Nordic Investment Bank

ANNUAL REPORT 2006

Annual Report 2006

Nordic expert financing

This is NIB

Lending

The Nordic Investment Bank is the common financial institution of the Nordic and Baltic countries with headquarters in Helsinki. During its 30 years of operations NIB has financed over 1,800 investment projects around the world, thereby contributing to business cooperation, investing activity and exports. **www.nib.int**

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1976 Operations begin in August, after Denmark, Finland, Iceland, Norway and Sweden decided in 1975 to set up the Nordic Investment Bank.

1977 Lending operations start when NIB signs its first loan agreement. As regards borrowing, NIB is introduced on the international capital market with a eurodollar loan of USD 40 million.

1982 NIB is awarded top credit rating AAA/Aaa for its long-term bonds.

1983 NIB agrees on its first project investment loan outside the membership area.

Financial operations

Financial report

Organisation

- **Member countries**
- **Lending**

NIB's member countries are Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway and Sweden. NIB grants long-term loans to projects both within and outside the member countries. The map shows the member countries and the countries where NIB had lending activities at year-end 2006.

1992 NIB participates in the Baltic Investment Programme, set up by the Nordic countries with the aim of helping to build up the private sector in the Baltic countries.

1994 Project investment loans outside the member countries paid to the private sector for the first time.

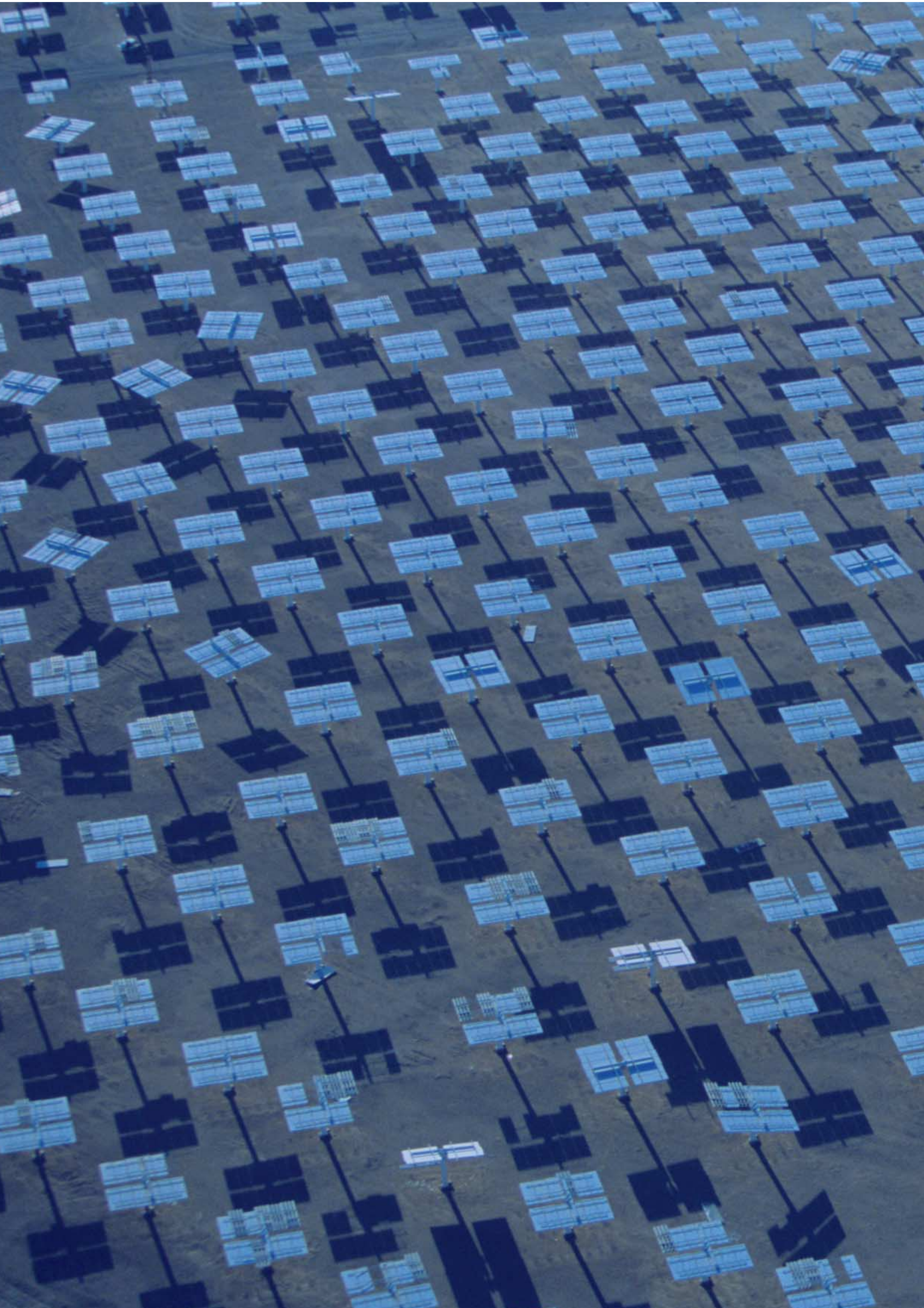
1996 NIB subscribes shares in the three Baltic investment banks.

1997 New loan facility established for environmental investment loans to projects in the areas adjacent to the member countries.

2001 NIB joins the Northern Dimension Environmental Partnership, NDEP.

2005 Estonia, Latvia and Lithuania become members of NIB.

2006 The authorised capital is at the end of the year about 10 times the capital in 1976 and the Bank has 160 employees.



International financial institution promoting sustainable growth

NIB in brief

Mission

The Nordic Investment Bank (NIB) promotes sustainable growth of its member countries by providing long-term complementary financing, based on sound banking principles, to projects that strengthen competitiveness and enhance the environment.

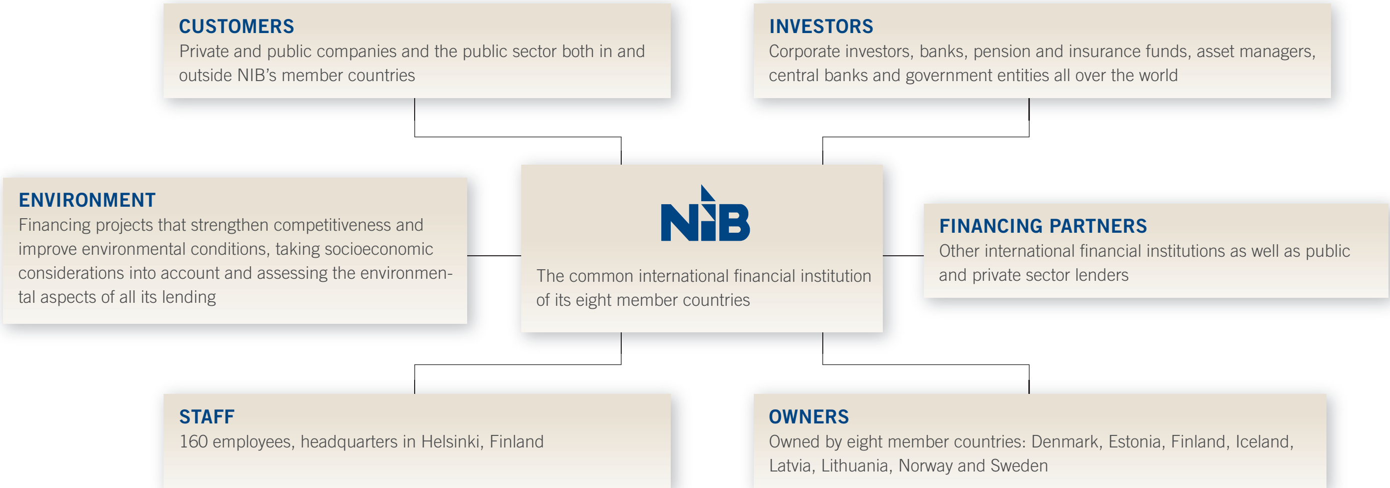
Strategy

NIB promotes competitiveness and supports the environment by providing financing in the form of loans and guarantees for activities in which NIB can add value and complement other financing sources. Moreover, the Bank continues to assess the environmental aspects of all its financing. NIB remains flexible in terms of supporting different areas of the economy but puts particular emphasis on projects involving:

- investments in infrastructure;
- investments improving the environment;
- large investments by the corporate sector; and
- small and medium-sized enterprises, targeted in cooperation with financial intermediaries.

While maintaining focus on activities in the member countries, the Bank aims at continued expansion of activities in the neighbouring areas and in other countries where a mutual interest is identified. NIB carries out this strategy by proactively applying the Bank's relative strengths:

- NIB's status as an international financial institution, which facilitates the financing of cross-border activities and strengthens the possibilities to manage risks;
- the highest possible credit rating, which emanates from high asset quality, a strong balance sheet and ownership, and enables a stable supply of long-term financing;
- NIB's experience in complex financing structures in cooperation with other international financial institutions and public and private sector lenders; and
- the Bank's professional and highly motivated staff.



NIB's activities

NIB offers long-term loans and guarantees on competitive market terms to its clients in the private and public sector. The Bank was established in the mid-1970s by the five Nordic countries: Denmark, Finland, Iceland, Norway and Sweden. In 2005, Estonia, Latvia and Lithuania became members of the Bank. NIB is a multilateral financial institution that operates in accordance with commercially sound banking principles. The Bank's operations are governed by an international agreement among the member countries and related statutes.

NIB finances projects both in and outside the member countries. Loans are granted for up to half the project's total cost.

In the member countries, NIB finances: projects in the manufacturing industry; infrastructure development; investments in energy, transport, telecommunications, water supply and waste management; cross-border mergers and corporate acquisitions; research and development; foreign investments into the member countries; and onlending to small and medium-sized enterprises. NIB gives high priority to projects that improve the environment in the member countries and the areas adjacent to them.

Outside the membership area, NIB grants loans for projects of mutual interest to the country of the borrower and the member countries. High priority is given to projects involving environmental improvements. NIB has loans outstanding in approximately 30 emerging markets in Africa and the Middle East, Asia, Central and Eastern Europe, and Latin America. The Baltic Sea and Barents Sea regions are areas of priority in the operations of the Bank.

NIB acquires the funds for its lending by borrowing on the international capital markets. NIB's bonds enjoy the highest possible credit rating, AAA/Aaa, with the leading rating agencies Standard & Poor's and Moody's.

Key figures

(In EUR million)

	2006	2005
Net interest income	179	169
Core earnings	154	150
Profit	137	165
Loans disbursed	1,605	2,092
Loan agreements	1,575	2,616
Loans outstanding	11,534	11,717
Guarantee commitments	25	25
New debt issues	2,689	2,059
Debts evidenced by certificates	13,622	14,456
Net liquidity	3,224	3,101
Total assets	17,988	18,178
Equity/total assets (%)	11.2	10.7
Profit/average equity (%)	6.9	8.9
Number of employees	160	150

NIB in 2006

- revised strategic targets
- increased focus on energy, transport and environment
- strengthening of credit risk assessment
- loans outstanding in 36 countries
- borrowings outstanding in 20 different currencies
- EUR 50 million in dividends to the member countries

Fig. 1

LOANS OUTSTANDING AND GUARANTEES IN MEMBER COUNTRIES

Geographical distribution as of 31 Dec 2006

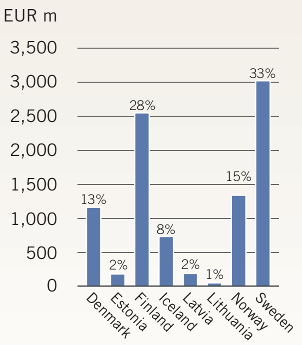


Fig. 2

LOANS OUTSTANDING AND GUARANTEES IN NON-MEMBER COUNTRIES

Geographical distribution as of 31 Dec 2006

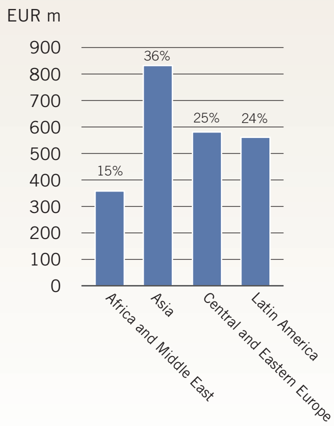
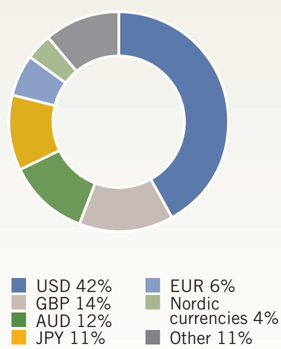


Fig. 3

BORROWINGS OUTSTANDING

Currency distribution as of 31 Dec 2006



The total amount of the percentage shares may differ from 100% due to rounding.

Five-year comparison

(Amounts in EUR million)

	2006	2005	2004	2003	2002
PROFIT AND LOSS ACCOUNT					
Net interest income	179	169	163	155	150
Commission income and expense etc.	7	9	8	6	7
General administrative expenses, depreciation and write-downs	-32	-28	-24	-22	-22
Core earnings [1]	**154**	**150**	**147**	**139**	**135**
Adjustments to fair value in trading portfolio	-10	11	20	3	10
Credit loss / recovery	-	-	4	-	-3
Adjustment to hedge accounting	-7	5	2	8	-
Profit for the year	**137**	**165**	**172**	**151**	**142**
BALANCE SHEET					
Assets					
Cash and cash equivalents, placements and debt securities	5,268	4,984	4,546	4,384	4,304
Loans outstanding	11,534	11,717	10,279	10,522	10,110
Intangible and tangible assets	43	42	42	37	36
Accrued interest and other assets	1,143	1,435	1,495	1,723	1,498
Total assets	**17,988**	**18,178**	**16,363**	**16,666**	**15,948**
Liabilities and equity					
Amounts owed to credit institutions and repurchase agreements	620	568	417	367	381
Debts evidenced by certificates	13,622	14,456	12,355	13,087	13,150
Accrued interest and other liabilities	1,726	1,209	1,811	1,563	877
Paid-in capital	419	419	404	404	404
Statutory Reserve	645	645	645	645	554
Credit risk funds	773	667	550	440	429
Payments to the Bank's Statutory Reserve and credit risk funds, receivable	43	43	-	-	-
Other value adjustments	4	7	9	10	11
Profit for the year	137	165	172	151	142
Total liabilites and equity	**17,988**	**18,178**	**16,363**	**16,666**	**15,948**
ACTIVITIES					
Disbursements of loans					
Member countries [2]	991	1,574	1,033	1,277	1,268
Other countries	614	518	315	564	380
Total disbursements of loans	**1,605**	**2,092**	**1,348**	**1,841**	**1,648**
Guarantees issued					
Member countries [2]	-	-	-	-	-
Other countries	-	-	-	-	-
Total guarantees issued	**-**	**-**	**-**	**-**	**-**
Loans outstanding at year-end					
Member countries [2]	9,206	9,501	8,192	8,350	7,975
Other countries	2,328	2,216	2,087	2,172	2,135
Total loans outstanding	**11,534**	**11,717**	**10,279**	**10,522**	**10,110**
Guarantee commitments at year-end					
Member country guarantees [2]	25	25	25	29	32
Other country guarantees	-	-	-	-	-
Total guarantee commitments	**25**	**25**	**25**	**29**	**32**
New debt issues (including capitalisations)	2,689	2,059	1,808	3,258	3,320
Number of staff at year-end	160	150	147	147	144

1) 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.

2) Estonia, Latvia and Lithuania became members of the Bank on 1 January 2005. As from that date, they are included in the figures for the member countries.

Fig. 4
NET INTEREST INCOME

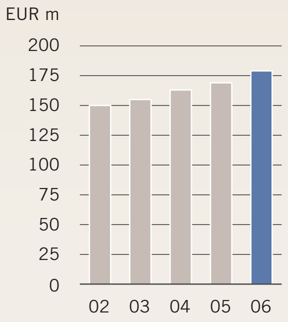


Fig. 5
PROFIT

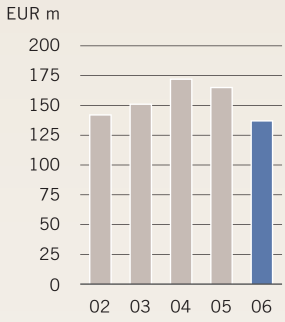


Fig. 6
CORE EARNINGS [1)]

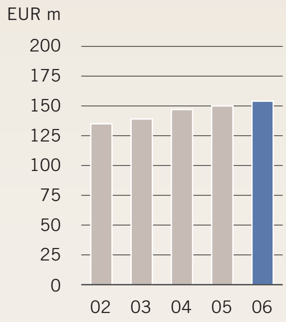


Fig. 7
TOTAL ASSETS

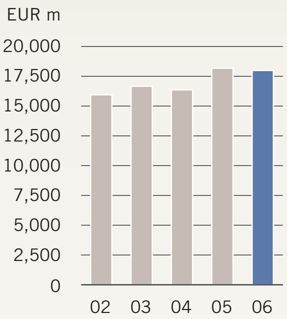


Fig. 8
LOANS OUTSTANDING AND GUARANTEES

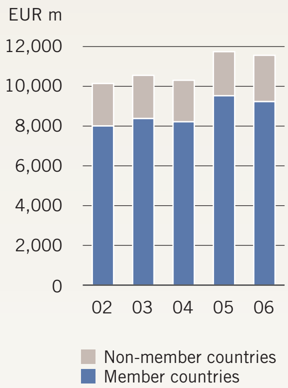


Fig. 9
BORROWINGS OUTSTANDING

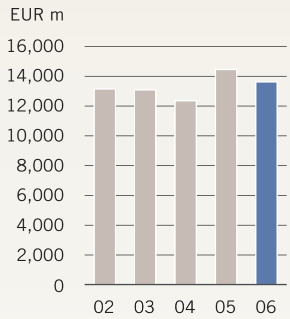


Fig. 10
LOANS AND GUARANTEES MEMBER COUNTRIES

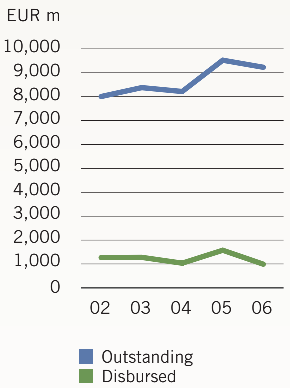


Fig. 11
LOANS AND GUARANTEES NON-MEMBER COUNTRIES

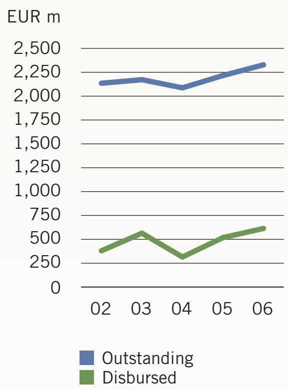
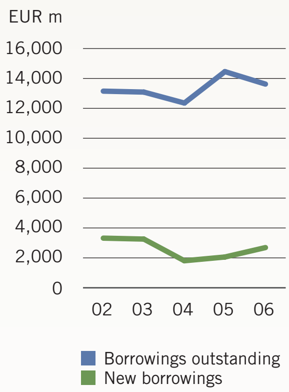


Fig. 12
BORROWINGS



[1)] 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.

President's statement

Complementary financing for competitiveness and the environment

The extraordinary developments in the financial markets during the last few years reflect both temporary and permanent factors. High liquidity has supported lending and the development of asset prices, and as a result of the concomitant growth, failures and credit losses have fallen dramatically. This has increased risk-taking globally, and many borrowers have been able to obtain financing on terms which were considered unthinkable only a few years ago. It is, however, not to be expected that high liquidity in the world economy will be a permanent phenomenon.

The favourable developments in the world economy are also due to the positive effects of globalisation. Increased competition and the rapid transmission of technological advances have in many sectors prevented high liquidity from being transplanted into higher costs and consumer prices. Hence, purchasing power has increased and confidence has remained high. This provides for a positive structural change, which can continue to support the global economy barring any marked protectionist measures arising from the existing global imbalances.

In these benign circumstances, the private financial sector has extended maturities and reduced margins, and demand for NIB's complementary financing has been less intense in many markets. This has provided us at NIB with an opportunity and a reason to assess how we best can service our owners and customers under more normal circumstances in which liquidity is less abundant, but the positive globalisation process is continuing.

We have concluded that NIB's complementary financing will serve our stakeholders best if it is geared to support competitiveness and the environment, two targets which are increasingly important as a result of the present global trends. In doing so, our contribution will have to rely on NIB's relative strengths. These emanate from our strong credit rating and our position as a multilateral financial institution, which allow us to extend longer maturities and to act in regions which might be deemed risky for the private financial sector. Also, the Bank has acquired extensive experience in structuring complex projects involving a variety of participants. And, of course, the Bank has a relative advantage in cross-border activities.

Against this background, we are well-placed to serve the development of the Baltic Sea region in dealing with some of the present challenges. Investments in infrastructure will continue to loom large in the coming years, and in particular the energy and transport sectors pose challenges. The energy deficit will continue to increase unless new measures are introduced. Much can be gained by regional cooperation in this field, and we can identify a special role for NIB when it comes to financing investments in the generation, distribution and conservation of energy. The latter is an increasingly important area, and the Baltic Sea region is developing know-how and techniques which also find outlets in global markets. Experience shows that penetration of these markets frequently requires long-term financial packages.

Well-functioning internal logistics are crucial for the development of the Baltic Sea region as an economic entity, something which would increase the attractiveness of the area as a whole. But the transport system functions as well or badly as its weakest part. Hence, cooperation is necessary, and the efforts to foster this under the auspices of the Northern Dimension will hopefully bear fruit. NIB is committed to participate in this activity.

Regional cooperation on the environmental front has been highly successful in terms of results, but more remains to be done. The reduction of emissions and the introduction of new environmental techniques do not recognise any national borders, and comprise a long-term project requiring long-term financial engagements. This activity will, therefore, continue to figure high on our agenda, and it is an area where the region can also make a global contribution.

These are areas which are particularly well-suited for the employment of our strengths. But we will also continue to have a role to play when it comes to the financing of large investments and international activity by the corporate sector and to providing finance to SMEs. The latter must, however, continue to take place with the help of regional banks; NIB does not have and cannot develop the human resources needed to work directly with these companies. But we will increase our efforts to strengthen NIB's brand in these activities and to ensure that our targets are reached.

The financing of innovations is another activity which we will have to consider. The introduction of innovations is an essential part of the competitiveness of highly developed economies. While an increasing amount of private finance is available to this sector, financing is still an issue. But this is an extremely risky activity, and we have to look for ways to participate in this activity using our existing knowledge and expertise.

I am convinced that this will be successful and that we will be able to gear our activities increasingly toward enhancing our contribution to the support of competitiveness and the environment. This is all the more so, since NIB has a competent, committed and highly motivated staff. I wish to thank them for the past year and invite them and our customers, both present and future, to meet the future challenges.

Helsinki, March 2007

Johnny Åkerholm
President and CEO

Economic development in member countries

Growth will be driven by private consumption

The world economy in 2006 continued to expand at a rate above the long-term trends. The prospects for 2007 suggest a slowdown both in the US and in the euro area. After years of stable and high economic growth in Asia, especially in China, the economies of the newly industrialised Asian countries have become important drivers of the world economy. The large current account deficit in the US is still a concern. It is primarily financed by Asian investors, mainly China, which makes the global balance vulnerable to policy changes in the Asian countries. Also, the imbalances in the world economy pose a threat to the free flow of goods and services, in particular if growth in the world economy markedly slows down. However, it is generally expected that the policy measures taken by the US Federal Reserve and the European Central Bank, as well as other major economies, will foster a "soft landing" and gradual rebalancing of the world economy.

The Nordic-Baltic region has been faring well in these circumstances. While there are country-specific differences, there are also common reasons for this. All these countries are open, committed to law and order and pursue a stability-oriented policy, which are all factors conducive to long-term investments. The Baltic countries have benefited from EU membership, which has helped to rapidly introduce a market economy and to support the inflow of foreign capital. The Nordic countries all fare well in comparisons of international competitiveness, which is the result of i.a. a long-term commitment to good education and to research and development. The latter has supported the growth of high-tech activities in particular in Sweden and Finland, while Norway and Iceland have also benefited from vast energy resources. The economies in the region have experienced a rapid integration reflected in both trade and investment flows. Nevertheless, the region as a whole will have much to gain from further integration, as it will help to strengthen the region and increase its attractiveness in the global economy.

In 2006, economic growth in the Nordic-Baltic region stayed above the average growth in both the euro area and in the OECD area as a whole. This is expected to continue and GDP growth in the member countries is expected to be at an average of slightly above 3% in 2007; a somewhat lower growth level is estimated for 2008. Economic growth in the Nordic and Baltic countries will continue to be driven by a significant growth in private consumption. This is supported by high liquidity and an increase in real wages in the Baltic countries as well as tax reductions in the Nordic countries.

The investment prospects for NIB's member countries are supported by high liquidity in the financial markets. Especially in the Baltic countries interest margins have fallen significantly, while rates in the Nordic countries seem to be better aligned to the underlying risks.

Fig. 13
GROSS DOMESTIC PRODUCT
Annual changes

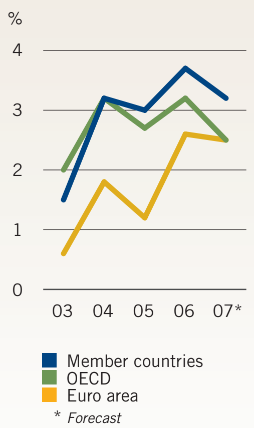


Fig. 14
GROSS FIXED CAPITAL FORMATION
Annual changes

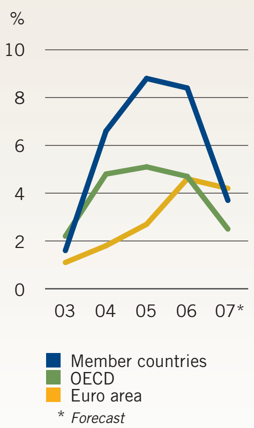
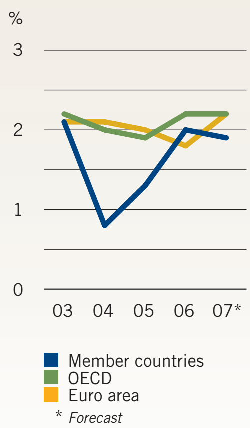


Fig. 15
INFLATION
Annual changes



The situation in Denmark, Finland, and Sweden generally tracks the development in the region. Finland registered the highest growth of the three countries in 2006, but for 2007 and 2008 the ranking is expected to be reversed with Sweden at the top. Denmark is expected to reach a GDP growth of 2.3% in 2007, while economic growth in Finland and Sweden is estimated at 3% and 3.3% respectively. The public sectors in these countries have a solid position, and the current accounts are in surplus. Inflation measured in terms of consumer price increases is low, but interest rates are on the way up as the central banks attempt to prevent soaring asset and energy prices from being shifted into the wage-price process.

Norway and Iceland are in a somewhat different situation. Norwegian economic policy is largely shaped by efforts to manage the inflow of oil revenues. Norway's economic growth was above trend for the third consecutive year. Low interest rate levels and high personal income growth have supported an increase in private consumption. Growth in offshore investments has been strong. Mainland GDP is expected to increase by close to 3% in 2007, while total GDP growth is estimated at 3.6%. Norway's inflation is expected to remain at a low level of around 2–2.5% per year. The country's strong current account surplus will remain. Iceland's economic development in 2006 was characterised by a rising current account deficit, increased inflation, and fluctuations in the exchange rate. GDP growth for 2006 is estimated at 2.5% and GDP growth in 2007 is expected to stay at 1%. The large fixed investments in Iceland in the last few years have come to an end, and since no additional large investment projects are in the pipeline, investment activity is expected to decline. The inflation in Iceland rose to about 7% in 2006, but the gradual cooling down of the economy is expected to ease inflationary pressures to below 4% in 2007.

In the Baltic countries, GDP growth rates continue to be high. Capital inflows also continue to be high, reflecting the build-up of foreign direct investment in these economies. However, the foreign direct investment volumes are expected to gradually decrease. The large capital inflows have partly financed the current account deficits in all the Baltic countries, but external indebtedness has also rapidly increased in the last decade. All three Baltic countries have expressed the aim to join the euro area. While all three countries easily meet the requirements for joining in terms of public debt, government deficit, and exchange rate stability, inflation has accelerated and will rise in Latvia and Lithuania to almost 5% in 2007, while Estonian inflation is expected to remain at 4.5%. The high inflation rates have postponed the countries' possibilities for joining the euro area.

Estonia's GDP growth, driven primarily by private consumption and investments, is expected to be at 11.5% in 2006 and at 9% in 2007, indicating that the Estonian economy is gradually returning to a more sustainable path. Latvia's economic growth rates of more than 10% per year for 2005 and 2006 are not sustainable in a medium- to long-term perspective and forecasts indicate a gradual slowdown to 7% in 2007. The main drivers of Latvian growth are domestic demand, led by private consumption and investments. Lithuania is showing more moderate economic growth than the two other Baltic countries. GDP growth is estimated to slow down to 7% in 2007, from close to 8% in 2006. An even lower growth rate of 6.5% is expected for 2008. The current account balance in all the three Baltic countries is expected to remain in deficit for 2007 and 2008; in Latvia at the very high level of -20% of GDP and at somewhat lower ratios of -10% to -12% in Lithuania and Estonia.

The Baltic countries are working towards a balance in their economies that will match the rest of the EU's member states. All in all, barring any unforeseen events in the world economy, all the countries in the Nordic-Baltic region will continue to enjoy healthy growth.

The region will gain from further integration

Statistics and forecasts presented here are primarily based on material available from central statistical offices, ministries of finance and economy as well as central banks in the member countries. Other sources used are OECD-Paris and the IMF.

Long-term lending

competence in complex structures

Long-term loans

NIB's lending in 2006 was mainly focused on energy and water, manufacturing, and transport and communications. The situation on the global market reflected better access to liquidity and increasing competition in the financial sector. At the same time, the Bank's long-term financing proved in demand both in Northern Europe and in other growth regions.

Focal points 2006

- focus on energy, manufacturing and transport
- loans for health care infrastructure projects in the Baltic countries
- new lending curbed by high liquidity on global markets
- NIB competitive on key growth markets

NIB provides long-term supplementary financing to its customers in the public and private sectors in and outside the member countries. The Bank's status as a multilateral financial institution allows NIB to finance cross-border projects. Following the objectives set out in the Bank's operational strategy, loans agreed during the year are aimed at providing added value to beneficiary projects by strengthening the borrowers' competitiveness and supporting the use of environmental technologies. The strategy's pivotal objective is to secure the stability of NIB's operations in ever-changing conditions on the market.

The total amount of new loans agreed between NIB and its customers (referred to as loans agreed and new lending further in the text) during the year was EUR 1,575 million. Due to ample liquidity on global financial markets, the amount of new lending was lower compared to the previous year, when new lending was at an all-time high in NIB's 30-year history. See also Figure 16 for more details on the dynamics of the Bank's new lending. New loan agreements were signed for projects in nineteen countries in 2006. The member countries remained the largest markets for NIB's lending. In the membership area, the Bank's lending in Latvia and Estonia showed substantial growth. Among the non-member countries, the largest borrower markets were Russia, Brazil and Vietnam. Loan disbursements, totalling EUR 1,605 million, showed positive dynamics in non-member countries, where it increased by 18%. Non-member countries accounted for nearly half of loan disbursements during the year. The pace of lending activity picked up towards the end of the year.

The Bank's portfolio of loans outstanding and guarantee commitments, and loans agreed but not yet disbursed remained stable. The amount of loans outstanding and guarantee commitments totalled EUR 11,559 million by 31 December 2006.

During the year, NIB supported and participated in a number of international discussion forums. These events focused on new developments and trends in key areas for competitiveness, such as energy, the environment, and banking and finance. In the coming years, the Bank is set to focus its lending more on project-structured and environmental financing and raise the share of non-member countries in new lending.

Fig. 16
LOANS AGREED

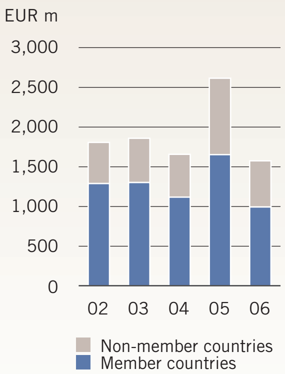


Fig. 17
LOANS OUTSTANDING AND GUARANTEES

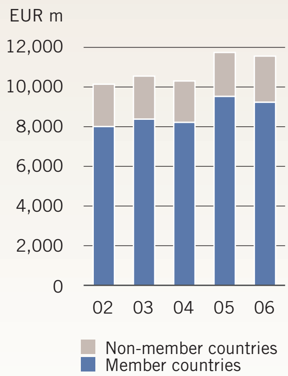
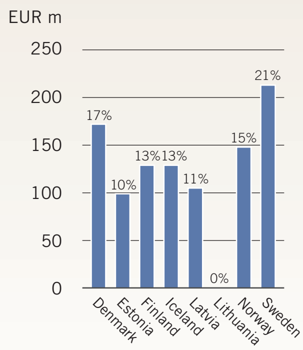


Fig. 18
LOANS AGREED IN MEMBER COUNTRIES
Geographical distribution 2006



Lending in member countries

In the member countries, the focus of NIB's long-term lending is on infrastructure projects, including social infrastructure projects in the Baltic area, and environmental projects. NIB enhances the access to long-term capital for small and medium-sized enterprises by lending to financial intermediaries in the member countries.

The climate on the global market in 2006 mainly reflected better access to liquidity for the Bank's clients and a continuing downward trend on margins in the member countries. Despite the increased activity towards the end of the year, the amount of loans agreed in the member countries, totalling EUR 994 million, reached only about 60% of the level achieved one year earlier.

Out of the 41 loans agreed with customers in the member countries, 16 went to new clients—companies and financial intermediaries with which the Bank had no outstanding commitments at the beginning of the year. This accounts for about one third of the value of all loans agreed in the member countries during the year. NIB issued no new guarantees in 2006.

The amount of loans outstanding in the member countries totalled EUR 9,206 million by year-end. Loans agreed but not yet disbursed totalled EUR 403 million. The quality of the stock of loans outstanding in the Bank's member countries continues to be very good.

Sectors

The breakdown into sectors of the loans agreed during the year (see also Figure 19) shows that the energy and water sector accounted for over one fifth of new lending in the member countries. As a fundamental component of economic infrastructure, the energy and water sector is a priority area for the Bank. Half of the total loan amount was provided for transmission and power plant investments in Iceland. Other energy investments were financed in Norway, Sweden and Denmark.

In the manufacturing industry, the largest recipients of NIB loans were producers of pulp and paper; the loans were primarily for environmental investments in Finland and Sweden, and food processing enterprises in Denmark and Finland.

Following the growing importance of transport and communications in Northern Europe, the value of the Bank's commitments in this economic area of the member countries increased by 28% compared to the previous year. NIB signed new loan agreements for projects in transport and communication infrastructure development. Most of NIB's financing for this sector in the member countries went to projects in water transport in Denmark and Latvia, including the development of harbour infrastructure and the expansion of fleets. NIB also financed two land transport projects in Estonia.

A substantial share of new lending in the member countries was placed in the banking and finance sector. A larger part of the loans in this sector was provided for onlending to projects of small and medium-sized enterprises through NIB's partner intermedi-

Case: PPP road project in Norway

A four-lane, 38-kilometre highway between Grimstad and Kristiansand in the southern region of Norway will provide easier access to the rest of Europe. This stretch is part of the E-18 "Nordic Link" road project and an essential element in the national strategy for strengthening the competitive transport corridor between Norway and the continent. The highway passes through six counties with a total population of 1.7 million.

For NIB, financing Public Private Partnership projects in infrastructure development is an essential part of the Bank's strategy. NIB provided loans to all three PPP road projects carried out in Norway, which were under construction in 2003–2006. The Bank is set to increase its financing of public infrastructure investments carried out under the PPP model, in which the private sector carries out the design, finance, construction, maintenance and operation of the infrastructure asset or service.

Fig. 19

LOANS AGREED IN MEMBER COUNTRIES

Sectoral distribution 2006

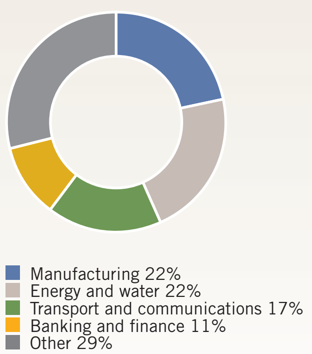


Fig. 20

LOANS OUTSTANDING AND GUARANTEES IN MEMBER COUNTRIES

Geographical distribution as of 31 Dec 2006

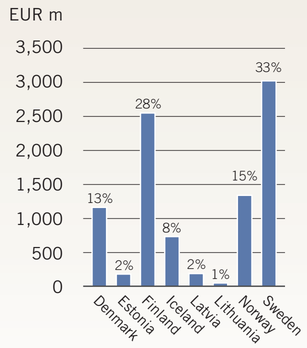
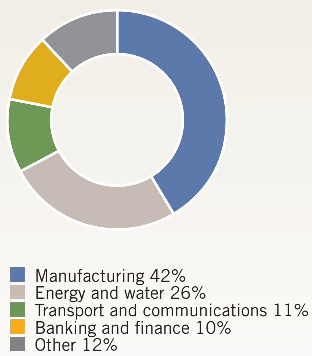


Fig. 21

LOANS OUTSTANDING AND GUARANTEES IN MEMBER COUNTRIES

Sectoral distribution as of 31 Dec 2006



The total amount of the percentage shares may differ from 100% due to rounding.

Case: Financing opportunities for SMEs

Interest in the wind business is on the rise in many European countries. Agrowind ApS, in the town of Skjern in Denmark, is a start-up consultancy offering professional advice to those who wish to invest in windmill parks. The company looks for wind business opportunities in the entire north European region, including the Nordic and Baltic countries, Poland, northern Germany and even France and the UK. Agrowind has received financial backing from Skjern Bank, one of NIB's financial intermediaries in western Jutland in Denmark.

In cooperation with intermediary banks, NIB is active in financing projects of small and medium-sized enterprises (SMEs) in all its member countries and in many countries outside the membership area. In Denmark alone, the Bank entered into new loan agreements with five local intermediaries in 2006. Loans are granted for SME projects that are in line with NIB's eligibility criteria, primarily focusing on energy and the environment, including investments in the farming sector, and cross-border transactions.

ary banks in Denmark, Latvia, Sweden and Iceland. NIB had loans outstanding with 49 intermediaries in the member countries at the end of the year.

For the first time, the Bank provided loans that address the needs of the health care sector of the Baltic countries. NIB supports the modernisation of the social infrastructure necessary for further sustainable and balanced economic development in this region. A strong social infrastructure is one of the key prerequisites for better living standards and the competitiveness of the Baltic economies.

Countries

Sweden accounted for the largest part of new lending in the member countries in 2006. Due to a number of economic factors, of which the primary one was increasingly high liquidity in the Swedish corporate sector, the amount of new loans NIB provided in Sweden in 2006 was lower than the year before. Loans to the manufacturing industry made up half of the total new lending amount in this country. The Bank also financed projects in the financial services sector.

In Denmark, the prevailing sectors in lending were transport and communications as well as finance. Loans to local intermediary banks—for the further financing of small and medium-sized enterprises' projects—remained an important part of the Bank's operations in Denmark.

New loan agreements NIB entered into with its customers in Norway included financing road construction under the Public Private Partnership model and investments in the country's energy sector. The financing of such investments is in line with NIB's priorities.

Energy was the dominating sector in lending in Iceland. Loans to finance investments in the construction of hydropower and thermal power plants doubled as compared to the year before. NIB is among the major contributors to the financing of investments in Iceland's power-intensive industries.

Manufacturing was the leading sector for NIB lending in Finland. The Bank provided loans in the pulp and paper industry, for the manufacturing of transport vehicles and for food production.

In the Baltic countries, NIB was adjusting its strategies to both the increasing competition in the financial services sector and the inflow of European structural and cohesion funds. The latter also weakened the demand for long-term loans, especially in Lithuania, where the Bank made some disbursements but did not land any new loan agreements in 2006. At the same time, NIB substantially increased its lending in Latvia and Estonia during the year.

The total amount of new loan agreements signed by NIB in Latvia was more than four times greater than the year before. A large part of this amount comprised loans for financing projects of small and medium-sized enterprises in the country. The Bank provided loans for the development of transport infrastructure, and contributed to financing the reform of the national health care sector.

New lending in Estonia grew by 57% year-on-year. The transport and communication sector accumulated most of these funds, for expanding the capacity and improving the reliability of the country's transport infrastructure. Also in Estonia, NIB provided funds for the large-scale health care sector reform. With 17% of new loans provided to companies with no loans outstanding from NIB by 31 December 2005, Estonia was the leading market in terms of recruiting new customers in 2006.

A list of the loans agreed during 2006 can be found on page 84.

Future prospects

NIB expects that high liquidity in the corporate sector and competitive market conditions, especially in the Baltic region, will continue to restrict demand for the Bank's lending in the member countries in 2007.

At the same time, the Bank sees increased needs for financing infrastructure investments, some of which are carried out using a PPP structure. Also, large medium-sized companies in Sweden, Finland and the Baltic countries need long-term financing, but lack the necessary access to the capital markets. NIB will put more emphasis on social infrastructure projects in the Baltic area and environmental projects throughout the Northern European region.

Value adjustments according to IAS 39 are not included in segment information in this section.

Lending in non-member countries

In non-member countries, NIB finances projects of mutual interest to the Bank's member countries and the countries which receive NIB's financing. The Bank's operations in non-member countries are aimed at fostering economic growth and environmental improvements. The Bank also supports the internationalisation of companies from NIB's member countries. NIB has established formal cooperation with emerging and transitional economies in Central and Eastern Europe, Asia, Latin America, Africa and the Middle East. The Bank provides its loans directly for individual projects or through loan programmes to intermediaries. Loans are granted for projects in both the private and public sectors.

In 2006, the Bank signed 23 new loan agreements in twelve non-member countries, all representing the world's major growth regions. The total value of the new loans agreed during the year in these countries amounted to EUR 581 million. NIB's operations outside Northern Europe reflected a market situation similar to that in the member countries.

Eleven loans accounting for 46% of the new lending's total value in non-member countries in 2006 were provided to companies and financial intermediaries with which the Bank had no outstanding commitments at the beginning of the year. No new guarantees were issued during the year. Disbursements of loans increased by 28% year-on-year to EUR 614 million, which expanded NIB's loans outstanding in non-member countries to EUR 2,328 million at year-end. Loans agreed but not yet disbursed amounted to EUR 1,100 million at the end of the year.

The increase in the amount of loans outstanding in absolute values was particularly significant in Brazil, Russia and Poland. The weakening US dollar, which is still the predominant loan currency of the Bank's loans outstanding outside the membership area, to a certain extent affected the dynamics of the portfolio growth. The quality of the stock of loans outstanding in non-member countries continued to be good.

NIB constantly broadens the geography of its lending operations by entering into framework agreements with national governments around the world. These agreements allow the Bank to participate in the financing of projects in both the public and private sectors. In 2006, new framework agreements were entered into with the Dominican Republic and Uruguay. As of 31 December 2006, NIB had loans outstanding in 28 countries outside the membership area.

Sectors

Lending in non-member countries remained focused on investments in the transport and communication sector. The weight of this economic area in the sectoral distribution of

Case: Efficient public transport

NIB participated in financing the Transantiago project, a comprehensive modernisation plan for the public transport system in Chile's capital, Santiago. The current project is to establish the express bus route network. The implementing and operating companies, SPV Su-Bus, SPV Express de Santiago and SPV Alsacia, with extensive experience from similar projects in Colombia, will purchase 1,779 new buses from Volvo in Sweden and Brazil and invest in the supporting infrastructure: bus depots as well as refuelling and maintenance centres.

Modern urban transport solutions will allow the integrated network of bus and subway lines in Santiago to become much more cost-efficient and easy to operate than in many other metropolises of the world. The project will also have a positive environmental effect by cutting pollution from old buses and reducing traffic on the city's streets thanks to the efficient public network.

Fig. 22

LOANS AGREED IN NON-MEMBER COUNTRIES

Geographical distribution 2006

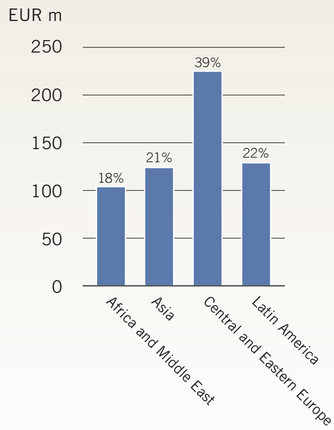
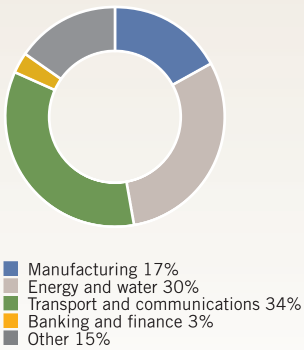


Fig. 23

LOANS AGREED IN NON-MEMBER COUNTRIES

Sectoral distribution 2006



The total amount of the percentage shares may differ from 100% due to rounding.

Case: Pulp mill expansion to benefit local community

Suzano Bahia Sul Papel e Celulose S.A., one of Brazil's leading pulp and paper producers, is set to double its pulp output capacity. This will allow Suzano to become the largest pulp manufacturer in the country and enter the world's top-10 producers in its sector. The project received a NIB loan in 2006. The financing is being provided for the construction of a new pulp production line with an initial capacity of 1 million tonnes a year and for the expansion of the planted forest.

The project will benefit the economic and social development of the South Bahia region in Brazil. The construction will directly and indirectly create more than 8,000 new jobs, while the new production line and the forestry operations are set to employ nearly 5,000 people. Suzano will set up a training centre for local labour. The planned expansion of pulp production will also lead to improvements in hospitals, schools and highway infrastructure in the region.

The Suzano expansion project was selected by the international Trade Finance Magazine (Euromoney group) as a winning Deal of the Year, 2006.

NIB's new lending in non-member countries increased from one fourth in the previous year to one third in 2006. The largest individual loans in this category were provided for telecommunication infrastructure projects in Brazil and Russia. The Bank financed transport projects in Chile, Morocco, Turkey and Jordan.

The importance of the energy and water sector in NIB's lending also increased in 2006. The value of new loans in this sector in non-member countries grew by 17% year-on-year. Most of this amount went to finance energy investments in Central and Eastern Europe. For example, NIB provided its first loan to the energy sector in Bulgaria, continued financing the environmental upgrading of one of Poland's leading coal-fuelled power plants, and extended loans in water treatment and district heating in Northwest Russia. The Bank also financed investments in the energy sector in Botswana.

The importance of the manufacturing industry was also on the rise in the Bank's lending in non-member countries in 2006, and the total amount of new loan agreements in this sector swelled by 48% year-on-year. The largest loans in this sector were provided in the pulp and paper industry and in metal production in Brazil, China and Jordan.

In the banking and finance sector, NIB financed four loan programmes for onlending to projects in various sectors of the economy in Vietnam, China and Russia. Through its intermediaries in non-member countries, the Bank approved altogether 74 new subprojects for a total of EUR 187 million under the loan programmes in 2006. With the help of loan programmes carried out through regional development banks, for instance, the Central American development bank CABEI, the Andean development bank CAF and the regional Black Sea Trade and Development Bank, NIB's financing also reaches projects in countries which do not have framework agreements with the Bank.

Regions

Among the world's growth regions, Central and Eastern Europe received the largest share of NIB's new lending in 2006. Reflecting the growing demand for energy and requirements for water and wastewater treatment, the total amount of new loan agreements in the energy and water sector significantly increased and accounted for

Fig. 24

LOANS OUTSTANDING AND GUARANTEES IN NON-MEMBER COUNTRIES

Geographical distribution as of 31 Dec 2006

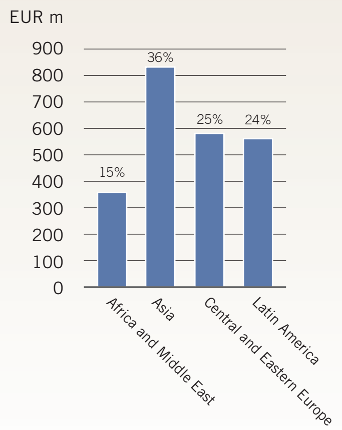
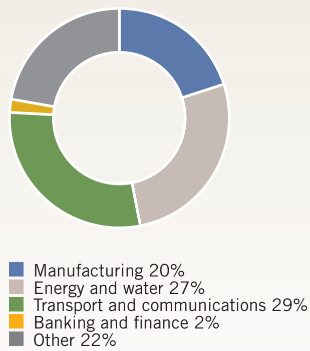


Fig. 25

LOANS OUTSTANDING AND GUARANTEES IN NON-MEMBER COUNTRIES

Sectoral distribution as of 31 Dec 2006



The total amount of the percentage shares may differ from 100% due to rounding.

about two thirds of NIB's new lending in Central and Eastern Europe.

The Bank's long-term financing proved competitive and in demand in Latin America, where NIB saw its new lending increase by 30% year-on-year. Most of this amount was provided for infrastructure projects—for municipal transport development in Chile and upgrading a telecommunications network in Brazil.

In Asia, most of the amount of new loan agreements signed during the year was provided as loan programmes placed with intermediaries in Vietnam and China for further onlending to projects in different sectors. The rest of the funds in Asia were allocated to finance investments in the manufacturing industry.

NIB's lending in Africa and the Middle East saw a substantial increase during the year. More than half of all new lending in this region was allocated to infrastructure projects in the transport and communication sector. Financing for projects in this sector in Africa and the Middle East showed a twofold growth.

A list of the loans agreed during 2006 can be found on page 84.

Future prospects

In the coming years, NIB will continue to provide added value through its long-term financing for projects in non-member countries. The Bank will continue to finance the international activities of the business sector and sees a strong demand for its lending, including in the neighbouring area. In particular, the Bank expects that the demand for long-term NIB financing will be on the rise in infrastructure development, environmental projects, and capital-intensive industries. NIB's plans for expanding its lending operations include entering new growth markets in Europe, Asia, Africa, Latin America and the Middle East. For the development of the transport and logistical system in the Baltic Sea region, NIB is also committed to participating in efforts undertaken in the framework of the Northern Dimension policies.

Value adjustments according to IAS 39 are not included in segment information in this section.

Case: Modernisation of transmission grid in Bulgaria

The Bulgarian national power utility, Natsionalna Elektricheska Kompania (NEK) EAD, is embarking on a long-term investment programme aimed at upgrading its transmission system and generation assets. The improvements complying with the EU standards for the energy sector will increase the reliability of the transmission grid. The programme will also allow NEK EAD to increase exports of energy to neighbouring Greece, Serbia, Romania and Macedonia.

The construction of four new substations as well as the refurbishment of five existing substations and four control systems, all financed with a loan from NIB, form an essential part of this endeavour. The project involved deliveries from the Swedish power equipment manufacturer ABB.

Administration of external funds

NIB's member countries and the Northern Dimension Environmental Partnership (NDEP) engage NIB as one of the channels through which technical assistance is allocated to projects in the regions adjacent to the member countries.

During 2006, six Swedish trust funds were placed with NIB for financing consultancy services purchased in the preparation and monitoring of projects identified by the Bank. Of these, three are special funds for environmental projects in Russia, namely: the Southwest Wastewater Treatment Plant in St. Petersburg; the Pechenga Nickel project on the Kola Peninsula; the rehabilitation of water and environmental services in Kaliningrad and district heating in Murmansk. NIB also administers a trust fund to support joint project preparations in the EU's new member states and neighbouring countries. Furthermore, a special trust fund has been placed with the Bank for the development, monitoring and supervision of potential projects in the field of sustainable municipal development in East European countries. Finally, a general technical assistance fund was fully utilised and closed during the year. In five of these trust funds, the Swedish government is represented by Sida and in one by the Ministry for Foreign Affairs.

Since 1995, Finland has provided the means for a technical assistance trust fund to support projects at NIB and the Nordic Environment Finance Corporation—NEFCO. The projects funded from this trust fund are primarily in infrastructure, the environment, forestry and forest industries in Central and Eastern Europe, including Russia and Ukraine. The Finnish government is represented by the Ministry for Foreign Affairs.

The Bank is also involved in the administration of the assistance granted by Norway, through the Ministry of Environment, to the Pechenga Nickel project for the reduction of sulphur dioxide emissions from the nickel smelter.

A fund allocated by NDEP was set up in cooperation with NIB to support a water treatment project in the Leningrad Oblast of Russia.

NIB and the environment

Focal points 2006

- European Principles for the Environment (EPE) signed
- majority of environmental loans focused on energy efficiency, emission treatment and prevention, to combat global warming and climate change
- several wind power projects financed
- contribution to the annual conference of the International Association for Impact Assessment in Stavanger, Norway
- participation in conference on Baltic Sea and European Marine Strategy in Helsinki during Finland's EU presidency

NIB contributes to sustainability through its approach to financing projects. The Bank's mission statement stresses that NIB is to provide long-term financing for projects that strengthen competitiveness and enhance the environment.

NIB defines the term "environment" in its broadest sense, including not only ecological aspects but also social aspects. All projects for which NIB financing is sought undergo an environmental analysis. According to this analysis, the projects are classified depending on their estimated positive, neutral or negative environmental impact. In 2006, 25% of the total number of projects that NIB agreed to finance had a positive environmental impact. The environmental loans to these projects amounted to EUR 219 million (14% of the total amount of loans agreed in euros). Of the number of projects NIB agreed to finance during the year, 63% were determined to be environmentally neutral, while 11% were determined to have a local net negative effect on the environment, but were nonetheless in accordance with the Bank's requirements.

If a project, or part of it, is found to have a positive environmental impact, the loan to it is labelled as an environmental loan. These investments comprise two types: projects designed to treat pollution and projects aimed at preventing it. A number of the projects focus on the development and implementation of environment-friendly technology.

Like all NIB loans, environmental loans are competitive and do not include any form of subsidies. Environmental loans can have a longer than usual maturity of up to 20 years. NIB has environmental loans outstanding in all the geographical areas where it has operations. For the financing of environmental projects in the member countries' neighbouring areas, NIB has at its disposal a separate Environmental Investment Loan facility (MIL), guaranteed by the Bank's member countries.

On a regional level, NIB's environmental mandate includes, for example in the Baltic Sea area, issues such as eutrophication and acidification resulting from air emissions and wastewater discharges. On a global level, NIB sees climate change and the emission of greenhouse gases as important issues, and these are a challenge for all countries.

Environmental activities are a natural aspect of daily activities at NIB and the environmental management system is integrated into the Bank's other management systems. NIB has strengthened its environmental organisation and three analysts work full-time on environmental assessments and the development of environmental projects. Several of the Bank's loan officers are also engaged in the management of environmental loans.

Appraisal of all projects

NIB requires that an internal environmental analysis is conducted on all loan applications.

Fig. 26

ENVIRONMENTAL LOANS OUTSTANDING AND GUARANTEES

As a share of total loans outstanding and guarantees

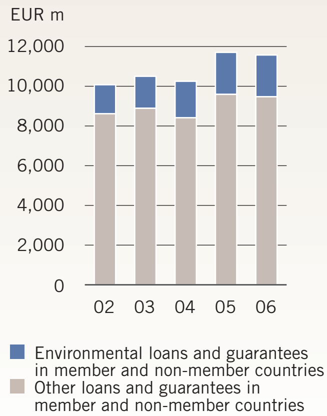
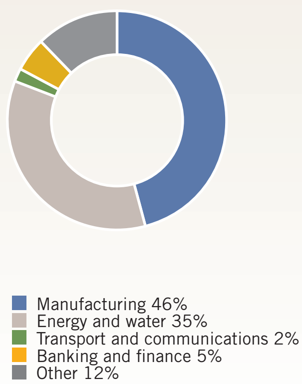


Fig. 27

ENVIRONMENTAL LOANS OUTSTANDING AND GUARANTEES

Sectoral distribution as of 31 Dec 2006



The total amount of the percentage shares may differ from 100% due to rounding.

The objective is to ensure that all relevant environmental impacts and risks have been taken into account in projects financed by the Bank. Furthermore, the purpose is to determine if the client needs to take any actions in order to comply with the Bank's environmental policy. Future environmental and economic problems can be avoided or minimised, if environmental issues are taken into account already in the early stages of a project as the financing is planned. NIB refrains from financing projects that are questionable from an environmental point of view or if they do not comply with national environmental legislation and international environmental agreements.

NIB's environmental analysis is based on environmental impact assessments, environmental audits and other available and relevant documentation. The scope of the analysis depends on the potential environmental impact of the project. Detailed information on appraisals can be found in Table 1.

In addition to ecological issues, NIB also examines, to an increasing extent, the social aspects of projects, and verifies that the investments are in line with good international practice and World Bank standards. Social aspects include: worker health and safety provisions; actions to prevent forced labour, child labour, involuntary resettlement, and discrimination at the workplace; as well as the impact on local communities.

Sectors

NIB contributes to sustainability through its loans within various sectors having different impacts on the environment. Thus the scope of NIB's environmental analysis varies with the sector and project. The main sectors in which the Bank is active are presented below from an environmental point of view.

Energy and water

NIB-financed investments in this sector include both "traditional" power-generating projects using fossil fuels and projects improving existing facilities and thereby reducing harmful emissions. NIB also finances investments in new techniques and in plants producing bio fuels, geothermal power and wind power. The energy efficiency of existing power plants as well as the development of new energy sources are central to combating problems ranging from local air pollution to global climate change. Renewable energy diversifies the supply of energy and reduces adverse environmental impacts as it diminishes the need for fossil fuels and thus

Case: New geothermal power plants

The companies Orkuveita Reykjavíkur and Hitaveita Suðurnesja tap Iceland's geothermal power potential. Both companies received NIB financing for new geothermal power plants in southwestern Iceland. These environmentally friendly power plants will be key energy suppliers for the country's major aluminium smelters, the backbone of Icelandic metal exports. The plants will also provide electricity and heating to the country's capital and surrounding municipalities, home to 55% of Iceland's population.

NIB is one of the largest financiers for both Orkuveita Reykjavíkur and Hitaveita Suðurnesja. The Bank has been financing investments in the efficient harnessing of Iceland's geothermal energy sources since 1991.

Table 1

Environmental appraisals

NIB employs a categorisation system for projects that is similar to the systems used by other international financial institutions, such as the EBRD and the World Bank. The loan applications are categorised into four different groups, according to their potential environmental impact.

Category A
(11% of total number of loans agreed in 2006)
- the project has the potential for making an extensive environmental impact
- the project must undergo a full EIA

Category B
(9% of total number of loans agreed in 2006)
- the project has the potential for making a moderate environmental impact
- the project must undergo a partial EIA

Category C
(45% of total number of loans agreed in 2006)
- the project is considered to have an insignificant or not readily measurable environmental impact
- the project is not required to undergo any formal EIA

Category FI
(34% of total number of loans agreed in 2006)
- loan programmes realised through financial intermediaries
- the loan programmes often target small and medium-sized enterprises
- can also be loans to governmental programmes in emerging markets

Projects, or parts of a project, in any of the four categories may be defined by NIB as environmental investments.

Environmental impact assessment

Environmental impact assessments are usually carried out by independent consulting firms. The EIA is to include the following: executive summary, project description, policy, legal and administrative framework, baseline data, environmental impacts, analysis of alternatives, mitigation measures and a monitoring and management plan. In addition, during the EIA process, the public or those groups that are affected by the project are also to be consulted. In some cases NIB can demand an EIA even if it is not required by the host country's legislation.

Environmental audit

Environmental audits are conducted in conjunction with company acquisitions. An environmental audit is required for projects in which there is an obvious risk of the purchaser incurring environmental liability in the form of remediation costs relating to environmental damage, such as contaminated soil or polluted groundwater.

Environmental monitoring

In certain cases, NIB requires environmental monitoring of projects. The monitoring is usually carried out by independent environmental experts and may include, for example, the monitoring of water quality in a watercourse or the measurement of discharges from an industrial plant.

NIB's environmental policy

- NIB assesses the environmental aspects of every loan application.
- NIB actively promotes investments with a positive environmental impact.
- All NIB-funded projects should comply with national environmental legislation and international environmental agreements.
- NIB ensures that its employees have a high standard of environmental knowledge to be capable of good environmental management.
- NIB conducts an active environmental dialogue with its owners, customers and other business contacts.
- NIB provides information on its environmental activities.
- NIB encourages its financial intermediaries to include environmental aspects in their own credit decisions.
- NIB promotes environmentally responsible procurement.
- NIB will continuously improve its environmental management.

See also www.nib.int

decreases the amount of greenhouse gases emitted to the atmosphere. Addressing environmental issues in the energy sector requires clear guidelines for operations (i.e. use of best available techniques, environmental impact assessments) and cooperation between corporations and different stakeholder groups.

Investments financed by NIB in improved electricity, steam and hot water supply and in the purification of water help to improve living standards for people in the affected areas. NIB prioritises projects relating to the treatment of wastewater in the Baltic Sea region.

Within the energy and water sector, the scope of the projects and the impact on the surrounding environment are usually large.

Transport and communications

NIB-financed investments in this sector help to improve infrastructure and thus the development of economies. Transportation projects affect the environment through emissions. Consequently new modes of transport and energy efficiency are important factors to take into account. Projects within the transport and communication sector also include projects relating to, for example, telecommunications, having only a modest environmental impact.

Manufacturing

A large part of the manufacturing projects financed by NIB are connected to the pulp and paper industry, but some also concern the manufacturing of chemicals, metals, machinery and food. Best available techniques (BAT) is a central reference in NIB's appraisal process. Carrying out research and development is also important in this sector, in order to come up with new, more environmentally friendly techniques. Social aspects are a growing challenge, including screening throughout the supply chain.

Banking and finance

Lending to financial intermediaries makes it possible for NIB to reach the market of small and medium-sized enterprises. Thus NIB can contribute to the stimulation of local economies, which in turn has a positive impact on local societies. In emerging markets, governments may also act as intermediaries for loans to governmental programmes. NIB reviews the business of its intermediaries in order to identify activities where they could be exposed to environmental risks as a result of their investments. NIB's environmental acceptance criteria are communicated to the intermediaries at an early stage and NIB can assist in the implementation of the criteria.

In 2006, NIB agreed on loans with financial intermediaries for onlending to projects involving, for example, environment-friendly energy production, environmental investments in the agricultural sector, and recycling. Wind power projects financed through intermediaries will reduce carbon dioxide emissions by an estimated 45,000 tonnes per year.

Environmental cooperation

In 2006, NIB agreed to a common declaration concerning environmental management in the financing of projects, together with four other European multilateral financial institutions (the EIB, the EBRD, CEB and NEFCO). The declaration, called the European Principles for the Environment (EPE), was agreed upon in order to promote sustainable development and to protect and improve the environment. The EPE is based on the environmental principles, practices and standards of the European Union. The ambition is, however, to apply the EPE to projects in all the countries in which NIB and the other signatory banks operate. The challenge for the EPE lies in its implementation and its ability to create demonstrable improvements in environmental quality.

NIB continues to be an active partner within the Northern Dimension Environmental Partnership (NDEP). NDEP was established to address pressing environmental problems in the Baltic Sea region, the Barents region and Northwest Russia. NDEP promotes sustainable solutions in wastewater treatment, solid waste management, energy supply, as well as the treatment of nuclear waste. The first NDEP project was completed in 2005. Fourteen other large environmental projects are either in the preparation or implementation stage and NIB is responsible for six of these. The partnership combines the expertise and resources of the EBRD, the EIB, NIB, the World Bank, the European Commission and the Russian Federation.

NIB also participates in several other international and regional forums for environmental cooperation. Since 1992 the Bank has worked together with the Baltic Marine Environment Protection Commission, also known as the Helsinki Commission, or HELCOM. Within the Council of the Baltic Sea States, NIB is part of the international working group Baltic Agenda 21. NIB also participates in the MFI Environmental Working Group, which is a cooperation forum for multilateral financial institutions.

Housekeeping

As regards housekeeping, NIB complies with the requirements of current Finnish environmental legislation and in many respects goes beyond what legislation requires. The Bank has internal environmental guidelines for office practices, facilities management and procurement.

In 2006, NIB used 1,562 MWh of energy (-14% from 2005), resulting in an energy consumption of about 84 kWh/m^2. The Bank's consumption of white office paper was about 11 tonnes (-8% from 2005). The estimated consumption of newspaper was approximately 5.5 tonnes. An estimated 98% of the paper was recycled.

Future prospects

NIB will further intensify its prioritisation of environment-related projects. Social impacts are gaining increasing significance in the evaluation of projects.

In all the countries where the Bank is operating, investments aimed at energy efficiency and the reduction of greenhouse gas emissions will become increasingly important. Concerning Central and Eastern Europe, the EU Environmental Directive calls for environmental investments. In emerging markets, base investments for water and wastewater treatment, as well as solid waste treatment, are important components in the countries' social infrastructure. NIB continues to give high priority to investments generating positive environmental effects in the Bank's member countries and their neighbouring areas.

NIB intends to further develop its reporting on its work for sustainable development. A key challenge for the Bank is to develop optimal measures for assessing the sustainability effects of its operations and the implementation of its environmental policy. Another key challenge is to continuously improve the implementation of the revised mission statement and environmental mandate in the daily operations of the Bank throughout the organisation.

Case: BOT Poland receives NIB's largest environmental loan

In 2006, NIB and the Polish BOT group's power plant Elektrównia Bełchatów signed a new long-term loan agreement. It extended NIB's loan financing to this company to EUR 150 million, out of the plant's total investments amounting to EUR 1,600 million. This is the Bank's all-time largest environmental loan. The financing is being used for the construction of a new 833 MW power unit as well as for the modernisation of existing units. This is necessary in order to improve Bełchatów's power production efficiency and reduce emissions from the power plant in compliance with EU environmental legislation in force after 2008: sulphur dioxide by 118,400 tonnes and nitric oxides by 15,900 tonnes a year. Poland is an important electricity exporter for the Baltic Sea region. NIB has been financing the modernisation of the Polish energy production industry since the late 1990s.

The project of financing the improvements at the Bełchatów power plant received the European Power Deal of the Year Award 2006 from the international Project Finance Magazine (Euromoney group).

Table 2

Emission reductions
NIB-financed projects 2006

Estimated reductions due to environmental projects which NIB agreed to finance in 2006	*Substance*	*Explanation of substance*	*Comparison*
755,000 tonnes/year	CO_2 (carbon dioxide)	The most common of the greenhouse gases that contribute to climate change.	1 tonne of CO_2 is produced when driving 4,500 km in a normal car or by taking two return flights within Europe. The yearly CO_2 emissions in Sweden are 70 million tonnes.
18,700 tonnes/year (to air)	Nitrogen	Nitrogen is a significant nutrient, causing eutrophication when discharged through wastewater and runoff. Acidification in soil and water also occurs partly due to air emissions of nitrogen through the burning of fossil fuels.	The emissions of nitrogen into water courses in Sweden are 135,000 tonnes/year, while emissions of nitrogen oxides to the air total 205,000 tonnes/year.
No agreed projects in 2006 that reduce phosphorous	Phosphorous	Nutrients (mainly phosphorous and nitrogen) from the discharge of wastewater and runoff from farmland increase the nutrient load in watercourses and oceans. Nutrients are the main reasons for the deteriorated state of the Baltic Sea.	One person produces two grams of phosporous/day.
117,700 tonnes/year	SO_2 (sulphur dioxide)	Air emissions created through the burning of fossil fuels reach the ground through precipitation and acidify the soil, lakes and water courses.	Yearly emissions of SO_2 in Sweden total 40,000 tonnes.

Highest rating,

high responsiveness to changing demands of investors

Borrowing and treasury portfolio management

NIB has continuously been assigned the highest possible credit rating, AAA/Aaa, by the leading international rating agencies Standard & Poor's and Moody's since it was first rated more than two decades ago. Based on this solid platform, NIB finances its lending activities by borrowing and issuing bonds in capital markets around the globe.

The Bank's treasury portfolios ensure sufficient liquidity at all times while at the same time contributing to NIB's profitability. They consist of a liquidity portfolio held in the currencies needed for lending disbursements, and a fixed income portfolio in euro with a size approximately equal to the Bank's own equity. There are strict guidelines for the investment of these portfolios when it comes to both credit and market risks.

Borrowing from capital markets

The Bank's borrowing strategy is designed to be highly responsive to the constantly changing demands of investors. NIB thus offers value and diversification to investors by providing them with a wide range of bonds in different sizes, currencies, maturities and structures. In order to do so and in order to eliminate market risks that arise as an inherent part of the borrowing programme, NIB enters into swap transactions in connection with virtually all of its bond issues. After the swaps, NIB ends up with floating rate borrowings in the currencies needed for the Bank's lending purposes.

In 2006, NIB carried out 66 borrowing transactions in 11 different currencies. At the end of the year, the Bank had borrowings outstanding in 20 different currencies. New borrowings in 2006 amounted to a total of EUR 2,689 million, while borrowings outstanding at year-end amounted to EUR 13,622 million.

NIB's borrowing programme is global, with bonds being sold all over the world. In 2006, Asian investors bought more than half of the bonds issued. European investors and Australian investors were other big investor groups.

In terms of currencies, the US dollar was the most important borrowing currency in 2006. Eight transactions for a total of USD 1,150 million were carried out, corresponding to 36% of the new borrowings for the year. NIB's fifth benchmark transaction was issued in February for USD 1,000 million. The issue, with a five-year maturity, achieved a well-balanced geographic investor distribution. About two thirds of the issue was sold in Asia and one third in North America, Europe and the Middle East.

Focal points 2006

- bonds sold all over the world
- USD 1,000 million benchmark issue launched in February
- inaugural domestic Australian dollar transaction
- first Mexican peso-denominated deal
- liquidity and fixed income portfolios invested in instruments with a high rating

Fig. 28
NEW BORROWINGS
Geographical distribution 2006

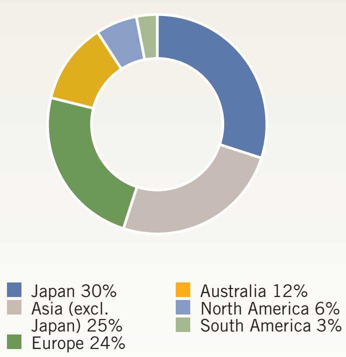


Fig. 29
NEW BORROWINGS
Currency distribution 2006

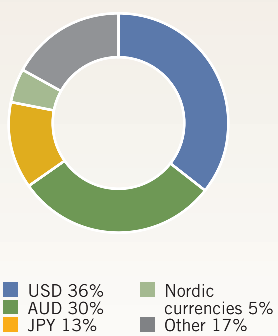
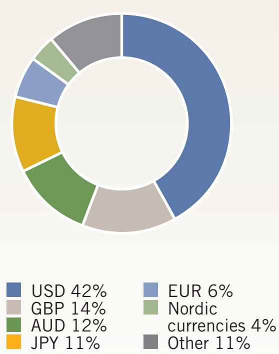


Fig. 30
BORROWINGS OUTSTANDING
Currency distribution as of 31 Dec 2006



The Australian dollar markets proved successful in 2006. With five transactions for a total of AUD 1,323 million, this currency stood for 30% of the new borrowings. In the beginning of the year, NIB issued its inaugural Australian dollar medium-term note transaction in the form of an AUD 300 million issue with a five-year maturity. This transaction was followed by a second transaction of the same size but with a three-year maturity. Both transactions were increased during the year, bringing the total issuance in this market to AUD 1,000 million.

In terms of the number of transactions, the Japanese yen with 41 transactions was the most active borrowing currency. The main reason for this was that NIB responded to investor demand for structured transactions with a lower minimum amount. In total, issuance in Japanese yen amounted to EUR 342 million corresponding to 13% of new borrowings.

Another noteworthy currency was the Mexican peso. NIB issued its first transaction in this currency during the year. The transaction, which amounted to MXN 1,000 million and had a five-year maturity, was mainly bought by domestic Mexican pension funds.

Other issuance currencies were the euro, Hong Kong dollar, Icelandic króna, New Zealand dollar, Norwegian krone, pound sterling and new Turkish lira.

New borrowings in 2006 primarily carried maturities of three to five years. The average maturity for the new borrowings was 4.1 years.

Liquidity portfolio

The liquidity portfolio functions as the warehouse for funds raised from borrowing until they are needed for lending disbursements. The planning of the borrowing programme is thus closely interlinked with the requirements for liquidity in different currencies and maturities. The liquidity serves as support for the borrowing strategy in the sense that an ample level of liquidity makes it possible to avoid borrowing in periods when market conditions are unfavourable.

NIB strives continuously to have available a level of net liquidity that corresponds to its projected liquidity needs for twelve months into the future. At year-end, the Bank's net liquidity stood at EUR 3,224 million.

The liquidity portfolio is invested in money market deposits and in floating or fixed rate notes issued by banks and other counterparties within the financial sector in the OECD area having a sufficiently high creditworthiness. The portfolio is also invested in asset backed securities (ABS). NIB invests only in ABS issues with the highest long-term credit rating (AAA/Aaa) from at least two credit rating institutions, and only in transactions backed by either

Global benchmark programme

NIB has since 2002 carried out five global benchmark issues of USD 1,000 million each. With these transactions, NIB has been aiming to further diversify its investor base geographically and by investor type. NIB's global issuance represents an opportunity for investors to make placements in an AAA, supranational institution representing the Nordic and Baltic region. The issues have reached a global audience of quality investors, as targeted. The transactions have been oversubscribed and trading in line with peer group transactions.

Fig. 31

LIQUIDITY

Distribution by security as of 31 Dec 2006

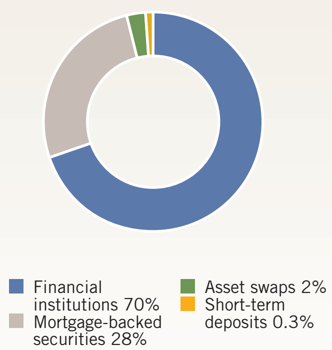
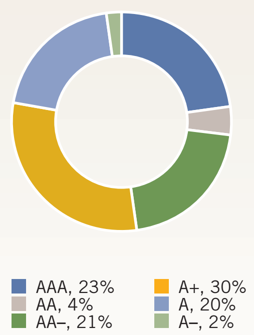


Fig. 32

LIQUIDITY

Distribution by rating of security as of 31 Dec 2006



The total amount of the percentage shares may differ from 100% due to rounding.

credit card receivables or residential mortgage loans.

NIB has an external interest rate trading programme with the purpose of exploring the use of active trading as a way of increasing returns, as well as strengthening and benchmarking the Bank's internal liquidity management and trading competences. Contracts with two new asset management firms were signed during the year. At year-end there were a total of four firms managing a US dollar denominated portfolio of USD 250 million.

Fixed income portfolio

The size of the fixed income portfolio at year-end was EUR 1,919 million. The portfolio has a long-term objective of generating a return comparable to government bonds in the euro area with a duration of about 4.5 years.

One part of the portfolio is classified as a marked-to-market portfolio, allowing for adjustments of the risk profile according to interest rate expectations, while the other part is classified as held-to-maturity. The part of the portfolio held on a marked-to-market basis corresponded to 32% of equity at year-end, compared to a permitted maximum of 35% of equity.

The duration for the marked-to-market portfolio was lower than the long-term objective, whereas the held-to-maturity portfolio's duration was kept in line with the objective. Long-term interest rates rose during the year, which had the effect of decreasing the return on the portfolios. Because of the lower duration, the marked-to-market portfolio performed somewhat better than the held-to-maturity portfolio. Overall, the return on the combined portfolios was in line with the long-term objective. Notwithstanding the fact that the total return was positive, the increase in interest rates led to a lower valuation of the securities in the marked-to-market portfolio, which was recognised as a loss under the results of the financial operations in the Bank's profit and loss account.

Future prospects

NIB will continue its flexible, global borrowing strategy in 2007. This includes both global benchmark issues of bonds and smaller issues targeting particular market niches in the global capital markets.

Risk management

NIB's financial guidelines require strict management of all types of risks. According to new accounting standards, the financial statements should include detailed information on risks. Foreseeing this change, which enters into force in 2007, NIB presents its financial guidelines and risk management in connection with the Bank's financial report on pages 45 to 48.

Capital structure

As of 31 December 2006, NIB's authorised capital was EUR 4,141.9 million. About 10.1% of the subscribed authorised capital stock shall be paid in. At the end of 2006, the paid-in capital amounted to EUR 418.6 million. The remainder of NIB's authorised capital consists of callable capital, which is subject to call if the Bank's Board of Directors deems it necessary for the fulfilment of the Bank's debt obligations.

The Bank's Ordinary Lending ceiling corresponds to 250% of the authorised capital and accumulated general reserves. After the appropriation of profits from the financial year 2006 in accordance with the proposal made by the Board of Directors, the Ordinary Lending ceiling amounts to EUR 13,631 million. In addition to Ordinary Lending, NIB has three special lending facilities.

The Project Investment Loan facility (PIL) amounts to EUR 4,000 million. The member countries guarantee the PIL loans up to a total amount of EUR 1,800 million. The Bank, however, will assume 100% of any losses incurred under an individual PIL loan, up to the amount available at any given time in the Special Credit Risk Fund for PIL. Only thereafter would the Bank be able to call the member countries' guarantees.

The Environmental Investment Loan facility (MIL) amounts to EUR 300 million. The Bank's member countries guarantee up to 100% of loans outstanding under MIL.

At year-end, loans outstanding under the Baltic Investment Loan facility (BIL) amounted to EUR 4 million. No new loans have been granted under the BIL facility since year-end 1999 when the facility expired. The Nordic countries guarantee 100% of loans outstanding under BIL.

NIB's member countries have subscribed to its authorised capital and guaranteed the PIL and MIL facilities in proportion to their gross national income. The countries' shares of the authorised capital at the end of 2006 are shown in Figure 35. The Bank's new member countries shall make their payments of the paid-in portion of the authorised capital in three annual instalments, of which the first was made on 31 March 2005. For further information, see Note 14 on page 59.

A closer presentation of the loan facilities and the guarantee structure is provided in Note 8 on pages 53–56.

In view of the Bank's strong capital base, the quality of its assets, and its status as a multilateral financial institution, the leading international rating agencies, Standard & Poor's and Moody's, have accorded NIB the highest possible credit rating, AAA/Aaa, for long-term obligations and A-1+/P-1 for short-term obligations. NIB first obtained the highest possible credit rating in 1982. Since then, the Bank has continuously maintained this credit rating.

Fig. 35
MEMBER COUNTRIES
Share of authorised capital, ratings by leading rating agencies Moody's and Standard & Poor's as of March 2007

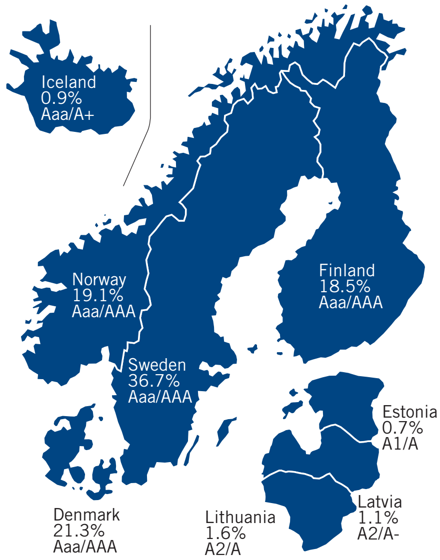


Fig. 33
CAPITAL BASE
as of 31 Dec 2006

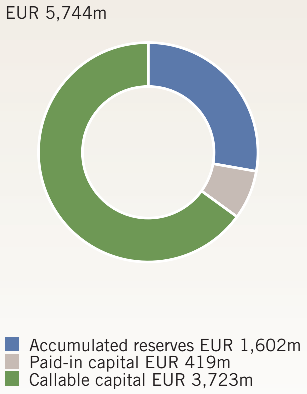
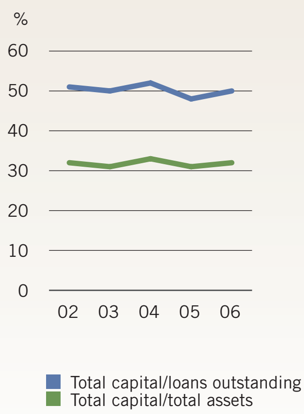
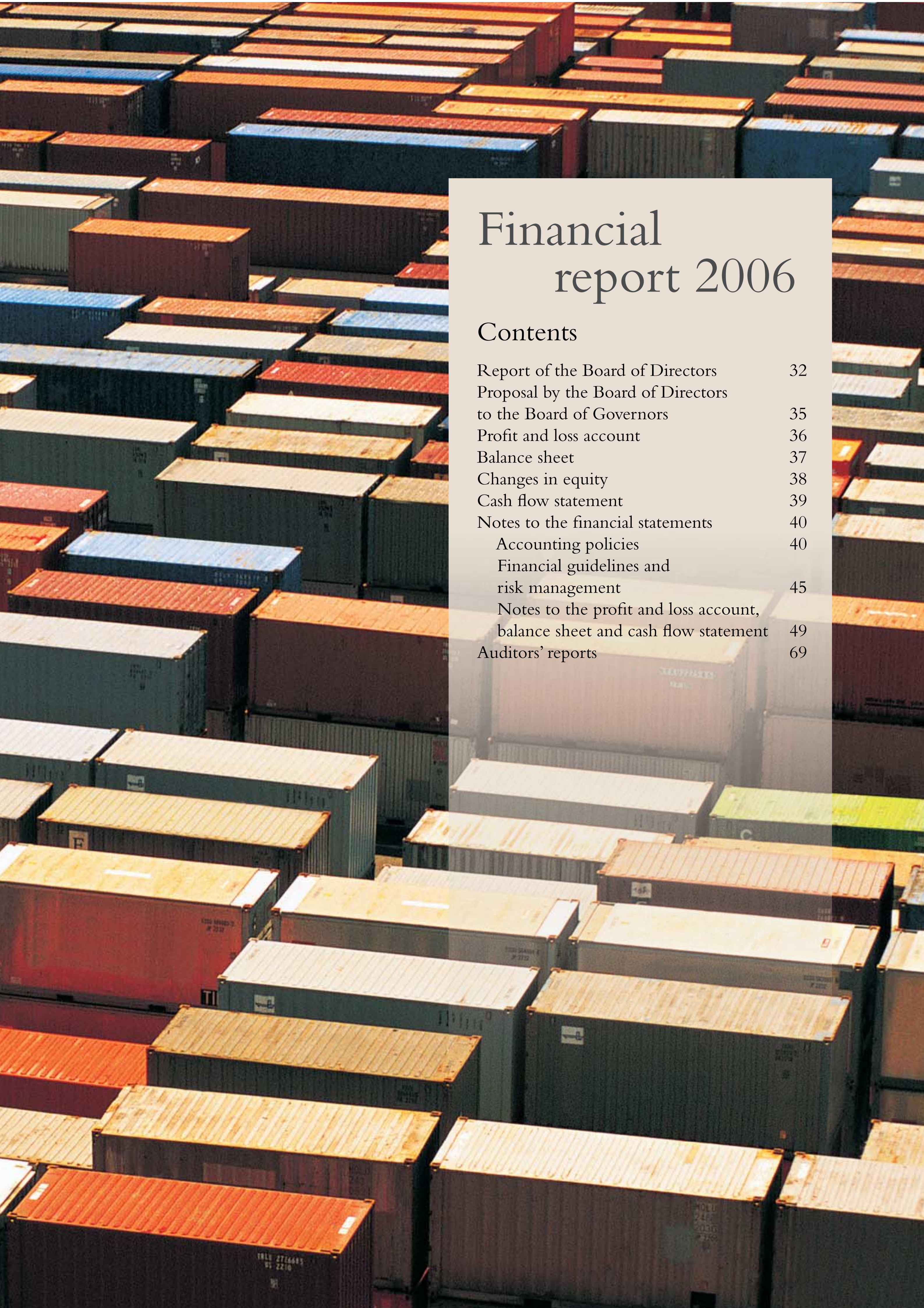


Fig. 34
CAPITAL RATIOS





Financial report 2006

Contents

Financial report

Report of the Board of Directors 2006

NIB celebrated its 30th anniversary in 2006 and introduced a revised mission and strategy. NIB aims at promoting sustainable growth of its member countries by providing financing for projects that strengthen competitiveness and enhance the environment. The Bank provides financing for activities in which NIB can add value and complement other financing sources. The Bank's lending in 2006 decreased compared with the extraordinarily high activity in 2005. The operational results showed stable growth.

In line with the Bank's objectives for the year, NIB participated in the financing of economic activities in sectors demonstrating demand for long-term loans in both member and non-member countries and encompassing a focus on environmental projects, particularly in the areas adjacent to the member countries. The loan disbursements in 2006 show a shift in the Bank's lending activities from member countries to non-members, in particular to those in the neighbouring areas.

The Bank's strategy was a central issue on the Board's agenda in 2006. The Board also initiated a discussion of the financial instruments used by the Bank, the financing of innovations and an increased focus on small and medium-sized enterprises. In June, Arild Sundberg succeeded Baldur Guðlaugsson as Chairman of the Board in accordance with the Bank's revolving Board chairmanship.

The Bank's operational activities were reorganised during the year, in order to develop the credit process and enhance effectiveness.

New strategic focus

Financial markets and the international economy have fundamentally changed since the inception of the Bank 30 years ago. Regulations of capital flows have been abolished, and globalisation has proceeded.

In these circumstances, NIB seeks to promote the competitiveness of its member countries and to enhance the environment. NIB will continue to prioritise the financing of projects for which the Bank provides added value and meets the need for long-term financing. Particular emphasis is put on infrastructure investments with a focus on energy infrastructure in the Bank's member countries, and environmental projects in member as well as non-member countries. Also, NIB focuses on large investments by the corporate sector, as well as on small and medium-sized enterprises, in order to enhance competitiveness.

Financial results

Net interest income increased during the year due to higher interest rates and a stable level of interest-earning assets.

The Bank's operational results in terms of core earnings (i.e. the profits before adjustments to hedge accounting, fair value adjustments made to the trading portfolio and credit losses and reversals of these) rose to EUR 154 million. However, because of the increase in international interest rates, the market value of the trading portfolio fell and reduced the Bank's results by EUR 9.8 million. NIB's overall net profit for 2006 fell to EUR 137 million.

Administrative expenses including depreciations increased by EUR 4.3 million from a year earlier. This was due to an increase of staff as well as the upgrading of NIB's core IT capacities. Permanent staff increased by 10 persons during 2006, mainly as a result of the Bank's strengthening of new strategic areas of operation.

Total assets decreased slightly, mainly due to currency movements, in particular the weakening of the US dollar against the euro.

Table 3

KEY FIGURES

(In EUR million)	**2006**	2005
Net interest income	**179**	169
Core earnings	**154**	150
Profit	**137**	165
Equity	**2,021**	1,946
Total assets	**17,988**	18,178
Profit/average equity (%)	**6.9**	8.9
Solvency ratio (equity/total assets %)	**11.2**	10.7

The quality of the Bank's loan portfolio and its financial counterparties continued to be very high. No credit losses were recognised during the year. The Board proposes that EUR 50 million be paid as dividends to the Bank's owners for the year 2006.

Lending

NIB contributes to enhancing the competitiveness of its clients by offering long-term financing of large investments, in line with its role as a provider of complementary financing.

NIB's lending activities in 2006 were mainly affected by high liquidity in the financial markets, which resulted in lower demand for loans. Also, the Bank's reorganisation of its operations and implementation of the new strategy affected the lending activities. The total amount of loans agreed diminished. The amount of loans disbursed was also lower than the extraordinarily high figures of 2005. On the other hand, the loan disbursements show that the demand for loans in non-member countries and particularly in the Bank's neighbouring areas remained strong during 2006. The pace of lending activity picked up towards the end of the year, particularly for infrastructure projects.

Repayments and prepayments increased, reflecting both the high liquidity among the Bank's customers and a continuing pressure on margins. Loans outstanding and guarantee commitments were down slightly from year-end 2005, mainly due to fluctuations in exchange rates as the depreciation of the US dollar reduced the value of assets in euro terms.

In lending to member countries, energy and the manufacturing industry were the dominating sectors, together totalling nearly half of all loans agreed. Half of the financing to the energy sector was carried out in Iceland for transmission and power plant investments. Many of the loans to the energy and manufacturing sectors went to environment-friendly and/or energy-saving investments and will thus have a positive effect on the environment. Lending in non-member countries continued to be dominated by loans for infrastructure investments, especially in the energy, transport, and telecommunications sectors.

At year-end, NIB had loans outstanding in 28 countries outside the membership area. The largest borrower regions were Central and Eastern Europe and Latin America. In 2006, new framework agreements were entered into with the Dominican Republic and Uruguay. The Bank was particularly active during the year in lending to projects in Russia, China, Vietnam and Brazil. Lending in Africa and the Middle East also saw significant growth, albeit from very low levels.

Table 4

LENDING

(In EUR million)	*2006*	*2005*
Loans disbursed, total	**1,605**	2,092
Member countries	**991**	1,574
Non-member countries	**614**	518
Loans agreed, total	**1,575**	2,616
Member countries	**994**	1,653
Non-member countries	**581**	962
Number of loan agreements, total	**64**	84
Member countries	**41**	55
Non-member countries	**23**	29
Loans outstanding and guarantees	**11,559**	11,742
Member countries	**9,231**	9,526
Non-member countries	**2,328**	2,216
Repayments and prepayments	**1,478**	972

The currency distribution of new lending followed the same pattern as in previous years. The euro was the dominant lending currency in the Bank's member countries, followed by the Swedish krona. The euro and the US dollar were the most important currencies for NIB's lending activities in non-member countries.

Most of the Bank's lending to small and medium-sized enterprises is channelled through financial intermediaries. This efficient means for NIB to participate in the financing of small, mainly energy- and environment-related investments was often used in Denmark and Latvia during 2006. NIB also carries out loan programmes with financial intermediaries, such as state-owned development banks or local commercial banks, in most of the non-member countries with which it has cooperation agreements.

According to its strategy, NIB puts particular emphasis on environmental investments. Priority is given to environmental projects that are of importance to the member countries and their neighbouring areas. NIB conducts an environmental analysis on all loan applications.

In 2006, the Bank granted 18 new environmental loans totalling EUR 325 million. Of the total amount of loans disbursed during the year, 16% comprised environmental loans. NIB participated in the financing of several projects in the energy sector and in water treatment, for example investments in energy efficiency and emission treatment, geothermal power and wind power, as well as the upgrading of district heating systems and municipal wastewater systems.

During the year, NIB continued to participate in international and regional environmental cooperation. The Bank signed the European Principles for the Environment (EPE) together with four other European multilateral financial institutions. The EPE is a common approach to environmental management for the financing of projects. NIB also played an active role in the Northern Dimension Environmental Partnership (NDEP). The aim of the partnership is to coordinate and streamline the financing of environmental projects with cross-border effects in the Baltic Sea region, the Barents region and Northwest Russia.

Risk management

The quality of the Bank's portfolios, taken as a whole, continued to be very high in 2006. The portfolios were well balanced as regards both geographical and sectoral distribution, as well as the degree of concentration. At year-end 2006, the quality of the Bank's assets was generally as high as at the beginning of the year.

In order to enhance effectiveness and further develop the Bank's credit process, NIB's operational activities were reorganised. The Bank's two lending departments were merged into one, which is responsible for business origination as well as the arranging and structuring of loans. NIB's risk management process was strengthened further by establishing a separate credit and analysis department, which is in charge of the risk assessment process. This new department analyses and evaluates the credit risks of all lending projects and determines the risk class of the counterparties.

Financial activities

NIB continued its global borrowing programme in 2006, with bonds being sold all over the world. New debt issued increased from a year earlier. The US dollar was NIB's most important borrowing currency. The Bank launched its fifth global benchmark transaction of USD 1,000 million in the form of five-year bonds.

NIB issued its first domestic Australian dollar transaction in the form of an AUD 300 million issue with a five-year maturity. NIB issued four transactions under this programme, together totalling AUD 1,000 million. The Bank also issued its first Mexican peso-denominated transaction in a euro medium-term note format.

Net liquidity at year-end was in line with the Bank's policy to cover its liquidity requirement for the coming 12 months. The return exceeded the short-term market benchmark for the liquidity portfolio. Due to rising long-term interest rates, the return on the Bank's fixed income portfolio was substantially lower compared to 2005, but still positive and in line with the long-term objective of the portfolio. The interest rate risk was kept low for the part of the portfolio held on a marked-to-market basis, but the revaluation of securities held in this portfolio still resulted in a net loss on financial operations.

Table 5

FINANCIAL ACTIVITIES

(In EUR million)	*2006*	*2005*
New debt issues	**2,689**	2,059
Number of borrowing transactions	**66**	26
Number of borrowing currencies	**11**	7
Debts evidenced by certificates at year-end	**13,622**	14,456
Net liquidity at year-end	**3,224**	3,101
Fixed income portfolio	**1,919**	1,793

Administration

A process of organisational development was initiated during the year in order to meet the new challenges in the operational environment and to enhance the fulfilment of the Bank's targets. NIB's operational activities were reorganised and the Bank developed and streamlined its management and administrative processes. In addition to the changes in the credit process explained above, different support functions were gathered within a department for planning and administration. Three new members were appointed to the Bank's Management Committee.

As a result of the Bank's strategic priorities and new activities, the number of employees increased, reaching 160 (150) at year-end.

The Bank continued a large-scale programme of upgrading its core IT capacities. Several accounting systems were replaced by an integrated system in 2006. The modernisation project of treasury back-office operations was also started during the year.

NIB's anti-corruption committee, established the previous year, continued its work during 2006. The Board appointed Gunnar Okk, Head of Planning and Administration, as the new chairman of this committee.

Outlook

The economic outlook for 2007 indicates continued high liquidity in the corporate sector in the Bank's member countries. In line with its strategy, NIB will continue to focus on activities in which the Bank can take full advantage of its strengths.

For 2007, the pipeline of upcoming loans suggests stable growth in NIB's lending operations both in the Bank's member and non-member countries. Energy infrastructure, logistics and environmental technology will comprise priority areas of the Bank's activities.

In order to fund its lending operations, NIB will continue its flexible, global borrowing strategy in 2007, through a combination of global benchmark issues of bonds and smaller issues targeting particular market niches in the global capital markets.

Stable growth in the Bank's core earnings is expected for the year 2007.

Proposal by the Board of Directors to the Board of Governors

The Board of Directors' proposal for the allocation of profits for the year 2006 takes into consideration that the Bank's operations are carried out with an objective to achieve a reasonable return on the Bank's paid-in capital and a satisfactory dividend to the member countries. The proposal will facilitate the continuing accumulation of the Bank's equity and keep its ratio of equity to total assets at a secure level, both of which are prerequisites for maintaining the Bank's high creditworthiness.

In accordance with Section 11 of the Statutes of the Bank, the profit for 2006 of EUR 137,468,771.42 is allocated as follows:

- EUR 87,468,771.42 is transferred to the General Credit Risk Fund as a part of equity;
- no transfer is made to the Special Credit Risk Fund for Project Investment Loans;
- EUR 629,365.04 is transferred from the HIPC fund to the Statutory Reserve. After this transfer, the Statutory Reserve amounts to EUR 645,612,201.03 or 15.6% of the Bank's authorised capital stock; and
- EUR 50,000,000.00 is made available for distribution as dividends to the Bank's member countries.

The profit and loss account, balance sheet, changes in equity and cash flow statement, as well as the notes to the financial statements, are to be found on pages 36 through 68.

Helsinki, 8 March 2007

Arild Sundberg

Ólafur Hjálmarsson

Lars Kolte

Edmunds Krastiņš

Rolandas Kriščiūnas

Kristina Sarjo

Madis Üürike

Erik Åsbrink

Johnny Åkerholm,
President and CEO

Profit and loss account 1 January – 31 December

	Note	2006 EUR 1,000	2005 EUR 1,000
Interest income		673,197	528,799
Interest expense		-494,390	-360,135
Net interest income	(1), (2), (23)	**178,807**	**168,664**
Commission income and fees received	(3)	6,821	8,634
Commission expense and fees paid		-1,734	-1,524
Net profit / loss on financial operations	(4)	-14,406	17,335
Foreign exchange gains and losses		136	-105
Operating income		**169,624**	**193,004**
Expenses			
General administrative expenses	(5), (23)	27,909	24,034
Depreciation	(9), (10)	4,246	3,794
Credit loss / recovery	(6), (8)	-	-119
Total expenses		**32,156**	**27,709**
PROFIT FOR THE YEAR		**137,469**	**165,295**

The Nordic Investment Bank's accounts are kept in euro.

Balance sheet at 31 December

	Note	2006 EUR 1,000	2005 EUR 1,000
ASSETS	(1), (18), (19), (20), (21), (22)		
Cash and cash equivalents	(17), (24)	3,753,444	3,568,561
Financial placements	(7), (17)		
Placements with credit institutions		91,429	105,867
Debt securities		1,416,378	1,302,595
Other		7,135	7,052
		1,514,942	1,415,514
Loans outstanding	(8), (17)	11,534,229	11,716,596
Intangible assets	(9)	7,342	7,423
Tangible assets	(9)	35,633	34,884
Other assets	(11), (17)		
Derivatives		751,036	1,076,046
Other assets	(23)	12,031	2,569
		763,067	1,078,616
Paid-in capital and payments to the Bank's reserves, receivable		47,494	52,274
Accrued interest and fees receivable		331,995	304,566
TOTAL ASSETS		17,988,146	18,178,433
LIABILITIES AND EQUITY	(18), (19), (20), (21), (22)		
Liabilities			
Amounts owed to credit institutions	(17), (23)		
Short-term amounts owed to credit institutions [1)]	(24)	313,025	349,507
Long-term amounts owed to credit institutions		90,262	100,075
		403,287	449,583
Repurchase agreements [1)]		216,739	118,477
Debts evidenced by certificates	(12), (17)		
Debt securities issued		13,367,157	14,205,040
Other debt		254,358	250,663
		13,621,516	14,455,702
Other liabilities	(13), (17)		
Derivatives		1,415,445	934,987
Other liabilities		4,331	5,283
		1,419,776	940,271
Accrued interest and fees payable		305,978	268,832
Total liabilities		15,967,296	16,232,865

		Note	2006 EUR 1,000	2005 EUR 1,000
Equity				
Authorised and subscribed capital	4,141,903			
of which callable capital	-3,723,301			
Paid-in capital [2)]	418,602	(14)	418,602	418,602
Reserve funds		(15)		
Statutory Reserve			644,983	644,983
General Credit Risk Fund			534,662	424,367
Special Credit Risk Fund PIL			238,200	238,200
Fund, HIPC Programme			629	4,300
Payments to the Bank's reserves, receivable			42,713	42,713
Other value adjustments			3,592	7,109
Profit for the year			137,469	165,295
Total equity			2,020,850	1,945,569
TOTAL LIABILITIES AND EQUITY			17,988,146	18,178,433
Guarantee commitments		(8), (16)	25,000	25,000
Collateral and commitments		(16)		

[1)] The balance sheet for 2006 has been changed as follows: In liabilities, repurchase agreements have been separated from short-term amounts owed to credit institutions. The figures for 2005 have been adjusted accordingly.

[2)] Of paid-in capital, EUR 413,821 thousand has been received as of 31 December 2006 (December 2005, EUR 409,041 thousand)

The Nordic Investment Bank's accounts are kept in euro.

Changes in equity

(Amounts in 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	Other value adjustments	Profit for the year	Total
Equity at 31 December 2004	**404,260**	**644,983**	**357,000**	**188,200**	**4,300**		**9,457**	**172,367**	**1,780,567**
Appropriations between reserve funds			67,367	50,000				-117,367	0
Paid-in capital	4,780								4,780
Called in authorised and subscribed capital	9,561								9,561
Payments to the Bank's Statutory Reserve and credit risk funds, receivable						42,713			42,713
Dividend payment								-55,000	-55,000
Profit for the year								165,295	165,295
Available-for-sale portfolio									0
Cash flow hedge accounting							-2,348		-2,348
Total income and expense for the year	0	0	0	0	0	0	-2,348	165,295	162,948
EQUITY AT 31 DECEMBER 2005	**418,602**	**644,983**	**424,367**	**238,200**	**4,300**	**42,713**	**7,109**	**165,295**	**1,945,569**
Appropriations between reserve funds			110,295					-110,295	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								-55,000	-55,000
Used fund, HIPC Programme					-3,671				-3,671
Profit for the year								137,469	137,469
Available-for-sale portfolio							395		395
Cash flow hedge accounting							-3,912		-3,912
Total income and expense for the year	0	0	0	0	0	0	-3,517	137,469	133,952
EQUITY AT 31 DECEMBER 2006	**418,602**	**644,983**	**534,662**	**238,200**	**629**	**42,713**	**3,592**	**137,469**	**2,020,850**

Proposed appropriation of the year's profit	*2006*	*2005*
Appropriation to Statutory Reserve	**629**	-
Appropriations to credit risk reserve funds		
General Credit Risk Fund	**87,469**	110,295
Special Credit Risk Fund PIL	**-**	-
Fund, HIPC Programme	**-629**	-
Appropriation to dividend payment	**50,000**	55,000
PROFIT FOR THE YEAR	**137,469**	**165,295**

The Nordic Investment Bank's accounts are kept in euro.

Cash flow statement 1 January – 31 December

	Note	2006 EUR 1,000	2005 EUR 1,000
Cash flows from operating activities	(24)	173,332	186,065
Cash flows from investing activities			
Lending			
Disbursements of loans		-1,605,088	-2,092,465
Repayments of loans		1,477,741	971,926
Capitalisations, redenominations, index adjustments etc.		-1,070	-1,959
Exchange rate adjustments		260,126	-331,729
Placements and debt securities			
Purchase of debt securities		-498,431	-654,211
Sales of debt securities		377,582	595,643
Placements with credit institutions		13,418	-14,986
Other financial placements		313	-339
Exchange rate adjustments etc.		1,286	-1,299
Other items			
Change in swap receivables		62,699	51,713
Change in other assets		-8,492	1,100
Change in tangible and intangible assets		-4,915	-4,135
Investing activities, total		75,168	-1,480,741
Cash flows from financing activities			
Debts evidenced by certificates			
Issues of new debt		2,688,610	2,059,067
Redemptions		-2,039,639	-856,316
Exchange rate adjustments		-1,025,220	1,060,401
Issuing charges		-5,330	-11,680
Other items			
Placements from credit institutions		-9,813	5,609
Change in swap payables		320,820	-688,623
Change in other liabilities		-934	1,040
Dividend paid		-55,000	-55,000
Paid-in capital		4,780	4,780
Used fund, HIPC Programme		-3,671	-
Financing activities, total		-125,395	1,519,279
CHANGE IN NET LIQUIDITY	(24)	123,104	224,603
Opening balance for net liquidity		3,100,576	2,875,973
Closing balance for net liquidity		3,223,681	3,100,576

The Nordic Investment Bank's accounts are kept in euro.

Notes to the financial statements

ACCOUNTING POLICIES

General operating principles

The operations of the Nordic Investment Bank (hereinafter called the Bank or NIB) are governed by an agreement among the governments of Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway and Sweden (hereinafter called the member countries), and the Statutes adopted in conjunction with that agreement.

NIB is a multilateral financial institution that operates in accordance with sound banking principles. NIB finances private and public projects which have high priority with the member countries and the borrowers. NIB finances projects both within and outside the member countries, and offers its clients long-term loans and guarantees on competitive market terms.

NIB acquires the funds to finance its lending by borrowing on international capital markets.

The authorised capital stock of the Bank is subscribed by the member countries. Any increase or decrease in the authorised capital stock shall be decided by the Board of Governors, upon a proposal of the Board of Directors of the Bank.

In the member countries, the Bank is exempt from payment restrictions and credit policy measures, and has the legal status of an international legal person, with full legal capacity. The Agreement concerning NIB contains provisions regarding immunity and privileges accorded to the Bank, e.g. the exemption of the Bank's assets and income from taxation.

The headquarters of the Bank are located at Fabianinkatu 34 in Helsinki, Finland.

Significant accounting principles

BASIS FOR PREPARING THE FINANCIAL STATEMENTS

The Bank's financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB). The Bank's accounts are kept in euro. With the exceptions noted below, they are based on historical cost.

ASSESSMENTS MADE IN PREPARING THE FINANCIAL STATEMENTS

As part of the process of preparing the financial statements, the Bank's management is required to make certain estimates and assumptions that have an effect on the Bank's profits, its financial position and other information presented in the annual report. These estimates are based on available information and the judgements made by the Bank's management. Actual outcomes may deviate from the assessments made, and such deviations may at times be substantial.

The Bank uses various valuation models and techniques to estimate fair values of assets and liabilities. There are significant uncertainties related to these estimates in particular when they involve modelling complex financial instruments, such as derivative instruments used for hedging activities related to both borrowing and lending. The estimates are highly dependent on market data, such as the level of interest rates, currency rates and other factors. The uncertainties related to these estimates are reflected mainly in the balance sheet. NIB undertakes continuous development in order to improve the basis for the fair value estimates, both with regard to modelling and market data. Changes in estimates resulting from refinements in assumptions and methodologies are reflected in the period in which the enhancements are first applied.

RECOGNITION AND DERECOGNITION

Financial instruments are recognised in the balance sheet on a settlement date basis.

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire.

A financial liability is removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expires.

FOREIGN CURRENCY TRANSLATION

Monetary assets and liabilities denominated in foreign currencies are recognised in the accounts at the exchange rate prevailing on the closing date. Non-monetary assets and liabilities are recognised in the accounts at the euro rate prevailing on the transaction date. Income and expenses recognised in currencies other than the euro are converted on a daily basis to the euro, in accordance with the euro exchange rate prevailing each day.

Realised and unrealised exchange rate gains and losses are recognised in the profit and loss account.

The Bank uses the official exchange rates published for the euro by the European Central Bank. See Note 25.

CASH AND CASH EQUIVALENTS, NET LIQUIDITY

The item "Cash and cash equivalents" refers to monetary assets and placements with original maturities of 6 months or less, calculated from the date the acquisition and placements were made. The item also includes placements in liquid debt securities at floating interest rates, regardless of original maturity.

Net liquidity in the cash flow statement refers to the net amount of monetary assets, placements and liabilities with original maturities of 6 months or less calculated from the time the transaction was entered into, as well as placements in liquid debt securities at floating interest rates irrespective of original maturity. This corresponds in substance to the Bank's operational net liquidity.

FINANCIAL PLACEMENTS

Items recognised as financial placements in the balance sheet include placements with credit institutions and in debt securities, for example, bonds and other debt certificates, as well as certain placements in instruments with equity features. The placements are initially recognised on the settlement date. Their subsequent accounting treatment depends on the purpose of the placements.

Financial assets held for trading are carried at fair value. Changes in fair value are recognised in the profit and loss account. Held-to-maturity financial assets are carried at amortised cost. These financial assets are assessed on an ongoing basis for impairment.

Available-for-sale financial assets are measured at fair value. Unrealised value changes are recognised in "Equity" under the item "Other value adjustments" until the asset is sold or the unrealised loss is considered to be permanent. When the placement is sold or written down, the accumulated unrealised gain or loss is transferred to the year's profit or loss, and becomes part of "Net profit on financial operations".

LENDING

The Bank may grant loans and provide guarantees under its Ordinary Lending or under various special lending facilities. The special lending facilities, which carry member country guarantees, consist of Project Investment Loans (PIL), Environmental Investment Loans (MIL) and Baltic Investment Loans (BIL).

Ordinary Lending includes loans and guarantees within and outside the member countries. The Bank's Ordinary Lending ceiling corresponds to 250% of its authorised capital and accumulated general reserves and amounts to EUR 13,631 million following the appropriations of the year's profits in accordance with the Board of Directors' proposal.

Project Investment Loans are granted for financing creditworthy projects in the emerging markets of Africa, Asia, Central and Eastern Europe, Latin America and the Middle East. The Bank's Statutes permit loans to be granted and guarantees to be issued under the PIL facility up to an amount corresponding to EUR 4,000 million. The member countries guarantee the PIL loans up to a total amount of EUR 1,800 million. The Bank, however, will assume 100% of any losses incurred under an individual PIL loan, up to the amount available at any given time in the Special Credit Risk Fund for PIL. Only thereafter would the Bank be able to call the member countries' guarantees according to the following principle: the member countries guarantee 90% of each loan under the PIL facility up to a total amount of EUR 1,800 million. Payment under the member countries' guarantees takes place at the request of the Board of Directors, as provided for under an agreement between the Bank and each individual member country.

The Bank is authorised to grant special Environmental Investment Loans up to the amount of EUR 300 million, for the financing of environmental projects in the areas adjacent to the member countries. The Bank's member countries guarantee 100% of the MIL facility.

Until 31 December 1999, the Bank granted loans for investments in the Baltic countries within the EUR 60 million Baltic Investment Loan facility. The Nordic countries guarantee 100% of the BIL facility.

The Bank's lending transactions are recognised in the balance sheet at the time the funds are transferred to the borrower. Loans are recognised initially at historical cost, which corresponds to the fair value of the transferred funds including transaction costs. Loans outstanding are carried at amortised cost. If the loans are hedged against changes in fair value by using derivative instruments, they are recognised in the balance sheet at fair value, with value changes recognised in the profit and loss account. Changes in fair value are generally caused by changes in market interest rates.

CREDIT LOSSES AND IMPAIRMENT OF RECEIVABLES

Receivables are carried at their estimated recoverable amount. Where the collectability of identified loans is in doubt, specific impairment losses are recognised in the profit and loss account. Impairment is defined as the difference between the carrying value of the asset and the net present value of expected future cash flows, determined using the instrument's original effective interest rate where applicable. Impairment losses are measured based on individual assessment of the collectable amount for loans and guarantees. The assessment takes into account any costs of administration or realisation of the security.

On the liabilities side, impairment is recognised in respect of the guarantees NIB has issued. The net cost of any calls made under guarantees and other similar commitments issued by NIB is likewise recognised in the profit and loss account.

In the event that payments in respect of an ordinary loan are more than 90 days overdue, all of the borrower's loans are deemed to be non-performing and consequently the need for impairment is assessed and recognised.

In the event that payments in respect of a PIL loan to a government or guaranteed by a government are more than 180 days overdue, all of the borrower's loans are deemed to be non-performing. Whenever payments in respect of a PIL loan that is not to a government or guaranteed by a government are more than 90 days overdue, all of the borrower's loans are deemed to be non-performing. Impairment losses are then recognised in respect of the part of the outstanding loan principal, interest, and fees that correspond to the Bank's own risk for this loan facility at any given point in time.

INTANGIBLE ASSETS

Intangible assets mainly consist of investments in software, software licenses and ongoing investments in new IT systems. The investments are carried at historical cost, and are amortised over the assessed useful life of the assets, which is estimated to be between 3 and 5 years. The amortisations are made on a straight-line basis.

TANGIBLE ASSETS

Tangible assets in the balance sheet include land, buildings, office equipment, and other tangible assets owned by the Bank. The assets are recognised at historical cost, less any accumulated depreciation based on their assessed useful life. No depreciations are made for land. The Bank's office building in Helsinki is depreciated on a straight-line basis over a 40-year period. The Bank's other buildings are depreciated over a 30-year period. The depreciation period for office equipment and other tangible assets is determined by assessing the individual item. The depreciation period is usually 3 to 5 years.

WRITE-DOWNS AND IMPAIRMENT OF INTANGIBLE AND TANGIBLE ASSETS

The Bank's assets are reviewed annually for impairment. If there is any objective evidence of impairment, the impairment loss is determined based on the recoverable amount of the assets.

BORROWING

The Bank's borrowing transactions are recognised in the balance sheet at the time the funds are transferred to the Bank. The borrowing transactions are recognised initially at historical cost, which is the fair value of the funds transferred, less transaction costs. The Bank uses derivative instruments to hedge the fair value of virtually all its borrowing transactions. In these instances, the borrowing transaction is recognised in the balance sheet at fair value, with any changes in value recognised in the profit and loss account.

DERIVATIVE INSTRUMENTS AND HEDGE ACCOUNTING

The Bank's derivative instruments are recognised at fair value in the balance sheet as "Other assets" or "Other liabilities".

During the time the Bank holds a derivative instrument, any changes in the fair value of such an instrument are recognised in the profit and loss account, or directly in "Equity" as part of the item "Other value adjustments", depending on the purpose for which the instruments were acquired. The value changes of derivative instruments that were not acquired for hedging purposes are recognised in the profit and loss account. The accounting treatment for derivative instruments that were acquired for hedging purposes depends on whether the hedging operation was in respect of cash flow or fair value.

At the time the IAS 39 standard concerning hedge accounting was adopted, the Bank had a portfolio of floating rate assets, which had been converted to fixed rates using derivative contracts (swaps). This portfolio was designated as a cash flow hedge, but this specific type of hedging is no longer used. In general, the Bank does not have an ongoing programme for entering into cash flow hedging, although it may choose to do so at any given point in time.

When hedging future cash flows, the change in fair value of the effective portion of the hedging instrument is recognised directly in "Equity" as part of the item "Other value adjustments" until the maturity of the instrument. At maturity, the amount accumulated in "Equity" is included in the profit and loss account in the same period or periods during which the hedged item affects the profit and loss account.

In order to protect NIB from market risks that arise as an inherent part of its borrowing and lending activities, the Bank enters into swap transactions. The net effect of the swap hedging is to convert the borrowing and lending transactions to floating rates. This hedging activity is an integrated part of the Bank's business process and is designed as a fair value hedge.

When hedging the fair value of a financial asset or liability, the derivative instrument's change in fair value is recognised in the profit and loss account together with the hedged item's change in fair value in "Net profit on financial operations".

Sometimes a derivative may be a component of a hybrid financial instrument that includes both the derivative and a host contract. Such embedded derivative instruments are part of a structured financing transaction that is hedged against changes in fair value by means of matching swap contracts. In such cases, both the hedged borrowing transaction and the hedging derivative instrument are recognised at fair value with changes in fair value in the profit and loss account.

The hedge accounting is based on a clearly documented relationship between the item hedged and the hedging instrument. When there is a high (negative) correlation between the hedging instrument on the one hand and the value change on the hedged item or the cash flows generated by the hedged item on the other, the hedge is regarded as effective. The hedging relationship is documented at the time the hedge transaction is entered into, and the effectiveness of the hedge is assessed continuously.

FAIR VALUE

The fair value of financial instruments, including derivative instruments that are traded in a liquid market, is the bid or offered closing price at balance sheet date. Many of NIB's financial instruments are not traded in a liquid market, like the Bank's borrowing transactions with embedded derivative instruments. These are measured at fair value using different valuation models and techniques. This process involves determining future expected cash flows, which can then be discounted to the balance sheet date. The estimation of future cash flows for these instruments is subject to assumptions on market data and in some cases, in particular where options are involved, even on the behaviour of the Bank's counterparties. The fair value estimate may therefore be subject to large variations and may not be realisable in the market. Under different market assumptions the values could also differ substantially.

EQUITY

The Bank's authorised and subscribed capital is EUR 4,141.9 million, of which the paid-in portion is EUR 418.6 million. Payment of the subscribed, non-paid-in portion of the authorised capital, i.e., the callable capital, will take place at the request of the Bank's Board of Directors to the extent that the Board deems it necessary for the fulfilment of the Bank's debt obligations.

The Bank's reserves have been built up by means of appropriations from the profits of previous accounting periods, and consist of the Statutory Reserve, as well as funds for credit risks: the General Credit Risk Fund, the Special Credit Risk Fund for PIL and the Fund for the HIPC Programme (Debt Initiative for Heavily Indebted Poor Countries).

The Bank's profits, after allocation to appropriate credit risk funds, are transferred to the Statutory Reserve until it amounts to 10% of NIB's subscribed authorised capital. Thereafter, the Board of Governors, upon a proposal by the Bank's Board of Directors, shall decide upon the allocation of the profits between the reserve fund and dividends on the subscribed capital.

The General Credit Risk Fund is designed to cover unidentified exceptional risks in the Bank's operations.

Allocations to the Special Credit Risk Fund for PIL are made primarily to cover the Bank's own risk in respect of credit losses on PIL loans.

In 2000, the Bank decided to participate in the HIPC Programme initiated by the World Bank and the International Monetary Fund. NIB's participation in the programme concerned only one borrower country. During 2006, the Bank paid its contribution to the HIPC initiative. See Note 15.

INTEREST

The Bank's net interest income includes accrued interest on loans as well as accruals of the premium or discount value of financial instruments. Net interest income also includes swap fees that are accrued over the transactions' lifetimes.

Borrowing costs are recognised as reductions of the borrowing in the balance sheet. They are amortised over the lifetime of the borrowing and included in "Net interest income" in the profit and loss account.

FEES AND COMMISSIONS

Fees collected when disbursing loans are recognised as income at the time of the disbursement, which means that fees and commissions are recognised as income at the same time as the costs are incurred. Commitment fees are charged on loans that are agreed but not yet disbursed, and are accrued in the profit and loss account over the commitment period.

Annually recurrent costs arising as a result of the Bank's borrowing, investment and payment transactions are recognised under the item "Commission expense and fees paid".

FINANCIAL TRANSACTIONS

The Bank recognises in "Net profit on financial operations" both realised and unrealised gains and losses on debt securities and other financial instruments. Adjustments for hedge accounting are included.

ADMINISTRATIVE EXPENSES

The Bank provides services to its related parties, the Nordic Development Fund (NDF) and the Nordic Environment Finance Corporation (NEFCO). Payments received by the Bank for providing services at cost to these organisations are recognised as a reduction in the Bank's administrative expenses.

NIB receives a host country reimbursement from the Finnish Government equal to the tax withheld from the salaries of NIB's employees. This payment reduces the Bank's administrative expenses. It is shown in Note 5.

LEASING AGREEMENTS

Leasing agreements are classified as operating leases if the rewards and risks incident to ownership of the leased asset, in all major respects, lie with the lessor. Lease payments under operating leases are recognised on a straight-line basis over the lease term. The Bank's rental agreements are classified as operating leases.

EMPLOYEES' PENSIONS AND INSURANCE

The Bank is responsible for arranging pension security for its employees. In accordance with the Headquarters Agreement between the Bank and the Finnish Government and as part of the Bank's pension arrangements, the Bank has decided to apply the Finnish state pension system. Contributions to this pension system, which are paid to the Finnish State Pension Fund, are calculated as a percentage of salaries. The Finnish Government determines the basis for the contributions, and the Finnish State Treasury establishes the actual percentage of the contributions. See Note 5.

NIB has also provided its permanent employees with a supplementary pension insurance scheme arranged by a private pension insurance company. This is group pension insurance based on a defined contribution plan. The Bank's pension liability is completely covered.

In addition to the applicable local social security systems, NIB has taken out a comprehensive accident, life and health insurance policy for its employees in the form of group insurance.

Segment information

Segment information and currency distribution in the notes are presented in nominal amounts. The adjustment to hedge accounting is presented as a separate item (except for Note 1, primary reporting segment).

Reclassifications

Some minor reclassifications have been made. The comparative figures have been adjusted accordingly.

International Financial Reporting Standards adopted in 2006 and to be adopted in 2007

NEW STANDARDS AND INTERPRETATIONS 2006

The Bank has assessed the relevance of the new standards, amendments and interpretations that are mandatory for the Bank's accounting periods beginning on or after 1 January 2006.

An amendment to IAS 39 concerning financial guarantee contracts has been implemented. The impact of the amendment is considered immaterial.

The Bank has assessed the relevance of the following amendments and interpretations and concluded that they do not result in changes to the Bank's accounting policies or they do not have a significant impact on the Bank's financial statements for 2006.

- IAS 39 (Amendment) *The Fair Value Option*. This option has not been used in 2006.
- IAS 21 (Amendment) *The Effects of Changes in Foreign Exchange Rates*. The amendment has no relevance for the Bank.
- IFRIC 4 *Determining Whether an Arrangement Contains a Lease*. No such lease arrangements existed in 2006.

NEW STANDARDS AND INTERPRETATIONS 2007

The Bank will apply IFRS 7 and IAS 1 (Amendment) to annual periods beginning 1 January 2007. The impact and relevance of IFRIC 9, IFRIC 10 and IFRS 8 for the Bank's accounting policies are being assessed.

- IFRS 7 *Financial Instruments: Disclosures*
  The new standard is a pure disclosure standard and does not change the recognition and measurement of financial instruments. Accordingly, it will have no effect on "Net profit" and "Equity". The new standard requires entities to make enhanced quantitative and qualitative risk disclosures for all major categories of financial instruments in their financial statements.
- IAS 1 (Amendment) *Presentation of Financial Statements: Capital Disclosures*
  The new standard is a pure disclosure standard and does not result in changes to the Bank's accounting policies. This amendment to IAS 1 requires entities to disclose information that enables readers to evaluate the entity's objectives, policies and processes for managing capital. The disclosures are based on information provided internally to key management personnel.
- IFRIC 9 *Reassessment of Embedded Derivatives*
- IFRIC 10 *Interim Financial Reporting and Impairment*
- IFRS 8 *Operating Segments*

FINANCIAL GUIDELINES AND RISK MANAGEMENT

NIB assumes a conservative approach to risk-taking. The Bank's constituent documents require that loans be made in accordance with sound banking principles, that adequate security be obtained for the loans and that the Bank protect itself against the risk of exchange rate losses. The main risks: credit risk, market risk, liquidity risk and operational risk, are managed carefully with risk management closely integrated into the Bank's business processes. As a multilateral financial institution, NIB is not subject to any national or international banking regulations. However, the Bank's risk management procedures are reviewed and refined on an ongoing basis in order to comply in substance with evolving market standards, recommendations and best practices.

Key risk responsibilities

The Board of Directors defines the overall risk profile of the Bank by approving financial policies and guidelines, maximum limits for exposure as well as individual loans. The business units, Lending and Treasury, are responsible for managing the risks assumed through their operations and for ensuring that an adequate return for the risks taken is achieved. The departments responsible for risk management, credit and analysis, and internal audit are independent from the departments carrying out the Bank's business activities. Risk Management has the overall responsibility for identifying, assessing, monitoring and reporting all types of risk inherent in the Bank's operations. Credit and Analysis is responsible for assessing and monitoring credit risk in the Bank's lending operations. Internal Audit provides an independent evaluation of the control and risk management processes. Based on regular reporting from the relevant departments, three committees comprising members of the senior management supervise the Bank's aggregate risk-taking so that it is consistent with its financial resources and risk profile and that risk and return are balanced and appropriate under prevailing market conditions. The Credit Committee's focus is on credit risk in the Bank's lending operations, while the Finance Committee oversees risks in the Bank's treasury operations. The Management Committee oversees the development of the Bank's risk management infrastructure, ensures that the business conducted is consistent with the risk capacity, reviews the overall management of risks and decides on specific provisions for impairment losses on loans. The committees are responsible for regular reporting to the Board of Directors on the risks assumed and for proposing the development and implementation of new systems and standards for risk management.

Credit risk

Credit risk is NIB's main financial risk. Credit risk is the risk that the Bank's borrowers and other counterparties fail to fulfil their contractual obligations and that the collateral provided does not cover the Bank's claims. Following from NIB's mandate and financial structure, most of the credit risk arises in the lending operations. The Bank is also exposed to credit risk in its treasury activities, where credit risk derives from the financial assets and derivative instruments that the Bank uses for investing its liquidity and managing currency and interest rate risks as well as other market risks related to structured funding transactions. Credit decisions are primarily made by the Board of Directors, with some delegation of credit approval authority to the President.

CREDIT RISK MANAGEMENT

A primary element of the credit approval process is a detailed risk assessment, which also involves a risk-versus-return analysis. The risk assessment defines the creditworthiness of the counterparty based on an internal credit risk-rating system.

Credit risk ratings – Credit risk ratings are assigned to borrowers, counterparties in treasury operations and to countries. The rating process is carried out through functions independent of the business-originating departments. The ratings also form the basis for setting exposure limits, for risk-based pricing of loans as well as for monitoring and reporting the Bank's credit quality. Credit quality is monitored on an ongoing basis and reported regularly to the Credit Committee, the Finance Committee and the Board of Directors.

The risk-rating system comprises three components: probability of default (PD), loss given default (LGD) and expected loss. The PD reflects the likelihood that the counterparty defaults and LGD reflects the likely unrecoverable portion of the defaulted obligation. Expected loss quantifies the loss that the Bank expects to incur on each defaulted obligation, taking into consideration the combined effect of the probability that the counterparty defaults and the estimate of the unrecoverable portion of the Bank's claim in case of default. The likelihood of default by individual borrowers is assessed using a rating tool comprising a quantitative and a qualitative assessment of the borrower's creditworthiness. The borrowers are segmented into 20 rating classes, with the range of default probability defined for each rating class. Class 1 refers to the highest credit quality and class 20 to the lowest credit quality. In addition, the scale includes two classes for defaulted loans. The rating classes are in alignment with the ratings of the major international rating agencies. As such, the classes 1–10 in the Bank's internal rating scale correspond to investment grade ratings of the rating agencies.

Credit limits – NIB applies a limit system in which maximum exposure to a borrower, treasury counterparty or country is determined based on the probability of default and the expected loss. The limits are aligned to the Bank's equity and to the counterparty's equity. The Board of Directors sets the limits for maximum exposure. To reduce large risk concentrations to groups of borrowers and industry sectors, the Bank applies separate portfolio level limits. Exposure to each counterparty is measured on a consolidated group level, i.e. individual counterparties that are linked to one another by ownership or other group affiliation, are considered as one counterparty.

For loans and capital market investments, credit exposure is measured in terms of current nominal value. Credit exposure resulting from swaps is measured as the current market value plus an allowance for a potential increase in exposure over the transaction's lifetime (referred to as potential exposure). The add-on for potential exposure reflects the fact that significant fluctuations in the swap's value may occur over time. As a rule, NIB enters into the International Swaps and Derivatives Association (ISDA) contract with swap counterparties. This allows the netting of the obligations arising under all of the derivative contracts covered by the ISDA agreement in case of insolvency. Netting results in one single net claim on or payment to the counterparty. Netting is applied for the measurement of the Bank's credit exposure only in those cases when it is deemed to be legally enforceable for the relevant jurisdiction and counterparty. The gross total market value of swaps at year-end 2006 amounted to EUR 827 million, compared to a value of EUR 426 million after applying netting. To further reduce the exposure to derivatives, NIB enters into credit support agreements with its major swap counterparties. The credit support agreements provide risk mitigation, as periodic marking-to-market of the transactions results in collateral being posted by the party being the net obligor. When credit support agreements are in place, NIB does not apply add-ons in the exposure measurement. NIB has recently initiated one-way credit support agreements, whereby the Bank is excluded from posting collateral. Such agreements have, to date, been signed with a few counterparties.

Economic capital – Economic capital refers to the amount of capital that the Bank needs in order to be able to absorb severe unexpected losses, with a defined level of certainty. Economic capital is estimated for each of the main risks: credit risk, market risk and operational risk. The economic capital calculation is based on the same factors as those used in the process of rating individual counterparties, i.e. PD and LGD. In addition, the Bank uses two factors, i.e. industry sector and geographical location, to capture correlations between assets.

The economic capital approach is used for monitoring and reporting aggregate risk exposures, providing a basis for the senior management's assessment of the Bank's total risk appetite in relation to its financial resources. The Board of Directors is regularly provided with reports on estimated economic capital and risk trends in the Bank's portfolios.

CREDIT QUALITY

The quality of the Bank's aggregate credit exposure remained at a high level in 2006. Figure 37, "Total exposure by NIB rating", compares the quality of the Bank's credit risks based on the credit risk classification system at year-end 2005 and 2006.

Lending in member countries – The quality of loans provided in the member countries continued to be very healthy. The share of the five weakest credit risk classes is very low, below 0.1% of the portfolio. Most of the portfolio—more than 75%—is located in the risk classes 6 to 10. Lending in the member countries continued to be well balanced in respect of geographical and industrial sector distribution as well as the distribution by loan size.

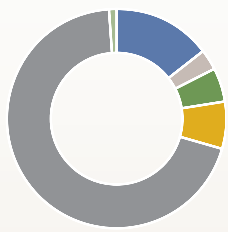
Lending in non-member countries – The quality of the loan portfolio comprising non-member countries remained at the same level as in 2005. The exposure to the five weakest credit risk classes was also very low, amounting to less than 0.2% at year-end 2006. The exposure to the risk classes 6 to 10 amounted to 50% of lending to non-member countries.

Financial counterparties – The credit quality of the counterparties in the Bank's treasury operations has remained at a very high level. The exposure to the top five classes accounts for more than 75% of the total exposure.

Fig. 36

LOANS OUTSTANDING AND GUARANTEES

Distribution by type of security
as of 31 Dec 2006

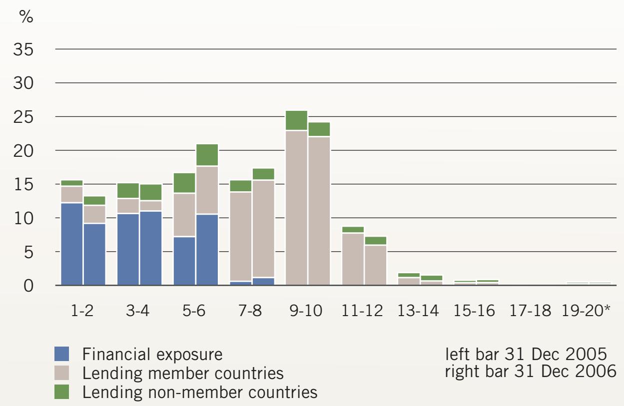


Loans to or guaranteed by:
- governments 15%
- local authorities in member countries 3%
- companies owned 50% or more by member countries or local authorities in member countries 5%
- banks 7%
- others 70%
- Loans without security 0.2%

The total amount of the percentage shares may differ from 100% due to rounding.

Fig. 37

TOTAL EXPOSURE BY NIB RATING



** The risk classes range from 1 (highest credit quality) to 20 (lowest credit quality).*

Bank level – At an aggregate level, the Bank's credit quality improved slightly during the year and continues to be very strong. At year-end 2006 one-third of the credit exposure was in the categories with the lowest risk (1 to 5) and more than 50% in the risk categories 6 to 10. The exposure to the classes with the highest risk (16 to 20) was marginal at 0.1%.

Market risk

Market risk is i.a. the risk that losses incur as a result of fluctuations in exchange rates and interest rates. NIB's exposure to exchange rate risk occurs when translating assets and liabilities denominated in foreign currencies into the functional currency, the euro. The Bank funds its operations by borrowing in the international capital markets and provides loans often in currencies other than those borrowed, which unhedged would create currency mismatches in assets and liabilities. Furthermore, the funds borrowed often have other interest rate structures than applied in the loans provided to the Bank's customers. Exposure to exchange rate risk and interest rate risk created in the normal course of business is minimised by the use of derivative instruments. The residual risk must be within strictly defined limits. NIB does not engage in creating speculative exposures to market risk with the aim of making profits. Market risks are measured, managed and reported in accordance with a set of limits and procedures that are reviewed on a regular basis.

EXCHANGE RATE RISK

In accordance with the requirements of its Statutes, NIB's policy is to manage exchange rate risk within very narrow limits. The Board of Directors approves the limits for acceptable currency positions, i.e. the difference between assets and liabilities in a specific currency. The overnight exposure to any one currency may not exceed the equivalent of EUR 2 million. The currency positions are monitored against the established limits on a daily basis and reported regularly to the Finance Committee.

The Bank does not have a policy on hedging future net interest income in foreign currency. Loans are provided primarily in euros and US dollars and there is a possibility that interest income in US dollars may cause some fluctuation in the Bank's future net income in euro terms. However, any such potential fluctuations in future cash flows would be minor in relation to the Bank's total assets and equity.

INTEREST RATE RISK

The Bank applies a set of limits and various tools to measure and manage interest rate risk. Maximum exposure limits are set by the Board of Directors. Compliance with these limits is monitored on a daily basis and reported regularly to the Finance Committee.

GAP analysis measures interest rate risk as the sensitivity of the Bank's interest income to a 1% change in interest rates. A gross total limit is defined for the acceptable interest rate risk, with separate sub-limits for each individual currency. The limits are set in relation to the Bank's equity and they are adjusted annually. At year-end, the gross total limit was EUR 38 million, which corresponds to approximately 2% of NIB's equity. Total interest rate risk was approximately EUR 1.43 million, or 3.76% of the limit.

Risk emanating from differences in the maturity profile of assets and liabilities is managed by establishing limits for refinancing and reinvestment risk. Refinancing risk arises when long-term assets are financed with short-term liabilities. Reinvestment risk occurs when short-term assets are financed with long-term liabilities. The limits for refinancing and reinvestment risk are set in relation to the Bank's equity. They are reviewed annually and approved by the Board of Directors. At year-end 2006 the maximum limit for refinancing and reinvestment risk was EUR 19 million, which is approximately 1% of NIB's equity. The total exposure under this limit was EUR 18.95 million. Refinancing and reinvestment risk is measured by means of a sensitivity analysis. The analysis captures the impact on the Bank's net interest income over time of a 0.1% change in the margin on an asset or liability. In addition, a EUR 1,000 million ceiling has been established to limit the difference in the cash flow from assets and liabilities in the course of any given year. This serves to prevent a large concentration of refinancing or reinvestment needs in the capital markets in one single year.

NIB invests an amount corresponding to the size of its equity in a fixed income portfolio denominated in euro. According to a Board of Directors' decision, a maximum of 35% of the equity may be invested on a marked-to-market basis, while the balance must be invested on a held-to-maturity basis. To measure interest rate risk in this portfolio, the Bank uses a value-at-risk model and modified duration. Value-at-risk estimates the potential future loss (in terms of market value) that will not be exceeded in a defined period of time and with a defined confidence level. For measuring value-at-risk, the Bank applies both a parametric method and the Monte Carlo method. Under the Monte Carlo method, simulations are made to estimate the sensitivity of the portfolio and the individual transactions to changes in the yield curve and exchange rates. The model is based on a 95% confidence level and a holding period of 1 day. The daily value-at-risk may not exceed 0.4% of the marked-to-market portfolio's value. In 2006 the daily value-at-risk fluctuated in the interval 0.054-0.149%. At year-end 2006 the value-at-risk amounted to 0.077% or EUR 495,000. Modified duration measures how much the price of a security or portfolio of securities will change for a given change in interest rates. Generally, the shorter the duration, the less interest rate-sensitive the security. The maximum modified duration is set at 5.5 years.

Liquidity risk

Liquidity risk management safeguards the ability of the Bank to meet all payment obligations when they become due. NIB's policy is to maintain a liquidity corresponding to its net liquidity requirements for 12 months. The liquid assets consist of receivables from banks and high-quality marketable securities denominated primarily in euros and US dollars. An important element of the liquidity risk management is also the Bank's aim to diversify its funding sources in terms of i.a. investor type and geographical region. The Treasury Department is responsible for managing the liquidity. Status reports are submitted to the Finance Committee on a regular basis.

Operational risks—internal control

Operational risk is the risk of financial losses or damaged reputation due to failure attributable to technology, employees, procedures or physical arrangements. Operational risk also includes legal risk. NIB's operational risk management focuses on proactive measures in order to ensure business continuity as well as the accuracy of information used internally and reported externally. The Bank's operational risk management also focuses on the expertise and integrity of its personnel, its adherence to established rules and procedures as well as on security arrangements designed to protect the physical infrastructure of the Bank. The Bank strives to mitigate operational risks by following strict rules for the assignment of duties and responsibilities among and within the departments and maintaining a system of internal control and supervision. The main principle for organising work flows is to segregate business-generating functions from recording and monitoring functions. An important factor in operational risk mitigation is also the continuous development and upgrading of strategic information and communication systems.

The internal audit is part of the Bank's internal control system. Important focal areas for the internal audit include the efficiency and reliability of the Bank's individual processes and systems, as well as compliance. The internal audit is carried out in accordance with international standards for professional practice issued by the Institute of Internal Auditors. The annual activity plan for the internal audit is approved by the Board of Directors, and the audit reports are regularly submitted to the Board of Directors and to the Bank's Control Committee.

NOTES TO THE PROFIT AND LOSS ACCOUNT, BALANCE SHEET AND CASH FLOW STATEMENT

(1) SEGMENT INFORMATION

Primary reporting segment—business operations

In its segment reporting, NIB divides its operations into two major segments: lending and financial operations. The lending operations consist of granting loans on commercial terms within and outside the member countries for projects of mutual interest to the member countries and the borrower country. Financial operations consist of the management of liquidity and placement of funds in financial investment portfolios.

(Amounts in EUR 1,000)

	Lending 2006	*Liquidity 2006*	*Placements in financial investment portfolios 2006*	*Total 2006*	*Lending 2005*	*Liquidity 2005*	*Placements in financial investment portfolios 2005*	*Total 2005*
Net interest income	**80,777**	**20,194**	**77,837**	**178,807**	77,574	20,444	70,646	168,664
Commission income and fees received	**6,598**	**222**	**-**	**6,820**	6,509	2,125	-	8,634
Commission expense and fees paid	**-**	**-1,734**	**-**	**-1,734**	-222	-1,302	-	-1,524
Net profit / loss on financial operations	**776**	**-4,771**	**-10,411**	**-14,406**	1,349	7,027	8,960	17,335
Foreign exchange gains and losses	**-**	**136**	**-**	**136**	-	-105	-	-105
Administrative expenses	**-23,984**	**-1,353**	**-2,573**	**-27,909**	-21,291	-612	-2,131	-24,034
Depreciation	**-2,718**	**-1,070**	**-458**	**-4,246**	-2,428	-956	-410	-3,794
Credit loss / recovery	**-**	**-**	**-**	**-**	119	-	-	119
Profit for the year	**61,449**	**11,625**	**64,394**	**137,469**	61,609	26,620	77,066	165,295
Assets	**11,642,905**	**4,324,391**	**2,020,850**	**17,988,146**	11,803,415	4,429,449	1,945,569	18,178,433

Secondary reporting segment—geographical segment

The table below is based on the region where the borrowers reside, according to the domicile of the borrower's group headquarters.

(Amounts in EUR 1,000)

	2006 Net interest income	*2005 Net interest income*
Member countries		
Denmark	**6,025**	5,571
Estonia	**765**	1,124
Finland	**15,847**	15,609
Iceland	**3,825**	3,046
Latvia	**1,059**	1,174
Lithuania	**215**	315
Norway	**7,284**	6,464
Sweden	**21,602**	22,666
Total, member countries	**56,621**	**55,969**
Non-member countries		
Africa	**2,051**	2,220
Asia	**7,846**	7,369
Central and Eastern Europe	**6,027**	4,350
Latin America	**6,946**	6,406
Middle East	**1,286**	1,260
Total, non-member countries	**24,155**	**21,605**
Total, net interest income from lending	**80,777**	**77,574**

(2) INTEREST INCOME AND INTEREST EXPENSE

(Amounts in EUR 1,000)

Interest income	*2006*	*2005*
Cash and cash equivalents	136,969	102,841
Placements with credit institutions for more than 6 months	2,881	2,305
Debt securities of more than 6 months	61,159	59,801
Loans outstanding	471,480	363,590
Other interest income	708	262
Total, interest income [1]	673,197	**528,799**
Interest expense		
Short-term amounts owed to credit institutions	11,553	8,456
Long-term amounts owed to credit institutions	2,728	2,228
Short-term repurchase agreements	6,724	4,773
Debts evidenced by certificates	685,420	620,167
Swap contracts and other interest expenses, net	-221,127	-283,398
Borrowing costs	9,091	7,909
Total, interest expense [2]	494,390	**360,135**

1) Including interest income of financial assets recognised at amortised cost: EUR 539,964 thousand (435,998).

2) Including interest expense of financial liabilities recognised at amortised cost: EUR 487,666 thousand (355,362).

(3) COMMISSION INCOME AND FEES RECEIVED

(Amounts in EUR 1,000)

	2006	*2005*
Commitment fees	1,823	2,065
Loan disbursement fees	3,232	3,256
Guarantee commissions	139	139
Premiums on prepayments of loans	1,404	3,030
Commissions on lending of securities	222	143
Total, commission income and fees received	6,821	**8,634**

(4) NET PROFIT / LOSS ON FINANCIAL OPERATIONS

(Amounts in EUR 1,000)

	2006	*2005*
Debt securities in trading portfolio, realised gains and losses	-2,258	19,708
Debt securities in trading portfolio, unrealised gains and losses	-7,533	-8,927
Adjustment to hedge accounting, unrealised gains and losses of fair value hedges	-5,386	3,770
Changes in fair value of non-hedging derivatives, unrealised gains and losses	-1,648	1,049
Repurchase of NIB bonds, other items	2,419	1,736
Total, net profit / loss on financial operations	-14,406	**17,335**

(5) GENERAL ADMINISTRATIVE EXPENSES

(Amounts in EUR 1,000)

	2006	*2005*
Staff costs	**18,032**	15,870
Pension premiums in accordance with the Finnish state pension system	**3,141**	2,913
Other pension premiums	**1,029**	1,147
Office premises costs	**2,253**	1,385
IT costs	**1,974**	1,879
Other general administrative expenses	**7,407**	6,495
Cost coverage, NDF and NEFCO	**-843**	-820
Cost coverage, rental income and other administrative income	**-645**	-601
Total	**32,350**	**28,268**
Host country reimbursement according to agreement with the Finnish Government	**-4,440**	-4,234
Net	**27,909**	**24,034**

	2006	*2005*
Remuneration to the auditors		
Audit fee [1)]	**168**	125
Other audit-related service fee	**3**	18
Total remuneration	**171**	**143**

1) The cost of issuing comfort letters and certificates in relation to the borrowing operations of the Bank is included in the audit fee.

	2006	*2005*
Average number of employees	**158**	151
Average age of the employees	**43**	43
Average period (years) of employment	**9**	10
Distribution by gender		
All employees		
Females	**77**	74
Males	**83**	76
Management Committee (including the President)		
Females	**2**	1
Males	**5**	6
Professional staff		
Females	**33**	30
Males	**60**	54
Clerical staff		
Females	**42**	43
Males	**18**	16

Compensation for the Board of Directors, the Control Committee, the President and the Management Committee

Compensation for the Board of Directors (BoD) and the Control Committee (CC) is set by the Board of Governors (BoG). The compensation consists of a fixed annual remuneration and an attendee allowance. The members of the BoD and the CC are also entitled to reimbursement of travel and accommodation expenses and a daily allowance in accordance with the Bank's travel policy.

The BoD makes decisions concerning the employment and the remuneration of the President. The President is appointed on a fixed-term contract for five years at a time. While the BoD decides on the principles for remuneration of the members of the Management Committee (MC), the President decides upon the employment and specific remuneration of the MC. The members of the MC are normally employed for an indefinite period of time. The period of notice varies from three to six months. The remuneration package for the members of the MC includes a fixed base salary and customary taxable benefits, which are in principle the same for all staff on the managerial level. In addition to this remuneration package, the members of the MC enjoy other benefits common to all staff (healthcare, supplementary group pension, staff loans and insurance coverage). The Bank pays performance bonuses up to one month's salary for excellent and extraordinary performance within a total of 1.5% of the estimated total staff salary costs for the previous year.

Compensation for the BoD, the CC, the President and the MC is presented in the table below:
(Amounts in EUR)

	2006 Compensation/ Taxable income	2005 Compensation/ Taxable income
Board of Directors		
Chairman		
annual remuneration	12,141	11,900
attendee allowance	1,510	1,890
Other Directors and Alternates (15 persons)		
annual remuneration	70,079	68,680
attendee allowance	10,284	12,235
Control Committee		
Chairman		
annual remuneration	3,488	4,007
attendee allowance	328	775
Other members (9 persons)		
annual remuneration	13,747	14,897
attendee allowance	1,900	4,081
President	418,472	600,020 [2)]
Members of the Management Committee (6 persons)	1,415,717	1,346,747

2) The figure includes a retirement package of EUR 214,915 for the previous President.

Pension obligations

NIB is responsible for arranging the pension security for its employees. The current pension arrangement consists of pension based on the Finnish state pension system (VEL Pension) as the basis for the pension benefits. The VEL pension is calculated on the basis of the employee's annual taxable income and the applicable age-linked pension accrual rate. The employer's pension contribution in 2006 was 17.63% of the taxable income. The employee's pension contribution was either 4.3% or 5.4%, depending on the employee's age. NIB pays this contribution for the permanent staff and it is taxed as a benefit for the employee.

In addition to the VEL Pension, the Bank has taken out a supplementary group pension insurance policy for all its permanently employed staff including the President. This pension insurance is based on the principle of a defined contribution. The insurance premium, 6.5%, is calculated on the basis of the employee's taxable income and paid until the age of 63.

Pension premiums paid for the President amounted to EUR 192,492, of which EUR 96,118 comprised supplementary pension premiums. The corresponding figures for the MC were EUR 472,653 and EUR 156,469.

Staff loans

Staff loans can be granted to permanently employed staff members who have been employed by the Bank for a period of at least one year. The President is granted staff loans subject to a recommendation from the BoD, and the members of the MC are granted staff loans subject to a recommendation from the President. The staff loans are granted by a commercial bank, subject to a recommendation from NIB. Staff loans are granted for the financing of, for example, a permanent residence, other accommodation and motor vehicles.

The total loan amount cannot exceed the amount equivalent to the employee's base salary for twenty months, the maximum loan amount being EUR 100,000. The employee pays interest on the loan in accordance with the official base rate established by the Ministry of Finance in Finland (3.25% in July–December 2006). The same interest rates, terms and conditions are applicable to all the employees of the Bank, including the President and MC members.

As of 31 December 2006, the total amount outstanding of staff loans to the MC was EUR 57,071 (EUR 65,564 in 2005).

Additional benefits to expatriates

Professional staff (including Management Committee members) who move to Finland for the sole purpose of taking up employment in the Bank, are entitled to certain expatriate benefits, such as an expatriate allowance and a spouse allowance. In addition, NIB assists the expatriate, e.g., in finding accommodation, usually by renting a house or a flat in its own name. The staff member reimburses the Bank a part of the rent, which equals at least the tax value of the accommodation benefit established annually by the Finnish National Board of Taxes.

Rental agreement

NIB owns its headquarters office building in Helsinki. The building's total area is 18,500 m^2. The Bank rents office space totalling 2,148 m^2 adjacent to its main office building. Furthermore, the Bank rents office space totalling 353 m^2 in the Nordic countries and in Singapore. A total of 1,700 m^2 is rented to other parties.

(6) CREDIT LOSS / RECOVERY

(Amounts in EUR 1,000)

	2006	2005
Credit losses covered by previously recognised credit losses	-	947
Credit losses recognised during the year	-	-
Reversals of previously recognised credit losses	-	-1,066
Credit loss / recovery, net	**-**	**-119**

See also Note 8.

(7) FINANCIAL PLACEMENTS

The debt securities were issued by the following counterparties:
(Amounts in EUR million)

	2006	2005
Governments	455	425
Public institutions	96	78
Other	865	799
Total, debt securities	**1,416**	**1,303**

These debt securities are at fixed interest rates.

The distribution of the Bank's debt security portfolios was as follows:
(Amounts in EUR million)

	Book value		*Fair value*	
	2006	2005	**2006**	2005
Trading portfolio	253	273	253	273
Held-to-maturity portfolio	1,164	1,030	1,171	1,086
Total, debt securities	**1,416**	**1,303**	**1,424**	**1,358**

(8) LOANS OUTSTANDING AND GUARANTEE COMMITMENTS

Loans outstanding were distributed as follows over the Bank's four loan facilities:

(Amounts in EUR million)

Ordinary Loans	**2006**	2005
Investment loans in the member countries	9,190	9,404
Investment loans in other countries	196	116
Regional loans in the Nordic countries	23	60
Adjustment to hedge accounting	-12	33
Total	**9,397**	**9,613**
Project Investment Loans (PIL)		
Africa	235	261
Asia	802	839
Central and Eastern Europe	335	340
Latin America	536	459
Middle East	123	116
Adjustment to hedge accounting	-3	3
Total	**2,028**	**2,017**
Environmental Investment Loans (MIL)	105	83
Baltic Investment Loans (BIL)	4	4
Total, loans outstanding	**11,534**	**11,717**

The figure for loans outstanding, EUR 11,534 million (11,717), includes medium-term notes (MTN) of EUR 2,137 million (2,167). These are held at amortised cost unless they form a part of a qualifying hedging relationship with a derivative. In a hedge accounting relationship, the MTNs are recognised at fair value.

Loans outstanding at floating interest rates amounted to EUR 10,265 million (10,248), while those at fixed interest rates amounted to EUR 1,284 million (1,432). Guarantee commitments under Ordinary Lending amounted to EUR 25.0 million (25.0) as of 31 December 2006.

Credit losses

A total of EUR 0.4 million (0.5) has been deducted from the Bank's loans outstanding for impairment losses on loans. This amount was comprised only of impairment losses on Project Investment Loans. The following changes were recognised in the balance sheet in respect of impairment losses:
(Amounts in EUR million)

	2006	*2005*
Impairment losses as of 1 January	0.5	1.0
Impairment losses recognised during the year	-	0.5
Reversals of previously recognised impairment losses	-	-1.1
Exchange rate adjustments	-0.1	0.1
Impairment losses as of 31 December	**0.4**	**0.5**

See also Note 6.

The distribution of impairment losses was as follows:
(Amounts in EUR million)

Distribution by loan facility	*2006*	*2005*
Ordinary Loans	-	-
Project Investment Loans (PIL)		
Africa	-	-
Asia	-	-
Central and Eastern Europe	-	-
Latin America	0.4	0.5
Middle East	-	-
Total, impairment losses	**0.4**	**0.5**

As of 31 December 2006, all of the Bank's loans were performing.

As of 31 December 2006, loans agreed but not yet disbursed amounted to the following:

(Amounts in EUR million)

Loans agreed but not yet disbursed	*2006*	*2005*
Ordinary Loans	658	690
Project Investment Loans	717	820
Environmental Investment Loans	129	115
Total, loans agreed but not yet disbursed	**1,503**	**1,625**

The amounts set forth above for loans agreed but not yet disbursed include loans in considerable amounts, where certain conditions, primarily interest rate conditions, may not yet have been finally approved. They therefore cannot be considered as binding commitments for the Bank.

Currency distribution of loans outstanding

(Nominal amounts, in EUR million)

Currency	*Ordinary Loans*		*PIL loans*		*Total* [1)]	
	2006	*2005*	*2006*	*2005*	*2006*	*2005*
Nordic currencies	3,082	3,161	-	1	3,083	3,163
EUR	5,193	5,048	435	335	5,706	5,454
USD	1,037	1,249	1,570	1,645	2,639	2,910
Other currencies	96	121	26	33	122	154
Total	**9,408**	**9,580**	**2,031**	**2,014**	**11,549**	**11,680**
Adjustment to hedge accounting	-11	33	-3	3	-15	36
Total, loans outstanding	**9,397**	**9,613**	**2,028**	**2,017**	**11,534**	**11,717**

1) The total amount also includes EUR 105 million (83) in Environmental Investment Loans (MIL) and EUR 4 million (4) in Baltic Investment Loans (BIL).

Sectoral distribution

(Amounts in EUR million)

Loans outstanding as of 31 December	*2006*	*2006*	*2005*	*2005*
Manufacturing	4,287	37%	4,518	39%
Energy	2,998	26%	3,054	26%
Transport and communications	1,684	15%	1,590	14%
Trade and services	816	7%	826	7%
Banking and finance [2)]	959	8%	887	8%
Regional loans	-	0%	60	1%
Other	805	7%	747	6%
Adjustment to hedge accounting	-15	0%	36	0%
Total	**11,534**	**100%**	**11,717**	**100%**

Loans disbursed	*2006*	*2006*	*2005*	*2005*
Manufacturing	362	23%	737	35%
Energy	389	24%	535	26%
Transport and communications	348	22%	299	14%
Trade and services	127	8%	157	8%
Banking and finance [2)]	157	10%	229	11%
Regional loans	-	0%	-	0%
Other	223	14%	137	7%
Total	**1,605**	**100%**	**2,092**	**100%**

[2)] Including the Bank's financial intermediaries.

Distribution of loans outstanding and guarantees by various types of security

The following table shows loans outstanding, including guarantee commitments, distributed by type of security:
(Amounts in EUR million)

As of 31 December 2006	*Amount*	*Total amount*	*Share, in %*
Loans to or guaranteed by governments			
Loans to or guaranteed by member countries	200		
Loans to or guaranteed by other countries	1,510	1,710	14.7
Loans to or guaranteed by local authorities in member countries		315	2.7
Loans to or guaranteed by companies owned 50% or more by member countries or local authorities in member countries		607	5.2
Loans to or guaranteed by banks		836	7.2
Other loans			
Backed by a lien or other security in property	393		
With a guarantee from the parent company and other guarantees	1,817		
With a negative pledge clause and other covenants	5,869		
Without formal security	28	8,107	70.0
Total		**11,574**	**100.0**
Adjustment to hedge accounting		-15	
Total, loans outstanding (including guarantees)		**11,559**	

As of 31 December 2005	*Amount*	*Total amount*	*Share, in %*
Loans to or guaranteed by governments			
Loans to or guaranteed by member countries	187		
Loans to or guaranteed by other countries	1,534	1,721	14.7
Loans to or guaranteed by local authorities in member countries		319	2.7
Loans to or guaranteed by companies owned 50% or more by member countries or local authorities in member countries		656	5.6
Loans to or guaranteed by banks		792	6.8
Other loans			
Backed by a lien or other security in property	389		
With a guarantee from the parent company and other guarantees	1,839		
With a negative pledge clause and other covenants	5,960		
Without formal security	30	8,218	70.2
Total		**11,706**	**100.0**
Adjustment to hedge accounting		36	
Total, loans outstanding (including guarantees)		**11,742**	

According to NIB's Statutes, the member countries shall cover the Bank's losses arising from failure of payment in connection with PIL loans up to the following amounts:
(Amounts in EUR 1,000)

		2006		*2005*
Member country	***Amount of guarantee***	***Share, in %***	*Amount of guarantee*	*Share, in %*
Denmark	**377,821**	**21.0**	377,821	21.0
Estonia	**13,139**	**0.7**	13,139	0.7
Finland	**344,860**	**19.2**	344,860	19.2
Iceland	**15,586**	**0.9**	15,586	0.9
Latvia	**19,058**	**1.1**	19,058	1.1
Lithuania	**29,472**	**1.6**	29,472	1.6
Norway	**329,309**	**18.3**	329,309	18.3
Sweden	**670,755**	**37.3**	670,755	37.3
Total	**1,800,000**	**100.0**	**1,800,000**	**100.0**

According to NIB's Statutes, the member countries shall cover 100% of the Bank's losses arising from failure of payment in connection with MIL loans up to the following amounts:
(Amounts in EUR 1,000)

		2006		*2005*
Member country	***Amount of guarantee***	***Share, in %***	*Amount of guarantee*	*Share, in %*
Denmark	**70,113**	**23.4**	70,113	23.4
Estonia	**2,190**	**0.7**	2,190	0.7
Finland	**51,377**	**17.1**	51,377	17.1
Iceland	**3,187**	**1.1**	3,187	1.1
Latvia	**3,176**	**1.1**	3,176	1.1
Lithuania	**4,912**	**1.6**	4,912	1.6
Norway	**61,324**	**20.4**	61,324	20.4
Sweden	**103,720**	**34.6**	103,720	34.6
Total	**300,000**	**100.0**	**300,000**	**100.0**

In addition, BIL loans outstanding totalled EUR 4 million (4) and were guaranteed by the Nordic countries at 100%.

(9) INTANGIBLE AND TANGIBLE ASSETS

The Bank's intangible assets amounted to EUR 7.3 million (7.4).

As of 31 December 2006, the historical cost of buildings and land was recognised in the balance sheet (net of depreciation on the buildings in accordance with the depreciation plan) at EUR 28.3 million (29.0).

The value of office equipment and other tangible assets is recognised at EUR 7.3 million (5.9).

(Amounts in EUR 1,000)

Intangible assets	***Computer software development costs, total***
Acquisition value at the beginning of the year	**9,681**
Acquisitions during the year	**1,912**
Sales/disposals during the year	**-**
Acquisition value at the end of the year	**11,593**
Accumulated amortisation at the beginning of the year	**2,259**
Amortisation according to plan for the year	**1,986**
Accumulated amortisation on sales/disposals during the year	**6**
Accumulated amortisation at the end of the year	**4,251**
Net book value	**7,342**

(Amounts in EUR 1,000)

Tangible assets	***Buildings***	***Office equipment and other tangible assets***	***Total***
Acquisition value at the beginning of the year	33,704	9,341	**43,045**
Acquisitions during the year	-	3,024	**3,024**
Sales/disposals during the year	-	-266	**-266**
Acquisition value at the end of the year	**33,704**	**12,099**	**45,803**
Accumulated depreciation at the beginning of the year	4,728	3,433	**8,161**
Depreciation according to plan for the year	670	1,590	**2,260**
Accumulated depreciation on sales/disposals during the year	-	-252	**-252**
Accumulated depreciation at the end of the year	**5,398**	**4,771**	**10,170**
Net book value	**28,305**	**7,328**	**35,633**

The impairment tests conducted in 2006 did not indicate any need for impairment.

(10) DEPRECIATION

(Amounts in EUR 1,000)

	2006	*2005*
Intangible assets	**1,986**	1,357
Tangible assets		
Buildings	**670**	670
Office equipment	**1,590**	1,766
Total	**4,246**	**3,794**

(11) OTHER ASSETS

Derivatives are included in “Other assets”.

(Amounts in EUR million)

	2006	*2005*
Floating interest rates, nominal amount	**8,857**	8,870
Fixed interest rates, nominal amount	**12,286**	12,536
Total, nominal amount	**21,143**	**21,406**
Netting of nominal amount per derivative	**-20,618**	-20,818
Derivative receivables, net	**525**	**588**
Adjustment to hedge accounting and changes in fair value of non-hedging derivatives	**226**	488
Derivative instruments	**751**	**1,076**
Other	**12**	3
Total	**763**	**1,079**

Derivatives are carried at fair value in the balance sheet net per contract. Thus, swap contracts with a positive net fair value are recognised in the balance sheet under “Other assets”, while swap contracts with a negative net fair value are recognised under “Other liabilities”.

(12) DEBTS EVIDENCED BY CERTIFICATES AND SWAPS

At year-end, the Bank's borrowings evidenced by certificates were distributed among the currencies shown in the table below. The table also demonstrates the distribution of borrowings by currency on an after-swap basis:
(Amounts in EUR million)

Currency	*Borrowing*		*Swap contracts payable/receivable*		*Net currency*	
	2006	*2005*	***2006***	*2005*	***2006***	*2005*
Nordic currencies	**588**	945	**2,504**	2,284	**3,092**	3,229
EUR	**777**	939	**6,845**	6,048	**7,623**	6,987
USD	**5,736**	6,454	**-2,362**	-2,643	**3,373**	3,811
JPY	**1,507**	1,462	**-1,466**	-1,424	**40**	38
GBP	**1,961**	1,791	**-1,939**	-1,771	**22**	20
HKD	**416**	457	**-416**	-457	**-**	-
Other currencies	**2,671**	1,981	**-2,622**	-1,909	**49**	71
Total	**13,656**	**14,028**	**543**	**127**	**14,199**	**14,155**
Adjustments to hedge accounting and changes in fair value of non-hedging derivatives	**-34**	427	**13**	-409	**-21**	18
Swap fees	**-**	-	**109**	141	**109**	141
Total, borrowings outstanding	**13,622**	**14,456**	**664**	**-141**	**14,286**	**14,315**

The table set forth above includes 279 (244) borrowing transactions in the equivalent amount of EUR 8,813 million (9,203) entered into under the Bank's euro medium-term note programme, 4 (4) borrowing transactions in the equivalent amount of EUR 177 million (170) under the Bank's Swedish medium-term note programme, 4 (4) borrowing transactions in the equivalent amount of EUR 3,037 million (3,391) under the Bank's US medium-term note programme and 4 (-) borrowing transactions in the equivalent amount of EUR 599 million (-) under the Bank's Australian medium-term note programme. The Bank has established a USD 600 million commercial paper programme in Europe and another USD 600 million programme in the United States.

Of debt securities issued, the amount of EUR 1,579 million (1,767) is at floating interest rates, while EUR 11,825 million (12,019) is at fixed interest rates. Other borrowing transactions, amounting to EUR 251 million (242), are at fixed interest rates.

(13) OTHER LIABILITIES

Derivatives are included in "Other liabilities".
(Amounts in EUR million)

	2006	*2005*
Floating interest rates, nominal amount	**20,328**	20,106
Fixed interest rates, nominal amount	**1,358**	1,426
Total, nominal amount	**21,686**	**21,532**
Netting of nominal amount per derivative	**-20,509**	-20,676
Derivative payables, net	**1,177**	**856**
Adjustment to hedge accounting and changes in fair value of non-hedging derivatives	**239**	79
Derivative instruments	**1,415**	**935**
Other	**4**	5
Total	**1,420**	**940**

Derivatives are carried at fair value in the balance sheet net per contract. Thus, swap contracts with a positive net fair value are recognised in the balance sheet under "Other assets", while swap contracts with a negative net fair value are recognised under "Other liabilities".

(14) AUTHORISED CAPITAL—PAID-IN CAPITAL

The member countries' portions of authorised capital are as follows:
(Amounts in EUR million)

Member country	***2006***	***Share, in %***	*2005*	*Share, in %*
Denmark	**881.1**	**21.3**	881.1	21.3
Estonia	**30.2**	**0.7**	30.2	0.7
Finland	**765.8**	**18.5**	765.8	18.5
Iceland	**38.6**	**0.9**	38.6	0.9
Latvia	**43.9**	**1.1**	43.9	1.1
Lithuania	**67.8**	**1.6**	67.8	1.6
Norway	**793.1**	**19.1**	793.1	19.1
Sweden	**1,521.4**	**36.7**	1,521.4	36.7
Total	**4,141.9**	**100.0**	**4,141.9**	**100.0**

The member countries' portions of paid-in capital are as follows:
(Amounts in EUR million)

Member country	***2006***	***Share, in %***	*2005*	*Share, in %*
Denmark	**89.2**	**21.3**	89.2	21.3
Estonia	**3.1**	**0.7**	3.1	0.7
Finland	**74.4**	**17.8**	74.4	17.8
Iceland	**3.9**	**0.9**	3.9	0.9
Latvia	**4.4**	**1.1**	4.4	1.1
Lithuania	**6.9**	**1.6**	6.9	1.6
Norway	**77.1**	**18.4**	77.1	18.4
Sweden	**159.5**	**38.1**	159.5	38.1
Total	**418.6**	**100.0**	**418.6**	**100.0**

Due to the fact that Estonia, Latvia and Lithuania became members of the Bank on 1 January 2005, the Bank's authorised capital increased to EUR 4,141.9 million as of 1 January 2005 and the paid-in portion of the authorised capital increased to EUR 418.6 million. In consequence of the Bank's membership enlargement, the share of each member country in the authorised capital changed as of 1 January 2005.

The new member countries shall make their payments of the paid-in portion pursuant to an agreed schedule of payments in three annual instalments, the first of which was made on 31 March 2005.

(15) STATUTORY RESERVE AND CREDIT RISK FUNDS

At the end of 2006, the Statutory Reserve amounted to EUR 645.0 million, or 15.6% of the Bank's authorised capital of EUR 4,141.9 million.

The General Credit Risk Fund recognised in "Equity" is built up by means of allocations from prior years' profits. This fund is established to cover unidentified, exceptional credit losses. The Statutory Reserve and the General Credit Risk Fund together constitute the Bank's general reserves. The General Credit Risk Fund amounted to EUR 534.7 million in 2006.

In accordance with its Statutes, the Bank has a Special Credit Risk Fund for the Project Investment Loan facility. This fund is primarily designed to cover the Bank's own risk in respect of this loan facility, guaranteed by the member countries. In 2006, the fund amounted to EUR 238.2 million. The Bank assumes 100% of any losses under individual PIL loans, up to the amount available at any given time in the Special Credit Risk Fund for PIL. Only after this fund has been fully used, can the Board of Directors call the member country guarantees.

In addition, the Bank has established a EUR 4.3 million fund in "Equity" for the HIPC Programme (Debt Initiative for Heavily Indebted Poor Countries). During 2006 the Bank paid its contribution to the HIPC Programme.

Taken together, these credit risk funds (General Credit Risk Fund, Special Credit Risk Fund PIL and Fund for the HIPC Programme) amounted to EUR 773.5 million as of 31 December 2006.

As part of the terms and conditions of membership, Estonia, Latvia and Lithuania have, as of 1 January 2005, agreed to pay to the Bank's reserves altogether the amount of EUR 42.7 million in the same proportion as their share of the subscribed capital. Estonia, Latvia and Lithuania will make their payments in semi-annual instalments in accordance with individual payment agreements during the period from 31 March 2008 to 30 September 2012.

(16) COLLATERAL AND COMMITMENTS

(Amounts in EUR million)

	2006	2005
Guarantees issued (Note 8)	**25**	25
Loans agreed but not yet disbursed (Note 8)	**1,503**	1,625
Borrowing commitments	**20**	-
Guarantee commitments for staff loans	**-**	-
Securities as collateral for repurchase agreements [1]	**205**	105
Callable commitments in financial placements	**13**	18
Collateral with respect to derivatives exposure		
Collateral received [2]	**270**	268
Collateral given [1]	**-**	-

[1] Book value
[2] Fair value

(17) FAIR VALUE OF FINANCIAL INSTRUMENTS

(Amounts in EUR million)

	2006			2005		
	Carrying amount	*Fair value*	*Difference*	*Carrying amount*	*Fair value*	*Difference*
Assets						
Cash equivalents at fair value through profit or loss	**3,506**	**3,506**	**-**	3,015	3,015	-
Other cash and cash equivalents	**248**	**248**	**-**	554	554	-
Cash and cash equivalents, total	**3,753**	**3,753**	**-**	**3,569**	**3,569**	**-**
Placements with credit institutions	**91**	**91**	**-**	106	106	-
Debt securities at fair value through profit or loss	**253**	**253**	**-**	272	272	-
Other debt securities	**1,164**	**1,171**	**7**	1,030	1,085	55
Debt securities, total	**1,416**	**1,424**	**7**	**1,303**	**1,358**	**55**
Other financial placements available for sale	**7**	**7**	**-**	7	8	1
Hedged loans outstanding in fair value hedging relationships	**1,250**	**1,250**	**-**	1,408	1,408	-
Loans outstanding, other	**10,284**	**10,264**	**-21**	10,309	10,305	-4
Loans outstanding, total	**11,534**	**11,513**	**-21**	**11,717**	**11,713**	**-4**
Hedging derivatives at fair value	**744**	**744**	**-**	947	947	-
Other derivatives at fair value	**7**	**7**	**-**	129	129	-
Derivatives at fair value, total	**751**	**751**	**-**	**1,076**	**1,076**	**-**
			-13			**52**
Liabilities						
Short-term amounts owed to credit institutions	**313**	**313**	**-**	350	350	-
Long-term amounts owed to credit institutions	**90**	**90**	**-**	100	100	-
Repurchase agreements	**217**	**217**	**-**	118	118	-
Hedged debt securities issued in fair value hedging relationships	**13,351**	**13,351**	**-**	14,162	14,162	-
Other debt securities issued	**16**	**12**	**-4**	44	45	1
Debt securities issued, total	**13,367**	**13,364**	**-4**	**14,205**	**14,206**	**1**
Hedged other debt in fair value relationships	**254**	**254**	**-**	251	251	-
Hedging derivatives at fair value	**583**	**583**	**-**	344	344	-
Other derivatives at fair value	**832**	**832**	**-**	591	591	-
Derivatives at fair value, total	**1,415**	**1,415**	**-**	**935**	**935**	**-**
			-4			**1**
Net			**-10**			**51**

(18) MATURITY PROFILE

The table set forth below presents assets and liabilities according to their remaining maturities, calculated from closing date to maturity date. The possibility of prepayments is taken into consideration regarding derivative contracts and borrowing transactions. Loans outstanding, however, are reported according to the latest possible repayment date. Those assets and liabilities that do not have a contractual maturity date, as well as all value adjustments, are recognised in the "Undefined" column. See also Notes 11 and 13.

2006

(Amounts in EUR million)

	Up to and including 3 months	Over 3 months and up to and including 6 months	Over 6 months and up to and including 1 year	Over 1 year and up to and including 5 years	Over 5 years and up to and including 10 years	Over 10 years	Undefined	Total
Assets								
Cash and cash equivalents	280	5	13	2,671	715	69	-	**3,753**
Financial placements								
Placements with credit institutions	22	29	38	-	-	-	2	**91**
Investment securities	71	45	-	565	441	298	-4	**1,416**
Other	-	-	-	-	-	-	7	**7**
	93	**74**	**38**	**565**	**441**	**298**	**5**	**1,515**
Loans outstanding	232	311	524	5,138	4,206	1,138	-15	**11,534**
Intangible assets	-	-	-	-	-	-	7	**7**
Tangible assets	-	-	-	-	-	-	36	**36**
Other assets								
Derivatives								
Receivables	557	401	356	3,312	1,540	800	226	**7,192**
Payables	-533	-381	-337	-3,161	-1,344	-684	-	**-6,441**
	24	**19**	**19**	**150**	**196**	**117**	**226**	**751**
Other assets	-	-	-	-	-	-	12	**12**
Paid-in capital and payments to the Bank's reserves, receivable	-	-	-	-	-	-	47	**47**
Accrued interest and fees receivable	-	-	-	-	-	-	332	**332**
Total assets	**630**	**410**	**594**	**8,524**	**5,558**	**1,622**	**651**	**17,988**
Liabilities and equity								
Liabilities								
Amounts owed to credit institutions								
Short-term	308	5	-	-	-	-	-	**313**
Long-term	23	29	39	-	-	-	-	**90**
	330	**34**	**39**	**-**	**-**	**-**	**-**	**403**
Repurchase agreements	217	-	-	-	-	-	-	**217**
Debts evidenced by certificates	1,197	447	874	8,380	1,675	1,083	-34	**13,622**
Other liabilities								
Derivatives								
Receivables	-705	-247	-618	-9,777	-1,874	-848	239	**-13,830**
Payables	762	334	635	10,428	2,126	960	-	**15,245**
	57	**88**	**17**	**651**	**252**	**112**	**239**	**1,415**
Other liabilities	-	-	-	-	-	-	4	**4**
Accrued interest and fees payable	-	-	-	-	-	-	306	**306**
Total liabilities	**1,800**	**569**	**929**	**9,031**	**1,927**	**1,196**	**515**	**15,967**
Equity	-	-	-	-	-	-	2,021	**2,021**
Total liabilities and equity	**1,800**	**569**	**929**	**9,031**	**1,927**	**1,196**	**2,536**	**17,988**
Net during the period	-1,170	-159	-336	-507	3,631	426	-1,885	**-**
Cumulative net during the period	-1,170	-1,329	-1,665	-2,172	1,459	1,885	-	**-**

2005

(Amounts in EUR million)

	Up to and including 3 months	***Over 3 months and up to and including 6 months***	***Over 6 months and up to and including 1 year***	***Over 1 year and up to and including 5 years***	***Over 5 years and up to and including 10 years***	***Over 10 years***	***Undefined***	***Total***
Assets								
Cash and cash equivalents	710	91	332	1,792	565	77	2	**3,569**
Financial placements								
Placements with credit institutions	22	26	57	-	-	-	2	**106**
Investment securities	25	105	-	581	385	204	3	**1,303**
Other	-	-	-	-	-	-	7	**7**
	47	**130**	**57**	**581**	**385**	**204**	**12**	**1,416**
Loans outstanding	246	297	606	4,990	4,398	1,144	36	**11,717**
Intangible assets	-	-	-	-	-	-	7	**7**
Tangible assets	-	-	-	-	-	-	35	**35**
Other assets								
Derivatives								
Receivables	312	487	755	5,148	1,972	1,395	488	**10,557**
Payables	-288	-454	-741	-4,921	-1,889	-1,188	-	**-9,481**
	23	**33**	**14**	**227**	**83**	**208**	**488**	**1,076**
Other assets	-	-	-	-	-	-	3	**3**
Paid-in capital and payments to the Bank's reserves, receivable	-	-	-	-	-	-	52	**52**
Accrued interest and fees receivable	-	-	-	-	-	-	305	**305**
Total assets	**1,026**	**551**	**1,008**	**7,590**	**5,431**	**1,633**	**940**	**18,178**
Liabilities and equity								
Liabilities								
Amounts owed to credit institutions								
Short-term	341	9	-	-	-	-	-	**350**
Long-term	22	26	52	-	-	-	-	**100**
	363	**35**	**52**	**-**	**-**	**-**	**-**	**450**
Repurchase agreements	118	-	-	-	-	-	-	**118**
Debts evidenced by certificates	1,265	887	769	7,894	1,682	1,531	427	**14,456**
Other liabilities								
Derivatives								
Receivables	-1,508	-588	-304	-6,598	-1,164	-1,034	79	**-11,116**
Payables	1,643	637	338	6,953	1,268	1,212	-	**12,051**
	135	**50**	**34**	**355**	**104**	**178**	**79**	**935**
Other liabilities	-	-	-	-	-	-	5	**5**
Accrued interest and fees payable	-	-	-	-	-	-	269	**269**
Total liabilities	**1,881**	**971**	**856**	**8,249**	**1,786**	**1,709**	**781**	**16,233**
Equity	-	-	-	-	-	-	1,946	**1,946**
Total liabilities and equity	**1,881**	**971**	**856**	**8,249**	**1,786**	**1,709**	**2,726**	**18,178**
Net during the period	-855	-420	152	-659	3,645	-76	-1,787	**-**
Cumulative net during the period	-855	-1,275	-1,123	-1,782	1,863	1,787	-	**-**

(19) INTEREST RATE RISK

Interest rate risk is the impact that fluctuations in market interest rates can have on the value of the Bank's interest-bearing assets and liabilities and on the interest income recognised in the profit and loss account. The table below provides information on the extent of the Bank's interest rate exposure. The assets and liabilities are grouped into buckets defined by their time to maturity or the date of the interest rate adjustment. The difference, or gap, between assets and liabilities in each time bucket makes the Bank sensitive to interest rate fluctuations.

(Amounts in EUR million)

	Up to and including 3 months	*Over 3 months and up to and including 6 months*	*Over 6 months and up to and including 1 year*	*Over 1 year and up to and including 5 years*	*Over 5 years and up to and including 10 years*	*Over 10 years*	*Undefined*	*Total*
Assets								
Cash and cash equivalents	3,708	45	-	-	-	-	-	**3,753**
Financial placements								
Placements with credit institutions	22	29	38	-	-	-	2	**91**
Investment securities	71	45	-	565	441	298	-4	**1,416**
Other	-	-	-	-	-	-	7	**7**
	93	**74**	**38**	**565**	**441**	**298**	**5**	**1,515**
Loans outstanding	3,958	6,328	155	538	429	141	-15	**11,534**
Intangible assets	-	-	-	-	-	-	7	**7**
Tangible assets	-	-	-	-	-	-	36	**36**
Other assets								
Derivatives								
Receivables [1)]	4,524	5,712	880	7,805	1,499	616	226	**21,261**
Other assets	-	-	-	-	-	-	12	**12**
Paid-in capital and payments to the Bank's reserves, receivable	-	-	-	-	-	-	47	**47**
Accrued interest and fees receivable	-	-	-	-	-	-	332	**332**
Total assets	**12,284**	**12,159**	**1,073**	**8,907**	**2,369**	**1,055**	**651**	**38,498** [1)]
Liabilities and equity								
Liabilities								
Amounts owed to credit institutions								
Short-term	308	5	-	-	-	-	-	**313**
Long-term	23	29	39	-	-	-	-	**90**
	330	**34**	**39**	**-**	**-**	**-**	**-**	**403**
Repurchase agreements	217	-	-	-	-	-	-	**217**
Debts evidenced by certificates	2,010	937	893	7,700	1,500	615	-34	**13,622**
Other liabilities								
Derivatives								
Payables [1)]	9,317	11,098	78	627	426	140	239	**21,925**
Other liabilities	-	-	-	-	-	-	4	**4**
Accrued interest and fees payable	-	-	-	-	-	-	306	**306**
Total liabilities	**11,875**	**12,069**	**1,010**	**8,327**	**1,926**	**755**	**515**	**36,477**
Equity	-	-	-	-	-	-	2,021	**2,021**
Total liabilities and equity	**11,875**	**12,069**	**1,010**	**8,327**	**1,926**	**755**	**2,536**	**38,498** [1)]
Net during the period	409	89	63	580	443	300	-1,885	**-**
Cumulative net during the period	409	498	562	1,142	1,585	1,885	-	**-**

1) Swaps are not netted.

(20) CURRENCY RISK

Net currency position as of 31 December 2006:
(Amounts in EUR million)

	EUR	USD	GBP	JPY	SEK	Other curren-cies	Fair value adjust-ments and swap netting	Total
Assets								
Cash and cash equivalents	2,810	841	13	5	34	51	-	**3,753**
Financial placements								
Placements with credit institutions	87	-	-	-	-	5	-	**91**
Debt securities	1,415	-	-	-	-	1	-	**1,416**
Other	7	-	-	-	-	-	-	**7**
	1,509	**-**	**-**	**-**	**-**	**6**	**-**	**1,515**
Loans outstanding	5,706	2,639	7	36	1,785	1,377	-15	**11,534**
Intangible assets	7	-	-	-	-	-	-	**7**
Tangible assets	36	-	-	-	-	-	-	**36**
Other assets								
Derivatives	-6,845	2,363	1,944	1,466	-1,570	2,099	1,294	**751**
Other assets	12	-	-	-	-	11	-11	**12**
	-6,833	**2,363**	**1,944**	**1,466**	**-1,570**	**2,111**	**1,283**	**763**
Paid-in capital and payments to the Bank's reserves, receivable	47	-	-	-	-	-	-	**47**
Accrued interest and fees receivable	127	193	58	41	17	72	-175	**332**
Total assets	**3,409**	**6,035**	**2,022**	**1,548**	**266**	**3,616**	**1,093**	**17,988**
Liabilities and equity								
Liabilities								
Amounts owed to credit institutions								
Short-term	216	-	-	-	23	74	-	**313**
Long-term	85	-	-	-	-	5	-	**90**
	301	**-**	**-**	**-**	**23**	**79**	**-**	**403**
Repurchase agreements	217	-	-	-	-	-	-	**217**
Debts evidenced by certificates								
Debt securities issued	743	5,660	1,961	1,366	227	3,448	-38	**13,367**
Other debt	35	76	-	140	-	-	3	**254**
	778	**5,736**	**1,961**	**1,507**	**227**	**3,448**	**-34**	**13,622**
Other liabilities								
Derivatives	-	-	-	-	-	-	1,415	**1,415**
Other liabilities	8	88	13	-	-	15	-120	**4**
	8	**88**	**13**	**-**	**-**	**15**	**1,296**	**1,420**
Accrued interest and fees payable	93	211	48	41	16	74	-175	**306**
Total liabilities	**1,397**	**6,035**	**2,021**	**1,547**	**265**	**3,616**	**1,086**	**15,967**
Equity	1,880	-	-	-	-	-	3	**1,883**
Total liabilities and equity	**3,277**	**6,035**	**2,021**	**1,547**	**265**	**3,616**	**1,089**	**17,851**
Currency position as of 31 Dec 2006	132	1	-	-	1	-	4	**137**

(21) EFFECTIVE INTEREST RATES

		2006 EUR %	2006 USD %	2006 GBP %	2006 JPY %	2006 SEK %
Assets						
Cash and cash equivalents	Fixed	0.00-3.70	0.00-5.36	0.00-5.24	0.00-0.46	0.00-2.95
	Floating	3.48-3.99	5.42-5.81	5.47	-	-
Placements with credit institutions	Fixed	2.75-3.88	-	-	-	-
Debt securities	Fixed	0.00-8.50	-	-	-	-
Loans outstanding	Fixed	3.45-7.65	3.00-8.30	-	2.65	3.08-9.05
	Floating	3.38-8.17	5.42-9.80	5.68-8.18	0.56-3.41	2.98-4.55
Derivatives	Fixed	0.50-14.00	0.50-17.00	4.30-14.75	2.00-10.50	4.75-7.00
	Floating	2.12-9.84	4.59-15.40	3.33-5.37	0.00-14.73	2.94-4.07
Liabilities						
Amounts owed to credit institutions	Fixed	3.48-3.76	-	-	-	3.11-3.55
Repurchase agreements	Fixed	3.54-3.61	-	-	-	-
Debts evidenced by certificates and other debt	Fixed	0.50-14.00	0.50-17.00	4.30-14.75	2.00-10.50	4.75-7.00
	Floating	2.12-9.84	4.59-15.40	3.33-3.53	0.00-14.73	-
Derivatives	Fixed	3.03-6.97	3.41-7.26	4.93	1.64	2.79-8.72
	Floating	2.63-3.81	4.30-5.58	5.07-5.37	0.18-0.43	2.59-3.41

(22) AVERAGE BALANCE SHEET

(Amounts in EUR million)

	2006	*2005*
Assets		
Cash and cash equivalents	**3,697**	3,872
Financial placements		
Placements with credit institutions	**103**	102
Debt securities	**1,358**	1,311
Other	**7**	7
	1,468	**1,420**
Loans outstanding	**11,520**	10,974
Intangible assets	**7**	6
Tangible assets	**35**	35
Other assets		
Derivatives	**983**	1,162
Other assets	**4**	3
	987	**1,165**
Paid-in capital and payments to the Bank's reserves, receivable	**49**	20
Accrued interest and fees receivable	**326**	298
Total assets	**18,089**	**17,790**
Liabilities and equity		
Liabilities		
Amounts owed to credit institutions		
Short-term amounts owed to credit institutions	**372**	341
Long-term amounts owed to credit institutions	**99**	104
	471	**445**
Repurchase agreements	**228**	208
Debts evidenced by certificates		
Debt securities issued	**13,804**	13,640
Other debt	**244**	233
	14,048	**13,873**
Other liabilities		
Derivatives	**1,064**	1,142
Other liabilities (incl. exchange rate adjustments)	**7**	6
	1,071	**1,147**
Accrued interest and fees payable	**289**	259
Total liabilities	**16,108**	**15,932**
Equity	**1,981**	1,858
Total liabilities and equity	**18,089**	**17,790**

The average balance sheet is calculated on a monthly basis.

(23) RELATED PARTY DISCLOSURES

The Bank provides services to and enters into transactions with the Nordic Development Fund (NDF) and the Nordic Environment Finance Corporation (NEFCO), which have for the most part the same owners as NIB. The following table shows the outstanding balance of amounts owed to NDF and NEFCO and the interest paid during the year. The interest paid to these institutions is at normal commercial rates. Information regarding key personnel is presented in Note 5.

(Amounts in EUR 1,000)

	Interest from related parties	*Interest to related parties*	*Amounts owed by related parties as of 31 Dec*	*Amounts owed to related parties as of 31 Dec*
2006	**-**	**4,830**	**324**	**152,430**
2005	-	4,306	277	180,092

Rental income (NDF, NEFCO)

	NDF	**NEFCO**
2006	**120**	**88**
2005	134	88

(24) CASH FLOW STATEMENT

(Amounts in EUR 1,000)

	2006	*2005*
Profit for the year	**137,469**	165,295
Amortisation of issuing charges	**9,091**	7,909
Market value adjustment, trading portfolio	**5,831**	7,020
Depreciation in value of tangible and intangible assets	**4,246**	3,794
Change in accrued interest and fees (assets)	**-27,430**	-20,710
Change in accrued interest and fees (liabilities)	**37,147**	27,716
Credit loss / recovery	**-**	-119
Adjustment to hedge accounting and changes in fair value of non-hedging derivatives	**7,034**	-4,819
Other adjustments to the year's profit	**-56**	-22
Cash flow from operating activities	**173,332**	**186,065**

Specification of the change in net liquidity on 31 December:

	2006	*2005*
Cash and balances with banks [1]	**7,802**	8,427
Short-term placements with credit institutions	**257,355**	694,750
Liquid debt securities at floating interest rates	**3,488,287**	2,865,384
Cash and cash equivalents	**3,753,444**	**3,568,561**
Short-term amounts owed to credit institutions	**-313,025**	-349,508
Short-term repurchase agreements	**-216,739**	-118,477
Net liquidity	**3,223,680**	**3,100,576**
Change in net liquidity	**123,104**	**224,603**

1) Including initial margin requirement for futures EUR 378 thousand (704) on 31 December.

(25) EXCHANGE RATES

		EUR rate on 29 Dec 2006	EUR rate on 30 Dec 2005
DKK	Danish Krone	**7.456**	7.4605
EEK	Estonian Kroon	**15.6466** 1)	15.6466 1)
ISK	Icelandic Króna	**93.13**	74.57
LVL	Latvian Lats	**0.6972**	0.6962
NOK	Norwegian Krone	**8.238**	7.985
SEK	Swedish Krona	**9.0404**	9.3885
AUD	Australian Dollar	**1.6691**	1.6109
CAD	Canadian Dollar	**1.5281**	1.3725
CHF	Swiss Franc	**1.6069**	1.5551
CZK	Czech Koruna	**27.485**	29.0
GBP	Pound Sterling	**0.6715**	0.6853
HKD	Hong Kong Dollar	**10.2409**	9.1474
JPY	Japanese Yen	**156.93**	138.9
MXN	Mexican Peso	**14.291**	12.6013
NZD	New Zealand Dollar	**1.8725**	1.727
PLN	Polish Zloty	**3.831**	3.86
RUB	Russian Rouble	**34.68**	34.0542
SDR	Special Drawing Right	**0.87543** 2)	0.82539 3)
SGD	Singapore Dollar	**2.0202**	1.9628
SKK	Slovak Koruna	**34.435**	37.88
TRY	New Turkish Lira	**1.864**	1.5924
TWD	New Taiwan Dollar	**42.83543** 2)	38.739 3)
USD	United States Dollar	**1.317**	1.1797
ZAR	South African Rand	**9.2124**	7.4642

1) Fixed exchange rate in Currency Board arrangement with regard to the euro.

2) The exchange rate is calculated by using the market rate for USD/relevant currency, as of 29 December 2006, which then provides the EUR/relevant currency rate.

3) The exchange rate is calculated by using the market rate for USD/relevant currency, as of 30 December 2005, which then provides the EUR/relevant currency rate.

(26) POST-BALANCE SHEET EVENTS

There have been no material post-balance sheet events that would require disclosure or adjustment to these financial statements. On 8 March 2007, the Board of Directors reviewed and signed the financial statements. These financial statements will be submitted for approval to the Annual Meeting of the Board of Governors to be held on 30 May 2007.

Auditors' reports

Independent Auditors' Report to the Control Committee of the Nordic Investment Bank

In our capacity as auditors appointed by the Control Committee of the Nordic Investment Bank we have audited the accompanying financial statements of the Bank, which comprise the balance sheet as at 31 December 2006, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

The Board of Directors' and the President's responsibility for the financial statements

The Board of Directors and the President are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Our audit also included a review of whether the Board of Directors' and the President's administration have complied with the Statutes of the Bank.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the financial statements give a true and fair view of the financial position of the Nordic Investment Bank as of 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

It is also our opinion that the administration of the Board of Directors and the President complied with the Statutes of the Bank.

Helsinki, 9 March 2007

Per-Olof Johansson
Authorised Public Accountant
Ernst & Young, Helsinki

Erik Mamelund
State Authorised Public Accountant
Ernst & Young, Oslo

To the Board of Governors of the Nordic Investment Bank

Statement by the Control Committee of the Nordic Investment Bank on the audit of the administration and accounts of the Bank

In accordance with Section 17 of the Statutes of the Nordic Investment Bank we have been appointed to control the operations of the Bank and to be responsible for the auditing of the Bank's accounts. After having completed our assignment for the year 2006, we hereby submit the following report.

The Control Committee met during the fiscal year as well as after the Bank's financial statements had been prepared. Control and examination measures considered necessary were then performed. The Annual Report of the Bank was examined at a meeting in Helsinki on 9 March 2007. In carrying out its tasks, the Control Committee received such information and carried out such examination measures as it deemed necessary to assess the Bank's position in regard to its risks. We have also received the Independent Auditors' Report, submitted on 9 March 2007 by the authorised public accountants appointed by the Control Committee.

Following our audit, we note that:

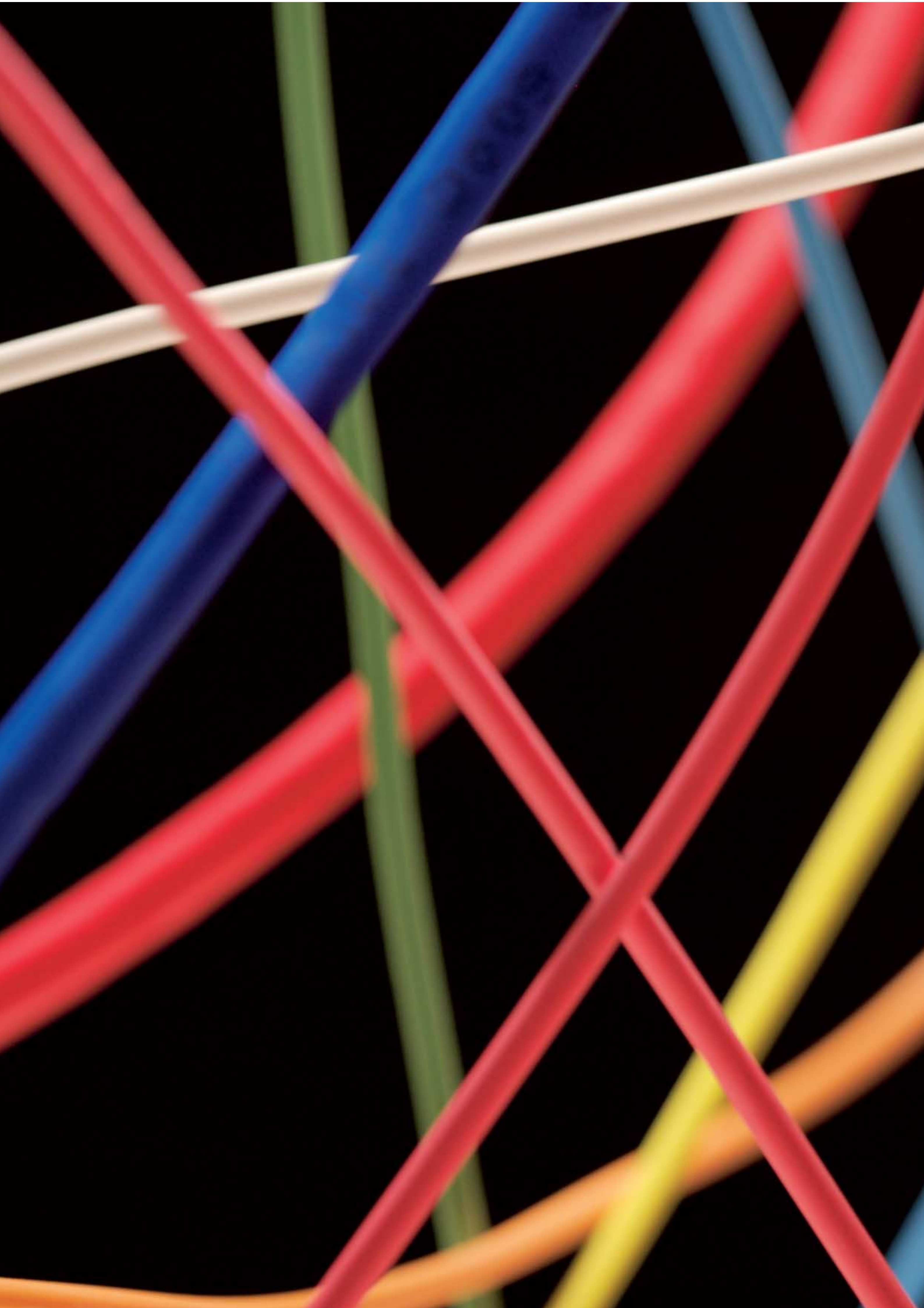
- the Bank's operations during the financial year have been conducted in accordance with the Statutes; and that
- the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2006 and of its results and financing in 2006. The profit and loss account shows a profit of EUR 137,468,771.42 for the financial period.

We recommend to the Board of Governors that:

- the appropriation of the Bank's profits for the financial period, as proposed by the Board of Directors, be approved;
- the profit and loss account and the balance sheet be adopted;
- the proposal by the Board of Directors regarding distribution of dividends to the Bank's owners be approved; and
- the Board of Directors and the President be discharged from liability for the administration of the Bank's operations during the accounting period examined by us.

Helsinki, 9 March 2007

Dace Nulle
Arja Alho
Meelis Atonen
Sigita Burbienė
Alexander G. Eðvardsson
Trond Helleland
Per Kaalund
Johan Linander
Steingrímur J. Sigfússon
Viesturs Silenieks




Small,
expert
organisation
cooperating
worldwide

Corporate governance

NIB promotes transparency, predictability, accountability, responsibility and disclosure as general principles enhancing and furthering good governance.

NIB is governed by its constituent documents, namely the Agreement among its member countries, dated 11 February 2004 (hereinafter the Agreement), the Statutes as of the same date, and the Headquarters Agreement concluded between the Government of Finland and the Bank in 1999.

These establish that NIB is the member countries' common international financial institution, having the same status as other legal persons conducting similar operations within and outside the member countries. Furthermore, the constituent documents stipulate that NIB has the status of an international legal person with full legal capacity, define the immunities and privileges of the Bank and its personnel and set out the structure for the governance of the Bank. As an international organisation, NIB is as such not legally bound by national legislation nor is it subject to supervision by any national authorities. Notwithstanding the foregoing, the Bank is expected to respect the laws of the host country and its other member countries, as well as all other countries in which it carries out activities, and the Bank aims at best practices in the field of corporate governance.

Decision-making bodies

Board of Governors

The Board of Governors is composed of eight Governors. The eight Governors are designated by each member country respectively from among the ministers in its government. The Board of Governors appoints a Chairman for one year according to the rotation scheme adopted by it. The Governor for Finland is serving as Chair until 1 June 2007.

According to the Agreement and Statutes, the Board of Governors is the supreme decision-making body vested with exclusive powers to: amend the Statutes; decide upon increases or decreases of the authorised capital stock; approve the annual report of the Board of Directors and the audited financial statements of the Bank; appoint the Chairman and Deputy Chairman of the Control Committee; decide upon the interpretation and application of the provisions of the Agreement and the Statutes; and decide upon procedures for withdrawals of membership and the liquidation of the Bank. The Board of Governors annually reviews the remuneration of the Board of Directors and the Control Committee. The Board of

Governors approves the Code of Conduct of the Board of Directors and the President.

The decisions of the Board of Governors shall be unanimous. The work of the Board of Governors is governed by its rules of procedure. The Board of Governors holds an annual meeting and such other meetings as deemed appropriate. The Board of Governors held its annual meeting on 11 May 2006. The Bank's Governors are listed on page 76.

Board of Directors

The Board of Directors consists of eight Directors, each of whom has one Alternate. The Directors and their Alternates are appointed by the respective member country for a maximum term of four years at a time. The Board of Directors appoints a Chairman and a Deputy Chairman from among the Directors to serve for a period of two years in accordance with the rotation scheme adopted by the Board of Governors.

Except for the powers vested in the Board of Governors, all the powers are vested in the Board of Directors. The Board of Directors is inter alia responsible for the financial statements and performs the following tasks: presenting the annual report and the accounts to the Board of Governors; adopting policy decisions concerning the operations of the Bank; appointing the President; approving the financing transactions proposed by the President; authorising the President under annual general authorisations to carry out borrowing and associated treasury activities; approving the annual financial plan and deciding upon staff policy and staff regulations as well as other administrative matters outside the scope of the daily operations. The Board of Directors can delegate its powers to the President to the extent it considers appropriate.

Each Director has one vote and seven Directors or Alternates entitled to vote constitute a quorum. A position supported by at least five Directors or Alternates entitled to vote shall become the decision of the Board of Directors. The work of the Board of Directors is governed by its rules of procedure. There are currently no committees established within the Board of Directors. The Chairman and Deputy Chairman work closely with the President in between the board meetings. The Board meets approximately eight times a year. Decisions can be made according to a written procedure.

The Directors and Alternates are bound by a code of conduct with the general purpose of further enhancing best practices in relation to the governance of the Bank. The code of conduct is intended to provide guidance for avoiding situations of conflict and, in general, to uphold proper conduct. For this purpose, the Directors and Alternates sign annually a written statement of positions held in other institutions or companies and of their financial interests.

The Directors and Alternates receive an annual remuneration and an attendee allowance for the meetings of the Board. Expenses for travel and accommodation incurred by them in carrying out their official duties are covered and a daily allowance is granted in accordance with the travel policy of the Bank. The Board of Governors determines annually the amount of the remuneration and attendee allowance. For further information, see Note 5 on page 51.

The Board of Directors met 8 times during the year 2006. The focus has been on finalising the strategy discussion which was initiated in 2005. The revised mission and strategy statement is available on the Bank's website. Furthermore, the Board discussed during its meetings and seminars the financing of innovations, an increased focus on small and medium-sized enterprises and new instruments. Among administrative matters, the Board codified the pension system of the Bank and approved a number of organisational changes for the Bank. The members of the Board of Directors are listed on page 77.

President

The President is appointed by the Board of Directors for a term of five years at a time. The President is considered the legal representative of the Bank and is responsible for the conduct of the current operations of the Bank. The President may not be a member of the Board of Directors, but the President is present at its meetings. The President shall follow the instructions and guidelines established by the Board of

Directors. The President shall ensure that the Board of Directors gets objective, full and relevant information so that it can make well-founded decisions and that the Board of Directors is kept informed of the progress of the Bank's business operations, if needed also between Board meetings. In accordance with its delegation powers, the Board of Directors has authorised the President to carry out borrowing and associated treasury activities and to make certain lending decisions. The President is assisted in his work by the Management Committee, the Credit Committee and the Finance Committee.

The Management Committee consists of the President and six senior officers whose appointment to the Committee is confirmed by the Board of Directors. The Management Committee is the forum for addressing policy and management issues; it has the overall responsibility for risk management. The Committee meets once or twice a month and in addition as needed. The meetings are chaired by the President, who reaches decisions after consulting with the members of the Committee. The Management Committee met 27 times in 2006.

The Credit Committee includes the President and six senior officers appointed to the Committee by the Board of Directors. The Credit Committee is chaired by the President or in his absence by one of its members. The Committee meets once a week. The Committee is responsible for the preparation of and the decision-making on matters related to the lending operations of the Bank. The President exercises his delegated decision-making powers concerning lending operations through the Credit Committee. The Credit Committee met 48 times during 2006.

The Finance Committee is an advisory body to the President concerning treasury and risk management operations. The Committee monitors the market risk, borrowing activities and treasury portfolio management of the Bank. The Committee includes the President and four members, and convenes once a month. The Finance Committee met 10 times during 2006.

The President is bound by a code of conduct and he signs a statement concerning any outside activities or perquisite positions in other institutions and his financial interests. The President's perquisite positions shall be approved by the Board of Directors.

The President's employment terms, including remuneration, are determined by the Board of Directors. While the Board of Directors decides on the principles for the remuneration of the members of the Management Committee, the President decides upon the employment and specific remuneration of the members of the Management Committee. For further information, see Note 5 on page 51. The President and the members of the Management Committee are presented on page 78.

Supervisory body: Control Committee

The Bank's supervisory body, the Control Committee, consists of ten members. The Nordic Council and the Parliaments of Estonia, Latvia and Lithuania appoint eight members to the Committee, with one member representing each member country. Furthermore, two members are appointed by the Board of Governors to serve as Chairman and Deputy Chairman according to the rotation scheme adopted by the Board of Governors. The members are appointed for a term of up to two years at a time. The Control Committee is responsible for the audit of the Bank and supervises that the operations of the Bank are conducted in accordance with the Statutes. The Control Committee delivers its audit report to the Board of Governors.

The Control Committee appoints two professional external auditors every year for the purpose of assisting the Committee in carrying out its work and responsibilities. The professional auditors carry out the audit of the Bank in accordance with the International Standards on Auditing as issued by the International Federation of Accountants and as commissioned by the Committee. The Committee monitors that the coordination between the professional auditors and the Bank's internal auditors is arranged efficiently, in order to ensure that the combined audit resources adequately cover the various areas of control. The Committee may also instruct the professional auditors to carry out examinations of other specific matters. The Committee shall pay particular attention to the professional auditors' ability to perform their tasks independently. The professional auditors report directly to the Control Committee. One of the professional auditors is appointed from the Bank's host country and one from another member country. In 2006–2007, the two auditors are from Ernst & Young in Helsinki and Oslo. According to the rules of procedure, the election of the professional auditors shall be subject to review at regular intervals. The Control Committee has decided to carry out a tender to select the professional auditors to assist in carrying out the audit of the Bank from financial year 2008 onward.

The work of the Control Committee is governed by its rules of procedure. Decisions of the Committee require the assent of the majority of its members except for decisions concerning the financial statements and the audit report, which shall be unanimous. The members of the Committee are bound by a code of conduct. The Chairman and Deputy Chairman attend at least two of the meetings of the Board of Directors per year and they also receive the minutes of the Board meetings.

The members of the Control Committee receive an annual remuneration and an attendee allowance for the meetings of the Committee. Expenses for travel and accommodation incurred by the members in carrying out their official duties are covered and a daily allowance is granted in accordance with the travel policy of the Bank. The Board of Governors determines annually the amount of the remuneration and attendee allowance. The principles of remuneration of the professional auditors are determined by the Control Committee. For further information on the remuneration of the members of the Control Committee and the auditors, see Note 5 on page 51.

The Control Committee met twice during 2006. In addition to the normal reporting presented to the Control Committee, the Committee focused on the Bank's new strategy, its new organisation and on IT matters. For the composition of the Control Committee, please see page 76.

Internal control and internal audit

The objective of NIB's internal control system is twofold. On the one hand, the aim is to secure and develop the long-term financial preconditions for operations, and on the other hand to conduct operations in an economical and cost-efficient way, in compliance with given rules and regulations. The internal control is focused on the management of financial and operational risks.

The internal control system constitutes an integral part of each employee's work and covers systems and procedures for monitoring and managing transactions, positions and documentation with a clear segregation of duties between recording, risk management and transaction-generating functions and payment functions. The heads of the different departments are responsible for the internal control in their respective operations. The President and the Board of Directors have the overall responsibility for the internal control system. In 2006 and early 2007 the focus has been on mapping and modelling the Bank's process flows and integrated controls as an initial step of an improved operational risk identification phase and an improved operational risk policy. Responsibility for developing the operational risk framework and for monitoring its implementation resides within the independent risk management unit of the Bank. For further information on risk management, see the financial statements.

NIB's internal audit follows international professional standards established by the Institute of Internal Auditors. The task of the internal audit is to regularly analyse and evaluate the Bank's internal control system, operational procedures and other systems and make recommendations to the management. The Internal Audit Department of the Bank reports to the Board of Directors and to the Control Committee but works administratively under the auspices of the President. The Board of Directors approves the annual plan for the internal audit.

Policies and guidelines

In addition to the constituent documents of the Bank, NIB's activities are governed by a number of policies, guidelines and instructions adopted by the Board of Directors or the President of the Bank.

NIB as an international organisation places particular emphasis on issues relating to corporate social responsibility. Special focus in the Bank has been put on environmental policies and guidelines and the environment is one of the pillars of fulfilling the Bank's mission according to the revised strategy. A more detailed presentation of NIB and the environment is found on page 20. The Bank also aims at fighting corruption in both its external and internal activities. Corrupt and fraudulent behaviour is defined in line with the policies of other international financial institutions. The Bank's anti-corruption activities include a committee on fighting corruption and guidelines for combating corruption including money laundering and international terrorism. NIB has adopted guidelines for procurement and has extensive documentation covering its financial policies, including a detailed credit policy. More information can be found elsewhere in the Annual Report, as well as on the Bank's website at www.nib.int.

In addition to the codes of conduct applying to the Board of Directors, the President and the Control Committee, also the staff follows a code of conduct approved by the Board of Directors. It was revised in 2006, enters into force in 2007, and will be subject to review annually.

Board of Governors

Denmark
Bendt Bendtsen
Minister for Economic and Business Affairs

Estonia
Aivar Sõerd
Minister of Finance

Finland
Ulla-Maj Wideroos
Coordinate Minister for Finance

Iceland
Árni M. Mathiesen
Minister of Finance

Latvia
Oskars Spurdziņš
Minister of Finance

Lithuania
Zigmantas Balčytis
Minister of Finance

Norway
Kristin Halvorsen
Minister of Finance

Sweden
Anders Borg
Minister of Finance

Control Committee

Chairman
Dace Nulle
Director, State Audit Office, Latvia

Deputy Chairman
Alexander G. Eðvardsson
State Authorised Public Accountant, Iceland

Denmark
Per Kaalund
Member of Parliament

Estonia
Meelis Atonen
Member of Parliament

Finland
Arja Alho
Member of Parliament

Iceland
Steingrímur J. Sigfússon
Member of Parliament

Latvia
Viesturs Silenieks
Adviser to the Chairman of the Saeima

Lithuania
Sigita Burbienė
Former Member of Parliament

Norway
Trond Helleland
Member of Parliament

Sweden
Johan Linander
Member of Parliament

Auditors appointed by the Control Committee

Per-Olof Johansson
Authorised Public Accountant, Ernst & Young, Helsinki

Erik Mamelund
State Authorised Public Accountant, Ernst & Young, Oslo

Board of Directors

Denmark

Lars Kolte
Managing Director,
Danish Export Credit Agency

Alternate
Sigmund Lubanski
Head of Office,
Ministry of Economic and Business Affairs

Estonia

Madis Üürike
Deputy Chairman of the Board
Advisor,
Ministry of Finance

Alternate
Ülle Mathiesen
Head of State Treasury Department,
Ministry of Finance

Finland

Kristina Sarjo
Financial Counsellor,
Ministry of Finance

Alternate
Risto Paaermaa
Deputy Director General,
Ministry of Trade and Industry

Iceland

Ólafur Hjálmarsson
(From 1 January 2007)
Director General,
Ministry of Finance

Baldur Guðlaugsson
(Until 31 December 2006)
Permanent Secretary,
Ministry of Finance

Alternate
Jón Magnússon
(From 1 January 2007)
Head of Division,
Financial Management Department,
Ministry of Finance

Ólafur Hjálmarsson
(From 1 April 2006 until 31 December 2006)
Director General,
Ministry of Finance

Ragnheiður E. Árnadóttir
(Until 31 March 2006)
Political Adviser to the Minister,
Ministry for Foreign Affairs

Latvia

Edmunds Krastiņš
Counsellor to the Minister of Finance,
Ministry of Finance

Alternate
Nikolajs Sigurds Bulmanis
Advisory Board Member,
Latvian Guarantee Agency

Lithuania

Rolandas Kriščiūnas
Undersecretary,
Ministry of Finance

Alternate
Renata Lygienė
(From 9 August 2006)
Head of Financial Institutions Division,
Financial Markets Department,
Ministry of Finance

Vilma Mačerauskienė
(Until 8 August 2006)
Head of Financial Institutions Division,
Financial Markets Department,
Ministry of Finance

Norway

Arild Sundberg
Chairman of the Board
Assistant Director,
Directorate of Labour and Welfare

Alternate
Eli Telhaug
Director General,
Ministry of Finance

Sweden

Erik Åsbrink
Former Minister of Finance

Alternate
Ulrika Barklund Larsson
Director,
Ministry of Finance

From top left: Ólafur Hjálmarsson, Madis Üürike, Kristina Sarjo, Lars Kolte, Edmunds Krastiņš, Rolandas Kriščiūnas, Arild Sundberg and Erik Åsbrink.

Management Committee

Johnny Åkerholm
President and CEO since 2005. Lic.Pol.Sc., University of Helsinki; M.Sc.Econ., Swedish School of Economics and Business Administration, Helsinki.

Nils E. Emilsson
Executive Vice President since 2006. Head of Lending. B.Sc., the United States International University; MBA, California State University.

Torben Nielsen
Executive Vice President since 2005. CFO and Treasurer. Diploma in Finance, Copenhagen Business School; Leadership programme, INSEAD.

Siv Hellén
Senior Vice President since 1985. General Counsel. LL.M., University of Helsinki; eMBA, Helsinki School of Economics and Business Administration.

Hilde Kjelsberg
Senior Vice President since 2006. Head of Credit and Analysis. M.Sc., Norwegian School of Economics and Business Administration; AFF Management programme for young leaders.

Juha Kotajoki
Senior Vice President since 1996. Head of Risk and Accounting. B.A., University of Turku.

Gunnar Okk
Senior Vice President since 2006. Head of Planning and Administration. M.Sc., Tallinn University of Technology.







From top, left to right: Johnny Åkerholm, Juha Kotajoki, Torben Nielsen, Hilde Kjelsberg, Siv Hellén, Nils E. Emilsson and Gunnar Okk.

Organisation chart

As of March 2007

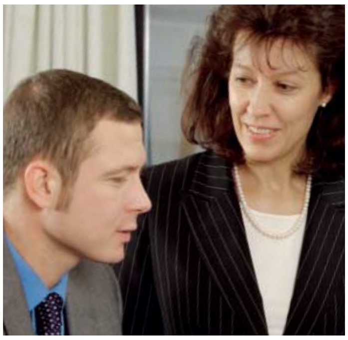
- **President and CEO**
  - **Lending**
    - Area I: Denmark, Iceland, Norway
    - Area II: Estonia, Finland, Latvia, Lithuania, Sweden
    - Area III: Central and Eastern Europe
    - Area IV: Africa and Middle East, Asia, Latin America
    - Project and structured finance
    - Client and country management support
    - Legal support
    - Business control
  - **Treasury**
    - Funding
    - Asset and liability management
    - Financial analysis
    - Financial control
    - Legal support
  - **Credit & Analysis**
    - Credit
    - Country and bank analysis
    - Corporate analysis
    - Project analysis
    - Environmental analysis
  - **Risk & Accounting**
    - Risk management
    - Financial administration
    - Accounting
  - **General Counsel's Office**
  - **Planning & Administration**
    - Business and resource planning
    - Human resources
    - Office services
    - Information technology
    - Real estate and facilities
    - Central records service
  - **Internal Audit**
  - **Communications**

For updates and details about NIB's personnel, please, visit www.nib.int

Human resources

Focal points 2006

- realignment of organisation
- business plans introduced throughout the organisation
- job evaluation project aimed at consistent job descriptions, titles and salaries



NIB is committed to the development and well-being of its employees and underscores the importance of dedicated employees for the organisation's performance. The goal is to recruit and retain personnel that possess the competencies and skills required in order for the Bank to implement its strategy.

The purpose of the Bank's staff policy is to create an attractive and professionally stimulating work environment. The policy builds on transparency, predictability and a reasonable, consistent, equal and equitable treatment of all NIB employees. The Bank strives to continually develop the interaction and cooperation between the employer and the staff, to offer a competitive remuneration package and to support employees in reconciling work and family life.

At the end of 2006, NIB had 160 employees in permanent positions, comprising 77 women and 83 men. In addition, 10–15 persons worked during the year for NIB in temporary positions. The average age of NIB's employees in permanent positions was 43.3 years, and the average length of service was 9.4 years.

Strategy and structure

NIB's strategy was revised in 2006 and NIB's activities were reorganised in order to meet the new challenges in the operational environment and to enhance the fulfillment of the Bank's targets. In particular, the aims of the organisational changes were to develop the credit process, enhance effectiveness, and adjust the distribution of work to use resources in the best way possible. Business origination as well as the arranging and structuring of loans have been concentrated into one single lending department, thereby pooling the Bank's expertise in worldwide lending. A separate credit and analysis department is responsible for analysing and assessing the risks of all potential projects to be financed by NIB. Furthermore, different support services have been gathered within a planning and administration department.

The Bank's organisation was one of the themes discussed at the annual staff seminar. Other themes included the strategy work and the internal personnel report for 2005.

Plans for progress

A job evaluation process was initiated during the year in order to develop consistent job descriptions, titles and salaries in line with best practices. The evaluation process has included market surveys, employee interviews and the definition of a number of unique positions in NIB. One goal is to improve the career and succession planning, thus securing the skills of the Bank both today and in the future. The job evaluation process, carried out in coopera-

The figures are based on the total number of employees in permanent positions, which at year-end 2006 was 160. The total amount of the percentage shares may differ from 100% due to rounding.

Fig. 38
AGE STRUCTURE

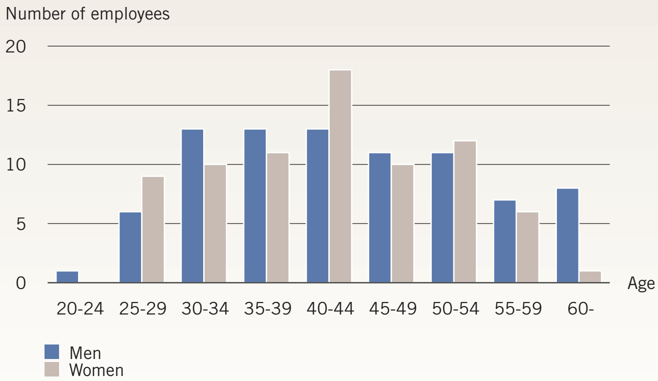
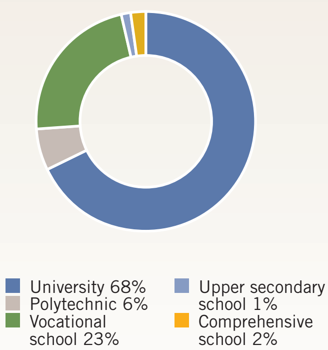


Fig. 39
EDUCATIONAL BACKGROUND
Distribution by level of education



tion with an external consultancy group, is continuing in 2007.

The Bank adopted an equality plan in 2006. The plan identifies actions to be taken in order to promote equality within NIB. It has been prepared by a working group, consisting of employees and employer representatives as well as external consultants and it defines four focus areas. Firstly, the aim is to encourage equal opportunities for promotion, recruitment and rotation. Secondly, equal pay for equal work should be ensured. Thirdly, the plan emphasises promoting positive attitudes towards gender issues. And lastly, the plan states that sexual harrassment should be prevented.

During the year NIB developed its business plan process. Plans for 2007 were prepared throughout the whole organisation at all levels and in a structured manner.

NIB continued in 2006 a large-scale IT upgrading programme involving and affecting many employees. Several accounting systems were replaced during the year by an integrated system. A project concerning treasury back-office operations was also started.

The Bank's Cooperation Council is entrusted with the task of developing working conditions and streamlining the interaction between employer and employees. During 2006, the Council dealt with, among other things, the job evaluation process, personal integrity questions and general recruitment policies.

Training, health and well-being

NIB offers its personnel a wide range of internal and external training possibilities. The average number of training days per employee in 2006 was 4.9 days, compared to 5.9 the previous year. External courses and seminars focused on areas such as accounting and project finance, while internal activities included mainly language and communications training, but also, for example, coaching for self-leadership.

Private health care and medical services are available to the employees based on a health insurance policy taken out by NIB. Preventive health care and measures ensuring occupational safety and ergonomics are emphasised to secure the physical well-being of the personnel. Various fitness activities are subsidised as a part of preventive health-care. Social and cultural activities organised by NIB's Staff Activity Club enhance workplace satisfaction. Different kinds of informal activities encouraging employee networking are especially important for employees coming to work at NIB from other countries.

Facts about NIB's staff

- NIB's employees have the status of staff members in an international organisation.
- Based on NIB's legal status, the host country's, i.e. Finland's, or any other member country's labour law or other legislation does not apply to the employees automatically.
- Consequently, NIB has established its own regulations for the staff, which have been approved by the Board of Directors, where all the member countries are represented.
- The employees pay taxes on their income from NIB according to applicable national legislation and enjoy social security benefits and pension insurance based on their residence.
- As NIB is not subject to the jurisdiction of national courts, the Bank has set up arbitration rules for potential employment-related disputes.
- NIB has an Ombudsman whom the employees can consult and who also acts as mediator in employment-related disputes.
- The employees enjoy immunity from legal process in the Bank's member countries as regards acts performed in their official capacity. The activities of the employees are governed by a code of conduct.

Fig. 40

WORKING DAYS

Distribution of working days

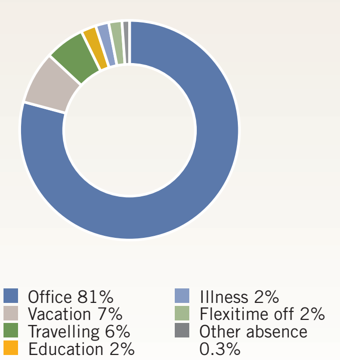


Table 6

NATIONALITIES

31 Dec 2006

Finnish	117
Swedish	16
Danish	10
Norwegian	7
Estonian	3
Icelandic	2
Latvian	1
Lithuanian	1
Other EU countries	3
Total personnel	160

New long-term borrowing 2006

Currency	*Amount million*	*Amount EUR million*	*Issue price*	*Coupon rate %*		*Maturity year*
Public issues						
AUD	300	187	99.654%	5.375%		2011
NZD	100	56	101.095%	6.625%		2009
USD	1,000	842	99.938%	4.875%		2011
USD	20	17	100.000%	4.590%	8)	2011
MXN	1,000	76	100.000%	8.090%		2011
USD	16	13	100.000%	4.68%		2010
USD	10	8	100.000%	0.000%	2) 3)	2036
TRY	33	17	100.000%	14.00%		2016
ISK	3,000	34	100.450%	11.500%		2007
AUD	300	178	99.811%	6.125%		2009
TRY	75	39	99.834%	16.25%		2009
MXN	374	27	100.000%	7.43%		2009
EUR	110	30	26.980%	0.00%	3)	2016
AUD	200	119	99.593%	6.125%		2009
NOK	500	61	101.315%	4.250%		2012
EUR	5	5	99.990%	3.22%		2010
USD	14	11	99.980%	4.35%		2010
AUD	323	193	99.980%	5.60%		2009
ISK	3,000	32	100.780%	12.750%		2007
AUD	200	120	97.570%	5.375%		2011

1) Floating rate
2) Callable
3) Zero coupon
4) Linked to AUD/JPY-rate
5) Linked to BRL/USD-rate
6) Linked to GBP/USD-rate
7) Linked to JPY/USD-rate
8) Linked to KRW/USD-rate
9) Target Redemption Note

Currency	*Amount million*	*Amount EUR million*	*Issue price*	*Coupon rate %*		*Maturity year*
Other issues						
JPY	1,200	8	100.000%	PRDC	2) 4)	2036
GBP	75	110	100.000%	14.750%	5) 6)	2007
JPY	1,150	8	100.000%	PRDC	2) 4)	2036
JPY	1,000	7	100.000%	PRDC	2) 4)	2036
JPY	5,000	36	100.000%	PRDC	2) 7)	2036
JPY	700	5	100.000%	PRDC	2) 4)	2036
JPY	1,100	8	100.000%	PRDC	2) 4) 7)	2036
JPY	500	4	100.000%	FRN	1) 2)	2022
JPY	500	4	100.000%	FRN	1) 2)	2018
JPY	500	4	100.000%	PRDC	2) 4)	2036
JPY	3,000	22	100.000%	PRDC	2) 7)	2036
HKD	200	22	100.000%	3.770%		2010
JPY	500	4	100.000%	PRDC	2) 4)	2036
JPY	1,000	7	100.000%	PRDC	2) 4)	2036
USD	114	28	29.246%	0.000%	2) 3)	2026
JPY	900	6	100.000%	PRDC	2) 4) 7)	2036
JPY	700	5	100.000%	PRDC	2) 7)	2036
JPY	1,000	7	100.000%	PRDC	2) 4)	2036
JPY	1,000	7	100.000%	PRDC	2) 4)	2036
JPY	2,000	14	100.000%	PRDC	7)	2036
JPY	500	4	100.000%	PRDC	2) 4)	2036
JPY	1,100	8	100.000%	PRDC	2) 4)	2036
JPY	5,000	35	100.000%	2.235%	2)	2021
JPY	600	4	100.000%	PRDC	2) 7)	2036
JPY	1,000	7	100.000%	PRDC	2) 4)	2036
JPY	1,000	7	100.000%	PRDC	2) 4)	2022
JPY	1,000	7	100.000%	PRDC	2) 7)	2036
JPY	1,600	11	100.000%	PRDC	2) 4)	2036
JPY	1,000	7	100.000%	PRDC	2) 7)	2036
JPY	5,000	33	100.000%	2.487%	2)	2026
JPY	1,000	7	100.000%	PRDC	2) 4)	2036
USD	233	23	12.88149%	0.000%	2) 3)	2036
USD	195	21	13.51042%	0.000%	2) 3)	2036
JPY	700	5	100.000%	PRDC	2) 4)	2036
JPY	500	3	100.000%	PRDC	2) 4)	2036
JPY	1,000	7	100.000%	TARN	2) 4) 7) 9)	2036
JPY	1,000	7	100.000%	PRDC	2) 4)	2036
JPY	1,000	7	100.000%	PRDC	2) 4)	2036
JPY	500	3	100.000%	PRDC	2) 7)	2036
JPY	300	2	100.000%	TARN	2) 4) 7) 9)	2036
JPY	1,800	11	100.000%	PRDC	2) 7)	2036
JPY	300	2	100.000%	PRDC	2) 7)	2036
JPY	700	4	100.000%	PRDC	2) 7)	2036
JPY	300	2	100.000%	TARN	2) 4) 7) 9)	2036
JPY	700	4	100.000%	PRDC	2) 4)	2036
JPY	300	2	100.000%	TARN	2) 4) 7) 9)	2036

1) Floating rate
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4) Linked to AUD/JPY-rate
5) Linked to BRL/USD-rate
6) Linked to GBP/USD-rate
7) Linked to JPY/USD-rate
8) Linked to KRW/USD-rate
9) Target Redemption Note

Loans agreed 2006

Sector/Customer	*Project*
Manufacturing	
Al Sonobar Hygienic Paper Mill Ltd. Co., Jordan	Construction of a new tissue paper mill near Amman, Jordan, and investment in energy-saving technologies.
Atria Yhtymä Oyj, Finland	Investments in production facilities of meat packaging plants that the group recently acquired in Estonia and Lithuania. The modernisation project is to ensure equal quality standards in all of the group's subsidiaries.
Boliden, Sweden	Enhancing the efficiency and increasing the output capacity of the company's Harjavalta copper smelter in Finland and Garpenberg zinc mine in Sweden.
Byggðastofnun (Icelandic Regional Development Institute), Iceland	Financing new projects in rural areas of Iceland, inter alia, in the energy sector and in the manufacturing of paper products and chemicals.
Camfil AB, Sweden	Financing the company's investments in its air filter production facilities and cross-border acquisitions in Europe, the Americas and the Asia-Pacific region.
CP Kelco ApS, Denmark	Strategic investments of this Danish producer of natural food ingredients in NIB's member countries.
Domsjö Fabriker AB, Sweden	Increasing the output capacity of the company's cellulose mill, enhancing the quality of its production and the efficiency of raw material processing.
Haldex AB, Sweden	Investments in R&D and the development of environmentally friendly and energy-efficient products for manufacturers of heavy vehicles.
Hampiðjan hf., Iceland	Transfer of fishing gear production and investments in a new manufacturing plant in Lithuania.
Myllykoski Corporation, Finland	Investment in a new paper mill in Central Europe. The company will apply state-of-the-art technologies for paper production and wastewater treatment. Equipment deliveries from Finland and Sweden.
People's Republic of China	Purchase of flash smelting equipment for the Yanggu Xiangguang Copper Co. Ltd. in Shandong Province.
Socialist Republic of Vietnam	Third expansion of the Hoang Thach Cement Plant.
Suzano Bahia Sul Papel e Celulose S.A., Brazil	Construction of a new pulp line at the company's pulp and paper mill in southern Brazil.
Wärtsilä Corporation, Finland	Increasing the capacity of the company's engine plants in Finland and Italy.
Energy and water	
BOT Elektrównia Bełchatów S.A., Poland	Construction of a new 833 MW power unit and modernisation of existing units.
E.ON Sverige AB, Sweden	Replacing overhead power lines totalling 17,000 kilometres with underground cables in southern Sweden.
Hitaveita Suðurnesja hf., Iceland	Completion of the final phase of a new 100 MW geothermal plant and expanding, by 30 MW, the capacity of an existing geothermal power plant in Iceland's capital area.
Landsvirkjun, Iceland	Construction of three power transmission lines, which will supply power to two major aluminium smelters in different regions of Iceland.
Natsionalna Elektricheska Kompania EAD, Bulgaria	Investments of Bulgaria's national power utility in building and reconstructing electricity substations, and refurbishment of control systems and relay protections.
Orkuveita Reykjavíkur, Iceland	Construction of the second phase of the Hellisheiði geothermal power plant in Iceland. Electricity and heating produced by this plant will be supplied to neighbouring municipalities and an expanding aluminium smelter.
Republic of Botswana	Financing a rural electrification project as part of the Botswana National Policy for Rural Development, including the electrification of 103 villages with a total population of 85,190 inhabitants.
Taars Varmeværk A.m.b.a., Denmark	Construction of and providing equipment to a district heating and power-producing plant in the town of Taars.
Territorial Generation Company No 1, Russia	Renovation of district heating networks in St. Petersburg, the Leningrad Oblast, the Murmansk Oblast and the Republic of Karelia in Northwest Russia.
TrønderEnergi AS, Norway	Investments in two windmill parks, each with an annual capacity of 210 GWh, in an area with 100,000 inhabitants in central Norway.
Vodokanal of St. Petersburg, Russia	Loan as part of restructuring the financing of the Southwest Wastewater Treatment Plant in St. Petersburg.

Sector/Customer	*Project*
Transport and communications	
A.P. Møller-Mærsk A/S, Denmark	Acquisition of two anchor-handling and supply vessels from a Norwegian shipyard.
APM Terminals Tangier S.A., Morocco	Development of a multi-user container terminal at the Tangier Free Zone, Morocco.
AS Eesti Raudtee, Estonia	Investment programme for improving the safety of the Estonian railroad network and the reliability of its services.
Empresa Brasileira de Telecommunicações S.A., Brazil	Expansion and upgrading of the company's existing telecommunication networks.
EXPS de Colombia Ltda, IASA de Colombia Ltda and SUBUS de Colombia Ltda, Colombia	Loans to the Colombian owners of public transportation companies in Santiago, Chile, for their part of the implementation and operation of the Transantiago project system.
Freeport of Rīga Authority, Latvia	Two loans for financing the acquisition of tugboats and investments related to passenger traffic.
The Hashemite Kingdom of Jordan	Loan for an air safety project at the airports in Amman and Aqaba.
MegaFon, Russia	Construction of the company's GSM network in Russia and investments in telecom infrastructure.
Mobile Telesystems, Russia	Construction of the company's GSM infrastructure in remote regions of Russia.
Municipality of Greater City of Adana, Turkey	Additional loan for the completion of a light rail transit project in the city of Adana, including investments in rail carriages, security equipment and communication systems.
Tallinna Autobussikoondis AS, Estonia	Purchase of 125 new city buses to upgrade the fleet of the Tallinn municipal bus company.

List continues on next page

Sector/Customer	*Project*
Banking and finance, including loan programmes	
Absolut Bank, Russia	Loan programme for financing smaller private sector projects with Nordic and Baltic content in Russia.
Central-European International Bank, Hungary	Construction of a commercial building complex in Prague, the Czech Republic.
Eik Banki P/F, Faroe Islands	Financing projects of Faroese small and medium-sized enterprises and the region's infrastructure projects.
Finnfund, Finland	Refinancing of projects with Nordic content in developing and transition countries.
Latvijas Hipotēku un zemes banka (Mortgage and Land Bank of Latvia)	Two loans for financing projects of small and medium-sized enterprises in Latvia.
OMX AB, Sweden	Financing the stock exchange group's New Generation project for the development of a new trade platform for all OMX exchanges in the Nordic-Baltic financial market.
People's Republic of China	Loan programme for financing projects of mutual interest in different sectors in rural areas of China.
Ringkjøbing Landbobank, Denmark	Two loans for financing projects with a focus on energy and the environment (windmill projects).
Skjern Bank, Denmark	Financing environmental investments in the agricultural sector, windmills in western Denmark as well as infrastructure projects in other NIB member countries.
Socialist Republic of Vietnam	Loan programme for financing projects in various sectors of Vietnam's economy.
Socialist Republic of Vietnam	Loan programme for the modernisation of the Vietnam National Coal—Mineral Industries Group's mining processes.
Sparbanken Finn, Sweden	Onlending to small and medium-sized enterprises for projects reducing pollution in the agricultural sector, cross-border transactions and energy investments.
Sparekassen Himmerland A/S, Denmark	Financing small and medium-sized enterprises' projects, primarily: environmental investments in the farming sector, investments in waste-fuelled power generation and the production of biogas.
Sparekassen sparTrelleborg, Denmark	Financing environmentally friendly projects, small and medium-sized enterprises' projects and investments in the Baltic region.
Tønder Bank, Denmark	Financing investments in ecological farming and paper recycling as well as windmill projects.

Sector/Customer	*Project*
Health care sector	
Aknīstes Psychiatric Clinic, Latvia	Construction of a new hospital section, upgrading the hospital's heating, reconstruction of the existing building, purchasing new medical and IT equipment. Loans to Latvian hospitals are part of the reform in the national health care sector.
Children's Psychiatric Clinic "Ainaži", Latvia	Construction of a new building for the hospital and school rooms for children. Reconstruction of existing facilities.
Foundation North Estonian Central Hospital, Estonia	Construction of a new section of the hospital, reconstruction of the existing building and the purchase of modern medical equipment as part of the large-scale health care sector reform in Estonia.
Ludza District Hospital, Latvia	Construction of a new hospital section and reconstruction of the existing building, purchasing new medical equipment.
Rīga Stradiņš University, Latvia	Reconstruction of the university's central auditorium.
Strenču Psychiatric Clinic, Latvia	Reconstruction of the hospital's departments and power delivery system.
Construction	
Agder OPS Finansselskap AS, Norway	Construction of a 38-kilometre motorway stretch of the E-18 road in southern Norway. The project is an essential element in the national strategy of strengthening the connection between the country and the rest of Europe.
Information technologies	
Tietoenator Corporation, Finland	R&D investment: development of innovative products, which would allow the company to strengthen its position in global competition.

Abbreviations

BIL	Baltic Investment Loans were granted by NIB until the end of 1999 for investments in the Baltic countries.
CEB	Council of Europe Development Bank
EBRD	European Bank for Reconstruction and Development
EIB	European Investment Bank
EPE	European Principles for the Environment
HIPC Programme	Programme for the most indebted countries in the world (Heavily Indebted Poor Countries)
IAS 39	Standard for the accounting of financial instruments. Under IAS 39 all derivatives are recognised on the balance sheet and a greater number of financial instruments on the balance sheet are carried at fair value.
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards as adopted by the International Accounting Standards Board (IASB)
m	million(s)
MIL	Environmental Investment Loan facility. Loans granted by NIB for the financing of environmental projects in the neighbouring areas of the member countries.
NDEP	Northern Dimension Environmental Partnership
NDF	Nordic Development Fund
NEFCO	Nordic Environment Finance Corporation
PIL	Project Investment Loan facility. Loans intended for emerging markets and transition economies and constituting the core of NIB's lending in non-member countries.
Sida	Swedish International Development Cooperation Agency

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