

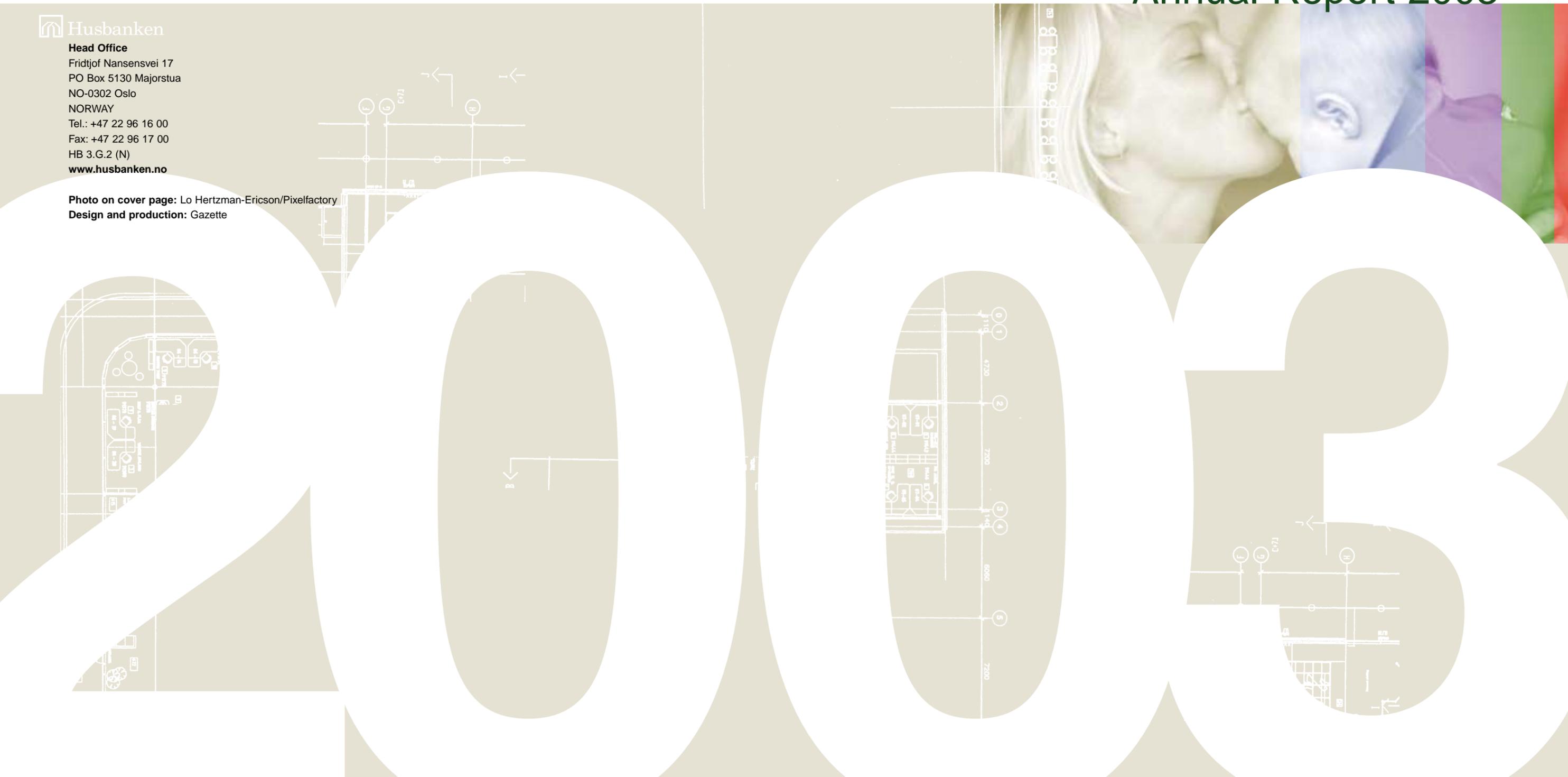
Annual Report 2003

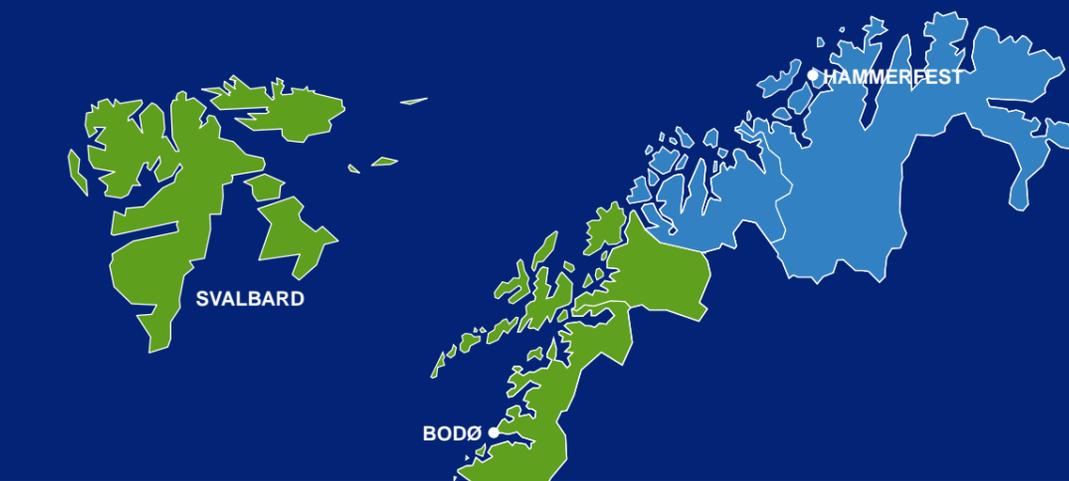
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Photo on cover page: Lo Hertzman-Ericson/Pixelfactory
Design and production: Gazette





PRESENTATION OF THE HOUSING BANK

The Norwegian State Housing Bank was established in 1946, with the construction of social housing and post-war restoration as its main objectives. Social housing, the environment, sustainable development and building styles are the Bank's priorities for the future.

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REGIONAL OFFICE BODØ

- Nordland, Sør-Troms and Svalbard
- Population: 303,000
- Outstanding loans: 7 905,6 mrd. kroner

REGIONAL OFFICE HAMMERFEST

- Nord-Troms and Finmark
- Population: 160,000
- Outstanding loans: 5 843,3 mrd. kroner

REGIONAL OFFICE TRONDHEIM

- Møre og Romsdal, Sør-Trøndelag and Nord-Trøndelag
- Population: 643,000
- Outstanding loans: 15 720,9 mrd. kroner

REGIONAL OFFICE OSLO

- Østfold, Akershus, Oslo, Hedmark, Oppland, Buskerud and Vestfold
- Population: 2,101,000
- Outstanding loans: 40 703,2 mrd. kroner

REGIONAL OFFICE ARENDAL

- Vest-Agder, Aust-Agder and Telemark
- Population: 430,000
- Outstanding loans: 8 902,5 mrd. kroner

REGIONAL OFFICE BERGEN

- Sogn og Fjordane, Hordaland and Rogaland
- Population: 941,100
- Outstanding loans: 22 000,0 mrd. kroner

Until 1996, loans were provided with substantial interest subsidies for the individual borrowers. Since 1996, loans have been granted with market-based interest rates and no interest subsidies. However, the confidence that the Norwegian State has in the loan market has led to interest on loans being less than in the remainder of the interest rate market.

SATISFACTORY HOUSING FOR EVERYONE

The construction loan has been the main tool for achieving satisfactory housing. In 1999, the one millionth dwelling was financed from a construction loan. Improvement loans, loans for nurseries and other environment initiatives have also been important, general loan schemes.

The person-oriented, selective loan schemes aimed at the disadvantaged have gradually formed a greater part of the Bank's activity. Until 2003, the most popular schemes were the first home loan and the purchase loan. In 2003, the first home loan and purchase loan were replaced by the start loan.

The Housing Bank also administers a number of grant schemes. Housing allowances are the most important of these, and this scheme enables satisfactory housing for more than 100,000 families. A regionalisation of the housing allowance was carried out in 2002 and has, among other things, led to a strengthening of this key instrument. Other important grant schemes administered by the Housing Bank include the first home grant and compensatory grants for care residences and nursing homes.

TO DRAMMEN IN 2005

The Norwegian Government's housing white paper, which was published in March 2004, confirms that the Bank's role as the Norwegian State's central housing policy instrument shall continue, particularly with regard to housing solutions for the disadvantaged, refugees and the homeless. However, the Government shall also facilitate the Bank's additional efforts to increase the number of environmentally-friendly and universally designed houses.

In line with the Government's emphasis on efficiency improvements and customer information, customer-oriented tasks have been delegated to the regional offices. The head office is responsible for the contact with the Ministry of Local Government and Regional Development. In spring 2004, the Government approved the new location of the head office in Drammen.

THE EXECUTIVE BOARD

- Chairperson:** Monica Mæland
- Members:** Barbro Lill Hætta Jacobsen, Rolf Myhre, Øystein Gottfred Sjøtveit, Heming Olausen
- Deputy Members:** Birger Westlund, Håkon Økland, Liv Røssland, Rolf Mikaelson, Liv Andersen

REGIONAL BOARD ARENDAL

- Chairperson:** Rolf Erling Andersen
- Members:** Bjørg Wallevik, Alf-Eivind Ljøstad
- Deputy Members:** Elisabeth A. Nilsen, Eli Løite, Jon Martin Sørland

REGIONAL BOARD BERGEN

- Chairperson:** Hans Edvard Seim
- Members:** Marit Botn Lefdal, Karl W. Sandvig
- Deputy Members:** Ståle Eeg Nielsen, Else Kristine Husabø, Jostein Zazzera

REGIONAL BOARD BODØ

- Chairperson:** Anne-Britt Norø
- Members:** Hugo Bjørnstad, Lisbet Holand
- Deputy Members:** Marte Ann Helness, Odd Johan Henriksen, Guri Helene Ingebrigtsen

REGIONAL BOARD HAMMERFEST

- Chairperson:** Alf Birger Olsen
- Members:** Rolf Arne Hanssen, Bodil Andersen
- Deputy Members:** Kirsti Saxi, Ulf Tore Isaksen, Randi Tennefoss

REGIONAL BOARD OSLO

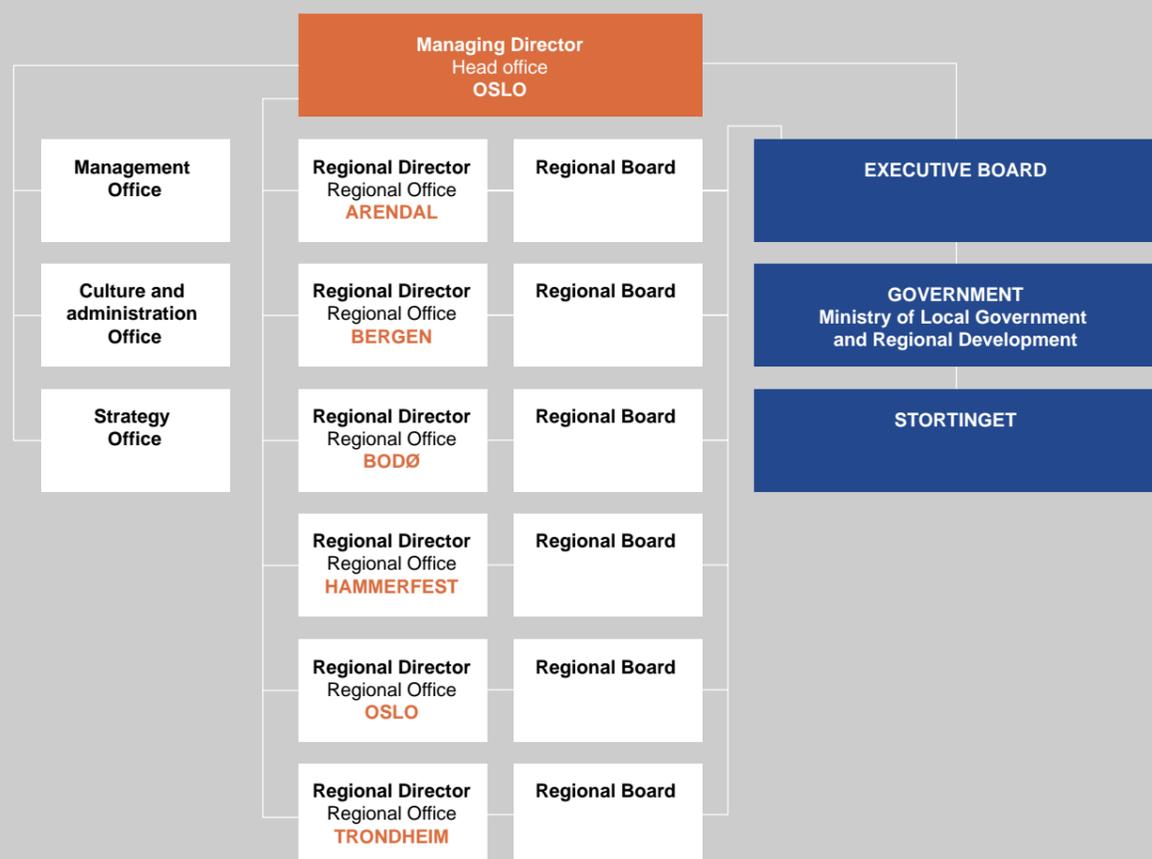
- Chairperson:** Anne Liv Reistad
- Members:** Gretha Kant, Per-Gunnar Sveen
- Deputy Members:** Aashild Drabløs, Terje Kalheim, Ann Kathrine Skjørshammer Tornås

REGIONAL BOARD TRONDHEIM

- Chairperson:** Kristian Wibe
- Members:** Anne Sofie Hunstad, Arve Tønning
- Deputy Members:** Bjørg Bruset, Paul Ludvig Almåsvold, Astri Marie Wessel

ORGANISATION

The Norwegian State Housing Bank has become a flatter organisation in 2003, with, for example, the regional directors being included in the senior management group. The distinction between management and the support functions has been made clearer by means of significant reductions at head office and the creation of separate offices for management, strategy and culture/administration.



REGIONAL DIRECTORS



Fatma B. Jynge
Regional Office
Arendal



Mabel Johansen
Regional Office
Bergen



Astrid Nordahl
Regional Office
Bodø



Snorre Sundquist
Regional Office
Hammerfest



Bård Øistensen
Regional Office
Oslo



Brit Tove Welde
Regional Office
Trondheim

HIGHLIGHTS

The Housing Bank follows up the Government's work with regard to nurseries – loans for more than 5,000 places, which is the highest figure in 10 years.

- The action plan for the **care of the elderly** was completed in 2003. Since it was initiated in 1998, the Bank has approved a total of 38,600 nursing home places and care residences. The final target figure was 38,400 units.
- Around 6,500 households were granted a **start loan** by their local authority. The start loan has a demonstrated social profile. More than 60 % of the households were single persons or single parents.
- The Housing Bank followed up the Government's work with regard to **nurseries**. Loans were granted for more than 5,000 nursery places – the highest figure in 10 years.
- **The housing allowance payments** exceeded NOK 2 billion for the first time. The space requirements for local authority housing in cities and financing requirements for owner housing have been abolished.
- The Housing Bank and the local authorities issued **housing grants** to almost 2,850 customers, which is 15 % more than the previous year – slightly less than 250 of these were to homeless people.
- 2003 was a year of decentralisation. The regional offices were given responsibility for a **number of national initiatives**.
- The interest for grants for **reducing radon radiation** has tripled since 2002. Additional grants were needed towards the end of the year.
- The Housing Bank's mass of loans decreased as a result of **extraordinary payments** increasing by almost 150 %. The market interest rate on housing loans fell more than the Housing Bank's interest rates.
- The Housing Bank still made a **small loss** – just 0.02 % of the mass of loans, but the loss is increasing.
- The East and South regional offices were **merged** to form the **Regional Office Oslo** on 1 June. The new regional Office covers the counties of Akershus, Buskerud, Hedmark, Oppland, Oslo, Vestfold and Østfold.
- **The Regional Office Arendal was officially opened** on 4 June. A "Housing Bank town" has not been seen on the map of Norway since autumn 1946. This regional office covers Telemark, Aust-Agder and Vest-Agder.
- The Housing Bank's **trade day** was held on 18 June in Oslo Konserthus. Findings were presented of a selection of Housing Bank-financed development projects on sustainable development, building styles, access and quality of housing.
- **The Norwegian State Award for Quality in the Built Environment for 2003:** Møllebyen in Moss won the award for its work in revitalising and redeveloping the historical district. Roger Iversen, who is a political adviser for the Ministry of Local Government and Regional Development, was responsible for presenting the award on 4 September.
- An international seminar, "**Sustainable Building**", took place in Arendal from 27–29 October. The seminar highlighted how the building and construction industry can utilise resources in a way that saves energy and does not harm the environment.
- A conference entitled "**Buildings for everyone**" ("Bygg for alle") was held at the new Hotel Opera in Oslo on 1 December. The 200 participants included the Minister of Local Government and Regional Development, Erna Solberg. The topic was the universal design of dwellings and buildings, and the conference was arranged jointly with the National Office of Building Technology and Administration.
- On 5 November, a **three-year joint venture** agreement was entered into between the Norwegian Building Research Institute, Norwegian Social Research and the Housing Bank. Based on the R&D strategy of the Housing Bank, the collaboration will cover three areas: the disadvantaged in the housing market, the responsibilities and roles of the local authorities in housing policies, and the roles of the State and the Housing Bank in the market-led housing sector.

RESULTS THROUGH COOPERATION

“The Housing Bank aims to help others make good decisions and we must therefore develop our role as an interlocutor and adviser, particularly with regard to the local authorities. We shall improve our Internet presence and content and be even more customer-oriented. This puts great demands on the organisation and working method,” says Geir Barvik, Managing Director.

The Housing Bank shall contribute to everyone being able to live well and safely, and this will be achieved by means of cooperation. The Bank shall be an adviser, a driving force and initiator with regard to local authorities and private developers, whereby more housing is built that is suitable for all types of people, and with low energy requirements. The Bank will have a special responsibility towards the disadvantaged, such as refugees and the homeless.

“The majority of the population manages well in the housing market, but those who don't fair well in the labour market often have housing problems as well. This group is increasing. The Housing Bank shall help the Government's housing policy to be applied in practice. We have a special responsibility for ensuring that the disadvantaged have satisfactory housing and that nurseries, young people's housing and student accommodation are built,” says Geir Barvik.

GOOD AND SAFE HOUSING FOR EVERYONE

The Housing Bank has clear goals for how new dwellings should be built. They should be of a universal design, i.e. whereby they can be used in all phases of the life cycle, including by people with functional impairments. If this is taken into consideration at the outset it won't cost anything extra, whereas the costs of improving an existing building could be substantial. The Housing Bank also wishes to build sustainable homes with low energy consumption, and we hope to encourage good building styles by increasing expertise and awareness levels via, for example, the annual awarding of the Norwegian State Award for Quality in the Built Environment.

“Good housing is also related to a good residential environment. Many local authorities have problems integrating refugees and the homeless for example. We believe that any kind of residential environment can tolerate 10% of those we class as the disadvantaged. It would be unsatisfactory to place all of those with problems in the housing market in one separate area. Satisfactory local authority rental accommodation is integrated into standard residential environments,” says Mr Barvik.

The Housing Bank is no longer so interested in how big a dwelling is; we have prioritised the financing of smaller dwellings. Good housing conditions do not only depend on the size of the unit. This is related to the fact that the Bank has been more active in the cities. The regional offices are involved in the problem of the homeless in all towns and cities.

The Norwegian Government's housing white paper, which was published in March 2004, confirms that the Housing Bank plays an important role in the work aimed at social housing. The Bank has initiated a new strategic plan, which will be completed in 2004 in accordance with the housing report. The Bank has, for a number of years, been making efforts to change from primarily being a loan administrator to being engaged in politics and managing expertise.

LOCAL CONTACT – REGIONALISATION

The contact with local authorities and private developers takes place via the regional offices, all of which have local knowledge. The regional offices also make the decisions on grants and loans.

“We need to start the process as soon as possible, and preferably before the design stage, in order for us to influence the decisions. The local authorities' planning process, with regard to both land and development planning, and action plans for local, social housing policy, are important tools because the process helps the local authorities to be more aware of their own housing policy. We want to help local authorities in pressure areas build more housing, especially rental accommodation, whether it is financed by us or someone else.

The Housing Bank's emphasis on customer information and dialogue via the regional offices has formed the basis of the reorganisations that have been implemented. The changes are aimed at releasing resources for strategic initiatives at a local level. The Housing Bank became a flatter organisation in 2003, with, for example, the regional directors being included in the senior management group. The distinction between management and the support functions has been made clearer by means of significant reductions at head office and the creation of separate offices for management, strategy and culture/administration. These offices are coordinated with the regional offices. The management office will eventually administer all the existing loans effectively, which will contribute to resources being released in the regional offices.

GOOD AT CHANGES

Mr Barvik stresses that the Housing Bank has been skilful at making changes and that this has benefited the organisation with a view to future needs for change. Skills development has therefore been a priority area in 2003 and will continue to be so in 2004.

“The Housing Bank is changing its role. The know-how we have



Managing Director Geir Barvik

Photo: Thomas Bjørnflaten

today will be used to solve new challenges tomorrow. It is an important part of the management's work to recognise such correlations and to motivate all employees to further develop their expertise. This should be done in a way that is satisfactory to the individual employee and which makes the Housing Bank a good workplace. We must also strive to achieve the targets set for us by the Government. We are an implementation body for the housing policy imposed by the authorities and we therefore need to be skilful at making changes.

MORE DISTINCT

The Housing Bank shall have an even more distinct role in the Norwegian welfare policy.
– The authorities shall help people with employment, housing and income security, and housing allowances are a key instrument here. Housing allowances are granted in relation to housing expenses

and must not be confused with social security. The various instruments that are administered by Government departments should be seen in context. In order to avoid being passed from one office to the next, it would be beneficial for the customer to meet an executive officer who can see the overall picture in relation to his needs. We are looking forward to increasing the coordination of the different assistance initiatives; there are a number of interesting initiatives underway in this area.

– Through its regional offices, the Housing Bank will improve its interaction with the local authorities and developers in 2004, and be an even better adviser and organiser. One of the Bank's clear goals is to achieve even better results with regard to the homeless and the disadvantaged. More sustainable housing will be built in a universal design and we want to be more involved with building styles.

TERMS OF PAYMENT

The Housing Bank offers customers flexible payment arrangements with regard to payment methods, payment periods and grace periods. Customers can choose between fixed and floating interest rates.

The Housing Bank offers floating interest rates, where the interest is adjusted quarterly, and a fixed five-year rate, where the interest is adjusted each month.

FAVOURABLE INTEREST RATE TRENDS IN THE HOUSING BANK, BUT LOWER INTEREST LEVELS IN THE PRIVATE MARKET

Both types of interest are determined based on observations in the interest market over a period that ends three months prior to the interest being applied for floating interest, and two months for fixed interest. Thus, the borrowers know what interest will apply three and two months in advance. This is extremely beneficial for the customers. On the other hand, the floating interest rate shows a clear gap compared to the development in the interest rates in the private market (see the figure below). The interest rates in the Housing Bank were around 1.5 percentage points below the level in the private market at the end of 2002, and this will be the principal rule in the long term. In 2003, the gap led to the floating interest rate in the private banks being lower.

LOAN ADMINISTRATION

The Housing Bank shall implement the Government's housing and building policies effectively by:

- Developing and administering effective and targeted instruments
- Administering Government funding effectively and securely

ALTERNATIVE ADMINISTRATION MODELS

As a supplement to a report on possible scenarios for the Housing Bank, a report was drawn up on the loan administration work in 2003. The report recommended that the loan administration work be arranged in such a way that the costs linked to the loan administration were clearer. This will form a good basis for comparisons with other players and will be a prerequisite in any competitive situation.

The Housing Bank initiated efficiency improvements in the loan administration by suggesting centralisation into one office as opposed to the current regionalised model. This work is being continued in 2004.

REDUCED LOAN PORTFOLIO

In contrast to previous years, the loan portfolio was reduced in 2003. The number of loans administered at the end of 2003 was 115,216, which is a decrease from 125,843 in the previous year. This reduction represents 8.5%. The reduction in administered amounts was not so high. Outstanding loans decreased by 1.2% to NOK 101.1 billion. One of the reasons for the reduction in the portfolio is that the guidelines for transferring loans on the sale of property have been changed, whereby far fewer loans are being transferred to new customers. The general low interest rate in the private market has also led to more people than before taking the opportunity to refinance loans in other banks in order to take out larger loans. It was mainly private borrowers who refinanced, but single persons still make up the largest group in the loan sector in the Housing Bank.

At the end of 2003, the majority of loans (67% in total) were still tied to fixed interest agreements. However, around 60% of the fixed interest agreements expired on 1 January 2004. Approximately 17,000 of these will go over to floating interest, while around 28,000 customers have signed a new agreement for fixed interest up to the end of 2008.

GRANTS AND LOAN PAYMENTS

The Housing Bank paid out in excess of NOK 5.7 billion in grants in 2003. NOK 2.3 billion of this was in housing allowances, and NOK 2.7 billion was grants in connection with the development of care residences and nursing homes. The housing allowance payments exceeded NOK 2 billion for the first time ever.

NOK 10.8 billion was paid out in new loans in 2003, which was more than NOK 2 billion less than the previous year. This was despite the increase in the loan limit. The relatively unfavourable Housing Bank interest rates in 2003 and the subsequent poor housing market are the most likely explanations for the reduction in new loan payouts compared to the previous year.

LOW AND STABLE DEFAULT LEVEL

One of the Housing Bank's key aims is to administer Government funds securely and effectively. It is equally important for the Bank to help people to be able to keep their homes. The close follow-up of customers with payment problems and the extended use of the instruments that the Bank has in this area are crucial to securing

the customers satisfactory housing. In 2003, 860 compulsory sale notices were issued. This was a substantial reduction from the previous year when 1,063 such notices were issued. The number of non-performing loans has remained at a low, stable level throughout 2003. At the end of 2003, the Housing Bank had 2,801 non-performing loans, which equates to 2.5% of the mass of loans. This was a slight reduction from the previous year. Default amounts totalled NOK 1.67 billion, which equates to 1.65% of total borrowings.

LOSS TREND

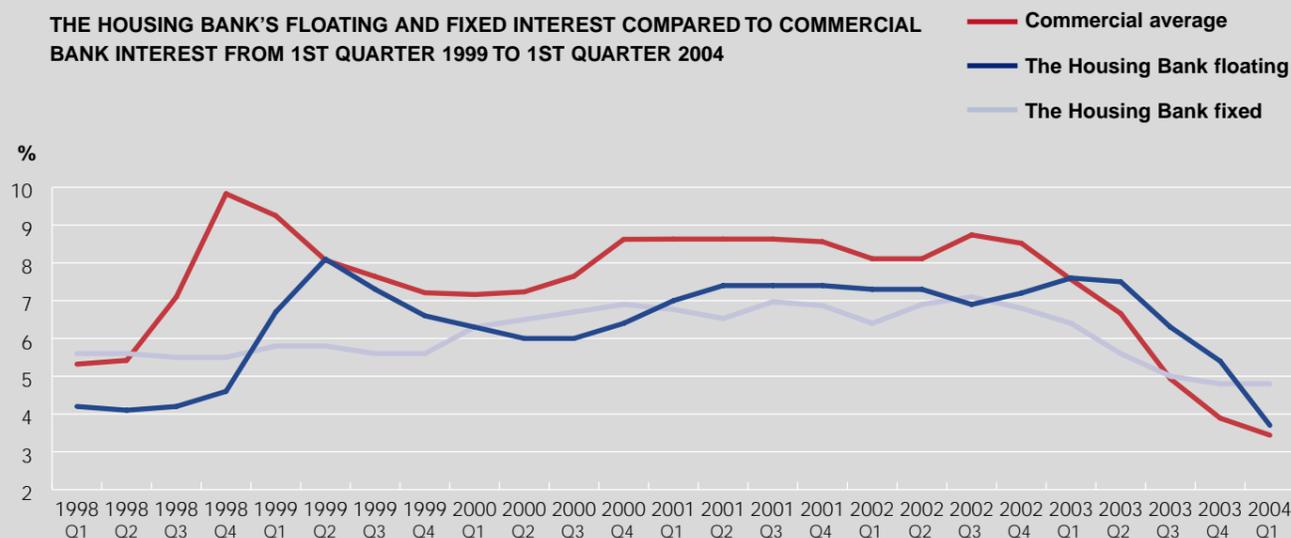
The risk fund at the end of 2003 stood at NOK 146 million. No grant was injected into the fund in 2003. The fund was charged with an overall gross loss of NOK 26.7 million. Write-backs on losses totalled NOK 6.8 million. At the end of 2003, the risk fund stood at NOK 126.4 million.

In contrast to the last three to four years, the number of cases where the Housing Bank is not securing full coverage from compulsory sales is increasing, despite the loss on private customers being relatively small. A total of NOK 17.6 was recorded in losses on personal loan customers, which is an increase from NOK 10 million in the previous year. From 1999 to 2001, a large number of needs-tested loans were taken out to purchase second-hand housing, where the risk was somewhat higher than usual.

The gross loss on non-personal borrowers was NOK 9.1 million, which was a substantial increase from NOK 1.9 million in the previous year.

The loss on non-personal borrowings was primarily related to the commitment linked to letting loans granted to foundations between 1987 and 1993. After several years of freedom with regard to interest rates and instalments, the loans now have standard terms. A lack of provisions for maintenance has proven to be the most common cause of financial problems in foundations. The Housing Bank uses vast amounts of resources and uses its instruments extensively to monitor these cases in order to prevent foundations from going bankrupt. However, the Bank had to accept losses in some of these cases in 2003. The Executive Board is satisfied that the Bank monitors the foundations closely and endeavours to obtain the quarterly accounts from all foundations in the danger area.

THE HOUSING BANK'S FLOATING AND FIXED INTEREST COMPARED TO COMMERCIAL BANK INTEREST FROM 1ST QUARTER 1999 TO 1ST QUARTER 2004



GOOD HOUSING COVERAGE AND A WELL-FUNCTIONING HOUSING AND BUILDING MARKET

THE NORWEGIAN STATE HOUSING BANK SHALL:

- Work to ensure that all housing needs are met and that all housing development is evenly distributed
- Work to provide effective and resource-efficient housing construction and to stimulate just and fair housing

THE MOST IMPORTANT INSTRUMENTS FOR ACHIEVING THESE OBJECTS ARE:

- Providing construction loans to finance new housing
- Grants to care residences and nursing homes (start-up grants and compensatory grants)
- Loans to care residences and nursing homes
- Providing housing grants for people setting up home in a new dwelling (see the section dealing with good housing distribution)

The construction loan from the Housing Bank is the main instrument for achieving satisfactory housing coverage in Norway. The Housing Bank's share of the total housing construction (commissioning) has in recent years been well in excess of 50%. In 2003, the percentage was just below 50%, which was a reduction from the previous year of around 10 percentage points. This is mainly due to the reduction in the number of care residences and Housing Bank loans for detached houses.

RURAL AREAS AND PRESSURE AREAS

The Housing Bank has a special responsibility to provide loans for housing in rural areas, where the credit market does not function well due to the low mortgage value and high risk. In rural areas that are dominated by detached houses, and where there is a low turnover of second-hand housing, the loan can be increased by up to NOK 100,000 (new in 2003). Additionally, a top-up loan of NOK 100,000 can also be granted to housing in Finnmark and Nord-Troms. In 2003, 465 households were granted either a rural supplement or a Finnmark/Nord-Troms supplement.

Another aim of the Housing Bank is to help to increase housing construction in pressure areas. The Housing Bank is in a position to increase the granting of loans over and above the applicable guidelines in areas with high house prices. When the granting of loans is increased, the equity requirements will be no greater than in other parts of the country.

Loans are approved and arranged in such a way that other housing policy objectives are achieved. Housing grants for setting up home in a new dwelling can be combined with a construction loan and used as an income distribution mechanism to promote housing projects for the young and disadvantaged. Loans are also used to promote good quality housing. One example of this is the loan supplement to encourage initiatives for better access for the disabled, for health, safety and the environment and for good architectural styles (cf. Objective 3 – good housing).

HOUSING BANK HOUSING GETTING SMALLER

In order to encourage the construction of affordable houses, a loan step was introduced in 2003, where houses between 45 and 65 m² received a basic loan of up to NOK 580,000, houses up to 85 m² received up to NOK 630,000, and larger houses could receive a basic loan of up to NOK 580,000. This has led to the average usable space being reduced from 89 m² in 2002 to 83 m² in 2003. The percentage of detached houses also fell – from 15% in 2002 to 10% in 2003.

In 2003, the aim of the start-up grant was to ensure that 3,632 care residences and nursing home places of an approved quality were either created or improved. Nine hundred of these care residences were to be linked to the escalation plan for mental health. In the event, a total of 4,235 care residences and nursing home places were approved in 2003, of which 3,335 were linked to the elderly, and 900 residences were approved in the escalation plan for mental health.



GOOD HOUSING DISTRIBUTION

THE NORWEGIAN STATE HOUSING BANK SHALL WORK TO ENSURE THAT:

- Housing distribution is better than income distribution figures promise
- The disadvantaged and low income households are able to acquire good quality and reasonably priced housing
- Households that have acquired their own housing be given the chance to retain ownership
- Young people be given the opportunity to set up home in good quality housing

THE MOST IMPORTANT INSTRUMENTS FOR ACHIEVING THESE OBJECTIVES ARE:

- Housing grants to set up home in new dwellings
- Housing allowances for the elderly, social security recipients and low income families (see Objective 4)
- Start loans for those with special needs, the disadvantaged and young people who have problems securing a mortgage in the private sector

Around 9,300 customers received assistance in setting up home from the Housing Bank and local authorities in 2003, by means of a start loan or first home grant. This figure was 5,700 less than the previous year. Excluding purchase loans, this is a reduction of 2,800.

MANY SINGLE PARENTS RECEIVED START LOAN IN 2003

On 1 January 2003, the first home loan and purchase loan were replaced by the start loan. The start loan is a local authority loan scheme that can provide 100% loans or top-up loans where other financial institutions have provided the basic financing. In 2003, local authorities borrowed approximately NOK 3.7 billion in start loans from the Housing Bank to offer to borrowers. This is NOK 1.1 billion more than the local authorities borrowed in first home loans in the previous year.

More than 6,450 households received a start loan from their local authority. Many single persons or single parents financed their first house by means of a start loan. These user groups accounted for two thirds of those receiving start loans in 2003. Start loan recipients had an average income of well below NOK 300,000, while the total income per household in Norway was NOK 415,500.

On average, households receiving a start loan borrowed NOK 411,000, while the average first home loan was NOK 317,000 in 2002. This could be an indication that the start loan forms the basic financing in some cases, and larger sums borrowed generally contributed to the reduction in the number of loan recipients. The local authorities will most likely consider the risk profile of these schemes to be different. The first home loan was purely a top-up loan.

FEWER HOUSING GRANTS FOR RENTAL ACCOMMODATION - MORE FOR SINGLE PERSONS

Both the Housing Bank and the local authorities issue housing grants for setting up home. The Housing Bank provided housing grants for the setting up of 1,125 households and the local authorities for more than 1,700 in 2003. Grants were issued to almost 1,800 owner households, which is an increase of about 80% compared to 2002. The Housing Bank issued grants to 1,100 rented properties, which is 15% less than the previous year. An extra grant for refugees accounted for the higher level in 2002. In 2003, a total of 2,841 customers received grants for setting up home, which is 15% more than the previous year.

A total of NOK 670 million was paid out in housing grants in 2003, of which NOK 332 million was given to the local authorities for issuing to customers.

In 2003, grants were issued to 235 residences for the homeless, which is 10% more than the previous year. A number of grants were also issued to those with special needs. In excess of 50% of grants issued were to build new housing. The majority of housing grants were issued to customers setting up home in Oslo, where a total of 525 customers received housing grants.

MAJOR LOSS RESERVE

The local authorities have been able to earmark up to 20% of the housing grants they received for covering losses on first home loans and subsequently the start loans in 2003. At the end of the year, the local authorities had accumulated a total loss reserve of NOK 274 million. During 2003, the local authorities realised NOK 6 million in losses on first home loans and start loans. Local authorities that have accumulated large reserves are being encouraged to use part of this for housing grants.

HIGH QUALITY HOUSING IN A GOOD RESIDENTIAL ENVIRONMENT

THE NORWEGIAN STATE HOUSING BANK SHALL WORK TO ENSURE THAT:

- Housing shall be high quality and functional. Good building styles shall be encouraged
- Emphasis shall be placed on sustainable development through environmentally friendly new building projects, good insulation and improvement and management of housing developments.
- Good residential areas shall feature attractive communal areas, green spaces, play areas and safe traffic conditions

THE MOST IMPORTANT INSTRUMENTS FOR ACHIEVING THESE OBJECTIVES ARE:

- Information and communication
- Loans and grants

GRANTS

Grants for high quality housing shall encourage high quality housing in new and existing housing areas. The grant framework has been prioritised in three core areas: area development and status evaluation, competitions, trials and pilot projects, and physical measures linked to good access and health, safety and the environment (HSE). A total of NOK 81.7 million was granted to 652 projects in 2002. In 2003, 210 projects were approved for grants totalling NOK 53 million.

In connection with the planning of major renovations, the Housing Bank can provide financial support for status evaluations. NOK 8.1 million was issued for this purpose in 2003, compared to NOK 6.5 million in 2002. A total of 16,732 households were approved for such grants in 2003, which was 25% more than in 2002.

Grants for adapting existing housing are awarded by the local authorities and are aimed at helping the elderly and those with special needs to have a house that has been adapted to accommodate movement difficulties and other impairments. The local authorities awarded a total of NOK 70 million in grants for adaptations in 2003, compared to NOK 82.5 million in 2002. A total of 3,645 households received these grants in 2003, which is around 20% less than in 2002.

Grants for the development of residential environments, housing management and housing policy shall encourage development and spread expertise and knowledge of housing conditions, housing

policy and residential environment issues. During 2003, a major part of the grant framework was transferred to the regional offices in order to encourage regional cooperation and activity. The total framework for this type of grant in 2003 was NOK 36.1 million, compared to NOK 31 million in 2002. In 2003, approval was granted to 149 different projects, compared to 137 in 2002.

Radon grants shall encourage the reduction of radon radiation levels in existing housing. A total of 381 households were approved for this grant in 2003, which was 57% more than in 2002. NOK 11.8 million was utilised in 2003 compared to NOK 6.9 million in 2002.

LOANS

Loan supplements for additional housing and environmental quality shall encourage new housing to be constructed with special, desirable additional qualities. Around 84% of customers receiving a construction loan also received one or more loan supplements in 2003. The number of loan supplements granted rose from 8,160 in 2002 to 8,225 in 2003.

Improvement loans shall encourage the renovation of houses and residential environments in order to promote high quality housing and environments. In 2003, 12,858 households were approved for improvement loans, which was 54% more than in 2002. NOK 1,613 million was utilised in 2003, compared to NOK 1,013 million in 2002.

Loans were sought for 4,326 nursery places in 2003, which is a decrease of 4% from 2002 when the highest figure for such loans was recorded since 1993. NOK 597 million was utilised in 2003, compared to NOK 447 million in 2002.

Local authorities and county authorities can receive compensation from the Housing Bank for interest expenses linked to new building projects and improvements to educational institutions. The investment framework for 2003 was NOK 3 billion, of which 64% went towards improvements and 36% towards new buildings.

BUILDING STYLES

The main elements of the Bank's work in building styles are the transfer of expertise to the local authorities and building industry, and the State's Building Style Award, which was given to Møllebyen in Moss in 2003.



SECURITY OF TENURE

THE NORWEGIAN STATE HOUSING BANK SHALL WORK TO ENSURE THAT:

- Households that have acquired suitable housing receive assistance to keep it
- Consumer interests in house-buying are monitored
- Housing costs are fair in relation to income

THE MOST IMPORTANT INSTRUMENTS FOR ACHIEVING THESE OBJECTIVES ARE:

- Housing allowances to the elderly, social security recipients and low-income families with children
- Favourable interest rates and payment terms
- Financial advice
- Flexible payment arrangements
- Tailored payment agreements
- Debt insurance

HOUSING ALLOWANCES

Housing allowances shall help households with low incomes and high housing expenses to obtain/or live in satisfactory housing. This scheme is also aimed at levelling out income differences between pensioner groups with different levels of housing expenses. The housing allowance is thus an instrument for both the housing policy and income policy.

The local authorities administer this scheme jointly with the Housing Bank, and the local authorities are responsible for processing applications. The Housing Bank is the appeal body and is responsible for managing the electronic processing system.

The total grant for 2003 was NOK 2,084 million, and NOK 2,087 million was paid out. In addition to this, all housing allowance recipients received a lump sum payment of NOK 2,500 in March 2003 to compensate for the high electricity prices. A total of 125,446 households received the ordinary housing allowance at least once in 2003, 77% of which received the allowance in all three periods.

The housing allowance underwent several changes in 2003. One of the most important changes was the end to the financing requirements for owner housing, the end of the 40 m² limit for local authority housing in the four largest cities and the raising of the housing expenses ceiling by NOK 30,000 for the first and second periods. All customers also received the template on which heating and lighting for determining the housing allowance for the first period is based.

The following table compares the payments in the second period in 2002 and 2003. Part of the increase is due to the extraordinary raising of the housing expenses ceiling in the second period in 2003.

Key figures for housing allowance

	2003	2002
Grant (NOK million)	2,084	1,792
Total paid in year (NOK million)	2,087	1,789
Recipients of ordinary housing allowance in September (main payout for 2nd period)		
No. of households that received housing allowance	111,502	104,742
Average household income per annum (NOK)	97,248	93,852
Average approved housing expenses per annum (NOK)	53,700	50,028
Average housing allowance per annum (NOK)	19,404	16,824
Approved housing expenses as a percentage of income excl. housing allowance	55	53
Approved housing expenses as a percentage of income incl. housing allowance	35	35

* Figures for 2003 are calculated based on the second period in 2003.

ARENDAAL

REGIONAL DIRECTOR:
FATMA BHANJI JYNGE
EMPLOYEES: 14
POPULATION: 430,000

The Norwegian State Housing Bank's regional office in Arendal underwent an expansion phase in the first half of 2003 and officially opened for business on 4 June. The office covers 48 municipalities in Vest-Agder, Aust-Agder and Telemark, with a total of 430,000 inhabitants and a total area of 31,484 km².

CHALLENGES

As a new regional office, Arendal wants to emphasise its skills in making changes, its efficiency and its ability to adapt to new framework conditions and new customer groups and needs. We will be investigative and innovative within the clear frameworks in which we work. Future development will be anchored in the Housing Bank's duties and in regional expertise. We envisage a major challenge in establishing a skills network in the region. The area development grant can be used strategically in order to achieve this. In 2003, we initiated a range of interesting projects which should give substantial rewards.

HOUSING POLICY CHALLENGES

A clear challenge is the fact that the building portfolio in the region is characterised by a major predominance of detached houses, with many very old and partly listed buildings. Thus, there is a need for greater differentiation with regard to housing sizes, and to raise the level of expertise with regard to concentration/coalescence in existing housing areas. Old buildings also require upgrading.

Key elements include enabling more focus on environmental/energy aspects and the universal design of existing housing.

Another challenge is to complete the compilation of social housing action plans in all local authorities. Eleven local authorities have already completed their plans, while seven are in progress. This gives a coverage of 69% of the population in the region.

Expertise in social housing and housing allowances is vital. The Arendal office will continue to prioritise these areas, and has already received positive feedback from the local authorities. This also applies to the start loan.

STUDENT ACCOMODATION

The Housing Bank assumed responsibility for offering advice on student housing from the Advisory Body for Building of Student



The Dybdalshei ecological housing area received an area development grant in 2003. The area is beside Kongshavn on Tromøya and is approximately 60 decares, which is enough space for between 30 and 40 housing units.

Accommodation on 1 October 2003 and the responsibility for administering grants for student housing from 1 January 2004, in accordance with current guidelines. The Housing Bank's new function as an adviser and grant administrator is now operating in line with the agreed schedule, and has so far produced positive results. The Regional Director, Fatma B. Jynge, has led this work on behalf of the Housing Bank.

CONSTRUCTION COSTS

Due to rising house prices, increased construction costs, low productivity performance and lack of innovation in the overall building and construction industry, a work group comprising a broad range of participants was set up in summer 2003. The Regional Director, Fatma B. Jynge was a member of this work group on behalf of the Housing Bank.

One of the group's tasks was to consider initiatives to suppress the growth in construction costs. The group was also asked to consider the need for a Norwegian version of the UK report "Rethinking Construction".

BERGEN

REGIONAL DIRECTOR:
MABEL JOHANSEN
EMPLOYEES: 58
POPULATION: 941,100

Our most important challenges is to create effective interaction between the Housing Bank, the local authorities and the developers, and to develop the Bank into a centre of excellence for the local authorities' housing policy.

In 2003, the Bergen office was given responsibility for two national areas in the Housing Bank: housing procurement and universal design. This gives us a new role which requires new methods of working. One of our aims is to develop a new housing loan in 2004.

THE YOUNG SETTING UP HOME

Our region has seen a high level of activity in 2003, particularly in Rogaland. The Bergen office has focused mainly on smaller-sized affordable housing for young people setting up home.

All the local authorities in the region were offered training in the start loan, and many have taken up this offer. This office has prioritised offering advice and dealing with enquiries from the local authorities. One of our future challenges is to make customers aware of the potential for buying a new home with a start loan.

INITIATIVES FOR THE DISADVANTAGED

Regionalisation of the housing allowance activity has given positive results. Twelve employees, with responsibility for the contact with local authorities, dealing with complaints and other case work, form a robust group. The time taken to process complaints has been reduced to less than three weeks. We held four courses for 24 local authorities in 2003.

As a result of the mapping carried out by the local authorities in connection with social housing action plans, a number of housing projects for the disadvantaged have been initiated. One future challenge for the office is to introduce BOKART, which is a mapping system that provides an ongoing overview of the disadvantaged's housing needs and the initiatives that are being implemented.

ACCESSABILITY AND ENVIRONMENT

Together with developers, the office is actively working for new housing to be of a life-span standard. In the second half of 2003, the number of homes of a life-span standard rose by 3% in relation to the first half of the year.



Orstadforen housing cooperative in Klepp has housing with an interesting and modern design and flexible interior solutions, adapted to new needs and wishes.

Photo: Sandnes Boligbyggelag

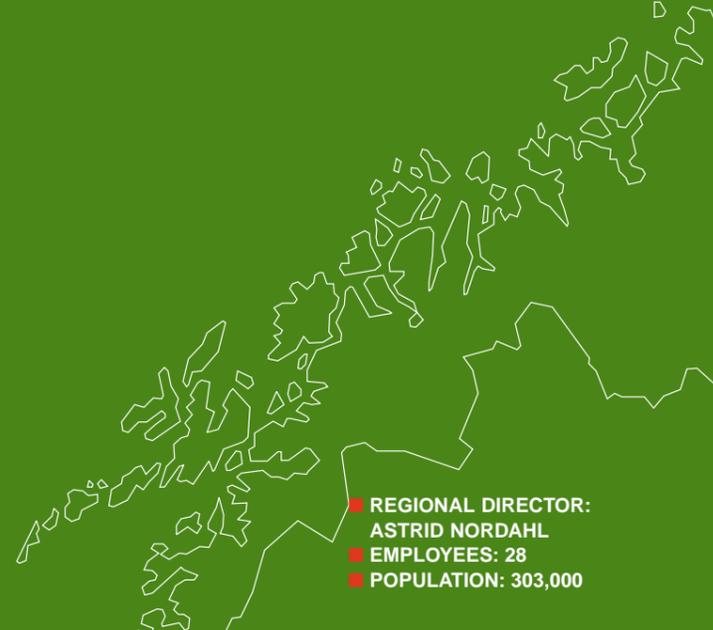
This office is responsible for a joint venture project between the Housing Bank in Bergen and Trondheim and two help centres. Expertise and financial instruments shall be coordinated in order to enable the local authorities to provide better services to residents who need help setting up home or adapting their homes for special needs. The project will culminate in a model experiment in selected local authorities.

In 2003, the office used more resources on energy and environmental matters. We are focusing on developing networks and have financed some major building projects with extensive environmental and energy initiatives. This work forms a solid basis for carrying out more projects with environmental features in 2004.

CENTRE OF EXCELLENCE

We have prioritised skills development that will make us a centre of excellence for the local authorities. Three employees are taking further education in social housing at Sør-Trøndelag University College.

BODØ



REGIONAL DIRECTOR:
ASTRID NORDAHL
EMPLOYEES: 28
POPULATION: 303,000

The Bodø regional office provides services to 61 municipalities in Nordland and Sør-Troms, and Svalbard.

2003

All local authorities in the region implemented the start loan. Housing allowance activities were regionalised and the office has established a good dialogue with the local authorities in these areas. We have offered the local authorities training in the start loan and housing allowance, arranged project manager meetings for social housing action plans and participated in public meetings on radon and other information meetings.

Refugees, young people and nurseries were prioritised with regard to resource use and loan and grant frameworks.

In order to strengthen our efforts with the local authorities, we have placed particular emphasis on improving our expertise within advisory work, local knowledge and social housing.

THE WAY FORWARD

Strengthening the work with the local authorities will be pivotal in 2004. We will also work closely on social housing issues. Advice linked to the housing allowance, start loan and the Housing Bank's other financial instruments will be top priorities.

In 2004, the regional office assumed the national responsibility for the Housing Bank's start loan activities. Important tasks will be to ensure that the information provided in this area is satisfactory, both externally to the local authorities and internally in the Bank. Resources will also be allocated to the further development of the start loan processing system.

In 2004, activities related to social housing action plans, where we also have a national responsibility, will be aimed at local authorities that have completed their plans and are now in the implementation phase.

Achieving the Government's target of establishing more nursery places will be a challenge in 2004. Offering advice will be the key instrument. This also applies to the focus on the environment/energy and accessibility.



Ludvighagen housing cooperative has 37 varied flats. The property is a former holiday cottage some kilometres from the centre of Bodø, with a garden that is rare for the region, which includes a pond, bamboo, apples and plums. During construction, great emphasis was placed on defining the ground area and preserving most of the valuable vegetation in the areas between the buildings. This gives the property a very smart completed outdoor area compared to the usual development which can destroy the existing terrain and vegetation.

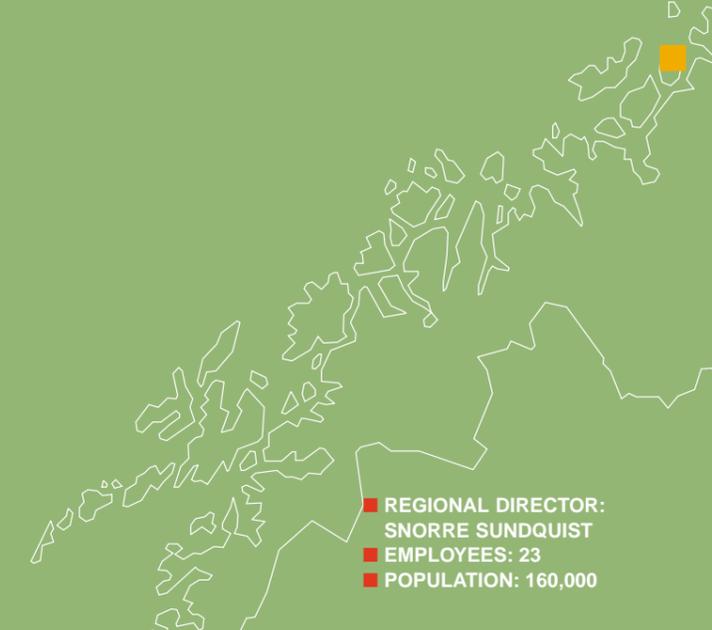
New tasks will require the employees to be extremely flexible. Future skills development needs will be mapped, and measures implemented to meet these needs.

ENVIRONMENTAL AND UNIVERSAL DESIGN

Ludvighagen housing cooperative (photo) in Bodø received a loan and quality improvement grant in 2003.

The block has a basement garage and lift, while some of the terraced housing around the yard has life-span units at ground level. The housing has balanced ventilation with energy recovery and centrally controlled heating. During construction, great emphasis was placed on defining the ground area and preserving most of the valuable vegetation in the areas between the buildings.

HAMMERFEST



REGIONAL DIRECTOR:
SNORRE SUNDQUIST
EMPLOYEES: 23
POPULATION: 160,000

The Hammerfest regional office covers Finnmark and the nine most northerly municipalities in Troms, including Tromsø.

RECONSTRUCTION ARCHITECTURE

It is the reconstruction houses that characterise the architecture and living style for us. These are robust constructions, but as the years pass, they need to be repaired and adapted. The Hammerfest regional office has placed special emphasis on gaining experience and expertise in order to advise the local authorities and users on how to take care of the reconstruction architecture. The office has its own loan scheme – the repair loan – to finance improvements to these homes.

2003

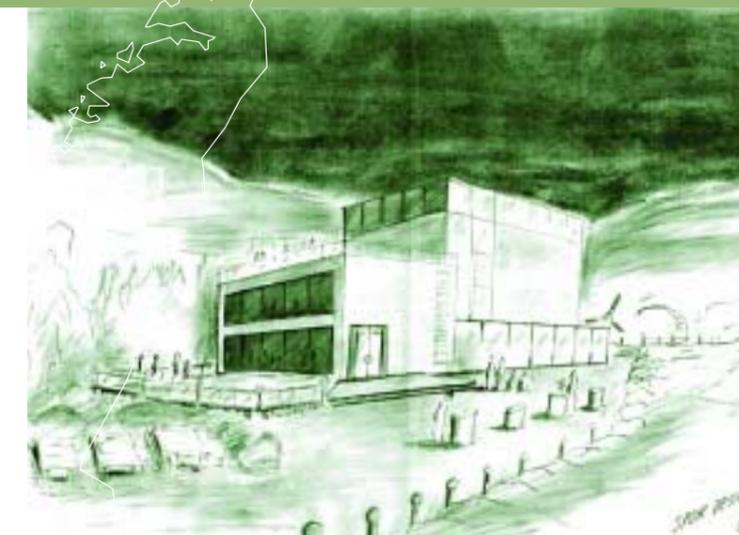
Activities relating to social housing action plans continued in 2003. The initial work, where we visited all the local authorities, has been followed up with visits to acknowledge the local authorities that have completed their plans. The local authorities are very satisfied with the Bank's follow-up and we have also received feedback that the benefits of this planning work have been enjoyed. The cross sector cooperation has been particularly important.

Two projects, which seem promising, were initiated in Tromsø for the homeless. The regional office has actively used grants for quality improvements to housing and to develop residential environments, and here relatively small grants have given good results.

Several employees in the office have taken part in skills building courses. Through trade days, meetings with the local authorities and other activities, we have actively sought to influence local authorities, developers and individual customers. With regard to the housing allowance, some of our employees have undergone training, and we are now holding meetings and seminars with the local authorities which are being well received. Overall, it seems that most of us are gradually becoming comfortable with our role as a propagator of information and expertise.

SPOTLIGHT ON TROMSØ

Building activity can be found in the towns, where Tromsø, Alta and Hammerfest are most prominent. For several years, Tromsø has had a high activity level and high costs. The Hammerfest regional office therefore deals with Tromsø extensively. We have very close



The Energy House in the old power station at Storvatnet in the middle of Hammerfest demonstrates old and new technology linked to energy. The Housing Bank has granted NOK 100,000 to the project.

contact with the local authorities, developers and individual customers. We are involved in quality assurance at the planning stage of most of the larger projects.

THE WAY FORWARD

In 2004, the office intends to focus on projects linked to low-energy housing and universal design. The pressure areas in rural areas in particular must be followed up. We will also follow up more remote municipalities in order to ensure a well-functioning housing market and to avoid defaults and losses as far as possible. Local seminars will be held in the spring in joint cooperation with the County Governors from Troms and Finnmark. The topic will be "Social housing – assistance to manage a living situation".

The primary task for the regional office is currently to develop the organisation and its employees in order to meet the new challenges faced by the Housing Bank as a body of experts and driving force in terms of housing quality, housing procurement, energy and the environment. We believe our motivated employees and effective instruments provide an excellent basis for this.

OSLO

REGIONAL DIRECTOR:
BÅRD ØISTENSEN
EMPLOYEES: 70
POPULATION: 2,101,000

The Oslo regional office was established on 1 June 2003 and has a flat organisational structure with two staff sections and five geographic sections. The purpose of small geographic sections is to simplify the relationship with our joint venture partners and provide a better basis for contributions as a whole and a coordinated use of instruments.

SKILLS DEVELOPMENT

A lot of work has gone into compiling a coordinated skills plan in the first year of operation. A range of other measures have also been implemented.

COMMUNICATION

The office has been faced with major communication challenges in 2003, particularly with regard to network communication. The office has played a central role in developing the Housing Bank's new web site, and an intranet and extranet for the local authorities. The office has jointly arranged the awarding of the Norwegian State Award for Quality in the Built Environment and been coordinator of a start loan campaign for the local authorities in our region. Work has also been undertaken to ensure good media coverage of our projects.

LOCAL AUTHORITY FOCUS

The regional office conducted an extensive survey in all local authorities in the region, and had a 68% response rate. The purpose was to map the training needs and wishes in the local authorities. To date, the office has followed up the demand by holding courses for the local authorities in the start loan and housing allowance. The office also has a national responsibility for the local authority web pages at www.husbanken.no

NEW CONSTRUCTIONS AND IMPROVEMENTS

When working on individual cases and in the contact with the building industry, special emphasis is placed on promoting environmentally friendly and accessible solutions. All projects aim at achieving a breakthrough with regard to the principle of more sustainable development and universal design. The region had professional responsibility for the grant for reducing the radon level in homes. The grant was a success until it was phased out at the end of the year.



Discussions lead to solutions

SOCIAL HOUSING ACTIVITY

Together with the local authorities, the region has allocated a great deal of resources towards helping the disadvantaged to set up home. This mainly applies to the homeless and refugees. The activity level for this work is particularly high in Oslo, and high house prices in the Oslo region mean a greater strain on resources than elsewhere in the country.

TRONDHEIM

REGIONAL DIRECTOR:
BRIT TOVE WELDE
EMPLOYEES: 38
POPULATION: 643,000

The most important challenge is to motivate, advise and guide the local authorities in order to enable them to develop a good housing policy in which instruments such as the housing allowance, start loan and housing grant are used actively and in connection with the disadvantaged groups entering the housing market. Another important challenge is to help ensure that more universally designed and environmentally friendly homes are built.

The regional office has the national responsibility for matters relating to the environment and energy. One important task is therefore to ensure that the other regional offices can develop their own regional strategies and increase the level of expertise on environmental and energy issues.

2003

One important goal for 2003 was to ensure the successful implementation of the start loan. All 87 local authorities in the region now offer the start loan, and we achieved our target for new start loans raised.

Another important task has been the regionalisation of the housing allowance, which has proved to be a challenge and a strain on the available resources. There is now closer contact with, and follow-up of, the local authorities, and one consequence is that the time taken to process a complaint has been reduced considerably for housing allowance applicants.

At the end of 2003, 48% of the local authorities had either completed or were still compiling a social housing action plan. This now covers 75% of the population in our region.

To support the regional offices' efforts in developing regional strategies, the Trondheim regional office initiated a project in 2003 dealing with the environment, energy and market. Objectives, strategies, action plans and associated communication aspects were all developed. The project will be followed up with a skills development programme for environmental issues in 2004.

THE WAY FORWARD

A top priority for 2004 is the work with the disadvantaged groups. We will follow up the social housing action plans in the local authorities and aim to promote inter-municipal cooperation with regard to social housing.



The start loan course for local authority employees in Nord-Trøndelag, autumn 2003.

In 2004, the regional office will focus on evictions - what is the practice of the local authorities, and what kind of measures can reduce the scope? We shall work together with the County Governor to hold conferences in the counties on social housing activities. It will be important to contribute to the further development of the housing allowance scheme, particularly with regard to the coordination with the local authority housing allowance.

The Trondheim regional office has a special obligation to highlight environmentally friendly and universally designed housing. The regional office will help the Ministry of Local Government and Regional Development to design a new environmental action plan and draw up operational objectives, strategies and action plans for a sustainable housing and building sector.

The regional office shall implement an extensive skills development programme in 2004.

Together with Sør-Trøndelag University College, we will devise a curriculum for our employees emphasising business economics, accounts and market activities.

ANNUAL REPORT BY THE EXECUTIVE BOARD FOR 2003

Photo: Johnner / SCANPIX



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ANNUAL REPORT ACCOUNTS

1. VISION AND PRINCIPAL STRATEGIES FOR THE GOVERNMENT

The Government's vision for the housing policy is that everyone should live safe and well. The principal strategy for achieving this goal is to ensure a well-functioning housing market where the majority, including the disadvantaged, can own their own homes. In order to achieve a well-functioning housing market, the Government places great emphasis on adhering to a policy that provides for stable, low interest rates and a stable high level of employment that generates enough income for individuals to afford their own housing expenses.

However, a small minority will not be able to secure themselves satisfactory housing and a safe housing environment. Providing housing for the disadvantaged in the housing market is therefore a key strategy for the Government. It is also extremely important to increase the number of environmentally friendly and universally designed homes and housing areas.

The future role of the Housing Bank

The Housing Bank plays a key role in implementing the housing policy. The Government's recent housing white paper stated that through its financial instruments for housing, the Housing Bank is still the State's central implementation body for the housing policy. The conditions for continuing operations are therefore present. Obtaining housing for the disadvantaged and providing more environmentally friendly and universally designed housing are major undertakings for the Housing Bank. The Board has noted that the Government wants the Housing Bank to strengthen its cooperation with the local authorities and private players over and above the actual loan activities, via the propagation of knowledge and advice etc. Loans from the Housing Bank must also be aimed at assisting young people to set up home and house building in areas of the country where it is difficult to secure a mortgage on ordinary terms.

2. THE DISADVANTAGED IN THE HOUSING MARKET

The disadvantaged in the housing market are a key target group for the Housing Bank. The local authorities are responsible for housing the disadvantaged. Government instruments are aimed primarily at helping the local authorities with their housing activities.

In 2003, the Housing Bank and the local authorities issued means-

tested housing grants to 15% more households for the disadvantaged than in 2002. The number of grants issued to the homeless increased, while those to refugees fell. This reduction must be viewed in light of the earmarked extra grant for refugee housing in the revised National Budget in 2002.

A significantly larger portion of the grants (more than 60%) were used for setting up owner homes than in 2002. This is in line with the Government's housing policy, which stresses that housing grants should make it easier for the disadvantaged to buy their own homes.

The start loan from the local authorities replaced the first home loan and loan for the purchase of second-hand housing in 2003. Provisional reports from the local authorities show that they awarded start loans to more than 5,400 households. Almost two out of three households were single persons or single parents, with a total income of less than NOK 300,000. We can assume that the fall in the interest rate and the interaction with private banks with regard to favourable loans for setting up home, have reduced the need for the start loan in 2003.

The Housing Bank follows up the local authorities' work in action plans for local, social, housing policy. Through regional trade days, seminars, grants etc., the Housing Bank has offered 200 local authorities help with skills development within this area. In 2003, 34 local authorities were approved for grants to devise an action plan for local, social, housing policy. A total of 200 local authorities received support for this work and 127 have completed their plans.

Homeless Project

Through the "Homeless Project", which is part of the Government's initiatives programme to combat poverty, the Housing Bank is working together with the largest cities, several voluntary organisations, the Ministry of Social Affairs and the Norwegian Directorate for Health and Social Affairs to find methods and models to counteract and prevent homelessness. The project will be completed in 2004, but the efforts to house this group will continue to be a priority area for the Bank in the future. The Housing Bank has noticed that there is now a better understanding of this problem and that a number of local authorities have allocated a great deal of resources to this work.

Refugees

Many refugees continue to live in State facilities longer than is nec-

essary once they have been granted a residence permit. The local authorities say that providing housing is one of the worst bottle necks. The financing of housing for refugees has therefore continued to be a priority for the Housing Bank in 2003, for example by issuing housing grants.

Housing allowance

In 2003, a large number of households had the opportunity to apply for a housing allowance. The Norwegian Parliament (Stortinget) approved several changes during the year which had significant consequences for families with children and households in the cities. Due to the high electricity prices, an extraordinary payment of NOK 2,500 was approved for all housing allowance recipients.

It was greatly emphasized to notify housing allowance recipients of the changes in 2003 by means of letters of approval and supplementary notices.

In 2003, almost NOK 2.1 billion was granted in housing allowances to 125,000 households.

3. NEW CONSTRUCTIONS

The construction of around 23,200 new homes began in 2003, about the same as the previous year.

The Housing Bank assists with the new homes

The Housing Bank approved construction loans for a total of 9,800 ordinary homes and issued start-up grants to about 1,460 new care residences in 2003. The Bank has therefore helped to finance around 11,300 new homes, or 50% of the total new housing in 2003. The Housing Bank financed a 45% share of the ordinary homes.

Construction loan

In 2003, the construction loan was aimed at small, sustainable homes in pressure areas. We can assume that private credit institutions generally finance large detached houses, including in rural areas.

There has been a continued reduction in the average size of homes qualifying for a construction loan, both overall and for detached houses. In two separate rounds, the Board has processed and discussed suggestions to end the minimum standard. The Executive Board has discussed different aspects of the

case based on statements from the bodies entitled to comment. It was pointed out that Housing Bank financing should continue to be a stamp of quality, and that prioritised qualities such as good access and environment must be safeguarded.

Fewer homes were approved for a construction loan in pressure areas than in 2002. An Econ report on the extent to which professional developers make use of the construction loan in pressure areas, states that the loan is of less importance in the cities than in rural areas. Additionally, the percentage of detached houses in the Housing Bank has gradually decreased, falling to 10% in 2003.

Care residences and nursing home places overseas

In 2003, a NOK 500 million loan limit was earmarked to build nursing home places, homes for the elderly and rehabilitation places in southern Europe. This scheme is still relatively new and the influx of applications has been slow. A project to build 48 homes in Spain has already been approved by the Housing Bank.

Completion of the plan for caring for the elderly

The aim of the action plan for caring for the elderly was to create better and more dignified living conditions, with particular emphasis on single rooms in nursing homes. This work should also better enable the local authorities to meet the increased need for nursing and care services as a result of the growing number of elderly people. The target figure in the plan was 1,200 new man-years and the construction or improvement of 24,400 care residences and nursing home places. An additional 14,000 care residences and nursing home places were subsequently added to the plan.

The action plan has led to a substantial improvement of the housing standard for new constructions and repairs and has formed the basis for a number of changes and improvements in their management. The Board is extremely pleased that this work has made life easier and safer for many users of nursing and care services, but would also like to point out that the net increase in the number of places/homes has been relatively small, and that the local authorities still face major challenges with the growing number of elderly.

The Housing Bank had a vital role to play in ensuring that the Storting's intentions for the action plan for the elderly were followed up. Activities related to the plan involved a large number of employ-

ees. The Board would like to point out that this has been a major undertaking for the Bank, which has produced positive results. The Housing Bank has increased its level of expertise and good working relationships have been established with the other players involved in the action plan.

The psychiatric plan

The 2003 escalation plan target of 900 units has been achieved. 67% of these were self-contained homes, 25% joint facilities and 8% multi-occupant. In order to improve integration in communities and to reduce costs, recommendations were made to use existing housing. However, the local authorities have mostly focused on new builds (75%).

Increased focus on nursery expansion

The Government is aiming for full nursery coverage in 2005. In order to achieve this, financing must be improved, and both the investment grant and operations grant need to be increased. The Ministry of Local Government and Regional Development has asked the Housing Bank to apply the regulations in such a way that encourages the initiation of projects. This particularly applies to the requirement for municipal guarantees for financing private nurseries. This requirement must be considered individually in each project.

The result was that the Housing Bank financed more than 5,000 nursery places in 2003, which is 15% more than in 2002.

Together with the Ministry of Children and Family Affairs, the Housing Bank is developing the web site www.etablerebarnehage.no, which will be launched in 2004. The web site is aimed at those wishing to open a nursery and gives details of land, financing, building regulations, organisation and running a nursery.

The Housing Bank's new role in financing student accommodation

From 1 January 2004, the Housing Bank will have a greater responsibility with regard to financing student accommodation.

In 2003, the Housing Bank drew up a cost analysis. The costs for student accommodation and Housing Bank homes have developed at the same rate.

4. QUALITY

The environment

Efforts to create a more environmentally friendly housing and building sector have been given as one of the main priority areas in the future for the Housing Bank. The Bank has put a lot of work into developing strategies to improve and increase the efficiency of the Housing Bank as an environmentally political tool for the housing and building sector.

Through its financial instruments, advice and knowledge transfer, the Housing Bank has a positive influence on much of what is being built in Norway with regard to consideration to the environment and sustainability.

The vision for this work is that the Housing Bank will be a driving force in achieving national environmental goals in the housing and building sector. One environmental goal is currently defined in the vision that the number of homes with 50% less energy needs shall constitute 50% of all new constructions in 2010.

In the opinion of the Board, efforts to develop strategies for the environmental work both at national and regional levels, will form an extremely good basis for the Housing Bank's focus on environmental work and help the Bank to encourage the development of good environmental solutions.

Building styles

The Housing Bank's training programme for architectural styles covers various regional and central training initiatives aimed at local authorities and industry. Training material was also compiled for external and internal training initiatives.

In 2003, the Norwegian State Award for Quality in the Built Environment went to Møllebyen in Moss; Møllebyen Eiendom AS, LPO Arkitektur og Design AS, Sundby Arkitekter AS, Landskapsarkitekten Berg og Dyring and Moss local authority. The award was presented by cabinet minister Ema Solberg during a trade day at Oslo Konserthus.

New guidelines for housing quality grants

The Housing Bank made some alterations to the housing quality grant in 2003. These alterations entailed the grant being used to encourage cooperation in an early phase. The planning is less

expensive than building, so the effect of the grant as far as possible can be retained even with a reduced framework.

Grants for development and information work

The Bank's strategy for research and reporting has resulted in a more targeted use of the resources in 2003. By a greater portion of the grant being allocated from the regional offices, the Housing Bank wishes to a larger extent to be able to use local knowledge and close contact with the users in order to increase the effect of the instrument. Developing strategies in several areas has been a top priority in 2003. One of the Housing Bank's strategies for energy and the environment was completed and adopted in 2003.

As part of the work for prioritising and long-term focus, the Housing Bank has signed a three-year agreement with the Norwegian Building Research Institute and NOVA for research work.

Universal design

In the letter of award for 2003, the Housing Bank was asked to consider how more emphasis can be placed on the principle of universal design with regard to the efforts to improve the quality of housing and residential environments. Universal design entails that the product, transport, buildings and outdoor areas can be used by everyone as far as possible, without having to be adapted or specially designed. The Housing Bank has for many years included good access as part of its work in quality housing. One example of this is the life-span housing, which has been a trademark of the Housing Bank.

The goal of a universally designed community, in which everyone has an equal opportunity to participate, is ambitious. According to the housing census, only 7% of homes can accommodate wheelchair users. The percentage of homes that qualify for loan supplements from the Housing Bank for life-span standards has also fallen in recent years. The Board believes that there are many challenges in this area.

5. STRATEGIC INFORMATION WORK

The Housing Bank uses information and communication as active instruments on a level with financial and legal instruments. It is the local authorities in particular that see the results of the Bank's focus on advisory work and cooperation. The communication strategy states that the Internet is the most important channel of infor-

mation for the Bank and that communication with the local authorities should be supplemented with personal contact and networking. The Housing Bank produced a new web site, which, to a greater extent than previously, facilitates communication with the three target groups: private individuals, local authorities and the building industry. In 2003, great efforts have gone into creating good quality advisory material and useful tools and templates for those working in the local authorities, for example in connection with the introduction of the start loan.

The Housing Bank carried out two separate campaigns for the radon grant and start loan, aimed at private customers. As a result of press material issued, radon became a point of interest for a number of local newspapers in municipalities with a proven radon concentration, and the campaign was extremely successful. The Bank collaborated with 37 local authorities in a successful publicity campaign for the start loan.

Web-based services

The local authorities are playing an increasingly important role in effectuating the housing policy. The Housing Bank works well with the local authorities to improve the efficiency of the communication and achieve results. Several new web-based tools and services are freely available for the local authorities via the Internet. The production of hard copy advisory material and brochures has been reduced in proportion to the increased focus on the Internet.

The Housing Bank has developed a new system for the start loan, which simplifies the processing and reporting work in the local authorities and the Housing Bank. Almost all local authorities have implemented this system. The system also makes it possible to send applications via the Internet to the local authorities.

Another service that has been developed for the local authorities and the counties, is the application for interest compensation via the Internet in connection with investments in upgrading education institutions. All applications for such compensation are now sent via the Internet and are processed electronically.

Local authorities' extranet

In order to further strengthen the Housing Bank's advisory and service role to the local authorities, the Bank has established an extranet, with the local authorities as the target group. The extranet

shall improve the communication between the Housing Bank and the local authorities, and between the executive officers in the local authorities. The strategy extends to gather all of the Housing Bank's services to the local authorities that cannot be facilitated on the Internet, in the extranet.

6. LOAN ADMINISTRATION AND LOSS

2003 – an "interest" year

Interest rates fell dramatically in 2003. The positive interest rate trend has brought about noticeably lower housing costs for borrowers in the Housing Bank. At the same time, the disparity in the interest rate in the Housing Bank has led to private banks being able to offer a lower interest rate than the Housing Bank during certain periods.

Five years ago, around 50,000 borrowers signed fixed interest rate agreements. The agreements expired at the end of 2003 and about 45,000 customers had to choose whether they still wanted a fixed interest rate for another five years or to change to floating interest. More than two thirds opted for a fixed rate for a new five-year period.

Alternative administration models

In connection with a report on possible future scenarios for the Housing Bank, the Bank also compiled a report in 2003 on loan administration activities. A recommendation was made to arrange the loan administration in such a way that the costs linked to the loan administration were clearer. This would form a good basis for enabling a comparison with other players, and would be a prerequisite for any competitive situation.

The Housing Bank has initiated efficiency improvements in the loan administration by carrying out all the work in one office, as opposed to the current regionalised model. This work is continuing in 2004.

Reduced loan portfolio, no major change in the loss trend

In contrast to previous years, the loan portfolio was reduced in 2003. The number of loans administered at the end of 2003 was 115,216 – a reduction of 8.5%. The reduction in administered amounts was not so high, but the administered amount fell by 1.2% to NOK 101.1 billion. One of the reasons for the reduction in the portfolio is that the guidelines for transferring loans on the sale of property have been changed, whereby far fewer loans are being transferred to the new owner. There were also a high number of

extraordinary payments in 2003. This figure rose by 150% compared to the previous year. The main reason for this is probably the disparity in the interest rate in the Housing Bank, which means that the interest rate in the Housing Bank is not being reduced as quickly as in the private banks.

Low and stable default levels

One of the Housing Bank's key aims is to administer Government funds securely and effectively. It is equally important for the Bank to help people to be able to keep their homes. The close follow-up of customers with payment problems and the extended use of the instruments that the Bank has in this area are crucial to securing the customers satisfactory housing. In 2003, 860 compulsory sale notices were issued. This was a substantial reduction from the previous year when 1,063 such notices were issued.

The number of non-performing loans has remained at a low, stable level throughout 2003. At the end of 2003, the Housing Bank had 2,801 non-performing loans, which equates to 2.5% of the mass of loans. This was a slight reduction from the previous year. Default amounts totalled NOK 1.67 billion, which corresponds to 1.65% of total borrowings.

Loss trend

In contrast to the last three to four years, the number of cases where the Housing Bank is not securing full coverage from compulsory sales is increasing, despite the loss on private customers being relatively small. A total of NOK 17.6 million was recorded in losses on personal loan customers, which is an increase from NOK 10 million in the previous year. From 1999 to 2001, a large number of needs-tested loans were taken out to purchase second-hand housing, where the risk was somewhat higher than usual. The accounts for 2003 quote the loss as being relatively highest on purchase loans.

The gross loss on non-personal borrowers was NOK 8.9 million, which was a substantial increase from NOK 1.9 million in the previous year.

The loss on non-personal borrowings was primarily related to the commitment linked to letting loans granted to foundations between 1987 and 1993. After several years of freedom with regard to interest rates and instalments, the loans now have standard terms. A lack of provisions for maintenance has proven to be the most com-

mon cause of financial problems in foundations. The Housing Bank uses vast amounts of resources and all available instruments extensively to monitor these cases in order to prevent foundations from going bankrupt. However, the Bank had to accept losses in some of these cases in 2003. The Executive Board is satisfied that the Bank monitors the foundations closely and endeavours to obtain the quarterly accounts from all foundations in the danger area.

The risk fund was charged with an overall net loss of NOK 19.6 million and stood at NOK 126.4 million at the end of 2003.

A certain increase is anticipated in the future loss due to the low mortgage value in relation to the size of the loan. The increased loss on loans to personal borrowers could be due to the fact that an increasing part of the loans are being issued to the disadvantaged who have problems paying their loans. Greater losses are also expected with regard to foundations. Payment problems have been reported by a number of foundations. The Government's long-term budget for 2005-2008 quotes a total calculated annual loss of NOK 55 million, and it is assumed that the Housing Bank will need new grants for the risk fund from 2006.

7. THE HOUSING BANK'S ORGANISATION

Skills development

The aim of the Housing Bank's skills development programme is to develop executive officers in the regional offices who can fill the new role of advisor and organiser with regard to the local authorities. The Housing Bank held a number of courses in advisory and information work. Eighty four employees from the regional offices participated in the advisory courses in 2003.

A flatter organisational structure and delegation to the regional offices

The Housing Bank reorganised its activities in 2003. The South and East regional offices were changed to form the Regional offices Oslo and Arendal. The head office, which is in Oslo, was also reorganised, with the management, strategy and culture/administration offices being separated out as sub-offices. The Housing Bank now has nine independent profit centres under the head office. Towards the end of the year, the Executive Board passed a proposal for the Ministry of Local Government and Regional Development to relocate the Housing Bank's head office and central offices to Drammen. The resolution is in line with political signals given in the city

report from the Ministry of Local Government and Regional Development. The relocation will be carried out in 2005. In line with the modernisation activity in the State, the regional offices are responsible for all customer contact. Some regional offices have also been assigned national duties. (The start loan and social housing action plans to Bodø, sustainable development to Trondheim and universal design to Bergen.) The Executive Board are satisfied that the Housing Bank employees are displaying flexibility and are adapting well.

Gender equality

The Housing Bank stresses in gender equality. All managers are responsible for ensuring gender equality and a fair distribution of jobs between men and women.

The Housing Bank has a good balance between the sexes in the executive and regional boards and at management level. Around 40% of Boards' chairpersons and members are women. At management level, the split is about 50/50 and this also applies to senior management.

The average salary for women and men is roughly equal with regard to salaries at manager and senior adviser levels, while it is somewhat higher for men than women with regard to the consultant tier and the level below. Thirty five women and 10 men work part-time, i.e. 16% and 7% respectively.

Sick leave and a more inclusive workplace

The Housing Bank closely monitors the sickness absence levels. Line managers are responsible for following up individual employees' sick leave. In 2003, the sick leave rate rose by 2.53 percentage points to 7.91% (28 man-years). Long-term sick leave increased the most. There were no serious injuries or accidents in 2003. The Housing Bank has signed an agreement for a more inclusive workplace. One of the aims of the agreement is to cater for employees with impairments. For 2004, it seems as though this can have positive results, including a fall of 2.29 percentage points in the sickness absence from the fourth quarter in 2003 to the first quarter in 2004.

Eco Housing Bank

Being an office, the Housing Bank does not affect the external environment to any considerable degree. In each of the areas in the Eco action plan ("Grøn stat"), the Bank has defined initiatives,



The Housing Bank's Executive Board is appointed by the Storting for the period 1 July 2002 to 30 June 2006. From the left: Heming Olaussen, Barbo Lill Hætta Jacobsen, Deputy Chairman Rolf Myhre, Øystein G. Sjøtveit and Chairperson Monica Mæland.

Photo: Thomas Bjørnflaten

along with indicators that can be used to measure the result, and follow-up routines have been established. As already discussed, the Housing Bank is working towards a more sustainable housing and building sector, and through its various instruments can to a large extent influence new constructions in Norway with regard to high quality environmental features and consideration to sustainability.

WEC and HSE

The Health, Safety and Environment and Working Environment committees are organised locally in each of the regional offices. Reports detail a range of initiatives, such as physiotherapy, courses to stop smoking and first aid courses, which help to improve the working environment.

8. A THANKYOU FROM THE EXECUTIVE BOARD

Overall, the Executive Board believes that the Housing Bank has worked effectively to implement the Government's housing policy. The Bank has worked diligently to ensure that the disadvantaged in the housing market are able to set up home. The Executive Board wishes to highlight the good and varied cooperation with local authorities and the building industry as being extremely conducive to achieving the goals set. The Bank has shown good results from the work with the various instruments. The Bank can show that it has strengthened its position as a centre of excellence for the housing sector, particularly with regard to information and communication. The Board would like to thank the employees throughout the Housing Bank organisation for all their hard work in 2003.

ACCOUNTS

Amounts in NOK 1,000	Note	2003	2002	2001
1 Interest received	1	6,067,506	5,859,312	5,400,038
2 Interest expenses		6,105,340	5,912,870	5,468,827
Net interest expenses		37,834	53,558	68,789
Interest support covered by the State		-37,834	-53,558	-68,789
3 Grants to the housing sector				
3.1 Housing allowance	2	2,350,410	1,788,793	1,790,393
3.2 Housing and environmental initiatives	3	688,608	907,425	709,423
3.3 Care residences and nursing home places		1,513,895	1,608,334	1,383,617
3.4 Compensatory interest/instalments, care residence and nursing homes	4	1,179,540	974,953	709,021
3.5 Homeless Project	5	10,650	10,612	5,810
Total		5,743,103	5,290,117	4,598,264
Grants to the housing sector, covered by the State		-5,743,103	-5,290,117	-4,598,264
4 Grants to educational institutions				
4.1 Interest compensation	6	264,554	36,448	0
Grants to educational institutions, covered by the State		-264,554	-36,448	0
5 Administration charges				
5.1 Salaries and remuneration	7	148,111	144,593	133,052
5.2 Products and services		120,934	110,432	99,925
5.3 Major purchases of equipment		5,184	4,054	4,557
Total		274,229	259,079	237,534
Administration charges, covered by the State		-274,229	-259,079	-237,534
6 Operating revenues and misc. payments received				
6.1 Operating revenues	8	48,397	53,427	50,625
6.2 Misc. reimbursements/repayments	9	22,397	20,754	19,271
6.3 Interest from demands from the public purse		8,140	15,513	15,960
Total		78,934	89,694	85,856

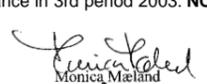
Amounts in NOK 1,000	Note	2003	2002	2001
Operating revenues and misc. payments received, transferred to the State		-78,934	-89,694	-85,856
7 Loss on loans/liabilities				
7.1 Net write-off – charged to risk fund	13	19,935	11,534	12,325
7.2 Management/sale of property – profit	13	-571	-5,107	-4,852
Net total		19,364	6,427	7,473
Net loss on loans and liabilities charged to risk fund		-19,364	-6,427	-7,473

BALANCE SHEET AS AT 31 DEC 2003

Amounts in NOK 1,000	Note	2003	2002	2001
ASSETS				
Fixed assets				
Property	10	2,730	3,463	4,351
Ordinary current mortgages and debt instrument loans	11	101,071,394	102,245,545	95,901,151
Outstanding loans, takeover of mortgage	12	4,075	616	1,434
Total fixed assets		101,078,199	102,249,624	95,906,936
Current assets				
Unpaid interest due		93,195	101,137	101,339
Accrued interest, not due		1,239,903	1,323,683	1,256,771
Other short-term claims		4,594	1,990	2,524
Deposits in Norwegian banks		179,420	265,726	229,201
Cash reserves and deposits in Norges Bank		140	711	893
Total current assets		1,517,252	1,693,247	1,590,728
TOTAL ASSETS		102,595,451	103,942,871	97,497,664
LIABILITIES AND EQUITY				
Equity				
Primary capital		20,000	20,000	20,000
Risk fund	13	126,361	145,726	152,153
Total equity		146,361	165,726	172,153
Long-term liabilities				
Borrowings from the State	14	100,705,019	102,521,667	96,232,012
Current liabilities				
Outstanding accounts to public purse		20,845	103,226	51,867
Other current liabilities	15	1,723,226	1,152,252	1,041,632
Total current liabilities		1,744,071	1,255,478	1,093,499
TOTAL LIABILITIES AND EQUITY		102,595,451	103,942,871	97,497,664
Guarantees – previously Sifbo as at 31.12		171	458	850

Awarded or granted, but not yet paid-out loans as at 31 December 2003 totalled **NOK 9,314,768,000**
 Awarded or granted, but not yet paid-out grants as at 31 December 2003 totalled **NOK 5,287,742,000**
 Payment obligations for housing allowance in 3rd period 2003: **NOK 690,003,750**

Oslo, 31 December 2003
 14 April 2004


 Monica Mæland


 Rolf Myhre


 Håvard Olavsen


 Øystein Gottfred Sjøtveit


 Barbro Lill Hætta Jacobsen

ACCOUNTING PRINCIPLES

The annual accounts for the Housing Bank have been prepared in accordance with generally accepted accounting principles that satisfy the requirements of the legislation and regulations pertaining to the Bank. Neither the Norwegian Accounting Act nor the Kredittsynet's regulations for bank accounts apply to the Norwegian State Housing Bank.

GOING CONCERN

The accounts are prepared on the premise that the Bank is a going concern.

Any winding up of the Bank will require a resolution to be passed in the Storting in connection with the annual presentation and handling of the National Budget.

INTEREST RECEIVED AND INTEREST EXPENSES

Both income received and interest expenses are recorded in the profit and loss account each quarter as the interest is earned as income or is incurred as an expense (accruals).

RECORDING OF OTHER REVENUES AND EXPENSES

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

TAKEOVER PROPERTY

These properties are recorded in the accounts using the takeover price at the compulsory sale. The properties are not written down to the estimated market value at the point of takeover.

LOSS AND LOANS

The Housing Bank posts outgoings and records losses in the annual accounts when the loss is finally established. This means that losses are registered at the time of compulsory sales and after the onward sale of properties which the Bank has taken over in a compulsory sale, and when payment is received. One substantial part of the recorded losses is interest up to the point of realisation.

Losses are written back in the event that a payment agreement is signed and the loan is again established as an ordinary debt.

The Bank does not include estimated losses on properties taken over, demands for compulsory sales and other non-performing loans in the annual accounts. This means that no calculations or provisions are made in the Bank's accounts for specified losses. Neither do the accounts include calculations or provisions for unspecified losses. In order to assess the loss risk in the Bank's loan portfolio, comments and information have been given with regard to defaults, compulsory sales etc. in the report from the Board and in the section concerning loan administration.

RECORDING INTEREST ON NON-PERFORMING LOANS AS INCOME

The Bank does not stop recording interest on these loans as income. The interest is estimated and recorded as income up to the point when it is written off.

GRANTS

Grants that are depreciated over eight or ten years are included in the Bank's loan ledger, but since 1997 have been removed from the balance sheet, whereby the accounts show the actual extent of the total assets.

REPAID HOUSING GRANTS

Since the introduction of an approval authorisation for this grant scheme in 1999, repaid housing grants have been processed and presented according to the straight line method. This means that repaid grants are credited to the State as income in the national accounts. Repayments from grant recipients do not therefore affect the Bank's annual approval ceiling for new grants.

NOTES TO THE ACCOUNTS

NOTE 1 – INTEREST RECEIVED	2003	2002	2001
Interest from mortgages and debt instrument loans	6,067,453	5,859,241	5,399,977
Other interest received	53	71	61
Interest received	6,067,506	5,859,312	5,400,038
NOTE 2 – HOUSING ALLOWANCES	2003	2002	2001
Housing allowance for families with children	728,905	511,888	497,245
Housing allowance for pensioners and disabled	1,357,835	1,276,905	1,293,148
Grants to cover increased electricity costs	263,670	0	0
Housing allowance	2,350,410	1,788,793	1,790,393
NOTE 3 – HOUSING AND ENVIRONMENTAL INITIATIVES	2003	2002	2001
Grants for housing quality	51,271	91,386	103,529
Housing grants	599,179	777,815	576,721
Grants for developing resid. environments etc.	28,752	33,943	26,956
Grants for reducing radon in homes	9,406	4,281	2,218
Housing and environmental initiatives	688,608	907,425	709,424

NOTE 4 – COMPENSATION FOR INTEREST AND INSTALMENT EXPENSES – CARE RESIDENCES AND NURSING HOMES
 The grant scheme from 1998 (White paper no. 50 (1996-97)) for local authorities who took out a loan to finance new care residences and nursing home places. The grant covers interest and instalment expenses on such loans, based on a template.

NOTE 5 – HOMELESS PROJECT
 In connection with the "Redistribution of Wealth Report" (White paper no. 50 (1998-99)), the Ministry of Social Affairs, Ministry of Health, Ministry of Local Government and Regional Development and the Housing Bank are working together on a four-year project "Development work for the disadvantaged homeless". With the aim of preventing homelessness, a grant totalling NOK 7.99 million has been paid to the local authorities in the project; Oslo, Bergen, Trondheim, Drammen, Kristiansand, Stavanger and Tromsø. Grants totalling NOK 2.2 million were also issued to help organisations/foundations in 2003. NOK 0.4 has also gone towards administration and external help in this project work.

NOTE 6 – INTEREST COMPENSATION, EDUCATIONAL INSTITUTIONS
 This is a compensatory scheme which was introduced in 2002 for interest expenses on loans for new buildings and improvements to municipal and county educational institutions. Interest compensation was planned for a total investment framework of NOK 15 billion. The national investment framework is to be spread over 8 years and be subject to the annual budget resolution in Storting. Applicants can receive interest compensation for loan financing, calculated with floating interest rates in the Housing Bank for loans with a 20-year maturity term and 5-year repayment freedom. At the end of 2003, projects of NOK 10.9 billion were reported, and interest compensation was paid for projects completed totalling NOK 264.6 million in 2003.

NOTE 7 – SALARIES AND OTHER REMUNERATION
 Remuneration to the Board of the Housing Bank and six regional boards totalled NOK 703,264. Salaries and remuneration to the Managing Director totalled NOK 712,000.
 The external auditor's fee for 2003 totalled NOK 370,000 excluding VAT. Fees charged to income also include NOK 50,000 invoiced on account. The external auditor has only carried out services required by statute.

	2003	2002	2001
Employee pension scheme expenses	7,605	6,751	6,445
Telephone expenses for employees	153	129	143
No. of man-years	357	351	365

The Chairman of the regional board in Hammerfest has an outstanding loan of NOK 294,120, and the regional director in Hammerfest has a loan of NOK 830,000, both on the Bank's ordinary terms and secured with first priority mortgages in their homes. No other Board Members or managers in the Bank have loans or have received grants.

NOTE 8 – OPERATING REVENUES	2003	2002	2001
Valuation charges	6,697	8,945	7,931
Charges for sectioning	19	32	20
Collection fees	122	137	99
Administration charges	14,653	15,094	15,285
Credit insurance charges	815	862	906
Notification charges	7,327	6,356	5,834
Sale of data services	1,500	1,540	1,615
Rental income	60	58	60
Interest on arrears	10,920	10,967	9,727
Repaid housing grants	6,280	9,352	8,702
Incidental income	4	84	446
Other operating revenues	48,397	53,427	50,625

NOTES TO THE ACCOUNTS

NOTE 9 – MISC. PAYMENTS	2003	2002	2001
Reimbursement of maternity pay*	1,682	1,675	1,611
Direct reimbursement of sick pay*	4,277	2,825	3,097
Reimbursement of trainee salaries*	78	96	80
Reimbursement of labour market initiatives (from 2002)*	40	33	0
Employer's NI contributions	16,320	16,125	14,483
Miscellaneous payments	22,397	20,754	19,271

*Can be at the disposal of the Bank's administration budget.

NOTE 10 – FIXED ASSETS	2003	2002	2001
Formerly Sifbo:			
Part-owner housing	2,731	2,731	3,619
Homeowner housing	0	732	732
Own property (recorded as NOK 100)	0	0	0
Fixed assets	2,731	3,463	4,351

NOTE 11 – ORDINARY MORTGAGES AND DEBT INSTRUMENT LOANS

The Bank offers alternative interest terms whereby borrowers can choose between a floating or fixed interest rate. For current loans with floating interest, a fixed interest rate can be agreed with a 5-year binding period.

a) Development of interest terms	2003		2002		2001	
Base rate as a % p.a. in arrears	Floating	Fixed	Floating	Fixed	Floating	Fixed
1st quarter	7.6	6.2–6.5	7.3	6.2–6.4	7.0	6.5–7.0
2nd quarter	7.5	5.5–5.9	7.3	6.5–6.9	7.4	6.5–6.6
3rd quarter	6.3	4.5–5.5	6.9	6.9–7.3	7.4	6.8–7.1
4th quarter	5.4	4.7–4.9	7.2	6.5–7.0	7.4	6.7–7.1

The basis for the floating interest rate is the average for the Exchequer bill in quarterly observation periods, whereby the interest for the first quarter is determined by the development in the third quarter in the previous year, and so on.

The interest offered for the fixed rate is changed each month. The fixed interest rate will be fixed after one month, with effect 2 months after the observation month.

b) Distribution of loans according to interest level	2003		2002		2001	
	No.	Amount	No.	Amount	No.	Amount
0-6.4% special terms	6,542	3,763,260	6,986	4,163,995	7,525	540,777
5.40% Floating interest*	32,584	21,640,465	35,706	22,101,166	37,139	20,045,184
5.5-7.3% Fixed interest**	76,090	75,671,744	83,151	75,981,001	80,419	71,316,624
Total/outstanding debt	115,216	101,075,469	125,843	102,246,162	125,083	95,902,585

* Interest rates in 2002 and 2001 were 7.2% and 7.4% respectively.

** Approx. 60% of the fixed interest agreements will expire on 1 January 2004. Around 17,000 of these will change to a floating interest rate, while around 28,000 customers have signed a new agreement for fixed interest until the end of 2008.

c) Residual claims on loans recorded as a loss

Residual claims comprise loans recorded as a loss after realisation of a mortgage, where the claim to the borrower is not waived. The claims are included in the gross loan portfolio and are subject to follow-up and possible recovery. In the balance sheet figures for loans, these residual claims are deducted in the sum of NOK 226,621,823. The accounts therefore show the Bank's net total for loans.

NOTE 12 – OUTSTANDING LOANS ON MORTGAGES TAKEN OVER

	2003		2002		2001	
Mortgages taken over by regional office	No.	Amount	No.	Amount	No.	Amount
Bergen	3	3,589	1	386	2	604
Bodø	0	0	0	0	1	200
Hammerfest	3	486	1	230	2	630
Outstanding loans on mortgages taken over	6	4,075	2	616	5	1,434

NOTE 13 – RISK FUND

	2003	2002	2001
Opening balance, 1.1	145,726	152,153	159,626
Grants in year	0	0	0
Loss written off	-26,705	-15,437	-17,692
Credited loss written back	6,770	3,903	5,367
Profit for the year*	571	5,107	4,852
Closing balance, 31.12	126,362	145,726	152,153

*Specification of profit for the year

Profit, rent	398	363	818
Net interest received	63	284	252
Net gains/loss on sale of housing	92	4,435	3,761
Entered on prev. loss written off	18	24	21
Total profit	571	5,107	4,852

NOTES TO THE ACCOUNTS

NOTE 14 – LOANS FROM THE STATE	2003	2002	2001
Total loans, 1.1	102,521,667	96,232,012	90,713,252
+ Intake of new loans in year	10,829,224	12,907,418	11,267,137
- Payment of instalments	-12,645,872	-6,617,763	-5,748,377
Loans from the State	100,705,019	102,521,667	96,232,012

The loans system works whereby the Housing Bank finances the loan activity by means of a deduction authorisation in the State's group account arrangement. Agreements with banks are created in accordance with economic regulations and the associated functional requirements. The loans have variable interest and instalment terms which correspond to the average of the estimated interest on loans and the realised repayments from customers. The floating and fixed interest rates vary in line with the market interest rate for three-month Exchequer bills and five-year Government bond loans, plus an additional margin of 0.5 percentage points. The interest margin produced an income of NOK 517 million to the State in 2003.

NOTE 15 – OTHER CURRENT LIABILITIES	2003	2002	2001
Paid, not cleared interest and instalments*	777,784	199,683	170,003
Added interest on borrowings, not due	468,291	509,915	474,207
Paid interest, not due	460,179	430,245	385,870
Tax due and pension deductions	5,813	5,725	5,575
Other current liabilities	11,159	6,684	5,977
Other current liabilities	1,723,226	1,152,252	1,041,632

* Ordinary and extraordinary payments at the end of December that are settled against the loans after the end of the year.

NOTE 16 – NON-REALISED LOSS

Loss from compulsory sales where the size of the settlement is known, but where settlement will not be carried out until 2004, comprises 38 loans totalling NOK 12.4 million in realisable losses. Of these, 22 loans had a loan date for calculating losses in 2003, but settlement was not completed by 31 December 2003. Six of these cases will not result in a loss for the Housing Bank. The total estimated loss in this group amounts to NOK 4.9 million. The remaining ten loans will be settled in 2004. The total loss for these loans is estimated at NOK 7.5 million.

AUDITOR'S STATEMENT

Auditor's Statement is sent to the Royal Ministry of Local Government and Regional Development
PRICEWATERHOUSECOOPERS

To the Royal Ministry of Local Government and Regional Development

AUDITOR'S STATEMENT FOR 2003

We have audited the annual accounts of The Norwegian State Housing Bank as of 31 December 2003. We have also audited the information in the annual report on the accounts according to the going concern assumption. The annual accounts comprise accounts, balance sheet and notes to the accounts. The annual accounts and annual report are the responsibility of the Bank's Board of Directors and Managing Director. Our responsibility is to express an opinion on the annual accounts and on other information according to the requirements of The Audit and Auditors Act (Norway).

We conducted our audit in accordance with The Audit and Auditors Act (Norway), legislation relating to the Norwegian State Housing Bank, the Ministry of Local Government and Regional Development's instructions, and auditing standards and practices generally accepted in Norway. These standards and practices require that we plan and perform the audit to determine that the annual accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual accounts. An audit also includes assessing the accounting principles used and significant estimates, as well as evaluating the content and presentation of the annual accounts. To the extent required by law and auditing standards, an audit also comprises a review of the management of the company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the annual accounts have been prepared in accordance with law and regulations applicable to the Norwegian State Housing Bank
- the company's management has fulfilled its duty to properly register and document the accounting information as required by principles and practices generally accepted in Norway
- the information in the annual report and annual accounts concerning the going concern assumption is consistent with the annual accounts and complies with law and regulations.

With regard to the accounting principles that have been applied, we refer to further details of these in the annual report.

Oslo, 14 March 2003
PricewaterhouseCoopers DA

Øyvind Thorsby (sign.)
State Authorised Public Accountant (Norway)

Note: The translation to English has been prepared for information purposes only.

KEY FIGURES FROM BUSINESS AREAS

Grants from the Housing Bank	2003		2002	
	NOK m	Number	NOK m	Number
Total	5,621		7,153	
Grants for housing quality/urban renewal	72	707 projects	96	924 projects
Housing grants - first home and rental	592	2,841 homes	635	2,470 homes
Housing grants – adaptations	78	3,645 households	96	5,849 households
Start-up grants – care res. etc.	1,253	4,197 units	3,496	11,602 units
Comp. grants – care res. etc.	1,238	27,492 units	974	21,938 units
Education inst. – interest comp.	265	306 projects	34	100 projects
Grants for developing res. env.	36	149 projects	31	137 projects
Housing allowance	2,087	125,450 households	1,791	117,150 households

Payouts	2003		2002	
	NOK m		NOK m	
Loans	10,829		2,907	
Housing allowance	2,087		1,791	
Grants for housing quality/urban renewal	61		96	
Housing grants	599		778	
Start-up grants for care residences etc.	1,514		1,608	
Comp. grants – care residences etc.	1,180		975	
Education institutions – interest comp.	265		36	
Grants for developing res. env.	29		34	

Administration	2003		2002	
	NOK m	%	NOK m	%
Average interest rate, 31.12				
Borrowings		5.92		5.91
Loans paid out		5.93		5.90
Interest received	6,067		5,859	
Interest expenses	6,105		5,913	
Interest support	38		54	
Instalments received	12,646		6,618	
Total borrowings	100,705		102,522	
Outstanding loans	101,071		102,246	
Growth of loans	-1,175		6,343	
Payment obligations	14,603		13,831	

Defaults	2003		2002	
	NOK m	No./%	NOK m	No./%
Loss	20		12	
Loss as a % of outstanding loans		0.020		0.011
Non-performing loans		2,801		2,843
Non-performing loans	1,664		1,696	
Non-performing loans as a % of total borrowings		1.65		1.66
Demands for compulsory sale		860		1,063
Compulsory sales completed		148		124
Accord arrangements		585		455
Takeover of property, 31.12		21		17

Administration	2003		2002	
	NOK m	No./%	NOK m	No./%
Charges received	31		33	
Adm. expenses	274		259	
Adm. expenses as a % of outstanding loans		0.27		0.25
Average man-years		357		351
Operating expenses per man-year (NOK)	767,500		737,900	