

FINANCIAL POLICIES

PART I



NORDIC INVESTMENT BANK

June 2007

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INTRODUCTION

The aim of the Financial Policies document (the document) is to summarise the Nordic Investment Bank's (the Bank's) current financial policies, risk management as well as instructions and guidelines for the application of the policies. This document has been approved by the Board of Directors of the Bank. The document replaces the Financial Policies and Guidelines approved by the Board of Directors in August 1995, which was subsequently updated in 1998, 2002 and 2006. Throughout the document, reference is made to source documents that together with this document form the policy and procedural framework for the operations of the Bank.

Definitions:

Counterparty (or all counterparties) = All counterparties in relation to the Bank's business operations, lending and/or treasury.

Counterparty in the above definitions refers to single counterparties or counterparty groups i.e. legal and/or financially consolidated groups or counterparties which otherwise are risk wise dependent.

Loans outstanding = Annual Financial Report - Balance sheet 31 December, Loans outstanding.

Lending exposure = Loans outstanding + Loans agreed but not disbursed

Credit Exposure = Lending exposure + Treasury exposure(as defined in Part I, Chapter 7.2. "Credit Risk").

1. GENERAL OPERATING PRINCIPLES OF THE BANK

1.1. *Constituent documents*

The Bank is governed by its constituent documents, namely the Agreement and the Statutes as amended from time to time. The current Agreement and Statutes were agreed upon in February 2004, to reflect the enlarged membership of the Bank as to include Estonia, Latvia and Lithuania alongside the founding members, the Nordic countries. The Agreement and the Statutes became effective on 1 January 2005 after ratification in each of the eight member countries.

The Preamble of the Agreement establishes that the Bank is the member countries' common international financial institution having the same status as other legal persons conducting similar operations within and outside the member countries. Article 1 stipulates that the Bank has the status of an international legal person with full legal capacity.

In addition a Headquarters Agreement has been concluded between the Government of Finland and the Bank on 8 July 1999. The Headquarters Agreement regulates in more detail issues related to the status of the Bank and its staff and to the Bank's relations with its host country.

The constituent documents further define the immunities and privileges of the Bank, as an international organisation, and its personnel.

References:

Agreement between Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway and Sweden concerning the Nordic Investment Bank, 11 February 2004
Statutes of the Nordic Investment Bank
Headquarters Agreement between the Government of Finland and the Nordic Investment Bank, 8 July 1999

1.2. *Mission and strategy*

The foundation for the Bank's Mission and Strategy is laid down in the Bank's constituent documents (Agreement Article 1, Statutes Section 1). The Bank's Mission and Strategy has been revised and approved by the Board of Directors in August 2006.

1.2.1. *Mission*

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

1.2.2. *Strategy*

The Bank promotes competitiveness and supports the environment by providing financing in the form of loans and guarantees for activities in which the Bank can add value and complement other financing sources. Moreover, the Bank continues to assess the environmental aspects of all its financing.

The Bank remains flexible in terms of supporting different areas of the economy but puts particular emphasis on projects involving:

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

While maintaining focus on activities in the member countries, the Bank aims at continued expansion of activities in the neighbouring areas and in other countries where a mutual interest is identified.

The Bank carries out this strategy by proactively applying the Bank's relative strengths:

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

Reference:

Mission and Strategy of the Nordic Investment Bank, 24 August 2006

1.3. Governance of the Bank

The Statutes set out the structure for the governance of the Bank. As an international organisation, the Bank is as such not subject to national legislation or to supervision by any national authorities. However, the Bank is expected to respect the laws of its host country and those of its other member countries, as well as of all other countries in which it carries out activities.

1.3.1. General principles enhancing good governance

Taking into account expectations and limitations implied by the status and legal framework of the Bank as an international financial institution, the Bank aims at following best practices of good governance. The Bank defines openness, transparency, predictability, accountability, objectivity, responsibility and disclosure with due regard to the safeguarding of clients interests, as the general principles enhancing and further developing good governance.

1.4. Decision-making bodies

1.4.1. Board of Governors

The Board of Governors is composed of eight Governors, designated by each member country respectively from among the ministers in its government. The Board of Governors appoints a Chairman for one year according to a rotation scheme adopted by them.

According to the Agreement and Section 14 of the Statutes, the Board of Governors is the Bank's supreme decision-making body vested with exclusive powers to: amend the Statutes; decide upon increases or decreases of the authorised capital; decide upon questions of interpretation and application of the provisions of the Agreement and Statutes; approve the annual report of the Board of Directors and the audited financial statements of the Bank;

appoint two members of the Control Committee and decide upon procedures for the withdrawal of membership and the liquidation of the Bank.

1.4.2. Board of Directors

According to Section 15 of the Statutes, the non-resident Board of Directors consists of eight Directors and Alternates. One Director and one Alternate are appointed by each member country. A Director and his or her Alternate are appointed for a maximum term of four years at a time.

Except for the exclusive powers vested in the Board of Governors, all the powers are vested in the Board of Directors. The Board of Directors performs inter alia the following tasks:

- adopting policy decisions concerning the operations of the Bank;
- appointing the President and deciding on his/her remuneration;
- approving the loans and guarantees proposed by the President;
- authorising the President under annual general authorisations to carry out borrowings and associated treasury activities
- approving the principles for financial and cash management and setting limits for the Bank's risk management and risk control
- deciding upon the annual budget and the financial statements
- submitting proposals to the Board of Governors on matters which are within the exclusive powers of the Board of Governors
- deciding upon other administrative matters outside the scope of the daily operations.

The Board of Directors can delegate its powers to the President to the extent it considers appropriate.

Each Director has one vote and seven Directors or Alternates, entitled to vote, constitute a quorum. A proposal supported by at least five Directors or Alternates shall become the decision of the Board of Directors.

The work of the Board of Directors is governed by its Rules of Procedure. The Board of Directors meets approximately eight times a year. Furthermore, decisions can be made according to a written procedure. There are currently no committees established within the Board of Directors. The Chairman and Deputy Chairman work closely with the President in between the board meetings.

The Board Directors and Alternates are bound by a code of conduct with the general purpose of further enhancing best practices in relation to the governance of the Bank.

1.4.3. President

The President is appointed by the Board of Directors for a term of five years at a time. The President shall not be a member of the Board of Directors, but may be present at the board meetings.

The President is considered the legal representative of the Bank and is responsible for the conduct of current operations of the Bank. The President shall follow the instructions and guidelines established by the Board of Directors. The President is responsible for the management of the Bank and for the implementation and proposals for further development of the Bank's policies. The President is responsible for managing the risk profile of the

Bank as a whole within the framework set by the Board of Directors. The President has been delegated decision-making powers concerning lending operations and exercises these through the Credit Committee. Furthermore, the Board of Directors has authorised the President to carry out borrowings and associated treasury activities. The President is also responsible for employing the necessary staff within the general framework of the Bank's Staff Regulations and Rules approved by the Board of Directors.

The President of the Bank is bound by a code of conduct.

The Bank has established four separate bodies for the operations and administration of the Bank; the Management Committee, the Credit Committee the Finance Committee and the ICT Council, to assist the President in his work.

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

The Credit Committee includes the President and six senior officers appointed to the Committee by the Board of Directors. The Credit Committee is chaired by the President or in the President's absence by one of its members. The Credit Committee meets regularly, once a week. The Credit Committee is responsible for the preparation of and the decision-making on matters related to the lending operations of the Bank. The President exercises his delegated decision-making powers concerning lending operations through the Credit Committee. The work of the Credit Committee is governed by its Rules of Procedure.

The Finance Committee is an advisory body to the President concerning treasury and risk management operations. The Committee monitors the market risk, borrowing activities and treasury portfolio management of the Bank. The Committee is chaired by the President and consists of additionally four members appointed by the President. The Committee meets once a month.

The ICT Council advises the President in ICT matters and it also has a Steering Committee for ICT development projects. The President however, makes his decisions in ICT matters in the Management Committee. The ICT Council consists of the Head of ICT and of other staff members appointed by the President. The chairman of the ICT Council shall be a member of the Management Committee.

1.4.4. Organisation of the Bank's operations

The Bank's operations are organised into two business functions, Lending and Treasury. In addition, the operations are backed by various support functions.

Lending is responsible for the management of all lending activities within the Bank.

Treasury is responsible for funding the Bank's operations and managing the Bank's liquidity, including:

The support functions assist and advise the President and the business functions. These are:

- Accounting and Budgeting
- Administration and Planning
- Communications
- Credit and Analysis
- Financial Administration
- General Counsel's Office
- Internal Audit
- Risk Management

References:

Statutes of the Nordic Investment Bank

Rules of Procedures for the Board of Governors, 27 April 2005

Rules of Procedures for the Board of Directors, 21 April 2005

Code of Conduct for the Board of Directors and the President, 19 May 2005

1.5. Supervisory body

1.5.1. Control Committee

According to Section 17 of the Statutes, the Control Committee is the Bank's supervisory body. The Control Committee consists of ten members. Five members are appointed by the Nordic Council one from each of the Nordic countries and the Parliaments of Estonia, Latvia and Lithuania appoint one member respectively. Two members are appointed by the Board of Governors to serve as Chairman and Deputy Chairman. The members are appointed for a term of up to two years at a time.

The Control Committee is responsible for the audit of the Bank and supervises that the operations of the Bank are conducted in accordance with the Statutes. The Control Committee appoints two professional external auditors for the purpose of assisting the Committee in carrying out the work and responsibilities of the Committee.

Decisions of the Control Committee are taken unanimously concerning the financial statements and concerning the annual auditors' report. Apart from the financial statements and the annual auditors' report, all decisions of the Committee shall require the assent of the majority of its members. The work of the Control Committee is governed by its Rules of Procedure.

The members of the Committee are bound by a code of conduct.

References:

Statutes of the Nordic Investment Bank

Code of Conduct for the Control Committee, 4 November 2005

Rules of Procedure for the Control Committee, 4 November 2005

2. FINANCIAL STRUCTURE

2.1. Overview of the financial structure

The capital of the Bank is denominated, and its accounts are kept, in euro as specified in Section 12 of the Statutes of the Bank.

2.1.1. Assets and liabilities

Loans outstanding constitutes the main portion of the Bank's assets. Loans outstanding are financed primarily by medium- and long-term borrowing in the capital markets and, to a smaller extent, in the inter-bank market. The proceeds from the borrowing transactions are converted into the currencies requested by the Bank's lending counterparties by using the derivatives markets. Derivatives are also used to convert funds from fixed interest borrowing to floating interest lending.

The Bank maintains a high level of liquidity with the aim to ensure that the Bank can fund its operations even if, due to unforeseen circumstances, market conditions for borrowing were to be temporarily unfavourable.

The Bank maintains a portfolio of EUR denominated fixed income debt securities, which is mainly funded through paid-in capital and accumulated reserves. The size of the portfolio approximately equals the Bank's equity. It consists of high-quality marketable securities, of which a major part is held to maturity.

2.1.2. Profit and loss

The Bank's main source of income is net interest income, derived from the Bank's main business of lending, from the management of the EUR fixed income portfolio and from other liquid assets. The Bank's administrative expenses are managed through prudent planning procedures. Credit loss provisions are accounted for according to the provision policy (*ref. 5.9 "Provision policy"*). The Bank's surplus is allocated into statutory and other reserves and for dividends paid to the member countries.

2.1.3. Authorised capital and equity

According to Section 3 of the Statutes, the total authorised capital of the Bank amounts to approximately EUR 4,142 million. The authorised capital consists of a paid-in and a callable portion. The member countries have subscribed to the entire amount of the authorised capital in proportion to the member countries' gross national income.

The member countries shall pay in a portion corresponding to approximately 10.1 per cent of the total authorised and subscribed capital of the Bank (Section 4 of the Statutes). Subscribed capital not paid in is subject to call by the Board of Directors to the extent that the Board deems it necessary for the fulfilment of the Bank's debt obligations. The Statutes do not require that calls be made pro rata, but it is anticipated that in the unlikely situation, a call would be made in the first instance in that manner. To date no calls have been made.

In addition to the paid-in and callable capital, the Bank has various reserves. The Bank aims at having an equity level that at all times is sufficient in relation to the financial risks that the

Bank takes and large enough to demonstrate steadfast member country support of the Bank. Capital sufficiency is determined by the demands of sound risk management practice, by the judgement of the Board of Directors and by the judgement of key outside experts, such as the credit rating agencies.

Upon proposal by the Board of Directors, the Board of Governors can decide to increase the Bank's authorised capital. To become effective, such a decision requires the approval of the parliament in each of the member countries. The Bank's capital has been increased five times since 1976 by separate capital subscriptions with an increase in the paid-in part of the subscribed capital, through cash payments and transfers from the Statutory reserve.

2.1.4. Credit risk funds and reserves

The Bank allocates a portion of the annual surplus to a General Credit Risk Fund. The General Credit Risk Fund is available to cover losses arising from the Bank's lending portfolio as well as other risks the Bank assumes in its business activities.

Sections 8 and 11 of the Bank's Statutes require that the Bank maintain two reserve funds, the Special Credit Risk Fund for PIL and the Statutory Reserve Fund.

According to Section 8 of the Statutes separate allocations of the Bank's surplus shall be made to a Special Credit Risk Fund for the PIL facility. The Board of Directors has decided that this fund shall be kept at a level that corresponds to a credit risk quality of Aaa/Aa.

After allocations to the General Credit Risk Fund and the Special Credit Risk Fund for PIL, the surplus of the Bank shall, according to Section 11 of the Statutes, be transferred to the Statutory Reserve Fund until the fund equals 10 per cent of the authorised capital of the Bank. This level has been achieved.

As part of the terms and conditions of membership in the Bank, the republics of Estonia, Latvia and Lithuania have agreed to pay into the Bank's reserves in the same proportion as their share of the subscribed capital.

References:

Statutes of the Nordic Investment Bank

2.2. Lending

The Bank may according to Section 7 of the Statutes grant loans and issue guarantees up to a total amount equivalent to 250 per cent of the sum of the authorised capital and accumulated reserves (i.e. the Statutory Reserve Fund and the General Credit Risk Fund)¹. Lending under this rule is called Ordinary Lending.

In addition to the Ordinary Lending the Bank has two special loan facilities², according to Section 7 of the Statutes, namely; Project Investment Loans (PIL) and Environmental Investment Loans (MIL).

¹ Regional Loans has served as an instrument for enhancing the financing possibilities for small and medium-sized enterprises in certain prioritised regions.

² NIB's mandate to grant Baltic Investment Loans (BIL) ceased on 31 December 1999

All lending shall be to investment projects that are of mutual interest to the member countries and other countries receiving such finance.

Project Investment Loans (PIL) provide long-term financing to creditworthy projects in emerging markets and the transition economies. The purpose of this loan facility is to promote the internationalisation of business and industry.

The authorisation for the PIL facility is EUR 4,000 million. According to Section 8 of the Statutes, the member countries guarantee 90 per cent of losses on each loan up to a total of EUR 1,800 million based on an agreement between the Bank and each individual member country. The Bank assumes 100 per cent of any losses incurred on individual PIL loans, up to the amount available in the Special Credit Risk Fund for PIL (*first loss principle*). Only thereafter would the Bank be able to call on the member countries' guarantees that support the PIL facility.

The Directive for Project Investment Loans approved by the Board of Directors contain more detailed criteria for lending under PIL.

Environmental Investment Loans (MIL) are granted for financing public and private sector environmental projects in the neighbouring regions of the member countries. The neighbouring regions of the member countries are defined to include Poland, the Kaliningrad enclave and Northwest Russia consisting of the St. Petersburg, Leningrad, Novgorod, Pskov and Vologda regions as well as the Barents region and the Republic of Karelia. The neighbouring regions also include Belarus and Ukraine to the extent covered by the drainage area of the Baltic Sea or by projects which cause emissions having a direct impact on the member countries.

According to Section 9 of the Statutes, the authorisation for the MIL facility is EUR 300 million. The MIL facility is 100 per cent guaranteed by the member countries, based on an agreement between the Bank and each individual member country.

The Directive for Environmental Investment Loans approved by the Board of Directors contain more detailed criteria for lending under MIL.

References:

Statutes of the Nordic Investment Bank

3. GENERAL POLICIES

3.1. *Policy on the Bank's own credit rating*

The Bank is not subject to the international banking supervision regulations established by the Bank for International Settlements. However, the Bank's policy is to aim at meeting the minimum capital standards as proposed in the Basel II Capital Accord and to hold a level of capital required by the international rating agencies for maintaining a AAA/Aaa rating. The Bank strives to maintain the best possible credit rating from the leading international rating agencies. Maintaining the best credit rating is critical to the Bank, as it largely determines the Bank's cost of funds. A favourable cost of funds enables the Bank to offer loans at a competitive price.

The Bank has been assigned a long-term credit rating of Aaa by Moody's Investor Service and AAA by Standard & Poor's ever since it was first rated in 1982. Its short-term ratings have been A1+ and P1 respectively since they were first assigned. The ratings are based on the Bank's strong capital base, the support of its member countries, the quality of its loan portfolio, its record of profitability and abundant liquidity as well as its effective risk management.

3.2. *The Bank's mandate*

The Bank's **mandate** is defined in the Mission and Strategy statement. According to Section 1 of the Statutes of the Bank, the Bank shall make loans and issue guarantees for investment projects of mutual interest to member countries and the host country of the lending counterparty. For each proposed loan, an investment project or part of an investment project shall be identified as the main purpose of the loan.

In its lending operations under the Ordinary Lending and PIL facilities, the Bank is normally involved in, infrastructure projects, industrial projects and environmental projects, however, specific focus areas are outlined in the Bank's Business Plan. Lending under the MIL facility is intended for environmental projects in the neighbouring area.

The fulfilment of the Bank's mandate; the enhancement of competitiveness and the environment, shall be a prerequisite for all lending. A system for evaluating the fulfilment of the mandate will be established.

3.3. *Portfolio policy*

The Bank's **portfolio policy** aims at ensuring an adequate diversification of risk, and restricting large concentrations of risks. The policy recognises two sources of credit risk. The primary source is the individual counterparty credit risk. The secondary source is the potential default correlation of groups of counterparties (sectors). Limits are set with respect to these two layers. The limits are established both in terms of credit exposure and in terms of required allocated economic capital (*ref.7.2.3 Economic Capital*). The limits are scaled to the Bank's equity, the size of the total credit exposure and the Bank's economic capital requirement.

3.4. Procurement policy

The Bank attaches great importance to ensuring that the projects it finances are both technically and economically sound and that they are implemented rationally and efficiently. The Bank emphasises the need to ensure fair competition in tendering procedures regarding both public and private sector investments. There are no stipulations within the legal framework of the Bank restricting the procurement of goods and services from any country.

The responsibility for all aspects of the procurement process in the lending activities lies with the promoters of the projects. The Bank's involvement is confined solely to satisfying itself that the conditions attached to its financing of an investment are met and that the proceeds of any loan extended by the Bank are used for the project for which the loan was granted. Projects that the Bank co-finances in cooperation with the major international financial institutions are usually subject to the procurement rules of those institutions.

The Bank has also implemented rules for the procurement of goods and services for the Bank's own use. The rules emphasise competitive bidding, objectivity and transparency in the procurement process. More stringent procedures apply for the procurement comprising larger amounts.

3.5. Policy on fighting corruption

The Bank places particular emphasis on fighting corruption both in its external and internal activities. External corruption is referred to in cases of alleged corruption involving third parties in relation to the Bank. Internal corruption is referred to in cases of alleged corruption within the Bank involving staff members or other officials of the Bank. Fighting corruption also includes efforts to combat money laundering and the financing of international terrorism.

Consequently the Bank places great emphasis on the transparent and responsible use of the funds granted by the Bank and on the use of appropriate channels for the transfer of payments to and from the Bank. Moreover, in establishing the procedures for project assessment, loan documentation, payment transfer and project monitoring, the Bank strives to ensure that corruption and other fraudulent behaviour are prevented. Furthermore financial planning and cost control procedures are in place to prevent misuse of the Bank's own financial resources.

To enhance the Bank's efforts in fighting corruption, it has established a Committee on Fighting Corruption. The purpose and tasks of the Committee are set out in "Rules of Procedure for the Committee on Fighting Corruption".

References:

General Guidelines for Procurement, February 1999

Procurement Instructions for the Nordic Investment Bank (NIB), the Nordic Development Fund (NDF) and the Nordic Environment Finance Corporation (NEFCO), 16 April 2004

Resolution on Fighting Corruption, 26 April 2007

Rules of Procedure for the Committee on Fighting Corruption, 26 April 2007

3.6. Accounting and auditing policy

The Bank aims at financial reporting in line with that of other international financial institutions. Due to the Bank's activities in the global capital markets compliance with internationally agreed accounting standards is of vital importance.

Since 1994 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 international accounting standards are subject to continuous revision and change in order to meet the requirements of the business community. The Bank endeavours to implement the changes and revisions in the standards in order to comply with best practice in the banking sector, taking into consideration the Bank's scope of business and status as an international financial institution. The Bank's main accounting policies and principles are presented in the most recently published annual financial statements.

According to Section 12 of the Statutes, the Bank's accounts shall be kept in euro and the Bank's financial year corresponds to the calendar year. The Bank publishes annual financial statements as of 31 December [and un-audited interim financial statements as of 31 August] each year. A principal tool for disseminating financial information externally is the Bank's website (<http://www.nib.int/en/index.html>).

The Bank's internal auditing activities are conducted in accordance with international standards issued by the Institute of Internal Auditors. The Internal Audit Department reports to the President, the Board of Directors and the Control Committee, which according to Section 17 of the Statutes is responsible for the audit of the Bank. The Committee presents annually an Auditors' Report to the Board of Governors. The Control Committee appoints independent external auditors to assist in carrying out the audit. The authorisation of the external auditors is renewed annually.

References:

Statutes of the Nordic Investment Bank
Annual Report (latest available)

3.7. Disclosure policy

The disclosure policy sets out the Bank's policy on the disclosure of information held by the Bank and describes the materials available to the public. As an IFI with sovereign states as members, the Bank promotes openness and transparency in its operations.

The Bank uses several information channels for the publication of its information. The main channels are the Bank's website, printed reports and publications as well as press and other media. Publicly available information can also be obtained through the Bank's Communications Department

The Bank makes publicly available information concerning, among other, its legal framework, governing bodies, certain policies, general administration, internal processes and [information concerning its] operations.

As a general rule the Bank does not publish information about projects which are currently in the pre-signing phase. After the signing of the loan documentation is completed, the borrower name and basic project information is inserted into a brief publicly available project list.

Reference:

Disclosure policy, 14 June 2007

4. ENVIRONMENTAL POLICY

[The revised Environmental Policy to be included when approved and in force]

5. CREDIT POLICY

The Bank's credit policy forms the basis for all its lending operations. The credit policy aims at maintaining the Bank's high quality loan portfolio and ensuring proper risk diversification as well as the enhancement of the Bank's mission and strategy. The Bank operates according to sound banking principles with a focus on reducing the risk of credit losses.

The purpose of the credit policy is to establish rules and guidelines applicable to all credit decisions on individual loans. The credit policy sets the basic criteria for acceptable risks and identifies risk areas which require special attention.

The Bank's credit policy is the basis for the credit approval process. Each loan shall comply with the credit policy. For loans that do not fully comply with the credit policy, deviations can be permitted on a case-by-case basis subject to an evaluation of the proposed credit policy deviation. A loan outside the credit policy is deemed to represent higher credit risk.

5.1. *Lending counterparties*

The main types of counterparties in lending operations for the Bank are: sovereigns (loans to governments or government guaranteed loans), public entities, municipalities, corporations and financial institutions (banks). In the Bank's lending to these types of counterparties the main principles of fulfilling the Bank's mandate and achieving its strategic goals applies. Specific policies for different counterparty types are only applied if deemed necessary.

In project finance transactions a single-purpose entity is often established to act as the lending counterparty. Such entity is often fully separated from the activities of the sponsors in the project. Hence project finance in this context means : The financing of such an entity where repayment is based on the cash flow of the entity, with security interest in the assets of the entity, and with no or limited recourse to the sponsors.

Guidelines for the application of the credit policies for certain types of lending counterparties are supplied separately.

5.2. *Credit analysis*

In order to identify and mitigate the risks involved in lending, and to assess the fulfilment of the Bank's mandate, all credit proposals shall be subject to an objective analysis and an independent risk classification .

The purpose of the analysis shall be to cover all aspects of risk the Bank will bear when granting a loan or issuing guarantees; thus an analysis of the project, the lending counterparties' repayment capacity and guarantors' capacity for support, the mandate fulfilment as well as the structure and terms of the loan shall be conducted as relevant. The analysis shall identify the key credit risk issues as well as proper risk mitigating factors. The analysis shall also always contain an assessment of the investment project's environmental impact.

The analysis of a transaction shall conclude with an assessment of the probability that the loan extended will be repaid. This conclusion is represented by the assigned counterparty risk rating. Furthermore, the credit enhancement shall be independently assessed and a security rating assigned. The counterparty rating combined with the security rating represents the final transaction risk rating. (*ref. 7.2.1 Credit risk rating*)

In addition to the standard analysis undertaken for all loans, in the case of project and structured finance a more detailed analysis including a due diligence process will be carried out. This will encompass, amongst other things a technical and legal due diligence, a sensitivity analysis of project cash flows and an evaluation of the quality of the security package. The Bank will use the services of expert advisers to perform due diligence for project finance transactions as deemed necessary.

5.3. Limits on credit exposure

In Section 7 of the Bank's Statutes the overall limits on lending exposure for Ordinary Lending and for the special lending facilities are defined. Specific limit policies on portfolio and individual counterparty levels apply for all lending operations if not otherwise stated.

5.3.1. General exposure limits

The Bank strives to diversify its loan portfolio in order to reduce risk concentration. In the Bank's Ordinary Lending, special emphasis is put on customer and sector diversification. Lending under the PIL facility is diversified across countries and sectors. The following main principles apply:

Exposure in relation to project costs: The maximum amount granted as loan or guarantee for a single project generally should not exceed 50 per cent of the total cost of the project.

Exposure to sectors: The total required economic capital (*ref. 7.2.3 Economic capital*) of all loans and treasury transactions related to a single sector shall not exceed the defined limit of the Bank's total required economic capital. At the same time the total credit exposure representing a single sector may not exceed the defined limit of the Bank's total credit exposure.

Exposure by country: There is no specific limit on the aggregate amount of lending exposure on a particular member country. Lending exposure on non-member countries is subject to country limits. The Bank's Country risk limit policy sets the maximum country limits based on the risk classification, the amount of the approved PIL facility and the Bank's equity. These country risk limits are revised on an annual basis.

5.3.2. Counterparty-specific exposure limits

In order to be able to manage the exposure risk on a counterparty the Bank has a system for determining maximum exposure limits. This system is based on the risk classification (both obligor rating and transaction risk class) of the lending counterparty and the transaction, the total lending exposure on the counterparty in relation to its equity as well as on the total lending exposure on the counterparty in relation to the Bank's equity.

Furthermore, large exposures and the aggregate exposure limit of the Bank's largest lending counterparties are established with separate limits and definitions according to the Bank's equity and the requirement of economic capital.

Project and structured finance transactions are expected to achieve a high debt-to-equity ratio because of the ring-fencing of cash flows and of the quality of the security offered. Therefore, the limits of maximum lending exposure in relation to the counterparty's equity will not apply to project and structured finance transactions. However, the Bank has established specific guidelines providing guidance on key financial ratios to be achieved for different types of transactions depending on their risk profile.

5.4. Credit enhancement policy

Under its Statutes (Section 7), the Bank is required to obtain adequate security for loans granted, unless sufficient security is considered to exist under the circumstances. There are no specific requirements regarding the types of security that the Bank may accept.

The Bank may grant unsecured loans to counterparties that are sufficiently creditworthy. In such lending the Bank requires various undertakings by the counterparty as part of the loan documentation (i.e. negative pledge and other financial and non-financial covenants).

Collateral that is easy to liquidate is preferred over non-liquid assets. In addition, security interests over assets that are vital to the lending counterparty's business and cash flow generation are preferred and the Bank will generally require that loans be extended at least *pari passu* with other international financial institutions and/or commercial banks.

The Bank will require higher degrees of credit enhancement for project and structured finance transactions and for transactions considered bearing higher risks.

The valuation of all collateral and security should be assessed neutrally and prudently. The Bank has developed a Security Rating Tool supporting the evaluation of the security rating class for the collateral provided (*ref. 7.2.1 Credit risk rating*).

The credit risk is reduced by the Bank's status as an international financial institution and preferred creditor, which means that the Bank through its Agreement and Framework Agreements with non-member countries is granted similar privileges and immunities as other international financial institutions and in particular that the Bank will not be required to participate in the rescheduling of national debt.

5.5. Loan documentation policy

The Bank has developed a set of standard terms and conditions for its lending. Although the Bank has at present no published general conditions for its lending, there are a number of clauses in the loan documentation the deviation from which require separate approval by appropriate decision-making bodies. These relate in particular to clauses concerning the Bank's status as an international financial institution, certain covenants and events of default.

These terms and conditions are highlighted in the credit proposal and included in the term sheets for the lending transactions. The development in the field of good governance and the

Bank's policy regarding the environment and sustainability will increasingly affect the Bank's requirements concerning representations and warranties given by the counterparties in the loan documentation.

5.6. Maturities

The Bank extends loans with long maturities. The maturity depends i.a. on the project's schedule and cash flow generation, possible other constraints and other sources of funds available to finance the project.

As a general rule, all loans are limited to the economic life of the asset or the relevant underlying contracts supporting the financing.

5.7. Pricing policy

Section 1 of the Statutes requires that the Bank grant loans and guarantees on sound banking principles. Hence, there can be no subsidy element in the terms offered by the Bank. Loans and guarantees are priced to cover the Bank's cost of funds, administration costs and the cost of the risk involved in a loan. In addition, a reasonable return on the capital employed should be achieved.

The Bank has a Risk Based Pricing Tool for the pricing of its loans. The tool enables calculation of the minimum earnings required on a loan in order to cover all the costs of lending, including the cost of risk (the "Risk Adjusted Price").

Reference:

Statutes of the Nordic Investment Bank

5.8. Credit risk monitoring

The Bank pays specific attention to the monitoring of its lending exposure. The monitoring covers the lending counterparties' repayment ability, the value of the credit enhancement, the factors that affect the risk classification as well as the lending counterparty's compliance with all term and conditions of the transaction. Project and structured finance transactions are subject to more detailed monitoring.

Further all loans deemed to represent high credit risk and all watch-listed loans are subject to more detailed and specific monitoring and reporting requirements.

5.9. Provision policy

A loan is classified as impaired when it is considered likely that the counterparty in a lending transaction is unable to meet its contractual obligations and the estimated value of any collateral provided is deemed insufficient, and thus the Bank is at risk for a credit loss. An allowance for the impairment is calculated and recognised in the Bank's financial statements in accordance with the IFRS requirements (*ref. 3.6 Accounting and auditing policy*). In respect of PIL loans, impairment losses are recognised for the part of the loan's outstanding principal, interest and fees that correspond to the Bank's own risk for PIL loans. The Management Committee decides on the impairment allowance based on a proposal from Lending.

Loans with payments overdue are classified as non-performing according to the following principles:

Ordinary Lending

- loans are classified as non-performing when contractual payments are more than 90 days overdue

Lending under the special loan facilities (PIL and MIL)

- loans to a government or guaranteed by a government are classified as non-performing when contractual payments are more than 180 days overdue
- loans not granted to a government or guaranteed by a government are classified as non-performing when contractual payments are more than 90 days overdue

When one loan is classified as non-performing, all loans extended to the same counterparty are deemed to be non-performing.

References:

Statutes of the Nordic Investment Bank

6. POLICIES ON FUNDING, LIQUIDITY AND PORTFOLIO MANAGEMENT

According to Section 6 of the Statutes, the Bank may raise funds in the capital markets of its member countries as well as in the international capital markets to finance its lending operations. The Statutes (Section 10) require that the Bank protects itself against foreign exchange risk.

6.1. *Funding*

The Bank's primary source of funding is the issuance of bonds in the main financial markets of Europe, Asia and America. The objective is to raise funds at a favourable cost to enable on-lending on competitive terms to the Bank's customers. The Bank seeks to take advantage of favourable market conditions, adapting its borrowing operations to investor preferences in terms of currency, maturity, liquidity and structures. Within this strategy, the objective is to raise funds at the lowest possible cost while taking into consideration the risks involved in the structure and complexity of the individual transactions. Furthermore, potential mismatches between the terms of the funding and lending transactions are taken into consideration. To this extent, the proceeds from the issues are converted in the derivatives markets to best manage the foreign exchange, interest rate and refinancing risks on the balance sheet.

6.2. *Liquidity management*

The Bank's policy is to maintain a portfolio of liquid assets funded through debt issuance that is equal to the coming twelve months' net cash needs. Most of the need for liquidity arises from the net disbursements in lending operations and the servicing of the Bank's own long-term borrowings. The conservative liquidity policy aims to ensure that the Bank can fund its operations without having to access the capital markets should they, due to unforeseen circumstances, become temporarily constrained.

6.3. *Fixed income EUR portfolio management*

The Bank maintains a portfolio of EUR denominated fixed income debt securities, which is mainly funded through paid-in capital and accumulated reserves. The purpose of this portfolio is to further strengthen the Bank's liquidity and to contribute to a long-term stable return on equity.

References:

Statutes of the Nordic Investment Bank

7. RISK MANAGEMENT

7.1. Key risk management principles and responsibilities

The Bank assumes a conservative approach to risk-taking. The main risks—credit risk, market risk and operational risk—are managed carefully with risk management closely integrated into business processes. The business and support functions are accountable for the risks assumed in their respective operations. Independent support functions bear responsibility for evaluating, measuring and monitoring the risks assumed. The Bank's risk management systems and procedures are reviewed and refined on an ongoing basis in order to comply, in substance, with evolving market standards, recommendations and best practices.

The Board of Directors defines the overall risk profile of the Bank and the general framework for risk management by approving the Financial Policies, including maximum limits for exposure to various types of risk. Credit approval is primarily the responsibility of the Board of Directors, with some delegation of approval authority to the President. The Board of Directors also approves the authorisations for the Bank's borrowings on an annual basis. Based on regular reporting by the Bank's management, the Board of Directors oversees that the Bank's activities are in line with the overall risk profile.

The President is responsible for managing the risk profile of the Bank as a whole within the framework set by the Board of Directors and for ensuring that the Bank's aggregate risk is consistent with its financial resources.

The Management Committee, Credit Committee and Finance Committee assist the President in carrying out the risk management duties. The Management Committee has the overall responsibility for risk management. The risk management duties of the Credit Committee are focused on credit risk in the Bank's lending operations. The Finance Committee deals with credit risk and market risk related to the Bank's treasury operations.

Lending and Treasury are responsible for the day-to-day management of all risks that arise in their operations. Lending is responsible for making assessments of the risks versus return of all loans and Treasury bears responsibility for the assessment of the risk versus return in the Bank's treasury operations. Lending reviews on a regular basis the creditworthiness of all lending counterparties.

Credit & Analysis is responsible for providing an independent assessment of the creditworthiness of counterparties in the Bank's lending operations. Credit oversees that credit proposals are in compliance with established limits and policies. Further the Credit function monitors the regular reviews of the creditworthiness of all lending counterparties and may also initiate a review if deemed needed. Credit & Analysis reports to the President.

Risk Management supports Treasury in identifying, measuring, monitoring and reporting the Bank's market risk exposure. Risk Management also assesses and monitors the creditworthiness of the Bank's counterparties in treasury operations. It is further responsible for measuring, monitoring and reporting the Bank's aggregate risk exposure in terms of economic capital, including an analysis of credit risk concentrations and migrations in credit quality on a portfolio level. The function is also responsible for the development of the Bank's risk management tools and techniques. Risk Management reports to the President.

Internal Audit is responsible for the independent review of the risk management processes and their effectiveness as well as of the compliance with risk management policies and guidelines. Internal Audit reports to the President, the Control Committee and the Board of Directors.

7.2. Credit risk

Credit risk is the Bank's main financial risk. Credit risk is the risk that the Bank's counterparties fail to fulfil their contractual obligations and that collateral provided does not cover the Bank's claims. Following from the Bank's mandate and financial structure, most of the credit risk arises in the lending operations (*ref. 2 Financial structure*). In the Bank's treasury activities, credit risk derives from the financial assets and derivative instruments used for investing the Bank's liquidity as well as from the management of exchange rate and interest rate risks and other market risks related to structured funding transactions.

The Bank's credit risk management is based on an internal credit risk rating system, a limit system based on the credit risk ratings and on a model for calculation of economic capital for the management of portfolio-level credit risk.

7.2.1. Credit risk rating

The Bank assesses the creditworthiness of all counterparties that create credit risk exposure. Based on the assessment, an internal credit risk rating is assigned to each counterparty. The ratings are used to distinguish the risk factors linked to counterparties and transactions, to set exposure limits and to calculate risk-adjusted returns. The Bank has chosen Basel II's Advanced Internal Ratings Approach as a benchmark, although the Bank is not subject to regulations based on the Basel II Capital Accord.

The Bank's rating system is based on a quantitative and a qualitative model for estimating the probability of default of a counterparty and the loss given default on a transaction.

Probability of Default (PD) indicates the statistical probability that a counterparty will default on its obligations within a time horizon of one year. The Bank uses a tool built in-house, the Obligor Rating Tool, for estimating the PD for corporations. The tool uses a combination of quantitative and qualitative input factors. The PD for sovereign and financial market counterparties is derived from external credit ratings combined with in-house expert-based judgement of the counterparty's creditworthiness as well as a peer group comparison.

Based on the PD assigned the counterparties are segmented into rating classes. The Bank applies a rating scale comprising 20 rating classes for performing loans and two classes for loans in default. Each class is defined in terms of a range of default probabilities. Class 1 indicates the highest credit quality (i.e. the lowest probability of default within one year) and class 20 indicates the lowest credit quality (i.e. the highest probability of default). The rating classes are mapped to the ratings of the major international rating agencies. As such, the rating classes 1–10 correspond to the investment grade ratings of the international rating agencies.

Loss Given Default (LGD) is an estimate of the actual loss, i.e. of the part of the loan or financial placement that is not recovered in case the counterparty defaults. The severity of the loss is expressed as a percentage of the amount outstanding when the default occurs.

The severity of loss depends on a number of factors, such as the type of counterparty and the availability of collateral or other credit enhancement. From historical information it can be estimated how much is likely to be lost, on average, for various types of transactions. Due to the small number of defaulted loans, the Bank does not have enough historical data of its own to use as a basis for calculating average LGD rates. The Bank uses external sources, where available, for obtaining market references on LGD rates that are applicable to the Bank's portfolio. The Bank uses a tool built in-house, the Security Rating Tool, for estimating the LGD of corporate loans. In addition to the type of counterparty and collateral, the model takes into account i.a. the estimated collateral value at liquidation, the quality of the collateral and third party guarantees.

By combining the two parameters PD and LGD the Expected Loss (EL) on each transaction is derived. Expected Loss quantifies the loss that the Bank expects to incur on each obligation based on the combined effect of the probability that a counterparty defaults and the estimate of the unrecoverable portion of the Bank's claim in case of default. As such, expected loss is an estimate of the annual impairment cost that will arise over time.

For the credit risk rating of project finance transactions the Bank applies the internally developed Project Finance Rating Tool. This is a cash flow-based simulation tool which incorporates both qualitative and quantitative factors.

All rating tools are validated periodically to ensure their applicability to current credit conditions and to reflect the increase in the availability of historical data as well as recent methodology development.

7.2.2. Measurement of credit risk exposure

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

As regards derivatives, the Bank enters into the International Swaps and Derivatives Association (ISDA) contract with its counterparties. This allows for the netting of the obligations arising under all derivative contracts covered by the ISDA agreement in case of insolvency and, thus, results in one single net claim on, or payment to, the counterparty. Netting is applied for the measurement of the Bank's credit risk exposure only in cases when it is deemed to be legally enforceable in the relevant jurisdiction and against a counterparty.

In terms of swaps, the credit risk exposure is measured as the current market value added with an allowance for a potential increase in exposure over the transaction's lifetime (often referred to as potential exposure). The add-on for potential exposure reflects the fact that significant fluctuations in the swaps' value may occur over time. The Bank enters into credit support agreements with its major swap counterparties. This provides risk mitigation, as the swap transactions are regularly marked-to-market and the party being the net obligor is required to post collateral. Only the value of an obligation above a certain threshold level is normally collateralised. The Bank strives to use one-way credit support agreements, whereby the Bank is excluded from posting collateral. When credit support agreements are in place, an add-on is not applied in the exposure calculation.

7.2.3. Economic capital

Economic capital is the amount of capital that the Bank needs in order to be able to absorb severe unexpected losses, with a defined level of certainty. To estimate the economic capital, the Bank uses a model that includes all the main types of risk: credit risk, market risk and operational risk. As such, the output gives an aggregated view of the Bank's risk position at a certain point of time. Over time the model assists in tracking trends in the Bank's total risk as the portfolio changes. The Board of Directors is regularly provided with reports on the development in economic capital and risk trends that are observable in the Bank as a whole and in the lending and treasury portfolios separately.

The economic capital model uses the PD and LGD values arrived at in the internal rating process. The model is designed to capture correlations between assets in various sectors and geographical regions. This enables the model to take into account both the positive impact of diversification and the negative impact of concentrations in the Bank's portfolios when determining the total economic capital required.

7.3. MARKET RISK

Market risk is i.a. the risk that losses are incurred as a result of fluctuations in exchange rates and interest rates. The Bank's exposure to exchange rate risk occurs when translating assets and liabilities denominated in foreign currencies into the functional currency, the euro. The Bank's strategy to fund its operations by borrowing in the international capital markets and making loans in currencies other than those borrowed creates currency mismatches in assets and liabilities. Furthermore, the funds borrowed often have other interest rate structures than applied in the loans made to the Bank's customers. Exposure to exchange rate risk and interest rate risk created in the normal course of business is minimised by the use of derivative instruments. The residual risk must be kept within the limits approved by the Board of Directors. Such limits are kept very narrow to accommodate the Statutes, which stipulate that the Bank is not allowed to bear foreign exchange risks that could affect its financial position and net income, other than to a marginal extent.

7.3.1. Market risk measurement and limits

Foreign exchange risk is the impact of unanticipated changes in foreign exchange rates on the Bank's assets and liabilities and on the net interest income. The Bank measures and manages foreign exchange risk in terms of the net nominal value of all assets and liabilities per currency on a daily basis (translation risk). The Board of Directors sets the limits for acceptable currency positions, i.e. the difference between assets and liabilities in a specific currency.

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 net interest income. The Bank's sensitivity to interest rate fluctuations is measured on a daily basis using gap analysis. The Board of Directors sets limits for the acceptable gap in each currency. In addition, an overall limit is set for the total acceptable gap. All limits are set in relation to the Bank's equity and they are adjusted annually.

A part of the Bank's interest rate risk comprises refinancing and reinvestment risks. The Bank manages the refinancing and reinvestment risk within a set of conservative limits with a view to best accommodate the demand from its customers on the one hand and the demand from investors in its bond issues on the other. The Board of Directors sets limits for

acceptable refinancing and reinvestment risk. The limits are scaled to the Bank's equity and adjusted annually.

Interest rate risk on the assets funded with an amount corresponding to the Bank's equity, the EUR fixed income portfolio, is measured using modified duration and Value-at-Risk (VaR) analysis. The limits for modified duration and VaR are approved by the Board of Directors.

7.4. OPERATIONAL RISK

Operational risk can broadly be defined as any risk which is neither credit risk nor market risk. More precisely, it is the risk of financial losses or damaged reputation due to failure attributable to technology, employees, procedures or physical arrangements including external events and legal risks.

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

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

7.4.1. Information and communication technology (ICT)³ strategy and security

The Bank considers ICT as one of its key focus areas in enabling the Bank to achieve operational excellence, reduce operational risk and reach a high level of cost efficiency aligned with the Bank's business strategy. The Bank aims at a process-oriented, cross-departmental mindset with streamlined and automated business processes.

The key ICT implications are strategy and ICT functionality alignment, organisation-wide risk management, operational risk reduction, competence development, the effectiveness of ICT capability and focus on core business. A proactively planned, disciplinary and defined ICT governance model is also an area of key importance. The ICT Council is the forum for overall ICT planning and prioritisation. The ICT Council has the authority to make investment decisions and other related decisions within the scope of the established financial plan.

³ Information technology (IT) renamed Information and Communications Technology (ICT) as of May 2007. In any previously approved texts the abbreviation IT should be interpreted as ICT.

The Bank aims at a high-quality ICT architecture that ensures performance stability and flexibility and which is adapted to the transaction volumes of the Bank. The Bank's preferred strategy is to use standard packaged-based software applications with proven functionality and an established user base. Solutions based on purchased external services can also be considered as a good alternative in many cases.

As the Bank's operations are largely based on information processing, much emphasis is also put on information technology security. In terms of ICT security, the Bank's ambition is to maintain a level comparable to good international standards within the financial sector. The overall purpose of the Bank's ICT security policy is to ensure an uninterrupted, secure and undisturbed use of information and communication systems. The basic principles of ICT security are thus confidentiality, integrity, availability, authentication and non-repudiation. ICT security covers all parts of the ICT environment, including hardware, software, networks, databases and ICT services as well as ICT administration, ICT management, ICT operations and other ICT-related work processes. The Bank also emphasises disaster recovery of its core ICT systems should exceptional circumstances arise.

ICT security is the responsibility of the Bank's President. ICT security policies are prepared by the ICT Security Committee and approved by the President in the Management Committee and submitted as information to the Board of Directors. The compliance with the policies, instructions and other rules regarding ICT security is the responsibility of the line management and, ultimately, of every employee of the Bank.

7.4.2. Administrative risk and legal risk

The Bank has established an extensive set of Staff Regulations and Rules for its personnel. The Code of Conduct, as part of the Staff Regulations and Rules, defines the fundamental ethical principles to be observed by the Bank's personnel. These include e.g. the requirement regarding the employee's integrity and loyalty, guidelines for handling conflicts of interest, prohibitions on insider trading, restrictions on financial interest and rules regarding bank secrecy.

Furthermore, the Bank has a number of internal instructions, which describe the organisation of the work in the Bank and define the rights and duties of the employees. The President issues general instructions and specific instructions for departments. General instructions refer to matters concerning the Bank's total staff or at least two or more departments. Such instructions are i.a. instructions regarding ICT security, the authorisation of business transactions and the safekeeping of documents. Specific instructions for the departments are prepared by the head of each department and issued by the President. These instructions describe the organisation, operations, duties and responsibilities of the departments. In addition, internal instructions for a department may be issued by the head of the department to cover, e.g., certain procedures and routines.

It is the responsibility of the management to ensure that all employees are familiar with the internal instructions and adhere to them. The Internal Audit controls compliance on a regular basis and reports any breaches.

The Bank's legal risks relate to inadequate or inefficient documentation, legal capacity, enforceability and the applicability of national law and dispute resolution mechanism in the

jurisdictions under which it operates. These risks are mitigated through procedures, precedence standard documentation and the legal review of all contractual documents of the Bank irrespective of whether they relate to the operational or the administrative activities of the Bank.

In its lending operations, the Bank uses standard documentation developed over the years. For the documentation of treasury transactions, the Bank relies on standardised documentation commonly accepted in the market. Concerning borrowing, the Bank uses its own standard documentation developed based upon the Bank's Statutes and practise that has evolved over time. The legal functions of the Bank are responsible for the Bank's contractual documentation i.a. to verify the legal capacity of the Bank's counterparties, ensure the enforceability of the collaterals and to advise on the choice of governing law and forms of dispute resolution, before any contracts are entered into by the Bank.

References:

Set of Staff Regulations and Rules

Code of Conduct, 15 March 2007 (under review)