebration events, a variety of housing-related conferences and seminars were held. Here the main emphasis was put on our focus areas of sustainable home building where priority is given to universal design and our socially oriented efforts at combating homelessness. This was the topic at an international conference held by our Eastern Regional Office that was organised in cooperation with NOVA at the SAS hotel in Oslo in November. This marked the conclusion of the Jubilee events.

The Home School at SAFIR on Urteгат

The Home School at SAFIR (Centre for Voluntary Efforts related to Drug Abuse) operated by The Church City Mission (Oslo), received the Norwegian Government's award for best homelessness initiative for 2006. The award is given annually by the Housing Bank to candidates who dare to think of creative ways to prevent homelessness. The Minister of Local Government and Regional Development, Åslaug Haga, praised the Home School for taking the individual's need to live a meaningful life seriously.

The Housing Bank visits SAFIR (Centre for Voluntary Efforts related to Drug Abuse).

The Housing Bank visited the Home School one Wednesday in order to enjoy a cup of coffee and have a chat with Stine Lien who is the project coordinator and Siri Eriksen Sveen who works as a volunteer at the school. We can confirm that the centre is open to everyone and that both the coffee and the food tasted delicious, and that there were lively conversations among the various tables. The atmosphere was warm in addition to being very inclusive.

Siri Eriksen Sveen and Stine Lien from SAFIR. Photo Thomas Bjørnflaten



The school is informal in the sense that people drop by when it suits them along with the fact that most visitors have heard about the school from friends and acquaintances. Stine, the project coordinator, emphasizes that the user involvement and a sense of security there are crucial factors with regard to the school having a purpose, and has a determining effect on whether people make the effort to turn up. The sense of community that gets developed during the courses and the knowledge that there are other people in the same situation also represent important elements of the learning process here.

“We also make use of the participants' own experiences and skills on an active basis during the courses”, says Siri, who was one of the first course participants when SAFIR established the Home School in 2005. She points out that people actually learn a lot from their existence on and around the city streets, which can be very useful for their new lives in their own homes.

Learning to master life

Three employees and over 60 volunteers work at the networking house known as SAFIR, which represents a social service to persons who are in the process of withdrawing from drug-dependency. The Home School is just one of the services whereby courses and theme evenings are organised to help people master a more stable way of

ta in Oslo



Users of the Gardner Meadows networking house around the lunch table. Photo: Thomas Bjørnflaten

life. The Church City Mission (Oslo) and the Norwegian Red Cross collaborate to provide this service.

The Home School is open for everyone

The Home School is open for everyone, and you can participate in a course and receive training regardless of whether you are a client or a helper – and regardless of your problems or life situation. Residents from the Vesleien Treatment Centre at Ringsaker make regular visits via bus to take the courses. “Eat well and live healthily!” “How to match your money stretch?”, “From house to home – all about renovation” and “How to get involved in your local community” are some of the topics being covered during spring 2007.

User self-management is important

The Home School is being developed and operated to a large extent through user self-management, along with having numerous volunteers linked to the operation. The school holds courses and theme days that enjoy broad participation. This model builds further on experiences in Glasgow, Scotland and a cooperative arrangement has been established between interested parties in the two countries. Participants at the Home School are sought after as guest lecturers, and they inspire others to consider similar initiatives.

Luxury Villa at the botanical garden that became an oasis within a stone desert

Urtegata 50 was built as a luxury villa around 1820 by nursery owner Hansen. The property was sold to the Siebke family in 1846 who established what has become the Botanical Garden at Tøyen.

Parcels were gradually divided from the main property and sold such that the original old house has been surrounded by various types of apartment complexes since 1880 and on to this day. There have been a number of different owners, most of whom were wagon owners or blacksmiths.

In a letter to the editor in the *Aftenposten* newspaper back in the 1950s, architect Helge Heiberg proclaimed that the house and large tree at Urtegata 50 represent a cheerful element in one of the saddest parts of the city. “*Our hope is that the house can be preserved and at some point in time serve as a communal house of one kind or another.*” And – so it was to be!

In the early 1960s, the area was characterised by rampant decay, and the entire area around Enerhaugen was sanitised. The house was occupied by squatters during a short period towards the end of the 1970s, and some of those same squatters are now active members of SAFIR.

The house was renovated in 1984-85 by the local authority and used as a recreational centre for local children and young people. In 1989 the house was established as the Human Rights House with participants from the Norwegian Helsinki Committee, PAN Norway and the Norwegian Tibet Committee.

In 2004 the house was purchased by the Red Cross and SAFIR moved in May 2005 as part of a letter of intent between Oslo Red Cross and the Church City Mission (Oslo). Based on the history of the house, it was given the name “Gartnerløkka nettverkshus” (i.e., the Gardner Meadows networking house).



Gartnerløkka nettverkshus. Photo: Thomas Bjørnflaten.

Multigenerational houses in Bergen in

The Fløenbakken Housing Association in Bergen has been planned based on universal design and features stage of life and official visiting standards among the 56 apartments which were moved into in the end of 2006. Here members of the Vestlandske Housing Association have had the right to purchase two units per member number (one large and one small unit).

The right to purchase pertains to the families of members directly ascending and descending lineage and their spouses, where the aim was to achieve a greater generational distribution among the housing association and to gather multiple generations of a family together for their mutual benefit.

All 56 apartments are financed through the Housing Bank at a sum total of NOK 96.8 million. The apartments are distributed among four 4 to 6 story buildings. The units vary in size from 50 to 142 square metres with 2 to 5 rooms, whereas the majority are 3-room apartments. The complex is centrally located in the suburb of Årstad with only 5-minutes walking distance to Haukeland Elementary School, the Dental Institutes and Haukeland University Hos-

pital. The property was actually a “leftover” lot situated in a hollow between a cemetery, student accommodation and other residences and was previously used as a site for municipal storage. The area has become an attractive residential site in a modern style with balconies of glass and steel piping, and where the building mass is softened up with wooden components featuring warm frontage colours.

The Housing Bank got involved at an early stage of the planning phase and has influenced both design and quality aspects related to the project. This has resulted in such benefits as optimal environmental characteristics where all the apartments feature stage of life or official visiting standards. The apartments in one of the sections are 90% financed through loans. These consist of 2 and 3 room units, which enables younger buyers to get established and also serve as reasonable second apartments. The apartments are located 2.5 kilometres from downtown Bergen via a walking path that runs along Store Lungegårdsvann Lake, which allows residents to walk or bicycle back and forth to the city. This area also enjoys excellent public transportation options. Universal design was the basis for determining the layout of both the interior and exterior areas.

Access and parking

There is direct access to the apartment complex via public roads into the parking facility, which is located in the basement. From here one has access to lifts and stairways to each of the apartment buildings / floors. Easily accessible walking paths (reserved for residents use) have also been constructed from public sidewalks up to the main level / courtyard. There are 1.25 parking spaces per residence. Owing to a general lack of parking spaces in the surrounding area, an additional 45 parking spaces have been constructed which may be used by visitors.

The property has been laid out so that the parking facility is hidden in the basement, at roughly the level where the first floor is even with the ground level. The parking house has been situated in such a manner that there is a car-free courtyard with an open view to the west. Rocks from the existing terrain were stored and then put to use as a natural stone wall at the entrance of the basement garage.

Reduced energy needs

- Fløenbakken is the first project in Bergen that is built with a 25% reduction in the need for heating energy, says chief engineer Siri Erdal of the Western Regional Office of the Housing Bank. This has been accomplished through extra efficient insulation: Thicker insulation in floors, walls and ceilings, windows with high insulation ratings and balanced ventilation systems. All of the panel heaters in the apartments have been equipped with central temperature control featuring programmable night-time automation. Additionally,



Play equipment and benches characterise the west-facing courtyard formed by the four buildings

All photos: Odd Bjørn Solberg

corporating universal design

The front side of the highest building which faces towards the courtyard



the apartment complex is linked to the Bergen Peninsula Municipal Power Company's (BKK) district heating network.

Stage of life standard

All of the apartments have stage of life standard with "threshold-free" access from the main level / exterior to lifts and to each individual apartment.

Vacuum-based waste system

A vacuum-based waste system has also been installed, which consists of two tanks, one for general waste and one for paper. In conjunction with waste sorting under their respective kitchen counters and Bergen local authority's collection sites for glass and metal, the residents of the complex have access to an environmentally friendly waste system.

Varied outdoor areas

The outdoor areas are to be covered with facing stone / feature concrete and will feature marked zones on the decking for various activities such as: play area with play animals, swing sets, climbing wall, sandboxes, benches and tables.



A blend of concrete and wood in warm colours creates life among the buildings' facades



The vacuum-based waste system is discrete and practically located between two of the buildings

Reclaiming a lost city district

The Blødekjær city district is located along one of the main roads into Arendal and is in poor condition. Transport has completely taken over and Blødekjær has in many ways become a city district under invasion.

In an analysis of this area prepared by Asplan Viak, civil architect Harald Tallaksen notes that the ratio between housing, commerce and transport is out of balance. This city district has been invaded by a myriad of types of motor vehicles. Since 1950 the transport sector has totally displaced the meeting places along with life in the streets. Commerce in the area is also suffering and has been on the decline.

This is a situation Arendal local authority wanted to remedy. In 2004 the local authority received NOK 500 000 in subsidies from the Housing Bank towards area development. Achieved results include a local area analysis, a defined vision and a number of initiatives. One of the more significant initiatives involved improving the main road into downtown, which has gone through this city district since olden times. By transforming the street into a green area with an emphasis on safety and pedestrians / cyclists, an important piece of the solution will fall into place. The project is currently beginning to take shape.

Widespread participation

The local authority made the project known both wide and far and many participants joined the process; the Housing Bank, the Norwegian Public Roads Administration, and Aren-



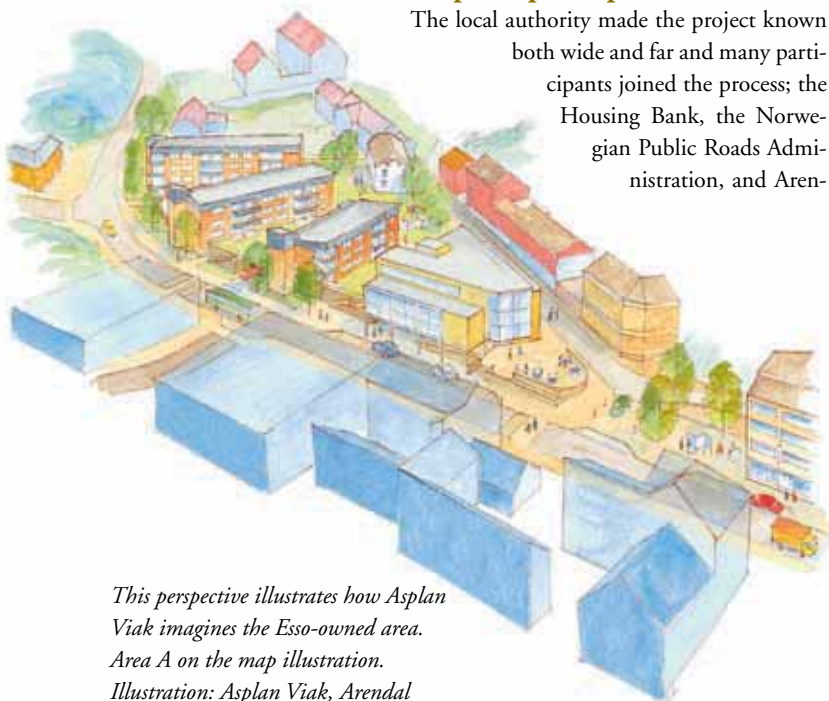
dal Housing Association. Various property developers, architects and city planners, as well as landscape architects, local residents and even an industrial designer have also got involved thus far.

“The Housing Bank’s involvement served to get the process started,” says civic leader Geir Skjøveland. He is also grateful that the Norwegian Public Roads Administration was committed to such a large extent with regard to realising traffic-related, as well as aesthetic, initiatives along the main road through Blødekjær. “A people-friendly “green” road that will bring pleasure to many people is now evolving,” a contented civic leader informs us.

Stimulating town meetings

Two open meetings have been held thus far. The first one served to inform local residents that the planning work had begun and in order to get an overview of their dreams and desires. The second meeting was for airing opinions concerning a proposed solution and practical initiatives. Enthusiastic residents attended both meetings and the plans that were presented were the object of much praise. Not surprisingly, the desire of local children was more focus on a safer area in which they can grow up.

“In this type of process, the involvement of local residents is extremely important,” says chief architect Michael Fuller Gee of the Housing



This perspective illustrates how Asplan Viak imagines the Esso-owned area. Area A on the map illustration. Illustration: Asplan Viak, Arendal



Bank. “They live in the area and are in the best position to know what needs to be improved,” he believes.

Feasibility studies

The local area analysis served as the basis for the vision: Blødekjær, the creative district. In his analysis, Tallaksen points out that investment in major traffic solutions and environmentally founded sprucing up of the main highway will provide the district with newfound hope. Reduced traffic and reduced traffic speed will result in enhanced residential conditions. This leads to increased interest in the area as a place to live and work as well as more willingness to invest here and maintain one’s own residence. “*Blødekjær needs a new identity in the same manner as other cities have succeeded in transforming their older suburbs into attractive areas,*” says civil architect Harald Tallaksen of Asplan Viak.

Environmentally adapted street

Two of the most vital aspects of the project have been initiated. The Public Roads Administration has begun the process of transforming Vestregate into an environmentally adapted street with a width of six metres. In parallel to this, a pipeline for water-borne heating that

This plan involves the development of two larger properties. In one of these areas, ABBL plans to build apartments and a small shopping area. Illustration: Kjell Jensen Architects: Asplan Viak / a2 Design

passes along this route is being laid in preparation for future developments in Blødekjær. The construction of the environmentally adapted street represents a collaborative effort between Arendal local authority, Agder Energi, the cable companies and the Norwegian Public Roads Administration. Work is being conducted on a district heating facility in the upper section of the affected area, a part of which involves blasting into the hillside. Among other sources, this facility will transfer heat received via the local authority’s refuse disposal plant in Heftingsdalen several kilometres away.

Densification and new homes

Arendal Housing Cooperative (ABBL) is currently completing some finishing touches on its housing complex in the lower part of Blødekjær. Here the housing association is planning 35 new apartments on a narrow but sun-filled and attractive property. The project is being developed in cooperation with the local authority, which would like the area in front of the apartments to be developed as a public park with pedestrian access to Østregate – one of the city’s other main streets.

ABBL is also considering being involved in the upper sections of the proposed development area, which is currently dominated by a rundown residential area, petrol station and parking lot connected to a convenience store. Esso owns most of the property in this area. The company obtained a demolition permit just prior to Christmas 2006 and intend to clear the area for other purposes. Asplan Viak has prepared a proposal in which the property is used for housing, offices, commerce and green space.

The vision for this city district

The planners envisage the new district as follows:

“A pleasant number of people stroll along on their way to work through Blødekjær. New meeting places invite people to relax on a bench in order to observe life or have a chat with someone they know. The atmosphere in this part of the city shall be like a massage for tense shoulders: Blødekjær is the place in this city where people have reclaimed their time. A place for taking your time.

As soon as the morning’s first cup of coffee has been enjoyed and the artisans in the little workshop have removed newly baked ceramic vases from the kiln, the antique dealer wheels out his bookshelf, which is carefully placed in its regular spot out on the wide sidewalk. At the highest point in the district where the view extends all the way to the ocean, a designer is seated at her computer monitor and giving shape to the sailboat of the future.” (Excerpt from the project brochure)

Objectives and tools

Since being founded in 1946, the Housing Bank has been the government's most important tool for implementing its housing policy. The varying governments have been steadfast on this matter and have maintained a relatively firm grip on housing policy and the assortment of strategies that is made available to the Housing Bank. However, this situation has changed drastically from its initial years of operation in the sense that the housing situation is now adequate for most people in Norway, and the Housing Bank's duty has thus gone from being solely a "housing bank" to becoming a diverse public welfare institution and a centre of expertise.

The objectives of our housing policy are adopted on an annual basis by the Storting in the state budget and adjusted based on the current main challenges. The prevailing chief objectives were implemented in 2003:

Everyone should have a good and safe home

Additionally, four main objectives have been formulated with regard to the housing policy on which the Housing Bank shall adapt its work in order to achieve:

- 1 A well functioning housing market and efficient construction processes
- 2 Homes for the most disadvantaged in the housing market

- 3 Sustainable quality, safety and good aesthetics in the constructed environment upon completion
- 4 A larger number of universally designed homes and buildings.

The government has also set forth the following objective with respect to internal operations at the Housing Bank:

5. Efficient and user oriented administration.

In order to help ensure that the objectives of the housing policy can be achieved to an optimal degree and that operations are in accordance with the stated goals of the government, the Housing Bank has identified a set of internal core values which shall characterise our daily work efforts and our employees' way of approaching the task at hand: **Transparency, diversity and cooperation.**

The Housing Bank administers a variety of strategies and resources, which are used to achieve objectives related to housing policy. Whereas the chief strategy was previously based on the construction loan, which helped meet the demand for adequate housing, the current situation is completely different. Important strategies include housing benefits, grants, expertise development and communication and loans. The Housing Bank additionally administers strategies and

Objective and strategy matrix for the Housing Bank's business

Objectives	1. A well-functioning housing market and effective building process	2. Housing for the disadvantaged on the housing market	3. Sustainable quality, safety and aesthetics in the local environment	4. More universally designed dwellings and buildings	Objective within other policy areas
Resources					
Loans					
- Foundation loans	X (page 16-17)	X	X	X	
- Start-up loans	X	X (page 19-21)			
- Nursery home loans			X		X (page 26)
- Residential care home loans	X	X	X	X	X (page 30)
Grants					
- Housing benefit	X	X (page 19)			
- Housing grants	X	X (page 20)			
- Grant assessment			X (page 23)	X	
- Resource grants	X	X (page 20)	X	X	
- Student accommodation grants			X	X	X (page 26)
Other tools					
- Advice and information	X	X	X	X	
- Loan administration		X (page 28)			
- Compensation for educational institutions			X	X	X (page 26)
- Compensation for church buildings			X	X	X (page 26)

resources within the realm of other political spheres: Loans and subsidies for homes for the elderly and nursing homes, nursery home loans, subsidies for student accommodation, compensation for the renovation of schools and church buildings. A certain amount of available resources are used in collaboration with other parties, i.e., the local authorities in particular.

Examples of useful resources, and instances where our collaboration with the local authorities is crucial, include start-up loans for homes for people who are experiencing difficulties with entering the housing market, and housing benefits which provide more than 100 000 homeowners with the opportunity to obtain their own home and afford to remain living there. It is also worth emphasising that the Housing Bank's role as a centre of expertise and knowledge as well as a provider of relevant information and expert advice.

The degree to which these resources have an effect on the various objectives is illustrated in the below matrix. Most types of resources affect several objectives simultaneously, but we have identified any clear connections between a given resource and a specific key objective wherever possible. We take a closer look at achievement of objectives in the chapters dealing with certain of the key objectives.

Development of the main strategies and resources, as they are defined in the state budget, are presented in the table to the left.

The following main points concerning use of resources in 2006 can be summarised as follows:

- The increase in resource grants is demonstrative of the Housing Bank's increased focus on research, development and the transfer of expertise related to housing policy.

- Over NOK 2.2 billion in housing benefits was given to 106 000 households
- Start-up loans and loans for day-care centres were prioritised in relation to our overall loan framework. A smaller portion (i.e. 8%) of the loan framework remained unused because private financing had a prominent role and served to meet the demand for home loans in most cases.



Lørenbyen (See detailed article on page 39)

Photo: Thomas Bjørnflaten

Framework conditions for the Housing Bank 2002-2006

	2002	2003	2004	2005	2006
Total allocations	7 055.1	5 548.9	4 527.6	4 092.9	4 526.1
Housing benefit 1)	1 757.0	1 932.8	2 109.0	2 093.6	2 232.6
Grants for regeneration / housing quality	108.0	60.0	21.4	-	-
Housing grants for setting up, adapting and renting	732.0	670.0	664.6	559.0	574.0
Grants for residential care and nursing homes including psychiatric units	3 276.4	1 378.2	177.7	0.0	0.0
Resource grants 2)	36.5	36.1	31.0	56.7	82.8
Resource grants 3)	-	-	-	-	6.0
Grants for radon preventive measures	9.2	13.4	-	-	-
Compensation educational institutions 4)	70.0	192.0	240.5	207.0	322.0
Compensation church buildings 5)				7.8	21.0
Compensation residential care and nursing homes 6)	1 066.0	1 266.4	1 283.4	1 168.8	1 287.7
Loan framework 7)	13 000	14 500	14 500	13 500	13 500

1) The Ministry of Health and Care Services' housing grants were merged into the present housing benefit in 1997.

2) The resource grant was merged in 2006 from 581.71 Regeneration / housing quality and 581.78 Development grants.

3) New grant in 2006.

4) New grant in 2002. Investment framework NOK 2 000 million in 2007.

5) New grant in 2005. No new investment framework in 2007.

6) New grant in 1998 as part of the government's plan for the elderly.

7) The Housing Bank has a loan framework for the different loan schemes (foundation loan, start-up loan and loans for nursery homes) in order to achieve objectives as far as is possible.

In addition, the Storting decided that NOK 500 million of the loan framework would be earmarked for residential care homes abroad in the years 2003-2006. A small part of the budget was unused at the end of the year.

Objective 1

A well-functioning housing market and an effective

Objectives and strategies

A well-functioning housing market shall help households to secure good living conditions and good housing that covers their needs. The government also aims to promote an efficient and user-friendly building process.

Home building and the allocation of housing are carried out in the housing, construction and land markets. Financing mainly takes place in the private credit market supplemented by the Housing Bank where appropriate. The Housing Bank's role with regards to the objective of a well-functioning housing market is now mainly in an advisory capacity and in the transfer of expertise. The latter is effected through contact with the local authorities and other parties such as housing cooperatives, private developers, user organisations and research institutes. The marked increase in the allocation of resource grants in the last two years also reflects the increased focus.

A number of letters of intent that have been entered into with key players in the building industry both simplify loan administration and provide expertise on the environment and universal approaches in relation to projects that are not financed by the Housing Bank. Increasing the focus on universal design in new buildings generates socio-economic benefits in several areas, including the reduced use of resources and lower total costs. Surveys have shown that it is considerably more expensive to make similar investments in existing buildings.

The Housing Bank plays a crucial role in house building and the financing of housing in the districts, as the Housing Bank can take a greater risk than private credit institutions will normally take. This applies to the foundation loan and the start-up loan, which are granted by local authorities. The start-up loan, housing benefit and housing grants are the most important financial tools for securing housing for the disadvantaged in the housing market. The housing grant is particularly important for ensuring a greater supply of affordable rented properties. These tools are discussed in more detail in objective 2.

Heated housing market

The start-up of new housing in the last three years has been at a significantly higher level than in the preceding decade, and house building levels have not been so high since the beginning of the 1980s. Housing production in 2005 was approximately 31 600 and increased even further in 2006 to more than 33 300 units. The driving force behind the high level of house building is primarily the sustained strong growth in the existing housing prices and a moderate increase in building costs. This has contributed to the profitability in new builds becoming extremely high. The strong housing price growth is due to low interest rates, falling unemployment and growth in households' incomes. The housing price growth also contributes to a signi-



ficant increase in households' debt, particularly among young people setting up home. A relatively large share (17 per cent) of the latter households has loans that exceed the value of their home according to a survey on mortgages carried out by the Financial Supervisory Authority of Norway.

In 2006, the Housing Bank arranged a housing financing network meeting where the topic was the heated state of the housing market. The conclusion from this meeting was: the price growth is not sustainable, but neither can it be said that the housing market is on the verge of collapse. The longer the interest rate is kept low, the greater the risk for a subsequent fall in housing prices.

Moderate growth in building costs

Housing prices increased on average by 13 per cent in 2006, compared with 10 per cent the previous year. Compared to the substantial housing price growth, the increase in building costs was more moderate. The building cost index shows an increase of just 3-4 per cent in the last two years depending on the type of dwelling. This is no doubt related to the increased supply of foreign labour suppressing the cost growth in the building industry. There can also be signs that the building cost programme (see separate box) is gradually producing results.

The average project cost or price for homes approved for a fo-

building process



undation loan by the Housing Bank in 2006 amounted to NOK 1.75 million, and remained more or less unchanged in relation to corresponding costs in 2005. However, due to the lower utility floor space, the costs per square metre increased, and this increase was on a par with the growth in the building cost index. A comparison of prices for all homes sold in 2006 shows that on average, Housing Bank homes are almost NOK 500 000 less than the overall average. The low use of resources is also reflected in the low utility floor space of homes with a foundation loan from the Housing Bank (80 m² in 2006). This is more than 40 m² less than the total average for house building starts in 2006.

More emphasis on quality

The Housing Bank's statistics show that new homes that have additional qualities linked to universal design are, on average, cheaper per square metre than homes with no special qualities. This is partly explained by the fact that the units with additional qualities are somewhat larger than the others, which often means a lower price per square metre. The differences in size are, however, no greater than that it can be reasonable to assume that the qualities increase the costs of homes to a very limited extent.

The latter conclusion is underpinned by modelling work (regression analysis) the Housing Bank has carried out in order to examine

Housing Bank-financed new starts in Bleikvasslia

When the local savings bank refused, the Housing Bank rescued Henriette Røssvassbukt and her partner Torgeir Nilsen Rekve's building plans in Bleikvasslia in Hemnes local authority in Nordland.

In summer 2006, the couple decided to move from Mosjøen to Henriette Røssvassbukt's hometown of Bleikvasslia in order to provide a good and safe upbringing for their son Heike.

"The problem is that there are no houses available. However, the local authorities have a number of plots that are ready to be built on, and after a number of discussions we decided to focus on a new build. We were really disappointed when we were turned down for a loan from the local savings bank because they thought it was too risky to grant a loan to build a new home in Bleikvasslia," says Torgeir Nilsen Rekve.

The disappointment of unexpectedly having the loan application from the local savings bank refused turned into joy when the Housing Bank granted the couple's loan application.

"Heike and our future children can have a good and secure upbringing in this home," says Henriette Røssvassbukt.

Photo: Arne Forbord, Rana Blad



Objective 1

→ A well-functioning housing market

how quality affects the building costs for new homes. Based on the preliminary analysis, there are no indications that it costs more to install environmental qualities that produce energy savings in homes. This type of knowledge is crucial for the Housing Bank to be able to affect the market in general, so that the housing planners and other parties in the construction and housing markets have incentives and to a greater extent see the benefit of housing solutions that produce universal design and energy savings.

In addition to affecting the market through the communication of expertise, the Housing Bank often sets this type of quality requirement for projects where the developer shall obtain a foundation loan. In 2006, 47 per cent of new homes with a foundation loan had environmental qualities in one form or another, while 2 out of 3 homes with a foundation loan were universally designed.

A total of 6 665 new homes were approved for foundation loans in 2006. This corresponds to 20 per cent of all homes that were started in the year. In 2005, the Housing Bank's share of housing starts was 25 per cent, while the corresponding figure at the beginning of the 1990s was almost 100 per cent. Access to private financing is very good on the whole, and quality is more important than quantity for the Housing Bank.

The Housing Bank nevertheless makes a significant contribution to covering needs for homes for residents in special categories. From 1998 to 2004, the Housing Bank committed to providing start-up grants to more than 42 000 residential care home / nursing home places. At the end of 2006, around 37 000 of these units were completed, and the Housing Bank will pay the grant to the remaining 5 000 or so units at the end of the first half of 2008. The Housing Bank will, however, pay a total of more than NOK 1 billion a year in compensation grants to these projects for the foreseeable future. From 2003 to 2006, the Housing Bank approved payment of NOK 640 million in grants for

student accommodation. The allocation has contributed to the building of 2 540 student rooms during the period.

Housing Bank safeguards house building in the districts

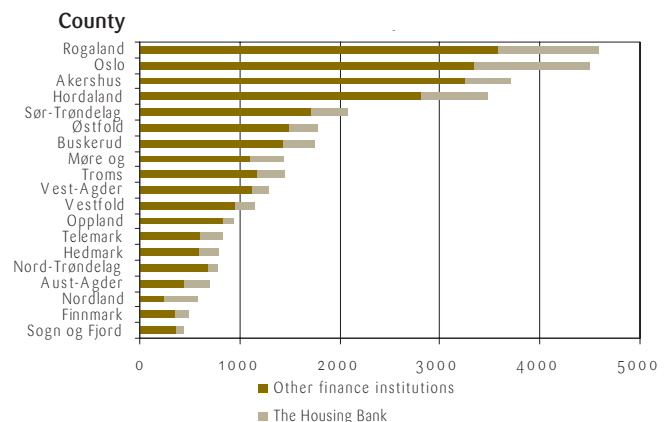
House building starts were higher in most counties in 2006 than in the previous year. In 2005, almost 85 per cent of house building was in towns and urban areas, and there are signs that this tendency towards centralisation continued in 2006. In absolute figures, house building starts have increased most in Oslo, but Oslo still did not quite reach the level of Rogaland, where work on more than 4 500 homes was started in the last year (see figure 1). In relative terms, however, the increase was greatest in Troms (+ 42 per cent), where the majority of homes will be built in Tromsø. The large number of new blocks of flats in the Arctic town are mainly financed by private banks on very favourable terms – e.g. with a loan with up to 30 years repayment exemption.

The counties of Oppland, Telemark and Nordland – all with large rural areas – have experienced the greatest fall in activity compared with 2005. In terms of percentage, Nordland tops the list when it comes to the localisation of house building in typical rural local authorities, and is also the county together with Finnmark and Aust-Agder with the highest share of Housing Bank financing. Around 60 per cent of house building starts in Nordland were approved for a foundation loan by the Housing Bank in 2006. The increasing gap between building costs and sales value in the districts has become a problem in a number of such local authorities. Local banks will often regard the risk as too great, in which case it is the job of the Housing Bank to finance house building in areas where the mortgage is low. (See also the reference to a building project in Hemnes local authority.)

Building cost programme

Poor productivity and ineffectual building processes mean more expensive homes and buildings than necessary. The 5-year Building Cost Programme was therefore established in 2005. The programme is a collaboration between the Ministry of Local Government and Regional Development and the Norwegian council for building, construction and the property industry (BAE-rådet). A number of projects within the programme are planned for completion in 2007. This applies to, for instance, typical cost-related projects such as "The industrialisation of housing production" and "The path to properly executed builds". The latter project is aimed at reducing building faults. The Housing Bank's role is to exchange knowledge and experiences that are attained through the Building Cost Programme's projects in addition to documenting the cost development of homes that are procured by means of the Housing Bank's loans and grants.

Chart 1 Start-up of new housing and Housing Bank market share in 2006



Objective 2

Homes for the disadvantaged

Living safely and well is an essential prerequisite for being able to participate in the various aspects of society on a par with others. An effective housing policy is therefore central to a good welfare policy. Through active guidance, expertise development and administering the financial tools related to housing, the Housing Bank has an important role as the organiser of the local authorities' social housing focus. The Housing Bank's regional offices also place a great deal of emphasis on a good local collaboration with government departments, interest groups and other parties, whereby the application of tools aimed at the local authorities is coordinated effectively.

Almost 133 000 households received housing benefit, loans or grants from the Housing Bank in collaboration with the local authorities in 2006, which is a fall of 5 per cent from 2005 (see figure 2). The fall in the number of disadvantaged households that received government loans or support for housing purposes in recent years can mainly be explained by positive economic developments in Norway, with low interest rates, a growing demand for labour and good access to loans with favourable terms in the private market. Parallel to this, use of the central housing tools such as housing benefit, start-up loans and housing grants, has become increasingly aimed at the most disadvantaged on the housing market.

More in housing benefit to fewer recipients

Housing benefit is the most important government tool for ensuring that households that have purchased their own home are able to keep it. In 2006, a total of 121 592 households received at least one payment of housing benefit, which was roughly 5 per cent less than in 2005. The total payment of housing benefit increased by 8 per cent to NOK 2.2 billion in the same period. The average household in the housing benefit system had a total annual income in excess of NOK 108 000 in 2006, compared with almost NOK 103 000 in 2005. At the same time, the average housing benefit paid increased from NOK 1 600 a month in 2005 to NOK 1 730 a month in 2006.

Some of the central points in the regulations on housing benefit changed in 2006. The requirement that the home must be more than 40 m² was omitted for recipients that applied for housing benefit on the basis of occupational injuries compensation, long-term supplementary benefit or various temporary benefits. From 2006, the space requirement only applies to long-term benefit recipients and pensioners with incomes exceeding the minimum pension plus 30 per cent. At the same time, the housing expenses limit increased by NOK 100 000 per year for all recipients in cities. The various rates in the housing benefit regulations were also adjusted for all groups in the system.

Amendments to the regulations led to more households being entitled to housing benefit in 2006. At the same time, the housing benefit amount will increase given that the other factors that affect

the household's housing finances are unchanged. When the number of housing benefit recipients, however, began to fall, this was mainly due to a combination of the positive income growth in recent years, which also benefited many housing benefit recipients, and the effect of the Housing Bank using more up-to-date income details as a basis for the decision on housing benefit.

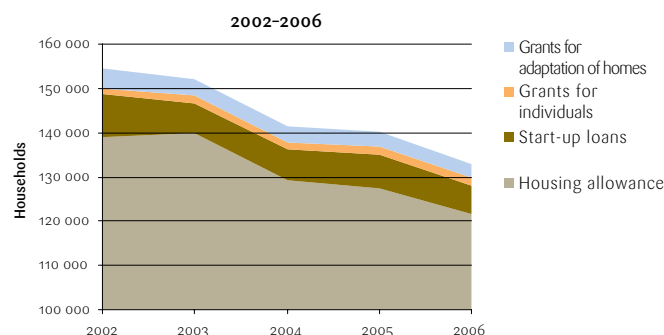
Fewer young people need help to set up home

The Housing Bank shall be a supplement to other parts of the credit market by offering loans to young people and the disadvantaged who have problems in obtaining financing to buy a home from private banks. Figures from the local authorities show that around 6 530 households with young people and the disadvantaged were paid start-up loans in 2006, which is 13 per cent less than the previous year. At the same time, 1 660 households received grants from the local authority to set up their own home, which is a fall of 8 per cent from 2005.

The fall in the use of start-up loans and housing grants in relation to 2005 is evenly distributed throughout Norway, and the main explanation is the easy access to loans for setting up home for the first time in the private market. The start-up loan was a prioritised loan scheme for the Housing Bank in 2006, and the local authorities received the necessary funds. In total, the Housing Bank lent more than NOK 3.3 billion to the local authorities in start-up loan funds in 2006, which is a fall from around NOK 3.4 billion in the previous year.

As in previous years, the local authorities also paid more than half of the start-up loans connected to setting up home for the first time in 2006. As a result of this, the majority of start-up loan customers are below the age of 40. Single parents and couples with children made up around half of the loan recipients in 2006, and 57 per cent of those who acted as the main applicant for a start-up loan were women. Econ Analyse issued a report in 2006 on the local authorities' work related to start-up loans, which concluded that the majority of local authorities are doing a good job of assisting the financially disadvantaged in setting up their own home.

Chart 2 Disadvantaged people receiving loans and grants from the Housing Bank



Objective 2

→ Homes for the disadvantaged

More focus on the homeless

The last mapping undertaken by the Norwegian Building Research Institute shows that the number of homeless fell in most large and medium-sized local authorities from 2003 to 2005, but increased somewhat in smaller local authorities during the same period. Overall, the number of homeless in Norway rose from 5 200 to 5 500 in this period. Persons who do not have access to a home of their own are regarded as homeless. This includes people who do not have a proper residence for the forthcoming night, who are referred to an occasional living alternative or who live temporarily with friends or relations, or who reside at an institution, prison or similar and do not have an abode on their release date.

The Housing Bank is responsible for coordinating the national “A home of one’s own” strategy, where the main objective is to prevent and combat homelessness, contribute to good quality temporary accommodation and help the homeless to quickly secure an offer of a permanent home. Initiatives connected with the «A home of one’s own” project are generally increasing in the local authorities, and there has been a high level of activity with regard to meetings and conferences. The Norwegian strategy to combat homelessness has also been the subject of a special analysis on behalf of the EU Commission. The EU member countries particularly highlighted the cooperative bodies and local authority networks in «A home of ones own» as good examples that promote the exchange of experiences and the development of local initiatives, and believed that this way of working can be transferred to other countries.

In 2006, the Housing Bank pledged resource grants totalling NOK 33 million to 180 different homeless projects within this strategy, which constitutes 40 per cent of the total ceiling that the Housing Bank had earmarked for resource grants in 2006. This was a significant increase in the efforts to combat homelessness compared with the previous year, both in terms of actual figures and the share of total grants.

Collaboration to house refugees

One of the aims of the social inclusion policy is to enable refugees to set up home and be self-reliant as quickly as possible. The Housing Bank works together with the county governors, the Norwegian Association of Local and Regional Authorities, the Norwegian Directorate of Immigration and the Department of Integration and Diversity to support the local authorities in their work aimed at housing newly arrived refugees.

The local authorities meet the challenges both in relation to housing large families and single refugees in the local housing market. Detached houses make up the bulk of the housing stock in many urban areas, and these are not always suitable for single persons. In larger towns and local authorities, there can be a lack of large houses, which creates problems both in relation to housing large families



As a part of the follow-up of a collaboration agreement that was entered into at the start of 2006, the Housing Bank and the Department of Integration and Diversity issued a joint information brochure in October, which shows how the local authorities can combine the two government departments’ resources in the efforts to provide housing for refugees and immigrants.

and in relation to family reunification. The local authorities also face challenges linked to following up households in the group that have already been housed.

At the beginning of 2006, the Housing Bank signed a letter of intent concerning a collaboration with the newly appointed Department of Integration and Diversity in order to strengthen the work of providing housing to refugees with a residence permit in Norway. As a follow-up to this, the Department and the Housing Bank compiled joint information material in 2006, which focuses on how the government housing funds can be used with regard to refugees and immigrants. The Housing Bank also grants resource grants to projects linked to housing refugees in the Norwegian housing market.

Good housing for the disabled

One of the aims of the housing policy is that the disabled shall be

able to secure and retain suitable housing. In addition to the provision of purely financial support to households in this group with poor finances, a highly prioritised objective is to increase the number of homes and residential areas that are accessible to the disabled.

The Housing Bank currently has separate grants for the design, adaptation and improvement of homes for the elderly and disabled. House building based on good accessibility principles will, however, reduce the need for subsequent rebuilds and adaptations. This was an important basis for universal design and good accessibility being included as key application criteria in the Housing Bank's new foundation loan, which was introduced in 2005. More details of this are given in objective 4.

The Housing Bank and the National Insurance Service established a collaboration in 2005 to improve the adaptation of homes for the disabled, and in 2006 presented the final report from "Project housing adaptations", a pilot project conducted in 15 local authorities in Hordaland and Sør-Trøndelag. The purpose of the project was to set up a housing advisory service in the local authorities and to examine how coordinating government funds can result in better housing solutions for the disabled. Experiences from this work have been positive, and plans have been made to continue the project in other local authorities.

Municipal collaboration and social housing action plans

The Housing Bank's regional offices have close contact with the local authorities in their region through meetings, courses, the ongoing executive work and setting up of municipal networks. In 2006, there was also a great demand for courses and specialist seminars organised by the regional offices, with the focus on promoting good examples and work methods. These events are important arenas for the local authorities, government departments, voluntary organisations, users and other parties, and help to promote collaboration and understanding across the different administrative levels and to increase the social housing expertise of the participants.

The Housing Bank gives grants to local authorities that want to draw up coordinated plans for disadvantaged households in the housing market in the local authority. In 2006, 13 local authorities received support to compile social housing action plans. In all 242 local authorities have received a total of NOK 19.4 million in such support since the start of 1999. It is now appropriate for many of these local authorities to roll out and further develop the plans. Regular mapping of the housing needs in the local authority are an important tool in the further development of this work.

The Housing Bank has developed Bokart, which is an electronic system for mapping the disadvantaged in the housing market in the local authorities. At the end of 2006, 72 local authorities had ordered this tool, and 17 were already using it in their social housing planning.

Loans and grants for rented properties

The Housing Bank gives loans and grants to local authorities and foundations that want to build, purchase or improve rented properties for the homeless, substance abusers, refugees, the disabled and other groups of disadvantaged people in the housing market. In 2006, the Housing Bank provided grants for setting up 735 rented homes for the disadvantaged and foundation loans for setting up 107 such homes.

Oslo's first housing cooperative for the developmentally challenged

The first homeowners moved into Tangerudbakken housing cooperative in Oslo in August. The housing cooperative is the first in the city where the developmentally challenged own their own flats and receive services from the community.

The initiative to set up the housing cooperative came from the relatives of the developmentally challenged, who believed the local authority took too long to provide suitable municipal housing. When the offer of housing finally arrived, it fell short of the requirements and expectations that the relatives had on behalf of their children. The development of the project is based on a close and effective collaboration between the relatives of the residents, Oslo local authority, the Støvner community, the Housing Bank and OBOS. The project has received a great deal of attention, and the originators have received a large number of requests for more information with regard to copying the model.

The housing cooperative has eight flats, including one which is used by the community's personnel who provide services to the other seven flats. New ways of thinking in relation to applying the various social housing tools have been crucial for realising the project. The housing cooperative is financed through a foundation loan from the Housing Bank as shared debt. In addition, housing grants were provided by Oslo local authority, while the Housing Bank has given housing grants to the personnel base.

"I think it will be great living on my own. I still have my job and club to go to," beamed Hans Korsgaard (31) to the newspaper Akers Avis Groruddalen during the official opening of the Tangerudbakken housing cooperative.

Objective 3

Sustainable quality, safety and good aesthetics in the constructed environment

The Housing Bank shall help encourage Norwegian housing and residential areas to be environmentally friendly and well designed. In 2006, almost half of all new Housing Bank homes had good environmental qualities.

One of the main objectives of the housing policy is that more Norwegian homes and buildings shall have good environmental qualities. Within a sustainable housing and construction policy, the Housing Bank shall help to reduce energy consumption in Norwegian homes and reduce the use of construction materials that are a hazard to health and the environment. Reducing volumes of building waste and increasing recycling of building materials are other important objectives. The Housing Bank shall also promote effective administration, management and maintenance of housing, residential environments and buildings, and increase the awareness and knowledge of good local development.

Housing Bank focuses on pioneering projects

The basis for the Housing Bank's environmental work is the environmental action plan for 2005-2008 issued by the Ministry of Local Government and Regional Development. The Housing Bank shall be a driving force and guide for realising the national environmental targets in the housing and construction sectors. The Housing Bank works together with the local authorities and players in the building industry to achieve these targets.

The Housing Bank provides support to projects that contribute to

expertise development in the environmental and energy fields, and focuses on supporting projects with a high level of ambition and a high transfer value. In 2006, the Housing Bank gave approximately NOK 12 million in resource grants to 52 projects related to the environment and energy. The Housing Bank provided support to projects that focused on topics such as developing low-energy housing and passive houses, environmental requirements for chemical building products, reduction of waste in housing projects with pre-fabrication and environmentally friendly renovations and modernisations.

45 per cent of new Housing Bank homes have reduced energy needs

The new foundation loan from the Housing Bank shall also facilitate sustainable house building. The foundation loan accounted for about 60 per cent of the Housing Bank's total loan ceiling of NOK 13.5 billion in 2006, and almost half of the 6 665 new homes that received a foundation loan upon application to the Housing Bank in 2006 had good environmental qualities.

Reduced energy needs in relation to the present norms are the most common environmental quality in new Housing Bank homes, and a total of 45 per cent of the homes that received a foundation loan in 2006 had this quality. Of the 1 181 homes that were approved for an improvement loan by the Housing Bank in 2006, 27 per cent were granted loans for improvements that would lead to reduced energy consumption.

In new homes, it was most common to facilitate energy savings of 40 per cent or more in 2006, while for homes with improvement

A home with a self-sufficient electricity supply – is it possible?

The NorONE pilot project in Sørumsand aims to develop a small house that is self-sufficient in terms of electricity. Furthermore, the committed home builder is also planning to supply his surplus electricity to the main grid.

“Is it right to obtain electricity from Alta when you live in Sørumsand?” was the question Harald Ringstad posed when he planned to build a house in Norway after living in Germany for 17 years. The committed homeowner has now been granted a resource grant by the Housing Bank to develop a “passive house +”.

The aim of the project is to reduce the need for the supply of power in a typical Norwegian home to a minimum, i.e. down to 10 per cent of the power requirements for a normal home. What

makes this project special is that it also aims to export electricity to the grid. This has never been done in Norway before, and no one can say with any certainty that it is possible given Norwegian winters. The Housing Bank has, however, great faith in the project and regards this as an important prototype project in the efforts to support home builders with serious environmental ambitions.

Solar energy and low heat loss

Low-energy housing and passive houses are based on the philosophy of considerably reducing heat loss from homes. The total energy requirements in a passive house will be around 60 kilowatt hours per square metre per annum. The energy requirements in a normal house are between 150 and 300 kilowatt hours per square metre per annum.

loans, measures that produced energy savings of up to 20 per cent were most common. This is a clear indication that it is most profitable to install a high degree of energy saving in new homes. The Housing Bank also provided grants for surveys and overall planning for housing renewals and environmental renewals to almost 7 500 homes in 2006.

In-keeping with the surroundings

The Housing Bank is responsible for the national work of promoting local development and good building traditions. Good constructions are designed in a way that they are suited to their residents and add something to the location. The Housing Bank wants to contribute to sustainable local development where considerations in respect of the physical and social living environment, resource use and energy consumption, universal design and aesthetics are all an integral part.

With regard to its work on good building practices and design, the Housing Bank works together with local authorities and businesses, including through courses and seminars. The Housing Bank also has its own training programme to help communicate knowledge of and commitment to good design and quality to developers and builders. In 2006, the Housing Bank gave almost NOK 10 million in support to 52 resource projects on local development. Some of the money



*The award for Good Practice in Housing Construction for 2006 was awarded to Hausmannsgate 16 in Oslo.
Photo: Profilm.*

was spent on initiatives that focus on development in densely populated areas, residential areas near town centres, urban development, and to the European architectural competition for urban and local development, European.

Good building practice award for converted transformer station

The Norwegian Government's award for Good Practice in Housing Construction is an award that is given out every year to construction works and constructed environments that help to raise, renew and develop building practices and local development in Norway. In 2006, the award went to the conversion project at Hausmannsgate 16 (H16), a converted transformer station at Akerselva in Oslo, with offices, exhibition premises, restaurants and housing. The Norwegian Government's award for Good Practice in Housing Construction is worth NOK 300 000.

The reduction in the energy requirements was achieved by building compact homes with efficiently used areas. Extra insulation in floors, walls and ceilings, use of windows and doors with low levels of heat loss, minimum air leakages and an efficient, balanced ventilation system must also be installed. It is also important to use energy efficient white goods and lighting, and to use free solar power through the house's design, location and placing of facades and windows.

Major transfer value to Norwegian small houses

The project covers the planning, design, building and evaluation of a detached house with a rental unit to the German passive house standard, and in the Housing Bank's opinion is a pilot project with a large transfer value to the Norwegian small house market. The house was designed in Germany, with input on Norwegian building practice from the architect Toril R. Grønvold. Various professions, developers and other interested parties are invited to follow

the development of the NorONE project, from design to building and evaluation. The project received NOK 300 000 in resource grants from the Housing Bank in 2006, which has partly been used for consultancy assistance from SINTEF / Building and Infrastructure.



Objective 4

More universally designed homes and buildings



*Wheelchair ramp at Gjøvik University College
Photo: Jeanette Christensen, Husbanken*

Universal design means that everyone, regardless of age or disability, shall be able to use the same local surroundings equally. The Housing Bank aims to make Norwegian housing, buildings and outdoor areas available for everyone.

Universal design is not about special solutions for individuals or groups, but about good designs that are suitable for the majority of people without a need for adaptation. Within the housing sector, this means that with regard to new builds, improvements and conversions, the emphasis will be on homes, communal areas and outdoor areas being usable by a broad range of people, from children, the elderly, the visually impaired and the disabled to sprightly youths. It must be easy for parents with young children to push their pram and visitors will easily be able to find their way. A broad focus on universal design means that measures that are necessary for some groups of people result in residential areas that can be used by more people and are also easier to use for a great many.

The Housing Bank shall contribute to increased awareness

The Housing Bank shall lay the foundation for increasing the awareness of and expertise in universal design in Norway, and help more Norwegian homes, buildings and residential areas to achieve good qualities within universal design. In 2006, the Housing Bank granted almost NOK 10 million in resource grants to 46 projects within this area.

Among the initiatives that received support in 2006 were a number of large building projects that focused on a stage of life standard for the houses and outdoor areas that are designed for the disabled and visually impaired. Support was also given to courses, conferences and seminars that focused on local collaborations between the building industry, contractors, politicians, case processors and planners.

Universal design in 2 out of 3 new Housing Bank houses

The Housing Bank's foundation loan for construction and improvement is an important tool in achieving the goal of more universally designed houses. The criteria for receiving the loan include making arrangements for stage of life and official visiting standards, installing a lift in low-rise flats, universal design of outdoor areas and other good access measures.

More than half of the 8 546 homes that were granted a foundation loan for construction and improvement in 2006 satisfy the requirements for qualities within universal design. New Housing Bank homes in particular meet these requirements. A total of 2 out of 3

homes with a foundation loan for construction have good access qualities, while the share is less for homes with improvement loans.

Stage of life standard is most common

The stage of life standard is the most common access quality in Housing Bank-financed homes. Stage of life standard means that the housing unit can be used by anyone in all phases of life, including people with reduced mobility and wheelchair users. More than 40 per cent of the homes with a foundation loan for construction or improvement in 2006 satisfy the Housing Bank's requirements for stage of life standard. The majority of these are new homes.

The significant number of new homes with good accessibility corresponds well with the results in a new report by the Norwegian Institute for Urban and Regional Research (NIBR), which shows that the extra costs of universal design are modest for new builds, with the possible exception of installing lifts in low-rise flats. For work to the existing housing stock, the costs of conversion in line with the principles of universal design may on the other hand be considerable.

Profitable for developers, house buyers and society

Universal design is profitable for the developers, house buyers and society. The demand for universally designed houses is increasing in line with the growth in the elderly and steadily more well-off part of the population, and many families with children are also concerned with how their home can simplify everyday life. The secondary value is also increasing in line with the demand. At the same time, it is socially beneficial to design the surroundings so that the majority can function in everyday life.

There is a clear tendency in society for individuals with reduced mobility to live in their own homes as opposed to institutions. The Housing Bank provides grants for design and for adapting and improving houses for the elderly and persons with reduced mobility. Special emphasis is placed on finding good housing solutions for families with disabled children. In 2006, the Housing Bank provided grants for the design of 439 new homes and grants for adapting and improving more than 3 000 homes in collaboration with the local authorities.

Removing a hundred obstacles

Through the campaign "Removing 100 serious obstacles in the local authorities", the Housing Bank will motivate the local authorities to strive for better accessibility.

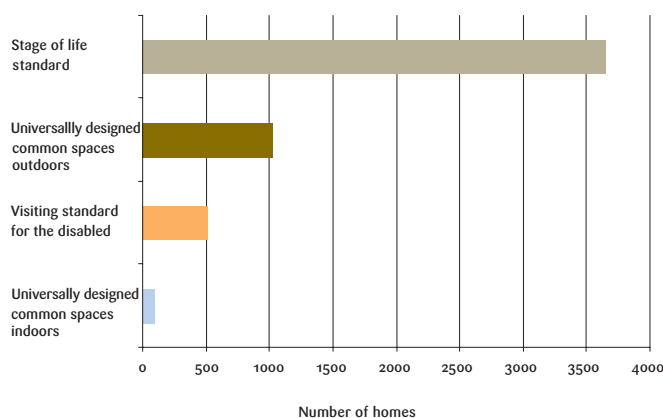
The nationwide campaign is part of the government's plan of action for universal design. The purpose of the campaign is to motivate the local authorities to remove obstacles that represent serious restrictions for persons with reduced mobility, and develop measures that create local involvement and input in this area.

The Housing Bank spent NOK 3.3 million on financing initiatives in the campaign in 2005 and 2006. All local authorities in Norway can apply for support for local initiatives within the campaign until the end of 2009. Around 20 projects will receive financial support each year. In 2006, applications for 134 initiatives were received from 84 local authorities, almost double that of 2005. A total of 22 local authorities received such grants in 2006.

The applications from the local authorities had a clear predominance of projects linked to buildings and outdoor areas, with the focus on initiatives such as adapting outdoor and meeting rooms, rest areas and toilets in public buildings. Four projects received grants to install hearing loops: a technical aid that acts as a speech amplifier in auditoriums and meeting rooms.

Other initiatives that received grants in 2006 include adaptations to municipal websites, building a climbing and activity park and a school competition in universal design.

Chart 3 Number of homes financed by the Housing Bank with universal design qualities in 2006



The Housing Bank administers schemes in other policy areas

Continued high demand for nursery home loans

The nursery home loan is a tool for achieving the goal of nursery home places for everyone. In its budget for 2006, the government provided for 13 500 new full-time places. The Housing Bank shall contribute to this through financing and guidance. In 2006, the Housing Bank financed 7 852 places at a total amount of NOK 1.5 billion. This is 4 per cent fewer places than the record set in 2005, but considerably higher than previous years.

Loans to nursing homes, residential care homes and rehabilitation places abroad

NOK 500 million was allocated from the loan budget earmarked for nursing home places, residential care homes and nursing home places abroad. This scheme will be phased out in 2007.

Two projects with a total of 48 places totalling NOK 61 million were approved in 2006. The Solgården project is one project with 40 new residential care home places. Solgården is a Norwegian-run holiday and health centre on the Costa Blanca in Spain. The Calle Guacimara project on the Canary Islands is for the purchase and improvement of a large villa with 8 nursing home places.

Grant for building student accommodation

In 2004, the Housing Bank was given the responsibility for managing grants for student accommodation. The expertise department provides grant approval for support to build new student accommodation, or to purchase and convert existing housing stock that is not currently student accommodation. The Housing Bank gives advice, ensures quality, approves building projects and pays out grants for projects for student accommodation. In 2006, a total of NOK 88 million was paid in grants to build 377 student accommodation units, compared with NOK 24 million for 98 units in 2005.

The Foundation for Student Life in Oslo (SiO) is carrying out an extensive conversion process at Kringsjå student town, where the Housing Bank is also involved. Experiences from the first building stage (including environmental and universal design initiatives), which was completed in August 2006, shall be documented and analysed as a basis for the subsequent building stages and similar projects. Communication will be effected through seminars, inspections and workshops, and the experiences will be summarised at each stage. The Housing Bank's Eastern Regional Office has provided grants to share experiences from this work.

Interest compensation for educational institutions

A new compensation scheme was introduced in 2002 for local authorities and county authorities linked to building new and improving existing educational institutions. The scheme entails the local authorities (primary schools) and the county authorities (secondary schools) having their interest costs covered for an investment ceiling

in a 20-year period based on a corresponding loan with a floating interest rate in the Housing Bank. The scheme shall stimulate local and county authorities to build new educational institutions and convert and equip existing buildings. The aim is to provide good learning conditions for all pupils.

Compensation was provided for 95 projects in 2006, compared with 118 in 2005, which covers 18 000 pupils. The total compensation was NOK 322 million in 2006, compared with NOK 207 million the previous year.

Interest compensation for church buildings

A compensation scheme was introduced in 2005 to cover the local authorities' interest charges for improvements to church buildings. Protected church buildings have a high priority. The scheme was extended in 2006 to include the construction of new churches and extensions to existing churches.

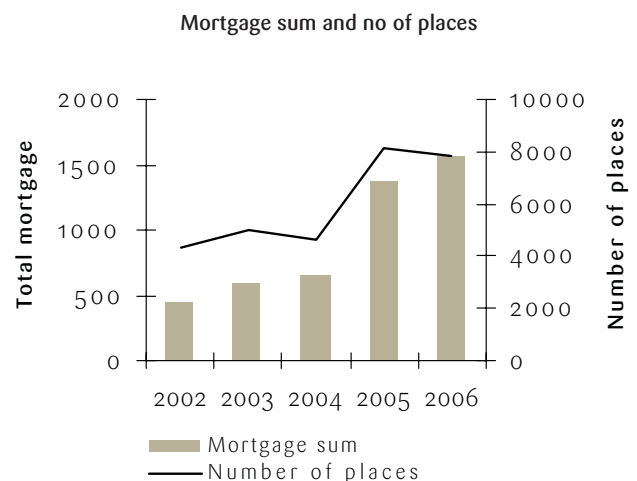
Compensation was provided for 204 projects in 2006, compared with 134 projects in 2005, of which 141 relate to protected churches. The total compensation in 2006 was NOK 21 million, compared with NOK 8 million the previous year.

Grants for regional development

The government introduced a new grant in the fourth quarter of 2006 in order to stimulate further work and efforts in local development. The ceiling is NOK 6 million.

The entire grant ceiling was spent in 2006. Part of the grant went towards the development of the essential local community and the strengthening of the local identity in Iveland local authority. Money was also spent on local development in Farsund, Suldal and Leirfjord local authorities and on following up the network for the reconstruction of towns.

Chart 4 Nursery home loans 2002 - 2006





*The Housing Bank financed the student accommodation units at Sogn in connection with the winter Olympics held in Oslo in 1952 and further development of the area at Kringsjå in 1964. The Housing Bank is now helping the communication of expertise for the conversion work at Kringsjå in 2006. This gives a good picture of the diversity of the Housing Bank's business, from a housing bank to an expertise bank.
Photo: Thomas Bjørnflaten.*

Kringsjå studentby

Objective 5

Effective and user-oriented management

The interest rate level increased, but is still relatively low in the Housing Bank. Defaults on loans are at a record low and the losses also continue to be low. The Housing Bank prioritises customer-oriented development and modernisation of the IT systems.

Interest rate development

The general interest rate level increased in 2006, and the floating interest rate increased steadily from 2.6 per cent at the start of the year to 3.3 per cent at the end of the year. The Housing Bank introduced an offer of a 10-year fixed interest rate in October, and now has an offer of 3-, 5- and 10-year lock-in periods for interest rates. From 1996, a 5-year fixed interest rate was introduced and a 3-year rate from 2004. The 3-year rate has increased from 3.5 per cent to 4.4 per cent. The 5-year fixed interest rate has increased from 3.8 to 4.5 per cent, and the 10-year fixed rate that was 4.8 per cent in October, had fallen to 4.6 per cent by the end of the year.

Loan portfolio

The number of loans continues to fall; from 88 653 in 2005 to 83 276 in 2006. The main reason for this is that fewer loans are being paid out than previously, and since 2003 the Housing Bank loan can no longer be transferred when the house is sold. Due to the increase in loan amounts, the loan portfolio has remained relatively stable at NOK 94.6 billion.

A total of 1 958 loans totalling more than NOK 10 billion in 2006 were paid in 2006; a slight fall compared to the previous year. Grants paid showed a slight increase and totalled NOK 5.2 billion.

Advice prevents defaults and losses

Actively providing advice and low interest rate levels mean that the total of defaulted loans continues to fall, and in 2006 this total was at the lowest level ever recorded, with 1 228 loans compared with 1 561 in 2006. The Housing Bank focuses on finding solutions for borrowers with payment problems in order to let them keep their homes. However, there are a few cases where a compulsory sale is necessary. A compulsory sale notice is only served once other solutions have been explored. When a compulsory sale has been ordered, the Housing Bank considers solutions that could stop the compulsory sale. In 2006, 567 compulsory sale notices were served and 93 compulsory sales were carried out. An eviction notice is sent in cases where the owner does not cooperate with the assistants working on the compulsory sale. A total of 37 eviction notices were served and 4 of these were carried out.

In the Housing Bank, loss is established when the property is sold at a price that is lower than the total debt. The gross loss totalled NOK 19.3 million in 2006, compared with NOK 18.7 million in 2005. Personal borrowers account for NOK 12.7 million. Written-

back losses were NOK 2.4 million, meaning the net loss was therefore NOK 16.9 million.

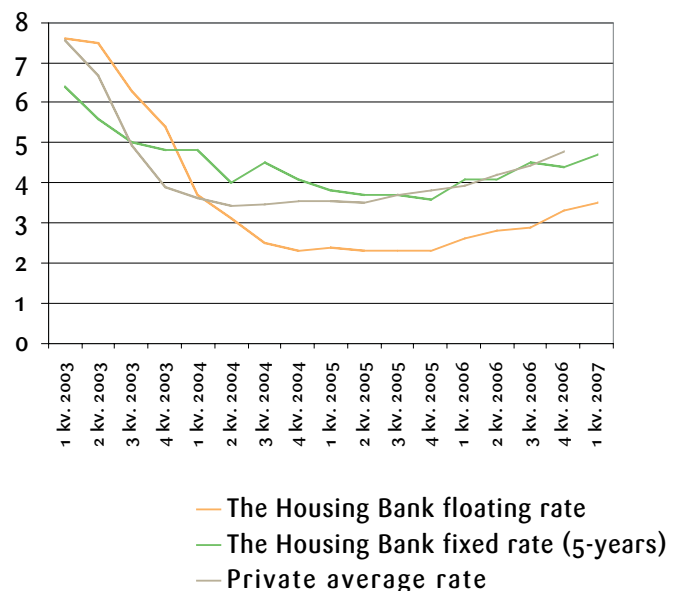
Modernisation and development of IT systems

Both the vast customer numbers and the complex and varied field of responsibility mean that the IT systems must function well and be continuously updated and modernised. The Housing Bank has a main plan for modernising its IT systems, which provides guidance on the further modernisation.

The Housing Bank ended the mainframe era in March. The mandate of the “New technical platform” project was to move the Housing Bank’s core systems Hils / Vinnbin and Bostøtte from the IBM server environment to a new technical platform based on leaf servers running Linux. The Housing Bank thereby introduced the use of open standards, an open source code and reduced simultaneous external supplier dependency. In addition to consolidating the current technical environments in a common platform, this move also enables an increased alignment with the recommendations that are described in eNorge2009.

Modernisation of the housing benefit system is ongoing, and will make procedures easier for customers, local authorities and the Housing Bank who collaborate on the housing benefit scheme. An important part of this work has been to develop an Internet-based administrative system for the local authorities and the Housing Bank, with web-based screens that improve and simplify case processing, improve access to other information and lead to better support for the reporting.

Chart 5 The Housing Bank’s interest rate compared to the private banks’.



Housing Bank as a centre of expertise



*Housing Bank's library in Drammen
Photo: Thomas Bjørnflaten*

Expertise development and the communication of social housing issues are central in the Housing Bank's business. The core values of openness, diversity and interaction also play a key role here. The Housing Bank must act together with other players in order to promote knowledge. We must be open and share this knowledge with others and create diversity in expertise development and communication.

Increased ceiling for resource grants

The Housing Bank's strategy for research and studies shall help to realise the social housing objectives, and provide overarching priorities for the use of the Housing Bank's resource grant. In 2006, grants were given to 391 projects with a total volume of NOK 81.7 million. Forty per cent of the funds were spent on initiatives that are part of the national strategy on preventing and combating homelessness.

On the housing side, the Housing Bank has formalised collaborations with relevant players. The intention of the research collaboration with Building and Infrastructure (SINTEF) and NOVA is to

support the social science housing research in priority areas for the Housing Bank, at the same time as contributing to developing the research expertise in housing as a specialist subject.

Library for housing as a specialist subject

In 2005, the Housing Bank created a library for housing as a specialist subject, with its head branch in Drammen. The library service shall help in the efforts to strengthen the Housing Bank's role as a social housing centre of knowledge and expertise and be a strategic resource in the housing policy work. The library has both physical and virtual resources. Two important tasks are disseminating research reports etc. financed through the resource grant, and presenting good housing projects. The library is linked to the national network of libraries and is now working on a collaboration agreement with the Drammen Science Park.

Collaborating with other players for increased effectiveness

In order to succeed in achieving the aims of social housing policy, the Housing Bank is dependent on working with local authorities,

→ Housing Bank as a centre of expertise

research environments and players in the building industry. The Housing Bank has therefore focussed on signing letters of intent / entering into collaboration agreements in order to formalise and improve the collaboration. The agreements describe the areas in which the Housing Bank and collaboration partner face common challenges and can mutually help to achieve the goals.

The Housing Bank has entered into a collaboration agreement with the Norwegian Association of Local and Regional Authorities (KS). The agreement covers significant parts of the housing policy such as ensuring offers of homes to the disadvantaged, with particular focus on preventing homelessness and increasing the share of universally designed and environmentally friendly homes and residential areas. Similar agreements have been entered into with NBBL, Enova and Ecolabelling Norway.

Within the building industry, letters of intent have been signed with a number of key players, both on a central and regional basis. The agreements create predictability, simplify case processing in the Housing Bank and give clear guidelines on the desired quality initiatives such as low energy and universal design, which lead to benefits in terms of housing policy and public finance.

Housing Bank supports studies in housing

As part of the diversity in the development of knowledge, the Housing Bank announced five masters degree bursaries for students writing dissertations that are relevant to the subject of housing. The following masters degree projects were supported in 2005:

- Environmentally friendly urban development with the focus on how area and transport planning can contribute towards both increasing and reducing environmental problems
- The living environment in municipal blocks of flats in Sagene in Oslo
- The housing policy of the Norwegian Labour Party 1970-1996
- The press coverage of the housing sector
- Japanese influence on Norwegian post-war architecture

The bursary recipients provided descriptions of the projects at a seminar on 15 November in Drammen, where the Housing Bank as a centre of expertise was in focus.



The Housing Bank and Migranorsk have together developed a housing module known as “Living in Norway”. The housing module consists of six parts: various homes and forms of living arrangements, to reside – things in the house, residential environment, rent or own, financing and how to obtain a housing unit. The module is available in English, Urdu, Arabic, Farsi, Somali and Russian. In collaboration with a number of university colleges, the Housing Bank has developed courses that give study points, within subjects such as social housing, universal design and building practice.

Housing Bank emphasises dialogue with users

In 2006, the Housing Bank conducted two major user surveys. One survey was aimed at the Housing Bank’s professional users; developers and local authorities that had been in contact with the Housing Bank in the last two years. With regard to enquiries to the Housing Bank, a clear majority are satisfied with the Housing Bank’s efforts in solving problems, the attitude they are faced with when making contact and the Housing Bank’s expertise in relation to their problems.

The second survey was aimed at housing benefit recipients. The main conclusion in this survey was that the users are very satisfied with the current housing benefit scheme, although many perceive themselves as having overstretched finances.

International work

The Housing Bank has to an increasing extent taken part in interna-



Arve Solheim from Mesterhus and Geir Barvik from the Housing Bank signing a letter of intent.

“In many ways, the developers can be said to be the Housing Bank’s front line in dealing with customers on questions concerning low energy and universal design, and we regard it as very positive that Mesterhus wants to be at the forefront of the development and extend itself further than the minimum requirements in these areas,” commented Geir Barvik, Managing Director, when the agreement was signed.

Photo: Are Sauren, Housing Bank

tional work, both with regard to increasing knowledge and expertise, and in international collaborations in important housing policy areas. The Housing Bank took part in the UN conference in Vancouver on residency issues, a conference on universal design in Japan, the Winter City conference in China and the international Metropolis conference in Lisbon on migration and urban development.

International collaborations on homelessness have been given priority. In addition to the Nordic research network in which the Housing Bank has participated for many years, the Housing Bank has also taken part in meetings on European collaborations in Feantsa, (the EU body for organisations that work to combat homelessness) and other types of European meetings. The Norwegian strategy with the emphasis on multidisciplinary organisation and the exchange of ideas through local authority networks was covered with great interest.

The EU Commission undertakes systematic assessments of various countries’ efforts to combat poverty and social exclusion. The Norwegian strategy to combat homelessness «A home of one’s own», received a great deal of praise in the autumn of 2006 for the Housing Bank’s coordination and for the multidisciplinary work at all levels.

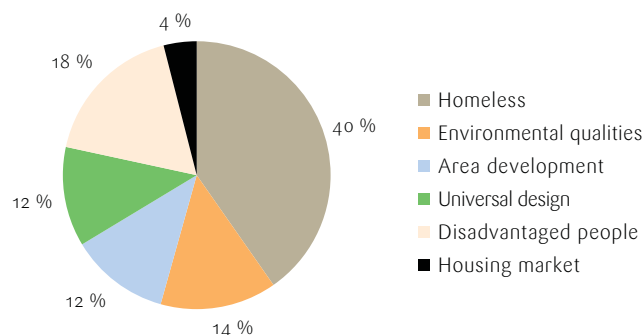
The regional offices also have international collaborations within their specialist fields. The Hammerfest Regional Office is involved in a collaboration in the northern areas and the Central Norway Regional Office has a widespread international collaboration in the areas of environment and energy.

www.husbanken.no from two to five stars

In June, the Housing Bank launched an updated version of www.husbanken.no. The website now has a new menu structure and new design. In line with the increased focus on developing the Housing Bank as a centre of expertise for the entire housing sector, particular emphasis is placed on creating a menu structure that will make it easy for collaboration partners and other interested parties to find relevant materials on the housing policy focus areas. The content of the website places particular emphasis on illustrating good examples and new knowledge. Considerable focus is also given to fulfilling general quality requirements for public websites.

The outcome was that www.husbanken.no improved from two to five stars out of a possible six in the assessment by norge.no after the new site was launched.

Chart 6 Resource grant 2006
Grant per objective and target group



Organisation and personnel

In recent years, the Housing Bank has acknowledged that employees' expertise and development are essential to mastering change and fulfilling the role of centre of expertise. Organisation and expertise development are being built up systematically, as are health and security, equality and diversity. This is part of the efforts to develop the Housing Bank as an appealing employer. The core values of openness, diversity and interaction reflect this.

Organisational development

Target-oriented and performance management are the main management principles in public administration. Risk management and internal controls are key parts of target-oriented and performance management. The Housing Bank must act in accordance with challenges and uncertainties that can affect the achievement of the group's goals. Effective risk management is crucial for ensuring effective management by the group. The administration department has drawn up a risk management report in the Housing Bank for 2006.

The Housing Bank's business is regionalised and finding solutions that are as efficient and user-friendly as possible is an ongoing process. The centralisation of the loan administration work to the administration office in Drammen has produced efficiency gains and provided the regional offices with the opportunity to carry out expertise development and prioritise the resources for tasks that lead to gains with regard to the housing policy. The Housing Bank is currently considering solutions to further increase the efficiency of the banking work involved in the loan and grant schemes, initially with regard to the electronic collection of data from other registers.

Consideration is also continuously being given to delegating group tasks to the regional offices. For example, building practice and local development have been passed to the Southern Regional Office, the

foundation loan to the Western Regional Office, and environment and energy to the Central Norway Regional Office. In 2006, the Housing Bank introduced a new salary and personnel system and at the same time transferred the responsibility for this to the Bodø Regional Office.

These guidelines were approved by the Housing Bank's Executive Board on 4 January 2006. The guidelines are on the whole identical to the «Ethical Guidelines for the Civil Service», which were approved by the Ministry of Government Administration and Reform on 7 September 2005, and which generally apply to the civil service.

The guidelines were approved by the Housing Bank's Executive Board because as a company with special status, the Housing Bank is not covered by the guidelines approved by the Ministry of Government Administration and Reform.

Ethical quality in the Housing Bank's services and exercising of authority are a prerequisite for customers and collaboration partners having confidence in the Housing Bank.

The guidelines are based on generally accepted ethical values and standards, such as fairness, loyalty, honesty, reliability, truthfulness and treating others the way you would like to be treated yourself.

Ethical guidelines

Ethical guidelines for the Housing Bank were approved by the Housing Bank's Executive Board in January 2006. Ethical quality on the Housing Bank's services and exercising of authority are a prerequisite for customers and collaboration partners having confidence in the Housing Bank. The guidelines are based on generally accepted ethical values and standards, such as fairness, loyalty, honesty and reliability, and treating others the way you would like to be treated yourself.

Personnel

The Housing Bank has 356 employees, a decrease from 362 in the previous year. This figure is made up of 61 per cent women and 39 per cent men, an increase of 1 percentage point for men. The average age is 50, which is the same as the previous year.

Gender equality

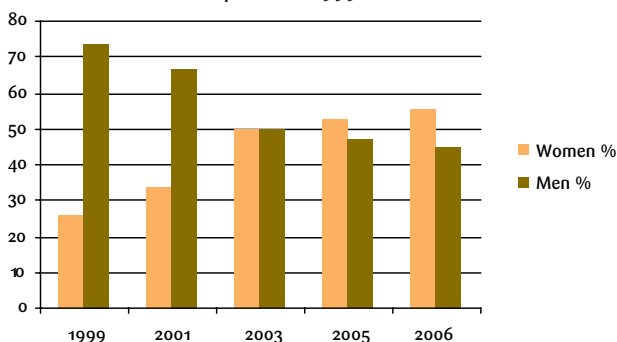
The boards

Women are overrepresented in the boards. The Executive Board consists of three women and two men, one of which is the chair person. The six regional boards have four female and two male chair persons. The members are made up of 6 women and 6 men.

Management

In 1999, less than 30 per cent of managers in the Housing Bank were women. Various initiatives that were implemented to increase the

Chart 7 Share of women and men in management positions 1999 - 2006



proportion of women in managerial positions have been successful and the share of female managers is now 55 per cent.

Salaries

There are a number of factors that determine salary levels, and salaries are lower for women in the various job categories. Sixty-three per cent of the negotiated amount in the local pay talks went to women. Nevertheless, the average wage disparities increased somewhat from 2005 to 2006. In other words, other factors have affected the average levels such as new appointments, promotion, leave etc., which were not in the women's favour in 2006. The Housing Bank will endeavour to level out the differences.

Job categories

Women are overrepresented in office posts and executive work posts. Men are overrepresented in the job category for higher level executive work posts.

Expertise development

The Central Norway Regional Office is carrying out a project in collaboration with Dossier to establish an expertise mapping tool in the Housing Bank. The expertise development takes place locally in the individual offices, partly through the daily work and partly through further and higher education via various courses and ordinary higher education leading to formal qualifications.

Formal further education is carried out, for example, by Central Norway Regional Office planning and organising studies at HIST (Sør-Trøndelag University College). From 2004 to 2006, binding agreements were entered into at TBS (Trondheim Business School) with 11 Housing Bank employees, who have completed 255 study points. Higher education courses in social housing were also initiated at HIST. The Western Regional Office is working with Bergen University College, where part-time studies in social housing have been initiated. In the Eastern Regional Office, 13 employees have completed university college studies within the subjects of passive house / low-energy housing, universal design and planning and building law.

A minimum of one employee appraisal meeting is held between the employee and his / her line manager every year. The meeting focuses on the individual's goals and development. Employees are encouraged to undertake expertise development initiatives that lead to study points.

Preventive health work has given good results

Although the average age is high and rising, the sickness absence rate in 2006 was the lowest ever recorded. The total sickness absence rate for 2006 was 4.61 per cent, compared with 6.24 per cent in 2005.

The Housing Bank is committed to creating an inclusive workplace and a great deal of resources are used on efforts to reduce the sickness absence rate. A great deal of flexibility is also applied when arranging the work situation where this is possible. All offices have a working environment committee.

Regular meetings are held between management and employee representatives. Five meetings were held in 2006 between management and the main employee representatives. Local meetings are also held between local management and local employee representatives.

A greener Housing Bank

The Housing Bank's business in the housing sector is mainly aimed at helping to deliver sustainable and environmentally friendly solutions. With regard to running the offices, a project entitled "A greener Housing Bank" has been initiated in order to develop sustainable and cost-effective solutions internally. *A green alliance with the future generations is the vision for the project.*

The Housing Bank has entered into a collaboration agreement with GRIP (the Norwegian Foundation for Sustainable Consumption and Production) aimed at mapping office operations from an environmental perspective with a view to certifying the Housing Bank under certification under the Norwegian Miljøfyrtårn environmental certification scheme.

The offices actively work to encourage employees to use public transport to and from work. A travel survey at the central offices in Drammen shows that 82 per cent of employees use public transport. The use of public transport is also high in the regional offices. The offices are located centrally in towns, and parking facilities for personnel are limited.

Other measures have been implemented to raise employees' awareness of energy and paper consumption, and source segregation of waste. Fair Recycling has certified the Housing Bank as a participant in its recycling scheme for used IT equipment.

Chart 8 Sickness absence rate in the Housing Bank, 2001 - 2006



Annual report by the Executive Board for 2006

Summary - main developments

The Housing Bank celebrated its 60-year Jubilee in 2006. The main celebrations were held in Hammerfest, which has a special place in the Housing Bank's history, as reconstruction work performed in this area after the war formed the Bank's main focus area in the years following the Bank's foundation in 1946. A number of successful and well-attended Jubilee events that put the Housing Bank and the housing policy on the agenda were staged throughout the year in all our regions. In adopting a new logo that focuses on people and reflects the values of openness, diversity and teamwork, we primarily opted to use the Jubilee events to illustrate the Housing Bank's new role as a welfare institution and the challenges to be faced in years to come, rather than to focus on events of the previous sixty years.

The Housing Bank aims to be a significant driving force behind the implementation of the Norwegian government's housing policy and act as a centre of expertise for housing-related knowledge. A series of further measures were taken to improve the technological and organisational efficiency of loan administration in 2006. This has released resources to actively develop new working methods and accumulate and communicate expertise that provides our collaboration partners in the local communities and building industry with a better starting point from which to make an improved contribution to the achievement of social housing targets.

In the opinion of the Executive Board, the Housing Bank effectively contributed to the achievement of housing policy targets in 2006. Use of the Housing Bank's resource grants was at a record high, with a total amount of NOK 82 million being allocated to 391 projects. The majority of grants were issued for social housing projects. The



Chairman Kristian Wibe, Sp, from Sparbu

new foundation loan is functioning as intended, in that nearly all the housing units that the Housing Bank finances achieve high standards in respect of universal design and / or the environment.

As well as facilitating optimal use of traditional tools, the Executive Board attaches importance to making a key contri-

bution to the development of housing policy through measures such as the strategic use of resource grant tools for development projects and research within various housing policy focus areas.

The Executive Board has opted to discuss the main developments within key focus areas in 2006 in this report. Important topics to which the Executive Board has devoted particular attention during the year are also thoroughly reviewed. Detailed reporting in accordance with the Ministry's requirements are contained in the administrative reporting section of the annual report.

Providing homes for the disadvantaged – the Housing Bank's number one priority.

Housing policy tools play an important role in the government's anti-poverty initiatives. Projects to provide homes for the disadvantaged in collaboration with local authorities represent the Housing Bank's most important focus area. The focus is on measures connected with the government's anti-homelessness project, "På vei til egen bolig" (A home of one's own). In line with this, the Executive Board adopted a strategy for the utilisation of the Housing Bank's resource grants in 2006, under which social housing units are established as the main focus area, and where there is a further emphasis on projects that develop the local authorities' social housing work. At the end of 2005, the Bank signed a letter of intent with the Directorate of Integration and Diversity (IMDi) to further reinforce work relating to homes for refugees who have acquired work permits.

A further topic devoted particular attention in 2006 was the local authorities' use of start-up loans. The Executive Board has recommended to the Norwegian Ministry of Local Government and Regional Development (KRD) that the Housing Bank should work to increase the local authorities use of start-up loans, including by acquiring information on opportunities for inter-communal collaboration and coordination of the use of tools (start-up loans, housing grants and housing benefit) via the regional offices. The Executive Board also believes it is important that work to develop social housing action plans in the local authorities should continue, as there appears to be a clear connection between active planning work and the active utilisation of the Housing Bank's tools.

Focus on collaboration with the local authorities

The Housing Bank achieves social housing results by working together with others, primarily with the local authorities. The Executive Board has been concerned that local authorities could be forced to down-prioritise social housing work in a strained economic situation, and has therefore dedicated a significant amount of effort trying to ensure that the regional offices prioritise contact with the local authorities so as to ensure that the dialogue is constructive and

useful for both parties. The Housing Bank also has to develop system solutions for the utilisation of tools that are useful for the processing of cases by the local authorities.

The Housing Bank has entered into a formal collaboration agreement with the Norwegian Association of Local and Regional Authorities (KS). The agreement will focus on the areas where the parties face common challenges and can mutually contribute to the achievement of targets: safeguarding the supply of homes to the disadvantaged, including refugees, with a particular focus on preventing homelessness, increasing the share of universally designed and environmentally friendly homes and residential areas, and establishing projects for local development and sound building practice. The Executive Board believes that the agreement deals with the most important challenges relating to current housing policy and is extremely satisfied with the agreement and the collaboration.

Universal design – housing for all

Universally designed housing and residential areas can be used by everyone without the need to make any special adaptations. Universal design is one of the areas to which the Housing Bank gives the highest priority in connection with housing and local development. The concept and discipline is relatively new in Norway, and the level of knowledge in the local authority sector and the building industry varies. The Executive Board is therefore pleased to confirm that the Housing Bank placed a particular emphasis on the development and communication of expertise to current collaboration partners in 2006. It is worth noting that section 3 of the Norwegian Internet site for elementary schools; BOLIG abc, covers the topic of universal design. This was produced in collaboration with the Housing Manufacturers' Regional Association and sent to all Norway's primary schools by our regional offices. The regional offices also initiated a number of regional competitions on the subject of universal design at primary schools.

The collaboration with The National Office of Building Technology and Administration (BE) on the information programme for universal design is intended to help boost knowledge levels in the training sector, local authorities, building industry and general population. On 24 May 2006, the Bank entered into a further collaboration agreement with The Norwegian Federation of Co-operative Housing Associations (NBBL), which obliges both parties to follow up key social housing tasks, including by increasing the share of the available and universally designed homes and connected outdoor areas.

The guidance and information work appears to be generating results, with as many as two out of three new homes financed by the Housing Bank in 2006 satisfying the requirements for universal design.

More environmentally friendly homes

The Executive Board notes with satisfaction that work intended to contribute to the construction of more environmentally friendly housing with reduced energy requirements is producing results. At the end of 2006, the number of low-energy houses and passive houses was approaching 10 000. Around 40 percent of the housing units that were approved for foundation loans in 2006 satisfied various environmental requirements, most of which related to reduced energy

requirements. When it comes to work intended to promote the construction of environmental housing, collaboration with the building industry is a prerequisite for achieving good results. The Executive Board therefore regards the fact that the Housing Bank has signed a letter of intent with Mesterhus to achieve a market breakthrough in low-energy housing incorporating universal design, and that the Bank is encouraging further collaboration development with important players in the building industry as positive developments.

Increased initiatives within local development

The Norwegian government has placed extra emphasis on local development work in small and medium-sized towns and communities. The Housing Bank has developed its own plan for local development and intends to reinforce its role as a major driving force in this area. The Executive Board would like to underline the importance of collaboration between the Housing Bank and the individual local authorities. Arranging initiatives and interests in the local community is a basic requirement in collaboration work. Mobilising a location's own inhabitants, schools and industry and commerce is also important.

The Housing Bank's previous experience with regional development grants has been very positive and has resulted in good collaboration relations with the local authorities and developers. Resource grants for local development can also prove a suitable tool for stimulating better long-term and overall planning, local initiatives and efficient local solutions.

Good building practice forms a key part of any successful local development. The Housing Bank has acted as the secretariat for the State Building Design Award for a number of years. This year's prize, which was awarded to an interesting transformation project in Oslo, was the 24th award in succession. The Housing Bank has initiated measures to amend the regulations governing the prize to provide a further emphasis on the focus areas of universal design, environmentally friendly construction, location adaptation and sustainability. The Executive Board supports this move and believes that the award of a 25-year anniversary prize next year will provide a good opportunity to give universal design work added impetus.

Closer to providing nursery home places for everyone

The construction of nursery homes continued at a high pace in 2006, and the government's aim of nursery home places for *Deputy Chairman Barbro Lill Hetta-Jakobsen, Ap, from Harstad*

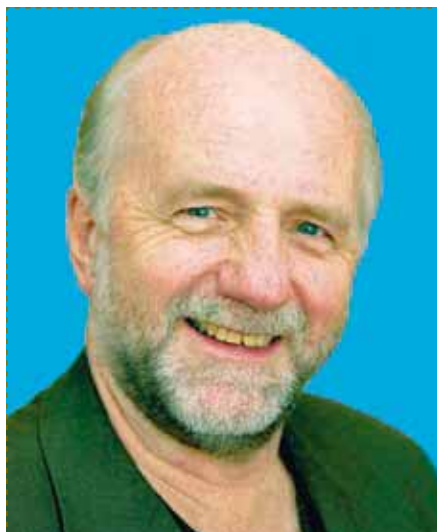


everyone is now closer to being achieved. The Housing Bank approved nursery home projects with a total of 7 852 places for financing during the course of the year, nearly as many in the record year of 2005, when loans for the construction of nearly 8 200 nursery home places were approved.

Several locations already have almost enough nursery home places for everyone. The Housing Bank therefore needs to assess the extent to which it should finance projects that raise quality levels and create competition, even if this increases the risk of losses in a situation where costs are rising. The Executive Board is committed to ensuring that the Housing Bank contributes to efficient resource utilisation and establishes a good balance between risk acceptance and loss minimisation. The Housing Bank has therefore sent an inquiry to the KRD to obtain clarification as to whether the Bank could contribute to a certain excess coverage of nursery home places based on an overall evaluation of capacity and quality, on the assumption that some sizeable losses would have to be accepted.

Extremely high levels of house building – the Housing Bank's financing share lower than in previous years

2006 was the third year in a row where the number of new house builds was higher than normal levels seen in the last 15-20 years. Just under 33 000 homes were started, the highest number since 1982. The general interest rate level in Norway has been at a historically low level and access to housing finance in the private market has been very good in recent years. The Housing Bank's role is to supplement the private credit market. The aim is not to achieve as large a market share as possible, but to help safeguard the construction of homes with desirable qualities in relation to housing policy. In 2006, the Housing Bank approved 6 665 homes for foundation loans, which corresponds to a market share of around 20 percent of all started homes, compared with 25 percent the previous year. The use of resource grants has increased to record levels, and thus reflects a desired strategic shift of business towards operations with a reduced focus on tradi-



Heming Olaussen, SV, from Ramnes

tional lending and greater emphasis on the development and transfer of expertise and guidance.

A number of Letters of Intent signed with key players in the building industry have also simplified the processing of loans and, not least, provided increased expertise on the environment and universal approach-

es, including with regard to projects that are not financed by the Housing Bank.

Housing financing in the districts

The government wants the Housing Bank to play an active role in the districts, and contribute to the efficient financing of housing investments in cases where the private banks are reluctant to grant loans due to low collateral security. While the Housing Bank's average financing share for the whole of Norway is around 20 percent, the Bank also finances respective shares of around two thirds and half of housing construction in the Nordland and Finnmark areas of Norway. The Executive Board wishes to adopt a holistic and aggressive approach to this work and has therefore initiated a project to develop a strategy for housing financing in the districts that will be completed in the first half of 2007.

Loans to residential care homes in the southern countries

The loan scheme for residential care homes in southern countries was established in the revised national Norwegian budget for 2003 and continued in subsequent national budgets. An annual framework of NOK 500 million was established. The Housing Bank registered some interest in the scheme, but actual demand has been very low. A major project consisting of 300 units at a cost of NOK 250 million was approved in 2005, while two smaller projects for around NOK 60 million were authorised in 2006.

The low demand could be connected to the formulation of the regulatory framework. It is assumed that the local authorities will either own the homes or that agreements will be entered into on the allocation of the homes with the local authorities. The Executive Board has learned that the government will phase out the scheme from 2007 due to low demand.

Action plan for the elderly - start-up grants for residential care and nursing homes

The action plan for the care of the elderly originally applied to the period 1998-2003. However, a significant number of payments of previously issued pledges have continued to be made. The total target figure for the action plan for the elderly was 38 400 residential care and nursing home places, while the Housing Bank approved 38 900 units during the same period. To receive the grants, the homes originally had to be completed before 2005.

The Executive Board has noted that the government has made a number of exemptions available in 2007, and, in the special case of local authorities with weak finances, until the first half of 2008. As long as around 4 700 units remain uncompleted, the Executive Board will follow developments in 2007 and 2008. The Executive Board will further arrange for the Housing Bank to administer the new grant scheme for the construction of new residential care and nursing homes that the government intends to introduce from 2008 in the most efficient manner possible.

The Housing Bank's administration

The Executive Board has supported the extensive decentralisation

and regionalisation process that has taken place in recent years, which has resulted in the regional offices becoming independent units that implement the practical housing policy. The Executive Board has also supported initiatives to coordinate the Housing Bank's regional offices with other regional business, including naming these offices Southern, Eastern, Western, Central Norway, Bodø and Hammerfest regional offices. To guarantee a satisfactory technical environment and improve the Bank's role as a centre of expertise and adviser, it has also been proposed that the Bodø and Hammerfest Regional Offices should merge to form a North region administering two equally ranked office locations. The Ministry of Local Government and Regional Development has suspended the proposed merger pending the government's work on administration reform and the proposed division of regions to be effected in 2008.

Loan administration work has been centralised in line with the process of regionalisation. The Executive Board has noted the efficient manner in which the administration office in Drammen performs the Housing Bank's administrative duties and that defaults are historically low. The Executive Board supports initiatives to centralise significant parts of the pure technical banking tasks connected with the loan business.

The Housing Bank prioritises gender equality work. The percentage of women on the Executive Board is 57 percent, while women make up 55 percent of the management team. There continue to be differences in the salaries received by women and men in the various job categories. The Housing Bank intends to implement measures to level out these differences. In the local salary negotiations for 2006, 63 percent of the amount negotiated was awarded to women.

The sickness-related absence rate was 4.6 percent in 2006, compared with 6.2 percent in 2005. The Executive Board is extremely satisfied with this improvement and the efficient preventative work that is being performed at individual offices.

As an office operation, the Housing Bank does not impact the external environment to any significant extent. The Housing Bank wishes to stand out as a green government department both externally and internally. The Housing Bank has placed a significant emphasis on reducing energy and paper consumption internally. Employees have also been encouraged to use public transport. A work journey survey of the offices in Drammen revealed that as many as 82 percent of employees use public transport. The Executive Board also draws attention to the fact that the Housing Bank has entered into a green alliance with the Norwegian Foundation for Sustainable Consumption and Production (GRIP), which is participating in work on an environmental review of the Housing Bank's administration with a view to achieving certification under the Norwegian Miljøfyrtårn environmental certification scheme. The Executive Board further points out that the Housing Bank has entered into an agreement with Fair to send used IT equipment for recycling in developing countries.

IT modernisation

Sound banking practices and many years' experience in the use of IT tools have traditionally formed the basis of task solving procedures at the Housing Bank. The Executive Board notes with extreme

satisfaction that improvements in technological and organisational efficiency have released resources that can now be used to prioritise the social housing focus areas.

The Housing Bank's main plan for IT modernisation establishes the overarching guidelines for further development. Technology must support the work processes and interaction in an efficient and safe manner both internally and externally. The Executive Board is satisfied that the main plan guarantees efficient expertise development and cost efficiency through measures including the centralisation of responsibility and initiatives to find joint solutions with other sections of public administration.

The Executive Board is also satisfied that the complex housing benefit system functions as intended and urges the administration department to continue its initiatives relating to fully electronic customer dialogue.

Favourable interest rate offers for the public

The Executive Board notes that the Bank provides extremely favourable interest rate terms for the public. The floating interest rate of 2.33 percent recorded in 2005 is the lowest level recorded since the establishment of interest rates at the Housing Bank was linked to the market in 1996. General interest rate levels are rising. However, the establishment of interest rates at the Housing Bank provides customers with predictability and the Housing Bank's interest rate continues to be around 1.5 percentage points lower than the private market interest rate. In light of the introduction of the 3-year fixed interest rate agreement to supplement the existing 5-year fixed interest rate agreement at the initiative of the Executive Board in 2006, and the launch of a 10-year fixed interest-rate agreement in 2007, the interest rate offering for the public is extremely good. The Executive Board is extremely satisfied with this development.

Sound financial management

Both defaults and losses are currently at low levels. However, in the opinion of the Executive Board, the change in the nature of loan activities in recent years has shifted the risk profile in the direction of large loss exposures. In previous years, the Housing Bank's loan disbursement ratio was based on a more limited share of costs than today, and local authority guarantees were previously pledged for all loans used to finance schemes such as nursery homes. A growing



Liv Røssland, FrP, from Fyllingsdalen

share of financing in districts with low collateral security values will also increase the loss risk.

No funds have been added to the Housing Bank's contingency reserve in recent years. An annual reduction of the reserve due to book losses, and a change in the risk profile for external loans, causes the Executive Board a certain amount of concern from the perspective of efficient and sound financial management. The Executive Board desires that such losses shall be covered by a subsidy or through a contingency reserve of a sufficient magnitude. The Executive Board is keen for the loan portfolio to be subject to ongoing risk evaluation.

The Bank's exposure to risk is covered by the Norwegian state. The Housing Bank contributes to the achievement of the government's principal housing policy targets and implements sound financial management. There is no doubt that the prerequisites for the continuation of business as a going concern are in place.

Focus on profiling

The Housing Bank's administration department reinforced its initiatives relating to the profiling of the Bank's activities and results in 2006, where the most important measures adopted comprised the publication of new Internet pages and an increased focus on media profiling. The Executive Board views this initiative, which is intended to increase awareness of the Housing Bank's new welfare role and help establish a good reputation, in an extremely positive light.



Ingjerd Schou, H, from Spydeberg

Future focus areas

The Housing Bank's overarching focus in coming years will involve following up the Norwegian government's initiative to abolish poverty by providing suitable financing and housing solutions for the most disadvantaged. Housing benefits are the most important tool in this context. The gradual shift of housing benefits in the direction of universal arrangements for larger groups of disadvantaged in the housing market will prove a good housing policy tool and make a positive contribution to work combating poverty in Norway. The housing grant and start-up loans are also important tools for providing the disadvantaged with the opportunity to acquire their own homes, especially when these are coordinated with housing benefits. It is therefore important that these tools are allocated sufficient resources.

The Housing Bank intends to continue to prioritise initiatives in connection with the "På vei mot egen bolig" strategy. In order to secure homes for the homeless and ensure that new tenants can keep their new homes, the main focus shall be on social housing work.

Delivering universal and sustainable high quality solutions for new homes represents a further important focus area for the Housing Bank. However, in light of the fact that new housing only constitutes one percent of the total annual housing stock, stimulating an improvement in quality of the overall existing stock will remain a major challenge. The Executive Board therefore wishes the Housing Bank to intensify its initiatives in this area. A number of major challenges are associated with both universal design and energy consumption. The Housing Bank therefore proposes investment support for projects that provide significant improvements in these areas.

The third focus area for the Housing Bank will be local development. The Housing Bank will develop a location development programme during 2006 and 2007. This work will result in a number of requirements, including for funds to develop pilot projects and communicate results. The Executive Board believes there will be a need to strengthen the budget in this area, so as to allow the Groruddal initiative to be extended to cover other towns and communities.

The Executive Board thanks the Bank's employees.

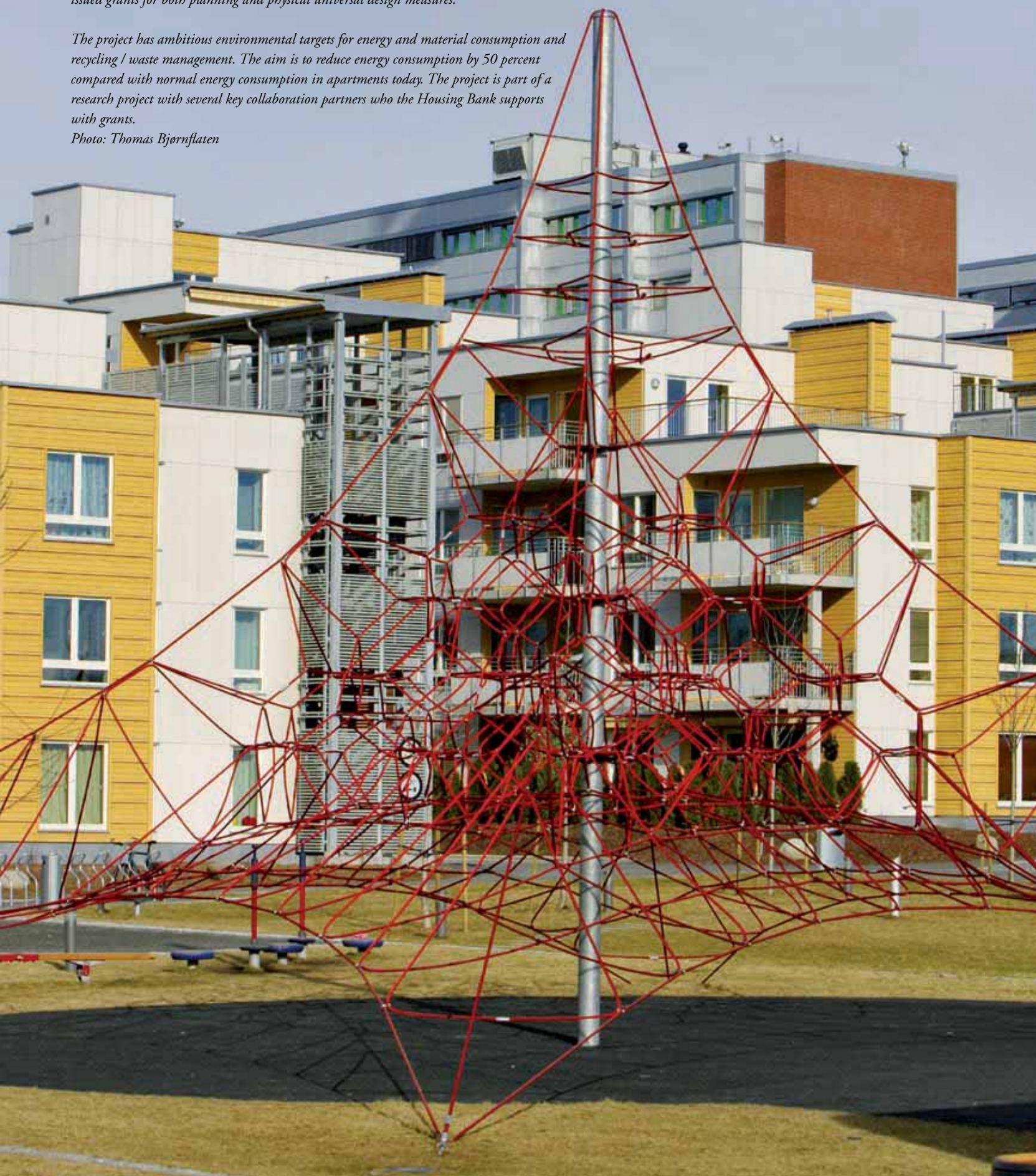
2006 has been a very challenging year for the Housing Bank. In particular the shift to the role as a centre of expertise and adviser for the local authorities has been demanding for employees. This would not have been possible without an additional focus on personnel and management development and an improvement in general skills levels. The 60-year Jubilee also required resources in order to ensure that the anniversary celebrations contributed to increased knowledge and motivation internally, and put the Housing Bank and the housing policy on the agenda externally.

The Executive Board is satisfied with the way the administration department has tackled the challenges and wishes to thank the Housing Bank's employees for their flexibility, ability to adapt and willingness to cooperate. The good results that were achieved in 2006 would hardly have been possible without constructive collaboration with local authorities, the building industry and other state and private collaboration partners.

Selvaagbygg is responsible for the construction of «Lørenbyen» at Løren in Oslo, which comprises a total of 1 500 homes, a nursery home and a significant number of business premises. The Løren Park with the large climbing frame is situated at the western edge of the area, close to the public park at the restored development in Løren Camp. The Housing Bank has issued grants for both planning and physical universal design measures.

The project has ambitious environmental targets for energy and material consumption and recycling / waste management. The aim is to reduce energy consumption by 50 percent compared with normal energy consumption in apartments today. The project is part of a research project with several key collaboration partners who the Housing Bank supports with grants.


Photo: Thomas Bjørnflaten




Income statement

Beløp i hele 1000 kroner

	Note	2006	2005
Interest and similar income			
Interest and similar income on loans to and receivables from credit institutions		5 474	3 355
Interest and similar income on loans to and receivables from customers	1	3 690 651	3 726 383
Total interest and similar income		3 696 125	3 729 738
Interest and similar expenses			
Interest and similar expenses on subordinated debt (Treasury receivables)		5 474	3 355
Other interest and similar expenses (on funding from the state)	1	3 713 982	3 751 664
Total interest and similar expenses		3 719 456	3 755 019
<i>Net interest and credit commission income (interest support)</i>		-23 331	-25 281
Commission income and income from banking services			
Fee income	2	18 692	21 214
Commission expenses and banking service expenses			
Fee expenses		3627	3116
Other operating revenues			
Revenue from appropriations	2	309 887	307 383
Operating revenues from property	2	558	700
Other operating revenues	2	13 877	9 929
Total other operating revenues		324 322	318 012
Salaries and general administration expenses			
Salaries and social security expenses	3	179 836	171 339
Administration expenses	4	110 912	123 673
Operating expenses, property	4	590	321
Total salaries and general administration expenses		291 338	295 333
Depreciation, amortisation, write-downs of property, plant and equipment and intangible assets			
Depreciation and amortisation	5,6	5 885	4 525
Write-downs	8	0	2 632
Total depreciation, amortisation, write-downs of property, plant and equipment, and intangible assets		5 885	7 157
Loss on loans, guarantees etc.			
Loss on loans	4b, 10	16 993	12 887
Profit / loss before settlements			
		1 840	-4 548
Settlements			
Settlement with Treasury (gross budgeted amount)	7	-14 500	-4 663
Deferred revenues written back on disposal of noncurrent assets	8	0	-2 632
Total settlements		-14 500	-7 295
Grant management			
Transfers from Treasury for grants to others	9	5 222 326	5 182 012
Payments of grants to others	9	-5 222 326	-5 182 012
Total grant management		0	0
Loss for the financial year			
		-12 660	-11 843
Transfers and utilisations			
Transferred from contingency reserve	10	12 660	11 843



Kristian Wibe



Liv Rosland


Balance sheet

		Beløp i hele 1000 kroner	
ASSETS	Notes	2006	2005
Noncurrent assets			
Right and similar intangible assets	5	22 918	14 738
Total intangible assets		22 918	14 738
Buildings, land and other property	6	3 209	3 326
Movables, fixtures, tools etc.	6	19 345	19 340
Total noncurrent assets		22 554	22 666
Bonds and other receivables	11	94 434 699	94 320 004
Total noncurrent financial assets		94 434 699	94 320 004
Total noncurrent assets		94 480 171	94 357 408
Current assets			
Accounts receivable	12	33 333	39 929
Other receivables	13	8 527	7 737
Accrued, non-invoiced revenues	14	849 162	804 531
Total receivables		891 022	852 197
Cash and cash equivalents			
Bank deposits	15	205 590	193 840
Other cash and cash equivalents	15	4	41
Total cash and cash equivalents		205 594	193 881
Total current assets		1 096 616	1 046 078
Total assets		95 576 787	95 403 486
EQUITY AND LIABILITIES			
Equity			
Paid-in equity and reserves	10	96 137	108 797
Total equity		96 137	108 797
LIABILITIES			
Provisions for long-term liabilities			
Liabilities in connection with noncurrent assets	5,6	44 263	36 079
Total provisions for long-term liabilities		44 263	36 079
Other long-term liabilities			
Other long-term liabilities / funding	16	94 415 606	94 207 573
Total other long-term liabilities		94 415 606	94 207 573
Current liabilities			
Tax due		6 294	5 907
Accrued holiday pay		14 252	14 201
Prepaid, non-invoiced revenues	14	595 211	660 652
Other current liabilities	17	321 666	312 182
Total current liabilities		937 423	992 942
Settlement with Treasury			
Settlement with Treasury	7	83 358	58 095
Total		83 358	58 095
Total liabilities		95 480 650	95 294 689
Total equity and liabilities		95 576 787	95 403 486
Loans approved or pledged but not paid out as of 31 December		13 896 575	14 671 120
Grants approved or pledged but not paid out as of 31 December		1 755 693	2 648 580
Payment obligations, housing benefits for third period		747 545	677 354

Drammen 31.12.2006/14.03.2007



Heming Olaussen



Ingjerd Schou

Accounting policies

The annual financial statements have been prepared in accordance with state accounting standards (SRS) and guidance notes prepared in connection with the Ministry of Finance's testing of the application of the accruals principle for selected state-owned businesses. In this connection, the Housing Bank has been granted exemption from applying the standard for the valuation of the external loans portfolio, as well as dispensation to apply the cash principle for the recognition of losses and housing benefits and other grant schemes the Bank administers. The Housing Bank has been also been exempted from using the standard income statement presentation.

Pensions

Pension schemes for employees in state-owned businesses are generally linked to the Norwegian Public Service Pension Fund's (SPK's) pension scheme. The SPK scheme is a defined benefit scheme. The scheme is not fund-based, but SPK operates a fictitious fund, calculated by reference to given guidelines. In accordance with SPK's requirements, the size of the fund essentially corresponds to the estimated pension liability.

The Accruals Project provides the basis for a simplified approach to accounting for pensions. Thus in accordance with SRS no 6, no pension scheme surplus / deficit has been estimated or provided for. The pension cost for the year is therefore presented as an annual premium amount paid to SPK.

Transaction-based revenues

Revenues connected with services are deemed to be earned when the service is performed. The balance thus includes accrued, unpaid fee income to cover fees for administrative services relating to loan administration and the collection and recovery of interest.

Revenues from appropriation-financed activities

Appropriations are recognised as income in the period when the activity that the appropriation is assumed to finance is performed, i.e. in the period in which the expenses are incurred. Appropriations that are unused at the balance sheet date are not recognised in the income statement.

Classification and valuation of balance sheet items

Current assets and current liabilities comprise items that are due for payment within one year of the time such items are acquired, and include interim items connected to the payment cycle. Other items are classified as noncurrent assets / long-term liabilities.

Current assets are valued at the lower of cost and fair value. Current liabilities are recognised at their nominal amount in the balance sheet at the time they are incurred.

Noncurrent assets are valued at cost, but written down to fair value if impairments are not expected to be temporary in nature.

Intangible assets

As a rule, only externally purchased intangible assets are recognised in the balance sheet. At the Housing Bank, intangible assets relate to new systems and modern IT solutions developed in project collaborations with external consulting companies. These types of major investment are recognised as intangible noncurrent assets in the balance sheet and amortised over their expected useful lives.

If the fair value of an intangible asset is lower than the value recognised in the balance sheet and the difference is deemed not to be temporary in nature, the intangible asset is written down to its replacement value.

Property, plant and equipment

Property, plant and equipment is recognised in the balance sheet and depreciated over the operating assets' expected useful lives. To even out the effects in the income statement, the liability established at the time of investment is reduced by an amount corresponding to the depreciation charge.

Direct maintenance of operating assets is expensed on an ongoing basis under operating expenses, while additional expenses or improvement expenses are added to the cost price of the operating asset and depreciated at the same rate as the operating asset.

Financing of accrued / prepaid items

Current assets / current liabilities: In the case of gross budgeted businesses, with the exception of intangible assets, property, plant and equipment and bank deposits connected to funds, the net amount of current balance sheet items will have a contra entry in *Settlement with Treasury*. The settlement thus reflects the state's interest in short-term items.

Noncurrent assets: The value of intangible assets and property, plant and equipment recognised in the balance sheet has a contra entry in the accounting line *Liabilities connected with noncurrent assets*. This reflects the financing of these noncurrent assets. Newly acquired intangible assets and property, plant and equipment are recognised at cost in the balance sheet, while the income statement item *Revenues from appropriations* and balance sheet item *Liabilities connected with*

noncurrent assets are respectively reduced and increased by the cost amount.

Amortisation of noncurrent assets is expensed through the income statement. An amount corresponding to the amortisation amount is recognised in income under the item *Revenues from appropriations*. This results in the gradual dissolution of the financing item *Liabilities connected with noncurrent assets*. As a result of the above, with the exception of homes, the total value of intangible assets and noncurrent assets recognised in the balance sheet before 1 January 2005 will be fully financed under *Liabilities connected with noncurrent assets*.

Noncurrent financial assets

The Bank's external loan portfolio is classified under *Noncurrent financial assets*. Loans are financed with state funding and generally have a corresponding contra amount in *Other long-term liabilities*. Deviations are attributable to overdue instalment demands and accrued or prepaid accrued interest / fees that are recognised in current receivables, and have a contra entry in *Settlement with Treasury*.

Receivables

Accounts receivable and other receivables are recognised in the balance sheet at nominal value. Receivables are not reviewed for potential losses. Consequently, no provision is made for expected or assumed losses. In accordance with the cash principle, losses are only recognised against the contingency reserve once these have been confirmed.

Self-insurance principle

The state acts as a self-insurer. Consequently neither the balance sheet nor the income statement contain any items intended to reflect respective net insurance expenses or liabilities.

The state's group account scheme

State-owned businesses are covered by the state's group account scheme, under which all receipts and payments are settled on a daily basis against the business's settlement accounts at Norges Bank.

The Housing Bank is not allocated funds during the year, but has a drawing right on its group account corresponding to the gross appropriation. The difference between the appropriation recognised as income and the net drawdown on the group account is included in the item «Settlement with Treasury». Special rules apply for the settlement / transfer of outstanding accounts at the end of the year. Balances on the individual settlement accounts at Norges Bank are reset to zero at the beginning of a new financial year.

Cash flow statement

The cash flow statement is prepared in accordance with the direct method adapted for state-owned businesses. Cash and cash equivalents include the counter value of the Bank's primary capital and contingency reserve, and deviations relating to the accruals principle attributable to prepaid interest and fee income.

Audit of the Housing Bank's financial statements for 2006

The Auditor General of Norway is the Housing Bank's auditor

In accordance with the Norwegian National Auditing Act of 7 May 2004, the Housing Bank's auditor is the Auditor General of Norway.

At the conclusion of the annual audit, the Auditor General issues a concluding audit letter (report) that summarises the conclusions of the audit work. The Audit Letter is not published until the Auditor General has reported on the results of the audit to the Storting in October / November, cf §18 of the Norwegian National Auditing Act.

Cash flow

Beløp i hele 1000 kroner

	2006	2005
Cash flows from operating activities		
Receipts		
From the Treasury for grants to others	144	158
Fees, charges and licences	18 692	21 214
Interest	3 710 743	3 772 511
Instalments	10 620 331	10 597 348
Refunds	4 859	6 383
Other	9 053	9 928
Total receipts	14 363 822	14 407 542
Payments		
Salaries and social security expenses	-165 868	-159 915
Goods and services for resale and own consumption	-147 135	-163 373
Interest support	-23 331	-25 281
Grants	-3 008 761	-3 126 635
Housing benefits	-2 213 895	-2 053 960
New loans	-10 828 364	-10 545 193
Payments from capital advanced for other government departments	-3 694	-4 485
Total payments	-16 391 048	-16 078 842
Net cash flow from operating activities *	-2 027 226	-1 671 300
Cash flows from investing activities		
Receipts from the sale of property, plant and equipment	4 272	900
Payment for the purchase of property, plant and equipment	-14 069	-17 075
Net cash flow from investing activities	-9 797	-16 175
Cash and cash equivalents		
Net change in cash and cash equivalents	-2 037 023	-1 687 475
Cash and cash equivalents at the beginning of the period	193 840	165 784
Cash and cash equivalents at the end of the period	-1 843 183	-1 521 691
* Reconciliation	2006	2005
Loss for the period	-2 026 738	-1 662 367
Operating profit SIFBO	290	375
Loss / gain on the sale of noncurrent assets	4 044	669
Book value of noncurrent assets disposed of	-116	-170
Depreciation and amortisation	-5 885	-4 525
Impairment of noncurrent assets	0	-2 632
Net settlements	-15 380	-4 663
Employers' national insurance contribution / group life assurance recognised in capital 5700 / 5309	19 056	18 684
Interest support cap. 2412.72	-23 331	-25 281
Provision for deferred revenues (noncurrent asset additions)	14 069	17 075
Changes in accounts receivable	108 099	-8 792
Change in other accruals / prepayments	-101 334	327
Net cash flow from operating activities	-2 027 226	-1 671 300

Note 1 Financial income and expenses

Financial income	2006	2005
Interest income	3 696 125	3 729 738
Total financial income	3 696 125	3 729 738

Financial expenses		
Interest expenses	3 713 982	3 751 664
Total financial expenses	3 713 982	3 751 664

Calculated interest expense on invested capital*:

1 347

Basis for calculation of interest expense on invested capital:	as of 31.12 2006	as of 31.12 2005	Average in the period
Book value of intangible assets	22 918	14 738	18 828
Book value of property, plant and equipment	22 554	22 666	22 610
Total	45 472	37 404	41 438

Number of months in the reporting period:

12

Average tied-up capital in 2006:

41 438

Established interest rate for 2006:

3,25%

Calculation of interest expenses on the capital invested in the business is reported in accordance with the «Draft guidance noe on interest on capital»

*Calculated interest expense on invested capital is only provided as a disclosure note. The calculated interest expense is not recognised in the financial statements.

Note 2 Breakdown of operating revenues

Revenues from appropriations	2006	2005
Appropriation transferred from previous years	880	10 643
Appropriation for the year from Ministry	322 058	309 290
- Gross amount used for investing purposes / Property, plant and equipment from appropriation for the year / Operating profit	-14 069	-1 7 075
+ Deferred revenues from liabilities connected with investments (write-downs)	5 885	4 525
- Payment of grants to others / HTU	-4 867	0
Total revenues from appropriations	309 887	307 383

Fees	2006	2005
Establishment fees	1 341	1 720
Administration fees	13 289	14 525
Notification fees	3 876	4 829
Other fees relating to loan administration	186	140
Total fees	18 692	21 214

Sales and rental income	2006	2005
Rental property	526	660
Rental income service homes	32	40
Total sales and rental income	558	700

Other operating revenues:	2006	2005
Interest on arrears, late payments		
instalment loans	3 352	4 106
Reimbursed housing grants approved for the financial year	6 482	5 049
Other incidental revenues	0	105
Profit on the sale of property, plant, machinery etc.*		
Sale of property	4 043	669
Total other operating revenues	13 877	9 929

* Profit on the sale of housing property from the residual housing stock that was taken over on the merger with the company Selskapet for Innvandrere- og Flyktningeboliger in 1997.

Profits from housing rentals and profits or losses on sale are set off against a separate contingency reserve administered by the Housing Bank.

The book profit, rather than the disposal proceeds, is specified under operating revenues.

Notes

Note 3 Salaries and social security expenses

	2006	2005
Salaries	133 627	131 072
Holiday pay	14 979	14 434
Employer's national insurance	20 817	20 116
Pension costs*	14 571	11 876
Sickness benefit and other refunds	-4 859	-6 922
Other benefits	701	763
Total salary expenses	179 836	171 339

Number of full-time equivalent employees: 345 349

* Further information on pension costs

Business that pay their own pension premiums:

Pensions are expensed in the income statement based on the premium incurred for the financial year.

Further reference is made to the accounting policy note on pensions.

Note 4 Other operating expenses

Administration expenses:	2006	2005
Rent	25 332	25 049
Maintenance and conversion of rented premises	979	5 053
Other expenses for the operation of rented premises	4 485	5 096
Repair and maintenance of machinery, equipment etc.	2 727	3 226
Minor equipment additions	7 211	4 043
Hire of machinery, fixtures and similar	6 708	8 539
Consultants and other purchases of external services	17 670	25 826
Travel, board and other personnel expenses	22 870	24 124
Other operating expenses	22 930	22 717
Total administration expenses	110 912	123 673

Operating expenses, property:

Shared expenses, cooperative housing	237	280
Maintenance of housing units	353	41
Total operating expenses, property	590	321

Note 4b Losses on loans broken down by region and purpose

	Construction	Improvement	Purchase	Start-up	First home	Other purposes	2006 Total
Regional Office:							
Eastern	381	5	973	0	0	-653	706
Southern ¹⁾	389	0	176	3 063	17	-201	3 444
Western	767	0	757	45	102	-212	1 459
Central Norway ²⁾	1 853	190	216	0	41	1 628	3 928
Bodø	3 551	0	787	229	0	-246	4 321
Hammerfest	2 625	115	802	0	0	-407	3 135
Total	9 566	310	3 711	3 337	160	-91	16 993

1) Comment on start-up loans: applies to a purchase and improvement project where the loss is attributable to a compulsory sale following the bankruptcy of the borrower.

2) Comment on losses other purposes: applies to local authority owned rental property; loans written down by NOK 1.2 million. A review of rental income suggests a service level of NOK 2 million for the residual liability.

Note 5 Intangible assets

	Rights etc.
Cost 31 December 2005	15 361
Additions in 2006	8 937
Cost of disposals in 2006	0
Cost 31 December 2006	24 298
Accumulated impairments 31 December 2005	0
Impairments in 2006	0
Accumulated amortisation as of 31 December 2005	623
Amortisation in 2006	757
Accumulated amortisation on disposals in 2006	0
Book value 31 December 2006	22 918

Amortisation rates (useful lives), business-specific 8-12 years / linear. Intangible assets recognised in the balance sheet include external systems and software, including new electronic case processing systems and IT tools that are developed in project cooperation with external

consultants. The future values of internal development work with system adaptations and similar is deemed to be uncertain for periods in excess of 3 years, and are therefore not recognised in the balance sheet.

Note 6 Property, plant and equipment

	Other buildings	Machinery, transport means	Other tools and equipment	Total
Cost 31 December 2005	3 326	13 145	22 145	38 616
Additions in 2006	0	2 083	3 049	5 132
Cost of disposals in 2006	-117	0	-1 030	-1 147
From plant under construction for other group	0	0	0	0
Cost 31 December 2006	3 209	15 228	24 164	42 601
Accumulated write-downs as of 31 December 2005	0	0	2 632	2 632
Write-downs in 2006	0	0	0	0
Accumulated depreciation as of 31 December 2005	0	7 792	5 526	13 318
Depreciation in 2006	0	3 145	1 983	5 128
Accumulated depreciation on disposals in 2006	0	0	-1 030	-1 030
Book value 31 December 2006	3 209	4 291	15 053	22 553
Depreciation rates (useful lives)	No depreciation	3-15 years linear	3-15 years linear	
Disposal of property, plant and equipment:				
Compensation for disposal of noncurrent assets	4 160			
- book value of noncurrent assets disposed of	-117			
= Accounting profit / loss	4 043	0	0	4 043

Note 7 Net settlement appropriation-financed business gross budgeted business**Differences arising as a result of accruals / prepayments***(Relevant for all gross budgeted businesses, but also for individual items for net budgeted businesses)*

		2006	2005	Change
Current assets				
Accruals and prepayments		5 844	6 489	-645
Subtotal	A1	5 844	6 489	-645
Current liabilities				
Provisions for holiday pay / holiday pay due		-14 252	-14 434	182
Other salary - related provisions		-4 575	-3 912	-663
Accruals and prepayments		-1 409	-3 552	2 143
Subtotal	A2	-20 236	-21 898	1 662
Net accruals and prepayments	A	-14 392	-15 409	1 017

Main items that are included in Settlement with Treasury / cash-based balance:

Current assets				
Holding account (any own bank accounts, cash holdings)		97 751	73 504	24 247
Settlement with Treasury / cash-based balance	B	97 751	73 504	24 247
Settlement with Treasury	A+B	83 359	58 095	25 264

The financing of current assets and current liabilities will generally be linked to the item (have a contra item under) «Settlement with Treasury», ref. group «A» above. Current assets and current liabilities, which are already included in the business balance sheet for gross budgeted businesses under cash balances with the Treasury, are broken down in the main items that appear in-group «B» above. If the balance in the cash balances statement (S report) deviates from

the balance in the financial statements prepared in accordance with the accruals principle, the difference must be presented in group «A» above. Noncurrent assets will generally follow the liability model, i.e. the financing of such items will be classified under (have a contra entry in) Provisions for long-term liabilities connected with noncurrent assets.

Reconciliation of the profit / loss for the period with the change in the outstanding balance with the Treasury:

Group scheme payment:	-16 321 282
Group scheme receipt	14 303 745
1) Net receipt / payment to grant management etc.	1 724 678
Net drawdown on group account	-292 859
Appropriations recognised as revenue	309 887
Employer fee / group life assurance recognised in cap 5700 / 5309	19 056
2) and 3) Other reconciling items / Loss for financial year	-12 660
Difference between recognised income and net drawdown on group account	23 424
3) Profit on ordinary activities before settlement with Treasury	1 840
*Total change in settlement with Treasury	25 264

*Equal to total of A+B in change column

Comments

- Includes loans and grant management, and net amount of budget capitals advanced
- The loss includes operating profit, housing administration and losses on loans that are transferred to /from the Housing Bank's contingency reserve
- Total Settlement with Treasury
(-12 660-1 840 =) -14 500

Note 8 Reversal of residual deferred revenues on the sale or write-down of noncurrent assets

Reversal of residual deferred revenues on the sale / write-down of property, plant, machinery etc.*

	2006	2005
Sale / write-down of machinery, equipment etc.	0	2 632
Reversal of deferred revenues on the sale or write-down of property, plant and machinery etc.	0	2 632

* The write-down includes various furnishings, fixtures and technical equipment that were scrapped on the move from previous premises.

Note 11 Bonds and other receivables

The Bank offers alternative interest rate terms, according to which borrowers can choose between floating or fixed interest rates. For current loans with floating interest rates, changes to agreements with 3-, 5- or 10- year fixed interest rate terms can be agreed. From 2007 the rules for fixed interest rate agreements have been changed to allow customers to opt to transfer to floating interest rates against the settlement of a surplus / discount.

11a) Changes in interest rate terms

Loan interest as a percentage p.a. in arrears:

Q1 *)
Q2
Q3
Q4 **)

*) 3- and 5-year fixed interest rate agreements have been offered since March 2006

**) A 10-year fixed interest rate agreement has also been offered since October 2006

Note 9 Grant management**Breakdown of paid grant schemes by purpose:**

	2006	2005
Housing benefits	2 213 895	2 053 960
Housing quality	41 731	45 844
Housing grants first home, improvement and rental	592 013	605 948
Development of residential areas, housing management and housing policy	46 134	32 667
Start-up grants residential care and nursing homes	773 387	1 196 843
Compensation for interest and instalment expenses nursing and residential care homes	1 142 104	976 847
Interest compensation, educational institutions and church buildings	327 021	207 227
Construction of student accommodation	85 066	58 660
Other measures within the building sector	975	4 016
Total grant management	5 222 326	5 182 012

Note 10 Paid in equity and funds

(cf. the Norwegian State Housing Bank Act)

	2006	2005
Primary capital (fixed capital)	20 000	20 000
Contingency reserve as of 1 January	88 797	100 640
Loss for the year on operations / loss on loans	-12 660	-11 843
Contingency reserve as of 31 December	76 137	88 797
Total funds	96 137	108 797
* Breakdown of loss for the year:	2006	2005
Loss on loans	-16 993	-12 887
Profit, rental property	289	375
Net profit on the sale of housing	4 044	669
Loss for the year	-12 660	-11 843

The floating interest rate is based on the Treasury note average for quarterly observation periods, and the interest rate for the first quarter is thus determined by the development in third 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.

11b) Distribution of loans according to interest level:

	2006		2005	
	Number	Amount	Number	Amount
0%-6,8% Special terms	5 111	2 825 472	5 727	3 091 891
3,3 % Floating interest rate *)	35 609	36 698 076	38 483	34 051 234
3,5-7,3% Fixed interest rate	42 253	54 911 151	47 762	57 176 879
Total number / debt outstanding	82 973	94 434 699	91 972	94 320 004

*) The interest rate in 2005 was 2.3 %

11c) 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. Residual claims of NOK 202 109 944 have been deducted for the loans in the balance sheet. As a result, the financial statements present the Bank's net loans.

Note 12 Accounts receivable

	2006	2005
Accounts receivable, nominal value	33 333	39 929
Provisions for hidden losses (-)	0	0
Total accounts receivable	33 333	39 929

Note 13 Other short-term receivables

Receivables	2006	2005
Prepaid salaries	9	54
Travel advances	9	35
Loans to employees	262	316
Other receivables due from employees	21	0
Prepaid expenses	5 717	5 950
Other receivables	2 509	1 382
Total	8 527	7 737

Note 14 Accrued, non-invoiced income / prepaid, non-accrued income

Accrued, non-invoiced income	2006	2005
Interest not yet due	843 559	798 286
Accrued / prepaid settlement disbursements etc.	5 476	5 706
Reimbursement demands, maternity and sickness benefit	127	539
Total receivable	849 162	804 531

Prepaid, non-accrued income	2006	2005
Prepaid interest from customers	236 508	402 974
Paid non-settled instalments from customers	358 703	257 678
Sum gjeld	595 211	660 652

Note 15 Cash and cash equivalents

	2006	2005
Other bank accounts DnB NOR	205 590	193 840
Cash balances and other cash holdings	4	41
Total cash and cash equivalents	205 594	193 881

Note 16 Other long-term liabilities

Funding from the state	2006	2005
Total borrowings as of 1 January	94 207 573	94 259 729
+ New loans for the year	10 802 477	10 545 192
- Instalment repayments	-10 594 444	-10 597 348
Total	94 415 606	94 207 573

This system allows the Housing Bank to finance its loan activities through drawing rights in the state group account scheme. Agreements with account-holding banks are established in accordance with financial regulations and associated operational requirements.

These loans are based on variable interest and instalment terms 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, and include an additional margin of 0.5 percentage points. In 2006, the interest rate margin generated revenues for the state of NOK 477 million.

Note 17 Other current liabilities

Liabilities	2006	2005
Paid, uncleared interest on funding	310 160	301 447
Paid uncleared pension contributions	2 657	2 341
Accrued expenses	3 327	5 669
Other current liabilities	5 522	2 725
Total	321 666	312 182

More detailed evaluation of accounting figures - expenses, income and welfare benefits

The Housing Bank's operations are financed through appropriations from the state budget. The state both incurs expenses and receives income from the loan business. The Housing Bank's activities provide extensive welfare benefits.

Operation of loan business – the state's interest rate margin

Loan administration at the Housing Bank was assessed by Magenda in 2004, who concluded that operations were extremely efficient and competitive when compared with appropriate comparable businesses. While loan business previously represented the Bank's main activity, the annual report shows that operations have shifted to expertise development and communication, and guidance of collaboration partners and customers. As a result of the above change, fewer administrative resources are now used for lending activities, and in part due to this, all loan administration now takes place at Drammen and is performed electronically, and initiatives are constantly being undertaken to further improve the efficiency of loan business, primarily with regard to the electronic retrieval of data from other public registers.

The Housing Bank performs pure banking activities using its own funding. This system allows the Housing Bank to finance its loan activities by means of drawing rights in the state group account scheme. Agreements with account-holding banks are established in accordance with financial regulations and associated operational requirements.

The loans granted are based on variable interest and instalment terms in keeping with the average estimated interest on loans and realised instalments from customers. The loans are therefore not subsidised (see income statement and Note 1). The fact that there continues to be a small difference between interest expenses and income (NOK 23.3 million in 2006) is attributable to loans granted on special terms that are yet to be fully repaid. (Loans with special terms were issued up until 1996 and have interest rates one percent lower than the relevant applicable interest rates at the Housing Bank.)

Interest rates on loans are determined by the market. The floating interest rate is established in line with the market interest rate for 3-month Treasury notes. Fixed interest rates are established based on the market interest rate for government bonds with average terms corresponding to the fixed interest periods of 3, 5 and 10 years.

Interest on loans are charged plus a margin of 0.5 percentage points. This means that the state received interest income from the Housing Bank's loan business equal to 0.5 percent of the average loan portfolio in 2006, which corresponded to total income of NOK 477 million. (See Note 16 to the financial statements). Revenues exceeded cumulative administration expenses of NOK 291 million and the net loss on loan business of NOK 17 million.

The state also received fee income from loan administration of NOK 18.7 million in 2006, which was slightly lower than the previous year due to a decrease in the number of loans. Fee income shall in principle cover the administrative expenses on the establishment of loans and their subsequent administration.

Welfare benefits from the Housing Bank's business

Priority is given to social housing work implemented through the provision of loans, grants and guidance, a policy that generates results by allowing the most disadvantaged to establish themselves in their own homes. This provides positive benefits for both individuals and society. However, traditional lending is also producing results. Previous surveys have revealed that the Housing Bank issued more loans in the districts than in central areas, granted more loans to individuals on low income than the private banks and that a relatively high number of loans were approved for households whose members were less than 30 years old. Many of these households would have had problems establishing themselves in their own homes without financing from the Housing Bank.

The Housing Bank's loan business is now further geared towards the disadvantaged and projects with good environmental solutions and universal design. The loans are intended to supplement the market and realise political targets relating to the environment and accessibility, and provide socio-economic benefits over and above those provided by market solutions. For example, the Housing Bank shall provide loans for homes in those districts where private banks do not wish to grant loans, and help achieve qualities in housing projects for which the market does not cater and create welfare benefits in both the short and long term.

The welfare benefits generated within the Housing Bank's core areas can be briefly summarised as follows:

Start-up loans, housing benefits and housing grants to allow the disadvantaged establish themselves in their own homes. In combination with loans, housing benefits and grants provide the most disadvantaged with the opportunity to move into their own homes. Housing constitutes a basic requirement for everyone and forms an important part of the Norwegian welfare model. Households are placed in a better position to manage on their own in the long term. Stable living conditions make a positive contribution to a stable work situation and thus reduce the need for unemployment benefit, the payment of social security expenses by the local authorities and the provision of other public support.

The Housing Bank has positive experience of combining several tools to ensure that the needs of the most disadvantaged are also catered for. However, it is also clear that the housing benefit scheme alone is not enough to allow households to acquire and live in their own homes. It has previously been shown that housing benefits reduce local



authorities' social security expenditure. It has further been demonstrated that housing benefit schemes are operated in an efficient manner and that the financial appropriations for housing benefits are relatively low in relation to housing benefits in the rest of the Nordic area.

Universal design, an individual focus area which the Housing Bank gives high priority. More than half of the homes financed by the Housing Bank in 2006 incorporated universal design. A research report issued by NIBR and Byggforsk in 2006 revealed that, with the exception of low-rise blocks of flats, the additional costs of building with universal design are modest when this is planned from the start. However, significant costs will be incurred in connection with interventions in existing housing stock. Profits are used to increase welfare for individuals and provide benefits by allowing people to remain in their homes for longer in old age and when ill, and thus reduce the use of institutions or residential care.

“Low-energy housing is kind on the environment and kind on the wallet” as the Housing Bank likes to say. Around 45 percent of homes financed by the Housing Bank in 2006 have reduced energy requirements. A target of 40 percent energy savings is set for new homes, while low-energy homes can reduce energy requirements by up to 80 percent. Although the construction of low-energy homes entails modest investment costs, such homes save significant expenses for the households and have a major socio-economic impact on total energy consumption and the environment.

Focus on research and development and collaboration generates results. The Housing Bank has shifted its business focus towards acting as an centre of expertise, a move that necessitates the operation of both expertise building and research and development activities. These types of activities often do not generate immediate results, but can generate significant profits in the long term. This applies to both development projects aimed at specific target groups and projects designed to enhance and improve policy apparatus.

Thus, for example, while the Housing Bank coordinates its initia-

The Housing Bank is currently implementing a project in the Stiklestad quarter in Oslo involving around 800 flats and a significant number of business premises. 30 percent of the flats have improved accessibility standards, i.e. wheelchair-friendly outdoor areas in addition to similarly adapted arrival areas and baths. Water-borne heating represents a further important environmental measure included in the scheme.

Photo: Thomas Bjørnflaten

tives to combat homelessness using the «På vei til egen bolig» project itself, the work is interdisciplinary at national, international and local level. The Housing Bank's centre of expertise for development work has played a key role in setting this work in motion. However, introducing collaboration across all administration levels forms the main policy in the strategy.

The Housing Bank also acts as a catalyst for coordination schemes in areas not covered by the Bank's main sphere of responsibility. Collaboration at all levels between the health and social sector, housing sector, compensation authorities, criminal custody authorities, health and other bodies is producing results.

Many of the collaboration projects on the development side are helping achieve social housing targets. The main aim of the homeless project centres on securing homes for the disadvantaged. These not only provide grounds for claiming that providing stable living conditions for the severely disadvantaged improves the quality of life, they also result in fewer admissions to hospital and lower social security expenses. We also recorded a reduction of 29 percent in the number of evictions as a result of our work involving the strategy for the homeless in the period 2004 to 2006. The length of stays in temporary homes is also on the way down. Other welfare benefits cannot be measured in the same way, but experience shows there to be a clear connection between having a stable home and achieving an improved quality of life, evidenced, for example, in the form of fewer resulting lifestyle illnesses and less undesirable behaviour.

Key figures

	2006		2005		2004	
	NOK million	Number	NOK million	Number	NOK million	Number
Loans, and committed loans not yet issued						
Total	12 466		13 245		13 998	
Loan, new housing etc.						
New housing	7 072	6 665 homes	7 033	8 138 homes	8 769	9 450 homes
Loans, residential care homes etc.	61	48 living units	254	300 living units	81	63 living units
Loans, nursery schools	1 555	7 852 places	1 366	8 156 places	657	4 646 places
Home improvement loans and start-up loans						
Home-improvement loans	433	1 881 homes	1 094	5 877 homes	1 060	6 821 homes
Start-up loans	3 345	6 530 households	3 498	7 459 households	3 431	6 957 households
Loan limit	13 500		13 500		14 500	

	2006		2005		2004	
	Foundation loans		Foundation loans		Construction loans	
Expenses / financing						
Average loan per home (NOK)	1 367 900		1 358 300		987 800	
Average living area	80		84		76	
Average cost per m ² (NOK)	22 000		20 900		18 100	
Average cost per home (NOK)						
Price of land / land costs	173 000		143 200		214 300	
Building costs	1 470 600		1 508 100		1 165 000	
Projects costs / noncurrent asset costs ¹⁾	1 757 700		1 755 200		1 379 300	
Housing Bank loans as a percentage of costs	77,8		77,4		71,6	
Environment quality and universal design ²⁾						
Energy saving, number of homes	3 484		569		-	
Universal design, number of homes	4 677		1488		-	

1) Following the introduction of the foundation loan, the cost statistics for the Housing Bank have been amended in accordance with Norwegian Standard NS 3453.

2) In homes approved for foundation loans for construction and improvement.

	2006		2005		2004	
	NOK million	Number	NOK million	Number	NOK million	Number
Grants from the Housing Bank						
Total	4 428		3 859		4 048	
Housing allowances	2 213,9	121 600 households	2 055,0	120 300 households	2 036	123 000 households
Housing grants - first home and rental	492,6	2 331 homes	454,0	3 142 homes	578	2 530 homes
Housing grants - adaptations	81,0	3 014 households	85,0	3 389 households	86	3 551 households
Compensations grants - care homes etc.	1 142,1	35 271 living units	976,8	33 002 living units	949	29 411 living units
Educational institutions - interest compensation	323,9	95 projects	206,9	118 projects	182	282 projects
Church buildings - interest compensation	3,1	204 projects	0,3	134 projects	-	-
Resource grants	82,7	391 projects	56,7	256 projects	31	143 projects
Student accommodation grants	88,4	377 homes	24,3	98 homes	186	684 homes

Families lived in cramped conditions

Housing standards have improved. This is how a working-class family lived in Oslo in the 1940s: «The flat is overpopulated, and sleeping problems have pushed other requirements aside. The married son and daughter-in-law lie on a double divan in the living room. In the bedroom, the head of the family and the other son sleep on the one divan, the mother and the small daughter on the other, while the small grandchild has its own bed. The third son has settled down on a divan out in the entrance hall.» (“The Thousand Homes” The Norwegian Housing Bank 1946-1996).

The Housing Bank 1946-2006

Home number one million

In 1999, the Housing Bank financed its one-millionth home, a small single unit dwelling in Oslo. The home was occupied by a family of two who received favourable financing and a good loan disbursement ratio due to stage of life standard, traffic safety and the implementation of special health and environmental measures.

The housing situation was precarious in the districts and towns at both the turn of the previous century and the inter-war period. There was an overwhelming lack of housing at the end of Second World War, and in Northern Norway, a part of the country that had been razed to the ground and had to be rebuilt. As long as there was also a lack of private credit, it was natural to establish a state-owned housing bank.

The Housing Bank was established by the Storting 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 Norwegian government’s most important tool used in the implementation of its housing policy and has played a key role in the development of the Norwegian welfare state.

1946-1953: Reconstruction and new building

The purpose of the Housing Bank is to finance socially acceptable housing that is let at reasonable rents. The Housing Bank’s interest rate was set at 2.5 percent, compared with the normal pre-war interest rate for housing loans of around 5 percent.

A lack of building material meant it took time for business to gain momentum. House building did not take off until the 1950s, and by the end of this initial period, the Housing Bank had financed the construction of a total of 110 000 buildings.

1954-1964: Reining in of credit and adjustment

The government reined in credit, and from 1954 the budget set out binding frameworks for the Bank’s activities. In the mid-1950s, there was also a focus on single persons’ living conditions, which made it possible for this group to acquire support loans.

Despite both the adjustments and tightening of credit, access to building materials was improved, and the Housing Bank financed 170 000 homes in this 10-year period alone.

1965-1970: Rationalisation of home building

The conservative coalition government that came to power in 1965 had ambitious plans for housing and promised to build 160 000 homes in the following four years.

Home building also increased, in part due to the utilisation of industrial production methods. Although parts of the Housing Bank’s loan framework remained unused in the period 1966-1969 – primarily due to the fact that access to private credit improved – the Housing Bank was still able to finance the construction of 146 000 homes in six years.

1971- 1980: Years of expansion

The 1970s were expansionary, and also a decade in which high inflation resulted in significant increases in building and site costs. The Housing Bank gradually directed its initiatives towards rehabilitation of the existing housing stock.

House building benefited from oil finds and countercyclical policy during this period. Norwegian home building peaked in 1973, when nearly 45 000 homes were completed. Around 70 percent of these homes were financed through the Housing Bank, which financed a total of nearly 300 000 homes during this period.

1981-1988: Deregulation of the housing market

Loans with interest steps were introduced and became the dominant loan scheme through until 1996. Loans were no longer issued on as favourable terms as previously.

Around 130 000 homes were financed in the period, of which 5 000 were older buildings. The Housing Bank expanded its range of operations and also made a major contribution to the planned urban regeneration measures implemented during this period.

1989 -1995: Debt crisis and readjustment

The 1990s started with an economic downturn and collapse of the private banking system. Many customers were beset by financial problems and the Banks suffered large losses. The Housing Bank was again used to counteract the business cycle and financed nearly all home building.

The Housing Bank also gained first-hand experience of the money problems, administering its own debt rescheduling scheme for housing cooperatives that had lost money in urban regeneration from 1994.

The Housing Bank introduced rehabilitation and award schemes for building quality. In 1993 half of all homes financed by the Housing Bank received top-up loans to be adapted to accommodate all stages of life. There was also a greater focus on means-tested grant schemes.

1996–2006 From housing bank to welfare institution and centre of expertise

Construction loans were issued without subsidies, while grant schemes and housing benefits were aimed at specific groups. The Housing Bank is moving its business away from the financing of new homes towards helping the disadvantaged in the housing market. The foundation loan replaced the construction

loan and the improvement loan in 2005, and has a greater focus on the environment and universal design.

The Housing Bank helps meet the requirements of the government’s plan for the elderly by financing nearly 40 000 homes for the elderly in local authorities and nearly 3 500 homes organized under the guidance of psychiatric authorities. The start-up loan was developed together with the local authorities and the private banking industry and launched in 2003. It provides young people and the disadvantaged with an opportunity to establish themselves in their own homes. Reports have shown that this has provided flexible financing solutions for the target group.

The range of operations is also being expanded, as can be seen in the fact that the Housing Bank now finances the nursery school initiative in various local authorities, provides grants for rehabilitation and the building of schools and churches and administers grants for student accommodation. The resource grant was introduced in 2005 and given additional focus in 2006. At the same time, a collaboration initiative was established with relevant research institutions to enhance housing policy research that can contribute to the achievement of housing policy targets.

The future of the Housing Bank

The Housing Bank places significant emphasis on being an open organisation with a broad range of housing policy expertise that can deliver efficient solutions in collaboration with others. The further allocation of housing benefits and start-up loans by the local authorities provide good examples of the above approach. However, collaboration with players in the building industry also plays an important role in implementing sustainable housing projects. Case processing and financing are simplified and improved when planned so as to incorporate qualities such as low energy and universal design. The role as a centre of expertise and communicator of knowledge is therefore prioritised.

In light of the vision of providing good and secure accommodation for everyone, the Housing Bank is expected to continue to have an important role to play in implementing the government’s housing policy, and will not be satisfied as long as the housing market fails to cater for some individuals. The Housing Bank will also continue to work to prioritise areas relating to the housing and building stock: universal approaches and sustainability, including low energy and local development.

	2006	2005	2004
Payments, NOK million			
Loans	10 802	10 545	9 480
Housing benefits	2 214	2 055	2 036
Housing grants	592	606	613
Housing quality grants	42	47	49
Start-up grants for residential care homes etc.	773	1 197	1 553
Compensation grants - residential care homes etc.	1 142	977	949
Interest compensation - educational institutions and church buildings	327	207	182
Resource grants	46	33	29
Student accommodation grants	85	59	190

	2006	2005	2004
Administration			
Average interest rate as of 31 December			
Borrowings, percent	3,90	3,97	4,38
Loans, percent	3,89	3,95	4,35
Interest income, interest expenses etc. NOK million			
Interest income	3 696	3 726	4 243
Interest expenses	3 719	3 752	4 272
Interest support	23	25	29
Loan portfolio			
Instalments received	10 594	10 597	15 925
Total borrowings	94 416	94 208	94 260
Outstanding loans	94 435	94 320	94 303
Loan growth	115	17	-6 768
Payment obligations	15 652	17 320	17 084

	2006	2005	2004
Defaults			
Loss (net), NOK million	17	13	29
Loss as a percentage of outstanding loans	0,018	0,014	0,031
Non-performing loans, number	1 228	1 561	2 013
Non-performing loans, NOK million	791	965	1 188
Non-performing loans as percentage of total loans	0,84	1,02	1,26
Requested compulsory sales, number	467	558	740
Compulsory sales completed, number	93	111	143
Repossessed properties in administration, as of 31 December, number	7	9	10

	2006	2005	2004
Administration			
Fee revenues, NOK million	19	21	25
Administration expenses, NOK million	291	295	277
Administration expenses as a percentage of outstanding loans	0,31	0,31	0,29
Average number of full-time equivalents	345	349	347
Operating expenses per full-time equivalent (NOK)	843 500	845 300	798 300