NORDIC INVESTMENT BANK

We promote sustainable growth through enhancing both the competitiveness of our eight member countries and the global environment by providing long-term complementary financing.

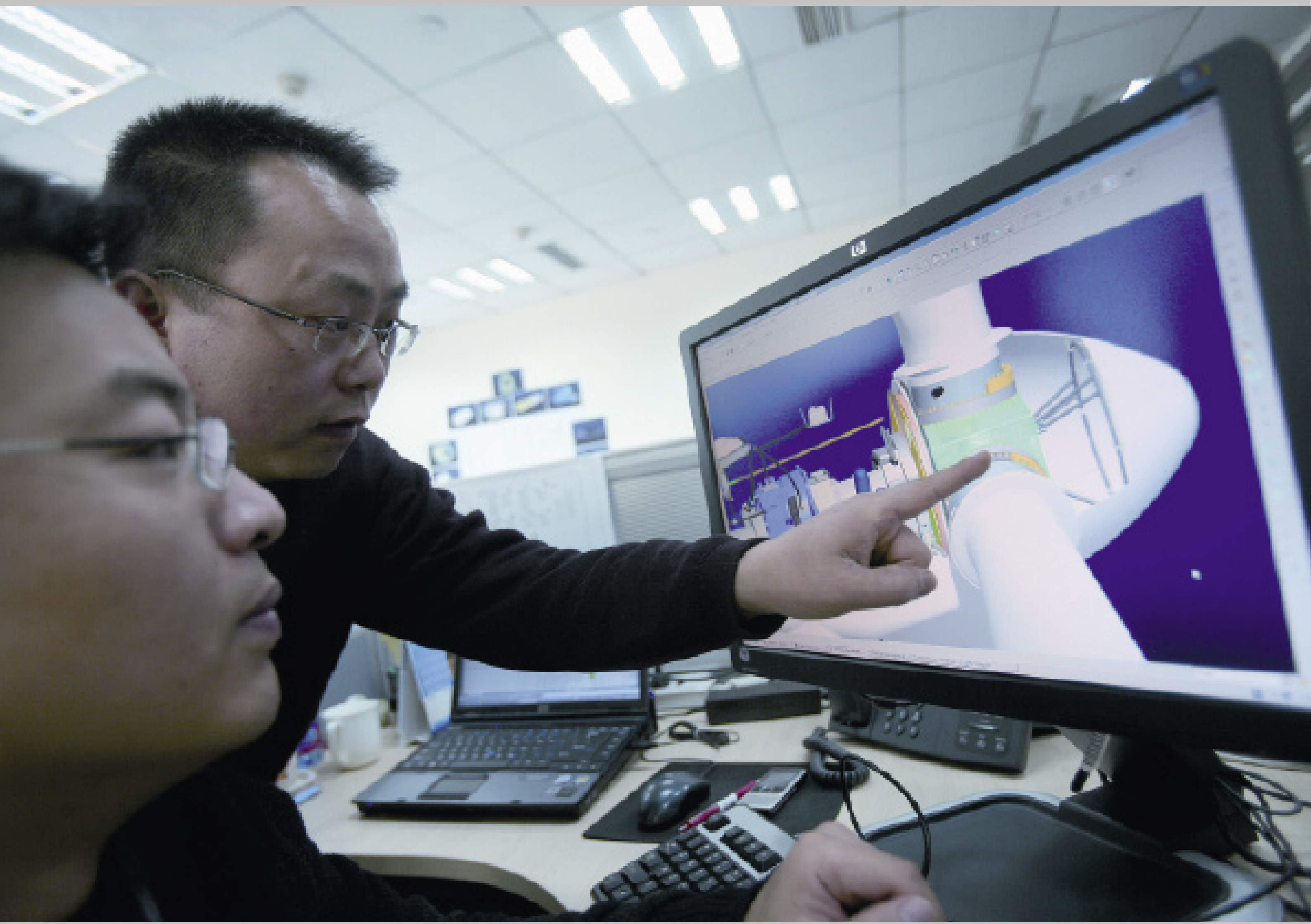
Annual Report 2009

Highlights 2009

This is NIB	• Strong demand for NIB loans and NIB bonds. • The larger Nordic economies showed signs of recovery while activity in the Baltic economies remained constrained.
Mission and impact	• Better fulfillment of the Bank's mandate. • Active shareholder dialogue to promote NIB's profile. • Technical assistance fund to facilitate the implementation of projects within the scope of the Baltic Sea Action Plan set up.
Lending	• Lending capped at EUR 2 billion. • Increased share of lending in focus sectors: environment; energy; transport, logistics and communications; and innovation, comprised 77% of new lending. • The EUR 1 billion Climate Change, Energy Efficiency and Renewable Energy Facility (CLEERE) was fully allocated.
Financial operations	• New borrowing of EUR 4.1 billion with average maturity of 4.8 years. • Inaugural 1 billion euro-denominated benchmark issued. • Strong result contribution from the treasury operation. • Positive valuation effects on financial instruments and on hedge accounting.
Organisation	• The NIB Way programme further developed with the following common values identified and defined: Supportive, Multicultural, Active, Responsive and Target-oriented. • Revised Code of Conduct for the staff. • Knowledge and attitude survey carried out among existing and potential customers, investors and public authorities.

Contents

• The international financial institution of the Nordic and Baltic countries
• Promotes sustainable growth of its member countries by enhancing competitiveness and the environment



Vestas Wind Systems A/S

In the air. Danish Vestas Wind Systems A/S is developing a new type of 3 MW wind turbine for low and medium wind regimes with financing from a NIB loan.

The Nordic Investment Bank

The Nordic Investment Bank (NIB) is an international financial institution (IFI) owned by Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway and Sweden.

The Nordic countries established NIB in 1975, and the Baltic countries became members in 2005.

The Bank finances projects that strengthen competitiveness and enhance the environment. NIB offers competitive long-term loans and guarantees to its clients in the public and private sectors.

NIB focuses on the following sectors: energy; environment; transport, logistics and communications; and innovation. In addition, it finances projects in manufacturing, mining and services. Projects can involve large investments by the corporate sector or investments by small and medium-sized enterprises, targeted in cooperation with financial intermediaries.

Most of NIB's financing is directed towards its member countries, but it also aims at the continued expansion of financing in the neighbouring region and in other countries where a mutual interest has been identified. About one-fifth of its lending operations are to neighbouring regions and other selected non-member countries.

The Bank's strengths as an IFI include its:

- stability and reliability
- experience in financing cross-border investments
- capacity to manage risks
- high credit ratings, due to its high asset quality, strong balance sheet and ownership
- stable supply of long-term financing
- ability to structure complex financing with other IFIs and public/private sector lenders.

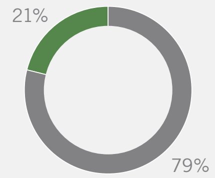
When projects are considered for financing, not only their impact on competitiveness and the environment is analysed, but also their broader, indirect effects on economy and society are taken into account. The projects are viewed from a sustainable growth perspective, to ensure adequate resources for future growth.

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

The Bank has its headquarters in Helsinki, a permanent office in Copenhagen, office premises in Oslo, Reykjavik and Stockholm, and local representatives in Beijing, New Delhi and Moscow. NIB employs 178 people.

Loans outstanding fig. 1

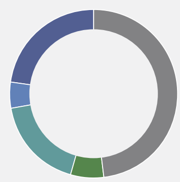
As of 31 Dec 2009



Member countries EUR 10,888mm
Non-member countries EUR 2,874m

Loans agreed 2009 fig. 2

By focus sectors



Environment 48%
Energy 6%
Transport, logistics and communications 18%
Innovation 5%
Other sectors 23%

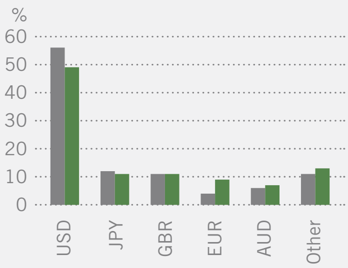
Key figures table 1

(in EUR million unless otherwise specified)	2009	2008
Net interest income	219	212
Core earnings	192	189
Profit/Loss	324	-281
Loans disbursed	1,954	2,486
Loan agreements	1,417	2,707
Loans outstanding	13,763	13,063
Guarantee commitments	12	17
New debt issues	4,137	4,681
Debts evidenced by certificates	17,998	17,549
Total assets	22,423	22,620
Equity/total assets (%)	9.1	7.6
Profit/average equity (%)	17.1	n.a.
Number of employees (persons)	178	170

The sum of the percentage shares may not total 100% due to rounding.

Borrowings outstanding fig. 3

Currency distribution



31 Dec 2008
31 Dec 2009

Interview with the President and CEO

Johnny Åkerholm, NIB's President and CEO, talks about trends in the financial market, NIB's activities in 2009 and the future outlook.

How would you describe the economic developments and the financial market in 2009?

The abrupt dive in the global economy has been stopped, mainly due to unprecedented interventions by the authorities. These interventions have taken the form of vast injections of liquidity and of tax payers' money to support ailing financial institutions and to stimulate private demand. As a result, the financial sector has recovered, but risk aversion is widely spread and the economy is suffering from a limited supply of credit. And of course, several of NIB's member countries have been hard hit and continue to suffer from reductions in output and employment.

How has this influenced NIB?

NIB has continued to experience a strong demand for its loans, while the demand for bonds issued by NIB has remained stable. It is apparent that activities in NIB's focus sectors, energy, environment, transport, logistics and communications and innovation, have suffered from the financing squeeze. Investments in renewable energy have been dramatically reduced during the last couple of years. As many of these are high on the political agenda, NIB has undertaken efforts to secure credit supply on its part. Financing increased energy efficiency in buildings, renewable energy production and transport sector infrastructure and equipment are some examples.

What are the implications for the Baltic Sea region?

Economic growth is severely hampered in the region. But at the same time, the economic challenges can offer new opportunities. In particular, the EU Strategy for the Baltic Sea Region, which was adopted in the autumn, identifies many activities which, when implemented, will generate activity and contribute to strengthening the competitiveness of the region, as well as foster research and development. The same is true for the Baltic Sea Action Plan, as well as the development of the Northern Dimension Transport and Logistics Partnership.

How can the financial sector facilitate environmental investments?

There is not much that the financial sector can do on its own. The general rule will continue to prevail: good and low-risk investments will always be financed. Many investments in the environmental field are typically long-term in nature, while their economics rely on public measures. As a result, they become risky, both to investors and to financiers. Authorities will have to find means which strengthen the predictability and the investment climate.

What will the economic outlook be following the crisis?

The global economy will no doubt recover, but the world will have changed. An imminent challenge for the authorities will be to find an optimal timing for ending the stimulus measures. If implemented too early, the risk of recovery being aborted is high. If implemented too late, the seeds for the next crisis will have been sown.

It should be noted that the basic reason for the financial crisis was too much liquidity for too long. And now it is being cured by providing liquidity in even larger amounts. The public sector will be subject to large adjustments in many countries, partly as a result of the large debts incurred in recent years, and partly as a result of the structural changes. We will see shifts in growth between the different regions of the world, but also between different economic sectors.

What was NIB's contribution within its focus sectors in 2009?

Our target was to further increase the share of lending being directed to the focus sectors, and this was successfully accomplished with three-quarters of new lending going to projects in these areas. Environmental projects, which include renewable energy, played an important part, but also other energy sector investments and projects in transport, logistics and communications were prominently represented. It can also be noted that by the end of the year we had fully allocated the CLEERE 1 billion euro special facility, which we launched in 2008 for financing projects in the areas of climate change, energy efficiency and renewable energy.

A new activity worth mentioning from 2009 is the launch of the special trust fund to support the preparation of projects that contribute to the implementation of the Baltic Sea Action Plan, which we organised with NEFCO.

We are very pleased that, thanks to the contributions by Sweden and Finland, the fund could be established and start its activities. We hope that other parties will bring in additional contributions.

What does it imply when NIB is referred to as a sustainable banker?

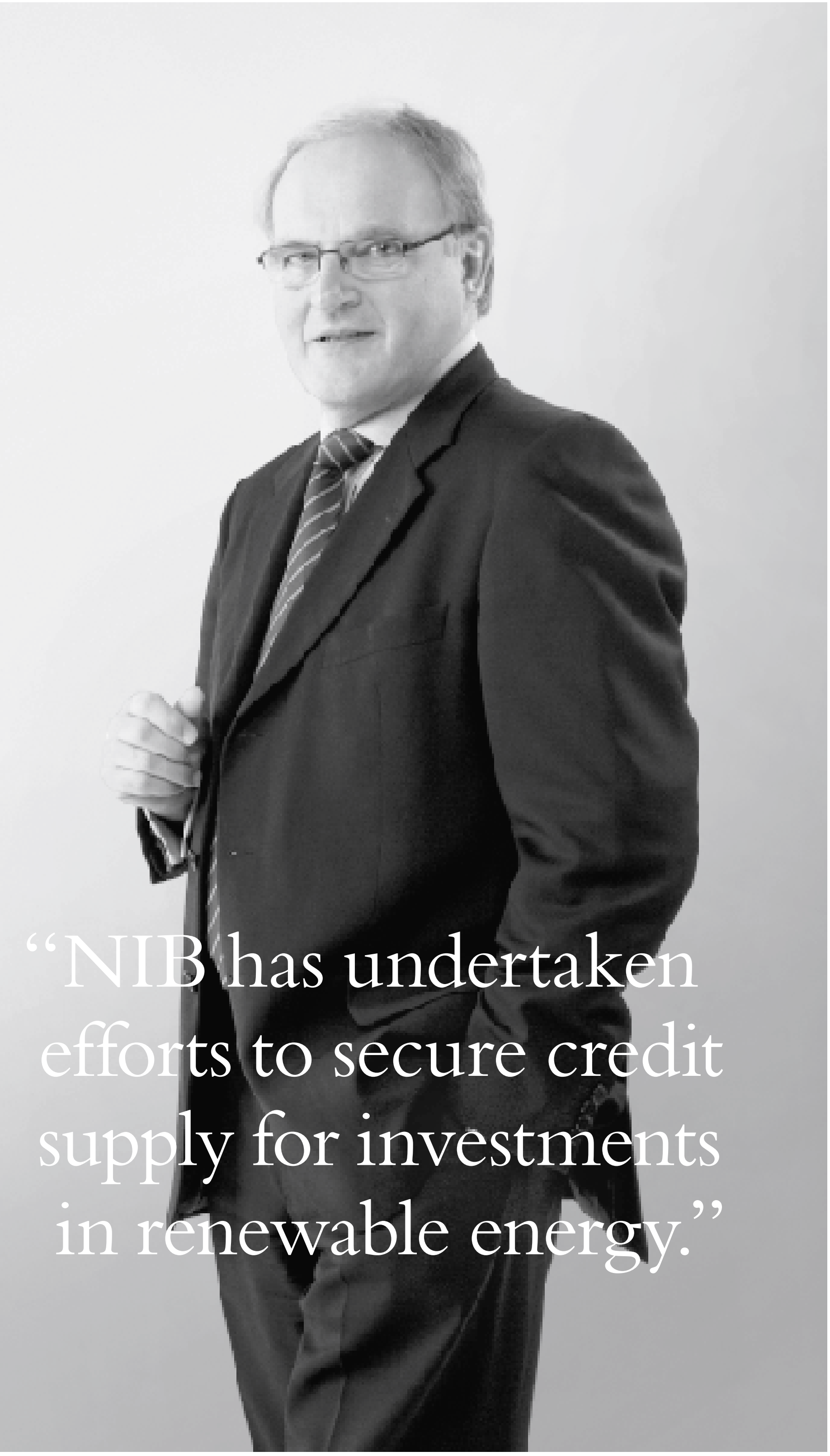
Being a long term-lender involves promoting corporate responsibility issues, including good governance, to improve the predictability, transparency and accountability of our actions. We require this approach from our clients too. We cannot afford to have a business relation that has conflicting long-term goals.

Taking environmental and social aspects into account is part of good business and leads to sustainable development. We believe that this approach enhances our clients' competitive advantage and that economic growth for our member countries and a healthy environment goes hand in hand. Going forward, we will further promote development and implementation of investments that successfully combine our two mission targets: competitiveness and environment. NIB's activities show that sustainable banking is an asset you feed from the top and are rewarded with positive bottom line results.

What are stakeholders' reactions to the Bank's explicit mandate?

It is important for the development of our operations to know how the Bank is perceived by different stakeholders. In 2009, we conducted a knowledge and attitude survey, which showed that we are well-known among present lending customers and investors, including intermediary banks, and that we enjoy an overall positive reputation. Especially on the environmental side there seems to be clear recognition by key stakeholders.

The results will be used both in developing our activities and adjusting our communication policy, which seeks to support our business activities. The challenge is to broaden our visibility, particularly within the focus sectors and to maintain our positive image. But at the end of the day, it is far more important what we do than what we say, in order to succeed.



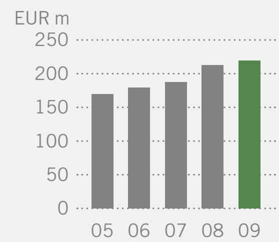
"NIB has undertaken efforts to secure credit supply for investments in renewable energy."

Five-year comparison

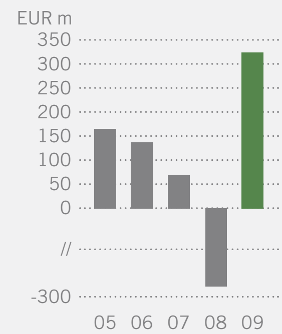
AMOUNTS IN EUR MILLION	2009	2008	2007	2006	2005
STATEMENT OF COMPREHENSIVE INCOME					
Net interest income	219	212	187	179	169
Commission income and expense etc.	9	11	6	7	9
General administrative expenses, depreciation and write-downs	-36	-35	-32	-32	-28
Core earnings [1]	**192**	**189**	**161**	**154**	**150**
Realised and unrealised gains/losses of the trading portfolio	137	-352	-82	-10	11
Impairment of loans	-43	-79	-	-	-
Adjustment to hedge accounting	38	-39	-10	-7	5
Profit/loss for the year	**324**	**-281**	**69**	**137**	**165**
STATEMENT OF FINANCIAL POSITION					
Assets					
Cash and cash equivalents, placements and debt securities	6,738	7,375	6,177	5,268	4,984
Loans outstanding	13,763	13,063	12,291	11,534	11,717
Intangible and tangible assets	40	42	44	43	42
Accrued interest and other assets	1,883	2,141	1,461	1,143	1,435
Total assets	**22,423**	**22,620**	**19,973**	**17,988**	**18,178**
Liabilities and equity					
Amounts owed to credit institutions and repurchase agreements	653	1,218	546	620	568
Debts evidenced by certificates	17,998	17,549	15,023	13,622	14,456
Accrued interest and other liabilities	1,722	2,123	2,367	1,726	1,209
Paid-in capital	419	419	419	419	419
Statutory Reserve	671	657	646	645	645
Credit risk funds	623	904	860	773	667
Payments to the Bank's Statutory Reserve and credit risk funds, receivable	18	32	43	43	43
Other value adjustments	-3	-	1	4	7
Profit/loss for the year	324	-281	69	137	165
Total liabilities and equity	**22,423**	**22,620**	**19,973**	**17,988**	**18,178**
ACTIVITIES					
Disbursements of loans to					
Member countries	1,584	1,876	1,761	991	1,574
Other countries	370	611	630	614	518
Total	**1,954**	**2,486**	**2,390**	**1,605**	**2,092**
Guarantees issued to					
Member countries	-	-	-	-	-
Other countries	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**
Loans outstanding at year-end					
Member countries	10,888	10,142	9,873	9,206	9,501
Other countries	2,874	2,920	2,417	2,328	2,216
Total	**13,763**	**13,063**	**12,291**	**11,534**	**11,717**
Guarantee commitments at year-end					
Member country guarantees	12	17	25	25	25
Other country guarantees	-	-	-	-	-
Total	**12**	**17**	**25**	**25**	**25**
New debt issues (including capitalisations)	4,137	4,681	4,288	2,689	2,059
Number of staff (at year-end)	178	170	158	160	150

[1] Core earnings consist of the profit before adjustments to hedge accounting, realised and unrealised gains/losses of the trading portfolio, credit losses and reversals thereof.

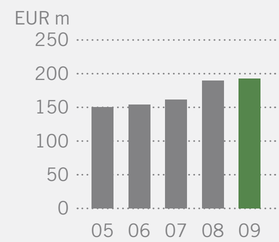
Net interest income fig. 4



Profit/loss fig. 5

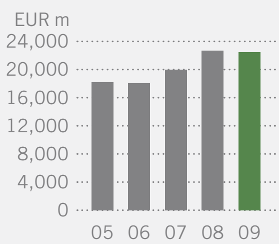


Core earnings [1] fig. 6

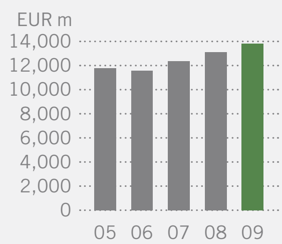


[1] Core earnings consist of the profit before adjustments to hedge accounting, realised and unrealised gains/losses of the trading portfolio, credit losses and reversals thereof.

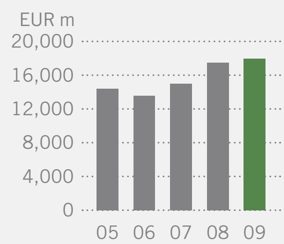
Total assets fig. 7



Loans outstanding fig. 8



Borrowings outstanding fig. 9



Loans in member countries fig. 10

Loans in non-member countries fig. 11

Borrowings fig. 12

NIB and sustainability

Promoting sustainable growth is at the heart of NIB's mission. This refers to achieving long-term growth without significant or permanent damage to the environment and the economy's natural productive capacity. Sustainability also includes other aspects of corporate social responsibility, good governance and pursuing the highest ethical standards.

The Bank aims to assess sustainability at all levels in its operations. One of the most important aspects is the environmental effects of the projects financed by the Bank. NIB is committed to ensuring that these projects are operated in a manner consistent with the requirements of relevant EU environmental principles, legislation and practices.

One of the biggest environmental challenges on a global level is combating climate change. NIB considers financing projects which lead to reduced emissions and minimised trans-boundary pollutants. Over the years, NIB has built up a strong client base comprising companies at the forefront of green technology in renewable energy. Transfer of this technology is an important means of mitigating the effects of climate change. NIB, together with its client base, is well positioned to facilitate the build-up and improvement of basic infrastructure capable of sustaining the effects imposed by global warming.

On a regional level, one area worth mentioning is the Arctic region, which is strongly affected by climate change with more rapid and pronounced effects being observed than in other parts of the world. Adaptation measures are needed in particular to protect vulnerable habitats and although some measures are specific to the climatic conditions of this area, experience gained here can be replicated for the benefit of other parts of the world.

Several projects have been allocated to the Bank's environmental lending facilities, BASE (Baltic Sea Environment Financing Facility) and CLEERE (Climate Change, Energy Efficiency and Renewable Energy Facility), launched in 2008. CLEERE focuses on climate change mitigation and BASE focuses on the Baltic Sea region. In 2009, a fund for implementing the HELCOM Baltic Sea Action Plan was established. The fund is managed by the Bank together with its affiliate organisation Nordic Environment Finance Corporation (NEFCO). More information on the lending facilities and the Baltic Sea fund can be found in the Lending chapter on page 19.

In fulfilling its mandate, another important target for the Bank's lending is the SME sector. The Bank reaches projects in this sector mainly through financial intermediaries. This sector is vital for sustainable development and the Bank has also promoted female entrepreneurship through this type of financing previously.

Stakeholder collaboration. NIB has developed several policies, such as a disclosure policy and an environmental policy, in order to broaden the open dialogue with its stakeholders.

The Bank maintains close cooperation with other IFIs. NIB has signed the European Principles for the Environment as well as endorsed the Uniform Framework for Preventing and Combating Fraud and Corruption together with other IFIs. Several initiatives were taken by the IFI community during the year, particularly in connection with the UN Conference on Climate Change in

HKL/Helsinki City Transport

Riding the rails

For several years, the cities of the Helsinki metropolitan area, with a combined population of 1.3 million, have been cooperating closely to develop their public transport systems. The starting point for this development is rail services: trams, metro, and trains.

"There has been a dramatic change in the way people perceive public transport in Helsinki," says Matti Lahdenranta, Managing Director of Helsinki City Transport.

"We have to focus on the sustainable development of the traffic circulation in general. There is also a strong political will to support this development. And in both cases it is rail transport that is becoming the trendy way to travel."

Helsinki has received an NIB loan totalling EUR 50 million with a maturity of 30 years for acquiring 40 new low-floor trams and 48 new metro cars. The new metro cars will be taken into service on the expanding metro line scheduled to open in 2014.

"Attitudes are changing. Sustainability has become more than just lingo—you can actually bank on it."

Siv Hellén
Chief Compliance Officer

Copenhagen (COP 15). NIB and other IFIs are committed to contributing towards the achievement of the Millennium Development Goals.

NIB has arranged seminars in cooperation with the business community and has a Business Advisory Group consisting of external professionals to act as a discussion platform for new activities. To further develop its relationship with its existing and potential customers, NIB carried out a knowledge and attitude survey in October 2009. Read more about the survey on page 44.

Institutional sustainability. NIB is committed to being a good corporate citizen. This means constant improvement to achieve best practices in its daily activities. With a relatively small staff, it is crucial that the Bank's working environment attends to the staff's health and well-being and maintains motivation. NIB is working intensively towards refining its shared corporate culture. The NIB-way programme launched last year continued during 2009 with a revised Code of Conduct for the Staff, based on NIB values. The Bank's compliance function, its Compliance Policy, Resolution on Fighting Corruption, integrity due-diligence process, Codes of Conduct, Compensation Policy and job satisfaction surveys are a few of the policies and actions supporting these efforts.

A visible part of NIB's sustainability work is the Global Reporting Initiative (GRI). GRI's sustainability reporting framework is an integral part of the Bank's annual reporting. The GRI index (pages 49–52) includes references to where the relevant information can be found in the report.

Sustainable growth is a global issue, but the solutions and measures require support on an individual level. Awareness is increasing on how globalisation and climate change affect different groups and societies, men and women, in different ways. Both the public and private sector are realising that sustainable growth is the only means to achieve profitability in the long run. This will help the Bank in its future endeavours.

Economic landscape

The downturn in the global economy appears to have reached bottom last year and most major economies across the globe began to show signs of recovery. The larger Nordic economies followed suit, while activity in the Baltic economies remained constrained. Conditions in global financial markets improved significantly on the back of rising confidence and increased appetite for risk. Interest rate spreads declined and equity markets rallied.

While it is too early to declare the all clear, most signs indicate that the grip of economic recession loosened its hold on the world economy in 2009. Most major economies contracted early in the year but in the second half, sentiment had improved for some time and economic growth on the global level turned positive. Several Asian economies, China in particular, took the lead in this recovery. Government stimulus such as increased public spending and lower interest rates provided the main impetus to the recovery as private demand, at least initially, was feeble.

In the Nordic-Baltic region, GDP growth tumbled dramatically in the first half of the year but stabilised in the second half, somewhat earlier than expected. The recovery was more hesitant in Iceland and some of the Baltic economies, which have been hit particularly hard by the recession. At the end of the year however, production volumes across the region were still lower than a year earlier, and, for the year as a whole, the size of the region's economy contracted by several percentage points compared to 2008 levels.

All NIB member countries saw sharp falls in corporate investment, despite some recovery in earnings, as ample spare capacity depressed the need for any expansion. Household spending was held back by meagre income growth and rising unemployment. The export dependent Nordic countries also continued to suffer from very weak export demand, although some improvements were seen in the final months of the year. In the Baltic economies and Iceland, the contraction in domestic demand was more severe than in foreign demand, which contributed to bringing their current accounts better into balance.

While the recovery in real economic activity during the latter half of the year was uneven and sluggish, conditions in global financial markets improved steadily and significantly throughout the year. Initially, this was driven by a perception that the government interventions had succeeded in lowering systemic risk in the financial sector and that the worst of the recession was over. As the year progressed, stronger than expected global economic activity led to further improvements in market sentiment. Interest rate spreads declined on the back of rising risk appetite while increased confidence in the banking system produced lower interbank rates. Moreover, many equity markets, including in the Nordic countries, posted significant gains. While financial market conditions improved also in the Nordic-Baltic region, the development varied significantly across economies.

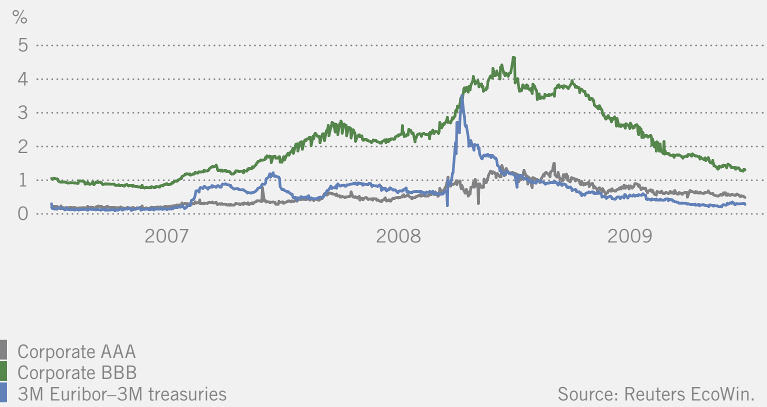
Still, even as conditions in financial markets improved, firms continued to face difficult financing conditions. Many banking systems remained undercapitalised and private lenders' already tight credit standards were tightened further. Consequently, credit expansion to firms and to households stagnated during the year in most major economies, although some improvement was seen towards the end of the year.

"Conditions in global financial markets improved significantly throughout the year, although among the NIB member countries developments were very diverse."

Martin Carlens
Director, Head of Mandate

Eurozone interest rate spreads fig. 13

Spread to government bond rates



Source: Reuters EcoWin.

• NIB strengthens the competitiveness of the Bank's member countries and clients • Executes one of the most explicit environmental mandates among the large IFIs • Emphasises the assessment of environmental aspects in all financing

Tommi Tuomi

New Neva sewage tunnel cuts down direct discharges. The Neva Closure of Discharges of Untreated Wastewater Programme, financed by NIB and two other international financial institutions, is expected to deliver 98% efficiency in St. Petersburg's wastewater treatment by 2015.

Strengthening competitiveness and enhancing the environment

NIB measures to what extent it fulfils its mission, which includes one of the most explicit environmental mandates among the large IFIs. Projects in 2009 were assessed to have higher potential mandate impact than projects in 2008.

The mission of the Nordic Investment Bank is to promote the sustainable growth of its member countries. NIB provides long-term complementary financing, based on sound banking principles, to projects that strengthen competitiveness and enhance the environment. By fulfilling this mission, NIB provides added value to its stakeholders. In this chapter, the two mission targets of enhanced competitiveness and environment are examined.

Since 2008, the Bank has measured to what extent it fulfils its mission. A key part of this work is the mandate assessment that all new projects undergo, which rates the projects' expected impact on competitiveness and on the environment. A potentially positive impact on either or both factors is a necessary condition for the Bank to extend financing. NIB's framework for assessing mandate fulfilment was refined and expanded during the year.

Assessing competitiveness impact

Assessing a project's effect on competitiveness is somewhat complex as it can be interpreted in many ways and the impact is not easily measured. Competitiveness is regarded as a country's ability to achieve a sustainably higher level of wealth and prosperity. In the long run, this tends to depend mainly on the efficiency with which a country uses its resources. With this as a basis, NIB focuses on assessing the microeconomic competitiveness of its member country economies. This is a more appropriate approach as the Nordic-Baltic region's economy is an aggregation of many producing units, including companies. Unless the companies strengthen their competitiveness, the region's economy is unlikely to become more competitive.

NIB's framework for assessing the impact on competitiveness is supported by the academic literature on microeconomic competitiveness, regarding what makes firms more productive. To support a consistent assessment of all projects, the Bank has defined a range of factors that can improve a company's competitiveness, informally referred to as competitiveness enhancers. These can be grouped into three categories depending on their effect: direct effects, wider direct effects and indirect effects. The direct effects are such that the company itself can influence them. Examples from this group of competitiveness enhancers are the results of investing in a more cost-efficient production facility or in a new facility located closer to the company's suppliers.

Project examples. Wider direct effects and indirect effects are external factors, which affect the environment where the company is active. External factors that impact a company's productivity include the quality of physical infrastructure, and well functioning financial markets which enables companies to finance long-term investments. An example of a project with wider direct effects is an investment in a new university building, which may improve the level of education of the population in the region. An example of an indirect effect is an investment that produces increased competitive pressures in a business sector, which stimulates or forces other companies to improve their efficiency or productivity.

A number of general indicators have been identified that are used to capture to what extent each of these competitiveness enhancers are working. In addition, a number of sector specific indicators for the Bank's focus business sectors are used. One example of an indicator applicable for projects in the energy sector is the percentage increase in the number of power users.

When the competitiveness impact has been categorised and measured using the indicators, a summary rating of the project's potential competitiveness impact is made. NIB measures the effect on competitiveness only in relative terms, for example the percentage increase in output. Consequently, an investment yielding large absolute increases in production may be rated lower than one yielding smaller increases. The impact on the company is then compared to similar projects in similar business sectors and receives a rating on a five degree scale.

In order to gain a proper measure of a project's expected competitiveness impact, an assessment is made of the risk that the full potential will not be realised. This is the implementation risk. Factors affecting the implementation risk include business risk, regulatory risk and information risk. The potential impact and the implementation risk carry equal weight.

In assessing a project's overall effect on competitiveness, NIB attaches higher importance to the indirect effects and to wider direct effects on the larger business community. Whether the impact is direct or indirect has limited importance for the overall effect on the competitiveness of the economy. However, by putting a high premium on those effects having immediate benefit to the competitiveness of the wider economy, NIB can provide value-added beyond what commercial banks normally do.

Assessing environmental impact

The environmental mandate covers projects that have either a direct or indirect positive net environmental impact, for example, renewable energy projects. Another area is research and development projects leading to environmental benefits. NIB prioritises environmental investments, which reduce cross-border pollution in the member countries and in their neighbouring regions. The member countries are also influenced by environmental impacts originating outside the Bank's immediate neighbouring countries, such as transboundary pollution, emissions of greenhouse gases leading to climate change and the spreading of persistent organic pollution.

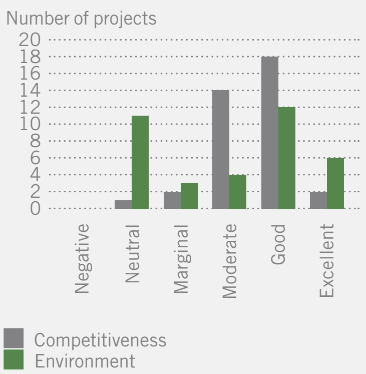
A direct positive environmental net

impact requires a quantitative assessment of environmental benefits, for example reduced emissions to air or water and the implementation of Environmental Management Systems. Indirect effects can relate to research and development projects, spill-over effects on other companies or setting a new industry benchmark level.

To be able to achieve a positive environmental impact rating, the project must comply with NIB's Environmental Policy and Guidelines and relevant national legislation. Then the basic assumption—defining and limiting the scope or boundaries for the analysis—is the first step for each of these three analytical elements: peer group performance, best available improvement and absolute positive environmental impact. It may not be possible to perform an analysis for all three of these elements in all projects.

Qualitative vs. quantitative results. Each project is assessed within its industry peer group. The best performer in one sector could therefore, in terms of quantitative environmental benefits, have a less positive impact than the worst performer in another industry sector. For instance, the revamping of an existing commercial building to achieve world-class energy efficiency cannot be measured against a marginal efficiency gain in

Potential impact ratings 2009 fig. 14



an existing thermal power station, even if the absolute savings in kWh are most probably higher for the latter.

It is important to note that the potential impact analysis is not quantitative, but rather aims at a qualitative understanding of the overall environmental effects of the project.

The environmental impact is measured on a six degree scale, which also includes a negative rating that is not applicable to competitiveness. The environmental assessment also covers both the potential impact as well as the implementation risk of the project, the risk that the full environmental impact will not be realised.

Competitiveness and environmental impact in 2009. NIB started to formally assess project impact on competitiveness and the environment in the spring of 2008. Hence, 2009 was the first full year of mandate assessments, and of the 40 new loans agreed, over 70% of these projects received a potential mandate impact rating of "Good" or better.

Projects belonging to one of the Bank's four focus sectors on average received higher ratings than projects in non-focus business areas. Comparisons with 2008 are connected with some uncertainty since the number of projects and reference points at the time were limited. However, on average, 2009 projects were judged to have higher potential mandate impact than projects in 2008. In other words, the Bank's success in providing value-added increased.
A combination of higher demand for NIB credits, and thus a greater supply of potential projects, and a more focused selection of projects are likely to have played an important role in improving the result.

"A potentially positive impact on either competitiveness or the environment or on both is a necessary condition for NIB to extend financing."

Hilde Kjelsberg
Vice-President
and Head of Credit and Analysis

Environmental compliance and cooperation

All projects which NIB considers for financing undergo an environmental analysis, whereby the projects are classified according to their estimated positive, neutral or negative environmental impact. NIB defines the term "environment" in its broadest sense, including not only ecological aspects but also social aspects.

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

Like all NIB loans, environmental loans are provided on market terms and do not include any form of subsidy. 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 views combating climate change through the reduction of emissions of greenhouse gases as an important issue.

Environmental activities are inherent to NIB's daily activities and the environmental management system is integrated into the Bank's other management systems. Four analysts work full-time on environmental assessments and the development of environmental projects. The Bank's loan officers are also actively involved in the identification and management of environmental loans.

Environmental lending facilities. The Climate Change, Energy Efficiency and Renewable Energy Facility, CLEERE, was fully deployed by the end of 2009. Launched in early 2008 with a framework of EUR 1 billion, CLEERE rapidly became popular, and it helped NIB identify and finance projects in renewable energy and energy saving.

The Baltic Sea Environment Financing Facility, BASE, has a framework of EUR 500 million. NIB is well positioned to tackle these projects as the Bank operates in the entire Baltic Sea drainage basin area. For more information on these two facilities and projects financed during 2009 that fall under these facilities, please refer to the Lending chapter on page 18–27.

Environmental policy. The environmental policy presents the environmental principles which NIB follows. In the environmental policy the procedures and guidelines that must be adhered to by our own institution and the projects we finance is described. It is also our way of better communicating NIB's standing on environmental issues in relation to the Bank's mission and strategy. The environmental policy is harmonised with the policy and principles of other international financial institutions.

Dialogue with stakeholders. NIB endeavours to maintain an open dialogue with its stakeholders. As part of the environmental policy, NIB publishes all category A projects—projects with the potential for large environmental impacts—for a 30 day period on its website before any final decision on the projects is taken by NIB. Comments received during the public disclosure are taken into consideration in the project appraisal.

Environmental conferences provide a platform to interact with various stakeholder groups, and NIB participated in several such events during the year, such as the Regional Conference on the Baltic

Environmental cooperation table 2

NIB seeks business partners who share its vision and commitment to sustainable development.

Organisation or principle	Focus of action	Result
Northern Dimension Environmental Partnership (NDEP)	Environmental problems of the Baltic Sea region, the Barents region and Northwest Russia	Promotion of sustainable solutions in wastewater treatment, solid waste management, energy supply or treatment of nuclear waste
Baltic Marine Environment Protection Commission aka Helsinki Commission (HELCOM)	Marine environment of the Baltic Sea	Identification and prioritisation of safety and environmental projects for the preservation of the Baltic Sea
Council of the Baltic Sea States; Baltic Agenda 21	Baltic Sea related cooperation issues	Identification and prioritisation of projects for the strengthening of the Baltic Sea Region
Environmental Working Group of international financial institutions	Harmonisation of policy guidelines and working procedures between IFIs	Promotion of sound, coordinated and effective approaches to environmental issues
The European Principles for the Environment (EPE), signatory with EIB, EBRD, CEB and NEFCO	EU environmental legislation, principles and standards	Further harmonisation of environmental issues

Ord&Handling A/S

New waste-to-energy plant

With NIB financing, the energy company Eidsiva Energi is constructing a new waste-to-energy plant in eastern Norway that will produce renewable energy based on mixed municipal waste and industrial waste fractions. The new plant is part of Eidsiva's increased focus on renewable energy, and the aim to increase the production of waste-based energy and energy based on other renewable bioenergy sources, to 1 TWh by 2015.

The loan totalling EUR 40 million, is earmarked for the construction of the waste-to-energy plant, which will be able to produce approximately 200 GWh of thermal and electrical energy. The district heating network capacity will be doubled, enabling new users to hook up to the cost-effective and environmentally friendly energy network.

"Without the right infrastructure and customers, many waste incineration plants let the energy generated go up in smoke. Proximity to users of energy, like industry, trade and service facilities and residential areas, is key in running a waste-to-energy-plant," explains Tormod Botheim, Head of operation for Eidsiva's bioenergy branch, Eidsiva Bioenergi AS.

The waste-to-energy plant already has a customer base for 50 GWh of district heating energy and upon completion, by the end of 2011, the plant will treat up to 72,000 tonnes of waste a year.

NIB's direct environmental impact

table 3

	2007	2008	2009	Change from previous year
Electricity (MWh)	1,900	1,778	1,664	-6%
District heating (MWh)	1,957	1,738	1,901	9%
District heating (kWh/m^2)	105	93	102	9%
District cooling (MWh)	-	18.3	105.7	478%*
Water (m^3)	1,850	1,863	1,893	2%
Paper (tonne)	12.3	11.0	11.7	6%
Business travel, air (km)	5,674,030	5,583,132	5,353,810	-4%

*The district cooling system was taken into operation starting from the first of July 2008. An estimated 98% of the paper was recycled.
NIB employees travelled 5,354,000 km in the course of their work during 2009, which equals approximately 29,400 km/employee.

Energy Market. Another example is the Baltic Sea seminar at the Almedalen Week (see page 43). NIB is also an active participant in the Baltic Sea Action Plan implementation group, focusing on identifying viable projects for the preservation of the Baltic Sea.

Project appraisal. 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 the social aspects of projects to an increasing extent, 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. Detailed information on NIB's environmental appraisals can be found in table 5.

NIB's direct environmental impact. NIB's direct environmental impact through its daily operations is much smaller than the indirect impact deriving from the projects it finances. However, the Bank also emphasises environmentally and socially sound practices in its daily operations. Regarding 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 noncompliance with environmental laws or regulations.

Table of emission reductions from NIB financed environmental projects in 2009 — table 4

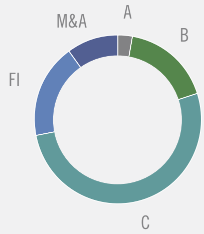
Substance	Estimated reductions, 2007	Estimated reductions, 2008	Estimated reductions, 2009	Explanation and comparison of substance
CO_2 or CO_2 equivalents	900,000 t/a	1,090,000 t/a	240,000 t/a	The most common of the greenhouse gases. Yearly CO2 emissions in Finland are approx. 70 million tonnes.
Phosphorous, Nitrogen and Biological Oxygen Demand (BOD5) (emissions to water)	80 t/a phosphorous and 140 t/a nitrogen	To be determined. 2 projects with positive impacts agreed, but quantifiable data is lacking.	65 t/a phosphorus, 82 t/a nitrogen and 545 t/a BOD5 quantified 1 project with positive impacts agreed, but quantifiable data is lacking. 1 project leads to a decrease in suspended solids.	Runoff from wastewater and farmland increase the nutrient load in watercourses and oceans, as well as contribute to oxygen depletion. 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	To be determined. 2 projects with positive impacts agreed, but quantifiable data is lacking.	230 t/a NOx and 580 t/a SO2 quantified 3 projects with positive impacts agreed, but quantifiable data is lacking. 1 project leads to a reduction in dust, dioxin and heavy metal emissions. 4 other projects lead to decrease in particles.	Airborne emissions created through the burning of fossil fuels reach the ground through acid precipitation. Yearly emissions of NOx and SO2 in Finland are approx. 190,000 and 80,000 tonnes respectively.

NIB reports the share of emission reductions that is the result of the Bank's contribution in project financing.
The estimated emission reductions of long-term loan programmes are concluded retrospectively.

Environmental appraisals

table 5

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 five different groups, according to their potential environmental impact. Projects or parts of a project, in any of the five categories may be defined by NIB as environmental investments.



CATEGORY A (3% of total number of loans agreed in 2009)

- the project has the potential for making an extensive environmental impact
- the project must undergo a full EIA
- 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
- an example of a category A project is Eidsiva Energi (see case story on page 15)

CATEGORY B (17% of total number of loans agreed in 2009)

- the project has the potential for making a moderate environmental impact
- the project must undergo a partial EIA
- an example of a category B project is the Neva tunnel described on page 11

CATEGORY C (52% of total number of loans agreed in 2009)

- the project is considered to have an insignificant or not readily measurable environmental impact
- the project is not required to undergo any formal EIA
- an example of a category C project is the R&D investment in wind power in Vestas described on page 2

CATEGORY FI (18% of total number of loans agreed in 2009)

- loan programmes realised through financial intermediaries worldwide and through governments in emerging markets
- the onlending intermediary's environmental review capacity is assessed

CATEGORY M&A (10% of total number of loans agreed in 2009)

- loans to projects that involve mergers or acquisitions
- the environmental liabilities connected to the transaction is assessed and the client is deemed to have adequate capacity to handle the identified risk

Environmental impact assessment. Environmental impact assessments (EIAs) are usually carried out by independent consulting firms. The EIA includes 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, the public or those groups affected by the project are to be consulted during the EIA process. 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.

Monitoring. NIB requires environmental monitoring of projects in certain cases. In accordance with the revised environmental policy, all category A projects will be monitored, as well as other projects with an identified need for follow-up. The monitoring is carried out either by personnel from NIB's environmental unit or by independent environmental experts. The monitoring may include, for example, the monitoring of water quality in a watercourse or the measurement of discharges from an industrial plant.

"Environmental liabilities in projects can directly influence the client's bottom line and their ability to service the loan. By taking environmental issues into account in the early stages of a project, both environmental and economic problems can be avoided in the future."

Johan Ljungberg
Senior Director,
Head of Environmental Unit

• Long-term financing • Increased efforts in the Bank's focus sectors: energy; environment; transport, logistics and communications; and innovation • IFI status facilitates financing cross-border activities

Pamela Schönberg/NIB

Turbines keep on turning. As part of a renovation programme partly financed by NIB, a new turbine is being installed in the Pirttikoski hydropower plant, run by the Finnish energy company Kemijoki.

Lending activity

Despite global recession and financial market constraints underpinning a continued strong demand for NIB loans, lending volumes were reduced in 2009 in order to keep the growth in asset lending in line with the Bank's longer term targets. Disbursements reached the planned level of approximately EUR 2 billion. A strong increase was recorded in the share of lending to the focus sectors, accounting for 77% of new loans agreed and 76% of disbursements.

The Bank has identified some sectors that in particular contribute to the fulfilment of the Bank's mandate: environment, energy; transport, logistics and communications; and innovation. The business plan for 2009 targeted a further increase in the lending in these sectors. The result exceeded the target for the year. The Bank also continued lending to projects in the manufacturing and service sectors as well as providing financing through financial intermediaries.

The total amount of new loans agreed between NIB and its clients during the year (hereafter referred to as loans agreed or new lending) was EUR 1,417 million.

The global recession continued in 2009, severely affecting the economies in all of the Bank's member countries. In particular, Iceland and the Baltic states experienced steep downturns. The difficult circumstances caused the risk-rating of many of the Bank's clients to deteriorate and the number of work-out cases to increase. Loan losses were, nevertheless, moderate and the amount of impaired loans did not grow substantially, indicating the strong quality of the Bank's loan portfolio.

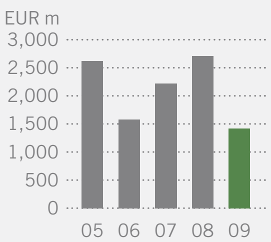
The financial markets continued to face severe constraints in spite of some normalisation during the year. The demand for loans from NIB remained on a very high level but could not be met as the Bank decided to restrict the disbursement volume to EUR 2 billion in order to keep its growth in lending assets on the long-term curve as directed by the Bank's capital base.

The amount of loans outstanding increased more than expected compared to year-end 2008, mainly due to an exceptionally low volume of early redemptions, and totalled EUR 13,763 million by 31 December 2009. The amount of guarantees was EUR 12 million.

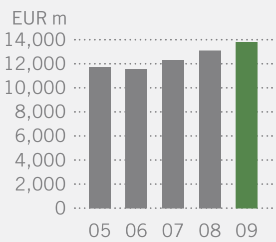
The Bank successfully continued to arrange A/B loans with two new loans being concluded for telecommunications projects in Brazil and Russia respectively. This financing mechanism involves co-financing with a group of commercial banks whereby NIB provides a loan from its own resources (the A loan) and also acts as lender of record for a loan fully funded by the commercial banks (the B loan). In this way, the co-lending banks gain the benefit of NIB's status as an international financial institution, which is reflected in the terms on which the B loan is extended, thus providing the borrower with better conditions than would otherwise have been obtained. NIB intends to further widen the range of these transactions, which have been favourably received in the market.

Lending continued under the two special lending facilities targeting priority sectors. The Climate Change, Energy Efficiency and Renewable Energy Facility, CLEERE, established in 2008, was fully allocated during 2009 with a total of EUR 1,000 million in loans provided to 36 projects addressing climate change mitigation and adaptation, primarily in the energy sector but also in industry and transports. Lending under the EUR 500 million Baltic Sea Environment Financing Facility, BASE, established to support the implementation of HELCOM's Baltic Sea Action Plan, continued at a more moderate pace. Loans under this facility supplement financing through national budgets and EU structural and cohesion funds,

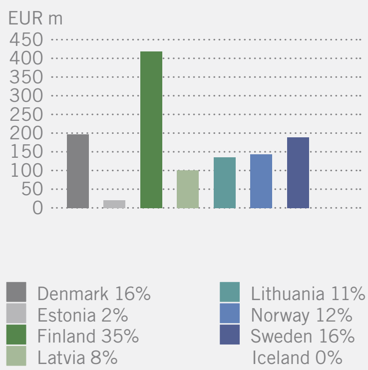
Loans agreed fig. 15



Loans outstanding fig. 16



Loans agreed in member countries 2009 fig. 17



"The EUR 100 million loan to increase energy efficiency in public buildings in Lithuania is a good example of a loan that both fulfils our environmental mandate and supports the economy of a Baltic member country in a time of financial constraint."

Vilius Girkontas
Manager Origination

in order to finance measures that help to restore the ecological health of the Baltic Sea by reducing pollution. At the end of 2009, EUR 97 million had been allocated under the facility. Loans under both facilities are made in the ordinary course of business in accordance with the Bank's lending policies.

NIB continued to participate in international and regional cooperation. The launching by the European Union in the autumn of 2009 of the EU Strategy for the Baltic Sea Region established a new framework for cooperation in this region. Setting out priority areas and a number of flagship projects, the strategy will stimulate cooperation and concerted action in the fields of environment, energy and transports. NIB is committed to supporting the implementation of the strategy and is cooperating closely with EIB in this respect.

The Bank continued to play an active role in the Northern Dimension Environmental Partnership (NDEP) with two new loans being agreed for investments in wastewater treatment in St. Petersburg and in improvement of the water and sewage system in Novgorod. The aim of the NDEP 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, with projects benefitting from grants from the NDEP support fund.

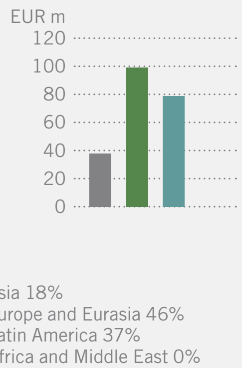
In 2009, the process aiming at setting up the Northern Dimension Partnership on Transport and Logistics took a step forward through the signing of a Memorandum of Understanding between the European Commission and participating states. The purpose of the partnership, due to launch in 2010, is to facilitate cooperation on and implementation of regional transport infrastructure and logistics projects. The goal is an effective flow of goods and people in the northern European region.

Starting 2009, NIB and NEFCO are managing a new trust fund set up with donor contributions, initially from Sweden and Finland, to assist project development that supports the implementation of the HELCOM Baltic Sea Action Plan. The first projects are being prepared.

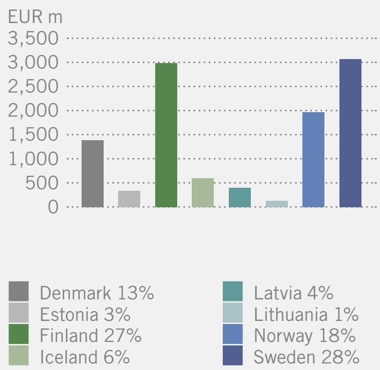
NIB also participated in the development and establishment of the Eastern Europe Energy Efficiency and Environment Program together with other IFIs. This program, set up in 2009 on the initiative of the Swedish Presidency of the European Union, will initially target projects in Ukraine channelling financing that combines IFI loans and grants from a special support fund contributed by various donors.

In line with the Bank's efforts to provide financing for regionally important transport infrastructure investments, implementation of several Public Private Partnership projects with NIB financing continued, and a number of new projects are under development. PPPs can provide an effective mechanism for harnessing private sector competence and funding capacity in support of infrastructure and utility investments. The Bank also engages in projects with a project-financing structure, in which the revenues generated by the operation of

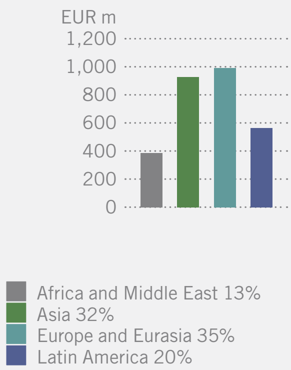
Loans agreed in non-member countries 2009 fig. 18



Loans outstanding in member countries fig. 19
As of 31 Dec 2009



Loans outstanding in non-member countries fig. 20
As of 31 Dec 2009



The sum of the percentage shares may not total 100% due to rounding.

Fuel for debate

NIB has provided a loan to Novozymes totalling EUR 30 million for financing research and development in enzyme technology for biofuel production from biomass based on waste and residues from crops. The aim of the R&D project is to produce enzymes that can convert biomass into bioethanol in an affordable manner and to reach a broad market.

"In order to reduce the carbon footprint of global transportation we should turn to bioethanol. It is one of the few alternatives to oil today and will continue to be for the next years. Further into the future, however, the world will need a lot of different technologies to accommodate upcoming needs and reduce the use of oil," says Camilla Kinch Jensen, Head of Investor Relations at Novozymes.

Waste-based biofuel made with enzymes from the Danish enzyme technology company is already being tested in cars in Denmark.

"We want the public and the politicians to understand that it is possible for cars to run on biofuel made from waste. It is not just a dream. It will not take 30 years to get the technological breakthrough, it is happening now," explains Jensen, offering fuel for the climate debate, too.

the project form the basis for the repayment of the loan.

Countries of operation

As in previous years, most of the lending in 2009, approximately 85%, was carried out in the member countries. During the year, the Bank signed 33 new loan agreements in the member countries with a total value amounting to EUR 1,201 million. No new guarantees were issued. Loan disbursements amounted to EUR 1,584 million, which expanded NIB's loans outstanding in the member countries to EUR 10,888 million at year-end. Loans agreed but not yet disbursed amounted to EUR 169 million at the end of the year.

Finland accounted for 35% of the new lending in the member countries in 2009, followed by Denmark and Sweden with 16% each.

Outside the member region, NIB finances projects of mutual interest to the Bank's member countries and the countries in which NIB financing is carried out. Loans are granted as well within the Bank's ordinary lending, as under the Project Investment Loan Facility (PIL) and the Environmental Loan Facility (MIL). In 2009, the Bank revised its policy for lending outside the member region to focus on cooperating with a more limited group of countries in which NIB perceives there to be good opportunities to achieve strong mandate fulfilment and to maintain a long-term presence.

In 2009, the Bank signed seven new loan agreements in five non-member countries in Europe and Eurasia, Asia and Latin America. The total value of the new loans agreed during the year amounted to EUR 216 million. The largest recipient was Russia. No new guarantees were issued during the year. Disbursements of loans amounted to EUR 370 million, which expanded NIB's loans outstanding in non-member countries to EUR 2,874 million at year-

"Investments in our focus sectors have been under strain due to the financial recession. Our target to further increase our lending in these sectors has been met, however, and comprised over 75 percent of total lending in 2009."

Nils E. Emilsson
First Vice-President,
Head of Lending

end. Loans agreed but not yet disbursed amounted to EUR 596 million at the end of the year.

The distribution of lending is summarised in figures 15–24.

A list of all loans agreed during 2009 can be found on pages 26–27.

Lending in focus sectors

The key activities in the sectors where the Bank is active are presented below. Many projects are registered in several sectors, with the loan amount being divided according to the content of the project.

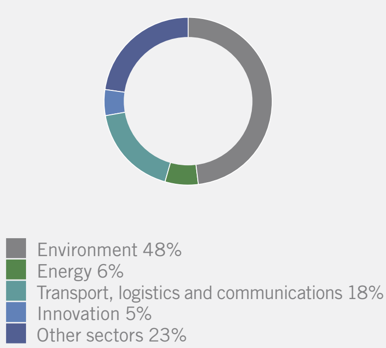
Environment. The Bank carries out a thorough assessment of all its loans, not only in order to apply appropriate safeguard procedures but also to identify projects that generate positive net environmental effects (see the Mission and impact chapter for more detail, pages 11–17). Projects may represent end-of-pipe solutions where emissions are reduced through appropriate treatment facilities, but increasingly it is a matter of introducing cleaner technologies and better management of resource flows. Many projects have indirect positive environmental effects, for example renewable energy projects, which by replacing fossil fuels bring about emission reductions. These projects straddle the environment and energy sectors and are categorised as environmental loans in NIB's statistics.

The implementation and development of renewable energy systems and technologies is a focus area for NIB. All the Bank's member countries have set ambitious and challenging targets to increase the share of renewable energy. The most important renewable energy sources with regard to their energy potential are: biomass (usually with a combined heat and power output), wind power (both land-based and offshore), geothermal power and hydropower. Hydropower development is mainly focused on increasing the efficiency of existing plants.

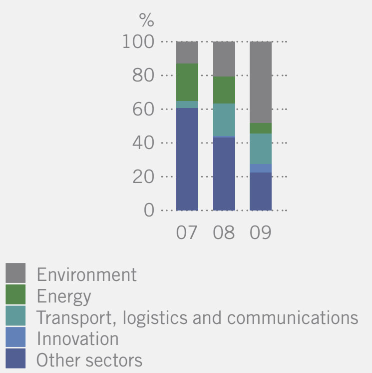
New lending in this sector in 2009 comprised 26 agreed loans, representing an aggregate of EUR 684 million, or 48% of all loans agreed. The environment was clearly the largest among the focus sectors. A large part of the agreed environmental loans were also related to other sectors as the projects represent investments in energy, transport, innovation, manufacturing and services that generate environmental benefits. In particular energy, transport and innovation figure prominently, as investments in renewable energy and sustainable transport, as well as R&D related to eco-efficiency, are accounted for as environmental loans. The list of agreed loans (pages 26–27) indicates this overlap of sectors in the individual projects.

The projects financed by the Bank include investments in waste-to-energy facilities, energy efficiency in buildings and upgrading of hydropower systems. Other environmental projects financed during the year include investments in increased wastewater treatment capacity and R&D of more energy-saving industrial equipment and processes. The Bank also provided loans to banks for on-lending to small and medium-sized

Loans agreed 2009 fig. 21
By focus sectors



Focus sector loans agreed fig. 22
As a share of total loans



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

Vilnius University Hospital

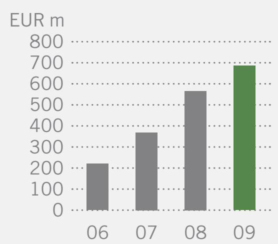
companies to finance investments in smaller-scale renewable energy such as wind turbines.

Energy. Security of supply and environmental sustainability are key challenges for the energy sector in the Bank's member countries and beyond. Enhanced integration of regional energy transmission is a necessity, not the least to enable a further increase of the share of renewable energy in the wider Baltic Sea region, and substantial long-term investments are needed in interconnectors and distribution systems. Since its inception, NIB has actively financed this sector and is involved in preparing a number of priority projects, some linked to the Baltic Energy Market Interconnection Plan.

The Bank agreed on three new loans in the energy sector in 2009, in addition to those registered as pertaining to the environment sector. The total share of energy loans was EUR 89 million, or 6% of all loans agreed during 2009. The number and volume of energy related transactions is in reality significantly higher, as several loans represent a split between energy and environment or have been fully classified as environmental loans.

The loans were provided for investments in upgrading of electricity transmission and distribution systems. Energy sector related loans recorded as environmental loans included projects for improving the energy efficiency in buildings, enlargement of district heating systems, modernisation of energy metering and development projects for production of biofuels, wind turbines and more energy efficient industrial processes.

Environmental loans agreed fig. 24



Transport, logistics and communications. Effective transport, logistics and communications are also essential to ensuring competitiveness of the Bank's member region. This applies to intra-regional transport and communication channels as well as to access links from and to the region. Economic, safe and sustainable, long-term solutions are needed. Investments, particularly in infrastructure such as roads and railways, are of a very long-term nature and the mobilisation of long-term capital is a prerequisite for such investments to materialise.

In 2009 the Bank concluded seven loans for projects in the transport, logistics and communications sector, aggregating EUR 252 million, or 18% of all loans agreed. Approximately half were directed to communications projects and the remainder to transport and logistics. Also in this sector a number of projects are recorded as environmental loans because of the significant environmental benefit that they generate. Some of the projects include investments in road construction, logistics, broadband and mobile phone systems, railways and rolling stock.

Innovation. This sector comprises various activities related to innovation processes. As NIB only provides senior loans on market terms, the participation of the Bank is limited to such projects that are able to carry loan financing. R&D projects form the predominant part of the Bank's portfolio in this sector. A special area is mezzanine financing, in

Loan to help cut energy losses

The energy loss from buildings built before 1992 has for many years been a significant concern for Lithuania. Currently, about 40% of all energy the country consumes is used for heating. A EUR 100 million loan with a tenor of 20 years will help the country renovate public buildings as well as upgrade private housing.

The programme will help save heating energy at 39 public buildings, including the universities in the country's three largest cities—Vilnius, Kaunas and Klaipeda—as well as in high schools, museums, hospitals and other institutions providing everyday services to citizens.

A part of the NIB loan will be used to co-finance a national housing strategy aimed at upgrading the engineering infrastructure of existing apartment buildings.

Cutting energy losses will not only curtail heating bills, it will also have a measurable environmental effect by reducing greenhouse gas emissions in Lithuania. Financing the renovation programme is also expected to stimulate the construction branch of the country, which is experiencing an economic slowdown.


SSAB

Greener steel production

The Swedish steel producer, SSAB, keeps enlarging the scale of its environmental improvements. Energy efficiency, waste handling and a more efficient use of chemicals are the principle targets for the initiative financed with a EUR 48 million loan from NIB.

A major part of the financing has been spent on new furnaces.

"With the new furnaces we use less energy and avoid using fossil fuels like coal or oil as sources of energy at our plants," explains Klas Lundbergh, Environmental Manager at one of SSAB's steel plants in Sweden.

"Our stakeholders as well as society put pressure on us to always improve our environmental standards. The government, the local community and our customers are all conscious of the importance of taking care of the environment," he says.

Setting high standards for handling waste and reducing pollution makes good business sense in the long run.

"Not only is it cost efficient to reduce energy consumption, it also gives us an edge on the market to have higher environmental standards than our competitors," Mr Lundbergh says.

which the Bank provides through funds that finance projects mainly in the SME sector. Through the loans to mezzanine funds, NIB supports the development of this segment of the capital market in the member countries and can provide finance to companies and projects that would not otherwise be targeted by the Bank's ordinary senior lending.

In 2009 this focus sector received four loans, all of which are either fully or partly registered as environmental loans, for projects related to technology development. The amount remaining allocated to the innovation sector was EUR 72 million, or 5% of all loans agreed.

Lending in other sectors

Financial intermediaries. One way to reach customers that the Bank cannot approach directly, primarily smaller enterprises and projects, is to provide financing through loan programmes mediated by financial institutions. As long as the funds are held by the financial intermediary and the sub-loans to the end borrowers have not been identified, NIB classifies the loan as a financial intermediary transaction. When the purpose of a sub-loan becomes known, the corresponding amount is transferred to the respective sector (for example the environment).

Four of the loan programmes agreed with financial intermediaries in 2009 were fully or partly unallocated, with sub-loans waiting to be assigned to projects fulfilling NIB's criteria. The total amount remaining in this category is EUR 185 million, equivalent to 13% of all loans agreed.

Two new loan programmes were concluded with other IFIs; the Black Sea Trade and Development Bank and Corporacion Andina de Fomento respectively. This is in line with NIB's aim to enhance the cooperation with other IFIs and to reach out to projects in countries where NIB is not directly active. Loan programmes were also established with four member country banks.

Manufacturing and mining. This sector continues to play an important part in NIB's lending. Industrial investments are of vital importance to safeguarding and enhancing the competitiveness of member country enterprises. Although many loans to manufacturing and mining enterprises are, fully or in part, classified as environment, energy or innovation sector loans, there is also a substantial portion that does not pertain to the focus sectors.

In 2009 a total of three loans, totalling EUR 57 million or 4% of all loans agreed, were concluded for projects in manufacturing and mining. The projects include corporate acquisitions as well as investments in production facilities in order to increase capacity or improve manufacturing processes.

Services and other business sectors. Another sector, similar in its rationale to the manufacturing and mining sector, is categorised as "services and other", capturing such activities that do not fall into any of the other categories. In 2009 four loans were agreed, fully or partially classified as "services and other" amounting to EUR 78 million, or 5% of the new loans. The projects were related to corporate acquisitions and utility services.

Sector reporting

In the Bank's reporting, the distribution of loans is presented according to sector. Some projects overlap sectors, mainly renewable energy, R&D and transport projects that pertain to both the environment and the other mentioned sectors. In order to avoid double accounting, the Bank reports as part of the environment sector all loans that are defined as environmental loans, fully or to the extent that the loan is categorised as environmental. For loans provided through financial intermediaries, the sub-loans are reported in the relevant sectors once they are allocated by the intermediary. As this reporting standard was introduced only recently, older loans are still recorded as other in the Bank's systems, which for disbursed loans gives the focus sectors a share of 68%. However, when distributed according to the respective focus sectors, they account for 76% of disbursed loans.

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. NIB administers the following trust funds:

Trust funds for general project allocations

- 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 of Foreign Affairs.
- 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 of 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 trust fund for project development and preparation as well as associated institutional support for the implementation of the Baltic Sea Action Plan. NIB and NEFCO are jointly managing the fund. Finland and Sweden have made contributions. The Finnish Government is represented by the Ministry of Foreign Affairs. The Swedish Government is represented by the Swedish Environmental Protection Agency.

Trust funds for specific project allocations

- Three Swedish technical assistance trust funds for project preparation and implementation in four environmental projects in Russia: 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.
- Three technical assistance support trust funds allocated by NDEP and set up in cooperation with NIB. The first is aimed at preparation and implementation of a Leningrad Oblast water project for the rehabilitation of the water distribution and wastewater treatment in the towns of Pikalevo and Tikhvin. The second supports a Vodokanal of St. Petersburg project for the reconstruction of the Northern wastewater treatment plant and construction of a pumping station that will decrease the discharge of untreated effluents to the river Neva. The third is for the rehabilitation of the wastewater networks in the city of Veliky Novgorod that will improve water supply and environmental services in that city.

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.

Baltic Sea Action Plan Fund

The HELCOM countries, Denmark, Estonia, Finland, Germany, Latvia, Lithuania, Poland, Russia and Sweden, adopted the Baltic Sea Action Plan (BSAP) in 2007. The aim of the plan is to restore the good ecological status of the Baltic marine environment by 2021.

To speed up the implementation of the plan, the BSAP Fund was set up in 2009. The fund is managed by NIB and the Nordic Environment Finance Corporation (NEFCO). The fund provides grants for technical assistance to projects that support the implementation of HELCOM's Baltic Sea Action Plan. Sweden has committed SEK 45 million (EUR 4.4 million) to the BSAP Fund and Finland EUR 1.6 million.

Loans agreed 2009

Loans within the focus sectors

BORROWER	PROJECT	SECTOR
YIT Oyj, Finland	Acquisition of Austrian MCE AG's building system service business in Germany, Austria, Poland, the Czech Republic, Hungary and Romania.	Services and other
Stockmann Oyj Abp, Finland	Acquisition of Lindex, a major fashion chain in northern Europe, aimed at broadening Stockmann's international business.	Services and other
Lassila & Tikanoja Oy, Finland	Reconstruction and expansion of a recycling plant in Kerava, Finland.	Environment, Services and other
Empresa Brasileira de Telecomunicações S.A., Brazil	A/B loan for financing the expansion of the company's wireless broadband and telecommunications infrastructure in Brazil including supplies of state-of-the-art telecom network technology from Nordic suppliers.	Transport, logistics and communications
Rautaruukki Corporation, Finland	Modernisation and reconstruction of the iron production and related environmental technology in the company's steelworks in Raahe, western Finland. The renewal will help modernise the manufacturing process to conform with the latest environmental and technical standards.	Environment, Manufacturing and mining
Indian Renewable Energy Development Agency Ltd., India	Loan programme to finance renewable energy projects in India.	Environment
AB SKF, Sweden	Investment in product R&D with a focus on the reduction of friction and wear as well as on improving energy efficiency.	Environment, Innovation
Kemijoki Oy, Finland	Upgrading and refurbishment of existing hydropower plants, which will enable the output of renewable and emission-free energy to increase by 100 GWh per year, or up 25% from the current level.	Environment, Energy
SJ AB, Sweden	Financing for the purchase of 20 new high speed trains, replacing traditional style trains and increasing capacity at routes facing rush hour bottlenecks. SJ's aim is to gain market share from the air and road travel segment, which would also yield environmental benefits.	Environment
SSAB Svenskt Stål AB, Sweden	Environmental investments including energy efficiency gains, improved handling of waste, and better use of chemicals at the company's production plants in Oxelösund, Borlänge and Luleå, Sweden.	Environment, Manufacturing and mining
AS Tallinna Vesi, Estonia	Investment programme for 2008–2010, including the maintenance and extension of the water supply and sewage networks.	Environment, Services and other
VAS Latvijas Hipoteku un zemes banka, Latvia	Onlending to projects carried out by small and medium-sized enterprises in Latvia.	Financial intermediary
Vodokanal of St. Petersburg, Russia	Construction of a pumping station in a sewage collection tunnel and reconstruction of the Northern Wastewater Treatment Plant in St. Petersburg. The project will help close most of the remaining points where untreated wastewater effluent is now being discharged directly into the river Neva and the Baltic Sea.	Environment
City of Vilnius, Lithuania	Investment programme including the construction of a bypass road south of the city, reconstruction of streets, and upgrading of the public transport fleet.	Transport, logistics and communications, Environment
AB Lietuvos geležinkeliai, Lithuania	Modernisation of the Lithuanian segments of the Trans-European rail corridors connecting Ukraine and Belarus to Baltic harbours, as well as the Tallinn–Riga–Kaliningrad corridor.	Environment
Novozymes A/S, Denmark	R&D in enzyme technology for biofuel production based on waste.	Environment
Mobile Telesystems OJSC, Russia	A/B loan provided for financing the expansion of the company's 2G and 3G mobile network in Russia, Ukraine, Armenia and Turkmenistan.	Transport, logistics and communications
Eidsiva Energi AS, Norway	Construction of a waste incineration power plant in eastern Norway with an annual output capacity of 200 GWh of energy.	Environment

The list is in chronological order.

BORROWER	PROJECT	SECTOR
Fingrid Oyj, Finland	Upgrading Finland's electricity transmission grid in order to accommodate the growing demand created by the wind power production in the country, develop the electricity market and maintain the security of supply.	Energy
City of Helsinki, Finland	Long-term loan for the purchase of low-floor trams and metro cars.	Environment
Black Sea Trade and Development Bank	Loan programme for financing projects of mutual interest to the member countries of NIB and the borrowing bank.	Financial intermediary
Wärtsilä Oyj, Finland	Acquisition of the Vik-Sandvik ship design group.	Manufacturing and mining
Helen Electricity Network Ltd., Finland	Investments in remote reading systems for energy metering.	Environment
PVO-Vesivoima Oy, Finland	Upgrading five hydropower plants, including the replacement of turbines and generators, and the modernisation of the automation system.	Environment
Outokumpu Oyj, Finland	Investments in a chrome mine in Kemi, Finland (extension of a loan signed in 2001).	Manufacturing and mining
Corporación Andina de Fomento (CAF), a multilateral financial institution	Loan programme for financing projects of mutual interest to the member countries of NIB and CAF.	Financial intermediary
Ringkjøbing Landbobank A/S, Denmark	Onlending to small and medium-sized enterprises for the construction of wind turbines in Denmark.	Environment
NorgesGruppen ASA, Norway	Expansion of a distribution hub outside Oslo.	Transport, logistics and communications
Danisco A/S, Denmark	R&D programmes to produce cellulosic-based bioethanol and bioisoprene.	Environment, Innovation
Ålandsbanken Abp, Finland	Intermediary loan for onlending to small and medium-sized companies.	Environment, Financial intermediary
Lyse Energi, Norway	Investments in electricity distribution networks and regional networks.	Energy
Sparbanken Finn, Sweden	Financing onlending for small-scale environmental investments.	Environment
Republic of Lithuania	Loan programme for increasing energy efficiency of buildings in the public sector, including universities, schools, libraries, hospitals, as well as more than 300 private apartment buildings.	Environment
DNA Ltd, Finland	Expansion of 3G and broadband networks.	Transport, logistics and communications
Novgorod Vodokanal, Russia	Construction of a raw-water pumping station as well as the rehabilitation of drinking water and sewage networks in the city of Novgorod in Northwest Russia.	Environment
City of Vantaa, Finland	Infrastructure investment programme for the reconstruction of a ring road and the road network of Vantaa.	Transport, logistics and communications
Hafslund ASA, Norway	Construction of a new 13 km long pipeline between two district heating networks in Oslo to enable better utilisation of the current waste-based heat production and an enlargement of the district heating networks in the capital city.	Environment
FLSmidth & Co. A/S, Denmark	R&D programme aimed at creating more innovative products as well as more efficient production processes for the cement industry.	Environment, Innovation
Volvo Treasury AB, Sweden	R&D projects in different units within the Volvo Group to develop new technologies for emissions reduction and hybrid technologies for city vehicles.	Environment, Innovation
Vestas Wind Systems A/S, Denmark	R&D programme aimed at developing a wind turbine for low and medium wind regimes.	Environment

• Responsive to changes in the capital market • A reliable partner that meets investor needs in a flexible way • NIB bonds possess the highest possible credit rating due to high asset quality, a strong balance sheet and shareholder support

SJ AB

On track for greener transport. Shorter travel times and higher environmental standards are the targets set by Swedish rail operator SJ for its NIB financed investments in trains and engine modernisation.

Capital markets

The year 2009 was challenging for the capital markets. Funding costs were volatile with high costs in the first half of the year, followed by an improvement and reversion back to more normalised levels during the latter half of the year. Throughout the period, the Bank has experienced strong demand for its bonds. The overall funding of NIB's business operations was executed at margins in line with the Bank's peer group.

Normalisation of the capital markets benefitted the treasury portfolios, and the strong result signals a fast recovery from the 2008 losses. A good trading result and reversal of hedge accounting also contributed to the 2009 result.

Borrowing. In 2009, NIB borrowed EUR 4.1 billion, consisting of 71 transactions in 10 different currencies. At year-end, outstanding debt totalled EUR 17,998 million in 19 currencies.

In accordance with the Bank's target, NIB aimed for longer maturities in the Bank's funding compared to 2008. The average maturity was increased to 4.8 years in 2009 compared to 3.6 years in 2008.

Global diversification is a target for NIB. The majority of NIB's 2009 funding was provided by investors located in Asia (42%) and Europe (39%), while the remainder derived from varied sources worldwide. Banks represented the biggest investor type with 31%. Central banks accounted for 17%, down from 48% in 2008, given NIB's issuance of only one global USD benchmark transaction in 2009 compared to three in 2008, see figure 26.

The currency distribution was well diversified with USD and EUR being the two largest funding currencies with 34% and 25% respectively. AUD, CHF, NOK and JPY accounted for 9%, 9%, 7% and 6% respectively, see figure 27.

In April, NIB launched and priced its inaugural 5-year EUR 1 billion benchmark bond. The deal has a maturity of 5 years and represents the largest offering NIB has made thus far in its main lending currency. Through this transaction, NIB achieved its goal of attracting new investors, with more than half of the deal supported by investors who had not recently bought NIB bonds.

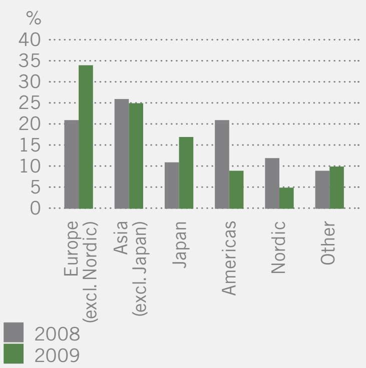
In September, NIB launched and priced a USD 1 billion 5-year global benchmark bond, which was met with high-quality investors, particularly central banks and official institutions from Asia and Europe.

In August, NIB priced a new AUD 300 million Kangaroo bond due August

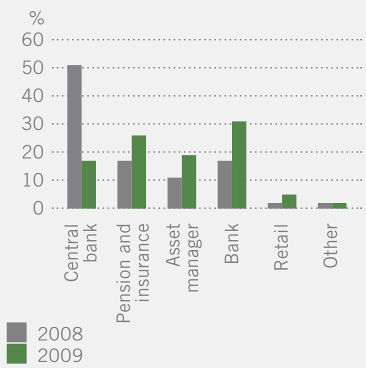
"The volatility in all markets was huge during 2009, so the timing of our NIB bond issuance was especially important."

Jens Hellerup
Director, Head of Funding and Investor Relations

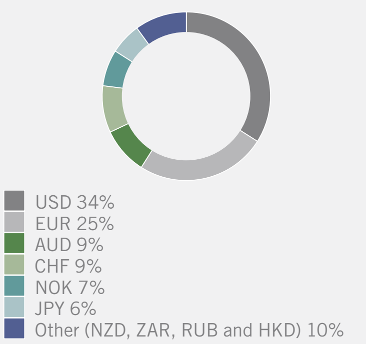
New borrowings fig. 25
Geographical distribution



New borrowings fig. 26
Investor distribution



New borrowings fig. 27
Currency distribution 2009



The sum of the percentage shares may not total 100% due to rounding.

2014, which was increased by a further AUD 200 million in November, bringing the total to AUD 500 million.

After having been absent from the Swiss franc market for more than 10 years, NIB issued a 5-year and a 9-year transaction in 2009.

NIB became the second largest Kauri issuer in New Zealand, followed by the Bank's second NZD transaction in November. The total amount outstanding is NZD 950 million, split in two separate bonds. NIB was honoured as the best Kauri issuer of 2009 in New Zealand by the Australian magazine KangaNews.

NIB continued to meet investors globally, updating them on its developments and securing sufficient credit lines available for investment in NIB bonds. The investor contact included bilateral meetings, seminars arranged by intermediary banks, as well as interviews in financial publications, such as Thomson IFR, Euroweek and KangaNews.

Liquidity management. The Bank's net operational liquidity totalled EUR 3,499 million by the end of 2009, of which holdings in liquid securities totalled EUR 2,864 million.

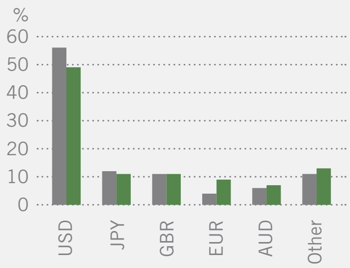
The Bank maintained sufficient liquidity during the year. It is the Bank's target to ensure a sufficient level of liquidity to be able to continue disbursing new loans and fulfil all payment obligations for one year forward, without necessitating additional funding.

The Bank revised and approved its Liquidity Policy in 2009, which has led

Jani Keronen

Borrowings outstanding fig. 28

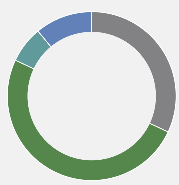
Currency distribution



31 Dec 2008
31 Dec 2009

Liquidity fig. 29

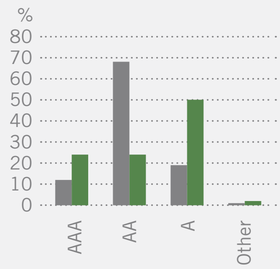
Distribution by security
as of 31 Dec 2009



Short-term deposits 32%
Financials, bonds 50%
Covered bonds, mortgage-backed securities 7%
Governments, supras, guaranteed bonds 11%

Liquidity fig. 30

Distribution by rating of security



31 Dec 2008
31 Dec 2009

The sum of the percentage shares may not total 100% due to rounding.

to increased focus on the higher liquidity grades in the warehoused liquidity. By year-end, the Bank's liquidity was primarily held in euro and US dollar, while a minor portion was held in Nordic and other currencies.

As a result of the normalisation of the capital markets during the latter half of the year which lead to a significant decrease in credit spreads, the liquidity portfolio experienced a strong valuation gain in 2009. The majority of the valuation gain can be referred to re-gaining of 2008 valuation losses and from maturing securities. Realised trading gains also contributed to the strong treasury result.

The total valuation effect for NIB's treasury operation amounted to EUR 177.8 million arising from EUR 135.7 million on financial instruments, which include the valuations on the liquidity portfolio, as well as positive valuation effects of EUR 37.7 million arising from hedge accounting.

NIB has filed proof of claims against Lehman Brothers Holdings Inc worth EUR 56.5 million and against defaulted Icelandic banks for EUR 79.7 million. As a result of the filing, the claims have changed currency into USD and ISK respectively.

Own capital portfolio management

NIB's own capital portfolio is invested in highly rated fixed-income securities denominated in euro and is not calculated as part of the net operational liquidity. The duration of the portfolio has been decreased somewhat during the year to 4.2 years and is marginally lower than the benchmark duration of 4.5 years. The portfolio return for 2009 was 6.13% compared with the benchmark return of 3.56%.

The objective of the portfolio is to contribute to a stable income of the Bank, by generating a satisfactory return comparable to a euro-denominated government bond benchmark index. At year-end, the portfolio amounted to EUR 1,970 million, of which EUR 1,925 million was invested on a held-to-maturity basis. The net interest income from the portfolio, EUR 77.0 million, amounted to approximately a third of NIB's total net interest income in 2009.

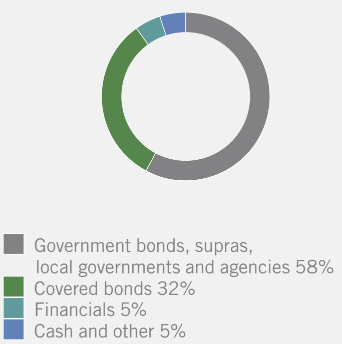
During the year, the allocation to government bonds was increased in line with the approved liquidity policy.

NIB uses external managers for fixed-income trading with the objective of increasing returns and diversifying risks. Out of three managers, two had positive performance and one marginally negative. During 2009, an internal interest rate portfolio was established with similar guidelines as those used for the external managers. The overall return, from both the external managers and the interest rate portfolio was in line with the performance targets.

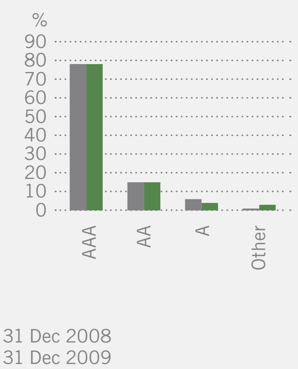
"NIB's treasury portfolios made a great comeback this year, once the capital markets normalised."

Lars Eibeholm
Vice-President,
Head of Treasury and CFO

Own capital fig. 31
Portfolio sector distribution
as of 31 Dec 2009



Own capital fig. 32
Portfolio distribution by security



Capital structure

As of 31 December 2009, NIB's authorised capital was EUR 4,141.9 million. The paid-in capital at the end of the year amounted to EUR 418.6 million. The remainder of NIB's authorised capital consists of callable capital, which is subject to call if the Bank's Board of Directors deems it necessary for the fulfilment of the Bank's debt obligations.

The Bank's Ordinary Lending ceiling corresponds to 250% of the authorised capital and accumulated general reserves. After the allocation of the profit from the financial year 2009 in accordance with the proposal made by the Board of Directors, the Ordinary Lending ceiling amounts to EUR 13,452 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 second special facility, 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.

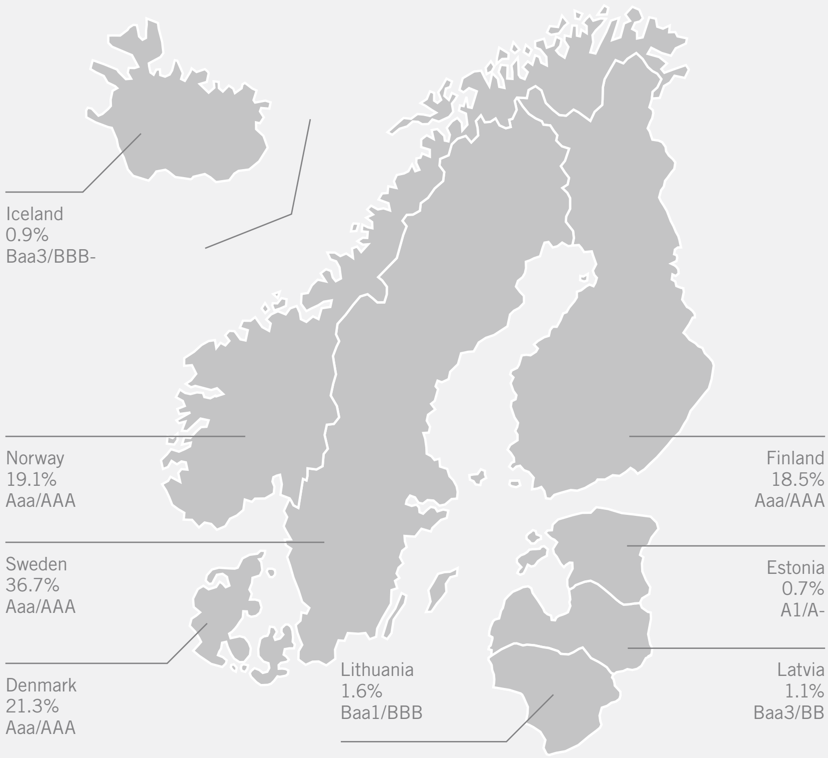
NIB's member countries have subscribed to its authorised capital and guaranteed the special loan facilities in proportion to their gross national income. The countries' share of the authorised capital at the end of 2009 is shown on the map of member countries. For further information, see Note 14.

A more detailed presentation of the loan facilities, the guarantee structure and the guarantee distribution is provided in Note 8.

In view of the Bank's strong capital base, the quality of its assets, and its status as an international 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 and has continuously succeeded to maintain it.

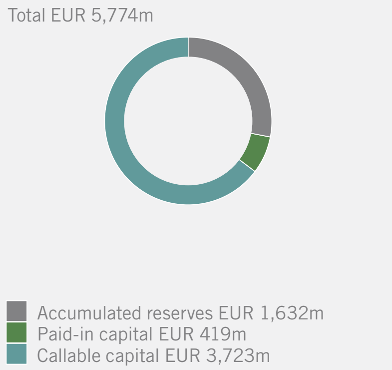
Member countries fig. 33

Share of authorised capital and ratings by leading credit rating agencies Moody's and Standard & Poor's as of 8 March 2010.

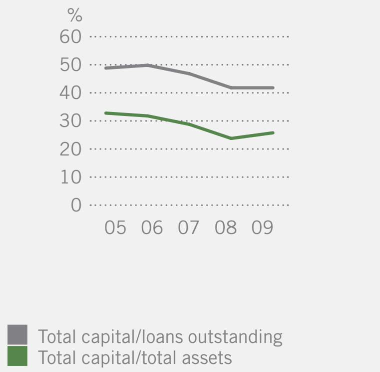


Capital base fig. 34

As of 31 Dec 2009



Capital ratios fig. 35



The sum of the percentage shares may not total 100% due to rounding.

New long-term borrowing 2009

	Currency	Amount million	Net proceeds EUR million	Settlement date	Maturity	Structure
1	USD	30	23	23.1.	2039	Zero coup
2	USD	100	78	30.1.	2010	Fixed
3	ZAR	825	64	2.2.	2011	Fixed
4	AUD	158	79	2.2.	2012	Fixed
5	NZD	71	28	2.2.	2011	Fixed
6	USD	30	24	3.2.	2039	Zero coup
7	USD	30	24	4.2.	2039	Zero coup
8	USD	30	24	4.2.	2039	Zero coup
9	USD	5	4	4.2.	2039	Zero coup
10	RUB	4,000	18	5.2.	2019	Zero coup
11	USD	15	12	9.2.	2039	Zero coup
12	USD	15	12	12.2.	2039	Zero coup
13	RUB	1,500	8	13.2.	2019	Zero coup
14	NOK	1,100	124	20.2.	2019	Fixed
15	JPY	30,000	243	24.2.	2014	FRN
16	RUB	590	13	25.2.	2010	Fixed
17	CHF	250	165	11.3.	2018	Fixed
18	USD	20	15	16.3.	2014	Zero coup
19	ZAR	910	72	18.3.	2011	Fixed
20	USD	20	15	20.3.	2014	Zero coup
21	CHF	200	132	30.3.	2014	Fixed
22	CHF	50	33	3.4.	2024	Fixed
23	EUR	1,000	1,000	8.4.	2014	Fixed
24	USD	10	8	20.4.	2039	Zero coup
25	EUR	37	37	20.4.	2029	Fixed
26	USD	20	15	22.4.	2039	Zero coup
27	EUR	10	10	27.4.	2029	CMS
28	USD	30	23	30.4.	2039	Zero coup
29	CHF	50	33	30.4.	2021	Fixed
30	USD	20	14	26.5.	2039	Zero coup
31	USD	264	35	3.6.	2039	Zero coup
32	USD	20	14	8.6.	2039	Zero coup
33	USD	10	7	9.6.	2039	Zero coup
34	USD	30	21	9.6.	2039	Zero coup
35	USD	20	14	9.6.	2039	Zero coup
36	USD	20	14	9.6.	2039	Zero coup
37	USD	10	7	10.6.	2039	Zero coup
38	USD	20	14	10.6.	2039	Zero coup
39	USD	20	14	10.6.	2039	Zero coup
40	USD	30	21	10.6.	2039	Zero coup
41	NZD	100	46	16.6.	2015	Fixed
42	USD	25	18	23.6.	2039	Fixed
43	USD	25	18	25.6.	2039	Fixed
44	NOK	100	11	30.7.	2015	Fixed
45	USD	30	21	31.7.	2039	Fixed
46	USD	25	18	4.8.	2039	Fixed
47	USD	13	9	11.8.	2039	Fixed
48	USD	13	9	11.8.	2039	Fixed
49	USD	13	9	18.8.	2039	Fixed
50	USD	13	9	18.8.	2039	Fixed
51	USD	172	21	18.8.	2039	Zero coup
52	USD	13	9	20.8.	2039	Fixed
53	USD	13	9	20.8.	2039	Fixed
54	AUD	300	176	20.8.	2014	Fixed
55	USD	13	9	24.8.	2039	Fixed
56	USD	13	9	24.8.	2039	Fixed
57	NOK	1,250	145	27.8.	2014	Fixed
58	HKD	295	26	30.9.	2013	Fixed
59	USD	1,000	676	5.10.	2014	Fixed
60	USD	30	20	21.10.	2039	Zero coup
61	USD	30	20	5.11.	2039	Zero coup
62	USD	10	7	6.11.	2039	Zero coup
63	USD	10	7	6.11.	2039	Zero coup
64	USD	30	20	6.11.	2039	Zero coup
65	USD	10	7	9.11.	2039	Zero coup
66	USD	10	7	9.11.	2039	Zero coup
67	USD	10	7	9.11.	2039	Zero coup
68	NZD	100	48	16.11.	2015	Fixed
69	AUD	200	122	20.11.	2014	Fixed
70	AUD	20	12	18.12.	2019	Fixed
71	USD	9	6	29.12.	2039	Zero coup

• Professional and highly motivated staff
• Commitment to the development and well-being of the Bank's employees
• Employees are staff members in an international organisation

Pamela Schönberg/NIB

New sewage pipe eases daily life. Through a sewage network extension programme partly financed by NIB, the water utility Tallinna Vesi is connecting an additional 3,500 households to Tallinn's wastewater treatment system.

Human resources

NIB is made up of a professionally and culturally diversified staff and the Bank aims to attract and retain experienced and talented people who possess the competencies and skills needed to effectively implement its strategy as an international financial institution.

NIB's main objectives as an employer are the promotion of a balanced diversity among the staff, equal treatment of all staff members and the prevention of discrimination. NIB is committed to the development and well-being of its employees and emphasises the importance of dedicated personnel for its performance.

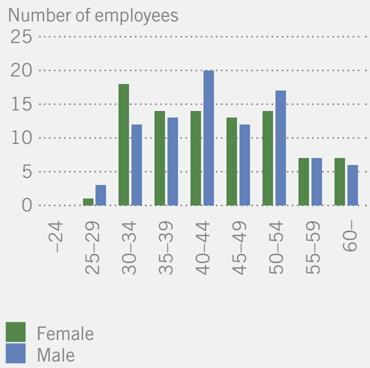
The Bank also recognises the challenges posed by the conflicting demands of work and private life and consequently supports each employee's individual commitment to fulfilling the Bank's mandate. For example, NIB offers flexitime to all employees who have clearly defined, regular working hours and part-time work for parents with small children.

The majority of NIB's staff members are employed on a full-time basis and have permanent employment contracts. At the end of 2009, NIB had 178 employees in permanent positions, comprising 88 women and 90 men, representing 11 nationalities.

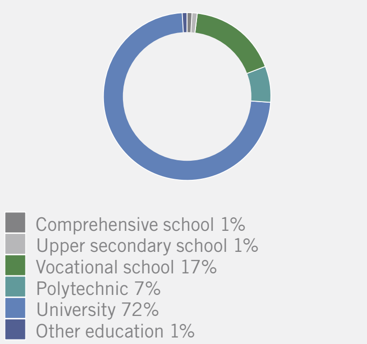
In addition, 6 persons worked in temporary positions, resulting in a total of 181.8 employees on average during the year. The exit turnover for staff in permanent positions was 2.9%, as 5 employees left the Bank during 2009. The average age of NIB's employees in permanent positions was 44.4 years, and the average length of service was 10 years.

A new web recruitment site was launched at the beginning of the year. When recruiting, the main emphasis is on the individual's professional qualifications and experience. In 2009, NIB recruited 7 women and men for permanent positions. The new employees originated from Denmark, Finland and Norway.

Personnel structure by age group and gender fig. 36
As of 31 Dec 2009



Staff's educational background fig. 37
As of 31 Dec 2009



The sum of the percentage shares may not total 100% due to rounding.

"As part of the process of updating our Code of Conduct, we all participated in workshops focused on practical examples of ethical standards in the global market place and in the Bank."

Carola Lehesmaa
Director,
Head of Human Resources

Code of conduct. NIB's staff are expected to carry out their tasks to the best of their ability, in compliance with the instructions issued by the Bank and in conformity with the Bank's objectives and best interests. The employees should aim at meeting the highest ethical standards in their work, consistent with the values of integrity, impartiality, loyalty, accountability and discretion. The staff should strive to avoid even a semblance of impropriety in their conduct.

The activities of NIB's employees are governed by a Code of Conduct, which was updated in 2009. Workshops for the whole staff on the Bank's principles of integrity and respect as well as business ethics and recent trends in the market place were arranged during the autumn. Practical cases in relation to the Code of Conduct were presented and the importance of living up to NIB's shared values and standards was highlighted several times during the sessions.

The NIB Way. The NIB Way programme, a leadership and cultural programme for the entire staff, was further developed in 2009. Five values, Supportive, Multicultural, Active, Responsive and Target-oriented, were identified with a view to creating a common basis for the fulfilment of the Bank's mission and strategy as well as its business and financial targets. During 2009, different value definitions were summarised and elaborated on by NIB employees, the purpose of which was to reach a common understanding within the Bank. NIB's values reflect the employees' values, and at the same time provide the staff with a defined approach to work life.

The NIB culture and shared values played an essential role in all HR-related development work throughout the year.

HR development. NIB employees are offered a variety of internal and external training. The Bank's multicultural value was the subject of a presentation arranged for the entire staff on cross-cultural competence in a multicultural environment. The main message was that it is important to be aware of the differences when working together and co-operating with colleagues and clients from around the globe.

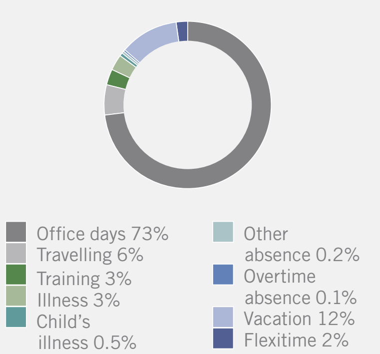
Workshops for the loan transaction teams were continued with two "Team leader days" for the originators in the Lending Department. Training courses for the staff in the Lending, Credit & Analysis and Legal Departments were arranged on the topics Loan defaults, Problem loans, Restructuring and Work-outs and Credit structuring. The staff in the Legal Department also attended a course with the aim of becoming more confident when reading financial statements.

An information and training session regarding the annual Personal Appraisal and Development Discussions was arranged for the whole staff under the heading "An opportunity to reflect on mutual expectations".

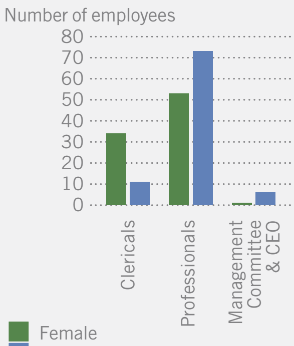
A series of internal orientation seminars were arranged in the spring to acquaint staff with the activities of each department within the Bank.

The internal training activities also included language training in 10

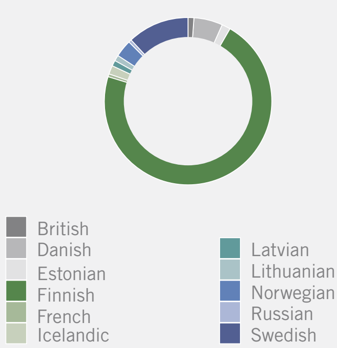
Working days 2009 fig. 38



Staff by category and gender fig. 39
As of 31 Dec 2009



Nationality of employees fig. 40
As of 31 Dec 2009



The sum of the percentage shares may not total 100% due to rounding.

languages and ICT training in various Office programs.

As in previous years, NIB's staff attended a wide range of external training occasions. These were mainly related to the challenging market situation. The average number of training days per employee in 2009 was 6.2.

Updated legal framework. During the year, the legal framework for the staff was further simplified and harmonised. The focus was on the safety, integrity, mental and physical health and well-being of the employees and on creating a sound and healthy working environment in the Bank. Some of the policies that regulate staff matters were amended, while others are new. New policies worth mentioning are the Anti-harassment Policy, which is one of the priority areas in the Bank's current Equality Plan, and the Intoxicant Policy, which was included in NIB's occupational healthcare plan for 2009-2010. The latest updates to the Legal Framework for Staff were presented in an internal seminar.

Modes of cooperation. In 2009 NIB revised the statutes of its Cooperation Council. The Council consists of both employee and employer representatives and is the main body for promoting cooperation within the Bank. The object of the Council is to ensure that the staff's opinions are better taken into consideration in decision-making processes, while leaving the ultimate decision-making power in the hands of NIB's management.

Health, well-being and safety. NIB endeavours to create a safe and healthy working environment for its employees.

By conducting a job satisfaction survey every second year, NIB obtains information about changes in the working environment and will, based on the results of the survey, be able to assess the well-being and functionality of the working community. The questionnaire covers areas such as job satisfaction, working climate and cooperation, work stress and supervisory activities, as well as the fair and equal treatment of the staff. The survey was carried out in late autumn. The results of the survey will form the basis for development work in 2010.

NIB offers both occupational healthcare and medical care services to its employees.

Preventive healthcare and measures ensuring occupational safety and ergonomics are emphasised in safeguarding the physical well-being of the personnel. Various fitness activities are subsidised as a part of these preventive healthcare measures. The medical care services are

based on a medical insurance policy taken out by NIB.

The social and cultural activities organised by NIB's Staff Activity Club also enhance workplace satisfaction and encourage employee networking, which is especially important for employees originating from outside the host country. All employees are automatically enrolled in the Staff Activity Club.

An Occupational Safety Commission representing both the employees and the employer, which supervises occupational safety, hygiene and ergonomics in the workplace, operates as part of the Cooperation Council.

NIB Alumni. In 2009, NIB established an unofficial association for former NIB employees called the NIB Alumni. The Bank invites former NIB employees, both those still in active working life and NIB retirees, to one or two NIB-related occasions per year in order to keep up with the latest NIB activities and share experiences with former colleagues.

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, namely Finland's, or any other member country's labour law or other legislation does not as a rule apply to the employees automatically. There are some exceptions, particularly with regard to taxation, social security and pensions. Consequently, NIB has established its own legal framework for the staff, most of which is available on NIB's website.

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. The employees enjoy immunity from legal process in the Bank's member countries as regards acts performed in their official capacity.

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 may also act as mediator in the event of such disputes.

The NIB Way—Our shared values

table 6

Common values are crucial for the success of the Bank. The NIB Way is a set of principles that help govern and shape our corporate culture.

Our mission:
To promote sustainable growth of our member countries by providing long-term financing to projects that strengthen competitiveness and enhance the environment.

Our shared values:
- Supportive
- Multicultural
- Active
- Responsive
- Target-oriented

The way we work:

Supportive
- We support each other in the Bank by sharing information, knowledge, skills and experiences.
- We promote teamwork.
- We are respectful and caring towards each other and towards our customers.
- We are committed to ethics, honesty and sincerity.

Multicultural
- We recruit our staff from different countries and with different cultural backgrounds.
- We consider this diversity to be a strength of the Bank as well as an opportunity.
- We are tolerant and respect differences and principles of equality.

Active
- We are forward-looking and proactive.
- We keep ourselves informed about changes in the working environment and take responsibility for our own professional development.
- We are transparent in our actions and apply best practices and good governance.

Responsive
- We are responsive to changes.
- We adapt to the needs of our clients, communities and other stakeholders.
- We care about how we do business and the impact of our actions and behaviour on people, society and the environment.

Target-oriented
- We act to accomplish common goals. To achieve this we set clear individual targets.
- We regularly assess our performance and systematically follow-up on our achievements.
- We aim at the highest levels of professionalism and efficiency.
- We are transparent in our actions and apply best practices and good governance.

Corporate governance

The Bank aims at best practices in the field of corporate governance. Important principles guiding the Bank in this field are transparency, integrity, predictability, accountability and responsibility.

NIB was established in 1975 by Denmark, Finland, Iceland, Norway and Sweden. In 2005, the membership of the Bank was enlarged when 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, the Statutes adopted the same date, and the Headquarters Agreement concluded between the Government of Finland and the Bank in 1999.

According to the constituent documents, 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 Bank's legal framework stipulates that NIB has the status of an international legal person with full legal capacity; it defines the immunities and privileges of the Bank and its personnel and sets out the structure for the Bank's governance.

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 of its other member countries, as well as of all other countries in which it carries out activities.

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. Some of these are described elsewhere in this report and more information can be found on www.nib.int.

Board of Governors. The Board of Governors is the supreme decision-making body vested with exclusive powers to make 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 the liquidation of the Bank. In addition, the Governors are expected to decide on certain matters related to good governance such as the emoluments of the Board of Directors and the Control Committee as well as the Code of Conduct for the Board of Directors and the President.

The Board of Governors is composed of eight Governors, 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 Sweden is serving as Chair until 1 June 2010.

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, which stipulate that it shall hold an annual meeting and such other meetings as deemed appropriate. Decisions can also be made according to a written procedure. The rules of procedure further set out provisions for notices to meetings and practical details.

The Board of Governors held its annual meeting on 26 May 2009. In this meeting, the Board of Governors acknowledged the Bank's work in line with its mandate and welcomed the active involvement in the preparation of the EU Baltic Sea Strategy and in the Northern Dimension cooperation, including the establishment of the new partnership in transport and logistics. The rapid utilisation of the Bank's lending facility for climate change mitigation and adaption, as well as the continued engagement in supporting the implementation of the HELCOM Baltic Sea Action Plan were further commended.

The Bank's Governors are listed on page 46.

Board of Directors. Except for those powers vested in the Board of Governors, all remaining powers are vested in the Board of Directors. In addition to the overall responsibility for important strategy and policy matters, as well as risk control, the Board of Directors is, inter alia, responsible for the financial statements; presenting the Annual Report and the accounts to the Board of Governors; appointing the President; approving the financing transactions proposed by the President; issuing annual general authorisations to the President to carry out borrowing and associated treasury activities; approving the annual financial plan and deciding upon staff policy and other major issues in relation to the legal framework for the staff, as well as other administrative matters outside the scope of the daily operations. The Board of Directors may 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 Estonian Board Member, Madis Üürike, serves as Chairman of the Board of Directors for the period 1 June 2008 to 31 May 2010 and the Danish Board Member, Jesper Olesen, acts as 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.

"Our efforts in the Committee on Fighting Corruption is one way of promoting transparency and integrity."

Christina Stenvall-Kekkonen
Chief Counsel, Member of the CFC

The work of the Board of Directors is governed by its rules of procedure, which cover a number of more detailed provisions for conducting meetings and handling material. They also stipulate on the attendance; alternates are entitled to attend all Board meetings but can vote only in the absence of the Director. There are currently no formal 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 Board of Directors met eight times in 2009 and approved the Compliance Policy, a new Liquidity Policy, and new risk limits for the treasury operations. The Board revised the Code of Conduct for the Staff, the Integrity Policy, and the Rules for the Ombudsman. Topics for the recurring Board seminars held in conjunction with the Board meetings were the Bank's Mandate Rating, Setting Credit Risk Rating, Energy and Environment, Treasury Reporting and Activities in Non-member Countries.

The members of the Board of Directors are listed on page 47.

President. The President is considered the legal representative of the Bank and is responsible for the conduct of its current operations. The President is appointed by the Board of Directors for a term of five years at a time. The current term of the President ends on 1 April 2010 and the Board of Directors has re-elected the President for a new term of two years ending 1 April 2012.

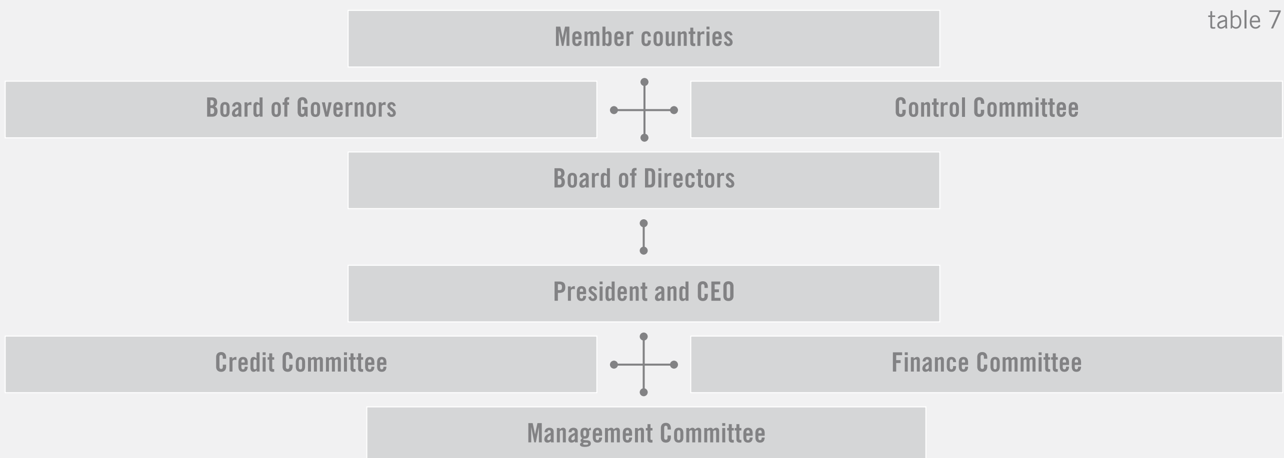
The President may not be a member of the Board of Directors, but is present at its meetings. The President shall follow the instructions and guidelines established by the Board of Directors. The President shall ensure that the Board of Directors receives objective and relevant information on the progress 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 with 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 met 18 times in 2009. The meetings are chaired by the President, who makes decisions after consulting with the members of the Committee.

The Credit Committee is responsible for the preparation and the decision-making on matters related to the Bank's lending operations. The President exercises his delegated decision-making powers concerning lending operations through the Credit Committee.

table 7



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 regularly once a week, and met 53 times during 2009.

The Finance Committee is an advisory body to the President and monitors the market risk, liquidity risk and credit risk related to the Bank's treasury operations. The Committee includes the President and four members, and convenes once a month. The Finance Committee met 11 times during 2009.

The President and the members of the Management Committee are presented on page 48.

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 representing each member country. The members are appointed for a term of up to two years at a time. 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 Chairman and Deputy Chairman attend at least two of the Board of Directors' meetings per year and also receive the Board meeting minutes. The Board of Governors appointed Torsten Gersfelt from Denmark to act as Chairman for the period 1 June 2009 to 31 May 2010 and Hannu Riippi from Finland to serve as Deputy Chairman for the same period.

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 Control Committee appoints two professional external auditors every year for the purpose of assisting the Committee in carrying out its 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 cover all areas of control. The Committee may also instruct the professional auditors to carry out audit reviews 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. According to the rules of procedure, the election of the professional auditors shall be subject to review at regular intervals. Following a tender process carried out during 2007, the Control Committee decided to select two auditors from KPMG, one each from Helsinki and Copenhagen, to carry out the audit of the Bank from the financial year 2008 onward, with annual re-confirmation.

The Control Committee met twice during 2009. In addition to the normal reporting, the Control Committee was also presented with an evaluation and monitoring of the loan portfolio, which focused on handling financially distressed assets.

For the composition of the Control Committee, see page 46.

Codes of conduct. There are three different Codes of Conduct applicable to the Bank and its bodies. The Code of Conduct's general purpose is to enhance best practices in relation to the governance of the Bank. It provides guidance for avoiding conflict situations, rules on insider trading and advice on how to uphold proper conduct according to the highest ethical standards.

The Code of Conduct for the Board of Directors and the President is approved by the Board of Governors and was last revised in 2005.

The Code of Conduct for the Control Committee was established in 2005. The

"The global financial crisis underlined the importance of risk management and control. We monitor our internal control systems regularly to respond to changes in the business environment."

Tom Hagström
Senior Risk Analyst

Code of Conduct for the Staff was last revised by the Board of Directors in 2009.

The Code of Conduct for the Board of Directors requires the Directors and Alternates to sign a yearly written statement of certain financial interests and positions held in other institutions or companies. The President signs a statement concerning his financial interests and any outside activities. The President's perquisite positions shall be approved by the Board of Directors.

According to the Code of Conduct for the Staff, members of the Management Committee and the Credit Committee as well as certain other senior position holders are required to disclose business and financial interests, while the rest of the staff must file an annual declaration concerning conflicting interests.

Compliance. To support the existing internal control systems, risk management and above all integrity in the Bank's operations, an independent compliance function for the Bank was established in 2008. The Compliance function is headed by the Chief Compliance Officer, who reports directly to the President. The Compliance function is guided by a policy, which sets out the principles according to which the compliance risks are managed in the Bank and includes the responsibilities of the Compliance function and the Chief Compliance Officer. The Compliance function engages in matters relating to following rules, laws and regulations applicable to the Bank, as well as observing the standards of market conduct and good governance. Particular emphasis is put on integrity matters, managing conflicts of interest and prevention and combating of fraud and corruption. The mandate of the Compliance function also covers part of the Bank's sustainability work.

The Chief Compliance Officer is heading the Bank's Committee on Fighting Corruption, which has the task of issuing recommendations on preventive action as well as investigating cases of alleged corruption. Furthermore, the Compliance function is responsible for providing advice and training for the staff on integrity issues.

The work on integrity matters takes into consideration the recommendations of other major IFIs set forth in the Uniform Framework for Preventing and Combating Fraud and Corruption. Under the guidance of the Compliance function, integrity due diligence guidelines and procedures have been established as part of the credit process.

Reporting. In order to promote efficiency, accountability, transparency and disclosure, the various policy documents, rules of procedure, instructions and guidelines provide for elaborate reporting to the Board of Directors, to the Control Committee and within the organisation including to the President and senior management.

The Bank's Resolution on Fighting Corruption as well as the Code of Conduct call for the responsive conduct of the staff which includes an obligation to report in good faith on suspicion of fraud and corruption as well as on misconduct and breach of the Bank's regulations, rules, policies and instructions. Staff members are protected under the Bank's principles on whistle blowing.

Remuneration and incentive programs. The Board of Governors determines annually the amount of the remuneration and attendee allowance for the Board of Directors and for the Control Committee.

The President's employment terms, including remuneration, are determined by the Board of Directors. The principles of remuneration of the professional auditors are determined by the Control Committee.

The principles for remuneration of the staff are set out in the Compensation Policy, which was revised in 2008 and implemented during 2009. The Bank applies a fixed salary based system, where individual performance plays an important role, as well as a small bonus programme, which rewards exceptional performance on a yearly basis.

For further information on the remuneration structure, see Note 5 in the Financial report.

Internal control. The dual objective of NIB's internal control system is to secure and develop the long-term financial preconditions for operations, while conducting operations in a cost-efficient way, in compliance with given rules and regulations. 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, the Bank's exposure and documentation. The main principle for organising work flows is to segregate business-generating functions from recording and monitoring 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 overall responsibility for the internal control system. 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 in accordance with the Bank's Operational Risk Management Policy. Responsibility for developing the operational risk framework and for monitoring its implementation resides within the independent risk management unit of the Bank.

The financial crisis has further pushed for refinement of the risk management and internal control. In addition to defining the various processes in the Bank, handbooks and manuals have been set up to increase effectiveness, consistency, and accuracy in the Bank's activities.

The Bank's business planning, which includes financial and resource planning, are other tools for the Board of Directors and the Control Committee to exercise control on the achievement of objectives. Similar planning on department and unit level improves management control and performance evaluation.

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 function 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 62–71.

External communications

Kyra Koponen/NIB

NIB's external communication supports the Bank in pursuing the overall goals as described in its mandate, mission and strategy.

Accordingly, there is a natural need to communicate to support lending and funding processes. External communication should also promote general knowledge and awareness of NIB among different stakeholders. As an international financial institution, NIB places particular emphasis on issues relating to corporate responsibility. With goals beyond making profits, namely strengthening competitiveness and enhancing the environment, NIB is accountable to its member countries and to the society as a whole.

NIB's approach to external communication is outlined in its Communication Policy, which was adopted in 2008. The policy defines guiding principles for external communication, key target groups and communication tools.

From the business perspective, the policy recognises the customers and investors as key target groups. Currently, NIB has approximately 400 active customers of which most are located in the Bank's member countries. The current customer base consists of private and public companies and banks, as well as governments and government entities.

The investor base consists of central banks, various banks' treasury functions, pension and insurance companies and asset managers.

From the accountability perspective society as a whole is an important target group for NIB's external communication. This includes political decision-makers, public authorities, NGOs, media and the general public. Ensuring the transparency of NIB's communication is thus imperative. A practical example is the Bank's disclosure of new loans on the website, which includes environmental summaries of each project.

NIB's Communication Policy provided a framework for developing the external communication of the Bank, and 2009 marked the first full year of policy implementation. Bilateral contacts form the core of NIB's customer relations. Investors are reached primarily via intermediary banks and road shows. To supplement traditional printed products, such as the NIB Bulletin and the Annual Report, NIB capitalised on its revamped website and new electronic newsletter to reach its target groups proactively and in a timely manner. NIB also arranged and participated in numerous seminars in member countries and beyond.

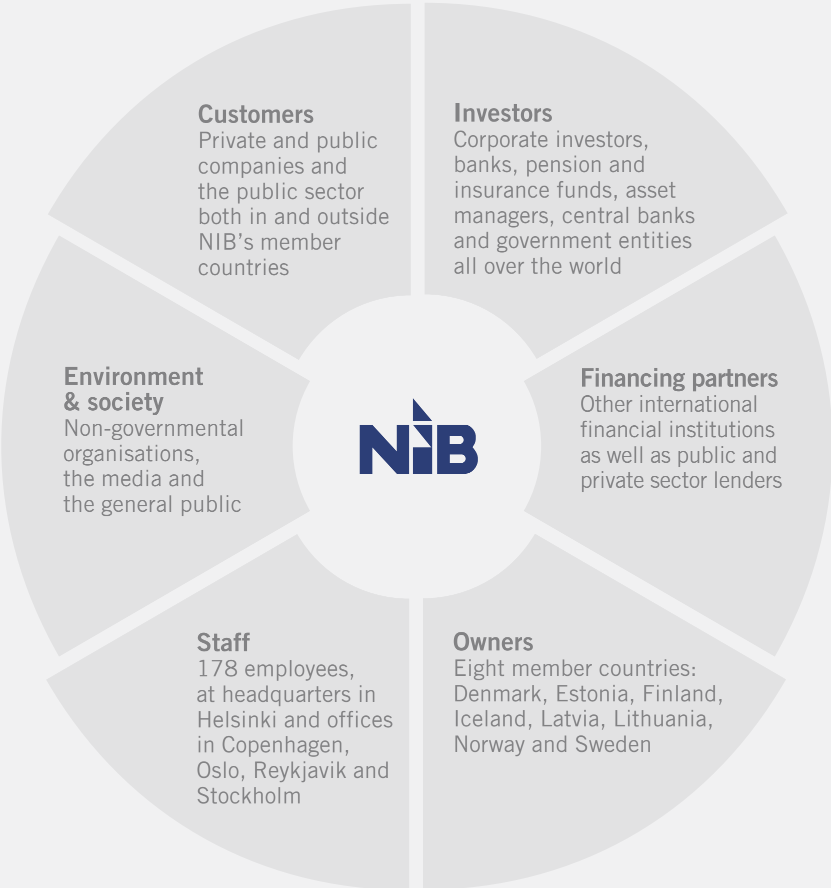
Media was briefed continuously on the Bank's activities and new loan agreements. Topics of interest were the impact of financial and economic crisis in the Nordic-Baltic region, the role of NIB in these circumstances and financing of environmental projects.

Invest in the Baltic Sea

NIB organised several seminars and external events in 2009. One such seminar took place during the yearly Almedalen Week in Sweden in July 2009. At the seminar entitled "Can the saving of the Baltic Sea be financed", NIB President and CEO Johnny Åkerholm featured in debate with Erik Båsk, Secretary General of the John Nurminen Foundation, and Anders Alm, the Swedish delegate in HELCOM. Johan Ljungberg, Head of NIB's Environmental Unit, chaired the debate.

The panelists concluded that environmental investments in the Baltic Sea should be made now in order to avoid higher costs in the future.

NIB's stakeholders table 8



"NIB is well known and enjoys a positive reputation among our present customers and investors. This is a valued platform from which to expand this group, especially in our focus sectors."

Jukka Ahonen
Director, Head of Communications

Knowledge and attitude survey 2009

External feedback is valuable in the development of the Bank's operations. Knowledge of the level of awareness of NIB among different stakeholders is also useful in order to fulfil NIB's mission. In 2009, a thorough knowledge and attitude survey was conducted among customers, potential customers, public authorities and investors, including intermediaries. The main goal of the survey was to identify NIB's value added to these target groups and how they perceive the Bank.

According to the results, NIB enjoys a positive reputation among its stakeholders. Those who know the Bank best are its present customers and investors. Potential customers and public authorities know the Bank to a lesser extent but those who are familiar with the Bank have a positive attitude.

The most preferred information channels among lending customers are bilateral contacts and the NIB Newsletter, while investors prefer investment banks and road shows the most.

NIB's image was tested against different attributes such as reliability, environmental focus, mandate orientation, etc. The level of evaluations was high. In general, NIB scores best in the following: focusing on environmental issues, being reliable and socially responsible. Lenders pay attention to NIB being Nordic-Baltic. Investors recognise the highest possible credit rating and the highest asset quality.

From the lending customers' perspective, NIB's key drivers and clearest strengths are: reliability, long-term partnership aim and stable supply of long-term financing. They would appreciate more emphasis on: smoothness of the loan process, flexibility and support also in bad times.

The results will be used both in developing the Bank's activities as well as a guideline for adjusting the communication policy, which seeks to support NIB's business activities.

Organisation chart

As of March 2010. For updates and details about NIB's personnel, please visit www.nib.int.

President & CEO

Lending
- Member Area
- Non-member Area
- Project & Structured Finance
- Client & Country Management
- Business Development & Control
- Work-out

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

Credit and Analysis
- Credit
- Country Analysis
- Corporate Analysis
- Project Analysis
- Environment
- Mandate

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

Legal
- Institutional & Administrative Affairs
- Lending Operations
- Treasury Operations

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

Communications

Compliance

Internal Audit

Board of Governors

As of 31 December 2009

Lene Espersen
Minister for Economic and Business Affairs
Denmark

Jürgen Ligi
Minister of Finance
Estonia

Mari Kiviniemi
Minister of Public Administration and Local Government
Finland

Steingrímur J. Sigfússon
Minister of Finance
Iceland

Einars Repše
Minister of Finance
Latvia

Ingrida Šimonytė
Minister of Finance
Lithuania

Sigbjørn Johnsen
Minister of Finance
Norway

Anders Borg
Minister of Finance
Sweden

Control Committee

As of 31 December 2009

Chairman

Torsten Gersfelt
(from 1 June 2009)
Cand. polit.
Denmark

Darius Matusevičius
(until 31 May 2009)
Director, Finance Control Methodology Department, Ministry of Finance
Lithuania

Deputy Chairman

Hannu Riippi
(from 1 June 2009)
Managing Partner
BDO Oy
Finland

Torsten Gersfelt
(until 31 May 2009)
Cand. polit.
Denmark

Per Kaalund
Former Member of Parliament
Denmark

Taavi Rõivas
Member of Parliament
Estonia

Tuula Peltonen
Member of Parliament
Finland

Ragnheiður Ríkharðsdóttir
Member of Parliament
Iceland

Viesturs Silenieks
Adviser to the Chairman of the Saeima
Latvia

Sigita Burbienė
Referent
Seimas of the Republic of Lithuania
Lithuania

Kari Lise Holmberg
Former Member of Parliament
Norway

Johan Linander
Member of Parliament
Sweden

Auditors appointed by the Control Committee

Sixten Nyman
Authorised Public Accountant
KPMG Finland

Per Gunslev
Authorised Public Accountant
KPMG Denmark

Board of Directors

Estonia
Madis Üürike
Chairman of the Board
Advisor
Ministry of Finance
8 MEETINGS

Alternate
Ülle Mathiesen
Head of the State Treasury Department
Ministry of Finance
5 MEETINGS

Denmark
Jesper Olesen
Deputy Chairman of the Board
Deputy Permanent Secretary
Ministry of Economic and Business Affairs
5 MEETINGS

Alternate
Sigmund Lubanski
Head of Office
Ministry of Economic and Business Affairs
4 MEETINGS

Finland
Kristina Sarjo
Financial Counsellor
Ministry of Finance
8 MEETINGS

Alternate
Risto Paaermaa
Director
Ministry of Employment and the Economy
4 MEETINGS

Iceland
Þorsteinn Þorsteinsson
Chairman of the Board
Icelandic State Banking Agency
1 MEETING

Alternate
Sigurður Þórðarson
CPA, Former State Auditor
6 MEETINGS

Latvia
Edmunds Krastiņš
Project Manager
8 MEETINGS

Alternate
Kaspars Āboliņš
Treasurer
Treasury of the Republic of Latvia
5 MEETINGS

Lithuania
Rolandas Kriščiūnas
Vice-Minister of Finance
Ministry of Finance
7 MEETINGS

Alternate
Jurgita Uzieliene
Deputy Director
Ministry of Finance
5 MEETINGS

Norway
Arild Sundberg
Director General
City of Oslo
5 MEETINGS

Alternate
Heidi Heggenes
Director General
Ministry of Finance
6 MEETINGS

Sweden
Erik Åsbrink
Former Minister of Finance
7 MEETINGS

Alternate
Anna Björnermark
(From 29 January 2009)
Deputy Director
Ministry of Finance
6 MEETINGS

Alternate
Tomas Danestad
(Until 28 January 2009)
Senior Adviser
Ministry of Finance
0 MEETINGS

The Board of Directors met eight times during 2009. The attendance at meetings is listed above. For duties of the Board of Directors, see page 39.

Management Committee

1. Johnny Åkerholm (1948)
President and CEO since 2005.
Lic.Pol.Sc., University of Helsinki;
M.Sc.Econ., Swedish School of Economics and Business Administration, Helsinki.

2. Nils E. Emilsson (1950)
First Vice-President, Head of Lending. Joined NIB in 2006.
B.Sc., United States International University;
MBA, California State University.

3. Heikki Cantell (1959)
General Counsel, Head of Legal Department.
Joined NIB in 2007. LLM, University of Helsinki;
Postgraduate degree in Commercial Law, University of Paris II.

4. Lars Eibeholm (1964)
Vice-President, Head of Treasury and CFO.
Joined NIB in 2007. HD-Master's Degree in Finance and Credit, Copenhagen Business School.

5. Hilde Kjelsberg (1963)
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.

6. Juha Kotajoki (1959)
Vice-President, Head of Risk and Accounting.
Joined NIB in 1986. B.A., University of Turku.

7. Gunnar Okk (1960)
Vice-President, Head of Planning and Administration.
Joined NIB in 2006. M.Sc., Tallinn University of Technology.

Global Reporting Initiative 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. This is the third Annual Report carried out in accordance with GRI's framework. The table below indicates where in the the report the different topics are covered.

PROFILE		PAGE IN ANNUAL REPORT
	VISION & STRATEGY	
1.1	Statement from the most senior decision maker of the organisation about the relevance of sustainability to the organisation and its strategy	4–5
1.2	Description of key impacts, risks and opportunities	8–9, 11–17, 19–24
	ORGANISATIONAL PROFILE	
2.1	Name of the organisation	3
2.2	Primary brands, products, and/or services	2–3
2.3	Operational structure of the organisation	39–41, 45
2.4	Location of organisation's headquarters	3, 62, 96
2.5	Countries where the organisation operates	21, Note 1 (page 72)
2.6	Nature of ownership and legal form	39–40, 62
2.7	Markets served	19–27, Note 1 (page 72)
2.8	Scale of the reporting organisation	3, 6–7, 32, 35, 54–56
2.9	Significant changes during the reporting period regarding size, structure or ownership	Note 14 (page 83)
2.10	Awards received in the reporting period	-
	REPORT PARAMETERS	
3.1	Reporting period	96
3.2	Date of most recent previous report (GRI)	49
3.3	Reporting cycle	96
3.4	Contact point for questions regarding the report	96
3.5	Process for defining report content (material issues, stakeholders etc.)	1, 9, 44
3.6	Boundary of the report	-
3.7	Any specific limitations on the scope or boundary of the report	-
3.8	Basis for reporting that can affect comparability of the report	n/a
3.9	Data measurement techniques and the bases of calculations	13
3.10	The effect and reasons of any re-statements of information provided in earlier reports	59, 66
3.11	Significant changes from previous reporting periods	66
3.12	GRI content index	49–52
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	39–42
4.2	Chair of highest governance body is also an executive officer	40
4.3	Number of members of the highest governance body that are independent and/or non-executive members	47
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	-
4.5	Linkage between executive compensation and the organisation's economic, environmental and social performance	42, Note 5 (page 74)
4.6	Avoidance of conflicts of interest	41–42
4.7	Qualifications of Board of Directors for guiding the organisation's strategy on economic, environmental, and social topics	n/a
4.8	Codes of conduct	36, 39–42
4.9	Procedures for overseeing the organisation's identification and management of economic, environmental, and social performance	12–13, 40–42
4.10	Processes for evaluating the performance of Board of Directors	-
4.11	Explanation of precautionary approach	42

4.12	Participation in externally developed initiatives	4, 8–9, 14, 16, 20, 25
4.13	Memberships in associations	20
4.14	List of stakeholder groups	44
4.15	Basis for stakeholder identification and selection	43
4.16	Approaches to stakeholder engagement	8–9, 14, 16, 43
4.17	Use of information resulting from stakeholder engagements	14, 16

INDICATORS		PAGE IN ANNUAL REPORT
	ECONOMIC	
EC1	Economic value generated and distributed	6–7, 61, Note 5 (page 74)
EC2	Financial implications and other risks and opportunities due to climate change	4, 8, 14, 20, 22–23
EC3	Coverage of the organisation's defined benefit plan obligations	Note 5 (page 74)
EC4	Significant financial assistance received from government	25, 63, Note 14 (page 83)
EC5	Standard entry level wage compared to local minimum wage	n/a
EC6	Policy, practices, and proportion of spending on local suppliers	-
EC7	Procedures and proportion of local hiring, including senior management	n/a
EC8	Development and impact of infrastructure investments and services	9 (case), 23, 28
EC9	Understanding and describing significant indirect economic impacts	8, 12–13
	ENVIRONMENTAL	
EN1	Materials used by weight or volume (internal)	15 (table 3)
EN2	Percentage of materials used that are recycled input materials (internal)	n/a
EN3	Direct energy consumption (internal)	n/a
EN4	Indirect energy consumption (internal)	15 (table 3)
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)	15 (table 3) (partially)
EN8	Total water withdrawal by source (internal)	15 (table 3)
EN9	Water sources significantly affected by withdrawal of water (internal)	n/a
EN10	Recycled and reused water (internal)	n/a
EN11	Location and size of land managed in, or adjacent to sensitive areas (internal)	RL
EN12	Impacts of activities, products, and services on biodiversity in sensitive areas	RL
EN13	Habitats protected or restored	RL
EN14	Strategies, actions and plans for managing impacts on biodiversity	14, 16–17
EN15	List of endangered species with habitats in areas affected by operations	-
EN16	Total direct and indirect greenhouse gas emissions	16 (table 4) (partially)
EN17	Other relevant indirect greenhouse gas emissions	16 (table 4) (partially)
EN18	Initiatives to reduce greenhouse gases and reductions achieved	14, 16, 20–24, B&C
EN19	Emissions of ozone-depleting substances	-
EN20	NOx, SOx, and other significant air emissions	16 (table 4) (partially)
EN21	Total water discharge (internal)	n/a
EN22	Waste by type and disposal method (internal)	15 (table 3) (partially)
EN23	Number and volume of significant spills (internal)	n/a
EN24	Waste deemed hazardous under the terms of the Basel Convention (internal)	n/a
EN25	Influence of waste water on the environment (internal)	n/a
EN26	Initiatives to mitigate environmental impacts of products and services	4, 8–9, 14, 16, 19–20
EN27	Reclaimed products and packaging materials (internal)	n/a
EN28	Monetary fines and non-compliance with environmental laws and regulations (internal)	16

EN29	Environmental impacts of transport and travel (internal)	15 (table 3) (partially)
EN30	Environmental protection expenditures and investments	22–23
	SOCIAL	
LA1	Total workforce by employment type, contract, and region (internal)	35–36
LA2	Employee turnover (internal)	35
LA3	Benefits provided only to full-time employees (internal)	37, SR, Note 5 (page 74)
LA4	Percentage of employees covered by collective bargaining agreements	n/a
LA5	Minimum notice period(s) regarding significant operational changes (internal)	n/a
LA6	% of workforce represented in health and safety committees (internal)	38
LA7	Rates of injury, accidents, occupational diseases, lost days, and absenteeism (internal)	36
LA8	Education, training and risk-control programmes regarding serious diseases (internal)	36–37
LA9	Trade union agreements on health and safety topics (internal)	n/a
LA10	Hours of training per employee by employee category (internal)	37
LA11	Programmes for skills management and lifelong learning (internal)	36–37
LA12	Regular performance and career development reviews (internal)	36
LA13	Composition of governance bodies and employees according to gender, age, etc. (internal)	35–36, 46–48 , Note 5 (page 74)
LA14	Salary levels of men to women (internal)	-
	Social performance: human rights	
HR1	Human rights screening in investments	16, EP
HR2	Human rights screening of suppliers (internal)	-
HR3	Employee training on policies and procedures on human rights (internal)	36
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	EP
HR7	Measures taken to contribute to the elimination of forced or compulsory labour	EP
HR8	Training of security personnel concerning aspects of human rights (internal)	n/a
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	EP, 14, 16
SO2	Business units analysed for risks related to corruption	9, 41–42
SO3	Anti-corruption training (internal)	36, 42
SO4	Actions taken in response to incidents of corruption	42
SO5	Public policy positions and lobbying (internal)	n/a
SO6	Contributions to political parties, politicians and related institutions (internal)	n/a
SO7	Legal actions for anti-competitive behaviour	n/a
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	n/a
PR4	Breaches against product and service information and labeling	n/a
PR5	Practices related to customer satisfaction	5, 9, 44
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	-

GRI FINANCIAL SERVICES SUPPLEMENT		PAGE IN ANNUAL REPORT
FS1	Policies with specific environmental and social components applied to business lines.	EP, 14
FS2	Procedures for assessing and screening environmental and social risks in business lines.	EP, 12–13, 16
FS3	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions.	EP, 17
FS4	Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines.	-
FS5	Interactions with clients/investees/business partners regarding environmental and social risks and opportunities.	8–9, 14, 16, 43, EP
FS6	Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector.	3, 6–7, 19–24
FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose.	n/a
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose.	21–24, B&C
FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures.	-
FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues.	14 (table 2)
FS11	Percentage of assets subject to positive and negative environmental or social screening.	13 (fig. 14)
FS12	Voting polic(ies) applied to environmental or social issues for shares over which the reporting organization holds the right to vote shares or advises on voting.	n/a
FS13	Access points in low-populated or economically disadvantaged areas by type.	n/a
FS14	Initiatives to improve access to financial services for disadvantaged people.	-
FS15	Policies for the fair design and sale of financial products and services.	n/a
FS16	Initiatives to enhance financial literacy by type of beneficiary.	8

-	not currently covered by the Bank's reporting
B&C	information available on the BASE & CLEERE webpages under www.nib.int
EP	NIB's environmental policy, available on the Bank's website, www.nib.int
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")
n/a	not applicable with banks in general or due to NIB's status as an International Financial Institution
Note X	refers to a specific note in the Annual Report 2009, pages 72–93
partially	the indicator is partially covered in the report
SR	NIB Staff Regulations, available on the Bank's website www.nib.int
RL	information available in the environmental summaries of NIB projects under Recent loans on the Bank's website, www.nib.int.

Financial report 2009

Report of the Board of Directors

During 2009, the financial markets showed increasing signs of normalisation. However, credit supply remained restrained, the real economy continued adjusting, and output fell in the membership area.

In this environment, the demand for NIB's loans continued to be strong. As the capital base limited expansion, loan disbursements were kept on a lower level than in 2007 and 2008. This led to a higher degree of prioritisation of loan projects. Reflecting the economic developments, some further impairments to the NIB loan-book were made during the period.

Core earnings increased steadily and were, for the year as a whole, somewhat above the outcome of 2008. However, NIB's profit rose significantly to EUR 323.9 million. Positive valuations on financial instruments in the Bank's treasury portfolios contributed to the profit together with positive adjustments to the Bank's hedge accounting.

Strategic focus

During the year, an increasing emphasis was put on seeking projects, which comply with the Bank's mandate to support competitiveness and the environment. Accordingly, 77% of loans agreed last year were in the areas of: energy; the environment; transport, logistics and communications; and innovation, where the mandate compliance is typically high. This was considered particularly important during difficult times, when the ability of the private sector to finance such projects was clearly diminished.

NIB continued to utilise its two environmental lending facilities, CLEERE and BASE. By the end of the year, the entire EUR 1 billion CLEERE facility for financing projects aimed at climate change mitigation and adaptation had been allocated. There was less demand for BASE, the Baltic Sea Environment Financing Facility, which mainly targets projects within the HELCOM Baltic Sea Action Plan; approximately one fifth of the total EUR 500 million framework had been used. In order to speed up the implementation of this plan, a new trust fund managed by NIB and NEFCO was established with contributions from Sweden and Finland.

A key policy decision was to sharpen NIB's geographical focus. The Board of Directors decided that NIB will intensify its cooperation with a limited number of non-member countries, which offer the highest potential in terms of project participant interest and mandate fulfilment. The aim is to deepen relations and increase the Bank's presence in these countries, while offering more value-added to the stakeholders. Accordingly, the neighbouring Baltic Sea region, including Poland, Russia and the Ukraine, will continue to be a priority area and the Bank will further develop

table 9
KEY FIGURES

(In EUR million unless otherwise specified)	2009	2008	2007
Net interest income	219	212	187
Profit/loss on financial operations	178	-387	-90
Loan impairments	43	79	-
Core earnings	192	189	161
Profit/loss	324	-281	69
Equity	2,050	1,730	2,037
Total assets	22,423	22,620	19,973
Solvency ratio (equity/total assets %)	9.1%	7.6%	10.2%

its cooperation with some of the major emerging economies, such as Brazil, China and India.

The Board of Directors approved a number of policies during the year. The liquidity policy defines the Bank's approach towards liquidity and sets the framework and objectives for the Bank's treasury operations. A Compliance Policy was adopted as a follow-up to the establishment of the compliance function. The Bank's Financial Policies were updated to reflect the changes in NIB's organisation, working processes as well as changes in the Bank's policies and guidelines. The Board also approved policies relating to updating the legal framework for the staff.

Madis Üürike acted as Chairman of the Board.

Activities

Demand continued to be high for NIB loans in 2009 and the Bank signed 40 loan agreements during the year. The disbursement of loans was EUR 1,954 million, compared to EUR 2,486 million during the same period in 2008. Loans agreed reached EUR 1,417 million, compared to EUR 2,707 million during the same period previous year.

The Bank has identified some sectors that in particular contribute to the fulfilment of the Bank's mandate: environment; energy; transport, logistics and communications; and innovation.

Last year, environment-related lending accounted for 48% of agreed loans with projects supporting the use of renewable energy, energy efficiency, clean technologies, wastewater treatment and green transport solutions.

Other energy-related lending concentrated on rehabilitation and upgrading of hydropower plants as well as on transmission and distribution networks. Energy investments accounted for 6% of the loans agreed during the year.

Transport, logistics and communication accounts for 18% of agreed loans. This year, NIB has participated, for example, in financing investments for the development of infrastructure and public transport as well as for expansion of telecommunication networks. In the field of innovation, NIB provided loans for investments in research and development (5%).

Small and medium-sized enterprises were targeted through intermediary banks and regional IFIs (13%). The more traditional manufacturing and service industries accounted for 10% of the loans agreed in 2009.

In total, 85% of the lending was targeted inside the membership area. The re-focusing of non-member country activities was reflected in lending: all new loan approvals were in the chosen focus countries.

As a consequence of the economic situation, NIB paid increasing attention to monitoring the loan portfolio in order to identify and mitigate possible problems among existing borrowers. A temporary work-out unit dealt with loans which were watch-listed or subject to work-out.

The Bank's funding needs of EUR 4.1 billion were fulfilled through issuance of two global benchmark loans and a number of smaller public and private placements. The Bank issued its first EUR 1 billion benchmark bond in April and a USD 1 billion global benchmark which followed in September.

The year 2009 was challenging for the capital markets. Funding costs were volatile with high costs experienced during the first half of the year, and a reversion to more normalised levels during the latter part of the year. Throughout the period, NIB bonds met with strong demand and the Bank

table 10
LENDING

(In EUR million unless otherwise specified)	2009	2008	2007
Energy	**89**	**416**	
Environment	**684**	**566**	
Transport, logistics and communication	**252**	**527**	
Innovation	**72**	**40**	
Financial intermediaries	185	208	
Manufacturing and mining	57	795	
Services and other	77	154	
Loans agreed total	**1,417**	**2,707**	**2,214**
Member countries	1,201	2,027	1,810
Non-member countries	216	680	404
Number of loan agreements, total	**40**	**53**	**57**
Member countries	33	40	45
Non-member countries	7	13	12
Loans outstanding and guarantees	**13,775**	**13,079**	**12,316**
Member countries	10,901	10,160	9,898
Non-member countries	2,874	2,920	2,417
Repayments and prepayments	**1,343**	**1,467**	**1,282**

New sectoral division of lending activities introduced in 2008.

table 11
FINANCIAL ACTIVITIES

(In EUR million unless otherwise specified)	2009	2008	2007
New debt issues	4,137	4,681	4,288
Debts evidenced by certificates at year-end	17,998	17,549	15,023
Number of borrowing transactions	71	59	69
Number of borrowing currencies	10	13	10

managed to increase the duration of new funding to approximately 5-years, compared to 3.6-years in 2008.

It is the Bank's target to ensure a sufficient level of liquidity to be able to continue disbursing new loans and fulfil all payment obligations for one year forward, without necessitating additional funding.

Financial results

NIB's net interest income amounted to EUR 219 million, which corresponds to an increase of EUR 7 million compared to 2008. The administrative expenses for the period amounted to EUR 31 million. NIB's underlying business for 2009 in terms of core earnings[1)] shows solid steady development with the increase to EUR 192 million, compared to EUR 189 million for the corresponding period previous year.

NIB's profit rose to EUR 324 million, of which net profit on financial operations accounted for EUR 178 million. Valuation profits on financial instruments amounted to EUR 136 million. The adjustments to hedge accounting during the period were positive at EUR 38 million.

Loan impairments amounted to EUR 43 million in 2009, which is less than in 2008 (EUR 79 million).

The Bank's total assets at the end of the period were EUR 22 billion, down from EUR 23 billion at the end of 2008. Loans outstanding increased by 5.4% to EUR 14 billion compared with year end 2008.

Risk management

Overall, the quality of the Bank's portfolios remained high in 2009, despite continued weakening of the economy and the problems encountered by some counterparts. The share of the weakest risk classes continued to increase as a result of internal downgradings. The credit quality of the treasury portfolio remained stable during the year. Portfolios were well-balanced as regards both the geographical and sectoral distribution, as well as the degree of concentration in terms of exposure to individual counterparties.

The Bank continued to emphasize follow-up measures on its customers and counterparties during 2009.

Administration

NIB's Board of Directors prolonged the appointment of Johnny Åkerholm as President and CEO of NIB.

Mr Åkerholm took up his position on 1 April 2005 for a five-year period. This mandate has now been extended by two years until the end of March 2012.

Outlook

NIB assumes that the economic activity in the member countries will pick up slightly but still remain rather subdued. The financial institutions within the member countries will continue to apply tight credit standards. Projects within the focus sectors, also those high on the political agenda, are expected to continue to suffer from the effects of the financial crisis.

In this environment, NIB anticipates demand for its loans to persist during 2010. NIB also expects to continue to have good access to funding in the financial markets.

1) Core earnings consist of the profit before adjustments to hedge accounting, realised and unrealised gains/losses of the trading portfolio, credit losses and reversals thereof.

Proposal by the Board of Directors to the Board of Governors

The Board of Directors' proposal with regard to the financial results for the year 2009 takes into account the need to keep its ratio of equity to total assets at a secure level, which is a prerequisite for maintaining the Bank's high creditworthiness.

In accordance with section 11 of the Statutes of the Bank, it is proposed that the profit for 2009 of EUR 323,899,669.47 be allocated as follows:

- EUR 209,899,669.47 be transferred to the General Credit Risk Fund as a part of equity;
- EUR 114,000,000.00 be transferred to the Special Credit Risk Fund for Project Investment Loans;
- no transfer be made to the Statutory Reserve. The Statutory Reserve amounts to EUR 670,567,820.55 or 16.2% of the Bank's authorized capital stock; and
- no dividends be made available to the Bank's member countries.

The statements of comprehensive income, financial position, changes in equity and cash flow, as well as the notes to the financial statements, can be found on pages 58 through 94.

Helsinki, 4 March 2010

Madis Üürike

Jesper Olesen

Rolandas Kriščiūnas

Edmunds Krastiņš

Arild Sundberg

Þorsteinn Þorsteinsson

Kristina Sarjo

Erik Åsbrink

Johnny Åkerholm,
President and CEO

Statement of comprehensive income 1 January–31 December

EUR 1,000	Note	2009	2008
Interest income		603,038	979,236
Interest expense		-384,040	-766,845
Net interest income	(1), (2), (22)	**218,998**	**212,391**
Commission income and fees received	(3)	8,909	9,567
Commission expense and fees paid		-2,843	-2,310
Net profit/loss on financial operations	(4)	177,754	-386,923
Foreign exchange gains and losses		-733	-142
Operating income		**402,085**	**-167,417**
Expenses			
General administrative expenses	(5), (22)	30,601	30,346
Depreciation	(9), (10)	5,074	4,360
Impairment of loans	(6), (8)	42,511	79,150
Total expenses		**78,186**	**113,856**
PROFIT/LOSS FOR THE YEAR		**323,900**	**-281,273**
Value adjustments on the available-for-sale portfolio		-3,533	-734
Total comprehensive income		**320,367**	**-282,007**

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

Statement of financial position at 31 December

EUR 1,000		Note	2009	2008
ASSETS		(1), (18), (19), (20), (21)		
Cash and cash equivalents [1]		(17), (23)	973,837	2,500,400
Financial placements		(17)		
Placements with credit institutions			84,954	82,013
Debt securities		(7)	5,659,220	4,778,754
Other			19,999	14,157
			5,764,173	**4,874,924**
Loans outstanding		(8), (17)	13,762,661	13,062,568
Intangible assets		(9)	6,703	6,816
Tangible assets, property and equipment		(9)	33,457	35,107
Other assets		(11), (17)		
Derivatives			1,463,803	1,734,353
Other assets		(22)	28,789	8,123
			1,492,592	**1,742,476**
Payments to the Bank's reserves, receivable			17,758	31,556
Accrued interest and fees receivable			372,289	366,590
TOTAL ASSETS			**22,423,470**	**22,620,436**
LIABILITIES AND EQUITY		(1), (18), (19), (20), (21)		
Liabilities				
Amounts owed to credit institutions		(17), (22)		
Short-term amounts owed to credit institutions		(23)	452,395	1,092,809
Long-term amounts owed to credit institutions			201,052	79,107
			653,447	**1,171,917**
Repurchase agreements				45,900
Debts evidenced by certificates		(12), (17)		
Debt securities issued			17,775,437	17,320,259
Other debt			222,117	229,122
			17,997,553	**17,549,380**
Other liabilities		(13), (17)		
Derivatives			1,423,870	1,785,185
Other liabilities			7,747	5,204
			1,431,617	**1,790,389**
Accrued interest and fees payable			290,544	332,907
Total liabilities			**20,373,161**	**20,890,493**
Equity				
Authorised and subscribed capital	4,141,903			
of which callable capital	-3,723,302			
Paid-in capital	418,602	(14)	418,602	418,602
Reserve funds		(15)		
Statutory Reserve			670,568	656,770
General Credit Risk Fund			340,857	622,131
Special Credit Risk Fund PIL			281,919	281,919
Payments to the Bank's reserves, receivable			17,758	31,556
Other value adjustments			-3,294	239
Profit/loss for the year			323,900	-281,273
Total equity			**2,050,310**	**1,729,943**
TOTAL LIABILITIES AND EQUITY			**22,423,470**	**22,620,436**
Collateral and commitments		(16)		

1) Debt securities at floating interest rates of EUR 2,276,422 thousand have been transferred from Cash and cash equivalents to Financial placements as a result of the renewed definition of Cash and cash equivalents for the year 2008.

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

Changes in equity

EUR 1,000	Paid-in capital	Statutory Reserve	General Credit Risk Fund	Special Credit Risk Fund PIL	Payments to the Bank's Statutory Reserve and credit risk funds	Appropriation to dividend payment	Other value adjustments	Profit/loss for the period	Total
EQUITY AT 31 DECEMBER 2007	**418,602**	**645,612**	**622,131**	**238,200**	**42,713**	**0**	**973**	**68,719**	**2,036,950**
Appropriations between reserve funds				43,719		25,000		-68,719	0
Paid-in capital									0
Called in authorised and subscribed capital									0
Payments to the Bank's Statutory Reserve and credit risk funds, receivable		11,158			-11,158				0
Dividend payment						-25,000			-25,000
Comprehensive income for the year							-734	-281,273	-282,007
EQUITY AT 31 DECEMBER 2008	**418,602**	**656,770**	**622,131**	**281,919**	**31,555**	**0**	**239**	**-281,273**	**1,729,943**
Appropriations between reserve funds			-281,273					281,273	0
Paid-in capital									0
Called in authorised and subscribed capital									0
Payments to the Bank's Statutory Reserve and credit risk funds, receivable		13,798			-13,798				0
Comprehensive income for the year							-3,533	323,900	320,367
EQUITY AT 31 DECEMBER 2009	**418,602**	**670,568**	**340,857**	**281,919**	**17,758**	**0**	**-3,294**	**323,900**	**2,050,310**

	2009	**2008**
Proposed appropriation of the year's profit/loss		
Appropriation to Statutory Reserve	-	-
Appropriations to credit risk reserve funds		
General Credit Risk Fund	209,900	-281,273
Special Credit Risk Fund PIL	114,000	-
Appropriation to dividend payment	-	-
PROFIT/LOSS FOR THE YEAR	**323,900**	**-281,273**

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

Cash flow statement 1 January–31 December

EUR 1,000	Note	Jan–Dec 2009	Jan–Dec 2008
Cash flows from operating activities			
Profit/loss from operating activities		**323,900**	**-281,273**
Adjustments:			
Amortisation of issuing charges		-	9,175
Market value adjustment, trading portfolio		-135,915	14,860
Debt securities moved from trading to held-to-maturity portfolio		-	46,829
Depreciation and write-down in value of tangible and intangible assets		5,074	4,360
Change in accrued interest and fees (assets)		-5,699	-554
Change in accrued interest and fees (liabilities)		-42,364	-30,561
Impairment of loans		42,511	79,150
Adjustment to hedge accounting		-37,661	38,809
Other adjustments to the year's profit		-36	-34
Adjustments, total		**-174,090**	**162,035**
Lending			
Disbursements of loans		-1,953,924	-2,486,401
Repayments of loans		1,326,496	1,467,170
Realised impairment losses on loans		16,630	
Capitalisations, redenominations, index adjustments etc.		-865	-1,838
Transfer of loans to other financial placements		8,584	
Transfer of loans to claims in other assets		64,423	
Exchange rate adjustments		-204,805	255,290
Lending, total		**-743,461**	**-765,779**
Cash flows from operating activities, total		**-593,651**	**-885,017**
Cash flows from investing activities			
Placements and debt securities			
Purchase of debt securities		-2,934,459	-1,814,602 [1]
Sold and matured debt securities		2,292,851	855,700 [1]
Placements with credit institutions		-3,182	11,419
Other financial placements		-9,369	-6,247
Exchange rate adjustments etc.		-2,580	752
Placements and debt securities, total		**-656,739**	**-952,978**
Other items			
Acquisition of intangible assets		-2,505	-2,023
Acquisition of tangible assets		-807	-753
Change in other assets		-130,076	-11,633
Other items, total		**-133,388**	**-14,408**
Cash flows from investing activities, total		**-790,127**	**-967,386**
Cash flows from financing activities			
Debts evidenced by certificates			
Issues of new debt		4,136,814	4,695,020 [2]
Redemptions		-3,644,632	-2,570,663
Exchange rate adjustments		281,597	-216,503
Debts evidenced by certificates, total		**773,780**	**1,907,854**
Other items			
Long-term placements from credit institutions		121,945	-12,567
Change in swap receivables		118,636	-357,189
Change in swap payables		-487,173	-73,234
Change in other liabilities		2,543	708
Dividend paid		-	-25,000
Paid-in capital and reserves		13,798	11,158
Other items, total		**-230,251**	**-456,125**
Cash flows from financing activities, total		**543,529**	**1,451,729**
CHANGE IN NET LIQUIDITY	(23)	**-840,249**	**-400,675**
Opening balance for net liquidity		**1,361,690**	**4,038,787**
Closing balance for net liquidity		**521,442**	**3,638,112**
Debt securities at floating interest rates moved from cash and cash equivalents			**-2,276,422**
Opening balance for net liquidity 1 Jan 2009			**1,361,690**
Additional information to the statement of cash flows			
Interest income received		597,339	981,068
Interest expense paid		-426,403	-797,406

The cash flow statement has been prepared using the indirect method and the cash flow items cannot be directly concluded from the statements of financial positions.

1) Reclassification of debt securities from trading portfolio to held-to-maturity is included in these items.

2) Including issuing charges of EUR -14,278 thousand for 1 Jan–31 Dec 2008.

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 an international 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 in 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 statement of financial position. 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 statement of financial position 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 statement of financial position 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 statement of comprehensive income.

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

Cash and cash equivalents comprise monetary assets and placements with original maturities of 6 months or less, calculated from the date the acquisition and placements were made.

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.

Financial placements

Items recognised as financial placements in the statement of financial position 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 statement of comprehensive income. 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 "Comprehensive income for the year" as explained in Changes in equity.

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 13,452 million following the allocations of the year's profit 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.

The Bank's lending transactions are recognised in the statement of financial position 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 statement of financial position at fair value, with value changes recognised in the statement of comprehensive income. Changes in fair value are generally caused by changes in market interest rates.

Impairment of loans and receivables

The Bank reviews its problem loans and receivables at each reporting date to assess whether an allowance for impairment should be recorded in the statement of comprehensive income. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Receivables are carried at their estimated recoverable amount. Where the collectability of identified loans is in doubt, specific impairment losses are recognised in the statement of comprehensive income. 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.

In addition to specific allowances against individual loans, the Bank assesses the need to make a collective impairment test on exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective impairment test is based on any deterioration in the internal rating of the groups of loans or investments from the time they were granted or acquired. These internal ratings take into consideration factors such as any deterioration in counterparty risk, value of collaterals or securities received, and sectorial outlook, as well as identified structural weaknesses or deterioration in cash flows.

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 statement of comprehensive income.

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 ICT 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 statement of financial position 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 statement of financial position 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 statement of financial position at fair value, with any changes in value recognised in the statement of comprehensive income.

Securities delivered under repurchase agreements are not derecognised from the statement of financial position. Cash received under repurchase agreements are recognised in the statement of financial position as "Repurchase agreements".

Derivative instruments and hedge accounting

The Bank's derivative instruments are initially recognised on a trade-date basis at fair value in the statement of financial position 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 statement of comprehensive income, 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 statement of comprehensive income. 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 statement of comprehensive income in the same period or periods during which the hedged item affects the statement of comprehensive income.

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 integral 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 statement of comprehensive income 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 statement of comprehensive income.

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.

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

See Note 17 for further details.

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 the General Credit Risk Fund and the Special Credit Risk Fund for PIL.

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.

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 and borrowing costs.

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 statement of comprehensive income 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.

Employee 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, the primary reporting segment).

Reclassifications

The Bank reclassified Cash and cash equivalents in the financial statements during 2009. The renewed definition for Cash and cash equivalents is applied to investments with a maturity of less than 6 months. Previously placements in debt securities at floating interest rates, regardless of original maturity, were included in Cash and cash equivalents. The comparative figures in the statement of financial position and the Notes have been adjusted.

Following the amendment to IAS 39 issued in October 2008, permitting the reclassification of financial assets in certain restricted circumstances, the Bank decided to reclassify EUR 715 million of its trading portfolio assets into the held-to-maturity portfolio. This amendment has been applied retrospectively to commence on 1 September 2008. The reclassification has resulted in the cessation of fair value accounting for those assets previously designated as held for trading. The fair values of the assets at the date of reclassification became their new amortised cost and those assets will subsequently be accounted for on that measurement basis. The reclassified cost will be amortised over the instrument's expected remaining lifetime through interest income using the effective interest method. See Note 7.

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

Changes in accounting policies

Presentation of financial statements

The Bank applies revised IAS 1 Presentation of Financial Statements (2007), which became effective as of 1 January 2009. As a result, the Bank presents in the statement of comprehensive income the change in the value of the available-for-sale portfolio. The change in accounting policy only impacts presentation aspects.

The Bank applies IFRS 7, Financial Instruments: Disclosures (effective for accounting periods beginning on or after 1 January 2009).

Changes in other standards revised by the IASB, effective for accounting periods beginning on or after 1 January 2009, do not have a significant impact on the Bank's financial statements.

International Financial Reporting Standards and Interpretations

Forthcoming requirements. Below is a list of standards and interpretations in issue at 31 December 2009 that are effective for annual reporting periods beginning after 1 January 2010.

- IFRS 9 Financial Instruments (replacement of IAS 39), effective: 1 January 2013
- Revised IAS 24 Related Party Disclosures, effective:1 January 2011
- Amended IAS 32 Classification of Rights Issues—Amendment to IAS 32 Financial Instruments: Presentation, effective:1 February 2010
- Amended IFRIC 14 Prepayments of a Minimum Funding Requirement—Amendments to IFRIC 14:IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction, effective:1 January 2011
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments, effective:1 July 2010

The Bank does not anticipate any significant impact on its financial statements.

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 an international 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. The Bank has chosen Basel II's Advanced Internal Ratings Approach as a benchmark, although the Bank is not subject to regulations based on the Basel II Capital Accord.

Key risk responsibilities

The Board of Directors defines the overall risk profile of the Bank and the general framework for risk management by approving its financial policies and guidelines, including maximum limits for exposure to various types of risk. Credit approval is primarily the responsibility of the Board of Directors with some delegation of approval to the President for execution in the Credit Committee. The President is responsible for managing the risk profile of the Bank as a whole within the framework set by the Board of Directors, and for ensuring that the Bank's aggregate risk is consistent with its financial resources. The Management Committee, Credit Committee and Finance Committee assist the President in carrying out the risk management duties. 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. The Finance Committee deals with market risk and liquidity risk, as well as credit risk related to the Bank's treasury operations.

The business functions, Lending and Treasury, are responsible for the day-to-day management of all 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, measuring, 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 controls, risk management and governance processes. The Compliance function assists the Bank in identifying, assessing, monitoring and reporting on compliance risk in matters relating to the institution, its operations and to personal conduct.

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. 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 the enhancement of 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 rating. 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 and a risk class to each transaction. The rating process is carried out through functions independent of the business-originating departments.

The Bank's rating system is based on estimating the probability of default (PD) of a counterparty and the loss given default (LGD) on a transaction. The PD for the various counterparty types is derived from a combination of in-house expert judgement, scenario analyses, peer group comparisons and output from the Bank's quantitative and qualitative rating models (the Obligor Rating Tool for estimating the PD for corporations). For financial market counterparties the ratings assigned by the major international rating agencies are used as an additional reference. 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. In addition, two classes of default are applied. The first one indicates impairment and the second a non-performing status. Each transaction is also 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.

Limits on credit risk exposure. 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 scaled 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 2009 amounted to EUR 1,582 million, compared to a value of EUR 857 million after applying netting (year-end 2008: EUR 1,705 million and EUR 733 million, respectively).

To further reduce the credit risk in 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 unilateral 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 is 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 an international 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. The model recognises correlations between assets in various sectors and geographical regions, which enable it to take into account the positive impact of diversification and the negative impact of concentrations in the Bank's portfolios. 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

Overall, the quality of the Bank's aggregate credit exposure remained at a high level in 2009. Figure 41, "Loans outstanding and guarantees", shows the distribution of the Bank's lending exposure by type of security as of year-end 2009. The distribution of loans by security type is also presented in a table in Note 8. Figure 42, "Total exposure by NIB rating", compares the quality of the Bank's credit risks based on the credit risk classification system at year-end 2007, 2008 and 2009. Aggregate credit exposure includes lending and treasury exposure. Lending exposure refers to loans outstanding and loans agreed but not yet disbursed. A geographical and sectoral distribution of the Bank's loans outstanding and guarantees is shown in Note 8. In the context of the Bank's mission and mandate, the credit exposure continued to be fairly well balanced in terms of geographical and industrial sector distribution as well as regarding the distribution of the exposure by size.

Lending in member countries. The quality of the loans granted in the member countries remained sound. Most of the portfolio—close to 81%—was located in the risk classes 1 to 10, compared to 86% the year before. Lending in the four weakest risk classes increased to 1.5% of the portfolio from 0.9% in 2008. At year-end 2009 loans in the default category accounted for 1.1% of total lending in the member countries (2008: 0.9%). In this category, all loan exposures were to Iceland with the exception of one.

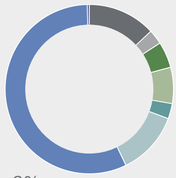
Lending in non-member countries. The quality of the loan portfolio comprising non-member countries remained stable in 2009. Close to 69% of the portfolio comprised loans in the risk classes 1 to 10 (2008: 69%). The exposure to the four weakest credit risk classes amounted to 3.0% at year-end 2009 compared to 1.2% the year before. The increase was mainly due to the downgrade of one counterparty. The default category remained unchanged at 0.4%.

Treasury counterparties. The credit quality of the counterparties in the Bank's treasury operations held up fairly well in 2009. The exposure to the top four classes accounted for 60% of the total exposure (2008: 62%). The exposure in the default category was unchanged at 1.7% comprising Lehman Brothers Inc. and the major Icelandic banks.

Bank level. On an aggregate level, the Bank's credit quality was maintained at a strong level. At year-end 2009 close to 29% (2008: 29%) of the credit exposure was in the lowest risk classes (1 to 4) and around 56% (2008: 58%) was in the risk classes 5 to 10. The exposure to the highest risk classes (17 to 20) was 1.2% compared to 0.6% at year-end 2008. At year-end 2009 exposures in the default category accounted for 1.2% of the aggregate credit exposure (2008: 1.1%).

Loans outstanding and guarantees fig. 41

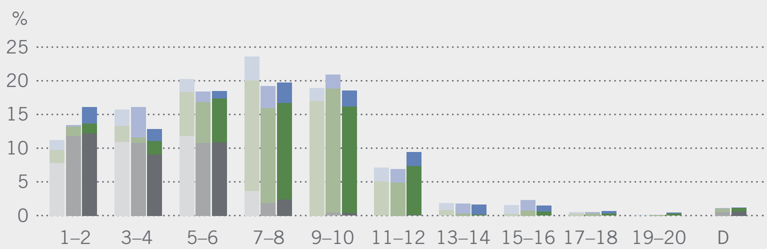
Distribution by type of security as of 31 December 2009



Loans to or guaranteed by:
- governments 13%
- local authorities in member countries 3%
- companies owned 50% or more by member countries or local authorities in member countries 5%
- banks 7%

Other loans:
- backed by a lien or other security in property 3%
- with a guarantee from the parent company and other guarantees 12%
- with a negative pledge clause and other covenants 57%
- without formal security 0.03%

Total exposure by NIB rating fig. 42



- Treasury exposure
- Lending member countries
- Lending non-member countries

Left bar: 31 Dec 2007
Middle bar: 31 Dec 2008
Right bar: 31 Dec 2009

The risk classes range from 1 (highest credit quality) to 20 (lowest credit quality). D indicates default.

The sum of the percentage shares may not total 100% due to rounding.

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 the limits approved by the Board of Directors. Such limits are kept very narrow to accommodate the Statutes, which stipulate that the Bank shall, to the extent practicable, protect itself against the risk of exchange rate losses.

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 approves the limits for acceptable currency positions, i.e. the difference between assets and liabilities in a specific currency. The overnight exposure to any one currency may not exceed the equivalent of EUR 4 million. The currency positions are monitored against the established limits on a daily basis and reported regularly to the Finance Committee.
NIB has filed proof of claims against the defaulted Icelandic banks. As a result of the filing, the claims were converted into ISK, which has caused a position in ISK exceeding the defined limit.

The Bank does not hedge 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.

The Bank measures interest rate risk as the sensitivity of its interest income to a 1% change in interest rates. The Bank has defined both net and gross limits 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. In 2009, the net limit was EUR 17.5 million, corresponding to approximately 1% of NIB's equity. Net interest rate risk at year-end 2009 was approximately EUR 7.0 million, or 40% of the limit (2008: EUR 3.8 million).

The Bank manages the interest rate risk in its own capital portfolio by means of modified duration. 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 of the own capital portfolio is set at 5.5 years.

Credit spread risk

The Bank is exposed to credit spread risk relating to the bonds held in its marked-to-market portfolios. Credit spread risk arises from changes in the value of debt instruments due to a perceived change in the credit quality of the issuers or underlying assets. The Bank manages the exposure to credit spread movements by calculating the sensitivity of the bonds in the marked-to-market portfolios to a 0.01% change in credit spreads. At year-end 2009, the exposure was EUR 0.45 million (year-end 2008: 0.47 million). The maximum limit for credit spread risk exposure was set at EUR 0.7 million in 2009 and is reviewed annually.

Value-at-Risk

The Bank monitors exchange rate risk and interest rate risk by calculating Value-at-Risk (VaR) for its investment portfolios, i.e. the own capital portfolio and the rate portfolio, as well as for the whole balance sheet. VaR 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 portfolios 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. At year-end 2009 the VaR of NIB's own capital portfolio was EUR 4.9 million (2008: EUR 11.4 million).

Refinancing and reinvestment risk

Risk emanating from differences in the maturity profile of assets and liabilities is managed by monitoring against 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. Refinancing and reinvestment risk are 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. The limits for refinancing and reinvestment risk are set in relation to the Bank's equity. They are reviewed annually. In 2009 the maximum limit for refinancing and reinvestment risk was EUR 26 million, approximately 1.5% of NIB's equity. At year-end 2009 the refinancing and reinvestment risk was calculated to EUR 16.3 million (year-end 2008: EUR 21.2 million).

Liquidity risk

Liquidity risk is defined as the risk of losing earnings and capital due to an inability to meet obligations in a timely manner when they become due. Liquidity risk is categorised into two risk types:

- *Funding liquidity risk* occurs when the Bank cannot fulfil its obligations because of an inability to obtain new funding.
- *Market liquidity risk* occurs when the Bank is unable to sell or realise specific assets without significant losses in price.

The target of the Bank's liquidity management is to secure sufficient liquidity by retaining access to funding and by possessing liquid assets. Available liquidity should be large enough to cover expected obligations, on a rolling basis, for the coming 12 months, but not be larger than expected obligations for the next 18 months. A contingency plan is in place for exceptional circumstances. The liquidity is managed by the Treasury Department in different portfolios with distinct objectives.

Operational risks—internal control

Operational risk can be broadly defined as any risk which is neither credit risk, market risk, strategic risk nor compliance risk. The Bank defines operational risk more precisely as the risk of direct or indirect losses or damaged reputation due to failure attributable to technology, employees, processes, 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 neither bound by nor 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.

NIB'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 as well as on security arrangements to protect the physical infrastructure of the Bank. 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.

Internal Audit is an independent function commissioned by the Board of Directors. The main responsibility of Internal Audit is to evaluate the controls, risk management and governance processes in the Bank. The Head of Internal Audit reports regularly to the Board of Directors and to the Control Committee and keeps the President regularly informed. The annual internal audit activity plan is approved by the Board of Directors. The internal audit activities are conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

Notes to the statement of comprehensive income, statement of financial position and cash flow statement

(1) SEGMENT INFORMATION

Operating segments

The Bank determines and presents operating segments based on the information that internally is provided to the Management. Segment results that are reported to the Management include items directly attributable to a segment as well as all other items allocated on a reasonable basis.

In its segment reporting, NIB divides its operations into two major segments: lending and financial operations. Financial operations consist of the management of liquidity and placement of funds in financial investment portfolios.

(Amounts in EUR 1,000)	Lending 2009	Liquidity 2009	Placements in financial investment portfolios 2009	Total 2009	Lending 2008	Liquidity 2008	Placements in financial investment portfolios 2008	Total 2008
Net interest income	**104,687**	**37,398**	**76,913**	**218,998**	**92,670**	**28,917**	**90,804**	**212,391**
Commission income and fees received	8,650	259	-	8,909	7,430	2,136	-	9,567
Commission expense and fees paid	-	-2,843	-	-2,843	-	-2,310	-	-2,310
Net profit on financial operations	-1	172,660	5,095	177,754	-	-380,545	-6,377	-386,923
Foreign exchange gains and losses	-	-733	-	-733	-	-142	-	-142
Administrative expenses	-26,884	-989	-2,728	-30,601	-27,172	-674	-2,499	-30,346
Depreciation	-3,248	-1,278	-548	-5,074	-2,791	-1,098	-471	-4,360
Impairment of loans	-42,511	-	-	-42,511	-79,150	-	-	-79,150
Profit/loss for the year	**40,693**	**204,475**	**78,732**	**323,900**	**-9,013**	**-353,716**	**81,457**	**-281,273**
Assets	**13,818,927**	**6,554,234**	**2,050,310**	**22,423,470**	**13,202,121**	**7,688,372**	**1,729,943**	**22,620,436**
Liabilities and equity	**13,818,927**	**6,554,234**	**2,050,310**	**22,423,470**	**13,202,121**	**7,688,372**	**1,729,943**	**22,620,436**

Geographical segments

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)	2009 Net interest income	2008 Net interest income
Member countries		
Denmark	8,588	7,341
Estonia	1,497	1,153
Finland	18,829	16,439
Iceland	4,476	3,629
Latvia	2,872	1,217
Lithuania	804	276
Norway	11,882	9,494
Sweden	22,680	23,158
Total, member countries	**71,628**	**62,708**
Non-member countries		
Africa	2,247	2,072
Asia	9,359	8,351
Europe and Eurasia	11,659	10,869
Latin America	8,529	7,407
Middle East	1,265	1,262
Total, non-member countries	**33,059**	**29,962**
Total, net interest income from lending	**104,687**	**92,670**

Due to rounding, the total of individual items may differ from the reported sum.

(2) INTEREST INCOME AND INTEREST EXPENSE

(Amounts in EUR 1,000)	2009	2008
Interest income		
Cash and cash equivalents [1)]	28,800	195,104
Placements with credit institutions for more than 6 months	2,934	3,824
Debt securities [2)]	157,858	102,406
Loans outstanding	412,762	677,379
Other interest income	684	523
Total, interest income [3)]	**603,038**	**979,236**
Interest expense		
Short-term amounts owed to credit institutions	9,355	17,513
Long-term amounts owed to credit institutions	3,276	3,706
Short-term repurchase agreements	476	326
Debts evidenced by certificates	737,855	875,141
Swap contracts and other interest expenses, net	-366,921	-129,842
Total, interest expense [4)]	**384,040**	**766,845**

1) Interest income of EUR 19,762 from debt securities at floating interest was removed from cash and cash equivalents regarding 2008 due to the reclassification of these debt securities.
2) Including interest income of EUR 19,762 from debt securities at floating interest, which was removed from cash and cash equivalents regarding 2008 due to the reclassification of these debt securities.
3) Including interest income of financial assets recognised at amortised cost: EUR 530,433 thousand (807,489).
4) Including interest expense of financial liabilities recognised at amortised cost: EUR 383,564 thousand (766,215).

(3) COMMISSION INCOME AND FEES RECEIVED

(Amounts in EUR 1,000)	2009	2008
Commitment fees	1,464	1,274
Loan disbursement fees	7,062	5,590
Guarantee commissions	93	140
Premiums on prepayments of loans	31	2,276
Commissions on lending of securities	259	287
Total, commission income and fees received	**8,909**	**9,567**

(4) NET PROFIT/LOSS ON FINANCIAL OPERATIONS

Net profit/loss on financial operations included in profit or loss for the period in the table below are presented in the statement of comprehensive income as follows:

(Amounts in EUR 1,000)	2009	2008
Bonds in trading portfolio, realised gains and losses	3,952	-3,740
Floating Rate Notes in trading portfolio, realised gains and losses	-5,066	-30,537
Derivatives in trading portfolio, realised gains and losses	1,892	-1,886
Financial instruments in trading portfolio, realised gains and losses, total	**777**	**-36,164**
Bonds in trading portfolio, unrealised gains and losses [1)]	6,379	545
Floating Rate Notes in trading portfolio, unrealised gains and losses [3)]	97,311	-166,357
Derivatives in trading portfolio, unrealised gains and losses [2)]	8,501	-17,943
Commercial papers in trading portfolio, unrealised gains and losses [1)]	264	0
Financial instruments in trading portfolio, unrealised gains and losses, total	**112,455**	**-183,756**
Adjustment in fair value of hedged loans [2)]	-892	85,137
Adjustment in fair value of derivatives hedging loans [2)]	-1,839	-83,464
Adjustment in fair value of hedged debts evidenced by certificates [2)]	325,607	-609,552
Adjustment in fair value of derivatives hedging debts evidenced by certificates [2)]	-285,215	569,071
Adjustment to hedge accounting, unrealised gains and losses of fair value hedges, total	**37,661**	**-38,809**
Changes in fair value not expected to be recovered	23,287	-132,380
Repurchase of NIB bonds, other items	3,574	4,185
Total, net profit/loss on financial operations	**177,754**	**-386,923**

1) Fair value is determined according to market quotes for identical instruments. (Level 1)
2) Fair value adjustment is determined using valuation techniques with observable market inputs. (Level 2)
3) The fair value adjustments are mainly determined using market quotes for identical instruments (Level 1). This is the case for all fair valuations regarding floating rate notes in the trading portfolio in 2008. Regarding the fair value measurements of treasury claims, these have been determined using valuations techniques with unobservable market inputs. (Level 3)

(5) GENERAL ADMINISTRATIVE EXPENSES

(Amounts in EUR 1,000)	2009	2008
Staff costs	21,137	20,311
Wages and salaries	17,249	15,962
Social security costs	374	458
Other staff costs	3,514	3,891
Pension premiums in accordance with the Finnish state pension system	4,109	3,788
Other pension premiums	1,330	1,202
Office premises costs	1,262	1,567
ICT costs	2,403	2,546
Other general administrative expenses	7,389	7,553
Cost coverage, NDF and NEFCO	-800	-702
Cost coverage, rental income and other administrative income	-609	-541
Total	**36,221**	**35,725**
Host country reimbursement according to agreement with the Finnish Government	-5,620	-5,379
Net	**30,601**	**30,346**
Remuneration to the auditors		
Audit fee [1) 2)]	254	213
Other audit-related service fee	4	101
Total remuneration	**258**	**314**

1) The cost of issuing comfort letters and certificates in relation to the borrowing operations of the Bank is included in the audit fee.
2) The audit fees for 2009 include EUR 209 thousand paid to KPMG and EUR 45 thousand to Ernst & Young. The audit fees for 2008 include EUR 30 thousand to KPMG and EUR 183 thousand to Ernst & Young.

	2009	2008
Average number of employees [1)]	173	165
Average age of the employees	44	43
Average period (years) of employment	10	10
Distribution by gender at year-end		
All employees		
Females	88	82
Males	90	88
Management Committee (including the President)		
Females	1	1
Males	6	6
Professional staff		
Females	53	51
Males	73	71
Clerical staff		
Females	34	30
Males	11	11

1) The figures comprise staff in permanent positions including the President

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 the reimbursement of travel and accommodation expenses and a daily allowance in accordance with the Bank's travel policy.

The BoD makes decisions concerning the appointment and the remuneration of the President. The President is appointed on a fixed-term contract for five years at a time as a rule, but prolongation of the existing contract can also be made for a shorter period. The President decides upon the employment of the Management Committee (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 President is authorised by the BoD to make decisions as regards compensation within the scope of the Staff Policy, Staff Regulations and the Financial Plan. 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 can pay performance premiums of up to three month's salary for excellent and extraordinary performance. The percentage available for performance premiums is determined annually. For 2009, a total of 2% of the estimated total staff salary costs for the previous year was available. All personnel are eligible for performance premiums.

Compensation for BoD, the CC, the President and the MC is presented in the table below:

(Amounts in EUR)	2009 Compensation/ Taxable income	2008 Compensation/ Taxable income
Board of Directors		
Chairman		
annual remuneration	13,258	13,045
attendee allowance	1,505	1,903
Other Directors and Alternates (15 persons)		
annual remuneration	75,136	74,214
attendee allowance	9,216	13,422
Control Committee		
Chairman		
annual remuneration	4,375	4,305
attendee allowance	430	422
Other members (9 persons)		
annual remuneration	15,719	15,513
attendee allowance	2,880	2,124
President	450,214	453,432
Members of the Management Committee (6 persons)	1,677,744	1,665,629

Pension obligations

NIB is responsible for arranging the pension security for its employees. The current pension arrangement consists of pensions based on the Finnish state pension system (VaEL Pension) as the basis for the pension benefits. The VaEL 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 2009 was 18.87% of the taxable income. The employee's pension contribution was either 4.3% or 5.4%, depending on the employee's age. NIB pays this contribution for the permanent staff and it is taxed as a benefit for the employee.

In addition to the VaEL 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 214,946 of which EUR 105,679 comprised supplementary pension premiums. The corresponding figures for the MC were EUR 570,478 and EUR 181,818.

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.

At present, 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 (1.75% in July–December 2009). 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 2009, there were no staff loans to the President or MC outstanding (-).

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 m². The Bank rents office space totalling 1,723 m² adjacent to its main office building. Furthermore, the Bank rents office space totalling 459 m² in the Nordic countries, Beijing and Moscow. A total of 2,050 m² is rented to external parties.

(6) IMPAIRMENT OF LOANS

(Amounts in EUR 1,000)	2009	2008
Credit losses from loans	16,630	-
Credit losses on receivables from defaulted lending counterparties	3,950	-
Allowances for impairment net change	39,631	79,150
Reversals of previously recorded allowances for credit losses	-17,700	-
Impairment of loans and other assets	**42,511**	**79,150**

See also Note 8.

(7) FINANCIAL PLACEMENTS

The debt securities were issued by the following counterparties:

(Amounts in EUR million)	2009	2008
Governments	1,266	851
Public institutions	139	95
Other	4,254	3,833
Total, debt securities	**5,659**	**4,779**

The distribution of the Bank's debt security portfolios was as follows:

	Book value		Fair value	
(Amounts in EUR million)	2009	2008	2009	2008
Trading portfolio	3,298	2,462	3,298	2,462
Held-to-maturity portfolio	2,361	2,317	2,390	2,287
Total, debt securities	**5,659**	**4,779**	**5,689**	**4,748**

Of these debt securities, EUR 2,658 (1,923) million is at fixed interest rates and EUR 3,002 (2,855) million at floating interest rates.

Reclassified securities
The Bank reclassified financial assets out of the held for trading portfolio to the held-to-maturity portfolio during 2008 because these assets are no longer held for the purpose of being sold in the near term. At the same time, assets recognised among cash and cash equivalents became financial placements and are not included in net liquidity. All the reclassifications took place at the fair value at the date of reclassification. The reclassified cost will be amortised over the instrument's expected remaining lifetime through interest income using the effective interest method. One of the financial effects of the reclassification was that interest income increased by EUR 8.6 (1.6) million. The losses from the fair values that would have been recognised if they had not been reclassified were EUR -21.5 (-54.1) million at 31 December 2009. If the reclassification had not been implemented, the 2009 profit would have risen by EUR 24.0 million.

	Portfolio volume Held for trading 1.9.2008		Reclassified to Held-to-maturity 1.9.2008			
(Amounts in EUR million unless otherwise specified)	Book value	Fair value	Book value	Fair value	% Fair value	1.9.2008 Effect on P/L
Debt securities	326	315	129	120	38%	-8
Cash equivalents	3,369	3,236	634	595	18%	-39
	3,696	**3,551**	**762**	**715**	**20%**	**-47**

(8) LOANS OUTSTANDING AND GUARANTEE COMMITMENTS

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

(Amounts in EUR million)	2009	2008
Ordinary Loans		
Investment loans in the member countries	10,841	10,092
Investment loans in other countries	429	354
Regional loans in the Nordic countries	9	13
Adjustment to hedge accounting	46	48
Total	**11,325**	**10,505**
Project Investment Loans (PIL)		
Africa	244	265
Asia	916	953
Europe and Eurasia	506	520
Latin America	563	587
Middle East	102	114
Adjustment to hedge accounting	2	2
Total	**2,334**	**2,440**
Environmental Investment Loans (MIL)	104	118
Total, loans outstanding	**13,763**	**13,063**

The figure for loans outstanding, EUR 13,763 million (13,063), includes medium-term notes (MTN) of EUR 1,929 million (2,153). 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 12,476 million (11,770), while those at fixed interest rates amounted to EUR 1,238 million (1,243). The nominal amount of the guarantee commitments under Ordinary Lending totalled EUR 12.5 million (16.7) as of 31 December 2009.

Impairment of loans and claims

A total of EUR 101.3 million (79.4) has been deducted from the Bank's loans outstanding and from claims in "other assets". The following changes were recognised in the statement of financial position in respect of impairment losses. All allowances for impairment were specific allowances. The Bank recorded no collective allowances for impairments. On 31 December 2009, loans worth EUR 8.6 million were converted into investment property and shares under the item "Other financial placements".

Specific allowances for impairment

(Amounts in EUR million)	2009	2008
Balance at 1 January	79.4	0.3
Allowances for impairment	44.0	79.2
Reversals of previously recorded allowances for impairment	-22.1	-
Balance at 31 December	**101.3**	**79.4**

See also Note 6.

The distribution of allowances for impairment was as follows:

(Amounts in EUR million)	2009	2008
Distribution by loan facility		
Ordinary Loans	31.9	74.0
Project Investment Loans (PIL)	-	-
Africa	-	-
Asia	-	-
Europe and Eurasia	9.2	5.2
Latin America	0.3	0.3
Middle East	-	-
Allowances for impairment	**41.3**	**79.4**
Impairment losses on defaulted loan customers	**59.9**	**-**
Total	**101.3**	**79.4**

As of 31 December 2009, the Bank categorised three loans totalling EUR 24.1 million as non-performing. As of 31 December 2008, all of the Bank's loans were performing.

As of 31 December 2009, loans agreed but not yet disbursed amounted to the following:

(Amounts in EUR million)	2009	2008
Loans agreed but not yet disbursed		
Ordinary Loans	286	801
Project Investment Loans	417	578
Environmental Investment Loans	63	40
Total, loans agreed but not yet disbursed	**765**	**1,419**

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

	Ordinary loans		PIL Loans		Total [1]	
(Nominal amounts, in EUR million)	2009	2008	2009	2008	2009	2008
Currency						
Nordic currencies	3,325	3,188	-	-	3,325	3,188
EUR	6,981	6,199	731	699	7,771	6,965
USD	820	910	1,578	1,713	2,444	2,673
Other currencies	152	161	22	26	175	187
Total	**11,279**	**10,457**	**2,331**	**2,438**	**13,714**	**13,013**
Adjustment to hedge accounting	46	48	2	2	49	50
Total, loans outstanding	**11,325**	**10,505**	**2,334**	**2,440**	**13,763**	**13,063**

1) The total amount also includes EUR 104 million (118) in Environmental Investment Loans (MIL).

Sectoral distribution

(Amounts in EUR million)	2009	2009 Share, in %	2008	2008 Share, in %
Loans outstanding as of 31 December				
Manufacturing	4,277	31%	4,576	35%
Energy	4,113	30%	3,757	29%
Transport and communications	1,976	14%	1,809	14%
Trade and services	1,306	10%	1,007	8%
Banking and finance [2]	850	6%	838	6%
Regional loans	9	0%	13	0%
Other	1,184	9%	1,013	8%
Adjustment to hedge accounting	49	0%	50	0%
Total	**13,763**	**100%**	**13,063**	**100%**
Loans disbursed				
Manufacturing	307	16%	746	30%
Energy	565	29%	689	28%
Transport and communications	407	21%	428	17%
Trade and services	355	18%	309	12%
Banking and finance [2]	75	4%	94	4%
Regional loans	-	-	-	0%
Other	245	13%	220	9%
Total	**1,954**	**100%**	**2,486**	**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)	Amount	Total amount	Share, in %
As of 31 December 2009			
Loans to or guaranteed by governments			
Loans to or guaranteed by member countries	340		
Loans to or guaranteed by other countries	1,483	1,823	13.3%
Loans to or guaranteed by local authorities in member countries		361	2.6%
Loans to or guaranteed by companies owned 50% or more by member countries or local authorities in member countries		727	5.3%
Loans to or guaranteed by banks		888	6.5%
Other loans			
Backed by a lien or other security in property	461		
With a guarantee from the parent company and other guarantees	1,670		
With a negative pledge clause and other covenants	7,793		
Without formal security	4	9,928	72.3%
Total		**13,727**	**100.0 %**
Adjustment to hedge accounting		49	
Total, loans outstanding (including guarantees)		**13,775**	

(Amounts in EUR million)	Amount	Total amount	Share, in %
As of 31 December 2008			
Loans to or guaranteed by governments			
Loans to or guaranteed by member countries	224		
Loans to or guaranteed by other countries	1,563	1,787	13.7%
Loans to or guaranteed by local authorities in member countries		257	2.0%
Loans to or guaranteed by companies owned 50% or more by member countries or local authorities in member countries		652	5.0%
Loans to or guaranteed by banks		917	7.0%
Other loans			
Backed by a lien or other security in property	417		
With a guarantee from the parent company and other guarantees	1,773		
With a negative pledge clause and other covenants	7,212		
Without formal security	15	9,417	72.3%
Total		**13,030**	**100.0%**
Adjustment to hedge accounting		50	
Total, loans outstanding (including guarantees)		**13,079**	

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)	2009 Amount of guarantee	2009 Share, in %	2008 Amount of guarantee	2008 Share, in %
Member country				
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)	2009 Amount of guarantee	2009 Share, in %	2008 Amount of guarantee	2008 Share, in %
Member country				
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%**

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

The Bank's intangible assets amounted to EUR 6.7 million (6.8).

2009 (Amounts in EUR 1,000)	Computer software development costs, total
Intangible assets	
Acquisition value at the beginning of the year	15,415
Acquisitions during the year	2,505
Sales/disposals during the year	-
Acquisition value at the end of the year	**17,920**
Accumulated amortisation at the beginning of the year	8,599
Amortisation according to plan for the year	2,618
Accumulated amortisation on sales/disposals during the year	-
Accumulated amortisation at the end of the year	**11,216**
Net book value	**6,703**

As of 31 December 2009, the historical cost of buildings and land was recognised in the statement of financial position (net of depreciation on the buildings in accordance with the depreciation plan) at EUR 26.3 million (27.0).

The value of office equipment and other tangible assets is recognised at EUR 7.1 million (8.1).

2009 (Amounts in EUR 1,000)	Buildings	Office equipment and other tangible assets	Total
Tangible assets			
Acquisition value at the beginning of the year	33,739	15,731	49,471
Acquisitions during the year	-	814	814
Sales/disposals during the year	-	-65	-65
Acquisition value at the end of the year	**33,739**	**16,480**	**50,219**
Accumulated depreciation at the beginning of the year	6,739	7,625	14,364
Depreciation according to plan for the year	670	1,786	2,456
Accumulated depreciation on sales/disposals during the year	-	-58	-58
Accumulated depreciation at the end of the year	**7,409**	**9,353**	**16,762**
Net book value	**26,331**	**7,127**	**33,457**

On each balance sheet date, the Bank's assets are assessed to determine whether there is any indication of an asset's impairment. As of 31 December 2009, there were no indications of impairment of the intangible or tangible assets.

2008 (Amounts in EUR 1,000)	Computer software development costs, total
Intangible assets	
Acquisition value at the beginning of the year	13,392
Acquisitions during the year	2,023
Sales/disposals during the year	-
Acquisition value at the end of the year	**15,415**
Accumulated amortisation at the beginning of the year	6,652
Amortisation according to plan for the year	1,947
Accumulated amortisation on sales/disposals during the year	-
Accumulated amortisation at the end of the year	**8,599**
Net book value	**6,816**

2008 (Amounts in EUR 1,000)	Buildings	Office equipment and other tangible assets	Total
Tangible assets			
Acquisition value at the beginning of the year	33,704	15,237	48,941
Acquisitions during the year	36	775	810
Sales/disposals during the year	-	-281	-281
Acquisition value at the end of the year	**33,739**	**15,731**	**49,471**
Accumulated depreciation at the beginning of the year	6,069	6,105	12,174
Depreciation according to plan for the year	670	1,743	2,414
Accumulated depreciation on sales/disposals during the year	-	-224	-224
Accumulated depreciation at the end of the year	**6,739**	**7,625**	**14,364**
Net book value	**27,001**	**8,106**	**35,107**

(10) DEPRECIATION

(Amounts in EUR 1,000)	2009	2008
Intangible assets	2,618	1,947
Tangible assets	2,456	2,414
Buildings	670	670
Office equipment	1,786	1,743
Total	**5,074**	**4,360**

(11) OTHER ASSETS

Derivatives are included in “Other assets”.

(Amounts in EUR million)	2009	2008
Interest rate swaps [1]	10,970	9,913
Currency swaps [2]	16,682	16,307
Total, nominal amount	**27,653**	**26,221**
Netting of nominal amount per derivative	-26,667	-25,117
Derivative receivables, net	**986**	**1,104**
Adjustment to hedge accounting and changes in fair value of non-hedging derivatives	478	630
Derivative instruments	**1,464**	**1,734**
Receivables from defaulted counterparties	19	-
Other	10	8
Total	**1,493**	**1,742**

1) Interest rate swaps at floating interest rates EUR 2,837 million (2,557) and fixed interest rates EUR 8,133 million (7,357).
2) Currency swaps at floating interest rates EUR 9,379 million (9,235) and fixed interest rates EUR 7,303 million (7,072).

Derivatives are carried at fair value in the statement of financial position net per contract. Thus, swap contracts with a positive net fair value are recognised in the statement of financial position 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.

	Borrowing		Swap contracts payable/receivable		Net currency	
(Amounts in EUR million)	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Currency						
Nordic currencies	608	292	2,726	2,908	3,334	3,201
EUR	1,541	723	9,376	9,487	10,916	10,209
USD	8,564	9,476	-5,117	-5,607	3,447	3,869
JPY	1,992	2,027	-1,943	-1,965	49	62
GBP	1,880	1,788	-1,852	-1,767	27	21
HKD	201	245	-201	-245	-	-
Other currencies	2,830	2,289	-2,703	-2,158	126	131
Total	**17,614**	**16,841**	**285**	**652**	**17,900**	**17,493**
Adjustments to hedge accounting and changes in fair value of non-hedging derivatives	**383**	**709**	**-325**	**-601**	**58**	**108**
Swap fees	-	-	-3	-4	-3	-4
Total, borrowings outstanding	**17,998**	**17,549**	**-43**	**47**	**17,955**	**17,597**

The table set forth above includes 305 (293) borrowing transactions in the equivalent amount of EUR 9,030 million (8,193) entered into under the Bank's euro medium-term note programme, 0 (0) borrowing transactions in the equivalent amount of EUR 0 million (0) under the Bank's Swedish medium-term note programme, 10 (12) borrowing transactions in the equivalent amount of EUR 6,519 million (6,899) under the Bank's US medium-term note programmes and 12(10) borrowing transactions in the equivalent amount of EUR 1,366 million (1,050) under the Bank's Australian medium-term note programme. The Bank has established a EUR 2,000 million commercial paper programme in Europe and another USD 600 million programme in the United States.

Of debt securities issued, the amount of EUR 2,085 million (2,331) is at floating interest rates, while EUR 15,308 million (14,284) is at fixed interest rates. Of the other borrowing transactions, the amount of EUR 94 million (88) is at floating interest rates, while EUR 127 million (138), is at fixed interest rates.

(13) OTHER LIABILITIES

Derivatives are included in "Other liabilities".

(Amounts in EUR million)	**2009**	**2008**
Interest rate swaps [1]	10,942	9,855
Currency swaps [2]	16,991	17,013
Total, nominal amount	**27,933**	**26,868**
Netting of nominal amount per derivative	-26,662	-25,112
Derivative payables, net	**1,271**	**1,756**
Adjustment to hedge accounting and changes in fair value of non-hedging derivatives	153	29
Derivative instruments	**1,424**	**1,785**
Other	8	5
Total	**1,432**	**1,790**

1) Interest rate swaps at floating interest rates EUR 9,446 million (8,820) and fixed interest rates EUR 1,496 million (1,035).
2) Currency swaps at floating interest rates EUR 16,781 million (16,756) and fixed interest rates EUR 210 million (257).

Derivatives are carried at fair value in the statement of financial position net per contract. Thus, swap contracts with a positive net fair value are recognised in the statement of financial position 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)	2009	Share, in %	2008	Share, in %
Member country				
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)	2009	Share, in %	2008	Share, in %
Member country				
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**

(15) STATUTORY RESERVE AND CREDIT RISK FUNDS

At the end of 2009, the Statutory Reserve amounted to EUR 670.6 million, or 16.2% 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 340.9 million in 2009.

In accordance with its Statutes, the Bank has a Special Credit Risk Fund for the Project Investment Loan facility (PIL). This fund is primarily designed to cover the Bank's own risk in respect of this PIL loan facility, which in part is guaranteed by the member countries. In 2009, the fund amounted to EUR 281.9 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.

Taken together, these credit risk funds (General Credit Risk Fund and Special Credit Risk Fund PIL) amounted to EUR 622.8 million as of 31 December 2009.

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 are making 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)	2009	2008
Guarantees issued at nominal amount (Note 8)	12	17
Loans agreed but not yet disbursed (Note 8)	765	1,419
Borrowing commitments	-	-
Collateral provided for staff loans [1]	-	-
Securities as collateral for repurchase agreements [1]	-	43
Callable commitments in financial placements	63	62
Collateral with respect to derivatives exposure		
Collateral received [2]	616	619
Collateral given [1]	-	-

1) Book value
2) Fair value

(17) FAIR VALUE OF FINANCIAL INSTRUMENTS

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

			2009			2008
(Amounts in EUR million)	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Assets						
Cash accounts with banks [1]	9	9	-	6	6	-
Cash equivalents at fair value through profit or loss held for trading [1]	555	555	-	7	7	-
Other cash and cash equivalents, held-to-maturity [2]	410	410	-	2,487	2,489	2
Cash and cash equivalents, total	**974**	**974**	**-**	**2,500**	**2,503**	**2**
Placements with credit institutions [2]	85	85	-	82	83	1
Debt securities at fair value through profit or loss, held for trading [1]	3,298	3,298	-	2,461	2,461	-
Other debt securities, held-to-maturity [1]	2,361	2,390	29	2,317	2,287	-30
Debt securities, total	**5,659**	**5,688**	**29**	**4,778**	**4,748**	**-30**
Other financial placements available for sale [3]	20	20	-	14	14	-
Hedged loans outstanding in fair value hedging relationships [2]	1,376	1,376	-	1,286	1,286	-
Loans outstanding, other [2]	12,386	12,397	10	11,777	11,823	46
Loans outstanding, total	**13,763**	**13,773**	**10**	**13,063**	**13,109**	**46**
Hedging derivatives at fair value [2]	1,319	1,319	-	1,383	1,383	-
Other derivatives at fair value [2]	145	145	-	352	352	-
Derivatives at fair value, total	**1,464**	**1,464**	**-**	**1,734**	**1,734**	**-**
Receivables from defaulted counterparties at fair value [3]	19	19	-	-	-	-
			39			**19**
Liabilities						
Short-term amounts owed to credit institutions [2]	452	452	-	1,093	1,094	1
Long-term amounts owed to credit institutions [2]	201	201	-	79	80	1
Repurchase agreements [2]	-	-	-	46	46	-
Hedged debt securities issued in fair value hedging relationships [2]	17,923	17,923	-	17,169	17,169	-
Other debt securities issued [2]	74	75	-	152	151	-1
Debt securities issued, total	**17,998**	**17,998**	**-**	**17,320**	**17,319**	**-1**
Hedged other debt in fair value hedging relationships [2]	222	222	-	229	229	-
Hedging derivatives at fair value [2]	821	821	-	1,134	1,134	-
Other derivatives at fair value [2]	603	603	-	651	651	-
Derivatives at fair value, total	**1,424**	**1,424**	**-**	**1,785**	**1,785**	**-**
			-			**1**
Net			**39**			**20**

1) The fair value is determined according to market quotes for identical instruments.
2) The fair value is determined using valuation techniques with observable market inputs.
3) The fair value is determined using valuation techniques with unobservable market inputs.

Financial instruments measured at fair value at the end of the period

The table below analyses financial instruments measured at fair value at the end of the year by the level in the fair value hierarchy into which the fair value measurement is categorised. See Accounting policies, Determination of fair value.

31.12.2009 (Amounts in EUR million)	**Level 1**	**Level 2**	**Level 3**
Cash accounts with banks	9		
Cash equivalents at fair value through profit or loss held for trading	555		
Debt securities at fair value through profit or loss held for trading	3,298		
Other financial placements available for sale			20 [1]
Hedged loans outstanding in fair value hedging relationships		1,376	
Derivatives		1,464	
Receivables from defaulted counterparties			19 [2]
Financial assets measured at fair value, total	**3,862**	**2,840**	**39**
Hedged debt securities issued in fair value hedging relationships		17,923	
Hedged other debt in fair value hedging relationships		222	
Derivatives		1,424	
Financial liabilities measured at fair value, total		**19,569**	

31.12.2008 (Amounts in EUR million)	**Level 1**	**Level 2**	**Level 3**
Cash accounts with banks	6		
Cash equivalents at fair value through profit or loss held for trading	7		
Debt securities at fair value through profit or loss held for trading	2,461		
Other financial placements available for sale			14
Hedged loans outstanding in fair value hedging relationships		1,286	
Derivatives		1,734	
Financial assets measured at fair value, total	**2,475**	**3,020**	**14**
Hedged debt securities issued in fair value hedging relationships		17,169	
Hedged other debt in fair value hedging relationships		229	
Derivatives		1,785	
Financial liabilities measured at fair value, total		**19,183**	

1) Including transfer of loans EUR 9 million to other financial placements.
2) Receivables from defaulted treasury counterparties are measured at fair value. Receivables from defaulted lending counterparties are measured at cost minus impairment.

(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.

2009 (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	876	68	30	-	-	-	-	974
Financial placements								
Placements with credit institutions	27	8	48	-	-	-	2	85
Debt securities	778	497	427	3,051	690	297	-81	5,659
Other	-	-	-	-	-	-	20	20
	805	**505**	**475**	**3,051**	**690**	**297**	**-59**	**5,764**
Loans outstanding	218	296	694	5,815	5,466	1,226	49	13,763
Intangible assets	-	-	-	-	-	-	7	7
Tangible assets	-	-	-	-	-	-	33	33
Other assets								
Derivatives								
Receivables	593	934	2,765	9,078	3,502	2,511	479	19,862
Payables	-511	-909	-2,730	-8,779	-3,137	-2,332	-	-18,398
	81	**25**	**35**	**299**	**365**	**179**	**479**	**1,464**
Other assets	-	-	-	-	-	-	29	29
Payments to the Bank's reserves, receivable	-	-	-	-	-	-	18	18
Accrued interest and fees receivable	-	-	-	-	-	-	372	372
Total assets	**1,979**	**894**	**1,233**	**9,165**	**6,521**	**1,703**	**928**	**22,423**
Liabilities and equity								
Liabilities								
Amounts owed to credit institutions								
Short-term	445	7	-	-	-	-	-	452
Long-term	57	67	77	-	-	-	-	201
	502	**74**	**77**	**-**	**-**	**-**	**-**	**653**
Repurchase agreements	-	-	-	-	-	-	-	-
Debts evidenced by certificates	857	1,522	2,578	9,415	2,668	575	383	17,998
Other liabilities								
Derivatives								
Receivables	-56	-520	-982	-4,665	-1,538	-508	-	-8,268
Payables	65	641	1,046	5,318	1,832	633	158	9,692
	10	**121**	**63**	**653**	**294**	**125**	**158**	**1,424**
Other liabilities	-	-	-	-	-	-	8	8
Accrued interest and fees receivable	-	-	-	-	-	-	291	291
Total liabilities	**1,369**	**1,716**	**2,718**	**10,067**	**2,963**	**701**	**839**	**20,373**
Equity	-	-	-	-	-	-	2,050	2,050
Total liabilities and equity	**1,369**	**1,716**	**2,718**	**10,067**	**2,963**	**701**	**2,890**	**22,423**
Net during the period	611	-823	-1,485	-902	3,558	1,002	-1,962	-
Cumulative net during the period	611	-212	-1,697	-2,599	960	1,962	-	-
Guarantee commitments	-	-	-	12	--	-	-	12

2008 (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	2,428	72	-	-	-	-	-	2,500
Financial placements								
Placements with credit institutions	23	17	40	-	-	-	2	82
Debt securities	186	137	507	3,006	850	408	-316	4,779
Other	-	-	-	-	-	-	14	14
	209	**154**	**548**	**3,006**	**850**	**408**	**-300**	**4,875**
Loans outstanding	261	385	644	5,629	4,949	1,226	-30	13,063
Intangible assets	-	-	-	-	-	-	7	7
Tangible assets	-	-	-	-	-	-	35	35
Other assets								
Derivatives								
Receivables	1,312	1,031	982	9,251	3,497	1,423	630	18,126
Payables	-1,161	-994	-923	-8,975	-3,096	-1,243	-	-16,392
	151	**37**	**60**	**276**	**401**	**180**	**630**	**1,734**
Other assets	-	-	-	-	-	-	8	8
Payments to the Bank's reserves, receivable	-	-	-	-	-	-	32	32
Accrued interest and fees receivable	-	-	-	-	-	-	367	367
Total assets	**3,048**	**648**	**1,251**	**8,911**	**6,200**	**1,814**	**749**	**22,620**
Liabilities and equity								
Liabilities								
Amounts owed to credit institutions								
Short-term	1,085	8	-	-	-	-	-	1,093
Long-term	23	17	39	-	-	-	-	79
	1,108	**25**	**39**	**-**	**-**	**-**	**-**	**1,172**
Repurchase agreements	-	46	-	-	-	-	-	46
Debts evidenced by certificates	1,716	1,185	1,620	9,244	2,327	750	709	17,549
Other liabilities								
Derivatives								
Receivables	-269	-782	-794	-4,910	-1,324	-650	-	-8,729
Payables	336	964	964	5,769	1,588	857	36	10,514
	68	**181**	**170**	**858**	**265**	**207**	**36**	**1,785**
Other liabilities	-	-	-	-	-	-	5	5
Accrued interest and fees receivable	-	-	-	-	-	-	333	333
Total liabilities	**2,891**	**1,437**	**1,829**	**10,102**	**2,591**	**957**	**1,083**	**20,890**
Equity	-	-	-	-	-	-	1,730	1,730
Total liabilities and equity	**2,891**	**1,437**	**1,829**	**10,102**	**2,591**	**957**	**2,813**	**22,620**
Net during the period	157	-789	-578	-1,191	3,609	856	-2,064	-
Cumulative net during the period	157	-632	-1,209	-2,401	1,208	2,064	-	-

(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 statement of comprehensive income. The table below provides information on the extent of the Bank's interest rate exposure. The assets and liabilities are grouped into brackets 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 bracket makes the Bank sensitive to interest rate fluctuations. See also Financial Guidelines and Risk Management, Market risk.

2009 **(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	876	68	30	-	-	-	-	974
Financial placements								
Placements with credit institutions	27	8	48	-	-	-	2	85
Debt securities	3,390	125	189	1,219	521	297	-81	5,659
Other	-	-	-	-	-	-	20	20
	3,416	**133**	**237**	**1,219**	**521**	**297**	**-59**	**5,764**
Loans outstanding	5,251	6,729	598	376	560	200	49	13,763
Intangible assets	-	-	-	-	-	-	7	7
Tangible assets	-	-	-	-	-	-	33	33
Other assets								
Derivatives								
Receivables [1]	8,422	4,947	2,065	8,468	2,414	1,336	479	28,130
Other assets	-	-	-	-	-	-	29	29
Payments to the Bank's reserves, receivable	-	-	-	-	-	-	18	18
Accrued interest and fees receivable	-	-	-	-	-	-	372	372
Total assets	**17,965**	**11,877**	**2,930**	**10,063**	**3,495**	**1,834**	**928**	**49,090**
Liabilities and equity								
Liabilities								
Amounts owed to credit institutions								
Short-term	445	7	-	-	-	-	-	452
Long-term	57	67	77	-	-	-	-	201
	502	**74**	**77**	**-**	**-**	**-**	**-**	**653**
Repurchase agreements	-	-	-	-	-	-	-	-
Debts evidenced by certificates	1,575	1,909	2,417	8,958	2,493	262	383	17,998
Other liabilities								
Derivatives								
Payables [1]	18,568	7,675	25	764	505	396	158	28,091
Other liabilities	-	-	-	-	-	-	8	8
Accrued interest and fees payable	-	-	-	-	-	-	291	291
Total liabilities	**20,646**	**9,658**	**2,519**	**9,721**	**2,998**	**658**	**839**	**47,040**
Equity	-	-	-	-	-	-	2,050	2,050
Total liabilities and equity	**20,646**	**9,658**	**2,519**	**9,721**	**2,998**	**658**	**2,890**	**49,090**
Net during the period	-2,681	2,218	411	341	497	1,175	-1,962	-
Cumulative net during the period	-2,681	-462	-52	289	787	1,962	-	-
Guarantee commitments	-	-	-	12	-	-	-	12

1) Swaps are not netted.

2008 (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	2,428	72	-	-	-	-	-	2,500
Financial placements								
Placements with credit institutions	23	17	40	-	-	-	2	82
Debt securities	3,236	9	21	886	535	408	-316	4,779
Other	-	-	-	-	-	-	14	14
	3,258	**26**	**61**	**886**	**535**	**408**	**-300**	**4,875**
Loans outstanding	4,808	6,712	484	329	487	192	50	13,063
Intangible assets	-	-	-	-	-	-	7	7
Tangible assets	-	-	-	-	-	-	35	35
Other assets								
Derivatives								
Receivables [1]	7,755	5,761	1,388	8,816	2,094	410	627	26,851
Other assets	-	-	-	-	-	-	8	8
Payments to the Bank's reserves, receivable	-	-	-	-	-	-	32	32
Accrued interest and fees receivable	-	-	-	-	-	-	367	367
Total assets	**18,250**	**12,571**	**1,933**	**10,031**	**3,116**	**1,010**	**825**	**47,737**
Liabilities and equity								
Liabilities								
Amounts owed to credit institutions								
Short-term	1,085	8	-	-	-	-	-	1,093
Long-term	23	17	39	-	-	-	-	79
	1,108	**25**	**39**	**-**	**-**	**-**	**-**	**1,172**
Repurchase agreements	-	46	-	-	-	-	-	46
Debts evidenced by certificates	2,438	1,701	1,388	8,813	2,091	409	709	17,549
Other liabilities								
Derivatives								
Payables [1]	15,252	10,420	114	293	466	323	33	26,901
Other liabilities	-	-	-	-	-	-	5	5
Accrued interest and fees payable	-	-	-	-	-	-	333	333
Total liabilities	**18,798**	**12,192**	**1,541**	**9,106**	**2,557**	**733**	**1,080**	**46,007**
Equity	-	-	-	-	-	-	1,730	1,730
Total liabilities and equity	**18,798**	**12,192**	**1,541**	**9,106**	**2,557**	**733**	**2,810**	**47,737**
Net during the period	-549	380	392	925	559	278	-1,985	-
Cumulative net during the period	-549	-169	223	1,148	1,707	1,985	-	-

1) Swaps are not netted.

(20) CURRENCY RISK

NIB's operations are mostly in euro and US dollars. The table below shows the net of assets and liabilities of the major currencies. See also Financial Guidelines and Risk Management, Market risk.

Net currency position as of 31 December 2009:

(Amounts in EUR million)	EUR	USD	GBP	JPY	SEK	Other currencies	Fair value adjustments and swap netting	Total
Assets								
Cash and cash equivalents	674	282	1	-	5	11	-	974
Financial placements								
Placements with credit institutions	80	-	-	-	-	5	-	85
Debt securities	4,939	720	-	-	-	1	-	5,659
Other financial placements	20	-	-	-	-	-	-	20
	5,039	**720**	**-**	**-**	**-**	**6**	**-**	**5,764**
Loans outstanding	7,771	2,444	1	48	1,783	1,668	49	13,763
Intangible assets	7	-	-	-	-	-	-	7
Tangible assets	33	-	-	-	-	-	-	33
Other assets								
Derivatives	-9,414	5,084	1,880	1,951	-1,774	1,992	1,745	1,463
Other assets	10	7	-	-	-	11	-	29
	-9,404	**5,091**	**1,880**	**1,951**	**-1,774**	**2,004**	**1,745**	**1,492**
Payments to the Bank's reserves, receivable	18	-	-	-	-	-	-	18
Accrued interest and fees receivable	134	116	32	16	7	91	-23	372
Total assets	**4,271**	**8,652**	**1,914**	**2,016**	**20**	**3,780**	**1,770**	**22,423**
Liabilities and equity								
Liabilities								
Amounts owed to credit institutions								
Short-term amounts owed to credit institutions	438	4	-	-	-	10	-	452
Long-term amounts owed to credit institutions	196	-	-	-	-	5	-	201
	634	**4**	**-**	**-**	**-**	**15**	**-**	**653**
Repurchase agreements	-	-	-	-	-	-	-	-
Debts evidenced by certificates								
Debt securities issued	1,479	8,494	1,880	1,902	16	3,623	383	17,775
Other debt	62	69	-	90	-	-	1	222
	1,541	**8,564**	**1,880**	**1,992**	**16**	**3,623**	**383**	**17,998**
Other liabilities								
Derivatives	-	-	-	-	-	-	1,424	1,424
Other liabilities	8	-	-	-	-	-	-	8
	8	**-**	**-**	**-**	**-**	**-**	**1,424**	**1,432**
Accrued interest and fees payable	63	108	32	16	4	90	-23	291
Total liabilities	**2,246**	**8,676**	**1,911**	**2,008**	**20**	**3,728**	**1,784**	**20,374**
Equity	1,726	-	-	-	-	-	-	1,726
Total liabilities and equity	**3,972**	**8,676**	**1,911**	**2,008**	**20**	**3,728**	**1,784**	**22,100**
Net of assets and liabilities as of 31 Dec 2009	**299**	**-24**	**3**	**8**	**-**	**52**	**-14**	**323**

Net currency position as of 31 December 2008:

(Amounts in EUR million)	EUR	USD	GBP	JPY	SEK	Other currencies	Fair value adjustments and swap netting	Total
Assets								
Cash and cash equivalents	1,821	630	20	-	12	18	-	2,500
Financial placements								
Placements with credit institutions	82	-	-	-	-	-	-	82
Debt securities	4,072	707	-	-	-	-	-	4,779
Other financial placements	14	-	-	-	-	-	-	14
	4,168	**707**	**-**	**-**	**-**	**-**	**-**	**4,875**
Loans outstanding	6,965	2,673	2	54	1,755	1,563	50	13,063
Intangible assets	7	-	-	-	-	-	-	7
Tangible assets	35	-	-	-	-	-	-	35
Other assets								
Derivatives	-9,487	5,607	1,767	1,965	-1,753	1,255	2,379	1,734
Other assets	7	1	-	-	-	-	-	8
	-9,479	**5,608**	**1,767**	**1,965**	**-1,753**	**1,255**	**2,379**	**1,742**
Payments to the Bank's reserves, receivable	32	-	-	-	-	-	-	32
Accrued interest and fees receivable	167	155	30	34	19	85	-123	367
Total assets	**3,716**	**9,773**	**1,819**	**2,054**	**32**	**2,921**	**2,306**	**22,620**
Liabilities and equity								
Liabilities								
Amounts owed to credit institutions								
Short-term amounts owed to credit institutions	941	134	-	-	-	17	-	1,093
Long-term amounts owed to credit institutions	79	-	-	-	-	-	-	79
	1,020	**134**	**-**	**-**	**-**	**17**	**-**	**1,172**
Repurchase agreements	46	-	-	-	-	-	-	46
Debts evidenced by certificates								
Debt securities issued	688	9,404	1,788	1,908	15	2,812	705	17,320
Other debt	35	72	-	119	-	-	3	229
	723	**9,476**	**1,788**	**2,027**	**15**	**2,812**	**709**	**17,549**
Other liabilities								
Derivatives	-	-	-	-	-	-	1,785	1,785
Other liabilities	5	-	-	-	-	-	-	5
	5	**-**	**-**	**-**	**-**	**-**	**1,785**	**1,790**
Accrued interest and fees payable	132	160	30	34	16	83	-123	333
Total liabilities	**1,926**	**9,770**	**1,818**	**2,061**	**31**	**2,912**	**2,371**	**20,890**
Equity	2,011	-	-	-	-	-	-	2,011
Total liabilities and equity	**3,937**	**9,770**	**1,818**	**2,061**	**31**	**2,912**	**2,371**	**22,902**
Net of assets and liabilities as of 31 Dec 2008	**-221**	**2**	**-**	**-7**	**1**	**9**	**-65**	**-281**

(21) AVERAGE STATEMENT OF FINANCIAL POSITION

(Amounts in EUR million)	2009	2008
Assets		
Cash and cash equivalents	1,878	1,486
Financial placements		
Placements with credit institutions	96	82
Debt securities	5,060	4,991
Other	15	11
	5,171	**5,084**
Loans outstanding	13,499	12,870
Intangible assets	6	7
Tangible assets	34	36
Other assets		
Derivatives	1,597	1,127
Other assets	15	4
	1,612	**1,130**
Payments to the Bank's reserves, receivable	24	36
Accrued interest and fees receivable	368	382
Total assets	**22,592**	**21,032**
Liabilities and equity		
Liabilities		
Amounts owed to credit institutions		
Short-term amounts owed to credit institutions	684	477
Long-term amounts owed to credit institutions	142	80
	826	**557**
Repurchase agreements	20	12
Short-term debt	12	-
Debts evidenced by certificates		
Debt securities issued	17,778	15,888
Other debt	232	202
	18,010	**16,090**
Other liabilities		
Derivatives	1,519	2,039
Other liabilities (incl. exchange rate adjustments)	7	7
	1,526	**2,046**
Accrued interest and fees payable	305	346
Total liabilities	**20,699**	**19,051**
Equity	1,893	1,981
Total liabilities and equity	**22,592**	**21,032**

The average statement of financial position 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.

(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
2009	-	3,896	112	202,489
2008	-	7,516	95	156,417

Rental income (NDF, NEFCO)

(Amounts in EUR 1,000)	NDF	NEFCO
2009	114	152
2008	110	148

(23) CASH FLOW STATEMENT

Specification of the change in net liquidity on 31 December:

(Amounts in EUR 1,000)	2009	2008
Cash and balances with banks [1]	9,072	13,265
Short-term placements with credit institutions	964,765	2,487,134
Liquid debt securities at floating interest rates	-	2,276,422
Cash and cash equivalents	**973,837**	**4,776,821**
Short-term amounts owed to credit institutions	-452,395	-1,092,809
Short-term repurchase agreements	-	-45,900
Net liquidity	**521,442**	**3,638,112**
Debt securities at floating rate interest transferred from Cash and cash equivalents		- 2,276,422
Opening balance of Net liquidity 2009		**1,361,690**
Change in net liquidity	**-840,248**	**-400,675**

1) Including an initial margin requirement of EUR 2,078 thousand (823) for futures on 31 December.

(24) EXCHANGE RATES

		EUR rate on 31 Dec 2009	EUR rate on 31 Dec 2008
DKK	Danish Krone	7.4418	7.4506
EEK	Estonian Kroon	15.6466	15.6466
ISK	Icelandic Króna	178.87 [1]	290.0
LVL	Latvian Lats	0.7093	0.7083
NOK	Norwegian Krone	8.3	9.7500
SEK	Swedish Krona	10.252	10.87
ARS	Argentine Peso	5.4376 [2]	4.80137 [2]
AUD	Australian Dollar	1.6008	2.0274
CAD	Canadian Dollar	1.5128	1.6998
CHF	Swiss Franc	1.4836	1.4850
CZK	Czech Koruna	26.473	26.875
GBP	Pound Sterling	0.8881	0.95250
HKD	Hong Kong Dollar	11.1709	10.7858
JPY	Japanese Yen	133.16	126.14
MXN	Mexican Peso	18.9223	19.2333
NZD	New Zealand Dollar	1.9803	2.4191
PLN	Polish Zloty	4.1045	4.1535
RUB	Russian Rouble	43.154	41.2830
SDR	Special Drawing Right	0.91893 [2]	0.90354 [2]
SGD	Singapore Dollar	2.0194	2.0040
SKK	Slovak Koruna	-	30.126
TRY	New Turkish Lira	2.1547	2.1488
TWD	New Taiwan Dollar	45.45 [2]	45.66864 [2]
USD	United States Dollar	1.4406	1.3917
ZAR	South African Rand	10.666	13.0667

1) Reuters closing per 31 December 2009.
2) The exchange rate is calculated using the year-end market rate for USD/relevant currency, 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 4 March 2010, 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 25 May 2010.

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 statement of financial position as at 31 December 2009, and the statements of comprehensive income, changes in equity and cash flows 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 2009, 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

In accordance with the Terms of Engagement 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 our opinion that the administration of the Board of Directors and the President complied with the Statutes of the Bank.

Helsinki, 5 March 2010

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STATEMENT BY THE CONTROL COMMITTEE OF THE NORDIC INVESTMENT BANK ON THE AUDIT OF THE ADMINISTRATION AND ACCOUNTS OF THE BANK

To the Board of Governors of the Nordic Investment Bank

In accordance with section 17 of the Statutes of the Nordic Investment Bank, we have been appointed to ensure that the operations of the Bank are conducted in accordance with its Statutes and to be responsible for the audit of the Bank's accounts. Having completed our assignment for the year 2009, 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, and the Committee performed the control and examination measures considered necessary. The Annual Report of the Bank was examined at a meeting in Helsinki on 5 March 2010. 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 5 March 2010 by the authorized public accountants appointed by the Control Committee.

Following our audit, we consider 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 2009 and of its results and financing in 2009. The Statement of comprehensive income shows a profit of EUR 323,899,669.47 for the financial period.
- We note that the partial normalization of financial markets has allowed the Bank to recoup a substantial amount of unrealized losses on financial assets from 2008 which were not related to the collapse of Lehman Bros. and Icelandic banks, and that the impairment of the Bank's lending portfolio due to the crisis has so far been rather limited, while future performance will depend on the economic recovery of the sectors in which the Bank is active as a lender.

We recommend to the Board of Governors that:

- The allocation of the Bank's profit for the financial period, as proposed by the Board of Directors, be approved;
- The Statement of comprehensive income and the Statement of financial position be adopted;
- The proposal by the Board of Directors that no dividends are made available to the Bank's Member Countries for 2009 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, 5 March 2010

Torsten Gersfelt
Sigita Burbienė
Kari Lise Holmberg
Per Kaalund
Johan Linander
Tuula Peltonen
Hannu Riippi
Ragnheiður Ríkharðsdóttir
Taavi Rõivas
Viesturs Sileniks

Abbreviations

BASE	The Baltic Sea Environment Financing Facility
bn	billion(s)
BSAP	Baltic Sea Action Plan
CEB	Council of Europe Development Bank
CLEERE	The Climate Change, Energy Efficiency and Renewable Energy Facility
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 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
LGD	Loss given default
PD	Probability of default
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.
R&D	Research and development
Sida	Swedish International Development Cooperation Agency
VaR	Value-at-risk

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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.

Financial information is published three times a year on NIB's website, www.nib.int. Key figures, news and statements are also available. On the website readers can order reports and register to receive press releases by e-mail. NIB's reports are free of charge.

Reports and publications can also be ordered from NIB's Communications Unit.

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Prospects 2010

This is NIB	• Further promote projects that successfully combine the mission targets: competitiveness and environment. • Demand for loans anticipated to persist.
Mission and impact	• Further increase the share of projects with high mandate fulfilment. • Increased focus on cleaning up the Baltic Sea.
Lending	• Continued attention on the focus sectors: environment; energy; transport, logistics and communications; and innovation, in member countries, the neighbouring region and other selected non-member countries. • Active role in the implementation of the EU Strategy for the Baltic Sea Region. • Seek opportunities for lending under the Baltic Sea Environment Financing Facility (BASE) to support the implementation of the HELCOM Baltic Sea Action Plan.
Financial operations	• Continued benchmark strategy and global diversification of borrowing through maintenance of existing markets and outreach towards new investors to maintain sufficient support for the Bank's funding programme. • Additional focus on asset and liability management to maintain net interest margin, as well as warehousing sufficient liquidity. • Increased contribution to the Bank's earnings and expanded risk diversification by the portfolio management.
Organisation	• Continued open dialogue with stakeholders. • Results of 2009 job satisfaction survey will underscore HR development in 2010. • Development of the Bank's activities on the basis of the knowledge and attitude survey results.

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