



NORDIC INVESTMENT BANK

# Financial information January–August 2008

(unaudited)

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**Key figures***EUR million*

	<i>Aug 2008*</i>	<i>Aug 2007*</i>	<i>Dec 2007</i>
Net interest income	<b>136</b>	123	187
Core earnings**	<b>119</b>	107	161
Profit	<b>30</b>	80	69
Loans disbursed	<b>1,847</b>	1,598	2,390
Loan agreements	<b>1,636</b>	1,291	2,214
Loans outstanding	<b>13,381</b>	12,065	12,291
Guarantee commitments	<b>25</b>	25	25
New debt issues	<b>3,290</b>	2,528	4,288
Debts evidenced by certificates	<b>15,730</b>	14,313	15,023
Net liquidity	<b>3,617</b>	3,404	4,039
Total assets	<b>20,518</b>	18,912	19,973
Equity/total assets (%)	<b>9.9</b>	10.8	10.2
Profit/average equity (%)	<b>2.2</b>	5.8	3.3
Number of employees	<b>169</b>	157	158

\* Unaudited figures  
to be read in conjunction with NIB's audited financial statements for 2007 and the notes thereto

\*\* Core earnings consist of the profit before adjustments to hedge accounting, fair value adjustments made to the trading portfolio and credit losses and reversals of these.

## Comments

### NIB's financial figures January–August 2008

The first eight months of 2008 saw continued stress in the financial sector, which, if anything, intensified until recently. This has increased demand for NIB's loans and bonds. At the same time, NIB has also been affected by the fall in market values of financial assets.

NIB's operational results for January-August 2008 in terms of core earnings\* increased to EUR 119.3 million, compared to EUR 107.3 million during the same period last year. Nevertheless, due to fair value adjustments made to the treasury portfolio, NIB's profit decreased to EUR 30.5 million compared to EUR 79.8 million during the same period in the previous year. The malfunctioning of the financial markets has made it very difficult to get market prices for the valuations. The valuation changes are to a very large extent unrealised losses and the access of NIB to the market enables NIB to retain assets until maturity.

NIB's lending volumes grew significantly during the period. The disbursement of loans rose to EUR 1,847 million, compared to EUR 1,598 million during the same period in 2007. Loans agreed increased to EUR 1,636 million, compared to EUR 1,291 million during the same period last year. No credit losses were realised; however, provisioning for one loan was recorded during the period.

NIB's funding situation is good and the Bank has access to various international funding markets. The financial turmoil has resulted in lower funding costs for NIB and the Bank has been able to sustain its position as a solid name in the international financial markets. New debt issues rose to EUR 3,290 million, compared to EUR 2,528 million during the same period last year. Two global benchmark bonds of USD 1.25 billion and USD 1 billion, respectively, were issued during the first five months of 2008 at more favourable conditions compared to the benchmark issued last year.

Since the end of the reporting period, tensions in the financial markets have further increased. This has resulted in further fair value adjustments to NIB's financial assets. In the current circumstances, NIB also expects some impairment losses to materialise due to an exposure to Lehman Brothers. In addition, the economic situation in Iceland has worsened, which may also affect the Bank's results in the coming months. But all in all, NIB expects that operational results in terms of core earnings will be good whereas profits may be adversely affected due to financial market developments.

*Johnny Åkerholm*  
President and CEO

\* Core earnings consist of the profit before adjustments to hedge accounting, fair value adjustments made to the trading portfolio and credit losses and reversals of these.

## Income statement

EUR 1,000

	<i>Jan - Aug 2008*</i>	<i>Jan - Aug 2007*</i>	<i>Jan - Dec 2007</i>
Interest income	<b>638,953</b>	539,038	856,280
Interest expense	<b>-502,554</b>	-415,675	-669,155
<b>Net interest income</b>	<b>136,399</b>	<b>123,363</b>	<b>187,125</b>
Commission income and fees received	<b>5,378</b>	4,005	6,135
Commission expense and fees paid	<b>-1,878</b>	-1,730	-2,425
Net profit / loss on financial operations	<b>-84,210</b>	-24,933	-89,719
Foreign exchange gains and losses	<b>38</b>	-152	-361
<b>Operating income</b>	<b>55,726</b>	<b>100,552</b>	<b>100,755</b>
<b>Expenses</b>			
General administrative expenses	<b>19,515</b>	17,913	27,507
Depreciation	<b>2,877</b>	2,884	4,529
Credit loss / recovery	<b>2,850</b>		-
<b>Total expenses</b>	<b>25,241</b>	<b>20,797</b>	<b>32,036</b>
<b>PROFIT FOR THE PERIOD</b>	<b>30,485</b>	<b>79,754</b>	<b>68,719</b>

\* Unaudited figures  
to be read in conjunction with NIB's audited financial statements for 2007 and the notes thereto

## Balance sheet

EUR 1,000

	31 Aug 2008*	31 Aug 2007*	31 Dec 2007
<b>ASSETS</b>			
Cash and cash equivalents	3,929,746	3,920,081	4,493,285
Financial placements			
Placements with credit institutions	79,517	93,094	93,432
Debt securities	1,895,339	1,574,393	1,582,750
Other	13,558	7,420	7,043
	<b>1,988,414</b>	<b>1,674,907</b>	<b>1,683,225</b>
Loans outstanding	13,380,549	12,065,435	12,290,768
Intangible assets	6,594	6,836	6,740
Tangible assets, Property and equipment	35,652	37,151	36,767
Other assets			
Derivatives	732,922	776,264	1,049,725
Other assets	1,715	2,608	1,596
	<b>734,638</b>	<b>778,872</b>	<b>1,051,321</b>
Paid-in capital and payments to the Bank's reserves, receivable	36,474	42,713	42,713
Accrued interest and fees receivable	406,269	386,242	368,422
<b>TOTAL ASSETS</b>	<b>20,518,336</b>	<b>18,912,237</b>	<b>19,973,242</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Amounts owed to credit institutions			
Short-term amounts owed to credit institutions	303,619	268,809	454,498
Long-term amounts owed to credit institutions	77,723	91,723	91,674
	<b>381,341</b>	<b>360,533</b>	<b>546,172</b>
Repurchase agreements	9,127	247,610	-
Debts evidenced by certificates			
Debt securities issued	15,534,667	14,129,932	14,829,821
Other debt	195,623	182,658	192,979
	<b>15,730,290</b>	<b>14,312,589</b>	<b>15,022,800</b>
Other liabilities			
Derivatives	1,981,942	1,596,606	1,999,356
Other liabilities	6,754	5,813	4,496
	<b>1,988,696</b>	<b>1,602,420</b>	<b>2,003,852</b>
Accrued interest and fees payable	367,457	338,975	363,468
<b>Total liabilities</b>	<b>18,476,911</b>	<b>16,862,127</b>	<b>17,936,292</b>
<b>Equity</b>			
Authorised and subscribed capital	4,141,903		
of which callable capital	-3,723,301		
Paid-in capital	418,602	418,602	418,602
Reserve funds			
Statutory Reserve	651,851	645,612	645,612
General Credit Risk Fund	622,131	622,131	622,131
Special Credit Risk Fund PIL	281,919	238,200	238,200
Payments to the Bank's reserves, receivable	36,474	42,713	42,713
Other value adjustments	-37	3,099	973
Appropriation to dividend payment	-	-	-
Profit for the period	30,485	79,754	68,719
<b>Total equity</b>	<b>2,041,424</b>	<b>2,050,110</b>	<b>2,036,950</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>20,518,336</b>	<b>18,912,237</b>	<b>19,973,242</b>
Guarantee commitments	25,000	25,000	25,000

\* Unaudited figures

to be read in conjunction with NIB's audited financial statements for 2007 and the notes thereto

## Changes in equity\*

EUR 1,000

	Paid-in capital	Statutory Reserve	General Credit Risk Fund	Special Credit Risk Fund PIL	Fund, HIPC Programme	Payments to the Bank's Statutory Reserve and Credit Risk funds	Appropriation to dividend payment	Other value adjustments	Profit for the period	Total
<b>Equity at 31 December 2006</b>	<b>418,602</b>	<b>644,983</b>	<b>534,662</b>	<b>238,200</b>	<b>629</b>	<b>42,713</b>	<b>0</b>	<b>3,592</b>	<b>137,469</b>	<b>2,020,850</b>
Appropriations between reserve funds		629	87,469		-629		50,000		-137,469	0
Paid-in capital	4,780									4,780
Called in authorised and subscribed capital	-4,780									-4,780
Payments to the Bank's Statutory Reserve and credit risk funds, receivable										0
Dividend payment							-50,000			-50,000
Profit for the period 1/1-31/8/2007									79,754	79,754
Available-for-sale portfolio 1/1-31/8/2007								826		826
Cash flow hedge accounting 1/1-31/8/2007								-1,319		-1,319
Total income and expense for the period 1/1-31/8/2007	0	0	0	0	0	0	0	-493	79,754	79,261
<b>Equity at 31 August 2007</b>	<b>418,602</b>	<b>645,612</b>	<b>622,131</b>	<b>238,200</b>	<b>0</b>	<b>42,713</b>	<b>0</b>	<b>3,099</b>	<b>79,754</b>	<b>2,050,110</b>
Profit for the period 1/9-31/12/2007									-11,035	-11,035
Available-for-sale portfolio 1/9-31/12/2007								-1,849		-1,849
Cash flow hedge accounting 1/9-31/12/2007								-276		-276
Total income and expense for the period 1/9-31/12/2007	0	0	0	0	0	0	0	-2,125	-11,035	-13,161
<b>Equity at 31 December 2007</b>	<b>418,602</b>	<b>645,612</b>	<b>622,131</b>	<b>238,200</b>	<b>0</b>	<b>42,713</b>	<b>0</b>	<b>973</b>	<b>68,719</b>	<b>2,036,950</b>
Appropriations between reserve funds				43,719			25,000		-68,719	0
Paid-in capital										0
Called in authorised and subscribed capital										0
Payments to the Bank's Statutory Reserve and credit risk funds, receivable		6,239				-6,239				0
Dividend payment							-25,000			-25,000
Profit for the period 1/1-31/8/2008									30,485	30,485
Available-for-sale portfolio 1/1-31/8/2008								590		590
Cash flow hedge accounting 1/1-31/8/2008								-1,601		-1,601
Total income and expense for the period 1/1-31/8/2008	0	0	0	0	0	0	0	-1,011	30,485	29,474
<b>Equity at 31 August 2008</b>	<b>418,602</b>	<b>651,851</b>	<b>622,131</b>	<b>281,919</b>	<b>0</b>	<b>36,474</b>	<b>0</b>	<b>-38</b>	<b>30,485</b>	<b>2,041,424</b>

\* Only the year-end figures are audited to be read in conjunction with NIB's audited financial statements for 2007 and the notes thereto

## Cash flow statement

EUR 1,000

	Jan - Aug 2008*	Jan - Aug 2007*	Jan - Dec 2007
<b>Cash flows from operating activities</b>			
<b>Profit from operating activities</b>	<b>30,485</b>	<b>79,754</b>	<b>68,719</b>
<b>Adjustments:</b>			
Amortisation of issuing charges	6,900	6,634	10,840
Market value adjustment, trading portfolio	1,977	4,831	7,381
Depreciation and write-down in value of tangible and intangible assets	2,877	2,884	4,529
Change in accrued interest and fees (assets)	-37,847	-54,246	-36,427
Change in accrued interest and fees (liabilities)	3,989	32,996	57,489
Credit loss/recovery	2,850	-	-
Adjustment to hedge accounting	-7,559	-7,343	10,319
Other adjustments to the year's profit	-22	-24	-35
<b>Adjustments, total</b>	<b>-26,834</b>	<b>-14,267</b>	<b>54,097</b>
<b>Lending</b>			
Disbursements of loans	-1,846,897	-1,597,693	-2,390,392
Repayments of loans	765,858	897,340	1,281,546
Capitalisations, redenominations, index adjustments etc.	-1,164	-17	-338
Exchange rate adjustments	-6,209	145,894	331,656
<b>Lending, total</b>	<b>-1,088,412</b>	<b>-554,476</b>	<b>-777,527</b>
<b>Cash flows from operating activities, total</b>	<b>-1,084,761</b>	<b>-488,990</b>	<b>-654,711</b>
<b>Cash flows from investing activities</b>			
<b>Placements and debt securities</b>			
Purchase of debt securities	-972,727	-417,743	-458,493
Sold and matured debt securities	660,000	255,238	285,238
Placements with credit institutions	13,915	-1,672	-2,010
Other financial placements	-5,925	541	-931
Exchange rate adjustments etc.	266	-78	-3
<b>Placements and debt securities, total</b>	<b>-304,470</b>	<b>-163,714</b>	<b>-176,200</b>
<b>Other items</b>			
Acquisition of intangible assets	-1,115	-1,067	-1,799
Acquisition of tangible assets	-501	-2,829	-3,262
Change in other assets	-830	9,166	9,948
<b>Other items, total</b>	<b>-2,445</b>	<b>5,270</b>	<b>4,886</b>
<b>Cash flows from investing activities, total</b>	<b>-306,916</b>	<b>-158,444</b>	<b>-171,314</b>
<b>Cash flows from financing activities</b>			
<b>Debts evidenced by certificates</b>			
Issues of new debt **	3,289,445	2,523,508	4,278,931
Redemptions	-2,030,580	-1,347,585	-1,958,157
Exchange rate adjustments	-313,852	-301,397	-1,063,724
<b>Debts evidenced by certificates, total</b>	<b>945,013</b>	<b>874,526</b>	<b>1,257,050</b>
<b>Other items</b>			
Placements from credit institutions	-13,951	1,461	1,412
Change in swap receivables	108,858	-102,131	-222,019
Change in swap payables	-53,527	97,297	649,743
Change in other liabilities	2,258	1,482	165
Dividend paid	-25,000	-50,000	-50,000
Paid-in capital and reserves	6,239	4,780	4,780
Used fund, HIPC Programme	-	-	-
<b>Other items, total</b>	<b>24,877</b>	<b>-47,111</b>	<b>384,081</b>
<b>Cash flows from financing activities, total</b>	<b>969,890</b>	<b>827,415</b>	<b>1,641,131</b>
<b>CHANGE IN NET LIQUIDITY</b>	<b>-421,787</b>	<b>179,980</b>	<b>815,106</b>
<b>Opening balance for net liquidity</b>	<b>4,038,787</b>	<b>3,223,681</b>	<b>3,223,681</b>
<b>Closing balance for net liquidity</b>	<b>3,617,000</b>	<b>3,403,661</b>	<b>4,038,787</b>
<b>Additional information to the statement of cash flows</b>			
<b>Interest income received</b>	<b>676,799</b>	<b>593,285</b>	<b>892,707</b>
<b>Interest expense paid</b>	<b>-498,565</b>	<b>-382,679</b>	<b>-611,666</b>

The cash flow statement has been prepared using the indirect method and the items of cash flows cannot be directly concluded from the balance sheets.

\* Unaudited figures

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\*\* Including issuing charges

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