Annual Report 2012

Contents

NIB in 2012	**1**
Key figures	2
President's review	3
Five-year comparison	4
Graphs 2008-2012	5
Capital structure	7
Economic landscape	9
Operations	**11**
Lending	12
Business areas	15
Countries of operation	17
Loans agreed 2012	19
Treasury	21
Asset liability management	25
Own Capital Portfolio management	27
Our impact	**28**
Mandate fulfilment	29
Environment and competitiveness	31
Corporate responsibility	34
Transparency and accountability	36
Integrity	38
Environmental, social and governance reporting	40
About NIB	**43**
NIB in brief	44
Human resources	45
Governance	50
Board of Governors	53
Control Committee	54
Board of Directors	55
Executive Committee	59
Financial Report	**61**
Report of the Board of Directors	61
Proposal by the Board of Directors to the Board of Governors	66
Statement of comprehensive income	67
Statement of financial position	68
Changes in equity	70
Cash flow statement	71
Notes to the financial statements	73
Auditors' reports	131
Statement by the Control Committee	133

NIB IN 2012

"NIB's expertise in handling credit risks is fundamental to offering individually designed financing solutions, as well as maintaining the Bank's solid loan portfolio"

Lennart Richardsen, Director, Head of Corporate Analysis.

Key figures 2012

President's review

Five-year comparison

Graphs 2008-2012

Capital structure

Economic landscape

HIGHLIGHTS 2012

- Loans signed totalled EUR 2,366 million
- NIB raised EUR 4.4 billion in new funding
- NIB's profit amounted to EUR 209 million

PROSPECTS 2013

- Demand for financing to be led by refinancing needs
- New investment to remain weak due to uncertain economic outlook
- NIB's long-term financing expected to take on increased relevance as a complement to other funding sources

Key figures

(in EUR million unless otherwise specified)	2012	2011
Net interest income	252	228
Profit/loss	209	194
Loans disbursed	2,355	1,946
Loans agreed	2,366	2,608
Loans outstanding	15,131	14,153
Guarantee commitments	-	4
New debt issues	4,355	2,887
Debts evidenced by certificates	20,332	18,433
Total assets	25,983	23,802
Equity/total assets (%)	10.3	10.3
Profit/average equity (%)	8.1	8.2
Number of employees (average during year)	180	175

President's review

The Nordic Investment Bank is different from most other banks. Our owners are the governments of the Nordic and Baltic countries. We do not provide commercial banking services such as credit cards, ATMs, working capital, etc. NIB has only one product, long-term financing.

Some may ask why the Nordic-Baltic countries own a bank when they have a well-functioning financial sector. The answer is simple: NIB's mandate is to help ensure competitiveness and sustainable growth in the region. We do that by offering long-term financing for large-scale projects.

In order to fulfil the mandate, NIB places strict demands on either environmental impact or competitiveness aspects before a loan is granted.

NIB provides long-term financing to major projects ranging from R&D in Denmark and Sweden, to hydro-power in Norway, Finland and Iceland, and railroad systems in the Baltic countries.

In 2012, NIB signed 42 loan agreements totalling EUR 2.4 billion.

The share of our loans that reached good or excellent mandate fulfilment was close to 100%. This shows the significance of NIB as a financier of major projects in the Nordic-Baltic region. You can find the projects we have lent money to on our website at www.nib.int.

The amount of loans disbursed grew by 21% to EUR 2.4 billion. One third of all paid loans went to projects in the Bank's Infrastructure, transportation and telecom business area. The second largest area was Environment and energy with one fifth of all disbursed loans.

As NIB's main mission is to contribute to sustainable growth, the Bank needs to be financially strong over the long term. NIB maintained its AAA/Aaa credit rating in 2012, and had a good year financially. Profit was up almost 8% at EUR 209 million. The result provides a good platform to continue to fulfil NIB's mandate.

The Board of Directors proposes to pay a dividend of EUR 52 million to the Bank's shareholders.

Finally, I wish to thank our customers and other stakeholders for their support in 2012.

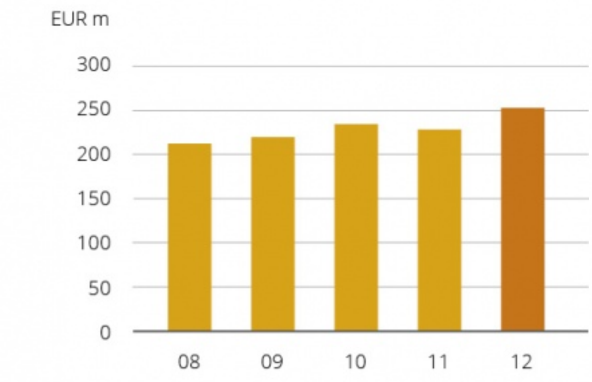
President & CEO
Henrik Normann

Five-year comparison

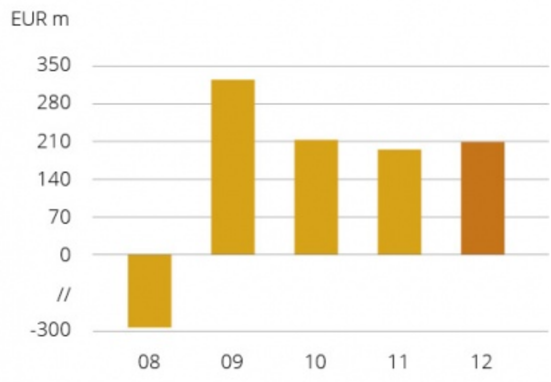
AMOUNTS IN EUR MILLION	2012	2011	2010	2009	2008
STATEMENT OF COMPREHENSIVE INCOME					
Net interest income	252	228	234	219	212
Commission income and expense etc.	17	19	20	9	11
General administrative expenses, depreciation and write-downs	-38	-37	-36	-36	-35
Realised and unrealised gains/losses of financial assets held at fair value	36	9	27	137	-352
Impairment of loans and bonds held at amortised cost	-56	-24	-38	-43	-79
Adjustment to hedge accounting	-1	-2	5	38	-39
Profit/loss for the year	**209**	**194**	**211**	**324**	**-281**
STATEMENT OF FINANCIAL POSITION					
Assets					
Cash and cash equivalents, placements and debt securities	8,092	6,788	7,957	6,738	7,375
Loans outstanding	15,131	14,153	13,771	13,763	13,063
Intangible and tangible assets	34	35	37	40	42
Accrued interest and other assets	2,726	2,826	3,133	1,883	2,141
Total assets	**25,983**	**23,802**	**24,898**	**22,423**	**22,620**
Liabilities and equity					
Amounts owed to credit institutions and repurchase agreements	1,609	1,597	1,275	653	1,218
Debts evidenced by certificates	20,332	18,433	19,944	17,998	17,549
Accrued interest and other liabilities	1,377	1,315	1,417	1,722	2,123
Paid-in capital	419	419	419	419	419
Statutory Reserve	686	684	683	671	657
Credit risk funds	1,352	1,158	947	623	904
Payments to the Bank's Statutory Reserve and credit risk funds, receivable	-	3	5	18	32
Other value adjustments	-	-	-3	-3	-
Profit/loss for the year	209	194	211	324	-281
Total liabilities and equity	**25,983**	**23,802**	**24,898**	**22,423**	**22,620**
ACTIVITIES					
Disbursements of loans	**2,355**	1,946	1,274	1,954	2,486
Guarantees issued	-	-	-	-	-
Loans outstanding at year-end	**15,131**	14,153	13,771	13,763	13,063
Guarantee commitments at year-end	-	4	8	12	17
New debt issues (including capitalisations)	**4,355**	2,887	4,120	4,137	4,681
Number of employees (average during year)	**180**	175	173	173	165

Graphs 2008—2012

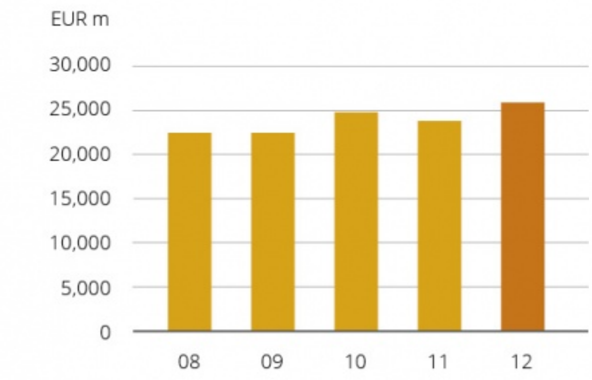
Net interest income



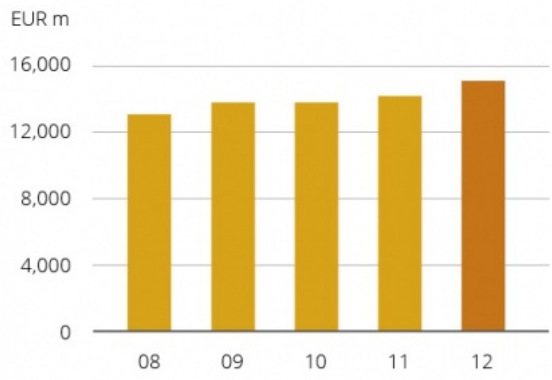
Profit/loss



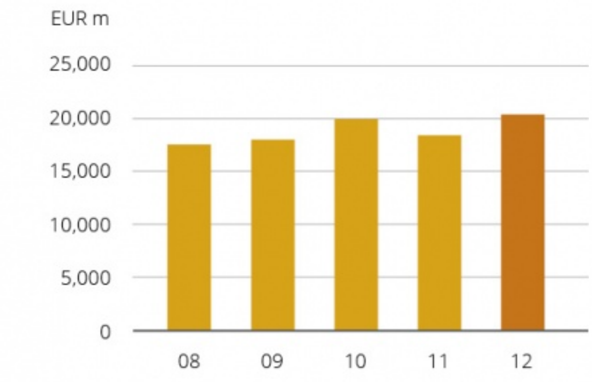
Total assets



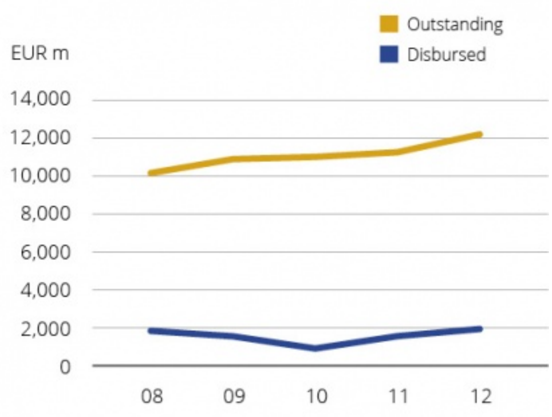
Loans outstanding

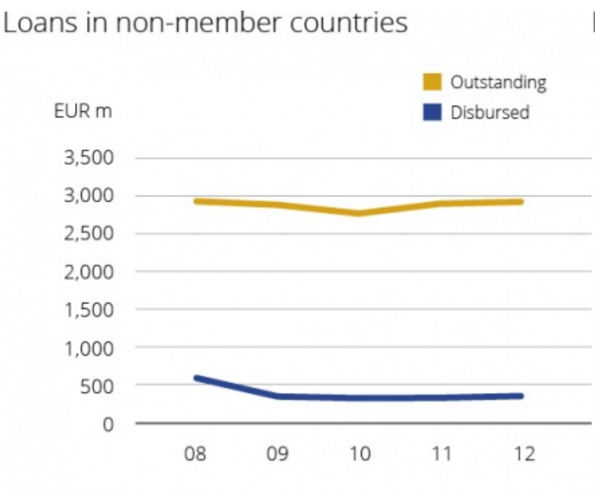


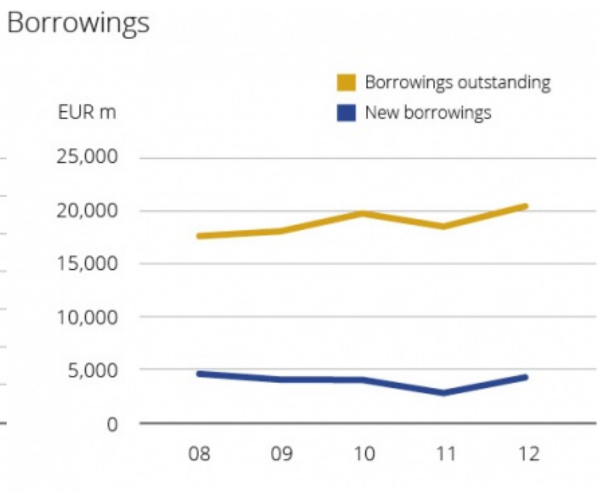
Borrowings outstanding



Loans in member countries



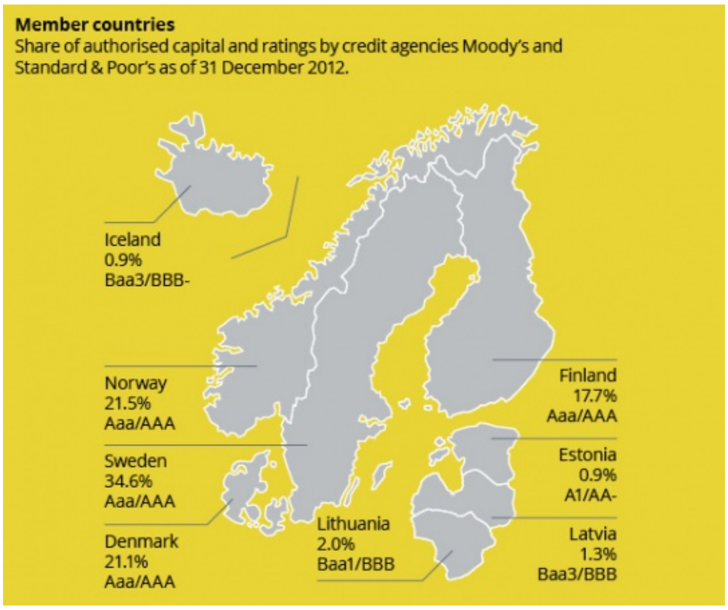

Loans in non-member countries
EUR m
Outstanding
Disbursed
3,500
3,000
2,500
2,000
1,500
1,000
500
0
08
09
10
11
12


Borrowings
EUR m
Borrowings outstanding
New borrowings
25,000
20,000
15,000
10,000
5,000
0
08
09
10
11
12

Capital structure

NIB's authorised capital was EUR 6,141.9 million as of 31 December 2012. The paid-in capital at the end of the year amounted to EUR 418.6 million. The remainder of NIB's authorised capital is subject to call if the Bank's Board of Directors deems it necessary for the fulfilment of the Bank's debt obligations.

NIB's member countries have subscribed to its authorised capital and guaranteed the special loan facilities in proportion to their gross national incomes. The countries' share of the authorised capital is shown on the map of member countries.



The Bank's ordinary lending ceiling corresponds to 250% of the authorised capital and accumulated general reserves. After the appropriation of profits from the financial year 2012, in accordance with the proposal made by the Board of Directors, the ordinary lending ceiling amounts to EUR 19,853 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 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.

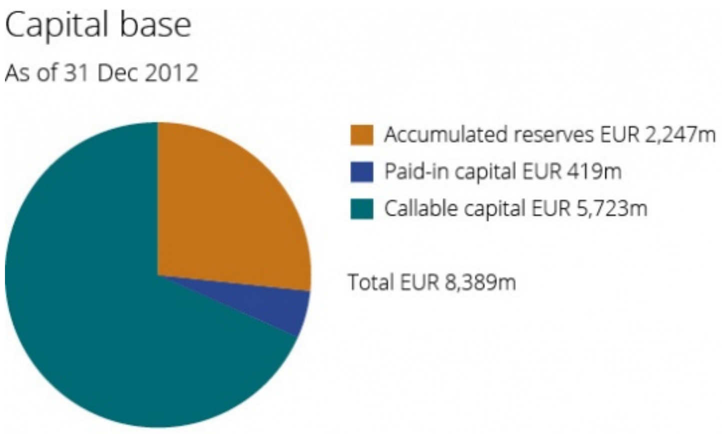
The second special facility, the Environmental Investment Loan facility (MIL), amounts to EUR 300 million. The Bank's member countries guarantee up to 100% of loans outstanding under MIL.

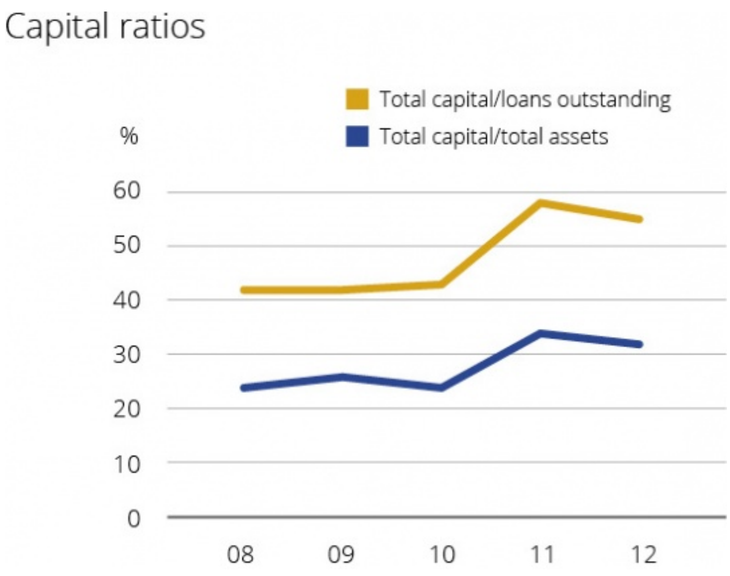
See Note 8 in the Financial Report for a more detailed presentation of the loan facilities, the guarantee structure and distribution.

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 issuer credit rating, AAA/Aaa, for long-term obligations and A-1+/P-1, respectively, for short-term obligations. NIB obtained the highest possible credit rating in 1982. Since then, the Bank has maintained this credit rating without interruption.

Ratings by rating agencies Moody's and Standard & Poor's as of 4 March 2013

	Moody's	S&P	Share of authorised capital
Denmark	Aaa	AAA	21.1
Estonia	A1	AA-	0.9
Finland	Aaa	AAA	17.7
Iceland	Baa3	BBB-	0.9
Latvia	Baa3	BBB	1.3
Lithuania	Baa1	BBB	2.0
Norway	Aaa	AAA	21.5
Sweden	Aaa	AAA	34.6
TOTAL			**100.0**





Economic landscape

Substantial uncertainty continued to influence investors and economic activity in 2012. Bond yields reached very low levels as investors sought safety and central banks continued with exceptionally accommodating monetary policies to counterbalance public and financial sector deleveraging. Against this backdrop, the Nordic-Baltic economies slowed down but still remained bright spots in Europe’s troubled economic environment.

Global real GDP growth slowed to about 3% in 2012, substantially lower than the average annual growth of 4.5% recorded in 2010 and 2011. Weakness was fairly broad-based but emanated mostly from Europe. Helped by noticeable progress on the policy front, including actions taken by the ECB, the hope is that 2012 marked a low point while averting a more substantial ‘double-dip’.

The Baltic economies continued to outperform in 2012, with real GDP growth ranging from 3% in Estonia and Lithuania to 5% in Latvia. This outperformance reflects a more pronounced economic cycle as well as structural catch-up to higher-income countries. Meanwhile, economic growth in the Nordic countries was more varied.

Norway continued to shine with real GDP growth above 3%, as firm crude oil prices propelled investments. Iceland’s long road to recovery continued in earnest, with tourism helping to boost economic growth to just below 3%. In Sweden, while growth held up in positive territory, flagging exports slowed down Swedish real GDP to barely 1% growth, with the Riksbank back on the easing path.

Falling exports along with weakness in construction are likely put the Finnish economy in technical recession in 2012, with annual real GDP stagnating.

After recording real GDP growth of 1.1% in 2011, the Danish economy contracted by 0.6% in 2012, reflecting broad based weakness.

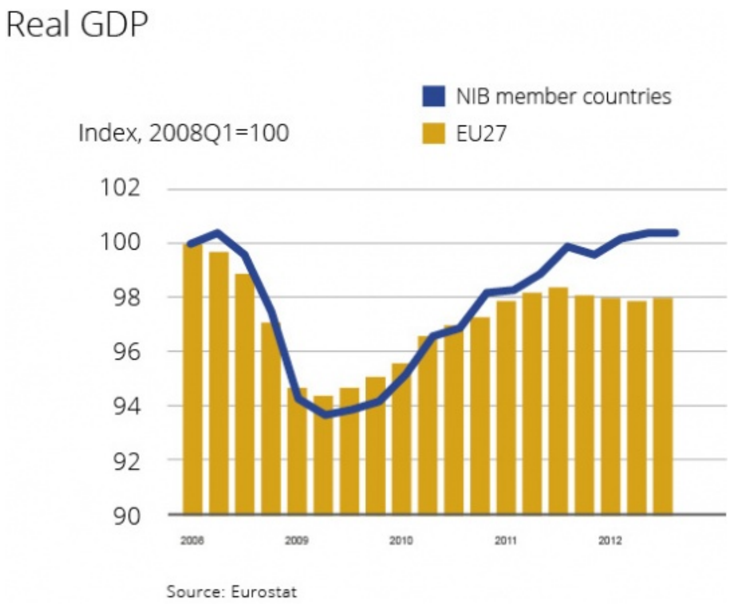
Looking outward and forward, current global growth tracking suggests that a slight pick-up of a 3.5–4.0% growth in real GDP could be in store for 2013. The extent of the recovery and possible interruptions depend largely on policy decisions taken around three key issues: How will the US fiscal crisis be handled? To what extent will China re-engage policy stimulus and adapt to slower economic growth in the future? Can policy actions in the EU keep the euro debt and confidence crisis contained?

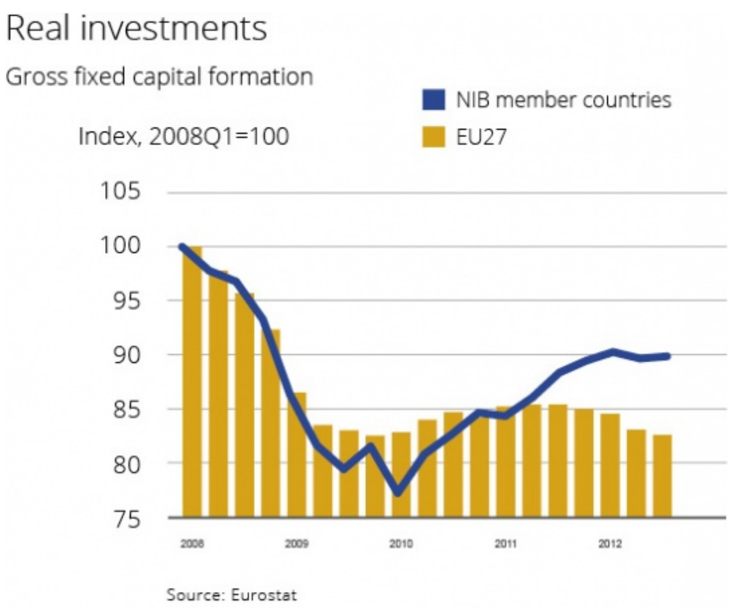
At the end of 2012, the most recent signs on these issues were somewhat encouraging.

Some near-term deleveraging seems inevitable if financial sectors are to become safer. Reducing economic vulnerabilities typically also implies some household deleveraging, which will weigh on consumption and credit growth. Furthermore, sustainable sovereign balance sheets seem dependent on some degree of austerity, expectantly combined with structural growth-enhancing reforms.

Countries on the periphery of Europe have been moving in a more prudent direction. While currency rigidity has meant severe adjustments to real income and employment and a delayed recovery, the seeds of a sustainable rebound are being sown. Unit labour costs have fallen substantially and the current accounts of Portugal, Greece, Spain, and Italy are poised to make a surplus in 2013. This would allow their domestic incomes to pay down foreign debt.

These adjustments should remind us that competitiveness is a moving target. Regions currently in decent economic health, such as the Nordic-Baltic area, should not be complacent. So long as Europe in particular can sidestep its internal tail risks, our region can continue to grow and highlight its relative strengths, which include sounder fiscal positions and banking sectors. As profound structural changes take root elsewhere, the challenge is to avoid the erosion of our relative strengths.





OPERATIONS

"2012 was another busy year with a high number of loan agreements and a diversity of counterparties."

Axel Berglund, Legal Counsel

Lending in 2012

New loans approved by NIB's Board of Directors increased to EUR 2.7 billion, whereas agreed loans amounted to EUR 2.4 billion. Disbursed loans increased substantially and reached EUR 2.4 billion.

Treasury in 2012

NIB borrowed EUR 4.4 billion through 28 capital market bond transactions in eight different currencies. At year-end, outstanding debt totalled EUR 20,332 million in 18 currencies.

LENDING HIGHLIGHTS 2012

- Loans disbursed and loans agreed both totalled EUR 2.4 billion
- CLEERE facility increased to EUR 4.0 billion, fully allocated by year-end
- Lending department reorganised in line with NIB's rephrased business areas

TREASURY HIGHLIGHTS 2012

- NIB's funding costs remained very stable throughout the year
- The Bank's liquidity management benefited from improved money market conditions
- The Own Capital Portfolio generated about a third of NIB's total net interest

Loans →
Capital markets →
Project cases →

LENDING

"Disbursements of new loans increased substantially in 2012, further strengthening NIB's role as a provider of long-term funds."

Kersti Talving, Senior Manager, Origination

In 2012, new loans approved by NIB's Board of Directors increased to EUR 2.7 billion, whereas agreed loans amounted to EUR 2.4 billion. Disbursed loans increased substantially and reached EUR 2.4 billion.

The purpose of NIB's lending activities is to fulfil the Bank's mandate of improving competitiveness and the environment of the Nordic-Baltic member countries.

NIB rates potential loans internally according to their mandate contribution. Only those projects that contribute sufficiently to NIB's mandate fulfilment qualify for loan approval. The share of lending with a good or excellent mandate in these areas accounted for an all-time high of 96% of both loans agreed and loans disbursed in 2012.

In 2012, NIB reorganised its lending activities on the basis of business areas instead of countries. Lending activities are carried out in five business areas: Energy and environment; Infrastructure, transportation and telecom; Heavy industry and mechanical engineering; Consumer goods and services; and Financial institutions and SMEs.

The number of work-out cases in the Bank's portfolio decreased further in 2012, although some new cases arose during the year. While loan losses were moderate, the impaired amount increased as NIB adopted a new policy of collective impairments.

The amount of loans outstanding increased to EUR 15.1 billion by 31 December 2012. No guarantees were outstanding.

HIGHLIGHTS 2012

- Loans disbursed and loans agreed both totalled EUR 2.4 billion
- CLEERE facility increased to EUR 4.0 billion, fully allocated by year-end
- Lending department reorganised in line with NIB's rephrased business areas

Loan characteristics →
Loan process →
Eligibility criteria →
CLEERE and BASE →
Project cases →

PROSPECTS 2013

- Disbursement level in line with previous year despite weak investment sentiment. Added focus on developing lending to small and medium sized enterprises

CLEERE AND BASE

NIB increased the Climate Change, Energy Efficiency and Renewable Energy facility (CLEERE) by an additional EUR 1 billion to EUR 4 billion in 2012. This was due to a rapid allocation of the facility's first three tranches. New loans were primarily agreed in the business areas of energy, industry and transport. The climate change mitigation facility was fully allocated by the end of 2012.

Allocations also continued under the Baltic Sea Environment Financing facility (BASE). The purpose of the EUR 500 million facility is to support the implementation of the Helsinki Commission's (HELCOM) Baltic Sea Action Plan.

The facility finances projects that help restore the ecological health of the Baltic Sea. At the end of 2012, EUR 322 million was allocated under the facility.

Loans under both the BASE and CLEERE facilities are agreed in the ordinary course of business and in accordance with the Bank's lending policies.

REEP

Through the new Russia Energy Efficiency Programme (REEP), NIB provides long-term loans via Russian banks to improve energy efficiency in district heating and industry projects in Russia. The projects contribute towards mitigating climate change impacts while reducing cross-border pollution from Russia to the Nordic-Baltic countries.

OTHER PARTNERSHIPS

The Bank continued during 2012 to take part in various important regional programmes.

Within the Northern Dimension Environmental Partnership (NDEP), NIB held the rotating chairmanship of the Steering Group during the first half of the year. NDEP aims to coordinate the financing of environmental projects with cross-border effects in the Baltic Sea region, the Barents region and Northwest Russia. Projects prioritised by NDEP may receive grants from the NDEP support fund. NIB agreed new loans for investments in wastewater treatment in Russia and in Belarus.

The Northern Dimension Partnership on Transport and Logistics (NDPTL) continued to build up its activities. The NDPTL secretariat is hosted by NIB. The purpose of the partnership is to facilitate cooperation on and implementation of regional transport infrastructure and logistics projects. A NDPTL support fund was established in late 2012 to issue grants for project preparation, development and implementation.

The EU Strategy for the Baltic Sea Region provides a framework for cooperation in issues related to the environment, energy and transport. NIB supports the realisation of the strategy by making available long-term loan financing for investment projects that meet the Bank's lending criteria.

Business areas

In the Bank’s reporting, the distribution of loans is presented according to the business areas.

ENERGY AND ENVIRONMENT

The energy sector faces continuous high investment needs in order to secure supply and environmental sustainability. These challenges exist in all of the Bank’s member countries and other countries of operation.

New lending in the Energy and environment business area totalled EUR 525 million, or 22% of all loans agreed in 2012.

The projects financed by the Bank in this field relate primarily to investments in renewable energy, mostly hydropower generation. In addition, new wind and bio-power plant investments were supported. Furthermore, loans were provided for investments in upgrading electricity transmission and distribution systems.

In the pollution abatement field, loans were agreed for rehabilitation and renovation of water and waste facilities.

INFRASTRUCTURE, TRANSPORTATION AND TELECOM

NIB supports projects that improve the efficiency of transport, logistics and communications.

In 2012, 31% of all loans agreed related to projects in the infrastructure, transportation and communications sector, totalling EUR 744 million. Most of these loans were directed to transport infrastructure and equipment.

Projects in this business area include investments in railway systems, road construction and ports as well as municipal infrastructure. Loans were also provided for the extension of new generation broadband and mobile phone systems.

HEAVY INDUSTRY AND MECHANICAL ENGINEERING

Lending in this area was mainly directed at financing innovation processes, namely R&D projects related to technology development. Such investments are essential to safeguard and enhance the competitiveness of enterprises in NIB’s member countries.

Total lending agreed was EUR 473 million for projects within this business area, equalling 20% of all loans agreed during 2012.

FINANCIAL INSTITUTIONS AND SMES

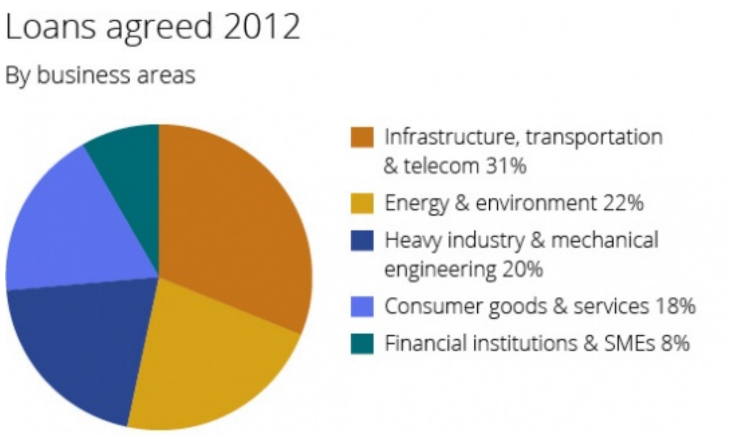
In order to reach clients that the Bank cannot approach directly, primarily smaller enterprises and projects, loans are made in the form of loan programmes mediated by local financial institutions. In 2012, three such programmes were agreed for on-lending to the renewable energy sector.

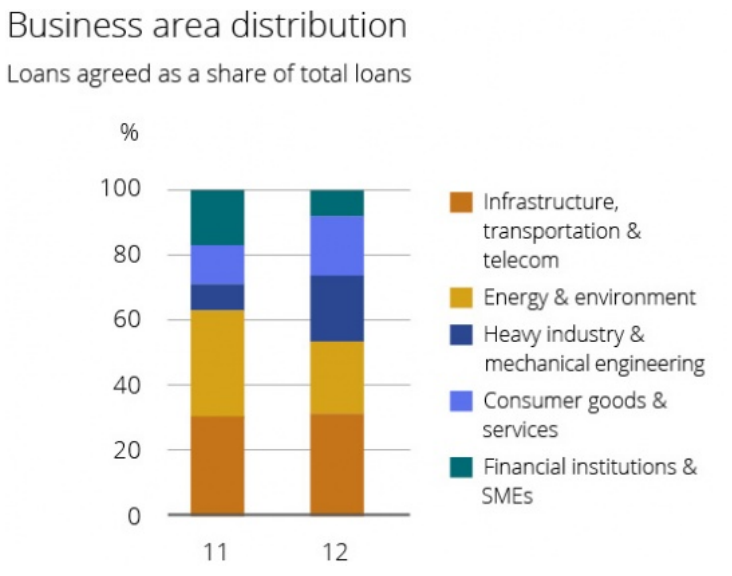
The total amount agreed for this category is EUR 198 million, which is equivalent to 8% of all loans agreed.

CONSUMER GOODS AND SERVICES

Loans in this business area were mainly provided for investments in green buildings and for continuation of a lending programme in China, which supports smaller projects involving technology cooperation with the Bank's member region. In addition, loans were made for projects in the service, retail and food sectors.

Total lending agreed to this area amounted to EUR 426 million, corresponding to 18% of all loans agreed during 2012.





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

Countries of operation

In line with the Bank's operational framework and plan, the major part of new lending in 2012 was carried out in the member countries, with 79% of all new lending. During the year, the Bank signed 33 new loan agreements in the member countries with a total value of EUR 1,880 million.

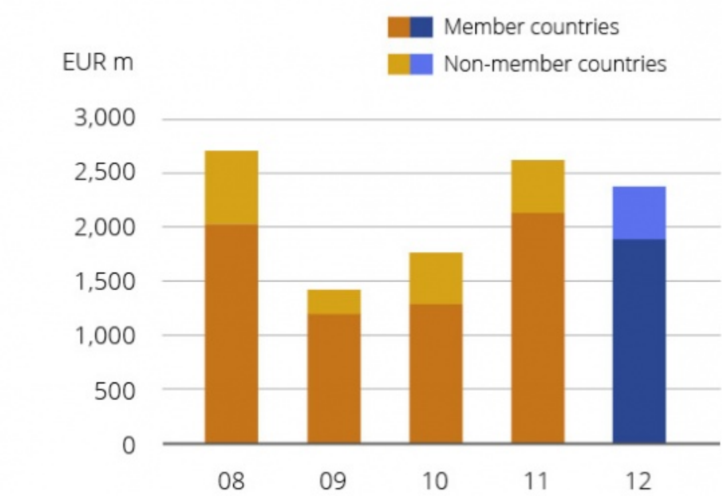
Disbursements of loans amounted to EUR 1,979 million, and that expanded NIB's outstanding loans in the member countries to EUR 12,241 million at year-end. Loans agreed but not yet disbursed in the member countries amounted to EUR 757 million at the end of the year.

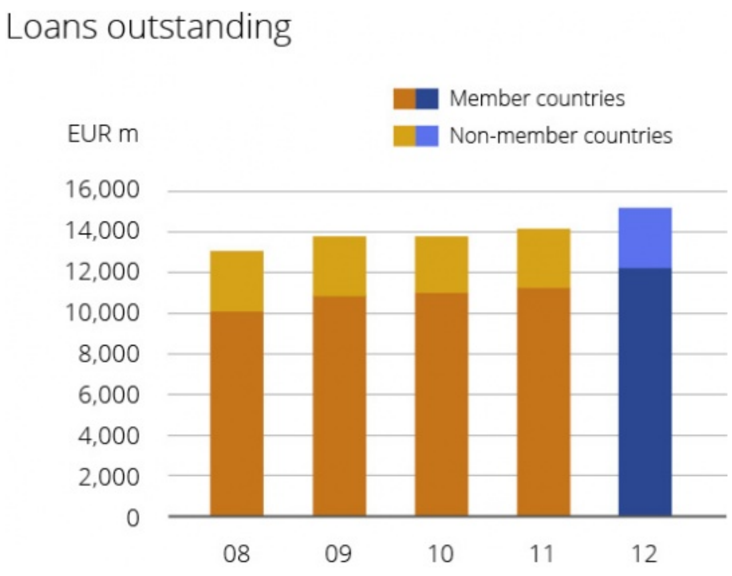
Sweden accounted for 56% of all new lending to member countries in 2012, followed by Norway with 19% and Denmark with 15%.

Outside the member region, NIB finances projects of mutual interest to the Bank's member countries and the countries of operation. Loans are granted under the Project Investment Loan Facility (PIL) and the Environmental Loan Facility (MIL) and to some extent also within the Bank's ordinary lending. The Bank focuses its operations on a limited group of countries where it sees good opportunities to achieve strong mandate fulfilment and maintain a long-term presence.

In 2012, the Bank signed nine new loan agreements in six non-member countries in Central and Eastern Europe, Asia and Latin America. The total value of these loans amounted to EUR 487 million. The largest recipients were China and Russia. Disbursements of loans amounted to EUR 376 million. NIB's outstanding loans in non-member countries stood at EUR 2,930 million at year-end. Loans agreed but not yet disbursed amounted to EUR 857 million at the end of the year.

Loans agreed




Loans outstanding
Member countries
Non-member countries
EUR m
16,000
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
08
09
10
11
12

Loans agreed 2012

BORROWER	PROJECT	BUSINESS AREA
Ramboll Gruppen A/S (Denmark)	Acquisition of the British consulting company, Gifford.	Consumer goods and services
Goverment through Ministry of Finance (China)	Financing of projects fulfilling NIB's mandate within various sectors in rural areas.	Consumer goods and services
Goverment through Ministry of Finance (China)	Financing of projects fulfilling NIB's mandate within various sectors.	Consumer goods and services
Vaskiluodon Voima Oy (Finland)	Financing the construction of a gasification-based bioenergy plant.	Energy and environment
Spendrups Bryggeri AB (Sweden)	Expansion of the company's largest brewery to increase energy efficiency.	Consumer goods and services
Boliden Mineral AB (Sweden)	Expansion of the Garpenberg zinc, silver and lead mine in Dalarna, Sweden, to increase ore production.	Heavy industry and mechanical engineering
AB Transitio (Sweden)	Purchase of 10 new train sets for passenger transportation in Sweden.	Infrastructure, transportation and telecom
Skanska Financial Services AB (Sweden)	Construction of four green office buildings in Poland meeting the requirements of the LEED and EU Green Building standards.	Consumer goods and services
E-CO Energi AS (Norway)	Financing investments in hydropower plants.	Energy and environment
Elering AS (Estonia)	Construction of a 330 kV transmission line in southern Estonia.	Energy and environment
TINE SA (Norway)	Expansion of the dairy's plant in Kalbakken, Oslo, Norway.	Consumer goods and services
Axis Bank Limited (India)	Construction of wind turbine parks with a total capacity of 300 MW in the states of Tamil Nadu, Andhra Pradesh and Gujarat in India.	Financial institutions and SMEs
Kymenlaakson Sähköverkko Oy (Finland)	Financing implementation of remote reading of energy consumption in South-East Finland.	Energy and environment
SJ AB (Sweden)	Purchase of 20 new SJ-3000 high-speed trains.	Infrastructure, transportation and telecom
Tranås Stadshus AB (Sweden)	Financing of a new biofuel-based boiler in the district heating power plant in Tranås, Sweden.	Energy and environment
Haldor Topsøe A/S (Denmark)	R&D programme developing catalysts and technologies for energy efficient processes used for removing harmful emissions, production of clean fuels and power generation.	Heavy industry and mechanical engineering
AB Lietuvos gelezinkeliai (Lithuania)	Infrastructure investment programme that includes the renewal and modernisation of parts of Trans-European rail corridors in Lithuania.	Infrastructure, transportation and telecom
OJSC MegaFon (Russia)	Upgrading of the company's networks in the Moscow region and other regions of Russia.	Infrastructure, transportation and telecom
Greenland Self Rule Government (Denmark)	Construction of a hydropower plant on the west coast of Greenland.	Energy and environment
NCC Treasury AB (Sweden)	Construction of energy-efficient office buildings in Finland and Sweden.	Consumer goods and services
Ringkjøbing Landbobank A/S (Denmark)	Loan programme for financing wind energy projects in Denmark.	Financial institutions and SMEs
Region Skåne (Sweden)	Purchase of up to 49 trains to be leased to Region Skåne. The new trains have energy recovery technology and offer improved traveller comfort, including better facilities for people with physical disabilities.	Infrastructure, transportation and telecom
City of Vilnius (Lithuania)	Financing the city's annual investment programme, including street reconstruction, upgrading infrastructure for sludge and wastewater treatment, as well as improving energy efficiency in public buildings.	Infrastructure, transportation and telecom
Petrozavodsk Communal Utilities Systems (Russia)	Rehabilitation and improvements of facilities for wastewater treatment in the city of Petrozavodsk, northwest Russia.	Energy and environment
Ericsson (Sweden)	Financing R&D investments in mobile communications technologies.	Infrastructure, transportation and telecom
Sparebank 1 SMN (Norway)	Loan programme to finance new hydropower projects and upgrade existing plants.	Financial institutions and SMEs
Växjö Energi AB (Sweden)	Investment in a new bio-fuelled combined heat and power plant.	Energy and environment
Agder Energi AS (Norway)	Increase of hydropower capacity in Norway.	Energy and environment
Getinge AB (Sweden)	R&D investments in Solna, Sweden.	Heavy industry and mechanical engineering
Tele2 AB (Sweden)	Expansion of mobile telecommunications network in Norway.	Infrastructure, transportation and telecom
Lyse Energi AS (Norway)	Upgrade of electricity grid in Rogaland county, in southern Norway.	Energy and environment
SKF AB (Sweden)	R&D programme 2012-2015 to further reduce friction in SKF's bearings.	Energy and environment
FLSmidth & Co. A/S (Denmark)	R&D programme focusing on the development of innovative products as well as more efficient production processes for the cement and mineral industries.	Heavy industry and mechanical engineering

Volvo Treasury AB (Sweden)	Investment in Volvo Group's R&D to improve fuel efficiency to comply with forthcoming European emission regulations.	**Heavy industry and mechanical engineering**
Bank Gospodarstwa Krajowego (Poland)	Construction of a 37-kilometre stretch of the A1 motorway in central Poland.	**Infrastructure, transportation and telecom**
Territorial Generating Company No 1 (Russia)	Renovation of two hydropower plants along the river Vuoksi in Northwest Russia.	**Energy and environment**
Republic of Belarus	Upgrade of the wastewater treatment plants in the cities of Grodno and Brest in western Belarus.	**Energy and environment**
Kraftnät Åland Ab (Finland)	Financing of a 160-kilometre subsea cable between the Åland Islands and Finland.	**Energy and environment**
SEB Leasing Oy (Finland)	Acquisition of a school centre to be leased to the city of Tampere.	**Infrastructure, transportation and telecom**
Tractebel Energia S.A. (Brazil)	Construction of wind farms in the north-eastern region of Brazil.	**Energy and environment**

Loans agreed since 2007

News on new loans

TREASURY

"NIB took advantage of improved money market conditions, resulting in the good performance of the Bank's liquidity management."

Kristian Kullberg, Senior Money Market Dealer, Asset and Liability Management

CAPITAL MARKETS

Borrowing

In 2012, NIB borrowed EUR 4.4 billion through 28 capital market bond transactions in eight different currencies. At year-end, outstanding debt totalled EUR 20,332 million in 18 currencies.

NIB's funding strategy is to be regarded as a leading USD benchmark issuer in order to attract large global bond investors, while also diversifying its borrowing in different currencies and markets.

The Bank issued two global USD benchmarks in 2012. In January, NIB issued a USD 1,250 million five-year bond due in January 2017. In November, the Bank issued a USD 1 billion bond due in January 2018. Both issues were priced at attractive spreads. The latter issue was priced at the tightest spread ever achieved by NIB compared to the yield of the US Government Treasury bond with the same maturity.

In Nordic currencies, the Bank issued bonds in both Norwegian kroner and Swedish kronor. In Norwegian kroner, a total of NOK 2,850 million was issued with maturities of four, five and seven years. In Swedish kronor, the Bank placed a floating rate note of SEK 650 million with a five-year maturity. In addition, NIB issued its second environmental bond under the NIB Environmental Bond programme with a SEK 500 million 20-year note due in 2032.

The Australian dollar market offered attractive opportunities in long maturities. The Bank took advantage of its status as a frequent issuer in this market and placed AUD 675 million with a maturity of 10 years and AUD 450 million with a five-year maturity. In the New Zealand dollar market, the Bank issued one

HIGHLIGHTS 2012

- NIB's funding costs remained very stable throughout the year
- The Bank's liquidity management benefited from improved money market conditions
- The Own Capital Portfolio generated about a third of NIB's total net interest

Capital markets →
Investor relations →

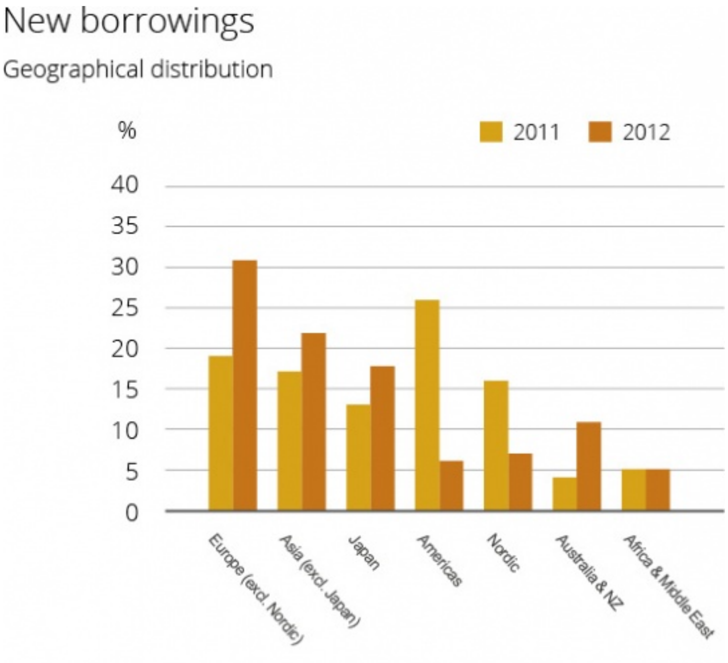
PROSPECTS 2013

- Maintain NIB's position as a highly recognised USD benchmark issuer
- Implement a new aggregated portfolio and market risk framework to mitigate new requirements for the management of liquidity and collateral
- Revise the Liquidity Policy to reflect the new liquidity environment
- Continue implementation of the Asset and Liability Committee (ALCO)

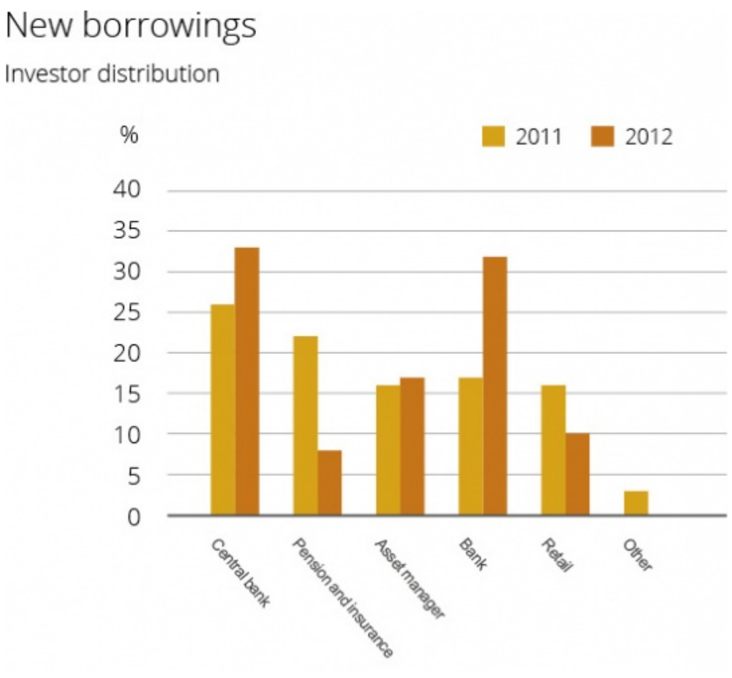
transaction of NZD 350 million due in 2017. Finally, the Bank issued GBP 250 million with a three-year maturity.

Overall, the Bank’s funding cost remained very stable throughout the year. Also in 2012, the Bank managed to achieve very favourable costs after the proceeds were swapped into mainly euros. New regulations for commercial banks to hold more capital and liquidity for entering into swap transactions did not affect NIB’s overall funding costs during 2012.

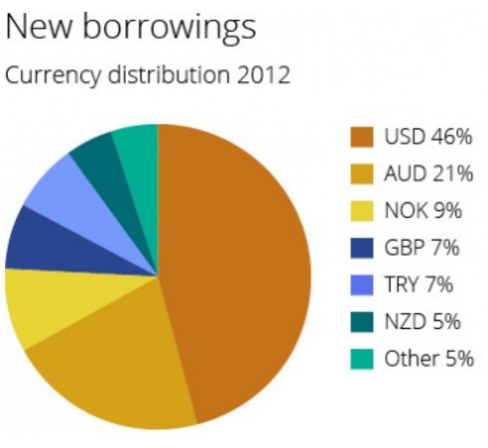
Asia and Europe remain the two most important investor regions for the Bank's new funding. Asian investors made up 39% of all investors in 2012, with Japan accounting for 17% of all investors. Investors based in Europe have a share of 38% in 2012. The Australia and New Zealand region is the third most important region with 11% of the investor base. The remainder of investors are located in the Americas, the Middle East and Africa.



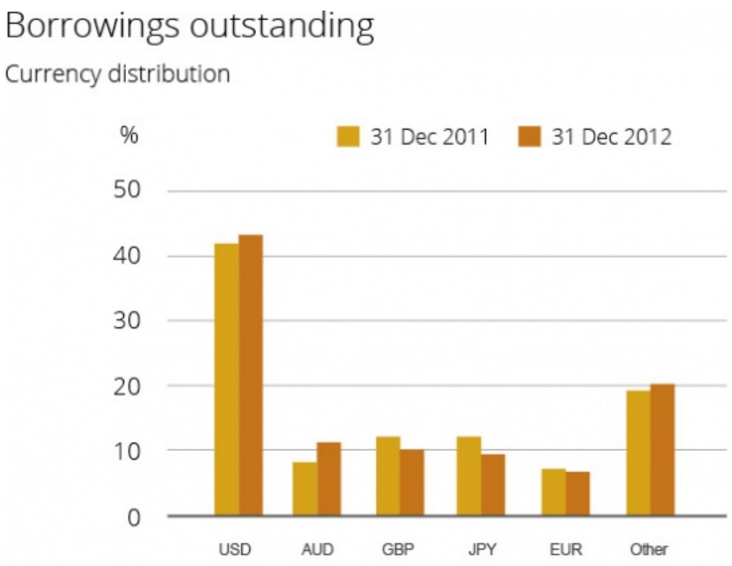
Central banks and other official institutions continued to be the largest investor group with a share of 33%. Banks accounted for 32%, followed by asset managers (17%), retail (10%) and pension and insurance companies (8%).



The Bank’s funding remains diversified with respect to currencies. With a share of 46%, the US dollar was once again the most important funding currency, followed by the Australian dollar (21%) and the Norwegian kroner (9%). Other currencies were the British pound, Turkish lira, Swedish kronor, Mexican peso and New Zealand dollar.



Also in 2012, NIB allocated resources towards investor relation activities and met with investors, banks and other stakeholders to update them on the developments in the Bank. A substantial number of bilateral meetings, seminars, conferences and other web-based communication events were held.

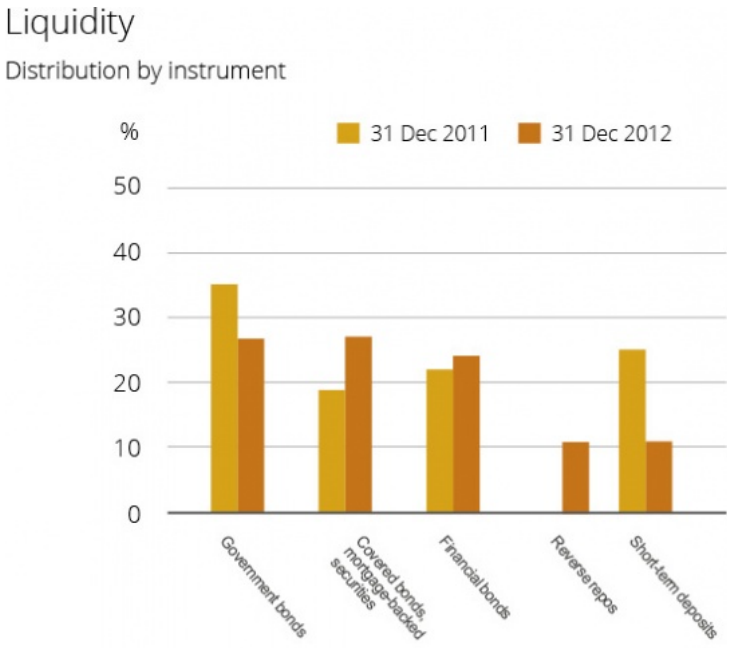

Borrowings outstanding
Currency distribution
%
31 Dec 2011
31 Dec 2012
50
40
30
20
10
0
USD
AUD
GBP
JPY
EUR
Other

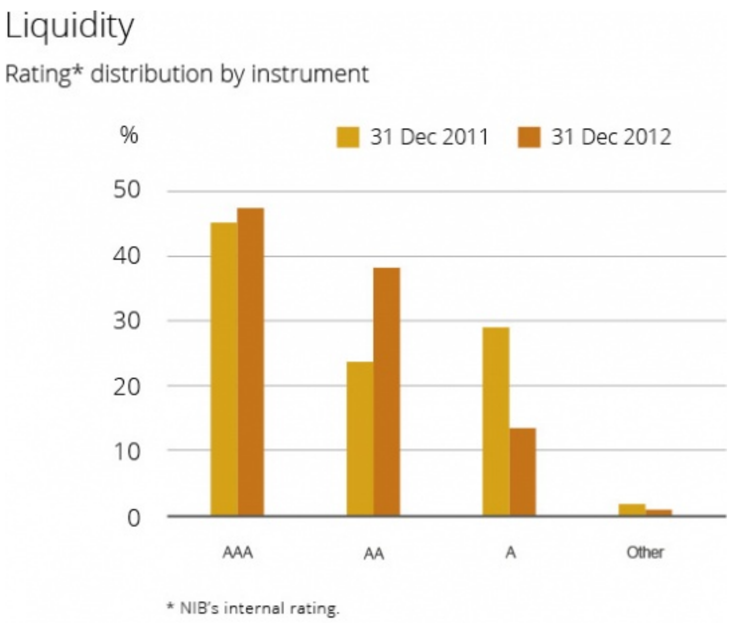
Asset liability management

Asset and liability management covers, liquidity, hedging of market risks on the balance sheet and cash collateral received from swap counterparties.

The Bank targets a level of liquidity that allows it to disburse new loans and fulfil all payment obligations for at least one year ahead, without additional funding. The Bank managed to maintain sufficient liquidity throughout 2012. Gross liquidity excluding NIB's own capital portfolio totalled EUR 5,381 million at end of 2012, which is EUR 1,213 million higher compared to the previous year.

Gross liquidity is invested in different highly liquid financial instruments primarily held in the euro and US dollar. A minor portion was held in Nordic and other currencies. Liquidity distribution by instruments is shown in the graphs below. Net liquidity totalled EUR 3,788 million at end of 2012, which is EUR 1,115 million higher compared to end of 2011.





Cash collateral, which the Bank receives from swap counterparties to mitigate swap exposure, grew during the year from EUR 1,223 million to EUR 1,464 million.

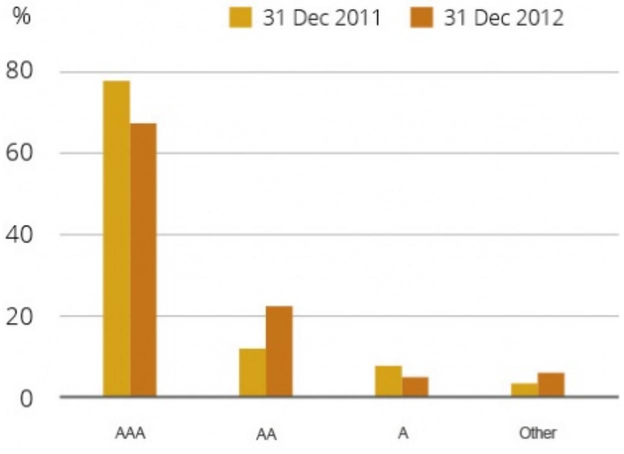
Improved money market conditions, especially for the euro and US dollar money market yields, benefited the Bank's liquidity management and resulted in higher net interest income than planned. Also, general credit spread tightening, as a result of better refinancing conditions for banks, benefited the Bank as securities in the Liquidity portfolio contributed with positive valuation effects in 2012.

Own Capital Portfolio management

The size of the Bank's equity is mirrored in the size of the Own Capital Portfolio and invested in highly rated fixed-income securities denominated in euro. The objective of the portfolio is to contribute to a stable income by producing interest income from medium- to long-term fixed income investments. In 2012, the portfolio generated net interest income of EUR 74 million and thus accounted for almost one third of the Bank's total net interest income.

Own Capital Portfolio

Distribution of securities by external rating



By the end of 2012, the portfolio's nominal value amounted to EUR 2,514 million. The duration of the portfolio has been kept lower than the benchmark duration of 4.5 years during the year and was at year end 3.5 years. The return of the Own Capital Portfolio was 6.6% in 2012.

NIB's Own Capital Portfolio has been compared to the duration-adjusted J.P. Morgan's EMU Government Investment Grade Bond Index for a number of years. An alternative to this index was evaluated in 2011, and a customised benchmark produced by Barclays Capital was implemented in February 2012. The latter index includes new asset classes and requires higher minimum credit ratings than the J.P. Morgan index. The new asset classes are inflation linked government bonds, covered bonds and agency bonds.

From the inception of the Barclays Capital benchmark, the return on an annualised basis was 5.80% and thus underperformed the benchmark's return of 6.39%. The European crisis has affected yields downwards, and the primary factor behind the underperformance versus the benchmark is the lower duration of the portfolio. While the performance was positive for inflation-linked bonds and covered bonds, performance on government bonds and agencies was below the benchmark.

NIB's externally managed fixed income trading portfolios, which have the objective of increasing returns and diversifying risks, had positive returns for two out of three managers in 2012. The overall performance was positive for the seventh consecutive year. The internal interest rate portfolio, with similar guidelines as those used for the external managers, also had a positive return in 2012.

OUR IMPACT

"The Bank is continuously strengthening its risk culture—one example from last year is the establishment of the Asset and Liability Committee."

Kai Arte, Senior Manager, Head of Credit Portfolio

Mandate fulfilment

Environment & competitiveness

Corporate responsibility

Transparency & accountability

Integrity

Environmental, social and governance reporting

HIGHLIGHTS 2012

- Highest mandate fulfilment ever
- NIB share of projects could reduce CO2 emissions by 300,000 tonnes annually
- NIB helped reduce 130 tonnes of phosphorous discharges into the Baltic Sea
- NIB helped reduce 590 tonnes of nitrogen discharges into the Baltic Sea

NIB and the environment →

Effects of NIB's lending →

Project cases →

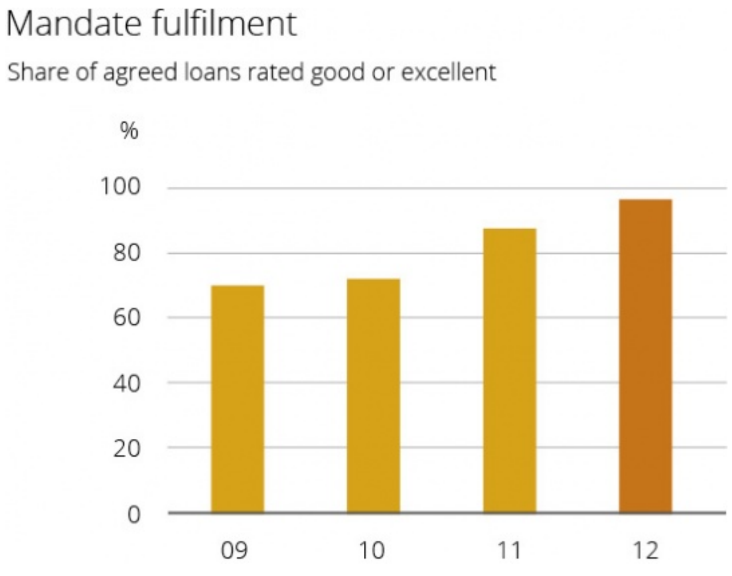
PROSPECTS 2013

- Maintain mandate fulfilment at a high level
- NIB will further improve and systematise its environmental management systems

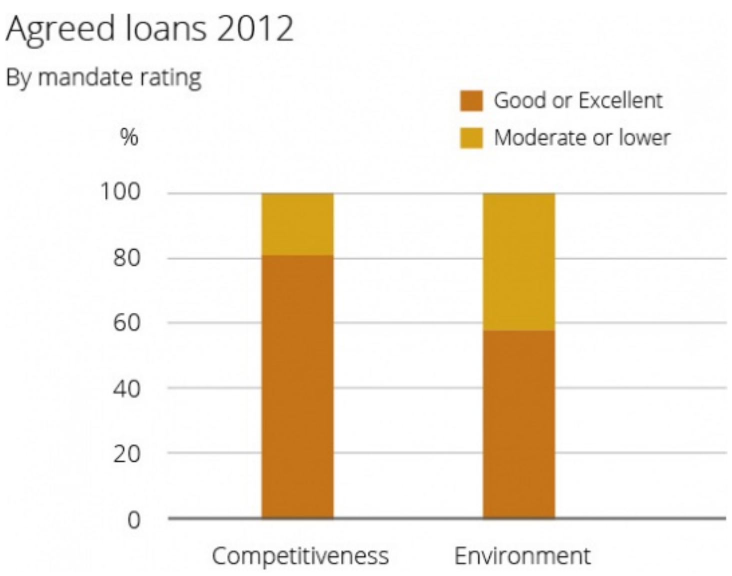
Mandate fulfilment

To receive financing from NIB, a project must fulfil the Bank's mandate of strengthening the competitiveness of the Nordic-Baltic countries and enhancing the environment.

In 2012, NIB's mandate fulfilment for agreed lending improved from the previous year. The share of new loans with a mandate rating of good or excellent was at an all-time high of 96%.

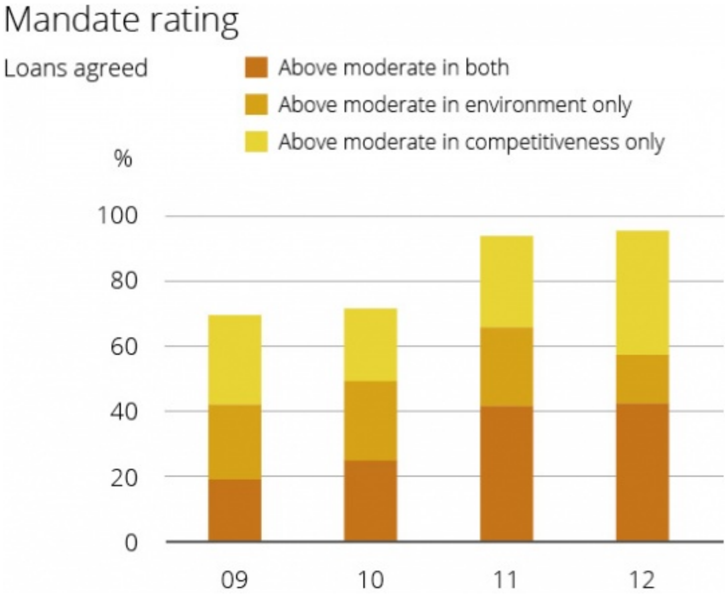


Notably, 30% of NIB's overall lending was rated as 'excellent' in 2012. Moreover, the Bank expects a large portion of still unallocated loans via financial intermediaries to also reach a high mandate rating. This means that nearly all lending in 2012 was at the high end of NIB's quality and impact scale.



About 80% of NIB's agreed lending scored 'good' or 'excellent' on the competitiveness mandate. Most of it was based on infrastructure investments, productivity-enhancing corporate capital investments, new entries into—or improved access to—emerging markets, and support for R&D. These are all important channels through which NIB's lending helps to strengthen member country competitiveness.

Projects that received a high environmental mandate fulfilment were mainly in the energy sector (e.g. renewable energy projects), the public transport sector (e.g. rail and public transport infrastructure projects), as well as projects focused on sustainable buildings and energy efficiency.



Environment and competitiveness

STRENGTHENING COMPETITIVENESS

Financing projects that boost company efficiency is the most direct way for NIB to strengthen the economic competitiveness of its Nordic-Baltic member area. Naturally, the first question NIB asks its customers concerns the extent to which their planned projects will contribute to improving efficiency and productivity.

The framework used for assessing the competitiveness impact considers effects both at the company level and on a broader scale. The greatest emphasis is placed on factors that determine the economic competitiveness of the member countries. Here, NIB distinguishes between internal factors that businesses can influence directly, and external factors of the business environment.

The Nordic and Baltic countries typically rank well on international competitiveness indices. These indices rank countries on the basis of existing institutions, policies and factors that determine the level of productivity. To improve well-being in societies of aging populations amid slow growth in the global economy, countries must continuously seek new ways to improve and strengthen productivity.

In 2012, NIB contributed more than ever to advancing the competitive edge of the Nordic-Baltic area.

The Bank financed a considerable number of infrastructure projects in energy, transportation, logistics and telecommunications. NIB also financed significant projects related to innovation, R&D, and productivity-enhancing purchases of machinery, equipment and IT-solutions for manufacturers and service providers.

ENHANCING THE ENVIRONMENT

The other key eligibility criterion for lending is related to enhancing the environment. NIB does this by providing loans and guarantees facilitating the transition to a more environmentally sustainable society.

Defining and limiting the scope for the analysis is the first step in assessing mandate fulfilment. For every project NIB assesses:

- peer group performance
- best available improvement
- absolute positive environmental impact.

Environmental impact is measured using a six-degree scale, including a negative rating which is not applicable for competitiveness. Similar to the assessment of competitiveness impact, the environmental assessment covers the potential impact as well as the risk that the estimated benefits of the project will not be realised.

ENVIRONMENTAL FINANCING

Environmental issues are inherent in NIB’s daily activities and integrated into the Bank’s overall management systems. The Bank’s environmental analysts and loan officers work in close cooperation to identify and manage environmental loans.

Environmental opportunities in projects include resource efficiency, waste minimisation, recycling and cleaner production. In particular, the Bank finances projects that reduce greenhouse gases, decrease nutrient run-off into the Baltic Sea, improve energy efficiency and add renewable energy capacity. Furthermore, research and development as well as adaptation to climate change are covered by the Bank's environmental financing.

NIB calculates the impact that financed projects has on greenhouse gas emissions. Both direct and indirect impacts are taken into consideration. Considering that NIB finances a share of the total project cost, the reported impact on greenhouse gas emissions and nutrient discharges is an equal share of each project's total greenhouse gas or nutrient impact.

The estimated emissions reductions of long-term loan programmes with an exclusive purpose are concluded similarly as for the projects that the Bank finances directly. Where it is not possible to estimate the greenhouse gas impact of a long-term loan programme upon approval, the estimate is made retrospectively.

In addition to reducing the emissions of greenhouse gases, many projects lead to a direct and indirect decrease in other atmospheric pollutants, such as nitrogen oxides and sulphur oxides that affect air quality. With regard to nutrient discharges, NIB does not take into account the indirect nitrogen uptake of the Baltic Sea via the deposition of airborne nitrogen oxides.

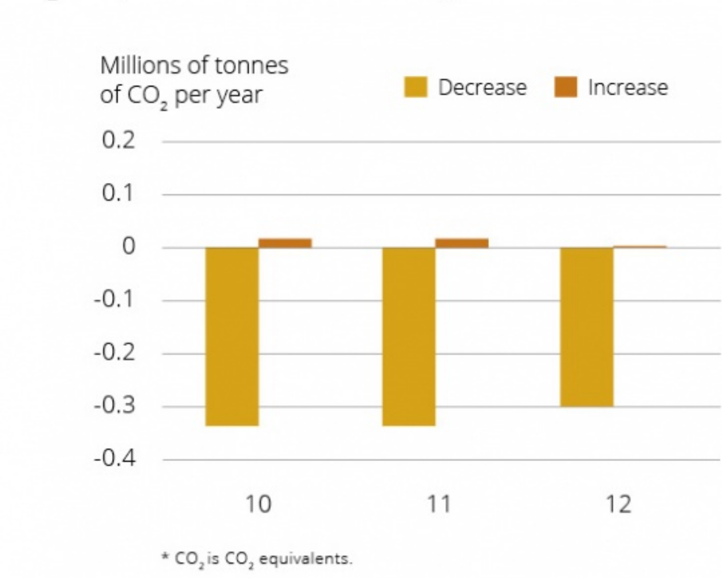
In early 2013, NIB agreed to harmonise the method of reporting greenhouse gas emissions with a group of other international financial institutions. Reported CO_2 emissions are therefore not comparable to what has been reported in previous annual reports.

NIB estimates it has contributed to a reduction of 300,000 tonnes of carbon dioxide emissions through the projects it financed in 2012. NIB's financing of renewable energy projects, such as wind power, bioenergy and existing hydropower, contributed the most to decreasing greenhouse gas emissions in 2012.

NIB estimates it helped reduce discharges of 130 tonnes of phosphorous into the Baltic Sea in 2012.

The Bank also contributed to reducing the release of 590 tonnes of nitrogen during the same year. The charts below summarise the nutrient-reducing and climatological impacts of the Bank's financing.

CO_{2*} impact of NIB's financing



Discharges into the Baltic Sea

Substance	Estimated reductions, 2010	Estimated reductions, 2011	Estimated reductions, 2012
Phosphorous	- No agreed projects	-Two loan programmes with financial intermediaries -Absolute reductions not estimated	130 tonnes annually[1]
Nitrogen	- No agreed projects	-Two loan programmes with financial intermediaries -Absolute reductions not estimated	590 tonnes annually[2]

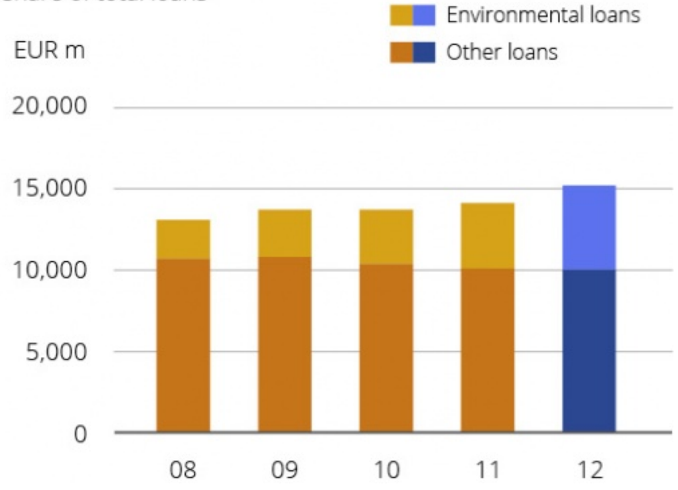
[1] 130 tonnes of phosphorous is equivalent to the annual discharges from a wastewater treatment plant with approximately 7.4 million inhabitants connected.

[2] 590 tonnes of nitrogen is equivalent to the annual discharges from a wastewater treatment plant with about 1.9 million inhabitants connected.

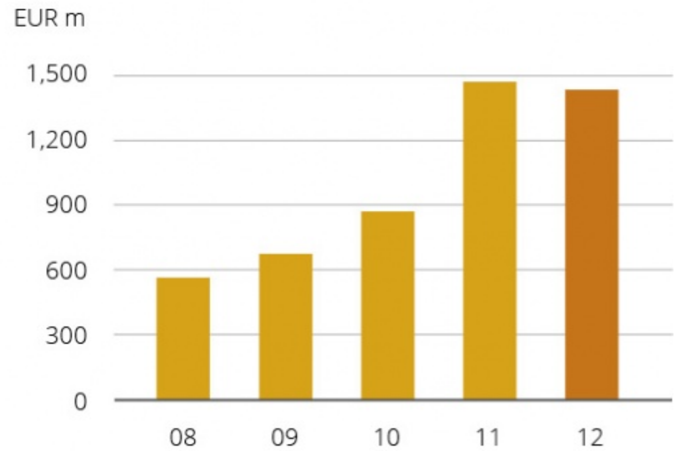
In 2012, approximately 80% of phosphorus reduction and about 90% of nitrogen reduction came from financing upgrades to wastewater treatment plants in Brest and Grodno, Belarus.

Environmental loans outstanding

As a share of total loans



Environmental loans agreed



Corporate responsibility

NIB’s actions are guided by a high level of integrity, transparency and accountability. These principles are part of NIB's mission, mandate, policies and procedures. They are intended to help protect the society, the environment, the Bank and the projects it finances from fraud, corruption and other negative impacts.

NIB’s mandate is to improve the competitiveness of member countries and to enhance the environment. To achieve these ends, the Bank is entrusted with public funds. It is also an international financial institution that issues bonds on international financial markets. This is something that requires trust and confidence from the Bank’s stakeholders and owners. For this reason, the Bank emphasises the importance of maintaining the highest standards of corporate responsibility.

The Bank has adopted zero tolerance towards corruption and misconduct. The staff and members of the Board of Directors and the Control Committee adhere to codes of conduct which describe what is expected of them, inter alia, with respect to ethical behaviour and the protection of confidential information. The Bank has also adopted strict insider rules limiting the possibility of staff members to trade in financial instruments issued by the Bank and cooperating partners.

NIB traces its environmental footprint and finances projects that have acceptable environmental and social impacts as defined in its sustainability policy and guidelines.

Environmental and social impact

NIB’s Sustainability policy and guidelines cover both the environmental and social dimensions of sustainable development. By strictly adhering to its sustainability policy, NIB seeks to improve the predictability, transparency and accountability of its actions.

Taking environmental and social aspects into account is part of good business practices. It also contributes to sustainable development in all societies where NIB is active. This approach also enhances the competitive advantage of the Bank’s clients and the economic growth of member states.

The work on Corporate Social Responsibilities (CSR) is led by the Bank’s Chief Compliance Officer and Head of Sustainability and Mandate. They work closely with the Communications Unit to develop the Bank’s sustainability reporting.

NIB aims to achieve improved sustainability in all of its business areas. This is achieved through promoting projects with direct or indirect environmental benefits, and by financing projects with a high environmental performance. The Bank assesses the environmental and social impacts of all loan applications for consistency with the Bank’s Sustainability policy and guidelines.

A proposed project can be rejected due to non-compliance with the policy. NIB will also apply an exclusion list with activities not eligible for financing. At the same time, NIB recognises that adverse environmental and social impacts cannot be avoided in all projects but must be appropriately reduced, mitigated or compensated for. The CCO handles complaints of non-compliance with the policy.

Environmental opportunities in projects include resource efficiency, waste minimisation, recycling and cleaner production. Projects mitigating climate change are emphasised in particular. The Bank finances reduction of greenhouse gases, the improvement of energy efficiency and the promotion of added renewable energy capacity. Further, the Bank sees research, development and adaptation to climate change as crucial for sustainable development.

NIB also believes in good human resources management. Respect for workers' rights and the freedom of association are seen as elements of good business. The Bank does not accept discrimination based on gender, race, nationality, ethnic origin, religion, disability, age or sexual orientation.

Furthermore, NIB requires its clients to comply with international standards for the employment of minors. The use of forced labour is not accepted by NIB. Sound management of health and safety issues among workers and communities is essential for the productivity and efficiency of the business, as is respect for their livelihood.

Sustainability footprint

NIB is committed to act as a good corporate citizen. The Bank constantly pursues to improve its internal operations and strives to apply best practices in its sustainability management. This includes energy and resource efficiency, waste reduction and recycling, human resources management such as equal opportunities, a balanced work life, and health and safety.

The Bank is a member of the World Wide Fund for Nature's, or WWF, Green Office programme. The programme motivates staff to act in an environmentally efficient way and to heighten both environmental awareness and cost efficiency.

During 2012, the Bank carried out an evaluation of its internal environmental management systems in cooperation with external expertise. The ISO 14001 standard has served as a guideline for the evaluation work. The intention is to further improve and systematise the Bank's environmental management systems.

Appropriate waste management and waste handling procedures are in place, and sorting of different main waste types is carried out. The main waste types generated at the Bank are: mixed, bio, cardboard, metal, glass and hazardous waste, including electronic waste and ink-cartridges. Most of the waste fractions are being recycled.

The total waste amount was 30 tonnes in 2012, down from 32 tonnes in 2011.

Recycled paper, such as office paper, newspapers and magazines, increased 18% on year to 16 tonnes. For more details of NIB's direct environmental impact, please see the table below.

NIB's direct environmental impact:

	2010	2011	2012	Change from previous year %
Electricity (MWh)	1,524	1,558	1,486	-5%
District heating (MWh)	1,982	1,660	1,784	7%
District cooling (MWh)*	247	435	357	-18%
Water (m3)	2,481	2,700	3,101	15%
Paper (tonnes)	10	9	9	0%
Business travel, air (million km)	4.9	5.2	5	-5%
Business travel, CO2 (tonnes)	612	651	637	-2%
Paper recycled (tonnes)	n.a.	13	16	18%
Other waste (tonnes)	n.a.	19	14	-25%

Transparency and accountability

NIB’s main stakeholders are its customers, investors, financing partners, the Nordic-Baltic owner countries as well as its own staff. Other important stakeholders are non-governmental organisations, the media and the general public. NIB strives to maintain open dialogues with all interested parties.

NIB’s Disclosure Policy safeguards public access to information about the Bank. NIB’s guiding principles for external communication are outlined in its Communication Policy, which also defines key target groups and communication tools. The main part of NIB’s legal framework and policy documents are published on www.nib.int.

NIB discloses information on individual loans once the loan documentation is completed and signed. The Bank publishes on its website the name of the borrower, loan sum, maturity, a description of the financed project and how it complies with NIB’s mandate.

In accordance with NIB's Sustainability Policy and Guidelines, projects with potentially extensive environmental impacts (category A) are published on www.nib.int for 30 days. Comments received during public disclosure are taken into consideration in the project appraisal. In 2012, NIB published three category A projects.

The Bank strives to develop continuously and expand its corporate and social responsibility reporting. NIB reports on topics and indicators from the Global Reporting Initiative (GRI) Framework that reflects the Bank’s main economic, environmental and social impacts.

SURVEY: CUSTOMERS APPRECIATE NIB'S LONG-TERM LOANS

In 2012, the Bank conducted a stakeholder survey among its customers, investors and public authorities. The main goal was to measure NIB's reputation and the perceived value added to these target groups. According to the results, NIB has maintained its very good reputation when compared with results from a similar survey conducted in 2009. Both surveys were conducted by TNS Gallup.

According to the 2012 survey, awareness of the Bank had increased especially among potential customers and public authorities. The most preferred information channels are bilateral contacts and online tools, such as NIB Newsletter. The survey also revealed how the expectations of different stakeholder groups vary.

Long-term loans add the greatest value for NIB's lending customers. Public authorities emphasise the need to support Nordic-Baltic projects and sustainability in the region. Investors value the Bank's highest possible credit rating, safety and stability.

NIB will follow up on these findings to best meet shareholder expectations.

CUSTOMERS

NIB's customers are usually private and public companies and the public sector both in NIB's member countries and in other countries.

NIB actively seeks to find new customers and to maintain close relationships with existing ones. In 2012, NIB interacted with current and potential customers at regular bilateral meetings, conferences, exhibitions and via web-based communication tools such as newsletters.

INVESTORS

NIB's investors typically are central banks, commercial banks, pension and insurance funds, asset managers and government entities around the world.

NIB allocated a lot of resources directed towards investor relations activities in 2012. NIB's representatives met with a substantial number of investors, banks and other stakeholders to update them on developments in the Bank. The meetings were bilateral, held during seminars, conferences and via web-based communication.

FINANCING PARTNERS

Other international financial institutions, as well as public and private sector lenders, regularly serve as NIB's financing partners.

NIB considers other international financial institutions to be very important stakeholders. In addition to regular gatherings between chief officials of different activities, NIB works closely on several institutional initiatives, programmes and transactions to safeguard a harmonised approach to the market and to meet the expectations of our respective member countries.

OWNERS

NIB is owned by Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway and Sweden.

NIB participated in events in many of the member countries and the Bank's governing bodies met regularly. The Board of Governors, composed of one governor from each member country, held its annual meeting on 26 March 2012. The Board of Directors, which consist of eight directors and eight alternates, held eight meetings during the year.

ENVIRONMENT AND SOCIETY

Non-governmental organisations, the media and the general public

The media is an important intermediary in reaching other stakeholder groups. During 2012, NIB responded to various enquiries from the media and non-governmental organisations.

STAFF

NIB employed 182 staff at the end of 2012, and has its headquarter in Helsinki.

Committed and well-informed staffs are essential for achieving the Bank's goals. NIB's main channel for internal communication is its intranet, staff meetings, in-house training and inductions for new employees. The Bank's internal communication, particularly between the management and the staff, is constantly being developed.

Integrity

NIB aims to uphold its good reputation by promoting high ethical standards among its staff and members of governing bodies. The Bank also seeks to strengthen integrity, transparency and accountability in all of its activities.

To achieve these goals, the Bank has established a compliance function that is independent from NIB's operations. The function is headed by a Chief Compliance Officer (CCO), who reports to the Bank's President. The CCO has unlimited access to the chairpersons of the Board of Directors and the Control Committee.

The CCO is also chairman of the Committee on Fighting Corruption, which is composed of four members from different departments of the Bank. The committee follows rules of procedures as adopted by the Board of Directors in 2007.

During 2012, the committee handled two allegations of fraud and corruption. It has also followed up on two previously reported cases, currently under investigation by national authorities in the countries of the borrowers in question. Two cases have been closed during the year.

The Bank emphasises prevention in its fight against fraud and corruption, such as in its lending activities. For this purpose the Bank has established Integrity Due Diligence (IDD) Guidelines and Procedures. Monitored by the CCO, the Bank's lending department is responsible for conducting IDD checks on the Bank's lending operations in accordance with the procedures.

The CCO and the Human Resources Management Unit organised training on IDD procedures for the Bank's lending department in November 2012.

The CCO also co-organised a seminar on integrity and anti-corruption for board members and management of NIB, the Nordic Environment Finance Corporation and the Nordic Development Fund. The seminar was held in December 2012.

The Bank's anti-corruption infrastructure is under review, inter alia by taking into consideration the most recent trends in preventing, identifying, investigating and taking appropriate actions against people and entities found guilty of fraudulent or corrupt practices related to the Bank's operations. A proposal with a revised policy and rules of procedures on fighting corruption will be presented to the Board in 2013.

Codes of conduct

The compliance function monitors that high ethical standards are maintained among the Bank's staff and governing bodies.

The Bank has separate codes of conduct for its key governing bodies and staff:

- Board of Directors and the President
- Control Committee
- Staff

The general purpose of the codes of conduct is to enhance the governance of the Bank, for instance to prevent conflicts of interest. All staff, Board members and the President are required to declare their financial and business interests to the CCO every year and whenever a potential conflict arises.

The Bank's Board of Governors adopted a revised Code of Conduct for the Board and the President in May 2012. The Board approved a revised Code of Conduct for staff in December 2012, which will be effective from 15 March 2013. The main changes relate to additional restrictions in trading with financial instruments.

NIB has published all of the above mentioned governance-related documents on www.nib.int.

Staff's awareness of the Bank's expectations for ethical behaviour is vital. NIB provides training on ethics to new staff members and informs all employees upon changes made to the Code of Conduct.

Global Reporting Initiative indicators

NIB follows the GRI framework in its reporting on Corporate Social Responsibility performance. In the Annual Report 2012, the Bank strives to focus its reporting on core indicators. The table below indicates where in the report, or on NIB's website, the different indicators are covered.

Based on its own assessment, NIB has followed the C application level of the GRI guidelines.

The GRI is the most widely used sustainability reporting framework. The guidelines are for voluntary use by the organisations to report on economic, environmental and social aspects of their operations.

Profile

	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	President's review
1.2	Description of key impacts, risks and opportunities	Mandate fulfilment Environment and competitiveness Corporate responsibility
	Organisational profile	
2.1	Name of the organisation	NIB in brief
2.2	Primary brands, products and services	NIB in brief
2.3	Operational structure	Human resources Governance
2.4	Location of organisation's headquarters	Fabianinkatu 34, 00171 Helsinki, Finland
2.5	Countries where the organisation operates	Countries of operation Note 1
2.6	Nature of ownership and legal form	Governance Notes to the financial statements
2.7	Markets served	Lending
2.8	Scale of the reporting organisation	Key figures Five-year comparison Capital structure Human resources
2.9	Significant changes during the reporting period regarding size, structure or ownership	Human resources
2.10	Awards received in the reporting period	None
	Report parameters	
3.1	Reporting period for information provided	Calendar year 2012
3.2	Date of most recent previous report	12 March 2013
3.3	Reporting cycle	Yearly
3.4	Contact point for questions regarding the report or its content	Chief Compliance Officer Communications Unit
3.5	Process for defining report content (material issues, stakeholders, etc.)	Process under development.
3.6	Boundary of the report	None
3.7	Any specific limitations on the scope or boundary of the report	None
3.8	Basis for reporting that can affect comparability of the report	Notes to the financial statements
3.9	Data measurement techniques and the bases of calculations	Notes to the financial statements Corporate responsibility
3.10	The effect and reasons of any restatements of information provided in earlier reports	None
3.11	Significant changes from previous reporting periods	Notes to the financial statements
3.12	Table identifying the location of the Standard Disclosure in the Report	Links provided in this table
3.13	Policy and current practice with regard to seeking external assurance for the Report	NIB is not seeking external assurance.
	Governance, commitments and engagement	
4.1	Governance structure of the organisation	Governance
4.2	Indicate whether the Chair of the Board of Directors is also an executive officer	Governance
4.3	Number of members of the highest governance body that are independent and/or non-executive members	Board of Directors
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	Governance
4.5	Linkage between executive compensation and the organisation's economic, environmental and social performance	Governance Note 5

4.6	Processes in place for avoidance of conflicts of interest	Integrity Legal framework and policy documents
4.7	Qualifications of Board of Governors for guiding the organisation's strategy on economic, environmental and social topics	Board of Governors Governance
4.8	Statements of mission or values, codes of conduct	Integrity NIB in brief
4.9	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental and social performance	Governance
4.10	Processes for evaluating the performance of Board of Directors	None
4.11	Addressing precautionary approach	Notes to the financial statements Sustainability policy and guidelines
4.12	Participation in externally developed initiatives	Lending Corporate responsibility
4.13	Memberships in associations	Lending
4.14	List of stakeholder groups engaged by the organisation	Transparency and accountability
4.15	Basis for indentification and selection of stakeholders with whom to engage	Transparency and accountability
4.16	Approaches to stakeholder engagement	Transparency and accountability
4.17	Key topics and concerns that have been raised through stakeholder engagement	Transparency and accountability

Indicators		
	Economic	
EC1	Direct economic value generated and distributed	Five-year comparison Capital structure Proposal by the Board of Directors Cash flow statement Note 5
EC2	Financial implications and other risks and opportunities due to climate change	Environment and competitivenss
EC3	Coverage of the organisation's defined benefit plan obligations	Note 5
EC4	Significant financial assistance received from government	Capital structure Note 5
EC6	Policy, practices, and proportion of spending on local suppliers	No information available.
EC7	Procedures and proportion of local hiring of senior management	Human resources
EC8	Development and impact of infrastructure investments and services	Business areas
	Environmental	
EN1	Materials used by weight or volume (internal)	Corporate responsibility
EN2	Percentage of materials used that are recycled input materials (internal)	No information available. Only related to office material.
EN3	Direct energy consumption by primary energy source (internal)	No information available. Only related to cars owned by NIB.
EN4	Indirect energy consumption by primary source (internal)	Corporate responsibility
EN8	Total water withdrawal by source (internal)	Corporate responsibility
EN11	Location and size of land managed in, or adjacent to sensitive areas (internal)	Note 5
EN12	Impacts of activities, products and services on biodiversity in sensitive areas	Agreed loans
EN16	Total direct and indirect greenhouse gas emissions by weight	Environment and competitiveness Corporate responsibility
EN17	Other relevant indirect greenhouse gas emissions by weight	Environment and competitiveness
EN19	Emissions of ozone-depleting substances	None
EN20	NOx, SOx and other significant air emissions	Environment and competitiveness
EN21	Total water discharge (internal)	Connected to the district sewage system, not possible to estimate discharges.
EN22	Total weight of waste by type and disposal method (internal)	Corporate responsibility
EN23	Number and volume of significant spills (internal)	None
EN26	Initiatives to mitigate environmental impacts of products and services	Lending Business areas Environment and competitiveness
EN27	Percentage of products sold and their reclaimed package material	None, NIB's core business is long-term lending.
EN28	Monetary fines and non-compliance with environmental laws and regulations (internal)	None
	Social	
LA1	Total workforce by employment type, contract and region (internal)	Human resources
LA2	Employee turnover (internal)	Human resources
LA4	Percentage of employees covered by collective bargaining agreements	None, NIB as an IFI has internal rules and regulations for its employees.
LA5	Minimum notice period(s) regarding operational changes (internal)	Staff regulations
LA7	Rates of injury, occupational diseases, lost days and absenteeism (internal)	Human resources
LA8	Education, training and risk-control programmes regarding serious diseases (internal)	None
LA10	Average hours of training per employee by employee category (internal)	Human resources
LA13	Composition of governance bodies and employees according to gender, age, etc. (internal)	Human resources Executive Committe Board of Directors Board of Governors

		Control Committee
LA14	Salary levels of men to women (internal)	Equal
	Social performance: human rights	
HR1	Human rights screening in investments	NIB takes into account the Worldwide Governance Indicators in its country analysis. Screening and assesment of social aspects also carried out on project level.
HR2	Human rights screening of suppliers (internal)	None
HR4	Number of incidents of discrimination and actions taken (internal)	None
HR5	Actions taken to secure freedom of association	Staff regulations
HR6	Measures taken to prevent child labour	Corporate responsibility Sustainability policy and guidelines
HR7	Measures taken to contribute to the elimination of forced or compulsory labour	Corporate responsibility Sustainability policy and guidelines
	Social performance: society	
SO1	Policy to assess and manage the impacts of operations on communities	Sustainability policy and guidelines
SO2	Number of business units analysed for risks related to corruption	Integrity
SO3	Anti-corruption training (internal)	Integrity
SO4	Actions taken in response to incidents of corruption	Integrity
SO5	Public policy positions and lobbying (internal)	Sustainability policy and guidelines
SO8	Monetary fines and sanctions for non-compliance with laws and regulations	None
GRI financial services supplement		
FS1	Policies with specific environmental and social components applied to business lines	Sustainability policy and guidelines
FS2	Procedures for assessing and screening environmental and social risks in business lines	Corporate responsibility Sustainability policy and guidelines
FS3	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions	Corporate responsibility Sustainability policy and guidelines Environmental analysis
FS4	Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines	Human resources
FS5	Interactions with clients/investees/business partners regarding environmental and social risks and opportunities	Corporate responsibility Sustainability policy and guidelines Environmental analysis
FS6	Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector	Business areas Countries of operation Report of the Board of Directors
FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	Lending Business areas
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	Lending Business areas
FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	NIB is mandate-driven and its core business is long-term lending. Main risks are assesed in the due diligence process prior to lending agreements. Corporate responsibility Environmental analysis Sustainability policy and guidelines
FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues	Loans agreed in 2012 Agreed loans
FS11	Percentage of assets subject to positive and negative environmental or social screening	The Bank assesses the environmental and social impacts of all loan applications. Corporate responsibility
FS12	Voting polic(ies) applied to environmental or social issues for shares over which the reporting organisation holds the right to vote shares or advises on voting	None, no asset management with voting guidelines.

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")
Note x	refers to a specific note in the Financial Report 2012

ABOUT NIB

"NIB has taken important first steps towards streamlining its information flow to make it even more coherent, available and user-friendly."

Matts Grönholm, Head of Business Intelligence

NIB in brief

Human resources

Governance

Board of Governors

Control Committee

Board of Directors

Executive Committee

HIGHLIGHTS 2012

- Henrik Normann appointed as President and Chief Executive Officer from 1 April
- Lending and client management became based on sectors instead of countries
- NIB established Asset and Liability Committee to assess overall risk and capital adequacy

About NIB →

Mission and strategy →

News and publications →

Project cases →

PROSPECTS 2013

- Implement amended Code of Conduct for Staff restricting trading with financial instruments
- Revise NIB's Equality Plan considering findings of in-house survey on gender equality and diversity

NIB in brief

Nordic Investment Bank complements commercial lending to help ensure sustainable growth in the Nordic-Baltic region.

NIB's mandate is to strengthen competitiveness and enhance the environment. NIB focuses its financing operations on these business areas:

- Energy and environment
- Infrastructure, transportation and telecom
- Heavy industry and mechanical engineering
- Consumer goods and services
- Financial institutions and SMEs

Projects considered for financing are viewed from a sustainable growth perspective. NIB analyses both their direct and indirect impact on competitiveness and the environment.

NIB is an international financial institution owned by Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway and Sweden. The Nordic countries established NIB in 1975, and the Baltic countries joined in 2005.

NIB's strengths are:

- Stability and reliability
- Experience in financing cross-border investments
- Capacity to manage risk
- High credit ratings due to high asset quality, strong balance sheet and ownership
- Stable supply of long-term financing
- Ability to structure complex financing with other international financial institutions, public and private sector lenders

NIB acquires the funds for its lending by borrowing on international capital markets. NIB's bonds enjoy the highest possible issuer credit rating AAA/Aaa with leading rating agencies Standard & Poor's and Moody's. The Bank has lending operations both in and outside its member countries.

The Bank is located in Helsinki, Finland, and employed 180 people on average during 2012.

Human resources

NIB is committed to the development and well-being of its employees. The goal is to recruit and retain personnel that possess the competencies and skills required for the Bank to implement its strategy. In 2012, the Bank made several changes to its organisation to further maximise the efficiency and professional interaction of its staff.

Values at work

The purpose of the Bank's staff policy is to create and maintain an attractive and professionally stimulating work environment.

NIB strongly benefits from having multicultural, well-informed and target-oriented employees who are responsive to the needs of other colleagues, clients and the environment. NIB's employees are also characterised by a strong ability to meet high performance standards. All of this adds to a supportive working community that values professionalism and best practices.

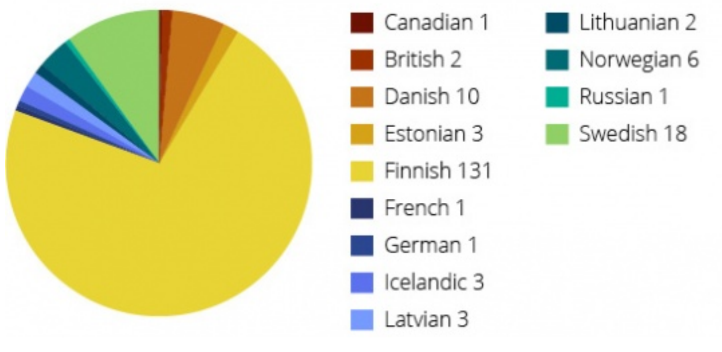
Staff

NIB's employees are staff members of an international financial institution. Based on the Bank's legal status, the labour laws or other legislation of the host country, Finland, or any other member country, do not automatically apply to its employees. There are, however, some exceptions, particularly with regard to taxation, social security and pensions.

At the end of 2012, NIB had 182 employees in permanent positions, of which 82 were women and 100 men. In addition, five employees worked in temporary positions on project basis. Together they represented 13 nationalities. During 2012, the average number of employees in permanent positions was 180.

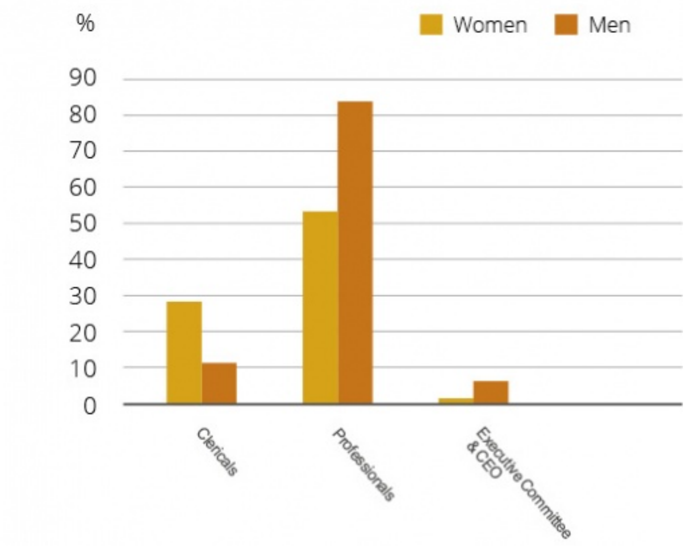
Nationality of employees

As of 31 Dec 2012



Staff by category and gender

As of 31 Dec 2012

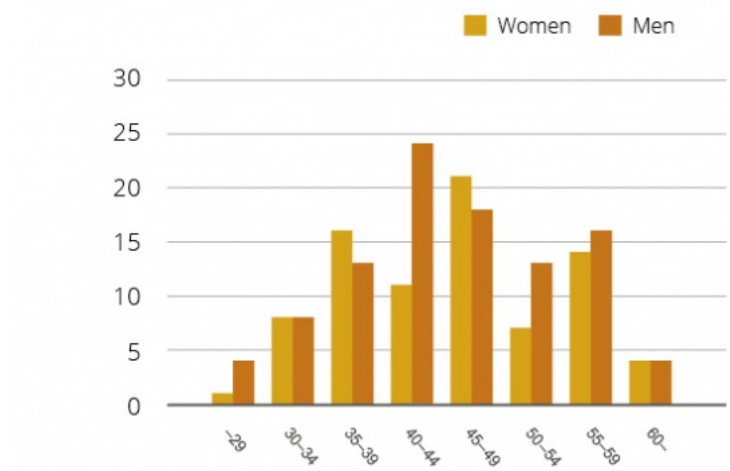


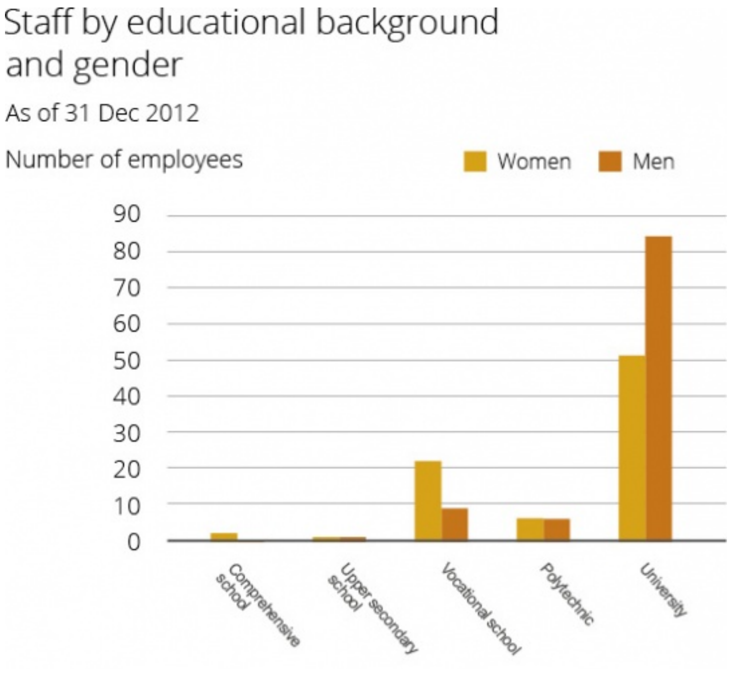
Exit turnover for permanent staff was 6.7% as 12 employees left the Bank in 2012.

The average age of NIB's permanent employees was 45.5 years, and the average length of service was 11.2 years. NIB hired nine men to permanent positions in 2012. The employees originated from Denmark, Finland, Norway and Sweden. NIB emphasises professional qualifications and experience when recruiting new staff.

Staff structure by age group and gender

As of 31 Dec 2012





See Note 5 in the Financial Report for more information about NIB's employees.

Organisational changes

NIB's management introduced several organisational changes during 2012. The Lending department was reorganised into five business areas in order to deepen the Bank's understanding of the key sectors in the economy and enhance service to clients.

The areas are Financial institutions and SMEs; Energy and environment; Infrastructure, transportation and telecom; Heavy industry and mechanical engineering; and Consumer goods and services.

The previous division of lending operations between member and non-member countries has been discontinued. As a consequence, NIB's closed its office premises in Copenhagen, Stockholm and Oslo. NIB will continue with its local representatives in China and Russia due to the special nature of the Bank's operations in these countries.

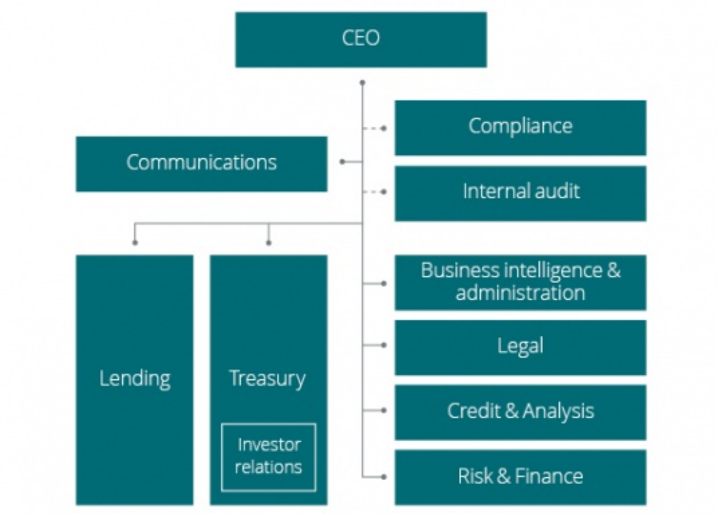
The Bank's Sustainability and Mandate unit, which rate potential borrowers' compliance with NIB's mandate, transferred to become an integral part of the Lending department.

During 2012, the management also established a new Business Intelligence function to further streamline NIB's operations.

A new function for Business Continuity and Security Planning was also established in 2012. The function covers all aspects of actions to be taken if the continuity of the Bank's core operations is at risk due to incidents that cannot be planned for within operational risk management. This includes specific disaster recovery planning. Security management covers all areas of physical and personal security within the main office building, knowledge protection and staff security when travelling.

The management has furthermore decided to strengthen and centralise the overall risk and capital adequacy management of the Bank. As part of this the Head of Risk & Finance also became NIB's Chief Finance Officer.

In addition a new Management Group consisting of middle managers was established in 2012 as an informal forum for exchange of views between the Executive Committee and middle management.

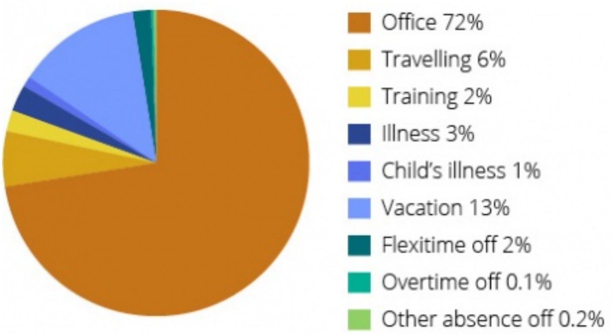


Training and development

NIB encourages its employees to develop their skills and professionalism in a variety of ways.

NIB's internal Credit School concept, launched in 2011, represented 23% of all professional training days. The average of training days per staff member in 2012 was a total of 6.4 days, compared to seven days in 2011.

Working days 2012



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

As in previous years, the staff's performance and career development was reviewed in the annual Personal Appraisal and Development Discussions (PADD).

New in 2012, the autumn's follow-up meeting included the planning of training and development needs for the upcoming year.

NIB also created a special intranet site for supervisors that contain all relevant material for everyday management. It includes direct links to different policies, regulations and guidelines. It also provides information and recommendations, which may be useful for NIB's supervisors when carrying out their roles and duties.

NIB also reviewed its induction process in 2012. Induction at NIB is a structured three-part process for newly employed staff as well as for staff members returning to work after a long break, such as a family leave. Furthermore, an overall multimedia presentation about the Bank, called Banking at NIB, was produced. The presentation consists of three parts: Introduction, History and Functions at NIB. An audio-visual version of the presentation was also launched on NIB's intranet.

In order to gather information on how staff perceives the realisation of equality at NIB, the Bank conducted in 2012 a Survey on Gender Equality and Diversity. The results show that the Bank is formally at a good level concerning equality and the legal framework. The findings of the survey will be taken into account in NIB's revised equality plan.

The aim of the revised plan is to better anchor equality throughout the organisation and to raise awareness of its importance. NIB is constantly developing and improving rules and regulations to achieve this goal.

Well-being and safety

NIB makes every effort to create a safe and healthy working environment for its employees. NIB takes into consideration circumstances related to work, such as working conditions, the environment and the personal capacities of its employees. The Bank aims to prevent work-related mental and physical illness as well as accidents at work, while maintaining good working and functional ability of its employees. NIB therefore encourages its staff to establish and maintain an appropriate balance between their professional and private lives.

Green office

NIB started to offer e-salary services as an alternative to the traditional paper payslip in November.

Ombudsman

Following a request by staff representatives in the Cooperation Council, a search was carried out in order to find alternative candidates for the position of Ombudsman. The process resulted in NIB appointing a new Ombudsman for a two-year period. NIB has had the same Ombudsman since 2006. The Ombudsman's mandate period is two years, but the mandate can be prolonged, something which has been the case since 2006.

Governance

NIB was established in 1975 by Denmark, Finland, Iceland, Norway and Sweden. Estonia, Latvia and Lithuania became new members of the Bank in 2005.

NIB is governed by the Agreement concerning the Nordic Investment Bank among its Member countries signed in 2004, the related Statutes and the renewed Host Country Agreement concluded between the Government of Finland and the Bank in 2010.

According to the Statutes, the Bank shall have a Board of Governors, a Board of Directors, a President and a staff necessary to carry out its operations. In addition, the Bank has a Control Committee.

NIB promotes transparency, predictability, accountability, responsibility and disclosure as general principles enhancing and furthering good governance. NIB aims at best practice in the field of corporate governance.

BOARD OF GOVERNORS

The Board of Governors is composed of eight governors, designated by each Member country 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 Lithuania is currently serving as Chairman until 31 May 2013.

The Board of Governors held its annual meeting on 26 March 2012. At this meeting, which took place in Reykjavik, Iceland, the Board of Governors emphasised that the Nordic Investment Bank is well equipped to support borrowers in the Nordic-Baltic region.

BOARD OF DIRECTORS

All the powers that are not exclusively vested in the Board of Governors are entrusted to the Board of Directors. The Board of Directors consists of eight directors and eight alternates. The Board of Directors considers for approval all lending transactions, borrowing and administrative issues proposed by the President. The Board of Directors may delegate its powers to the President to the extent it considers appropriate. The Chairman of the Board of Directors can not be President or an employee of the Bank.

PRESIDENT

The President is responsible for conducting the Bank's current operations and is appointed by the Board of Directors for a term of five years at a time. In 2012, the Board of Directors appointed Henrik Normann as President and Chief Executive Officer of the Bank. Mr Normann took up his position on 1 April 2012 when the former President, Mr Johnny Åkerholm, retired.

The President is assisted in his work by the *Executive Committee, the Credit Committee, the Asset and Liability Committee and the Finance Committee*.

The Executive Committee is a forum for addressing policy and strategic management issues. The committee changed its name from Management Committee in 2012. The Executive Committee consists of the President and six senior officers, whose appointments are confirmed by the Board of Directors. The Executive Committee meets formally once or twice a month. In 2012, it met 19 times. The meetings are chaired by the President, who makes decisions after consulting with the members of the Executive Committee. The Executive Committee meets informally at the start of every work day.

The Credit Committee is responsible for the preparation and decision-making related to the Bank's lending operations. The President exercises his executive powers concerning lending operations through the Credit Committee. The Credit Committee includes the President and six senior officers appointed by the Board of Directors. At the end of 2012, the Credit Committee had the same members as the Bank's Executive Committee. The Credit Committee is chaired by the President or, in his absence, by one of its members. The Credit Committee meets once a week. In 2012, it met 47 times.

A new Asset and Liability Committee was established in late 2012 to assist and advise the President on overall risk management and capital adequacy, as part of the Bank's asset and liability management. The Asset and Liability Committee consists of the members of the Executive Committee and is chaired by the President. The Asset and Liability Committee met once in 2012.

The Finance Committee is an advisory body to the president that monitors market risk, liquidity risk and credit risk related to the Bank's treasury operations. The Finance Committee includes the President and two members and convenes once a month. The Finance Committee met 11 times during 2012.

CONTROL COMMITTEE

The Control Committee was established to ensure that the operations of the Bank are conducted in accordance with the Statutes. The Control Committee is responsible for the audit of the Bank's accounts, and annually delivers an audit statement to the Board of Governors.

REMUNERATION AND INCENTIVE PROGRAMMES

The Board of Governors determines the remunerations and attendee allowance for the Board of Directors and for the Control Committee annually. The President's terms of employment, including remuneration, are determined by the Board of Directors. The Control Committee determines the principles for remuneration of the professional auditors.

The principles for remuneration of the staff are set out in the Compensation Policy. The Bank applies a fixed salary-based system where individual performance plays an important role, as well as a small bonus programme that rewards exceptional performance on a yearly basis.

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

INTERNAL CONTROL

NIB's internal control system has the dual objective of securing and developing the long-term financial preconditions for operations while conducting cost-efficient operations that comply with rules and regulations. Internal control is focused on the management of financial and operational risks.

NIB’s internal audit adheres to international professional standards established by the Institute of Internal Auditors. The task of the Internal Audit function is to give assurance on the effectiveness of the Bank’s internal control, risk management and governance processes, and to make recommendations to the management.

The Internal Audit function works under the auspices of the President and reports to the Board of Directors and the Control Committee. The Board of Directors approves the annual plan for the Internal Audit.

For further information on risk management, see the Financial Report.

Board of Governors

As of 31 December 2012

Mr Rimantas Šadžius Minister of Finance *Lithuania*	**Ms Annette Vilhelmsen** Minister for Business and Growth *Denmark*	**Mr Jürgen Ligi** Minister of Finance *Estonia*
Mr Jan Vapaavuori Minister of Economic Affairs *Finland*	**Ms Katrín Júlíusdóttir** Minister of Finance and Economic Affairs *Iceland*	**Mr Andris Vilks** Minister of Finance *Latvia*
Mr Sigbjørn Johnsen Minister of Finance *Norway*	**Mr Anders Borg** Minister of Finance *Sweden*	

The Board of Governors held its Annual Meeting on 26 March 2012.

Control Committee

As of 31 December 2012

Chairman **Mr Arne Skauge** B.SC.B.A *Norway*	*Deputy Chairman* **Ms Eva Lindström** BA in Economics and former Auditor General *Sweden*

Mr Thomas Jensen Member of Parliament *Denmark*	**Mr Sven Sester** Member of Parliament *Estonia*	**Ms Tuula Peltonen** Member of Parliament *Finland*
Ms Ragnheiður Ríkharðsdóttir Member of Parliament *Iceland*	**Ms Karina Korna** Parliamentary Secretary, Ministry of Finance *Latvia*	**Ms Alina Brazdilienė** Adviser to the Office of the Seimas Committee on the Budget and Finance *Lithuania*
Mr Hans Frode Kielland Asmyhr Member of Parliament *Norway*	**Ms Åsa Torstensson** Member of Parliament *Sweden*	

External auditors appointed by the Control Committee

Mr Sixten Nyman Authorised Public Accountant KPMG Finland	**Mr Per Gunslev** Authorised Public Accountant KPMG Denmark

The Control Committee met twice in 2012.

Board of Directors

Mr Rolandas Kriščiūnas

Director
Chairman of the Board
Vice-Minister of Foreign Affairs
Ministry of Foreign Affairs
LITHUANIA
Elected 2005
8 meetings

Alternate
Ms Jurgita Uzielienė
Deputy Director
EU and International Affairs Department
Ministry of Finance
LITHUANIA
Elected 20008
7 meetings

Mr Jesper Olesen

Director
Deputy Permanent Secretary
Ministry of Business and Growth
DENMARK
Elected 2008
8 meetings

Alternate
Ms Julie Sonne (from 1 October 2012)
Head of Division
Ministry of Business and Growth
DENMARK
Elected 2012
3 meetings

Alternate
Mr Kasper Lindgaard (until 31 September 2012)
Head of Division
Ministry of Business and Growth
DENMARK
Elected 2011
2 meetings

Mr Madis Üürike

Director
Advisor
Ministry of Finance
ESTONIA
Elected 2005
7 meetings

Alternate
Ms Merle Wilkinson
Head of State Treasury Department
Ministry of Finance
ESTONIA
Elected 2010
8 meetings

Mr Pentti Pikkarainen (from 1 June 2012)

Director
Director General
Financial Markets Department
Ministry of Finance
FINLAND
Elected 2012
5 meetings

Director
Ms Kristina Sarjo (until 31 May 2012)
Financial Counsellor
Ministry of Finance
FINLAND
Elected 2003
3 meetings

Alternate
Mr Janne Känkänen (from 1 June 2012)
Head of Division
Department of Enterprise and Innovation, Enterprise Policy and Financing
Ministry of Employment and the Economy
FINLAND
3 meetings

Alternate
Mr Risto Paaermaa (until 31 May 2012)
Director
Ministry of Employment and the Economy
FINLAND
Elected 1996
2 meetings

Mr Þorsteinn Þorsteinsson

Director
Senior Advisor
Ministry of Finance
ICELAND
Elected 2009
8 meetings

Alternate
Mr Sigurður Þórðarson
CPA
Former State Auditor
ICELAND
Elected 2009
4 meetings

Mr Kaspars Āboliņš

Director
Treasurer
Treasury of the Republic of Latvia
LATVIA
Elected 2008
8 meetings

Alternate
Ms Agnese Timofejeva
Head of International Market Policy Division
Ministry of Finance
LATVIA
Elected 2011
7 meetings

Ms Silje Gamstøbakk (from 1 June 2012)

Director
Deputy Director General
Ministry of Finance
NORWAY
Elected 2012
5 meetings

Director
Ms Heidi Heggenes (until 31 May 2012)
Director General
Office of the Prime Minister
NORWAY
Elected 2008
2 meetings

Alternate
Mr Trond Eklund
Director
Norges Bank
NORWAY
Elected 2010
5 meetings

Mr Sven Hegelund (from 20 September 2012)

Director
Former State Secretary
SWEDEN
Elected 2012
2 meetings

Director
Mr Erik Åsbrink (until 31 May 2012)
Former Minister of Finance
SWEDEN
Elected 2005
3 meetings

Alternate
Ms Anna Björnermark
Deputy Director
Ministry of Finance
SWEDEN
Elected 2009
8 meetings

Executive Committee

- Mr Henrik Normann
- Mr Thomas Wrangdahl
- Mr Heikki Cantell
- Mr Lars Eibeholm
- Ms Hilde Kjelsberg
- Mr Juha Kotajoki
- Mr Gunnar Okk

Mr Henrik Normann

(1953)

President and CEO, joined NIB in 2012
Master of Arts, History and Political Science, Copenhagen University
Harvard Business School AMP

Mr Thomas Wrangdahl

(1957)

First Vice-President, Head of Lending, joined NIB in 2012
Master of Law, University of Lund
Master of Science, Stockholm School of Economics

Mr Heikki Cantell

(1959)

General Counsel, Head of Legal Department, joined NIB in 2007
Master of Law, University of Helsinki
Postgraduate degree in Commercial Law, University of Paris II

Mr Lars Eibeholm

(1964)

Vice-President, Head of Treasury, joined NIB in 2007
HD-Master's Degree in Finance and Credit, Copenhagen Business School

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Ms Hilde Kjelsberg

(1963)

Vice-President, Head of Credit & Analysis, joined NIB in 2006
M.Sc., Norwegian School of Economics and Business Administration
AFF Management programme for young leaders

Mr Juha Kotajoki

(1959)

Vice-President, Head of Risk & Finance, CFO, joined NIB in 1986
B.A., University of Turku

Mr Gunnar Okk

(1960)

Vice-President, Head of Business Intelligence & Administration, joined NIB in 2006
M.Sc., Tallinn University of Technology

Report of the Board of Directors 2012

The euro area sovereign debt and banking crisis influenced the economic landscape of 2012. Significant progress was nevertheless made amid the uncertainty, most notably as a result of actions taken by the ECB, IMF, EU and euro zone member countries. In 2013, output from the EU is expected to stagnate due to the weight of continued financial sector and household deleveraging and public sector austerity measures. However, the Nordic-Baltic region should continue to grow slowly and to outperform relative to European markets.

Under these circumstances, demand continued for NIB's long-term loans. Lending activities developed broadly in line with the Bank’s targets, with signings of loan agreements of EUR 2,366 million. Disbursements reached EUR 2,355 million, signalling a clear increase from the previous year (EUR 1,946 million). Of all loan agreements, 96% were projects with high mandate fulfilment in terms of competitiveness and the environment.

NIB's funding activities continued to benefit from the highest possible credit rating and the relatively stable financial environment in the Nordic countries, which have been seen as a safe haven for investors during the financial crisis. NIB raised EUR 4.4 billion in new funding during 2012.

The Bank’s profit for the period amounted to EUR 209 million (2011: EUR 194 million).

MANDATE FULFILMENT

In 2012, NIB continued to finance projects that improve the competitiveness and environment of the Nordic-Baltic region. This is measured by so called mandate fulfilment, which was emphasised in the Board of Governors' decision to increase the Bank’s capital. The decision entered into force in February 2011.

In 2012, mandate fulfilment for agreed lending improved from the previous year. The share of loans reaching a good or excellent mandate was at an all-time high of 96%. Similarly, nearly 90% of loans were allocated to the focus sectors[1] identified as a priority in connection with the capital replenishment. It is further expected that a large portion of the still unallocated loans to financial intermediaries will reach a high mandate. This means that nearly all lending in 2012 was at the high end of NIB's quality and impact scale.

Most projects with high competitiveness impact were infrastructure investments, productivity-enhancing corporate capital investments, new entries into—or improved access to—emerging markets and support for R&D. These are all important channels through which NIB's lending helps strengthen member country competitiveness.

Environmental projects were mainly in the energy sector (e.g. renewable energy projects), the public transport sector (e.g. rail and public transport infrastructure projects) as well as projects focusing on sustainable buildings and energy efficiency. In addition, projects reducing nutrient discharges into the Baltic Sea continued in 2012.

The Board of Directors decided to allocate another EUR 1 billion under its Climate Change, Energy Efficiency and Renewable Energy (CLEERE) lending facility. Since the facility was launched in 2008, NIB has committed EUR 4 billion to projects aimed at promoting renewable energy, energy efficiency and other measures for abating and adapting to climate change. NIB estimates that the share of its projects agreed in 2012 could reduce CO_2 emissions by 300,000 tonnes annually.

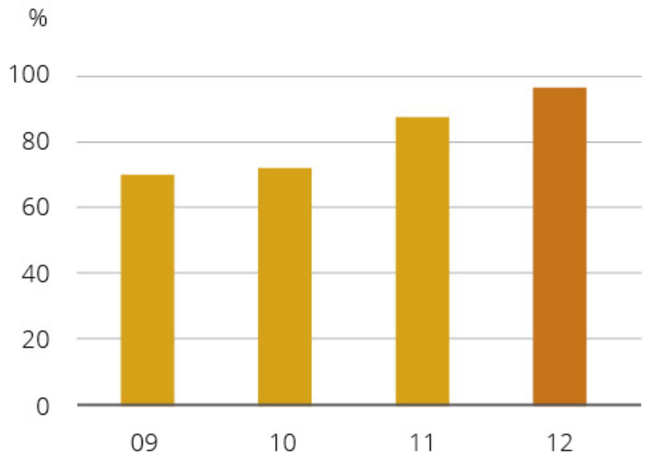
In March 2012, the Bank's revised Sustainability policy and guidelines entered into force. The policy covers the environmental and social aspects of the sustainability concept. It replaced the Environmental policy and guidelines adopted in 2008. The policy and guidelines provide criteria for assessing the environmental and social impacts of every loan application. A proposed project can be rejected due to non-compliance with the policy. The policy also specifies activities not eligible for NIB financing.

In response to the effects of the financial crisis in its member countries, the Board of Directors decided in 2011 to set up a new lending facility, the NIB Refinancing Facility (NRF), of EUR 500 million. Although there was ample demand for NIB's long-term lending, member country companies did not see a need to draw on this temporary short-term refinancing facility.

[1] Focus sectors: Environment; energy; transport, logistics and communications; and innovation.

Mandate fulfilment

Share of agreed loans rated good or excellent



LENDING ACTIVITIES

In 2012, NIB’s lending activities developed well. The Bank signed 42 loan agreements for a total of EUR 2,366 million. The disbursement of loans rose to EUR 2,355 million, an increase compared to EUR 1,946 million during 2011.

The Infrastructure, transportation and telecom was the largest business area with one third of all newly agreed loans, directed towards road construction, railways, ports and broadband and mobile phone networks. This was followed by the Energy and environment sector accounting for slightly above one fifth of new lending. Projects in this sector are related to energy transmission and distribution, renewable energy, combined heat and power plants, waste to energy and wastewater treatment.

The Heavy industry and mechanical engineering sector as well as the Consumer goods and services sector each accounted for slightly less than one fifth of new lending. In the former, key focus was on research and development and energy efficiency, while in the latter food production and eco-efficient buildings were the main focus.

In addition, NIB makes loans available to financial intermediaries, which in turn finance smaller projects in the SME sector. This sector accounted for close to one tenth of new loans.

NIB defines loans to projects with significant direct or indirect positive environmental impacts as environmental loans, regardless of the industrial sector in which they occur. Environment-related lending accounted for 60 % of agreed loans in 2012.

In total, 79 % of lending was for investments within the membership area.

NIB continued to closely monitor the Bank’s loan portfolio in order to identify and mitigate possible problems among existing borrowers. The loan book continued to show good credit quality with only a few new problem loans being encountered. The uncertainty of the economic outlook requires continued vigilance in the Bank's credit process.

Lending

(In EUR million unless otherwise specified)	2012	2011
Energy and environment	525	868
Infrastructure, transportation and telecom	744	780
Heavy industry and mechanical engineering	473	199
Consumer goods and services	426	312
Financial institutions and SME's	198	450
Loans agreed, total	**2,366**	**2,608**
Member countries	1,880	2,130
Non-member countries	487	478
Loans disbursed, total	**2,355**	**1,946**
Member countries	1,979	1,593
Non-member countries	376	353
Number of loan agreements, total	**42**	**47**
Member countries	33	37
Non-member countries	9	10
Loans outstanding and guarantees	**15,131**	**14,157**
Member countries	12,241	11,268
Non-member countries	2,930	2,889
Collective impairment	-40	-
Repayments and prepayments	**1,503**	**1,835**

TREASURY ACTIVITIES

NIB’s funding costs were stable during 2012 and again very favourable, especially after financial swaps where costs were some of the lowest in the Bank’s history. A new regulation for commercial banks to hold more capital and liquidity for entering into swap transactions did not affect NIB’s overall funding costs during 2012.

NIB borrowed a total of EUR 4.4 billion in eight different currencies through 28 transactions. In line with previous years, NIB issued USD benchmarks, totalling EUR 1.7 billion. The average maturity of the new funding was 5.5 years.

During the year Standard & Poor's rating services revised their methodology for multilateral lending institutions. NIB's long- and short-term issuer credit ratings were confirmed at 'AAA/A-1+' with a stable outlook.

Despite the very low yield environment in the Nordic area the Bank managed to increase its net interest income compared to the same period last year. Management of liquidity benefitted from the improved money market conditions and the general credit spread tightening.

Financial activities

(In EUR million)	2012	2011	2010
New debt issues	4,355	2,887	4,120
Debts evidenced by certificates at year-end	20,332	18,433	19,944
Number of borrowing transactions	28	43	65
Number of borrowing currencies	8	11	11

RISK MANAGEMENT

Overall, the credit quality of the Bank's lending and treasury exposure remained sound in 2012, despite continued weakness in the economic environment and some counterparties facing difficulties. The credit exposure in the best risk classes (1-2) increased, mainly driven by the treasury portfolio. The exposure in the weakest risk classes (14-20) was almost unchanged compared to the previous year and remained on a low level in relation to the total portfolio.

There was no material deviation in the geographical and sectoral distribution compared to the previous year. At year-end 2012, the member countries accounted for 77% of the total lending exposure and 39% of the treasury exposure. The quality of loans in the member countries remained sound and stable with 85% in the investment grade category (risk classes 1-10). Of the lending in non-member countries, 70% was in the investment grade category.

In the treasury portfolio there was a shift into the top two risk classes, which accounted for 64% of the total exposure compared to 50% at year-end 2011. The duration in the portfolio was lowered. The Bank's exposure to Southern Europe was reduced and mainly comprises debt secured by mortgages. As in recent years, a major part of the Bank's total credit exposure was to the financial sector, the public sector and to utilities. The concentration in terms of exposure to individual counterparties was fairly unchanged with the twenty largest exposures accounting for 31% of the total credit exposure.

In 2012, the Bank continued to put emphasis on the follow-up of its customers and counterparties.

FINANCIAL RESULTS

NIB recorded a profit of EUR 209 million, compared with a profit of EUR 194 million in 2011. The change in profit mainly reflects higher net interest income and positive valuations on financial instruments in the Treasury portfolios. Net interest income improved by 10.2% to EUR 252 million. Operating income was up 24.5%.

The Bank increased the loan impairment charge due to its revised method for collective impairments. The new method is based on historical loss experience and is commonly used in the banking sector for estimating collective impairment. The new collective impairments were EUR 40 million. Individually assessed loan loss provisions were EUR 16 million.

Costs are in line with 2011, and total expenses amounted to EUR 38 million (2011: EUR 37 million. The average number of employees was 180 (2011: 175).

The Bank's total assets reached EUR 26 billion at 31 December 2012 (2011: EUR 24 billion). Lending volumes increased. The total amount of loans outstanding increased to EUR 15.1 billion (2011: EUR 14.2 billion). The amount of loans disbursed increased to EUR 2.4 billion (2011: EUR 1.9 billion). Loans were provided for projects within the sectors of power generation and supply, renewable energy, sustainable transport infrastructure, research and development and in other sectors.

Return on equity 2012 was 8.1%.

Key figures

(in EUR million)	2012	2011	2010
Net interest income	252	228	234
Profit/loss on financial operations	43	8	39
Loan impairments	56	12	38
Profit/loss	209	194	211
Equity	2,666	2,456	2,262
Total assets	25,983	23,802	24,898
Solvency ratio (equity/total assets %)	10.3%	10.3%	9.1%
Cost/income ratio	13.1%	13.6%	12.2%

DIVIDEND

The Board of Directors proposes to the Board of Governors to resume dividend payments and that EUR 52 million be paid as dividends to the Bank's member countries for the year 2012.

GOVERNANCE AND ORGANISATION

The year 2012 marked a change in the presidency of the Nordic Investment Bank. The Board of Directors appointed Henrik Normann as President and Chief Executive Officer of the Bank. Mr Normann took up his position on 1 April 2012 when Johnny Åkerholm retired.

In 2012, NIB made some organisational adjustments. NIB's office premises in Copenhagen, Stockholm and Oslo were closed. NIB will continue with its local representatives in China and Russia. The re-organised lending function is managed by First Vice-President and Head of Lending Thomas Wrangdahl, who took up his position on 1 September 2012. The origination of loans and client relationships are now managed on a sectoral basis in a single Origination unit.

In 2012, NIB also established a new Asset and Liability Committee with the objective of assessing all risks and overall capital adequacy.

The Board of Directors approved amendments to the Code of Conduct for the staff. The main changes related to additional restrictions in trading with financial instruments.

Rolandas Kriščiūnas was the Chairman of the Board.

OUTLOOK

NIB assumes that demand for financing will be led by refinancing needs. New investment demand will likely remain weak due to lingering uncertainties regarding the economic outlook. On the supply side, long-term financing is expected to remain limited. As such, NIB's long-term lending should take on increased relevance as a complement to other funding sources, while helping to improve the sustainability and competitiveness of its customers and member countries.

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 2012 takes into account the need to keep the Bank's ratio of equity to risk weighted 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, the profit for 2012 of EUR 209,205,181.00 is to be allocated as follows:

- EUR 157,205,181.00 is transferred to the General Credit Risk Fund as a part of equity;

- no transfer is made to the Special Credit Risk Fund for Project Investment Loans;

- no transfer is made to the Statutory Reserve - the Statutory Reserve amounts to EUR 686,325,305.70 or 11.2% of the Bank's authorised capital stock as of 31 December 2012; and

- EUR 52,000,000.00 is made available for distribution as dividends to the Bank's member countries.

More information can be found in the statement of comprehensive income, statement of financial position, changes in equity and cash flow statement, as well as in the notes to the financial statements.

Helsinki, 7 March 2013

Rolandas Kriščiūnas	Kaspars Āboliņš	Pentti Pikkarainen
Gisle Glück Evensen on behalf of Silje Gamstøbakk	Jesper Olesen	Sven Hegelund
Þorsteinn Þorsteinsson	Henrik Normann President and CEO	Madis Üürike

Statement of comprehensive income 1 January – 31 December

EUR 1,000	Note	2012	2011
Interest income		494,064	499,642
Interest expense		-242,370	-271,189
Net interest income	(1), (2), (22)	251,693	228,452
Commission income and fees received	(3)	10,620	10,310
Commission expense and fees paid		-2,223	-2,203
Net profit/loss on financial operations	(4)	43,288	7,575
Foreign exchange gains and losses		-221	-653
Operating income		303,157	243,483
Expenses			
General administrative expenses	(5), (22)	34,291	32,955
Depreciation	(9), (10)	3,611	4,048
Impairment of loans	(6), (8)	56,050	12,442
Total expenses		93,951	49,446
PROFIT/LOSS FOR THE YEAR		209,205	194,037
Total comprehensive income		209,205	194,037

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

Statement of financial position at 31 December

EUR 1,000	Note	2012	2011
ASSETS	(1), (18), (19), (20), (21)		
Cash and cash equivalents	(17), (23)	2,817,189	2,414,954
Financial placements	(17)		
Placements with credit institutions		4,191	3,517
Debt securities	(7)	5,248,858	4,343,767
Other		22,059	25,508
		5,275,108	4,372,792
Loans outstanding	(8), (17)	15,130,669	14,152,905
Intangible assets	(9)	4,446	4,560
Tangible assets, property and equipment	(9)	29,856	30,806
Other assets	(11), (17)		
Derivatives		2,347,873	2,420,570
Other assets	(22)	25,895	38,625
		2,373,768	2,459,195
Payments to the Bank's reserves, receivable		-	2,640
Accrued interest and fees receivable		351,875	363,687
TOTAL ASSETS		25,982,911	23,801,539

LIABILITIES AND EQUITY		(1), (18), (19), (20), (21)		
Liabilities				
Amounts owed to credit institutions		(17), (22)		
Short-term amounts owed to credit institutions		(16), (23)	1,593,338	1,495,517
Long-term amounts owed to credit institutions			15,222	101,666
			1,608,560	1,597,183
Debts evidenced by certificates		(12), (17)		
Debt securities issued			20,254,987	18,359,521
Other debt			77,144	73,200
			20,332,131	18,432,721
Other liabilities		(13), (17)		
Derivatives			1,102,707	1,025,842
Other liabilities			9,397	9,942
			1,112,104	1,035,785
Accrued interest and fees payable			264,439	279,378
Total liabilities			23,317,234	21,345,067
Equity				
Authorised and subscribed capital	6,141,903			
of which callable capital	-5,723,302			
Paid-in capital	418,602	(14)	418,602	418,602
Reserve funds		(15)		
Statutory Reserve			686,325	683,685
General Credit Risk Fund			955,626	761,589
Special Credit Risk Fund PIL			395,919	395,919
Payments to the Bank's reserves, receivable			-	2,640
Profit/loss for the year			209,205	194,037
Total equity			2,665,677	2,456,472
TOTAL LIABILITIES AND EQUITY			25,982,911	23,801,539
Collateral and commitments		(16)		

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 year	Total
EQUITY AT 31 DECEMBER 2010	**418,602**	**683,046**	**550,756**	**395,919**	**5,280**	**0**	**-2,780**	**210,832**	**2,261,656**
Appropriations between reserve funds *		-2,000	210,832				2,000	-210,832	0
Paid-in capital									0
Called in authorised and subscribed capital									0
Payments to the Bank's Statutory Reserve and credit risk funds, receivable		2,640			-2,640				0
Comprehensive income for the year *							779	194,037	194,816
EQUITY AT 31 DECEMBER 2011	**418,602**	**683,685**	**761,589**	**395,919**	**2,640**	**0**	**0**	**194,037**	**2,456,472**
Appropriations between reserve funds			194,037					-194,037	0
Paid-in capital									0
Called in authorised and subscribed capital									0
Payments to the Bank's Statutory Reserve and credit risk funds, receivable		2,640			-2,640				0
Comprehensive income for the year								209,205	209,205
EQUITY AT 31 DECEMBER 2012	**418,602**	**686,325**	**955,625**	**395,919**	**0**	**0**	**0**	**209,205**	**2,665,677**

Proposed appropriation of the year's profit/loss	**2012**	**2011**
Appropriation to Statutory Reserve	-	-
Appropriations to credit risk reserve funds		
General Credit Risk Fund	157,205	194,037
Special Credit Risk Fund PIL	-	-
Appropriation to dividend payment	52,000	-
Profit/loss for the year	**209,205**	**194,037**

* Other value adjustments have been moved from the available for sale portfolio to the statutory reserve on 1/5/2011 when IFRS 9 was implemented regarding the classification of financial assets.

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

Cash flow statement
1 January – 31 December

EUR 1,000	Note	Jan–Dec 2012	Jan–Dec 2011
Cash flows from operating activities			
Profit/loss from operating activities		209,205	194,037
Adjustments:			
Unrealised gains/losses of financial assets held at fair value		-44,717	-11,223
Impairment of bonds held at amortised cost			11,819
Depreciation and write-down in value of tangible and intangible assets		3,611	4,048
Change in accrued interest and fees (assets)		11,812	8,427
Change in accrued interest and fees (liabilities)		-14,939	-14,925
Impairment of loans		56,050	12,442
Adjustment to hedge accounting		1,381	1,574
Other adjustments to the year's profit		-2,523	-37
Adjustments, total		10,675	12,126
Lending			
Disbursements of loans		-2,354,787	-1,946,500
Repayments of loans		1,502,789	1,835,279
Capitalisations, redenominations, index adjustments, etc.		245	-846
Transfer of loans to claims in other assets		2,854	7,972
Exchange rate adjustments		-85,199	-100,179
Lending, total		-934,098	-204,274
Cash flows from operating activities, total		-714,218	1,889
Cash flows from investing activities			
Placements and debt securities			
Purchase of debt securities		-2,893,778	-2,082,224
Sold and matured debt securities		2,046,894	2,830,234
Placements with credit institutions		-674	126,745
Other financial placements		-3,463	-751
Exchange rate adjustments, etc.		4,074	-2,575
Placements and debt securities, total		-846,947	871,430

Other items			
Acquisition of intangible assets		-1,727	-1,655
Acquisition of tangible assets		-820	-712
Change in other assets		13,587	-4,979
Other items, total		11,040	-7,346
Cash flows from investing activities, total		-835,907	864,084
Cash flows from financing activities			
Debts evidenced by certificates			
Issues of new debt		4,355,019	2,886,621
Redemptions		-2,435,918	-4,632,648
Exchange rate adjustments		-312,663	416,864
Debts evidenced by certificates, total		1,606,438	-1,329,163
Other items			
Long-term placements from credit institutions		-86,444	-42,464
Change in swap receivables		262,337	33,463
Change in swap payables		70,114	-209,510
Change in other liabilities		-545	4,127
Paid-in capital and reserves		2,640	2,640
Other items, total		248,102	-211,744
Cash flows from financing activities, total		1,854,540	-1,540,907
CHANGE IN CASH AND CASH EQUIVALENTS, NET	(23)	304,414	-674,934
Opening balance for cash and cash equivalents, net		919,437	1,594,370
Closing balance for cash and cash equivalents, net		1,223,851	919,437
Additional information to the statement of cash flows			
Interest income received		505,876	508,025
Interest expense paid		-257,309	-286,114

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

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 (hereinafter called 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 policies

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 in conformity with IFRS, the Bank’s management is required to make certain judgements, 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.

Judgements and estimates are also associated with impairment testing of loans and claims.

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.

Basis for measurement

The financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position.

Financial Instruments: Classification and Measurement. The Bank has adopted IFRS 9 from 1 May 2011, because the new accounting standard better reflects the Bank's business model.

From 1 May 2011, the Bank classifies its financial assets into the following categories: those measured at amortised cost, and those measured at fair value. This classification depends on both the contractual characteristics of the assets and the business model adopted for their management.

Financial assets at amortised cost

An investment is classified at "amortised cost" only if both of the following criteria are met: the objective of the Bank's business model is to hold the assets in order to collect the contractual cash flows and the contractual terms of the financial assets must give rise on specified dates to cash flows that are only payments of principal and interest on the principal amount outstanding.

Financial assets at fair value

If either of the two criteria above is not met, the asset cannot be classified in the amortised cost category and must be classified at fair value.

Recognised financial assets and financial liabilities designated as hedged items in qualifying fair value hedge relationships are adjusted for changes in fair value attributable to the risk being hedged.

Cash and cash equivalents

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

Cash and cash equivalents in the cash flow statement refers to the net amount of monetary assets, placements and liabilities with original maturities of six 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 placements 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 both the Bank's business model for managing the placements and their contractual cash flow characteristics.

Lending

The Bank may grant loans and provide guarantees under its Ordinary Lending or under 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 19,853 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 would take 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 mainly caused by changes in market interest rates.

Impairment of loans and receivables

Impairment of individually assessed loans

The Bank reviews its problem loans and receivables on 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. If the carrying amount of the loan is higher than the net present value of the estimated future cash flows, including the fair value of the collaterals, the loan is impaired.

Impairment of collectively assessed loans

Loans that are not individually impaired will be transferred to a group of loans with similar risk characteristics for a collective impairment test.

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 sectoral outlook, as well as identified structural weaknesses or deterioration in cash flows.

The process includes management's judgement based on the current macroeconomic environment and the current view of the expected economic outlook. In the Bank's view the assumptions and estimates made represent an appropriate level of conservatism and are reflective of the predicted economic conditions, the Bank's portfolio characteristics and their correlation with losses incurred based on historical loss experience. The impairment remains related to the group of loans until the losses have been identified on an individual basis.

For issued guarantees, the impairment is recognised when it is both probable that the guarantee will need to be settled and the settlement amount can be reliably estimated.

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 licences 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 three and five 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 three to five 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 is 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 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 of 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 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 prices (unadjusted) in an active market for identical instruments.

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 where 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

As of 31 December 2012, the Bank's authorised and subscribed capital is EUR 6,141.9 million, of which the paid-in portion is EUR 418.6 million. Payment of the subscribed, non-paid-in portion of the authorised capital, that is, 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, debt securities, placements and accruals of the premium or discount value of financial instruments. Net interest income also includes interest expenses on debts, 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, as 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 Host Country 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 also provides 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, for example, comprehensive accident, life, medical and disability insurance policies 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

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.

INTERNATIONAL FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS

New and amended standards applied in the financial year 2012

NIB has applied as from 1 January 2012 the following amended standard that has come into effect. The standard had no significant impact on the financial statements for the financial year 2012.

Amendments to IFRS 7 Financial Instruments: Disclosures (effective for financial years beginning on or after 1 July 2011).

Adoption of new and amended standards and interpretations applicable in future financial years

NIB has not yet adopted the following new and amended standards and interpretations already issued by the IASB. NIB will adopt them as of the effective date or, if the date is other than the first day of the financial year, from the beginning of the subsequent financial year.

- Amendments to IAS 1 Presentation of Financial Statements (effective for financial years beginning on or after 1 July 2012)
- IFRS 13 Fair Value Measurement (effective for financial years beginning on or after 1 January 2013): IFRS 13 establishes a single source for all fair value measurements and disclosure requirements for use across IFRSs. The new standard also provides a precise definition of fair value. IFRS 13 does not extend the use of fair value accounting, but it provides guidance on how to measure fair value under IFRSs when fair value is required or permitted. IFRS 13 will expand the disclosures to be provided for non-financial assets measured at fair value. The new standard is not assessed to have a material impact on NIB’s financial statements.
- Annual Improvements to IFRSs 2009-2011 (May 2012) (effective for financial years beginning on or after 1 January 2013): The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments cover in total five standards. Their impacts vary standard by standard but are not significant.
- Amendments to IFRS 7 Financial Instruments: Disclosures (effective for financial years beginning on or after 1 January 2013): The amendments clarify disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting arrangements or similar agreements. The disclosures required by those amendments are to be provided retrospectively. The amendments are not assessed to have a significant impact on NIB’s financial statements.
- Amendments to IAS 32 Financial Instruments: Presentation (effective for financial years beginning on or after 1 January 2014): The amendments provide clarifications on the application of presentation requirements for offsetting financial assets and financial liabilities on the statement of financial position and give more related application guidance. The amended standard is to be applied retrospectively. The amendments are not assessed to have a significant impact on NIB’s financial statements.

The unfinished parts of IFRS 9, i.e. the impairment of financial assets and general hedge accounting phases are still a work in progress. Furthermore, the IASB is also considering limited amendments regarding the classification and measurement of financial assets. The macro hedge accounting phase has been taken apart from the IFRS 9 project as a separate project. As the IFRS 9 project is incomplete, the impacts of the standard on the financial statements cannot yet be assessed.

RISK MANAGEMENT

The Bank assumes a conservative approach to risk-taking. Its 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 Bank’s risk tolerance is defined by a set of policies, guidelines and limits taking into account the objective of maintaining strong credit quality, stable earnings and a level of capital required to maintain the AAA/Aaa rating.

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, the Bank is not subject to national or international banking regulations. However, the Bank's risk management systems and processes are reviewed on an ongoing basis and adapted to changing conditions with the aim to comply in substance with what the Bank identifies as the relevant market standards and best practices including the recommendations of the Basel Committee on Banking Supervision.

Key risk responsibilities

The *Board of Director*s lays down the general framework for the Bank’s risk management by approving its financial policies and guidelines, including maximum limits for exposure to the main types of risk. Credit approval is primarily the responsibility of the Board of Directors. The Board annually grants authorisation to the Bank to raise funds in the capital markets based on its estimated funding requirements.

The *President* is responsible for managing the risk profile of the Bank 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 Board of Directors has delegated some credit approval authority to the President for execution in the Credit Committee.

To assist and advise the President, the following committees have been established:

The *Executive Committee* consists of the President and senior officers, whose appointment to the committee has been confirmed by the Board of Directors. The committee is the forum for addressing policy and management issues. The committee meets approximately twice a month.

The *Credit Committee* consists of the President and senior officers appointed by the Board of Directors. The committee is responsible for the preparation of and decision-making on matters related to lending operations including, among others, review of all credit proposals before submission to the Board of Directors for approval. The committee meets weekly.

The *Finance Committee* consists of the President, the Head of Treasury and the Head of Risk and Finance. The committee is responsible for preparation of and decision-making on matters related to the treasury operations. The committee makes recommendations, and where appropriate, decisions in the area of market, counterparty and liquidity risk exposure, monitors the Bank’s borrowing activities and has oversight of treasury risk reporting to the Board of Directors. The committee meets monthly.

The *Asset and Liability Committee* (ALCO) is a newly established body for strategic balance sheet planning. Together with the Executive Committee it has the overall responsibility for the Bank’s risk management. The committee consists of the members of the Executive Committee and is chaired by the President. The responsibilities of ALCO include, i.a., monitoring performance against the agreed risk appetite, preparation of recommendations to the Board of Directors concerning i.a. changes to the capital structure and limits and targets for key risk factors. The committee meets at least quarterly.

In the day-to-day management of risks, the Bank has established a segregation of duties between units that enter into business transactions with customers or otherwise expose the Bank to risk on the one hand, and units in charge of risk assessment, risk measurement and control on the other hand. The business units, 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. These duties are carried out in accordance with guidelines, instructions and limits set for their respective activities.

Risk and Finance, Credit and Analysis, Internal Audit and Compliance are independent from the departments carrying out the Bank's business activities.

Risk and Finance has the overall responsibility for measuring, monitoring and reporting on risks across risk types and organisational units. The unit is responsible for the Bank’s risk models and tools, the day-to-day monitoring of market and operational risks and the assessment of risk related to new instruments. The Head of Risk and Finance reports to the President.

Credit and Analysis is responsible for assessing and monitoring credit risk in the Bank's lending and treasury operations and for overseeing that credit proposals are in compliance with established limits and policies. The unit also manages transactions requiring particular attention due to restructuring work-out and recovery processing. The Head of Credit and Analysis reports to the President.

The *Legal* department carries the responsibility for minimising and mitigating the legal risks in the Bank’s activities. The General Counsel reports to the President.

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 the personal conduct of staff members. The Chief Compliance Officer reports to the President with full and unlimited access to the Chairman of the Board of Directors and to the Chairman of the Control Committee.

Internal Audit provides an independent evaluation of the controls, risk management and governance processes. The Head of Internal Audit reports to the Board of Directors and the Control Committee.

The *Control Committee* is the Bank’s supervisory body. It ensures that the operations of the Bank are conducted in accordance with the Statutes. The committee is responsible for the audit of the Bank and submits its annual audit report to the Board of Governors.

Credit risk

Credit risk is the Bank’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 held does not cover the Bank's claims. Following from NIB's mandate and financial structure, most of the credit risk stems from lending operations. The Bank is also exposed to credit risk in its treasury activities, where credit risk derives from the financial assets such as fixed-income securities and interbank deposits that the Bank uses for investing its liquidity, and from derivative instruments used for managing currency and interest rate risks and other market risks related to structured funding transactions.

Credit risk management

Credit risk policies and guidelines

The Bank's credit policy sets the basic criteria for acceptable credit risks, including the minimum credit quality levels for borrowers and guarantors in lending operations, and identifies risk areas that require special attention. The credit enhancement policy requires that the Bank's position in a transaction should rank at least equal to that of other senior lenders. The credit enhancement guidelines specify the types of security and contractual undertakings that the Bank deems acceptable to mitigate credit risk. Through a set of key clauses for the loan documentation, the Bank strives to ensure that it will receive early warning if the credit quality of the borrower deteriorates or if an event occurs that could have an adverse effect on the borrower's ability to repay the loan. The portfolio policy aims to ensure an adequate diversification of credit risk across counterparties, countries and industry sectors. Based on the policies set by the Board of Directors, specific guidelines and instructions have been implemented as a basis for the business and control processes and procedures.

Credit risk assessment

Credit risk assessment is an important part of the credit process. Credit and Analysis independently assesses the creditworthiness of borrowers and treasury counterparties. The assessment is qualitative and quantitative and based on internal rating methodologies supported by scoring templates. The assessment results in a risk rating denoting the probability of default of the counterparty.

The credit enhancement in a transaction is assessed separately and a loss given default (LGD) is determined for the transaction as an estimate of the portion of the Bank's claim that would not be recoverable if the counterparty defaults. The combination of the probability of default of the counterparty and the LGD quantifies the expected loss for the transaction. The Bank applies a rating scale ranging from 1 to 20, with class 1 representing the lowest probability of default and expected loss. In addition, the rating scale includes a class D for non-performing transactions or transactions for which specific impairment provisions have been made. The rating scale is mapped to the ratings of Standard & Poor's and Moody's such that the classes 1 to 10 correspond to the external rating equivalent of investment grade (AAA to BBB- and Aaa to Baa3, respectively).

Credit risk limits

The primary source of credit risk is the individual counterparty and the secondary source is the potential default correlation of groups of counterparties and sectors. Exposure limits are set at both counterparty level and portfolio level. Counterparty limits are determined based on the probability of default and expected loss. To reduce risk concentrations, the Bank applies portfolio-level limits for large counterparty exposure as well as for sector and country exposures. The limits are scaled to the Bank's equity, the counterparty's equity, the size of the total credit exposure and the Bank's economic capital. As a general principle, the Bank limits the maximum amount granted as loan or guarantee for a single project to 50% of the total project cost.

Credit risk monitoring

The Bank works continuously to review the quality of its credit exposures. Strong emphasis is put on regular monitoring of the creditworthiness of the counterparties in the Bank's lending and treasury operations. The monitoring frequency is determined based on, among other things, the ratings and the size and type of exposure. Generally, intensified follow-up applies to counterparties with internal ratings below the level eligible for new exposure or other defined levels. When serious deterioration of a counterparty's debt repayment capacity and/or financial standing is identified, the counterparty is transferred to the watch list and placed under close monitoring with regular reporting to the Board of Directors.

Compliance with existing limits is monitored regularly. For treasury counterparties limit compliance is monitored on a daily basis.

Portfolio level measurement and monitoring of credit risk is carried out within the Bank's economic capital framework. Economic capital is the Bank's estimate of the capital required to cover unexpected losses deriving from credit risk, market risk and operational risk. As the Bank is not subject to regulatory capital requirements, the economic capital is used for internal monitoring to ensure that the Bank has sufficient capital to fulfil its commitments. The portfolio approach provides a more comprehensive assessment of the Bank's aggregate credit risk as it captures the impact of concentration and diversification in the Bank's operations. A report on the Bank's economic capital and risk profile is submitted to the Board of Directors every four months. The report includes an analysis of the capital required, the aggregate credit risk exposure, credit risk concentrations, changes in the risk profile and exposure against portfolio risk limits with any breaches of limits explained.

Derivatives

The Bank uses derivatives as part of its funding strategy in order to match the interest rate and currency characteristics of the funds raised with those of loans granted and also to reduce funding costs. Derivatives are transacted under normal counterparty limits.

As a rule, NIB enters into International Swaps and Derivatives Association (ISDA) contracts 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 fair value of swaps at year-end 2012 amounted to EUR 2,568 million, compared to a value of EUR 1,951 million after applying netting (year-end 2011: EUR 2,623 million and EUR 1,999 million, respectively).

The credit risk on swaps is further mitigated through credit support agreements with the Bank's major swap counterparties. Under these agreements swap exposures exceeding agreed thresholds are collateralised by cash or high-quality government securities. Both the swap portfolio with individual counterparties and the collateral received are regularly monitored and valued, with a subsequent call for additional collateral or release. The Bank strives to use unilateral credit support agreements under which the Bank does not have to post collateral. At year-end 2012, the Bank held EUR 1,783 million (2011: EUR 1,558 million) in collateral received, of which EUR 1,464 million (2011: EUR 1,223 million) was in cash and EUR 319 million (2011: EUR 335 million) in securities (Note 16, Collateral and Commitments).

Credit risk reserves, impairment methodology

The Bank maintains two credit risk funds within its equity, in addition to the Statutory Reserve. The General Credit Risk Fund is available to cover unexpected losses arising from the Bank's lending and other business activities. At year-end 2012 the fund amounted to EUR 956 million. The Statutes require that the Bank maintains the Special Credit Risk Fund for the Project Investment Loan (PIL) facility to cover the Bank's own risk on such loans before resorting to the member countries' guarantees that support the facility. At year-end 2012, the fund amounted to EUR 396 million.

The Bank reviews at least every four months the possible need for impairment provisions on weak exposures. The assessment is carried out both at an individual counterparty level and collectively for groups of counterparties. At the counterparty level specific impairment provision is recognised if there is objective evidence that the counterparty's capacity to fulfil its obligations has deteriorated to the extent that full repayment is unlikely when taking into consideration any collateral received. The Bank's method for collective impairments was revised during 2012. Collective impairment provisions are determined on a portfolio basis for exposures with similar credit risk characteristics, as reflected in their risk ratings. The process includes management's judgement based on the current macroeconomic environment and the current view of the expected economic outlook. In the Bank's view, the assumptions and estimates made represent an appropriate level of conservatism and are reflective of the predicted economic conditions, the Bank's portfolio characteristics and their correlation with losses incurred based on historical loss experience. In the assessment of sovereign exposures, the Bank takes into account its preferred creditor status. The Bank's principles for impairment provisioning are described in more detail in the section "Significant accounting policies".

Credit risk exposure

Tables 1 to 3 below provide an overview of the Bank's aggregate credit risk exposure as at year-end 2012 before collective impairment. Aggregate credit exposure comprises lending and treasury exposure. Lending exposure includes loans outstanding and loans agreed but not yet disbursed without taking into account any collateral or other credit enhancement. Regarding the treasury exposure, capital market investments are included at nominal value, while derivatives are included at fair value net of collateral held when credit support agreements are in place and at fair value with an add-on for potential future exposure when not under credit support agreement.

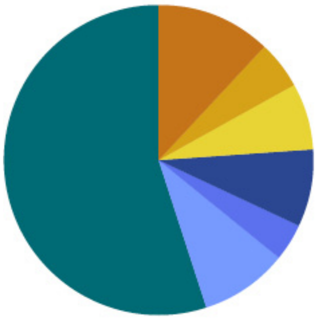
TABLE 1. Credit risk exposure by internal rating (in EUR million)

			31.12.2012			31.12.2011	
Risk class	S&P equivalent	Lending	Treasury	Total	Lending	Treasury	Total
1–2	AAA/AA+	2,277	4,966	7,243	1,890	3,945	5,835
3–4	AA/AA-	1,014	1,455	2,469	803	1,711	2,514
5–6	A+/A	1,147	1,044	2,191	1,351	1,834	3,184
7–8	A-/BBB+	5,112	207	5,319	4,616	135	4,751
9–10	BBB/BBB-	3,912	85	3,997	3,997	169	4,165
11–12	BB+/BB	2,045	10	2,055	2,148	8	2,156
13–14	BB/BB-	507	0	507	436	0	436
15–16	BB-/B+	272	20	292	192	0	192
17–18	B/B-	76	0	76	122	0	122
19–20	B-/CCC	0	0	0	0	0	0
D		80	10	89	77	28	105
TOTAL		**16,442**	**7,797**	**24,239**	**15,633**	**7,829**	**23,462**
Class D							
Gross		198	90	288	204	167	371
Impairment		118	80	198	127	139	266
Net		**80**	**10**	**89**	**77**	**28**	**105**

Overall, the quality of the Bank's aggregate credit exposure remained sound and stable in 2012. Lending exposure increased by 5%, while treasury exposure was almost unchanged. At year-end 2012, 82% of the lending exposure and 99.5% of the treasury exposure was in risk classes 1-10 corresponding to investment grade quality. Total exposure in the D class was reduced, primarily due to sale/settlement of some of the claims on defaulted Icelandic banks.

Loans outstanding and guarantees

Distribution by type of security as of 31 Dec 2012



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

The distribution of the Bank's portfolio of outstanding loans and guarantee commitments by type of credit enhancement at year-end 2012 was largely unchanged compared to the previous year. Further information is presented in Note 8.

TABLE 2. Geographical distribution of the credit risk exposure (in EUR million)

A geographical distribution of the aggregate credit risk exposure is shown in the table below. The distribution is based on the risk-owner's country of domicile. Risk-owner refers to the entity responsible for the Bank's claim. As such, if a payment guarantee is provided for the Bank's loan, the guarantor is considered to be the risk-owner.

	31.12.2012			31.12.2011		
Country/Region	Lending	Treasury	Total	Lending	Treasury	Total
Denmark	1,428	204	1,632	1,339	325	1,664
Estonia	250	0	250	256	0	256
Finland	3,265	1,646	4,911	3,526	1,607	5,133
Iceland	534	5	538	584	18	603
Latvia	377	0	377	401	0	401
Lithuania	247	35	282	216	35	251
Sweden	3,947	784	4,731	3,281	719	4,000
Norway	2,579	330	2,909	2,311	383	2,694
Africa and Middle-East	290	0	290	329	0	329
Asia-Pacific	1,402	118	1,520	1,351	138	1,489
Europe	1,501	4,174	5,675	1,396	3,961	5,356
Americas	393	304	697	400	480	881
Multilaterals	229	197	426	242	162	403
TOTAL	**16,442**	**7,797**	**24,239**	**15,633**	**7,829**	**23,462**

In the context of the Bank's mission and mandate, the credit risk exposure continued to be fairly well balanced in terms of geographical distribution with no significant change over the year. At year-end 2012, the member countries accounted for 77% of the Bank's lending exposure (2011: 76%). The Bank has not set limits for the lending exposure in its member countries. Lending to non-member countries is subject to country limits that are reviewed annually. The largest lending exposures outside the member countries were to China, Poland, Russia and Brazil.

The treasury exposure was concentrated in the Nordic region with 38%, and the rest of Europe with 54%, dominated by Germany, France, the Netherlands and the UK. The exposure to Southern Europe accounted for 3% of total treasury exposure at year-end 2012 and mainly consisted of covered bonds.

TABLE 3. Credit risk exposure by industry sector (in EUR million)

The sectoral distribution of the credit risk exposure is based on the industry sector of the risk-owner. These sectors are different from the five business areas into which the Bank has organised its lending operations.

	31.12.2012			31.12.2011		
Industry sector	**Lending**	**Treasury**	**Total**	**Lending**	**Treasury**	**Total**
Oil & Gas	156	0	156	162	0	162
Materials	1,152	0	1,152	1,140	0	1,140
Paper & Forest Products	285	0	285	701	0	701
Industrials	2,900	0	2,900	2,447	0	2,447
Consumer discretionary	398	0	398	407	0	407
Consumer staples	1,074	0	1,074	835	0	835
Health Care	332	0	332	286	0	286
Financials	1,920	6,157	8,076	1,930	5,934	7,863
Information Technology	269	0	269	220	0	220
Telecommunication services	714	0	714	587	0	587
Utilities	4,228	0	4,228	4,191	0	4,191
Public sector	3,016	1,640	4,656	2,729	1,895	4,624
TOTAL	**16,442**	**7,797**	**24,239**	**15,633**	**7,829**	**23,462**

The distribution by industry sector remained stable in 2012 compared to the previous year. The largest credit risk exposure continued to be in the financial sector, which accounted for 33% of total exposure. This largely derives from treasury operations, but also from the Bank's lending to financial intermediaries for financing of smaller projects. Of the lending exposure, 62% was distributed across the public sector, utilities and industrials. The Bank has defined limits for maximum exposure to single industry sectors both in relation to its economic capital requirement and to the total credit risk exposure. At year-end 2012, the Bank was in compliance with all these limits.

TABLE 4. Largest counterparty exposures (in % of total credit risk exposure)

A counterparty exposure is defined as the consolidated group exposure, i.e. individual counterparties that are linked to one another by ownership or other group affiliation are considered to be one counterparty.

	31.12.2012	**31.12.2011**
Top 5	12%	11%
Top 10	20%	19%
Top 20	31%	29%

The Bank's limits for large single counterparty exposures and for the aggregate of such large exposures are scaled to its economic capital and equity. Any deviations from the set limits must be approved by the Board of Directors. At year-end 2012, the Bank was in compliance with the limits.

Market risk

Market risk includes i.a. the risk that losses are incurred as a result of movements 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. Furthermore, the funds borrowed often have interest rate structures differing from those applied in the loans provided to the Bank's customers. The Bank’s market risk is concentrated in Treasury, which provides Lending with matched funding for its loans. Treasury then uses derivatives to hedge the exposure to interest rate risk and exchange rate risk arising from mismatches in lending and underlying borrowing. Any residual risk is kept to a minimum under limits set by the Board of Directors. The limits are low compared with the Bank’s capital and they are reviewed annually.

Market risk management

The impact of market risk on the Bank’s assets and liabilities and on its net interest income is managed through a set of limits and various tools for risk measurement. Compliance with the limits is monitored on a daily basis and reported regularly to the Finance Committee.

Exchange rate risk

The Statutes require that the Bank shall, to the extent practicable, protect itself against the risk of exchange rate losses.

Exchange rate risk is measured in terms of the net nominal value of all assets and liabilities per currency (translation risk). Currency positions, i.e. the difference between assets and liabilities in a specific currency, are monitored daily against limits. The limit for overnight exposure is set to the equivalent of EUR 1 million for all currencies except USD, for which the limit is EUR 4 million. Furthermore, the exposure to currencies other than USD and the Nordic currencies may not, in aggregate, exceed the equivalent of EUR 4 million.

The Bank does not hedge future net interest income in foreign currency. Loans are provided primarily in euro, US dollars and Nordic currencies. There is a possibility that interest income in currencies other than euro 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 its total assets and equity.

Interest rate risk

Interest rate risk is measured as the sensitivity of the Bank’s 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.

In 2012, the net interest rate risk limit was set at EUR 15 million corresponding to approximately 0.60% of the Bank's equity. At year-end 2012, the net interest rate risk was approximately EUR 7.7 million, or 51% of the limit (2011: EUR 9.7 million, or 65% of the limit).

Interest rate risk in the Bank’s own capital portfolio is further managed by means of modified duration. The own capital portfolio corresponds approximately to the size of the Bank’s paid-in capital and accumulated reserves. The objective of the portfolio is to preserve the value of the Bank’s capital and provide long-term stability in earnings. 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 sensitive to interest rate changes the security is. To achieve the objective of stable earnings contribution from the portfolio, the current limit for the modified duration has been set at 2.0-5.0 years.

Credit spread risk

The Bank is exposed to credit spread risk relating to the bonds held in its treasury 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.

In 2012, the credit spread limit was EUR 0.90 million. At year-end 2012, the exposure was EUR 0.56 million (year-end 2011: EUR 0.34 million).

Refinancing and reinvestment risk

Risk arising from differences in the maturity profile of assets and liabilities is managed by limits set 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.

In 2012 the maximum limit for refinancing and reinvestment risk was EUR 34 million, approximately 1.40% of the Bank's equity. At year-end 2012, the refinancing and reinvestment risk was calculated to EUR 17.7 million (year-end 2011: EUR 23.9 million).

Value-at-Risk

The Bank uses the Value-at-Risk (VaR) methodology to monitor exchange rate risk and interest rate risk for the own capital portfolio and for the whole balance sheet. VaR estimates the potential future loss (in terms of fair value) that will not be exceeded in a defined period of time and with a defined confidence level. To measure VaR, the Bank applies a parametric method with a 95% confidence level and a holding period of one day.

At year-end 2012, the VaR of the Bank’s own capital portfolio was EUR 4.0 million (2011: EUR 5.0 million). The average VaR over the year was EUR 5.0 million (2011: EUR 6.7 million), while the lowest and highest values were EUR 3.3 million and EUR 7.4 million, respectively (2011: EUR 4.3 million and EUR 10.3 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. Funding liquidity risk occurs when obligations cannot be fulfilled because of inability to obtain new funding. Market liquidity risk occurs when specific assets cannot be liquidated without significant losses in price.

Liquidity risk management

The Bank manages liquidity risk with the objective to ensure that all payment obligations can be met punctually and that the core activities can be carried out at a reasonable cost. To meet this objective the Bank seeks to retain access to funding in the capital markets and to maintain an optimally sized liquidity reserve to protect against market disruptions.

The Bank has a proven record of access to funding. In order to manage market access the Bank strives to diversify its sources of funding and maintain its relationship with investors. A cornerstone is the Bank's established funding programmes supported by the highest possible credit rating assigned to the Bank by the major international rating agencies. The Bank's AAA/Aaa issuer credit rating was affirmed by S&P and Moody's in 2012 with a stable outlook. Information on the distribution of the Bank's funding by geography and investor type is provided in the Treasury section of the Annual Report.

The Bank considers as liquidity all the financial assets held in the treasury portfolios. In the balance sheet, these financial assets are recognised as cash and cash equivalents, placements with credit institutions and investment securities. The liquidity is managed by Treasury in different portfolios with distinct objectives outlined in the Bank's liquidity policy. Strict rules have been set regarding the eligibility of assets to be warehoused in the portfolios. Overall, the portfolios consist of short-term money market deposits with central banks or highly-rated financial institutions, as well as securities issued by highly-rated governments and financial institutions, including covered bonds. A major portion of the assets held qualify as collateral in central bank funding.

The Bank's liquidity risk management focuses on both short-term liquidity risk and long-term structural liquidity risk. The short-term target is to maintain positive liquidity for the coming 12 months, i.e. available liquidity should be large enough to cover expected payment obligations. Liquidity planning is based on projected cash flows from all assets and liabilities as well as planned loan disbursements. In order to protect against an unnecessarily large need for funding in future periods, caps have been set on long-term liquidity mismatches. The Bank has defined targets for acceptable liquidity gaps in the periods 1-2 years and 2-10 years. A breakdown of the Bank's assets and liabilities by maturity at year-end 2012 is presented in Note 18.

At year-end 2012, the Bank's liquidity portfolio and short-term cash instruments covered its estimated liquidity requirement for 344 days. When the Bank's own capital portfolio is included, the available liquid assets were sufficient to cover the need for 644 days.

Operational risk

The Bank defines operational risk 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.

Operational risk management

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. The Bank's operational risk management policy is set by the Board of Directors. The policy is complemented by an operational risk management framework comprising the guiding principles for the identification, assessment, monitoring and control of the operational risks that the Bank faces or may face.

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 and ICT 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.

(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 other items allocated on a reasonable basis.

In its segment reporting, NIB divides its operations into two major segments: lending and treasury operations. Treasury operations consist of asset and liability management and portfolio management.

(Amounts in EUR 1,000)	Lending 2012	Asset and liability management 2012	Portfolio management 2012	Total 2012	Lending 2011	Asset and liability management 2011	Portfolio management 2011	Total 2011
Net interest income	**122,893**	**55,210**	**73,590**	**251,693**	**112,365**	**38,167**	**77,921**	**228,452**
Commission income and fees received	10,015	604	-	10,620	9,992	319	-	10,310
Commission expense and fees paid	-583	-1,639	-	-2,223	-590	-1,613	-	-2,203
Net profit on financial operations	-6,869	44,278	5,879	43,288	-1,994	20,253	-10,683	7,575
Foreign exchange gains and losses	-	-221	-	-221	-	-653	-	-653
Administrative expenses	-29,743	-1,477	-3,071	-34,291	-28,714	-1,343	-2,898	-32,955
Depreciation	-2,357	-877	-376	-3,611	-2,643	-984	-422	-4,048
Impairment of loans	-56,050	-	-	-56,050	-12,442	-	-	-12,442
Profit/loss for the year	**37,305**	**95,878**	**76,022**	**209,205**	**75,972**	**54,147**	**63,918**	**194,037**
Assets	15,194,606	8,122,628	2,665,677	25,982,911	14,232,248	7,112,819	2,456,472	23,801,539
Liabilities and equity	15,194,606	8,122,628	2,665,677	25,982,911	14,232,248	7,112,819	2,456,472	23,801,539

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)	2012 Net interest income	2011 Net interest income
Member countries		
Denmark	9,623	8,777
Estonia	1,067	1,690
Finland	26,192	25,447
Iceland	4,835	4,633
Latvia	3,656	3,894
Lithuania	1,960	1,595
Norway	16,782	13,572
Sweden	27,506	24,439
Total, member countries	**91,621**	**84,047**
Non-member countries		
Africa	2,274	2,061
Asia	12,444	9,994
Europe and Eurasia	10,180	9,346
Latin America	5,499	5,941
Middle East	875	977
Total, non-member countries	**31,272**	**28,319**
Total, net interest income from lending	**122,893**	**112,365**

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)	2012	2011
Interest income		
Cash and cash equivalents	7,600	19,770
Placements with credit institutions for more than 6 months	-	442
Debt securities	122,083	131,471
Loans outstanding	363,614	347,401
Other interest income	767	558
Total, interest income [1]	**494,064**	**499,642**
Interest expense		
Short-term amounts owed to credit institutions	2,692	9,407
Long-term amounts owed to credit institutions	419	1,471
Debts evidenced by certificates	681,660	623,299
Swap contracts and other interest expenses, net	-442,400	-362,987
Total, interest expense [2]	**242,370**	**271,189**

[1] Including interest income from financial assets recognised at amortised cost EUR 449,463 (450,836) thousand.

[2] Including interest expense from financial liabilities recognised at amortised cost EUR 178,461 (271,189) thousand.

(3) COMMISSION INCOME AND FEES RECEIVED

(Amounts in EUR 1,000)	2012	2011
Commitment fees	4,061	3,701
Loan disbursement fees	5,839	6,000
Guarantee commissions	23	46
Premiums on prepayments of loans	276	244
Commissions on lending of securities	421	319
Total, commission income and fees received	**10,620**	**10,310**

(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)	2012	2011
Bonds held at fair value, realised gains and losses	4,502	-587
Floating Rate Notes held at fair value, realised gains and losses	-160	-1,026
Derivatives held at fair value, realised gains and losses	-3,941	-1,220
Other financial placements held at fair value, realised gains and losses	-107	203
Financial instruments held at fair value, realised gains and losses, total	**294**	**-2,629**
Bonds held at fair value, unrealised gains and losses [1]	25,228	7,325
Floating Rate Notes held at fair value, unrealised gains and losses [3]	27,863	19,671
Derivatives held at fair value, unrealised gains and losses [2]	-10,955	-13,001
Commercial paper held at fair value, unrealised gains and losses [1]	12	20
Other financial placements held at fair value, unrealised gains and losses [4]	-6,762	-2,260
Financial instruments held at fair value, unrealised gains and losses, total	**35,387**	**11,756**
Bonds held at amortised cost, realised gains and losses [5]	9,475	1,337
Floating rate notes held at amortised cost, realised gains and losses	-3,185	-124
Financial instruments held at amortised cost, realised gains and losses, total	**6,290**	**1,213**
Impairment on bonds held at amortised cost	-	-11,819
Adjustment in fair value of hedged loans [2]	97,586	185,651
Adjustment in fair value of derivatives hedging loans [2]	-98,591	-186,611
Adjustment in fair value of hedged debts evidenced by certificates [2]	-292,974	182,158
Adjustment in fair value of derivatives hedging debts evidenced by certificates [2]	292,598	-182,772
Adjustment to hedge accounting, unrealised gains and losses of fair value hedges, total	**-1,381**	**-1,574**
Repurchase of NIB bonds, other items	2,699	10,629
Total, net profit/loss on financial operations	**43,288**	**7,575**

[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). Regarding the fair value measurements of treasury claims, these have been determined using valuation techniques with unobservable market inputs (Level 3).

[4] Fair value is determined using valuation techniques with unobservable market inputs (Level 3).

[5] These sales were made as these financial assets no longer met NIB's investment policy.

(5) GENERAL ADMINISTRATIVE EXPENSES

(Amounts in EUR 1,000)	2012	2011
Staff costs	24,292	23,203
Wages and salaries	19,254	18,228
Social security costs	440	408
Other staff costs	4,598	4,567
Pension premiums in accordance with the Finnish state pension system	4,831	4,364
Other pension premiums	1,316	1,361
Office premises costs	1,208	1,013
ICT service charges	2,945	2,357
Other general administrative expenses	8,112	9,016
Cost coverage, NDF and NEFCO	-903	-943
Cost coverage, rental income and other administrative income	-698	-919
Total	41,103	39,452
Host country reimbursement according to agreement with the Finnish Government	-6,812	-6,497
Net	34,291	32,955
Remuneration to the auditors		
Audit fee [1]	120	128
Other audit-related service fees	-	-
Total remuneration	120	128

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

Average number of employees in permanent positions [1]

	2012	2011
Average number of employees	180	175
Average age of employees	46	45
Average period (years) of employment	11	11
Distribution by gender [1]		
All employees	180	175
Females	82	85
Males	98	90
Executive Committee (including the President) [2]		
Females	1	1
Males	6	6
Professional staff		
Females	53	52
Males	81	74
Clerical staff		
Females	28	32
Males	11	10

[1] The figures comprise staff in permanent positions including the President.

[2] Formerly called Management Committee (MC)

Compensation for the Board of Directors, the Control Committee, the President and the Executive 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 Executive Committee (ExCo) members. The members of the ExCo are normally employed for an indefinite period of time. The period of notice is 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 ExCo 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 ExCo enjoy other benefits common to all staff (health care, supplementary group pension, insurance coverage and staff loans). The Bank can pay performance premiums of up to three months’ salary for excellent and extraordinary performance. The percentage available for performance premiums is determined annually. For 2012, a total of 3% of the estimated salary costs was available. All personnel are eligible for performance premiums.

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

(Amounts in EUR)	2012 Compensation/ Taxable income	2011 Compensation/ Taxable income
Board of Directors		
Chairman		
annual remuneration	13,258	13,258
attendee allowance	1,828	1,077
Other Directors and Alternates (15 persons)		
annual remuneration	74,036	76,245
attendee allowance	15,048	16,808
Control Committee		
Chairman		
annual remuneration	4,375	4,375
attendee allowance	430	215
Other members (9 persons)		
annual remuneration	16,021	16,272
attendee allowance	3,168	3,456
President [1]	631,309	481,049
Members of the Executive Committee (6 persons)	1,858,618	1,699,599

[1] The figures include the cost for the former President for the period 01-03/12 and the cost for the current President for the period 04-12/12

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 pensionable income and the applicable age-linked pension accrual rate. The employer's pension contribution in 2012 was 17.89 % of the pensionable income. The employee's pension contribution was either 5.15 % or 6.5 %, 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.

The employer's contribution regarding the President amounted to EUR 211,268, of which EUR 57,291 comprised supplementary pension premiums. The corresponding figures for the ExCo members were EUR 608,095 and EUR 178,340.

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 staff loans are granted by a commercial bank, subject to a recommendation from NIB.

At present, the maximum loan amount is EUR 200,000. The employee pays interest on the loan in accordance with the official base rate established by the Ministry of Finance in Finland (1.5 % in July–December 2012). The same interest rates, terms and conditions are applicable to all the employees of the Bank, including the President and the ExCo members.

As of 31 December 2012, there were no staff loans to the President or the ExCo members outstanding (-).

Additional benefits for expatriates

Professional staff (including Executive 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/family 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 to 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 1,935 m² adjacent to its main office building. A total of 2,196 m² is rented to external parties.Furthermore, the Bank has in 2012 rented office space totalling 459 m² in the Nordic countries, Beijing and Moscow.

(6) IMPAIRMENT OF LOANS

(Amounts in EUR 1,000)	2012	2011
Credit losses from loans	-	35,193
Credit losses on receivables from defaulted lending counterparties	19,620	-
Allowances for impairment net change, individually assessed	17,133	12,739
Allowances for impairment net change, collectively assessed	40,000	-
Reversals of previously recorded allowances for credit losses	-20,703	-35,490
Impairment of loans and other assets	**56,050**	**12,442**

See also Note 8.

(7) FINANCIAL PLACEMENTS

The debt securities were issued by the following counterparties:

(Amounts in EUR million)	2012	2011
Governments	1,375	1,577
Public institutions	1,063	233
Other	2,811	2,534
Total, debt securities	**5,249**	**4,344**

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

	Book value		Fair value	
(Amounts in EUR million)	2012	2011	2012	2011
Held at fair value	2,600	1,882	2,600	1,882
Held at amortised cost	2,649	2,462	2,800	2,512
Total, debt securities	**5,249**	**4,344**	**5,399**	**4,394**

Of these debt securities, EUR 3,515 (3,050) million is at fixed interest rates and EUR 1,734 (1,294) 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.

(Amounts in EUR million)	Book value	Fair value	Unrecognised adjustments to fair value
2012	297	275	-22
2011	409	370	-39
2010	505	483	-22
2009	606	585	-21
2008	684	630	-54
1 Sep 2008	762	715	-47

(Amounts in EUR million)	2012	2011	2010	2009	2008
Recognised interest income due to reclassification	-6.1	-7.3	-8.6	-8.6	-1.5
Change in unrecognised adjustment to fair value	17.4	-17.7	-0.2	32.6	-7.3
Impact on profit if the reclassification had not been implemented	11.3	-25.0	-8.7	24.0	-8.8

(8) LOANS OUTSTANDING AND GUARANTEE COMMITMENTS

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

(Amounts in EUR million)	2012	2011
Ordinary Loans		
Investment loans in the member countries	11,952	11,054
Investment loans in other countries	535	525
Regional loans in the Nordic countries	4	5
Adjustment to hedge accounting	346	246
Total	**12,837**	**11,830**
Project Investment Loans (PIL)		
Africa	221	247
Asia	1,100	1,042
Europe and Eurasia	388	323
Latin America	419	487
Middle East	70	82
Adjustment to hedge accounting	34	37
Total	**2,232**	**2,219**
Environmental Investment Loans (MIL)	**102**	**103**
Collective impairment	**-40**	**-**
Total, loans outstanding	**15,131**	**14,153**

The figure for loans outstanding, EUR 15,131 (14,153) million, includes medium-term notes (MTN) of EUR 1,461 (1,668) million. 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 12,495 (11,937) million, while those at fixed interest rates amounted to EUR 2,296 (1,934) million. There were no guarantee commitments (4.2) under Ordinary lending as of 31 December 2012.

A total of EUR 158.3 (126.9) million has been deducted from the Bank's loans outstanding and from lending claims in "other assets". Specific allowances for impairment amounted to EUR 118.3 million and collectively assessed allowances amounted to EUR 40.0 million. On 31 December 2012, lending transactions worth EUR 22.8 (28.2) million had been converted into claims under "other assets". The following changes in allowances for impairment and effects of foreign currency movements are recognised in the statement of comprehensive income under impairment of loans and foreign exchange gains and losses.

Specific and collective allowances for impairment

(Amounts in EUR million)	2012	2011
Balance at 1 January	126.9	152.0
Allowances for impairment, individually assessed	16.7	15.6
Allowances for impairment, collectively assessed	40.0	-
Reversals of previously recorded allowances for impairment	-25.3	-40.8
Balance at 31 December	**158.3**	**126.9**

See also Note 6.

The distribution of allowances for impairment was as follows:

(Amounts in EUR million)	2012	2011
Distribution by loan facility		
Ordinary Loans	21.6	27.2
Project Investment Loans (PIL)	7.2	8.3
Allowances for impairment, loans outstanding	**28.8**	**35.5**
Collective impairment	**40.0**	**-**
Impairment losses on defaulted loan customers, other assets	**89.5**	**91.4**
Total	**158.3**	126.9

In 2012 NIB reorganized its lending activities on the basis of business areas. The lending activities are carried out in five areas: Energy and Environment; Infrastructure, Transportation and Telecom; Heavy Industry and Mechanical Engineering; Consumer Goods and Services; and Financial Institutions and SMEs.

(Amounts in EUR million)	2012	2011
Distribution by NIB business areas		
Financial Institutions & SMEs	-	-
Energy & Environment	15.2	20.7
Infrastructure, Transportation and Telecom	6.6	6.7
Heavy Industry & Mechanical Engineering	7.0	8.1
Consumer Goods & Services	-	-
Allowances for impairment, loans outstanding	**28.8**	**35.5**
Collective impairment	**40**	**-**
Impairment losses on defaulted loan customers, other assets	**89.5**	**91.4**
Total	**158.3**	**126.9**

As of December 2012 there were no (-) non-performing loans.

As of 31 December 2012, loans agreed but not yet disbursed amounted to the following:

(Amounts in EUR million)	2012	2011
Loans agreed but not yet disbursed		
Ordinary Loans	909	1,049
Project Investment Loans	656	636
Environmental Investment Loans	47	42
Total, loans agreed but not yet disbursed	**1,613**	1,727

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.

Distribution according to NIB business areas

(Amounts in EUR million)	2012	Share, in %	2011	Share, in %
Loans outstanding as of 31 December				
Financial Institutions & SMEs	2,019	14%	2,158	16%
Energy & Environment	4,590	31%	4,263	31%
Infrastructure, Transportation and Telecom	2,820	19%	2,150	16%
Heavy Industry & Mechanical Engineering	2,900	20%	2,891	21%
Consumer Goods & Services	2,462	17%	2,408	17%
Collective impairment	**-40**		-	
Adjustments to hedge accounting	380		283	
Total	**15,131**	**100%**	**14,153**	**100%**
Loans disbursed				
Financial Institutions & SMEs	225	10%	288	15%
Energy & Environment	608	26%	570	29%
Infrastructure, Transportation and Telecom	803	34%	493	25%
Heavy Industry & Mechanical Engineering	373	16%	199	10%
Consumer Goods & Services	346	15%	397	20%
Total	**2,355**	**100%**	**1,946**	**100%**

Currency distribution of loans outstanding

	Ordinary loans		PIL loans		Total [1]	
(Nominal amounts in EUR million)	2012	2011	2012	2011	2012	2011
Currency						
Nordic currencies	4,240	3,525	67	-	4,307	3,525
EUR	6,698	6,822	721	639	7,472	7,503
USD	1,383	1,040	1,366	1,489	2,795	2,591
Other currencies	170	198	44	54	216	252
Total	**12,490**	**11,585**	**2,198**	**2,182**	**14,790**	**13,870**
Adjustment to hedge accounting	**346**	**246**	**34**	**37**	**380**	**283**
Collective impairment					**-40**	**-**
Total, loans outstanding	**12,837**	**11,830**	**2,232**	**2,219**	**15,131**	**14,153**

[1] The total amount also includes EUR 102 million (103) in Environmental Investment Loans (MIL)

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 2012			
Loans to or guaranteed by governments			
Loans to or guaranteed by member countries	355		
Loans to or guaranteed by other countries	1,426	1,781	12.1%
Loans to or guaranteed by local authorities in member countries		759	5.1%
Loans to or guaranteed by companies owned 50% or more by member countries or local authorities in member countries		1,032	7.0%
Loans to or guaranteed by banks		1,158	7.8%
Other loans			
Backed by a lien or other security in property	615		
With a guarantee from the parent company and other guarantees	1,321		
With a negative pledge clause and other covenants	8,121		
Without formal security	4	10,061	68.0%
Collective impairment		-40	
Total		**14,750**	**100.0%**
Adjustment to hedge accounting		380	
Total, loans outstanding		**15,131**	

(Amounts in EUR million)	Amount	Total amount	Share, in %
As of 31 December 2011			
Loans to or guaranteed by governments			
Loans to or guaranteed by member countries	330		
Loans to or guaranteed by other countries	1,472	1,802	13.0%
Loans to or guaranteed by local authorities in member countries		445	3.2%
Loans to or guaranteed by companies owned 50% or more by member countries or local authorities in member countries		896	6.5%
Loans to or guaranteed by banks		1,160	8.4%
Other loans			
Backed by a lien or other security in property	570		
With a guarantee from the parent company and other guarantees	1,238		
With a negative pledge clause and other covenants	7,760		
Without formal security	5	9,573	69.0%
Total		**13,874**	**100.0%**
Adjustment to hedge accounting		283	
Total, loans outstanding (including guarantees)		**14,157**	

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:

(Amount in EUR 1,000)	2012 Amount of guarantee	2012 Share, in %	2011 Amount of guarantee	2011 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:

(Amount in EUR 1,000)	2012 Amount of guarantee	2012 Share, in %	2011 Amount of guarantee	2011 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 4.4 (4.6) million.

(Amounts in EUR 1,000)	Computer software development costs, total 2012	Computer software development costs, total 2011
Intangible assets		
Acquisition value at the beginning of the year	20,771	19,117
Acquisitions during the year	1,727	1,655
Sales/disposals during the year	-	-
Acquisition value at the end of the year	**22,499**	**20,771**
Accumulated amortisation at the beginning of the year	16,212	13,958
Amortisation according to plan for the year	1,841	2,254
Accumulated amortisation on sales/disposals during the year	-	-
Accumulated amortisation at the end the of the year	**18,053**	**16,212**
Net book value	**4,446**	**4,560**

As of 31 December 2012, 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 24.3 (25.0) million.

The value of office equipment and other tangible assets is recognised at EUR 5.5 (5.8) million.

2012

(Amounts in EUR 1,000)	Buildings	Office equipment and other tangible assets	Total
Tangible assets			
Acquisition value at the beginning of the year	33,769	17,304	51,074
Acquisitions during the year	-	871	871
Sales/disposals during the year	-	-268	-268
Acquisition value at the end of the year	**33,769**	**17,908**	**51,677**
Accumulated depreciation at the beginning of the year	8,750	11,518	20,268
Depreciation according to plan for the year	673	1,097	1,770
Accumulated depreciation on sales/disposals during the year	-	-216	-216
Accumulated depreciation at the end of the year	**9,424**	**12,398**	**21,822**
Net book value	**24,346**	**5,510**	**29,856**

On each closing date, the Bank's assets are assessed to determine whether there is any indication of an asset's impairment. As of 31 December 2012, there were no indications of impairment of the intangible or tangible assets.

2011

(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	16,807	50,546
Acquisitions during the year	30	718	748
Sales/disposals during the year	-	-220	-220
Acquisition value at the end of the year	**33,769**	**17,305**	**51,074**
Accumulated depreciation at the beginning of the year	8,079	10,579	18,658
Depreciation according to plan for the year	671	1,123	1,794
Accumulated depreciation on sales/disposals during the year	-	-184	-184
Accumulated depreciation at the end of the year	**8,750**	**11,518**	**20,268**
Net book value	**25,019**	**5,787**	**30,806**

(10) DEPRECIATION

(Amounts in EUR 1,000)	2012	2011
Intangible assets	1,841	2,254
Tangible assets	1,770	1,795
Buildings	673	671
Office equipment	1,097	1,123
Total	**3,611**	**4,048**

(11) OTHER ASSETS

Derivatives are included in “Other assets”.

(Amounts in EUR million)	2012	2011
Interest rate swaps [1]	14,728	12,649
Currency swaps [2]	18,744	18,784
Total, nominal amount	**33,471**	**31,432**
Netting of nominal amount per derivative	-32,017	-29,715
Derivative receivables, net	**1,454**	**1,717**
Adjustment to hedge accounting and changes in fair value of non-hedging derivatives	894	704
Derivative instruments	**2,348**	**2,421**
Receivables from defaulted counterparties	10	36
Other	16	3
Total	**2,374**	**2,459**

[1] Interest rate swaps at floating interest rates EUR 4,274 (3,656) million and fixed interest rates EUR 10,454 (8,992) million.

[2] Currency swaps at floating interest rates EUR 12,229 (12,556) million and fixed interest rates EUR 6,515 (6,228) million.

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)	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Currency						
USD	8,357	7,481	-4,749	-4,598	3,609	2,883
AUD	2,121	1,351	-2,121	-1,351	-	-
GBP	1,928	2,164	-1,927	-2,163	1	1
JPY	1,785	2,080	-1,759	-2,038	26	42
EUR	1,253	1,245	9,034	8,800	10,287	10,046
Nordic currencies	1,493	1,354	3,097	2,212	4,591	3,566
Other currencies	2,415	2,071	-2,225	-1,861	190	210
Total	**19,353**	**17,746**	**-650**	**-998**	**18,703**	**16,748**
Adjustment to hedge accounting and changes in fair value of non-hedging derivatives	**979**	**686**	**-596**	**-396**	**384**	**290**
Total, borrowing outstanding	**20,332**	**18,433**	**-1,245**	**-1,395**	**19,087**	**17,038**

The table set forth above includes the following medium-term note (MTN) programmes: 237 (278) borrowing transactions in the equivalent amount of EUR 9,679 (10,708) million entered into under the Bank's euro MTN programme,10 (8) borrowing transactions in the equivalent amount of EUR 6,948 (5,428) million under the Bank's US MTN programmes and 17 (11) borrowing transactions in the equivalent amount of EUR 2,582 (1,464) million under the Bank's Australian MTN programme. There where no borrowing transactions outstanding under the Bank's Swedish MTN programme during the years 2012 and 2011. The Bank has established a EUR 2.000 million commercial paper programme in Europe.

Of debt securities issued, the amount of EUR 2,366 (2,508) million is at floating interest rates, while EUR 16,921 (15,173) million is at fixed interest rates. Of the other borrowing transactions, the amount of EUR 14 (14) million is at floating interest rates, while EUR 52 (52) million, is at fixed interest rates.

(13) OTHER LIABILITIES

Derivatives are included in “Other liabilities”.

(Amounts in EUR million)	2012	2011
Interest rate swaps [1]	14,723	12,618
Currency swaps [2]	18,062	17,804
Total, nominal amount	**32,785**	**30,422**
Netting of nominal amount per derivative	-31,980	-29,704
Derivative payables, net	**805**	**718**
Adjustment to hedge accounting and changes in fair value of non-hedging derivatives	298	308
Derivative instruments	**1,103**	**1,026**
Other	9	10
Total	**1,112**	**1,036**

[1] Interest rate swaps at floating interest rates EUR 11,627 (10,134) million and fixed interest rates EUR 3,095 (2,484) million.

[2] Currency swaps at floating interest rates EUR 17,893 (17,620) million and fixed interest rates EUR 169 (184) million.

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)	2012	Share, in %	2011	Share, in %
Member country				
Denmark	1,293.9	21.1%	1,293.9	21.1%
Estonia	56.3	0.9%	56.3	0.9%
Finland	1,088.1	17.7%	1,088.1	17.7%
Iceland	58.1	0.9%	58.1	0.9%
Latvia	82.1	1.3%	82.1	1.3%
Lithuania	119.8	2.0%	119.8	2.0%
Norway	1,320.8	21.5%	1,320.8	21.5%
Sweden	2,122.8	34.6%	2,122.8	34.6%
Total	**6,141.9**	**100.0%**	**6,141.9**	**100.0%**

The member countries' portions of paid-in capital are as follows:

(Amounts in EUR million)	2012	Share, in %	2011	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 2012, the Statutory Reserve amounted to EUR 686.3 million, or 11.2% of the Bank's authorised capital of EUR 6,141.9 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 955.6 million in 2012.

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 2012, the fund amounted to EUR 395.9 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 1,351.5 million as of 31 December 2012.

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. In accordance with individual payment agreements, Estonia and Lithuania have paid their shares of the reserves in full by September 2010, and Latvia by 30 September 2012.

(16) COLLATERAL AND COMMITMENTS

Amounts in EUR million	2012	2011
Guarantees issued at nominal amount (Note 8)	-	4
Loans agreed but not yet disbursed (Note 8)	1,613	1,727
Borrowing commitments	-	-
Collateral provided for staff loans [1]	-	-
Callable commitments in financial placements	23	51
Collateral with respect to derivatives exposure		
Collateral received [2] [3]	1,783	1,558
Collateral given [1]	15	-

[1] Book value.

[2] Fair value.

[3] Including cash EUR 1,464 million (1,223) and securities EUR 319 million (335) received.

(17) FAIR VALUE OF FINANCIAL INSTRUMENTS

			2012			2011
(Amounts in EUR million)	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Assets						
Cash accounts with banks [1]	106	106	-	113	113	-
Cash equivalents held at fair value [1]	1,338	1,338	-	519	519	-
Other cash and cash equivalents held at amortised cost [2]	1,374	1,374	-	1,782	1,782	-
Cash and cash equivalents, total	**2,817**	**2,817**	**-**	**2,415**	**2,415**	**-**
Placements with credit institutions [2]	4	4	-	4	4	-
Debt securities held at fair value [1 3]	2,600	2,600	-	1,882	1,882	-
Other debt securities held at amortised cost [1]	2,649	2,800	151	2,462	2,512	50
Debt securities, total	**5,249**	**5,400**	**151**	**4,344**	**4,394**	**50**
Other financial placements at fair value [3]	22	22	-	26	26	-
Hedged loans outstanding in fair value hedging relationships [2]	2,668	2,668	-	2,206	2,206	-
Loans outstanding, other [2]	12,463	12,459	-4	11,947	11,957	10
Loans outstanding, total	**15,131**	**15,127**	**-4**	**14,153**	**14,163**	**10**
Hedging derivatives at fair value [2]	1,956	1,956	-	1,885	1,885	-
Other derivatives at fair value [2]	392	392	-	535	535	-
Derivatives at fair value, total	**2,348**	**2,348**	**-**	**2,421**	**2,421**	**-**
Receivables from defaulted counterparties at fair value [3]	10	10	-	36	36	-
			147			**60**
Liabilities						
Short-term amounts owed to credit institutions [2]	1,593	1,592	-1	1,496	1,495	-
Long-term amounts owed to credit institutions [2]	15	15	-	102	102	-
Hedged debt securities issued in fair value hedging relationships [2]	20,059	20,059	-	18,166	18,166	-
Other debt securities issued [2]	196	196	-	194	194	-
Debt securities issued, total	**20,255**	**20,255**	**-**	**18,360**	**18,360**	**-**
Hedged other debt in fair value hedging relationships [2]	73	73	-	69	69	-
Other debt [2]	4	4	-	4	4	-
Other debt, total	**77**	**77**	**-**	**73**	**73**	**-**
Hedging derivatives at fair value [2]	687	687	-	701	701	-
Other derivatives at fair value [2]	416	416	-	325	325	-
Derivatives at fair value, total	**1,103**	**1,103**	**-**	**1,026**	**1,026**	**-**
			-1			
Net			**146**			**60**

[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 Dec 2012 (Amounts in EUR million)	Level 1	Level 2	Level 3
Cash accounts with banks	106		
Cash equivalents held at fair value	1,338		
Debt securities held at fair value	2,556		44
Other financial placements held at fair value			22
Hedged loans outstanding in fair value hedging relationships		2,668	
Derivatives		2,348	
Receivables from defaulted counterparties			10 [1]
Financial assets measured at fair value, total	**3,999**	**5,016**	**76**
Hedged debt securities issued in fair value hedging relationships		20,059	
Hedged other debt in fair value hedging relationships		73	
Derivatives		1,103	
Financial liabilities measured at fair value, total		**21,235**	

31 Dec 2011 (Amounts in EUR million)	Level 1	Level 2	Level 3
Cash accounts with banks	113		
Cash equivalents at fair value through profit or loss held for trading	519		
Debt securities at fair value through profit or loss held for trading	1,822		60
Other financial placements held at fair value			26
Hedged loans outstanding in fair value hedging relationships		2,206	
Derivatives		2,421	
Receivables from defaulted counterparties			36 [1]
Financial assets measured at fair value, total	**2,454**	**4,626**	**121**
Hedged debt securities issued in fair value hedging relationships		18,166	
Hedged other debt in fair value hedging relationships		69	
Derivatives		1,026	
Financial liabilities measured at fair value, total		**19,261**	

[1] Receivables from defaulted treasury counterparties are measured at fair value. Receivables from defaulted lending counterparties are measured at cost minus impairment.

Changes in fair values categorised at level 3	31 Dec 2011	Matured transactions	Sold transactions	Changes in fair values	31 Dec 2012
Debt securities held at fair value	60	-12		-4	**44**
Other financial placements held at fair value	26			-3	**22**
Receivables from defaulted counterparties	36		-17	-8	**10**
	121	**-12**	**-17**	**-15**	**76**

(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 Risk Management, Market Risk.

2012

(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	2,592	225	-	-	-	-	0	2,817
Financial placements								
Placements with credit institutions	-	-	-	-	-	-	4	4
Debt securities	250	116	233	3,885	623	134	8	5,249
Other	-	-	-	-	-	-	22	22
	250	**116**	**233**	**3,885**	**623**	**134**	**34**	**5,275**
Loans outstanding	237	396	865	6,904	5,055	1,334	340	15,131
Intangible assets	-	-	-	-	-	-	4	4
Tangible assets	-	-	-	-	-	-	30	30
Other assets								
Derivatives								
Receivables	2,065	1,640	1,244	16,388	3,183	1,858	894	27,271
Payables	-1,889	-1,505	-1,203	-15,500	-3,038	-1,789	-	-24,924
	176	**135**	**41**	**888**	**146**	**69**	**894**	**2,348**
Other assets	-	-	-	-	-	-	26	26
Payments to the Bank’s reserves, receivable	-	-	-	-	-	-	-	-
Accrued interest and fees receivable	-	-	-	-	-	-	352	352
Total assets	**3,255**	**872**	**1,140**	**11,676**	**5,823**	**1,537**	**1,680**	**25,983**

Liabilities and equity								
Liabilities								
Amounts owed to credit institutions								
Short-term	1,593	-	-	-	-	-	-	1,593
Long-term	10	6	-	-	-	-	-	15
	1,603	**6**	**-**	**-**	**-**	**-**	**-**	**1,609**
Short-term debt	-	-	-	-	-	-	-	-
Debts evidenced by certificates	1,866	1,406	1,221	11,525	2,723	612	979	20,332
Other liabilities								
Derivatives								
Receivables	-243	-230	-417	-4,935	-1,104	-167	-	-7,095
Payables	269	255	435	5,425	1,250	228	335	8,198
	27	**25**	**18**	**490**	**146**	**61**	**335**	**1,103**
Other liabilities	-	-	-	-	-	-	9	9
Accrued interest and fees payable	-	-	-	-	-	-	264	264
Total liabilities	**3,496**	**1,436**	**1,240**	**12,015**	**2,869**	**673**	**1,589**	**23,317**
Equity	-	-	-	-	-	-	2,666	2,666
Total liabilities and equity	**3,496**	**1,436**	**1,240**	**12,015**	**2,869**	**673**	**4,254**	**25,983**
Net during the period	-241	-565	-100	-338	2,955	864	-2,574	-
Cumulative net during the period	-241	-806	-906	-1,244	1,711	2,574	-	-
Guarantee commitments	-	-	-	-	-	-	-	-

2011

(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	2,381	34	-	-	-	-	-	2,415
Financial placements								
Placements with credit institutions	-	-	-	-	-	-	4	4
Debt securities	184	294	364	2,520	789	232	-41	4,344
Other	-	-	-	-	-	-	26	26
	184	**294**	**364**	**2,520**	**789**	**232**	**-11**	**4,373**
Loans outstanding	323	262	794	6,394	4,627	1,469	283	14,153
Intangible assets	-	-	-	-	-	-	5	5
Tangible assets	-	-	-	-	-	-	31	31
Other assets								
Derivatives								
Receivables	761	283	438	16,704	3,424	2,828	704	25,143
Payables	-580	-261	-434	-15,775	-3,110	-2,564	-	-22,722
	181	**23**	**5**	**930**	**314**	**264**	**704**	**2,421**
Other assets	-	-	-	-	-	-	39	39
Payments to the Bank’s reserves, receivable	-	-	-	-	-	-	3	3
Accrued interest and fees receivable	-	-	-	-	-	-	364	364
Total assets	**3,070**	**613**	**1,164**	**9,844**	**5,730**	**1,965**	**1,416**	**23,802**

Liabilities and equity								
Liabilities								
Amounts owed to credit institutions								
Short-term	1,380	-	-	-	-	-	-	1,380
Long-term	45	41	16	-	-	-	-	102
	1,424	**41**	**16**	**-**	**-**	**-**	**-**	**1,481**
Short-term debt	116	-	-	-	-	-	-	116
Debts evidenced by certificates	1,162	590	1,736	11,162	2,488	609	686	18,433
Other liabilities								
Derivatives								
Receivables	-333	-305	-999	-3,769	-1,361	-228	-	-6,994
Payables	351	314	1,128	4,111	1,510	285	320	8,020
	18	**9**	**130**	**342**	**149**	**57**	**320**	**1,026**
Other liabilities	-	-	-	-	-	-	10	10
Accrued interest and fees payable	-	-	-	-	-	-	279	279
Total liabilities	**2,721**	**640**	**1,881**	**11,504**	**2,637**	**666**	**1,296**	**21,345**
Equity	-	-	-	-	-	-	2,456	2,456
Total liabilities and equity	**2,721**	**640**	**1,881**	**11,504**	**2,637**	**666**	**3,752**	**23,802**
Net during the period	349	-27	-718	-1,660	3,093	1,299	-2,337	-
Cumulative net during the period	349	322	-396	-2,056	1,037	2,337	-	-
Guarantee commitments	-	-	-	4	-	-	-	4

(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 Risk Management, Market Risk.

2012

(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	2,592	225	-	-	-	-	0	2,817
Financial placements								
Placements with credit institutions	-	-	-	-	-	-	4	4
Debt securities	1,969	38	108	2,421	572	134	8	5,249
Other	-	-	-	-	-	-	22	22
	1,969	38	108	2,421	572	134	34	5,275
Loans outstanding	6,150	6,260	229	748	981	423	340	15,131
Intangible assets	-	-	-	-	-	-	4	4
Tangible assets	-	-	-	-	-	-	30	30
Other assets								
Derivatives								
Receivables [1]	13,618	4,996	1,116	10,324	2,430	988	894	34,366
Other assets	-	-	-	-	-	-	26	26
Payments to the Bank's reserves, receivable	-	-	-	-	-	-	-	-
Accrued interest and fees receivable	-	-	-	-	-	-	352	352
Total assets	**24,329**	**11,519**	**1,453**	**13,492**	**3,983**	**1,544**	**1,680**	**58,001**

Liabilities and equity								
Liabilities								
Amounts owed to credit institutions								
Short-term	1,593	-	-	-	-	-	-	1,593
Long-term	10	6	-	-	-	-	-	15
	1,603	**6**	**-**	**-**	**-**	**-**	**-**	**1,609**
Short-term debt	-	-	-	-	-	-	-	-
Debts evidenced by certificates	2,969	1,634	1,187	10,676	2,437	449	979	20,332
Other liabilities								
Derivatives								
Payables [1]	22,766	6,860	88	1,580	955	537	335	33,120
Other liabilities	-	-	-	-	-	-	9	9
Accrued interest and fees payable	-	-	-	-	-	-	264	264
Total liabilities	**27,338**	**8,499**	**1,275**	**12,256**	**3,392**	**986**	**1,589**	**55,335**
Equity	-	-	-	-	-	-	2,666	2,666
Total liabilities and equity	**27,338**	**8,499**	**1,275**	**12,256**	**3,392**	**986**	**4,254**	**58,001**
Net during the period	-3,009	3,020	178	1,236	591	558	-2,574	-
Cumulative net during the period	-3,009	11	189	1,425	2,016	2,574	-	-
Guarantee commitments	-	-	-	-	-	-	-	-

2011

(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	2,381	34	-	-	-	-	-	2,415
Financial placements								
Placements with credit institutions	-	-	-	-	-	-	4	4
Debt securities	1,455	174	170	1,663	689	232	-41	4,344
Other	-	-	-	-	-	-	26	26
	1,455	**174**	**170**	**1,663**	**689**	**232**	**-11**	**4,373**
Loans outstanding	5,605	6,186	206	734	784	355	283	14,153
Intangible assets	-	-	-	-	-	-	5	5
Tangible assets	-	-	-	-	-	-	31	31
Other assets								
Derivatives								
Receivables [1]	12,544	4,285	1,369	9,657	2,176	1,401	704	32,136
Other assets	-	-	-	-	-	-	39	39
Payments to the Bank's reserves, receivable	-	-	-	-	-	-	3	3
Accrued interest and fees receivable	-	-	-	-	-	-	364	364
Total assets	**21,985**	**10,679**	**1,745**	**12,055**	**3,650**	**1,988**	**1,415**	**53,517**

Liabilities and equity								
Liabilities								
Amounts owed to credit institutions								
Short-term	1,380	-	-	-	-	-	-	1,380
Long-term	45	41	16	-	-	-	-	102
	1,424	**41**	**16**	**-**	**-**	**-**	**-**	**1,481**
Short-term debt	116	-	-	-	-	-	-	116
Debts evidenced by certificates	2,227	921	1,683	10,299	2,218	399	686	18,433
Other liabilities								
Derivatives								
Payables [1]	21,120	6,787	67	1,186	838	424	320	30,742
Other liabilities	-	-	-	-	-	-	10	10
Accrued interest and fees payable	-	-	-	-	-	-	279	279
Total liabilities	**24,887**	**7,748**	**1,767**	**11,485**	**3,055**	**823**	**1,296**	**51,061**
Equity	-	-	-	-	-	-	2,456	2,456
Total liabilities and equity	**24,887**	**7,748**	**1,767**	**11,485**	**3,055**	**823**	**3,752**	**53,517**
Net during the period	-2,902	2,931	-22	569	595	1,166	-2,337	-
Cumulative net during the period	-2,902	29	7	577	1,171	2,337	-	-
Guarantee commitments	-	-	-	4	-	-	-	4

[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 Risk Management, Market Risk.

Net currency position as of 31 December 2012:

(Amounts in EUR million)	EUR	USD	GBP	JPY	SEK	Other currencies	Fair value adjustments and swap netting	Total
Assets								
Cash and cash equivalents	2,399	300	-	-	60	58	-	2,817
Financial placements								
Placements with credit institutions	4	-	-	-	-	-	-	4
Debt securities	4,597	493	-	-	44	115	-	5,249
Other financial placements	22	-	-	-	-	-	-	22
	4,623	**493**	**-**	**-**	**44**	**115**	**-**	**5,275**
Loans outstanding	7,433	2,795	-	26	2,215	2,282	380	15,131
Intangible assets	4	-	-	-	-	-	-	4
Tangible assets, property and equipment	30	-	-	-	-	-	-	30
Other assets								
Derivatives	-9,034	4,749	1,927	1,759	-1,954	3,203	1,698	2,348
Other assets	3	21	-	-	-	2	-	26
	-9,032	**4,770**	**1,927**	**1,759**	**-1,954**	**3,205**	**1,698**	**2,374**
Accrued interest and fees receivable	115	103	23	8	13	100	-10	352
Total assets	**5,572**	**8,460**	**1,951**	**1,793**	**378**	**5,760**	**2,069**	**25,983**
Liabilities and equity								
Liabilities								
Amounts owed to credit institutions								
Short-term amounts owed to credit institutions	1,588	5	-	-	-	-	-	1,593
Long-term amounts owed to credit institutions	15	-	-	-	-	-	-	15
	1,604	**5**	**-**	**-**	**-**	**-**	**-**	**1,609**
Debts evidenced by certificates								
Debt securities issued	1,191	8,357	1,928	1,785	367	5,659	968	20,255
Other debt	62	-	-	-	-	4	11	77
	1,253	**8,357**	**1,928**	**1,785**	**367**	**5,663**	**979**	**20,332**
Other liabilities								
Derivatives	-	-	-	-	-	-	1,103	1,103
Other liabilities	9	-	-	-	-	-	-	9
	9	**-**	**-**	**-**	**-**	**-**	**1,103**	**1,112**
Accrued interest and fees payable	45	94	23	8	10	94	-10	264
Total liabilities	**2,911**	**8,456**	**1,951**	**1,793**	**377**	**5,757**	**2,072**	**23,317**
Equity	2,456	-	-	-	-	-	-	2,456
Total liabilities and equity	**5,367**	**8,456**	**1,951**	**1,793**	**377**	**5,757**	**2,072**	**25,774**
Net of assets and liabilities as of 31 Dec 2012	**205**	**4**	**-**	**-**	**1**	**3**	**-4**	**209**

Net currency position as of 31 December 2011:

(Amounts in EUR million)	EUR	USD	GBP	JPY	SEK	Other currencies	Fair value adjustments and swap netting	Total
Assets								
Cash and cash equivalents	2,334	43	1	-	-	37	-	2,415
Financial placements								
Placements with credit institutions	4	-	-	-	-	-	-	4
Debt securities	3,869	474	-	-	-	1	-	4,344
Other financial placements	26	-	-	-	-	-	-	26
	3,898	**474**	**-**	**-**	**-**	**1**	**-**	**4,374**
Loans outstanding	7,503	2,591	1	42	1,865	1,869	283	14,153
Intangible assets	5	-	-	-	-	-	-	5
Tangible assets, property and equipment	31	-	-	-	-	-	-	31
Other assets								
Derivatives	-8,800	4,598	2,163	2,038	-1,473	2,473	1,422	2,421
Other assets	1	12	-	-	-	26	-	39
	-8,800	**4,610**	**2,163**	**2,038**	**-1,473**	**2,499**	**1,422**	**2,459**
Payments to the Bank's reserves, receivable	3	-	-	-	-	-	-	3
Accrued interest and fees receivable	132	107	22	9	15	95	-18	364
Total assets	**5,105**	**7,825**	**2,187**	**2,089**	**407**	**4,501**	**1,687**	**23,802**
Liabilities and equity								
Liabilities								
Amounts owed to credit institutions								
Short-term amounts owed to credit institutions	1,254	242	-	-	-	-	-	1,496
Long-term amounts owed to credit institutions	102	-	-	-	-	-	-	102
	1,355	**242**	**-**	**-**	**-**	**-**	**-**	**1,597**
Debts evidenced by certificates								
Debt securities issued	1,183	7,481	2,164	2,080	393	4,379	679	18,360
Other debt	62	-	-	-	-	4	7	73
	1,245	**7,481**	**2,164**	**2,080**	**393**	**4,383**	**686**	**18,433**
Other liabilities								
Derivatives	-	-	-	-	-	-	1,026	1,026
Other liabilities	10	-	-	-	-	-	-	10
	10	**-**	**-**	**-**	**-**	**-**	**1,026**	**1,036**
Accrued interest and fees payable	59	98	22	9	14	95	-18	279
Total liabilities	**2,669**	**7,821**	**2,187**	**2,089**	**406**	**4,478**	**1,694**	**21,345**
Equity	2,262	-	-	-	-	-	-	2,262
Total liabilities and equity	**4,931**	**7,821**	**2,187**	**2,089**	**406**	**4,478**	**1,694**	**23,608**
Net of assets and liabilities as of 31 Dec 2011	**174**	**3**	**-**	**-**	**1**	**24**	**-7**	**194**

(21) AVERAGE STATEMENT OF FINANCIAL POSITION

(Amounts in EUR million)	2012	2011
Assets		
Cash and cash equivalents	3,196	2,322
Financial placements		
Placements with credit institutions	4	46
Debt securities	5,060	4,674
Other	27	28
	5,090	**4,748**
Loans outstanding	14,542	13,664
Intangible assets	5	5
Tangible assets	30	31
Other assets		
Derivatives (incl.exchange rate adjustments)	2,542	2,150
Other assets	35	36
	2,577	**2,185**
Payments to the Bank's reserves, receivable	1	4
Accrued interest and fees receivable	368	351
Total assets	**25,810**	**23,312**
Liabilities and equity		
Liabilities		
Amounts owed to credit institutions		
Short-term amounts owed to credit institutions	1,740	1,037
Long-term amounts owed to credit institutions	69	137
	1,809	**1,174**
Short-term debt	26	57
Debts evidenced by certificates		
Debt securities issued	19,977	17,914
Other debt	75	179
	20,052	**18,092**
Other liabilities		
Derivatives (incl.exchange rate adjustments)	1,043	1,343
Other liabilities	12	9
	1,055	**1,352**
Accrued interest and fees payable	283	273
Total liabilities	**23,226**	**20,948**
Equity	2,584	2,364
Total liabilities and equity	**25,810**	**23,312**

The average statement of financial position is calculated on a monthly basis.

(22) RELATED PARTY DISCLOSURES

The Bank provides administrative 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
2012	-	535	19	143,411
2011	-	1,754	92	258,990

Rental income (NDF, NEFCO)

(Amounts in EUR 1,000)	NDF	NEFCO
2012	121	209
2011	116	197

(23) CASH FLOW STATEMENT

Specification of the change in cash and cash equivalents, net on 31 December:

(Amounts in EUR 1,000)	2012	2011
Cash and balances with banks [1]	105,647	113,246
Short-term placements with credit institutions	2,076,035	2,301,708
Collateralised placements	635,507	
Cash and cash equivalents	**2,817,189**	**2,414,954**
Short-term amounts owed to credit institutions [2]	-1,593,338	-1,495,517
Cash and cash equivalents, net	**1,223,851**	**919,437**
Change in cash and cash equivalents, net	**304,414**	**-674,934**

[1] Including an initial margin requirement of EUR 1,243 (1,456) thousand for futures on 31 December.

[2] Of which cash received as collateral EUR 1,464,012 (1,223,006).

(24) EXCHANGE RATES

	EUR rate on 31 Dec 2012	EUR rate on 30 Dec 2011
DKK Danish Krone	7.461	7.4342
ISK Icelandic Króna	170.20[1]	158.65[1]
LVL Latvian Lats	0.6977	0.6995
NOK Norwegian Krone	7.3483	7.754
SEK Swedish Krona	8.582	8.912
ARS Argentine Peso	6.47531[2]	5.56958[2]
AUD Australian Dollar	1.2712	1.2723
BRL Brazilian Real	2.7036	2.4159
CAD Canadian Dollar	1.3137	1.3215
CHF Swiss Franc	1.2072	1.2156
CZK Czech Koruna	25.151	25.787
GBP Pound Sterling	0.8161	0.8353
HKD Hong Kong Dollar	10.226	10.051
JPY Japanese Yen	113.61	100.20
MXN Mexican Peso	17.1845	18.0512
NZD New Zealand Dollar	1.6045	1.6737
PLN Polish Zloty	4.074	4.458
RUB Russian Rouble	40.3295	41.765
SDR Special Drawing Right	0.85776[3]	0.84279[3]
SGD Singapore Dollar	1.6111	1.6819
TRY New Turkish Lira	2.3551	2.4432
TWD New Taiwan Dollar	38.3098[2]	39.2092[2]
USD United States Dollar	1.3194	1.2939
ZAR South African Rand	11.1727	10.483

[1] Reuters closing.

[2] The exchange rate is calculated using the year-end market rate for USD/relevant currency, which then provides the EUR/relevant currency rate.

[3] IMF's (International Monetary Fund) closing per 28 December 2012 and per 30 December 2011.

(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 7 March 2013, 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 scheduled to be held on 30 April 2013.

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

Independent auditors' report on the financial statements

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 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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 of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 at 31 December 2012, 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, 8 March 2013

Sixten Nyman
Authorised Public Accountant

KPMG Oy Ab
Mannerheimintie 20 B
00100 Helsinki
Finland

Per Gunslev
State Authorised Public Accountant

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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 bear responsibility for the audit of the Bank and annually deliver an auditors' report to the Board of Governors. Having completed our assignment for the year 2012, 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 8 March 2013. 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 8 March 2013 by the authorised public accountants appointed by the Control Committee.

Following the audit, carried out by the independent auditors, 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 2012 and of its results and financing in 2012. The Statement of Comprehensive Income shows a profit of EUR 209,205,181.00 for the financial period.

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; 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, 8 March 2013

Arne Skauge

Eva Lindström	Thomas Jensen	Sven Sester
Tuula Peltonen	Ragnheiður Ríkharðsdóttir	Karina Korna
Alina Brazdilienė	Hans Frode Kielland Asmyhr	Åsa Torstensson