Annual Report 2010

NORDIC INVESTMENT BANK

Contents

"With our additional capital we are well-equipped to fulfil our mission of strengthening our member countries' competitiveness and enhancing the environment."

Johnny Åkerholm, President and CEO

This is NIB

Highlights 2010

- The Bank's capital base increased by EUR 2 billion
- Loans agreed totalled EUR 1.8 billion
- The Bank borrowed EUR 4.1 billion through 65 bond transactions

Prospects 2011

- Loan disbursements of approximately EUR 2.2 billion
- Increased attention on mandate fulfilment

NIB in brief

The Nordic Investment Bank is owned by Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway and Sweden. NIB was established in 1975.

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

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

Most of NIB's lending is directed towards its member countries, but it also finances projects in the neighbouring region and in other selected focus countries where a mutual interest has been identified.

NIB's strengths include its:

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

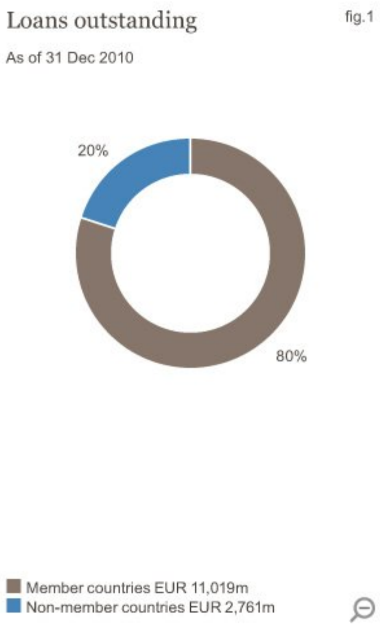
When the Bank considers projects for financing, it analyses not only their impact on competitiveness and the environment, but also their broader, indirect effects on the economy and society. The projects are viewed from a sustainable growth perspective to ensure adequate resources for future growth.

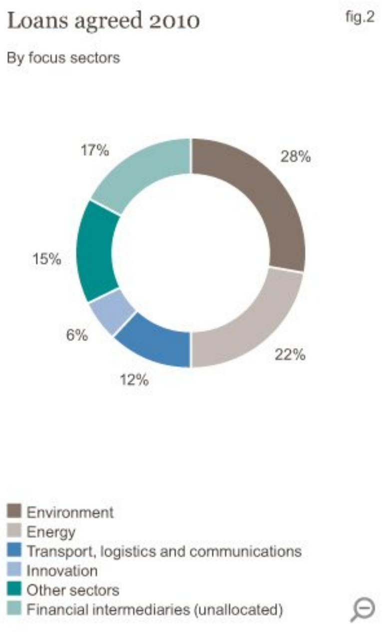
NIB acquires the funds for its lending by borrowing on the international capital markets. The Bank's bonds enjoy the highest possible credit rating, AAA/Aaa, with the leading rating agencies Standard & Poor's and Moody's.

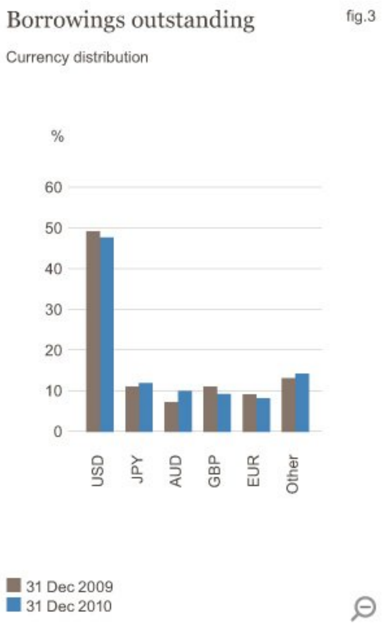
Key figures

(in EUR million unless otherwise specified)	2010	2009
Net interest income	234	219
Core earnings*	217	192
Profit/loss	211	324
Loans disbursed	1,274	1,954
Loans agreed	1,763	1,417
Loans outstanding	13,771	13,763
Guarantee commitments	8	12
New debt issues	4,120	4,137
Debts evidenced by certificates	19,944	17,998
Total assets	24,898	22,423
Equity/total assets (%)	9.1	9.1
Profit/average equity (%)	9.8	17.1
Number of employees (persons)	171	178

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







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

President's review

NIB's President and CEO, Johnny Åkerholm, sums up the Bank's challenges and achievements, clarifies NIB's position in the financial market, and previews what investors and customers can expect in 2011.

How would you describe the economic and financial environment for 2010?

The year saw a clear improvement in the global economic situation and growth resumed in many parts of the world, including in the member area. The expansionary monetary policy implemented by many central banks created ample liquidity, which led to upward pressures on asset prices and supported a strengthening of balance sheets. However, price pressures in raw materials and in emerging economies also became discernible. This and the economic uncertainty in Europe cast a shadow over the future prospects.

How was NIB affected?

Good liquidity in the economy in combination with low investment activity was reflected in a lower demand for disbursements. In the period 2007–2009, NIB held back the granting and signing of new loans, as these were rapidly turned into disbursements and NIB had a capital constraint. In 2010, we were rebuilding the pipeline of loans; grantings and signings were running at expected volumes, while disbursements were falling behind expectations. But this is to be seen as normalisation and reflected the liquidity glut in the market.

This tendency was particularly strong in the non-member countries, many of which were experiencing large capital inflows.

NIB continued to face high demand for its bonds and was able to fund itself at attractive rates. Two benchmark loans were issued during the year.

What are the advantages of focusing lending within certain sectors?

NIB focuses on environment, energy—including renewable energy forms and energy saving—transport and logistics, and innovation. These sectors are important for the sustainable growth of our economies. They need long-term finance, they are increasingly regional in nature and many of the projects include cooperation between the public and private sectors. Hence, the likelihood for good mandate compliance and value-added on the part of NIB is high. But this does not exclude loans to other sectors if the projects are in compliance with our requirements.

It is apparent that there were challenges in all these sectors in 2010. Environmental investments do not figure high in times of economic stress, and we could register slow progress in the implementation of the projects related to the cleaning up of the Baltic Sea.

Also, the uncertainty created by the lack of a global climate change agreement within the UN framework is still affecting investments in renewable energy.

The widening of public deficits implied that many of the projects in the transport sector faced financing problems and the financing base had to be rethought.

A decision to increase NIB's authorised capital was made in 2010. How will this affect NIB's business?

Much of the year had already passed when this positive decision was taken, and hence the effects will mainly come in the ensuing years. The capital increase is not intended to provide for any major jump in the Bank's activities, but it will allow NIB to disburse approximately EUR 2.2 billion a year, which is more or less at the volumes reached in the 2007–2009 period. This will allow the Bank to provide a significant amount of long-term finance in the region in the coming years as well.

Will customers and investors see a difference in NIB's operations due to increased attention on mandate fulfilment?

To some extent, but not in any dramatic way. The Bank has been gradually increasing its focus on mandate fulfilment, and we have already achieved a very high mandate compliance. We hope and trust that with a more focused approach we will be better equipped to support our customers. We might be asking more questions than in the past, but not any such questions to which a mindful investor would not have a ready answer.

What is NIB's outlook for 2011?

The year is full of uncertainties, but as the main scenario we expect the recovery in our member countries to continue. Despite the improved liquidity situation, there will be demand for long-term financing when investments pick up. With our additional capital we are well-equipped to fulfil our mission to strengthen our member countries' competitiveness and enhance the environment.

Five-year comparison

AMOUNTS IN EUR MILLION	2010	2009	2008	2007	2006
STATEMENT OF COMPREHENSIVE INCOME					
Net interest income	234	219	212	187	179
Commission income and expense, etc.	17	9	11	6	7
General administrative expenses, depreciation and write-downs	-33	-36	-35	-32	-32
Core earnings*	**217**	**192**	**189**	**161**	**154**
Realised and unrealised gains/losses of the trading portfolio	27	137	-352	-82	-10
Impairment of loans	-38	-43	-79	-	-
Adjustment to hedge accounting	5	38	-39	-10	-7
Profit/loss for the year	**211**	**324**	**-281**	**69**	**137**
STATEMENT OF FINANCIAL POSITION					
Assets					
Cash and cash equivalents, placements and debt securities	7,957	6,738	7,375	6,177	5,268
Loans outstanding	13,771	13,763	13,063	12,291	11,534
Intangible and tangible assets	37	40	42	44	43
Accrued interest and other assets	3,133	1,883	2,141	1,461	1,143
Total assets	**24,898**	**22,423**	**22,620**	**19,973**	**17,988**
Liabilities and equity					
Amounts owed to credit institutions and repurchase agreements	1,275	653	1,218	546	620
Debts evidenced by certificates	19,944	17,998	17,549	15,023	13,622
Accrued interests and other liabilities	1,417	1,722	2,123	2,367	1,726
Paid-in capital	419	419	419	419	419
Statutory Reserve	683	671	657	646	645
Credit risk funds	947	623	904	860	773
Payments to the Bank's Statutory Reserve and credit risk funds, receivable	5	18	32	43	43
Other value adjustments	-3	-3	-	1	4
Profit/loss for the year	211	324	-281	69	137
Total liabilities and equity	**24,898**	**22,423**	**22,620**	**19,973**	**17,988**

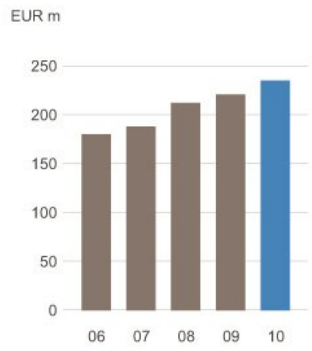
ACTIVITIES					
Disbursements of loans to					
Member countries	927	1,584	1,876	1,761	991
Other countries	348	370	611	630	614
Total	**1,274**	**1,954**	**2,486**	**2,390**	**1,605**
Guarantees issued to					
Member countries	-	-	-	-	-
Other countries	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**
Loans outstanding at year-end					
Member countries	11,010	10,888	10,142	9,873	9,206
Other countries	2,761	2,874	2,920	2,417	2,328
Total	**13,771**	**13,763**	**13,063**	**12,291**	**11,534**
Guarantee commitments at year-end					
Member country guarantees	8	12	17	25	25
Other country guarantees	-	-	-	-	-
Total	**8**	**12**	**17**	**25**	**25**
New debt issues (including capitalisations)	4,120	4,137	4,681	4,288	2,689
Number of staff (at year-end)	171	178	170	158	160

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

Graphs 2006–2010

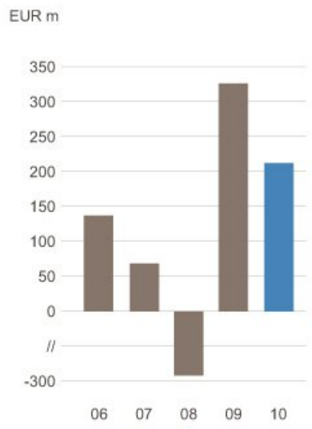
Net interest income

fig.4



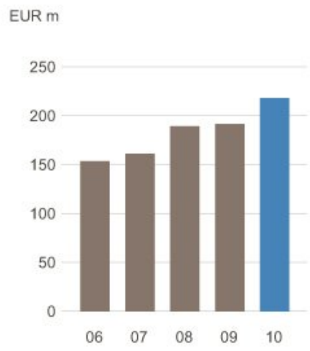
Profit/loss

fig.5



Core earnings*

fig.6



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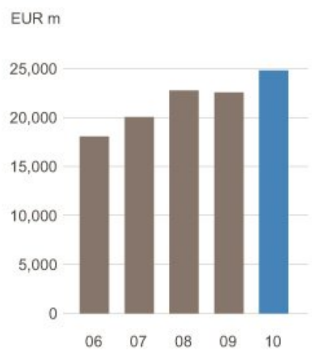
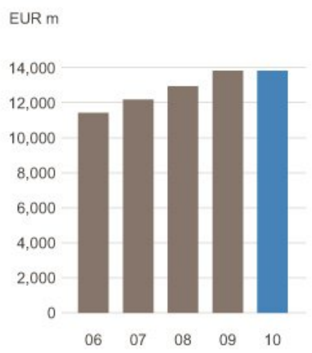
Total assets

fig.7



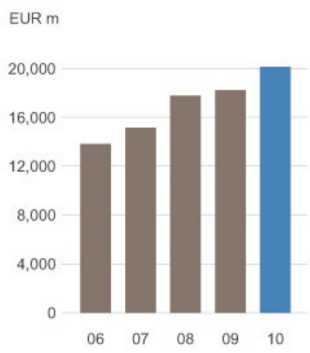
Loans outstanding

fig.8



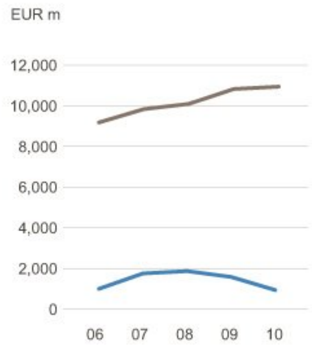
Borrowings outstanding

fig.9



Loans in member countries

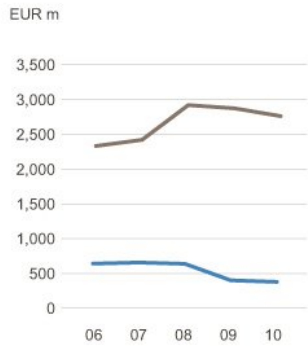
fig.10



Outstanding
Disbursed

Loans in non-member countries

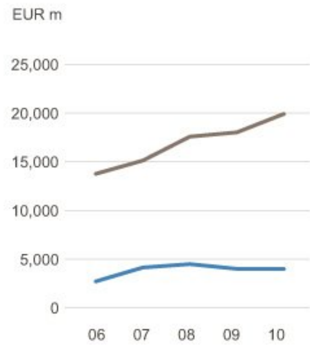
fig.11



Outstanding
Disbursed

Borrowings

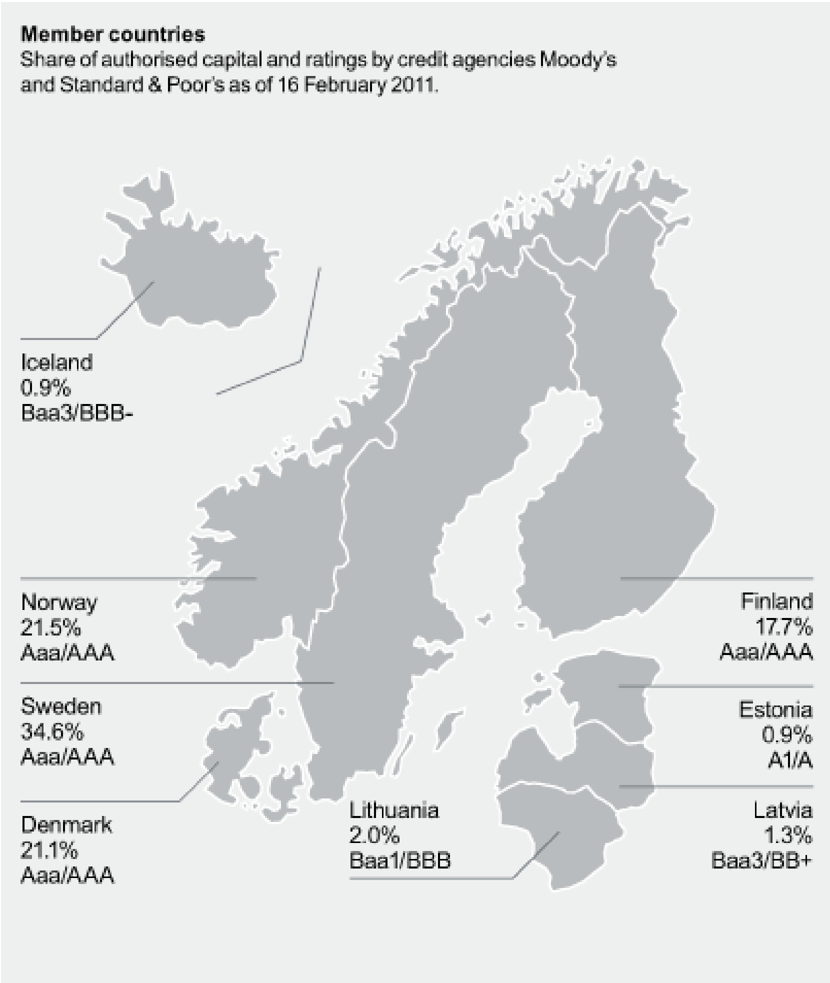
fig.12



Borrowings outstanding
New borrowings

Capital structure

As of 31 December 2010, NIB's authorised capital was EUR 4,141.9 million. The paid-in capital at the end of the year amounted to EUR 418.6 million. The remainder of NIB's authorised capital consists of callable capital, which is subject to call if the Bank's Board of Directors deems it necessary for the fulfilment of the Bank's debt obligations.



In June 2010, the Board of Governors decided to increase the Bank's authorised capital by EUR 2 billion to EUR 6,142 million. The capital increase entered into force as of 16 February 2011 after all member countries had completed their national procedures. The capital increase has been allocated to the callable portion of the authorised capital stock.

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 2010 in accordance with the proposal made by the Board of Directors and the capital increase, the Ordinary Lending ceiling amounts to EUR 18,980 million.

In addition to Ordinary Lending, NIB has two active special lending facilities. The Project Investment Loan facility (PIL) amounts to EUR 4,000 million. The member countries guarantee the PIL loans up to a total amount of EUR 1,800 million. The Bank, however, will assume 100% of any losses incurred under an individual PIL loan, up to the amount available at any given time in the Special Credit Risk Fund for PIL. Only thereafter would the Bank be able to call the member countries' guarantees. The second special facility, the Environmental Investment Loan facility (MIL), amounts to EUR 300 million. The Bank's member countries guarantee up to 100% of loans outstanding under MIL.

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

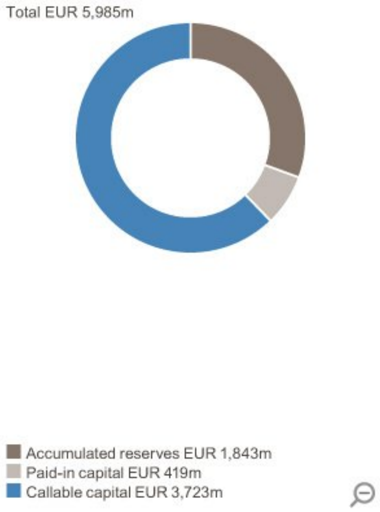
A more detailed presentation of the loan facilities, the guarantee structure and the guarantee distribution is provided in Note 8 in the Financial Report.

In view of the Bank's strong capital base, the quality of its assets, and its status as an international financial institution, the leading international rating agencies, Standard & Poor's and Moody's, have accorded NIB the highest possible credit rating, AAA/Aaa, for long-term obligations and A-1+/P-1, respectively, for short-term obligations. NIB obtained the highest possible credit rating in 1982. Since then, the Bank has continuously maintained this credit rating.

Capital base

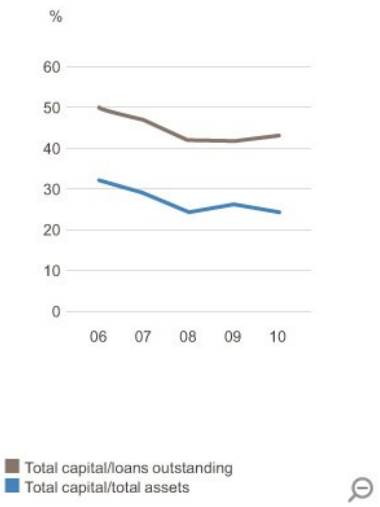
fig.14

As of 31 Dec 2010



Capital ratios

fig.15



Economic landscape

In 2010, NIB operated in a financial environment that was behaving like a global roller coaster. The Nordic and Baltic economies fared relatively well in this environment, with economic growth recovering steadily, albeit at different paces.

Economic growth made a strong comeback across the globe and the Nordic and Baltic economies followed suit, fuelled mainly by stronger foreign demand. Conditions in the global financial markets were marked by the transition from a banking crisis to a sovereign debt crisis with risk aversion rising dramatically, a trend reflected in rising interest rate spreads in several European economies throughout the year.

While the year clearly was dominated by the sovereign debt crisis in Europe, all major economies managed a steady recovery in activity. Emerging market economies, some of which were relatively mildly hit by the downturn, showed the most vigour. While the recovery in advanced economies was fuelled by continued government stimulus such as public spending and record low interest rates, several emerging market economies had to tighten economic policies in order to avoid overheating. Most prominently, China and India—both markets where NIB is active—raised their interest rates.

In the Nordic-Baltic region, GDP growth also picked up speed sooner than most had predicted. Economic activity in Norway surpassed pre-crisis levels while the other Nordic economies still have some way to go. The Baltic economies, which were particularly severely hit by the recession, have also recovered firmly, mainly driven by healthy export demand. Although the Icelandic economy has, in many respects, stabilised, it continued to contract last year.

GDP development in the Nordic countries

fig.16

Source: Reuters EcoWin

Demand for exports

As in the Baltic countries, the export-dependent Nordic countries benefitted from strong demand abroad, not least from emerging markets. The focus of much of the Nordic countries' exports on investment goods enabled them to profit from the investment boom in these fast growing economies. At the same time, most NIB member countries witnessed continued decline in corporate investments, despite a recovery in earnings, as ample spare capacity depressed the need for any expansion. In Sweden and Finland, however, where the initial decline in investment activity had been severe, investment activity rose last year.

Investment levels across the membership area still remain considerably lower than before the crisis. Household spending, on the other hand, generally picked up compared to the previous year despite being held back by meagre income growth and persistently high unemployment.

Sovereign debt crisis

In several European countries the recovery in real economic activity was muted by the sovereign debt crisis. Triggered by Greece's public debt problems early in the year, concerns about fiscal sustainability spread to other Southern European countries and then more widely. Risk aversion rose dramatically, which was reflected in higher interest rate spreads. Interbank markets in the euro area seized up and only reverted to some normality after far reaching interventions from governments. In the second half of the year, the risk appetite returned to markets, although interest rate spreads on southern European government bonds continued to rise.

Firms in several European economies continued to face difficult financing conditions. Many banking systems remained undercapitalised and private lenders' already tight credit standards were tightened further. Nonetheless, credit expansion to firms and households picked up pace in the latter half of the year.

Reflecting the increased economic activity, prices across NIB's membership area rose from very low levels during the year, with Iceland being an important exception. The Baltic economies which had previously experienced rapidly falling prices ended the year with inflation rates well into positive territory. The Nordic economies witnessed a steady rise and convergence in inflation rates to around 2.5% by the end of the year.

"NIB is a mandate-driven bank, and all projects financed by us should strengthen competitiveness or enhance the environment."

Katariina Vartiainen, Environmental Analyst

Mandate, Mission and Impact

Highlights 2010

- Mandate fulfilment improved
- Energy projects scored well on mandate compliance

Prospects 2011

- Further focus on mandate fulfilment
- Revision of the Environmental Policy and Guidelines

Mandate fulfilment

To get access to NIB financing, a project must fulfil the Bank's mandate in one of two ways: contribute to strengthening the competitiveness of the member country economies or enhance the environment.

In 2010, the degree of mandate fulfilment rose compared to the previous year. 72% of all projects had a potentially good or excellent impact on either competitiveness or the environment (or both). One likely reason for this improved performance was that, in the second half of the year, the Bank raised its ambition regarding mandate fulfilment. Another reason may have been the concentration of projects to the Bank's focus sectors.

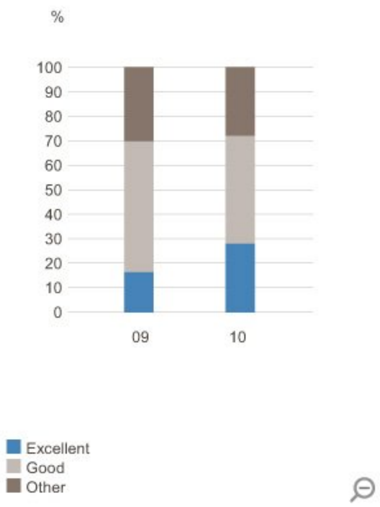
About half of the agreed new loans scored good or excellent on the competitiveness mandate, and most of these were based in the energy sector. Many of these projects created additional production capacity and a better transmission grid, improvements that contribute to a secure energy supply, which is essential for the efficient functioning of our economies. Projects in the transport sector and healthcare infrastructure also contributed to high competitiveness mandate fulfilment.

The projects that received a high mandate fulfilment on the environmental side were mainly in the energy sector (e.g., renewable energy projects and energy efficiency investments) the public transport sector (e.g., rail infrastructure projects), as well as environmental research and development programs in areas such as water treatment.

Looking ahead in 2011 the Bank will sharpen its focus on high mandate projects.

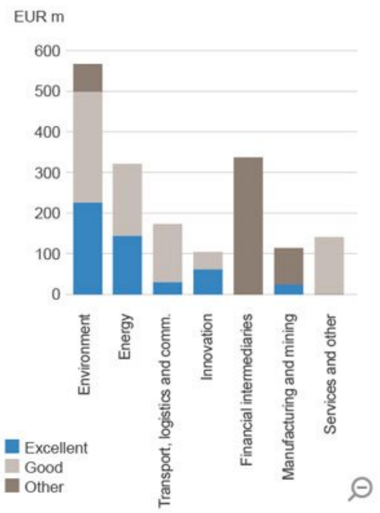
Mandate impact rating fig.17

Loans agreed



Mandate impact rating 2010 fig.18

Loans agreed by sectors



Strengthening competitiveness

The most direct way NIB can strengthen the competitiveness of its member country economies is to support projects that enhance the efficiency of companies. Therefore, the first question NIB asks when looking at the customers' projects is to what extent they contribute to improving efficiency or productivity.

NIB distinguishes between internal factors—those that businesses can directly influence—and external factors—those that exist in the company's business environment.

When the Bank assesses the potential impact on competitiveness of the projects, NIB weighs the relative improvement in the company's performance against a no-project situation. The relative impact on the company or on the business sector is then compared to similar projects in similar sectors. To properly gauge the expected benefits of the project, NIB also assesses the implementation risk, in other words, the risk that the project's full potential will not be realised.

Enhancing the environment

The second of the two key eligibility criteria for lending is enhancing the environment. This means that NIB provides loans and guarantees for projects that prevent and treat pollution. To achieve a positive environmental impact rating the project must be in compliance with NIB's Environmental Policy and Guidelines as well as relevant national legislation. A direct positive environmental net impact requires a quantitative assessment. Defining and limiting the scope or boundaries for the analysis is the first step in assessing mandate fulfilment. For every project, we assess the following:

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

The environmental impact is measured on a six-degree scale, including a negative rating which is not applicable for competitiveness. Similarly to the assessment of competitiveness impact, the environmental assessment covers both the potential impact as well as the implementation risk of the project.

Environmental lending

On a regional level, for example in the Baltic Sea area and its drainage basin, NIB focuses on issues such as eutrophication and acidification resulting from air emissions and wastewater discharges. On a global level, NIB views combating climate change through the reduction of emissions of greenhouse gases as an important issue.

Environmental activities are inherent to NIB's daily activities and the environmental management system is integrated into the Bank's other management systems. In addition to its environmental analysts, the Bank's loan officers are also actively involved in the identification and management of environmental loans.

NIB impacts the environment mainly through its financing and, thus, the impacts are largely indirect. Below are data on the positive ecological impacts of the Bank's financing.

Substance	Estimated reductions, 2008	Estimated reductions, 2009	Estimated reductions, 2010	Explanation and comparison of substance
CO_2 or CO_2 equivalents	1,090,000 t/a	240,000 t/a	490,000 t/a	The most common of the greenhouse gases. Yearly CO_2 emissions in Finland are approximately 70 million tonnes.
Phosphorous, Nitrogen and Biological Oxygen Demand (BOD5) (emissions to water)	To be determined. Two projects with positive impacts agreed, but quantifiable data is lacking.	65 t/a phosphorus, 82 t/a nitrogen and 545 t/a BOD5 quantified One project with positive impacts agreed, but quantifiable data is lacking. One project leads to a decrease in suspended solids.	No agreed projects.	Runoff from wastewater and farmland increases the nutrient load in watercourses and oceans, as well as contributes to oxygen depletion, a major reason for the deteriorating state of the Baltic Sea. One person produces two grams of phosphorous/day.
SO_2 and NO_x (emissions to air)	To be determined. Two projects with positive impacts agreed, but quantifiable data is lacking.	230 t/a NO_x and 580 t/a SO_2 quantified Three projects with positive impacts agreed, but quantifiable data is lacking. One project leads to a reduction in dust, dioxin and heavy metal emissions. Four other projects lead to decreases in particles.	70 t/a NO_x One project leads to a reduction in dust, dioxin and heavy metal emissions.	Airborne emissions created through the burning of fossil fuels reach the ground through acid precipitation. Yearly emissions of NO_x and SO_2 in Finland are approximately 190,000 and 80,000 tonnes respectively.

NIB reports the share of emission reductions that results from the Bank's contribution to a project's financing. The estimated emission reductions of long-term loan programmes are determined retrospectively.

For more information on our special loan facilities for the Baltic Sea and climate change related projects, BASE and CLEERE, and projects financed during 2010 that fall under these facilities, see Lending activity.

"Long-term projects need long-term capital and here NIB can contribute."

Vidar Omholt, Senior Manager, Origination

Lending

Highlights 2010

- CLEERE increased to EUR 2 billion, EUR 1.6 billion already allocated at year-end
- New lending strategy for projects in the energy and transport, logistics and communications sectors
- Loans agreed totalling EUR 1.8 billion

Prospects 2011

- Northern Dimension Partnership on Transport and Logistics (NDPTL) to commence its operational activities
- Take part in implementing the plans set out in the EU Strategy for the Baltic Sea Region

"NIB is a leading financier of public-private partnership projects in the Nordic and Baltic area. Such projects fit well with NIB's mandate and our strength in long-term financing."

Giedrius Ruskys, Senior Manager, Product Unit

Lending activity

New loans approved by the Board of Directors reached close to EUR 2.3 billion whereas agreed loans reached EUR 1.8 billion. An improved liquidity situation among the Bank's customers was reflected in lower-than-planned disbursements, totalling EUR 1.3 billion.

The Bank has identified four sectors in particular that contribute to the fulfilment of the Bank's mandate: environment; energy; transport, logistics and communications; and innovation. Lending continued to be focused on these sectors in 2010. If unallocated loan amounts to financial intermediaries are excluded, the share of lending to these sectors accounted for 82% of loans agreed and 83% of loans disbursed.

The Bank also continued lending to projects in the manufacturing and service sectors as well as providing financing through financial intermediaries.

In 2010 the global recession receded, although the effects of it were still clearly visible in the economies of the Bank's member countries. The number of work-out cases in the Bank's portfolio decreased even if some new cases did arise during the year. Loan losses were moderate but the accumulated amount of impaired loans increased somewhat as of 31 December 2010.

The amount of loans outstanding stayed at the same level compared to year-end 2009, mainly due to an exceptionally high volume of prepayments, and totalled EUR 13,771 million by 31 December 2010. The amount of guarantees outstanding was EUR 8 million.

BASE and CLEERE

Lending continued under the two special lending facilities targeting priority areas. The Climate Change, Energy Efficiency and Renewable Energy Facility (CLEERE) was increased in 2010 to EUR 2 billion, following the rapid allocation of the first billion in 2008–2009. New loans were made under the facility, which targets climate change mitigation and adaptation, primarily in the energy sector but also in industry and transport. At the end of 2010, EUR 1,655 million had already been allocated under the facility.

Lending under the EUR 500 million Baltic Sea Environment Financing Facility (BASE) which was established to support the implementation of HELCOM's Baltic Sea Action Plan, continued at a more moderate pace.

Loans under this facility supplement financing through national budgets and EU structural and cohesion funds, in order to finance measures that help to restore the ecological health of the Baltic Sea. At the end of 2010, EUR 140 million had been allocated under the facility. Loans under both facilities are made in the ordinary course of business in accordance with the Bank's lending policies.

NIB continued to participate in international and regional cooperation. The implementation of the EU Strategy for the Baltic Sea Region started, providing a new framework for cooperation. Setting out priority areas and identifying flagship projects, the strategy stimulates cooperation and concerted action in the fields of the environment, energy and transport. NIB is committed to supporting the implementation of the strategy and is cooperating closely with EIB in this respect.

The Bank continued to play an active role in the Northern Dimension Environmental Partnership (NDEP) with new loans being developed for investments in wastewater treatment in Russia and also in Belarus, the latter country having been accepted as a new area of NDEP activity. The aim of the NDEP partnership is to coordinate and streamline the financing of environmental projects with cross-border effects in the Baltic Sea region, the Barents region and Northwest Russia, with projects benefitting from grants by the NDEP support fund.

New Northern Dimension Partnership on Transport and Logistics

In 2010, the process of setting up the new Northern Dimension Partnership on Transport and Logistics took significant steps forward. The purpose of the partnership is to facilitate cooperation on and implementation of regional transport infrastructure and logistics projects. The goal is an effective flow of goods and people in the northern European region.

NIB has actively participated in the preparation of the new partnership and will host the secretariat of the NDPTL, which will commence its operational activities in 2011.

The implementation of various public-private partnership (PPP) projects with financing from NIB continued, with a number of new projects under development. New loans agreed related to both transport infrastructure and hospital services. PPPs can provide an effective mechanism for harnessing private sector competence and funding capacity in support of infrastructure and utility investments.

The Bank also engages in projects with a project-financing structure, in which the revenues generated by the operation of the project form the basis for the repayment of the loan.

Countries of operation

As in previous years, most of the new lending in 2010 was carried out in the member countries, approximately 73%. During the year, the Bank signed 28 new loan agreements in the member countries with a total value of EUR 1,284 million. No new guarantees were issued. Disbursements of loans amounted to EUR 927 million, which expanded NIB's loans outstanding in the member countries to EUR 11,011 million at year-end. Loans agreed but not yet disbursed amounted to EUR 542 million at the end of the year.

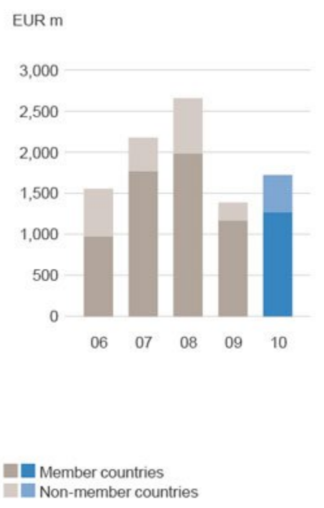
Sweden accounted for the largest part, 38%, of the new lending in the member countries in 2010, followed by Finland with 34% and Norway with 17%.

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

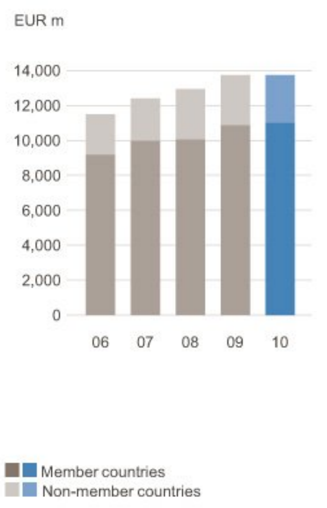
In 2010, the Bank signed 11 new loan agreements in 8 non-member countries in Europe and Eurasia, Asia, Latin America and Africa. The total value of the new loans agreed during the year amounted to EUR 479 million. The largest recipients were China and Brazil. No new guarantees were issued during the year. Disbursements of loans amounted to EUR 348 million, after which NIB's loans outstanding in non-member countries stood at EUR 2,761 million at year-end. Loans agreed but not yet disbursed amounted to EUR 637 million at the end of the year.

The distribution of lending is summarised in figures 19–22.

Loans agreed fig.19



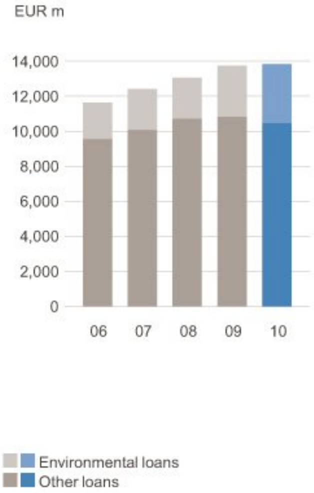
Loans outstanding fig.20



Environmental loans outstanding

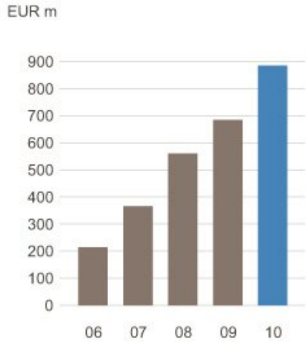
fig.21

As a share of total loans



Environmental loans agreed

fig.22



Focus sectors

In the Bank's reporting, the distribution of loans is presented according to sectors. Many projects relate to several sectors, particularly renewable energy, R&D and transport projects that represent both the environment and the other mentioned sectors. In order to reflect fairly the Bank's involvement in the different sectors, the reporting format was changed during the year so that for each loan the share of the relevant sector is presented as its weighted portion of the total amount. The new reporting format was also applied to loans agreed in 2009.

Environment

As described in more detail in the Mandate, Mission and Impact chapter, the Bank carries out a thorough assessment of all its loans, not only in order to apply appropriate safeguard procedures but also to identify projects that generate positive net environmental effects. Projects may represent end-of-pipe solutions where emissions are reduced through appropriate treatment facilities, but increasingly it is a matter of introducing cleaner technologies and better management of resource flows. Many projects have indirect positive environmental effects, for example, renewable energy projects which bring about emission reductions by replacing fossil fuels or projects aimed at reducing energy consumption in buildings through better efficiency.

The implementation and development of renewable energy systems and technologies is a focus area for NIB. All the member countries of the Bank have set ambitious and challenging targets to increase the share of renewable energy.

In 2010, new lending in the environmental sector totalled EUR 498 million, or 28% of all loans agreed. The environment remained the largest of the focus sectors. A major part of the agreed environmental loans were also related to other sectors as the projects represent investments in energy, transport, innovation, manufacturing and services that generate environmental benefits. The list of agreed loans indicates this overlap of sectors in the individual projects.

The projects financed by the Bank include investments in sustainable transport solutions, recycling, and energy efficiency in buildings. Renewable energy projects comprise wind power and hydropower systems. Other environmental projects include investments in R&D for more energy-saving industrial equipment and processes. The Bank also provided loans to banks for onlending to small and medium-sized companies and private households to finance investments in smaller-scale renewable energy and wastewater treatment.

Energy

Security of supply and environmental sustainability are key challenges for the energy sector in the Bank's member countries and beyond. Enhanced integration of regional energy transmission is a necessity, not least to enable a further increase of the share of renewable energy in the wider Baltic Sea region, and substantial long-term investments are needed in interconnectors and distribution systems. NIB has since the start of its operations been actively involved in financing the sector and is participating in the preparation of a number of priority projects. In 2010 the Bank adopted a lending strategy for its activities in the energy sector.

In 2010, the total share of energy loans was EUR 383 million, or 22% of all loans agreed during the year.

Loans were provided for investments in upgrading electricity transmission and distribution systems, including loans for the first project being implemented under the Baltic Energy Market Interconnection Plan.

Other loans to the energy sector included projects for renewable energy, improving the energy efficiency in buildings, modernisation of energy metering and more energy efficient industrial processes.

Transport, logistics and communications

Effective transport, logistics and communications are essential for the competitiveness of the Bank's member region. This applies to local and intra-regional transport and communication channels as well as to access links from and to the region. Environmentally sustainable, economic and long-term solutions are important. Investments in transport equipment, such as rolling stock, and in infrastructure such as roads and railways, are of a long-term nature, meaning the mobilisation of long-term capital is a prerequisite for such investments to materialise. In 2010 the Bank adopted a lending strategy which emphasises these aspects for its activities in the sector.

In 2010, 12% of all loans agreed belonged to projects in the transport, logistics and communications sector, totalling EUR 216 million. Approximately one third was directed to communications projects and the remainder to transport and logistics.

The projects in this sector include investments in railways and rolling stock, airport and road construction as well as the development of new generation broadband and mobile phone systems.

Innovation

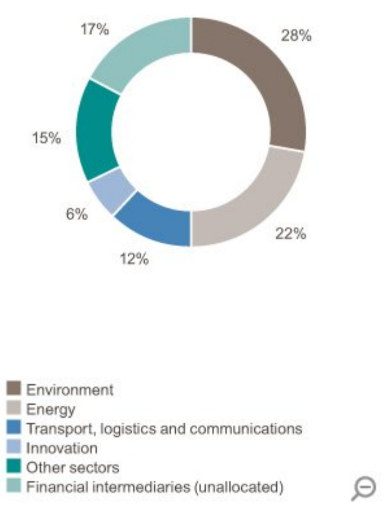
This sector comprises various activities related to innovation processes. As NIB only provides senior loans on market terms, the participation of the Bank is limited to such projects that are able to carry loan financing. R&D projects form the predominant part of the Bank's portfolio in this sector.

In 2010, total lending was EUR 102 million for projects related to technology development, equalling 6% of all loans agreed during the year.

Loans agreed 2010

By focus sectors

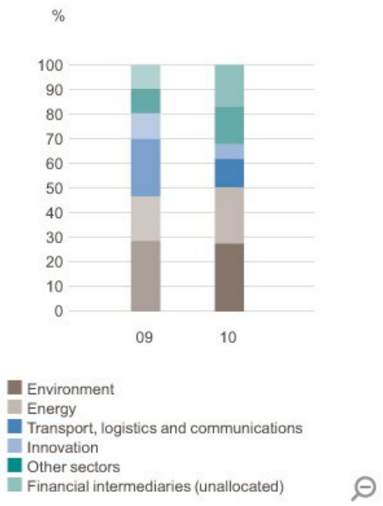
fig.23



Focus sector loans agreed

As a share of total loans

fig.24



Other sectors

Financial intermediaries

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

Seven of the loan programmes agreed with financial intermediaries in 2010 were wholly or partly unallocated, with sub-loans waiting to be assigned to projects fulfilling NIB's criteria. The total amount remaining in this category is EUR 308 million, equivalent to 17% of all loans agreed.

One new loan programme was concluded with another IFI. This is in line with NIB's aim to enhance cooperation with other IFIs and reach out to projects in countries where NIB is not directly active. Loan programmes were also established with four non-member country and four member country financial institutions.

Manufacturing and mining

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

In 2010, loans totalling EUR 115 million, or 7% of all loans agreed, were concluded for projects in manufacturing and mining. The projects include corporate acquisitions as well as investments in production facilities in order to increase capacity or improve manufacturing processes.

Services and other business sectors

Another sector, similar in its rationale to the manufacturing and mining sector, is categorised as "services and other", encompassing such activities that do not fall into any of the other categories. In 2010, one loan was agreed for a PPP hospital project amounting to EUR 142 million, or 8% of the new loans.

Loans agreed 2010

Borrower	Project	Sector
Green Cargo, Sweden	Financing the upgrade of 42 electric and 62 diesel locomotives at Green Cargo.	**Environment, Transport, logistics and communications**
UPM-Kymmene Oyj, Finland	Investment in a new chemical recovery plant at a pulp and paper mill in Kymi, Finland.	**Environment, Manufacturing and mining**
Central American Bank for Economic Integration (CABEI)	Loan programme focused mainly on renewable energy and public transport projects.	**Financial intermediary**
Northern Capital Gateway LLC, Russia	Reconstruction and expansion of the Pulkovo Airport in St Petersburg.	**Transport, logistics and communications**
Energa SA, Poland	Modernisation and construction of low- and medium-voltage electricity networks.	**Environment, Energy**
Rajakiiri Oy, Finland	Financing of the construction of a wind power park in Tornio in northern Finland.	**Environment, Energy**
Suomen Hypoteekkiyhdistys, Finland	Onlending to households and housing companies for financing of projects that improve energy efficiency.	**Environment, Energy**
Fortum Oyj, Finland	Investment programme for building up remote reading systems in energy metering.	**Environment, Energy**
Outotec Oyj, Finland	Investment programme in research and development.	**Environment, Innovation**
Transitio AB, Sweden	Purchase of new trains to increase railway efficiency.	**Environment, Transport, logistics and communications**
Nokia Siemens Networks Finance B.V., Netherlands and Nokia Siemens Networks Oy, Finland	Investment in a research and development project, aimed at integrating several wireless technologies into a Single RAN (radio access network). The Single RAN can be upgraded via remote software solutions, which will simplify the operation of mobile networks.	**Environment, Transport, logistics and communications, Innovation**
Rautaruukki Corporation, Finland	Modernisation and reconstruction of the iron production and related environmental technology in the company's steelworks in Raahe, Finland. The renewal will help modernise the manufacturing process so that it conforms to the latest environmental and technical standards.	**Environment, Manufacturing and mining**
Vattenfall AB, Sweden	Upgrade of hydropower plants in 2006–2013. A major part of the task involves reducing the environmental impact of Vattenfall's operations and utilising water resources more efficiently. The investments are mainly focused on the replacement of turbines, generators and transformers.	**Environment, Energy**
VAS Latvijas Dzelzcels, Latvia	Investment programme for the renewal of the east-west railway corridor in 2010–2013.	**Environment, Transport, logistics and communications**
Lahti Energia Oy, Finland	Construction of a gasification-based waste-to-energy plant in the city of Lahti in southern Finland.	**Environment, Energy**
Hafslund ASA, Norway	Expansion and upgrade of the transmission grid in the Oslo region.	**Environment, Energy**
Swedish Hospital Partners, Sweden	Public-private partnership (PPP) project to design, build, finance and operate the New Karolinska Solna Hospital, in order to meet the future demands of specialised healthcare.	**Innovation, Services and other**
Banco Itaú BBA, Brazil	Loan programme for financing projects that are of mutual interests to Brazil and NIB's member countries.	**Financial intermediary**

Socialist Republic of Vietnam	Loan programme for onlending to projects within various sectors using modern, state-of-the-art technologies and equipment supplied by companies from NIB's member countries.	**Financial intermediary**
SSAB, Sweden	Expansion of one of the company's plants in Sweden, to increase the volume of high strength steel products.	**Manufacturing and mining**
TINE SA, Norway	Construction of a new dairy facility in southern Norway, which will replace four older dairies in the same region.	**Environment, Energy**
Bons Ventos Geradora de Energia S.A., Brazil	Construction of four wind parks with a total power generation capacity of 157.5 MW in Brazil.	**Environment, Energy**
Boliden Mineral AB, Sweden	Expansion of the metal company's electronic scrap recycling plant in Rönnskär, Sweden.	**Environment**
Vilnius City Government, Lithuania	Construction of the city's western bypass road and sludge treatment plant as well as renovation of schools.	**Environment, Energy, Transport, logistics and communications**
Kemira Oyj, Finland	Financing of R&D at a centre of water efficiency excellence.	**Environment, Innovation**
Vestas Wind Systems A/S, Denmark	R&D programme focusing on the development of a new type of 3 MW wind turbine for low and medium wind regimes.	**Environment, Innovation**
Banco Nacional de Desenvolvimento Economico e Social, Brazil	General loan programme for onlending to projects fulfilling NIB's mandate within various sectors.	**Financial intermediary**
Fingrid Oyj, Finland	Construction of a 170-kilometre electricity inter-connection between Estonia and Finland, Estlink 2.	**Energy**
Elering OÜ, Estonia	Construction of a 170-kilometre electricity inter-connection between Estonia and Finland, Estlink 2.	**Energy**
People's Republic of China	Loan programme to finance environmental projects complying with NIB's mandate within various sectors and aimed at improving the environmental situation in China through pollution abatement and the application of environment-friendly technologies.	**Financial intermediary**
People's Republic of China	General Loan Programme XIII to finance projects complying with NIB's mandate within various sectors.	**Financial intermediary**
Finnfund Oy, Finland	Onlending to small and medium-sized companies for environmental projects.	**Environment, Energy**
Nokia Siemens Networks Finance B.V., Netherlands and Nokia Siemens Networks Oy, Finland	R&D activities towards Single RAN (radio access network) base station technology.	**Environment, Transport, logistics and communications, Innovation**
Norsk Hydro ASA, Norway	Investments in the field of research and development, environment and the company's hydropower operations.	**Environment, Energy, Innovation**
Greenland Self Rule Government, Denmark	Construction of a new hydropower plant at Sisimiut on the west coast of Greenland.	**Environment, Energy**
Bulgarian Development Bank, Bulgaria	Onlending to projects that comply with NIB's mandate, mainly in the production of renewable energy.	**Financial intermediary**
Ringkjøbing Landbobank A/S, Denmark	Loan programme earmarked for investments in wind power projects in Jutland, Denmark.	**Environment, Energy**
Oulun Osuuspankki Oyj, Finland	Onlending to private households, housing companies, SMEs and large corporations for projects in the areas of energy efficiency and wastewater treatment.	**Environment, Energy**
Nedbank Limited, South Africa	Onlending to a telecom project that will upgrade and expand the South African telecom operator Cell-C's telecom network in South Africa.	**Transport, logistics and communications**

The list is in chronological order.

"Many investors see NIB's owners as some of the most creditworthy countries in the world."

Jens Hellerup, Director, Head of Funding and Investor Relations

Treasury

Highlights 2010

- Highly competitive average funding cost for 2010
- Gross liquidity volumes grew to an all-time high during June–July
- The Own Capital Portfolio outperformed its benchmark

Prospects 2011

- Funding Strategy: remain a leading IFI benchmark issuer
- Issuing of the first NIB Environmental Bond
- Focus on liquidity warehousing and covered bonds
- Review of the euro government investment-grade bond benchmark used for the Own Capital Portfolio

Capital markets

Borrowing

In 2010, NIB borrowed EUR 4.1 billion through 65 bond transactions, spanning 11 different currencies. At year-end, outstanding debt totalled EUR 19,944 million in 19 currencies.

The Bank's funding strategy is to be a leading IFI benchmark issuer and maintain a global investor base. Borrowing should be diversified into different currencies and markets.

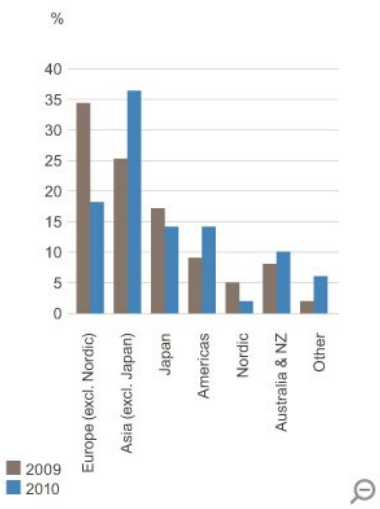
The Bank undertook two successful global USD benchmarks during 2010. The first benchmark was a 3-year USD 1 billion global public issue priced in January. The transaction turned out to be the tightest supranational 3-year benchmark transaction in 2010.

In May, NIB launched and priced its second public USD benchmark. The 5-year USD 1.25 billion benchmark issue was NIB's largest 5-year USD benchmark to date.

The majority of NIB's 2010 funding was placed with investors located in Asia, excluding Japan, and accounted for 36% of total funding. Europe accounted for 18%, and Japan and the Americas for 14% each, while the remainder derived from varied sources worldwide. Central banks represented the biggest investor type with 30%, mainly through participation in NIB's issuance of the two global USD benchmark transactions (see figures 25 and 26).

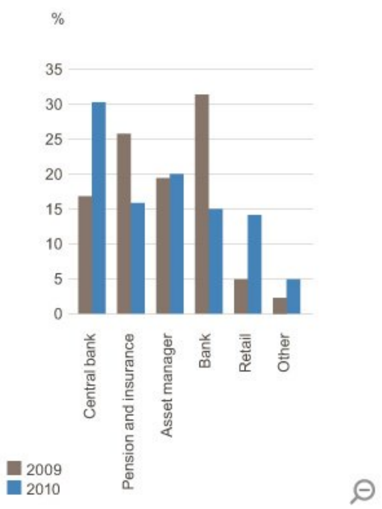
New borrowings fig.25

Geographical distribution



New borrowings fig.26

Investor distribution

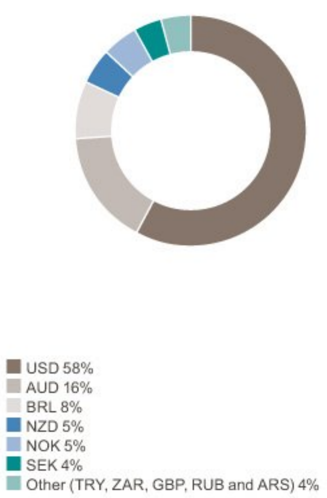


The currency distribution was diversified with USD and AUD being the two largest funding currencies at 58% and 16% respectively. The distribution can be seen in figure 27.

New borrowings

fig.27

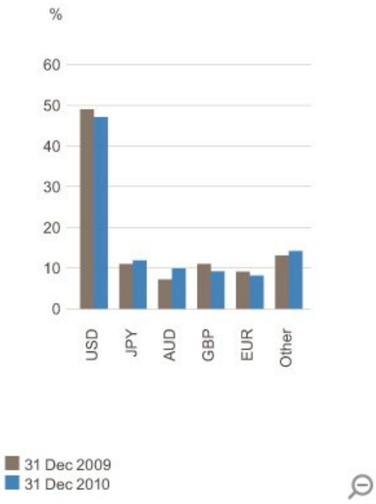
Currency distribution 2010



Borrowings outstanding

fig.28

Currency distribution



In spring 2010, NIB priced a new 5-year AUD 600 million bond issue. Later in the year, NIB tapped the market with a further AUD 325 million.

In February 2010, NIB returned to the Kauri market with a new 4-year NZD 150 million transaction. In the Nordic currencies, NIB issued an 18-month SEK 1,500 million fixed-rate issue and two Norwegian crown fixed-rate issues totalling NOK 1,500 million.

NIB launched its first support bond for environmental projects addressed to the Japanese retail market. The proceeds from this environmental support bond were swapped back to euro and used to refinance specific climate change mitigation projects selected by NIB.

NIB continued to meet investors globally, updating them on developments and securing sufficient credit lines available for investment in NIB bonds. The investor relations activities included bilateral meetings, seminars arranged by intermediary banks, conferences, as well as networking with the capital market media.

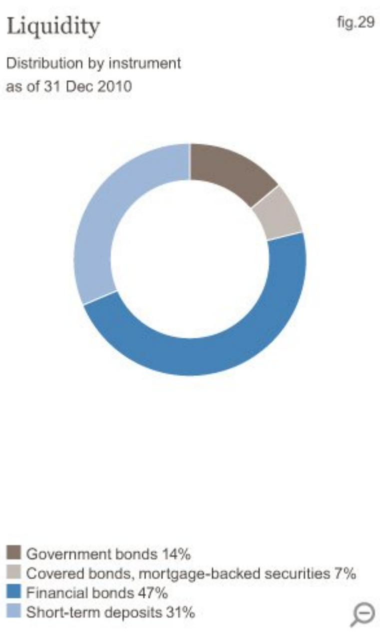
The sum of the percentage shares may not total 100% due to rounding.

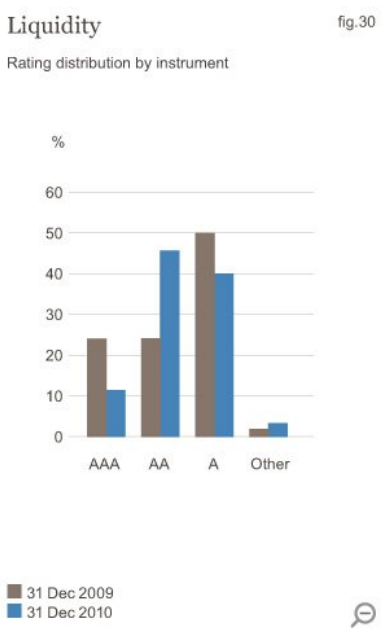
Asset liability management

The Bank's net operational liquidity totalled EUR 4,213 million at the end of 2010, of which holdings in liquid securities totalled EUR 2,618 million. Gross liquidity amounted to EUR 5,344 million, as money market loans and received cash as collateral stood at EUR 1,131 million at year-end. The Bank's liquidity was primarily held in euro and US dollars, while a minor portion was held in Nordic and other currencies. Liquidity distribution is shown in figure 29 and the distribution by rating is shown in figure 30.

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

Again in 2010, the valuation of the bonds in the liquidity portfolio contributed to a positive result to the Bank's earnings.





Own Capital Portfolio management

NIB's Own Capital Portfolio is invested in highly rated fixed-income securities denominated in euro and it is not counted as part of the net operational liquidity. The objective of the portfolio is to contribute to the stable income of the Bank by generating a satisfactory return comparable to a euro-denominated government-bond benchmark index.

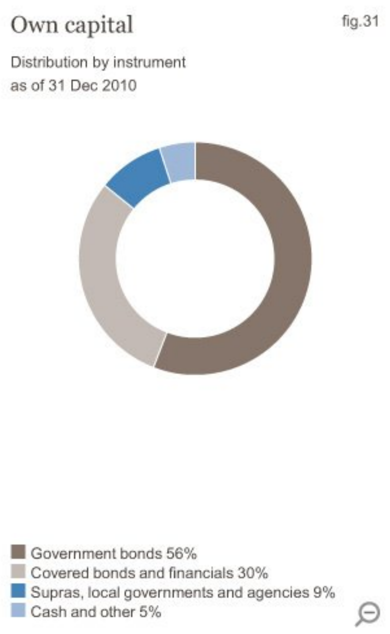
During the year, the duration of the portfolio has been kept lower than the benchmark duration of 4.5 years and at year-end it was 4.1 years. The portfolio return for 2010 was 3.07% compared with the benchmark return of 1.15%.

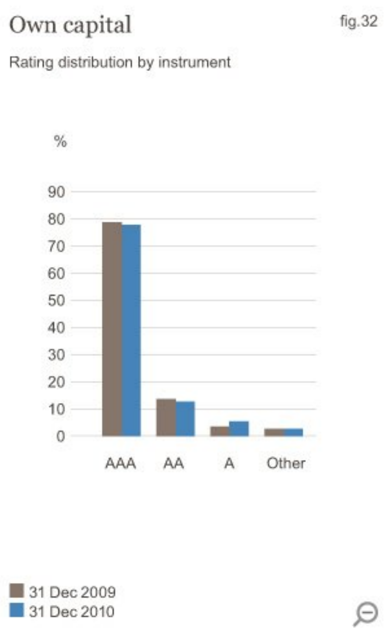
At year-end, the portfolio's nominal value amounted to EUR 2,157 million. The net interest income from the portfolio, EUR 77.9 million, is approximately one-third of NIB's total net interest income in 2010.

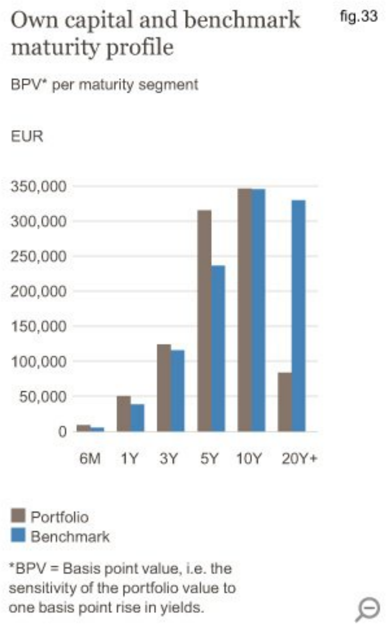
During the year, the allocation to the core European government bonds was increased further and this investment policy has sustained the high ratings of the securities in the portfolio.

The portfolio has overweighed investments in segments with a maturity of up to five years compared to the benchmark while being under-allocated in the long-term maturity segment. The portfolio and benchmark maturity profiles are shown in figure 33.

NIB uses external managers for fixed income trading with the objective of increasing returns and diversifying risks. All external managers had positive returns for the year and, overall, the performance exceeded the targets. The internal interest rate portfolio, with similar guidelines as those used for the external managers, also performed positively.







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

"A healthy, committed workforce is vital to NIB's success."

Monica Wilenius, HR Assistant

Corporate Governance

Highlights 2010:

- Green Office certification
- Enhanced focus on common efforts against corruption
- Renewed Host Country Agreement
- Resource planning included in the yearly business planning process
- Workshops followed up on needs identified in the Job Satisfaction Survey

Prospects 2011:

- Revision of anti-corruption strategy
- Continuous leadership training
- Job Satisfaction Survey 2011
- Upgrading of the job evaluation system

Corporate responsibility

Among the important principles guiding the Bank in its work with corporate responsibility are transparency, accountability and integrity. These three principles promote sustainable growth, which is at the heart of NIB's mission. Sustainable growth means achieving long-term growth without significant or permanent damage to the environment and the economy's natural productive capacity.

The Bank focuses on sustainability at all levels of its activities. Efficient and productive use of resources requires the Bank to focus on its mandate and to rate the impact of potential projects according to the mandate's two pillars: competitiveness and the environment. It also means that NIB must recruit the right staff and ensure its well-being.

NIB is an international organisation entrusted with public funds. At the same time, it is also a financial institution that aims for a reasonable return on its capital. These two roles mean that NIB must be accountable to its stakeholders and transparent in its operations. The Bank has zero tolerance for corruption and misconduct. In addition, NIB must apply sound banking terms to its operations and safeguard the confidential information of its clients. Proper governance increases the public's confidence in the Bank.

Environmental impact

Indirect impact
For sustainability, the environmental effects of projects financed by the Bank are especially significant. NIB is committed to ensuring that its projects are managed in a manner consistent with the requirements of relevant EU environmental principles, legislation and practices. To meet this commitment, NIB has established an environmental policy that lays out the principles the Bank must follow.

NIB conducts an environmental analysis for all projects that the Bank proposes to finance. The analysis ensures that borrowers have taken into account all relevant environmental impacts, risks, liabilities and costs.

In addition to ecological issues, NIB also examines the social aspects of projects to an increasing extent, and verifies that the investments are in line with sound international practice and World Bank standards.

NIB's environmental analysis is based on environmental impact assessments, environmental audits, other available and relevant documentation and, when needed, site visits. The scope of the analysis depends on the potential environmental impact of the project.

See the section on environmental lending in the Mandate, Mission and Impact chapter for information on the environmental impact of NIB-financed projects.

Direct impact

NIB's direct environmental impact through its daily operations is much smaller than the indirect impact deriving from the projects it finances. However, the Bank emphasises environmentally and socially sound practices in its daily operations as well.

NIB has not received any fines or been in non-compliance with environmental laws or regulations.

In 2010, the Bank joined the World Wide Fund for Nature's (WWF) Green Office programme. The programme motivates staff to act in an environmentally friendly way in their everyday tasks and improves not only environmental awareness but also cost efficiency. NIB aims to reduce business travel by increasing the use of video conferences.

In 2010, waste management and waste procedures were updated and further sorting of waste types such as glass and metal was started. NIB's waste management will continue to be developed in 2011 and the Bank plans to reduce paper consumption by 5% between 2010 and 2012. NIB recycles all internally used paper.

For work-related trips in 2010, NIB employees travelled 4,862,037 km, which equals approximately 27,000 km/employee.

	2008	2009	2010	Change from previous year, %
Electricity (MWh)	1,778	1,664	1,524	-8
District heating (MWh)	1,738	1,901	1,982	4
District cooling (MWh)[1]	18	106	247	134
Water (m^3)	1,863	1,893	2,481	31
Paper (t)	11	12	10	-13
Business travel, air (km)	5,583,132	5,353,810	4,862,037	-9
Business travel, CO2 (t)			612	

[1] The Bank began using the district cooling system on 1 July 2008. In 2010, additional areas were connected to the cooling system.

Transparency and accountability

NIB works to maintain an open dialogue with its external stakeholders. In addition, the various policy documents, rules of procedure, instructions and guidelines provide for elaborate reporting to the Board of Directors, the Control Committee, and within the organisation, also to the President and senior management.

As part of the Environmental Policy, NIB publishes category A projects—projects with the potential for large environmental impacts—on its website for a 30-day period before any final decision on the projects is taken by NIB. Comments received during the public disclosure are taken into consideration in the project appraisal.

NIB's Disclosure Policy, which was revised in 2010, safeguards the public's 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.

External conferences are one platform to interact with various stakeholder groups. NIB participated in several events during the year, such as the World Climate Solutions conference in Copenhagen, and the North European Renewable Energy Convention in Oslo. NIB is also an active participant in the Baltic Sea Action Plan implementation group, focusing on identifying viable projects for the preservation of the Baltic Sea.

In 2010, NIB also shared its past experience in setting up gender-based financial mechanisms at various seminars; for example in Istanbul under the auspices of the UN Economic Commission for Europe, in St Petersburg at a seminar in cooperation with the City Government and in Beijing at the Global Summit for Women.

NIB considers other international financial institutions (IFIs) to be very important stakeholders. In addition to annual or semi-annual gatherings between chief officials responsible for different areas of activities, NIB and the IFIs work closely on several institutional initiatives and programmes as well as in concrete transactions. This helps to safeguard a harmonised approach to the market and to meet the expectations of our respective member countries. During 2010, cooperation with European IFIs focused to a high degree on fighting fraud and corruption by investigating common cases of alleged corruption.

To cater for our investors particularly interested in sustainable investments, NIB issued its first environmental support bond in 2010.

During the year, NIB was approached by several institutions for the purpose of rating the Bank's performance in terms of corporate responsibility. The ratings provide good benchmarks for further development of the Bank's sustainability work. The Bank reports on the economic, environmental and social aspects of its operations according to the Global Reporting Initiative.

Integrity

To promote sustainability and corporate responsibility, NIB has a compliance function to address integrity and reputational risk in its daily business. Particular emphasis is placed on fighting corruption both in the Bank's external and internal activities and operations. The Compliance function is guided by the Compliance Policy, which also includes the Terms of Reference for the Chief Compliance Officer. The Chief Compliance Officer reports directly to the President.

The Chief Compliance Officer heads the Bank's Committee on Fighting Corruption. During 2010, Compliance dealt with six cases of alleged fraud and corruption. Two of the cases were dismissed following preliminary assessment and the remaining four are still under consideration or investigation.

Following recent developments in the IFI community concerning investigations and sanctioning mechanisms including cross-debarment, Compliance initiated a review of the Bank's anti-corruption strategy. The recommendations of an external consultant will be considered in 2011.

In this context, the Bank's procurement policy is also important and in 2010 the Bank started to revise its guidelines for procurement concerning the projects it finances. The new guidelines are expected to be implemented in 2011.

Codes of conduct

The Compliance function is responsible for providing advice and training on integrity issues and, in particular, on the application of the Code of Conduct for the Staff. The general purpose of the codes is to enhance best practices in relation to the governance of the Bank.

The Bank has separate codes of conduct for:

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

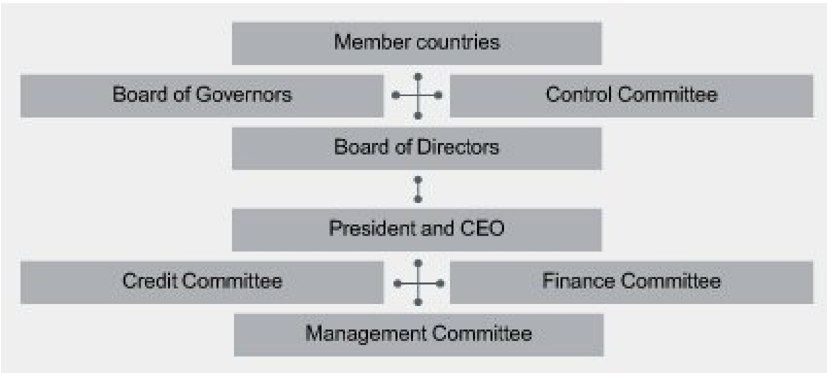
The annual review of the Code of Conduct for the Staff was completed for 2010. It provides guidance for avoiding conflict situations, rules on insider trading and advice on how to uphold proper conduct according to the highest ethical standards.

Governance

NIB was established in 1975 by Denmark, Finland, Iceland, Norway and Sweden. In 2005, the membership of the Bank was enlarged when Estonia, Latvia and Lithuania joined the Bank as new members.

NIB is governed by its constituent documents. These are the Agreement among its member countries dated 11 February 2004, the Statutes adopted on the same date, and the recently renewed Host Country Agreement concluded between the Government of Finland and the Bank in 2010. According to the constituent documents NIB has the status of an international legal person with full legal capacity.

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



Board of Governors

The Board of Governors is composed of eight Governors, designated by each member country from among the ministers in the government. The Board of Governors appoints a Chairman for one year according to the rotation principles adopted by it. The Governor for Latvia currently serves as the Chairman until 1 June 2011.

The Board of Governors held its annual meeting on 25 May 2010. In this meeting, the Board of Governors proclaimed its strong support for the Bank's work in the focus sectors and acknowledged the need for continuous financial resources. In an ensuing decision by written procedure on 28 June 2010, the Board of Governors increased the Bank's capital by EUR 2 billion, to EUR 6.141 billion.

Board of Directors

All the powers not vested exclusively in the Board of Governors are vested in the Board of Directors. The Board of Directors may delegate its powers to the President to the extent it considers appropriate. The Board of Directors consists of eight Directors, each of whom has one Alternate. The Directors and their Alternates are appointed by the respective member country. The Board of Directors appoints a Chairman and a Deputy Chairman from among the Directors. The chairmanship and the deputy chairmanship rotate among the member countries. The Board of Directors met eight times during 2010.

For more information on the Board of Directors' activities during the year, read the Report of the Board of Directors.

President

The President is responsible for the current operations of the Bank and is appointed by the Board of Directors for a term of five years at a time. The first term of the President ended on 1 April 2010 and the Board of Directors has re-appointed the President for a new term of two years ending 1 April 2012.

The President is assisted in his work by the Management Committee, the Credit Committee and the Finance Committee.

The Management Committee is the forum for addressing policy and management issues with the overall responsibility for risk management. The Management Committee consists of the President and six senior officers, whose appointment to the Committee is confirmed by the Board of Directors. The Committee meets once or twice a month. In 2010, it met 18 times. The meetings are chaired by the President, who makes decisions after consulting with the members of the Committee.

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

The Committee includes the President and six senior officers appointed to the Committee by the Board of Directors. Currently, the Credit Committee has the same members as the Bank's Management Committee. The Credit Committee is chaired by the President or in his absence by one of its members. The Committee meets once a week. In 2010, it met 50 times.

The Finance Committee is an advisory body to the President and monitors the market risk, liquidity risk and credit risk related to the Bank's treasury operations. The Committee includes the President and four members, and convenes once a month. The Finance Committee met 10 times during 2010.

Control Committee

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

The Control Committee consists of ten members. The Nordic Council and the Parliaments of Estonia, Latvia and Lithuania appoint eight members to the Committee, with one member representing each member country. The members are appointed for a term of up to two years at a time. Furthermore, two members are appointed by the Board of Governors to serve as Chairman and Deputy Chairman according to the rotation scheme adopted by the Board of Governors.

The Chairman and Deputy Chairman attend at least two of the Board of Directors' meetings per year and also receive the Board meeting minutes. The Board of Governors appointed Hannu Riippi from Finland to act as Chairman for the period 1 June 2010 to 31 May 2011 and Toomas Vapper from Estonia to serve as Deputy Chairman for the same period.

The work of the Control Committee is governed by its rules of procedure. Decisions of the Committee require the assent of the majority of its members, except for decisions concerning the financial statements and the audit report, which shall be unanimous.

The Control Committee appoints two professional external auditors every year for the purpose of assisting the Committee in carrying out its responsibilities. The professional auditors carry out the audit of the Bank in accordance with the International Standards on Auditing as issued by the International Federation of Accountants and as commissioned by the Committee. The Committee monitors that the coordination between the professional auditors and the Bank's internal auditors is arranged efficiently in order to cover all areas of control. The Committee may also instruct the professional auditors to carry out audit reviews of other specific matters. The Committee shall pay particular attention to the professional auditors' ability to perform their tasks independently. The professional auditors report directly to the Control Committee.

One of the professional auditors is appointed from the Bank's host country and one from another member country. According to the rules of procedure, the election of the professional auditors shall be subject to review at regular intervals. Following a tender carried out during 2007, the Control Committee decided to select two auditors from KPMG, one each from Helsinki and Copenhagen, to carry out the audit of the Bank from the financial year 2008 onward, with annual re-confirmation.

The Control Committee met twice during 2010. In addition to the normal reporting the Control Committee was also presented with a report on the mandate fulfilment and the revised ICT Principles and Guidelines.

Remuneration and incentive programmes

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

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

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

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

Internal control

The dual objective of NIB's internal control system is to secure and develop the long-term financial preconditions for operations, while conducting operations in a cost-efficient way, in compliance with given rules and regulations. Internal control is focused on the management of financial and operational risks.

NIB's internal audit follows international professional standards established by the Institute of Internal Auditors. The task of the internal audit is to assure the effectiveness of the Bank's internal control, risk management and governance processes and to make recommendations to the management. The Internal Audit function of the Bank reports to the Board of Directors and to the Control Committee but works administratively under the auspices of the President. The Board of Directors approves the annual plan for the Internal Audit.

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

The policy documents referred to in this chapter are available on the Bank's website, www.nib.int.

Human resources

NIB's staff is both professionally and culturally diverse. The Bank aims to attract and retain experienced and talented people who possess the competencies and skills to effectively implement NIB's mandate.

NIB encourages professional development. The Bank offers staff members opportunities to grow professionally through training, job rotation, secondments or new tasks within their own field of expertise. The benefits of this development are twofold: the individual's job satisfaction increases, while the Bank better utilises its human resources.

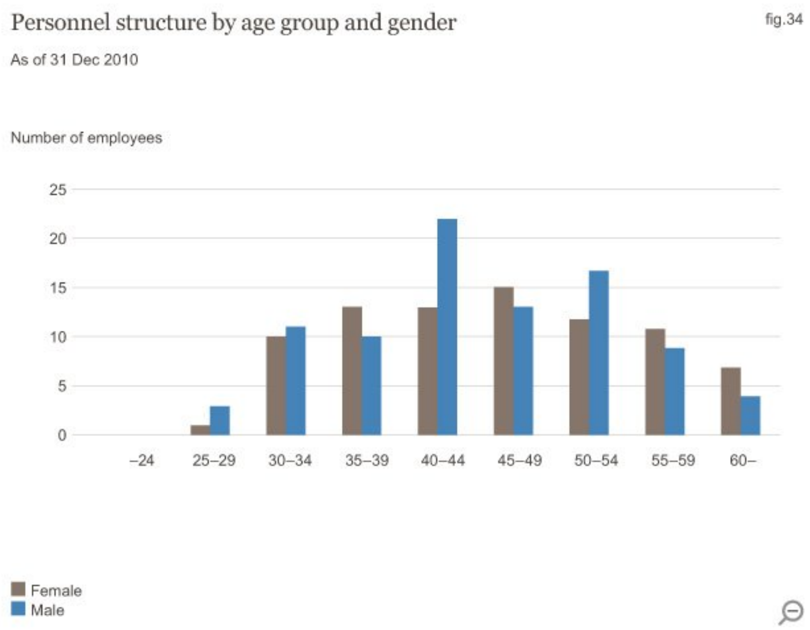
In 2010, a new tool—resource planning—was used in the yearly business planning processes. This allowed the departments to better assess resource gaps and determine how resources can and should be used.

NIB's staff

The majority of NIB's staff members are employed on a full-time basis and have permanent employment contracts. At the end of 2010, NIB had 171 employees in permanent positions, comprising 82 women and 89 men, representing 11 nationalities.

In addition, 8 persons worked in temporary positions, resulting in a total of 181.6 employees on average during the year. The exit turnover for staff in permanent positions was 6.9%, as 12 employees left the Bank during 2010. The average age of NIB's employees in permanent positions was 45.2 years, and the average length of service was 10 years.

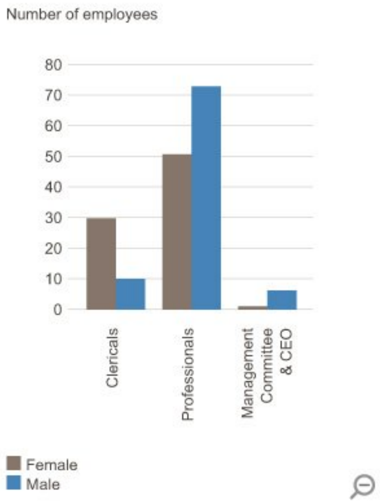
When recruiting, NIB emphasises professional qualifications and experience. In 2010, the Bank hired 2 women and 2 men for permanent positions. All new employees originated from Finland.



Staff by category and gender

fig.35

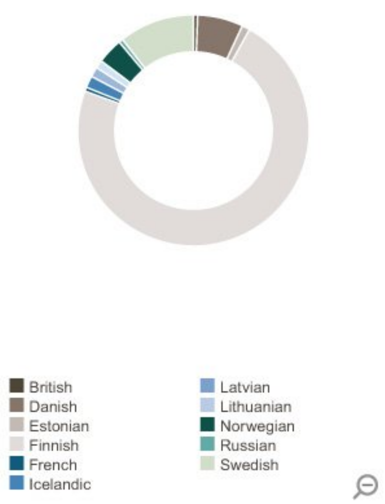
As of 31 Dec 2010



Nationality of employees

fig.36

As of 31 Dec 2010



Human resources development

In 2010 the results from the Job Satisfaction Survey conducted in 2009 formed the basis for most of the human resources development activities. Three main areas were identified for development: communication and information; prioritisation, presence and visibility; and leadership and management.

Progress was made in all of these areas. To address leadership and management issues, for example, workshops and training programmes aimed at building a common understanding of the role of supervisors in different parts of the Bank with focus on people, performance and leadership leverage were arranged.

Other training sessions were planned according to the needs defined during the yearly Personal Appraisal and Development Discussion (PADD) process. Many types of training—from financial modelling and procurement to negotiation skills—were arranged internally, while external training focused on risk awareness.

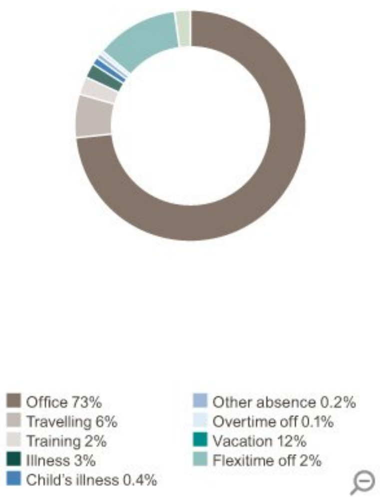
The internal training activities also included language training in 10 languages and ICT training in various Microsoft Office programs.

The average number of training days per employee in 2010 was 5.8 days.

For more information on NIB's employees, see Note 5 in the Financial Report.

Working days 2010

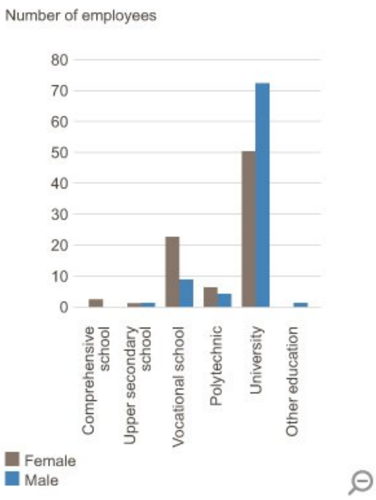
fig.37



Staff by educational background and gender

fig.38

As of 31 Dec 2010



Well-being and safety

NIB provides both occupational healthcare and medical care services to its employees and offers extensive insurance cover for its staff. As a means of further improving the overall insurance cover of the staff, NIB took out a group disability insurance policy in 2010.

NIB's Staff Activity Club organises social and cultural activities, which also enhance workplace satisfaction and encourage employee networking, an especially important factor for employees who come from outside Finland.

The Initiative of the Year was introduced in 2010. The initiative or idea which best supports NIB's values, mandate, operational goals and/or working climate will be rewarded with a prize. An initiative may concern any area of the Bank's activities.

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

Board of Governors

As of 31 December 2010

Brian Mikkelsen
Minister for Economic and Business Affairs
Denmark

Jürgen Ligi
Minister of Finance
Estonia

Tapani Tölli
Minister of Public Administration and Local Government
Finland

Steingrímur J. Sigfússon
Minister of Finance
Iceland

Andris Vilks
Minister of Finance
Latvia

Ingrida Šimonytė
Minister of Finance
Lithuania

Sigbjørn Johnsen
Minister of Finance
Norway

Anders Borg
Minister of Finance
Sweden

The Board of Governors held its annual meeting on 25 May 2010.

Control Committee

As of 31 December 2010

Chairman
Hannu Riippi
Managing Partner
BDO Oy
Finland

Deputy Chairman
Toomas Vapper
Authorised Public Accountant
Estonia

Per Bisgaard
Member of Parliament
Denmark

Taavi Rõivas
Member of Parliament
Estonia

Tuula Peltonen
Member of Parliament
Finland

Ragnheiður Ríkharðsdóttir
Member of Parliament
Iceland

Viesturs Silenieks
Adviser to the Chairman of the Saeima
Latvia

Alina Brazdilienė
Adviser to the Office of the Seimas
Lithuania

Hans Frode Asmyhr
Member of Parliament
Norway

Johan Linander
Member of Parliament
Sweden

Auditors appointed by the Control Committee

Sixten Nyman
Authorised Public Accountant
KPMG Finland

Per Gunslev
Authorised Public Accountant
KPMG Denmark

The Control Committee met twice in 2010.

Board of Directors


Jesper Olesen


Rolandas Kriščiūnas


Madis Üürike


Kristina Sarjo


Þorsteinn Þorsteinsson


Edmunds Krastiņš


Heidi Heggenes


Erik Åsbrink

The Board of Directors met eight times during 2010.

Board of Directors


Jesper Olesen


Rolandas Kriščiūnas


Madis Üürike


Kristina Sarjo


Þorsteinn Þorsteinsson


Edmunds Krastiņš


Heidi Heggenes


Erik Åsbrink

The Board of Directors met eight times during 2010.

Denmark

Jesper Olesen

Chairman of the Board

Deputy Permanent Secretary
Ministry of Economic and Business Affairs

Elected 2008
8 meetings

Alternate

Sigmund Lubanski
Head of Office
Ministry of Economic and Business Affairs
Elected 2005
2 meetings

Board of Directors


Jesper Olesen


Rolandas Kriščiūnas


Madis Üürike


Kristina Sarjo


Þorsteinn Þorsteinsson


Edmunds Krastiņš


Heidi Heggenes


Erik Åsbrink

The Board of Directors met eight times during 2010.

Lithuania

Rolandas Kriščiūnas

Deputy Chairman of the Board

Vice-Minister of Finance
Ministry of Finance

Elected 2005
5 meetings

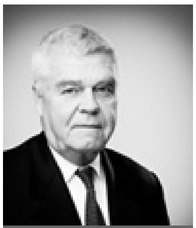
Alternate

Jurgita Uzielienė
Deputy Director
Ministry of Finance
Elected 2008
5 meetings

Board of Directors


Jesper Olesen


Rolandas Kriščiūnas


Madis Üürike


Kristina Sarjo


Þorsteinn Þorsteinsson


Edmunds Krastiņš


Heidi Heggenes


Erik Åsbrink

The Board of Directors met eight times during 2010.

Estonia

Madis Üürike

Advisor
Ministry of Finance

Elected 2005
8 meetings

Alternate (from 27 Sep 2010)

Merle Wilkinson
Head of the State Treasury Department
Ministry of Finance
Elected 2010
2 meetings

Alternate (until 26 Sep 2010)

Ülle Mathiesen
Head of the State Treasury Department
Ministry of Finance
1 meeting

Board of Directors


Jesper Olesen


Rolandas Kriščiūnas


Madis Üürike


Kristina Sarjo


Þorsteinn Þorsteinsson


Edmunds Krastiņš


Heidi Heggenes


Erik Åsbrink

The Board of Directors met eight times during 2010.

Finland

Kristina Sarjo

Financial Counsellor
Ministry of Finance

Elected 2003
7 meetings

Alternate

Risto Paaermaa
Director
Ministry of Employment and the Economy
Elected 1996
4 meetings

Board of Directors


Jesper Olesen


Rolandas Kriščiūnas


Madis Üürike


Kristina Sarjo


Þorsteinn Þorsteinsson


Edmunds Krastiņš


Heidi Heggenes


Erik Åsbrink

The Board of Directors met eight times during 2010.

Iceland

Þorsteinn Þorsteinsson

Chairman of the Board
Icelandic State Banking Agency

Elected 2009
7 meetings

Alternate

Sigurður Þórðarson
CPA, Former State Auditor
Elected 2009
4 meetings

Board of Directors

Jesper Olesen

Rolandas Kriščiūnas

Madis Üürike

Kristina Sarjo

Þorsteinn Þorsteinsson

Edmunds Krastiņš

Heidi Heggenes

Erik Åsbrink

The Board of Directors met eight times during 2010.

Latvia

Edmunds Krastiņš

Project Manager
Air Baltic Administration

Elected 2005
7 meetings

Alternate

Kaspars Āboliņš
Treasurer
Treasury of the Republic of Latvia
Elected 2008
7 meetings

Board of Directors

Jesper Olesen

Rolandas Kriščiūnas

Madis Üürike

Kristina Sarjo

Þorsteinn Þorsteinsson

Edmunds Krastiņš

Heidi Heggenes

Erik Åsbrink

Norway

Heidi Heggenes

Director General
Ministry of Finance

Director (from 1 June 2010)
Elected 2008
7 meetings

Director (until 31 May 2010)

Arild Sundberg
Director General
City of Oslo
0 meetings

Alternate (from 1 June 2010)

Trond Eklund
Deputy Executive Director
Ministry of Finance
Elected 2010
3 meetings

Alternate (until 31 May 2010)

Heidi Heggenes
Director General
Ministry of Finance

The Board of Directors met eight times during 2010.

Board of Directors


Jesper Olesen


Rolandas Kriščiūnas


Madis Üürike


Kristina Sarjo


Þorsteinn Þorsteinsson


Edmunds Krastiņš


Heidi Heggenes


Erik Åsbrink

The Board of Directors met eight times during 2010.

Sweden

Erik Åsbrink

Former Minister of Finance

Elected 2005
7 meetings

Alternate

Anna Björnermark
Deputy Director
Ministry of Finance
Elected 2009
7 meetings

Management Committee


Johnny Åkerholm


Nils E. Emilsson


Heikki Cantell


Lars Eibeholm


Hilde Kjelsberg


Juha Kotajoki


Gunnar Okk

Management Committee


Johnny Åkerholm


Nils E. Emilsson


Heikki Cantell


Lars Eibeholm


Hilde Kjelsberg


Juha Kotajoki


Gunnar Okk

Johnny Åkerholm

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

Management Committee


Johnny Åkerholm


Nils E. Emilsson


Heikki Cantell


Lars Eibeholm


Hilde Kjelsberg


Juha Kotajoki


Gunnar Okk

Nils E. Emilsson

(1950–2011 †)
First Vice-President, Head of Lending.
Joined NIB in 2006.
B.Sc., United States International University;
MBA, California State University.

Management Committee

Johnny Åkerholm

Nils E. Emilsson

Heikki Cantell

Lars Eibeholm

Hilde Kjelsberg

Juha Kotajoki

Gunnar Okk

Heikki Cantell

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

Management Committee


Johnny Åkerholm


Nils E. Emilsson


Heikki Cantell


Lars Eibeholm


Hilde Kjelsberg


Juha Kotajoki


Gunnar Okk

Lars Eibeholm

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

Management Committee


Johnny Åkerholm


Nils E. Emilsson


Heikki Cantell


Lars Eibeholm


Hilde Kjelsberg


Juha Kotajoki


Gunnar Okk

Hilde Kjelsberg

(1963)
Vice-President, Head of Credit and Analysis.
Joined NIB in 2006.
M.Sc., Norwegian School of Economics and Business Administration;
AFF Management programme for young leaders.

Management Committee


Johnny Åkerholm


Nils E. Emilsson


Heikki Cantell


Lars Eibeholm


Hilde Kjelsberg


Juha Kotajoki


Gunnar Okk

Juha Kotajoki

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

Management Committee

Johnny Åkerholm

Nils E. Emilsson

Heikki Cantell

Lars Eibeholm

Hilde Kjelsberg

Juha Kotajoki

Gunnar Okk

Gunnar Okk

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

Global Reporting Initiative indicators

The Global Reporting Initiative (GRI) is the world's most widely used sustainability reporting framework. The guidelines are for voluntary use by organisations to report on economic, environmental and social aspects of their operations. NIB's Annual Report is carried out in accordance with GRI's framework. The last report, on performance during 2009, was published in April 2010. The table below indicates where the different topics are covered.

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
		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
2.4	Location of organisation's headquarters	Contact information
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	Note 14
2.10	Awards received in the reporting period	-
	Report parameters	
3.1	Reporting period	Information about the Annual Report
3.2	Date of most recent previous report (GRI)	GRI indicators
3.3	Reporting cycle	Information about the Annual Report
3.4	Contact point for questions regarding the report	Contact information
3.5	Process for defining report content (material issues, stakeholders, etc.)	-
3.6	Boundary of the report	NIB in brief
3.7	Any specific limitations on the scope or boundary of the report	-
3.8	Basis for reporting that can affect comparability of the report	-
3.9	Data measurement techniques and the bases of calculations	Environment and competitiveness
		Corporate governance
3.10	The effect and reasons of any restatements of information provided in earlier reports	-
3.11	Significant changes from previous reporting periods	Corporate responsibility
3.12	GRI content index	GRI indicators
3.13	Policy and current practice with regard to seeking external assurance for the report	-

	Governance, commitments and engagement	
4.1	Governance structure of the organisation	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	-
4.5	Linkage between executive compensation and the organisation’s economic, environmental and social performance	Governance
		Note 5
4.6	Avoidance of conflicts of interest	Integrity
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	Codes of conduct	Integrity
4.9	Procedures 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	-
4.11	Addressing precautionary approach	Notes to the Financial statements
		Environmental Policy and Guidelines
4.12	Participation in externally developed initiatives	Lending activity
		Corporate responsibility
4.13	Memberships in associations	Lending activity
4.14	List of stakeholder groups	Transparency and accountability
4.15	Basis for stakeholder identification and selection	Transparency and accountability
4.16	Approaches to stakeholder engagement	Transparency and accountability
4.17	Use of information resulting from stakeholder engagements	Transparency and accountability

Indicators

	Economic	
EC1	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 competitiveness
EC3	Coverage of the organisation's defined benefit plan obligations	Note 5
EC4	Significant financial assistance received from government	Capital structure
		Note 5
EC5	Standard entry level wage compared to local minimum wage	-
EC6	Policy, practices and proportion of spending on local suppliers	-
EC7	Procedures and proportion of local hiring, including senior management	Human resources
EC8	Development and impact of infrastructure investments and services	Focus sectors
EC9	Understanding and describing significant indirect economic impacts	Mandate fulfilment
		Corporate responsibility

	Environmental	
EN1	Materials used by weight or volume (internal)	Corporate responsibility
EN2	Percentage of materials used that are recycled input materials (internal)	-
EN3	Direct energy consumption (internal)	n/a
EN4	Indirect energy consumption (internal)	Corporate responsibility
EN5	Energy saved due to conservation and efficiency improvements (internal)	-
EN6	Initiatives and results for energy-efficient or renewable energy-based products (internal)	-
EN7	Initiatives to reduce indirect energy consumption (internal)	Corporate responsibility
EN8	Total water withdrawal by source (internal)	Corporate responsibility
EN9	Water sources significantly affected by withdrawal of water (internal)	n/a
EN10	Recycled and reused water (internal)	n/a
EN11	Location and size of land managed in, or adjacent to sensitive areas (internal)	n/a
EN12	Impacts of activities, products and services on biodiversity in sensitive areas	Recent loans
EN13	Habitats protected or restored	n/a
EN14	Strategies, actions and plans for managing impacts on biodiversity	Environment and competitiveness
EN15	List of endangered species with habitats in areas affected by operations	n/a
EN16	Total direct and indirect greenhouse gas emissions	Environment and competitiveness
		Corporate responsibility
EN17	Other relevant indirect greenhouse gas emissions	Environment and competitiveness
EN18	Initiatives to reduce greenhouse gases and reductions achieved	Environment and competitiveness
		Lending activity Corporate responsibility
EN19	Emissions of ozone-depleting substances	-
EN20	NOx, SOx and other significant air emissions	Environment and competitiveness
EN21	Total water discharge (internal)	n/a
EN22	Waste by type and disposal method (internal)	Corporate responsibility
EN23	Number and volume of significant spills (internal)	n/a
EN24	Waste deemed hazardous under the terms of the Basel Convention (internal)	n/a
EN25	Influence of waste water on the environment (internal)	n/a
EN26	Initiatives to mitigate environmental impacts of products and services	Mandate, Mission and Impact
		Focus sectors
EN27	Reclaimed products and packaging materials (internal)	n/a
EN28	Monetary fines and non-compliance with environmental laws and regulations (internal)	Corporate responsibility
EN29	Environmental impacts of transport and travel (internal)	Corporate responsibility
EN30	Environmental protection expenditures and investments	Focus sectors
	Social	
LA1	Total workforce by employment type, contract and region (internal)	Human resources
LA2	Employee turnover (internal)	Human resources
LA3	Benefits provided only to full-time employees (internal)	Human resources
		Note 5 Staff Regulations
LA4	Percentage of employees covered by collective bargaining agreements	n/a
LA5	Minimum notice period(s) regarding significant operational changes (internal)	-

LA6	Percentage of workforce represented in health and safety committees (internal)	Statutes for the Cooperation Council
LA7	Rates of injury, accidents, occupational diseases, lost days and absenteeism (internal)	Human resources
LA8	Education, training and risk-control programmes regarding serious diseases (internal)	-
LA9	Trade union agreements on health and safety topics (internal)	n/a
LA10	Hours of training per employee by employee category (internal)	Human resources
LA11	Programmes for skills management and lifelong learning (internal)	Human resources
LA12	Regular performance and career development reviews (internal)	Human resources
LA13	Composition of governance bodies and employees according to gender, age, etc. (internal)	Human resources
		Management Committee Board of Directors Board of Governors Control Committee
LA14	Salary levels of men to women (internal)	-
	Social performance: human rights	
HR1	Human rights screening in investments	-
HR2	Human rights screening of suppliers (internal)	-
HR3	Employee training on policies and procedures on human rights (internal)	-
HR4	Number of incidents of discrimination and actions taken (internal)	-
HR5	Actions taken to secure freedom of association	Staff Regulations
HR6	Measures taken to prevent child labour	Corporate responsibility
		Environmental Policy and Guidelines
HR7	Measures taken to contribute to the elimination of forced or compulsory labour	Corporate responsibility
		Environmental Policy and Guidelines
HR8	Training of security personnel concerning aspects of human rights (internal)	n/a
HR9	Violation of rights of indigenous people and actions taken	-
	Social performance: society	
SO1	Policy to assess and manage the impacts of operations on communities	Corporate responsibility
		Environmental Policy and Guidelines
SO2	Number of business units analysed for risks related to corruption	-
SO3	Anti-corruption training (internal)	-
SO4	Actions taken in response to incidents of corruption	Integrity
SO5	Public policy positions and lobbying (internal)	-
SO6	Contributions to political parties, politicians and related institutions (internal)	n/a
SO7	Legal actions for anti-competitive behaviour	n/a
SO8	Monetary fines and sanctions for non-compliance with laws and regulations	-
	Social performance: product responsibility	
PR1	Responsibility for the life cycle impacts of products and services on health and safety	n/a
PR2	Incidents of non-compliance concerning health and safety impacts	n/a
PR3	Obligations to publish product information	n/a
PR4	Breaches against product and service information and labelling	n/a
PR5	Practices related to customer satisfaction	n/a
PR6	Programmes for adherence to laws and standards related to marketing	n/a
PR7	Incidents of non-compliance with marketing communications	n/a
PR8	Breaches of customer privacy and losses of customer data	n/a

PR9	Significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	n/a

GRI financial services supplement

FS1	Policies with specific environmental and social components applied to business lines	Corporate responsibility
		Environmental Policy and Guidelines
FS2	Procedures for assessing and screening environmental and social risks in business lines	Corporate responsibility
		Environmental Policy and Guidelines
		Mandate, Mission and Impact
FS3	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions	Corporate responsibility
		Environmental Policy and Guidelines
		Environmental analysis
FS4	Processes for improving staff competency to implement the environmental and social policies and procedures as applied to business lines	-
FS5	Interactions with clients/investees/business partners regarding environmental and social risks and opportunities	Mandate, Mission and Impact
		Focus sectors
FS6	Percentage of the portfolio for business lines by specific region, size (e.g., micro/SME/large) and by sector	Key figures
		Lending
FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	n/a
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	Lending
FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	-
FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues	Loans agreed 2010
		Recent loans
FS11	Percentage of assets subject to positive and negative environmental or social screening	Mandate fulfilment
FS12	Voting policies applied to environmental or social issues for shares over which the reporting organisation holds the right to vote shares or advises on voting	n/a
FS13	Access points in low-populated or economically disadvantaged areas by type	n/a
FS14	Initiatives to improve access to financial services for disadvantaged people	n/a
FS15	Policies for the fair design and sale of financial products and services	n/a
FS16	Initiatives to enhance financial literacy by type of beneficiary	-

	GRI Core indicator
-	not currently covered by the Bank's reporting
internal	all indicators take into consideration both in-house effects as well as the effect of NIB's lending activities, unless specified to only include in-house effects (marked with "internal")
n/a	not applicable for NIB
Note x	refers to a specific note in the Financial Report 2010

Report of the Board of Directors

In 2010, the international financial markets and the global economy showed signs of improvements. In addition, the economies in the Nordic-Baltic region started to recover. Towards the end of the year uncertainty in the financial markets increased again due to higher sovereign risk, particularly in Europe.

In June, NIB's Board of Governors decided to increase the Bank's capital base to EUR 6,142 million. A larger capital base adds to the Bank's lending capacity, which had become constrained after high disbursements in 2007–2009. Additional capital allows NIB to continue its lending operations at more or less the same pace as in the last few years. It is expected that the demand for long-term financing will remain high in the coming years. The decision of the Board of Governors to increase the Bank's capital base by EUR 2 billion entered into force as of 16 February 2011 after all member countries had completed their national procedures. The Board of Directors proposes resuming the payment of dividends in the future.

The demand persisted during the year and loans approved by the Board of Directors reached EUR 2,310 million whereas agreed loans reached EUR 1,763 million. At the same time, among the Bank's customers there was an improvement in the liquidity situation while investment activity remained low. This was reflected in disbursements, which were at EUR 1,274 million. The decrease was also attributable to high lending activity during the previous years, which had consumed the inventory of agreed loans as the Bank had to hold back on new approvals.

NIB's operational results for 2010 in terms of core earnings* amounted to EUR 217 million, up from EUR 192 million during the same period in 2009. Positive value adjustments on financial instruments accounted for EUR 27 million. Impairments to the loan book amounted to EUR 38 million in 2010. NIB's profit amounted to EUR 211 million.

Strategic focus

With the increased capital NIB is better equipped to assist the Nordic and Baltic countries in supporting competitiveness and protecting the environment. In the context of the decision, increasing attention was given to high mandate compliance and the need to focus the Bank's activities in order for the Bank to provide a high added value. In concrete terms, high mandate compliance is most likely when financing projects in the Bank's focus sectors: energy; environment; transport, logistics and communications; and innovation. Similarly, a more explicit strong mandate contribution will be required of new projects.

Several steps were taken during the year to increase NIB's ability to meet the requirements for high mandate compliance.

A business strategy for energy sector lending was established. The objective of the strategy is to ensure that energy projects financed by NIB provide high mandate fulfilment for the Bank while taking into account member country energy priorities and ensuring good risk quality. Within the energy sector, the emphasis will be on renewable energy forms, energy efficiency, increased integration and security of supply.

Within the environmental field, the Board of Directors decided to extend by EUR 1 billion the CLEERE lending facility, which supports actions to combat and adapt to climate change. All in all, EUR 1.6 billion out of EUR 2 billion framework was allocated by the end of 2010. The Baltic Sea Environment Financing Facility (BASE) has a framework of EUR 500 million, out of which EUR 138 million was allocated by the end of 2010. Five projects were approved and six tentatively approved under the Baltic Sea Trust Fund managed jointly by NIB and NEFCO.

As regards transport, logistics and communications, the work has proceeded in relation to setting up a secretariat for Northern Dimension Partnership on Transport and Logistics (NDPTL) to be hosted by NIB. The Agreement on the NDPTL secretariat was signed by all the eleven states involved and the Bank. The secretariat should start functioning in early 2011.

The Board of Directors decided in 2009 that NIB will further sharpen its geographical focus by intensifying its cooperation with a limited number of non-member countries which offer the highest potential in terms of project participant interest and mandate fulfilment. In line with this decision, more detailed country strategies were developed for NIB's operations in the neighbouring Baltic Sea region, including Poland, Russia and Ukraine, and in some of the major emerging economies, such as Brazil, China and India. A framework agreement (FA) was signed with Belarus which will enable NIB to finance environmental projects in that country.

The revised Host Country Agreement (HCA) was signed by the parties in October and the Finnish parliament approved it in December.

The Chairmanship of the Board rotates among the member countries every two years. Madis Üürike ended his two-year term on 1 June 2010, when Jesper Olesen took over the Chairmanship.

Key figures

(in EUR million)	2010	2009	2008
Net interest income	234	219	212
Profit/loss on financial operations	39	178	-387
Loan impairments	38	43	79
Core earnings*	217	192	189
Profit/loss	211	324	-281
Equity	2,262	2,050	1,730
Total assets	24,898	22,423	22,620
Solvency ratio (equity/total assets %)	9.1%	9.1%	7.6%

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

Activities

Demand continued to persist for NIB loans in 2010, a fact reflected in the total amount of new loans approved by the Board (EUR 2,310 million). The Bank signed 39 loan agreements during the year for a total of EUR 1,763 million, compared to EUR 1,417 million during the same period in 2009.

The disbursement of loans decreased to EUR 1,274 million, compared to EUR 1,954 million during the same period in 2009. This was partly due to the improved liquidity situation in the economy in combination with low investment activity. NIB was also somewhat restrained in granting and signing of new loans during 2007–2009, as these were rapidly turned into disbursements and NIB had a capital constraint.

In line with the efforts to achieve high mandate compliance, two thirds of the Bank's lending was allocated into its focus sectors: energy; environment; transport, logistics and communications; and innovation.

In 2010, environment-related lending accounted for 28% of agreed loans. The Bank participated in a number of projects for new wind, hydropower and biomass plants. Energy efficiency projects, including energy conservation in buildings, were also targeted.

In the other parts of the energy sector, investments aimed at securing the generation and transmission capacity, as well as improving the distribution systems were prioritised by the Bank. Lending was directed to smart metering and electricity distribution investments. Energy investments accounted for 22% of the loans agreed during the year.

Transport, logistics and communication accounts for 12% of agreed loans.
Loans were allocated for sustainable rail transport, including commuter rail, as well as airport development.

The innovation sector accounted for 6% of agreed loans focusing on research and development.

Small projects were targeted through intermediary banks and regional IFIs (17% of agreed loans). Other sectors accounted for 15%.

In total, 73% of the lending was targeted inside the membership area.

NIB continued to closely monitor the Bank's loan portfolio in order to identify and mitigate possible problems among existing borrowers. A temporary work-out unit dealt with loans which were watch-listed or subject to work-out.

NIB fulfilled its funding plan for 2010 by borrowing total funding of EUR 4.1 billion and maintained its position as a leading Nordic benchmark issuer. During the year, the Bank undertook two USD benchmarks. In January, NIB issued a successful 3-year USD 1 billion benchmark, which was the tightest 3-year primary benchmark transaction of 2010 among the supranational institutions. In May, NIB issued a 5-year primary USD benchmark, which was upsized to USD 1.25 billion due to strong demand. In total, 65 transactions were carried out in 11 different currencies, with USD being the most important currency, representing nearly 60% of last year's new funding.

The funding costs turned out to be lower compared to last year and NIB's funding cost is considered to be very competitive. In the financial market, the price development of NIB's bonds followed the supranational institutions situated in Washington. During the first months of the year, NIB's bonds outperformed the bonds of both sovereign and supranational institutions which are located in or have exposure to Southern Europe. In the latter part of 2010, the financial markets normalised and NIB's bonds again traded in line with the European peer group.

During the year, the overall liquidity was at a record high level for a number of reasons: large payment obligations at the beginning of 2011, a large amount of received cash collateral from swap counterparties and a delay in loan disbursements. At the end of the year, operational net liquidity stood at EUR 4,213.2 million.

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

Lending

(In EUR million unless otherwise specified)	**2010**	**2009**	**2008**
Energy	**383**	**253**	**-**
Environment	**498**	**415**	**-**
Transport, logistics and communication	**216**	**327**	**-**
Innovation	**102**	**139**	**-**
Financial intermediaries	308	144	-
Others	257	140	-
Loans agreed, total	**1,763**	**1,417**	**2,707**
Member countries	1,284	1,201	2,027
Non-member countries	479	216	680
Number of loan agreements, total	**39**	**40**	**53**
Member countries	28	33	40
Non-member countries	11	7	13
Loans outstanding and guarantees	**13,780**	**13,775**	**13,079**
Member countries	11,019	10,901	10,160
Non-member countries	2,761	2,874	2,920
Repayments and prepayments	**1,807**	**1,343**	**1,467**

New method of collecting statistics for focus sectors was used for 2009-10. The statistics based on agreed loans includes loan programs which will be allocated to focus sectors only after the amounts have been disbursed. The focus sector share for disbursed loans was 78% in 2010.

Financial activities

(In EUR million)	**2010**	**2009**	**2008**
New debt issues	4,120	4,137	4,681
Debts evidenced by certificates at year-end	19,944	17,998	17,549
Number of borrowing transactions	65	71	59
Number of borrowing currencies	11	10	13

Financial results

NIB's net interest income amounted to EUR 234 million, which corresponds to an increase of EUR 15 million compared to 2009. The administrative expenses for the period amounted to EUR 31 million. NIB's underlying business for 2010 in terms of core earnings* continues its increase to EUR 217 million, compared to EUR 192 million for the corresponding period in 2009.

NIB's profit normalised to EUR 211 million, of which net profit on financial operations accounted for EUR 39 million. Valuation profits on financial instruments amounted to EUR 27 million compared with the extraordinarily high figure of the previous year (EUR 137 million). Impairments to the loan book amounted to EUR 38 million in 2010 (EUR 43 million in 2009).

The Bank's total assets at the end of the period was EUR 25 billion, up from EUR 22 billion at the end of 2009. The outstanding loan stock was EUR 14 billion.

Risk management

Overall, the quality of the Bank's portfolios remained high in 2010, despite the continued weakness of the economy and the problems encountered by some counterparties. The share of the weakest risk classes decreased slightly from year-end 2009. The credit quality of the treasury portfolio improved during the year. Portfolios were well-balanced in both their geographical and sectoral distribution, as well as in their degree of concentration regarding exposure to individual counterparties.

The Bank continued to emphasise follow-up measures on its customers and counterparties during 2010.

Outlook

NIB expects the economic recovery in the member countries to continue. Due to central bank operations, liquidity will be ample in the financial markets. However, the supply of long-term financing remains constrained partly due to expected new regulatory requirements. The volatility in the financial market, related to increased sovereign risks, is also likely to continue.

In these circumstances, NIB will direct its efforts to projects which have high mandate compliance. The Bank's focus sectors have large potential in this respect, but they are still suffering from low investment activity in the aftermath of the financial crisis. NIB also expects to continue to have good access to funding in the financial markets.

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

Proposal by the Board of Directors to the Board of Governors

The Board of Directors' proposal with regard to the financial results for the year 2010 takes into account the need to keep the Bank's ratio of equity to total assets at a secure level, which is a prerequisite for maintaining the Bank's high creditworthiness.

In accordance with section 11 of the Statutes of the Bank, the profit for 2010
of EUR 210,832,171.72 is to be allocated as follows:
- EUR 210,832,171.72 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 683,045,630.31 or 16.5% of the Bank's authorised capital stock as of 31 December 2010 and 11.1% of the Bank's authorised capital stock after the capital increase which took effect on 16 February 2011; and
- no dividends be made available to the Bank's member countries.

Read more 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, 3 March 2011

Jesper Olesen

Rolandas Kriščiūnas

Madis Üürike

Kristina Sarjo

Þorsteinn Þorsteinsson

Edmunds Krastiņš

Heidi Heggenes

Erik Åsbrink

Johnny Åkerholm
President and CEO

Statement of comprehensive income 1 January–31 December

EUR 1,000	Note	2010	2009
Interest income		429,649	603,038
Interest expense		-195,999	-384,040
Net interest income	(1), (2), (22)	**233,650**	**218,998**
Commission income and fees received	(3)	12,070	8,909
Commission expense and fees paid		-2,423	-2,843
Net profit/loss on financial operations	(4)	39,317	177,754
Foreign exchange gains and losses		2,822	-733
Operating income		**285,436**	**402,085**
Expenses			
General administrative expenses	(5), (22)	31,381	30,601
Depreciation	(9), (10)	4,735	5,074
Impairment of loans	(6), (8)	38,489	42,511
Total expenses		**74,604**	**78,186**
PROFIT/LOSS FOR THE YEAR		**210,832**	**323,900**
Value adjustments on the available-for-sale portfolio		514	-3,533
Total comprehensive income		**211,346**	**320,367**

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

Statement of financial position at 31 December

EUR 1,000	Note	2010	2009
ASSETS	(1), (18), (19), (20), (21)		
Cash and cash equivalents	(17), (23)	2,725,570	973,837
Financial placements	(17)		
Placements with credit institutions		130,262	84,954
Debt securities	(7)	5,074,778	5,659,220
Other		26,238	19,999
		5,231,278	**5,764,173**
Loans outstanding	(8), (17)	13,771,286	13,762,661
Intangible assets	(9)	5,158	6,703
Tangible assets, property and equipment	(9)	31,888	33,457
Other assets	(11), (17)		
Derivatives		2,717,942	1,463,803
Other assets	(22)	37,357	28,789
		2,755,299	**1,492,592**
Payments to the Bank's reserves, receivable		5,280	17,758
Accrued interest and fees receivable		372,071	372,289
TOTAL ASSETS		**24,897,830**	**22,423,470**

LIABILITIES AND EQUITY		(1), (18), (19), (20), (21)		
Liabilities				
Amounts owed to credit institutions		(17), (22)		
Short-term amounts owed to credit institutions		(23)	1,131,200	452,395
Long-term amounts owed to credit institutions			144,130	201,052
			1,275,330	**653,447**
Debts evidenced by certificates		(12), (17)		
Debt securities issued			19,709,566	17,775,437
Other debt			234,476	222,117
			19,944,042	**17,997,553**
Other liabilities		(13), (17)		
Derivatives			1,116,684	1,423,870
Other liabilities			5,816	7,747
			1,122,500	**1,431,617**
Accrued interest and fees payable			294,303	290,544
Total liabilities			**22,636,174**	**20,373,161**
Equity				
Authorised and subscribed capital	4,141,903			
of which callable capital	-3,723,302			
Paid-in capital	418,602	(14)	418,602	418,602
Reserve funds		(15)		
Statutory Reserve			683,046	670,568
General Credit Risk Fund			550,757	340,857
Special Credit Risk Fund PIL			395,919	281,919
Payments to the Bank's reserves, receivable			5,280	17,758
Other value adjustments			-2,780	-3,294
Profit/loss for the year			210,832	323,900
Total equity			**2,261,656**	**2,050,310**
TOTAL LIABILITIES AND EQUITY			**24,897,830**	**22,423,470**
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 period	Total
EQUITY AT 31 DECEMBER 2008	**418,602**	**656,770**	**622,131**	**281,919**	**31,556**	**0**	**239**	**-281,273**	**1,729,943**
Appropriations between reserve funds			-281,273					281,273	0
Paid-in capital									0
Called in authorised and subscribed capital									0
Payments to the Bank's Statutory Reserve and credit risk funds, receivable		13,798			-13,798				0
Comprehensive income for the year							-3,533	323,900	320,367
EQUITY AT 31 DECEMBER 2009	**418,602**	**670,568**	**340,857**	**281,919**	**17,758**	**0**	**-3,294**	**323,900**	**2,050,310**
Appropriations between reserve funds			209,900	114,000				-323,900	0
Paid-in capital									0
Called in authorised and subscribed capital									0
Payments to the Bank's Statutory Reserve and credit risk funds, receivable		12,478			-12,478				0
Comprehensive income for the year							514	210,832	211,346
EQUITY AT 31 DECEMBER 2010	**418,602**	**683,046**	**550,757**	**395,919**	**5,280**	**0**	**-2,780**	**210,832**	**2,261,656**

Proposed appropriation of the year's profit/loss	**2010**	**2009**
Appropriation to Statutory Reserve	-	-
Appropriations to credit risk reserve funds		
General Credit Risk Fund	210,832	209,900
Special Credit Risk Fund PIL	-	114,000
Appropriation to dividend payment	-	-
PROFIT/LOSS FOR THE YEAR	**210,832**	**323,900**

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

Cash flow statement 1 January–31 December

EUR 1,000	Note	Jan–Dec 2010	Jan–Dec 2009
Cash flows from operating activities			
Profit/loss from operating activities		**210,832**	**323,900**
Adjustments:			
Market value adjustment, trading portfolio		-26,871	-135,915
Depreciation and write-down in value of tangible and intangible assets		4,735	5,074
Change in accrued interest and fees (assets)		212	-5,699
Change in accrued interest and fees (liabilities)		3,759	-42,364
Impairment of loans		38,489	42,511
Adjustment to hedge accounting		-5,029	-37,661
Other adjustments to the year's profit		-39	-36
Adjustments, total		**15,257**	**-174,090**
Lending			
Disbursements of loans		-1,274,234	-1,953,924
Repayments of loans		1,806,725	1,326,496
Realised impairment losses on loans		-	16,630
Capitalisations, redenominations, index adjustments, etc.		-237	-865
Transfer of loans to other financial placements		-	8,584
Transfer of loans to claims in other assets		-	64,423
Exchange rate adjustments		-533,249	-204,805
Lending, total		**-996**	**-743,461**
Cash flows from operating activities, total		**225,093**	**-593,651**
Cash flows from investing activities			
Placements and debt securities			
Purchase of debt securities		-3,253,162	-2,934,459
Sold and matured debt securities		3,898,729	2,292,851
Placements with credit institutions		-45,227	-3,182
Other financial placements		-5,355	-9,369
Exchange rate adjustments, etc.		-46,940	-2,580
Placements and debt securities, total		**548,045**	**-656,739**

Other items			
Acquisition of intangible assets		-1,197	-2,505
Acquisition of tangible assets		-424	-807
Change in other assets		1,774	-130,076
Other items, total		**154**	**-133,388**
Cash flows from investing activities, total		**548,199**	**-790,127**
Cash flows from financing activities			
Debts evidenced by certificates			
Issues of new debt		4,120,271	4,136,814
Redemptions		-4,444,943	-3,644,632
Exchange rate adjustments		1,785,787	281,597
Debts evidenced by certificates, total		**1,461,116**	**773,780**
Other items			
Long-term placements from credit institutions		-56,922	121,945
Change in swap receivables		-764,456	118,636
Change in swap payables		-350,647	-487,173
Change in other liabilities		-1,931	2,543
Paid-in capital and reserves		12,478	13,798
Other items, total		**-1,161,479**	**-230,251**
Cash flows from financing activities, total		**299,636**	**543,529**
CHANGE IN NET LIQUIDITY	(23)	**1,072,929**	**-840,249**
Opening balance for net liquidity		**521,442**	**1,361,690**
Closing balance for net liquidity		**1,594,370**	**521,442**
Additional information to the statement of cash flows			
Interest income received		429,867	597,339
Interest expense paid		-192,240	-426,403

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.

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

Notes to the financial statements

ACCOUNTING POLICIES

General operating principles

The operations of the Nordic Investment Bank (hereinafter called the Bank or NIB) are governed by an agreement among the governments of Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway and Sweden (hereinafter called the member countries), and the Statutes adopted in conjunction with that agreement. NIB is an international financial institution that operates in accordance with sound banking principles. NIB finances private and public projects which have high priority with the member countries and the borrowers. NIB finances projects both in and outside the member countries, and offers its clients long-term loans and guarantees on competitive market terms.

NIB acquires the funds to finance its lending by borrowing on international capital markets.
The authorised capital stock of the Bank is subscribed by the member countries. Any increase or decrease in the authorised capital stock shall be decided by the Board of Governors, upon a proposal of the Board of Directors of the Bank.

In the member countries, the Bank is exempt from payment restrictions and credit policy measures, and has the legal status of an international legal person, with full legal capacity. The Agreement concerning NIB contains provisions regarding immunity and privileges accorded to the Bank, e.g. the exemption of the Bank's assets and income from taxation.

The headquarters of the Bank are located at Fabianinkatu 34 in Helsinki, Finland.

Significant accounting principles

Basis for preparing the financial statements
The Bank's financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB). The Bank's accounts are kept in euro. With the exceptions noted below, they are based on historical cost.

Significant accounting judgements and estimates
As part of the process of preparing the financial statements, the Bank's management is required to make certain estimates and assumptions that have an effect on the Bank's profits, its financial position and other information presented in the Annual Report. These estimates are based on available information and the judgements made by the Bank's management. Actual outcomes may deviate from the assessments made, and such deviations may at times be substantial.

The Bank uses various valuation models and techniques to estimate fair values of assets and liabilities. There are significant uncertainties related to these estimates in particular when they involve modelling complex financial instruments, such as derivative instruments used for hedging activities related to both borrowing and lending. The estimates are highly dependent on market data, such as the level of interest rates, currency rates and other factors. The uncertainties related to these estimates are reflected mainly in the statement of financial position. NIB undertakes continuous development in order to improve the basis for the fair value estimates, both with regard to modelling and market data. Changes in estimates resulting from refinements in assumptions and methodologies are reflected in the period in which the enhancements are first applied.

Recognition and derecognition of financial instruments
Financial instruments are recognised in the statement of financial position on a settlement date basis.

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire.

A financial liability is removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expires.

Foreign currency translation
Monetary assets and liabilities denominated in foreign currencies are recognised in the accounts at the exchange rate prevailing on the closing date. Non-monetary assets and liabilities are recognised in the accounts at the euro rate prevailing on the transaction date. Income and expenses recognised in currencies other than the euro are converted on a daily basis to the euro, in accordance with the euro exchange rate prevailing each day.

Realised and unrealised exchange rate gains and losses are recognised in the statement of comprehensive income.

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

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

Net liquidity in the cash flow statement refers to the net amount of monetary assets, placements and liabilities with original maturities of 6 months or less calculated from the time the transaction was entered into.

Financial placements
Items recognised as financial placements in the statement of financial position include placements with credit institutions and in debt securities, for example, bonds and other debt certificates, as well as certain placements in instruments with equity features. The placements are initially recognised on the settlement date. Their subsequent accounting treatment depends on the purpose of the placements.

Financial assets held for trading are carried at fair value. Changes in fair value are recognised in the statement of comprehensive income. Held-to-maturity financial investments are carried at amortised cost. These financial assets are assessed on an ongoing basis for impairment.

Available-for-sale financial assets are measured at fair value. Unrealised value changes are recognised in "Equity" under the item "Comprehensive income for the year" as explained in Changes in equity.

Lending
The Bank may grant loans and provide guarantees under its Ordinary Lending or under special lending facilities. The special lending facilities, which carry member country guarantees, consist of Project Investment Loans (PIL) and Environmental Investment Loans (MIL).

Ordinary Lending includes loans and guarantees within and outside the member countries. The Bank's Ordinary Lending ceiling corresponds to 250% of its authorised capital and accumulated general reserves and amounts to EUR 13,980 million following the allocations of the year's profit in accordance with the Board of Directors' proposal.

Project Investment Loans are granted for financing creditworthy projects in the emerging markets of Africa, Asia, Europe and Eurasia, Latin America and the Middle East. The Bank's Statutes permit loans to be granted and guarantees to be issued under the PIL facility up to an amount corresponding to EUR 4,000 million. The member countries guarantee the PIL loans up to a total amount of EUR 1,800 million. The Bank, however, will assume 100% of any losses incurred under an individual PIL loan, up to the amount available at any given time in the Special Credit Risk Fund for PIL. Only thereafter would the Bank be able to call the member countries' guarantees according to the following principle: the member countries guarantee 90% of each loan under the PIL facility up to a total amount of EUR 1,800 million. Payment under the member countries' guarantees takes place at the request of the Board of Directors, as provided for under an agreement between the Bank and each individual member country.

The Bank is authorised to grant special Environmental Investment Loans up to the amount of EUR 300 million, for the financing of environmental projects in the areas adjacent to the member countries. The Bank's member countries guarantee 100% of the MIL facility.

The Bank's lending transactions are recognised in the statement of financial position at the time the funds are transferred to the borrower. Loans are recognised initially at historical cost, which corresponds to the fair value of the transferred funds including transaction costs. Loans outstanding are carried at amortised cost. If the loans are hedged against changes in fair value by using derivative instruments, they are recognised in the statement of financial position at fair value, with value changes recognised in the statement of comprehensive income. Changes in fair value are generally caused by changes in market interest rates.

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

Receivables are carried at their estimated recoverable amount. Where the collectability of identified loans is in doubt, specific impairment losses are recognised in the statement of comprehensive income. Impairment is defined as the difference between the carrying value of the asset and the net present value of expected future cash flows, determined using the instrument's original effective interest rate where applicable.

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

On the liabilities side, impairment is recognised in respect of the guarantees NIB has issued. The net cost of any calls made under guarantees and other similar commitments issued by NIB is likewise recognised in the statement of comprehensive income.

In the event that payments in respect of an ordinary loan are more than 90 days overdue, all of the borrower's loans are deemed to be non-performing and consequently the need for impairment is assessed and recognised.

In the event that payments in respect of a PIL loan to a government or guaranteed by a government are more than 180 days overdue, all of the borrower's loans are deemed to be non-performing. Whenever payments in respect of a PIL loan that is not to a government or guaranteed by a government are more than 90 days overdue, all of the borrower's loans are deemed to be non-performing. Impairment losses are then recognised in respect of the part of the outstanding loan principal, interest, and fees that correspond to the Bank's own risk for this loan facility at any given point in time.

Intangible assets
Intangible assets mainly consist of investments in software, software licenses and ongoing investments in new ICT systems. The investments are carried at historical cost, and are amortised over the assessed useful life of the assets, which is estimated to be between 3 and 5 years. The amortisations are made on a straight-line basis.

Tangible assets
Tangible assets in the statement of financial position include land, buildings, office equipment, and other tangible assets owned by the Bank. The assets are recognised at historical cost, less any accumulated depreciation based on their assessed useful life. No depreciations are made for land. The Bank's office building in Helsinki is depreciated on a straight-line basis over a 40-year period. The Bank's other buildings are depreciated over a 30-year period. The depreciation period for office equipment and other tangible assets is determined by assessing the individual item. The depreciation period is usually 3 to 5 years. The depreciations are calculated on a straight-line basis.

Write-downs and impairment of intangible and tangible assets
The Bank's assets are reviewed annually for impairment. If there is any objective evidence of impairment, the impairment loss is determined based on the recoverable amount of the assets.

Borrowing
The Bank's borrowing transactions are recognised in the statement of financial position at the time the funds are transferred to the Bank. The borrowing transactions are recognised initially at a cost that comprises the fair value of the funds transferred, less transaction costs. The Bank uses derivative instruments to hedge the fair value of virtually all its borrowing transactions. In these instances, the borrowing transaction is subsequently recognised in the statement of financial position at fair value, with any changes in value recognised in the statement of comprehensive income.

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

Derivative instruments and hedge accounting
The Bank's derivative instruments are initially recognised on a trade-date basis at fair value in the statement of financial position as "Other assets" or "Other liabilities".

During the time the Bank holds a derivative instrument, any changes in the fair value of such an instrument are recognised in the statement of comprehensive income, or directly in "Equity" as part of the item "Other value adjustments", depending on the purpose for which the instruments were acquired. The value changes of derivative instruments that were not acquired for hedging purposes are recognised in the statement of comprehensive income. The accounting treatment for derivative instruments that were acquired for hedging purposes depends on whether the hedging operation was in respect of cash flow or fair value.

At the time the IAS 39 standard concerning hedge accounting was adopted, the Bank had a portfolio of floating rate assets, which had been converted to fixed rates using derivative contracts (swaps). This portfolio was designated as a cash flow hedge, but this specific type of hedging is no longer used for new transactions. In general, the Bank does not have an ongoing programme for entering into cash flow hedging, although it may choose to do so at any given point in time.

When hedging future cash flows, the change in fair value of the effective portion of the hedging instrument is recognised directly in "Equity" as part of the item "Other value adjustments" until the maturity of the instrument. At maturity, the amount accumulated in "Equity" is included in the statement of comprehensive income in the same period or periods during which the hedged item affects the statement of comprehensive income.

In order to protect NIB from market risks that arise as an inherent part of its borrowing and lending activities, the Bank enters into swap transactions. The net effect of the swap hedging is to convert the borrowing and lending transactions to floating rates. This hedging activity is an integral part of the Bank's business process and is designed as a fair value hedge.

When hedging the fair value of a financial asset or liability, the derivative instrument's change in fair value is recognised in the statement of comprehensive income together with the hedged item's change in fair value in "Net profit on financial operations".

Sometimes a derivative may be a component of a hybrid financial instrument that includes both the derivative and a host contract. Such embedded derivative instruments are part of a structured financing transaction that is hedged against changes in fair value by means of matching swap contracts. In such cases, both the hedged borrowing transaction and the hedging derivative instrument are recognised at fair value with changes in fair value in the statement of comprehensive income.

The hedge accounting is based on a clearly documented relationship between the item hedged and the hedging instrument. When there is a high (negative) correlation between the hedging instrument on the one hand and the value change on the hedged item or the cash flows generated by the hedged item on the other, the hedge is regarded as effective. The hedging relationship is documented at the time the hedge transaction is entered into, and the effectiveness of the hedge is assessed continuously.

Determination of fair value

The fair value of financial instruments, including derivative instruments that are traded in a liquid market, is the bid or offered closing price at balance sheet date. Many of NIB's financial instruments are not traded in a liquid market, like the Bank's borrowing transactions with embedded derivative instruments. These are measured at fair value using different valuation models and techniques. This process involves determining future expected cash flows, which can then be discounted to the balance sheet date. The estimation of future cash flows for these instruments is subject to assumptions on market data and in some cases, in particular where options are involved, even on the behaviour of the Bank's counterparties. The fair value estimate may therefore be subject to large variations and may not be realisable in the market. Under different market assumptions the values could also differ substantially.

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

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

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

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

See Note 17 for further details.

Equity

As of 31 December 2010, the Bank's authorised and subscribed capital is EUR 4,141.9 million, of which the paid-in portion is EUR 418.6 million. Payment of the subscribed, non-paid-in portion of the authorised capital, 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.

In June 2010, the Board of Governors decided to increase the Bank's authorised capital by EUR 2 billion to EUR 6,141.9 million. The capital increase came into force on 16 February 2011 after all member countries had confirmed the increase.

The increase will be allocated to the callable portion of the authorised capital stock.

The Bank's reserves have been built up by means of appropriations from the profits of previous accounting periods, and consist of the Statutory Reserve, as well as the General Credit Risk Fund and the Special Credit Risk Fund for PIL.

The Bank's profits, after allocation to appropriate credit risk funds, are transferred to the Statutory Reserve until it amounts to 10% of NIB's subscribed authorised capital. Thereafter, the Board of Governors, upon a proposal by the Bank's Board of Directors, shall decide upon the allocation of the profits between the reserve fund and dividends on the subscribed capital.

The General Credit Risk Fund is designed to cover unidentified exceptional risks in the Bank's operations. Allocations to the Special Credit Risk Fund for PIL are made primarily to cover the Bank's own risk in respect of credit losses on PIL loans.

Interest
The Bank's net interest income includes accrued interest on loans as well as accruals of the premium or discount value of financial instruments. Net interest income also includes swap fees and borrowing costs.

Fees and commissions
Fees collected when disbursing loans are recognised as income at the time of the disbursement, which means that fees and commissions are recognised as income at the same time as the costs are incurred. Commitment fees are charged on loans that are agreed but not yet disbursed, and are accrued in the statement of comprehensive income over the commitment period.

Annually recurrent costs arising as a result of the Bank's borrowing, investment and payment transactions are recognised under the item "Commission expense and fees paid".

Financial transactions
The Bank recognises in "Net profit on financial operations" both realised and unrealised gains and losses on debt securities and other financial instruments. Adjustments for hedge accounting are included.

Administrative expenses
The Bank provides services to its related parties, the Nordic Development Fund (NDF) and the Nordic Environment Finance Corporation (NEFCO). Payments received by the Bank for providing services at cost to these organisations are recognised as a reduction in the Bank's administrative expenses. NIB receives a host country reimbursement from the Finnish Government equal to the tax withheld from the salaries of NIB's employees. This payment reduces the Bank's administrative expenses, 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 has also provided its permanent employees with a supplementary pension insurance scheme arranged by a private pension insurance company. This is group pension insurance based on a defined contribution plan. The Bank's pension liability is completely covered.

In addition to the applicable local social security systems, NIB has taken out a comprehensive accident, life and health insurance policy for its employees in the form of group insurance.

Segment information

Segment information and currency distribution in the notes are presented in nominal amounts. The adjustment to hedge accounting is presented as a separate item (except for Note 1, the primary reporting segment).

Reclassifications

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

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

Standards, amendments and interpretations effective in 2010

Changes in standards revised by the IASB, effective for accounting periods on or after 1 January 2010, did not have a significant impact on the Bank's financial statements.

Standards, amendments to published standards and interpretations that are not yet effective and have not been adopted early by the Bank:

IFRS 9, Financial Instruments: Classification and Measurement, is effective for accounting periods beginning on or after 1 January 2013. The standard simplifies the classification of financial assets into two categories, those that are measured at amortised cost and those that are fair valued. The Bank is currently considering the implications of the standard.

IAS 24, (Revised), Related Party Disclosures, is effective for accounting periods beginning on or after 1January 2011. The definition of a related party is clarified and disclosure requirements for government-related entities are changed. The Bank's initial interpretation is that IAS 24 will not have a significant impact on its financial statements.

A number of existing standards have been and will be revised by the IASB as part of the IFRS improvements project. The following standards are relevant to the Bank, but the Bank's initial interpretation is that they will not have a significant impact on the Bank's financial statements:

IAS 1, Presentation of Financial Statements (Discussion Paper, Preliminary Views on Financial Statement Presentation).
IAS 7, Statement of Cash Flows
IAS 17, Leases
IAS 36, Impairment of assets
IAS 38, Intangible Assets
IAS 39, Financial Instruments
IFRS 8, Operating Segments

FINANCIAL GUIDELINES AND RISK MANAGEMENT

NIB assumes a conservative approach to risk-taking. The Bank's constituent documents require that loans be made in accordance with sound banking principles, that adequate security be obtained for the loans and that the Bank protect itself against the risk of exchange rate losses. The main risks, credit risk, market risk, liquidity risk and operational risk, are managed carefully with risk management closely integrated into the Bank's business processes. As an international financial institution, NIB is not subject to any national or international banking regulations. However, the Bank's risk management procedures are reviewed and refined on an ongoing basis in order to comply in substance with what the Bank identifies as the relevant market standards, recommendations and best practices. The Bank has chosen the Advanced Internal Ratings Based Approach as a benchmark, although the Bank is not subject to regulations based on the Basel Capital Accords.

Key risk responsibilities

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

The business functions, Lending and Treasury, are responsible for the day-to-day management of all risks assumed through their operations and for ensuring that an adequate return for the risks taken is achieved. Risk Management, Credit and Analysis, Compliance and Internal Audit are independent of the departments carrying out the Bank's business activities. Risk Management has the overall responsibility for identifying, measuring, monitoring and reporting all types of risk inherent in the Bank's operations. Credit and Analysis is responsible for assessing and monitoring credit risk in the Bank's lending operations and it oversees that credit proposals are in compliance with established limits and policies. Internal Audit provides an independent evaluation of the controls, risk management and governance processes. The Compliance function assists the Bank in identifying, assessing, monitoring and reporting on compliance risk in matters relating to the institution, its operations and to personal conduct.

Credit risk

Credit risk is NIB's main financial risk. Credit risk is the risk that the Bank's borrowers and other counterparties fail to fulfil their contractual obligations and that any collateral provided does not cover the Bank's claims. Following from NIB's mandate and financial structure, most of the credit risk arises in the lending operations. The Bank's credit policy forms the basis for all its lending operations. The credit policy aims at maintaining the Bank's high quality loan portfolio and ensuring proper risk diversification as well as the enhancement of the Bank's mission and strategy. The credit policy sets the basic criteria for acceptable risks and identifies risk areas that require special attention.

The Bank is also exposed to credit risk in its treasury activities, where credit risk derives from the financial assets and derivative instruments that the Bank uses for investing its liquidity and managing currency and interest rate risks as well as other market risks related to structured funding transactions.

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

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

The Bank's rating system is based on estimating the probability of default (PD) of a counterparty and the loss given default (LGD) on a transaction. The PD for the various counterparty types is derived from a combination of in-house expert judgement, scenario analyses, peer group comparisons and output from the Bank's quantitative and qualitative rating models. For financial market counterparties the ratings assigned by the major international rating agencies are used as an additional reference. The counterparty is assigned a rating class on a scale of 1 to 20, with class 1 referring to the lowest probability of default and class 20 to the highest probability of default. In addition, two classes of default are applied. The first one indicates impairment and the second a non-performing status. Each transaction is also assigned a risk class reflecting the expected loss. The expected loss is the combined effect of the PD of the counterparty and the Bank's estimate of the portion of the Bank's claim that would not be recoverable if the counterparty defaults. The non-recoverable portion, i.e. the loss given default (LGD), is determined on the basis of benchmark values for unsecured transactions and by using a security rating tool for secured loans. The risk classes range from 1 to 20, so that risk class 1 refers to the lowest expected loss and class 20 to the highest expected loss. The counterparty ratings and the transaction risk classes form the basis for setting exposure limits, for the risk-based pricing of loans as well as for monitoring and reporting the Bank's credit quality.

Limits on credit risk exposure. NIB applies a limit system in which maximum exposure to a counterparty is determined on the basis of the probability of default and the expected loss. The limits are scaled to the Bank's equity and to the counterparty's equity. To reduce large risk concentrations, the Bank applies portfolio-level limits for large counterparty exposure as well as sector and country limits. The Board of Directors sets the limits for maximum exposure.

Measurement of credit risk exposure. For loans and capital market investments, credit exposure is measured in terms of gross nominal amounts, without recognising the availability of collateral or other credit enhancement. Exposure to each counterparty is measured on a consolidated group level, i.e. individual counterparties that are linked to one another by ownership or other group affiliation, are considered as one counterparty.

The credit risk exposure of swaps is measured as the current market value plus an allowance for potential increases in exposure over the transaction's lifetime (often referred to as potential exposure). The add-on for potential exposure reflects the fact that significant fluctuations in the swap's value may occur over time. As a rule, NIB enters into the International Swaps and Derivatives Association (ISDA) contract with swap counterparties. This allows the netting of the obligations arising under all of the derivative contracts covered by the ISDA agreement in case of insolvency and, thus, results in one single net claim on, or payable to, the counterparty. Netting is applied for the measurement of the Bank's credit exposure only in cases when it is deemed to be legally enforceable in the relevant jurisdiction and against a counterparty. The gross total market value of swaps at year-end 2010 amounted to EUR 2,394 million, compared to a value of EUR 1,604 million after applying netting (year-end 2009: EUR 1,582 million and EUR 857 million, respectively).

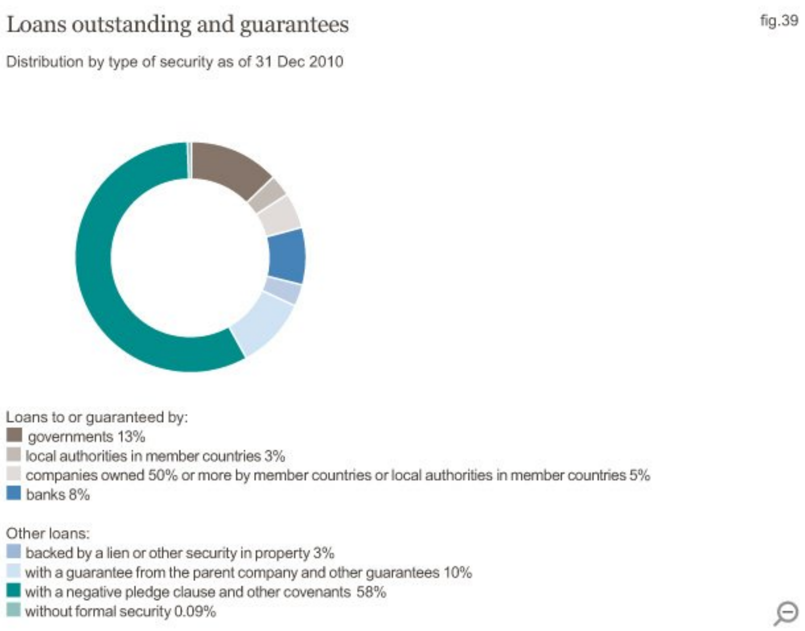
To further reduce the credit risk in derivatives, NIB enters into credit support agreements with its major swap counterparties. This provides risk mitigation, as the swap transactions are regularly marked-to-market and the party being the net obligor is requested to post collateral. The Bank strives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

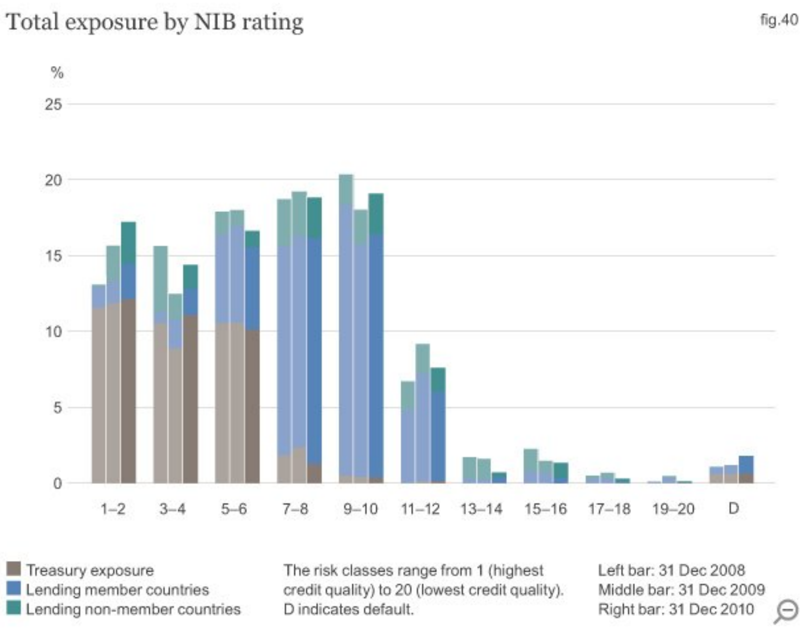
Economic capital. Economic capital is the amount of capital that the Bank needs in order to be able to absorb severe unexpected losses, with a defined level of certainty. As an international financial institution, the Bank is not subject to regulatory capital requirements. However, the Bank uses standards proposed by the Basel II Capital Accord as a benchmark for its risk management and economic capital framework. The Bank's policy is to hold a level of capital required to maintain the AAA/Aaa rating.

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

The Bank estimates its economic capital requirement for each of the main risks: credit risk, market risk and operational risk. When allocating economic capital for credit risk, the model uses the PD and LGD values arrived at in the internal rating process. The model recognises correlations between assets in various sectors and geographical regions, which enable it to take into account the positive impact of diversification and the negative impact of concentrations in the Bank's portfolios. When estimating the total economic capital requirement, the model recognises correlations between the different types of risk (credit risk, market risk and operational risk).

Credit quality
Overall, the quality of the Bank's aggregate credit exposure remained at a high level in 2010. Figure 39, "Loans outstanding and guarantees", shows the distribution of the Bank's lending exposure by type of security as of year-end 2010. The distribution of loans by security type is also presented in a table in Note 8. Figure 40, "Total exposure by NIB rating", compares the quality of the Bank's credit risks based on the credit risk classification system at year-end 2008, 2009 and 2010. Aggregate credit exposure includes lending and treasury exposure. Lending exposure refers to loans outstanding and loans agreed but not yet disbursed. A geographical and sectoral distribution of the Bank's loans outstanding and guarantees is shown in Note 8. In the context of the Bank's mission and mandate, the credit exposure continued to be fairly well balanced in terms of geographical and industrial sector distribution as well as regarding the distribution of the exposure by size.





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

Lending in member countries. The quality of the loans granted in the member countries remained sound. Most of the portfolio—close to 84%—was located in the risk classes 1 to 10, compared to 81% the year before. Lending in the four weakest risk classes decreased to 0.2% of the portfolio from 1.5% in 2009. At year-end 2010 loans in the default category accounted for 2.3% of total lending in the member countries (2009: 1.1%). The default category contained six exposures to Finland and Iceland.

Lending in non-member countries. The quality of the portfolio of loans in non-member countries improved somewhat in 2010. Close to 77% of the portfolio comprised loans in the risk classes 1 to 10 (2009: 69%) The exposure to the four weakest credit risk classes amounted to 2.5% at year-end 2010 compared to 3.0% the year before. The default category remained unchanged at 0.4%.

Treasury counterparties. The credit quality of the counterparties in the Bank's treasury operations remained stable in 2010. The exposure to the top four classes accounted for almost 65% of the total exposure (2009: 60%). The exposure in the default category was fairly unchanged at 1.8% (2009: 1.7%) comprising Lehman Brothers Inc. and the defaulted Icelandic banks.

Bank level. On an aggregate level, the Bank's credit quality was maintained at a strong level. At year-end 2010 more than 32% (2009: 29%) of the credit exposure was in the lowest risk classes (1 to 4) and around 56% (2009: 56%) was in the risk classes 5 to 10. The exposure to the highest risk classes (17 to 20) was 0.4% compared to 1.2% at year-end 2009. At year-end 2010 exposures in the default category accounted for 1.8% of the aggregate credit exposure (2009: 1.2%).

Market risk

Market risk includes, inter alia, the risk that losses are incurred as a result of fluctuations in exchange rates and interest rates. NIB's exposure to exchange rate risk occurs when translating assets and liabilities denominated in foreign currencies into the functional currency, the euro. The Bank funds its operations by borrowing in the international capital markets and often provides loans in currencies other than those borrowed, which unhedged would create currency mismatches in assets and liabilities. Furthermore, the funds borrowed often have interest rate structures other than those applied in the loans provided to the Bank's customers. By using derivative instruments, NIB seeks to reduce its exposure to exchange rate risk and interest rate risk created in the normal course of business. The residual risk must be within the limits approved by the Board of Directors. Such limits are kept very narrow to accommodate the Statutes, which stipulate that the Bank shall, to the extent practicable, protect itself against the risk of exchange rate losses.

Exchange rate risk
Exchange rate risk is the impact of unanticipated changes in foreign exchange rates on the Bank's assets and liabilities and on net interest income. The Bank measures and manages exchange rate risk in terms of the net nominal value of all assets and liabilities per currency on a daily basis (translation risk). The Board of Directors approves the limits for acceptable currency positions, i.e. the difference between assets and liabilities in a specific currency. The overnight exposure to any one currency may not exceed the equivalent of EUR 4 million. The currency positions are monitored against the established limits on a daily basis and reported regularly to the Finance Committee. NIB has filed proof of claims against the defaulted Icelandic banks. As a result of the filing, the claims were converted into ISK, which has caused a position in ISK exceeding the defined limit.

The Bank does not hedge future net interest income in foreign currency. Loans are provided primarily in euros, US dollars and Nordic currencies. Thus, 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 the Bank's total assets and equity.

Interest rate risk
Interest rate risk is the impact that fluctuations in market interest rates can have on the value of the Bank's interest-bearing assets and liabilities and on its net interest income. The Bank applies a set of limits and various tools to measure and manage interest rate risk. Maximum exposure limits are set by the Board of Directors. Compliance with these limits is monitored on a daily basis and reported regularly to the Finance Committee.

The Bank measures interest rate risk as the sensitivity of its interest income to a 1% change in interest rates. The Bank has defined both net and gross limits for the acceptable interest rate risk, with separate sub-limits for each individual currency. The limits are set in relation to the Bank's equity and they are adjusted annually. In 2010, the net limit was EUR 21 million, corresponding to approximately 1% of NIB's equity. At year-end 2010 the net interest rate risk was approximately EUR 7.6 million, or 36% of the limit (2009: EUR 7.0 million).

The Bank manages the interest rate risk in its own capital portfolio by means of modified duration. Modified duration measures how much the price of a security or portfolio of securities will change for a given change in interest rates. Generally, the shorter the duration, the less interest rate-sensitive the security. The current limit for the maximum modified duration of the own capital portfolio is set at 5.5 years.

Credit spread risk
The Bank is exposed to credit spread risk relating to the bonds held in its marked-to-market portfolios. Credit spread risk arises from changes in the value of debt instruments due to a perceived change in the credit quality of the issuers or underlying assets. The Bank manages the exposure to credit spread movements by calculating the sensitivity of the bonds in the marked-to-market portfolios to a 0.01% change in credit spreads. The Board of Directors sets the limit for maximum credit spread risk exposure. The limit, which is reviewed annually, is currently EUR 0.7 million. At year-end 2010, the exposure was EUR 0.39 million (year-end 2009: 0.45 million).

Value-at-Risk
The Bank monitors exchange rate risk and interest rate risk by calculating Value-at-Risk (VaR) for its investment portfolios, i.e. the own capital portfolio and the rate portfolio, as well as for the whole balance sheet. VaR estimates the potential future loss (in terms of market value) that will not be exceeded in a defined period of time and with a defined confidence level. For measuring value-at-risk, the Bank applies both a parametric method and the Monte Carlo method. Under the Monte Carlo method, simulations are made to estimate the sensitivity of the portfolios and the individual transactions to changes in the yield curve and exchange rates. The model is based on a 95% confidence level and a holding period of one day. At year-end 2010 the VaR of the own capital portfolio was EUR 6.1 million (2009: EUR 4.9 million).

Refinancing and reinvestment risk
Risk emanating from differences in the maturity profile of assets and liabilities is managed by monitoring against limits established for refinancing and reinvestment risk. Refinancing risk arises when long-term assets are financed with short-term liabilities. Reinvestment risk occurs when short-term assets are financed with long-term liabilities. Refinancing and reinvestment risk are measured by means of a sensitivity analysis. The analysis captures the impact on the Bank's net interest income over time of a 0.1% change in the margin on an asset or liability. The limits for refinancing and reinvestment risk are set by the Board of Directors in relation to the Bank's equity. The limits are reviewed annually. In 2010 the maximum limit for refinancing and reinvestment risk was EUR 31 million, approximately 1.5% of NIB's equity. At year-end 2010 the refinancing and reinvestment risk was calculated to EUR 20.6 million (year-end 2009: EUR 16.3 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. Liquidity risk is categorised into two risk types:

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

The Bank manages the above risks by retaining access to funding and by possessing liquid assets. The target is diversification of funding sources and maintenance of the highest possible rating by the international rating agencies. The available liquidity should be large enough to cover expected obligations, on a rolling basis, for the coming 12 months, but not be larger than the expected obligations for the next 18 months. The liquidity is managed by the Treasury Department in different portfolios with distinct objectives in accordance with the Bank's liquidity policy.

Operational risks

Operational risk can be broadly defined as any risk which is neither credit risk, market risk, strategic risk nor compliance risk. The Bank defines operational risk more precisely as the risk of direct or indirect losses or damaged reputation due to failure attributable to technology, employees, processes, procedures or physical arrangements, including external events and legal risks.

The Bank's status as an international organisation with immunities and privileges granted to the Bank and its personnel, and the fact that the Bank is neither bound by nor under the supervision of any national laws as such, results in a specific need to address potential risks by adopting an extensive set of guidelines, regulations, rules and instructions governing the activities of the Bank and its staff. The Bank's operational risk management policy is set by the Board of Directors. In 2010, the Bank adopted an operational risk management framework, which complements the policy and comprises 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.

Internal audit

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

(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.

	Lending	Asset and liability management	Portfolio management	Total	Lending	Asset and liability management	Portfolio management	Total
(Amounts in EUR 1,000)	**2010**	**2010**	**2010**	**2010**	**2009**	**2009**	**2009**	**2009**
Net interest income	**115,641**	**40,075**	**77,935**	**233,650**	**104,687**	**37,398**	**76,913**	**218,998**
Commission income and fees received	11,747	323	-	12,070	8,650	259	-	8,909
Commission expense and fees paid	-	-2,423	-	-2,423	-	-2,843	-	-2,843
Net profit on financial operations	343	38,956	18	39,317	-1	172,660	5,095	177,754
Foreign exchange gains and losses	-	2,822	-	2,822	-	-733	-	-733
Administrative expenses	-27,299	-1,201	-2,881	-31,381	-26,884	-989	-2,728	-30,601
Depreciation	-3,031	-1,193	-511	-4,735	-3,248	-1,278	-548	-5,074
Impairment of loans	-38,489	-	-	-38,489	-42,511	-	-	-42,511
Profit/loss for the year	**58,912**	**77,359**	**74,561**	**210,832**	**40,693**	**204,475**	**78,732**	**323,900**
Assets	**13,833,120**	**8,803,054**	**2,261,656**	**24,897,830**	**13,818,927**	**6,554,234**	**2,050,310**	**22,423,470**
Liabilities and equity	**13,833,120**	**8,803,054**	**2,261,656**	**24,897,830**	**13,818,927**	**6,554,234**	**2,050,310**	**22,423,470**

Geographical segments

The table below is based on the region where the borrowers reside, according to the domicile of the borrower's group headquarters.

	2010	**2009**
(Amounts in EUR 1,000)	**Net interest income**	**Net interest income**
Member countries		
Denmark	9,407	8,588
Estonia	1,854	1,497
Finland	24,865	18,829
Iceland	4,701	4,476
Latvia	3,834	2,872
Lithuania	1,448	804
Norway	12,952	11,882
Sweden	24,222	22,680
Total, member countries	**83,283**	**71,628**

Non-member countries		
Africa	2,145	2,247
Asia	9,204	9,359
Europe and Eurasia	11,568	11,659
Latin America	8,276	8,529
Middle East	1,165	1,265
Total, non-member countries	**32,358**	**33,059**
Total, net interest income from lending	**115,640**	**104,687**

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)	2010	2009
Interest income		
Cash and cash equivalents	15,675	28,800
Placements with credit institutions for more than 6 months	1,330	2,934
Debt securities	128,952	157,858
Loans outstanding	283,510	412,762
Other interest income	182	684
Total, interest income [1]	**429,649**	**603,038**
Interest expense		
Short-term amounts owed to credit institutions	3,519	9,355
Long-term amounts owed to credit institutions	1,627	3,276
Short-term repurchase agreements	-	476
Debts evidenced by certificates	776,577	737,855
Swap contracts and other interest expenses, net	-585,723	-366,921
Total, interest expense [2]	**195,999**	**384,040**

[1] Including interest income of financial assets recognised at amortised cost EUR 381,433 (530,433) thousand.
[2] Including interest expense of financial liabilities recognised at amortised cost EUR 195,988 (383,564) thousand.

(3) COMMISSION INCOME AND FEES RECEIVED

(Amounts in EUR 1,000)	2010	2009
Commitment fees	2,428	1,464
Loan disbursement fees	8,458	7,062
Guarantee commissions	70	93
Premiums on prepayments of loans	792	31
Commissions on lending of securities	323	259
Total, commission income and fees received	**12,070**	**8,909**

(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)	2010	2009
Bonds in trading portfolio, realised gains and losses	4,077	3,952
Floating Rate Notes in trading portfolio, realised gains and losses	2,224	-5,066
Derivatives in trading portfolio, realised gains and losses	-5,717	1,892
Financial instruments in trading portfolio, realised gains and losses, total	**584**	**777**
Bonds in trading portfolio, unrealised gains and losses [1]	164	6,379
Floating Rate Notes in trading portfolio, unrealised gains and losses [3]	22,698	120,598
Derivatives in trading portfolio, unrealised gains and losses [2]	3,735	8,501
Commercial paper in trading portfolio, unrealised gains and losses [1]	-171	264
Financial instruments in trading portfolio, unrealised gains and losses, total	**26,427**	**135,742**
Adjustment in fair value of hedged loans [2]	48,331	-892
Adjustment in fair value of derivatives hedging loans [2]	-47,676	-1,839
Adjustment in fair value of hedged debts evidenced by certificates [2]	-485,373	325,607
Adjustment in fair value of derivatives hedging debts evidenced by certificates [2]	489,746	-285,215
Adjustment to hedge accounting, unrealised gains and losses of fair value hedges, total	**5,029**	**37,661**
Repurchase of NIB bonds, other items	7,277	3,574
Total, net profit/loss on financial operations	**39,317**	**177,754**

[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).

(5) GENERAL ADMINISTRATIVE EXPENSES

(Amounts in EUR 1,000)	2010	2009
Staff costs	21,728	21,137
Wages and salaries	17,693	17,249
Social security costs	421	374
Other staff costs	3,614	3,514
Pension premiums in accordance with the Finnish state pension system	4,131	4,109
Other pension premiums	1,374	1,330
Office premises costs	1,304	1,262
ICT costs	2,538	2,403
Other general administrative expenses	7,852	7,389
Cost coverage, NDF and NEFCO	-835	-800
Cost coverage, rental income and other administrative income	-596	-609
Total	**37,496**	**36,221**
Host country reimbursement according to agreement with the Finnish Government	-6,115	-5,620
Net	**31,381**	**30,601**

Remuneration to the auditors		
Audit fee [1] [2]	133	254
Other audit-related service fee	-	4
Total remuneration	**133**	**258**

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

	2010	2009
Average number of employees [1]	173	173
Average age of employees	45	44
Average period (years) of employment	10	10

Distribution by gender at year-end		
All employees		
Females	82	88
Males	89	90
Management Committee (including the President)		
Females	1	1
Males	6	6
Professional staff		
Females	51	53
Males	73	73
Clerical staff		
Females	30	34
Males	10	11

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

Compensation for the Board of Directors, the Control Committee, the President and the Management Committee

Compensation for the Board of Directors (BoD) and the Control Committee (CC) is set by the Board of Governors (BoG). The compensation consists of a fixed annual remuneration and an attendee allowance. The members of the BoD and the CC are also entitled to the reimbursement of travel and accommodation expenses and a daily allowance in accordance with the Bank's travel policy.

The BoD makes decisions concerning the appointment and the remuneration of the President. The President is appointed on a fixed-term contract for five years at a time as a rule, but prolongation of the existing contract can also be made for a shorter period. The President decides upon the employment of the Management Committee (MC) members. The members of the MC 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 MC includes a fixed base salary and customary taxable benefits, which are in principle the same for all staff on the managerial level. In addition to this remuneration package, the members of the MC enjoy other benefits common to all staff (health care, supplementary group pension, 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 2010, 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 MC is presented in the table below:

(Amounts in EUR)	2010 Compensation/ Taxable income	2009 Compensation/ Taxable income
Board of Directors		
Chairman		
annual remuneration	13,258	13,258
attendee allowance	1,473	1,505
Other Directors and Alternates (15 persons)		
annual remuneration	76,245	75,136
attendee allowance	10,368	9,216
Control Committee		
Chairman		
annual remuneration	4,375	4,375
attendee allowance	430	430
Other members (9 persons)		
annual remuneration	15,581	15,719
attendee allowance	3,456	2,880
President	465,990	450,214
Members of the Management Committee (6 persons)	1,791,192	1,677,744

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 2010 was 17.8% of the pensionable income. The employee's pension contribution was either 4.5% or 5.7%, depending on the employee's age. NIB pays this contribution for the permanent staff and it is taxed as a benefit for the employee.

In addition to the VaEL Pension, the Bank has taken out a supplementary group pension insurance policy for all its permanently employed staff, including the President. This pension insurance is based on the principle of a defined contribution. The insurance premium, 6.5%, is calculated on the basis of the employee’s taxable income and paid until the age of 63.

Pension premiums paid for the President amounted to EUR 218,250 of which EUR 108,742 comprised supplementary pension premiums. The corresponding figures for the MC members were EUR 586,719 and EUR 190,976.

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 (1.25% in July–December 2010). The same interest rates, terms and conditions are applicable to all the employees of the Bank, including the President and the MC members.

As of 31 December 2010, there were no staff loans to the President or the MC members outstanding (-).

Additional benefits for expatriates

Professional staff (including Management Committee members) who move to Finland for the sole purpose of taking up employment in the Bank, are entitled to certain expatriate benefits, such as an expatriate allowance and a spouse/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 m^2. The Bank rents office space totalling 1,842 m^2 adjacent to its main office building. Furthermore, the Bank rents office space totalling 459 m^2 in the Nordic countries, Beijing and Moscow. A total of 2,196 m^2 is rented to external parties.

(6) IMPAIRMENT OF LOANS

(Amounts in EUR 1,000)	2010	2009
Credit losses from loans	-	16,630
Credit losses on receivables from defaulted lending counterparties	600	3,950
Allowances for impairment net change	38,820	39,631
Reversals of previously recorded allowances for credit losses	-931	-17,700
Impairment of loans and other assets	**38,489**	**42,511**

See also Note 8.

(7) FINANCIAL PLACEMENTS

The debt securities were issued by the following counterparties:

(Amounts in EUR million)	2010	2009
Governments	1,501	1,266
Public institutions	117	139
Other	3,457	4,254
Total, debt securities	**5,075**	**5,659**

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

	Book value		**Fair value**	
(Amounts in EUR million)	**2010**	**2009**	**2010**	**2009**
Trading portfolio	2,685	3,298	2,685	3,298
Held-to-maturity portfolio	2,390	2,361	2,409	2,390
Total, debt securities	**5,075**	**5,659**	**5,094**	**5,689**

Of these debt securities, EUR 2,568 (2,658) million is at fixed interest rates and EUR 2,507 (3,002) 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)	2010	2009	2008	1 Sep 2008
Book value	505	606	684	762
Fair value	483	585	630	715
Unrecognised adjustments to fair value	-22	-21	-54	-47

(Amounts in EUR million)	2010	2009	2008
Recognised interest income due to reclassification	-8.6	-8.6	-1.5
Change in unrecognised adjustment to fair value	-0.2	32.6	-7.3
Impact on profit if the reclassification had not been implemented	-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)	2010	2009
Ordinary Loans		
Investment loans in the member countries	10,920	10,841
Investment loans in other countries	486	429
Regional loans in the Nordic countries	6	9
Adjustment to hedge accounting	97	46
Total	**11,508**	**11,325**
Project Investment Loans (PIL)		
Africa	237	244
Asia	943	916
Europe and Eurasia	373	506
Latin America	522	563
Middle East	94	102
Adjustment to hedge accounting	-	2
Total	**2,170**	**2,334**
Environmental Investment Loans (MIL)	93	104
Total, loans outstanding	**13,771**	**13,763**

The figure for loans outstanding, EUR 13,771 (13,763) million, includes medium-term notes (MTN) of EUR 1,828 (1,929) 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 12,215 (12,476) million, while those at fixed interest rates amounted to EUR 1,459 (1,238) million. The nominal amount of the guarantee commitments under Ordinary Lending totalled EUR 8.3 (12.5) million as of 31 December 2010.

Impairment of loans and lending claims

A total of EUR 152.0 (101.3) million has been deducted from the Bank's loans outstanding and from lending claims in “other assets”. All allowances for impairment were specific allowances. The Bank recorded no collective allowances for impairments. On 31 December 2010, lending claims worth EUR 0.4 million were converted into debt securities under the item "financial placements" in the statement of financial position. On 31 December 2009, loans worth EUR 8.6 million were converted into investment property and shares under the item “Other financial placements” in the statement of financial position. The following changes in specific 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 allowances for impairment

(Amounts in EUR million)	2010	2009
Balance at 1 January	101.3	79.4
Allowances for impairment	56.6	44.0
Reversals of previously recorded allowances for impairment	-5.9	-22.1
Balance at 31 December	**152.0**	**101.3**

See also Note 6.

The distribution of allowances for impairment was as follows:

(Amounts in EUR million)	2010	2009
Distribution by loan facility		
Ordinary Loans	73.1	31.9
Project Investment Loans (PIL)		
Africa	-	-
Asia	-	-
Europe and Eurasia	9.0	9.2
Latin America	0.2	0.3
Middle East	-	-
Allowances for impairment, loans outstanding	**82.4**	**41.3**
Impairment losses on defaulted loan customers, other assets	**69.7**	**59.9**
Total	**152.0**	**101.3**

As of 31 December 2010 the Bank categorised two loans totalling EUR 22.1 million as non-performing. As of 31 December 2009 the Bank categorised three loans totalling EUR 24.1 million as non-performing.

As of 31 December 2010, loans agreed but not yet disbursed amounted to the following:

(Amounts in EUR million)	2010	2009
Loans agreed but not yet disbursed		
Ordinary Loans	646	286
Project Investment Loans	469	417
Environmental Investment Loans	64	63
Total, loans agreed but not yet disbursed	**1,179**	**765**

The amounts set forth above for loans agreed but not yet disbursed include loans in considerable amounts, where certain conditions, primarily interest rate conditions, may not yet have been finally approved.

Currency distribution of loans outstanding

(Nominal amounts in EUR million)	Ordinary loans 2010	Ordinary loans 2009	PIL loans 2010	PIL loans 2009	Total ¹ 2010	Total ¹ 2009
Currency						
Nordic currencies	3,445	3,325	-	-	3,445	3,325
EUR	6,836	6,981	650	731	7,535	7,771
USD	940	820	1,460	1,578	2,443	2,444
Other currencies	191	152	60	22	251	175
Total	**11,412**	**11,279**	**2,169**	**2,331**	**13,674**	**13,714**
Adjustment to hedge accounting	**97**	46	**-**	2	**97**	49
Total, loans outstanding	**11,508**	**11,325**	**2,170**	**2,334**	**13,771**	**13,763**

[1] The total amount also includes EUR 93 (104) million in Environmental Investment Loans (MIL).

Sectoral distribution (according to NACE standard)

(Amounts in EUR million)	2010	Share, in %	2009	Share, in %
Loans outstanding as of 31 December				
Manufacturing	4,013	29%	4,277	31%
Energy	4,335	31%	4,113	30%
Transport and communications	1,814	13%	1,976	14%
Trade and services	1,410	10%	1,306	10%
Banking and finance ²	832	6%	850	6%
Regional loans	6	-	9	-
Other	1,263	9%	1,184	9%
Adjustments to hedge accounting	97	1%	49	0%
Total	**13,771**	**100%**	**13,763**	**100%**
Loans disbursed				
Manufacturing	378	30%	307	16%
Energy	424	33%	565	29%
Transport and communications	161	13%	407	21%
Trade and services	73	6%	355	18%
Banking and finance ²	91	7%	75	4%
Other	147	12%	245	13%
Total	**1,274**	**100%**	**1,954**	**100%**

[2] Including the Bank's financial intermediaries.

Distribution of loans outstanding and guarantees by various types of security

The following table shows loans outstanding, including guarantee commitments, distributed by type of security:

(Amounts in EUR million)	Amount	Total amount	Share, in %
As of 31 December 2010			
Loans to or guaranteed by governments			
Loans to or guaranteed by member countries	340		
Loans to or guaranteed by other countries	1,502	1,842	13.5%
Loans to or guaranteed by local authorities in member countries		410	3.0%
Loans to or guaranteed by companies owned 50% or more by member countries or local authorities in member countries		638	4.7%
Loans to or guaranteed by banks		1,034	7.6%
Other loans			
Backed by a lien or other security in property	440		
With a guarantee from the parent company and other guarantees	1,393		
With a negative pledge clause and other covenants	7,913		
Without formal security	12	9,758	71.3%
Total		**13,683**	**100.0%**
Adjustment to hedge accounting		97	
Total, loans outstanding (including guarantees)		**13,780**	

(Amounts in EUR million)	Amount	Total amount	Share, in %
As of 31 December 2009			
Loans to or guaranteed by governments			
Loans to or guaranteed by member countries	340		
Loans to or guaranteed by other countries	1,483	1,823	13.3%
Loans to or guaranteed by local authorities in member countries		361	2.6%
Loans to or guaranteed by companies owned 50% or more by member countries or local authorities in member countries		727	5.3%
Loans to or guaranteed by banks		888	6.5%
Other loans			
Backed by a lien or other security in property	461		
With a guarantee from the parent company and other guarantees	1,670		
With a negative pledge clause and other covenants	7,793		
Without formal security	4	9,928	72.3%
Total		**13,727**	**100.0%**
Adjustment to hedge accounting		49	
Total, loans outstanding (including guarantees)		**13,775**	

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)	2010 Amount of guarantee	2010 Share, in %	2009 Amount of guarantee	2009 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)	2010 Amount of guarantee	2010 Share, in %	2009 Amount of guarantee	2009 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 5.2 (6.7) million.

(Amounts in EUR 1,000)	Computer software development costs, total 2010	Computer software development costs, total 2009
Intangible assets		
Acquisition value at the beginning of the year	17,920	15,415
Acquisitions during the year	1,197	2,505
Sales/disposals during the year	-	-
Acquisition value at the end of the year	**19,117**	**17,920**
Accumulated amortisation at the beginning of the year	11,216	8,599
Amortisation according to plan for the year	2,742	2,618
Accumulated amortisation on sales/disposals during the year	-	-
Accumulated amortisation at the end the of the year	**13,958**	**11,216**
Net book value	**5,158**	**6,703**

As of 31 December 2010, 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 25.7 (26.3) million.

The value of office equipment and other tangible assets is recognised at EUR 6.2 (7.1) million.

2010 (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	16,480	50,219
Acquisitions during the year	-	450	450
Sales/disposals during the year	-	-123	-123
Acquisition value at end of the year	**33,739**	**16,807**	**50,546**
Accumulated depreciation at the beginning of the year	7,409	9,353	16,762
Depreciation according to plan for the year	670	1,323	1,993
Accumulated depreciation on sales/disposals during the year	-	-97	-97
Accumulated depreciation at the end of the year	**8,079**	**10,579**	**18,658**
Net book value	**25,660**	**6,228**	**31,888**

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 2010, there were no indications of impairment of the intangible or tangible assets.

2009

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

(10) DEPRECIATION

(Amounts in EUR 1,000)	2010	2009
Intangible assets	2,742	2,618
Tangible assets	1,993	2,456
Buildings	670	670
Office equipment	1,322	1,786
Total	**4,735**	**5,074**

(11) OTHER ASSETS

Derivatives are included in "Other assets".

(Amounts in EUR million)	2010	2009
Interest rate swaps ¹	10,419	10,970
Currency swaps ²	19,655	16,682
Total, nominal amount	**30,075**	**27,653**
Netting of nominal amount per derivative	-28,325	-26,667
Derivative receivables, net	**1,750**	**986**
Adjustment to hedge accounting and changes in fair value of non-hedging derivatives	968	478
Derivative instruments	**2,718**	**1,464**
Receivables from defaulted counterparties	32	19
Other	5	10
Total	**2,755**	**1,493**

¹ Interest rate swaps at floating interest rates EUR 1,975 (2,837) million and fixed interest rates EUR 8,444 (8,133) million.
² Currency swaps at floating interest rates EUR 11,573 (9,379) million and fixed interest rates EUR 8,082 (7,303) 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)	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Currency						
USD	9,011	8,564	-5,989	-5,117	3,023	3,447
JPY	2,332	1,992	-2,278	-1,943	54	49
AUD	1,982	1,179	-1,982	-1,179	-	-
GBP	1,636	1,880	-1,634	-1,852	2	27
EUR	1,479	1,541	9,927	9,373	11,406	10,914
Nordic currencies	772	608	2,792	2,726	3,563	3,334
Other currencies	1,864	1,852	-1,668	-1,725	197	126
Total	**19,076**	**17,614**	**-832**	**283**	**18,244**	**17,897**
Adjustment to hedge accounting and changes in fair value of non-hedging derivatives	**868**	**383**	**-770**	**-325**	**99**	**58**
Total, borrowing outstanding	**19,944**	**17,998**	**-1,601**	**-43**	**18,343**	**17,955**

The table set forth above includes 282 (305) borrowing transactions in the equivalent amount of EUR 10,059 (9,030) million entered into under the Bank's euro medium-term note programme, 9 (10) borrowing transactions in the equivalent amount of EUR 6,822 (6,519) million under the Bank's US medium-term note programmes and 14 (12) borrowing transactions in the equivalent amount of EUR 1,632 (1,366) million under the Bank's Australian medium-term note programme. There where no borrowing transactions outstanding under the Bank's Swedish medium-term note programme during the years 2009 and 2010. The Bank has established a EUR 2,000 million commercial paper programme in Europe and another USD 600 million programme in the United States.

Of debt securities issued, the amount of EUR 2,465 (2,085) million is at floating interest rates, while EUR 16,380 (15,308) million is at fixed interest rates. Of the other borrowing transactions, the amount of EUR 87 (94) million is at floating interest rates, while EUR 144 (127) million, is at fixed interest rates.

(13) OTHER LIABILITIES

Derivatives are included in "Other liabilities":

(Amounts in EUR million)	2010	2009
Interest rate swaps [1]	10,390	10,942
Currency swaps [2]	18,849	16,991
Total, nominal amount	**29,239**	**27,933**
Netting of nominal amount per derivative	-28,320	-26,662
Derivative payables, net	**919**	**1,271**
Adjustment to hedge accounting and changes in fair value of non-hedging derivatives	198	153
Derivative instruments	**1,117**	**1,424**
Other	6	8
Total	**1,122**	**1,432**

[1] Interest rate swaps at floating interest rates EUR 8,687 (9,446) million and fixed interest rates EUR 1,703 (1,496) million.
[2] Currency swaps at floating interest rates EUR 18,588 (16,781) million and fixed interest rates EUR 261 (210) 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)	2010	Share, in %	2009	Share, in %
Member country				
Denmark	881.1	21.3	881.1	21.3
Estonia	30.2	0.7	30.2	0.7
Finland	765.8	18.5	765.8	18.5
Iceland	38.6	0.9	38.6	0.9
Latvia	43.9	1.1	43.9	1.1
Lithuania	67.8	1.6	67.8	1.6
Norway	793.1	19.1	793.1	19.1
Sweden	1,521.4	36.7	1,521.4	36.7
Total	**4,141.9**	100.0	**4,141.9**	**100.0**

In June 2010, the Board of Governors decided to increase the Bank's authorised capital by EUR 2 billion to EUR 6,141.9 million. The capital increase came into force on 16 February 2011 after all member countries had confirmed the increase. The increase will be allocated to the callable portion of the authorised capital stock.

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

(Amounts in EUR million)	2010	Share, in %	2009	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 2010, the Statutory Reserve amounted to EUR 683.0 million, or 16.5% of the Bank's authorised capital of EUR 4,141.9 million.

The General Credit Risk Fund recognised in “Equity” is built up by means of allocations from prior years' profits. This fund is established to cover unidentified, exceptional credit losses. The Statutory Reserve and the General Credit Risk Fund together constitute the Bank's general reserves. The General Credit Risk Fund amounted to EUR 550.8 million in 2010.

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 2010, 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 946.7 million as of 31 December 2010.

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, while Latvia is making its semi-annual instalments until 30 September 2012.

(16) COLLATERAL AND COMMITMENTS

Amounts in EUR million	2010	2009
Guarantees issued at nominal amount (Note 8)	8	12
Loans agreed but not yet disbursed (Note 8)	1,179	765
Borrowing commitments	374	-
Collateral provided for staff loans [1]	-	-
Securities as collateral for repurchase agreements [1]	-	-
Callable commitments in financial placements	56	63
Collateral with respect to derivatives exposure		
Collateral received [2]	1,341	616
Collateral given [1]	-	-

[1] Book value.
[2] Fair value.

(17) FAIR VALUE OF FINANCIAL INSTRUMENTS

(Amounts in EUR million)	2010 Carrying amount	2010 Fair value	2010 Difference	2009 Carrying amount	2009 Fair value	2009 Difference
Assets						
Cash accounts with banks [1]	14	14	-	9	9	-
Cash equivalents at fair value through profit or loss held for trading [1]	791	791	-	555	555	-
Other cash and cash equivalents held-to-maturity [2]	1,921	1,921	-	410	410	-
Cash and cash equivalents, total	**2,726**	**2,726**	**-**	**974**	**974**	**-**
Placements with credit institutions [2]	130	130	-	85	85	-
Debt securities at fair value through profit or loss held for trading [1] [3]	2,685	2,685	-	3,298	3,298	-
Other debt securities held-to-maturity [1]	2,390	2,409	19	2,361	2,390	29
Debt securities, total	**5,075**	**5,094**	**19**	**5,659**	**5,688**	**29**
Other financial placements available for sale [3]	26	26	-	20	20	-
Hedged loans outstanding in fair value hedging relationships [2]	1,548	1,548	-	1,376	1,376	-
Loans outstanding, other [2]	12,224	12,230	6	12,386	12,397	10
Loans outstanding, total	**13,771**	**13,778**	**6**	**13,763**	**13,773**	**10**
Hedging derivatives at fair value [2]	2,456	2,456	-	1,319	1,319	-
Other derivatives at fair value [2]	262	262	-	145	145	-
Derivatives at fair value, total	**2,718**	**2,718**	-	**1,464**	**1,464**	**-**
Receivables from defaulted counterparties at fair value [3]	32	32	-	19	19	-
			26			**39**

Liabilities						
Short-term amounts owed to credit institutions ²	1,131	1,131	-	452	452	-
Long-term amounts owed to credit institutions ²	144	144	-	201	201	-
Hedged debt securities issued in fair value hedging relationships ²	19,555	19,555	-	17,701	17,701	-
Other debt securities issued ²	155	155	-	74	75	-
Debt securities issued, total	**19,710**	**19,710**	**-**	**17,775**	**17,775**	**-**
Hedged other debt in fair value hedging relationships ²	232	232	-	222	222	-
Other debt ²	2	2	-	-	-	-
Other debt, total	**234**	**234**	**-**	**222**	**222**	**-**
Hedging derivatives at fair value ²	602	602	-	821	821	-
Other derivatives at fair value ²	515	515	-	603	603	-
Derivatives at fair value, total	**1,117**	**1,117**	**-**	**1,424**	**1,424**	**-**
			-			**-**
Net			**26**			**39**

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 2010 (Amounts in EUR million)	Level 1	Level 2	Level 3
Cash accounts with banks	14		
Cash equivalents at fair value through profit or loss held for trading	791		
Debt securities at fair value through profit or loss held for trading	2,622		63
Other financial placements available for sale			26
Hedged loans outstanding in fair value hedging relationships		1,548	
Derivatives		2,718	
Receivables from defaulted counterparties			32 [1]
Financial assets measured at fair value, total	**3,427**	**4,266**	**121**
Hedged debt securities issued in fair value hedging relationships		19,555	
Hedged other debt in fair value hedging relationships		232	
Derivatives		1,117	
Financial liabilities measured at fair value, total		**20,904**	

31 Dec 2009 (Amounts in EUR million)	Level 1	Level 2	Level 3
Cash accounts with banks	9		
Cash equivalents at fair value through profit or loss held for trading	555		
Debt securities at fair value through profit or loss held for trading	3,298		
Other financial placements available for sale			20 [2]
Hedged loans outstanding in fair value hedging relationships		1,376	
Derivatives		1,464	
Receivables from defaulted counterparties			19 [1]
Financial assets measured at fair value, total	**3,862**	**2,840**	**39**
Hedged debt securities issued in fair value hedging relationships		17,701	
Hedged other debt in fair value hedging relationships		222	
Derivatives		1,424	
Financial liabilities measured at fair value, total		**19,347**	

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

(18) MATURITY PROFILE

The table set forth below presents assets and liabilities according to their remaining maturities, calculated from closing date to maturity date. The possibility of prepayments is taken into consideration regarding derivative contracts and borrowing transactions. Loans outstanding, however, are reported according to the latest possible repayment date. Those assets and liabilities that do not have a contractual maturity date, as well as all value adjustments, are recognised in the “Undefined” column. See also Notes 11 and 13 and Financial Guidelines and Risk Management, Market Risk.

2010

(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	2,710	-	16	-	-	-	-	2,726
Financial placements								
Placements with credit institutions	60	35	33	-	-	-	3	130
Debt securities	423	256	532	2,848	804	279	-67	5,075
Other	-	-	-	-	-	-	26	26
	483	**291**	**565**	**2,848**	**804**	**279**	**-38**	**5,231**
Loans outstanding	204	252	934	6,025	5,015	1,245	97	13,771
Intangible assets	-	-	-	-	-	-	5	5
Tangible assets	-	-	-	-	-	-	32	32
Other assets								
Derivatives								
Receivables	3,446	293	143	12,297	3,451	2,575	968	23,173
Payables	-3,018	-239	-125	-11,781	-2,998	-2,294	-	-20,455
	428	**54**	**18**	**515**	**453**	**281**	**968**	**2,718**
Other assets	-	-	-	-	-	-	37	37
Payments to the Bank's reserves, receivable	-	-	-	-	-	-	5	5
Accrued interest and fees receivable	-	-	-	-	-	-	372	372
Total assets	**3,825**	**597**	**1,532**	**9,388**	**6,272**	**1,805**	**1,479**	**24,898**

Liabilities and equity								
Liabilities								
Amounts owed to credit institutions								
Short-term	1,125	6	-	-	-	-	-	1,131
Long-term	60	35	49	-	-	-	-	144
	1,185	**41**	**49**	**-**	**-**	**-**	**-**	**1,275**
Debts evidenced by certificates	3,865	568	1,258	10,184	2,737	465	868	19,944
Other liabilities								
Derivatives								
Receivables	-831	-153	-936	-3,968	-1,573	-407	-	-7,869
Payables	916	187	1,019	4,323	1,867	472	201	8,985
	85	**34**	**83**	**355**	**294**	**65**	**201**	**1,117**
Other liabilities	-	-	-	-	-	-	6	6
Accrued interest and fees payable	-	-	-	-	-	-	294	294
Total liabilities	**5,134**	**643**	**1,390**	**10,539**	**3,031**	**529**	**1,370**	**22,636**
Equity	-	-	-	-	-	-	2,262	2,262
Total liabilities and equity	**5,134**	**643**	**1,390**	**10,539**	**3,031**	**529**	**3,632**	**24,898**
Net during the period	-1,310	-46	143	-1,151	3,241	1,275	-2,152	-
Cumulative net during the period	-1,310	-1,356	-1,213	-2,364	877	2,152	-	-
Guarantee commitments	-	-	-	8	-	-	-	8

2009

(Amounts in EUR million)	Up to and including 3 months	Over 3 months and up to and including 6 months	Over 6 months and up to and including 1 year	Over 1 year and up to and including 5 years	Over 5 years and up to and including 10 years	Over 10 years	Undefined	Total
Assets								
Cash and cash equivalents	876	68	30	-	-	-	-	974
Financial placements								
Placements with credit institutions	27	8	48	-	-	-	2	85
Debt securities	778	497	427	3,051	690	297	-81	5,659
Other	-	-	-	-	-	-	20	20
	805	**505**	**475**	**3,051**	**690**	**297**	**-59**	**5,764**
Loans outstanding	218	296	694	5,815	5,466	1,226	49	13,763
Intangible assets	-	-	-	-	-	-	7	7
Tangible assets	-	-	-	-	-	-	33	33
Other assets								
Derivatives								
Receivables	593	934	2,765	9,078	3,502	2,511	479	19,862
Payables	-511	-909	-2,730	-8,779	-3,137	-2,332	-	-18,398
	81	**25**	**35**	**299**	**365**	**179**	**479**	**1,464**
Other assets	-	-	-	-	-	-	29	29
Payments to the Bank's reserves, receivable	-	-	-	-	-	-	18	18
Accrued interest and fees receivable	-	-	-	-	-	-	372	372
Total assets	**1,979**	**894**	**1,233**	**9,165**	**6,521**	**1,703**	**928**	**22,423**

Liabilities and equity								
Liabilities								
Amounts owed to credit institutions								
Short-term	445	7	-	-	-	-	-	452
Long-term	57	67	77	-	-	-	-	201
	502	**74**	**77**	**-**	**-**	**-**	**-**	**653**
Debts evidenced by certificates	857	1,522	2,578	9,415	2,668	575	383	17,998
Other liabilities								
Derivatives								
Receivables	-56	-520	-982	-4,665	-1,538	-508	-	-8,268
Payables	65	641	1,046	5,318	1,832	633	158	9,692
	10	**121**	**63**	**653**	**294**	**125**	**158**	**1,424**
Other liabilities	-	-	-	-	-	-	8	8
Accrued interest and fees payable	-	-	-	-	-	-	291	291
Total liabilities	**1,369**	**1,716**	**2,718**	**10,067**	**2,963**	**701**	**839**	**20,373**
Equity	-	-	-	-	-	-	2,050	2,050
Total liabilities and equity	**1,369**	**1,716**	**2,718**	**10,067**	**2,963**	**701**	**2,890**	**22,423**
Net during the period	611	-823	-1,485	-902	3,558	1,002	-1,962	-
Cumulative net during the period	611	-212	-1,697	-2,599	960	1,962	-	-
Guarantee commitments	-	-	-	12	-	-	-	12

(19) INTEREST RATE RISK

Interest rate risk is the impact that fluctuations in market interest rates can have on the value of the Bank's interest-bearing assets and liabilities and on the interest income recognised in the statement of comprehensive income. The table below provides information on the extent of the Bank's interest rate exposure. The assets and liabilities are grouped into brackets defined by their time to maturity or the date of the interest rate adjustment. The difference, or gap, between assets and liabilities in each time bracket makes the Bank sensitive to interest rate fluctuations. See also Financial Guidelines and Risk Management, Market Risk.

2010

(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	2,710	-	16	-	-	-	-	2,726
Financial placements								
Placements with credit institutions	60	35	33	-	-	-	3	130
Debt securities	2,652	119	175	1,234	682	279	-67	5,075
Other	-	-	-	-	-	-	26	26
	2,712	**154**	**208**	**1,234**	**682**	**279**	**-38**	**5,231**
Loans outstanding	5,595	6,551	143	555	472	358	97	13,771
Intangible assets	-	-	-	-	-	-	5	5
Tangible assets	-	-	-	-	-	-	32	32
Other assets								
Derivatives								
Receivables ¹	12,543	4,191	999	8,591	2,429	1,321	968	31,042
Other assets	-	-	-	-	-	-	37	37
Payments to the Bank's reserves, receivable	-	-	-	-	-	-	5	5
Accrued interest and fees receivable	-	-	-	-	-	-	372	372
Total assets	**23,559**	**10,897**	**1,366**	**10,380**	**3,583**	**1,958**	**1,479**	**53,222**

Liabilities and equity								
Liabilities								
Amounts owed to credit institutions								
Short-term	1,125	6	-	-	-	-	-	1,131
Long-term	60	35	49	-	-	-	-	144
	1,185	**41**	**49**	**-**	**-**	**-**	**-**	**1,275**
Debts evidenced by certificates	4,797	999	1,190	9,340	2,497	252	868	19,944
Other liabilities								
Derivatives								
Payables [1]	21,281	6,112	55	871	534	385	201	29,441
Other liabilities	-	-	-	-	-	-	6	6
Accrued interest and fees payable	-	-	-	-	-	-	294	294
Total liabilities	**27,263**	**7,153**	**1,294**	**10,211**	**3,031**	**637**	**1,370**	**50,960**
Equity	-	-	-	-	-	-	2,262	2,262
Total liabilities and equity	**27,263**	**7,153**	**1,294**	**10,211**	**3,031**	**637**	**3,632**	**53,222**
Net during the period	-3,704	3,744	72	169	551	1,321	-2,152	-
Cumulative net during the period	-3,704	40	112	280	832	2,152	-	-
Guarantee commitments	-	-	-	8	-	-	-	8

2009

(Amounts in EUR million)	Up to and including 3 months	Over 3 months and up to and including 6 months	Over 6 months and up to and including 1 year	Over 1 year and up to and including 5 years	Over 5 years and up to and including 10 years	Over 10 years	Undefined	Total
Assets								
Cash and cash equivalents	876	68	30	-	-	-	-	974
Financial placements								
Placements with credit institutions	27	8	48	-	-	-	2	85
Debt securities	3,390	125	189	1,219	521	297	-81	5,659
Other	-	-	-	-	-	-	20	20
	3,416	**133**	**237**	**1,219**	**521**	**297**	**-59**	**5,764**
Loans outstanding	5,251	6,729	598	376	560	200	49	13,763
Intangible assets	-	-	-	-	-	-	7	7
Tangible assets	-	-	-	-	-	-	33	33
Other assets								
Derivatives								
Receivables [1]	8,422	4,947	2,065	8,468	2,414	1,336	479	28,130
Other assets	-	-	-	-	-	-	29	29
Payments to the Bank's reserves, receivable	-	-	-	-	-	-	18	18
Accrued interest and fees receivable	-	-	-	-	-	-	372	372
Total assets	**17,965**	**11,877**	**2,930**	**10,063**	**3,495**	**1,834**	**928**	**49,090**

Liabilities and equity								
Liabilities								
Amounts owed to credit institutions								
Short-term	445	7	-	-	-	-	-	452
Long-term	57	67	77	-	-	-	-	201
	502	**74**	**77**	**-**	**-**	**-**	**-**	**653**
Debts evidenced by certificates	1,575	1,909	2,417	8,958	2,493	262	383	17,998
Other liabilities								
Derivatives								
Payables [1]	18,568	7,675	25	764	505	396	158	28,091
Other liabilities	-	-	-	-	-	-	8	8
Accrued interest and fees payable	-	-	-	-	-	-	291	291
Total liabilities	**20,646**	**9,658**	**2,519**	**9,721**	**2,998**	**658**	**839**	**47,040**
Equity	-	-	-	-	-	-	2,050	2,050
Total liabilities and equity	**20,646**	**9,658**	**2,519**	**9,721**	**2,998**	**658**	**2,890**	**49,090**
Net during the period	-2,681	2,218	411	341	497	1,175	-1,962	-
Cumulative net during the period	-2,681	-462	-52	289	787	1,962	-	-
Guarantee commitments	-	-	-	12	-	-	-	12

[1] *Swaps are not netted.*

(20) CURRENCY RISK

NIB's operations are mostly in euro and US dollars. The table below shows the net of assets and liabilities of the major currencies.

See also Financial Guidelines and Risk Management, Market Risk.

Net currency position as of 31 December 2010:

(Amounts in EUR million)	EUR	USD	GBP	JPY	SEK	Other currencies	Fair value adjustments and swap netting	Total
Assets								
Cash and cash equivalents	2,491	118	1	1	45	70	-	2,726
Financial placements								
Placements with credit institutions	130	-	-	-	-	-	-	130
Debt securities	4,448	626	-	-	-	1	-	5,075
Other financial placements	26	-	-	-	-	-	-	26
	4,604	**626**	**-**	**-**	**-**	**1**	**-**	**5,231**
Loans outstanding	7,535	2,443	1	53	1,900	1,741	97	13,771
Intangible assets	5	-	-	-	-	-	-	5
Tangible assets	32	-	-	-	-	-	-	32
Other assets								
Derivatives	-9,927	5,989	1,634	2,279	-1,762	2,618	1,886	2,718
Other assets	5	11	-	-	-	21	-	37
	-9,921	**5,999**	**1,634**	**2,279**	**-1,762**	**2,639**	**1,886**	**2,755**
Payments to the Bank's reserves, receivable	5	-	-	-	-	-	-	5
Accrued interest and fees receivable	124	126	22	15	10	95	-20	372
Total assets	**4,876**	**9,313**	**1,658**	**2,347**	**193**	**4,547**	**1,963**	**24,898**

Liabilities and equity								
Liabilities								
Amounts owed to credit institutions								
Short-term amounts owed to credit institutions	951	180	-	-	-	-	-	1,131
Long-term amounts owed to credit institutions	144	-	-	-	-	-	-	144
	1,095	**180**	**-**	**-**	**-**	**-**	**-**	**1,275**
Debts evidenced by certificates								
Debt securities issued	1,417	8,936	1,636	2,240	186	4,429	865	19,710
Other debt	62	75	-	92	-	2	3	234
	1,479	**9,011**	**1,636**	**2,332**	**186**	**4,431**	**868**	**19,944**
Other liabilities								
Derivatives	-	-	-	-	-	-	1,117	1,117
Other liabilities	6	-	-	-	-	-	-	6
	6	**-**	**-**	**-**	**-**	**-**	**1,117**	**1,122**
Accrued interests and fees payable	59	119	22	15	7	93	-20	294
Total liabilities	**2,638**	**9,310**	**1,658**	**2,347**	**193**	**4,525**	**1,965**	**22,636**
Equity	2,051	-	-	-	-	-	-	2,051
Total liabilities and equity	**4,689**	**9,310**	**1,658**	**2,347**	**193**	**4,525**	**1,965**	**24,687**
Net of assets and liabilities as of 31 Dec 2010	**187**	**3**	**-**	**1**	**-**	**22**	**-2**	**211**

Net currency position as of 31 December 2009:

(Amounts in EUR million)	EUR	USD	GBP	JPY	SEK	Other currencies	Fair value adjustments and swap netting	Total
Assets								
Cash and cash equivalents	674	282	1	-	5	11	-	974
Financial placements								
Placements with credit institutions	80	-	-	-	-	5	-	85
Debt securities	4,939	720	-	-	-	1	-	5,659
Other financial placements	20	-	-	-	-	-	-	20
	5,039	**720**	**-**	**-**	**-**	**6**	**-**	**5,764**
Loans outstanding	7,771	2,444	1	48	1,783	1,668	49	13,763
Intangible assets	7	-	-	-	-	-	-	7
Tangible assets	33	-	-	-	-	-	-	33
Other assets								
Derivatives	-9,414	5,084	1,880	1,951	-1,774	1,992	1,745	1,463
Other assets	10	7	-	-	-	11	-	29
	-9,404	**5,091**	**1,880**	**1,951**	**-1,774**	**2,004**	**1,745**	**1,492**
Payments to the Bank's reserves, receivable	18	-	-	-	-	-	-	18
Accrued interest and fees receivable	134	116	32	16	7	91	-23	372
Total assets	**4,271**	**8,652**	**1,914**	**2,016**	**20**	**3,780**	**1,770**	**22,423**

Liabilities and equity								
Liabilities								
Amounts owed to credit institutions								
Short-term amounts owed to credit institutions	438	4	-	-	-	10	-	452
Long-term amounts owed to credit institutions	196	-	-	-	-	5	-	201
	634	**4**	**-**	**-**	**-**	**15**	**-**	**653**
Debts evidenced by certificates								
Debt securities issued	1,479	8,494	1,880	1,902	16	3,623	383	17,775
Other debt	62	69	-	90	-	-	1	222
	1,541	**8,564**	**1,880**	**1,992**	**16**	**3,623**	**383**	**17,998**
Other liabilities								
Derivatives	-	-	-	-	-	-	1,424	1,424
Other liabilities	8	-	-	-	-	-	-	8
	8	**-**	**-**	**-**	**-**	**-**	**1,424**	**1,432**
Accrued interests and fees payable	63	108	32	16	4	90	-23	291
Total liabilities	**2,246**	**8,676**	**1,911**	**2,008**	**20**	**3,728**	**1,784**	**20,374**
Equity	1,726	-	-	-	-	-	-	1,726
Total liabilities and equity	**3,972**	**8,676**	**1,911**	**2,008**	**20**	**3,728**	**1,784**	**22,100**

Net of assets and liabilities as of 31 Dec 2009	**299**	**-24**	**3**	**8**	**-**	**52**	**-14**	**323**

(21) AVERAGE STATEMENT OF FINANCIAL POSITION

(Amounts in EUR million)	2010	2009
Assets		
Cash and cash equivalents	2,924	1,878
Financial placements		
Placements with credit institutions	131	96
Debt securities	5,236	5,060
Other	24	15
	5,391	**5,171**
Loans outstanding	13,883	13,499
Intangible assets	6	6
Tangible assets	33	34
Other assets		
Derivatives	2,314	1,597
Other assets	37	15
	2,351	**1,612**
Payments to the Bank's reserves, receivable	11	24
Accrued interest and fees receivable	377	368
Total assets	**24,975**	**22,592**

Liabilities and equity		
Liabilities		
Amounts owed to credit institutions		
Short-term amounts owed to credit institutions	1,089	684
Long-term amounts owed to credit institutions	178	142
	1,267	**826**
Repurchase agreements	-	20
Short-term debt	9	12
Debts evidenced by certificates		
Debt securities issued	19,982	17,778
Other debt	238	232
	20,221	**18,010**
Other liabilities		
Derivatives	1,018	1,519
Other liabilities (incl.exchange rate adjustments)	7	7
	1,025	**1,526**
Accrued interest and fees payable	302	305
Total liabilities	**22,824**	**20,699**
Equity	2,151	1,893
Total liabilities and equity	**24,975**	**22,592**

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

(22) RELATED PARTY DISCLOSURES

The Bank provides services to and enters into transactions with the Nordic Development Fund (NDF) and the Nordic Environment Finance Corporation (NEFCO), which have for the most part the same owners as NIB. The following table shows the outstanding balance of amounts owed to NDF and NEFCO and the interest paid during the year. The interest paid to these institutions is at normal commercial rates.

(Amounts in EUR 1,000)	Interest from related parties	Interest to related parties	Amounts owed by related parties as of 31 Dec	Amounts owed to related parties as of 31 Dec
2010	-	1,442	65	194,517
2009	-	3,896	112	202,489

Rental income (NDF, NEFCO)

(Amounts in EUR 1,000)	NDF	NEFCO
2010	114	184
2009	114	152

(23) CASH FLOW STATEMENT

Specification of the change in net liquidity on 31 December:

(Amounts in EUR 1,000)	2010	2009
Cash and balances with banks [1]	14,400	9,072
Short-term placements with credit institutions	2,711,170	964,765
Cash and cash equivalents	**2,725,570**	**973,837**
Short-term amounts owed to credit institutions	-1,131,200	-452,395
Net liquidity	**1,594,370**	**521,442**
Change in net liquidity	**1,072,929**	**-840,249**

[1] Including an initial margin requirement of EUR 2,660 (2,078) thousand for futures on 31 December.

(24) EXCHANGE RATES

	EUR rate on 31 Dec 2010	EUR rate on 31 Dec 2009
DKK Danish Krone	7.4535	7.4418
EEK Estonian Kroon	15.6466	15.6466
ISK Icelandic Króna	153.1[1]	178.87[1]
LVL Latvian Lats	0.7094	0.7093
NOK Norwegian Krone	7.8	8.3
SEK Swedish Krona	8.9655	10.252
ARS Argentine Peso	5.28036[2]	5.4376 [2]
AUD Australian Dollar	1.3136	1.6008
CAD Canadian Dollar	1.3322	1.5128
CHF Swiss Franc	1.2504	1.4836
CZK Czech Koruna	25.061	26.473
GBP Pound Sterling	0.86075	0.8881
HKD Hong Kong Dollar	10.3856	11.1709
JPY Japanese Yen	108.65	133.16
MXN Mexican Peso	16.5475	18.9223
NZD New Zealand Dollar	1.72	1.9803
PLN Polish Zloty	3.975	4.1045
RUB Russian Rouble	40.82	43.154
SDR Special Drawing Right	0.86232 [3]	0.91893 [2]
SGD Singapore Dollar	1.7136	2.0194
TRY New Turkish Lira	2.0694	2.1547
TWD New Taiwan Dollar	38.72[2]	45.45 [2]
USD United States Dollar	1.3362	1.4406
ZAR South African Rand	8.8625	10.666

[1] Reuters closing per 31 December.
[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 closing per 30 December 2010.

(25) POST-BALANCE SHEET EVENTS

The Nordic Investment Bank's authorised capital totals EUR 6,142 million as of 16 February 2011. The decision of the Board of Governors to increase the Bank's capital base by EUR 2 billion came into force after all member countries confirmed the increase. The capital increase has been allocated to the callable portion of the authorised capital stock.

On 3 March 2011, the Board of Directors reviewed and signed the financial statements.

These financial statements will be submitted for approval to the Annual Meeting of the Board of Governors to be held on 12 May 2011.

Auditors' reports

INDEPENDENT AUDITORS' REPORT TO THE CONTROL COMMITTEE OF THE NORDIC INVESTMENT BANK

In our capacity as auditors appointed by the Control Committee of the Nordic Investment Bank we have audited the accompanying financial statements of the Bank, which comprise the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

The Board of Directors' and the President's responsibility for the financial statements

The Board of Directors and the President are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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 of 31 December 2010, 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, 4 March 2011

Sixten Nyman
Authorised Public Accountant

KPMG Oy Ab
Mannerheimintie 20 B
00100 Helsinki
Finland

Per Gunslev
State Authorised Public Accountant

KPMG, Statsautoriseret Revisionspartnerselskab
Borups Allé 177
2000 Frederiksberg
Denmark

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 2010, 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 4 March 2011. 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 4 March 2011 by the authorized 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 2010 and of its results and financing in 2010. The Income Statement shows a profit of EUR 210,832,171.72 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 Income Statement and the Balance Sheet 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, 4 March 2011

Hannu Riippi

Hans Frode Asmyhr

Per Bisgaard

Alina Brazdilienė

Johan Linander

Tuula Peltonen

Ragnheiður Ríkharðsdóttir

Taavi Rõivas

Viesturs Silenieks

Toomas Vapper