NORDIC INVESTMENT BANK

Enhancing competitiveness and the environment

Annual Report 2007

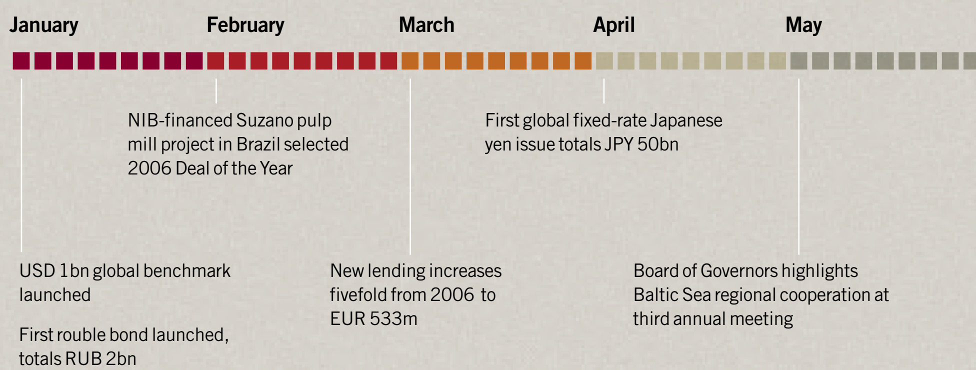
International expert financing

The Nordic Investment Bank's eight 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 countries where NIB had lending activities at year-end 2007.

Year 2007

During the Bank's 32nd year of operations, NIB participated in the financing of nearly 60 new investment projects around the world, thereby contributing to business cooperation, investing activity and exports.

This Annual Report covers NIB's activities and financial report for the period 1 January–31 December 2007. For news and more information, please visit www.nib.int



NORDIC INVESTMENT BANK

This is NIB

Lending

Environment

Financial operations

Financial report

Organisation

June

Revised environmental policy published for public consultation

Jan–Jun cumulative lending totals EUR 1.2 bn, up more than twice from previous year

July

August

NIB takes over NDEP chairmanship

First Maple bond issue totals CAD 300 million and first New Zealand dollar-denominated bond totals NZD 400 million

September

All-time largest three-year global benchmark issue totals USD 1.5 bn

October

Major NIB environmental project, St. Petersburg Sewage Sludge Incinerator, inaugurated

Job satisfaction survey conducted

November

December

NIB decides to contribute EUR 15 m to a European post-2012 carbon credit fund to support environmentally beneficial projects

New Chief Representative for China and East Asia appointed

The International Financial Institution
of the Nordic and Baltic countries


This is NIB

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 stakeholders. As an international financial institution, NIB takes into account the interests of a variety of stakeholders. The chart below presents NIB's key stakeholders: customers, investors, financing partners, shareholders, staff, and groups related to environment and society.

Customers
Private and public companies and the public sector both in and outside NIB's member countries

Investors
Corporate investors, banks, pension and insurance funds, asset managers, central banks and government entities all over the world

Environment & society
Non-governmental organisations, media, general public

NIB
The common international financial institution of its eight member countries

Financing partners
Other international financial institutions as well as public and private sector lenders

Staff
158 employees, headquarters in Helsinki, Finland

Owners
Eight member countries: Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway and Sweden

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 sound banking principles. The Bank's operations are governed by an international agreement among the member countries and related statutes.

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

All projects considered for financing are analysed with regard to their sustainability and environmental consequences. The Bank considers environmental aspects to include not only ecological but also social dimensions of projects.

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. The Bank 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, Europe and Eurasia, 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.

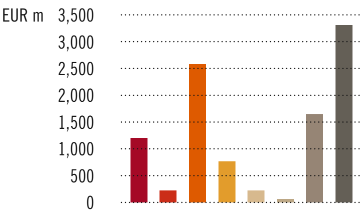
Key figures

	2007	2006
Net interest income	187	179
Core earnings	161	154
Profit	69	137
Loans disbursed	2,390	1,605
Loan agreements	2,214	1,575
Loans outstanding	12,291	11,534
Guarantee commitments	25	25
New debt issues	4,288	2,689
Debts evidenced by certificates	15,023	13,622
Net liquidity	4,039	3,224
Total assets	19,973	17,988
Equity/total assets (%)	10.2	11.2
Profit/average equity (%)	3.3	6.9
Number of employees	158	160

NIB in 2007

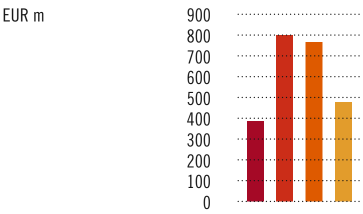
- lending and funding at all-time highs
- focus on the energy and manufacturing sectors
- new environmental facilities set up
- loans outstanding in 38 countries
- borrowings outstanding in 20 different currencies
- no credit losses
- EUR 25 million in dividends to the member countries

Loans outstanding in member countries fig. 1
Geographical distribution as of 31 Dec 2007



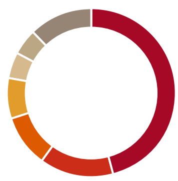
Denmark 12%
Estonia 2%
Finland 26%
Iceland 8%
Latvia 2%
Lithuania 0.6%
Norway 16%
Sweden 33%

Loans outstanding in non-member countries fig. 2
Geographical distribution as of 31 Dec 2007



Africa and Middle East 16%
Asia 33%
Europe and Eurasia 31%
Latin America 20%

Borrowings outstanding fig. 3
Currency distribution as of 31 Dec 2007



USD 46%
GBP 14%
JPY 10%
AUD 8%
EUR 5%
Nordic currencies 5%
Other 12%

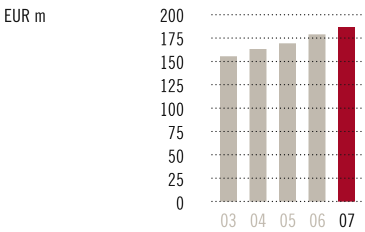
The total amount of the percentage shares may differ from 100% due to rounding.

Five-year comparison

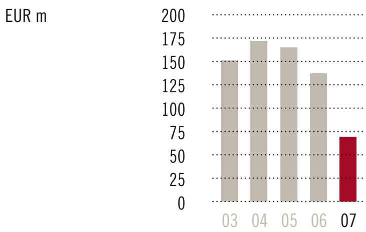
Amounts in EUR million	*2007*	*2006*	*2005*	*2004*	*2003*
INCOME STATEMENT					
Net interest income	187	179	169	163	155
Commission income and expense etc.	6	7	9	8	6
General administrative expenses, depreciation and write-downs	-32	-32	-28	-24	-22
Core earnings [1]	**161**	**154**	**150**	**147**	**139**
Adjustments to fair value in trading portfolio	-82	-10	11	20	3
Credit loss/recovery	-	-	-	4	-
Adjustment to hedge accounting	-10	-7	5	2	8
Profit for the year	**69**	**137**	**165**	**172**	**151**
BALANCE SHEET					
Assets					
Cash and cash equivalents, placements and debt securities	6,177	5,268	4,984	4,546	4,384
Loans outstanding	12,291	11,534	11,717	10,279	10,522
Intangible and tangible assets, property and equipment	44	43	42	42	37
Accrued interest and other assets	1,461	1,143	1,435	1,495	1,723
Total assets	**19,973**	**17,988**	**18,178**	**16,363**	**16,666**
Liabilities and equity					
Amounts owed to credit institutions and repurchase agreements	546	620	568	417	367
Debts evidenced by certificates	15,023	13,622	14,456	12,355	13,087
Accrued interests and other liabilities	2,367	1,726	1,209	1,811	1,563
Paid-in capital	419	419	419	404	404
Statutory Reserve	646	645	645	645	645
Credit risk funds	860	773	667	550	440
Payments to the Bank's Statutory Reserve and credit risk funds, receivable	43	43	43	-	-
Other value adjustments	1	4	7	9	10
Profit for the year	69	137	165	172	151
Total liabilites and equity	**19,973**	**17,988**	**18,178**	**16,363**	**16,666**
ACTIVITIES					
Disbursements of loans					
Member countries [2]	1,761	991	1,574	1,033	1,277
Other countries	630	614	518	315	564
Total disbursements of loans	**2,390**	**1,605**	**2,092**	**1,348**	**1,841**
Guarantees issued					
Member countries [2]	-	-	-	-	-
Other countries	-	-	-	-	-
Total guarantees issued	**-**	**-**	**-**	**-**	**-**
Loans outstanding at year-end					
Member countries [2]	9,873	9,206	9,501	8,192	8,350
Other countries	2,417	2,328	2,216	2,087	2,172
Total loans outstanding	**12,291**	**11,534**	**11,717**	**10,279**	**10,522**
Guarantee commitments at year-end					
Member country guarantees [2]	25	25	25	25	29
Other country guarantees	-	-	-	-	-
Total guarantee commitments	**25**	**25**	**25**	**25**	**29**
New debt issues					
(including capitalisations)	4,288	2,689	2,059	1,808	3,258
Number of staff (at year-end)	158	160	150	147	147

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.

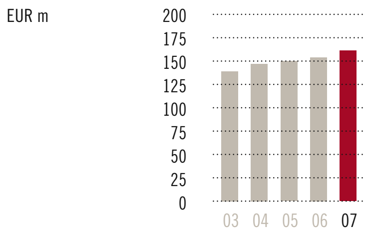
Net interest income
fig. 4



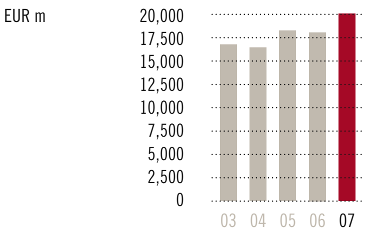
Profit
fig. 5



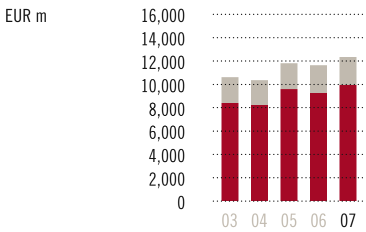
Core earnings [1)]
fig. 6



Total assets
fig. 7

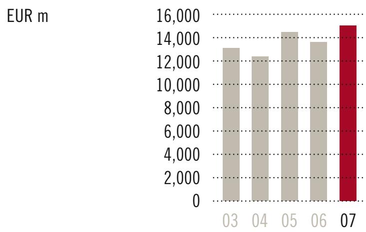


Loans outstanding
fig. 8

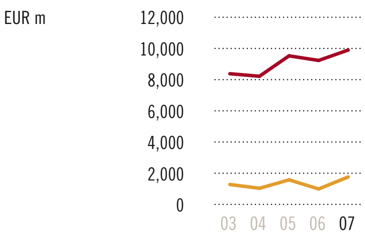


Non-member countries
Member countries

Borrowings outstanding
fig. 9

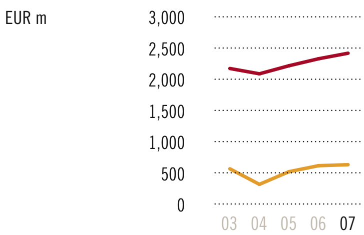


Loans in member countries
fig. 10



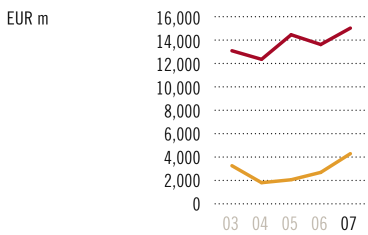
Outstanding
Disbursed

Loans in non-member countries
fig. 11



Outstanding
Disbursed

Borrowings
fig. 12



Borrowings outstanding
New 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

The Nordic Investment Bank, like other International Financial Institutions or IFIs, has had to review its activities in the last few years. This has been partly the result of structural changes, manifested by the development of new financial instruments and institutions, which have increased the efficiency of financial markets and reduced the need for intervention by the public sector. This has also been partly the result of temporary factors related to high liquidity and a concomitant increase in the appetite for risk in the private sector.

Environmental issues figure high on the political agenda

However, IFIs must build their activities on longer-term needs. That is why NIB has reassessed its role and identified the financing of activities supporting competitiveness and the environment as its main targets, in order to promote sustainable development. The year 2007 was the first full year of implementation of this strategy, and the experience shows that it gives a solid platform for the development of the activities of the Bank.

Environmental issues figure increasingly high on the political agenda in the member countries. This is not only because of threats to climate and the international efforts to deal with them, but also because nature in the member countries is particularly vulnerable. In particular, the severe pollution of the Baltic Sea calls for special efforts. The political commitment is crucial for concrete actions. The agreement reached

within HELCOM to launch an action programme for the Baltic Sea is therefore an important step and it provides a solid basis for activities in this field. NIB will in the near term seek to further develop its activities in this field and ensure that it can lend strong support to the fulfilment of the targets set down by the governments. As a first step, a Baltic Sea Environment Financing Facility has been launched.

A closely related issue is energy. The Baltic Sea region faces a challenge in meeting the long-term demand for energy. At the same time, emissions will have to be reduced. NIB will on its part proactively address both issues and recently announced the introduction of a Climate Change Mitigation and Adaptation Energy Facility. An important challenge is to increase the integration of energy systems and another to increase the utilisation of renewable energy sources. Another cornerstone is improving energy efficiency, which will require the dissemination of the many examples of best practice solutions that have been developed in the Bank's member countries.

NIB has decided to participate in a carbon fund to be set up together with other financial institutions for the purpose of developing the longer-term, post-2012 carbon credit market. A well-functioning international system for the trading of emission reductions will bring about benefits for all parties. Once the regulatory framework is in place, private sector investment will no doubt rapidly follow, but in the early stage, IFIs and national development banks have an important role to play in plotting the course.

Another sector of paramount importance for the competitiveness of the economies of the Bank's member countries is transport and logistics. Much focus is today put on national projects, but transport corridors are only as effective as their weakest links. Strengthening transport and logistics will require a regional perspective beyond the conventional local and national frameworks, regardless of where along the corridor a bottleneck emerges. NIB has identified transport and logistics as one of the focus sectors for the Bank and will seek to proactively support investment in this field. The Bank will also continue to participate in developing cooperation mechanisms in this sector in the context of the Northern Dimension.

Transport and logistics is a key sector for the competitiveness of the region

Equally, if not even more important than long-term funding is the expertise and experience that NIB can put at the disposal of project owners and other stakeholders. This is particularly so when it comes to integrating environmental considerations into the investment process. NIB, like other IFIs, puts great emphasis on and much effort into safeguarding that every project is subjected to a due environmental process. Starting in 2008, NIB's revised environmental policy is further sharpening this focus.

Another area is Public Private Partnerships. PPP projects are successful only if they manage to bring private sector risk-taking and efficiency into the public projects. The achievement of this requires complicated set-ups. NIB has provided financing for the major part of PPP projects in the Bank's member regions and stands prepared to assist project partners.

Still another cornerstone for competitiveness is innovation. This challenge is particularly significant in Europe, with its aging population and high cost levels. NIB's member countries are no exception, and much would be gained by expanding the financing of cross-border innovation activities in the region. The Bank is already today actively financing projects in various stages of the innovation process, including research and development.

Alongside its traditional involvement in the corporate and public sectors, NIB will be a proactive partner in the focus areas listed above, providing increasing value added to all stakeholders.

I wish to thank the staff and other stakeholders for their efforts and cooperation during the past year and look forward to successful cooperation in the coming year.

Helsinki, March 2008

Johnny Åkerholm
President and CEO

Economic developments in 2007

The world economy, while slowing at the end of the year, posted its 5th year of solid growth. This was reflected also in the Bank's member countries. Most of them recorded growth rates above the long-term trends. While in general solid growth was accompanied by a good macroeconomic balance, signs of imbalances became increasingly evident in the smaller economies.

Sentiment in financial markets changed fundamentally during the year

Despite some moderation in economic growth by the end of the year, following a cooling of the construction sector, current account deficits widened and inflation accelerated.

Higher inflation was partly a global phenomenon, but in some member countries domestic factors contributed to pushing the rate to, or near, double digit levels. Moreover, private credit growth, which has been fuelling domestic demand, remained high. The imbalances created further pressures on the current accounts of the Baltic economies and Iceland.

Rapid economic expansion went hand in hand with soaring prices in the energy sector, one of NIB's focus sectors. Crude oil prices roughly doubled during the year, leading to a significant rise in many other petroleum product prices.

Demand for energy and many other commodities such as metal and agricultural products has primarily been driven by emerging market economies where rising incomes and populations are producing new production and consumption patterns. Global investment spending in the metals and oil sectors was initially slow to react to rising demand and higher profits, but has recently gained pace.

The economic environment varied

significantly during the year. After a long period of abnormally low interest rates, low volatility in financial markets and the accompanying high appetite for risk, which was mainly a reflection of excess liquidity, conditions in the financial markets changed dramatically in the second half of the year, initiated by the US sub-prime mortgage crunch. Market participants started to realise the extent to which credit discipline had deteriorated in recent years, investors started to withdraw from risky assets and began a process of deleveraging.

Uncertainty grew about the appropriate valuation of complex financial instruments and about the extent of losses at the financial institutions. This caused a dramatic rise in credit spreads and the previously abundant liquidity evaporated. This clear re-pricing of risk has also affected NIB's member countries.

The ensuing financial sector turbulence and uncertainty produced strong headwinds against global economic growth, which slowed markedly in the year's final quarter. The direct impact on the real economy varied significantly across NIB's member countries.

The negative impact was more severe in countries where credit expansion had been an important driver of economic growth, such as in the smaller member country economies. In some other member countries, where economic growth had surged not primarily because of easy access to credit but because of a burst in productivity, the impact was more muted.

Increased market uncertainty affected NIB and its member country economies

The fundamental shift in financial market sentiment had a significant impact on NIB, both on the Bank's asset side and on the liability side. In the first half of the year, margins in lending were under strong pressure and the private sector offerings did not always meet the risk-adjusted rate of returns that NIB has set for its activities. As a result, the signing of loans fell clearly short of the appropriations. All this changed in the summer. Rising credit spreads enabled more favourable margins on NIB's lending operations while funding costs declined. Consequently, new loan signings and disbursements rose significantly towards the end of the year and yielded a record high loan volume.

The change in sentiment also had a clear impact on the demand for NIB's debt. While there was a slight drift upward in the funding costs in the early part of the year, the flight to quality clearly reduced the funding costs in the second half of the year. On the other hand, despite the fact that NIB's liquidity is placed in highly rated assets, the increase in credit spreads reduced the market valuations, and the closing of accounts recognised marked unrealised losses in the trading portfolio.

Long-term reliable partner

Lending

Long-term lending

NIB recorded in 2007 further expansion of its lending activities. The Bank's lending was mainly focused on energy and manufacturing, as well as lending through financial intermediaries targeting both small and medium-sized enterprises (SMEs) and prioritised projects on emerging markets.

Focal points 2007:
- lending activity on highest level in the Bank's history
- Sweden by far the largest receiver of NIB loans
- China biggest single counterparty in terms of loans outstanding
- NIB has loans outstanding or loans agreed in 38 countries

NIB provides long-term complementary 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 projects in various markets and sectors. Following the objectives set out in the Bank's operational strategy, loans agreed during the year are aimed at providing added value by strengthening competitiveness and supporting environmental projects.

As a result of changes in the global market towards the end of the year, competition in the financial services sector abated and the downward trend in margins was alleviated. At the same time, the Bank's long-term financing proved in demand in the member countries and in other growth regions.

The total amount of new loans agreed between NIB and its customers (referred to as loans agreed or new lending further in the text) during the year was EUR 2,214 million. See also Figure 13 for more details on the dynamics of the Bank's new lending.

New loan agreements were signed for projects in fifteen countries in 2007. Denmark recorded the highest number of new customers. The largest markets for NIB's lending remained the member countries. In the membership area, the Bank's lending in Sweden was by far the largest. Finland and Norway also showed substantial growth. China and Russia were the largest borrowers among the non-member countries.

Lending focused on energy, manufacturing and financial intermediaries

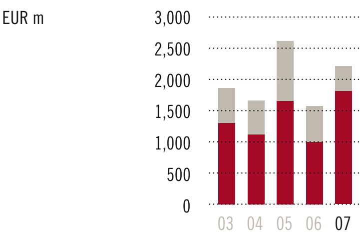
Lending activities focused on the energy and the manufacturing sectors, together totalling just over half of all new loans agreed. Within manufacturing the dominating industries were machinery and equipment followed by chemicals, while investments in the energy sector went mainly to power plants and transmission grid expansions.

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. Many of the loans to the energy and manufacturing sectors went to environment-friendly and energy-saving investments. For more information about NIB's environmental lending, see pages 22–25.

The annual figures represent an all-time high level of disbursements of approximately EUR 2,390 million, reflecting increased demand during the year. The Bank's portfolio of loans outstanding as well as loans agreed but not yet disbursed increased slightly. The amount of loans outstanding increased as expected and totalled EUR 12,291 million by 31 December 2007. The Bank's guarantee commitments amounted to EUR 25 million.

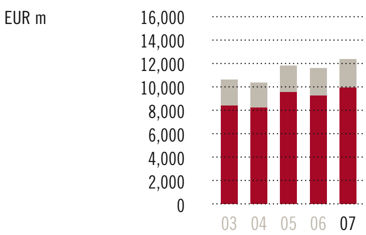
In the coming years, the Bank is set to focus its lending more on structured and environmental financing, and to raise the share of non-member countries in new lending.

Loans agreed fig. 13



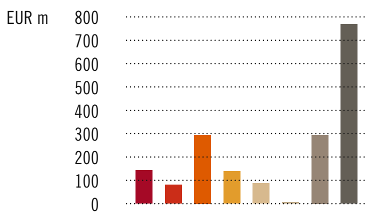
Non-member countries
Member countries

Loans outstanding fig. 14



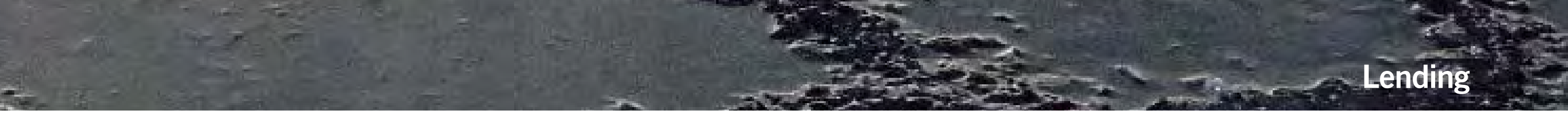
Non-member countries
Member countries

Loans agreed in member countries fig. 15
Geographical distribution 2007



Denmark 8%
Estonia 4%
Finland 16%
Iceland 8%
Latvia 5%
Lithuania 0.3%
Norway 16%
Sweden 43%

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



Lending in member countries

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

Small and medium-sized enterprises get access to long-term capital

The situation on the global markets in 2007 featured high liquidity on the one hand and a continuing downward trend on margins on the other in the first half of the year. The market showed rising margins during the latter part of the year. The amount of loan approvals in the member countries significantly increased, while the amount of loans agreed doubled year-on-year, totalling EUR 1,810 million.

Out of all 45 loans agreed with customers in the member countries, 29 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 almost half of the value of all loans agreed in the member countries during the year. NIB issued no new guarantees in 2007.

The amount of loans outstanding in the member countries totalled EUR 9,873 million by year-end. Loans agreed but not yet disbursed totalled EUR 439 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 for the loans agreed during the year (see also Figure 16) shows that the manufacturing sector accumulated the largest value, or 48%, of NIB's new lending in the member countries. Compared to the previous year's outcome, lending for manufacturing projects saw a quadruple rise. The largest recipients of NIB loans in this sector were machinery and equipment enterprises in Finland and Sweden, and producers of chemicals and chemical products in Norway, Sweden and Finland.

Energy was the next largest sector in 2007 and accounted for 29% of new lending in the membership area. As a fundamental component of economic infrastructure, the energy sector is a priority area for the Bank. The increase in absolute amounts was rather considerable here, too, reaching two and half times the previous year's total. The loans were mainly provided for the transmission and distribution of electricity and power plant investments in Finland, Norway, Iceland,

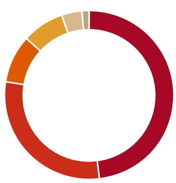
Media group expands online

CASE: Advertising on the Internet is growing faster than on any other media market. Tapping the trend and aiming at strengthening its position on the international online classifieds market, Norwegian Schibsted ASA has acquired select activities of Trader Classified Media in Spain, France, Italy and Switzerland as well as some activities in Latin America.

Schibsted has been in the forefront of online classified advertising in Norway and Sweden. NIB's long-term loan totalling EUR 25 million will help the company expand in European markets, which will secure Schibsted's competitive position as a major international player.

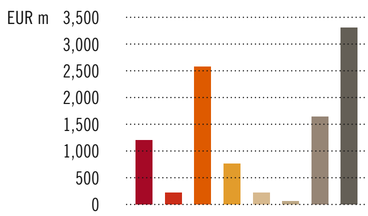
Schibsted was founded in 1839. Currently, it is Norway's largest media group running businesses in such sectors as newspapers, film and TV production, publishing, as well as Internet and mobile services. The group also has substantial activities in Sweden, Spain, France and Estonia as well as operations in 16 other countries.

Loans agreed in member countries fig. 16
Sectoral distribution 2007



- Manufacturing 48%
- Energy and water 29%
- Banking and finance 9%
- Trade and services 8%
- Transport and communications 4%
- Other 1%

Loans outstanding in member countries fig. 17
Geographical distribution as of 31 Dec 2007



- Denmark 12%
- Estonia 2%
- Finland 26%
- Iceland 8%
- Latvia 2%
- Lithuania 0.6%
- Norway 16%
- Sweden 33%

Loans outstanding in member countries fig. 18
Sectoral distribution as of 31 Dec 2007

- Manufacturing 41%
- Energy and water 27%
- Transport and communications 10%
- Banking and finance 10%
- Trade and services 6%
- Other 6%

Sweden, Latvia and Estonia.

Most of the Bank's lending to SMEs is channelled through financial intermediaries. The banking and finance sector's share of new lending in the member countries was 9%. This efficient means for NIB to participate in the financing of small, mainly energy- and environment-related investments was often used in Denmark, the Faroe Islands, Norway and Iceland during 2007. A large part of the loans in this sector was provided for onlending through new partner banks.

The Bank continued to support the modernisation of the health care and social infrastructure in Latvia. A strong social infrastructure enhances better living standards in the region and the competitiveness of the Baltic economies.

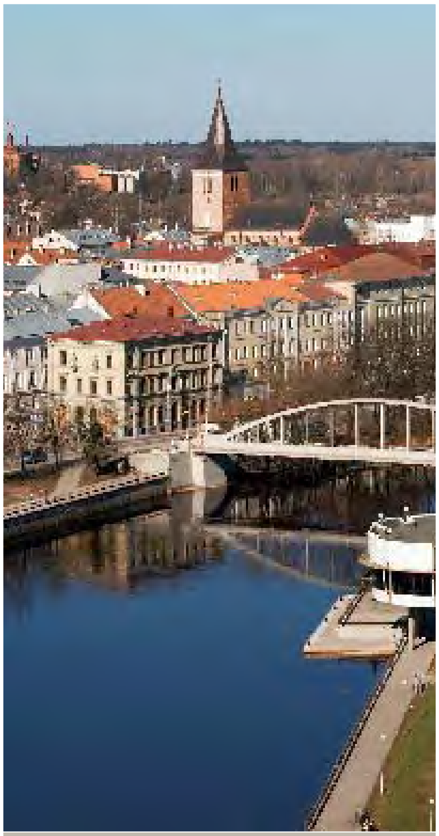
Countries. Sweden accounted for the largest part, or 43%, of new lending in the member countries in 2007. The amount of new loans NIB provided in Sweden in 2007 was almost four times higher than the relatively low figure the year before. Lending to the manufacturing industry soared five times and made up two thirds of the total new lending amount in this country, with the manufacturing of machinery and equipment as the largest receiver, followed by basic metals and food and beverages.

In Norway, NIB entered into the next highest amount of new loan agreements, which made up 16% of the total figure for lending in the membership area in 2007. The amount of loans for projects in Norway's energy sector almost tripled compared to the year before. In this sector, NIB financed the construction of a subsea power cable link between Norway and the Netherlands. Among the agreements with Norwegian customers in the manufacturing industry is the year's single biggest loan amount, provided for a cross-border acquisition with positive effects on the environment.

NIB will put more emphasis on projects in the Baltic Sea area

The total amount of new loan agreements with Finnish borrowers doubled on the previous year and accounted for 16% of new lending in the member countries. Energy was the leading sector for NIB lending in Finland with over half of loans agreed in this country. The Bank provided loans for financing, inter alia, investments in a system for the automated measurement and control of electricity consumption and in the construction of a new multi-fuelled power plant.

Onlending to local intermediary banks, mainly for financing SME projects, remained central for the Bank's operations in Denmark and the Faroe Islands. The amount of new loan agreements with Danish financial intermediaries increased by 12% compared to the previous year. The number of new customers accounted for half of the total lending to this country, and thereby Denmark was the leading market in terms of recruiting new customers in 2007.



Better energy efficiency in Tartu

CASE: Building a combined heat and power plant in Tartu, Estonia's second largest town, is essential for the town's further development. The new plant of Fortum Tartu, a local district heating network operator, will be fired primarily with milled peat and wood. The plant will add 50 MW to the district heat capacity, and 25 MW to the power capacity.

Once the new plant is in operation, the town will gain greater efficiency in energy conversion and reduce its exposure to future increases in the price of imported gas. The production of heat will be able to meet future heat and electricity demand in southeast Estonia. Building the new plant will promote the national government's policy goal of diversifying sources of electric power generation, to the benefit of businesses and consumers.

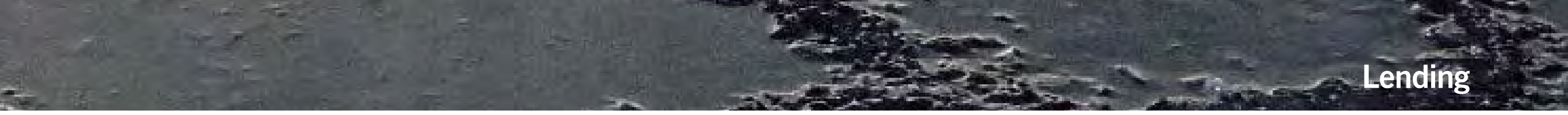
With Finland's Fortum being the majority shareholder in Fortum Tartu, the project will also support cross-border investment and technology transfer within member countries. NIB provided a EUR 40 million loan to this project.

New hi-tech metalwork in Sweden

CASE: The Swedish hi-tech engineering Sandvik Group received a loan from NIB totalling SEK 600 million (EUR 65 million) for the construction of an innovative hot rolling steel mill. The mill will be built in the existing premises of the company's industrial area in Sandviken in central Sweden.

The mill will replace an old one and improve product quality, reduce down-time and increase output by 40% to 400,000 tonnes. As a result of the company's steady R&D efforts, greenhouse gas emissions per produced unit will be substantially reduced.

The Sandvik Group is highly research-oriented. The company employs more than 2,000 persons in the area of research and development. Through R&D efforts combined with a number of strategic acquisitions, Sandvik has established a solid platform for its further profitable growth. Sandvik develops, manufactures and markets highly processed products, which contribute to improving the productivity, profitability and competitiveness of their customers.



The amount of loan agreements entered into during the year in Iceland slightly increased on the year before. With just over half of the lending volume in Iceland, energy was a dominating sector for the Bank's activities in this country. NIB is among the major contributors to the financing of investments in Iceland's power-intensive industries. Onlending to SMEs and municipal projects comprised another important area for NIB's new lending in Iceland.

In the Baltic countries, the high level of liquidity provided for an abundant supply of financing on the local market, which resulted in lower volumes compared to the year before in Latvia and Estonia. A large part of the new loan agreements signed by the Bank in Latvia comprised loans for investments in the generation, transmission and distribution of power.

All new lending in Estonia went to companies with no loans outstanding from NIB at the end of 2006. Investments in a combined heat and power plant and associated network investments accumulated most of these funds. The Bank issued its first loan against medium-term notes in Estonia for financing investments into public transport.

In Lithuania the Bank signed one loan programme for onlending to SMEs.

A list of the loans agreed during 2007 can be found on page 89.

Future prospects. NIB expects that the ongoing turmoil in the financial markets will affect liquidity both in the banking and the corporate sector and thereby lead to strengthening the Bank's lending operations in the member countries in the coming years. More emphasis will be put on environmental projects in the Baltic Sea area.

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 headquartered in NIB's member countries. NIB has established formal cooperation with governments of countries with emerging and transitional economies in Europe and Eurasia, Asia, Latin America, Africa and the Middle East. The Bank provides its loans directly for individual projects or through loan programmes with intermediaries. Loans are granted for projects in both the private and public sectors.

In 2007, the Bank signed twelve new loan agreements in eight non-member countries, all representing the world's major growth regions. The total value of the new loans agreed during the year in non-member countries amounted to EUR 404 million, which was a decrease compared with 2006. The lending operations outside the membership area reflected a market situation that was characterised earlier in the year by high liquidity and improving access to funding for borrowers in emerging and transitional economies.

Nevertheless the Bank saw high demand for financing, which was reflected in an increase in the amount of loan approvals, up by half to EUR 1,025 million in 2007. In Europe and Eurasia as well as in Asia, the amount of loan approvals doubled. The Bank was particularly active during the year in its financing of projects in Russia and China. Several projects were also prepared in Romania and India as well as other countries.

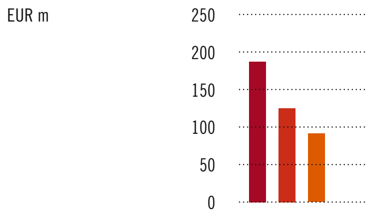
New loan agreements signed in the world's major growth regions

Eight loans accounting for 66% of the total value of new lending in non-member countries in 2007 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 remained at the same level as in the preceding year and amounted to EUR 630 million, which expanded NIB's loans outstanding in non-member countries to EUR 2,417 million at year-end. Loans agreed but not yet disbursed amounted to EUR 761 million at the end of the year.

The largest increase, in absolute values, in the amount of loans outstanding occurred in China, Russia and Poland. The weakening US dollar, which along-

Loans agreed in non-member countries fig. 19

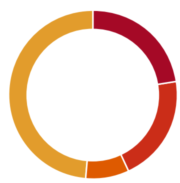
Geographical distribution 2007



- Asia 46%
- Europe and Eurasia 31%
- Latin America 23%
- Africa and Middle East 0%

Loans agreed in non-member countries fig. 20

Sectoral distribution 2007



- Manufacturing 23%
- Transport and communications 21%
- Energy and water 8%
- Other 49%
- Banking and finance 0%
- Trade and services 0%

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

Rehabilitation of Philippine power plant

CASE: A USD 47 million loan was provided to the Philippine SN Aboitiz Power (SNAP) to finance the acquisition and rehabilitation of the 360 MW Magat hydropower plant, which supplies energy to the Luzon electricity grid.

SNAP is a special purpose company owned by the Norwegian company Statkraft Norfund Power Invest AS and the Philippine power generation and distribution company Aboitiz Power Corporation. With its significant experience in the hydropower sector, SN Power will contribute to improving the efficiency of the plant and operating it in the Philippine wholesale electricity market.

Increased energy output from Magat will displace energy generated by thermal plants on the Luzon grid, thus reducing emissions. The Magat plant, commissioned in 1983, is designed as a peaking plant. It enjoys a strong market position as it is assured despatch and supplies at times of peak demand.

NIB is participating in the financing of the Magat project alongside the World Bank Group's International Finance Corporation and a consortium of seven commercial banks. During the year, the project was selected Asia Pacific Power Deal of the Year 2007 by Project Finance International and Best Project Finance, Deal of Year 2007 by The Asset Asian Awards.

side the euro is a dominant loan currency of the Bank's loans outstanding in non-member countries, had a negative impact on the Bank's portfolio growth. The quality of the stock of loans outstanding in non-member countries continues to be good.

During the year, NIB continued to participate in international and regional environmental cooperation. NIB continued to play an active role in the Northern Dimension Environmental Partnership (NDEP) by taking over the rotating chair in July 2007. 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.

NIB steadily 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. At year-end 2007, NIB had loans outstanding in 30 countries outside the membership area.

Sectors. Lending in non-member countries in 2007 focused on investments in manufacturing, telecommunications and energy. The share of the manufacturing industry in new lending, 23% of the total amount in non-member countries, increased slightly compared to the previous year. The largest loans in this sector were provided for investments in the pulp and paper industry in Brazil and Uruguay. The Bank provided funding for projects in the telecommunications sectors of Serbia and Thailand, and entered into a loan agreement with a Philippines-based company for financing a power plant project.

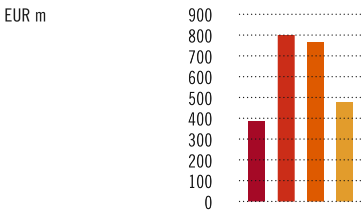
NIB's operations are aimed at fostering economic growth and environmental improvements

Half of all new lending in non-member countries comprised six new loan programmes for onlending to projects in various sectors of the economy in China, Russia and Slovakia. Through its loan programmes with intermediaries in non-member countries, in 2007 the Bank approved 70 new subprojects totalling EUR 203 million. 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, Asia received the largest share of NIB's new lending in 2007. Most of the financing in this part of the world

Loans outstanding in non-member countries fig. 21

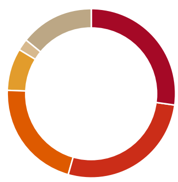
Geographical distribution as of 31 Dec 2007



- Africa and Middle East 16%
- Asia 33%
- Europe and Eurasia 31%
- Latin America 20%

Loans outstanding in non-member countries fig. 22

Sectoral distribution as of 31 Dec 2007



- Energy and water 27%
- Transport and communications 27%
- Manufacturing 21%
- Trade and services 8%
- Banking and finance 2%
- Other 14%

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

was provided as loan programmes placed with intermediaries in China for further onlending to projects in different sectors. Other areas for NIB's lending in Asia in 2007 were power generation and telecommunications.

Europe and Eurasia was the second largest region, accounting for one third of the Bank's new lending outside the membership area. Here, too, loan programmes placed with financial intermediaries represented the largest share of new loan agreements. The aggregate amount of NIB's loan programmes in this region tripled as compared to the 2006 figures.

In Latin America, new loans were provided to finance investments in the manufacturing industry.

A list of the loans agreed during 2007 can be found on page 89.

Future prospects. In the coming years, NIB will continue to provide added value through its long-term financing of projects of mutual interest to borrower countries and NIB's member countries both in the fostering of economic cooperation in various business sectors and in efforts to reduce the burden on the environment, particularly in the neighbouring area. Environmental investment related to the protection of the Baltic Sea and Barents Sea regions as well as the energy sector with its significant environmental impact will remain a priority for the Bank's lending.

The Northern Dimension Environmental Partnership is one of the forums in which NIB is an active participant. The Bank will also focus on regional transport infrastructure and will, inter alia, actively participate in efforts to develop the cooperation in this field in the broader context of the Northern Dimension.

The Bank expects to see a growing demand for long-term financing, particularly in infrastructure development, environmental projects, and capital-intensive industries. NIB's plans for expanding its lending operations include focusing on key markets, inter alia, through the Bank's more active presence through local representatives in China, India and Russia, but also selectively entering new growth markets in Europe, Asia, Latin America, Africa and the Middle East.

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

Serbia upgrades telecom network

CASE: Serbia's largest telecommunications operator, Telekom Srbija, is implementing a large-scale investment programme to upgrade its networks. NIB's loan totalling EUR 35 million was provided to this company for financing the development of its networks. The investment programme for 2007–2012 includes the build-out of the fixed line network and a capacity increase in the mobile network.

The company is set to develop and modernise telecom networks both in Serbia and in neighbouring countries. Telekom Srbija has acquired a controlling stake in the second-largest telecoms operator in Bosnia-Herzegovina and won the bid for the third mobile license in Montenegro. Nordic telecom equipment producers are Telekom Srbija's largest suppliers of 3G/UMTS and 2G/GSM technologies.

Telekom Srbija is a majority state-owned company. It has over 7 million mobile and fixed-line customers.

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 2007, NIB administered eight trust funds. Three of them are general consultant trust funds, while the other five are intended for specific projects:

- A Finnish technical assistance trust fund for potential NIB and NEFCO projects, above all 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.
- Four Swedish technical assistance trust funds for project preparation and implementation in five environmental projects in Russia: 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; and the closure of direct discharges of untreated wastewater in St. Petersburg. The Swedish Government is represented by Sida.
- A Swedish technical assistance trust fund for joint project preparation and implementation in the EU's ten new member states, its neighbouring countries and other strategic markets. The Swedish Government is represented by the Ministry for Foreign Affairs.
- A Swedish technical assistance trust fund for the development, monitoring and supervision of potential projects in the field of municipal development in Eastern European countries qualified as recipients of Official Development Aid. The Swedish Government is represented by Sida.
- A technical assistance support trust fund allocated by NDEP set up in cooperation with NIB, to support project preparation and implementation of a Leningrad Oblast water project with the overall objective of rehabilitating water distribution and wastewater treatment in the towns of Pikalevo and Tikhvin.

In addition to the trust funds, the Bank is involved in the administration of the assistance granted by the Norwegian Ministry of the Environment to the Pechenga Nickel project on the Kola Peninsula for the reduction of sulphur dioxide emissions from the nickel smelter.

Promoting sustainable growth

Environment

NIB and the environment

NIB believes that taking environmental aspects—including ecological as well as social issues—into account is part of good business and that economic growth and a healthy environment go hand in hand.

Focal points 2007:
- revised environmental policy
- substantial increase in amounts allocated to environmental projects
- decision to contribute to a carbon credit fund with EUR 15 million
- preparations to set up lending facilities, totalling EUR 1.5 billion, for reducing emissions in the Baltic Sea and mitigating climate change
- implementing the GRI framework in the Annual Report

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 which NIB considers for financing undergo an environmental analysis. According to this analysis, the projects are classified depending on their estimated positive, neutral or negative environmental impact. In 2007, 39% (25% in 2006) of the total number of projects that NIB agreed to finance had a positive environmental impact. Of the projects NIB agreed to finance, 54% (63%) were determined to be environmentally neutral, while 7% (11%) were determined to have a local net negative effect on the environment, but nonetheless to be in accordance with the Bank's requirements.

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

The environmental loans in 2007 amounted to EUR 368 million, which was an increase of 68% compared to 2006. The amount allocated to environmental loans in 2007 constituted 17% of the total amount of loans agreed during the year.

Like all NIB loans, environmental loans are provided on market terms and do not include any form of subsidies. Environmental loans can have a longer than usual maturity. 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, for example in the Baltic Sea area and its drainage basin, NIB focuses on issues such as eutrophication and acidification resulting from air emissions and wastewater discharges. On a global level, NIB sees combating climate change through the reduction of emissions of greenhouse gases as an important issue.

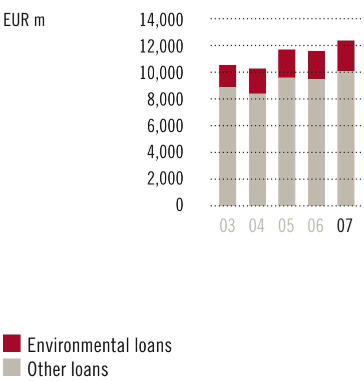
In 2007 NIB decided to contribute EUR 15 million to a European post-2012 carbon credit fund. The Bank also made preparations to set up two environmental lending facilities totalling EUR 1.5 billion for projects cutting hazardous emissions in the Baltic Sea and mitigating climate change. Decisions on the new facilities were taken in the beginning of 2008. The funds for the Baltic Sea Environment Financing Facility and the Climate Change Mitigation and Adaptation Energy Facility will be earmarked within the Bank's ongoing lending activities.

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 also strengthened its environmental organisation; four 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.

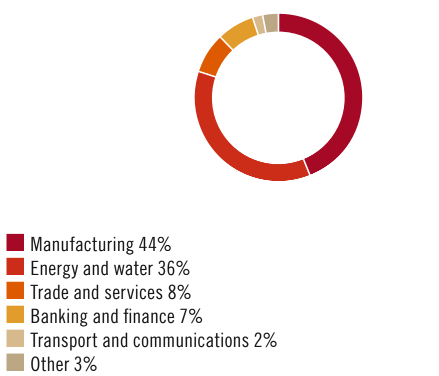
NIB's environmental policy. In 2007 NIB revised its environmental policy and guidelines. The environmental policy was revised in order to better communicate NIB's standing on environmental issues in relation to the Bank's mission and strategy adopted in 2006, as well as to harmonise the policy with the principles of other international financial institutions. A clear and precise environmental policy was adopted to support NIB's environmental operations and give added value to the Bank's customers. The policy presents the environmental principles which NIB follows and includes guidelines.

A draft of the revised policy was publicly disclosed and was available for comment on NIB's website for two months before being adopted by the Bank's Board of Directors in October. The policy entered into force in the beginning of 2008.

Environmental loans outstanding fig. 23
As a share of total loans outstanding



Environmental loans outstanding fig. 24
Sectoral distribution as of 31 Dec 2007



Appraisal of all projects. NIB carries out an environmental analysis on all loan applications. The objective is to ensure that all relevant environmental impacts, risks, liabilities and costs have been taken into account in projects financed by the Bank. Furthermore, the purpose is to determine if the client is capable of complying with, or needs to take any actions in order to comply with, the Bank's environmental requirements. 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. NIB refrains from financing projects that are questionable from an environmental point of view or if they do not comply with national environmental legislation or international environmental agreements.

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 project's impact on local communities.

NIB's environmental analysis is based on environmental impact assessments, environmental audits, other available and relevant documentation and site visits when applicable. The scope of the analysis depends on the potential environmental impact of the project. In line with the revised environmental policy that was adopted in 2007, projects with the potential for large environmental impacts (category A) will from 2008 onwards be publicly disclosed on NIB's website and will be available for comment for a period of 30 days before any final decision on the projects is taken by NIB.

Detailed information on NIB's environmental appraisals can be found in Table 1.

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

Energy and water. The impact on the surrounding environment and the scope of the projects are usually large within the energy and water sector. 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.

NIB carries out an environmental analysis on all loan applications

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. Investments in new wastewater treatment plants and improvements of existing plants are also highly prioritised as these investments decrease the amount of excess nutrients and other harmful substances running out into rivers, lakes and oceans.

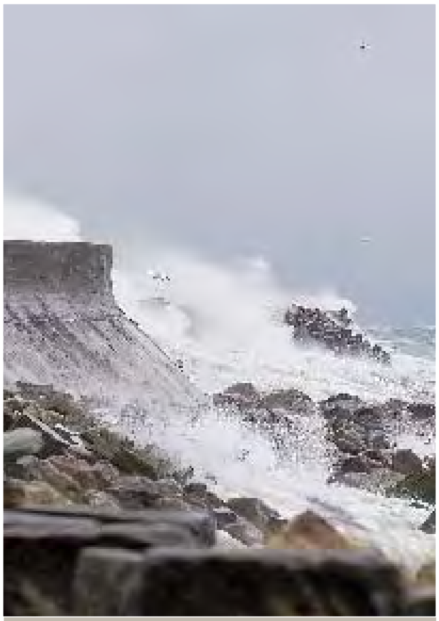
Banking and finance. Banking and finance has been a growing sector for NIB in the past few years. Lending to financial intermediaries makes it possible for the Bank to reach also the market of small and medium-sized enterprises. Thus NIB can contribute to the stimulation of local economies and communities. In emerging markets, governments may also act as intermediaries for loans to governmental programmes. NIB reviews its intermedi-

Cross-border acquisition helps cut environmental impact

CASE: NIB provided a loan totalling EUR 125 million to the Norwegian fertiliser manufacturer Yara International ASA for the acquisition of Finnish Kemira GrowHow. The combination of the two companies will create a strong, world-class company able to compete effectively in the global fertiliser market.

As a result of the acquisition, new technologies developed by Yara International will be applied at Kemira GrowHow's production plants. Applying the new technologies will help cut emissions of nitrous oxide, a greenhouse gas with an impact on the environment 296 times stronger than carbon dioxide. The intended reduction is estimated to be the equivalent of 1.8 million tonnes of carbon dioxide per year.

Yara International is the world's largest fertiliser company measured by revenues and the leading producer of nitrogen fertilisers. The company is running joint-venture operations in other parts of the world and exports to more than 120 countries. Kemira GrowHow, established in 2003 within the Kemira Group, has production in eight countries and sales in over 100 countries.



Adapting to climate change

CASE: Violent storms with hurricane-strong winds have become more common and have caused severe damages to Sweden's power grids in recent years, especially in the southern regions of the country. In 2005, the storm "Gudrun" hit southern Sweden with devastating effects. When in 2007 the storm "Per" hit Sweden's west coast, approximately 300,000 households were left without electricity. In order to prevent the grid from being damaged by future storms and hurricanes, Swedish E.ON Sverige has decided to invest more than SEK 10 billion in order to make the grid safer and protect it from extreme weather occurrences.

NIB's loan to E.ON Sverige totalling SEK 500 million (EUR 54 million) is aimed at cofinancing this investment programme. The endeavour includes the replacement of 17,000 kilometres of weather-sensitive uninsulated overhead power distribution lines with underground cables to improve the ability of the power distribution grid in Sweden to resist hurricane winds. Some 2,600 kilometres of regional networks will be broadened to a width of 35-40 metres to prevent disruption caused by falling trees. E.ON Sverige is the third largest power utility in Scandinavia with core markets in southern and central Sweden.

aries in order to identify activities where the intermediaries could be exposed to environmental risks as a result of their investments. The projects that receive loans through financial intermediaries are to comply with the same requirements as "normal" loans. NIB's environmental acceptance criteria are communicated to the intermediaries at an early stage and the Bank can assist in the implementation of the criteria.

In 2007, NIB agreed on loans with financial intermediaries for onlending to projects concerning, for example, wind power, the production of wood pellets from waste material in the forest industry, water treatment and environmental investments in the agricultural sector. Projects financed through intermediaries in 2007 will reduce carbon dioxide emissions by an estimated 80,000 tonnes per year.

Transport and communications. NIB-financed investments in the transport and communications sector help to improve infrastructure and thus the development of economies. Transportation projects affect the environment through emissions from increased traffic volumes and through the impacts of large infrastructure construction. Consequently new modes of transport and energy efficiency are important factors to take into account. The transport and communications sector also includes projects having only a modest environmental impact, such as telecommunications projects.

Manufacturing. A large part of the manufacturing projects financed by NIB are connected to the pulp and paper industry. NIB also finances projects concerning, for example, 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 in order to come up with new, more environmentally friendly techniques is important in this sector. Social aspects are a growing challenge, including screening throughout the supply chain.

Environmental cooperation. NIB continues to be an active partner within the Northern Dimension Environmental Partnership (NDEP). In July 2007 NIB took over the rotating chairmanship of the Steering Group of NDEP. The partnership 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. In 2007, the second NDEP project, the Sewage Sludge Incinerator at the Northern Wastewater Treatment Plant in St. Petersburg, was inaugurated. Thirteen other large environmental projects are either in the preparation or implementation stage. 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. NIB is a signatory bank to the European Principles for the Environment (EPE). The EPE is a common approach to financing projects, signed by the EBRD, the EIB, NIB and NEFCO.

Housekeeping. As regards housekeeping, NIB complies with the requirements of current EU environmental legislation and in many respects goes beyond what legislation requires. The Bank has internal environmental guidelines for office practices, facilities management and procurement. NIB has not received any fines or been in non-compliance with environmental laws or regulations.

In 2007, NIB used 1,957 MWh of energy for heating (+11% from 2006), resulting in an energy consumption of about 105 kWh/m^2. The Bank's electricity consumption was an additional 1,900 MWh and the water usage approximately 1,850 m^3. The Bank's consumption of white office paper was about 12 tonnes (+9% from 2006). The estimated consumption of newspaper was similar to the previous year: approximately 5.5 tonnes. An estimated 98% of the paper was recycled. According to follow-up made in 2007, NIB employees travelled, in the course of their work, a total of 6,460,000 km in the previous year. This equals approximately 40,000 km/employee, or almost one trip around the world.

Future prospects. In 2008, NIB will focus on the implementation of its revised environmental policy as well as on further intensifying its prioritisation of environment-related projects.

In all the countries where NIB is operating, investments aimed at energy efficiency and the reduction of greenhouse gas emissions will become increasingly important. NIB continues to give high priority to investments generating positive environmental effects in the Bank's member countries and their neighbouring areas. Within the EU, efforts are to be taken to fulfil the Union's new goals that are to be reached by 2020 as regards energy efficiency, renewable energy sources and decreasing greenhouse gas emissions. In emerging markets, base investments for water and waste-water treatment, solid waste treatment and sustainable forms of energy production are important components in the countries' infrastructure.

For the Annual Report 2007, NIB took its first steps in reporting in accordance with the Global Reporting Initiative (GRI) on its stance on sustainability issues, see page 92. This work will be continued in the years to come. A key challenge for NIB is to develop optimal measures for assessing the relevant sustainability effects of its operations.

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 Group. The loan applications are categorised into four different groups, according to their potential environmental impact.

Category A	*Category B*	*Category C*	*Category FI*
(5% of total number of loans agreed in 2007) • the project has the potential for making an extensive environmental impact • the project must undergo a full EIA • from 2008 onwards the project needs to be publicly available on NIB's website for a period of 30 days before a final decision on financing is taken by NIB	(19% of total number of loans agreed in 2007) • the project has the potential for making a moderate environmental impact • the project must undergo a partial EIA	(45% of total number of loans agreed in 2007) • the project is considered to have an insignificant or not readily measurable environmental impact • the project is not required to undergo any formal EIA	(31% of total number of loans agreed in 2007) • loan programmes realised through financial intermediaries worldwide and through governments in emerging markets • the onlending intermediary's environmental review capacity is assessed

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 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 or in projects where possible environmental liabilities have been identified. An environmental audit is required for projects in which there is an obvious risk of the project sponsor 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.

Table 2: Emission reductions, environmental projects NIB has agreed to finance

Substance	***Estimated reductions for 2007 projects***	*Estimated reductions for 2006 projects*	*Explanation of substance*
CO_2 or CO_2 equivalents	**900,000 t/a**	755,000 t/a	The most common of the greenhouse gases. Yearly CO_2 emissions in Sweden total 70 million tonnes.
Phosphorous and nitrogen (emissions to water)	**80 t/a phosphorous and 140 t/a nitrogen**	No agreed projects in 2006	Runoff from wastewater and farmland increases the nutrient load in watercourses and oceans. Major reason for the deteriorating state of the Baltic Sea. One person produces two grams of phosphorous/day.
SO_2 and NO_x (emissions to air)	**No agreed projects in 2007**	117,700 t/a SO_2 and 18,700 t/a NO_x	Airborne emissions created through the burning of fossil fuels reach the ground through acid precipitation. Yearly emissions of NO_x and SO_2 in Sweden total 175,000 and 40,000 tonnes respectively.

Responding flexibly to investors' needs

Financial operations

Borrowing and treasury portfolio management

NIB enjoys the highest possible credit rating, AAA/Aaa, with the leading international rating agencies Standard & Poor's and Moody's. Based on this solid platform, NIB finances its lending activities by issuing bonds globally.

Focal points 2007:
- increased demand for NIB bonds
- two global US dollar benchmark bonds issued
- new borrowings higher than ever at EUR 4,288 million
- marked-to-market valuation of treasury portfolios negatively affected by turbulence in the financial markets and the related increase in credit spreads

Borrowing and treasury portfolio management activities in 2007 were shaped by changing market conditions due to the turbulence in the financial markets. The pricing of new borrowing was challenging during the first half of the year, but the uncertainties in the markets during the second half of the year favoured high-quality issuers, including NIB. Due to the widening of credit spreads following the turbulence in the markets and due to rising long-term interest rates, the marked-to-market valuation of NIB's treasury portfolios fell, affecting the Bank's results negatively. During the year, NIB's liquidity position was very good.

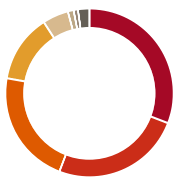
Borrowing from capital markets. The year 2007 was a record year as regards borrowing, with 69 borrowing transactions in 10 different currencies. New borrowings increased to EUR 4,288 million. At the end of the year, the Bank had borrowings outstanding in 20 different currencies amounting to EUR 15,023 million. During volatile times on the market, NIB has been able to place its name as one of the best triple-A-rated multilateral issuers.

NIB's borrowing programme is global, with bonds sold all over the world. In 2007, almost half of the Bank's new investors were from Asia. Investors from Europe and investors from North America were other large investor groups.

The Bank's borrowing strategy is designed to be highly responsive to the changing demands of investors. Hence, NIB 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 while minimising 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.

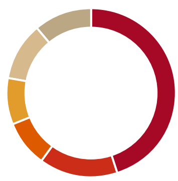
The most important borrowing currency in 2007 was the US dollar, with 45% of all new borrowings. NIB carried out two successful US dollar benchmark

New borrowings fig. 25
Geographical distribution 2007



- Europe 31%
- Japan 25%
- Asia (excl. Japan) 22%
- North America 13%
- Australia 5%
- Africa 1%
- Middle East 1%
- Other 2%

New borrowings fig. 26
Currency distribution 2007



- USD 45%
- JPY 15%
- NZD 9%
- GBP 9%
- Nordic currencies 11%
- Other 11%

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

issues. The first one, amounting to USD 1 billion (EUR 757 million) and having a maturity of 10 years, was issued in January. The second one, amounting to USD 1.5 billion (EUR 1,058 million) and having a maturity of 3 years, was issued in September. The profile of the investor book was of high quality, with central banks and official institutions allocating 92% of the second transaction. The volatility in the financial markets influenced the September issue, as there was a strong flight to quality.

NIB has been able to place its name as one of the best triple-A-rated multilateral issuers

With 46 transactions in Japanese yen, NIB raised JPY 103.1 billion (EUR 637 million) in 2007. NIB carried out one of its biggest Uridashi issues targeting the Japanese retail markets.

In 2007 NIB also launched its biggest ever Norwegian krone fixed-rate issue amounting to NOK 1,750 million (EUR 215 million). NIB also carried out its first bond issue in Russian roubles amounting to RUB 2 billion (EUR 58 million). Furthermore, the Bank issued a global transaction in Icelandic krónor. Due to strong investor demand, the transaction was increased twice, reaching a total of ISK 18,000 million (EUR 207 million). In the public Sterling market NIB issued a GBP 250 million (EUR 371 million) transaction. During the year, the Bank was also visible in the Canadian and New Zealand markets and carried out an inaugural Maple issue and an inaugural Kauri issue. In 2007 the average maturity for new borrowings was 5.0 years.

NIB's long-term borrowing in 2007 is presented on pages 87-88.

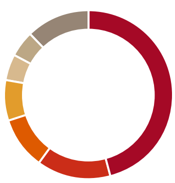
Liquidity management. NIB's net liquidity was ample, and in line with the policy to cover the expected liquidity requirements for the coming 12 months. At year-end, net liquidity stood at EUR 4,039 million. The liquidity portfolio functions as the warehouse for funds raised from borrowing until they are needed for lending disbursements. The design of the borrowing programme is closely interlinked with the requirements for liquidity in different currencies and maturities. Liquidity is mainly placed in euro and US dollars. The liquidity serves as support for the borrowing strategy in the sense that a sufficient level of liquidity makes it possible to avoid borrowing in periods when market conditions are unfavourable. Managing the liquidity has been a challenge in the second half of 2007 due to the turmoil in the financial markets.

In line with NIB's policy, the liquidity has been invested primarily in floating rate notes (FRNs) issued by banks with a minimum rating of A and in asset-backed securities (ABSs) with a high rating. 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 credit card receivables or residential mortgage loans. Excess liquidity is invested in money market instruments such as European commercial papers, certificate deposits and money market deposits.

Following the turbulence in the financial markets, credit spreads widened as concerns investments in bank FRNs and ABSs, leading to negative marked-to-market effects and a negative impact on the Bank's results. Of the total value adjustments amounting to EUR -82 million made to the Bank's treasury portfolios, EUR -59 million concerned the liquidity portfolio. It should be noted, however, that these value adjustments are not realised losses, but write-downs in market valuations.

Borrowings outstanding fig. 27

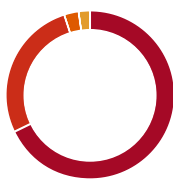
Currency distribution as of 31 Dec 2007



- USD 46%
- GBP 14%
- JPY 10%
- AUD 8%
- EUR 5%
- Nordic currencies 5%
- Other 12%

Liquidity fig. 28

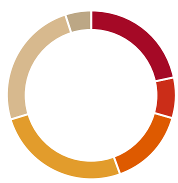
Distribution by security as of 31 Dec 2007



- Financial institutions 68%
- Mortgage-backed securities 27%
- Asset swaps 3%
- Short-term deposits 2%

Liquidity fig. 29

Distribution by rating of security as of 31 Dec 2007



- AAA 22%
- AA 8%
- AA- 15%
- A+ 26%
- A 25%
- A- 5%

Fixed income portfolio. The fixed income portfolio corresponds to the Bank's own equity, that is, the paid-in capital and reserves. The size of the portfolio was at year-end EUR 1,948 million. The fixed income portfolio is denominated in euro and has the long-term objective of generating a satisfactory return, comparable to a euro-denominated government bond benchmark.

The major part of the fixed income portfolio is a held-to-maturity portfolio. The duration of the held-to-maturity portfolio is very stable and was at year-end 4.8 years, which is slightly above the long-term objective.

> In 2008, NIB will place greater emphasis on asset and liability management

The other part of the fixed income portfolio is classified as a marked-to-market portfolio, allowing for adjustments of the risk profile according to interest rate expectations. The part of the portfolio held on a marked-to-market basis corresponded to 35% of equity at year-end. The duration of the marked-to-market portfolio fluctuated between 1.0 and 3.0 years during the year. The low duration somewhat limited the negative impact of the general increase in long-term interest rates on the valuation of long-term securities. However, the developments in swap and credit spreads during the second half of the year had a considerable impact on the return of the portfolio, in spite of the high credit rating of the investments. Of the total value adjustments amounting to EUR -82 million made to the Bank's treasury portfolios, EUR -23 million concerned the marked-to-market portfolio.

In addition to government bonds, the marked-to-market portfolio is invested in senior debt and covered bonds of banks. The most extensive negative effects on the return stem from floating rate notes and AAA-rated non-conforming mortgage-backed securities originating in the UK. NIB's investments in AAA-rated non-conforming mortgage-backed securities amounted to EUR 189 million, which is 4% of the total amount in the treasury portfolios. The non-conforming mortgage market in the UK has been seriously distorted since the sub-prime crises in the US. NIB is neither involved in US-originated sub-prime bonds nor in any form of collateralised debt obligations.

NIB has an external interest rate trading programme and has mandated external portfolio managers 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 portfolio management and trading competences. At year-end there were a total of four external managers authorised to take positions up to a total amount of USD 250 million. Three of the managers had a positive return and the overall result was positive.

Future prospects. NIB will continue to diversify its borrowing, seeking high quality investors and new markets, with the aim of maintaining its reputation as one of the best rated multilateral issuers.

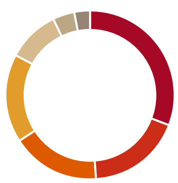
In 2008, NIB will place greater emphasis on asset and liability management. Following the market turmoil, NIB will review its liquidity policy, with the aim of securing the liquidity and return of its assets.

Risk management

NIB's financial guidelines require strict management of all types of risks. According to the Bank's accounting standards, the financial statements should include detailed information on risks. NIB presents its financial guidelines and risk management in connection with the Bank's financial report on pages 47 to 50.

Fixed income portfolio fig. 30

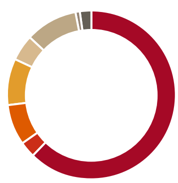
Distribution by security as of 31 Dec 2007



- Covered bonds 31%
- Asset-backed securities 18%
- Financial institutions 17%
- Government bonds 17%
- Local government and agencies 10%
- Swaps 4%
- Supranationals 3%

Fixed income portfolio fig. 31

Distribution by rating of security as of 31 Dec 2007



- AAA 63%
- AA+ 3%
- AA 8%
- AA- 9%
- A+ 5%
- A 10%
- A- 1%
- BBB+ 2%

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

Capital structure

As of 31 December 2007, NIB's authorised capital was EUR 4,141.9 million. At the end of 2007, 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 appropriation of profits from the financial year 2007 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 two active 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.

In addition to these, the Baltic Investment Loan facility (BIL) that expired on 31 December 1999 had a ceiling of EUR 60 million. The Nordic countries guaranteed 100% of loans outstanding under BIL. No new loans have been granted under the BIL facility since year-end 1999, and the last loan outstanding was repaid in 2007.

NIB's member countries have subscribed to its authorised capital and guaranteed the special loan facilities in proportion to their gross national income. The countries' share of the authorised capital at the end of 2007 is shown in Figure 34. The Bank's new member countries shall make their payments of the paid-in portion pursuant to an agreed schedule of payments in three annual instalments of which the first was made on 31 March 2005. For further information, see Note 14 on page 62.

A closer presentation of the loan facilities, the guarantee structure and guarantee distribution is provided in Note 8 on pages 55–58.

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, respectively, for short-term obligations. NIB obtained the highest possible credit rating in 1982. Since then, the Bank has continuously maintained this credit rating.

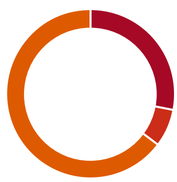
Member countries fig. 34

Share of authorised capital, ratings by leading credit rating agencies Moody's and Standard & Poor's as of 6 March 2008.

Capital base fig. 32

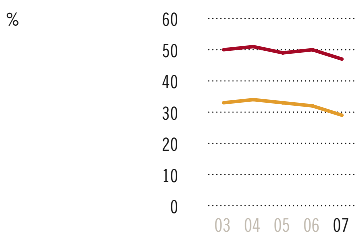
As of 31 Dec 2007

Total EUR 5,760m



- Accumulated reserves EUR 1,618m
- Paid-in capital EUR 419m
- Callable capital EUR 3,723m

Capital ratios fig. 33



- Total capital/loans outstanding
- Total capital/total assets

Financial report 2007

Report of the Board of Directors 2007

The year 2007 marked the first full year of NIB operations being guided by its new mission and strategy focusing on competitiveness and the environment. NIB also coped with changing conditions in the financial markets. Whereas the beginning of the year was characterised by rather ample liquidity in the financial markets, the latter part of the year was dominated by increased uncertainty stemming from problems related to the sub-prime market in the US. This gave rise to increased demand for NIB's loans, especially towards the end of the year. NIB's lending activities were on the highest level ever in the Bank's history. Accordingly, the operational results showed steady growth. At the same time, the increase in credit spreads and the general increase in long-term interest rates had a negative effect on the market valuation of the trading portfolio.

Since the establishment of the Bank's new mission and strategy in 2006, work on streamlining policies and practices has continued. Consequently, the Board of Directors updated and adopted a number of policies in 2007.

The Board of Directors approved the revised *Financial Policies* for the Bank, which cover NIB's general operating principles and policies. They also define the Bank's financial structure and credit policy, including NIB's policies on funding, liquidity and portfolio management as well as risk management. A revision and update of the Bank's Financial Policies was called for, given the revisions to the strategy and the changes in the Bank's organisation and credit process.

After public consultation, the Board of Directors approved NIB's revised *Environmental Policy*. The revised environmental policy communicates NIB's standing on environmental issues in relation to the Bank's new mission and strategy, as well as harmonises it with the principles of other international financial institutions. Starting from the beginning of 2008, the Bank publishes advance information on all potential investment projects having an extensive environmental impact. The public will have the opportunity to comment on the environmental aspects of the projects before the Bank makes any decisions on financing. As before, NIB conducts an environmental analysis of all loan applications.

As part of NIB's efforts to promote openness and transparency, the Board of Directors approved a new *Disclosure Policy* for the Bank. The policy sets rules for the disclosure of the Bank's administrative and internal processes as well as its operational activities.

Besides the new policies, HR and business development as well as NIB's mandate rating were central issues on the Board's agenda in 2007. Arild Sundberg acted as Chairman of the Board during the year.

In 2007, NIB continued to participate in international and regional cooperation, especially regarding environmental issues. The Bank continued to play an active role in the Northern Dimension Environmental Partnership (NDEP) by taking over the rotating chair in July 2007. 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.

Strategic focus

The Governors of the Bank decided at their annual meeting that the Bank should identify the areas of activity where NIB could provide the highest added value. Thus four key areas for regional cooperation in the Nordic and Baltic Sea Region were identified: energy, the environment, infrastructure (transport) and innovation. These issues were discussed by the Board of Directors in connection with several of its meetings throughout the year.

The Bank has a long track record as a lender in these areas but additional steps to enhance the proactivity, additionality and visibility of the Bank's participation are also being considered. The Bank is looking into new modalities of operation and exploring ways to further develop its offering, for example through sector-oriented interventions.

Concerning innovation, the Bank is already today actively financing various segments of the innovation process including research and development in client enterprises. Through the mezzanine financing programme, the Bank supports investments in growth companies.

NIB continued to focus on financing large investments by the corporate sector, as well as on small and medium-sized enterprises via financial intermediaries, to enhance competitiveness and the environment.

Table 1

KEY FIGURES

(In EUR million)	2007	2006
Net interest income	**187**	179
Core earnings	**161**	154
Profit	**69**	137
Equity	**2,037**	2,021
Total assets	**19,973**	17,988
Profit/average equity (%)	**3.3**	6.9
Solvency ratio (equity/total assets %)	**10.2**	11.2

Operations and financial results

The year 2007 was marked by steady growth in core earnings reflecting positive developments in lending and funding activities as well as stability in costs. At the same time, the increase in credit spreads in the financial markets in the latter part of the year had a negative effect on the market valuation of the trading portfolio.

Net interest income grew by EUR 8 million to EUR 187 million during the year as a result of higher market interest rates and a stable level of interest-earning assets.

Loans and guarantees outstanding increased by 7% to EUR 12,316 million, in line with the targets set for 2007 and despite the depreciation of the US dollar. Net interest income from lending operations increased by 3.1%, supported by growth in lending in the Nordic markets and in Europe and Eurasia. Volume growth compensated for the pressure on margins, which was evident, in particular, in the first part of the year.

Loans agreed increased in total by 41% to EUR 2,214 million. NIB experienced further expansion of its lending activities in 2007 and disbursements reached an all-time high of EUR 2,390 million.

Lending activities were focused on the energy and manufacturing sectors, together totalling more than two thirds of all loans agreed. Investments in the energy sector went mainly to power plants and transmission grid expansions, while the dominating industries within manufacturing were machinery and equipment followed by chemicals.

At year-end, NIB had loans agreed or outstanding in 31 countries outside the membership area. The largest borrower regions were Europe and Eurasia, as well as Asia. The Bank was particularly active during the year in its financing of projects in Russia and China. Several projects were also prepared in Romania, India and Ukraine.

In 2007 environmental loans comprised 17% of the total loans agreed. 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 existing hydro power.

NIB's administrative expenses including depreciations remained unchanged, at EUR 32 million, compared to 2006.

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 161 million, compared to EUR 154 million the previous year. Due to the widening of credit spreads following the turbulence on the markets at the end of the year, and the fact that long-term interest rates in general rose during the period, the marked-to-market value of NIB's trading portfolio fell and reduced the Bank's results by EUR 82 million. The general increase in long-term interest rates affected the value of the trading portfolio by EUR -10 million. The widening of credit spreads affected the value of the trading portfolio by EUR -72 million.

NIB's profit in 2007 was 69 million, corresponding to a return on equity of 3.3% compared to 6.9% the previous year.

Total assets increased by 11%, or EUR 1,985 million, to EUR 19,973 million during 2007. The increase in the balance sheet reflects higher business volumes.

The Bank's debt issuance increased to EUR 4,288 million, which is the highest amount ever recorded. Debts evidenced by certificates as per 31 December 2007 amounted to EUR 15,023 million in total. During 2007 NIB launched its all-time largest global benchmark issue in the amount of USD 1.5 billion and issued its sixth annual 1 billion US dollar deal.

At year-end, the Bank's net liquidity was more than ample, standing at EUR 4,039 million. This was well in line with the policy to cover the liquidity requirements for the coming 12 months.

The trading portfolio has been invested, in line with the Bank's policy, in high credit quality securities such as government bonds, floating rate notes issued by banks with a minimum rating of single A and in high-rated asset-backed securities with triple-A ratings. The interest rate risk was kept low for the portfolio given the low yield environment in the beginning of the year,

Table 2
LENDING

(In EUR million)	*2007*	*2006*
Loans disbursed, total	**2,390**	1,605
Member countries	**1,761**	991
Non-member countries	**630**	614
Loans agreed, total	**2,214**	1,575
Member countries	**1,810**	994
Non-member countries	**404**	581
Number of loan agreements, total	**57**	64
Member countries	**45**	41
Non-member countries	**12**	23
Loans outstanding and guarantees	**12,316**	11,559
Member countries	**9,898**	9,231
Non-member countries	**2,417**	2,328
Repayments and prepayments	**1,282**	1,478

Table 3
FINANCIAL ACTIVITIES

(In EUR million)	*2007*	*2006*
New debt issues	**4,288**	2,689
Number of borrowing transactions	**69**	66
Number of borrowing currencies	**10**	11
Debts evidenced by certificates at year-end	**15,023**	13,622
Net liquidity at year-end	**4,039**	3,224
Fixed income portfolio	**1,948**	1,919

but the yield increases and spread widening have nevertheless led to a negative revaluation of many securities in the portfolio.

The quality of the Bank's loan portfolio and its financial counterparties remains strong in all markets. No credit losses were recognised during the year. The Board of Directors proposes to the Board of Governors that EUR 25 million be paid as dividends to the Bank's member countries for the year 2007.

Risk management

The quality of the Bank's portfolios continued to be very high in 2007. The portfolios were well-balanced as regards both geographical and sectoral distribution, as well as the degree of concentration in terms of exposure on individual counterparties.

During 2007, emphasis was put on reviewing and refining various processes to reflect the organisational changes made in the previous year. The rating tools applied in the Bank's risk assessment process are validated periodically. In 2007 the loss-given-default component, amongst others, was reviewed and refined based on recent developments in this field.

Administration

The process of organisational development continued during the year as a new job evaluation process was introduced and a job satisfaction survey was conducted. NIB's legal activities were reorganised into a legal department. It was decided to set up a new compliance function for the Bank. A new General Counsel and a new Head of Treasury joined the Management Committee during the year. At year-end the number of employees was 158 (160).

The Board approved amendments to the Rules of Procedure for the Bank's Committee on Fighting Corruption, as well as amendments to the Resolution on Fighting Corruption. The anti-corruption committee continued its work during the year. Gunnar Okk, Head of Planning and Administration, acted as chairman in 2007. The Board appointed Siv Hellén, Chief Compliance Officer, as chairman of the committee as of 1 January 2008.

During 2007, the policy on NIB's IT governance model was approved. In addition, a revised Code of Conduct for the Staff was approved by the Board.

Outlook

The uncertainty regarding the economic outlook for 2008 has increased due to the continuing problems in the financial markets. In line with its strategy, NIB will continue to focus on priority sectors and activities in which the Bank can take full advantage of its strengths.

For 2008, 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 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 2008 through a combination of global benchmark issues of bonds and smaller public and private issues targeting particular market niches in capital markets. In 2007, the uncertainties in the financial markets favoured high-quality issuers such as NIB. This trend can be expected to further improve the Bank's already good position on the international financial markets. In line with this, core earnings are expected to continue to increase steadily.

Proposal by the Board of Directors to the Board of Governors

The Board of Directors' proposal for the allocation of profits for the year 2007 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 2007 of EUR 68,719,366.55 be allocated as follows:

- no transfer is made to the General Credit Risk Fund as a part of equity;
- EUR 43,719,366.55 is transferred to the Special Credit Risk Fund for Project Investment Loans;
- no transfer is made to the Statutory Reserve. The Statutory Reserve amounts to EUR 645,612,201.03 or 15.6% of the Bank's authorised capital stock; and
- EUR 25,000,000.00 is made available for distribution as dividends to the Bank's member countries.

The income statement, balance sheet, changes in equity and cash flow statement, as well as the notes to the financial statements, are to be found on pages 38 through 72.

Helsinki, 6 March 2008

Arild Sundberg

Ólafur Hjálmarsson

Lars Kolte

Edmunds Krastiņš

Rolandas Kriščiūnas

Kristina Sarjo

Madis Üürike

Erik Åsbrink

Johnny Åkerholm,
President and CEO

Income statement 1 January – 31 December

	Note	2007 EUR 1,000	2006 EUR 1,000
Interest income		**856,280**	673,197
Interest expense		**-669,155**	-494,390
Net interest income	(1), (2), (22)	187,125	**178,807**
Commission income and fees received	(3)	**6,135**	6,821
Commission expense and fees paid		**-2,425**	-1,734
Net profit/loss on financial operations	(4)	**-89,719**	-14,406
Foreign exchange gains and losses		**-361**	136
Operating income		100,755	**169,624**
Expenses			
General administrative expenses	(5), (22)	**27,507**	27,909
Depreciation	(9), (10)	**4,529**	4,246
Credit loss/recovery	(6), (8)	**-**	-
Total expenses		32,036	**32,156**
PROFIT FOR THE YEAR		68,719	**137,469**

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

Balance sheet at 31 December

		Note	2007 EUR 1,000	2006 EUR 1,000
ASSETS		(1), (18), (19), (20), (21)		
Cash and cash equivalents		(17), (23)	4,493,285	3,753,444
Financial placements		(7), (17)		
Placements with credit institutions			93,432	91,429
Debt securities			1,582,750	1,416,378
Other			7,043	7,135
			1,683,225	1,514,942
Loans outstanding		(8), (17)	12,290,768	11,534,229
Intangible assets		(9)	6,740	7,342
Tangible assets, property and equipment		(9)	36,767	35,633
Other assets		(11), (17)		
Derivatives			1,049,725	751,036
Other assets		(22)	1,596	12,031
			1,051,321	763,067
Paid-in capital and payments to the Bank's reserves, receivable [1]			42,713	47,494
Accrued interest and fees receivable			368,422	331,995
TOTAL ASSETS			19,973,242	17,988,146
LIABILITIES AND EQUITY		(1), (18), (19), (20), (21)		
Liabilities				
Amounts owed to credit institutions		(17), (22)		
Short-term amounts owed to credit institutions		(23)	454,498	313,025
Long-term amounts owed to credit institutions			91,674	90,262
			546,172	403,287
Repurchase agreements			-	216,739
Debts evidenced by certificates		(12), (17)		
Debt securities issued			14,829,821	13,367,157
Other debt			192,979	254,358
			15,022,800	13,621,516
Other liabilities		(13), (17)		
Derivatives			1,999,356	1,415,445
Other liabilities			4,496	4,331
			2,003,852	1,419,776
Accrued interest and fees payable			363,468	305,978
Total liabilities			17,936,292	15,967,296
Equity				
Authorised and subscribed capital	4,141,903			
of which callable capital	-3,723,301			
Paid-in capital [1]	418,602	(14)	418,602	418,602
Reserve funds		(15)		
Statutory Reserve			645,612	644,983
General Credit Risk Fund			622,131	534,662
Special Credit Risk Fund PIL			238,200	238,200
Fund, HIPC Programme			-	629
Payments to the Bank's reserves, receivable			42,713	42,713
Other value adjustments			973	3,592
Profit for the year			68,719	137,469
Total equity			2,036,950	2,020,850
TOTAL LIABILITIES AND EQUITY			19,973,242	17,988,146
Guarantee commitments		(8), (16)	25,000	25,000
Collateral and commitments		(16)		

[1] The paid-in capital, EUR 418,602 thousand, has been received in total as of 31 December 2007 (December 2006, EUR 413,821).

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*	*Appropriation to dividend payment*	*Other value adjustments*	*Profit for the year*	**Total**
Equity at 31 December 2005	**418,602**	**644,983**	**424,367**	**238,200**	**4,300**	**42,713**	**0**	**7,109**	**165,295**	**1,945,569**
Appropriations between reserve funds			110,295				55,000		-165,295	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 period									137,469	137,469
Available-for-sale portfolio (recognised in equity)								395		395
Cash flow hedge accounting (recognised in income statement) 1)								-3,912		-3,912
Total income and expense for the year	0	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**	**0**	**3,592**	**137,469**	**2,020,850**
Appropriations between reserve funds		629	87,469		-629		50,000		-137,469	0
Paid-in capital	4,780									4,780
Called in authorised and subscribed capital	-4,780									-4,780
Payments to the Bank's Statutory Reserve and credit risk funds, receivable										0
Dividend payment							-50,000			-50,000
Used fund, HIPC programme										0
Profit for the year									68,719	68,719
Available-for-sale portfolio (recognised in equity)								-1,023		-1,023
Cash flow hedge accounting (recognised in income statement) 1)								-1,596		-1,596
Total income and expense for the year	0	0	0	0	0	0	0	-2,619	68,719	66,101
EQUITY AT 31 DECEMBER 2007	**418,602**	**645,612**	**622,131**	**238,200**	**0**	**42,713**	**0**	**973**	**68,719**	**2,036,950**

Proposed appropriation of the year's profit	***2007***	***2006***
Appropriation to Statutory Reserve	-	629
Appropriations to credit risk reserve funds		
General Credit Risk Fund	-	87,469
Special Credit Risk Fund PIL	**43,719**	-
Fund, HIPC Programme	-	-629
Appropriation to dividend payment	**25,000**	50,000
PROFIT FOR THE YEAR	**68,719**	**137,469**

1) No new cash flow hedging swaps were acquired during the year. The decrease in fair value is due to the fact that some of the old cash flow hedging swaps have matured and the maturity of the remaining cash flow hedging swaps is one year shorter.

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

Cash flow statement 1 January–31 December

	Note	2007 EUR 1,000	2006 EUR 1,000
Cash flows from operating activities			
Profit from operating activities		68,719	137,469
Adjustments:			
Amortisation of issuing charges		10,840	9,091
Market value adjustment, trading portfolio		7,381	5,831
Depreciation and write-down in value of tangible and intangible assets		4,529	4,246
Change in accrued interest and fees (assets)		-36,427	-27,430
Change in accrued interest and fees (liabilities)		57,489	37,147
Credit loss/recovery		-	-
Adjustment to hedge accounting and changes in fair value of non-hedging derivatives		10,319	7,034
Other adjustments to the year's profit		-35	-56
Adjustments, total		54,097	35,863
Lending [1]			
Disbursements of loans		-2,390,392	-1,605,088
Repayments of loans		1,281,546	1,477,741
Capitalisations, redenominations, index adjustments etc.		-338	-1,070
Exchange rate adjustments		331,656	260,126
Lending, total		-777,527	131,709
Cash flows from operating activities, total		-654,711	305,041
Cash flows from investing activities			
Placements and debt securities			
Purchase of debt securities		-458,493	-498,431
Sold and matured debt securities		285,238	377,582
Placements with credit institutions		-2,010	13,418
Other financial placements		-931	313
Exchange rate adjustments etc.		-3	1,286
Placements and debt securities, total		-176,200	-105,832
Other items			
Acquisition of intangible assets		-1,799	-1,905
Acquisition of tangible assets		-3,262	-3,010
Change in other assets		9,948	-8,492
Other items, total		4,886	-13,407
Cash flows from investing activities, total		-171,314	-119,239
Cash flows from financing activities			
Debts evidenced by certificates			
Issues of new debt [2]		4,278,931	2,683,280
Redemptions		-1,958,157	-2,039,639
Exchange rate adjustments		-1,063,724	-1,025,220
Debts evidenced by certificates, total		1,257,050	-381,579
Other items			
Placements from credit institutions		1,412	-9,813
Change in swap receivables [3]		-222,019	62,699
Change in swap payables		649,743	320,820
Change in other liabilities		165	-934
Dividend paid		-50,000	-55,000
Paid-in capital		4,780	4,780
Used fund, HIPC Programme		-	-3,671
Other items, total		384,081	318,881
Cash flows from financing activities, total		1,641,131	-62,698
CHANGE IN NET LIQUIDITY	(23)	815,106	123,104
Opening balance for net liquidity		3,223,681	3,100,576
Closing balance for net liquidity		4,038,787	3,223,681
Additional information to the statement of cash flows			
Interest income received		892,707	700,626
Interest expense paid		-611,666	-457,243

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

1) Lending activities have been moved from investing activities to operating activities.
2) Including issuing charges EUR -9,256 thousand (-5,330).
3) Change in swap receivables has been moved from investing activities to financing activities.
These reclassifications have been made in order to better describe the nature of these activities.

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.

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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 OF FINANCIAL INSTRUMENTS

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 income statement.

The Bank uses the official exchange rates published for the euro by the European Central Bank. See Note 24.

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 income statement. Held-to-maturity financial investments 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) and Environmental Investment Loans (MIL).

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, Europe and Eurasia, 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. No new loans have been granted under the BIL facility since year-end 1999, when the facility expired. The Nordic countries guaranteed 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 income statement. 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 income statement. 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 income statement.

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. The depreciations are calculated on a straight-line basis.

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 a cost that comprises 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 subsequently recognised in the balance sheet at fair value, with any changes in value recognised in the income statement.

DERIVATIVE INSTRUMENTS AND HEDGE ACCOUNTING

The Bank's derivative instruments are initially recognised on a trade-date basis 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 income statement, 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 income statement. 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 for new transactions. 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 income statement in the same period or periods during which the hedged item affects the income statement.

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 income statement 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 income statement.

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.

DETERMINATION OF 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 income statement.

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 income statement 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 and Interpretations

NEW STANDARDS AND INTERPRETATIONS 2007

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 2007. The following standards were implemented in 2007:

- IFRS 7 *Financial Instruments: Disclosures*
- IAS 1 (Amendment) *Presentation of Financial Statements: Capital Disclosures*

The following standards, interpretations or their revisions have been published but are not yet in force, and the Bank has not applied them prior to their mandatory entry into force:

- IFRS 8 *Operating Segments*
- IAS 23 *Borrowing costs, revised*
- IFRIC 11 IFRS 2 *Group and Treasury Share Transactions*
- IFRIC 12 *Service Concession Arrangements*
- IFRIC 13 *Customer Loyalty Programmes*
- IFRIC 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

The view of the Bank's management is that the introduction of the above IFRIC interpretations and IFRS standards will have no material effect, if any, on NIB's financial statements information or accounting policies. IFRIC 11, 12, 13 and 14 are not applicable.

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 what the Bank identifies as the relevant market standards, recommendations and best practices.

Key risk responsibilities

The Board of Directors defines the overall risk profile of the Bank by approving its financial policies and guidelines, maximum limits for exposure as well as individual loans. The business functions, 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. 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 and it oversees that credit proposals are in compliance with established limits and policies. 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 Management Committee has the overall responsibility for risk management. The risk management duties of the Credit Committee are focused on credit risk in the Bank's lending operations and the Finance Committee deals with credit risk and market risk related to the Bank's treasury operations.

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 any 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. Credit decisions are primarily made by the Board of Directors, with some delegation of credit approval authority to the President for execution in the Credit Committee. The Bank's credit policy forms the basis for all its lending operations. The credit policy aims at maintaining the Bank's high quality loan portfolio and ensuring proper risk diversification as well as enhancing the Bank's mission and strategy. The credit policy sets the basic criteria for acceptable risks and identifies risk areas that require special attention.

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 RISK MANAGEMENT

The Bank's credit risk management is based on an internal credit risk rating system: a limit system based on the credit risk ratings and on a model for the calculation of economic capital for the management of portfolio-level credit risk. A primary element of the credit approval process is a detailed risk assessment, which also involves a risk-versus-return analysis. The risk assessment concludes with a classification of the risk of the counterparty and the transaction, expressed in terms of a counterparty risk rating and a transaction risk class.

Credit risk ratings. The Bank assesses the creditworthiness of all counterparties that create credit risk exposure. Based on the assessment, a credit risk rating is assigned to each counterparty. The rating process is carried out through functions independent of the business-originating departments.

The Bank's rating system is based on a quantitative and a qualitative model for estimating the probability of default (PD) of a counterparty and the loss given default (LGD) on a transaction. The PD is assessed using a rating tool comprising quantitative and qualitative factors. Based on the PD, the counterparty is assigned a rating class on a scale from 1 to 20, with class 1 referring to the lowest probability of default and class 20 to the highest probability of default. Furthermore, each transaction is assigned a risk class reflecting the expected loss. The expected loss is the combined effect of the PD of the counterparty and the Bank's estimate of the portion of the Bank's claim that would not be recoverable if the counterparty defaults. The non-recoverable portion, i.e. the loss given default (LGD), is determined based on benchmark values for unsecured transactions and by using a security rating tool for secured transactions. The risk classes range from 1 to 20, such that risk class 1 refers to the lowest expected loss and class 20 to the highest expected loss. The counterparty ratings and the transaction risk classes form the basis for setting exposure limits, for the risk-based pricing of loans as well as for monitoring and reporting the Bank's credit quality.

Credit limits. NIB applies a limit system in which maximum exposure to a counterparty 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. To reduce large risk concentrations to groups of borrowers and industry sectors, the Bank applies separate portfolio-level limits (country and sector limits). The Board of Directors sets the limits for maximum exposure.

Measurement of credit risk exposure. For loans and capital market investments, credit exposure is measured in terms of gross nominal amounts, without recognising the availability of collateral or other credit enhancement. 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.

The credit risk exposure of swaps is measured as the current market value plus an allowance for potential increases in exposure over the transaction's lifetime (often 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 and, thus, results in one single net claim on, or payable to, the counterparty. Netting is applied for the measurement of the Bank's credit exposure only in cases when it is deemed to be legally enforceable in the relevant jurisdiction and against a counterparty. The gross total market value of swaps at year-end 2007 amounted to EUR 1,000 million, compared to a value of EUR 425 million after applying netting.

To further reduce the exposure to derivatives, NIB enters into credit support agreements with its major swap counterparties. This provides risk mitigation, as the swap transactions are regularly marked-to-market and the party being the net obligor is requested to post collateral. The Bank strives to use one-way credit support agreements, under which the Bank does not have to post collateral. When credit support agreements are in place, NIB does not apply add-ons in the exposure calculation.

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. As a multilateral financial institution, the Bank is not subject to regulatory capital requirements. However, the Bank uses standards proposed by the Basel II Capital Accord as a benchmark for its risk management and economic capital framework. The Bank's policy is to hold a level of capital required to maintain the AAA/Aaa rating.

The overall purpose of the Bank's economic capital framework is to incorporate risk awareness throughout the business decision process. The economic capital model provides an aggregated view of the Bank's risk position at a certain point in time, it allows capital to be allocated for the purpose of the risk-based pricing of loans and it is used for measuring the Bank's risk-adjusted performance.

The Bank estimates its economic capital requirement for each of the main risks: credit risk, market risk and operational risk. When allocating economic capital for credit risk, the model uses the PD and LGD values arrived at in the internal rating process and it recognises correlations between assets in various sectors and geographical regions. When estimating the total economic capital requirement, the model recognises correlations between the different types of risk (credit risk, market risk and operational risk).

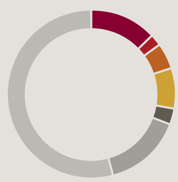
CREDIT QUALITY

The quality of the Bank's aggregate credit exposure remained at a high level in 2007. Figure 36, "Total exposure by NIB rating", compares the quality of the Bank's credit risks based on the credit risk classification system at year-end 2006 and 2007. The figures for 2006 have been restated due to a re-scaling of the LGD benchmark levels in 2007. Aggregate credit exposure includes lending and treasury exposure. Lending exposure refers to loans outstanding and loans agreed but not yet disbursed.

Lending in member countries. The quality of loans provided in the member countries continued to be healthy. The share of the four weakest credit risk classes was low at 0.6% of the portfolio. Most of the portfolio—almost 80%—was located in the risk classes 5 to 10.

Loans outstanding fig. 35

Distribution by type of security as of 31 Dec 2007

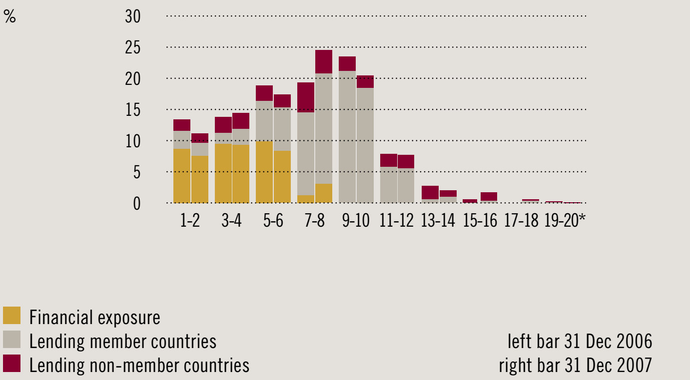


Loans to or guaranteed by:
- governments 13%
- local authorities in member countries 2%
- companies owned 50% or more by member countries or local authorities in member countries 5%
- banks 8%

Other loans:
- backed by a lien or other security in property 3%
- with a guarantee from the parent company and other guarantees 15%
- with a negative pledge clause and other covenants 54%
- without formal security 0.1%

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

Total exposure by NIB rating fig. 36



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

Lending in non-member countries. The quality of the loan portfolio comprising non-member countries was slightly weaker than in 2006. The exposure to the four weakest credit risk classes remained low, amounting to 1.4% at year-end 2007.

Financial counterparties. The credit quality of the counterparties in the Bank's treasury operations remained at a high level. The exposure to the top four classes accounted for close to 60% of the total exposure.

Bank level. At an aggregate level, the Bank's credit quality weakened slightly during the year but continues to be strong. At year-end 2007 one-fourth of the credit exposure was in the categories with the lowest risk (1 to 4) and more than 60% was in the risk categories 5 to 10. The exposure to the classes with the highest risk (17 to 20) was low at 0.6%. The credit exposure continued to be fairly well balanced in respect of the geographical and industrial sector distribution as well as regarding the distribution of the exposure by size.

Market risk

Market risk includes, *inter alia*, 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 often provides loans 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 those applied in the loans provided to the Bank's customers. By using derivative instruments, NIB seeks to reduce its exposure to exchange rate risk and interest rate risk created in the normal course of business. The residual risk must be within strictly defined limits. Such limits are kept very narrow to accommodate the Statutes, which stipulate that the Bank is not allowed to bear foreign exchange risks that could affect its financial position and net income, other than to a marginal extent.

EXCHANGE RATE RISK

Exchange rate risk is the impact of unanticipated changes in foreign exchange rates on the Bank's assets and liabilities and on net interest income. The Bank measures and manages exchange rate risk in terms of the net nominal value of all assets and liabilities per currency on a daily basis (translation risk). The Board of Directors sets 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 4 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, at present the Bank expects that any such potential fluctuations in the future cash flows from its current portfolio would be minor in relation to the Bank's total assets and equity.

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 its net interest income. 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 40 million, which corresponds to approximately 2% of NIB's equity. Total interest rate risk was approximately EUR 6.6 million, or 16.5% of the limit.

Risk emanating from differences in the maturity profile of assets and liabilities is managed by limits established 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 2007 the maximum limit for refinancing and reinvestment risk was EUR 20 million, which is approximately 1% of NIB's equity. The total exposure under this limit was EUR 18.3 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 2,000 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 2007 the daily value-at-risk fluctuated in the interval 0.059-0.195%. At year-end 2007 the value-at-risk amounted to 0.095%, or EUR 618,000. 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 current limit for the maximum modified duration is set at 5.5 years.

NIB's exposure to credit spread changes is monitored by calculating the impact of a 0.01% change in credit spreads on the value of the bonds held in the Bank's marked-to-market portfolios. At year-end 2007 this exposure was EUR 1.2 million.

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. Another important element of the liquidity risk management is the Bank's aim to diversify its funding sources in terms of, *inter alia*, 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 can be broadly defined as any risk which is neither credit risk, liquidity risk nor market risk. More precisely, it is the risk of financial losses or damaged reputation due to failure attributable to technology, employees, procedures or physical arrangements including external events and legal risks.

The Bank's status as an international organisation with immunities and privileges granted to the Bank and its personnel, and the fact that the Bank is not bound by or under the supervision of any national laws as such, results in a specific need to address potential risks by adopting an extensive set of guidelines, regulations, rules and instructions governing the activities of the Bank and its staff.

The Bank's operational risk management focuses on proactive measures in order to ensure business continuity, the accuracy of information used internally and reported externally, the expertise and integrity of the Bank's personnel and its adherence to established rules and procedures. Furthermore, security arrangements to protect the physical infrastructure of the Bank are an integral part of its operational risk management. The Bank attempts to mitigate operational risks by following strict rules for the assignment of duties and responsibilities among and within the business and support functions and by following 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 INCOME STATEMENT, BALANCE SHEET AND CASH FLOW STATEMENT

(1) SEGMENT INFORMATION

Primary reporting segment—business operations

The segment reporting in NIB is based on internal business areas. The segment results in this note are reported in the same form in which they are reported to the management.

In its segment reporting, NIB divides its operations into two major segments: lending and financial operations. NIB offers long-term loans and guarantees on competitive market terms to its clients in the private and public sectors. Financial operations consist of the management of liquidity and placement of funds in financial investment portfolios.
(Amounts in EUR 1,000)

	Lending **2007**	*Liquidity* **2007**	*Placements in financial investment portfolios* **2007**	*Total* **2007**	*Lending 2006*	*Liquidity 2006*	*Placements in financial investment portfolios 2006*	*Total 2006*
Net interest income	**83,308**	**19,790**	**84,026**	**187,125**	80,777	20,194	77,837	178,807
Commission income and fees received	**5,829**	**306**	**-**	**6,135**	6,598	222	-	6,821
Commission expense and fees paid	**-**	**-2,425**	**-**	**-2,425**	-	-1,734	-	-1,734
Net profit on financial operations	**2,311**	**-68,882**	**-23,147**	**-89,719**	776	-4,771	-10,411	-14,406
Foreign exchange gains and losses	**-**	**-361**	**-**	**-361**	-	136	-	136
Administrative expenses	**-24,168**	**-904**	**-2,435**	**-27,507**	-23,984	-1,353	-2,573	-27,909
Depreciation	**-2,899**	**-1,141**	**-489**	**-4,529**	-2,718	-1,070	-458	-4,246
Credit loss / recovery	**-**	**-**	**-**	**-**	-	-	-	-
Profit for the year	**64,381**	**-53,617**	**57,954**	**68,719**	61,449	11,625	64,394	137,469
Assets	**12,421,919**	**5,514,373**	**2,036,950**	**19,973,242**	11,642,905	4,324,391	2,020,850	17,988,146
Liabilities and equity	**12,421,919**	**5,514,373**	**2,036,950**	**19,973,242**	11,642,905	4,324,391	2,020,850	17,988,146

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)

	2007 Net interest income	*2006 Net interest income*
Member countries		
Denmark	**6,046**	6,025
Estonia	**976**	765
Finland	**15,267**	15,847
Iceland	**3,816**	3,825
Latvia	**1,000**	1,059
Lithuania	**243**	215
Norway	**7,875**	7,284
Sweden	**22,004**	21,602
Total, member countries	**57,228**	**56,621**
Non-member countries		
Africa	**2,026**	2,051
Asia	**7,578**	7,846
Europe and Eurasia	**8,011**	6,027
Latin America	**7,129**	6,946
Middle East	**1,336**	1,286
Total, non-member countries	**26,080**	**24,155**
Total, net interest income from lending	**83,308**	**80,777**

(2) INTEREST INCOME AND INTEREST EXPENSE

(Amounts in EUR 1,000)

Interest income	*2007*	*2006*
Cash and cash equivalents	197,167	136,969
Placements with credit institutions for more than 6 months	3,726	2,881
Debt securities of more than 6 months	65,998	61,159
Loans outstanding	589,079	471,480
Other interest income	310	708
Total, interest income [1]	856,280	**673,197**
Interest expense		
Short-term amounts owed to credit institutions	12,235	11,553
Long-term amounts owed to credit institutions	3,593	2,728
Short-term repurchase agreements	8,394	6,724
Debts evidenced by certificates	737,017	694,511
Swap contracts and other interest expenses, net	-92,085	-221,127
Total, interest expense [2]	669,155	**494,390**

[1] Including interest income of financial assets recognised at amortised cost: EUR 684,823 thousand (539,964).

[2] Including interest expense of financial liabilities recognised at amortised cost: EUR 660,761 thousand (487,666).

(3) COMMISSION INCOME AND FEES RECEIVED

(Amounts in EUR 1,000)

	2007	*2006*
Commitment fees	1,547	1,823
Loan disbursement fees	3,445	3,232
Guarantee commissions	139	139
Premiums on prepayments of loans	697	1,404
Commissions on lending of securities	306	222
Total, commission income and fees received	6,135	**6,821**

(4) NET PROFIT / LOSS ON FINANCIAL OPERATIONS

(Amounts in EUR 1,000)

	2007	*2006*
Bonds in trading portfolio, realised gains and losses	-4,162	-3,268
Floating Rate Notes in trading portfolio, realised gains and losses	1,158	1,655
Derivatives in trading portfolio, realised gains and losses	-3,561	-645
Financial instruments in trading portfolio, realised gains and losses, total	-6,565	-2,258
Bonds in trading portfolio, unrealised gains and losses	-6,893	-6,800
Floating Rate Notes in trading portfolio, unrealised gains and losses	-71,038	-2,431
Derivatives in trading portfolio, unrealised gains and losses	2,305	1,699
Financial instruments in trading portfolio, unrealised gains and losses, total	-75,626	-7,533
Adjustment in fair value of hedged loans	-21,023	-50,697
Adjustment in fair value of derivatives hedging loans	22,650	51,035
Adjustment in fair value of hedged debts evidenced by certificates	-133,394	461,700
Adjustment in fair value of derivatives hedging debts evidenced by certificates	123,511	-467,331
Adjustment in fair value of asset swaps	-382	-93
Adjustment to hedge accounting, unrealised gains and losses of fair value hedges, total	-8,638	-5,386
Changes in fair value of non-hedging derivatives, unrealised gains and losses	-1,681	-1,648
Repurchase of NIB bonds, other items	2,791	2,419
Total, net profit/loss on financial operations	-89,719	**-14,406**

(5) GENERAL ADMINISTRATIVE EXPENSES

(Amounts in EUR 1,000)

	2007	*2006*
Staff costs	**18,512**	18,032
Wages and salaries	**14,235**	14,220
Social security costs	**444**	368
Other staff costs	**3,833**	3,444
Pension premiums in accordance with the Finnish state pension system	**3,423**	3,141
Other pension premiums	**1,084**	1,029
Office premises costs	**1,996**	2,253
IT costs	**2,295**	1,974
Other general administrative expenses	**6,844**	7,407
Cost coverage, NDF and NEFCO	**-786**	-843
Cost coverage, rental income and other administrative income	**-887**	-645
Total	**32,479**	**32,350**
Host country reimbursement according to agreement with the Finnish Government	**-4,972**	-4,440
Net	**27,507**	**27,909**

	2007	*2006*
Remuneration to the auditors		
Audit fee [1)]	**273**	168
Other audit-related service fee	**1**	3
Total remuneration	**274**	**171**

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

	2007	*2006*
Average number of employees	**156**	158
Average age of the employees	**44**	43
Average period (years) of employment	**10**	9
Distribution by gender		
All employees		
Females	**79**	77
Males	**79**	83
Management Committee (including the President)		
Females	**1**	2
Males	**6**	5
Professional staff		
Females	**41**	33
Males	**56**	60
Clerical staff		
Females	**37**	42
Males	**17**	18

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 (health care, 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. All personnel are eligible for bonus awards.

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

	2007 Compensation/ Taxable income	2006 Compensation/ Taxable income
Board of Directors		
Chairman		
annual remuneration	**12,495**	12,141
attendee allowance	**1,409**	1,510
Other Directors and Alternates (15 persons)		
annual remuneration	**71,865**	70,079
attendee allowance	**11,360**	10,284
Control Committee		
Chairman		
annual remuneration	**4,207**	3,488
attendee allowance	**545**	328
Other members (9 persons)		
annual remuneration	**15,645**	13,747
attendee allowance	**4,392**	1,900
President	**424,609**	418,472
Members of the Management Committee (6 persons)	**1,460,826**	1,415,717

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 2007 was 17.98% of the taxable income. The employee's pension contribution was either 4.88% or 5.98%, 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 200,505 of which EUR 101,232 comprised supplementary pension premiums. The corresponding figures for the MC were EUR 486,911 and EUR 155,936.

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 (4.25% in July–December 2007). 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 2007, the total amount outstanding of staff loans to the MC was EUR 29,577 (EUR 57,071 in 2006).

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 1,723 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 1,734 m^2 is rented to other parties.

(6) CREDIT LOSS / RECOVERY

(Amounts in EUR 1,000)

	2007	*2006*
Credit losses covered by previously recognised credit losses	-	-
Credit losses recognised during the year	-	-
Reversals of previously recognised credit losses	-	-
Credit loss / recovery, net	-	**-**

See also Note 8.

(7) FINANCIAL PLACEMENTS

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

	2007	*2006*
Governments	396	455
Public institutions	84	96
Other	1,103	865
Total, debt securities	1,583	**1,416**

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*	
	2007	*2006*	*2007*	*2006*
Trading portfolio	373	253	373	253
Held-to-maturity portfolio	1,210	1,164	1,181	1,171
Total, debt securities	1,583	**1,416**	1,554	**1,424**

(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	*2007*	*2006*
Investment loans in the member countries	9,882	9,190
Investment loans in other countries	294	196
Regional loans in the Nordic countries	17	23
Adjustment to hedge accounting	-31	-12
Total	10,161	**9,397**
Project Investment Loans (PIL)		
Africa	235	235
Asia	772	802
Europe and Eurasia	444	335
Latin America	478	536
Middle East	111	123
Adjustment to hedge accounting	-5	-3
Total	2,034	**2,028**
Environmental Investment Loans (MIL)	95	**105**
Baltic Investment Loans (BIL)	-	**4**
Total, loans outstanding	12,291	**11,534**

The figure for loans outstanding, EUR 12,291 million (11,534), includes medium-term notes (MTN) of EUR 2,342 million (2,137). 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 10,990 million (10,265), while those at fixed interest rates amounted to EUR 1,336 million (1,284). The nominal amount of the guarantee commitments under Ordinary Lending totalled EUR 25.0 million (25.0) as of 31 December 2007.

Credit losses

A total of EUR 0.3 million (0.4) 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)

	2007	*2006*
Impairment losses as of 1 January	**0.4**	0.5
Impairment losses recognised during the year	-	-
Reversals of previously recognised impairment losses	-	-
Exchange rate adjustments, impairment accrued	**-0.1**	-0.1
Impairment losses as of 31 December	**0.3**	**0.4**

See also Note 6.

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

Distribution by loan facility	*2007*	*2006*
Ordinary Loans	-	-
Project Investment Loans (PIL)		
Africa	-	-
Asia	-	-
Europe and Eurasia	-	-
Latin America	**0.3**	0.4
Middle East	-	-
Total, impairment losses	**0.3**	**0.4**

As of 31 December 2007, all of the Bank's loans were performing.

As of 31 December 2007, loans agreed but not yet disbursed amounted to the following:

(Amounts in EUR million)

Loans agreed but not yet disbursed	*2007*	*2006*
Ordinary Loans	**577**	658
Project Investment Loans	**616**	717
Environmental Investment Loans	**6**	129
Total, loans agreed but not yet disbursed	**1,200**	**1,503**

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.

Currency distribution of loans outstanding

(Nominal amounts, in EUR million)

Currency	*Ordinary Loans*		*PIL loans*		*Total* [1]	
	2007	*2006*	*2007*	*2006*	*2007*	*2006*
Nordic currencies	**3,419**	3,082	-	-	**3,419**	3,083
EUR	**5,671**	5,193	**571**	435	**6,316**	5,706
USD	**958**	1,037	**1,440**	1,570	**2,420**	2,639
Other currencies	**144**	96	**28**	26	**172**	122
Total	**10,192**	**9,408**	**2,039**	**2,031**	**12,326**	**11,549**
Adjustment to hedge accounting	**-31**	-11	**-5**	-3	**-36**	-15
Total, loans outstanding	**10,161**	**9,397**	**2,034**	**2,028**	**12,291**	**11,534**

1) The total amount also includes EUR 95 million (105) in Environmental Investment Loans (MIL) and EUR 0.0 million (4) in Baltic Investment Loans (BIL).

Sectoral distribution

(Amounts in EUR million)

Loans outstanding as of 31 December	*2007*	*2007*	*2006*	*2006*
Manufacturing	**4,607**	**37%**	4,287	37%
Energy	**3,297**	**27%**	2,998	26%
Transport and communications	**1,666**	**14%**	1,684	15%
Trade and services	**842**	**7%**	816	7%
Banking and finance [2)]	**999**	**8%**	959	8%
Regional loans	**17**	**0%**	-	0%
Other	**898**	**7%**	805	7%
Adjustment to hedge accounting	**-36**	**0%**	-15	0%
Total	12,291	100%	**11,534**	**100%**

Loans disbursed	*2007*	*2007*	*2006*	*2006*
Manufacturing	**1,027**	**43%**	362	23%
Energy	**600**	**25%**	389	24%
Transport and communications	**237**	**10%**	348	22%
Trade and services	**192**	**8%**	127	8%
Banking and finance [2)]	**175**	**7%**	157	10%
Regional loans	**-**	**0%**	-	0%
Other	**160**	**7%**	223	14%
Total	**2,390**	**100%**	**1,605**	**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 2007	*Amount*	*Total amount*	*Share, in %*
Loans to or guaranteed by governments			
Loans to or guaranteed by member countries	**204**		
Loans to or guaranteed by other countries	**1,456**	**1,660**	**13.5**
Loans to or guaranteed by local authorities in member countries		**273**	**2.2**
Loans to or guaranteed by companies owned 50% or more by member countries or local authorities in member countries		**578**	**4.7**
Loans to or guaranteed by banks		**980**	**7.9**
Other loans			
Backed by a lien or other security in property	**371**		
With a guarantee from the parent company and other guarantees	**1,854**		
With a negative pledge clause and other covenants	**6,620**		
Without formal security	**16**	**8,862**	**71.7**
Total		**12,351**	**100.0**
Adjustment to hedge accounting		**-36**	
Total, loans outstanding (including guarantees)		**12,316**	

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**	

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)

		2007		2006
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)

		2007		2006
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, the Nordic countries guaranteed loans outstanding under the BIL facility at 100%. No new loans have been granted under the BIL facility since year-end 1999, when it expired. BIL loans outstanding totalled EUR 0.0 million (4) at year-end 2007.

(9) INTANGIBLE ASSETS, TANGIBLE ASSETS (PROPERTY AND EQUIPMENT)

The Bank's intangible assets amounted to EUR 6.7 million (7.3).

2007
(Amounts in EUR 1,000)

Intangible assets	***Computer software development costs, total***
Acquisition value at the beginning of the year	**11,593**
Acquisitions during the year	**1,799**
Sales/disposals during the year	**-**
Acquisition value at the end of the year	**13,392**
Accumulated amortisation at the beginning of the year	**4,251**
Amortisation according to plan for the year	**2,401**
Accumulated amortisation on sales/disposals during the year	**-**
Accumulated amortisation at the end of the year	**6,652**
Net book value	**6,740**

As of 31 December 2007, 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 27.6 million (28.3).

The value of office equipment and other tangible assets is recognised at EUR 9.1 million (7.3).

2007

(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	12,099	**45,803**
Acquisitions during the year	-	3,316	**3,316**
Sales/disposals during the year	-	-178	**-178**
Acquisition value at the end of the year	**33,704**	**15,237**	**48,941**
Accumulated depreciation at the beginning of the year	5,398	4,771	**10,170**
Depreciation according to plan for the year	670	1,458	**2,128**
Accumulated depreciation on sales/disposals during the year	-	-124	**-124**
Accumulated depreciation at the end of the year	**6,069**	**6,105**	**12,174**
Net book value	**27,635**	**9,132**	**36,767**

The impairment tests conducted in 2007 did not indicate any need for impairment.

2006

(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**

2006

(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**

(10) DEPRECIATION

(Amounts in EUR 1,000)

	2007	*2006*
Intangible assets	**2,401**	1,986
Tangible assets	**2,128**	2,260
Buildings	**670**	670
Office equipment	**1,458**	1,590
Total	**4,529**	**4,246**

(11) OTHER ASSETS

Derivatives are included in “Other assets”.

(Amounts in EUR million)

	2007	*2006*
Interest rate swaps [1)]	**9,842**	7,760
Currency swaps [2)]	**14,468**	13,383
Total, nominal amount	**24,310**	**21,143**
Netting of nominal amount per derivative	**-23,563**	-20,618
Derivative receivables, net	**747**	**525**
Adjustment to hedge accounting and changes in fair value of non-hedging derivatives	**303**	226
Derivative instruments	**1,050**	**751**
Other	**2**	12
Total	**1,051**	**763**

1) Interest rate swaps at floating interest rates EUR 2,377 million (1,318) and fixed interest rates EUR 7,465 million (6,422).

2) Currency swaps at floating interest rates EUR 8,278 million (7,540) and fixed interest rates EUR 6,191 million (5,843).

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 nominal basis. (Amounts in EUR million)

Currency	*Borrowing*		*Swap contracts payable/receivable*		*Net currency*	
	2007	*2006*	***2007***	*2006*	***2007***	*2006*
Nordic currencies	**688**	588	**2,745**	2,504	**3,433**	3,092
EUR	**676**	777	**7,760**	6,845	**8,436**	7,623
USD	**6,862**	5,736	**-2,969**	-2,362	**3,893**	3,373
JPY	**1,547**	1,507	**-1,512**	-1,466	**34**	40
GBP	**2,026**	1,961	**-2,005**	-1,939	**21**	22
HKD	**263**	416	**-264**	-416	**-**	-
Other currencies	**2,861**	2,671	**-2,774**	-2,622	**87**	49
Total	**14,924**	**13,656**	**981**	**543**	**15,905**	**14,199**
Adjustments to hedge accounting and changes in fair value of non-hedging derivatives	**99**	-34	**-130**	13	**-31**	-21
Swap fees	**-**	-	**98**	109	**98**	109
Total, borrowings outstanding	**15,023**	**13,622**	**950**	**664**	**15,972**	**14,286**

The table set forth above includes 276 (279) borrowing transactions in the equivalent amount of EUR 8,268 million (8,813) entered into under the Bank's euro medium-term note programme, 1 (4) borrowing transactions in the equivalent amount of EUR 53 million (177) under the Bank's Swedish medium-term note programme, 10 (4) borrowing transactions in the equivalent amount of EUR 7,235 million (3,037) under the Bank's US medium-term note programmes and 5 (4) borrowing transactions in the equivalent amount of EUR 597 million (599) 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 1,590 million (1,579) is at floating interest rates, while EUR 13,139 million (11,825) is at fixed interest rates. Other borrowing transactions, amounting to EUR 194 million (251), are at fixed interest rates.

(13) OTHER LIABILITIES

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

	2007	*2006*
Interest rate swaps [1]	**9,812**	7,727
Currency swaps [2]	**15,475**	13,959
Total, nominal amount	**25,287**	**21,686**
Netting of nominal amount per derivative	**-23,461**	-20,509
Derivative payables, net	**1,826**	**1,177**
Adjustment to hedge accounting and changes in fair value of non-hedging derivatives	**173**	239
Derivative instruments	**1,999**	**1,415**
Other	**4**	4
Total	**2,004**	**1,420**

1) Interest rate swaps at floating interest rates EUR 8,684 million (6,666) and fixed interest rates EUR 1,128 million (1,061).

2) Currency swaps at floating interest rates EUR 15,153 million (13,662) and fixed interest rates EUR 323 million (297).

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	*2007*	*Share, in %*	*2006*	*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	*2007*	*Share, in %*	*2006*	*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**

The new member countries have made their payments of the paid-in portion pursuant to an agreed schedule of payments in three annual instalments, the last of which was made on 31 March 2007.

(15) STATUTORY RESERVE AND CREDIT RISK FUNDS

At the end of 2007, the Statutory Reserve amounted to EUR 645.6 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 622.1 million in 2007.

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 2007, 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 had established a EUR 4.3 million fund in "Equity" for the HIPC Programme (Debt Initiative for Heavily Indebted Poor Countries), which was used to pay the Bank's contribution to the HIPC Programme in 2006.

Taken together, these credit risk funds (General Credit Risk Fund and Special Credit Risk Fund PIL) amounted to EUR 860.3 million as of 31 December 2007.

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)

	2007	2006
Guarantees issued at nominal amount (Note 8)	25	25
Loans agreed but not yet disbursed (Note 8)	1,200	1,503
Borrowing commitments	275	20
Collateral provided for staff loans	-	-
Securities as collateral for repurchase agreements [1]	-	205
Callable commitments in financial placements	19	13
Collateral with respect to derivatives exposure		
Collateral received [2]	250	270
Collateral given [1]	-	-

1) Book value
2) Fair value

(17) FAIR VALUE OF FINANCIAL INSTRUMENTS

(Amounts in EUR million)

	2007 Carrying amount	2007 Fair value	2007 Difference	2006 Carrying amount	2006 Fair value	2006 Difference
Assets						
Cash accounts with banks [1]	4	4	-	2	2	-
Cash equivalents at fair value through profit or loss [2]	3,286	3,286	-	3,504	3,504	-
Other cash and cash equivalents, held-to-maturity [2]	1,203	1,203	-	248	248	-
Cash and cash equivalents, total	4,493	4,493	-	**3,753**	**3,753**	**-**
Placements with credit institutions [1]	93	93	-	91	91	-
Debt securities at fair value through profit or loss, held for trading [2]	373	373	-	253	253	-
Other debt securities, held-to-maturity [2]	1,210	1,181	-29	1,164	1,171	7
Debt securities, total	1,583	1,554	-29	**1,416**	**1,424**	**7**
Other financial placements available for sale [2]	7	7	-	7	7	-
Hedged loans outstanding in fair value hedging relationships [1]	1,288	1,288	-	1,250	1,250	-
Loans outstanding, other [1]	11,003	11,007	5	10,284	10,264	-21
Loans outstanding, total	12,291	12,296	5	**11,534**	**11,513**	**-21**
Hedging derivatives at fair value [1]	1,032	1,032	-	744	744	-
Other derivatives at fair value [1]	17	17	-	7	7	-
Derivatives at fair value, total	1,050	1,050	-	**751**	**751**	**-**
			-24			**-13**
Liabilities						
Short-term amounts owed to credit institutions [1]	454	454	-	313	313	-
Long-term amounts owed to credit institutions [1]	92	92	-	90	90	-
Repurchase agreements [1]	-	-	-	217	217	-
Hedged debt securities issued in fair value hedging relationships [1]	14,821	14,821	-	13,351	13,351	-
Other debt securities issued [1]	9	6	3	16	12	4
Debt securities issued, total	14,830	14,827	3	**13,367**	**13,364**	**4**
Hedged other debt in fair value relationships [1]	193	193	-	254	254	-
Hedging derivatives at fair value [1]	663	663	-	583	583	-
Other derivatives at fair value [1]	1,341	1,341	-	832	832	-
Derivatives at fair value, total	2,004	2,004	-	**1,415**	**1,415**	**-**
			3			**4**
Net			-21			**-10**

1) The fair value is determined using valuation techniques with observable market inputs.
2) The fair value is determined according to market quotes.

(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 and Financial Guidelines and Risk Management, Market Risk, page 49.

2007

(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	1,100	317	206	2,316	559	68	-71	**4,493**
Financial placements								
Placements with credit institutions	-	-	34	58	-	-	2	**93**
Investment securities	123	26	58	513	562	312	-11	**1,583**
Other	-	-	-	-	-	-	7	**7**
	123	**26**	**92**	**571**	**562**	**312**	**-2**	**1,683**
Loans outstanding	258	246	670	5,359	4,684	1,110	-36	**12,291**
Intangible assets	-	-	-	-	-	-	7	**7**
Tangible assets	-	-	-	-	-	-	37	**37**
Other assets								
Derivatives								
Receivables	813	668	541	4,157	2,030	908	303	**9,421**
Payables	-772	-567	-514	-3,959	-1,773	-786	-	**-8,371**
	42	**101**	**27**	**198**	**258**	**122**	**303**	**1,050**
Other assets	-	-	-	-	-	-	2	**2**
Paid-in capital and payments to the Bank's reserves, receivable	-	-	-	-	-	-	43	**43**
Accrued interest and fees receivable	-	-	-	-	-	-	368	**368**
Total assets	**1,522**	**689**	**994**	**8,444**	**6,062**	**1,612**	**650**	**19,973**
Liabilities and equity								
Liabilities								
Amounts owed to credit institutions								
Short-term	454	-	-	-	-	-	-	**454**
Long-term	-	-	34	58	-	-	-	**92**
	454	**-**	**34**	**58**	**-**	**-**	**-**	**546**
Repurchase agreements	-	-	-	-	-	-	-	**-**
Debts evidenced by certificates	1,107	1,332	838	8,289	2,427	930	99	**15,023**
Other liabilities								
Derivatives								
Receivables	-531	-1,235	-1,065	-8,816	-2,839	-608	178	**-14,916**
Payables	623	1,434	1,197	9,668	3,241	754	-	**16,916**
	92	**199**	**132**	**851**	**401**	**146**	**178**	**1,999**
Other liabilities	-	-	-	-	-	-	4	**4**
Accrued interest and fees payable	-	-	-	-	-	-	363	**363**
Total liabilities	**1,654**	**1,532**	**1,004**	**9,198**	**2,828**	**1,076**	**645**	**17,936**
Equity	-	-	-	-	-	-	2,037	**2,037**
Total liabilities and equity	**1,654**	**1,532**	**1,004**	**9,198**	**2,828**	**1,076**	**2,682**	**19,973**
Net during the period	-132	-843	-10	-754	3,234	536	-2,031	**-**
Cumulative net during the period	-132	-974	-984	-1,738	1,495	2,031	-	**-**

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	-	**-**

(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 income statement. 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. See also Financial Guidelines and Risk Management, Market Risk, page 49.

2007

(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	4,297	268	-	-	-	-	-71	**4,493**
Financial placements								
Placements with credit institutions	-	-	34	58	-	-	2	**93**
Investment securities	123	26	58	513	562	312	-11	**1,583**
Other	-	-	-	-	-	-	7	**7**
	123	**26**	**92**	**571**	**562**	**312**	**-2**	**1,683**
Loans outstanding	4,292	6,690	190	516	494	145	-36	**12,291**
Intangible assets	-	-	-	-	-	-	7	**7**
Tangible assets	-	-	-	-	-	-	37	**37**
Other assets								
Derivatives								
Receivables [1)]	6,130	6,621	781	7,886	2,246	549	303	**24,515**
Other assets	-	-	-	-	-	-	2	**2**
Paid-in capital and payments to the Bank's reserves, receivable	-	-	-	-	-	-	43	**43**
Accrued interest and fees receivable	-	-	-	-	-	-	368	**368**
Total assets	**14,841**	**13,604**	**1,063**	**8,972**	**3,302**	**1,006**	**650**	**43,438** [1)]
Liabilities and equity								
Liabilities								
Amounts owed to credit institutions								
Short-term	454	-	-	-	-	-	-	**454**
Long-term	-	-	34	58	-	-	-	**92**
	454	**-**	**34**	**58**	**-**	**-**	**-**	**546**
Repurchase agreements	-	-	-	-	-	-	-	**-**
Debts evidenced by certificates	1,885	1,695	781	7,772	2,248	544	99	**15,023**
Other liabilities								
Derivatives								
Payables [1)]	12,394	11,586	110	530	500	168	178	**25,465**
Other liabilities	-	-	-	-	-	-	4	**4**
Accrued interest and fees payable	-	-	-	-	-	-	363	**363**
Total liabilities	**14,733**	**13,281**	**925**	**8,360**	**2,748**	**711**	**645**	**41,402**
Equity	-	-	-	-	-	-	2,037	**2,037**
Total liabilities and equity	**14,733**	**13,281**	**925**	**8,360**	**2,748**	**711**	**2,682**	**43,438** [1)]
Net during the period	109	323	138	612	554	295	-2,031	**-**
Cumulative net during the period	109	432	570	1,182	1,736	2,031	-	**-**

1) Swaps are not netted.

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	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

NIB's operations are mostly in euros and US dollars. The table below shows the net currency positions of the major currencies. The net currency positions show how sensitive NIB is to the currency risk. See also Financial Guidelines and Risk Management, Market Risk, page 49.

Net currency position as of 31 December 2007 is as follows:
(Amounts in EUR million)

	EUR	*USD*	*GBP*	*JPY*	*SEK*	*Other currencies*	*Fair value adjustments and swap netting*	*Total*
Assets								
Cash and cash equivalents	2,844	1,586	21	-	-	42	-	**4,493**
Financial placements								
Placements with credit institutions	93	-	-	-	-	-	-	**93**
Debt securities	1,582	-	-	-	-	1	-	**1,583**
Other financial placements	7	-	-	-	-	-	-	**7**
	1,682	**-**	**-**	**-**	**-**	**1**	**-**	**1,683**
Loans outstanding	6,316	2,420	6	49	1,907	1,629	-36	**12,291**
Intangible assets	7	-	-	-	-	-	-	**7**
Tangible assets	37	-	-	-	-	-	-	**37**
Other assets								
Derivatives	-7,760	2,969	2,005	1,512	-1,856	2,153	2,026	**1,050**
Other assets	2	-	4	-	-	-	-5	**2**
	-7,758	**2,969**	**2,009**	**1,512**	**-1,856**	**2,153**	**2,021**	**1,051**
Paid-in capital and payments to the Bank's reserves, receivable	43	-	-	-	-	-	-	**43**
Accrued interest and fees receivable	156	232	41	36	19	108	-223	**368**
Total assets	**3,325**	**7,206**	**2,078**	**1,597**	**71**	**3,933**	**1,763**	**19,973**
Liabilities and equity								
Liabilities								
Amounts owed to credit institutions								
Short-term amounts owed to credit institutions	399	-	-	14	-	42	-	**454**
Long-term amounts owed to credit institutions	92	-	-	-	-	-	-	**92**
	491	**-**	**-**	**14**	**-**	**42**	**-**	**546**
Repurchase agreements	-	-	-	-	-	-	-	**-**
Debts evidenced by certificates								
Debt securities issued	641	6,794	2,026	1,456	53	3,760	100	**14,830**
Other debt	35	68	-	91	-	-	-1	**193**
	676	**6,862**	**2,026**	**1,547**	**53**	**3,760**	**99**	**15,023**
Other liabilities								
Derivatives	-	-	-	-	-	-	1,999	**1,999**
Other liabilities	8	72	10	1	-	17	-103	**4**
	8	**72**	**10**	**1**	**-**	**17**	**1,896**	**2,004**
Accrued interest and fees payable	116	269	42	36	16	107	-223	**363**
Total liabilities	**1,290**	**7,203**	**2,078**	**1,597**	**69**	**3,926**	**1,772**	**17,936**
Equity	1,967	-	-	-	-	-	2	**1,968**
Total liabilities and equity	**3,257**	**7,203**	**2,078**	**1,597**	**69**	**3,926**	**1,774**	**19,905**
Currency position as of 31 Dec 2007	68	3	-1	-	1	7	-11	**69**

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								
Amounts owed to credit institutions								
Short-term amounts owed to credit institutions	216	-	-	-	23	74	-	**313**
Long-term amounts owed to credit institutions	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) AVERAGE BALANCE SHEET

(Amounts in EUR million)

	2007	*2006*
Assets		
Cash and cash equivalents	4,168	3,697
Financial placements		
Placements with credit institutions	94	103
Debt securities	1,519	1,358
Other	8	7
	1,621	**1,468**
Loans outstanding	11,920	11,520
Intangible assets	7	7
Tangible assets	37	35
Other assets		
Derivatives	832	983
Other assets	4	4
	836	**987**
Paid-in capital and payments to the Bank's reserves, receivable	44	49
Accrued interest and fees receivable	345	326
Total assets	18,977	**18,089**
Liabilities and equity		
Liabilities		
Amounts owed to credit institutions		
Short-term amounts owed to credit institutions	333	372
Long-term amounts owed to credit institutions	93	99
	426	**471**
Repurchase agreements	205	228
Debts evidenced by certificates		
Debt securities issued	14,129	13,804
Other debt	210	244
	14,339	**14,048**
Other liabilities		
Derivatives	1,637	1,064
Other liabilities (incl. exchange rate adjustments)	6	7
	1,643	**1,071**
Accrued interest and fees payable	312	289
Total liabilities	16,926	**16,108**
Equity	2,051	1,981
Total liabilities and equity	18,977	**18,089**

The average balance sheet is calculated on a monthly basis.

(22) 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*
2007	**-**	**6,101**	**228**	**145,758**
2006	-	4,830	324	152,430

Rental income (NDF, NEFCO)

	NDF	**NEFCO**
2007	**55**	**90**
2006	120	88

(23) CASH FLOW STATEMENT

(Amounts in EUR 1,000)

Specification of the change in net liquidity on 31 December:

	2007	*2006*
Cash and balances with banks [1)]	**13,077**	7,802
Short-term placements with credit institutions	**1,187,733**	257,355
Liquid debt securities at floating interest rates	**3,292,475**	3,488,287
Cash and cash equivalents	**4,493,285**	**3,753,444**
Short-term amounts owed to credit institutions	**-454,498**	-313,025
Short-term repurchase agreements		-216,739
Net liquidity	**4,038,786**	**3,223,680**
Change in net liquidity	**815,106**	**123,104**

1) Including EUR 2,176 thousand (378) initial margin requirement for futures on 31 December.

(24) EXCHANGE RATES

		EUR rate on 31 Dec 2007	EUR rate on 29 Dec 2006
DKK	Danish Krone	7.4583	7.456
EEK	Estonian Kroon	15.6466 [1)]	15.6466 [1)]
ISK	Icelandic Króna	91.90	93.13
LVL	Latvian Lats	0.6964	0.6972
NOK	Norwegian Krone	7.958	8.238
SEK	Swedish Krona	9.4415	9.0404
AUD	Australian Dollar	1.6757	1.6691
CAD	Canadian Dollar	1.4449	1.5281
CHF	Swiss Franc	1.6547	1.6069
CZK	Czech Koruna	26.628	27.485
GBP	Pound Sterling	0.73335	0.6715
HKD	Hong Kong Dollar	11.4800	10.2409
JPY	Japanese Yen	164.93	156.93
MXN	Mexican Peso	16.0778 [2)]	14.291 [3)]
NZD	New Zealand Dollar	1.9024	1.8725
PLN	Polish Zloty	3.5935	3.831
RUB	Russian Rouble	35.986	34.68
SDR	Special Drawing Right	0.931563 [2)]	0.87543 [3)]
SGD	Singapore Dollar	2.1163	2.0202
SKK	Slovak Koruna	33.583	34.435
TRY	New Turkish Lira	1.717	1.864
TWD	New Taiwan Dollar	47.73431 [2)]	42.83543 [3)]
USD	United States Dollar	1.4721	1.317
ZAR	South African Rand	10.0298	9.2124

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 31 December 2007, 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 29 December 2006, which then provides the EUR/relevant currency rate.

(25) POST-BALANCE SHEET EVENTS

There have been no material post-balance sheet events that would require disclosure or adjustment to these financial statements. On 6 March 2008, 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 9 April 2008.

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, 2007, 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.

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 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the other requirements

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

Helsinki, 7 March 2008

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 2007, 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 7 March 2008. 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 7 March 2008 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 2007 and of its results and financing in 2007. The income statement shows a profit of EUR 68,719,366.55 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 income statement 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, 7 March 2008

Alexander G. Eðvardsson
Meelis Atonen
Sigita Burbienė
Trond Helleland
Per Kaalund
Johan Linander
Darius Matusevičius
Tuula Peltonen
Steingrímur J. Sigfússon
Viesturs Silenieks

An expert organisation operating worldwide

Organisation

Corporate governance

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

NIB was established in 1975 by the five Nordic countries; Denmark, Finland, Iceland, Norway and Sweden. In 2005, the membership of the Bank was enlargened when the three Baltic countries Estonia, Latvia and Lithuania joined the Bank as new members.

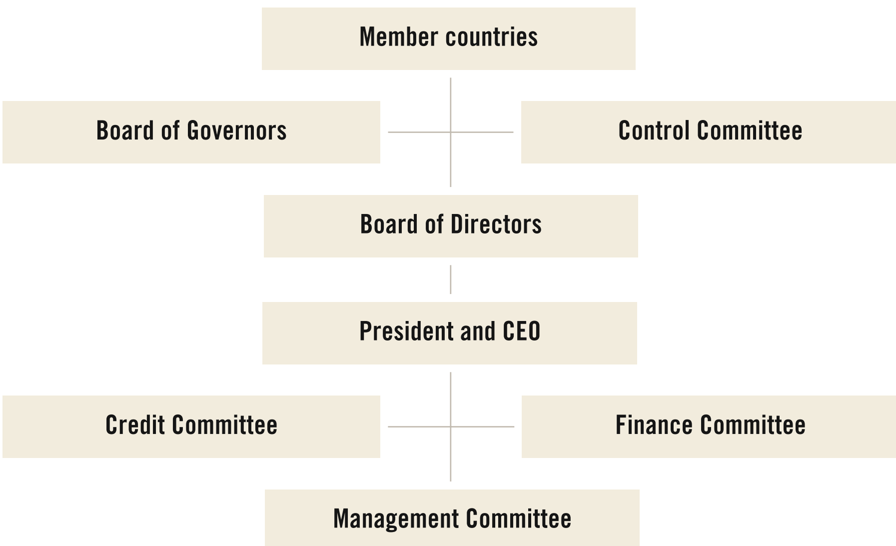
NIB is governed by its constituent documents, namely the Agreement among its member countries, dated 11 February 2004 (hereinafter the Agreement), the Statutes as of the same date, and the Headquarters Agreement concluded between the Government of Finland and the Bank in 1999.

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. According to the Agreement and Statutes, the Board of Governors is the supreme decision-making body vested with exclusive powers to make ultimate decisions concerning: amendment of the Statutes; increases or decreases of the authorised capital stock; approval of the annual report of the Board of Directors and the audited financial statements of the Bank; appointment of the Chairman and Deputy Chairman of the Control Committee; interpretation and application of the provisions of the Agreement and the Statutes; procedures for withdrawals of membership and 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 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 Estonia is serving as Chair until 1 June 2008.

The decisions of the Board of Governors shall be unanimous. The work of the Board of Governors is governed by its adopted 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 30 May 2007. In the annual meeting the Board asked the Bank to study the possibility to increase its focus on areas, such as energy, transport and logistics, as well as the financing of innovations.

The Bank's Governors are listed on page 80.

Board of Directors. 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; issuing to the President 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.

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. The Norwegian Board Member, Arild Sundberg was appointed Chairman of the Board of Directors for the period 1 June 2006 to 31 May 2008 and the Estonian Board Member, Madis Üürike, was appointed Deputy Chairman for the same period. 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. Alternates are entitled to attend all Board meetings but can vote only in the absence of the Director. 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.

The Board of Directors met 8 times during the year 2007. A number of policies were adopted during the year: the financial policy, disclosure policy, environmental policy, as well as revisions to the Resolution on Anti-Corruption. Furthermore, the Board discussed HR and business development, carbon financing, new instruments as well as the Bank's mandate rating.

The members of the Board of Directors are listed on page 81.

All governing and supervising bodies as well as the President and staff are bound by a Code of Conduct

President. 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 is appointed by the Board of Directors for a term of five years at a time. The President may not be a member of the Board of Directors, but 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 the Board can make well-founded decisions and be 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 is the forum for addressing policy and management issues; it has the overall responsibility for risk management. The Management

Committee consists of the President and six senior officers whose appointment to the Committee is confirmed by the Board of Directors. 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 26 times in 2007.

> The internal control is focused on the management of financial and operational risk

The Credit 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 Committee includes the President and six senior officers appointed to the Committee by the Board of Directors. Currently, the Credit Committee has the same members as the Bank's Management Committee. The Credit Committee is chaired by the President or in his absence by one of its members. The Committee meets once a week. The Credit Committee met 56 times during 2007.

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 2007.

The President is bound by a code of conduct and he signs a statement concerning his financial interests and any outside activities or perquisite positions in other institutions. 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.

The President and the members of the Management Committee are presented on page 82.

Supervisory body

Control Committee. The Bank's supervisory body, 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 consists of ten members. The Nordic Council and the Parliaments of Estonia, Latvia and Lithuania appoint eight members to the Committee, with one member repre-

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. After public consultations, the Board of Directors of the Bank approved in 2007 a revised enviromental policy for the Bank to enter into force as of 1 January 2008. A more detailed presentation of NIB and the environment is found on pages 22–25.

In 2007, in line with the Bank's aim to promote transparency and accountability, a disclosure policy for the Bank was approved by the Board of Directors. The Bank also aims at fighting corruption in both its external and internal activities. During the year the Bank revised its Resolution on Fighting Corruption to streamline its definitions of corrupt and fraudulent behaviour in line with the policies of other international financial institutions. The Bank's anti-corruption activities are based on guidelines for combating corruption including money laundering and the financing of international terrorism. NIB also has a committee on fighting corruption, which has the task of issuing recommendations on preventive action as well as handling cases of alleged corruption. NIB revised and updated its financial policies, including a detailed credit policy, to take into account the new strategy and organisational structure. The Bank has also adopted guidelines for procurement. 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. The Code of Conduct for the staff was revised in 2006 and entered into force in 2007. It is subject to annual review.

senting 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 Board of Governors appointed Alexander G. Eðvardsson to act as Chairman for the period 1 June 2007 to 31 May 2008 and Darius Matusevičius to serve as Deputy Chairman for the same period.

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 2007, the two auditors were 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. Following a tender procedure carried out during 2007, the Control Committee decided to select two auditors from KPMG in Helsinki and Copenhagen to assist in carrying out the audit of the Bank from the 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.

The Control Committee met twice during 2007. 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, see page 80.

Internal control. 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 2007 the work on revising the operational risk policy and improving operational risk management continued from 2006. The focus has been on mapping and modelling the Bank's process flows and integrated controls and on adapting the Bank's operational risk management to Basel II requirements. Responsibility for developing the operational risk framework and for monitoring its implementation resides within the independent risk management unit of the Bank.

To support the existing internal control systems, risk management and above all integrity in the Bank's operations, it was also decided in 2007 to establish an independent compliance function for the Bank.

An independent compliance function has been established for the Bank

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.

For further information on risk management, see the financial statements, pages 47–50.

Board of Governors

DENMARK
Bendt Bendtsen
Minister for Economic and Business Affairs

ESTONIA
Ivari Padar
Minister of Finance

FINLAND
Mari Kiviniemi
Minister of Public Administration and Local Government

ICELAND
Árni M. Mathiesen
Minister of Finance

LATVIA
Atis Slakteris
Minister of Finance

LITHUANIA
Rimantas Šadžius
Minister of Finance

NORWAY
Kristin Halvorsen
Minister of Finance

SWEDEN
Anders Borg
Minister of Finance

Control Committee

CHAIRMAN
Alexander G. Eðvardsson
State Authorised Public Accountant, KPMG Endurskoðun h.f., Iceland

DEPUTY CHAIRMAN
Darius Matusevičius
Director, Finance Control Methodology Department, Ministry of Finance, Lithuania

DENMARK
Per Kaalund
Former Member of Parliament

ESTONIA
Meelis Atonen
Member of the Board, Tavid Ltd

FINLAND
Tuula Peltonen
Member of Parliament

ICELAND
Steingrímur J. Sigfússon
Member of Parliament

LATVIA
Viesturs Silenieks
Adviser to the Chairman of the Saeima

LITHUANIA
Sigita Burbienė
Referent, Seimas of the Republic of Lithuania

NORWAY
Trond Helleland
Member of Parliament

SWEDEN
Johan Linander
Member of Parliament

Auditors appointed by the Control Committee

Until end of 2007

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

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

From beginning of 2008

Sixten Nyman
Authorised Public Accountant, KPMG Finland

Per Gunslev
Authorised Public Accountant, KPMG Denmark

Board of Directors

The Board of Directors met eight times during 2007. The attendance in meetings is listed below. For duties of the Board of Directors, see page 77.

DENMARK

Lars Kolte
Director

6 meetings

Alternate

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

5 meetings

ESTONIA

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

8 meetings

Alternate

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

1 meeting

FINLAND

Kristina Sarjo
Financial Counsellor, Ministry of Finance

7 meetings

Alternate

Risto Paaermaa
Director, Ministry of Employment and the Economy

4 meetings

ICELAND

Ólafur Hjálmarsson
Director General, Hagstofa Islands (Statistics Iceland)

8 meetings

Alternate

Jón Magnússon
Director of Finance and Administration, Ministry of Justice

4 meetings

LATVIA

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

7 meetings

Alternate

Nikolajs Sigurds Bulmanis
Advisory Board Member, Latvian Guarantee Agency

6 meetings

LITHUANIA

Rolandas Kriščiūnas
Undersecretary, Ministry of Finance

4 meetings

Alternate

Renata Lygienė
Head of Financial Institutions Division, Ministry of Finance

6 meetings

NORWAY

Arild Sundberg
Chairman of the Board
Director General, City of Oslo

7 meetings

Alternate

Eli Telhaug
Deputy Secretary General, Ministry of Education and Research

3 meetings

SWEDEN

Erik Åsbrink
Former Minister of Finance

8 meetings

Alternate (until 18.7.2007)

Ulrika Barklund Larsson
Director, Ministry of Finance

4 meetings

Alternate (from 19.7.2007)

Åke Törnqvist
Director, Ministry of Finance

3 meetings

Management Committee

Johnny Åkerholm (59)
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 (58)
First Vice-President, Head of Lending. Joined NIB in 2006.

B.Sc., United States International University;
MBA, California State University.

Heikki Cantell (49)
General Counsel, Head of Legal Department. Joined NIB in November 2007.

LL.M., University of Helsinki; postgraduate degree
in Commercial Law, University of Paris II.

Lars Eibeholm (43)
Vice-President, Head of Treasury and CFO. Joined NIB in December 2007.

HD-Master's Degree in Finance and Credit,
Copenhagen Business and Administrations School.

Hilde Kjelsberg (44)
Vice-President, Head of Credit and Analysis. Joined NIB in 2006.

M.Sc., Norwegian School of Economics and Business Administration;
AFF Management programme for young leaders.

Juha Kotajoki (48)
Vice-President, Head of Risk and Accounting. Joined NIB in 1986.

B.A., University of Turku.

Gunnar Okk (47)
Vice-President, Head of Planning and Administration. Joined NIB in 2006.

M.Sc., Tallinn University of Technology.

Members in 2007

Siv Hellén
Senior Vice President
and General Counsel.
Joined NIB in 1977,
Member of the Management
Committee 1986–2007.
Chief Compliance Officer
from 2007.

LL.M., University of Helsinki; eMBA,
Helsinki School of Economics and
Business Administration.

Torben Nielsen
Executive Vice President,
Head of Treasury and CFO.
In NIB 1997–2007,
Member of the Management
Committee 2004–2007.

Diploma in Finance, Copenhagen
Business School; Leadership
programme, INSEAD.

Organisation chart

As of 1 April 2008. For updates and details about NIB's personnel, please visit www.nib.int.

President & CEO

Lending
- Area I: Denmark, Iceland, Norway
- Area II: Estonia, Finland, Latvia, Lithuania, Sweden
- Area III: Europe & Eurasia
- Area IV: Africa, Asia, Latin America, Middle East
- Project & Structured Finance
- Client & Country Management
- Business Development & Control

Treasury
- Funding and Investor Relations
- Asset Liability Management
- Management of Own Capital
- Financial Analysis and Controlling

Credit & Analysis
- Credit
- Country & Bank Analysis
- Corporate Analysis
- Project Analysis
- Environment
- Mandate

Risk & Accounting
- Risk Management
- Financial Administration & Operational Risk
- Accounting & Financial Planning

Legal
- Institutional & Administrative Affairs
- Lending Operations
- Financial Issues

Planning & Administration
- Human Resources
- Information & Communication Technology
- Office Services & Travel Management
- Real Estate & Facilities
- Business & Resource Planning
- Central Records Services

Communications

Compliance

Internal Audit

Human resources

NIB is committed to the development and well-being of its employees and underscores the importance of dedicated employees for the Bank'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.

Focal points 2007:
- Performance Management including personal appraisal and development discussions introduced
- equality plan followed-up
- new title structure implemented
- job satisfaction survey carried out

The purpose of NIB's staff policy is to create an attractive and professionally stimulating work environment. The policy builds on transparency, predictability and the 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.

NIB's staff. NIB carries out its strategy by proactively emphasising the Bank's relative strengths, one of which is its professional and highly motivated staff that come from ten different countries.

The gender and age structure of the Bank's staff is sound. At the end of 2007, NIB had 158 employees in permanent positions, comprising 79 women and 79 men. In addition, 10 to 15 persons worked during the year in temporary positions. The average age of NIB's employees in permanent positions was 43.6 years, and the average length of service was 9.7 years.

HR development. Performance Management was introduced in NIB as part of the job evaluation and business planning processes initiated in 2006. The aim of introducing Performance Management was to ascertain the employees' understanding of how their jobs and responsi-

bilities relate to the overall targets of the Bank.

The basis of Performance Management is to identify goals and objectives, based on NIB's business plan, and to prepare an individual work and development plan for each employee. The individual work plan is followed up by continuous monitoring of and feedback on the employee's progress towards the agreed objectives. The accomplishments and challenges of the past year are summarised and the targets for the coming period identified in a personal appraisal and development discussion. The result of the assessment of the employee's performance will be the key factor in determining the salary adjustment for the employee.

The Bank has continued to work in accordance with the equality plan that was adopted in 2006. The year 2007 has been a year of promotion, recruitment and job rotation. This has enabled, even better than before, opportunities for both men and women, young and old to change jobs or tasks within the Bank. The work on a revised Compensation Policy, which takes equal pay for equal work into consideration, started in cooperation with an external consulting firm. NIB's family benefits have been noticeably improved. Parental benefits now apply to both male and female employees on equal terms.

NIB's title structure was reviewed in 2007 and the new structure was implemented in July as a part of the job evaluation process. The aim was to create a title system that better corresponds to the Bank's present organisation. The new titles are functional and reflect the position in the organisational structure.

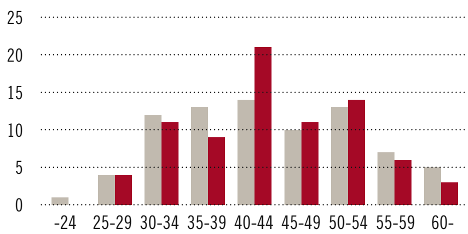
A job satisfaction survey was conducted in October. The overall results were good, especially taking into consideration the organisational changes that have been carried out over the past few years. The response rate was 85%, indicating significant interest among the staff in their work environment. Together with the staff, the results will be further analysed, and methods for addressing areas needing further development will be identified.

Training, health and well-being. NIB offers its personnel a wide range of internal and external training opportunities. The average number of training days per employee in 2007 was 6.4 days, compared to 4.9 days the previous year.

Age structure fig. 37

As of 31 Dec 2007

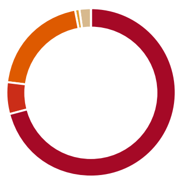
Number of employees



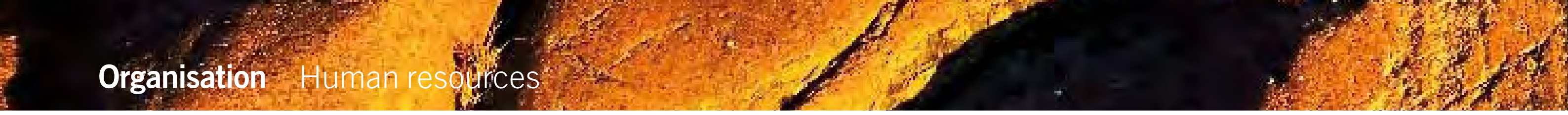
Men
Women

Educational background fig. 38

Staff's level of education as of 31 Dec 2007



University 71%
Polytechnic 6%
Vocational school 20%
Upper secondary school 1%
Comprehensive school 2%



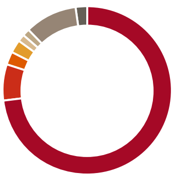
External courses and seminars attended by the staff in 2007 focused on areas such as financial instruments, project finance, energy topics and the Russian economy. In-house seminars, courses and workshops focusing on bank analysis, corporate credit analysis and project finance were arranged during the year. The internal activities also included language and IT training; both increased compared to 2006. Moreover, staff seminars and information meetings were held on topics such as mandate rating, financial policies and the revised environmental policy.

At the end of the year, the decision was made to start a comprehensive NIB leadership and culture development programme. The programme, called The NIB Way, will involve all employees and all levels of management in the form of workshops and seminars. The aim is to create a uniform company culture in NIB.

Private health care and medical services are available to the employees. 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.

Working days fig. 39

Distribution of working days 2007



- Office 76%
- Travelling 7%
- Education 2%
- Illness 2%
- Child's illness 0.4%
- Other absence 0.3%
- Vacation 10%
- Flexitime off 2%

Nationalities fig. 40

31 December 2007

Finnish	118
Swedish	17
Danish	9
Norwegian	5
Estonian	3
Icelandic	2
Latvian	1
Lithuanian	1
Other countries	2
Total personnel	**158**

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

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.
- The employees pay taxes on their income from NIB according to applicable national legislation and benefit from social security 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.

New long-term borrowing 2007

Currency	*Amount million*	*Amount EUR million*	*Issue date*	*Maturity date*	*Issue price*	*Coupon rate/structure*
JPY	1,200	8	09.01.2007	09.01.2037	100.000%	TARN
JPY	900	6	09.01.2007	09.01.2037	100.000%	TARN
JPY	1,000	6	11.01.2007	11.09.2036	100.000%	PRDC
TRY	128	20	26.01.2007	26.01.2016	28.884%	0.000%
TRY	14	2	30.01.2007	26.01.2016	28.919%	0.000%
NOK	1,000	123	30.01.2007	30.07.2010	99.854%	4.625%
USD	1,000	757	01.02.2007	01.02.2017	99.417%	5.000%
JPY	300	2	13.02.2007	13.02.2037	100.000%	PRDC
JPY	900	6	15.02.2007	15.02.2022	100.000%	PRDC
RUB	2,000	58	15.02.2007	15.02.2011	100.925%	5.750%
JPY	1,000	6	22.02.2007	19.02.2037	100.000%	PRDC
JPY	500	3	22.02.2007	22.02.2022	100.000%	PRDC
JPY	4,225	27	26.02.2007	21.02.2017	100.000%	FX linked
USD	212	23	27.02.2007	27.02.2037	14.211%	0.000%
JPY	2,100	13	01.03.2007	02.03.2037	100.000%	TARN
JPY	300	2	05.03.2007	06.03.2037	100.000%	TARN
JPY	1,000	6	05.03.2007	05.03.2037	100.000%	FX linked
JPY	300	2	12.03.2007	12.03.2037	100.000%	TARN
JPY	1,000	6	13.03.2007	13.03.2037	100.000%	TARN
JPY	500	3	22.03.2007	23.03.2027	100.000%	PRDC
JPY	3,000	19	26.03.2007	27.03.2037	100.000%	TARN
JPY	300	2	26.03.2007	26.03.2037	100.000%	PRDC
JPY	1,000	6	26.03.2007	26.03.2037	100.000%	PRDC
JPY	400	3	27.03.2007	27.03.2037	100.000%	PRDC
JPY	500	3	27.03.2007	25.03.2027	100.000%	PRDC
JPY	1,000	6	27.03.2007	27.03.2037	100.000%	PRDC
JPY	1,000	6	02.04.2007	02.04.2037	100.000%	TARN
JPY	300	2	02.04.2007	02.04.2037	100.000%	TARN
JPY	1,000	6	05.04.2007	05.04.2027	100.000%	TARN
ISK	3,000	34	16.04.2007	16.04.2009	100.350%	11.250%
JPY	1,000	6	23.04.2007	24.04.2037	100.000%	TARN
JPY	50,000	307	27.04.2007	27.04.2017	99.989%	1.700%
NOK	750	92	27.04.2007	30.07.2010	98.650%	4.625%
JPY	2,000	12	08.05.2007	08.05.2037	100.000%	PRDC
JPY	300	2	10.05.2007	10.03.2037	100.000%	TARN
JPY	1,000	6	29.05.2007	26.03.2037	100.000%	PRDC
USD	100	22	01.06.2007	01.06.2027	29.191%	0.000%
USD	30	22	15.06.2007	15.06.2037	100.000%	0.000%
JPY	300	2	19.06.2007	19.06.2037	100.000%	TARN
GBP	250	371	20.06.2007	07.06.2010	99.870%	6.125%

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New long-term borrowing 2007

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Currency	*Amount million*	*Amount EUR million*	*Issue date*	*Maturity date*	*Issue price*	*Coupon rate/structure*
USD	220	22	20.06.2007	20.06.2037	13.360%	0.000%
JPY	1,000	6	21.06.2007	19.06.2037	100.000%	PRDC
JPY	6,300	38	25.06.2007	19.06.2017	100.000%	FX linked
JPY	500	3	26.06.2007	26.06.2037	100.000%	FX linked
JPY	1,000	6	26.06.2007	26.06.2037	100.000%	PRDC
JPY	300	2	09.07.2007	09.07.2037	100.000%	TARN
JPY	2,500	15	11.07.2007	25.03.2037	100.000%	PRDC
JPY	2,500	15	11.07.2007	25.03.2037	100.000%	PRDC
JPY	300	2	12.07.2007	13.07.2037	100.000%	TARN
JPY	300	2	12.07.2007	12.07.2027	100.000%	PRDC
USD	10	7	20.07.2007	20.07.2037	100.000%	0.000%
TRY	90	13	23.07.2007	23.07.2019	26.224%	0.000%
CAD	300	206	26.07.2007	26.07.2017	99.822%	5.150%
JPY	1,000	6	13.08.2007	14.08.2037	100.000%	FX linked
USD	10	7	28.08.2007	28.08.2037	100.000%	0.000%
ISK	10,000	116	30.08.2007	12.09.2008	100.744%	13.000%
ISK	3,000	34	04.09.2007	12.09.2008	100.536%	13.000%
NZD	400	213	13.09.2007	13.09.2010	99.947%	7.750%
USD	1,500	1,058	13.09.2007	13.09.2010	99.800%	4.500%
JPY	1,000	6	20.09.2007	20.09.2027	100.000%	PRDC
ISK	5,000	57	26.09.2007	12.09.2008	100.421%	13.000%
JPY	3,000	18	27.09.2007	27.09.2027	100.000%	2.390%
JPY	600	4	15.10.2007	15.10.2037	100.000%	TARN
NZD	345	183	23.10.2007	23.10.2009	99.980%	7.490%
AUD	209	133	23.10.2007	22.10.2010	99.980%	6.390%
JPY	1,000	6	13.11.2007	13.11.2037	100.000%	PRDC
JPY	1,000	6	27.11.2007	27.11.2037	100.000%	PRDC
JPY	1,000	6	10.12.2007	10.12.2037	100.000%	PRDC
JPY	1,500	9	10.12.2007	10.12.2037	100.000%	PRDC

Loans agreed 2007

Sector/Customer	*Project*
Manufacturing	
Arla Foods, Denmark	Acquisition of a stake in the dairy business of Finland's Ingman Group to strengthen Arla Foods' competitive position on the Finnish market by adding a sales and distribution network as well as its own local production. Arla Foods is owned by milk producers in Sweden and Denmark.
Atlas Copco AB, Sweden	Acquisition of Swedish Dynapac, a producer of compaction and paving equipment for the road construction market, to strengthen Atlas Copco's position on the expanding global market and add a new range of products for construction customers.
Baltic Beverage Holding AB, Sweden	Investments in a capacity increase at two of BBH's breweries: Slavutich in Ukraine and Sarbast Plus in Uzbekistan.
Botnia S.A., Uruguay	Construction of a state-of-the-art eucalyptus pulp mill in Uruguay. The mill's capacity will be approximately 1 million tonnes a year, which will help enlarge the country's export potential. Besides the construction of the mill, port facilities and forestry operations will be upgraded and expanded.
DP Marketing International Ltd., Brazil	Two loans to finance the expansion of production capacity at Bahia Pulp, one of the world's leading producers of dissolving pulp, based in southern Brazil.
Kemira International Finance B.V., Netherlands	Acquisition of the wastewater treatment chemicals business of the US chemical company Cytec Industries Inc. The acquisition includes plants in the UK and the Netherlands as well as three plants in the US.
Lantmännen ekonomisk förening, Sweden	Investment in a new ethyl alcohol production line at the company's plant in Norrköping. The new line is to increase the production of corn/cereals-based car fuels fourfold. The investment will help reduce emissions of environmentally hazardous substances and decrease imports of fossil fuels.
Metso Corporation, Finland	Acquisition of the pulping and power business of Norwegian Aker Kvaerner Group. The acquisition will enhance Metso's global leadership as an industrial supplier to pulp and paper producers in different countries.
Neste Oil Oyj, Finland	Investment in the production of NExBTL (Next Generation Biomass To Liquid) renewable diesel based on vegetable oil or animal fat. The renewable diesel has no sulphur content, and can be used as a blending component in diesel fuels without any modifications to the vehicle engine. The new processing unit's annual capacity is estimated at 170,000 tonnes of renewable diesel.
Sandvik AB, Sweden	Building a new steel hot rolling mill within the company's existing premises in Sandviken, Sweden. The new mill will replace an old one and improve product quality, reduce down-time and increase output by 40% to 400,000 tonnes.
Svenska Cellulosa Aktiebolaget SCA, Sweden	Environmental loan financing of a soda recovery boiler at SCA's pulp mill in Sundsvall, Sweden. The new boiler facilitates an increase in pulp production and makes the pulp mill self-sufficient in power supply. The boiler has many positive effects on several environmental parameters.
Trelleborg Treasury AB, Sweden	Acquisition of the engineering company CRP Group operating primarily in the UK and US. The acquisition will make Trelleborg a global technical and market leader in polymer systems and solutions for a range of different offshore subsea oil and gas projects.
Yara International ASA, Norway	Acquisition of Finnish fertiliser producer Kemira GrowHow.
Energy and water	
Akureyri Municipality, Iceland	Onlending to the municipality's energy company Norðurorka for the financing of three projects in geothermal district heating and power distribution in the Eyjafjörður area.
E.ON Sverige AB, Sweden	Replacement of 17,000 kilometres of weather-sensitive uninsulated overhead power distribution lines with underground cables to improve the ability of the power distribution grid in Sweden to resist hurricane winds.
Eidsiva Energi AS, Norway	Financing the acquisition of a stake in Norway's Moelven Industrier. The acquisition will provide industrial and logistical competence to support Eidsiva Energi's investment plans in new energy production, and to help secure the long-term supply of timber biomass.
Fingrid Oyj, Finland	Investment programme aimed at improving the capacity and efficiency of Finland's national electricity grid with particular emphasis on the security and environmentally benign line structures.

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Sector/Customer	*Project*
Energy and water	*(continued)*
Fortum Oyj, Finland	Investment in a system for the automated measurement and control of the electricity consumption of its clients in the household and small business sectors in Sweden.
AS Fortum Tartu, Estonia	Investment in a new combined heat and power plant to supply heat to the city of Tartu, Estonia, and electricity to third parties.
Kaukaan Voima OY, Finland	Construction of a new multi-fuelled power plant in Lappeenranta in eastern Finland. Besides electricity, the power plant will also produce steam necessary for an industrial area as well as district heating for the town. The Kaukas power plant will be utilising biomass by-products from the industrial area.
Landsnet hf., Iceland	Investments in new transmission infrastructure, including transmission lines and cables as well as new substations and extensions of existing ones. The infrastructure investments are necessary to satisfy the Icelandic aluminium producers' increasing needs for electric power.
Latvenergo A/S, Latvia	Investment programme for the rehabilitation of the transmission and distribution network and the modernisation of the heat and power plant TEC-2 in Riga, as well as other energy efficiency projects.
RARIK ohf., Iceland	Financing the company's investments in the Lagarfoss hydropower plant and improvement in the distribution of electricity in the company's operational area.
SN Aboitiz Power Inc., Philippines	Financing the acquisition and rehabilitation of the 360 MW Magat hydropower plant, which supplies energy to the Luzon electricity grid in the Philippines.
Statnett SF, Norway	Construction of a high-voltage power subsea cable, NorNed, between Norway and the Netherlands to improve the energy security of Norway and the whole Nordic region.
Transport and communications	
Advanced Info Services Ltd., Thailand	Further expansion, capacity increase and upgrade of its existing GSM/GPRS mobile telephone network. The mobile telecom equipment manufacturer Nokia Siemens Network is a major supplier for the project.
Tallinna Trammi ja Trollikoondis AS, Estonia	Renewal of the public transport service rolling stock, including the acquisition of 23 new trolleybuses and 10 new tram cars for Tallinn municipal tram and trolleybus line operator.
Telekom Srbija, Serbia	Investment programme for 2007–2012, including the build-out of the fixed-line network and a capacity increase in the mobile network in Serbia and Montenegro.
Telia Sonera AB, Sweden	Acquisition of the Norwegian broadband operator NextGenTel having 170,000 subscribers, or 18% of the Norwegian market.
Banking and finance, including loan programmes	
Aarhus Lokalbank Aktieselskab, Denmark	Onlending to projects of small and medium-sized enterprises in eastern Jutland, among other areas, for projects aimed at upgrading the heat supply and developing wind mill parks.
Bank Saint Petersburg, Russia	Onlending to subprojects eligible under NIB's Environmental Investment Loan programme. Subprojects are to be carried out in Northwest Russia.
Byggðastofnun (Institute of Regional Development), Iceland	Onlending to projects in the rural areas of Iceland in 2007 and 2008, in the fisheries sector, services, manufacturing and other industries.
EBH Bank A/S, Denmark	Financing projects of small and medium-sized enterprises in northern Jutland.
Føroya Banki P/F, Faroe Islands	Onlending to small and medium-sized enterprises investing in projects in various sectors of the Faroese economy.
Lánasjóður sveitarfélaga ohf. (Municipality Credit Iceland), Iceland	Financing projects in Iceland's small rural municipalities within geothermal heating, waste disposal, water supply, harbour facilities.
MDM Bank, Russia	Financing the bank's onlending for projects of mutual interest to NIB and MDM Bank.
Norðoya Sparikassi, Faroe Islands	Onlending to Faroese small and medium-sized enterprises, as well as infrastructure and environmental projects, including wind power parks.

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Sector/Customer	*Project*
Banking and finance, including loan programmes	*(continued)*
Nørresundby Bank A/S, Denmark	Onlending for projects of small and medium-sized enterprises, including agricultural projects and cross-border environmental investments in establishing windmill parks.
People's Republic of China	NIB's eleventh General Loan Programme to China to finance projects with a significant Nordic/Baltic component in various sectors of the country's economy.
People's Republic of China	NIB's second Rural Area Loan Programme to finance projects with a significant Nordic/Baltic component aimed at the improvement of living conditions, technological development and environmental improvements in the rural areas.
Promsvyazbank, Russia	Loan programme for financing the bank's onlending for projects of mutual interest to NIB and Promsvyazbank.
Ringkjøbing Bank Aktieselskab, Denmark	Onlending to small and medium-sized enterprises for investments primarily in wind power, as well as environmentally friendly investments in the farming sector.
Roskilde Bank A/S, Denmark	Onlending to finance energy and environmental investments as well as investments of small and medium-sized enterprises.
Slovenská Záručná a Rozvojová Banka (Slovak Guarantee and Development Bank), Slovakia	Financing Slovak small and medium-sized enterprises (SMEs) investing in Nordic/Baltic technologies, services or works or having Nordic/Baltic sponsors.
Sparekassen Faaborg A/S, Denmark	Onlending for activities of small and medium-sized enterprises in environmental farming, wind power production as well as the housing sector (environment and energy) and infrastructure (highway construction).
Sparekassen Thy, Denmark	Financing small and medium-sized enterprises, primarily making environmental investments in the farming sector, including biogas plants and energy projects, such as windmills.
Sparisjóður Reykjavíkur og nágrennis (Reykjavik Savings Bank, SPRON), Iceland	Onlending to small and medium-sized enterprises with particular focus on projects in infrastructure and environmental improvements. The loan will also support women entrepreneurs.
Šiaulių Bankas AB, Lithuania	Onlending to small and medium-sized enterprises, particularly in northwestern Lithuania.
Health and social work	
Getinge AB, Sweden	Acquisition of British medical technology company Huntleigh Technology to strengthen Getinge's business structure and pursue the company's strategy of growth by acquiring operations in attractive segments.
Rīgas Psihiatrijas un narkoloģijas centrs (Riga Psychiatric Clinic), Latvia	Development and modernisation of the hospital's infrastructure, including the construction of a new building for patients, student training facilities, and the renovation of existing buildings. The project is part of the state programme for reforming and upgrading the national health care sector.
Recycling	
Stena Metall Finans AB, Sweden	Acquisition of the Danish recycling company Rødkærsbro A/S, which made Stena Metall the metal recycling market leader in Denmark.
Research and development	
Husqvarna AB, Sweden	Financing the company's activities in research and development focusing on improving the functional capabilities of the products, their ergonomics, design, safety, user-friendliness as well as minimising their impact on the environment.
Real estate	
Valsts Nekustamā Īpašuma Aģentūra (State Real Estate Agency), Latvia	Renovation of a building to be rented out to the country's Ministry of Foreign Affairs.
Publishing	
Schibsted Finans AS, Norway	Acquisition of online classifieds operations of Trader Classified Media in Spain, France, Italy and Switzerland as well as some activities in Latin America.
Construction	
Tallinna Lennujaam AS, Estonia	Modernisation of Tallinn Airport, including the extension and renewal of the apron, installation of modern water management measures as well as increasing the capacity of the passenger terminal.

Global Reporting Initiative

GRI reporting indicators

The Global Reporting Initiative (GRI) is the world's most widely used sustainability reporting framework. The guidelines are for voluntary use by organisations to report on economic, environmental and social aspects of their operations. The table below compares NIB's Annual Report 2007 with GRI's G3 guidelines. This is the first time NIB is reporting in accordance with the GRI principles.

PROFILE	Page in the Annual Report
Strategy and analysis	
1.1 Statement of the organisation about the relevance of sustainability to the organisation and its strategy	8-9
1.2 Description of key impacts, risks and opportunities	8-9, 10, 42-45
Organisational profile	
2.1 Name of the organisation	4
2.2 Primary brands, products, and/or services	4
2.3 Operational structure of the organisation	83
2.4 Location of organisation's headquarters	42
2.5 Countries where the organisation operates	IC, 14-19, 35, Note 1
2.6 Nature of ownership and legal form	42, 76
2.7 Markets served	14-19, Note 1
2.8 Scale of the reporting organisation	34-36
2.9 Significant changes during the reporting period regarding size, structure or ownership	Note 14
2.10 Awards received in the reporting period	18
Report parameters	
3.1 Reporting period	IC
3.2 Date of most recent previous report (GRI)	-
3.3 Reporting cycle	95
3.4 Contact point for questions regarding the report	95
3.5 Process for defining report content (material issues, stakeholders etc.)	4-5 (partially)
3.6 Boundary of the report	-
3.7 Any specific limitations on the scope or boundary of the report	25 (partially)
3.8 Basis for reporting that can affect comparability of the report	46 (partially)
3.9 Data measurement techniques and the bases of calculations	-
3.10 The effect and reasons of any re-statements of information provided in earlier reports	46 (partially)
3.11 Significant changes from previous reporting periods	25 (partially)
3.12 GRI content index	92-94
3.13 Policy and current practice with regard to seeking external assurance for the report	-
Governance, commitments and engagement	
4.1 Governance structure of the organisation	76
4.2 - 4.3 Independence of the supervisory bodies	76-77
4.4 Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	not appl.
4.5 Linkage between executive compensation and the organisation's economic, environmental and social performance	Note 5 (partially)
4.6 Avoidance of conflicts of interest	76-79
4.7 Qualifications of Board of Directors for guiding the organisation's strategy on economic, environmental, and social topics	-
4.8 Codes of conduct	77-79
4.9 Procedures for overseeing the organisation's identification and management of economic, environmental, and social performance	76-79 (partially)
4.10 Processes for evaluating the performance of Board of Directors	-
4.11 Explanation of precautionary approach	-
4.12 Participation in externally developed initiatives	24
4.13 Memberships in associations	24, 34
4.14 List of stakeholder groups	4
4.15 Basis for stakeholder identification and selection	-

4.16 Approaches to stakeholder engagement	-
4.17 Use of information resulting from stakeholder engagements	34 (partially)
INDICATORS	
Economic	
EC1 Economic value generated and distributed	5, 34-41
EC2 Financial implications and other risks and opportunities due to climate change	8-9, 22-25 (partially)
EC3 Coverage of the organisation's defined benefit plan obligations	Note 5 (partially)
EC4 Significant financial assistance received from government	19, 43, Note 14
EC5 Standard entry level wage compared to local minimum wage	not appl.
EC6 Policy, practices, and proportion of spending on local suppliers	-
EC7 Procedures and proportion of local hiring, including senior management	not appl.
EC8 Development and impact of infrastructure investments and services	14-19, 24
EC9 Understanding and describing significant indirect economic impacts	23-24 (partially)
Environmental	
EN1 Materials used by weight or volume (internal)	24
EN2 Percentage of materials used that are recycled input materials (internal)	24 (partially)
EN3 Direct energy consumption (internal)	24
EN4 Indirect energy consumption (internal)	24
EN5 Energy saved due to conservation and efficiency improvements (internal)	-
EN6 Initiatives and results for energy-efficient or renewable energy-based products (internal)	-
EN7 Initiatives to reduce indirect energy consumption (internal)	-
EN8 Total water withdrawal by source (internal)	24
EN9 Water sources significantly affected by withdrawal of water (internal)	not appl.
EN10 Recycled and reused water (internal)	not appl.
EN11 Location and size of land managed in, or adjacent to sensitive areas (internal)	not appl.
EN12 Impacts of activities, products, and services on biodiversity in sensitive areas	-
EN13 Habitats protected or restored	-
EN14 Strategies, actions and plans for managing impacts on biodiversity	22-25
EN15 List of endangered species with habitats in areas affected by operations	-
EN16 Total direct and indirect greenhouse gas emissions	24-25
EN17 Other relevant indirect greenhouse gas emissions	24
EN18 Initiatives to reduce greenhouse gases and reductions achieved	25
EN19 Emissions of ozone-depleting substances	-
EN20 NOx, SOx, and other significant air emissions	25
EN21 Total water discharge (internal)	24
EN22 Waste by type and disposal method (internal)	24 (partially)
EN23 Number and volume of significant spills (internal)	not appl.
EN24 Waste deemed hazardous under the terms of the Basel Convention (internal)	-
EN25 Influence of waste water on the environment (internal)	not appl.
EN26 Initiatives to mitigate environmental impacts of products and services	8-9, 22-25
EN27 Reclaimed products and packaging materials (internal)	not appl.
EN28 Monetary fines and non-compliance with environmental laws and regulations (internal)	24
EN29 Environmental impacts of transport and travel (internal)	24-25
EN30 Environmental protection expenditures and investments	22 (partially)
Social	
LA1 Total workforce by employment type, contract, and region (internal)	84-85 (partially)
LA2 Employee turnover (internal)	84 (partially)
LA3 Benefits provided only to full-time employees (internal)	SR + Note 5 (partially)

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INDICATORS	Page in the Annual Report
Social *(continued)*	
LA5 Minimum notice period(s) regarding significant operational changes (internal)	**not appl.**
LA6 % of workforce represented in health and safety committees (internal)	-
LA7 Rates of injury, accidents, occupational diseases, lost days, and absenteeism (internal)	**86 (partially)**
LA8 Education, training and risk-control programmes regarding serious diseases (internal)	-
LA9 Trade union agreements on health and safety topics (internal)	**not appl.**
LA10 Hours of training per employee by employee category (internal)	**86 (partially)**
LA11 Programmes for skills management and lifelong learning (internal)	**84-86**
LA12 Regular performance and career development reviews (internal)	**84-85**
LA13 Composition of governance bodies and employees according to gender, age, etc. (internal)	**80-82, 84-86**
LA14 Salary levels of men to women (internal)	-
Social performance: human rights	
HR1 Human rights screening in investments	**22-25, 78 (partially)**
HR2 Human rights screening of suppliers (internal)	-
HR3 Employee training on policies and procedures on human rights (internal)	**78 (partially)**
HR4 Number of incidents of discrimination and actions taken (internal)	-
HR5 Actions taken to secure freedom of association	**SR**
HR6 Measures taken to prevent child labour	**22**
HR7 Measures taken to contribute to the elimination of forced or compulsory labour	**22, 78**
HR8 Training of security personnel concerning aspects of human rights (internal)	**not appl.**
HR9 Violation of rights of indigenous people and actions taken	-
Social performance: society	
SO1 Policy to assess and manage the impacts of operations on communities	**22-25**
SO2 Business units analysed for risks related to corruption	**36, 78**
SO3 Anti-corruption training (internal)	-
SO4 Actions taken in response to incidents of corruption	**36**
SO5 Public policy positions and lobbying (internal)	-
SO6 Contributions to political parties, politicians and related institutions (internal)	**not appl.**
SO7 Legal actions for anti-competitive behaviour	**not appl.**
SO8 Monetary fines and sanctions for non-compliance with laws and regulations	-
Social performance: product responsibility	
PR1 Responsibility for the life cycle impacts of products and services on health and safety	-
PR2 Incidents of non-compliance concerning health and safety impacts	-
PR3 Obligations to publish product information	**not appl.**
PR4 Breaches against product and service information and labeling	**not appl.**
PR5 Practices related to customer satisfaction	-
PR6 Programmes for adherence to laws and standards related to marketing	-
PR7 Incidents of non-compliance with marketing communications	-
PR8 Breaches of customer privacy and losses of customer data	-
PR9 Significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	-

IC = inside cover
- = not currently covered by the Bank's reporting
not appl. = not applicable to banks generally or due to NIB's status as an International Financial Institution
Note x = refers to a specific note in the Annual Report 2007, pages 51-72
partially = the indicator is partially treated in the Report
internal = all indicators take into consideration both in-house effects as well as the effect of NIB's lending activities, unless specified to only include in-house effects (marked with "internal")
SR = NIB Staff Regulations, available on the Bank's website

Abbreviations

BIL	Baltic Investment Loans were granted by NIB until the end of 1999 for investments in the Baltic countries.
bn	billion(s)
CEB	Council of Europe Development Bank
EBRD	European Bank for Reconstruction and Development
EIB	European Investment Bank
EPE	European Principles for the Environment
GRI	Global Reporting Initiative
HELCOM	The Helsinki Commission
HIPC Programme	Programme for the most indebted countries in the world (Heavily Indebted Poor Countries)
IFI	International financial institution
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.
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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Financial information

NIB's Annual Report, including financial results and information on the sustainability development for the previous year, is published annually. The report covers the period 1 January to 31 December.

NIB updates financial figures three times a year on its website at http://www.nib.int. NIB closes the accounts and makes market adjustments every fourth month: for the period January-April (published in June), the period January-August (published in October) and the period January-December (published in March). Only the year-end figures are audited.

Key figures, news and statements are also available on the website. Readers can order reports online and register to receive press releases by e-mail. NIB's reports can be ordered free of charge.

Reports and publications can also be ordered from NIB's Communications Unit, tel. +358 10 618 001, fax +358 10 618 0723.

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The Baltic Sea needs protection

The photos in this Annual Report focus on the Baltic Sea and its shores. They offer a glimpse into the nature of the Baltic Sea both from above and below the water's surface and convey the atmosphere of this unique inland sea.

The Baltic Sea is surrounded by nine coastal countries. Over 85 million people in more than ten countries live in the catchment area of the Baltic Sea. In recent decades the state of the Sea has declined at an alarming rate due to pollution from human activities. The Baltic Sea is said to be the most polluted sea in the world and is threatened by eutrophication.

The Baltic Sea region is the focus of the Nordic Investment Bank's activities in many ways, particularly in promoting sustainable development.

NIB is now set to provide loans for cutting hazardous emissions in the Baltic Sea. The Bank has set up a new environmental lending facility—the Baltic Sea Environment Financing Facility—with a framework of up to EUR 500 million.

The ecological health of the Baltic Sea is a high priority for all NIB's member countries. The new facility is a response to our member countries' call for the Bank to assume a more prominent role in bringing economic, ecological and social benefits to the member countries and to the entire Baltic Sea region.

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