

The background of the cover is a photograph of a large, circular tunnel. The tunnel walls are lined with a textured, ribbed material, possibly concrete or metal. Several bright lights are mounted on the walls, creating a strong glare and illuminating the interior. A large pipe runs along the right side of the tunnel, and another pipe is visible on the left. The overall atmosphere is industrial and somewhat dimly lit, with the primary light sources being the artificial lights.

# BULLETIN

NORDIC INVESTMENT BANK

JUNE 2008

## Lights in the tunnel

St. Petersburg gets new  
sewage collector

Gro Harlem Brundtland:  
Interview on climate change

New initiatives  
for financing Baltic Sea  
sustainability projects

# NIB intensifies its activities in non-member countries

PHOTO: RAMI SALLE



NIB is further intensifying its operations in the countries outside the Bank's membership area and sharpening its focus on key markets in these countries.

Indeed, NIB has since 1978 been active in countries which are not members of the Bank. At the moment, the Bank has framework agreements with 38 countries and an outstanding lending portfolio of EUR 2.5 billion. This amounts to 20 per cent of all outstanding loans. The largest countries in terms of commitments are China, Russia, Brazil and Poland.

These financial activities are based on an agreement with the borrowing country, which establishes NIB's role as an international financial institution (IFI) with the related rights and obligations. This makes it possible for the Bank to provide loans on terms and conditions which would typically not be offered by the private financial sector.

As a result, by engaging itself in non-member countries, NIB has been able to support economic cooperation in various ways, enhancing the internationalisation of the business sector in the member countries, while at the same time providing finance for priority projects to many countries that have less than full access to the international financial markets.

In terms of sectors in non-member countries, these have a close resemblance to NIB's member-country activities. Hence, investments which require long-term finance figure high on the agenda. Energy and water as well as transport and communications account for the dominating portion of the Bank's lending to these countries. So far, the amount of environmental loans, that is, loans for projects with a significant positive environmental effect, has been rather limited compared with the volume of operations in the member region, one

reason being that countries in many cases expect to be able to finance environmental investments either through grants or on concessional terms not available to NIB. It is, however, expected that the demand for environmental loans will grow as the awareness of environmental problems increases. About 60% of the lending outside the member region is sovereign risk, which is very different from the activities in the member countries where nearly 100% is based on non-sovereign risk.

Given the limited human resources of the Bank, these activities have to concentrate on countries and regions which are of special interest. NIB has concluded agreements with regional banks like The Black Sea Trade and Development Bank, The Central American Bank for Economic Integration (CABEI) and Corporacion Andina de Fomento (CAF). Being multilateral financial institutions, these can channel finance to those of their member states with whom NIB does not have an agreement.

Financing investments in non-member countries is and will remain an important part of NIB's activities. We have not set any numerical targets for these activities, but it is expected that this lending as part of the globalisation process will expand at least as rapidly as the total lending portfolio.

NIB's operations in non-member countries are also evident in this Bulletin. The Neva project on the closure of direct discharges of untreated wastewater illustrates the important environmental work in the Baltic Sea region. In another article, the Bank's representatives in China, India and Russia are interviewed on NIB activities in growing markets.

May 2008

*Johnny Åkerholm, President and CEO*

PHOTO: TOMMI TUOMI



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PHOTO: TELE-POST



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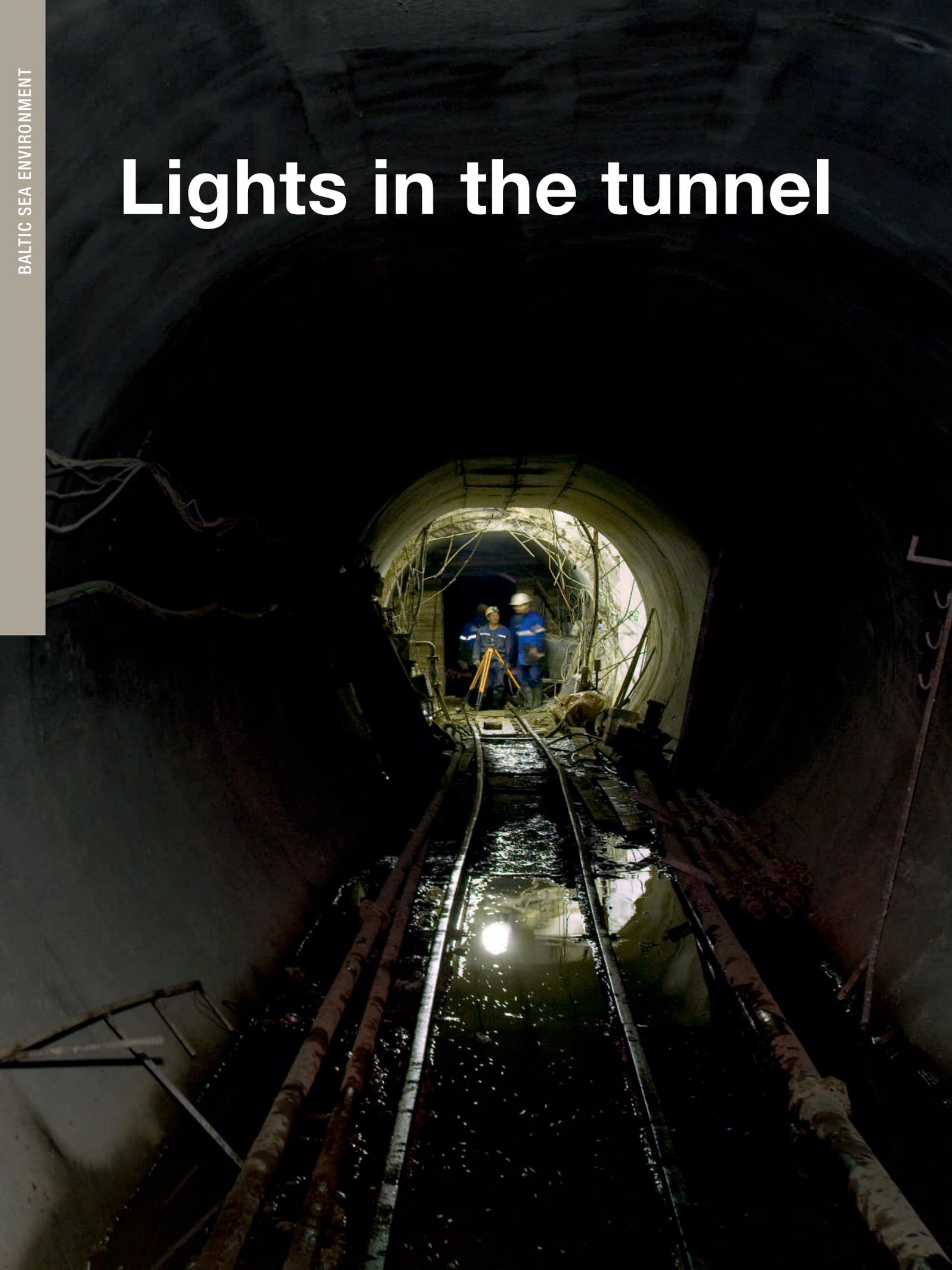
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# Lights in the tunnel



**Seen as a major step forward in improving the health of the Baltic Sea, the new Neva sewer investment programme will cut down the direct discharge of untreated wastewater from St. Petersburg to the Gulf of Finland. NIB is acting as lead bank for this recently established environmental project.**

“The quality of St. Pete tap water? It’s alright, I drink it,” Felix Karmazinov says, smiling proudly.

Mr Karmazinov is the head of Russia’s largest municipal water utility Vodokanal of St. Petersburg. He may well be proud of his company’s achievements today: modern wastewater treatment plants, drinking water cleaned with ultraviolet rays, efficient sludge utilisation, and many awards, national and foreign.

20 years ago, when he was appointed the head of the company with tens of kilometres of corroding water and sewage pipes, no one in the city would dare drink the tap water. Both then and now, tap water is taken from the river Neva, to which the city used to discharge at least half of its sewage.

Sewage poured into the river and, after several kilometres’ journey, ended up in the Gulf of Finland. This simple scheme made St. Petersburg the largest single point source polluter in the Baltic Sea area.

In 1987, the first 12-kilometre leg of the city’s badly needed underground sewage collector was nearly completed, and the construction of the second 12 kilometres was about to begin.

**THANKS FOR MORAL SUPPORT**

“The financing was rapidly shrinking for upgrading the city’s water supply and sewage network. We at the company were nearly desperate, the situation seemed incurable, the authorities preferred not to be reminded of the ongoing projects,” Mr Karmazinov says, recalling the crisis-hit years from the late 1980s to the early 1990s.

Tunnelling works on the second leg of the sewage collector came to a halt in 1990 and were not renewed until 2003. The attitude towards the Vodokanal projects has changed in the city and at the federal level. Now Russia is keen to

allocate major financial resources from the federal and municipal budgets for St. Petersburg wastewater treatment projects.

“Russia is changing as we speak,” says Mr Karmazinov. “What helped us see the light at the end of the tunnel in the 1990s was cooperation with our closest neighbour, Finland. We are grateful to the Finns for their moral support. They also helped us discover modern water treatment technologies and learn how to raise loans with international financial institutions.”

**IFI FINANCING ESSENTIAL**

The availability of long-term financing from IFIs, including NIB, in the framework of the Northern Dimension Environmental Partnership (NDEP) has been critical for accomplishing a number of projects aimed at reducing direct sewage effluents from St. Petersburg to the Baltic Sea.

The construction of the Southwest Wastewater Treatment Plant completed in September 2005, with NIB as a lead bank in structuring foreign financing, allowed the closure of two major direct discharge points. Since then, the city has treated 85 per cent of its wastewater.

The plan is to increase treatment to 95 per cent by 2012. This level of wastewater treatment will be in line with EU directives. To achieve it, Vodokanal plans to increase the reliability of the sewer systems and upgrade wastewater treatment (see the fact box). The total cost of the investment stands at 890 million euros. ▶▶

PHOTOS: TOMMI TUOMI



Felix Karmazinov has been heading the St. Petersburg water utility for more than 20 years.

Source: Pöyry Environment Oy

ESTIMATED ENVIRONMENTAL EFFECT OF THE NDEP NEVA PROJECT			
Direct discharges to be closed, cubic metres per day	Pollution reduction, tonnes per year		
	Biological oxygen demand	Nitrogen	Phosphorus
296,425	12,027	3,262	1,058



The Northern Collector Tunnel runs along the river Neva 80 metres underground.

## THE TUNNEL

More than half of this amount is being provided for the project Neva Closure of Direct Discharges of Untreated Wastewater in St. Petersburg. The project provides for building the second leg of the sewage collector along the Neva and a network of smaller sewers that will allow the closure of almost 400 municipal and industrial direct discharge points.

Vodokanal is working at full speed to build the collector 80 metres underground. The 12-kilometre leg will extend the existing underground collector in the southern part of the city to the network and a wastewater treatment plant in its northern part. The leg consists of two identical parallel tunnels, both concrete-coated and four metres wide.

“We will be doing maintenance every second year of course, once the collector is launched, but this coating is ageless, very solid. The tunnelling method is the same as for building metro lines,” explains Yuri Popov, head of Vodokanal’s tunnelling division. He is

***“The project serves NIB’s environmental mandate and enjoys the strong support of our member countries, particularly Finland and Sweden”***

hosting the excursion in the tunnel for NIB Bulletin.

One of the parallel tunnels will be set in operation as early as in September 2008. The second one is expected in 2010. Any risks the completion will be delayed?

“There are no major risks. We have not yet, however, received a specific tunnelling shield from a local manufacturer. The delay has lasted two months, but it’s on its way now,” says Mr Popov.

Otherwise, all strategic and financing decisions as well as the cash flow are in place, and, according to Mr Popov, the

salary of the tunnel building workers is higher than the average in the city, so the project will not stop because of a labour shortage. Yuri himself started his career as a tunnel building worker in the mid-seventies.

## NIB A LEAD BANK

The Neva direct discharge closure planned for the period until 2012 is expected to become a new NDEP flagship project, in which NIB acts as a lead bank and coordinator of the financing structure. The environmental load reduction resulting from the project is estimated to be the equivalent of discharge from 1.1 million persons (see the chart).

“The project serves NIB’s environmental mandate and enjoys the strong support of our member countries, particularly Finland and Sweden, as its implementation will have significant positive cross-border environmental effects,” says Johnny Åkerholm, NIB’s President and CEO.

The Bank’s cooperation with Vodokanal dates back to 1997. NIB has had



three loan agreements with the company. The Bank's total exposure of loans outstanding to Vodokanal, as of 30 April 2008, amounted to 52 million euros, or half of all the Bank's environmental loans outstanding in Russia.

#### WHAT'S AFTER 2012?

After the tunnel is built, some direct discharges to the Neva will still continue in St. Petersburg. This volume is now estimated to be 110,000 cubic metres per day of mostly industrial sewage. Closing the remaining discharge points is expected to last until 2015. Vodokanal's strategic goal is to treat no less than 98 per cent of the city's wastewater by then.

"And that will not be all. The city is growing, and so is the sewage. We are constantly mulling new investments. There will be a large-scale programme that will include new drinking water plants, new under- and aboveground sewer sections, as well as tens of kilometres of new tunnels," says Mr Karmazinov, adding that Vodokanal's work calendar is booked well into the future. ■

#### NDEP NEVA PROJECT

The Neva Closure of Direct Discharges of Untreated Wastewater in St. Petersburg is a priority project within the framework of the Northern Dimension Environmental Partnership (NDEP). The project implementation is planned for the period until 2012. NIB is acting as a lead bank and the coordinator of the financing structure of the project.

The project is based on a feasibility study completed in November 2006 and financed by the Finnish Ministry of the Environment and the Swedish development cooperation agency Sida.

The project's objective is to eliminate discharges of untreated wastewater into the river Neva and enhance wastewater treatment, including the completion of the Northern Tunnel Collector and the closing of discharges along the tunnels, the enhancement of large wastewater treatment plants (Central and Northern), as well as the renovation of a smaller treatment plant in Zelenogorsk.

In 2008, Vodokanal has been upgrading the phosphorus and nitrogen removal processes at the Central Wastewater Treatment Plant. The investment programme also provides for the extension of the Northern Wastewater Treatment Plant's capacity to 1,200,000 cubic metres per day by 2012. The project includes three new aeration tanks and twelve secondary sedimentation tanks, process changes within the existing aeration tanks and chemical precipitation unit as well as the necessary field instrumentation and automation system.

For the period 2009–2012, Vodokanal plans to construct the first phase of the Ohta Tunnel Collector, a 7-kilometre lateral to the Northern Tunnel Collector, to collect wastewater from St. Petersburg's new housing areas.

At present, approximately 303,200 cubic metres per day of municipal and industrial wastewater is discharged to the river Neva without any treatment. St. Petersburg still has 370 points of direct untreated sewage discharge to the Neva and the Gulf of Finland. ■



UN Special Envoy on Climate Change:

# Financial mechanisms and technology needed for global agreement

**“The main challenge in combating and adapting to climate change is to create a common ground for different types of countries. An agreement to curb emissions must be comprehensive, but differentiated,” says Dr Gro Harlem Brundtland in an interview for the Bulletin.**

“It will not suffice to have constraints on emissions by the Kyoto countries. These countries will gradually have a lower impact than their current 30 per cent of global emissions, as emerging economies will increase their emissions in the coming years. This is why we must have higher ambitions for a new agreement, which is what we saw played out in Bali in December 2007,” she continues.

**You chaired the World Commission on Environment and Development in the 1980s. The Commission’s report “Our Common Future” laid the groundwork for the concept of sustainable development. Now, more than 20 years after the publishing of the Brundtland Commission report —what do you see as the greatest steps forward and what have been the greatest disappointments in the work to mitigate climate change?**

“Much has been done in the OECD countries to reduce air pollution and poisonous elements such as PCB. However, much less has happened in the follow-up to Agenda 21 to support sustainable development in poorer countries.”

**The Brundtland Commission’s recommendations provided the basis for the Earth Summit in Rio de Janeiro in 1992. What are the most urgent issues now, after the UN Climate Change conference in Bali?**

“We need to develop improved financial mechanisms and new ways of supporting technological change towards cleaner energy solutions in time to enhance the possibilities for a good global agreement before the end of 2009.”

**The Brundtland Commission defined sustainable development as development that meets the needs of the present without compromising the ability of future generations to meet their own needs. To what extent is it possible to achieve economic growth and increase wealth while improving environmental conditions?**

“I believe it is possible, but with much greater understanding of the common responsibilities involved worldwide. We need stronger political will and a greater consensus about our common responsibilities. Technology is the key to

## DR GRO HARLEM BRUNDTLAND

- United Nations Special Envoy on Climate Change 2007–. Appointed by UN Secretary-General Ban Ki-moon in May 2007 together with Han Seung-soo, former Minister of Foreign Affairs of the Republic of Korea and former President of the 56th session of the UN General Assembly, and Ricardo Lagos Escobar, former President of Chile.
- Director-General of the World Health Organization 1998–2003.
- Prime Minister of Norway. Appointed Prime Minister for the first time in 1981 at the age of 41, being the youngest person and first woman to hold this position in Norway. Dr Brundtland served as Prime Minister in three periods totalling more than 10 years.
- Chairman of the World Commission on Environment and Development in the 1980s. The Commission’s report “Our Common Future” was published in 1987.
- Medical Doctor and Master of Public Health.



PHOTO: TINA BUCKMAN

mastering climate change and the need for supportive regulatory and market conditions is at the core.”

### **What is the role of the business community and the financial sector in mitigating climate change?**

“The business community should play a proactive role in finding new solutions. However, the fact is that the business community calls for clear signals from public authorities to help guide private sector actions. The really big investments will come when finance ministers and chief financial officers demand emission reductions because they are compelled to pay for their CO<sub>2</sub> emissions. All major institutions have a role to play in fostering major change.”

### **Your homeland is Norway, where you served as Prime Minister for over ten years. How should the Baltic Sea region—the Nordic and Baltic countries—contribute to the fight against climate change?**

“All regions need to be involved and look for broader cooperation on key issues across borders.” ■

Dr Gro Harlem Brundtland was one of the speakers at the NIB Economic Colloquium on the theme “Climate Change: A Discussion of Environmental Issues from Business and Political Perspectives”.

## **NIB President urges financial sector to take responsibility for climate change mitigation**

NIB, together with the American-Scandinavian Foundation, arranged an economic colloquium on the topic “Climate Change: A Discussion of Environmental Issues from Business and Political Perspectives” this spring in New York City. Among the speakers were Gro Harlem Brundtland, UN Special Envoy on Climate Change; Jorma Ollila, Chairman of the Board of Nokia and of Royal Dutch Shell; and Bernt Reitan, Executive Vice President of Alcoa.

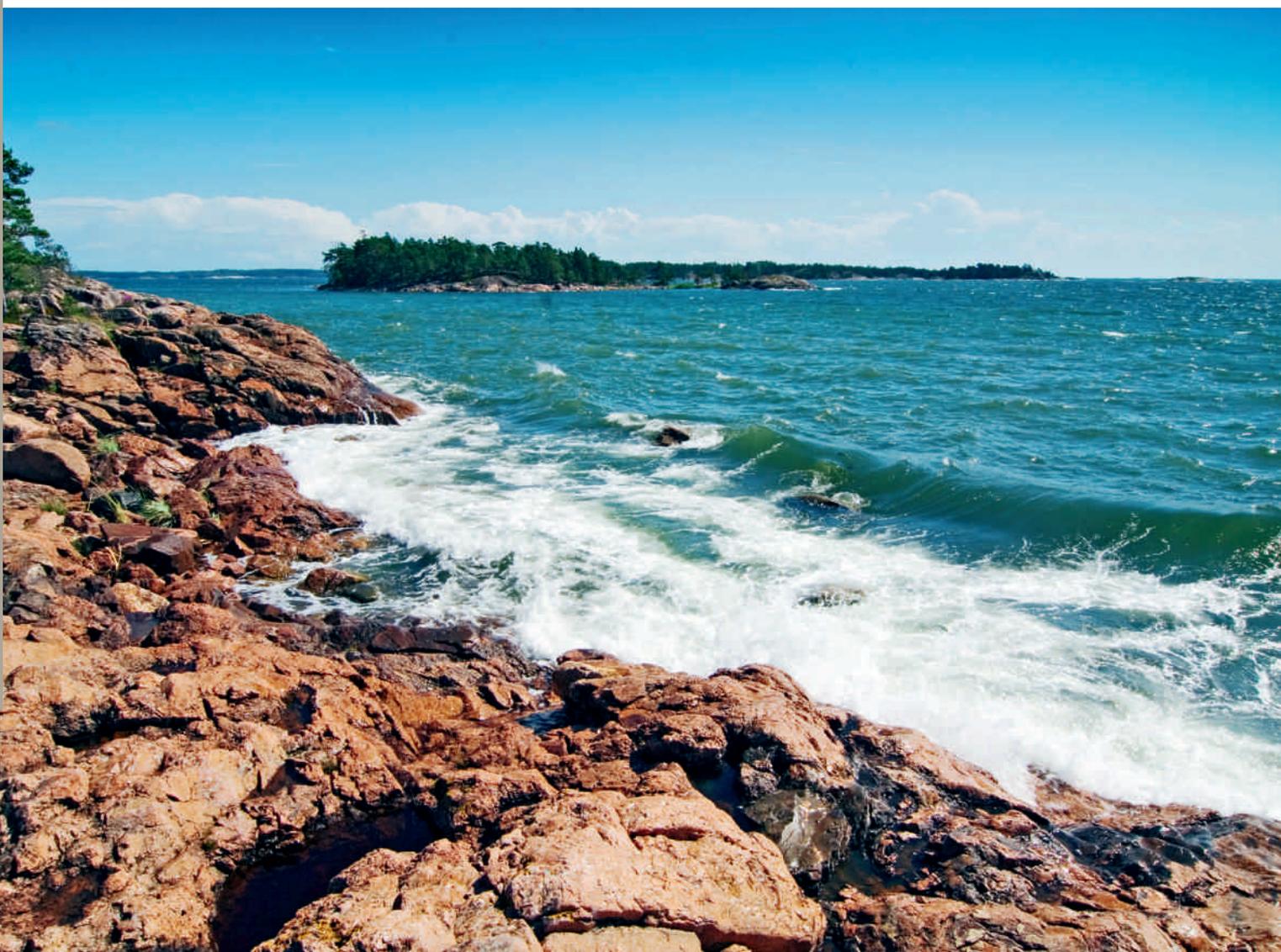
“There is a pressing need to move from awareness to action as regards combating and adapting to climate

change. The financial sector has to take responsibility for making these actions possible, by providing both financial resources and expertise,” says Johnny Åkerholm, President and CEO of NIB.

He points out that due to their multilateral status, International Financial Institutions are especially well equipped to support actions to prevent climate change.

“NIB is operating worldwide with loans outstanding in 38 countries and is analysing potential investment projects from a long-term perspective.” ■

# Focus on environmental activities



**NIB wants to be an active contributor to environmental investments, especially in the Baltic Sea area. The Bank is now able to allocate funds through two new environmental facilities. NIB also participates in a new European carbon fund.**

## NIB contributes EUR 15 million to new carbon fund

NIB has decided to contribute EUR 15 million to the Post-2012 Carbon Credit Fund. The fund will support environmentally beneficial projects via the acquisition of carbon credits generated in the period starting in 2013, that is, after the Kyoto Protocol commitment period.

The fund is a joint effort by five European public financing institutions. The initiative to set up the fund has been taken by the European Investment Bank and, alongside NIB, also Caisse des Dépôts, Instituto de Crédito Oficial and

Kreditanstalt für Wiederaufbau are participating. The total fund amounts to EUR 125 million. Conning Asset Management and First Climate act as fund managers.

“Our perception is that the private sector is not yet willing to absorb the regulatory uncertainties related to the post-Kyoto period. Thus, an intervention by this group of public financial institutions provides added value,” says Harro Pitkänen, Senior Director at NIB. ■

## Two new environmental lending facilities launched

NIB has set up two new environmental lending facilities, totalling EUR 1.5 billion, for cutting nutrients and hazardous emissions in the Baltic Sea and mitigating and adapting to climate change.

“The ecological health of the Baltic Sea and actions with regard to climate change are high priorities for NIB’s member countries. The new facilities are a response to our member countries’ call for the Bank to assume a more prominent role in bringing economic, ecological and social benefits to the member countries and to the entire Baltic Sea region,” says Johnny Åkerholm, President and CEO of NIB.

The Baltic Sea Environment Financing Facility amounts to EUR 500 million and the Climate Change, Energy Efficiency and Renewable Energy Facility amounts to EUR 1,000 million. Funds for the new facilities have been earmarked within NIB’s ongoing lending activities.

NIB’s Baltic Sea Environment Financ-

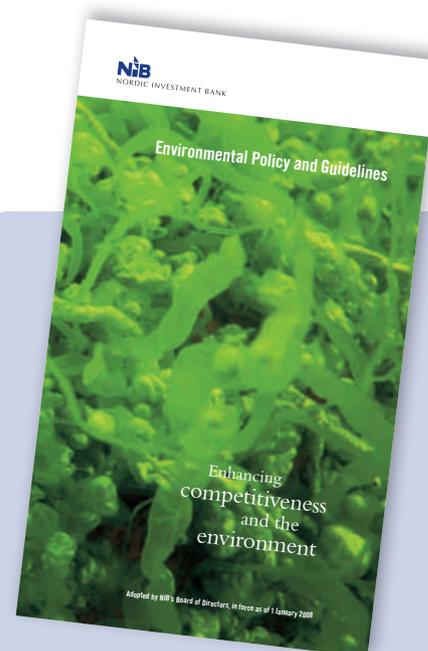
ing Facility, alongside national budgets and EU funds, will be an important financing source for the implementation of the Baltic Sea Action Plan adopted last year by the Baltic Marine Environmental Protection Commission–HELCOM with the purpose of restoring the ecological status of the Baltic marine environment by 2021. The action plan sets specific quantitative emission targets and focuses on eutrophication, hazardous substances, maritime transport and biodiversity conservation.

The Climate Change, Energy Efficiency and Renewable Energy Facility will focus on the financing of projects concerning renewable energy and the more effective use of energy, as well as projects using cleaner production technologies that reduce greenhouse gas emissions in industries. The new facility will also target projects dealing with the adaptation of power networks and infrastructure to climate change implications, such as extreme weather conditions. ■

## Increased sustainability reporting

To meet expanded requirements for information about sustainability, NIB has decided to report in a more detailed way on matters concerning social responsibility and sustainable development. The Bank’s Annual Report for 2007 includes now for the first time reporting in accordance with Global Reporting Initiative (GRI) guidelines. NIB applies the third generation of guidelines, GRI G3.

The GRI guidelines are standard international guidelines for sustainability reports, which are applied by companies and other organisations in their reporting on economic, environmental and social aspects of their operations. ■



## New environmental policy published

Environmental issues are in the forefront when NIB makes financing decisions. NIB’s renewed environmental policy, in force since January 2008, emphasises that NIB lending should take ecological and social issues in addition to economic issues into account. NIB sees this triple bottom line approach as vital for good business.

“The financial sector has a great impact on its environment, although mainly indirectly. Thus the sector plays an important role in the cooperation aimed at diminishing harmful effects on the environment. NIB believes that economic growth and a healthy environment go hand in hand,” explains Johnny Åkerholm, NIB’s President and CEO.

NIB prioritises projects with environmental benefits, in line with its mission emphasising the Bank’s role in enhancing competitiveness and the environment. Furthermore, NIB performs an environmental review of all projects considered for financing.

### INCREASED TRANSPARENCY

Since January NIB has, in accordance with the policy, published information on all potential investment projects having an extensive environmental impact. The public has the opportunity to comment on these projects through NIB’s website before the Bank makes any decisions on financing.

“This year there have been two projects with an extensive environmen-

tal impact. We hope that the dialogue with different stakeholders will be active in the future,” says Johan Ljungberg, Director, Head of the Environmental Unit at NIB.

NIB’s environmental policy can be downloaded from [http://www.nib.int/news/news\\_1.html](http://www.nib.int/news/news_1.html). ■

# Improved wastewater treatment in private households

**With a loan from NIB, Aktia Savings Bank will finance environmental loans to private households, farms, and small and medium-sized companies. The loans will be directed to improvements in wastewater treatment, housing insulation and fertiliser handling, to name a few examples.**

“We are very pleased to be able to support environment-friendly alternatives,” says Jarl Sved, Deputy Managing Director of Aktia.

Aktia Savings Bank Ltd is the intermediary bank for NIB’s loan of 30 million euros, and will channel the funds to environmental projects with the aim of improving wastewater treatment and the

use of renewable energy sources in rural areas of Finland.

“We will lend in rather small amounts, four to five figures,” says Mr Sved.

Using the funds from NIB, Aktia’s onlending will target small-scale, environment-friendly investments that reduce diffuse emissions. The aim is to promote alternatives that treat or reduce discharges from households, farms and small and medium-sized enterprises. Diffuse discharges are emissions from large areas, or from several emission sources that are hard to identify.

“This is a unique loan for NIB, since we for the first time are reaching private persons in our lending. According to our strategy of financing environment-enhancing investments, this is a concrete way to improve the environment on a grass-root level,” says Kim Krokfors, Senior Manager at NIB.

“We are very pleased to collaborate with NIB, being pioneers in these kinds of loans,” adds Mr Sved.

NIB’s loan focuses on projects with positive environmental impacts in the rural areas and the archipelago of Finland. The aim is to support investments that reduce diffuse emissions into rivers and lakes.

In private households such investments may include installing new heating systems using ground heat. In residential buildings, the loans could be used for installing better insulated windows in order to reduce energy spillage and thus improve energy efficiency. On farms, the goal might be to improve fertiliser or manure handling.

***“We are very pleased to collaborate with NIB, being pioneers in these kinds of loans”***

With the summer approaching, a burning topic is the treatment of wastewater in holiday homes. Calculations show that almost a million holiday homes in Finland are not connected to municipal wastewater systems, but treat their wastewater on site. The wastewater treatment is in many cases obsolete or otherwise ineffective—if there is any at all. The untreated wastewater runs into residential areas, lakes and watercourses and from there onwards to the Baltic Sea.

A part of NIB’s loan to Aktia will target investments to improve wastewater treatment in holiday homes.

“Naturally, we hope that there will be a demand for these kinds of environmental loans,” says Mr Sved.



Jarl Sved, Deputy Managing Director of Aktia.

PHOTO: RAMI SALLE

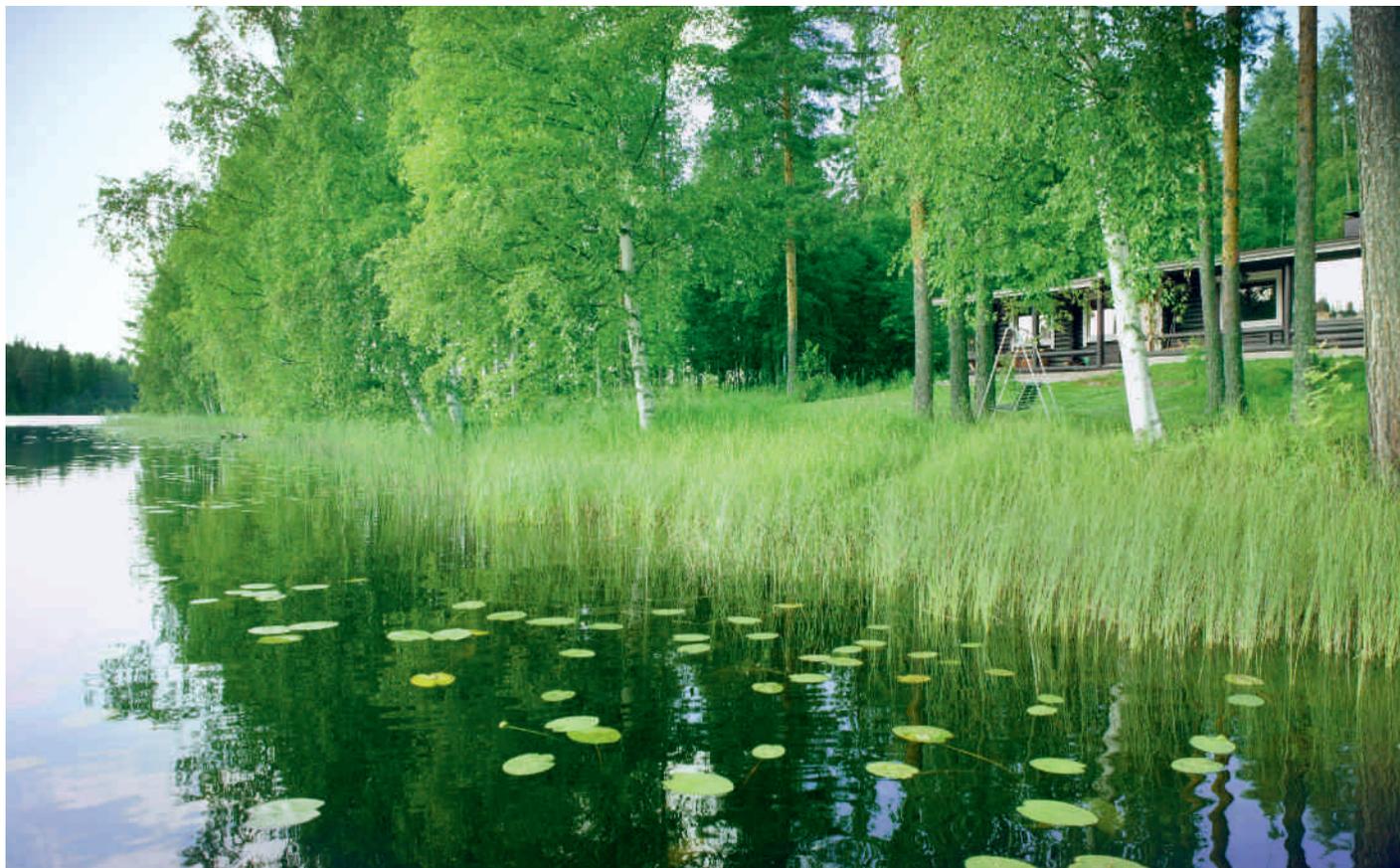
It is very likely. Finnish legislation adopted in 2003 sets requirements for household wastewater treatment. According to the law, all households that are not connected to municipal wastewater treatment systems must, by 2014, treat their wastewater before it drains into the ground and watercourses. The law applies to some 350,000 permanent residences, and a further 450,000 holiday homes in Finland.

The discharge of nitrogen and phosphorus is considered to be one of the biggest reasons for the eutrophication of the Baltic Sea. A big part of the nitrogen and phosphorus discharge from Finland originates from untreated wastewater from rural residential areas and agriculture.

The ecological health of the Baltic Sea and actions with regard to climate change are high priorities in NIB's lending

activities. The loan to Aktia is being drawn from NIB's Baltic Sea Environment Financing Facility, set up in February 2008 (see also page 11 in this Bulletin). ■

A burning topic is the treatment of wastewater in Finnish holiday homes. Too few of them are connected to municipal wastewater systems or have treatment at all.



### “AN EXPERIENCED TEENAGER”

This is how Aktia's Deputy Managing Director, Jarl Sved, refers to his bank. Founded in 1826 as the Savings Bank of Helsinki, and transformed into Aktia Savings Bank Ltd in 1993, it has over 180 years of experience—but the energy and dynamism of a teenager.

“We are in the midst of a very dynamic phase. A savings bank has changed into a financial institution,” explains Mr Sved.

Aktia acquired the Life Insurance Company Veritas in 2007 and, according to plans, the Pension Insurance Company Veritas will be part of Aktia from the begin-

ning of 2009. The Aktia group also consists of, among others, a real estate company and a fund management company.

Besides the Helsinki metropolitan area and the communities in the coastal areas of Finland, Aktia's most important areas of activity stretch from Oulu in the north, to Tampere in central Finland, and to Loviisa in the southeast.

In these regions there are many holiday homes, farms and small and medium-sized companies in need of environment-friendly investments. NIB's loan to Aktia is aimed at this client group. ■

# Egyptian hotel resort thriving thanks to Nordic support

**Nordic financing and vision have helped the Radisson SAS El Quseir Resort on Egypt's Red Sea coast go from strength to strength since opening in late 2005. Among other awards, the luxury hotel was voted third best in the country in 2006 and is providing much needed jobs and environmental leadership in an economically depressed region.**

## BACKGROUND AND FINANCING

In 1992 the El Quseir Hotel Company bought the land on this historic and picturesque part of the coast and began to build a hotel, but the project ran into financial difficulty a year later due to lack of funds from the original investors.

By 2000 the project had been revived by engaging Radisson SAS as the hotel operator. That same year, the Danish Industrialisation Fund for Developing Countries (IFU) agreed to assist with financing. Swedfund and the Nordic Investment Bank (NIB) made similar commitments in 2002. NIB has now contributed USD 4.4 million in loans to the project.

IFU and Radisson SAS provided the share capital and construction was restarted in 2003. Financial closure was achieved with all lenders in 2004 with the first disbursement of loans taking place in August that year. Total investment in the project stands at USD 23 million, of which USD 10.6 million is share capital and USD 12.3 million loan capital.

NIB entered into a Framework Agreement with the Government of Egypt in 2000 and may provide finance both to private and public sector projects.

“The reason for NIB’s loan to Radisson SAS El Quseir was mainly to enhance Nordic-based investments in Egypt. The efforts which have been made on the environmental aspects are very positive, and we appreciate the Danish support in this respect,” says Lars Fuglesang, Senior Manager for NIB lending in Africa and the Middle East.

Without Nordic cooperation and financing, the hotel, with its pristine sandy beaches and peaceful location, would have ended up just another unfinished construction project, many of which litter the Egyptian coast.

Today the hotel employs around 250 staff, most of whom are local. El Quseir is a small, unspoilt resort with a laid-back atmosphere compared with bustling Hurgghada up the coast. Many visitors find it the ideal place to unwind after a Nile cruise.

## DANIDA'S PRIVATE SECTOR DEVELOPMENT PROGRAMME

Starting a hotel committed to supporting the local area meant comprehensive training was needed for those living nearby wanting to work at the new resort. Danida's Private Sector Development (PSD) Programme, now known as the B2B Programme, recognised the need and contributed DKK 1.85 million to the resort's development in March 2005. The money was used not only for staff training, but also for water and energy-saving initiatives and corporate



PHOTOS: MOGENS POULSEN



social responsibility (CSR) programmes that have helped local people.

In July 2006 the B2B programme granted DKK 750,000 (corresponding to EUR 100,000) for further environmental improvements and CSR activities. The main environmental and energy-saving activities were to:

- install water saving equipment,
- install solar energy systems at the resort and
- improve the ecological balance in the adjacent lagoon.

The local community has been closely involved in establishing and running an



‘educational village’ that will allow visitors to experience and learn about the local culture and ecosystems. The village features a coral reef education centre, a phosphate mini-museum, as well as displays of local music, cooking and produce.

In February 2007 Danida granted another DKK 250,000 (EUR 34,000) for a ‘cultural and development training centre’ in El Quseir. The centre will set a new standard in corporate social responsibility in the hotel industry in Egypt. It will offer computer skills, communication skills, health and safety training, and language tuition to local unemployed people as well as those working at the resort.

Also one of the Swedish Wallenberg Foundations has granted funds to the town of El Quseir for waste treatment, as well as cultural and educational development.

## HISTORY

The ancient town of El Quseir lies 130 km south of Hurghada on the Red Sea

coast. From the time of the Pharaohs until the 10th century, it was the most important port on the Red Sea and a major point of departure for pilgrims travelling to Mecca. The town was prominent in the ancient world, serving as an important trade centre for goods coming from China, India and East Africa.

The Romans used El Quseir as a key centre for trading with the Far East and Africa. The Ottomans saw El Quseir as strategically important. In the 16th century they built a fortress to consolidate control of the region. The building is now a museum, and the most important historic site in the town. When the British took over Egypt in the 1880s, El Quseir became the main import point for the spice trade from India to Britain. ■

*We are grateful to Mr Mogens Poulsen, Danida B2B Coordinator at the Royal Danish Embassy in Cairo, who provided us with the main input for this article.*





# Greenland calling!

PHOTOS: TELE-POST

The planet's largest island will soon be on a fast track to catching up with the rest of the world in getting unlimited access to the wealth of online opportunities with its first high-speed broadband Internet connection. A new 4,500-kilometre marine fibre optic cable network, called Greenland Connect, will soon link Greenland to Canada and Iceland. The project is being carried out by the telecommunications company Tele Greenland.

The network is expected to provide international and domestic connectivity to meet Greenland's growing bandwidth requirements. The cable will be operational starting in 2009.

NIB granted a 20 million euro loan for the project. Greenland is a self-governing province of Denmark and is therefore part of the Bank's membership area.

"The cable is a prerequisite for enhancing the global competitiveness of Greenland's trade and industry. Moreover, the cable will ensure Tele Greenland's growth and the fulfilment of the

company's obligations toward the society of Greenland. Strengthening the competitiveness of NIB's member countries is a key objective of the Bank's operations," says Johnny Åkerholm, NIB's President and CEO.

The network will enable businesses and consumers to benefit from services such as broadband Internet and video conferencing. Tele Greenland will also be able to enhance its services for voice and data network hubs, call centres and advanced multimedia applications for maritime safety and emergency communications.

The Greenland Connect network will consist of two trunk cables. The first one will span 2,500 kilometres from Nuuk, Greenland's capital, to Milton in Newfoundland, Canada. The second will link Nuuk and Qaqortoq to Landeyarsandur in Iceland over 2,100 kilometres.

Each of the trunk cables will be equipped for future connections north of Nuuk as well as for a direct connection from Newfoundland to Iceland. Greenland Connect will offer an ultra-



A new fibre optic cable will soon link Greenland to Canada and Iceland.

mate capacity of up to 192 x 10 Gbit per second.

The environmental impact of laying the cable on the sea bed is estimated to be limited, and smaller than, for example, the impact of bottom trawling. The route has been carefully planned and surveyed in order to find the most suitable route and avoid potentially fragile areas.

Tele Greenland is the nationwide Greenland telecommunications company owned by the Greenland Home Rule Government. The company provides a wide range of high-tech telecommunications services. ■

# Fiskars acquires Iittala Group

## Now leader in Nordic housewares market

The acquisition of the Finnish design company Iittala Group in 2007 made Fiskars Corporation a leader on the Nordic housewares market. Fiskars is now also a major player in the Nordic design area, since Iittala includes some of Scandinavia's most prestigious brands, such as Arabia, Hackman, Rörstrand, Höganäs Keramik, BodaNova and Høyang-Polaris. The price for Iittala was approximately 230 million euros, which

was partly financed through a 30 million euro loan from NIB.

Fiskars has a long tradition of Finnish design and the manufacturing of utility articles, such as scissors, knives, axes and

***“We are looking for growth in areas that naturally suit us and our brand portfolio”***



garden equipment. The acquisition of Iittala will even out the group's seasonal fluctuations of sales: while spring and early summer are the most important seasons for Fiskars' garden equipment, sales of Iittala's designware tend to peak at the end of the year, near Christmas. Fiskars' President and CEO Kari Kaunistangas sees the company acquisition as a logical step in the corporation's strategy:

“We are looking for growth in areas that naturally suit us and our brand portfolio. The acquisition has strengthened our position as a corporation with deep European roots specialising in design and branded goods. Iittala Group is an interesting and growing company with products and know-how that complement our own. Fiskars and the Iittala Group have surprisingly few overlapping operations. Instead, we are expecting synergy effects worth about five million euro per year, in for instance sales, distribution, and the purchase of supplies—all areas where we see a lot of opportunities for cooperation.”

Fiskars is an international corporation with roots in the Fiskars ironworks founded more than 350 years ago in southwest Finland. The corporation employs some 4,500 people around the world. At year-end 2007, Iittala Group employed some 1,400 people. ■

Iittala's legendary Aalto vase was created by Alvar Aalto for the World Fair in Paris in 1937. Today the vase is the foremost symbol for Iittala, as well as for Finnish glass art.



# Increased focus on rapidly growing markets

**NIB is intensifying its activities in emerging markets, which are of major importance for its member countries and the business sector. Today, the Bank's loans to non-member countries represent one fifth of the total lending portfolio. To meet these growing needs, NIB has appointed representatives for China, India and Russia.**

NIB is intensifying its lending operations in the countries outside its membership area by selectively entering new growth markets. The Bank will focus its activities and have a more active presence on its key markets in China, India and Russia.

“Our goal is to strengthen our focus on these expanding economies. They are key targets for investments from our member countries,” says Nils E. Emilsson, First Vice-President and Head of Lending.

The Bank expects to see a growing demand for long-term financing, particularly in infrastructure development, environmental projects, and capital-intensive industries. In 2007, the Bank focused on investments in manufacturing, telecommunications and energy.

## **BOOMING BUSINESS IN CHINA**

During recent years, NIB has been particularly active in China, which is the largest single borrower among the Bank's

non-member countries. NIB has cooperated with the People's Republic of China for over 20 years. NIB stands for experience—the Bank has participated in the financing of over 200 projects in the country.

“Within the general and rural development loan programmes, the Bank has participated in financing in different sectors, including environmental and energy efficiency projects, medical services and rural development activities. NIB has been able to provide financing through sub-projects, which typically are in the amount of USD 2-10 million,” says Xuemin Shao. He is Chief Representative for China and East Asia, and located in Beijing.

According to Mr Shao, business projects with the greatest potential can be found in Chinese priority sectors, including amongst others environment-friendly technologies, rural development and medical services. Environmental projects suit NIB's operations very well, since the



***“The Bank expects to see a growing demand for the long-term financing of projects of mutual interest to borrower countries and NIB's member countries”***

Xuemin Shao, Chief Representative for China and East Asia.

lending focus for the Bank in this country is on environmental improvements.

“Chinese municipalities are particularly interested in projects for reducing energy consumption and improving energy efficiency. This is done by encouraging technical innovation and introducing renewable energy. There is therefore a demand for Nordic and Baltic technical know-how and innovation in these fields,” Mr Shao explains.

In addition, NIB is now also exploring possibilities to work with China’s private sector.

“There are cultural challenges when first tapping the market; nevertheless, challenges are always coupled with huge opportunities when you know the country better,” Mr Shao adds.

### INDIAN BUSINESS OPPORTUNITIES

“The world’s largest free market democracy, India, can also offer business opportunities for Nordic and Baltic companies,” says Dr Anand Sethi, who is Chief Representative for NIB in India.

NIB can provide financing in India to public and private sector entities in different priority areas.

## “NIB provides added value through long-term financing in non-member countries”

“Especially infrastructure projects within the energy sector, such as power generation, transmission and distribution, as well as road development can offer interesting future prospects. Telecommunications is also a potential sector, with about seven million new subscribers each month,” says Dr Sethi.

Dr Sethi is located in New Delhi and is prepared to help NIB’s customers with policies and local practices when doing business in India.

### RUSSIAN MARKET GROWING

“Also on the Russian market, NIB can provide long-term financing for projects in different sectors,” says Mr Igor Kovtun, NIB General Representative in Russia. He is located in Moscow.

“Especially the manufacturing industry is growing rapidly in Russia. Among the infrastructure projects, energy and power projects are very important. The country needs energy-saving equipment and technologies,” says Mr Kovtun. Modern technologies, equipment, machinery and innovation are all very high

on the agenda and are being addressed by the Government.

On the Russian market, NIB has experience from the telecommunications sector and projects related to environment-friendly technology. NIB has cooperation with several Russian banks, which act as intermediaries for projects within Russian loan programmes.

### FACTS ABOUT NIB IN NON-MEMBER COUNTRIES

About one fifth, or EUR 2,417 million, of NIB’s loan portfolio totalling EUR 12,291 million was directed to non-member countries at the end of 2007. In non-member countries, NIB finances projects of mutual interest to the country of the borrower and the member countries. High priority is given to projects involving environmental improvements.

The Bank has loans outstanding in approximately 30 emerging markets in Africa and the Middle East, Asia, Europe and Eurasia, and Latin America. ■

PHOTOS: JAMIMA LÖFSTRÖM

Igor Kovtun, General Representative in Russia.



Dr Anand Sethi, Chief Representative for India.



Lars Eibeholm new Head of Treasury:

# We are providing long-term value for our investors

“We want to match our needs to the market’s demand,” says Vice-President Lars Eibeholm. He is Head of Treasury and Chief Financial Officer for NIB since December 2007.

“NIB’s funding activities have had a very good start in 2008,” says Lars Eibeholm, new NIB Head of Treasury. “In line with our plan for this year, we have launched

two global benchmark issues of bonds and over twenty smaller issues.”

In January, NIB launched a USD 1.25 billion global benchmark issue with a maturity of three years. In the beginning of May, the Bank’s second USD global benchmark for this year was issued. That deal was a five-year USD 1 billion benchmark issue.

“These transactions attracted especially institutional investors, which are mainly central banks and official government institutions. NIB’s global issuance provides an opportunity for investors to make placements in an AAA, supranational institution representing the Nordic and Baltic region,” Mr Eibeholm explains.

The dollar market has been favourable for the first four months of the year and the most important funding currency for NIB has been the US dollar. It is followed by the pound sterling and the Australian dollar.

“We will now focus on new currencies. Since we have been very active in the dollar market, we will focus on the non-dollar market to get a more diversified distribution. We would especially like to increase the share for the Japanese yen. We would like to attract investors who are interested in structured and private placements,” says Mr Eibeholm. He adds that for the rest of 2008, NIB expects to attract more retail investors into its deals, since the deals are planned to be smaller.

“The effects of the recent financial turmoil on us, with the re-pricing of all credit risk, seems to be very positive for NIB’s funding activities. We have seen a huge demand for NIB bonds,” says Mr Eibeholm.

NIB will continue its successful investor relations strategy, which has global presence and which is flexible and responsive to investor demand.

“The aim is to maintain our reputation as one of the best supranational issuers in the world.” ■

PHOTO: ALEXANDER KAJANTI



NIB acquires the funds to finance its lending operations by borrowing on the international capital markets. NIB’s bonds have enjoyed the highest possible credit rating, AAA/Aaa, with the leading rating agencies Standard & Poor’s and Moody’s, since it was first given a credit rating in 1982.

At the end of April 2008, NIB’s new borrowing increased to EUR 2,313 million. Borrowings outstanding amounted to EUR 14,975 million. The annual funding requirement for NIB in 2008 is approximately EUR 4 billion.

## Governors emphasise the Bank's role in key sectors

The Bank's Board of Governors held its fourth annual meeting on 9 April in Tallinn, Estonia, under the Chairmanship of Ivari Padar, Minister of Finance of Estonia. At the meeting, the Board of Governors approved NIB's annual accounts for 2007. NIB's member countries will receive 25 million euros as dividends for 2007.

The NIB Governors emphasised the role of the Bank as an international financial institution for its Nordic and Baltic member countries as well as for the whole Baltic Sea region. NIB's pan-regional perspective and broad experience of both private and public sector financing puts the Bank in a good position to have a proactive role in promoting regional integration and development.

The Governors welcomed the initiative of the Bank to launch the Baltic Sea Environment Financing Facility (BASE) targeting the ecological restoration of the Baltic Sea and the Climate Change, Energy Efficiency and Renewable Energy Facility (CLEERE) for supporting adaptation to climate change. These initiatives assign the Bank a leading role in the implementation of the Baltic Sea Action Plan agreed within HELCOM and in the member countries' efforts to tackle climate change.

The Governors also expressed their appreciation of the Bank's active role in the cooperation within the Northern Dimension, in particular in the

preparation of a potential new partnership in transport and logistics.

NIB's current operations put the Bank in a good position as a partnering institution and leading agent in relation to the EU Baltic Sea Strategy, which is being developed. The Board of Governors pledged the support of the Bank's member countries in this respect.

The Board of Governors welcomed NIB's interaction with the European Commission and

cooperation with other international financial institutions active in the region and encouraged further steps to enhance this cooperation.

The Board of Governors, in which the member countries are represented at the ministerial level, appointed the Governor for Norway as its Chairman for the period 1 June 2008 to 31 May 2009. ■

NIB's Governors with Estonia's President Toomas Hendrik Ilves (in the middle).

PHOTO: ERIK PEINAR



## NIB received EuroWeek Award 2008 for best funding team

### BEST FUNDING TEAM AT A SUPRANATIONAL/AGENCY WITH A FUNDING REQUIREMENT OF LESS THAN EUR 20 BN

#### Winner:

Nordic Investment Bank

#### Nominees:

Oesterreichische Kontrollbank  
World Bank

### BEST FUNDING OFFICIAL AT A SUPRANATIONAL/AGENCY WITH A FUNDING REQUIREMENT OF LESS THAN EUR 20 BN

#### Winner:

Bart van Dooren,  
Bank Nederlandse Gemeenten

#### Nominees:

Kari Kukka, Nordic Investment Bank  
Waltraut Burghardt,  
Oesterreichische Kontrollbank

EuroWeek's awards for 2008 were presented at the Award Bond Market Dinner in London on 22 May. The awards were granted to the best individuals and institutions among the world's banks and borrowers.

NIB was chosen as "the most impressive funding team" in the group of supranational and agency borrowers with a funding requirement of less than 20 billion euros. The three nominees

were Oesterreichische Kontrollbank, the World Bank and NIB.

Kari Kukka, NIB's Head of Funding and Investor Relations, was also one of three nominees for the award of best funding official in the group of supranational and agency borrowers with a funding requirement of less than 20 billion euros. The award went to Bart van Dooren from Bank Nederlandse Gemeenten (BNG).

## Annual Report on the Internet

NIB's Annual Report 2007 is available in electronic format at <http://annual.nib.int>. Here you can, for instance, download Excel sheets containing numeric data. The website also offers the PDF version of the Report. In addition to the electronic format, the Bank's Annual Report is also available as a CD-ROM. NIB's Annual Report is published in English.

Please order the Annual Report, either in print or on CD-ROM, via our website <http://www.nib.int> or call us on +358 10 618 001.



## Baltic Sea region energy calls for more investments

Seminar on energy and climate in Tallinn

PHOTO: ERIK PEINAR



Johnny Åkerholm, NIB's President and CEO, opening the seminar held in Tallinn's medieval town hall.

"The Baltic Sea region needs extensive investments to meet the increasing demand for energy and the reduction of hazardous emissions in the coming years," said Johnny Åkerholm, President and CEO of NIB, at the Seminar on Energy and Climate.

The seminar was held by the Bank in connection with the Annual Meeting of its Board of Governors in Tallinn on 9 April 2008.

Mr Åkerholm emphasised that the Baltic Sea region faces a challenge in securing its long-term

energy supply. In his view, it is important to continue integrating national energy systems while also ensuring adequate investments in new generation capacity.

"Investments are needed in order to increase the share of non-fossil energy, reduce emissions and introduce new technologies in areas such as energy efficiency, carbon capture and storage. The energy systems also have to be adapted to the consequences of climate change, such as

more violent storms causing damage to networks and other infrastructure," said Mr Åkerholm.

"Action must be taken and soon. Otherwise, the rising demand will lead to even more sharply increasing energy prices, which will threaten the longer-term growth of the region," he added.

Other key speakers at NIB's seminar were Juhan Parts, Estonia's Minister of Economy and Communication, Timo Rajala, CEO, Pohjolan Voima (Finland), Bo Källstrand, President, Swedenergy (Sweden) and Sten Jakobsson, CEO, ABB (Sweden).

Juhan Parts emphasised that securing a better functioning energy market in the Baltic and Nordic countries would require stronger interconnections between these countries.

Timo Rajala called for a better use of nuclear power's potential and suggested that combating climate change would require dismantling old power plants. New production forms would require grids, regulating power and energy reserves.

Bo Källstrand said that the objective defined by the EU for energy efficiency would end up being rather costly for the Nordic countries. Fulfilling the objective of increasing renewable energy production would change the power flow patterns and put new demands on market integration.

Sten E. Jakobsson suggested that the most realistic alternatives in power generation in Northern Europe would be windmill farms and bio-mass-fired power plants. ■

PHOTO: LAURI JOHNSON



## Riga Freeport receives new tugboat

Riga Freeport, Latvia, received the first of two tugboats financed with a loan from NIB. The 34-metre long ice-reinforced tugboat named Santa was built at the Rigas Kugu Buvetava shipyard and floated out on 11 April. The tugboat is equipped for piloting large vessels into the

harbour of Riga, oil skimming, fire-fighting as well as other harbour operations. The loan agreement with the Freeport totalling 14 million euros for financing the acquisition of the tugboats was signed in 2006. ■

## Social infrastructure project launched in Tallinn

NIB's First Vice-President Nils E. Emilsson (at left) participated in laying the cornerstone for a new section of the North Estonia Medical Centre, the country's largest hospital.



PHOTO: DIMITRUS ALEHINS

## Appointments at NIB



**Thomas Radeborn**



**Stefán Jón Friðriksson**



**Vilius Girkontas**



**Olli Lempiäinen**



**Sebastian Pāvāls**



**Maria Vodomirova**



**Martin Carlens**



**Per Lagerstedt**



**Inese Romanovska**



**Henrik Vesth**

**Timo Granberg** (FI) has been appointed Chief Internal Auditor and Head of the Internal Audit Unit. He has worked most recently for SEB Finland.

**Thomas Radeborn** (SE) has been employed as Senior Portfolio Manager for the Asset Liability Management Unit in the Treasury Department. He joins NIB after working at Nordea Markets in Helsinki.

### New staff in the Lending Department

**Stefán Jón Friðriksson** (IS) has been appointed Senior Manager in the unit responsible for operations in Norway, Denmark and Iceland. He joins NIB after working for the Icelandic Ministry of Finance.

**Vilius Girkontas** (LT) has been employed as Manager in the unit dealing with the Baltic countries, Sweden and Finland. He has previously worked for DNB Nord in Vilnius.

**Olli Lempiäinen** (FI) has been employed as Senior Manager in the Project and Structured Finance Unit. He joins NIB from the Swedish Export Credit Corporation.

**Sebastian Pāvāls** (FI) has been employed as Senior Manager for the lending unit including

Finland. He has previously worked for Aktia Savings Bank.

**Maria Vodomirova** (RU) has been employed as Manager in the Client and Country Management Unit. She joins NIB after working for NEFCO.

### New staff in the Credit and Analysis Department

**Martin Carlens** (SE) has joined NIB as Chief Economist heading the new Mandate Unit. He has previously worked for Handelsbanken Capital Markets in Stockholm.

**Per Lagerstedt** (SE) has been appointed Senior Environmental Analyst. Prior to joining NIB, he worked for ÅF Process in Sweden.

**Inese Romanovska** (LV) has been employed as Senior Corporate Analyst. She has previously worked for Parex Banka in Latvia.

**Henrik Vesth** (DK) has been employed as Senior Corporate Analyst. He joins NIB after working at SEB Denmark.

### Internal appointments

**Tarja Kylänpää** (FI) has been appointed Senior Director and head of lending operations in Africa, Asia, Latin America and the Middle East.

**Søren Kjær Mortensen** (DK) has been appointed Senior Director. He is head of the lending activities in Europe and Eurasia outside the NIB member countries.

**Lars-Åke Olsson** (SE) has been appointed Senior Director and Head of Financial Administration and Operational Risk.

**Joseph Wright** (UK) has been appointed Director and Head of Project and Structured Finance in the Lending Department.

### New organisation for the Treasury Department

NIB's treasury operations have been divided into four units. **Kari Kukka** (FI) is head of the Funding and Investor Relations Unit. The Asset Liability Management Unit is headed by **Patrik Wainio** (FI). The Own Capital Unit is headed by **Jón Thorsteinnsson** (IS) and the newly established Financial Analysis and Controlling Unit is headed by **Kaare G. Andersen** (DK).

# THIS IS NIB

The Nordic Investment Bank (NIB) offers its clients long-term loans and guarantees on competitive market terms. NIB finances private and public projects that strengthen competitiveness and enhance the environment.

NIB is a multilateral financial institution that operates on commercially sound banking principles. The Bank was founded in the mid-1970s by the five Nordic countries: Denmark, Finland, Iceland, Norway and Sweden. In January 2005, Estonia, Latvia and Lithuania became members of the Bank.

In the member countries, NIB finances:

- projects in the manufacturing industry, including investments in industrial facilities;
- infrastructure investments within the energy, transport, telecommunications, water supply and waste management sectors;
- environmental investments;
- cross-border mergers and corporate acquisitions;
- research and development;
- foreign investments in the member countries;
- projects that improve the economic conditions for small and medium-sized enterprises.

Outside the membership area, NIB grants long-term loans—with maturities of up to 20 years—for projects of mutual interest to both the country of the borrower and the member countries. Currently, NIB has loans outstanding in approximately 30 emerging markets in Africa and the Middle East, Asia, Central and Eastern Europe, and Latin America.

NIB gives high priority to projects that improve the environment in the member countries and the areas adjacent to them. All projects considered for financing are analysed with regard to their sustainability and environmental consequences.

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

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